STATEHOUSE REPORT

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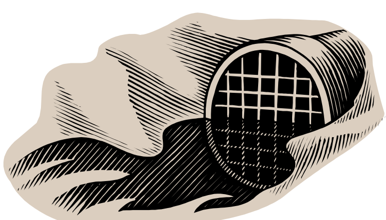
Sewer connection rule update … No Opt-Out rule

In the last two installments of the Statehouse Report we have been reviewing the Ohio Department of Health (ODH) proposed administrative rules to regulate Household Sewer Treatment Systems (septic systems). The current administrative rules have been in place since the 1970s.



For the past several years ODH has worked with various stakeholder groups, including CCAO, to develop its new rule package. Before the new rules can be accepted, they must be submitted and filed with the Joint Committee on Rules and Regulation (JCARR) for approval. It had been anticipated that ODH would file its rules with JCARR before July 1st of this year; but in June ODH drafted a new proposed rule that would have allowed a home owner to "opt-out" from connecting to a newly run public sewer line in certain circumstances.

The "Opt-Out" rule would make the financing of a public sewer more difficult. Since June CCAO, the County Sanitary Engineers Association and other stakeholders worked to educate ODH about our concerns with this proposed rule. Early this week, we were informed by a **memo** from ODH that it would not include the new proposed "Opt-Out" rule in its package that will be sent to JCARR.

CCAO appreciates the assistance of the many county commissioners, county engineers, and the County Sanitary Engineers Association who helped educate officials at the Ohio Department of Health on the proposed rules. We also want to thank Interim Director of Health Lance Himes and his staff for their professionalism through this process.

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

Office of Budget and Management starts FY2016-17 budget process

The Office of Budget and Management issued its **budget planning guidance** to agencies for the fiscal year 2016-2017 spending cycle this week with OBM Director Tim Keen noting that, "Although the State's budget has been returned to fiscal stability and Ohio is better positioned for economic growth, Gov. Kasich will use the next biennial budget to continue his ongoing effort to enhance the climate of economic competitiveness and job growth in Ohio, restrain State spending, and improve services for taxpayers."

The release of the guidance document officially kicks off the biennial budget planning period leading into its introduction next February. While the guidance document does not spell out any policy directions, if history is a guide one could expect the governor to return to past proposals that haven't been met with enthusiasm from the legislature such as an oil and gas severance tax hike and a push toward reducing income taxes while shifting more toward "consumption-based" revenues for the state.

The budget guidance does indicate that, as part of meeting his oft-stated goal of reducing the personal income tax, the state will continue to hold the line on general revenue fund spending. As in the last cycle, the guidance restricts GRF requests to 90% of the current year's allotments, including certain Controlling Board authorizations. However, agencies are urged to remain cognizant of the Governor's commitment to restrain government spending, regardless of the source of revenue that is supporting the appropriations.

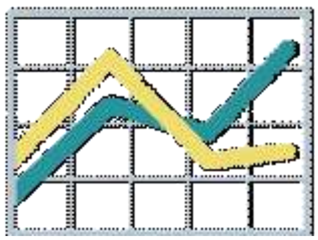
For GRF program budget requests the agencies are asked to describe what activities can be supported at 90% of adjusted fiscal year 2015 appropriations for fiscal years 2016 and 2017 and then what additional activities can be supported at 100% of adjusted fiscal year 2015 appropriations for fiscal years 2016 and 2017. For non-GRF/non-federal funds the agencies are asked to describe what activities can be supported at 100% of adjusted fiscal year 2015 appropriations for fiscal years 2016 and 2017 and may request appropriations in each fiscal year up to the amount of cash that they reasonably expect to have available. For federal funds, if no state match is required, agencies may request appropriations in each fiscal year up to the amount of cash that they reasonably expect to receive, but if a GRF or non-GRF match is required, the federal funds request must be limited to the amount that can be supported by the match provided within the GRF limitation.

In presenting their budgets to OBM the agency directors are requested to describe the agency's mission, goals, and objectives and the agency's progress toward achieving these items in the current biennium; discuss the programmatic and fiscal challenges, issues, and special problems the agency will face during fiscal years 2016 and 2017, as related to ongoing and new initiatives; address any federal funding changes that will significantly affect the agency's activities and include information to clarify and quantify these descriptions. Agency directors are also asked to describe any operational changes that the agency has implemented in fiscal years 2014 and 2015 and their impact, report on staffing levels, and discuss any plans for integrating its processes into Shared Services, other types of outsourcing, or IT planning.

Fiscal Year 2014 state revenue receipts

CCAO attended a meeting hosted by the Ohio Department of Taxation this week at which the Department provided insight regarding the revenue collection during SF 2014 which ended on June 30.

State General Revenue Fund (GRF) tax revenue for FY 2014 totaled $20.1 billion which was roughly $176 million or 0.9% over estimate for the fiscal year and $881 million or -4.2% less than in FY13.



Sales tax revenue came in pretty much as anticipated at around $9.2 billion, which is about $31 million or -0.3% less than estimated for the fiscal year and about $721 million or 8.5% greater than in FY 2013. A portion of that growth can be attributed to the ½% rate increase that was effective last September. The portion of the sales tax attributable to motor vehicle sales ended the year at $1.2 billion for the fiscal year which was $36 million or 3% higher than estimated and $113 million or 10.3% higher than FY 2013. Sales tax revenue originating from sources other than the sales of motor vehicles totaled roughly $7.96 billion for the fiscal year. This was about $67 million or -0.8% under the estimate and $608 million or 8.3% above collections in FY2013.

GRF Ohio personal income tax revenue totaled about $8.1 billion in FY14 which is about $215 million more than estimated and roughly $1.4 billion or -15.2% less than last fiscal year. The primary causes for this decline in revenue include changes to the income tax including the rate cuts and the new small business income deduction enacted in H.B. 59, the biennial budget bill along with some taxpayers shifting the realization of their income that lead to inflated FY13 revenues and lowered FY14 revenues.

Fiscal year 2014 was the first year for the new the financial institutions tax (FIT), which replaced the final portion of the now defunct corporate franchise tax. As the name implies this is a tax on financial institutions, based on their Ohio equity capital. The FIT ended its first year with $198 million in receipts, or about $7 million less than expected.

The Commercial Activity Tax or CAT, which basically is the state's gross receipts tax, receipts totaled $1.7 billion and were about $78 million or -4.4% below estimate but $108 million greater than in FY13. Return data isn't available quite yet, but early indications are that the shortfall from estimate is due to a rise in credits taken against the tax.

Upcoming Legislative Committee Calendar

Tuesday, July 29 – Joint Senate Agriculture and House Agriculture & Natural Resources (Chr. Hite, C., 466-8150; Chr. Hall, D., 466-2994) **- Donahey Nationwide Ag./Hort. Building, Ohio State Fairgrounds, 10:30 am**

- Presentations by Chairman Tom Price, Ohio Expositions Commission; Virgil Strickler, Ohio State Fair; Director Dave Daniels, Ohio Department of Agriculture; Director Jim Zehringer, Ohio Department of Natural Resources; Executive Director Kirk Meritt, Ohio

Soybean Coun-cil; President Jack Fisher, Ohio Farm Bureau Federation; Dean Bruce McPheron, Ph. D., The Ohio State University College of Food, Agriculture and Environmental Sciences; Ohio State Fair Junior Fair Board Members and FFA Students

- Pre-committee program with All-State Choir begins at 10:15

Tuesday, August 5 - House study committee on Ohio's unemployment compensation debt (Chr. Sears, B. 466-1731) **Statehouse – Time and place TBA –** this will be the initial meeting of this study committee.