



STATEHOUSE REPORT

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CCAO urges support of State Capital Improvement Program

CCAO Executive Director Suzanne Dulaney appeared before the Senate Finance Committee this week to speak as a proponent of Senate Joint Resolution 6 ([SJR 6](#)). SJR 6 aims to build upon the state/local partnership established 27 years ago with the passage of the original Issue 2 Program (State Capital Improvements Program). The program features a long history of success including the funding of more than 11,500 projects accounting for \$4.2 billion in infrastructure improvements throughout the State of Ohio. Applicable projects include the construction and improvement of roadways, bridges, culverts, water supply systems, solid waste systems, and wastewater systems.



If passed, SJR 6 would ask Ohio voters in May to increase the amount of funding for the State Capital Improvement Program (SCIP) to \$175 million for the first 5 years, \$200 million for the final 5 years of the 10 year authorization period. This would allow for an increase in over \$525 million in funding over the life of the program.

Also this week, the Ohio House of Representatives began work on a companion measure, [HJR 9](#). Preliminary hearings began in the House Finance and Appropriations Committee with sponsor testimony on Wednesday, January 8th. CCAO is expected to appear for proponent testimony before the House Finance and Appropriations Committee early next week to continue advocacy in support of this program.

Looking forward, a joint resolution must be passed by the 5th of February in order to place SJR 6 on the ballot in May. The Senate Finance Committee is expected to approve the measure early next week, potentially receiving full Senate consideration next week as well. In the House, further hearings have been scheduled with the House Finance and Appropriations for proponent and opponent testimony on Tuesday, January 14th.

As part of her testimony in the Senate committee, Dulaney spoke to the merit of the program, as well as the successes it has had throughout its nearly three decade duration as public policy. Testimony balanced praise for this program's accomplishments in the past, with a need for increased funding in the future. Although this program has allowed for significant support of local county government projects, the need is ever present for increased allocations in the future. Increasing equipment and materials costs are forcing these projects to similarly increase in the total cost of construction. To these



Suzanne Dulaney

ends, the same amount of funding from the past will not nearly provide for a similar level of project assistance in the future. This fact is all too true as counties across the state are currently experiencing a need for much more financing than is presently available. This legislation will not allocate the funding for all desired projects; however, it will allow for the expansion of this program to meet the ever-increasing needs of our constituents at the county level.

Finally, Dulaney spoke to the proud tradition of local administration involvement in the execution of this program. Through the use of District Public Works Integrating Committees, local officials are actively involved in the screening and selection of programs that will directly benefit their communities. In her closing remarks, Dulaney emphasized this program's ability to leave a lasting legacy that will provide for many generations to come.

Others who appeared before the Senate Finance Committee to speak in favor of SJR 6 included the Ohio Township Association, County Engineers Association of Ohio, and the Ohio Contractors Association.

To view CCAO's testimony, click [here](#). If you would like further information about these proposals, please contact CCAO Managing Director of Research Brad Cole at bcole@ccao.org.

Oil, gas industry says severance tax proposal fair Others question if that is the case

The oil and gas industry testified Wednesday that while a proposed severance tax increase proposed by the Kasich Administration would not drive out productive wells in Eastern Ohio, it would keep the industry from expanding into areas where there is less certainty about the wells that could be drilled.

The testimony came in the second hearing of [HB 375](#) (Huffman), a House Republican proposal to raise the severance tax in the state, but not to the extent that was proposed by Gov. John Kasich in his version of HB59 (Amstutz), the biennial budget.

Tom Stewart, executive vice president of the Ohio Oil & Gas Association, testified on all of the taxes already paid by the oil and gas industry and the land owners where wells are located.



He said HB 375 "is based on sound economics and realistic oil and production characteristics." He also said it would eliminate the threat of higher taxes on the thousands of royalty owners and landowners in the state, which he said was a significant point of contention in previous proposals.

The bill, Stewart pointed out, takes the issue with landowners off the table by giving an Ohio taxpayer an offset credit against the income tax, making the taxpayer whole.

Stewart said descriptions that the bill would put a tax on shale drillers lower than what Kasich proposed are not accurate because during the cost recovery period, HB 375 taxes natural gas, the primary product from the Utica Shale at the same rate as what was proposed by the administration. He added that during the post-cost recovery period,

the bill doubles the tax on natural gas compared to the administration's proposal.

He said the bill seeks to capture the total value of energy produced at a wellhead.

Stewart concluded his remarks by saying his association recognizes the ongoing debate about increasing the severance tax has created an air of uncertainty in the industry. Resolving that in a fair and balanced way will allow oil and gas development to flourish in the eastern part of the state, he said.

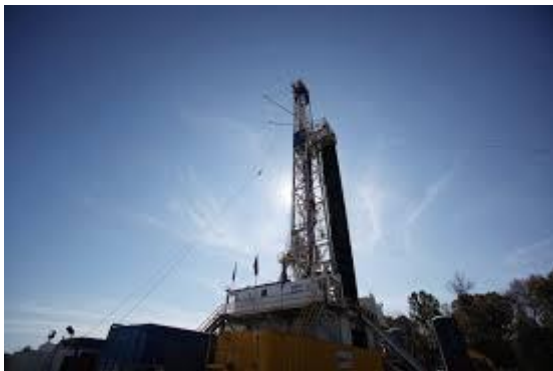
Rep. Mike Foley (D-Cleveland) said he has been told that Ohio has more valuable gas than wells in other states, and said his feeling is that investors will come to Ohio whether the tax is 1 percent or 4 percent.

"We shouldn't believe Ohio's natural gas is anything more special than it is anywhere else," Stewart replied. He said the only thing that differentiates Ohio gas from others is an elevated BTu compared to other wells.

Stewart said an increased severance tax won't drive away a well in Harrison County. But it would drive a well away in western Guernsey County, he said. He added that companies make an average of 6 to 7 percent profits, and if a company doesn't see a profit in where it will drill, it won't make the investment.

He told Rep. Terry Boose (R-Norwalk) that the leasing frenzy seen a few years ago has subsided because companies know where the best wells are. He said he doesn't see that changing unless future discoveries are made.

Rep. John Becker (R-Cincinnati) said that the proposal is asking him to vote for a tax increase and increase spending, something that conflicts with his Republican ideals. Stewart said the bill does increase spending, but said that if the government's role is to protect the public interest, then the spending in the bill is warranted. He said he hopes the proposal becomes a tool that lawmakers can use to achieve tax reductions in the future.



Comparing Ohio with other states, Stewart told Chairman Peter Beck (R-Mason) that Pennsylvania does not have a severance tax, but said there is an impact fee.

Rep. Jack Cera (D-Bellaire) asked Stewart how the industry feels about more tax revenue going back to the producing areas. Stewart said his organization has not taken a position on where tax revenues should go.

Scott Ziance, a partner with Vorys, Sater, Seymour and Pease, who serves as tax counsel for the Ohio Oil and Gas Association, said in his testimony that HB 375 is equitable because it avoids double taxation for horizontal wells by providing a credit against the income tax and an exclusion from the commercial activity tax; imposes a severance tax based on the value to the producer; and gives two rates for a horizontal well, an initial rate for the first five years of each well, and a higher rate after that.

CCAO staff is working with members of the Ohio House to address possible impacts HB 375 may have on the overall funding to the Local Government Fund statewide as well as to direct

additional revenue from the proposed tax reform package to the impacted counties. In addition, discussions are occurring relative to the proposed new tax rates as well as the proposed complicated tax reductions and credits.

Please contact CCAO Staffers John Leutz and Cheryl Subler at 614-221-5627 or at jleutz@ccao.org & csubler@ccao.org if you have questions or comments relative to HB 375.

December casino revenues continue general monthly decline

December figures now available show the state's casinos took in \$821.2 million in calendar year 2013. This figure represents almost a complete year with all 4 casinos in operation since the fourth and final casino in Cincinnati opened in February 2013. It also offers the first reasonably sound benchmark to begin evaluating and estimating anticipated casino revenues for the future. The casino operations in calendar year 2012 brought in about \$350 million.

The Cleveland Horseshoe Casino grossed \$18.2 million in December 2013 – its lowest month since it opened in May 2012. The casino's revenues were down 25 percent from the \$24.5 million it earned in December 2012. The Cleveland casino grossed \$242.6 million last year and continues to make the most money of any of the state's four casinos.

The Columbus Hollywood Casino grossed \$16.4 million in December, a drop of 8 percent compared to the same month last year. It grossed \$210.7 million for the year. The Toledo Hollywood Casino took in \$14.2 million in December, slightly more than a year ago when it made \$14.1 million. The Horseshoe Casino Cincinnati, which opened in February, took in \$14.2 million in December.

Meanwhile, over at the racinos, the Northfield Park Hard Rock Racino which opened December 18, 2013 took in \$8.1 million in two weeks. The ThistleDown Racino, which opened in April of last year, earned \$10.7 million in December and \$71.8 million since opening. And the Scioto Downs Racino took in \$10.9 million in December and \$134.3 million during 2013.



For additional information, please contact CCAO Senior Policy Analyst John Leutz at jleutz@ccao.org.

Democrats drop bills requiring state to request waiver for food assistance work requirements

Democrats in both the House and Senate have introduced legislation that would require the Administration seek a waiver from the federal work requirements for able-bodied adults without dependents (commonly referred to as the “ABAWD” population).

[HB 395](#), sponsored by Representative Dan Ramos (D-Lorain) and [SB 262](#), sponsored by Senator Charleta Tavares (D-Columbus), would require the Director of the Ohio Department of Job and Family Services to request a waiver for the federal requirements whenever one is available and Ohio would qualify.

The bills were introduced after both legislators jointly held a press conference in late November, calling on the Administration to request such a waiver for Ohio.

The press conference and bill introductions follow a decision by the Administration to not seek such a waiver for Ohio for the current federal fiscal year, despite the fact that a statewide waiver is available. Instead, the Administration decided to seek a waiver request only for 16 counties who met specific unemployment rate criteria above and beyond the criteria set by the Federal government.

The bill sponsors noted in their press conference that Illinois, Indiana and Kentucky have all requested and received the statewide waiver.

For more information, please see the [September 2013 CIDS article](#), under "State Activity", and/or contact CCAO policy analyst Laura Abu-Absi at labu-absi@ccao.org.

Statehouse Etcetera



- **Medicaid expansion ruled legal by Ohio Supreme Court.** In a ruling handed down in late December in the lawsuit challenging the constitutionality of the state's expanding the Medicaid program through action of the Controlling Board, the Ohio Supreme Court ruled in favor of the state and found the action to be legal. For more information, [click here](#).
- **CCAO Standing Committees 2014 Membership Encouraged.** Would you like to directly impact and shape CCAO's lobbying efforts? Join a standing committee! See this week's *CIDS* for details and sign-up information.
- **2014 Legislative Calendar.** The Ohio House and Senate are both scheduled to return to full session next week, after holding committee hearings this week. Both chambers are set to adjourn for the summer by the end of May.

Legislation of Interest



SJR 6 Capital Bonds (Bacon, Manning) Proposing to enact Section 2s of Article VIII of the Constitution of the State of Ohio to permit the issuance of additional general obligation bonds to fund public infrastructure capital improvements.

Upcoming Legislative Committee Calendar



Tuesday, January 14

Senate Finance, (Chr. Oelslager, S., 466-0626), Finance Hearing Rm., 10:00 am

SJR 6 ■ **INFRASTRUCTURE BONDS (Bacon, K.)** Proposing to enact Section 2s of Article VIII of the Constitution of the State of Ohio to permit the issuance of additional general obligation bonds to fund public infrastructure capital improvements. **--3rd Hearing-All testimony-Possible vote**

Senate Criminal Justice, (Chr. Eklund, J., 644-7718), North Hearing Rm., 10:45 am

HB 130 ■ **HUMAN TRAFFICKING (Fedor, T.)** To authorize a judge or magistrate to order the testimony of a victim of trafficking in persons to be taken by closed circuit television equipment under certain circumstances, to prohibit the disclosure of names or other information in a routine police report that is highly likely to identify an alleged delinquent child arrestee who is abused and under 18, to specify that a public children services agency or private child placement agency is not required to make reasonable efforts to prevent the removal of a child from the child's home, eliminate the continued removal of a child from the child's home, or return a child to the child's home and that a court find that a child cannot be placed with either parent under specified circumstances, to extend the period within which a prosecution for trafficking in persons must be commenced from six to twenty years after the offense is committed, to specify that the Rape Shield Law applies to evidence of a rape victim's involuntary sexual activity as well as evidence of a rape victim's voluntary sexual activity, to prohibit the admission of evidence pertaining to a victim's sexual activity in a case of trafficking in persons in the same manner as the Rape Shield Law does in a case of rape, to eliminate as an element of the offense of importuning the offender's knowledge or reckless disregard of the age of the person importuned when the person importuned is a victim of trafficking in persons who is 16 or 17 years of age, to provide that a minor or developmentally disabled person is a victim of trafficking in persons if recruited or otherwise obtained or held to engage in certain specified sexual, nudity, or obscenity related activities, to include in the offense of promoting prostitution certain specified activities that through electronic means promotes or facilitates sexual activity for hire, to increase the penalty for soliciting when the person solicited is a minor, to create an affirmative defense that a defendant charged with soliciting or prostitution after a positive HIV test was being trafficked, to require offenders convicted of solicitation when the person solicited is under 18 years of age to register as sex offenders, to prohibit the advertisement of massage or massage techniques or methods unless certain circumstances apply, to allow a victim of trafficking in persons to be eligible for intervention in lieu of conviction, and to declare an emergency. **--1st Hearing-Sponsor**

Senate Session, (Chr. Faber, K., 466-4900), Senate Chamber, 1:30 pm

House Finance & Appropriations, (Chr. Amstutz, R., 466-1474), Rm. 313, 1:30 pm

HJR 9 ■ **INFRASTRUCTURE BONDS (Kunze, S.)** Proposing to enact Section 2s of Article VIII of the Constitution of the State of Ohio to permit the issuance of additional general obligation bonds to fund public infrastructure capital improvements. **--2nd Hearing-All testimony**

House Policy & Legislative Oversight, (Chr. Dovilla, M., 466-4895), Rm. 115, 2:00 pm

SB 205 ■ **ABSENTEE BALLOTS (Coley, B.)** To revise the law concerning the mailing of absent voter's ballots and applications for those ballots and to clarify that an elector generally is responsible to complete the elector's absent voter's ballot documents **--5th Hearing-All testimony**

SB 216 ■ **PROVISIONAL BALLOTS (Seitz, B.)** To revise the law concerning provisional ballots and to

specify permitted procedures for a voting location that serves more than one precinct. --1st
Hearing-Sponsor

[SB 238](#) ■ **ABSENTEE VOTING** ([LaRose, F.](#)) To reduce the days for absent voting. --4th Hearing-All
testimony

House State & Local Government, (Chr. Blair, T., 466-6504), Rm. 121, 3:00 pm

[HB 239](#) ■ **COUNTY TRANSIT SYSTEMS** ([Ruhl, M.](#), [Brenner, A.](#)) To allow the operator of a county transit
system to enter into an agreement with a public or private entity for certain services, materials,
equipment, or supplies if determined necessary for the generation of operating funds. --1st
Hearing-Sponsor

[HB 299](#) ■ **PROPERTY VALUATIONS** ([Grossman, C.](#)) To require counties, municipal corporations,
townships, and school boards that file complaints against the valuation of property they do not own
to pass a resolution approving the complaint and specifying the compensation paid to any person
retained to represent the county, municipal corporation, township, or school board in the matter of
the complaint. --1st **Hearing-Sponsor**

[HB 337](#) ■ **LOCAL GOVERNMENT BUDGETS** ([Terhar, L.](#)) To revise budgeting requirements that apply to
local governments, mandate that certain actuarial standards be applied in political subdivisions that
have independent retirement systems, and authorize the Auditor of State to impose sanctions on
local governments that fail to comply with budget, debt, or pension requirements under state law. --
1st Hearing-Sponsor

[HB 377](#) ■ **CASINO PAYMENTS** ([Anielski, M.](#)) To make changes to the second payment from the Casino
Operator Settlement Fund to certain local government entities. --1st **Hearing-Sponsor-**
Possible substitute

Wednesday, January 15

Senate Commerce & Labor, (Chr. Bacon, K., 466-8064), North Hearing Rm., 10:45 am

[HB 202](#) ■ **ENGINEERS AND SURVEYORS** ([Blessing, L.](#)) To make changes to the examination, reporting,
and educational requirements of professional engineers and surveyors. --1st **Hearing-Sponsor**

Senate Session, (Chr. Faber, K., 466-4900), Senate Chamber, 1:30 pm

House Session, (Chr. Batchelder, B., 466-3357), House Chamber, 1:30 pm

House Ways & Means, (Chr. Beck, P., 644-6027), Rm. 116, 3:00 pm

[HB 375](#) ■ **OIL & GAS SEVERANCE TAX** ([Huffman, M.](#)) To levy a severance tax on well owners of oil and
gas severed from horizontal wells, to create a nonrefundable income tax credit for the amount of
horizontal well severance tax paid, to repeal a cost recovery assessment imposed on oil and gas
well owners, to reduce the severance tax rate on natural gas extracted from nonhorizontal wells, to
exclude from the tax base of the commercial activity tax gross receipts from the sale of oil or natural
gas severed through use of a horizontal well, and to make an appropriation. --3rd **Hearing-**
Opponent

House Judiciary, (Chr. Butler, J., 644-6008), Rm. 122, 4:00 pm

[SB 82](#) ■ **CORRECTIONS COMMISSIONS** ([Balderson, T.](#), [Gentile, L.](#)) To authorize a corrections
commission of a multicounty, municipal-county, or multicounty-municipal correctional center to issue
securities of the commission to pay the costs associated with certain improvements of the center. --
2nd Hearing-Proponent

[HB 363](#) ■ **DRUG POSSESSION** ([Sprague, R.](#), [Driehaus, D.](#)) To provide an immunity from arrest,
prosecution, conviction, or supervised release sanctioning for a minor drug possession offense for a

person who seeks or obtains medical assistance for self or another person who is experiencing a medical emergency as a result of ingesting drugs or alcohol or for a person who is experiencing such a medical emergency and for whom medical assistance is sought. --**1st Hearing-Sponsor**