

December 2009

## Budget Troubles Dominate Session

Under tremendous pressure to find additional revenue to plug a hole in the current state budget, Ohio lawmakers finally reached consensus in time to recess for the holidays. Now that the first year of the 128<sup>th</sup> General Assembly is behind us, here's a brief recap of recent highlights and a glimpse of what lies ahead.

### Taxes & Economic Development

The ink on the state budget was barely dry when the Ohio Supreme Court ruled that voters should have the opportunity to weigh in on a provision that placed slot machines at Ohio race tracks. Fearful that slot machines would be rejected, Gov. Strickland and Ohio lawmakers were forced to find a different source of revenue. So, they began a frantic search for the \$851 million needed to replace the revenue initially projected from the slot machines.

The solution proposed by Gov. Strickland left most of the 2005 tax reforms intact, with one exception. He proposed a two-year delay in the final 4.2 percent personal income tax (PIT) reduction – a move that neatly added up to the \$851 million that was needed. The House quickly ratified the governor's plan ([HB 318](#)), over strong opposition from most House Republicans.

When the bill moved to the Senate, majority Republicans picked up the mantle of their House Republican colleagues and demanded longer term budget solutions. Few could deny that long term solutions will be required to address the major budget challenges that lie ahead. However, it was difficult to identify long term solutions that could quickly generate the amount of additional revenue needed to balance the current state budget. So, Senate Republicans ultimately offered five votes that - combined with all Senate Democrats - would make up the majority needed to delay the final PIT reduction. In return, however, they stuck to their demand for some cost-saving reforms.

In the end, the two-year delay in the PIT reduction was coupled with three construction reform demonstration projects, additional revenue for parochial schools and legislative permission to delay the all-day kindergarten mandate until FY 2012. Although lawmakers dodged this bullet, budget shortfalls are certain to remain a major concern while Ohio's economy struggles to improve.

To help our state's economic recovery, the Ohio Chamber is strongly supporting programs and tools that are necessary to attract business investment and retain and expand jobs.

During a hearing of the House Economic Development Committee in November, the Ohio Chamber joined representatives of the Akron, Cincinnati and Columbus Chambers in advocating for: 1) retention of the 2005 business tax reforms, 2) positive changes in the job creation and job retention tax credits, 3) adequate funding for the Workforce Guarantee and Rapid Outreach Programs, and 4) renewal of the Third Frontier, a program that has already delivered tremendous results by supporting research &

development, entrepreneurial assistance, cluster development and expansion of the talent pool.

Again, in December, the Ohio Chamber provided testimony before the House Economic Development Committee on [HB 348](#). This bill would protect the state's successful venture capital program by raising the limits on the amount of tax credits that can be issued to offset venture capital fund losses.

### Health Care

Legislative activity on health care reform has clearly been the major attention-grabber this year. Although much of the activity is taking place at the federal level, whatever Congress does will most certainly affect all Ohioans and will add to the state's budget problems.

During 2009, the Ohio Chamber joined the U.S. Chamber and our local chamber partners in mounting an aggressive grassroots campaign to let Ohio's congressional delegation know our position on national health care reform.

With help from 50 local chambers of commerce, the Chamber's grassroots advocacy program directed more than 4,200 messages to our members of Congress. Additionally, in early December a delegation of Ohio small businesses joined hundreds of other small businesses from across the country in a "Washington Fly-in" on health care reform. Our message was simple: pass meaningful health care reform – not a proposal that increases costs, adds bureaucratic red tape and saddles states with billions more in expanded entitlement programs.

As we were pounding the pavement on Capitol Hill, members of the Ohio House passed two new costly health insurance mandates. [HB 8](#) would require insurance coverage for autism treatments and [HB 81](#) would mandate coverage for diabetes supplies and equipment. The Ohio Chamber strongly opposed both bills and will urge members of the Ohio Senate to stop these costly new mandates from becoming law.

### Energy & Environment

In addition to working on major health care reforms, Congress continues to grapple with how to regulate greenhouse gas emissions (GHG). Nonetheless, the U.S. EPA moved forward in early December with a pronouncement that GHGs threaten public health and welfare. This action sets the stage for CO<sub>2</sub> and other GHGs to be regulated under the Clean Air Act, a regulatory framework riddled with problems. For example, the Clean Air Act does not authorize the use of cap-and-trade or other market-based approaches that help defray the cost of compliance. Many believe the U.S. EPA's action is simply a way to put the heat on Congress to take action, but the Ohio Chamber is taking nothing for granted and will monitor this situation very closely.

At the state level, the Ohio Chamber has been a long-time supporter of greater efficiencies at the Environmental Review Appeals Commission (ERAC). This state commission hears appeals of actions taken by Ohio EPA and is severely understaffed. Consequently, ERAC has a significant backlog and often projects that will help create new jobs are held up for months or even years, pending review.

In an attempt to resolve this problem, lawmakers included deadlines for ERAC decisions in the state budget. Without improved processes or additional staff, however, the deadlines were nearly impossible to meet. So, in an attempt to meet the legislatively-imposed deadlines, ERAC scheduled one-hour hearings with no discovery on all pending appeals. Members of the Ohio Chamber went to court and successfully challenged this approach as a violation of due process. But, the need for an overhaul of ERAC's operations remains and the Ohio Chamber is continuing to work with members of the legislature and the governor's office to develop a workable solution.

### Legal & Business Regulation

A state's regulatory climate can be a detriment to business growth and expansion. That's why the Ohio Chamber is a strong proponent of common-sense regulations, including Gov. Strickland's Executive Order aimed at improving Ohio's regulatory climate. But, more remains to be done.

Early this year, the Ohio Senate passed SB 3 a bill that would help small businesses become aware of and comment on proposed rules that affect them. The bill is an important step toward meaningful regulatory reform in Ohio, but it has not been acted on by the Ohio House.

The House, however, passed its own regulatory reform bill in October. HB 230 would also help small businesses comply with state regulations. For example, it expands the Ohio EPA's Office of Compliance Assistance and Pollution Prevention, so small businesses can receive help complying with environmental requirements without being penalized. The House bill has not received Senate action.

The Ohio Chamber supports both SB 3 and HB 230 and will continue to advocate for their passage when legislators return to the Statehouse in 2010.

Bills modernizing the regulation of oil and gas drilling (SB 165) and telephone service (SB 162) also moved from the Senate to the House prior to the holiday recess. The House is expected to consider the oil and gas drilling bill in 2010 and continue activity already underway on modernizing telephone service regulations.

On the legal climate front, the Ohio Chamber is leading an effort against SB 157, a bill that would require courts to give money not claimed by members of a class in a class action lawsuit to charities. While viewed by some as a good way to get additional funds to worthy charities, the bill is a step backward from the reforms that have greatly improved Ohio's legal climate. It would discourage settlements in class action lawsuits and harm defendants who may have done nothing wrong. The bill is pending in the Senate Insurance, Commerce & Labor Committee.

### Human Resources & Benefits

Ohio employers are prohibited from discriminating against employees and applicants on the basis of race, religion, sex, military status, national origin, disability, age or ancestry. Prior to the holiday recess, members of the Ohio House passed two bills that would expand this list of protected classes.

HB 176 adds sexual orientation and gender identity expression and HB 167 prohibits discrimination against victims of domestic violence and stalking. Prior to House action on the bills, the Ohio Chamber successfully advocated for revisions to both bills that clarify and ease the burden of compliance. The bills are now pending in the Ohio Senate where the Chamber will urge further amendments if the bills are scheduled for action.

The Ohio Chamber testified as an opponent on two other bills that would impose new mandates on employers. HB 40 would require employers to allow employees who are under court-ordered parenting agreements to exercise such parenting time whenever the agreement stipulates without reducing their pay or taking other adverse actions. This bill would make it nearly impossible for employers to ensure adequate staffing, especially during non-traditional work times like evenings and weekends.

HB 170 prohibits employers from taking any adverse employment action against an employee who testifies in an unemployment compensation hearing. While echoing the underlying sentiment of the bill, the Chamber testified that such retaliation is already prohibited and, if enacted, the bill will encourage a more adversarial unemployment compensation system.

### Workers' Compensation

The Ohio Bureau of Workers' Compensation (BWC) continues to move forward with its plan to significantly reduce the maximum premium discount available to employers who maintain safe workplaces and participate in a group rating program. In October, the BWC Board of Directors voted to further lower the maximum premium discount and to impose a surcharge, or breakeven factor. These actions will effectively reduce the maximum premium discount available to employers in group programs for the 2010 rate year to 51 percent. Despite this setback, the Ohio Chamber will continue to push for alternative changes that do not significantly increase employer premiums.

### New Ohio Chamber Resources Available

Be sure to visit the Ohio Chamber's new Web site at [www.ohiochamber.com](http://www.ohiochamber.com) often this year where you'll find all the resources you need to be an effective business advocate. To check it out, click on any of the titles above and you will be linked to the issue resource page on that topic. Or, click [here](#), to visit the front page of our new Issue Resource Center. Also, by clicking on any of the bill numbers mentioned in this Legislative Wrap Up you will be linked to our bill tracking system where further information about the bill is available.

We value your participation and ideas. Please feel free to let us know if there are other resources you would like us to make available on our Web site.