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# Public Law Update

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Local, State and Federal Legislative Updates  
Presented By Tucker Ellis & West LLP

**JANUARY 2006**

## **BIG CHANGES COMING FOR WORKERS' COMP SYSTEM**

The Bureau of Workers' Compensation (BWC) is outlining a set of administrative and legislative proposals aimed at improving the bottom line of the troubled system by generating a combined \$536 million in cost savings and revenue. \$424.7 million in savings will come from administrative, legal and operations changes, while other savings would require legislative approval of BWC initiatives, including enactment of a measure (SB 7) pending in the House.

Among other changes anticipated by the BWC:

- Establish fees paid to hospitals, doctors and pharmacies without administrative rules, and authorize it to negotiate provider reimbursement rates. Projected savings: \$40 million.
- Amend statutes and provide legal support to settle administrative and court cases. Projected savings: \$5 million.
- Rescind the handicap statute. Projected Savings: \$500,000.
- Enact an employer felony workers' compensation fraud statute to improve employer compliance. Projected Revenue: \$1.1 million.
- Strengthen provider fraud statutes. Projected Savings: \$3.4 million.
- Moving the investment portfolio from stocks to bonds. Projected Savings: \$100 million.

Other parts of the strategy include:

- Actively pursuing settlements of claims when appropriate.
- More active legal defense of BWC's position on disputed claims.
- Close scrutiny and aggressive management of return-to-work expectations to decrease lost days and save money.
- Streamline all aspects of claim management with managed care organizations to eliminate duplication of services.

## **TAFT SIGNS CITY EMPLOYEE RESIDENCY REQUIREMENT LIMITS**

A controversial bill that strips the right of municipalities to require their employees to reside within their jurisdictional limits was signed by Governor Taft last week, following extensive debate in the House and Senate. Cities have signaled they would soon challenge its constitutionality in court. The Legislative Service Commission (LSC) stated in its Bill Analysis that the measure could violate the home rule provision of the Ohio Constitution, stating "Residency requirements for municipal employees most likely are a matter of local self-government, which can be overcome only when there is a state law expressing a matter of statewide concern." According to the LSC, "Case law has shown Ohio courts recognize the local nature of employment matters involving residency issues." Supporters hope to bolster their court case against home rule arguments by noting that the bill doesn't prohibit residency requirements per se, but rather limits them to within the county or adjacent county.

## **GENERAL MOTORS EYES TOLEDO FOR NEW PLANT; ADMINISTRATION WOULD PROVIDE INCENTIVES**

The Taft Administration announced that Toledo is on General Motors Corp.'s short list of potential sites to build a new \$500 million transmission plant. State officials have been in contact with GM to determine the company's needs and are developing "an aggressive incentive package" that could include grants for worker training, infrastructure and business development, as well as tax credits and financing assistance. The Department of Development is also studying how Gov. Bob Taft's proposed automotive industry revitalization strategy might benefit GM's fuel-efficient transmission project. Mr. Taft outlined a

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series of plans - including a significant expansion of the Job Retention Tax Credit promoted by Speaker Jon Husted (R-Kettering).

**PUBLIC SECTOR SPOTLIGHT: MORE  
COMPANIES SEEK TECHNOLOGY  
INVESTMENT TAX CREDIT**

Ohio's Technology Investment Tax Credit (TITC) program offers a variety of benefits to Ohio taxpayers who invest in small, research and development and technology-oriented firms. Through this innovative program, Ohio investors may reduce their state taxes by 25% of the amount they invest in qualified, technology-based Ohio companies. The tax credits may be applied to personal income tax, corporation franchise tax, public utility excise tax or the tax on dealers in intangibles. Investors must meet statutory requirements and invest in companies that have been certified through the Department of Development as a company that is eligible to receive tax credit investments.

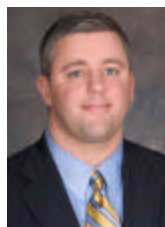
Recently, the Department of Development announced that the Ohio Technology Investment Tax Credit has broken a one-month record for credits, issuing \$4 million worth of the incentives in December for 11 technology startup firms. To date, the credit has been issued for more than \$77 million in investments in 270 approved companies since its inception in 1998.

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