



Office of Budget and Management

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SENATE BILL 312 - CAPITAL REAPPROPRIATIONS BILL TESTIMONY OF CHRIS WHISTLER BEFORE THE

SENATE FINANCE COMMITTEE

MARCH 14, 2012

Chairman Widener, Ranking Member Sawyer, and members of the Senate Finance Committee, my name is Chris Whistler and I am the Assistant Director of the Office of Budget and Management (OBM). I am pleased to appear before you today to present Senate Bill 312, the Capital Reappropriations Bill for fiscal years 2013 and 2014.

BACKGROUND

As you may know, the purpose of the Capital Reappropriations Bill is to reauthorize unexpended balances of previously appropriated capital projects. This "reappropriation" process is necessary due to the constitutional provision prohibiting the General Assembly from making any appropriation for a period of more than two years. To reconcile this constitutional limitation with the reality that many capital projects require several years to go from original authorization to completion, a mechanism has emerged to provide for legislative reappropriation of the unspent balances in capital appropriation items that were previously approved by the General Assembly.

This reappropriations process is not intended to appropriate additional dollars or to create significant issues. Rather, it is designed to keep capital projects moving and on track. Since many of the projects presented in the bill are already underway, reappropriating the unexpended balances assures that projects can continue uninterrupted toward their final completion.

Of fundamental importance to the understanding of the reappropriations contained in S.B. 312 is that the amounts presented are not the “actual” amounts that will be reappropriated. Instead, the dollar values contained in the bill function as placeholders that are reasonable estimates based on agency submission to OBM and OBM’s analysis of those requests. To this end, language in the bill stipulates that the “actual” amount to be reappropriated for each project is the exact unencumbered and unallotted balance at the end of the fiscal year (i.e. June 30, 2012). The use of these estimates in the bill is necessary due to the inability to know what the exact status of each line item will be at the end of the fiscal year, as well as the time lag between putting the bill together and its actual introduction and passage. But in the final analysis, it is only the actual unencumbered amounts, plus whatever adjustments between line items the General Assembly authorizes in this bill, that will be reappropriated.

Although the purpose of the reappropriations bill has been established by tradition, the process used to develop S.B. 312 has undergone notable revision. Unlike in previous years in which OBM sought agency responses as to whether or not they needed capital balances reappropriated and required only cursory rationale, we sought more in-depth information from the agencies. In so doing, we took a more comprehensive approach in putting the bill together, including coordinating wherever possible with the development of new capital appropriation recommendations. As part of this approach, in addition to asking agencies to estimate what balances needed reappropriated, we also sought additional explanations as to why the balances still existed and whether or not the purpose for which they were originally appropriated merited reappropriation. We believe this revamped process not only generated additional useful information, but also has resulted in a better end product.

One improvement is that the revised submission and review process enabled OBM to provide more scrutiny and to refine the estimates that are actually contained in the bill so as to have them more closely reflect what our analysis tells us is likely to be reappropriated at the close of the fiscal year.

CAPITAL REAPPROPRIATIONS

While S.B. 312 identifies approximately \$1.27 billion in reappropriations, OBM estimates that by June 30, 2012, the likely reappropriation amounts will be more in the \$1.19 to \$1.24 billion range. The size of the bill is significantly lower than recent reappropriations bills. As a point of comparison, the reappropriations bill of two years ago (H.B. 462) included \$2.53 billion in reappropriations, as well as \$670 million in new capital appropriations. It should be noted that \$2.08 billion was actually reappropriated on July 1, 2010, approximately 18 percent less than the amount stated in the bill. This estimate-versus-actual variance is something that we are attempting to narrow through our revamped process that I previously discussed.

Attached to my testimony is a table that details the amounts listed in the bill by agency and fund type. Please note that while over two dozen agencies receive reappropriations, three areas – the Public Works Commission, the School Facilities Commission, and Board of Regents/Higher Education – account for \$875.6 million in reappropriations, almost 70% of the total amount of the bill.

While the primary purpose of the bill is to reauthorize previously appropriated capital projects, circumstances surrounding projects inevitably change over time; and the reappropriations bill has historically served as a mechanism to adjust appropriations based on those changing circumstances. Such is the case with a number of items addressed in this bill. However, it should be noted that these instances amount to approximately \$60 million, less than five percent of the total amounts contained in the bill.

For example, the Department of Developmental Disabilities has several lapsed local housing projects where money previously appropriated or encumbered is no longer needed for the specific purpose for which they were originally obligated. As a result, the bill would repurpose these previously approved appropriations, so that they can be used for projects going forward. By authorizing this, the department can meet the local housing needs for the next two years without seeking new, additional

spending authority. As a result, the Capital Appropriations Bill that is now under consideration in the House requests no new capital appropriations for local housing projects for developmental disabilities.

In another example, OBM is recommending the Department of Rehabilitation and Correction (DRC) be allowed to repurpose \$3.7 million in appropriations originally authorized for replacement of segregation housing to their general renovations line item since the project for which the funds were originally appropriated was funded instead with federal dollars. By authorizing the requested repurposing, DRC would be able to make use of dollars already appropriated to preserve and protect the capital assets of its 28 institutions. Due to their age, these capital assets are requiring greater levels of maintenance and upkeep.

In addition to reappropriating specific capital projects, I would like to note that the bill reappropriates the emergency capital funding provided for in House Bill 153, the fiscal years 2012 and 2013 operating budget. Please recall that, due to the fact that most state agencies did not receive new capital appropriations for the fiscal years 2011 and 2012 capital biennium, H.B. 153 authorized up to a total of \$50 million in capital appropriation authority, limited to certain funds, should emergency needs arise. At the request of the director of OBM, and with the approval of the Controlling Board, appropriations are established and the authority to issue debt is granted. Given the restrained nature of the Capital Bill for fiscal years 2013 and 2014 pending in the House, we believe it is prudent to continue that authority. We estimate that approximately \$40 million of authority will remain for reappropriations at the end of this fiscal year.

CLOSING REMARKS

As you may know, capital appropriations, unlike operating appropriations, require a 90-day delay before they are effective. In order to ensure that appropriations contained in this bill are in place by July 1, 2012, so that existing projects may proceed uninterrupted, our goal is to have the bill signed into law by April 1, 2012.

With that timeframe in mind, I would like to make you aware of a statutory change that we are requesting in this bill related to H.B. 153. We propose to amend a section enacted in H.B. 153 that will allow proceeds from the sale of the Lake Erie Correctional Institution to be deposited into the GRF and/or certain bond funds during fiscal year 2012 as anticipated in the budget framework. We are concerned that the current language might not allow for timely and necessary deposits to be completed in this fiscal year.

I appreciate the opportunity to appear before you today. Thank you for your time and consideration. I would be happy to answer any questions that you might have at this time.

**Summary of Capital Reappropriations in S.B. 312
Capital Reappropriations Bill for FYs 2013-2014**

Proposed State Capital Reappropriations for FYs 2013-2014 by Agency

Amounts are estimates of what will be reappropriated effective July 1, 2012

Actual Appropriations will be the unencumbered and unallotted balances as of June 30, 2012

State Agency	Debt Funds			Total
	Cash Funds	Backed by the GRF	Backed by Other Revenue	
Adjutant General	\$ -	\$ 672,562	\$ -	\$ 672,562
Administrative Services	\$ -	\$ 17,862,313	\$ -	\$ 17,862,313
Aging	\$ -	\$ -	\$ -	\$ -
Agriculture	\$ -	\$ 5,574,920	\$ -	\$ 5,574,920
Air Quality Development Authority	\$ -	\$ -	\$ 30,896,310	\$ 30,896,310
Board of Regents/Higher Education	\$ -	\$ 225,677,118	\$ -	\$ 225,677,118
Capital Square Review and Advisory Board	\$ -	\$ 285,713	\$ -	\$ 285,713
Commerce	\$ 1,189,639	\$ -	\$ -	\$ 1,189,639
Cultural Facilities Commission/Ohio Historical Society	\$ 275,491	\$ 12,738,125	\$ -	\$ 13,013,616
Development	\$ -	\$ 28,500,000	\$ 35,763,337	\$ 64,263,337
Developmental Disabilities	\$ -	\$ 17,071,512	\$ -	\$ 17,071,512
E-Tech	\$ -	\$ 211,882	\$ -	\$ 211,882
Expositions Commission	\$ -	\$ 1,504,519	\$ -	\$ 1,504,519
Mental Health	\$ -	\$ 25,708,000	\$ -	\$ 25,708,000
Natural Resources	\$ 10,469,968	\$ 64,620,121	\$ -	\$ 75,090,089
Public Safety	\$ 2,727,065	\$ 1,790,688	\$ -	\$ 4,517,753
Public Works Commission	\$ 88,888,620	\$ 304,358,336	\$ -	\$ 393,246,956
Rehabilitation and Correction	\$ -	\$ 87,092,244	\$ -	\$ 87,092,244
School Facilities Commission	\$ 95,170,000	\$ 161,500,000	\$ -	\$ 256,670,000
School for the Blind	\$ -	\$ 2,702,261	\$ -	\$ 2,702,261
School for the Deaf	\$ -	\$ 2,015,406	\$ -	\$ 2,015,406
Veterans' Services	\$ 2,341,821	\$ -	\$ -	\$ 2,341,821
Youth Services	\$ -	\$ 3,879,222	\$ -	\$ 3,879,222
Emergency Capital Authority*	\$ -	\$ 40,000,000	\$ -	\$ 40,000,000
Total Reappropriations	\$ 201,062,604	\$ 1,003,764,942	\$ 66,659,647	\$ 1,271,487,193

*Emergency Capital Authority originally established in Section 503.95 of HB 153