

## Publications

### *Ohio Statehouse Update: House Considers State Capital Appropriations, Mid-Biennium Review Bills*

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### **FY 2015-2016 Capital Appropriations Legislation**

The state's two-year Capital Appropriations measure, House Bill 497, was introduced in the Ohio House on March 18. This year's Capital Bill allocates \$2.39 billion, largely bond-backed funding for brick-and-mortar construction and renovation projects for state agencies, colleges, universities and school districts. Also, for the first time in six years, the Capital Bill goes beyond funding construction and renovation needs for state-owned properties, providing approximately \$160 million in funding for additional "community projects" identified as priorities across various regions of the state.

In late 2013, the governor tasked eight regional economic development groups, as well as a statewide capital arts and culture committee, with reviewing potential community projects and submitting a list of projects recommended for funding based on their significant economic development and/or cultural impact. The funding for community projects included in H.B. 497, as introduced, largely reflects the project recommendations that resulted from that process. Reprising a collaboration that Governor Kasich initiated during the previous Capital Bill process, the presidents of Ohio's two- and four-year state institutions of higher education were also tasked with developing an agreed upon list of priority higher education projects recommended for funding. The resulting recommendations from the Ohio Higher Education Funding Commission are reflected in the \$498.1 million appropriation dedicated to the Board of Regents and state institutions of higher education in H.B. 497 as introduced. Among other significant funding proposals, H.B. 497 also contains \$675 million in capital appropriations for the Ohio School Facilities Commission to continue state support for the construction and renovation of Ohio's primary and secondary educational facilities.

## Mid-Biennium Review Legislative Proposals

Governor Kasich's Mid-Biennium Review (MBR) legislation, a comprehensive package of policy and budgetary provisions reflecting priorities announced by the governor in his February 24 state-of-the-state speech, was released on March 11 as a single measure totaling more than 1,600 pages of proposed legislative changes. The MBR underwent initial hearings with explanatory testimony from administration officials. The Ohio House took action to split out the proposals in the larger MBR measure for consideration by various legislative committees as part of 14 separate bills (3 previously introduced bills and 11 newly introduced bills) addressing specific MBR subject areas, as follows:

**H.B. 369** (Rep. Robert Sprague) – Mental health/drug addiction components – assigned to House Finance and Appropriations Committee

**H.B. 375** (Rep. Matt Huffman) – Oil and gas severance tax – assigned to House Ways and Means Committee

**H.B. 472** (Rep. Jeff McClain) – Tax policy provisions – assigned to House Ways and Means Committee

**H.B. 483** (Rep. Ron Amstutz) – Appropriation changes and minor policy changes – assigned to House Finance and Appropriations Committee

**H.B. 484** (Reps. Cliff Rosenberger and Tim Brown) – Higher education reform – assigned to House Finance and Appropriations Subcommittee on Higher Education

**H.B. 485** (Reps. Ryan Smith and Terry Johnson) – Creation of the Office of Human Services Innovation – assigned to House Health and Aging Committee

**H.B. 486** (Reps. Nan Baker and Gerald Stebelton) – Workforce development initiatives – assigned to House Economic Development and Regulatory Reform Committee

**H.B. 487** (Rep. Andrew Brenner) – Primary and secondary education provisions – assigned to House Education Committee

**H.B. 488** (Reps. Mike Dovilla and Al Landis) – Veterans issues – assigned to House Veterans Affairs Committee

**H.B. 489** (Rep. Terry Blair) – State-owned property lease-purchase and lease-leaseback agreements – assigned to House State and Local Government Committee

**H.B. 490** (Reps. Dave Hall and Andy Thompson) – Ohio Department of Natural Resources, Ohio Department of Agriculture and Ohio EPA provisions – assigned to House Agriculture and Natural Resources Committee

**H.B. 491** (Reps. Jim Buchy and Lou Blessing, III) – State lottery and casino provisions – assigned to House Policy and Legislative Oversight Committee

H.B. 492 (Rep. Gary Scherer) – Tax corrective changes – assigned to House Ways and Means Committee

H.B. 493 (Reps. Barbara Sears and Mike Henne) – Ohio Bureau of Workers' Compensation provisions – assigned to House Insurance Committee

While it is apparent that a plethora of subjects will be under consideration as the MBR bills move forward, some significant MBR proposals to be tackled by the legislature include the following:

- **Tax Reform** – The governor is proposing an additional 8.5% across-the-board state income tax cut for Ohioans phased-in over a three-year period to bring the top income tax bracket under 5% in 2016. To fund this income tax cut, the MBR tax reform package proposes to increase the broad-based Commercial Activity Tax (CAT) on businesses from the current rate of 0.26% to 0.30%; increase the oil and gas severance tax to 2.75%; and increase the tax on cigarettes by sixty cents over a two-year period from the current tax of \$1.25 to \$1.85 per pack. The proposal also subjects other tobacco-related products such as cigars, smokeless tobacco and the relatively new e-cigarette products to taxes equivalent to the cigarette tax.
- **Student Dropout Prevention / Career Preparation** – The governor is proposing new initiatives to identify at-risk students to prevent student dropouts; to recover school-age and adult dropouts; and to create pathways to earning high school diplomas. As part of the plan, \$10 million from casino-license fees will be used to provide matching funds for “Community Connectors” programs in which businesses and groups provide mentorship to students in local communities. In addition, the governor proposes extending technical and vocational educational opportunities down to the seventh-grade level to give students an early jumpstart in developing career skills, as well as streamlining and improving the process for high school students to enroll in college courses and get a head start in earning credits toward a degree.
- **Health and Human Services** – The governor’s proposals include targeted funds to expand the capacity for housing, crisis intervention and residential treatment needs of Ohioans affected by mental illness and addiction, as well as a \$6.5 million investment in statewide programs to prevent substance abuse and expand Ohio’s new “Start Talking!” drug abuse prevention campaign for schools. In addition, \$26.9 million in Master Settlement Agreement funds are proposed for creation of a five-year tobacco prevention and cessation plan to be coordinated by the Ohio Department of Health. The governor is also proposing the creation of a new Office of Human Services Innovation within the Ohio Department of Jobs and Family Services to better coordinate and streamline access to important programs and opportunities for Ohioans in need.
- **Veterans Initiatives** – In addition to the larger workforce development and education programs addressed within the MBR, the governor’s proposals contain several initiatives directly focused on veterans that would make it easier for veterans to get credit for military experience when applying for state jobs or licensing, allow them to take full advantage of available GI Bill eligibility for training and testing, and move toward development of a set of standards and streamlined procedures for awarding college credit to veterans in recognition of their military training and experience.

The House is currently conducting hearings on the Capital Bill (H.B. 497) and a vote on it by the end of the week is likely. The measure will go to the Ohio Senate for deliberations and a vote on final passage in fairly short order, most likely prior to April 1. The timeline for addressing the 14 separate MBR measures is less certain. Several subject matter Bills are likely to undergo consideration and move toward passage fairly

rapidly over the next several weeks, while others, such as the tax reform proposals, may move on a slower timeline through May and possibly into fall and winter pre- and post-election timeframes.

[Click Here to View a County-by-County Listing of the Capital Appropriations Projects included in H.B. 497, as Introduced](#)

[Click Here to View the Administration's Fact Sheets Outlining the MBR Proposals](#)