



OCMA - STRAIGHT TALK

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2005 Poses Legislative Challenges

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As we embark on what I believe will be one of the most difficult state budgets in years, I want to provide you with a brief overview of what may occur in the coming months. As you will note, there are so many uncertainties going into this two-year cycle that it is almost impossible to predict the future. However, one fact is certain - taxes will rise - and the state WILL expand the state sales tax to include more services. During initial discussion with administration and legislative leaders, the coin machine industry (AT THIS TIME) is NOT on their radar screen. Nevertheless, we will only "believe it when we see it". OCMA will remain vigilant concerning the issue of expanding the sales tax to include the coin machine industry and will notify you if we need you to lobby key legislators. In the meantime, continue to keep in touch with your state senator and state representative.

Budget Season Open Soon.

On or about January 31st, Governor Taft will submit his proposals for the 2006-2007 biennial budget. In short order, legislation will be introduced in the House of Representatives to embody those proposals in bill form. Then the process of enacting new biennial appropriations will begin. Since the current appropriation measures expire on June 30, the General Assembly and the Governor have about five months to put the new fiscal program into place. Hopefully, this synopsis paints a picture of the backdrop against which this year's budget deliberations will play:

Major Issues

State Government Operations.

The biennial budget bill addresses the funding of State government operations. (It does not include treatment of capital improvement spending and highway spending. Separate legislation covers those topics.) This year's budget will develop in a context defined by four major issues related to State revenues and expenditures. These issues include: the on-going need to address school funding problems, business tax restructuring, shortfalls in revenue needed to fund the current budget, and the need to control Medicaid expenditure increases.

Sometimes these issues interact directly with one another. An example occurs where efforts to restructure school funding at the local level involve the personal property tax as do efforts to restructure business taxes. In other situations, indirect interactions may occur. For example, any success in the achievement of Medicaid savings will benefit the competition between school funding claims, costs of business tax restructuring, and the need to fill holes in the existing revenue structure.

To appreciate the full picture of the coming budget process will require an observer to track developments in all of these major issues simultaneously and to understand how these developments may interact. The following will provide you with some brief background on each issue. **(Continued on Page 2)**

SERVICE

INTEGRITY

DEPENDABILITY

School Funding Reform

Funding for primary and secondary education is the second largest area of Ohio's budget, behind only Medicaid. The Governor's blue ribbon task force on education funding recently completed its work. The panel's deliberations included the identification of the need for additional funding for economically disadvantaged pupils and the need for changes to address problems caused by the current interaction between the HB 920 tax reduction factor and the school funding formulas. This problem is often called the "phantom revenue" problem.

The number of proposed tax levies for school operations reached its highest level in the past 20 years in 2004. A consensus appears to have emerged among education policymakers that the current system's enforced requirement to obtain voter approval to maintain existing education programs does interfere with the efficient delivery of education services. The changes needed to fix the existing system probably will require constitutional changes.

Other efforts to restructure State aid to schools will likely impose additional costs. Examples include more funds for economically disadvantaged pupils, full funding of special education and parity aid programs, and reductions in reliance upon the personal property tax on business. While the redeployment of some existing funds, such as current expenditures based on the cost of doing business, may pay for some of these additional requirements, the necessity to cushion restructuring measures will hold harmless or guarantee transitions also will cost money in the short run.

Another unpredictable factor to be considered is the explosion of the charter school movement and its ultimate impact on public schools.

Business Tax Reform

The tangible personal property tax on business provides Ohio's largest source of business tax revenue. Personal property taxes on general business account for about \$1.8 billion and personal property taxes on public utilities account for another \$700 million. While wide agreement appears to exist that personal property taxes have become less and less consistent with a modern tax structure, the prospect of replacing \$2 billion to \$2 1/2 billion with some other source of tax revenue has made tax restructuring a difficult problem.

In addition, the State corporate franchise tax has drawn criticism for its complexity and unreliability as a revenue source. The inclusion of the franchise tax in any tax restructuring would add an additional replacement cost of \$700 to \$800 million.

State Budget Shortfall

The current budget appropriations total about \$20 billion for fiscal year 2004 and project about \$21 billion for fiscal year 2005. The revenue to fund these expenditures includes about \$4 billion of temporary taxes or other non-recurring revenue sources obtained over the 2004-2005 biennium. Specifically, the State used the following one-time revenue sources to balance the current budget:

1 cent sales tax (expires June'05)	\$ 2.6 billion
Tobacco Trust Funds	\$ 234 million
Transfer from local government funds	\$ 297 million
Federal fiscal relief	\$ 776 million

(These dollar amounts combine both years of the current biennium.) **(continued on Page 3)**

Even if the budget for 2006-2007 did not involve any increase in expenditures at all, the State still would need to fund replacement revenues for these temporary measures from the current budget.

Medicaid Expenditures

When Medicaid - the federally mandated (and underfunded) assistance program - is included, it is the largest expenditure in Ohio's budget at slightly more than \$9 billion. Consequently, high rates of growth in Medicaid costs from year to year have a tremendous impact on the entire budget. Between the beginning of the last biennium in Fiscal Year 2002 and the end of the current biennium in Fiscal Year 2005, the annual cost of Medicaid expenditures in the budget have increased by nearly \$ 1 billion, although the increase from FY 2004 to FY 2005 accounted for only about \$150 million of that increase. Increases in Medicaid costs will likely draw a lot of attention as the General Assembly and the administration grapple with the budget for the next two years. Just as a special panel will recommend reforms in the State's education funding system, the Ohio Commission to Reform Medicaid will also issue a series of recommendations in time for consideration in the budget deliberations.

Conclusion

In 2005, our state faces its most daunting budget-making task in more than 20 years. Ohio's economy has lagged behind other states in recovering from the 2001 recession. Employment numbers have not recovered as robustly as in other states. Major problems remain in the school funding system, tax structure, and the Medicaid cost structure. Temporary fixes used to bridge budget gaps in the current budget have compounded the difficulty of addressing even larger gaps in the coming biennium. If the budget-making process were rated like white water rivers, it appears that on a scale of 1 (easy) to 6 (extreme and exploratory), between now and June 30th, Ohio will enjoy a class 6 experience in "white water budgeting".

If you have any suggestions/comments/questions call the OCMA office.

2005 Membership Roll of Honor Report #2



As previously reported, the strength of any organization is gauged by the quality and quantity of its members. We are proud to recognize these additional firms who have remitted their 2005 dues and to enter their names on the 2005 Membership Roll of Honor:

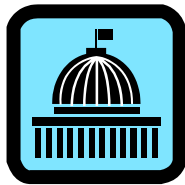
- Alexander Music Co.** (Dave Alexander, Youngstown)
- Elum Music Company** (George, Phillip & Tommy Elum, Massillon)
- Fairfield Vending** (Tom Fernow, Lancaster)
- J & S Electronics** (Mike Musser, St. Marys)
- Laughlin Music & Vending** (Harold Laughlin, Athens)
- Lorain Music & Vending** (Richard and Michael Zappa, Amherst & Crestline)
- M & G Vending** (Mel Cohen, Toledo)
- Point Vending, Inc.** (Darrell Wolford, Huntsville)

Look for more names in February's **Straight Talk** and in subsequent issues.

Cleveland Coin & Shaffer Distributing Merging Offices in Three States

Ohio's Cleveland Coin Machine and Shaffer Distributing announced they will be consolidating their distributor operations in northeastern Ohio, western Pennsylvania and Michigan. Ron Gold, Chairman of Cleveland Coin and selected key personnel will join Shaffer's expanding distributorship at a new, larger facility located in the Cleveland area. Cleveland Coin's remaining distribution offices in Michigan and western Pennsylvania will be run under the auspices of Shaffer's headquarters in Columbus. This acquisition brings Shaffer's total number of distribution offices to six. Cleveland Coin, however, will retain its institutional route operations (i.e., amusement parks, hotels, water parks, etc.) at its current Cleveland office according to Cleveland Coin President Herman Fox.

Statehouse Buzz



A Gross Receipts Tax may be proposed in the Governor's State of the State Address on February 8th. This tax, in addition to a major overhaul of Ohio's business tax structure, will be one of the **MANY** hot issues debated during upcoming budget deliberations to fill an estimated **\$5 billion** shortfall.

There is strong speculation that Governor Taft's budget bill will include a 45 cent per pack cigarette tax increase.

Statewide Smoking Legislation also is being discussed as OCMA and Hospitality Coalition Members continue to assess the legislative climate concerning this important issue.

The Attitude of the Individual Determines The Attitude of the Group

Unknown

Workers' Comp Premiums to Fall

It was announced December 17th that Ohio employers will save \$237 million in workers' compensation premiums as a result of a 20 percent discount on their upcoming bills. This is the second consecutive year the one-time dividend was approved by the Ohio Workers' Compensation Oversight Commission.

If you still have not checked out OCMA's workers comp program please call the Client Services Department—Customer Service Hotline at **Frank Gates Service Company, 1-800-395-4119** today. Tell them you are an OCMA member.

Get Well Soon, Norm!

Norman Quincy (Dixie Music Co., Hamilton) suffered a heart attack and underwent a quadruple by-pass in late 2004.

Please send your get well wishes to:
Norman Quincy
c/o Dixie Music Company
363 N. 7th St.
Hamilton, OH 45011

The Latest Tobacco News

Heath, Granville and Newark Look at Regional Ban

More and more, public sentiment seems to be moving in favor of public smoking bans. For example, a recent on-line poll in the **Newark Advocate** showed 58.6 percent of the 2630 participants in favor of a ban on public smoking. Licking County plans to take on the issue early this year when the city or village councils of Newark, Heath and Granville will consider ordinances fashioned by attorney J. Gilbert Reese and supported by the Licking County Board of Health and the Licking County Tobacco-Free Coalition.

The ordinance local councils will consider would eliminate smoking in all indoor public places, including restaurants, bowling centers, and fraternal organizations within the communities.

Newark's Mayor, a smoker himself, says he won't take a stand either way but he feels Council will oppose it. Heath's Mayor says he supports the smoking restrictions and he believes Heath Council will, too.

Cleveland - OCMA member Joe Abraham (Priority Vending Service) has informed OCMA that the Cleveland Small Business Coalition founder Gary Nolan has been asked to speak at The City Club, a noted Cleveland forum for dignitaries to air their opinions and viewpoints. They will be participating in a debate sometime in February to discuss the degenerative effects that a smoking ban will have on Cleveland area businesses. The Coalition is comprised of small business owners (i.e., vending, night club, tavern, restaurant and hotel owners who feel that a total smoking ban would be detrimental to Cleveland's economy.

Jukebox License Fees Rise in 2005

According to the Jukebox License Office (JLO), the agency that administers the Jukebox License Agreement for ASCAP, BMI and SESAC, jukebox license fees will increase 3.5% in 2005.

The license fee on the first jukebox—for both members and non-members of AMOA will be \$383 (up \$12 from 2004). Additional licenses are priced at \$88 each, with AMOA members paying a discounted fee of \$64 (compared to \$62 in 2004). To qualify for the special rate, an operating company must be a current (2005) member of AMOA and must write their identification number on the license application submitted to JLO. (The ID number is located on the member verification page of each operator's AMOA 2005 renewal notice.)

The JLO's renewal deadline for all jukeboxes in operation is March 15; the agency will strictly enforce its policy on giving license discounts only to those whose AMOA membership and Jukebox License fees are paid by this deadline. Failure to pay by the deadline will result in the loss of an operator's AMOA discount and may trigger late charges. If you have questions contact JLO at 1-800-955-5853 or online at www.jukeboxlicense.com,



Have You Signed Up?

In December, OCMA announced its newest member benefit program - Super Fleet a program that will help you save on your fuel costs.

Speedway's Super Fleet program allows you to accumulate gallons per month as a member of the OCMA group. You will have the opportunity to save up to 4 cents per gallon on all fuel purchases. There is no minimum purchase required per individual account.

Your Super Fleet account will allow: (1) Separate vehicle, driver and/or departments activity (2) Track miles driven and miles per gallon (3) Determine fuel cost per mile and (4) Reduce your bookkeeping/accounting expenses. In addition, you will qualify for discounted oil changes and car wash programs as well as have access to an experienced Customer Services staff. The program is now accepted at over 5,500 locations. Even if you now have your own super fleet membership you can become a member of the OCMA program **without** losing anything you have accumulated to date.

If you have not taken time to read the materials sent you in December, read them **TODAY**, complete the application form and put it in the mail. You have nothing to lose and everything to gain. Call the OCMA office if you have questions or misplaced the documents sent you last month.

OCMA Scholarship Fund . . . Now is the time to make your contribution to the OCMA Scholarship Fund. The Scholarship Fund is a Non-Profit Corporation, established under Ohio law and officially recognized by the IRS as a 501(c)(3) Charitable Education Foundation. This recognition allows the Fund to accept donations from both Private individuals, companies and corporations.



All donations are tax deductible.

Included with this issue of **Straight Talk** is (1) a Scholarship Donation Form and (2) a Scholarship Application (additional forms available upon request). We ask that you make your employees aware of the scholarship program and encourage them to have their family member(s) submit an application for consideration. **Deadline for submitting applications is June 30, 2005.**

Scholarships are awarded annually on a non-discriminatory basis according to the following criteria: (1) academic quality of the student, (2) leadership abilities, (3) financial need, (4) is applicant working in the industry?, (5) is applicant a family member of someone working in the industry?. (6) is applicant recommended by an OCMA member?

Since its inception in 1997, OCMA has been able to award two \$500 scholarships each year. Won't you help us help a deserving student?



Blogging the Information Highway

(Editor's Note: The following article appeared in an Ohio School Boards Association (OSBA) publication. It is printed with the express permission of its author, Jeff Chambers (OSBA Director of Communication & Information Services). We thank Mr. Chambers for helping us to keep our readers abreast of the latest IT innovation - **"blogging"**.

You many have recently heard the term blog. A blog is short for web log and is a Web page that is frequently updated, usually with personal insights and Web links. Each blog entry is typically short and to the point, sometimes with a link to a longer, extended entry.

Even though blogs have been around for a number of years. They have received more attention this year. A person was fired for information in their blog and Olympic athletes had restricted blog access during the games.

Traditionally, blogs were used as something like an online diary. They included links that the blogger or weblogger found interesting that day as well as life stories. The format is normally to add the newest entry at the top of the page, so that repeat visitors can catch up by simply reading down the page until they reach a link they saw on their last visit.

But, as blogs became more and more popular, businesses started to use them. The first industry to really embrace blogs was the news media. Journalists post their stories to the blog and readers subscribe to the blog news feeds to receive up-to-the-minute information on a variety of topics. Now, blogs are used for many different purposes including personal diaries; hourly, daily, weekly updates of Web sites; new information on a topic; product updates: reviews, new versions, new products; this day in history; or almost anything that comes to a blogger's mind.

Since blogs are just Web pages, all a person really needs to set up a blog is a computer, space on a Web hosting server, and time to create the blog. You would need some software that can create a web page like Dreamweaver or Front Page. But there is an easier way to go.

There are numerous sites created to help you build a blog. One of the easiest is Blogger.com. This site allows you to set up a Weblog in about 10 minutes. Radio Userland is another popular hosted option.

Since their first appearance, blogs have reshaped the web, impacted politics, shaken up journalism, and enabled millions of people to have a voice and connect with others. There is even a web site to help you find blogs, Blog Search Engine (www.blogsearchengine.com).

Many believe that blogs demonstrate the power of the Internet. People from around the world, commenting on any and everything. A true example of freedom of speech.

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Mark Your Calendar

- April 1-3** OCMA Dart & Foosball Tournaments
Canton Civic Center
- April 21-24** OCMA Team Pool Tournament
Canton Civic Center
- May 26-Jun 4** VNEA Pool Tourney
Las Vegas
- August 11** OCMA Golf Tourney
Annual Dinner
Columbus
- August 12** OCMA Annual Meeting
Wingate Inn—Columbus
- Sept. 15-17** AMOA Expo
Las Vegas



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