



H.B. 64: Ohio budget overview

July 14, 2015

On June 30, 2015, Governor Kasich signed House Bill 64 (H.B. 64) — Ohio's biennial budget bill — into law. The bill, which contains appropriations for the state's next two fiscal years, also includes a number of policy items.

Highlights of the \$71 billion budget bill include revisions to the small business income tax deduction, which will increase to 75 percent of business income up to \$250,000 for tax year 2015 and a flat tax of three percent for income above \$250,000. H.B. 64 includes an additional 6.3 percent reduction in the personal income tax rate for all tax brackets beginning in tax year 2015. The bill also includes a 35-cent tax increase on cigarettes, bringing Ohio's per-pack tax rate to \$1.60.

The bill created the Ohio 2020 Tax Policy Study Commission, which is charged with reviewing Ohio's tax structure and policies and making recommendations on how to maximize the state's competitiveness by 2020. The commission will include six legislative members and one governor appointee and will be co-chaired by the chairs of the House and Senate Ways and Means Committees.

Specific charges to the commission include reviewing Ohio's severance tax, considering how to transition Ohio's personal income tax to a 3.5 percent or 3.75 percent flat tax by 2018, and reviewing whether the historic building rehabilitation tax credit should be made a grant program. A report with recommendations on the severance tax must be delivered to the General Assembly by October 1, 2015, and a report on the historic building rehabilitation tax credit must be completed by October 31, 2016. Other findings and recommendations must be published no later than October 1, 2017.

H.B. 64 includes a five percent annual pay raise for judges as well as county and township elected officials. The state's rainy day

fund was also increased from the current maximum of five percent to 8.5 percent of the general revenue fund. For this budget, the new maximum is approximately \$3.1 billion.

Prior to signing, the governor exercised his line-item veto authority 44 times, making a number of changes to the bill passed by the Ohio General Assembly.

Among the provisions vetoed by the governor was the funding guarantee for some of Ohio's wealthiest school districts. Language included in the budget by the General Assembly would have ensured that no school district would receive less state funding in the next biennium than it received during the current biennium. The governor's veto message on the issue stated "[f]unding guarantees undermine the formula by limiting its ability to direct funds to districts that need them most."

Also vetoed was a provision mandating that the Ohio Lottery Commission install EZPlay Keno and EZPlay Bingo games in bars and restaurants with certain liquor permits. Although the measure would have generated revenue for schools, the governor determined that the measure undermined the authority of the Lottery Commission to best determine how to maximize proceeds to the Lottery Profits Education Fund and that there was uncertain market demand for the gaming terminals.

The governor issued several vetoes related to Medicaid, including the codification of an enhanced payment rate for one provider in the Ohio Medicaid Program and a provision that would have allowed married couples with employment earnings exceeding current limits to obtain a waiver to stay on Medicaid.

With the budget process now behind them, Ohio's representatives and senators are on summer recess but are expected to return after the Labor Day holiday for session and committee hearings from September through December.

Authors

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