



**INTERESTED PARTY WRITTEN TESTIMONY ON H.B. 49
Senate Finance Committee - June 1, 2017**

Submitted by:

**Associated General Contractors (AGC) of Ohio, Ohio Contractors Association (OCA),
National Electrical Contractors Association of Ohio (NECA), Mechanical Contractors Association of
Ohio (MCA), and Construction Employers Association (CEA)**

Chair Oeslager, Vice Chair Manning, Ranking Minority Leader Skindell and Finance Committee Members:

Thank you for the opportunity to express our coalition’s positions on proposals in House Bill 49 as passed by the Ohio House. AGC, OCA, NECA, MCA and CEA represent commercial construction companies. Our members build and renovate vertical and horizontal structures such as roads, bridges, schools, manufacturing facilities, water and sewer lines, office buildings, underground utilities, apartments and dormitories, parking structures, and utility and waste water treatment plants, etc.

WE SUPPORT CENTRALIZED COLLECTION OF MUNICIPAL NET PROFITS TAX AND WOULD LIKE TO SEE THE GOVERNOR’S ORIGINAL PROPOSAL ADDED BACK TO H.B. 49, WITH THE ODT PROPOSED CHANGES

Contractors file net profits taxes in many different cities – each with their own forms, rules, procedures and appeals processes. Oftentimes the cost of compliance exceeds the taxes owed.

While current Ohio law allows taxpayers to file net profits returns and make payments via the Ohio Business Gateway (OBG), it is not a streamlined process—each return must be filed individually and paid separately, and many cities require proof of the filing to be mailed to them. The Ohio House watered down the Governor’s initial centralized collection proposal, and the present H.B. 49 language is essentially current law.

We support the as-introduced version of centralize collection and administration of net profit return filings for businesses, which would save contractors a significant amount of time, money and administrative headaches. The Governor’s proposal would streamline the process by having businesses file one form and make a single payment online through OBG, with the Department of Taxation (ODT) processing payments and distributing revenues back to the appropriate local government—just as ODT does for county sales taxes, school district income taxes, and municipal income tax on electric, light, and telephone companies. We also support ODT’s compromise proposal to make it an opt-in for businesses.

WE SUPPORT REMOVING THE COMPETITIVE BID THRESHOLD INCREASE FOR PORT AUTHORITIES

The House-passed version of H.B. 49 includes a provision that increases the competitive bid threshold for Port Authorities to \$250,000. This would amount to a 900% increase in their competitive bidding thresholds in less than six years (\$25,000 in 2011 to \$250,000). We believe that there is no public policy reasoning for reducing oversight of taxpayers’ dollars being spent by these appointed – not elected – officials.

Ohio’s competitive bidding laws ensure the taxpayers receive the best possible work product for the lowest possible price. Competitive bidding: provides cost savings to the project owner and taxpayers by allowing multiple bidders to compete against each other for the lowest and best bid; provides a level playing field for bidders by providing project parameters established by thorough plans and specifications; helps ensure the use of qualified contractors; and eliminates opportunities for unethical or illegal behavior such as contract steering or cronyism in public contracting.



WE SUPPORT REMOVING HOUSE-ADDED LANGUAGE THAT WOULD GRANT DAS NEW AUTHORITY OVER IMPROVEMENTS TO EXISTING FACILITIES

The House Finance Committee added language that would grant new authority to DAS to “improve, renovate, repair, remodel, or rehabilitate existing facilities,” without a requirement for DAS ownership of those facilities, or dollar thresholds to limit that authority. The change could allow DAS to award its own construction contracts as “supplies” or “services” contracts under R.C. Chapter 125, thereby circumventing R.C. Chapter 153 construction law. Further, DAS could use its cooperative purchasing authority to extend this same contract to all political subdivisions (under DAS cooperative purchasing authority).

We believe this language is not in the best interests of public construction because it: bypasses the competitive processes and protections (for both public owners and contractors) of standard construction under R.C. Chapter 153, including advertising, bonding, subcontractor protections, etc.; creates a path for all political subdivisions to avoid competitive bidding for construction; makes the award of construction contracts less transparent; and provides a means for a non- construction authority (DAS) to administer numerous and potentially very large construction projects without appropriate staff to manage it.

WE SUPPORT DELETING LANGUAGE ADDED IN THE HOUSE TO REQUIRE THE AMOUNT OF STATE AND FEDERAL USER FEES ON MOTOR FUEL TO BE DISPLAYED ON STICKERS ON GAS PUMPS

The House Finance Committee added an amendment to the budget bill that would require the county auditor or a municipal official to post stickers on retail fuel pumps showing the total state and federal user fees that apply to gasoline and diesel fuel. The intention is to discourage the use of motor fuel user fees to pay for Ohio’s state and local infrastructure projects. Let’s not exacerbate Ohio’s transportation funding shortfall by doing away with our most reliable source of funding.

WE SUPPORT ENCOURAGING PRE-APPRENTICESHIP PROGRAMS AND CAREER TRAINING PATHWAYS

H.B. 49 requires the Ohio Departments of Education and Job and Family Services, in consultation with the Governor’s Office of Workforce Transformation (OWT), to establish an option for career-technical education students to participate in pre-apprenticeship training programs that impart the skills and knowledge needed for successful participation in a registered apprenticeship program.

The Ohio State Apprenticeship Council (OSAC) registers apprenticeship programs for a number of different industries. Most reputable construction apprenticeship programs—union and open shop (nonunion)—are registered through OSAC. The Council has been working with OWT and ODE to create a process by which pre-apprenticeship programs can be recognized, and pre-apprenticeship graduates may have a direct path into registered apprenticeship programs.

We hope no changes are made to the budget proposal that could undermine those efforts, nor steer funding to favor one program over another or to individual contractors. Pre-apprenticeship students deserve a pathway into registered apprenticeship programs, and contractors need to know that pre-apprenticeship training meets the appropriate industry standards.



WE SUPPORT THE HOUSE’S REMOVAL OF THE GOVERNOR’S PROPOSED SALES TAX INCREASE AND EXPANSION.

Reducing and simplifying Ohio’s state income tax is a laudable goal, but we oppose raising the state sales tax rate and extending state and local sales taxes to services not currently taxed under Ohio law. Note: In addition to increasing the sales tax, the Governor’s proposal would have expanded the sales tax to *landscape design service* and *interior design and interior decorating service*; the definitions of those services were broad and could inadvertently include some preconstruction services.

We are grateful the House-passed version does not include those provisions, and hope the Senate maintains the House changes.