

State Budget Wrap-Up: Extensive Public Policy and Funding Changes – What You Need to Know

By ***Madison Lisotto Whalen***, Associate

Just before the midnight deadline on Friday, Governor John R. Kasich signed the state's two-year operating budget into law. The Governor first released his budget proposal in January 2017 and the Legislature has spent the last six (6) months hearing from hundreds of witnesses seeking to influence the budget during thirty-one (31) total committee hearings. The state budget bill is nearly 3,400 pages of text and includes \$132.8 billion in funding for the state's operations beginning in July 2018 and ending in July 2019. Limited resources and an unexpected \$1 billion tax revenue shortfall resulted in substantial funding changes for many state agencies including Ohio's Medicaid system, education system, and prison system.

Before signing the budget into law, Governor Kasich exercised his "line-item" veto authority on forty-seven (47) items, meaning he prevented particular funding and policy proposals passed by the Legislature from becoming law. Both the House and Senate, which have Republican super majorities, have threatened to override some of the Governor's vetoes, specifically his veto of the Medicaid enrollment freeze.

Find below budget highlights that may have a significant impact on you or your business.

Local Government:

- Redirects \$35 million over the biennium from the Municipal Supplemental Distribution Fund towards combating the opioid epidemic
- Eliminates the "throwback" rule for municipal taxes
- Requires the ten (10) most populous counties to locally confine a person with a prison term of 12 months or less and a felony five (5) offense; participation is optional for the remaining counties
- Allows businesses to 'opt-in' to file net profit business filings directly to the Ohio Department of Taxation (ODT) through the Ohio Business Gateway starting January 2018 (as opposed to filing through a municipality); an administrative fee of 0.50% will be charged to municipalities by ODT
- Expands the types of hybrid voting machines that can be used to include those that utilize a digital display for the voter before printing the vote onto an optical scan ballot or other paper record
- Extends the deadline for municipalities and counties to petition the Development Services Agency to approve a Community Reinvestment Area from fifteen (15) to sixty (60) days after adopting a resolution
- Defunded the Local Government Innovation Fund
- Authorizes counties participating in regional transportation improvement projects to create Transportation Financing Districts, similar to Tax Increment Financing Incentive Districts
- Allows sheriffs to use a jail's commissary profits to purchase technology to prevent contraband in county jails
- Authorizes townships to sell commercial advertising on their websites

- Allows two or more Metropolitan Housing Authorities to enter into a shared services agreement
- Changes the threshold that a port authority must use competitive bidding to \$150,000

Education:

- Allows community colleges to offer bachelor's degrees in certain circumstances
- Requires the board of trustees at each state institution to adopt a textbook selection policy for faculty to use when choosing and assigning textbooks and other instructional materials
- Permits employees of state colleges and universities to donate accrued but unused paid leave to other employees dealing with serious illnesses or with sick immediate family members
- Changes the charter school sponsor evaluation system
- Gives the Ohio Department of Education access to personally identifiable student data to ensure accuracy of payments for charter school students
- Creates two new graduation pathways for the class of 2018 based on recommendations endorsed by the State Board of Education
- Establishes an option for career-technical education students to participate in pre-apprentice training programs
- Scales back required testing by eliminating fourth and sixth grade statewide social studies assessments
- Provides a small increase in per-student funding
- Sets a flexible gain cap to accommodate districts with rapid enrollment growth
- Cuts state funding of school transportation funding and educational service centers

Taxes:

- Allow counties to increase their local sales and use tax levies in increments of 0.10% beginning in July 2018
- Eliminates the two-lowest state personal income tax brackets
- Changes the current Agricultural Use Valuation (CAUV) calculations; the changes are estimated to reduce tax revenues to schools by \$4 million in tax year 2017
- Requires future 'as introduced' biennium operating budgets to contain a complete list of all business incentive tax credits and specific details of the tax impacts
- Modifies how the cap on New Markets Tax Credits is determined

- Permits a party to request that an appeal through the Board of Tax Appeals be transferred to the Supreme Court of Ohio if the appeal involves a “substantial constitutional question or a question of great general or public interest”

Business:

- Allows the state to raid budgets of the Bureau of Workers’ Compensation and the Industrial Commission, which are paid for by employer premiums and assessments (and not taxes)
- Creates a new liquor permit that allows the manufacturing of ice cream containing up to 6% alcohol
- Allows casinos and restaurants in casinos to provide free tastings of beer, wine and liquor
- Defines “microbusiness” in law as an independently owned and operated for-profit business that has fewer than twenty (20) full-time employees
- Pledges up to \$10 million in state unclaimed funds to be allocated to bonds for minority businesses
- Creates an electronic notary system
- Provides \$7.8 million in funding to residential, commercial and industrial businesses, and local governments for eligible advanced energy projects
- Requires the Ohio Department of Job and Family Services to conduct and publish an electronic survey every two (2) years asking employers about in-demand jobs
- Requires the Ohio Development Services Agency (ODSA) to provide increased information about online jobs listings and assistance offered by the state

Health Care:

- Moves nursing facilities and home and community-based waiver services into managed care
- Allocates \$1 million in eligible grant funding for projects intended to reduce infant mortality
- Creates a Long Term Care Ombudsman program to make visits to long-term care providers, residents and recipients
- Directs the ODSA, Department of Mental Health and Addiction Services, and the Ohio State University to create a state opioid addiction treatment website and mobile application
- Provides for grant funding for private or public entities that demonstrate evidence-based tobacco cessation interventions to pregnant women
- Expands the sanctions the State Board of Pharmacy can make against unlicensed pain management clinics

Environmental:

- Eliminates antiquated provisions of the law governing solid waste facilities
- Gives the Environmental Protection Agency (EPA) authority to waive or reduce fees incurred for late payment penalties
- Eliminates the EPA's authority over industrial water pollution control certificates
- Requires the EPA to establish a total maximum daily load for waters of the state
- Allows the EPA to award grants to Area Wide Planning Agencies engaged in water quality management
- Abolishes the Injection Well Review Fund
- Creates the Diesel Emissions Reduction Grant Program within the state's Highway Operating Fund
- Adds environmental remediation as a purpose for which a municipal corporation can undertake an urban renewal project

Some of the provisions passed by the Legislature that Governor Kasich vetoed:

- A proposal to freeze Medicaid expansion enrollment beginning in July 2018
- A six-year proposed fix for counties and transit authorities that stand to lose several millions because of a sales tax eliminated on Medicaid managed care organizations
- \$1 million targeted to reimburse counties for the purchase of new voting machines
- A proposal to prohibit using credit cards to buy lottery tickets
- A proposal to allow public universities to raise tuition by 8% instead of 6% and community colleges to raise tuition \$10 per credit hour
- A proposal prohibiting the city of Columbus from charging an additional fee for water and wastewater services to surrounding communities
- A proposal that would allow Ohio motor vehicle dealers to remit sales and use taxes on vehicle sales directly to the state on a monthly basis rather than to a clerk of court when a vehicle is titled

If you have questions about these public policy changes, please contact any of the listed Roetzel attorneys.

Author

Madison Lisotto Whalen
mwhalen@ralaw.com

Additional Contacts

Lewis W. Adkins Jr.
ladkins@ralaw.com

Melissa R. Hoeffel
mhoeffel@ralaw.com

Daniel G. Hilson
dhilson@ralaw.com

Media Contact
Ashley McCool
amccool@ralaw.com

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