



POLICY BRIEF: CAPITAL BUDGET

A two year budget for major construction and aquisition projects.



January 3, 2014

Purpose

The Capital Budget is passed every two years, and it establishes a budget for acquisition or the construction of major projects that will be completed in the next two years. The revenue for these items typically comes from bond sales.

Bonds are financial instruments that are sold by the state for cash-in-hand and paid off over time with future revenues. With stable revenues and sound fiscal management, Ohio can borrow money at low interest rates. Ohio voters will likely have an opportunity in May to renew and increase annual bond sales for another ten years.

Size of Capital Budget

The 2013-14 Capital Budget was approximately \$1.7 billion to fund government construction projects like schools, parks, and other building projects that are often large up-front expenses, but considered state assets after completion. While this may appear to be a large investment, it leaves many capital projects under-funded throughout the state. State leaders have already begun to trumpet the upcoming capital budget, however compared to the \$62 billion state budget, the capital budget is relatively small.

Past Capital Budgets in Ohio

Year	Total
FY 01-02	\$1.81 billion*
FY 03-04	\$1.27 billion
FY 05-06	\$1.52 billion
FY 07-08	No Capital Budget
FY 09-10	\$1.31 billion
FY 11-12	\$1.77 billion
FY 13-14	\$1.7 billion

*Does not include an additional bill passed that allocated more funding.

Dollar figures are rounded.

SOURCE:OBM and LSC websites- linked below.

Process

The Office of Budget and Management (OBM) begins work on the Capital Budget in late summer of odd numbered years (2013). OBM asks state agencies with capital expenditures to develop their recommendations and requests for the 2 year Capital Budget and to update the 6 year state Capital Improvements Plan based on guidelines OBM establishes. The administration will draft and introduce legislation in early 2014, and it must be completed by the beginning of the fiscal year, which is July 1, 2014 (FY 2015).

Fine Print

Debt is limited to 5% of the General Revenue Fund. So, reductions in revenue limit Ohio's ability to borrow to fund capital projects. In addition to the Capital Budget, the legislator will pass a Re-Appropriations Budget. The Ohio Constitution limits legislation to only fund projects for two years. Dollars allocated for projects that will last longer than two years must be re-allocated.

Additional Resources

[Ohio Office of Budget and Management](#)
[Legislative Services Commission](#)

<http://1.usa.gov/1h98Cif>
<http://bit.ly/1h98NtP>