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BLUEPRINT FOR A NEW OHIO

GOV. JOHN R. KASICH'S FISCAL YEARS 2016-2017 BUDGET

FACT SHEETS

THE STATE OF OHIO EXECUTIVE BUDGET
FISCAL YEARS 2016-2017

GOVERNOR JOHN R. KASICH
OFFICE OF BUDGET AND MANAGEMENT
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BLUEPRINT FOR A NEW OHIO

GOV. JOHN R. KASICH'S FISCAL YEARS 2016-2017 BUDGET

FY2016-17 BUDGET OVERVIEW

Ohio looks a lot different today than it did just four years ago. Our unemployment rate is the lowest since 2001, more than 285,000 private sector jobs have been created and Ohio's fiscal health is among the nation's strongest. There's been great progress, but more work is needed to keep Ohio moving forward. Gov. Kasich's budget proposal seeks to take Ohio to the next level toward greater prosperity for all.

\$500 MILLION IN NET TAX CUTS AND PRO-GROWTH TAX REFORM

- **No Income Taxes for Virtually All Small Businesses:** Ohio will eliminate tax on income from all small businesses with annual gross receipts under \$2 million.
- **23 Percent Income Tax Cut for All Ohio Taxpayers:** Personal income tax rates will be cut for all Ohio taxpayers by 23 percent over the next two years. This change means Ohio's top marginal rate will have been cut from 5.925 percent in 2011 to 4.1 percent in 2017.
- **New Tax Relief for Low- and Middle-Income Ohioans:** Ohio will cut taxes for low- and middle-income Ohioans by increasing the state income tax personal exemption. For Ohioans earning less than \$40,000 a year, the exemption increases from \$2,200 to \$4,000 in 2015, and for those earning between \$40,000 and \$80,000 a year, the exemption increases from \$1,950 to \$2,850.
- **Modernizing Ohio's Oil and Gas Tax System:** The budget proposes new, fixed rates for crude oil and natural gas of 6.5 percent at the wellhead, and a lower rate of 4.5 percent for natural gas and natural gas liquids taken downstream. The proposal would direct 20 percent of severance tax revenue—after regulatory costs are met—to local governments in shale oil- and gas-producing regions to help cover expenses generated by new drilling, such as for road repairs and increased first responder needs.
- **Tax Reform:** The governor's budget proposals continues to shift Ohio's tax system away from its excessive reliance on income by moderately expanding the tax base to other revenue streams, including a broader sales tax base and long-overdue reforms in several areas of Ohio's tax code.

CONTINUED STRONG SUPPORT FOR K-12 EDUCATION: Gov. Kasich's commitment to improving K-12 education is based on his firm belief that every child deserves a high-quality education, a pathway to a good-paying job and the ability to reach their God-given potential. His budget builds on Ohio's progress by continuing to give educators, parents and communities the support they need to continue to improve opportunities for students.

- **Record Support for K-12 Education:** Gov. Kasich's budget proposal directs \$700 million more to Ohio's funding formula and raises per-pupil funding to \$6,000 in FY 2017—providing a record \$10.3 billion for K-12 education.
- **Clamping Down on Bad Charter Schools—and Supporting Good Ones:** The governor's budget brings tough enforcement tools to the new charter school evaluation system, which took effect January 1. Low-performing sponsors would lose their schools and/or be banned from sponsoring new ones.
- **Empowering Local School Boards:** Building on Ohio's recent efforts to cut red tape for schools, the governor's budget provides additional regulatory relief to local schools boards, thereby giving them more control over the policies under which they operate.

- **Cutting Testing Time by 18 Percent:** In response to concerns that students spend too much time taking tests and not enough time learning, the governor's budget reduces the time spent on testing by 18 percent.
- **Strengthening Counseling:** To help more students get the college and career advice they need, the governor's budget will take steps to strengthen the standards for school counselors and support professional development.

IMPROVING COLLEGE AFFORDABILITY AND REDUCING COSTS: Gov. Kasich wants to make college more affordable so more Ohioans can obtain the education and training needed to pursue their dreams.

- **Keeping Tuition Affordable for Ohio Families:** The governor's budget will hold down tuition by restricting two- and four-year schools to raise tuition by no more than two percent next year and zero percent in 2017.
- **Relieving College Debt:** Too many Ohioans are struggling with college debt, with the average recent graduate with debt owing about \$29,000. Gov. Kasich is concerned with this problem and his budget would help address it with a \$120 million debt relief fund. Details will be finalized together with the higher education community and prioritize low income, in-demand jobs and those who work in Ohio for five years.
- **Examining New Ways for Universities to Reduce Costs:** A new nine-member Task Force on Affordability and Efficiency will help public colleges and universities examine ways to reduce costs. Following the work of the Task Force, public colleges and universities will conduct an efficiency review to improve efficiencies and reduce costs.
- **Competency-Based Credit:** Ohio's college presidents will develop a model for competency-based credit for a limited number of courses. Ohio will also allocate \$500,000 to work with businesses to develop a competency-based program for workers seeking skills necessary for in-demand jobs.
- **Strengthening Campus Safety:** Ohio will identify best practices at its colleges and universities for preventing and responding to campus sexual assaults and help schools strengthen their student safety efforts.

TRANSFORMING HEALTH CARE & STRENGTHENING ACCOUNTABILITY: The governor's budget builds on the progress of the past four years in which Ohio has seen Medicaid cost growth held to approximately 3 percent, more long term care funds directed to home care than big institutions and four out of every five Medicaid recipients served through private managed care organizations instead of the old government-run fee-for-service system. Highlights of the governor's budget proposal include:

- **Increasing Personal Responsibility:** Health care coverage purchased through the federal exchange requires adults at or above 100 percent of the federal poverty level (FPL) to pay monthly premiums. Ohio Medicaid will seek authority from the federal government to charge premiums similar to those on the exchange for Ohioans at or above 100 percent of FPL. A similar plan was part of the governor's original Medicaid proposal in 2013.
- **Reforming Hospital Payments:** By extending Medicaid in 2014, Ohio's hospitals now are able to receive payment for nearly all of the services they provide instead of having to simply absorb the costs of care in many instances in which patients lacked coverage or could not afford to pay. This change has provided a significant improvement in many hospitals' fiscal health and provided needed financial stability, especially to many smaller hospitals in rural, underserved areas. As a result, a temporary 5-percent hospital rate increase provided by Ohio Medicaid to help hospitals weather recent financial hardships will now be allowed to expire. In addition, Medicaid will launch new efforts to improve health outcomes and help hospitals control costs with new strategies that increase quality and prevent errors that can cause unnecessary and potentially harmful readmissions.
- **Bolstering Safety and Oversight In Home and Community Based Settings:** As more Ohioans seek to receive health care in their home, Ohio will improve oversight of this care by transitioning to a home health agency-only model, ensuring that individual caregivers operate within the oversight of a larger organization that can provide increased accountability. Also, Ohio will incorporate state-of-the-art electronic verification tools to improve honesty and accuracy in provider billing.
- **Unprecedented New Investments in Developmental Disabilities Services:** The budget makes historic new investments

to ensure that every Ohioan with a developmental disability who wants to live and work in the community can do so. This proposal invests \$316 million over two years to increase home and community based services, create new options for individuals who want to leave institutions and support community work opportunities.

- **Rebuilding Community Behavioral Health Resources:** In the four years prior to the Kasich Administration, Ohio's mental health and addiction services system was in turmoil. State funding for mental health had been reduced by nearly 20 percent. The Kasich Administration reversed this trend by increasing mental health funding and extending Medicaid coverage to more individuals needing behavioral health services. This budget adds additional services to the Medicaid behavioral health benefit package, strengthens housing and other community supports, and improves care coordination through managed behavioral health care.
- **Reducing Infant Mortality:** It is not acceptable that more than 1,000 Ohio babies die each year before their first birthday; it is one of the worst infant mortality rates in the country. The budget provides enhanced maternal services through Medicaid health plans for every woman living in neighborhoods most at risk for poor infant health outcomes. Working to engage local community leaders, health plans will connect women in high-risk neighborhoods to health care services.

HELPING OHIOANS RISE UP AND OUT OF POVERTY INTO JOBS: Gov. Kasich's budget begins transforming siloed human services programs into a better-coordinated, person-centered model to help low-income Ohioans move up and out of poverty. By focusing first on teens and young adults, the poverty cycle can be broken before it starts.

- **Focusing on People, Not Programs:** By combining general-assistance benefits and workforce training efforts and taking a person-centered approach, Gov. Kasich's budget helps end the failed, siloed model that treats the "symptoms" of poverty instead of the underlying challenges that needy Ohioans face.
- **Preventing the Poverty Cycle:** Steering new reforms to those ages 16 to 24 can have the greatest impact.
- **Removing Barriers to Moving Up:** The threat of losing childcare if a family's income tops 200 percent of the federal poverty level (~ \$3,298/month for a family of three) can keep some from taking better-paying jobs. Gov. Kasich's budget proposal softens these benefit "cliffs" by allowing families to keep subsidized child care on a gradually reducing scale up to 300 percent of the federal poverty level (~ \$4,948/month for a family of three).
- **Simplifying the Process:** By standardizing, aligning and automating eligibility processes, Ohio can better serve those in need in a simpler, more efficient, more accountable way. Enhancements to *Ohio Benefits*, the case management and eligibility computer system currently used for Medicaid, will improve the timeliness and ease of eligibility determination for public assistance programs.

BOTTOM LINE: Conservative budgeting and smart management has helped Ohio return to fiscal health and provide job creators a stable environment for growth. The resulting prosperity is making possible efforts that help more Ohioans participate in our state's revival and create a stronger, more vital place for all of us.





BLUEPRINT FOR A NEW OHIO

GOV. JOHN R. KASICH'S FISCAL YEARS 2016-2017 BUDGET

CUTTING TAXES BY \$500 MILLION

Eliminating Income Taxes for Virtually Every Small Business, Across-the-Board Income Tax Cuts, Low- and Middle-Income Tax Cuts, Tax Reform

In his first term, Gov. John R. Kasich cut taxes \$3 billion by reducing income tax rates 10 percent, cutting small business taxes 50 percent (increased to 75 percent for 2014), eliminating the estate tax and giving targeted tax relief for low- and middle-income workers. These tax cuts helped spur Ohio's economic recovery, which has seen approximately 280,000 new private sector jobs created since 2011 and our unemployment rate is at its lowest level since 2001. Gov. Kasich's new budget seeks to further this success with an additional \$500 million in net tax cuts.

\$500 MILLION IN NEW TAX CUTS: Eliminating Income Taxes for Virtually All Small Businesses, 23 Percent Income Tax Cut, More Low- and Middle-Income Tax Cuts

- **No Income Taxes for Virtually All Small Businesses:** Ohio will eliminate tax on income from all small businesses with annual gross receipts of \$2 million or less – which includes Ohio businesses structured as sole proprietorships or pass-through entities (PTEs) such as partnerships, Subchapter S corporations (S-corps) and Limited Liability Companies (LLCs). This dramatic tax cut will free up \$696 million in new capital over two years for Ohio's hometown businesses to better leverage the expanding economic recovery, make new investments and increase hiring to improve their competitiveness. For those businesses larger than \$2 million, the governor's budget will maintain Ohio's 50 percent tax deduction on the owner's first \$250,000 of net business income.
- **23 Percent Income Tax Cut for All Ohio Taxpayers:** Personal income tax rates will be cut for all Ohio taxpayers by an additional 23 percent over two years, with an immediate income tax cut for 2015 of 15 percent. The governor agrees with leading economists who believe income taxes negatively impact economic growth and contribute to the migration of people to low-tax states, a phenomenon that has resulted in more than \$12 billion in income leaving Ohio from 1995 to 2010 for states with lower income taxes. The tax cut will be phased in, starting with an immediate reduction of 15 percent in the first year, and an additional 8 percent in the second year. This change means Ohio's top marginal rate will have been cut from 5.925 percent in 2011 to 5.33 percent in 2014, and then reduced further to 4.1 percent in 2017.
- **New Tax Relief for Low- and Middle-Income Ohioans:** Ohio will cut taxes for low- and middle-income Ohioans by increasing the state income tax personal exemption. For Ohioans earning less than \$40,000 a year, the exemption increases from \$2,200 to \$4,000 in 2015, and for those earning between \$40,000 and \$80,000 a year, the exemption increases from \$1,950 to \$2,850. This will actually eliminate all state income taxes for many Ohioans. In 2013, prior to Gov. Kasich's tax cuts for low- and middle-income families, the exemption was \$1,700 for everyone. These increased exemptions will result in more than 200,000 households no longer paying state income taxes.

Tax Reform: The governor's 2016-17 budget proposal continues to shift Ohio's tax system away from its excessive reliance on income by moderately expanding the tax base to other revenue streams, including a broader sales tax base and long-overdue reforms in several areas.

- **Increasing Tobacco Taxes:** Under this proposal, Ohio's cigarette tax would go from \$1.25 to \$2.25 per pack; the tax on other tobacco products would rise to a level equivalent to the cigarette tax.
- **Modernizing Ohio's Oil and Gas Tax System:** Just as Ohio has modernized its oil and gas regulations to keep pace with new drilling technologies, we must modernize a tax system on oil and gas production that was created more than 40 years ago. Ohio's current severance tax is just 20 cents on a barrel of oil and 3 cents on an MCF (thousand cubic foot) unit of natural gas. Also, the current structure did not anticipate Ohio's highly valuable new natural gas liquids production. The governor proposes fixed rates for crude oil and natural gas of 6.5 percent when sold at the wellhead, and a lower rate of 4.5 percent for natural gas and natural gas liquids when sold downstream. These rates are lower than such major producers as Texas, Oklahoma and North Dakota and place Ohio squarely in the middle of the pack of all state rates.
 - **6.5 percent/4.5 percent:** The difference in rates incorporates an allowance for downstream costs incurred in getting the product to market. All Ohioans will share in the benefits of the oil and gas boom in the form of lower income taxes.
 - **No Tax on Small Producers:** Ohio's small, conventional natural gas producers will see their severance taxes eliminated altogether. This means that 90 percent of the natural gas wells in Ohio will pay no severance tax.
 - **Meeting Local Needs:** 20 percent of severance tax revenue, after regulatory needs are met, would go to help meet local needs generated by new drilling, such as for road repairs and increased first responder needs.

NEW SEVERANCE TAX RATES ARE FAIR AND COMPETITIVE			
Product	Conventional Wells	Shale Fracking Wells	
		At Wellhead	Downstream
Crude Oil	20 cents per barrel (<u>unchanged</u>)	6.5%	N/A
Natural Gas	No tax for wells less than 10 MCF/day, Wells more than 10 MCF/day, 3 cents/MCF	6.5%	4.5%
Natural Gas Liquids	Taxed as Natural Gas (<u>unchanged</u>)	N/A	4.5%

- **The First-Ever Revisions to the Commercial Activity Tax (CAT) Rate:** Since its creation in 2005, the rate for Ohio's only general business tax has never been updated. The proposal would adjust the rate from 0.26 to 0.32 percent. Also, the annual minimum tax would decrease from \$800 to \$150 for those small businesses with gross receipts of \$2 million or less. Ohio will use the additional CAT paid by larger businesses to help eliminate the income tax for virtually all small businesses.
- **Aligning Taxes to Better Reflect and Grow Ohio's Economy:** The budget helps reduce Ohio's reliance on the anti-growth income tax by transitioning toward a more consumption-based tax system with a sales tax adjustment from 5.75 percent to 6.25 percent. This means consumers would pay an additional 50 cents on a \$100 purchase (while maintaining tax exemptions for groceries, prescriptions and other necessities). The budget seeks to broaden Ohio's sales tax base to include additional services such as cable TV subscriptions, parking, lobbying, public relations, market research/opinion polling, management consulting, travel packages and tours, and debt collection services. Shifting Ohio's tax system away from its excessive reliance on income and toward a greater reliance on consumption helps combat migration of income to other states, gives Ohioans more control over how they are taxed and the taxes they pay, and better aligns Ohio's tax system with the growing service sector in our economy.

- **Reducing the Sales Tax Discount for Used Car and Watercraft Trade-Ins:** Ohio currently reduces the taxable sales price of a new car or boat by the amount given to the buyer for trading in a car or boat. This proposal would reduce that discount to 50 percent of the value of the trade-in. For a \$5,000 trade-in, with the 50 percent reduction and using the proposed higher sales tax rate, an individual will pay \$219 in additional sales tax on a \$20,000 car.
- **Reducing the Sales Tax Share that Stores Keep for Themselves:** Ohio allows retail stores, restaurants and other sales tax vendors to keep 0.75 percent of *all* the sales tax they collect—with no limit—to cover expenses associated with reporting and paying this tax. Prior to computerization this was justified, but today it is not. Ohio will now limit the discount to \$1,000 a month, meaning smaller businesses will keep the full discount, while big volume retailers – those doing about \$2 million or more in taxable sales a month – will no longer be disproportionately paid for their effort to report and remit sales taxes to the state.
- **Means Testing Income Tax Benefits:** In order to drive down the overall state income tax rate, Ohio will means test a number of long-time tax deductions and credits for those Ohioans with more than \$100,000 in annual income, including the retirement income credit, Social Security deduction, \$50 senior credit, and the lump sum senior credit. Those breaks would no longer be offered to the most affluent Ohioans.

FY 2016-17 State Budget Tax Relief with Offsets
All figures in millions of dollars, rounded to the nearest million.

	FY2016	FY2017	Total
Elimination of Small Business Income Taxes	-338	-358	-696
State Income Tax Rate Cut	-2,029	-2,599	-4,628
Additional Tax Relief for Lower and Middle-Income Filers (Exemptions)	-184	-188	-372
TOTAL income tax cut	-2,551	-3,145	-5,696
Cigarette & Other Tobacco Taxes	528	463	991
Sales Tax Rate Increase*	651	902	1,553
Broadening Base of Sales Tax**	432	496	928
Commercial Activity Tax (CAT)	290	401	691
Oil and Gas Severance Tax	95	230	325
Reducing Used-Car & Watercraft Trade-In Discount**	91	125	216
Reducing Sales Tax Discount to Vendors**	26	36	62
Means Testing Income Tax Credits/Deductions (\$100,000)	152	166	318
Eliminate Deduction for Early Beer & Wine Payment	1	2	3
0.5% Increase on Base Expanders	39	47	86
TOTAL revenue changes	2,305	2,868	5,173
TOTAL net tax cut	-246	-277	-523

(* totals reflect rate of 6.25%) (** totals reflect rate of 5.75%)

BOTTOM LINE: By eliminating the income tax for virtually all small businesses, increasing the low- and middle-income personal income tax exemption and cutting the overall income tax rate by 23 percent, Gov. Kasich's budget will help our state keep its job creation momentum and become more attractive to job creators and entrepreneurs, while helping Ohioans keep more of what they earn.





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CONTINUED STRONG SUPPORT FOR K-12 EDUCATION

Helping Students Everywhere Be Ready for College and Career Opportunities

In addition to innovative policies and strong support for K-12 education over the past four years, Gov. Kasich has enacted policies that empower parents, encourage higher student achievement and focus funds on students' needs in the classroom. As a result, Ohio now has a Third Grade Reading Guarantee, an A-to-F School Report Card, a \$250 million fund to innovate and improve education, and the Community Connectors mentoring program to link community leaders and schools to help lift students. All of these policies are driving needed improvements statewide to help students everywhere achieve more and more. With his new budget proposal, Gov. Kasich seeks to build on this progress by continuing to give educators, parents and communities the resources and policies they need to support Ohio's students.

Record Support for K-12 Education: A 2014 report by the National Center on Budget and Policy Priorities shows that Ohio's education spending per student, adjusted for inflation, is now above pre-recession levels – making Ohio one of less than half of states to achieve that distinction. To build on that momentum, Gov. Kasich's budget provides an additional \$700 million to schools, which includes an increase in per-pupil funding from \$5,800 in FY 2015 to \$5,900 in FY 2016 and \$6,000 in FY 2017. Altogether, the governor's FY16-17 budget commits more than \$10 billion to K-12 education, the strongest level ever.

Clamping Down on Bad Charter Schools—and Supporting Good Ones: The governor's budget brings tough enforcement tools to the new, multi-tiered charter school evaluation system, which took effect January 1. The Ohio Department of Education will now approve all charter school sponsors according to strict criteria and clamp down on failing sponsors.

- Sponsors rated “poor,” the lowest level, would lose their charter schools so they could be reassigned to a better, higher-rated sponsor, and would be banned from sponsoring new schools.
- Sponsors deemed “ineffective,” the second-lowest level, would be barred from sponsoring new schools and placed on a year-long improvement plan.
- Charter schools with “exemplary” sponsors—the highest rating—could access \$25 million in new funds to upgrade their student facilities and also receive locally-generated revenue, if approved by their local school boards and voters.

Reining-in “Guarantees” that Distort the Formula and Deny Funds Where They Are Needed Most: Over the past several decades Ohio has fallen into the politically popular habit of providing funding “guarantees” to school districts that would normally see reductions in state funds because their student populations shrink or their communities' incomes or property values increase. While “guarantees” shield districts from reality when they are able to pay more of their own needs, they deny needed funds to lower-wealth schools with less ability to meet their own needs. Just as bad, “guarantees” foster inefficiency and erode confidence in the fairness of Ohio's school funding system.

- *This has to change, and the governor's budget sets that in motion by reining in districts' maximum possible “guarantee”— by a modest 1 percent of total available state and local resources. This change will help districts begin incrementally aligning their resources with the reality of improving circumstances and start unbending distortions that deny funds to schools that are less able to meet their own classroom needs.*

Cutting Red Tape to Empower Local School Boards & Encourage High Performance: Reducing unnecessary, duplicative and bureaucratic red tape lets schools better focus on their job—helping students, and the governor's budget builds on previous regulatory

relief efforts—eliminating the mandated principal-teacher ratio, measuring the school year in hours instead of days, etc.—with new reforms that let local school boards and the communities that elect them make more decisions for themselves.

- **More Freedom for the Best Teachers and Districts:** The best teachers could skip additional licensure coursework requirements and take a year off from annual evaluation requirements, and districts scoring "exceptional" for reading proficiency, student growth and graduation rates would be exempted from rules on class size, certain credentials and other rules designed to encourage the achievement that they have already obtained.
- **Flexibility in Teacher Evaluations:** Ohio's demanding four-year licensure program for new teachers includes the comprehensive Resident Educator Summative Assessment in the third year. Local districts could exempt third-year teachers from state-level evaluations, since districts are already dedicating time and resources to the RESA.
- **Less Purchasing Paperwork:** Competitive bidding thresholds would be raised from \$25,000 to \$50,000 and align with county levels.

Increasing Access to College Credit: Too many Ohio schools lack staff qualified to teach courses for college credit, thus denying many students the chance to reduce college costs by graduating from high school with a jump on their college coursework. The governor's budget provides \$18.5 million to train more high school teachers to teach college-level courses and encourage student participation.

Cutting Testing Time by 18 Percent: In response to concerns that students spend too much time taking tests and not enough time learning, the governor's budget reduces the time spent on testing by 18 percent by:

- **Capping Testing Time:** Students would spend no more than 2 percent of the school year on standardized tests and no more than 1 percent on practice tests.
- **Easing Testing for the Youngest Students:** Local districts will make their own decisions on non-reading diagnostic tests for grades 1 through 3.
- **Restructuring Teacher Evaluation Tests:** The use of student learning objectives for teacher evaluation will only be conducted for core subjects in grades 4 through 12.
- **Providing the Third Grade Reading Test in Spring and Summer:** Mandating that schools give the Third Grade Reading Test at the beginning of the school year—*despite that it tests end-of-year skills*—sets up too many students for failure and causes too much unnecessary anxiety. Schools will be allowed to drop the fall test so educators, parents and students can instead focus on learning and passing in the spring and, if needed, summer tests. Schools can also give approved alternative tests throughout the year if they choose.

Strengthening Ohio's School Counselor System: To help more students get the college and career advice they need, the governor's budget makes quality counseling a priority.

- **Setting First-Ever Standards for School Counseling:** Ohio currently has *no standards* for school counselors. New standards will recognize this important and demanding profession with a high bar for performance so students can have access to the career and higher education advice they need and dedicated counselors will no longer be overloaded with administrative tasks that do not directly benefit students.
- **Increasing Access and Quality:** The budget includes \$2 million over the biennium to support a statewide effort to improve access to school counseling services.

Helping Low Income Students Turn Career-Tech Training Into Careers: Many career-tech students cannot afford the industry-standard credential exams required to begin working in their chosen fields. The governor's budget provides \$2 million to help economically disadvantaged students cover exam costs and enter the workforce.

Increasing Early Childhood Education Funding by \$40 million: The Kasich Administration doubled the number of preschool opportunities in its first term for disadvantaged three and four-year-olds, expanding the program from 5,700 to 11,090 scholarships. The governor's FY16-17 budget seeks to triple both funding and slots from the 2013 level by providing an additional \$40 million over the biennium to serve an additional 6,125 children.

Helping Ohio Adults Without Diplomas Get Back on Track: Ohioans older than 22 cannot earn high school diplomas, so last year Gov. Kasich launched a pilot program to help adults earn their diplomas concurrent with job training efforts. Initial signs are promising and the budget provides \$17.5 million to expand the program to more Ohioans.

Re-Investing \$200 Million in the Straight A Fund to Encourage Further Innovation: Two years ago, Gov. Kasich created the Straight A Fund to help improve student achievement, increase efficiency and tear down barriers to college and career training. The program sparked a wave of creativity in our schools, with nearly 75 percent of Ohio school districts submitting applications to support new ideas for improving outcomes and efficiencies. Today, Ohio's Straight A Fund is considered the largest education innovation fund in the nation.

➤ ***To continue to help our schools implement their best reform ideas, the governor's budget will allocate \$200 million in lottery proceeds over the biennium for two more rounds of grants.***

A Continued Commitment to Mentoring: Ohio's new Community Connectors mentorship effort has sparked much interest in communities across the state, bringing together parents, schools, communities, faith and value-based groups, and businesses. The budget increases the program's support by \$30 million and continues to match \$3 for every \$1 provided by local partners.

Ensuring a Right to a Quality Education: Ohio's Educational Choice Scholarship Program and its predecessor efforts have been helping students from under-performing public schools attend private schools for almost two decades. The program will be expanded to second and third-grade low-income students and high school scholarships will increase from \$5,000 to \$5,700.

Helping More Students Move at Their Own Academic Pace: In an effort to help students advance at their own academic pace through competency-based learning – where students get credit as they master their material – a total of \$5 million will be available to help 10 school districts implement new programs.





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IMPROVING HIGHER EDUCATION AFFORDABILITY AND ACCESS

Gov. John Kasich's leadership has brought a new culture to Ohio's 37 public colleges and universities. Early in 2012, the governor called on Ohio's college and university presidents to put aside their old fractious process for allocating construction funds and instead collaborate on a single list of recommendations designed to meet the needs of the state and all of its students. The result was unprecedented and widely applauded cooperation.

Building on that success, Gov. Kasich charged the presidents with developing a single, unified recommendation for funding the operations of Ohio's public two- and four-year institutions. The result was a funding formula based not on enrolling more students but instead on helping them complete courses and graduate, thereby aligning the goals of students with the colleges that teach them.

The Kasich Administration will build on these types of innovations with additional new policies for higher education that continue to improve how Ohio helps students prepare for their futures while also helping colleges improve their own operations:

Improving Affordability and Reducing Costs: Gov. Kasich believes that the high cost of college is one of the greatest challenges facing higher education. While a number of Ohio colleges and universities have taken innovative steps to control costs, more work is needed to help universities avoid prohibitively large hikes in tuition and fees.

- **Awarding Credit Based on Competency, Not Just Classroom Time:** Ohio colleges and universities are expected to develop a plan to award competency-based credit for a limited number of courses or Ohio can join the Western Governors University, a competency-based higher education university. In addition, the governor's budget provides \$500,000 to develop a competency-based training program with input from job creators so Ohioans seeking in-demand jobs can learn the essential skills.
- **Getting More High School Students Access to College-Level Credit (College Credit Plus):** Too few Ohio high schools have enough teachers qualified to teach college-level courses, so the governor's budget provides \$18.5 million to train more teachers in college instruction and reward schools that exceed a high level of participation in the program. With more high schools able to offer college-level credit, students can get a jump start on college at no cost and reduce their overall college education costs.
- **Holding the Line on Tuition:** While Ohio's public colleges and universities have been among the nation's leaders in limiting tuition increases over the past five years, the governor's budget seeks to do better by restricting two- and four-year schools to raise tuition by no more than the greater of two percent over what the institution charged in the previous academic year or two percent of the statewide average cost, by sector. Schools will not be allowed to increase tuition in FY2017, the second year of the biennium. To help colleges prepare for the tuition freeze, the state will recommend options for reducing costs.
- **Relieving College Debt:** Too many Ohioans are struggling with college debt, with the average recent graduate owing about \$29,000. Gov. Kasich is concerned with this problem and his budget would help address it with a \$120 million debt relief fund. Details will be finalized together with the higher education community and prioritize low income, in-demand jobs and those who work in Ohio for five years.

- **Examining New Ways for Universities to Reduce Costs:** Ohio will create a nine-member Task Force on Affordability and Efficiency to examine ways for its public colleges and universities to hold down costs. Following the work of the Task Force, the board of trustees at each of Ohio's public colleges and universities will conduct an efficiency review to identify ways to improve efficiencies and reduce costs.
- **Using Campuses During Summer, to Help Low-Income Students:** Education is perhaps the only industry that mothballs its facilities for almost three months of the year. To help low-income community college and regional campus students accelerate their coursework, the governor's budget will give them access to funds from the Ohio College Opportunity Grant (OCOG) to fill a gap in the federal Pell Grant, which does not fund year-round studies.
- **Helping Colleges Implement Their Best Reform Ideas:** A new \$20 million innovation program will help colleges and universities implement dramatic ideas to decrease tuition.
- **Allowing Community Colleges to Offer Bachelor's Degrees:** Ohio's less-costly community colleges will be able to offer bachelor's degrees when local job creators express a need for workers with advanced training and a university is unable to meet the need.

Making Campuses Safer: Ohio will identify best practices for preventing and responding to campus sexual assaults by September 1, and allocate \$2 million to implement these new strategies.

Preparing Students for the Workforce Through Work Experiences: Ohio will work with its public colleges and universities and the business community to, by the end of 2015, embed into the curriculum of degree programs work experiences (including co-ops and internships) for in-demand jobs, such as computer science, with OhioMeansJobs.com as the central location for college students to access information on work experiences and career opportunities.

Helping Ohio Adults Without Diplomas Get Back on Track: After the age of 22, adults are no longer eligible for traditional high school diplomas. In 2014, the governor's Mid-Biennium Review launched a pilot program allowing five community colleges and technical centers to create new initiatives to help adults earn credits toward a high school diploma, while pursuing job training coupled with credential efforts. The governor's budget proposal provides \$2.5 million for as many as five additional pilot sites at Ohio community colleges and technical centers.

Enhancing Scholarship Opportunities: Ohio currently invests nearly \$130 million annually in higher education scholarship programs, and the governor's budget provides an additional \$8 million to enhance several scholarships, including:

- **Ohio College Opportunity Grant:** Expanded to let students at community colleges and regional campuses study 12 months per year.
- **War Orphans:** Increased from 77 percent to 100 percent of tuition and general fees for children of deceased or severely disabled Ohio veterans.
- **Ohio National Guard:** Increased \$1 million to continue covering 100 percent of tuition and general fees.
- **Choose Ohio First:** To bolster Ohio's economic strength in science, technology, engineering, math and medicine, the governor's budget will add \$750,000 to enroll more high-performing students in these in-demand fields.





BLUEPRINT FOR A NEW OHIO

GOV. JOHN R. KASICH'S FISCAL YEARS 2016-2017 BUDGET

HUMAN SERVICES INNOVATION

Helping Ohioans Rise Up and Out of Poverty and Into Jobs

Governor John R. Kasich established the Office of Human Services Innovation in fall 2014 to help bring badly needed reforms to the state's human services programs. As he stated in his 2015 inaugural address:

"We took a special services network that treated the children of God like they were a number. 'Come in and get in line. We'll give you the help, and see you next month. Let me just stamp it and let's not even find out who you are or what your problems are.' And we're transforming it so that the taxpayers can get the value that they deserve and that Ohioans in need can get a helping hand and a hand up so they can reach their God-given potential."

The new office has begun working with state and local agencies and stakeholders to pursue a better-coordinated, person-centered human service system that will help Ohioans get a job, succeed at work and prevent or move out of poverty and this budget makes specific proposals to turn those reform ideas into the reality of a more effective, more efficient system that gives taxpayers the value they deserve and low-income Ohioans the future they need.

Breaking the Poverty Cycle Before it Starts: A cornerstone of the strategy to strengthen services and work supports for Ohioans starts with a focus on teens and young adults, ages 16 to 24, where early intervention can have the greatest impact in breaking the cycle of poverty by preventing it before it starts.

- **Improving Job Placement and Job Retention:** Funding from two existing programs, Temporary Assistance for Needy Families and Workforce Innovation and Opportunity Act, will be integrated to serve low-income individuals ages 16 to 24 beginning this calendar year.
- **Providing Intensive Support to Those Who Need the Most Help:** Some low-income teens and young adults requiring additional help to obtain and maintain employment will be eligible to receive expanded services tailored to their unique needs. County departments of job and family services and their community partners will be identifying the most at-risk youth such as single parents, the homeless, non-custodial parents, high school dropouts, and youth aging out of foster care, for a new comprehensive case management and employment program.

Focusing On People, Not Programs to Help Ohioans Move Up and Out Of Poverty: Gov. Kasich's budget helps end the siloed, fragmented approach that for far too long has tried to treat the collected "symptoms" of poverty instead of seeking a cure for the underlying challenges that needy Ohioans face. The budget starts fixing this by allocating \$310 million in existing federal and state funding to create the framework for a comprehensive case management and employment initiative. The initiative can provide unique collections of services around individuals based on their needs and better support them as they move up and out of poverty. The goal is to expand this approach to all Ohioans on public assistance by July 1, 2016.

Removing Barriers to Moving Up: The lack of access to affordable and quality child care remains one of the top barriers to work. Furthermore, the loss of subsidized child care once a family's income grows above 200 percent of the federal poverty level (approximately \$3,298 a month for a family of three) is one the most detrimental benefit "cliffs" working poor encounter as their economic situations improve. Softening the impact of these types of "cliffs" removes a significant disincentive to economic advancement for the working poor and Gov. Kasich's budget proposal does that by raising the

income limit for initial child care eligibility and allowing families to keep subsidized child care longer as their incomes gradually increase. Families would instead have their child care subsidies phased out gradually until their income reaches 300 percent of the federal poverty level, or approximately \$4,948 a month for a family of three.

Simplifying the Process: Assistance programs have separate and complex eligibility processes and navigating them can be difficult for individuals and case managers when an individual is enrolled in more than one program. By standardizing, aligning and automating eligibility processes, Ohio can better serve those in need in a simpler, more efficient, more accountable way. Enhancements to *Ohio Benefits*, the case management and eligibility computer system currently used for Medicaid, will improve the timeliness and ease of eligibility determination for public assistance programs. Work currently is underway to add general benefits and food assistance eligibility to *Ohio Benefits*.

Holding Government Accountable As Well: The state will develop consistent, meaningful evaluation standards to measure how well we are helping low-income Ohioans move up and out of poverty. This begins with aligning funds from the Temporary Assistance for Needy Families Youth and Workforce Innovation and Opportunity Act of 2014 to the same success measures. Counties who administer these important programs will have clear goals and expectations with consequences for failing to meet established standards.

Bottom Line: Gov. Kasich's budget begins laying the foundation needed to move Ohio's disjointed array of human services programs into a better-coordinated, person-centered approach to support low-income Ohioans as they move up and out of poverty. By focusing first on teens and young adults, factors that contribute to life-long poverty can be addressed before they become insurmountable. What is learned from a person-centered approach to 16 to 24 year olds will then be extended to all qualifying Ohioans. In addition, addressing the child care benefit cliff removes one of the biggest barriers to employment for the working poor.





BLUEPRINT FOR A NEW OHIO

GOV. JOHN R. KASICH'S FISCAL YEARS 2016-2017 BUDGET

HEALTH COVERAGE WORKS

Transforming Health Care, Modernizing Medicaid, Strengthening Accountability

Four years ago, Governor John Kasich enacted innovative new policies to modernize Medicaid, streamline health and human services, and improve overall health system performance. With the help of public- and private partners that work is beginning to pay off for Ohioans:

- **Better Value and Better Care:** Today, nearly 4 of every 5 individuals on Medicaid receive their benefits through a private managed care organization, not the old government-run fee-for-service system. Care is better and this budget holds Medicaid's cost **growth to less than 3 percent** per member per month next year. This is the result of new reimbursement policies, better primary and preventive care, and residents taking greater responsibility in their care.
- **More Home Care, Less Institutional Care:** In 2014, for the first ever, Ohio Medicaid spent more on home and community based services than it did on institutions. Governor Kasich is committed to providing all residents with options in determining what level and settings of care are right for them and Ohio is now a national leader in transitioning individuals out of institutions and back into their communities.
- **Streamlining Human Services Systems:** Eligibility determinations for all health and human service programs in Ohio were fragmented, overly complex, and relied on outdated technology. On October 1, 2013, the new online *Ohio Benefits* system went live and is transforming eligibility determination in Ohio by removing barriers for low-income residents to obtain health care benefits.
- **Incentivizing Better Care—Not Just More Care:** Ohio leads the nation in innovative efforts to improve the health of its citizens by resetting the basic rules of health care competition to reward better care, not just more care. On December 17, 2014, the federal Center for Medicare and Medicaid Innovation recognized the progress the state is making by awarding Ohio a four-year grant to test innovative new payment models that improve overall health system performance.

Building On Success, Taking Medicaid Modernization to the Next Level: While the improvements in recent years have succeeded in helping restrain costs and improve quality, Ohio's health care landscape requires additional reforms to further ensure that taxpayer dollars are protected and positive health outcomes are realized. The governor's budget seeks additional innovations that improve health in a fiscally responsible way.

Increasing Personal Responsibility

- **Requiring Premiums Above 100 Percent Of Poverty:** Health care coverage purchased through the federal exchange requires adults at or above 100 percent of the federal poverty level (FPL) to pay monthly premiums. Ohio Medicaid will seek authority from the federal government to charge premiums similar to those on the exchange for Ohioans at or above 100 percent of FPL. A similar plan was part of the governor's original proposal for Medicaid two years ago.
- **Advancing the Pathway Off Medicaid:** Medicaid enrollees whose incomes increase above Medicaid eligibility levels currently are allowed to continue to receive Medicaid benefits for one year. This will be shortened to six months, and anyone on Medicaid at higher income levels will be referred to seek coverage on the exchange.
- **Aligning Legacy Programs Under a New Health Care Landscape:** Certain targeted programs with higher income limits pre-date the creation of the exchanges and expansion and now duplicate existing coverage but in less effective ways

than the newer, more comprehensive health plans. To avoid any break or gap in coverage, individuals currently receiving coverage from these programs can remain in them if they choose and newly eligible individuals will be enrolled in either Medicaid or an exchange plan, as dictated by their income. Ohio will continue all breast and cervical cancer outreach and screening programs, as well as continue all efforts in those programs to enroll women in health care plans to ensure they get the follow up care they need.

Improving Quality and Reforming Payments by Rewarding Value, Not Volume

- **Expanding Care Coordination Services:** The budget seeks to improve health care for children in foster care by providing them the coordinated care benefits of Medicaid's managed care plans instead of the old, government-run fee-for-service program. Additionally, individuals with developmental disabilities will have the option to enroll in private health plan coverage.
- **Increasing Nursing Facility Quality:** Building upon the work of the previous four years, the budget strengthens the relationship between payment and quality for residents. Nursing facilities will be eligible to receive new performance payments if they reach more rigorous quality benchmarks. Every nursing facility in Ohio will be eligible to receive additional funds.
- **Reforming Hospital Payments:** By extending Medicaid in 2014, Ohio's hospitals now are able to receive payment for nearly all of the services they provide instead of having to simply absorb the costs of care in many instances in which patients lacked coverage or could not afford to pay. This change has provided a significant improvement in many hospitals' fiscal health and provided needed financial stability, especially to many smaller hospitals in rural, under-served areas. As a result, a temporary 5-percent hospital rate increase provided by Ohio Medicaid to help hospitals weather recent financial hardships will now be allowed to expire. In addition, Medicaid will launch new efforts to improve health outcomes and help hospitals control costs with new strategies that increase quality and prevent errors that can cause unnecessary and potentially harmful readmissions.
- **Investing In Preventive Health Care Services:** When individuals delay preventive health care it inevitably leads to more severe future health care problems and costs. Ohio Medicaid will increase reimbursement rates for primary care and dental services to ensure that Ohioans can access necessary services when they need them and before any health problems worsen.

Rebalancing Long Term Services and Supports: Governor Kasich believes all Ohioans should be able to choose the setting for care that is right for them and this budget builds on the success of his first term to improve the quality and coordination of home and community-based alternatives to institutional placements.

- **Bolstering Safety and Oversight In Home and Community Based Settings:** As more Ohioans seek to receive health care in their home, Ohio will improve oversight of this care by transitioning to a home health agency-only model, ensuring that individual caregivers operate within the oversight of a larger organization that can provide increased accountability. Also, Ohio will incorporate state-of-the-art electronic verification tools to improve honesty and accuracy in provider billing.
- **Unprecedented New Investments in Developmental Disabilities Services:** The budget makes historic new investments to ensure that every Ohioan with a developmental disability who wants to live and work in the community can do so. This proposal invests \$316 million over two years to increase home and community based services, create new options for individuals who want to leave institutions and support community work opportunities.
- **Rebuilding Community Behavioral Health Resources:** In the four years prior to the Kasich Administration, Ohio's mental health and addiction services system was in turmoil. State funding for mental health had been reduced by nearly 20 percent. The Kasich Administration reversed this trend by increasing mental health funding and extending Medicaid coverage to more individuals needing behavioral health services. This budget adds additional services to the Medicaid behavioral health benefit package, strengthens housing and other community supports, and improves care coordination through managed behavioral health care.

- **Supporting Affordable Housing:** The budget sustains recent increases in state funding to support affordable housing, enables more Ohioans to avoid entering an institution unnecessarily, and prioritizes federal, state and local housing resources for at-risk populations, particularly youth making the transition to adulthood.

Encouraging Healthier Families and Communities Across Ohio: Reforms included in this package connect directly to residents in our communities. By developing new methods to deliver health care and increase access, the Kasich Administration seeks to help all Ohioans lead healthier lives.

- **Reducing Infant Mortality:** It is not acceptable that more than 1,000 Ohio babies die each year before their first birthday; it is one of the worst infant mortality rates in the country. The budget provides enhanced maternal services through Medicaid health plans for every woman living in neighborhoods most at risk for poor infant health outcomes. Working to engage local community leaders, health plans will connect women in high-risk neighborhoods to health care services.
- **Reducing Tobacco Use:** Ohio ranks 8th in the nation in the percent of adults who smoke. In addition, 15.1 percent of high school students and 3.7 percent of middle school students were current smokers in 2013. To combat these issues, the budget launches a series of new initiatives to reduce tobacco use including: increasing the tax on cigarettes and other tobacco products; banning cigarettes and tobacco in K-12 settings; requiring colleges and universities to adopt tobacco-free policies; and strengthening the enforcement of Ohio's Smoke Free Workplace Law.
- **Improving Academic Achievement Through Better Health in Schools:** Currently, there are 580 school systems enrolled in the Medicaid in Schools Program serving 61,000 Medicaid eligible students with an Individualized Education Plan (IEP). This budget includes enhancements to pay for additional services provided to children at MSP sites, and significantly reduces the financial burden on local school districts.

BOTTOM LINE: Governor Kasich's budget proposals continue to transform Ohio into a national leader in health care. This latest series of reforms focuses on improving the quality and outcomes associated with our state's health care programs, while staying accountable to Ohio taxpayers and finding new ways to support all Ohioans. Despite significant new investments in primary care, behavioral health care, and for persons with developmental disabilities, good program management will hold Medicaid's per member cost growth to below 3 percent next year.





BLUEPRINT FOR A NEW OHIO

GOV. JOHN R. KASICH'S FISCAL YEARS 2016-2017 BUDGET

A STRONG COMMITMENT TO EARLY CHILDHOOD

Governor John R. Kasich has made it a priority to expand and improve Ohio's early childhood programs since a child's earliest years are so critical to their future wellbeing. His new budget proposes \$63.8 million in new funds for early childhood programs, which would bring total support for early childhood efforts to \$1.8 billion for the two-year period.

Increasing Slots for High Quality Preschool: Gov. Kasich doubled the number of preschool opportunities in his first term for economically disadvantaged children by expanding the program from 5,700 to 11,090 children. Now, in FY16-17, the governor's budget will add an additional \$40 million to provide preschool for 6,125 additional children, bringing the total number of children served to more than 17,000—more than a threefold increase from 2013 in both children served and funding.

Improving the Quality of Early Childcare Services: Because we know that most of the brain development takes place in the first five years of life, Ohio is taking steps in this budget to assure that children, of all ages, who attend quality-rated childcare facilities have access to at least 12.5 hours of educational instruction each week. This will align childcare standards with preschool education.

New Behavioral Health Resources for Young Children: The impact of poverty and trauma on young children can have a lasting effect on their emotional and academic wellbeing. To help address these issues, Ohio will apply best practices developed over the past three years and provide \$10 million over the biennium to make Early Childhood Mental Health Counselors available to children, teachers and early childcare staff; create a hotline for acute problems; and make an early childhood counselor available for site visits within 48 hours of a request to conduct observations, train staff and develop support plans for children in need.

Removing Barriers to Moving Up: The lack of access to affordable, quality childcare remains one of the top employment barriers to low-income parents. Gov. Kasich is proposing new strategies for removing this barrier:

- **Covering Copays:** Many families below 100 percent of the federal poverty level cannot afford the current copays for childcare thus keeping them from getting a job. The state will allocate \$7 million each year to cover the copays for families making less than 100 percent of the federal poverty level. This will make it easier for low-income families to get childcare while they go to work and align childcare with preschool education.
- **Ending the Childcare "Cliff":** The sudden loss of subsidized childcare if a parent or family's income exceeds 200 percent of the federal poverty level (approximately \$3,298 a month for a family of three) can actually prevent some parents from taking a better-paying job and moving up on the economic ladder. Gov. Kasich's budget proposal softens barriers to economic advancement by allowing families to keep subsidized child care on a gradually reducing scale up to 300 percent of the federal poverty level (approximately \$4,948 a month for a family of three).





BLUEPRINT FOR A NEW OHIO

GOV. JOHN R. KASICH'S FISCAL YEARS 2016-2017 BUDGET

FUELING THE ENGINES OF GROWTH: SMALL BUSINESSES

*Gov. Kasich's Newest Budget Continues His Commitment to Small Business
As the Engine of Jobs Creation and Economic Well-Being of Ohio's Hometowns*

Small businesses are some of the most important drivers of our economy, making up roughly 98 percent of all Ohio businesses and employing half of our state's private-sector workforce. Since taking office, Gov. Kasich has enacted more than \$3 billion in tax cuts for all working Ohioans, including eliminating the estate tax, cutting the state income tax 10 percent, creating a 50 percent tax deduction for small businesses and giving targeted tax relief for low-income workers.

\$500 MILLION IN NEW TAX CUTS: Eliminating Income Taxes for Virtually All Small Businesses, 23 Percent Income Tax Cut, More Low- and Middle-Income Tax Cuts

- **No Income Taxes for Virtually All Small Businesses:** Ohio will eliminate tax on income from all small businesses with annual gross receipts of \$2 million or less – which includes Ohio businesses structured as sole proprietorships or pass-through entities (PTEs) such as partnerships, Subchapter S corporations (S-corps) and Limited Liability Companies (LLCs). This dramatic tax cut will free up \$696 million in new capital over two years for Ohio's hometown businesses to better leverage the expanding economic recovery, make new investments and increase hiring to improve their competitiveness. For those businesses larger than \$2 million, the governor's budget will maintain Ohio's 50 percent tax deduction on the owner's first \$250,000 of net business income.
- **23 Percent Income Tax Cut for All Ohio Taxpayers:** Personal income tax rates will be cut for all Ohio taxpayers by an additional 23 percent over two years, with an immediate income tax cut for 2015 of 15 percent. The governor agrees with leading economists who believe income taxes negatively impact economic growth and contribute to the migration of people to low-tax states, a phenomenon that has resulted in more than \$12 billion in income leaving Ohio from 1995 to 2010 for states with lower income taxes. The tax cut will be phased in, starting with an immediate reduction of 15 percent in the first year, and an additional 8 percent in the second year. This change means Ohio's top marginal rate will have been cut from 5.925 percent in 2011 to 5.33 percent in 2014, and then reduced further to 4.1 percent in 2017.

BUILDING ON WHAT WORKS: Proposals in Gov. Kasich's FY2016-17 budget that support small businesses and promote a jobs-friendly climate are just the latest in a long record of policies in support of small businesses and entrepreneurs.

- **Reforming Ohio's Regulatory Environment:** Led by Lt. Gov. Mary Taylor, the Common Sense Initiative (CSI) was one of the Kasich Administration's first orders of business and was charged with eliminating excessive or duplicative rules and regulations that stand in the way of job creation. Since its launch in 2011, CSI has created a process that has reviewed more than 5,300 rules and regulations for their impact on job creators.
- **Cutting Taxes to Spur Economic Growth:** Since taking office, Gov. Kasich has enacted \$3 billion in tax cuts for all working Ohioans. These cuts include total elimination of the estate tax, reducing the state income tax 10 percent, creating a 50 percent tax deduction for small businesses and giving targeted tax relief to low-income workers.
 - In Gov. Kasich's first year in office, he moved forward with a scheduled \$450 million income tax cut that had been postponed by the previous administration.
 - Ohio's estate tax (the "death tax") was eliminated making it easier for families to pass their business down to a family member without penalty.

- In 2013, Gov. Kasich's second budget included net tax cuts of \$2.7 billion, including a 10 percent income tax cut and a 50 percent small business tax deduction.
- In 2014, Gov. Kasich increased the small business tax deduction to 75 percent.
- Returning \$2 Billion to Job Creators in Workers Compensation Rebates: Thanks to strong investment management and efficient operations, the Ohio Bureau of Workers' Compensation has been able to return \$1 billion in rebates to its 200,000 public- and private-employer customers in 2013 and again in 2014. In addition, the bureau tripled investments in worker safety grants and set the stage to lower all rates by modernizing its payment system.
- Fully Refunding Taxpayers' Money: The Kasich Administration ended a decades-long practice whereby the Department of Taxation failed to inform business taxpayers of overpayments unless payers asked for a refund. Unclaimed refunds had been returned to the state treasury. Now, business taxpayers are notified of overpayments, which are then either applied to other tax liabilities or returned to the taxpayer.
- Supporting Small Business's Workforce Needs: The Kasich Administration launched an improved website, *OhioMeansJobs.com*, providing a one-stop career center to connect employers with qualified talent. Ohio employers can post job openings and search more than 2,000,000 resumes available at *OhioMeansJobs.com* to identify the skilled worker they need – saving businesses more than \$10,000 each. Employers also get easy access to Ohio's employment programs to take advantage of potential incentives and tax credits. Additionally, small business owners can utilize the Business Support Center, a dedicated team committed to matching an employer's job needs with knowledgeable, skilled workers.
- Improving Ohio's Infrastructure Without a Tax Increase: Ohio's job creators depend on the ability to efficiently ship raw materials and goods throughout the state and across the country. In 2011, Ohio faced a \$1.6 billion transportation funding gap, which challenged our ability to repair or replace crumbling infrastructure across the state. In response, Gov. Kasich's introduced the Jobs and Transportation Plan. That program is now injecting nearly \$3 billion of state, local and federal funds into key infrastructure projects – without raising the gas tax – and allowing those projects to be completed faster. Many projects that had previously been delayed for a decade or more will now begin construction within the next few years. As a result of the governor's program, the 2014 construction season on Ohio's roadways was the largest ever, investing \$2.5 billion in more than 900 construction projects across the state.
- Income-Tax Credits to Encouraging Entrepreneurship and Investment: Historically, small businesses have created two out of every three new jobs, so Ohio spurred economic development by directly helping these entrepreneurs reinvest in their businesses. InvestOhio was launched by the Kasich Administration to encourage risk-taking by making investments of up to \$10 million eligible for an income tax credit worth 10 percent of the total investment.
- Reforming a Municipal Tax System to Encourage Small Business Growth: Ohio established a uniform tax base and filing schedule to help fix a long-standing problem that had imposed unnecessary costs and burdens on business taxpayers as they had to comply with hundreds of different tax systems and 1000's of forms, rates, and regulations.

BOTTOM LINE: Ohio has made it a priority to create an economic climate for small businesses to succeed and incentivize businesses to grow and create jobs.





BLUEPRINT FOR A NEW OHIO

GOV. JOHN R. KASICH'S FISCAL YEARS 2016-2017 BUDGET

PROTECTING OUR LAKE ERIE WATERSHED

Aggressively Tackling Water Quality Issues

Through Ohio's state agencies – and in partnership with conservation organizations, local communities and the federal government – the Kasich Administration is working to improve water quality throughout Ohio, but with a special focus on Lake Erie and its tributaries, by reducing the threat of harmful algal blooms and eliminating the open-lake disposal of dredge material. Ohio has invested more than \$1 billion since July 2011 in the Lake Erie watershed to improve drinking water and wastewater facilities, monitor water quality, plant cover crops, recycle dredge material, install controlled drainage systems on fields and fix faulty septic systems. The governor's budget builds on this progress with additional strong proposals.

Supporting Conservation Practices: The governor's budget continues to allocate federal funds to build manure storage and controlled drainage structures and plant cover crops.

No Open Lake Disposal of Dredge Materials by 2020: Reducing the sediment dumped in Lake Erie will help reduce chemical and nutrient loading, which likely contributes to harmful algal blooms, and will improve water quality and protect fish and wildlife habitats. The Kasich Administration is requiring that all dredge material be diverted from open-lake disposal by 2020.

No Manure or Fertilizer Application on Frozen/Snow Covered Ground in Western Basin: The governor's budget will prohibit manure or fertilizer from being applied to frozen, snow-covered or rain soaked ground in the Western Lake Erie Basin unless proper farming practices such as injection, tillage, or cover crops are also used. This is a necessary step to reducing the nutrients that cause algal blooms and restoring the health of the great lake.

Limiting Phosphorus Discharges: Ohio EPA will seek to evaluate and modify new and existing wastewater discharge permits for major public wastewater treatment plants to expand monitoring and continue to limit phosphorus discharges in state waters. It will be implemented using a staggered schedule to allow facilities adequate time to comply.

Additional Requirements for Spreading Manure: The Ohio Department of Agriculture will now require anyone applying livestock manure from a Concentrated Animal Feeding Facility to obtain a Certified Livestock Manager certificate or an agricultural fertilizer applicator certificate. Both certifications help ensure that applicators practice responsible nutrient management principles. This provision will work to further protect our environmental resources while allowing Ohio to continue to grow its vital agricultural industry.



