



STATEHOUSE REPORT

Published by: County Commissioners Association of Ohio

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JULY 11, 2014

State Fiscal Year 2014 ends with \$800 million surplus

Underspending in Medicaid and solid tax receipts buoyed state coffers in fiscal year 2014 and provided enough leeway to pay for tax cuts and other budgetary policies contained in the recent mid-biennium review budget. The Office of Budget and Management announced that the state wrapped up FY 2014 on June 30 with a surplus of nearly \$800 million, which was due mainly to less-than-expected expenditures in Medicaid but was also impacted by general state spending coming in below estimates and tax revenues exceeding estimates.



The surplus funds will be directed towards paying for income tax rate cuts, providing \$76 million in tax relief for lower-income citizens, and funding a \$300 million Medicaid Reserve Fund created with the mid-biennium review budget (MBR) passed last spring. The balance of between \$100-200 million will remain in the general revenue fund for FY 2015. None of the surplus will be placed into the Income Tax Reduction Fund because the automatic transfer of year-end balances was overridden by lawmakers in the MBR in favor of the targeted tax cuts. And neither will any of the extra money be placed in the "rainy day" Budget Stabilization Fund because it is already at the statutory limit of 5% of the prior year's revenues with a \$1.5 billion balance.

State Budget Director Tim Keen noted that a huge amount of underspending in Medicaid was a key driver of the surplus. Mr. Keen attributed the entitlement variance - which was pushing \$840 million in state and local share, or -6.1%, through May - to difficulties in estimating the impacts of the federal health care law revisions and the improving economy. Keen noted that, "There was a general sense we were going to have more people come on (the rolls) that were eligible outside of expansion, so we used actuarial estimates that we thought reflected that."

"Through the course of the year we've had a couple hundred thousand people fewer on the traditional Medicaid program than we had estimated. Some of that's attributable to the fact that the economy is picking up a little bit, some of that is attributable to the fact that there is still some confusion and uncertainty out there about the health care law and how it works and how you get signed up," Keen said.

Referring to the so-called "woodwork effect," or predicted surge of already-eligible individuals who might come onto the rolls with the Medicaid expansion rollout, Keen indicated that the estimates of its impact were a little too high. However, Keen said the administration isn't going

to draw any long-term conclusions on Medicaid trends since the Affordable Care Act has only been in play for six months.

Sewer connection rule revision

The administrative rules that are in place for home sewage treatment have been in place since the 1970s. In 2010, the Ohio Department of Health (ODH) had rules that were proposed, went into place and then were rescinded. Many homeowners were concerned because there may have been increased costs that were assigned to their home sewage treatment systems.

In the last few years ODH has worked with various stakeholders to develop new rules. Before the new rules can be accepted, they must be submitted to the Joint Committee on Rules and Regulation (JCARR) for approval. Draft ODH proposed sewage treatment rules package can be viewed [here](#).



On June 12th, ODH drafted a new proposed rule that would replace proposed paragraph OAC 3701-29-06 (I) in the third rule draft (click here for the [new opt-out proposal](#)). This is a “opt-out” provision allowing a home owner not to hook up to a newly run sewer line. Historically, home sewage systems have been looked at as temporary systems until public sewers are available. **This is complete change from rules that have been in place since 1977.**

- The County Sanitary Engineers Association said this would make the financing of a public sewer very difficult.
- Important projects which promote the public's health and the protection of our rivers and streams could be jeopardized and may not be constructed.
- Without the guaranteed revenue stream of all of the existing homes in and their ordered connections, the construction costs of building a public sewer would be difficult to allocate with much of the cost having to be borne by rates and rate payers rather than those who are directly benefitting but not immediately tapping.
- There are sound environmental and financial reasons benefitting the public and society for continuing to require connections to public sewers.

ODH is still considering this additional “opt-out” rule, so the department may decide not to add it to its rule package. The department plans to submit its entire rule package to JCARR by the end of the month. Thirty days after the rules have been submitted, ODH will hold a public hearing on the proposed rules. After the department holds its public hearing, JCARR will hold its hearing to approve the rules.

For additional on ODH Sewer Connection Rules please contact CCAO staffer Brian Mead at bmead@ccao.org or 614-220-7982.

Casino revenue steadily declining

The book has closed on the first year with all 4 casinos in operation and the results don't live up to the promises. Distributions made to the counties (excluding the portion allocated to the 8 largest cities) by the Ohio Department of Taxation (for casino tax revenue received for the 3 previous months prior to the distribution) totaled: \$27.6 million in July 2013; \$27.5 million in

September 2013; \$26.8 million in January 2014; and \$25.9 million in April 2014, for a total of \$107.8 million. The July 2014 distribution being made this week will be \$26.6 million.

And remember the Vote for Issue 3 sales pitch? The 51% share of the casino tax going to the counties would be around \$332 million per year even if the 7 “racinos” were approved. Take off the part of the county share that would go to the 8 largest cities and the calculations suggested about \$255 million per year would flow to the counties. The first year of history with all 4 casinos in operation, however, yielded only about 42% of the Issue 3 proponents’ suggested revenue.



The June 2014 revenue reports for the casinos show the Horseshoe Casino Cleveland brought in \$17 million after all bets were paid. It’s the lowest full monthly total since the casino opened its doors in May 2012. The Cleveland casino was also down \$2.3 million or 12% from its June 2013 revenues and down by \$2.46 million or 12.6% from the prior month of May 2014. The Hollywood Columbus casino brought in \$15.9 million after all bets were paid. The Hollywood Toledo brought in \$15.4 million and Horseshoe Cincinnati brought in \$15.2 million. Of the four, only Hollywood Toledo was up over June 2013, and that was marginal, and all 4 were off from their May figures.

On the racino side, all of the 5 operating racinos reported June numbers that were less than their May numbers, and collectively their revenue declined from \$55.7 million in May to \$48.8 million in June. Revenue numbers for the month were: Scioto Downs, Columbus - \$11.1 million; Hard Rock, Northfield - \$14.4 million; Thistledown, Cleveland - \$9.7 million; Miami Valley Gaming, Lebanon - \$9.9 million; and, Belterra Park, Cincinnati (in its second month of operation) \$3.6 million. For more information, see:

- The [monthly reporting of casino revenues](#)
- The [quarterly distributions](#) of the casino tax to the counties
- Access [VLT financial information](#) from the “racinos”

Rosenberger appears headed to be next House Speaker

An agreement made last week between the two frontrunners in the speaker's race puts Rep. Cliff Rosenberger (R-Clarksville) in the lead to succeed Speaker Bill Batchelder next year, with Rep. Ron Amstutz (R-Wooster) serving in the number two slot. Rep. Rosenberger said an informal tally of the current House GOP caucus and several candidates expected to join next year after the fall election gave him more votes than his longtime rival Rep. Amstutz. Rosenberger indicated in an interview that, "We have, between Rep. Amstutz and myself, 60% of the caucus supporting me for speaker and Rep. Amstutz for speaker pro temp."



Rep Cliff Rosenberger

The previous week the two rivals agreed to mutually survey presumed members of next year's Republican caucus in an attempt to force an end to the long-running and divisive speaker's race. The one with fewer votes agreed to back the winner of the "straw poll." Rep. Rosenberger said there has been no decision yet on any of the other leadership or chairman slots. "We want to be inclusive of all members of our caucus," he said. "All of us are part of the same family and we will eventually all get to the point to come together, I have no doubt." Rep. Amstutz said he was somewhat disappointed with the outcome of the vote count, but was pleased to put the rivalry aside to help rally the caucus for the November election. "It's math. I didn't have the votes," he said. "Our objective is to bring everybody together." The House Finance chairman described the alliance as a step in the process and acknowledged that the race remains unsettled. "I think this settles it to a point that is much different than it was up until today. Until today, this thing has been simmering for a year and nobody was really that close to having a majority of the caucus. So there's been a tectonic shift here with this merger of two groups all supporting the same candidates," he said.



Rep Ron Amstutz

While the alliance represents a significant development toward settling a contentious rivalry in the protracted speaker's race, the Rosenberger-Amstutz deal irked other House GOP leadership contenders, who suggested members' support for the pair wasn't as solid as they claimed, and indicates that the leadership fight could drag on through the November election.

Rep. Christina Roegner (R-Hudson) criticized the Rosenberger/Amstutz straw poll as a flawed gauge of caucus sentiment. "To exclude a large portion of the caucus was wrong. They limited members to basically just two choices and excluding the others is divisive. It's not unification," she said. "The real leadership vote is still five months away and I think the process should be allowed to play out through the elections in November." Rep. Lou Terhar (R-Cincinnati), who is backing Rep. Jim Butler (R-Oakwood) for speaker, said the deal between Reps. Rosenberger and Amstutz was "absolutely not" the end of the race to lead the caucus next year. "I honestly find this attempt a bit of meaningless theater," he said.

This week, Rep. Roegner, who leads a loose-knit group including several of the House's most conservative members, threw her support behind Rep Butler for speaker. "Jim Butler is the best speaker candidate because he has repeatedly demonstrated he puts what is best for the people of Ohio over his own political career," Rep. Roegner stated. Rep. Michael Henne (R-Clayton) and Nino Vitale, who is expected to take over term-limited Rep. John Adams's (R-Sidney) seat next year, also endorsed Rep. Butler. Butler announced in April that a House leadership faction he co-led with Rep. Lou Terhar (R-Cincinnati) had tapped him for its speaker candidate. Butler was first appointed to the House to fill a seat left vacant when Sen. Peggy Lehner (R-Kettering) moved to the Senate and could therefore potentially serve until 2020 before being affected by term limits. Mr. Butler did not specify how many votes for speaker he has, but his news release said the alliance with Rep. Roegner and Mr. Vitale comes with "a considerable number of members and likely future members."

Adding intrigue to the speakership race is the investigation into an allegedly forged letter sent from Rep. Butler's office to Barb Cole, who ran unsuccessfully against Rep. Rosenberger in the May primary election. The letter reportedly congratulated Ms. Cole for deciding to challenge the incumbent. Rep. Butler said he had nothing to do with sending the letter. "I was alerted to some potential criminal activity, and I alerted the proper law-enforcement agencies, including the State Highway Patrol," he said and declined further comment, citing the ongoing investigation.

Statehouse Etcetera



House study committees announced. Speaker Batchelder announced the creation of two study committees that will begin work over the summer:

Law Enforcement Perspectives on the Drug Epidemic & Its Impact on Families Study Committee - Rep. Dorothy Pelanda (R-Marysville), chair; Rep. Jim Buchy (R-Greenville), vice-chair.

Unemployment Compensation Debt & Reducing Burdens on Ohio Businesses Study Committee - Rep. Barbara Sears (R-Sylvania), chair; Rep. Gary Scherer (R-Circleville), vice-chair.