

Ohio Senate Finance Committee

Governor DeWine's Capital Improvements Budget

Fiscal Years 2025 and 2026

Director Kimberly Murnieks

Ohio Office of Budget & Management

June 18th, 2024

Chairman Dolan, Vice Chair Cirino, Ranking Member Sykes, and members of the Senate Finance Committee, I am pleased to be with you today to present Governor DeWine's Capital Improvements Budget for fiscal years 2025 and 2026.

Capital 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, \$150.9 million 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 \$3.2 billion in GRF-backed debt funding, with another \$283.9 million coming from non-GRF backed bonds and other sources, for a total of \$3.5 billion in appropriations. The table attached to my testimony provides a breakdown of capital appropriations by agency.

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

The recommended capital appropriations 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.

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 to better serve Ohioans and provide the best return on investment.

A priority of this bill is to provide a positive impact on jobs to grow the economy. Investing in Ohio's infrastructure is investing in Ohioans and our families. At any given time, the Ohio Facilities Construction Commission (OFCC), which works with agencies to manage most of the state's capital projects, has more than 300 projects in design or in construction. The value of these projects is well over \$3.3 billion, which creates more than 18,000 Ohio jobs.

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

Department of Mental Health and Addiction Services

In Ohio, the public behavioral health system serves as a safety net by providing specialized care for Ohioans living with mental health illness, drug addiction, and crises. Building out the behavioral health continuum of care to guarantee access to evidence-based prevention, early intervention, treatment and recovery support, is among Governor DeWine's top priorities.

The recommended capital budget provides \$133.5 million in new appropriations for the Department of Mental Health and Addiction Services to fund general renovations at Ohio's six psychiatric hospitals, to continue support of community recovery housing and program spaces for individuals living with mental illness and drug addiction, and to fund the design and planning of a new behavioral health hospital in the Dayton region.

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. The age of current housing units and program areas at state-operated facilities presents challenges to maintaining the best possible and secure environment for youth. The housing units at DHS facilities were built in the 1960s and 1970s and require reconstruction. Improving these facilities will provide housing units and support areas that maximize staff supervision of and interaction with youth.

This bill provides \$178 million for several much-needed improvement projects. In accordance with best practices and the recommendations from Governor DeWine's Ohio Juvenile Justice Working Group, \$130 million will support construction of new, smaller facilities to replace the Cuyahoga Hills juvenile correctional facility. Additionally, \$6.2 million will fund the renovation of the Circleville Medical and Administration facilities. Finally, \$32.7 million will be used to construct and renovate community correctional facilities.

Higher Education Institutions and Statewide Higher Education Projects

The capital budget includes total appropriations of \$456.6 million to the Department of Higher Education and institutions of higher education across the state. Once again, the Governor 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 that each of the state's public higher education institutions endorsed. The resulting capital budget presents the recommendations for the funding of \$397.6 million in campus-level projects.

In addition to campus-specific allocations, this budget includes projects of statewide benefit to Ohio's public colleges and universities. A specific project I would like to highlight is the Ohio Cyber Range, which will receive \$7.1 million to replace, upgrade, and expand the capabilities of the Core Services Sites located at the University of Cincinnati and the University of Akron, and 17 regional programming centers throughout Ohio. This investment will improve cybersecurity education, build a strong workforce pipeline, and strengthen the state's economy and security. Higher Education funding totaling \$18.5 million will also support technology needs for the OARnet project and other statewide initiatives.

Ohio Facilities Construction Commission

Along with the investments into higher education institutions, this proposal contains appropriations for K12 school facilities throughout the state. OFCC administers the state's school building program, which provides state support to assist local school districts with primary and secondary education facilities.

This bill provides \$611.8 million in appropriations for OFCC to continue the K12 school program, the energy conservation program, and the state building assessment and planning program. Specifically, this budget will support \$600 million for ongoing and new construction and renovation of K12 school buildings.

Also included is \$1.8 million for the energy conservation program to reduce costs in state facilities, which is incredibly important with energy prices continuing to rise. To date, OFCC has administered 200 energy conservation capital projects with an annual savings of \$4.8 million. The average return on investment for these projects is five years.

Department of Rehabilitation and Correction

The Department of Rehabilitation and Correction (DRC) has a current inmate population of 45,036 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. DRC also operates two halfway houses, which provide transitional supervision and services to offenders as their sentences come to an end.

This capital bill provides approximately \$264.1 million to support capital projects in state and community-based correctional facilities. This investment enables DRC to move beyond general maintenance and address aging capital assets to keep staff, inmates, and visitors safe while creating more functional program and living spaces. An additional \$50 million will support grants to communities for local jail infrastructure projects. Since fiscal year 2021, this program has supported 38 local jail projects.

Department of Natural Resources

A record number of people have visited our parks across the state in recent years, enjoying the beauty that Ohio has to offer and contributing 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.

This capital budget provides the Ohio Department of Natural Resources with a total of \$298.2 million, This supports improvements and upgrades to lodges, cabins, campgrounds, and playgrounds, and enhances the safety of our communities through dam rehabilitation projects statewide, including the Muskingum River State Park locks and dams from Zanesville south to the Ohio River at Marietta.

Public Works Commission

The Ohio Public Works Commission provides financing for local public infrastructure through the State Capital Improvement Program (SCIP) which has been approved by voters four times, most recently in May of 2014. This capital budget will support \$400 million in capital infrastructure projects such as roads, bridges, water supply and distribution and wastewater collection and treatment. \$100 million in appropriations for the Revolving Loan Program is also included. This funding uses the proceeds of repayments from past loans for future loans to local governments for the same types of projects. An additional \$75.3 million is appropriated to the Clean Ohio Conservation Program to protect open spaces and watersheds across the state.

Expositions Commission

The Expositions Commission operates and maintains the Ohio Expo Center, hosting events year-round, including the annual state fair. This bill provides \$205.9 million for the Expo 2050 Initiative, to elevate guest experiences, and to support necessary infrastructure improvements. Funds will support a full renovation of the Dairy Products building, provide partial renovations for the Bricker building and the historic North Commercial Pavilion, and allow for underground infrastructure work including extended site fiber and Wi-Fi.

Department of Developmental Disabilities

The Ohio Department of Developmental Disabilities focuses on ensuring health and safety, supporting access to community participation, and increasing opportunities for meaningful employment for Ohioans with developmental disabilities. The capital budget includes \$29 million for crucial infrastructure and renovation upgrades at the eight developmental centers across the state, which provide residential placement for adults and children with disabilities.

An additional \$25 million supports the Capital Assistance program, available to all 88 counties for the purchase, construction, and renovation of housing for Ohioans with developmental disabilities.

Department of Administrative Services

This capital budget provides the Department of Administrative Services with \$185.5 million for statewide facility improvements and the Multi-Agency Radio Communications System (MARCS). Building improvement efforts include roofing systems, emergency power and HVAC upgrades, drainage system replacements, and exterior repairs and upgrades across seven state-owned buildings.

The MARCS program provides interoperable services to Ohio's first responders and public safety providers. More than \$20 million is dedicated to infrastructure and tower replacements, with another \$12.5 million to fund local partnership efforts to incorporate regional systems into the network and increase tower coverage areas.

Reappropriations Background

This bill also contains capital reappropriations for the upcoming capital biennium. Reappropriations reauthorize the unexpended balances from previously approved capital projects to ensure that they continue uninterrupted. Reappropriation is necessary due to our constitutional provision that limits all appropriations to two years. To reconcile this constitutional limitation with the reality that many capital projects require several years to complete, the reappropriation of the unspent balance of capital projects is necessary each biennium.

This reappropriations process is designed to keep previously approved capital projects on schedule. Since most of the capital projects presented in the bill are currently underway, the reappropriation of unexpended balances ensures that those projects continue without delay. In addition, this process has historically served as a mechanism to address those projects for which circumstances have changed since the time when funds were originally appropriated. This is the case for a limited number of items in this bill, and funds have been redirected to other projects. The debt service payments for all reappropriated capital projects have already been planned in our state operating budget.

Please note the dollar values contained in the bill are reasonable estimates developed by OBM based on our recent review of agency requests. The actual amounts that will be reappropriated at the start of fiscal year 2025 will likely be less. The bill stipulates that the actual amount reappropriated for each capital project is the exact unencumbered and unexpended balance as of the end of the fiscal year – the balance on June 30, 2024. The use of estimates in the bill is necessary because we cannot predict today the exact unencumbered balance for the various capital appropriations that will exist at the end of this fiscal year.

Economic Update

Before I conclude, I would like to provide the Committee with an update on the state's fiscal standing. The State of Ohio continues to be well-positioned financially to support these capital projects. We will close fiscal year 2024 with a balanced budget. As of May 2024, we have more earnings on our investments than anticipated and our General Revenue Fund disbursements are 4.2 percent below estimate for the year. In April 2024, the state's unemployment rate was 4.0 percent, the 18th month in a row at or below 4 percent, the longest such stretch in Ohio's history. Ohio added an average of just under 4,000 jobs per month during that same time. As of June 3, 2024, there were more than 169,000 total jobs available on OhioMeansJobs. That means that Ohio currently has more than 3.9 open jobs for every person filing for unemployment. And in 2023, the state achieved the coveted AAA rating from each of the three major credit rating agencies meaning Ohio's credit rating outlook is stronger than any point in history – which is important as we consider bond-financed capital projects.

Conclusion

Mr. Chairman, members of the Committee, I appreciate the opportunity to present Governor DeWine's Capital Improvements Budget for fiscal years 2025 and 2026.

I want thank Governor DeWine and his staff, Lt. Governor Husted, members of the Governor's cabinet, and especially the staff of OBM who worked tremendously hard for many months 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.

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

Very respectfully submitted,

Kimberly A. Murnieks
Director

Attachments:

Summary of Capital Appropriations – FYs 2025-2026

Summary of Capital Appropriations
Capital Appropriations Bill for Fiscal Years 2025-2026
June 16, 2024

Capital Appropriation Recommendations by Agency and Source of Funding

State Agency	GRF-Backed Debt	Other Sources	Total
Adjutant General	26,022,598	72,168,546	98,191,144
Attorney General	18,247,549	-	18,247,549
Broadcast Educational Media Commission	1,304,000	-	1,304,000
Capitol Square Review & Advisory Board	21,671,309	-	21,671,309
Deaf and Blind Education Services	11,329,115	-	11,329,115
Department of Administrative Services	146,500,000	39,000,000	185,500,000
Department of Agriculture	19,260,000	-	19,260,000
Department of Commerce	-	25,000,000	25,000,000
Department of Development	-	2,100,000	2,100,000
Department of Developmental Disabilities	54,005,000	-	54,005,000
Department of Higher Education	58,913,185	-	58,913,185
Higher Ed Institutions	397,639,866	-	397,639,866
Department of Natural Resources	260,800,000	37,425,000	298,225,000
Department of Public Safety	33,000,000	-	33,000,000
Department of Rehabilitation & Correction	264,133,223	-	264,133,223
Department of Taxation	26,000,000	-	26,000,000
Department of Veteran Services	1,155,000	1,170,000	2,325,000
Department of Youth Services	178,000,000	-	178,000,000
Facilities Construction Commission	604,750,000	7,000,000	611,750,000
Judiciary/Supreme Court	1,500,000	-	1,500,000
Mental Health and Addiction Services	133,500,000	-	133,500,000
Ohio Expositions Commission	205,850,000	-	205,850,000
Ohio History Connection	63,750,000	-	63,750,000
Public Works Commission	400,000,000	100,000,000	500,000,000
<i>Community Projects</i>	150,984,257	-	150,984,257
<i>Clean Ohio</i>	100,300,000	-	100,300,000
<i>Local Jails</i>	50,000,000	-	50,000,000
Total Appropriations	3,228,615,102	283,863,546	3,512,478,648