



# OHIO HOUSE OF REPRESENTATIVES

*Majority Communications Department*

## **House Bill 166 Highlights**

*As Reported by the House Finance Committee*

**A Responsible Plan:** The two-year, \$68.85 billion House budget plan is structurally balanced, sustainable and responsible, providing targeted investments that support Ohio schools, at-risk children, jobs and communities.

**Meaningful Tax Relief:** The House budget provides meaningful personal income tax relief. For low income Ohioans, the plan eliminates the personal income tax for those who earn less than \$22,250, meaning the income tax rate for Ohio's three lowest tax brackets is now zero. For everyone else, the personal income tax rates are cut 6.6 percent. Overall, the House budget provides an annual net tax cut of \$108 million.

**Record Funding for Schools:** The House also provides record funding for Ohio schools, targeting those resources to support at-risk students. The House budget builds on Governor Mike DeWine's proposal by adding an additional \$125 million over the biennium for the Student Success and Wellness initiative, which is designed to fund services that address non-academic barriers to student success, including much-needed mental health, family engagement and support services, and mentoring.

**Increased Funding for Foster Care:** The House plan doubles the governor's proposed support for foster care, providing \$60 million over the biennium. In addition to supporting local Jobs and Family Services operations, funding in House Bill 166 would be used to help at-risk youth and support recruiting additional foster parents.

**Medicaid PBM Reform:** The House plan includes several government reform measures designed to increase accountability, transparency and protect tax dollars. Included is significant legislation increasing pharmacy benefit manager transparency and accountability within the Medicaid program.

Other highlights of the House budget plan include:

### **Jobs**

- **Rural Industrial Parks:** Re-establishes the Rural Industrial Park Loan Program, providing \$25 million for loans and loan guarantees for the development and improvement of industrial parks in rural areas of Ohio.

- **Ohio's Ports:** Creates the Ohio Maritime Assistance Program, which would allow ports to seek grants to construct and improve cargo terminals. The bill provides \$10 million in each of the next two fiscal years for the initiative.
- **Appalachian Ohio Jobs:** Increases funding for the Appalachian New Economy Partnership to \$2.5 million over the biennium. The initiative promotes economic development in Appalachia Ohio through investments designed to improve the region's IT and knowledge infrastructure. Led by Ohio University, the initiative supports public-private technology partnerships within the 32-county Appalachian region. The funding will enable the ANEP to draw down additional federal dollars.

## Education

- **School Bus Assistance:** Provides \$20 million for a new program to help school districts replace old and unreliable buses. The Facilities Construction Commission, in partnership with the Department of Administrative Services and the Department of Public Safety, would be tasked with developing criteria and qualifying methodology for participation, which would be comparable to the state's school facilities assistance program.
- **School Breakfasts:** Directs the Ohio Department of Education to establish a program requiring schools where more than 70 percent of students are eligible for free or reduced price breakfasts to offer breakfast to all students. The program would be phased in over three years and expanded to additional high poverty schools. Many schools have successfully drawn down federal funding to pay for their school breakfast programs.
- **ODE Performance Audit:** Directs the state auditor to, in consultation with the Joint Education Oversight Committee, conduct a performance audit of selected offices or programs within the Ohio Department of Education. The audit would be completed by Oct. 1, 2020.
- **Industry-Recognized Credentials:** The House-passed budget retains Governor DeWine's proposal to provide \$25 million in each fiscal year to incentivize high school students to earn industry-recognized credentials and schools to create new credentialing programs, helping students get a head start on their careers.
- **STEM Innovation:** Provides \$2 million for the High School STEM Innovation and Ohio College Scholarship Retention program. The purpose of the program is to create a "Culture of Innovation" in Ohio's high schools and provide college scholarships to encourage Ohio's most innovative and entrepreneurial high school students to stay in Ohio.

## Higher Education

- The House plan provides major support for Ohio's colleges and universities, including mirroring the governor's proposed increases for the following programs:
  - **State Share of Instruction:** This is the state's primary financial support for public colleges and universities, accounting for nearly 75 percent of the Department of Higher Education's budget. It would receive an additional \$21.8 million in FY 2020 and \$20 million in FY 2021.
  - **Ohio College Opportunity Grant (OCOG):** This is the state's main needs-based financial aid for higher education students. The House plan would increase funding for this program by 21 percent in each of the next two fiscal years to \$122 million in FY 20 and \$148 million in FY 21.
  - **Choose Ohio First:** This program, which provides scholarships to students pursuing STEM or STEM education degrees, as well as scholarships for Patient

Centered Medical Home education, would be increased by approximately \$12 million in each of the next two years.

- **Ohio Technical Colleges:** The budget proposes an increase of 39.7 percent over the biennium (from \$16 million to \$23 million) for OTCs, the most significant funding level since 2003. OTCs provide postsecondary career and technical education at 54 sites across Ohio, in collaboration with secondary career centers, high schools, and joint vocational schools. OTCs are positioned to respond quickly to the needs of business and industry by providing customized training and business consultation services to companies to assist with meeting Ohio's workforce goals.
- This fall, all incoming freshmen at four-year public universities in Ohio will have their tuition and general fees frozen – guaranteed – so what they pay for their first year will be the same for their fourth year.
- Funds a \$6 million grant program to help eligible students at community colleges, state community colleges, technical colleges and university branches with the purchase of textbooks and other instructional material.

### **Medicaid PBM Reform**

- Creates one uniform pharmacy benefits manager (PBM) contract for Medicaid managed care, ensuring that the PBM works for the State of Ohio and in the best interests of the taxpayers.
  - This contract will go through the procurement process under the Department of Administrative Services and be managed by the Department of Medicaid. The contract must be in place by July 1, 2020.
  - The selected PBM will be required to submit to the Department of Medicaid, on a quarterly basis, all conflicts of interest in subsidiary or sister companies, all costs pertaining to drug purchasing from manufacturers, costs paid to pharmacies, any rebate dollars, and formulary changes. ODM will then be required to furnish a report to the General Assembly within 60 days and testify at the request of the Speaker and/or Senate President on such findings.
  - The bill establishes that the chosen PBM will act as a fiduciary to the state and be required to pursue the lowest drug costs from manufacturers on behalf of the state and requires all data submitted by the PBM to flow directly to the Department of Medicaid and not through a Medicaid managed care organization.
- **Drug Reform Savings:** No later than Jan. 1, 2021, the Department of Medicaid shall conduct a review of all of the savings to the state from the prescribed drug reforms included in this legislation.

### **Health and Human Services**

- **Quality Incentives:** Creates new quality metrics for Managed Care Plans to decrease costs to the Medicaid program where they will be incented for averaging a lower cost for per member per month than neighboring states.
- **Reducing Infant Mortality:** Provides \$2 million in each fiscal year to support grants to reduce infant mortality.
- **Increasing Tobacco Age:** Changes the age to buy tobacco and other tobacco products from 18 to 21 years.

- **Employment Assistance:** Requires managed care organizations to establish an employment connection incentive program to assist Medicaid recipients in obtaining and maintaining employment.
- **Improving Government Efficiency:** Establishes the Health and Human Services Efficiencies and Alignment Study Committee to examine the state's health and human services agencies. The study will look to identify areas of administrative duplication, recommend efficiencies and assess how data could be aligned among services and programs. A report is expected by Dec. 31, 2020.
- **Multi-System Youth:** Requires the Ohio Family and Children First Cabinet Council to develop a comprehensive multi-system youth action plan.
- **Suicide Study:** Funds a study on the rates of suicide for the general population in Ohio as well as the suicide rates for veterans. The report will include conclusions on the causes of suicides and recommendations for reducing the rates of suicide.

### Tax Changes

- **Business Income Deduction:** Reduces Ohio's Business Income Deduction from \$250,000 to \$100,000. Approximately 61 percent of Business Income Deduction filers earn less than \$20,000 annually and 86 percent of taxpayers utilizing this deduction will see no change. Those above \$100,000 would have their income taxed at the same rate as other taxpayers under the state's personal income tax using the House's newly-lowered rates rather than at 3 percent.
- **Online Sales:** Makes changes relative to the collection of sales taxes on online purchases to conform with the U.S. Supreme Court's *Wayfair* decision.
- **Other Tax Changes:**
  - The House plan eliminates the motion picture tax credit and a tax credit for contributing to a political campaign.
  - The legislation also eliminates sales tax exemptions for sales to motor racing teams, the purchase of gold coins and bullion, the purchase of flight simulators, aviation repair and maintenance as well as services to maintain and repair fractionally-owned aircraft.
  - Directs ride-sharing services, such as Uber and Lyft, to collect and remit sales taxes on behalf of the drivers.

### H2Ohio

- **Launching H2Ohio:** The budget includes \$86 million for the first two years of Gov. Mike DeWine's H2Ohio initiative, and creates an H2Ohio advisory board, which was added by the Ohio House.
- **Securing H2Ohio for the Future:** The Ohio House will be introducing standalone legislation detailing a long-term plan for H2Ohio, creating a secure, sustainable funding stream for the protection of Ohio's water.

### Miscellaneous

- **Government Transparency:** Provides additional resources to Ohio Government Television and requires them to broadcast committee hearings.
- **Helping Ohioans:** Provides \$8.9 million for rape crisis centers and \$2 million to help victims of domestic violence.