



STATEHOUSE REPORT

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MBR divided into smaller pieces; Tax policy questioned



Director
Timothy S. Keen

Budget Director Tim Keen gave another overview of Gov. John Kasich's latest mid-biennium review (MBR) package Wednesday, going into more detail on appropriation changes and telling lawmakers the administration is no longer using its previous estimate that Medicaid expansion will boost Ohio's budget by about \$400 million.

Keen testified in House Finance and Appropriations Committee on [HB483](#) (Amstutz), the vehicle for appropriation changes in the MBR.

As he did in testifying last week on HB472 (McClain) -- the initial MBR bill that has since been sliced into smaller pieces ([House Bills 483-493](#) along with [HB 369](#) and [HB 375](#)) -- Keen urged lawmakers not to rely on additional revenue based on current reports of over-estimate tax receipts and under-estimate spending in Medicaid.

Rep. Ross McGregor (R-Springfield) pressed Keen on the administration's proposal to increase the Commercial Activity Tax as one method of financing income tax cuts, and what analysis they'd done to gauge the effects on the manufacturing sector. McGregor noted the industry is growing right now and said his own plant hired 25 people this year and planned a \$5 million investment, anticipating the current CAT rate would continue.

Keen said the administration talked with business groups about its desire for tax reform in the fall, and heard similar concerns to McGregor's from the Ohio Manufacturers' Association. He said manufacturers benefitted significantly from the 2005 tax reforms, and he said the administration maintains that the personal income tax causes the greatest harm to Ohio's competitiveness.

After Wednesday's House session, Speaker William Batchelder (R-Medina) said the decreased Medicaid expansion savings would mean that they would likely not look to spend any of the savings, as has been proposed by a number of bills.

Meanwhile, Speaker William G. Batchelder, R-Medina, said the House could wait until after the November elections to move on Kasich's proposed tax package — an 8.5 percent income-tax cut and increases in the commercial-activities tax, severance tax and tobacco tax.

“It’s going to be around awhile,” he said. “I really want people to understand what the potential implications of some of this might be.”

One issue is a discrepancy in revenue estimates from the severance tax on shale fracking. The Kasich administration says the tax would raise \$121 million next year and \$304 million in 2016. But the Legislative Service Commission estimates a maximum \$29 million next year and \$41 million in 2016.

Batchelder said the 8.5 percent income-tax cut is “a good goal, but it may not be doable.”

Senate President Faber, R-Celina, said he would not answer any specific questions regarding the governor’s proposals, saying his caucus has not discussed them in detail. He did say that the upper chamber will look at the proposals to see if they “help grow Ohio’s economy and create jobs.”

BREAKOUT OF MBR INTO SEPARATE LEGISLATION	
HB 483	MBR APPROPRIATIONS (Amstutz, R.) The general appropriations and government operations bill
HB 484	MBR HIGHER EDUCATION (Rosenberger, C. , Brown, T.) Program and funding aspects for the coordination and administration of higher education programs
HB 485	MBR HUMAN SERVICES (Smith, R. , Johnson, T.) Specifically would establish the Office of Human Services Innovation in the Department of Job and Family Services
HB 486	MBR WORKFORCE (Baker, N. , Stebelton, G.) Would establish the adult career opportunity pilot program; revise the coordination of workforce development and economic development programs; synchronize the due dates of several reports due from the Development Services Agency, the Ohio Venture Capital Authority and the Third Frontier Commission; revise the law regarding innovation financial assistance and research and development financial assistance; and permit the Director of Commerce, the State Fire Marshal, and the Ohio Construction Industry Licensing Board to establish compliance incentive programs
HB 487	MBR EDUCATION (Brenner, A.) Contains the provisions regarding secondary education (K-12)
HB 488	MBR VETERANS (Dovilla, M. , Landis, A.) Would require state institutions of higher education to award credit for military training, and make other changes regarding state support and benefits for veterans and their spouses
HB 489	MBR DAS (Blair, T.) Would modify the Department of Administrative Services’ lease-purchase agreement process, grant the Department the same authority for lease-leaseback agreements, and to require those agreements to be awarded through a request for proposals process
HB 490	MBR ENVIRONMENT (Hall, D. , Thompson, A.) Contains the provisions regarding laws governing agriculture, natural resources, and environmental protection
HB 491	MBR GAMING (Buchy, J. , Blessing, L.) Would make various changes to the Gambling Law, Lottery Law, and Casino Law
HB 492	MBR TAXATION (Scherer, G.) Contains the provisions regarding state tax policy
HB 493	MBR WORKERS’ COMPENSATION (Sears, B. , Henne, M.) Would make changes to Ohio’s Workers’ Compensation Law and to make an appropriation

State Capital Bill will be on “fast track”

[HB 497](#), the nearly \$2.4 billion bricks-and-mortar construction package, had its first hearing before the House Finance & Appropriations Committee this week. Office of Budget and Management Director Tim Keen appeared before the Committee to provide introductory testimony on the capital budget proposal. Keen noted that the recommended expenditures for the fiscal year 2015-2016 capital biennium were "made after a careful process that has prioritized the most pressing needs of state government, schools and higher education, with particular emphasis given to each project's impact on jobs and economic growth." "Most expenditures are focused on necessary maintenance and upkeep of the state's current capital assets, while much of the new construction funded in this bill is used to replace existing facilities that are no longer cost-effective to repair," he said. The bill also contains capital “reappropriations,” or generally noncontroversial provisions that allow for ongoing projects to receive continued funding.



The current plan for consideration of the bill has the House sending it to the Senate by the end of March and the Senate dealing with the measure during the month of April. It is anticipated that, like that last capital bill, [HB 497](#) will be processed quickly with few substantive changes.

Of the bill's \$2.38 billion in capital appropriations, \$2.07 billion is in general revenue fund-backed bonds and the rest, or \$317.1 million, comes from various sources outside of the GRF. One of these non-GRF sources is \$69 million from the Revolving Loan Fund for local infrastructure projects under the Public Works Commission that is part of a total of \$444 million in mostly bonds allocated to OWPC infrastructure projects. The project list has already been vetted extensively behind the scenes by Gov. John Kasich's administration and his fellow Republicans in control of both chambers of the General Assembly.

The bill includes: \$675 million for local school construction projects overseen by the Ohio School Facilities Commission; \$574.3 million for maintenance and renovations at state-owned facilities including state parks, prisons, mental health facilities and other public buildings; \$454.5 million for Ohio's 37 public colleges and universities; \$369 million for local infrastructure projects administered by the Ohio Public Works Commission; \$100 million for the Clean Ohio program for outdoor recreation projects and the preservation of open spaces and farmlands; and \$160 million for "community projects." A [list](#) by county identifies the "community projects" proposed to be funded.

Noteworthy is the \$130 million earmarked for the Department of Rehabilitation and Correction which is experiencing a jump in the prison population despite extensive measures to divert low-level offenders. This amount of appropriation is a significant increase from DRC's capital budgets in recent years but is necessary because prisons constructed 30 years ago are entering a phase that will require more intensive renovations. Keen said that even though the inmate population continues to grow the administration is focused on looking at community correction alternatives which are receiving additional funding in the MBR and the state hopes to avoid the construction of additional state prisons

The Department of Natural Resources gets \$236.4 million, which is one of the larger agency allocations, to renovate a state park system that's showing its age as the recreational facilities built in the 1950s and 1960s are past due for long-delayed repairs and renovations.

Statehouse Etcetera



OBM releases memo on casino tax revenue estimates. OBM noted that it has been asked on numerous occasions to comment on the performance of casino revenues relative to the forecasts in the state executive budget documents for FY 2014. In particular, some local governments and school districts have expressed concern that casino revenues are not performing as well as forecast and have asked for advice about budgeting casino revenues going forward. This research memo is part of OBM's response to such requests. OBM indicates that the [memo](#) is strictly advisory and that the OBM has no official role in forecasting the distributions of casino tax revenues to local governments. In its memo OBM presents a brief analysis of the trends in Ohio casino tax revenue, a comparison of performance in FY 2013-2014 with prior forecasts, and some cautions about forecasting revenues in FY 2015 and subsequent years.

The basic message of the memo is that the Ohio casino tax is a new revenue source that is still subject to considerable uncertainty, competition for gambling dollars is increasing, both within and without the state, and there is evidence across the nation that overall gambling may be approaching saturation levels. In light of all this evidence, local governments and school districts should budget casino revenues very conservatively and not be surprised when performance does not match forecasts, from whatever source.

Legislation of Interest



- [SB 298](#)** ■ **PROPERTY TAX CERTIFICATES** ([Smith, S.](#)) To permit delinquent property tax certificates for residential and agricultural property to be sold only to county land reutilization corporations, to prohibit such a certificate from being transferred to any person other than a county land reutilization corporation, and to authorize a county land reutilization corporation to accept from the owner of residential or agricultural property a redemption payment of one hundred five per cent of the cost of a certificate at any time before instituting foreclosure proceedings. Am. 5721.30, 5721.32, 5721.33, 5721.36, and 5721.38
- [HB 480](#)** ■ **CHILD SEATS** ([Pelanda, D.](#)) To repeal a provision of law that declares that the failure of an operator of a motor vehicle to secure a child in a car seat, in a booster seat, or with a seat belt is inadmissible as evidence in certain criminal actions and to allow the enforcement of child car seat, booster seat, and seat belt requirements as a primary offense. Am. 4511.093, 4511.81, and 4513.263
- [HB 481](#)** ■ **PUBLIC SAFETY BENEFITS** ([Rogers, J.](#), [McGregor, R.](#)) To make survivors of part-time, reserve, volunteer, and certain other police officers killed in the line of duty eligible for benefits from the Ohio Public Safety Officers Death Benefit Fund; to increase the benefit payable from the Volunteer Fire Fighters' Dependents Fund to survivors of volunteer firefighters killed in the line of duty; and to make survivors of certain emergency medical personnel eligible for benefits from the Volunteer Fire Fighters' Dependents Fund. Am. 124.1310, 146.01, 146.12, 2915.01, 3333.26, 4113.41, and 4765.01 and to enact section 742.631

- [HB 482](#) ■ **AUTOPSIES** ([Redfern, C.](#)) To require that a coroner go to a dead body, take charge of it, and perform an autopsy when a death appears to have been by suicide, and to require that a coroner take continuing education about suicide investigations. Am. 313.02, 313.13, and 313.131
- [HB 494](#) ■ **TRANSPORTATION PROJECTS** ([Schuring, K.](#)) To authorize counties to undertake regional transportation improvement projects funded by the issuance of securities and by revenue pledges from the state and political subdivisions and taxing districts located within the cooperating counties. Am. 133.01, 4504.08, and 4504.09 and to enact sections 4504.22 and 5595.01 to 5595.12
- [HB 497](#) ■ **CAPITAL APPROPRIATIONS** ([Amstutz, R.](#)) To make capital appropriations and changes to the law governing capital projects and to make reappropriations for the biennium ending June 30, 2016. Am. 9.981, 105.41, 111.26, 123.01, 125.29, 126.03, 126.11, 154.06, 154.24, 307.021, 307.022, 5120.102, 5120.104, 5120.29, 5120.47, 5139.23, and 5139.36
- [HB 500](#) ■ **PUBLIC TRANSIT FRANCHISES** ([Young, R.](#)) To permit a board of county commissioners, on behalf of a county transit board, to award a franchise for the operation of a public transit system. Am. 306.04 and 307.982 and to enact sections 306.14 and 307.863.

Upcoming Legislative Committee Calendar



Tuesday, March 25

House Ways & Means, (Chr. McClain, J., 644-6265), Rm 313, 9:30 am

- [HB 472](#) ■ **MBR BUDGET** ([McClain, J.](#)) To make operating and other appropriations and to provide authorization and conditions for the operation of state programs. **--2nd Hearing-Sponsor & proponent-Possible substitute**
- [HB 492](#) ■ **MBR TAXATION** ([Scherer, G.](#)) To provide authorization and conditions for the levy and administration of taxes in this state. **--1st Hearing-Sponsor**

House Agriculture & Natural Resources, (Chr. Hall, D., 466-2994), Rm. 017, 10:00 am

- [SB 150](#) ■ **AGRICULTURAL NUTRIENT MANAGEMENT** ([Hite, C.](#)) To revise the law governing the abatement of agricultural pollution, to require a person that applies fertilizer for the purposes of agricultural production to be certified to do so by the Director of Agriculture, to make other changes to the Agricultural Additives, Lime, and Fertilizer Law, and to make an appropriation. **--5th Hearing-All testimony-Possible amendment, substitute & vote**

House Health & Aging, (Chr. Wachtmann, L., 466-3760), Rm. 116, 10:00 am

- [HB 485](#) ■ **MBR HUMAN SERVICES** ([Smith, R.](#), [Johnson, T.](#)) To establish the Office of Human Services Innovation in the Department of Job and Family Services. **--2nd Hearing-Proponent**
- [HB 452](#) ■ **CHILDREN SERVICES** ([Gonzales, A.](#)) To require children's residential facilities to provide specified information to local law enforcement agencies, emergency management agencies, and fire departments and to require the Department of Job and Family Services to implement a Child Placement Level of Care Tool Pilot Program. **--2nd Hearing-Proponent**

House Economic Development & Regulatory Reform, (Chr. Baker, N., 466-0961), Rm. 114, 11:00 am

[HB 486](#) ■ **MBR WORKFORCE** (Baker, N., Stebelton, G.) To establish the adult career opportunity pilot program; to revise the coordination of workforce development and economic development programs; to synchronize the due dates of several reports due from the Development Services Agency, the Ohio Venture Capital Authority and the Third Frontier Commission; to revise the law regarding innovation financial assistance and research and development financial assistance; and to permit the Director of Commerce, the State Fire Marshal, and the Ohio Construction Industry Licensing Board to establish compliance incentive programs. --1st Hearing-Sponsor

House State & Local Government, (Chr. Blair, T., 466-6504), Rm. 121, 1:00 pm

[HB 321](#) ■ **GOVERNMENT RECORDS** (Duffey, M., Hagan, C.) To create the DataOhio Board, and to specify requirements for posting public records online. --2nd Hearing-All testimony-Discussion of subcommittee recommendations-Possible amendments

[HB 323](#) ■ **PUBLIC DATA** (Duffey, M., Hagan, C.) To establish an online catalog of public data at data.Ohio.gov. --2nd Hearing-All testimony-Discussion of subcommittee recommendations-Possible amendments

[HB 324](#) ■ **LOCAL GOVERNMENT INFORMATION** (Duffey, M.) To establish the Local Government Information Exchange Grant Program and to make an appropriation. --2nd Hearing-All testimony-Discussion of subcommittee recommendations-Possible amendments

[HB 10](#) ■ **FISCAL CONTINUING EDUCATION** (Hagan, C.) To establish education programs and continuing education requirements for the fiscal officers of townships and municipal corporations, to establish procedures for removing those fiscal officers, county treasurers, and county auditors from office, and to create fiscal accountability requirements for public schools, counties, municipal corporations, and townships. --1st Hearing-Sponsor & proponent-Possible substitute

[HB 494](#) ■ **TRANSPORTATION PROJECTS** (Schuring, K.) To authorize counties to undertake regional transportation improvement projects funded by the issuance of securities and by revenue pledges from the state and political subdivisions and taxing districts located within the cooperating counties. --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. --3rd Hearing-Opponent & interested party-Possible substitute

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

House Manufacturing & Workforce Development, (Chr. Schuring, K., 752-2438), Rm. 114, 1:30 pm

[SCR 25](#) ■ **GREEN BUILDINGS** (Jecker, J.) To urge, for Ohio state agencies and other government entities, the use of green building rating systems, codes, or standards that are consistent with state energy efficiency and environmental performance objectives and policies that meet American National Standards Institute voluntary consensus standard procedures. --1st Hearing-Sponsor

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

[HB 497](#) ■ **CAPITAL APPROPRIATIONS** (Amstutz, R.) To make capital appropriations and changes to the law governing capital projects and to make reappropriations for the biennium ending June 30, 2016. --3rd Hearing-Possible vote

[HB 483](#) ■ **MBR APPROPRIATIONS** (Amstutz, R.) To make operating and other appropriations and to provide authorization and conditions for the operation of state programs. --2nd Hearing-Agency testimony

Senate Finance, (Chr. Oelslager, S., 466-0626), Finance Hearing Rm., 2:30 pm

[SB 287](#) ■ **DEPOSITORY ACT** ([Hughes, J.](#)) To modify authorized investments of interim moneys and inactive moneys under the Uniform Depository Act. --1st Hearing-Sponsor

[HB 289](#) ■ **DEVELOPMENT ZONES** ([Schuring, K.](#)) To terminate the authority to create new or substantially modified joint economic development zones (JEDZ), to require the creation of review councils to approve and to evaluate the progress of JEDZ development plans, and to authorize businesses and their employees to bring a civil action seeking termination of the JEDZ contract or income tax if the council finds that the development plan is not being complied with. --2nd Hearing-Proponent

Wednesday, March 26

• Senate Medicaid, Health & Human Services, (Chr. Jones, S., 466-9739), South Hearing Rm., 9:00 am

[SB 276](#) ■ **INFANT SLEEP** ([Jones, S.](#), [Tavares, C.](#)) To require the Department of Health to establish the Safe Sleep Education Program, hospitals and freestanding birthing centers to implement an infant safe sleep screening policy, and certain persons and entities to adopt an internal infant safe sleep policy. --3rd Hearing-All testimony

[SB 278](#) ■ **INFANT DEATH** ([Jones, S.](#)) To require the completion of a sudden unexplained infant death investigation reporting form (SUIDI reporting form) developed by the United States Centers for Disease Control and Prevention, or an alternative reporting form developed by the Director of Health, whenever a child one year of age or younger dies suddenly when in apparent good health and to require that the appropriate child fatality review board receive a copy of each completed form. --3rd Hearing-All testimony

[HB 315](#) ■ **HOSPITAL REPORTING** ([Wachtmann, L.](#)) To require reports to the Department of Health regarding newborns diagnosed as opioid dependent, to update the chemical name for a type of controlled substance, and to specify procedures for granting variances or waivers of any requirement in the rules governing operation of maternity homes. --4th Hearing-All testimony

House Finance & Appropriations, (Chr. Amstutz, R., 466-1474), Rm. 313, 9:00 am

[HB 483](#) ■ **MBR APPROPRIATIONS** ([Amstutz, R.](#)) To make operating and other appropriations and to provide authorization and conditions for the operation of state programs. --3rd Hearing-Agency testimony

[HB 369](#) ■ **MEDICAID COVERAGE** ([Sprague, R.](#)) To require the Medicaid program and health insurers to cover certain services for recipients with opioid addictions; to establish requirements for boards of alcohol, drug addiction, and mental health services regarding treatment services for opioid addiction to help defray payroll costs associated with a court's employment of drug court case managers; to provide a state share of the capital costs of recovery housing projects; and to make appropriations. --1st Hearing-Possible amendment & vote

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

Senate Finance, (Chr. Oelslager, S., 466-0626), Finance Hearing Rm., 3:00 pm

[HB 497](#) ■ **CAPITAL APPROPRIATIONS** ([Amstutz, R.](#)) To make capital appropriations and changes to the law governing capital projects and to make reappropriations for the biennium ending June 30, 2016. --1st Hearing-Sponsor & proponent-Pending referral

House Ways & Means, (Chr. McClain, J., 644-6265), Rm. 116, 3:00 pm

[HB 472](#) ■ **MBR BUDGET** ([McClain, J.](#)) To make operating and other appropriations and to provide authorization and conditions for the operation of state programs. --3rd Hearing-All testimony

[HB 492](#) ■ **MBR TAXATION** ([Scherer, G.](#)) To provide authorization and conditions for the levy and administration of taxes in this state. --2nd Hearing-All testimony

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

[HB 469](#) ■

OVI PENALTIES ([Johnson, T.](#), [Scherer, G.](#)) To allow, by court order, a first-time alcohol-related OVI offender to drive with an ignition interlock device rather than under court-ordered limited driving privileges as in current law, to eliminate the fifteen-day period in current law during which such an offender is subject to a driver's license suspension without limited driving privileges, and to make other changes to the law governing OVI offenses. --**2nd Hearing-Proponent**