

LEGISLATIVE UPDATE 6/16/2014

State and local government action continues to impact the construction industry as changes to mechanics lien law, tax reform, specialty contracting rules, BWC system wide changes, and county debarment laws all have undergone revision since our last legislative update. Please see the changes below.

The Ohio General Assembly is on break until September after finishing up a very busy spring session that included passage of a number of budget related bills. Here are some of the bills and their provisions that may interest CEA members.

HB 483 (Rep. Ron Amstutz) – MBR - Appropriation changes and policy changes. The Governor will act on the bill this week.

Mechanics lien correction (prompt pay)

Removes construction managers from the definition of "principal contractor" for purposes of the public construction "prompt pay" law as construction managers are not responsible as a principal contractor for the payment of persons providing labor or supplies for the project.

Career Advising and Mentoring

Specifies that monies from the Career Advising and Mentoring, be used by the State Superintendent to create the Career Advising and Mentoring Grant Program. Specifies that the program award competitive grants for local networks to sponsor career advising and mentoring for students in high schools with high poverty, low graduation rates, and other criteria. Requires that grants match up to three times the funds allocated by the local network.

Enhanced business income deduction

Temporary, one time increase in the existing income tax deduction for individuals having income from a trade or business from 50% to 75% of such income. Temporarily increases the maximum deduction amount from \$125,000 (or \$62,500 for each spouse filing separately) to \$187,500 (or \$93,750 for each spouse filing separately). Applies the enhanced deduction only to a taxpayer's taxable year beginning in 2014, after which the deduction percentage reverts back to 50% and the maximum deduction reverts back to \$125,000.

Income tax rate reduction

Accelerates income tax rate reduction which reduced rates by 8.5% in tax year (TY) 2013, 9% in TY 2014, and 10% in TY 2015. Shifts the 10% rate reduction into TY 2014

Surety bond to secure promised energy or water savings

Specifies that if the Executive Director of the Ohio Facilities Construction Commission or a Board of Education determine that a surety bond is necessary to secure energy or water savings promised in a contract. **CEA worked to have this clarified as the initial language looked to be unclear on the definition of contractor. Now the language states that the energy services company must provide a surety bond that satisfies three conditions: (1) the surety bond is issued within 30 days of the commencement of the first day of the first energy or water savings guarantee year, (2) the surety bond has a term of not more than one year (but may be renewed at the option of the Executive Director or a Board of Education for one or two additional terms), and the (3) penal sum of the surety bond is equal to the annual guaranteed savings amount of energy or water savings that is measured and calculated in accordance with the measurement and verification plan included in the contract.**

- **Language was removed in the initial bill on Pre-Apprenticeship programs offered by career-technical planning districts.**

HB 493 (Rep. Barbara Sears and Rep. Mike Henne) MBR – BWC. The Governor will act on the bill this week.

- **Other states coverage (Fronting Agreement) Allows the Administrator, through a competitive bid process to select at least one insurance carrier to provide optional other-states coverage and limited other-states' coverage to Ohio employers whose employees work outside of the state.**
- **Retrospective rating Requires**, rather than permits as under current law, the Administrator of Workers' Compensation (Administrator) to calculate workers' compensation premiums for most employers on a prospective, rather than retrospective basis.
 - BWC's goal is to have this result in an additional base rate reduction of 2% for private employers
 - Private employers will move from a 6 month payroll reporting cycle to an annual policy year with the option to select an installment plan starting July, 1, 2015.
 - BWC plans to use a \$1.2 billion credit to employers to cover the transition costs with a six month break in their premium basically providing a "skipped" payment
 - At the end of the year, employers will be required to reconcile the BWC estimated annual premium with their actual payroll from the year.
 - Options will be provided for 12 equal installment payments spread throughout the policy year.

HB 486 (Rep. Nan Baker and Rep. Gerald Stebelton) – Workforce Development MBR. The Governor will act on the bill this week.

Ohio Construction Industry Licensing Board

- The bill allows the Ohio Construction Industry Licensing Board (OCILB) to establish rules that amend the continuing education requirements and license renewal schedule for licensees, as provided in or adopted pursuant to continuing law, for the purpose of establishing a compliance incentive program. The rules may include provisions for the creation of the program and the qualifications, continuing Education requirements, and renewal schedule for the program.

SB 78 Specialty Construction (Hughes)

To make changes to the law regulating specialty construction contractors. The bill passed both chambers and is awaiting action by the Governor. The proposal updates laws regarding specialty construction contractors by giving the Ohio Construction Industry Licensing Board the ability to suspend, revoke or refuse licenses for people who violate applicable standards. The OCILB and Ohio Department of Commerce were involved in crafting this bill along with others.

Cuyahoga County Debarment Review Board Revisions

County Council passed without dissent Ordinance 2014-0010 to incorporate changes to the composition and compensation of the Cuyahoga County Debarment Review Board. The legislation was sponsored by Councilmembers Connally and Simon. The legislation removes the county fiscal officer as a member of the debarment board and permits the Presiding Judge of Cuyahoga Common Pleas Court to appoint a person who has served as a judge to the board. The ordinance also gives per diem to members serving on the board.