

SENATE BILL 260 – CAPITAL REAPPROPRIATIONS BILL  
TESTIMONY OF KURT KAUFFMAN

SENATE FINANCE COMMITTEE

JANUARY 20, 2016

Chairman Oelslager, Ranking Member Skindell, and members of the Senate Finance Committee, my name is Kurt Kauffman and I am the Acting Assistant Director of the Office of Budget and Management (OBM). I am pleased to appear before you today to present Senate Bill 260, the Capital Reappropriations Bill for fiscal years 2017 and 2018.

**BACKGROUND**

As you know, the purpose of the Capital Reappropriations Bill is to reauthorize unexpended balances of capital projects previously approved by the General Assembly. This “reappropriation” is necessary due to the constitutional provision prohibiting appropriations from being made for a period of more than 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 previously approved by the General Assembly is necessary for each new capital biennium.

This reappropriations process is not intended as a vehicle for new capital appropriations nor is it intended to raise new issues. Rather, it is designed to keep previously-approved capital projects progressing on schedule. Since most of the capital projects presented in the bill are already underway, the reappropriation of unexpended balances ensures those projects can continue without interruption or delay.

Of fundamental importance to the understanding of the reappropriations contained in S.B. 260 is that the amounts presented are not the “actual” amounts that will be reappropriated. Instead, the dollar values contained in the bill are reasonable-estimate placeholders developed by OBM based on its review of agency requests. To this end, Section 509.12 of the bill stipulates that the “actual” amount to be reappropriated for each capital project is the exact unencumbered and unexpended balance as of the end of the fiscal year (i.e., June 30, 2016). The use of estimates in the bill is necessary due to the inability to know as of the date of the bill’s introduction or passage, the exact unencumbered balance of the various capital appropriations. In the final analysis, it is the actual unencumbered amounts as of June 30, 2016, plus any adjustments between line items the General Assembly may authorize in the bill, that will be reappropriated.

## **CAPITAL REAPPROPRIATIONS**

S.B. 260 includes an estimated \$1.48 billion in reappropriations which is roughly 10 percent lower than the last capital reappropriation bill (H.B. 497 for the fiscal 2015-16 biennium) which identified \$1.64 billion in estimated reappropriations. The actual reappropriation amount for H.B. 497 was \$1.25 billion, about 24 percent less than the amount stated in that bill.

Attached to my testimony is a table that details the reappropriation amounts included in the bill by agency and by fund type. Please note that while nearly two dozen agencies receive reappropriations, three agencies – the Public Works Commission, the Facilities Construction Commission, and the Department of Higher Education – account for \$1.19 billion, or 80% of the total estimated reappropriations.

While the primary purpose of the bill is to reauthorize capital projects, circumstances surrounding projects inevitably change over time. To address those changing circumstances, the reappropriations bill has historically also served as a mechanism to adjust capital appropriations within an agency's bottom line. Such is the case for a number of items addressed in this bill.

For example, OBM is recommending the Department of Rehabilitation and Correction (DRC) be allowed to repurpose \$3.0 million to their general renovations line item since the projects for which those funds were originally appropriated have been completed. While the projects are complete, the remaining funds are encumbered from previous biennia and are inaccessible to the agency absent authorization by the General Assembly. By authorizing the requested redirection, DRC would be able to use those remaining funds to restore and preserve the capital assets of its 27 institutions.

In another example, the University of Cincinnati has requested that \$1.9 million remaining appropriation for its Medical Science Building renovation be repurposed to its existing appropriation for the Wherry and Health Professions Building project. This repurposing would enable the University to make use of funds that remain from a well-managed project that came in under budget.

It is important to note that the number and dollar amount of such appropriations adjustments contained in the bill is relatively small. In fact, these instances amount to a total of \$29.5 million, or just two percent of the \$1.48 billion in estimated reappropriations contained in the bill.

## **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 effective by July 1, 2016, so that existing projects may proceed uninterrupted, the bill would need to be signed into law by April 1, 2016.

I have with me today several staff members from the Office of Budget and Management that were instrumental in the development of this capital reappropriations bill and I'd like to thank them for their diligent work throughout this process. I appreciate the opportunity to provide testimony today and thank you for your time and consideration. At this time, I would be happy to address any questions you may have.