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Ohio Statehouse Update: House-Senate Conference Committee Working to Finalize Biennial Budget Bill This Week

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As the deadline for passage of Ohio's budget bill looms, members of a House-Senate Conference Committee worked over the weekend and are expected to reconvene on Wednesday to report a compromise version of House Bill 64, the state's two-year main operating budget bill. The H.B. 64 Conference Committee is comprised of three members from each chamber charged with reconciling the differences between the House and Senate-passed versions of the budget and hammering out a final version of the bill to send to the governor.

The House-appointed conferees are Representatives Ryan Smith (R-Bidwell), Kirk Schuring (R-Canton), and Denise Driehaus (D-Cincinnati). Senators Scott Oelslager (R-N. Canton), Bill Coley (R-Liberty Twp.), and Mike Skindell (D-Lakewood) are the appointed conferees on behalf of the Senate.

Going into the Conference Committee, significant policy impacts of the \$71.3 Billion FY 2016-2017 spending measure, as passed by the Senate on Thursday evening by a 23-10 vote after a lengthy floor session, include the following:

- **Personal Income Tax** – Provides a 6.3% across the board cut for state personal income tax rates, bringing Ohio's income tax brackets to the lowest rates since 1981; requires the Ohio 2020 Tax Policy Study Commission to issue a report with recommendations for transitioning Ohio's personal income tax to a 3.5% or 3.75% flat tax by 2018.
- **Small Business Income Tax** – Eliminates taxes on the first \$250,000 of net income for small businesses, and establishes a flat 3% tax rate on business earnings exceeding that amount.
- **Sales Tax** – No increase in the state sales tax, and no expansion of the sales tax to additional services.
- **Commercial Activity Tax** – No increase to the state's Commercial Activity Tax on gross receipts of businesses.
- **Severance Tax** – Although heavily discussed, the Senate ultimately opted not to impose an oil and gas severance tax increase; instead,

the Ohio 2020 Tax Policy Study Commission is charged with issuing a report with recommendations for comprehensive severance tax reform by October 1, 2015.

- **Tobacco Taxes** – Increases the tax on cigarettes from \$1.25 to \$1.65 per pack and appropriates additional money in FY 16-17 for tobacco cessation efforts.
- **K-12 School funding** – Provides over \$935 Million in new dollars for primary and secondary education over the biennium, revises the funding formula for school districts, and guarantees that no school district will receive less funding than it received in FY 15.
- **Higher Education** – Establishes a two-year freeze on tuition and fees at state colleges and universities, and requires state institutions of higher education to develop plans to reduce overall costs of undergraduate student attendance by 5%. In return, the Senate provided \$130 Million of additional funding for state higher education institutions over the biennium.
- **Health Care** – Restores funding for Medicaid coverage of pregnant women up to 200% of the poverty level and restores coverage for breast and cervical cancer screenings for women on Medicaid; eliminates House-proposed language and funding for the Healthier Buckeye Grant Program and local Healthier Buckeye Councils.
- **Hospital Franchise Fee** – Maintains the current 2.66% rate for the hospital franchise fee, rolling back proposed increases to the rate in the Executive and House-passed versions of the budget.
- **Ohio Historic Preservation Tax Credit** – At one point slated for a moratorium during the Senate committee process, the popular economic development tax credit was restored to its current operational status, with additional language requiring the Development Services Agency to study options for transitioning the tax credit to a grant program and issue a report to legislative leaders by December 31, 2015.
- **Public Official Pay Raises** – Provides 5% annual pay raises to judges and elected county officials over a specified number of years – does not include pay raises for state legislators and statewide officeholders.

The H.B. 64 Conference Committee held its first meeting on Friday morning to hear revised revenue projections from Office of Budget and Management Director Tim Keen and Legislative Service Commission Director Mark Flanders. Due to improved revenue and spending projections since the beginning of the budget process in February, Director Keen estimated that the legislature has an additional \$116 Million spending cushion available at this time.

After the Conference Committee concludes its work, H.B. 64 must go back before the full Senate and House, likely on Thursday and Friday, for final votes of agreement by each chamber to send the legislation to Governor Kasich. The Governor must sign the bill by June 30th for the appropriation measures to take effect in time for the beginning of the new state fiscal year on July 1, 2015.

Click on the links below to review a full copy of H.B. 64, as passed by the Senate (4,372 pages!), and copies of the Legislative Service Commission's H.B. 64 comparison documents.

[Full copy of H.B. 64, as passed by the Senate](#)

[H.B. 64 Comparison Document – All Provisions](#)

H.B. 64 Comparison Document – Executive-House-Senate Differences Only

