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**Ohio House Finance Committee**

*Governor DeWine's Capital Improvements Budget*

*Fiscal Years 2023 and 2024*

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Ohio Office of Budget & Management

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Chairman Oelslager, Vice Chair Plummer, Ranking Member Sweeney, and members of the House Finance Committee, I am pleased to be with you today to present Governor DeWine's Capital Improvements Budget for fiscal years 2023 and 2024.

**Background**

The capital budget will make appropriations for the renovation, reconstruction, and construction of capital assets of state agencies, colleges, universities, and school districts. It also funds a program of grants and loans to local governments for infrastructure projects throughout the state. Additionally, a portion of appropriations in the capital budget will provide funds to support targeted community projects of local or regional importance.

The capital budget proposal from Governor DeWine presented to you today includes just over \$2.7 billion in GRF-backed debt funding, with another \$594 million coming from non-GRF backed bonds and other sources, for a total of \$3.3 billion in appropriations. Table 1, attached to my testimony, provides a breakdown of capital appropriations by agency.

The majority of the appropriations in each capital budget are supported by long-term debt issued through bonds by the State of Ohio, with the principal and interest payments on that debt funded by General Revenue Fund (GRF) appropriations made in operating budgets. Typically, OBM issues debt no more than 18 months in advance of the proceeds being spent.

The recommended capital appropriations that I am pleased to present today are manageable and sustainable within our current and future budget capacity, keeping the State well under the constitutional five percent limitation on debt service as a percent of

revenue. Additionally, our state credit rating outlook is stronger than any point in the past 40 years – which is important as we consider bond-financed capital projects.

The plan presented to you today is the culmination of years of planning by our state agencies to determine their most pressing needs. Each of the projects recommended in this proposal will renovate, improve, or maintain capital facilities with the goal to better serve Ohioans and provide the best return on investment. Additionally, much of the proposed new construction is used to replace existing facilities that are no longer cost effective to repair and maintain or no longer optimal for current program delivery needs.

A priority of this plan is to provide a positive impact on jobs and grow the economy. Investing in Ohio's brick and mortar infrastructure is investing in Ohio jobs. A recent national study reports that for every billion dollars of construction spending, 6,300 direct jobs are created. At any given time, the Ohio Facilities Construction Commission, which works with agencies to manage the majority of the state's capital projects, has more than 200 projects in design or in construction. And the value of these projects is well over \$2 billion – more than 12,000 jobs for Ohioans and their families. Construction is an important industry in Ohio. Statewide, there were an estimated 237,600 employees in the construction industry in April 2022, an increase of six percent from last year.

With that in mind, I would now like to take a few minutes to highlight some of the specific capital appropriations and state agency projects for your consideration.

### **Higher Education Institutions and Statewide Higher Education Projects**

The capital budget proposal includes total capital appropriations of \$457 million to the Department of Higher Education and institutions of higher education across the state. Once again, Governor DeWine asked the higher education community to develop a collaborative capital funding request prioritizing the needs of the entire university system ahead of the desires of individual institutions. Led by the Inter-University Council of Ohio and the Ohio Association of Community Colleges, they delivered a strategic, comprehensive capital funding plan endorsed by each of the state's public higher education institutions. The resulting capital budget presents the recommendations for the funding of \$400 million in campus-level projects.

In addition to campus-specific allocations, there are projects of statewide benefit to Ohio's public colleges and universities appropriated to the Department of Higher Education. One specific project I would like to highlight is the Ohio Library and Information Network program, which would receive over \$22 million for the purchase and delivery of published eBooks and journals from the most prestigious publishers in the world to make these learning resources available to students, faculty, and researchers at every Ohio institution. It would also allow for the replacement of the 30-year-old Integrated Library System that supports the management of libraries and resources across the state.

## **Ohio Facilities Construction Commission**

Along with the investments into Higher Education institutions, this proposal also seeks to provide appropriations for school facilities throughout the state. The Ohio Facilities Construction Commission (OFCC) administers the state's school building construction program, which provides state support to assist local school districts in the construction and renovation of Ohio's primary and secondary education facilities.

The proposal provides over \$607 million in appropriations for OFCC to continue the K-12 school program, the energy conservation program, and the state building assessment and planning program in fiscal years 2023 and 2024. Specifically, this budget would support \$600 million for ongoing and new construction and renovation of K-12 school district buildings.

The plan also includes \$2 million for the energy conservation program to reduce energy costs in state facilities, which is incredibly important with energy prices continuing to rise. To date, OFCC has administered 195 energy conservation capital projects with an annual savings of \$4.7 million. The average return on investment for these projects is 5 years.

## **Public Works Commission**

The Ohio Public Works Commission provides financing for local public infrastructure needs through the State Capital Improvement Program (SCIP) which has been approved by voters four times, most recently in May of 2014. The proposal will support \$400 million in capital infrastructure projects such as roads, bridges, water supply and distribution and wastewater collection and treatment. Furthermore, \$82 million in additional capital from the Revolving Loan Program is included. This funding uses the proceeds of repayments from past loans for future loans to local governments for this same type of projects. An additional \$75 million is provided to the Clean Ohio Conservation Program to protect open spaces and watersheds across the state.

## **Department of Agriculture**

The Department of Agriculture would be provided a total of \$86.4 million in appropriations. Of that total, it is recommended that \$72 million of federal funding from the American Rescue Plan Act (ARPA) be utilized for a new Animal Disease Diagnostic Laboratory. This lab is the only full service, all-species veterinary diagnostic lab in the state, and is critical in the defense against the threat of animal disease outbreaks like the African Swine Fever and serves to protect industry and public health across Ohio and the nation. I believe this is a great opportunity to put ARPA funding to good use.

## **Department of Natural Resources**

A record number of visitors have been flowing into parks across the state, with Ohioans and people from other states across the country taking advantage of the numerous

state parks to observe the beauty our state has to offer and contribute to our local economies. This influx of visitors has created an increased need for maintenance and upgrades to ensure our parks can continue to welcome thousands of people each year.

The Department of Natural Resources would be appropriated a total of \$515 million, which includes improvements and upgrades to lodges, cabins, campgrounds, and playgrounds. This funding would also be used to enhance the safety of our communities by providing appropriations for dam rehabilitation projects statewide, including the Muskingum locks and dams.

Similar to the recommendation for the Animal Disease Lab at the Department of Agriculture, OBM has reviewed ODNR capital needs and determined that federal ARPA dollars can be utilized for \$202 million of the total recommendation, supporting improvements to state parks assets, and repairs and upgrades to trails and trail facilities, as well as water and wastewater facilities. This is another excellent opportunity to further improve state facilities without having to issue additional debt to pay for these much-needed projects.

### **Department of Mental Health and Addiction Services**

In Ohio, the public behavioral health system serves as a safety net for the uninsured and impoverished, and individuals who require more specialized care. Building out the behavioral health continuum of care to guarantee access to evidence based prevention, early intervention, treatment and recovery support services when in crisis, including employment services, peer supports, and housing, is among Governor DeWine's top priorities.

The recommended capital budget provides \$74.6 million in new appropriations for the Department of Mental Health and Addiction Services to fund the general renovations at the state psychiatric hospitals and our continued support of community recovery housing and program space for the mentally ill and drug addicted.

### **Department of Rehabilitation and Correction**

The Department of Rehabilitation and Correction (DRC) has a current inmate population of 43,501 across 28 facilities, many of which were built early to mid-last century. DRC also funds 18 Community-Based Correctional Facilities, which serve as secure residential treatment programs for felony offenders and help divert low level felons from prison. Lastly, DRC operates two halfway houses, which provide transitional supervision and services to offenders as their sentences come to an end.

This capital proposal would provide approximately \$353.3 million to support capital projects in state facilities, community-based correctional facilities, and halfway houses. This level of investment will enable DRC to move beyond general maintenance and address aging capital assets which will focus on keeping staff, inmates, and visitors safe while creating more functional program and living spaces.

## **Department of Youth Services**

The Department of Youth Services (DYS) seeks to provide a safe environment that protects youth from harm and supports their rehabilitation. However, the age of current housing units and program areas at the state-operated facilities present challenges to maintaining the best possible environment for youth. The housing units at DHS facilities were built in the 1960s and 1970s and require repairs to manage youth more effectively. Improving these facilities will provide housing units and support areas that maximize staff supervision of and interaction with youth.

This plan would provide over \$103 million for several much-needed improvement projects. Specifically, \$95 million would be appropriated to replace the Cuyahoga Hills Juvenile Correctional Facility with a new, 120-bed facility. The facility was originally constructed in 1968 and is reaching the end of its useful life. DHS will replace the facility to create a more rehabilitative environment for youth with more effective programming and sleeping spaces. Additionally, \$4.7 million would be provided for the renovation of the Circleville Medical and Administration facilities. Finally, \$3.2 million would be provided for renovations at community correctional facilities and detention center projects.

## **Community Projects**

The DeWine-Husted Administration is committed to ensuring that Ohio communities thrive, and we are working in cooperation with the leadership of the General Assembly to finalize capital funding for targeted projects of local and regional importance. During the last several months, community representatives throughout the state worked with legislators to identify priority projects in every region. As a result of this collaborative process, the capital budget will include projects that have strong community support, most of which also include commitments of local resources. Examples of these projects include mental health and drug treatment facilities, facilities for people with developmental disabilities, parks, recreation and conservation projects, historical and cultural facilities, and agricultural society improvements.

## **Economic Update**

Before I conclude, I would like to provide the Committee an update on the state's fiscal standing. As was the case when I testified before you in March for the reappropriations bill, the State of Ohio continues to be well-positioned financially to support these capital projects. As of April, with only two months of the fiscal year remaining, our General Revenue Fund receipts are currently 12 percent above estimate for the year. Our state's unemployment rate is continuing to decrease and is now down to 4 percent. This is a level touched in only two periods before in our history. There are more than 250,000 total jobs available on OhioMeansJobs and over 150,000 of those jobs have a starting salary over \$50,000. That means that Ohio has more than 6 open jobs for every person filing for unemployment. Our income tax rate is lower than it has been in 40 years. And, as I mentioned earlier in my testimony, our state credit rating outlook is stronger than

any point in the past 40 years.

## **Conclusion**

Mr. Chairman, members of the Committee, I appreciate the opportunity to present Governor DeWine's Capital Improvements Budget for fiscal years 2023 and 2024.

I want thank Governor DeWine and his staff, Lt. Governor Husted, all members of the Governor's cabinet, and especially the staff of OBM who worked extremely hard to develop the proposal that I am happy to present today. We look forward to working together with each of you as the legislature considers this proposal.

I thank you for your time and consideration. I am happy to answer any questions you may have today.

## **Attachments:**

Table 1 – Summary of Capital Appropriations – FYs 2023-2024

**Table 1**  
**Summary of FY 2023-2024 Capital Plan**  
**May 24, 2022**

Capital Appropriation Recommendations Arranged by Agency and Source of Funding

<b>State Agency</b>	<b>GRF-Backed Debt</b>	<b>Other Sources</b>	<b>Total</b>
Adjutant General	\$ 7,605,046	\$ 42,511,121	\$ 50,116,167
Administrative Services	\$ 100,261,375	\$ 78,521,524	\$ 178,782,899
Agriculture <sup>1</sup>	\$ 14,683,000	\$ 71,730,000	\$ 86,413,000
Attorney General	\$ 3,536,735	\$ -	\$ 3,536,735
Higher Education	\$ 457,569,427	\$ -	\$ 457,569,427
Broadcast Education Media (ETC)	\$ 3,215,419	\$ -	\$ 3,215,419
Capital Square Review and Advisory Board	\$ 23,855,000	\$ -	\$ 23,855,000
Commerce	\$ -	\$ 23,475,000	\$ 23,475,000
Developmental Disabilities	\$ 47,000,000	\$ -	\$ 47,000,000
Expositions Commission	\$ 21,500,000	\$ -	\$ 21,500,000
Facilities Construction Commission	\$ 604,800,000	\$ 3,000,000	\$ 607,800,000
Health	\$ -	\$ 9,000,000	\$ 9,000,000
Ohio History Connection	\$ 21,825,000	\$ -	\$ 21,825,000
Mental Health and Addiction Services	\$ 74,604,561	\$ -	\$ 74,604,561
Natural Resources <sup>1</sup>	\$ 287,739,228	\$ 226,970,000	\$ 514,709,228
Public Safety	\$ 9,250,000	\$ -	\$ 9,250,000
Public Works Commission <sup>1</sup>	\$ 475,000,000	\$ 82,000,000	\$ 557,000,000
Rehabilitation and Correction	\$ 314,154,500	\$ 39,145,000	\$ 353,299,500
School for the Blind	\$ 2,680,885	\$ -	\$ 2,680,885
School for the Deaf	\$ 750,000	\$ -	\$ 750,000
Taxation	\$ -	\$ 12,000,000	\$ 12,000,000
Veterans' Services	\$ 1,000,000	\$ 5,710,600	\$ 6,710,600
Youth Services	\$ 103,298,114	\$ -	\$ 103,298,114
Community Projects <sup>2</sup>	\$ 163,500,000	\$ -	\$ 163,500,000
<b>Total Recommended Appropriations</b>	<b>\$ 2,737,828,290</b>	<b>\$ 594,063,245</b>	<b>\$ 3,331,891,535</b>

1- Clean Ohio appropriations are included in Public Works Commission (\$37.5 million), Agriculture (\$12.5 million), and Natural Resources (\$12.5 million) totals.

2- Community projects are not yet finalized but are expected to total roughly \$163.5 million.