



TO: OMA Members

FROM: James Lee and Lindsey Short

RE: **Summary of Manufacturing Impacts in House Bill 96, the State Operating Budget for Fiscal Years 2026 - 2027**

DATE: July 2, 2025

Last week, the Ohio General Assembly wrapped up deliberations on House Bill 96, the state's two-year operating budget, with both the House and Senate agreeing to the conference committee report with vote counts of 59-38 and 23-10, respectively. The budget appropriates over \$90 billion in General Revenue Funds.

This completes a five-month process in which lawmakers received a budget proposal from Governor DeWine and then worked separately in the House and Senate to craft a bill. Finally, the bill was negotiated in conference committee in which hundreds of points of difference were straightened out between the House and Senate.

Governor DeWine used his line-item veto authority 67 times to eliminate a variety of provisions in the final budget plan. Appropriations included in the budget will take effect immediately, while the vast majority of the provisions will take effect in 90 days.

Highlights on different sections of the budget are included below.

ENERGY

The OMA led the opposition in advocating against a proposed utility regulatory expansion that would have put energy customers on the hook for extra costs to pay for infrastructure they may never use. Additionally, customers got a win with a budget provision requiring increased transparency from the commission tasked with regulating Ohio's utility services.

Unfortunately, not all changes made to the budget were positive. In the final hour of the budget, Governor DeWine opted to veto a change proposed by the legislature that would ensure customers who shop for electricity do not pay twice for transmission-related services.

More details on energy-related items below:

Utility Regulatory Expansion for EV Charging Infrastructure Eliminated

- The OMA-opposed language proposed in the budget would have held customers captive to pay for utility-owned and operated EV charging infrastructure, resulting in increased costs for customers and undermining free market competition.

- This provision also would have allowed utilities to socialize a percentage of the electrical line extension work needed, effectively increasing everyone's electric bills to profit the utility.
- The OMA testified against the proposal and advocated for its removal from the budget. It was ultimately eliminated from the budget entirely.

Utility Entry into Competitive Generation Blocked

- Another OMA-opposed change to utility law that was removed from the budget would have allowed electric utilities to construct "green energy" generation for mercantile customers. Under Ohio law, green energy has been recently redefined to include natural gas-fired power generation and nuclear power.
 - This would have allowed monopoly utilities into a greater segment of the competitive generation market for large customers, therefore chilling competition, reducing the number of choices available, and raising costs for consumers.

Performance Audit of Public Utilities Commission of Ohio

- An OMA-supported item that was included in the budget allows for greater transparency into the Public Utilities Commission of Ohio (PUCO).
 - The legislature added language to require the Auditor of State to conduct a performance audit of the PUCO to be completed by May 1, 2027.

Governor DeWine Vetoes Budget Language Limiting Nonbypassable Utility Charges

- Language included by the legislature in the budget would have provided a safeguard to ensure that customers who choose to shop for electricity through a competitive supplier are not required to also pay for costs associated with utility-provided default services.
 - In his veto message, Governor DeWine noted that additional discussion is needed to fully understand the impact of this language on electric customers. However, his veto of this language will result in electric utilities maintaining their ability to impose a nonbypassable charge on customers who choose to shop for electricity.

Stay tuned for more coverage of energy items of importance to manufacturers at the Ohio Manufacturers' Energy Conference on September 18.

TAX & Finance

In the recently passed biennial budget, House Bill 96, the Ohio Legislature focused heavily on restructuring the state's tax landscape to provide tax relief through changes to personal income taxes and property taxes.

In response, the governor vetoed major provisions of the legislature's priority property tax reforms but kept the legislature's flat 2.75% percent income tax reforms.

The legislature also repealed various sales tax exemptions, most notably on newspaper manufacturers, which were vetoed by the governor with support from the OMA.

Changes were also made to the Commercial Activity Tax, which ultimately survived the governor's veto, that may impact manufacturers and businesses holding refundable credits for net operating losses.

Tax Provisions that Survived the Governor's Veto:

Personal Income Tax Reforms

A cornerstone of this budget's tax policy is the phased transition to a flat state income tax rate of 2.75% on nonbusiness income. This will occur over two tax years:

- For Tax Year 2025, the top income tax bracket (for income over \$100,000) will be reduced from 3.5% to 3.125%.
- By Tax Year 2026, the 2.75% rate will apply to all income over \$26,050, effectively flattening the tax structure.

This move is projected to provide over \$1 billion in income tax relief across the biennium, with proponents highlighting its potential to make Ohio more competitive and allow individuals to retain more of their earnings.

Commercial Activity Tax (CAT) and Net Operating Losses (NOLs)

The budget includes a significant change related to the Commercial Activity Tax (CAT) and certain net operating losses (NOLs). House Bill 96 converts a CAT credit for specific net operating losses that were accrued under the former corporation franchise tax from a refundable credit to a nonrefundable credit after calendar year 2029.

This change may impact manufacturers and other businesses that have been holding these particular credits. After 2029, businesses will no longer be able to receive a cash refund for any unused portion of these NOL credits. Instead, they will only be able to use the credit to offset future CAT liability.

Tax Provisions Vetoed by the Governor:

Property Tax Reforms

The governor vetoed the legislature's substantial measures designed to provide direct property tax relief to homeowners and increase local control over property tax collections:

- **School District Carryover Cap:** DeWine vetoed a provision from the state budget that would have required school districts to return excess funds to taxpayers; specifically, if a district's general fund cash balance exceeded 40% of its annual operating budget, the county budget commission would have been empowered to reduce property tax rates, effectively distributing the surplus back to property owners and potentially providing over \$2.5 billion in property tax savings to Ohioans.
- **20 Mill Floor Calculation:** This vetoed provision would have altered the calculation of the "20-mill floor" for school districts; this change, which would have included emergency and substitute levies, was projected to remove over a third of districts from the floor and potentially destabilize public education by limiting their ability to deal with inflation and forcing more frequent levy requests on taxpayers.

These provisions were priority items for both House and Senate leaders, which could prompt the legislature to convene a special summer session to vote on overriding the Governor's vetoes.

Sales and Use Tax Exemption Repeals Vetoed by the Governor

The Governor vetoed legislative attempts to repeal certain sales and use tax exemptions, intended to offset income tax cuts. The OMA, committed to defending manufacturing exemptions crucial for Ohio's competitiveness, saw exemptions for newspaper and media machinery targeted. This concerning precedent, which could impact broader manufacturing exemptions in the future, was ultimately countered when the OMA's coalition efforts secured a gubernatorial line-item veto, protecting exemptions for printed material production.

Data Center Sales Tax Exemption Repealed

The legislature opted to eliminate the data center sales tax exemption for sales of certain tangible personal property in their final budget. This proposed elimination would jeopardize current investments and projects in the pipeline and impact future jobs and tax revenue for Ohio's communities.

Governor DeWine chose to veto the elimination of the exemption with OMA and business community support, noting that economic development is essential to Ohio's continued growth and prosperity and that our state must stay at the forefront of innovation.

Uncertainty Ahead: Ohio's Tax Future and the Risk of Cost Shifts for Manufacturers

The Ohio legislature's recent actions indicate a long-term strategy for substantial tax reductions, including the elimination of the income tax and additional property tax reforms. While the OMA appreciates the goal of making Ohio's tax environment more competitive, these changes risk dismantling a broad-based tax structure. This could result in a tax shift that places an excessive and disproportionate burden on Ohio manufacturers, ultimately killing the state's competitiveness.

Additionally, a strong grassroots effort is aiming for a 2026 constitutional ballot initiative to abolish property taxes statewide. Eliminating this vital tax base would be highly detrimental and force the legislature's hand to take drastic measures to make up for lost property tax revenues that fund local governments and schools.

With significant tax policy changes on the horizon, now is a more important time than ever for manufacturers to collaborate and advocate for broad competitive tax structures to protect the industry's competitiveness and secure future manufacturing growth.

OMA staff relies on the expertise of its members to determine the best path forward in an uncertain tax landscape. OMA's tax policy committee provides members with opportunities to stay informed and engage in discussions with state legislators to protect the state's competitiveness. Contact jlee@ohiomfg.com to join the OMA's tax policy committee.

WORKFORCE

The operating budget contains key investments and policy changes that support workforce development and strengthen career readiness pathways.

Key funding opportunities and policy changes include the following:

Expansion of Middle School Career-Technical Education

- The budget enables the expansion of career-technical education (CTE) in middle schools to over 200 additional schools by eliminating the current waiver allowing districts to opt out of offering CTE.

Funding to Upskill Ohio's Workforce

- Approximately \$50 million for Ohio's innovative TechCred program was allocated to support Ohio workers in expanding their skills by earning technology-focused credentials.

Support for Engineering Technician Associate Degrees

- \$20 million has been allocated to provide institutions of higher education \$10,000 each for every individual who completes an engineering technician associate degree.

Industry Sector Partnership Grant Program

- The budget invests \$10 million in funding for Ohio's network of industry sector partnerships, which are critical to Ohio's manufacturing workforce development.

Ohio Work Ready Grant Program

- \$20 million in funding for the Ohio Work Ready Grant Program has been included in the budget. The Ohio Department of Higher Education and the Governor's Office of Workforce Transformation must work together to establish alternative criteria for in-demand programs aligned to Ohio's emerging workforce needs.

Innovative Workforce Incentive Program (IWIP)

- \$32 million in funding for the IWIP program to reimburse school districts for students who earn industry-recognized credentials related to manufacturing, engineering, construction, IT, and cybersecurity.

Career Technical Course Weighting

- The budget includes a GPA weighting requirement for career-technical assurance guide courses, ensuring career-technical courses receive the same academic recognition as AP coursework.

SAFETY AND WORKERS' COMPENSATION

The main operating budget did not contain any meaningful workers' compensation changes. This follows a long-standing precedent whereby the legislature makes workers' compensation and Industrial Commission process changes in each agency's respective budget bills.

Budget Bills for the BWC (House Bill 81) and the Industrial Commission (House Bill 80)

- The two-year operating budgets for the Bureau of Workers' Compensation (BWC) and the Industrial Commission (IC) were both signed prior to the June 30th deadline. Both bills included a slight increase in appropriations for the agencies, but no major policy initiatives were included in their final versions.
- In the last budget cycle, special interest groups unsuccessfully attempted to include policy provisions in the BWC budget that would have been detrimental to Ohio's manufacturing employers. Those provisions included requiring the Bureau to provide PTSD benefits without accompanying injury and a loss-of-use proposal that would have exposed self-insured employers to major liability. The OMA will continue to oppose such proposals in the future should they resurface.

ECONOMIC DEVELOPMENT

Unlike the previous budget's focus on new spending initiatives and infrastructure investments, the recent legislative cycle prioritized tax relief to spur economic growth. This shift resulted in flat funding or cuts for many site-development and infrastructure programs from the last biennium, though new housing programs were created.

Key Highlights Include:

All Ohio Future Fund Significantly Cut

- \$450 million of the state's All Ohio Future Fund, originally designated for investments in mega-project site infrastructure, was cut and redirected to the Brownfield Remediation Program and the General Revenue Fund.

Brownfield Remediation and Demolition Funding for Site Revitalization and Housing

- Significant funding was allocated to both the Brownfield Remediation and the Demolition and Site Revitalization programs, providing local governments with environmental cleanup and construction assistance to prepare new sites for business and housing development.

Welcome Home Ohio Program

- Expands the Welcome Home Ohio program. This includes increasing income eligibility thresholds, broadening the eligible properties, and providing funding for fiscal years 2026 and 2027

Residential Economic Development Grant

- This new program, funded by \$10 million over the biennium, provides grants to counties, townships, and municipalities that adopt "pro-housing development policies" and approve major workforce housing projects (e.g., establishing 100 or more single-family residential units). The goal is to encourage high-density housing and address the housing shortage.

Residential Development Revolving Loan Program

- \$90 million in SFY 2026 for loans to fund infrastructure improvements (water, sewer, road, electric, or gas) necessary to support new single-family residential dwellings in rural areas (counties with a population under 75,000 and fewer new construction permits than the average county).

Child Care Choice Program

- The budget establishes the Child Care Choice program with \$100 million for eligible families and increases eligibility for publicly funded childcare programs to address concerns raised by advocates regarding childcare as a barrier to workforce participation.

Browns Stadium Funding: Ohio Cultural and Sports Facility Performance Grants

- One notable exception to the overall scaled-back funding for economic development includes the creation of the \$1 billion fund for the Ohio Cultural and Sports Facility Performance Grant program, which allocates \$600 million to be used for the Brook Park economic development project supporting the construction of a new Cleveland Browns stadium. The fund does not use General Revenue Fund dollars, instead transferring dollars from the Department of Commerce's Division of Unclaimed Funds.

ENVIRONMENT

Historically, Ohio EPA's budget has been relatively light with few new regulations; however, notable changes have come this cycle, with major cuts to the H2Ohio program, the installation of new air permit fees, and a major OMA led victory to provide civil protections to manufacturers from overzealous environmental attorneys bringing frivolous lawsuits.

H2Ohio Funding Cuts

- The H2Ohio program, which remains a DeWine administration priority, saw a first-time reduction to \$165 million in total funding, which was previously funded at approximately \$270 million in the past two budget cycles. The program provides a comprehensive approach to reducing nutrient runoff in Ohio's surface waters. The most notable spending initiatives include phosphorus control programs targeting non-point source runoff in Lake Erie that could ease future regulatory burdens on manufacturers, whose impact is negligible relative to non-point source runoff from the transportation and agricultural industries.

OMA Secures Air Nuisance Rule Removal

- For years, the OMA has worked to remove the infamous Air Nuisance Rule from Ohio's federal State Implementation Plan (SIP) that uniquely subjects Ohio's manufacturers and businesses to frivolous litigation from activist environmental attorneys. The OMA successfully secured language in the budget that establishes an effective state remedy, requiring the Ohio EPA to petition the federal EPA to remove the rule. This will protect manufacturers from future harassment enabled by this regulation.

Moderate Air Permit Fee Increases

To maintain the solvency of Ohio's Division of Air Pollution Control program, the agency was required to raise air permit fees for the first time in nearly 30 years, avoiding a potential federal takeover by the US EPA Region 5. The budget included these necessary air permit fee increases at rates that remain competitive with or lower than neighboring states. New fees include:

- **Title V Facilities:** \$5,000 additional base fee per year; emission-based fees unchanged.
- **Synthetic Minor Facilities:** \$5,000 additional base fee per year; 50% increase in annual emission-based fees.
- **Permit to Install (PTI) Fees:** 50% increase in the current fee structure.

Solid Waste Fee Increases Removed

- In an OMA-supported action, the legislature removed proposals from the governor to raise tipping fees for construction, demolition, and debris from \$1.60 to \$4.75 statewide.

PFAS Threats Defeated

- Following the House Budget, the OMA identified attempts by House members to implement the state's first regulations concerning PFAS bans and reporting requirements. The OMA successfully pushed back on these efforts, and the language was not included in the budget. However, separate legislation was introduced in May ([see Bricker Memo](#)), and the OMA is actively working to oppose it. This legislation is scheduled for discussion at the July 16 Environment Committee Meeting.

HUMAN RESOURCES & WORKFORCE SAFETY

The legislature passed a modest employer fee to modernize the unemployment benefits IT system, improving its security and user experience. Separately, a provision was included to enhance transparency in the federal 340B program, aiming to address the cost-shifting of prescription drug expenses onto employers.

Moderate Unemployment Fee Increases for System Security

- The final state budget incorporated the Ohio Department of Job and Family Services' (ODJFS) proposal for a new employer fee, capped at 0.15% of the taxable wage base per year per covered employee (maximum \$13.50 annually). This fee is dedicated to funding a critical upgrade of the state's outdated unemployment benefits IT system, aiming to enhance system security, streamline application processes, and improve user experience for both employers and claimants. The OMA's Tax and Finance Committee reviewed the proposal and supported these minimal cost increases, recognizing the significant benefit of preventing future system failures that led to widespread fraud and costs for employers during the pandemic.

Unemployment Compensation Solvency

- For years, the OMA has advocated for reforms to address the insolvency of Ohio's Unemployment Compensation Fund. Such reforms are crucial to protect employers from costly tax penalties during economic downturns, a problem experienced during the 2008 recession and narrowly avoided during the pandemic. Although efforts were made behind the scenes to push for these reforms during budget conference committees, stakeholder negotiations broke down. Consequently, the next opportunity for reform will occur in the upcoming biennium.

340B Program Transparency to Prevent Drug Price Cost Shifting on Employers

- The legislature included a provision requiring the Ohio Department of Health to collect data on the usage of the federal 340B program, recognizing that enhanced transparency is needed to identify and mitigate the cost-shifting of prescription drug expenses onto employers and working families, which is an unintended consequence of the program's expanded scope.

Make America Healthy Again SNAP and Ingredient Bans

The OMA opposed legislative efforts to ban SNAP purchases of sugar-sweetened beverages, an initiative that ultimately passed. However, the OMA secured a gubernatorial veto that removed additional language which, by targeting other essential food ingredients, additives, and dyes, could have served as a legislative precursor to comprehensive product bans, similar to those enacted elsewhere and proposed in Ohio's [HB 272](#), which addresses various food ingredients and PFAS in consumer products.