



BUILDING FOR OHIO'S NEXT GENERATION

BUDGET OF THE STATE OF OHIO - FISCAL YEARS 2018-2019



Provided by
GONGWER
NEWS SERVICE, INC.
www.gongwer-oh.com

FY2018-19 BUDGET OVERVIEW

By working together, we've been able to create a better Ohio over the past six years: nearly 450,000 new private-sector jobs, a balanced budget with more than \$2 billion in reserves, lower taxes, common-sense regulations, record school funding and better roads. But, we can't rest on our laurels. We must do all we can to be prepared for the future. To continue Ohio's job creation momentum, we must build on what we know works – focusing on areas critical to long lasting job growth and embracing the future and the emerging technologies that will create new job opportunities.

MAINTAINING FISCAL DISCIPLINE

The essential foundation of Ohio's economic turnaround and improved business climate is state government's fiscal stability. As a result, Governor John R. Kasich's budgets have been among the strongest in the nation, and world-class corporations and small business operators alike are realizing that Ohio's stable state finances make it a welcoming place to do business and to have that business succeed.

- Preserving Ohio's Fiscal Stability: A climate of fiscal balance and stability continues to be the most important signal Ohio can send to job creators as they look to do business in a state that's on solid financial footing. This budget continues the Kasich tradition of conservative budgeting and restrained spending that has served Ohio well for the past six years.

STRENGTHENING OHIO'S JOBS-FRIENDLY BUSINESS CLIMATE

Ohioans have enjoyed one the biggest tax cuts in the nation over the past six years with more than \$5 billion in tax relief. These tax cuts have helped spur our state's economic recovery and made Ohio one of the nation's top states for job creation. At the same time, Ohio has made regulatory reform a key priority within state government. Despite this progress, many elements of Ohio's tax system remain irrational and align poorly with today's consumer-driven economy. That is why this budget will build upon the administration's previously enacted reforms.

- Shrinking the Number of Tax Brackets and Bringing Common Sense to Ohio's Tax Code: The budget proposes reducing the number of state income tax brackets from nine to just five, making Ohio's tax system simpler, while delivering a 17 percent income tax cut through a dozen additional tax reforms in the governor's proposed budget.
- 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 \$2,250 to \$3,000 in 2015, and for those earning between \$40,000 and \$80,000 a year, the exemption increases from \$2,000 to \$2,500. 2017
- Simplifying Tax Filing for Businesses to Encourage More Economic Growth: Despite significant progress to address long-standing problems in Ohio's municipal tax structure, the system is still too complex and costly as businesses are forced to comply with hundreds of different tax systems. Ohio seeks to streamline the process by having businesses file just one form for municipal taxes and make a single payment through the Ohio Business Gateway, and the Ohio Department of Taxation will process payments and distribute revenues back to the appropriate local government, just as it does for county sales taxes and school district income taxes.

- 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 at later stages in the production process.
- Tax Reform: The governor's budget proposals continue to move 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 reforms in several areas of Ohio's tax code.

HELPING OHIOANS BETTER PREPARE FOR CAREERS AND COLLEGE

Continual education and workforce training are crucial in today's economy if we are to help Ohioans be better prepared when technology forces profound changes for industries and their workforce needs.

- Strengthening Relationships Between Educators and Businesses: Ohio will seek to have superintendents appoint three, non-voting ex-officio business people to their local school board who will focus on communicating local in-demand job needs.
- Record Resources for K-12 Education: Gov. Kasich has again made K-12 education a priority by increasing base support to Ohio schools by \$200 million. As a result, under the governor's leadership, Ohio will be spending \$1.6 billion more for K-12 education than in 2011 – the strongest level ever at \$10.6 billion.
- Freezing Tuition and Fees to Continue to Make College More Affordable: While Ohio's public colleges and universities have been among the nation's leaders in limiting tuition increases in the past six years, the governor's budget continues that positive trend by freezing tuition, general fees and special fees for two years.
- Cutting Textbook Costs for Students: Starting in the fall of 2018, Ohio will require all public colleges and universities to provide textbooks for students. Schools will be allowed to charge up to \$300 to partially offset those costs.
- Awarding Degrees and Certificates Based on Competency Instead of Just Classroom Time: Ohio's community colleges recently partnered with Western Governors University to provide a flexible option for adult learners. The multi-state, online institution awards college credit and degrees based on a student's demonstrated knowledge instead of just the amount of time spent in the classroom. To build upon that relationship, Ohio will formalize Western Governors University within Ohio's public college and university system.
- Offering Bachelor's Degrees at Community Colleges Where Local Demand Is Not Being Met: To help meet local job demands, bachelor's degree programs may be offered through Ohio's community colleges in areas where Ohio's universities do not offer specialized degree programs and where there is a clear workforce need.
- Providing High School Students Credit for Work Experience and Pre-Apprenticeship Programs: Ohio will seek to ensure that school district plans and policies allow students to receive high school credit for work experience and provide college credit for approved pre-apprenticeship training for high school students through College Credit Plus.
- Strengthening Pathways to a Low-Cost Degree: The governor's budget will encourage more agreements between community colleges and four-year universities to allow students to complete three years of their coursework at a community college and finish their degree at a four-year university.
- Encouraging Students Who Drop Out to Complete Their Degree: Ohio will establish a scholarship program to target support to students who have incurred debt, have dropped out of school and are within a year of graduating with their first degree or credential.

TAKING OHIO TO WHERE IT NEEDS TO BE IN THE 21ST CENTURY BY EMBRACING TECHNOLOGY

Ohio state government has been working to stay ahead of the curve with advances in technology with innovative, forward-looking improvements in its programs and strategic investments in technologies that encourage economic growth. Gov. Kasich continues to build on that progress with a number of new or expanded initiatives.

- **Tackling Complex Problems through Data Analytics:** By better connecting and correlating state government's data resources through applying advanced analytical technologies, the state can tackle complex problems – such as infant mortality and child welfare – with solutions that improve Ohioans' health, security and well-being.
- **Ensuring that Ohio Remains on the Leading Edge of Technology:** Ohio will create a new position of chief innovation officer to ensure that Ohio remains ahead of the curve in technological advancements.
- **Harnessing Ohio's Assets to Advance Emerging Industries:** Ohio's new chief innovation officer will lead the Ohio Institute of Technology, which will focus on emerging industries that are critical to future job creation by ensuring that Ohio's research activities are aligned to best advance our state. This includes the biomedical industry, engineering, aerospace, robotics and smart mobility.
- **Embracing the Future of "Smart" Technologies in Public Utilities:** Ohio will bring innovation to its electric utilities infrastructure by encouraging technological and regulatory innovation.
- **Improving Cybersecurity:** To ensure that Ohio's government, education and research infrastructure is protected against outside cybersecurity threats, Ohio will create a "cyber range" – a virtual environment used for cybersecurity training and IT infrastructure testing. At the same time, Ohio will work with the business community to develop a program to increase the number of students who pursue certificates or degrees in cybersecurity.
- **Using Innovation and New Technologies to Improve Transportation for Those Seeking Health Services:** Ohio will modernize its existing non-emergency medical transportation system for Ohioans seeking medical treatment.
- **Applying Technology to Better Serve Ohioans with Developmental Disabilities:** Ohio will expand access and make investments in remote monitoring technologies to help improve outcomes and better support those with developmental disabilities.
- **Embracing Cloud Computing:** Ohio state government will move 100 percent of its computer systems to the cloud by the end of the Kasich Administration.

GETTING A JUMP ON THE FUTURE OF TRANSPORTATION

The Kasich Administration is committed to embracing the future of transportation with new investments and forward-looking policies to ensure that Ohio maintains its leadership role within the automotive and aviation industries in order to benefit from the business investments and jobs that follow. Highlights of the governor's budget proposal include:

- **Creating Smart Highways As Testing Corridors for New Transportation Technologies:** Ohio will create and instrument two additional smart highway projects – on the Interstate 270 beltway in Columbus and Interstate 90 in northeast Ohio for innovators to test and refine jobs-creating technologies. These will complement the state's other research corridors on a stretch of U.S. Route 33 in central Ohio and the Ohio Turnpike.
- **Investing in the Transportation Research Center, America's Foremost Independent Automotive Proving Ground:** Funding in Gov. Kasich's budget, together with commitments from other partners, will invest \$45 million for expanded research capabilities at the independent Transportation Research Center in East Liberty – the continent's most advanced independent automotive test facility and an ideal environment for autonomous vehicle and smart highway research.

- Developing the Nation's First "Sense and Avoid" Test Site for Drones: Ohio is working with the U.S. Air Force Research Laboratory to develop a ground-based "sense-and avoid-system" for unmanned aircraft. The governor's budget will advance research to give Ohio a major advantage as drones become the basis for new industries and economic growth.

SUPPORTING OUR MOST VULNERABLE OHIOANS

The Executive Budget continues to prioritize necessary support for Ohio's most vulnerable, including the mentally ill, drug addicted and developmentally disabled.

- Better Choices for Ohioans with Developmental Disabilities: The last budget invested a historic \$286 million in additional dollars in Ohio's developmental disabilities system, and this budget includes an additional \$122 million that will continue the Kasich Administration's push to provide more opportunities for individuals with developmental disabilities to receive care in the community.
- Strengthening Ohio's Fight Against Drug Abuse: Ohio invests nearly \$1 billion each year to help fight drug abuse and addiction. The Executive Budget maintains this strong funding commitment in order to provide continued access to health care for many Ohioans struggling with addiction, plus other necessary treatment and recovery supports.
- Supporting Mental Health Services: The Executive Budget maintains the Kasich Administration's strong commitment to support Ohioans with mental health needs, including the continued integration of Ohio's behavioral and physical health systems, support for children in crisis and mental health hospital bed capacity.

BOTTOM LINE: By maintaining Ohio's fiscal strength through conservative budgeting and smart management, we can continue to provide job creators with a stable environment for growth. At the same time, embracing innovation and the jobs of tomorrow will keep Ohio economically competitive and at least one step ahead of others with emerging technologies that can help us reap the benefits and jobs that follow.





BUILDING FOR OHIO'S NEXT GENERATION

BUDGET OF THE STATE OF OHIO • FISCAL YEARS 2018-2019

STRENGTHENING OHIO'S JOBS-FRIENDLY CLIMATE

Ohio has seen an impressive turn-around in its business climate over the past six years under the leadership of Governor John R. Kasich, receiving strong votes of confidence from a number of national surveys for the state's work to build a strong, business-friendly environment for job creation, capital investment and economic success. By continuing to focus on areas critical to long-lasting jobs growth, Ohio has seen the most improved business climate in the nation, creating nearly 450,000 new private sector jobs since the start of 2011 and bringing unemployment rates down to pre-recession levels.

Priority One: Preserving Ohio's Fiscal Stability with Conservative Budgeting

The essential foundation of Ohio's economic turnaround and improved business climate is state government's fiscal stability. As a result, Kasich budgets have been among the strongest in the nation, and world-class corporations and small business operators alike are realizing that Ohio's stable state finances make it a welcoming place to do business and to have that business succeed. Then, as now, Ohio's jobs-friendly fiscal stability has been the result of conservative budgeting and restrained government spending in each of Gov. Kasich's three previous biennial budgets.

Developing a 21st Century Tax Plan to Drive More Job Creation

Ohioans have enjoyed one the biggest tax cuts in the nation over the past six years with more \$5 billion in tax relief. These tax cuts have helped spur our state's economic recovery and made Ohio one of the nation's top states for job creation. In the last biennial budget, Ohio took major steps to eliminate income taxes for many small businesses and further reduce income tax rates for all Ohioans. Despite these most recent reforms, many elements of Ohio's tax system remain irrational and align poorly with today's consumer-driven economy.

- **Fewer Tax Brackets and Lower Tax Rates:** Currently, the rate at which an Ohio worker pays personal income taxes is based on nine income brackets. Governor Kasich is proposing to lower rates and reduce the number of brackets to five. This would greatly simplify Ohio's tax system and if adopted with other proposed income tax changes, would deliver a 17 percent income tax cut over fiscal years 2018 and 2019.

Current Brackets	Rates
0-\$5,250	0.495 %
\$5,250-\$10,500	0.990 %
\$10,500-\$15,800	1.980 %
\$15,800-\$21,100	2.476 %
\$21,100-\$42,100	2.969 %
\$42,100-\$84,200	3.465 %
\$84,200-\$105,300	3.960 %
\$105,300-\$210,600	4.597 %
More than \$210,500	4.997 %

New Income Brackets	Tax Rates 2017	Tax Rates 2018
Up to \$10,000	0.50%	0.456%
\$10,000 - \$25,000	1.50%	1.367%
\$25,000 - \$100,000	3.25%	2.963%
\$100,000 - \$200,000	4.25%	3.874%
More than \$200,000	4.75%	4.33%

- **New Tax Relief for Low- and Middle-Income Ohioans:** Ohio will cut taxes for low- and middle-income Ohioans by increasing the personal exemption for state income taxes, a reform that, with other income tax changes, will eliminate state income taxes for more than 350,000 lower income Ohio households. For those earning less than \$40,000 a year, the exemption

increases from \$2,250 to \$3,000 in 2017, and for those earning between \$40,000 and \$80,000 a year, the exemption increases from \$2,000 to \$2,500. In 2013, prior to Gov. Kasich's initial tax cuts for low- and middle-income families, the exemption was \$1,700 for all taxpayers. In addition, the Governor's proposal would expand the low income credit by increasing the level of income eligible to claim the credit from \$10,000 to \$15,000 of Ohio adjusted gross income, less personal exemptions. The low income credit eliminates tax liability for those who qualify.

- Simplifying Municipal Tax Filing for Businesses to Encourage More Economic Growth: Despite significant progress in recent years to address long-standing problems in Ohio's municipal tax system, it remains cumbersome and costly as businesses are forced to comply with hundreds of different local tax systems. To save businesses the extra cost of computing and then filing "net profit" taxes with multiple municipalities, Ohio seeks to streamline the process by having businesses file just one form and a single payment online through the Ohio Business Gateway, with the Ohio Department of Taxation processing payments and distributing revenues back to the appropriate local government, just as it does for county sales taxes and school district income taxes. This is an important step toward bringing common sense to an outdated system and will save money for business taxpayers. It will also save money for municipalities. The Department estimates that by bringing economies of scale to the processing of this tax, it can reduce administrative costs for these communities by about \$9 million a year.
- Moving Toward a Consumption-Based Tax System: Leading economists believe that taxing income discourages investment and job creation. Continuing to move Ohio's tax system from a significant reliance on income taxes and toward a greater reliance on consumption taxes will give Ohioans more control over how they are taxed and the taxes they pay, as well as better aligning the tax system with the growing service sector in our economy. This budget proposes increasing the sales tax by a half percent, from 5.75 percent to 6.25 percent, meaning consumers would pay an additional 50 cents on a \$100 purchase (while maintaining tax exemptions for groceries and prescriptions). The budget seeks to broaden Ohio's sales tax base to certain discretionary services including cable TV subscriptions, elective cosmetic surgery/procedures, lobbying, landscape design, interior design and decorating, travel packages and tours, and repossession services.
 - Tax Reform: The governor's budget continues to move Ohio's tax system away from its excessive reliance on taxing income by moderately expanding and reforming the tax base of several other revenue streams, including:
 - Increasing Tobacco Taxes: Under this proposal, Ohio's cigarette tax would go from \$1.60 to \$2.25 per pack; the tax on other tobacco products would rise to a rate equivalent to the tax on cigarettes. Vapor products (primarily e-cigarettes) would become subject to the tax levied on the other tobacco products.
 - Aligning Ohio's Outdated Alcohol Taxes with the Current Market: Ohio's tax on alcoholic beverages (excluding liquor), was last updated in 1992 and fails to reflect the fast-changing mix of alcohol products available in the marketplace today. Taxes on beer and wine will be adjusted for inflation that has eroded the tax base over more than two decades and be adjusted to better match the current alcohol industry and its offerings, a reform that will also help reduce income tax rates.
 - Modernizing Ohio's Oil and Gas Tax System: Ohio currently has approximately 1,500 producing oil and gas shale wells. Just as Ohio has modernized its oil and gas regulations to keep pace with new drilling technologies, we must modernize the state's tax system on oil and gas production, 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. 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 at later stages of distribution. These rates are lower than those levied by other major state producers, such as Texas, Oklahoma and North Dakota, and will place Ohio squarely in the middle of the pack of all state rates. The difference in the proposed new rates makes an allowance for costs incurred with products sold beyond the wellhead as they are brought to market. All Ohioans will share in the benefits of our state's oil and gas resources in the form of lower income taxes.

NEW SEVERANCE TAX RATES ARE FAIR AND COMPETITIVE

Product	Rates	
	At Wellhead	Downstream
Crude Oil	6.5%	N/A
Natural Gas	6.5%	4.5%
Natural Gas Liquids	N/A	4.5%

FY 2018 and FY 2019 Projected Tax Relief with Offsets

All figures in millions of dollars, rounded to the nearest million.

	FY2018	FY2019	Total
State Income Tax Reduction (all changes)	-1,244	-1,883	-3,127
Cigarette and Other Tobacco Taxes	312	346	658
Broadening Base of Sales Tax**	166	251	417
Sales Tax to 6.25%	560	879	1,439
0.5% Increase on Base Expanders*	12	18	30
Commercial Activity Tax provisions	8	25	33
Oil and Gas Severance Tax	137	311	448
Modernizing Alcoholic Beverage Tax Rates	26	30	56
Repeal Campaign Contribution Credit	3	4	7
TOTAL revenue increase	1,224	1,864	3,088
TOTAL net tax cut	-20	-19	\$39 million net cut over the biennium

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

- **Increasing Parity in the Commercial Activity Tax (CAT):** This proposal would correct an oversight in state tax law that allows certain companies in the business of lending money to completely avoid paying the CAT or other business tax on interest payments collected on loans. Separately, another proposal would ensure that suppliers of certain large warehouse and shipping operations – designated as Qualified Distribution Centers (QDC) – pay a minimum CAT liability on taxable gross receipts from transactions associated with the QDC. Companies inside and outside Ohio selling products to a QDC pay little or no CAT while other companies selling to non-QDC warehousing operations are required to pay the CAT on 100 percent of their taxable gross receipts from such sales. This proposal would subject a minimum of 10 percent of a supplier's taxable gross receipts from sales to a QDC to the CAT.
- **Eliminating the Clutter in State Law for Those Who Pay Property Taxes:**
 - **Providing a Consistent Approach to Property Tax Appeals:** An Ohio taxpayer currently seeking to contest a property tax bill must begin by appealing at the county-level Board of Revision (BOR). Appeals of BOR decisions are taken directly to the state Board of Tax Appeals – with one exception. Confusingly, state law sends appeals regarding a penalty for not paying property tax to the Ohio Tax Commissioner. This proposal eliminates that inconsistency by taking the Tax Commissioner out of the process and instead directs all cases to the Board of Tax Appeals.
 - **Ensuring Uniformity for Property Tax Exemption Applications:** State universities often own property that qualifies for exemption from property taxes. To gain exempt status for certain types of qualifying property, universities presently need to apply for an exemption with the county auditor. This proposal would transfer the application and approval process from the county to the Ohio Tax Commissioner. This reform is supported by the County Auditors Association of Ohio.
 - **Eliminating Redundancy in State Law on Tax Exemption for Cemeteries:** Under current law, most cemeteries in Ohio are exempt from property taxes. However, language providing that exemption is redundantly described in five separate locations in the Ohio Revised Code (ORC). This measure would eliminate the redundant provisions and combine the necessary language in one section of the ORC.

- **Making Important Changes in Excise Tax Collection:**

- **Simplifying a Property Owner's Exemption for Personal Use of Natural Gas:** Ohio residents with a natural gas well on their property are entitled to personally use up to \$1,000 worth of their well's production without paying severance tax on that portion. However, because most of these non-commercial wells are not equipped with meters to measure how much gas is extracted and used, the owner can't know for certain whether tax is owed. This proposal would remove the \$1,000 limit and exempt all personal use of natural gas from the severance tax.
- **Establishing a One-Stop Process for Severance Permit Applications:** Ohio's severance tax law requires a permit to extract certain minerals. Taxpayers obtain their permits from the Ohio Department of Natural Resources (ODNR), but the law also allows them to get a permit from the Ohio Tax Commissioner. Currently, permits from ODNR are issued at no charge, but any issued by the Tax Commissioner require a fee. This reform would end this inconsistency by assigning issuance of all severance permits to ODNR and removing the Tax Commissioner from the process.
- **Simplifying the Tax Return Process for Cigarette Wholesalers:** Cigarette wholesalers have followed a cumbersome process of filing monthly tax schedules and a semi-annual reconciliation return to verify the inventory they have been reporting each month. This proposal would significantly reduce that paperwork burden by consolidating these reports on one monthly return.
- **Eliminating Loopholes to Ensure Tax Payments Are Current:** Before a liquor permit can be issued or renewed, the Department of Taxation checks to make sure the merchant doesn't owe sales or employer withholding taxes to the state. This provision would ensure that the merchant also is current on all excises taxes (e.g., tobacco taxes and alcoholic beverage taxes) before a permit is issued. Similarly, another proposed provision would authorize the Tax Commissioner to deny licenses to tire distributors, motor fuel dealers or tobacco distributors if they are delinquent with any tax payments.
- **Making Truth a Requirement for Obtaining or Holding a License:** This proposal would provide authority to deny or revoke a tax-related license if the application contains a fraudulent statement.

- **Updating Sales Tax Laws:**

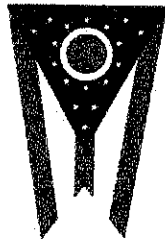
- **Eliminating Unneeded Paperwork from County Auditors:** County auditors are now required to report a list of all vendor's licenses to the Ohio Department of Taxation. That report is no longer necessary because all state vendor's licenses are now obtained and registered electronically through the department.
- **Bringing Sales Tax Brackets into the Computer Age:** Before computers and electronic cash registers, Ohio law defined a series of tax brackets to help merchants determine how much sales tax to charge on a particular item (e.g., if there is a combined state/local sales tax rate of 7 percent, items priced between 8-21 cents are taxed one cent). Now retail technology computes the tax due based on the rate that exists in a particular county. This provision eliminates the obsolete brackets from the Ohio Revised Code.
- **Ensuring Better Scrutiny of Habitually Late Taxpayers:** Business taxpayers who repeatedly fail to remit sales tax they collect or neglect to file sales tax returns on time are placed in the Habitual Offenders Program (HOP) to help them maintain compliance. At times, some HOP participants will take money they have collected for the employer withholding tax and use it to pay the sales tax so that they remain current and compliant with HOP requirements. This proposal would require HOP taxpayers to be current with both sales tax and employer withholding tax obligations.

- **Making Other Common-Sense Tax Code Revisions:**

- **Setting a Sensible Minimum before Collecting the Wireless 9-1-1 Charge:** With this proposal, the state fee that helps pay for county 9-1-1 service would add a provision to require a one dollar minimum for collection or refund. This would make the Wireless 9-1-1 fee consistent with all other state taxes in this regard.

BOTTOM LINE: By making tax reform a priority each year of the Kasich Administration, Ohio has strengthened its ability to grow the economy and jobs in our state. With other states also cutting taxes and looking to stay competitive, Ohio must continue to make its tax code friendlier to job creators and entrepreneurs, while helping Ohioans keep more of what they earn.





BUILDING FOR OHIO'S NEXT GENERATION

BUDGET OF THE STATE OF OHIO - FISCAL YEARS 2018-2019

PROVIDING OHIOANS OF ALL AGES WITH WORLD- CLASS PREPARATION FOR CAREERS AND COLLEGE

Continual learning and workforce training are crucial in today's economy if we are to ensure Ohioans are prepared when technology creates profound changes for industries and their workforce needs. To make Ohio workers more competitive in today's global marketplace, we must continue to transform what in many ways have become outmoded and inflexible models for education and workforce training. Under the leadership of Governor John R. Kasich, our state has made solid progress in helping prepare Ohioans for careers and college, while better aligning our education and workforce efforts with in-demand occupations – but we have more work to do.

HELPING OHIOANS PREPARE FOR A RAPIDLY CHANGING WORKFORCE

Transforming Ohio's workforce-preparedness system has been a key priority for Gov. Kasich and an essential component of his efforts to create an economic environment that promotes job creation and opportunity for all Ohioans. This commitment includes working with job creators to determine what skills and workers their companies need – today and well into the future – in order to ensure that training programs to meet those needs are available across the full spectrum of Ohio's education and workforce systems. Members of the Governor's Executive Workforce Board, a group of business, labor and workforce stakeholders, serve as key advisors to help Ohio strengthen its workforce training efforts. The board has proposed a number of recommendations that are included in the governor's budget, including:

- **Establishing Stronger Connections between Educators and Businesses:** The governor's budget will increase business commitment at the local school board level by having superintendents appoint three, non-voting ex-officio business people on each school board. Doing so will ensure that businesses and educators have a better understanding of the skills needed for local in-demand jobs. Further, to strengthen ties between educators and businesses, teachers will engage in externships with businesses as part of their state licensure renewal and professional development plans, while also receiving continuing education credits.
- **Addressing the Skills Gap:** The governor's budget will have higher education and K-12 collaborate to ensure that more students are prepared for post-secondary education and training by establishing transition classes for students needing remediation while still in high school. Schools also will be required to give high school credit for career exploration through work-based learning programs and provide an OhioMeansJobs designation to those students who demonstrate that they are job-ready.
- **Increasing Pathways to Employment:** The governor's budget will align pre-apprenticeship programs with Ohio's College Credit Plus program to provide college credit to high school students for completion of an approved pre-apprenticeship program.
- **Making it Easier for Schools to Provide Work Experience:** Public schools have had flexibility in providing credit for internships and other work experience, but it remains underutilized. Through this budget, Ohio will require

districts to review and update their plans and policies to ensure that all students have the opportunity receive credit for appropriate work experience.

- Leveraging the Strength of Ohio's Public Library System: The governor's budget will position libraries as "continuous learning centers," and help adult learners access online programs to gain additional skills.
- Strengthening Ohio's Investment in K-12 Education: Despite a restrained overall Executive Budget, Gov. Kasich has again made K-12 education a priority by increasing base support to Ohio schools by nearly \$200 million. As a result, under Gov. Kasich's leadership, Ohio will be spending \$1.6 billion more for K-12 education than in 2011 – the strongest level ever at \$10.6 billion. The continuation of "Guarantee Funds" in this budget ensures that no district will receive less in formula state aid than it did in the current 2017 fiscal year, unless the district has lost more than five percent of its students over the past five years and would otherwise be funded for students that no longer exist. Schools where student populations have declined at rates greater than five percent will see their state aid reduced by one percent for each additional percent below the 95 percent threshold, up to a maximum of five percent of state aid.
- Improving Ohio's Popular College Credit Plus Program: Last year, through the College Credit Plus Program, more than 52,000 Ohio students earned college credit while still in high school. This Kasich Administration initiative gives students the ability to earn college credits while in high school, without paying for tuition, books or fees. In the program's first year, College Credit Plus saved Ohio students and their families more than \$120 million in college costs. The budget will take important steps to improve the popular program by better defining eligible courses and what it means for a student to be "college-ready," while ensuring reasonable and predictable textbooks costs for school districts.
- Encouraging Innovation in Our Classrooms: To continue to help schools implement their best reform ideas to improve student achievement, increase efficiency and tear down barriers to college and career training, the governor's budget will allocate \$30 million to the Straight A Fund.
- A Continued Commitment to Mentoring: Ohio's 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 invests \$20 million to support new community mentorship partnerships.

HELPING MORE OHIOANS ADVANCE THEIR EDUCATION AND PURSUE A COLLEGE DEGREE OR CERTIFICATE

In a world where an educated workforce is the key to building a competitive, technology-focused economy, Gov. Kasich knows that a credential or a college degree is a gateway to prosperity and a fulfilling career for many Ohioans. That is why higher education reform has been among the governor's foremost priorities as Ohio is working on many fronts to strengthen the state's economy and provide a well-prepared, well-educated workforce to fill the new jobs being created here. Today, Ohio's public colleges and universities are funded on how well they succeed at guiding students to complete their courses of study and get their degrees. While Ohio has been among the nation's very best states at restraining tuition growth over the past six years, Gov. Kasich has been working on a more lasting solution by having state colleges and universities implement recommendations from a task force of business leaders on how those institutions can cut costs and pass savings along to students.

- Freezing Tuition and Fees to Continue to Make College More Affordable: While Ohio's public colleges and universities have been among the nation's leaders in limiting tuition increases in the past six years, the

governor's budget seeks to continue that positive trend by freezing tuition, general fees and special fees for two years.

- Cutting Textbook Costs for Students: The average college student spends \$600 a year on textbooks. In academic year 2018-2019, Ohio will require all public colleges and universities to cover the cost textbooks for students. Schools will be allowed to charge up to \$300 to partially offset those costs. Addressing textbook costs was a recommendation from the governor's task force on affordability and efficiency.
- Encouraging Students Who Don't Complete to Finish Their Degree: The governor's budget seeks to increase the number of Ohioans with a post-high school credential or degree from 43 percent to 65 percent by 2025. Ohio will establish the *Finish for Your Future Scholarship* program, targeting support to students who have incurred debt and have dropped out of school within a year of graduating with their first degree or credential. Bringing these students back to school will help meet workforce needs and also reduce student debt, as students who take out loans and then drop out of school are more likely to default on those loans. The state portion of the scholarship will be up to \$3,500 with a one-to-one dollar match by both the institution and the student. All public and private non-profit colleges and universities will be eligible to participate in this program.
- Addressing Student Debt: A new study by the Ohio Department of Higher Education will look at income-sharing agreements, which can be used to pay for tuition and college expenses, as a possible strategy to help students avoid or lessen the burden of student loan debt.
- Supporting Low-Income Community College Students to Ensure Degree Completion: To ensure that more low-income students succeed, Ohio will fund pilot programs in community colleges to provide comprehensive support services to low-income students pursuing associate degrees for in-demand jobs. The program, Accelerated Completion of Technical Studies, is modeled after a successful City University of New York program for low-income adults which doubled graduation rates for this vulnerable population. The supports provided include advising, career counseling, waivers to cover tuition gaps and textbooks. Further, Ohio will launch an emergency scholarship program for students in danger of leaving college due to unexpected change in circumstances.
- Awarding Degrees and Certificates Based on Competency Instead of Just Classroom Time: Ohio's community colleges joined a partnership with Western Governors University, a multi-state, nonprofit online institution that awards college credit and degrees based on a student's demonstrated competencies instead of just the amount of time spent in the classroom. The university provides a flexible college option for working, adult learners to pursue a college degree in four career fields. To build upon that relationship, Ohio will formalize Western Governors University within Ohio's public college and universities.
- Offering Bachelor's Degrees at Community Colleges Where There Is a Local Demand That Is Not Being Met: To help meet local job demands, bachelor's degree programs may be offered through Ohio's community colleges in areas where Ohio's universities do not offer specialized degree programs. The program must demonstrate employer demand and be a partnership between industry and the community college.
- Strengthening Pathways to a Low-Cost Degree: The success of Ohio's efforts to provide a seamless transition between community colleges and four-year universities has paved the way for expanded opportunities to allow students to complete three years of their coursework at a community college and finish their degree at a four-year university. While a number of schools have "3+1" pathways agreements, Ohio will seek to create more "3+1" pathways between Ohio's two- and four-year institutions.
- Helping Universities Control Their Costs: Gov. Kasich's Task Force on Affordability and Efficiency in Higher Education, a team that included business leaders who are experts at controlling costs and balancing the

bottom line, recommended a number of ways for colleges and universities to reduce costs by sharing services, analyzing staff overhead expenses, monetizing assets, examining space utilization, reassessing low-enrollment courses and exploring new revenue streams. To continue this work, public colleges and universities must maintain annual reporting on the savings that they are achieving through their plans and how they are passing those savings onto students.

- Maximizing Savings at Co-Located Campuses. To ensure that Ohio's seven co-located campuses are maximizing efficiencies, these institutions will now include best practices that drive down costs as part of their annual affordability and efficiency report.
- Better Preparing Students with Expanded STEM Programs and New STEAM Education: Ohio has seen growth in educational opportunities for students in grades 6-12 who focus their studies on STEM classes (Science, Technology, Engineering, and Math education). Recently, educators have added the arts to this range of studies, offering a new STEAM designation to better prepare students for widening career fields. The governor will add a STEAM designation for all grade levels, offering additional opportunities for Ohio's students to be exposed to these increasingly important fields.

BOTTOM LINE: Knowing that new technologies are rapidly bringing profound changes to business and industry – including the skills required for jobs of the 21st century – Gov. Kasich's new budget strengthens his ongoing commitment to keeping Ohio workers competitive in the evolving global marketplace. Budget initiatives continue the transformation of Ohio's workforce training system by opening new pathways to college degrees and professional certification, while aligning Ohio's education and workforce preparation systems with the most in-demand occupations of today – and tomorrow.





BUILDING FOR OHIO'S NEXT GENERATION

BUDGET OF THE STATE OF OHIO • FISCAL YEARS 2018-2019

EMBRACING TECHNOLOGY: TAKING OHIO TO WHERE WE NEED TO BE IN THE 21ST CENTURY

Strategic Investments in Emerging Technologies, Such as Self-Driving/Connected Vehicles, Drones and Data Analytics, Will Improve Government Services, Spur Economic Growth

Our nation's most successful business operations and entrepreneurships have one strategy in common: they are all embracing technology. Unfortunately, government at every level has failed to match that pace, being too slow or too unwilling to keep up with a rapidly changing world. As a result, the public sector has lost momentum in the way it operates, spends money and serves its citizens. But in recent years, under Governor John Kasich's leadership, Ohio has been working to build a much different model, one that keeps government ahead of the curve with advances in technology that lead with innovative, forward-looking improvements in its programs and makes strategic investments in technologies that encourage economic growth. In fact, Ohio was one of only five states to recently earn an "A" from industry experts for its work to advance technology.* With his Executive Budget proposal, Gov. Kasich continues to build on that model with a number of new or expanded initiatives.

*Center for Digital Government and *Government Technology* magazine, September 2016.

Unlocking the Full Power of State Government's Data Resources: The new budget takes the benefits of advanced data analytics to the next level by requiring all state agencies, boards and commissions to share the data they now store in more than 1,600 separate databases. By better connecting and correlating these individual data resources and applying advanced analytical technologies, the state can tackle complex problems with solutions that improve Ohioans' health, security and well-being. While in each instance a database holds valuable uses for its specific program, it is presently rare – and often technically difficult – for that information to be systematically examined in any depth, cross-analyzed with other databases or shared with other agencies in ways that can help address more holistically such statewide problems as infant mortality, child welfare issues, opiate addiction, persistent poverty, and school dropout rates.

Ensuring That Ohio Remains on the Leading Edge of Technology: The governor's Executive Budget calls for the creation of an important new leadership position: chief innovation officer. Coordinating the full spectrum of technological and data resources across state government, the chief innovation officer will ensure that Ohio remains ahead of the curve with technological advancements.

Creating the Ohio Institute of Technology Will Harness Ohio's Assets to Advance Industries: Ohio's new chief innovation officer will lead the Ohio Institute of Technology – also created in this budget – which will focus on emerging technologies that are critical to future job creation by ensuring that Ohio's research activities are aligned to best advance our state. This includes the biomedical industry, engineering, aerospace, robotics and smart mobility.

Moving All State Government Computer Systems Into the Cloud: Cloud computing is transforming business and industry across the world, and Ohio has been moving aggressively over the past six years to capitalize on the benefits of storing its data in the cloud. By doing so, state government can improve the way it interfaces with the public, improve security and reduce its costs. Ohio state government will move 100 percent of its computer systems to the cloud by the end of the Kasich Administration.

Building on Ohio's Leadership Role in the Development of Advanced Transportation Technologies: The Kasich Administration is committed to embracing the future of transportation with new investments and forward-looking policies to ensure that Ohio maintains its leadership position with research and implementation of "smart mobility" applications, including autonomous and connected vehicles, drones and other emerging transportation technologies [see *separate fact sheet*]. By taking full advantage of Ohio's transportation heritage and ability to lead in developing next-generation technologies, Ohio is well positioned to attract major new investments in the research, infrastructure and the jobs that will follow.

Embracing the Future of "Smart" Technologies in Public Utilities: Ohio will bring innovation to its electric utilities infrastructure by encouraging technological and regulatory innovation. This will include implementing new, modern-day technologies such as smart meters, automated circuits and sensors to provide consumers more control over their electric usage.

Protecting State and Local IT Infrastructure from Cybersecurity Threats: To ensure that Ohio's government, education and research infrastructure is protected against outside threats, the governor's budget seeks to create a "cyber range" – a virtual environment used for cybersecurity training and IT infrastructure testing. This new, cloud-based testing and training environment will provide tools to help strengthen the stability, security and performance of cyber infrastructure used by state agencies, local governments, school systems and state universities. In addition, Ohio will work with the education and business community to develop a program to increase the number of students who pursue certificates or degrees in cybersecurity.

Using Innovation and New Technologies to Improve Transportation for Those Seeking Health Services: Over the past six years, as the state has improved care coordination for the most vulnerable Ohioans, the transportation system many rely upon to access medical appointments has not adopted innovations to improve its services. This new budget streamlines Ohio's existing non-emergency medical transportation (NEMT) system by moving from separate, county-administered programs to a single, more efficient model. Modernization of this system incentivizes the use of new technologies in order to make the system run more efficiently, while improving access to high quality transportation services for Ohioans on Medicaid – no matter where they live – and saving taxpayers an estimated \$13 million or more over the biennium.

Applying Technology to Better Serve Ohioans with Developmental Disabilities: While human contact is critical to caregiving, technology can make a significant difference in helping those with developmental disabilities better manage daily activities. For example, when a simple morning shower is missed a person's routine can be thrown off, and that can make the difference between a good day and a bad one. Currently available remote monitoring technologies can issue alerts to family members to prevent this from happening. Ohio will seek to expand access to remote monitoring technologies such as live video or audio, motion sensors and live two-way

communication systems designed to help improve outcomes and better support those with developmental disabilities, as well as invest in the development of future technology to foster independence.

Bringing Government into the Digital Age: State government in Ohio has been aggressively finding ways to modernize its processes, using digital and electronic technologies to move away from paper forms and applications. Removing paper from millions of state government transactions will improve customer service, enhance security and reduce costs. For example, thanks to better use of technology, two million fewer Ohioans have had to visit a county office to initiate their Medicaid benefits. Additional improvements include statewide document management and e-Fax systems. Under development is a statewide grants management system to support the electronic processing of all grants and a system to allow signatures required on state documents to be submitted electronically.

Encouraging New Business Development Through University Discoveries: To encourage more technology commercialization and the formation of start-up businesses using discoveries made at Ohio's public colleges and universities, the governor's budget will direct schools to adopt policies to break down barriers to taking intellectual property to the marketplace. In addition, the chancellor may consider whether an institution has a tenure track for faculty members who pursue commercialization activities in order for that institution to receive research funds from the Ohio Department of Higher Education.

BOTTOM LINE: Gov. Kasich's new budget reinforces his commitment to keeping Ohio ahead of the curve with new technologies and innovations, making strategic investments to ensure our state's continuing leadership in areas such as self-driving vehicles and smart highways, drones, cybersecurity and advanced data analytics. Not only can these and other new technologies help state government become more efficient with its operations and services, they will also be fundamental for Ohio's economic growth and expanding job opportunities in the 21st century.





BUILDING FOR OHIO'S NEXT GENERATION

BUDGET OF THE STATE OF OHIO - FISCAL YEARS 2018-2019

SMART MOBILITY: PUTTING OHIO ON TRACK TO TRANSPORTATION LEADERSHIP

Our State's Long History of Transportation Manufacturing, Research and Innovation Place Ohio in a Leadership Position to Benefit from New Technologies and the Jobs of Tomorrow

For more than a century, Ohio has been at the heart of transportation manufacturing, innovation and research. Those ties grow stronger with each passing year and the innovations developed here will continue to build on our state's historic role as a world leader in transportation technology. The Kasich Administration is committed to embracing the future with new investments and forward-looking policies to ensure that Ohio maintains its leadership position with smart mobility and other emerging technologies – ready to benefit from the business investments and jobs that follow. By being one of the first – and best positioned – states to embrace new technologies for drones, autonomous and connected vehicle technology, data analytics and other industries of the future, Ohio can also be among the first to benefit.

With World-Class Research Capabilities and Highway Infrastructure, Ohio Has a Head Start on Smart Mobility

Innovation: In addition to having the world's leading automotive manufacturers and suppliers in Ohio, our state benefits from the research and development resources those companies are bringing here. We also rank high among all the states for the quality and maintenance of our complex highway infrastructure, providing key testing sites across a wide range of terrains and weather conditions. While many states have fallen badly behind in highway repairs, maintenance and improvements, Ohio has invested \$12.5 billion in more than 6,000 bridge and highway projects since 2011 to improve safety and keep people and goods moving.

To Maintain Our Leadership Role, Ohio Has Launched a Smart Mobility Initiative: Ohio's outstanding research assets and well-maintained infrastructure have already attracted some of the world's most advanced transportation research to our state. These resources, supported by investments in Gov. Kasich's new biennial budget, are helping jump-start Ohio's Smart Mobility Initiative – a partnership of researchers at the Ohio Department of Transportation, Ohio Department of Public Safety, the Ohio Turnpike and Infrastructure Commission, and The Ohio State University – to collaborate on development of smart mobility and smart city technologies. In addition, the City of Columbus won a \$40 million federal grant, along with significant third-party co-investment, to develop Ohio's capital city as a hub for intelligent transportation.

Creating Smart Highways As Testing Corridors for New Transportation Technologies: An early example of our state's transportation research collaboration is the U.S. 33 Smart Mobility Corridor, which is being instrumented with fiber technology and sensors. Gov. Kasich's new transportation budget includes funding for two additional smart highway projects – on the Interstate 270 beltway in Columbus and Interstate 90 in northeast Ohio. These smart highways, as well as the Ohio Turnpike, will provide state-of-the-art sites for innovators to test and refine jobs-creating technologies. An expanding network of smart highways will give Ohioans a safer, better driving experience and offer businesses reduced transportation costs, increased operating efficiencies and faster access to markets.

Investing in the Transportation Research Center, America's Foremost Independent Automotive Proving Ground:

Funding in Gov. Kasich's budget, along with commitments from other partners, will together invest \$45 million for expanded research capabilities at the Transportation Research Center (TRC) in East Liberty. The TRC is a 4,500-acre independent testing facility – the continent's most advanced – offering the ideal environment for autonomous vehicle and smart highway research, compliance and certification testing for vehicles and components, crash testing, emissions testing, and durability testing. The TRC is also home to the National Highway Traffic Safety Administration's only Vehicle Research and Test Center, another unique advantage for our state.

The Ohio Turnpike Is a Focal Point for Smart Mobility Research: Perhaps the crown jewel of the state's transportation assets for smart mobility is the Ohio Turnpike, six lanes and 241 miles of well-maintained roadway already equipped with a fiber-optic network that is being instrumented for short-range, vehicle-to-infrastructure and vehicle-to-vehicle communications. As this advanced research expands to other states, the Turnpike is poised to become the centerpiece of a contiguous, interstate highway test corridor. Otto, a world leader in self-driving vehicle technology, is already using the Ohio Turnpike and the U.S. 33 Smart Mobility Corridor as sites for testing its latest innovations under real-life traffic conditions.

Ohio is a Leader in Drone Technology. Developing the Nation's First "Sense and Avoid" Test Site: Transportation innovation and cutting-edge research in Ohio are by no means limited to automotive technology. Drone and unmanned aircraft technology is another promising arena where Ohio – "the Birthplace of Aviation" – is embracing the future. The state is currently working on a cooperative \$5 million project with the U.S. Air Force Research Laboratory to develop a ground-based "sense-and avoid-system" for unmanned aircraft to empower drone operators, for the first time anywhere in the nation, to fly unmanned aircraft beyond their line of sight. The governor's budget includes research funds and support to Ohio's Unmanned Aircraft System Center and Test Complex in Springfield to advance research that will give Ohio a major advantage as unmanned aircraft and drones become the basis for new industries and economic growth in ways we cannot yet imagine.

Using New Traffic Management Tools to Help Keep Ohio on the Move: The Ohio Department of Transportation is also introducing new traffic management techniques to enhance traffic flow on state highways and keep traffic moving during rush hour peaks. Recent tests of these practices – variable speed limits and using highway shoulders as an additional driving lane – have shown promising results in other states. Updates to traffic laws, proposed in this budget, would allow the state to safely apply these techniques on appropriate routes across Ohio's highway network.

BOTTOM LINE: One of the most promising areas for Ohio's economic growth is transportation, a field on the verge of historic, life-changing advances with autonomous and connected vehicles, smart highways, sensor technologies and drones. Building on Ohio's long history of transportation innovation and the state's wealth of world-class research, development and manufacturing resources, the Kasich Administration is working on many levels to capitalize on these emerging technologies. By taking full advantage of our ability to lead in developing next-generation industries, Ohio is well positioned to attract major new investments in the research, infrastructure and the jobs that will follow.





BUILDING FOR OHIO'S NEXT GENERATION

BUDGET OF THE STATE OF OHIO - FISCAL YEARS 2018-2019

BUILDING ON OHIO'S HEALTH CARE TRANSFORMATION

Continuing Reforms, New Budget Initiatives Make Ohio a Healthier Place to Live and Work

Under Governor John R. Kasich's leadership, Ohio has been recognized nationally for implementing transformative health care policies that have helped to reduce costs, improve health outcomes and strengthen care coordination. The Executive Budget continues to embrace fiscally responsible and innovative reforms that build on the progress made since 2011 so Ohioans can live healthier, more productive lives, and our state's economy has the healthy workforce needed to grow stronger.

CONTINUING TO MODERNIZE OHIO'S MEDICAID PROGRAM

Ohio Medicaid spending per member has been held flat over the past six years thanks to innovative changes that have made Ohio's program a national model. The Executive Budget continues to modernize one of state government's largest expenditures to control growth and improve care delivery.

- **Strengthening Personal Responsibility:** Most Ohioans who receive Medicaid benefits are not charged a premium to help cover their health care costs. In 2017, Ohio Medicaid will seek approval from the federal Centers for Medicare and Medicaid Services (CMS) to require childless, non-pregnant adults with incomes above poverty to pay a monthly premium to the program. Premiums are estimated at approximately \$20 per month and will be capped not to exceed 2 percent of household income. As an individual's financial situation improves, paying a premium will help prepare them for a successful transition from Medicaid to a private health insurance plan. The Executive Budget assumes CMS approval of this proposal and projects a taxpayer savings of more than \$200 million over the biennium.
- **Better Care Coordination for More Ohioans:** Because it both helps to get costs under control and improves the quality of care, Ohio has made improving care coordination for those on Medicaid a top priority. Today, almost 90 percent of Ohioans enrolled in Medicaid receive care through a private-sector managed care plan. Ironically, Medicaid enrollees with the most complex needs – those who could benefit most from care coordination – are excluded from managed care. Beginning July 2018, the Executive Budget requires Ohio Medicaid to enroll these remaining populations in managed care, while giving individuals served through the Department of Developmental Disabilities (DODD) the ability to opt into managed care.
- **Reforming Medicaid's Prescription Drug Programs:** The Executive Budget includes several reforms aimed at controlling prescription drug costs within the Medicaid program, which are estimated to save taxpayers more than \$40 million over the biennium.
- **Supporting Ohioans with Developmental Disabilities:** The Executive Budget invests an additional \$122 million over the next two years – on top of the historic \$286 million invested in the last budget – to further increase opportunities for individuals with disabilities who want to live in the community.
 - Using Technology to Support Community Living: DODD is exploring the use of technology to reduce reliance on direct care staff. Currently, 170 individuals with a developmental disability rely on remote monitoring technology, and anecdotal reports indicate the use of remote monitoring has resulted in reduced costs and

greater satisfaction from both a health and safety perspective. The Executive Budget includes plans to increase the use of remote monitoring to 600 individuals within two years.

- Increasing Opportunities for Individuals to Receive Services in the Community: The Executive Budget expands support for individuals who wish to receive services in the community by creating an additional 300 Individual Option (IO) waivers for individuals who want to avoid placement in or leave an Intermediate Care Facility (ICF), and another 700 IO waivers and 300 Self-Empowered Life Funding (SELF) waivers to further reduce waiting lists for community services.
- Expanding Services for Youth with Complex Needs: In 2016, DODD entered into a grant agreement with Oesterlen Services for Youth to address growing concerns about youth with complex needs served by multiple state systems, and the need to improve outcomes for those youth. The Executive Budget supports continued funding for the Oesterlen pilot project, plus funding for an additional pilot program.
- **Modernizing Ohio's ICF Reimbursement System:** Ohio's ICF reimbursement system is over 20 years old and in need of restructuring. As Ohio has worked to provide more community-based options for individuals with developmental disabilities, the residents who remain in ICFs are likely to have the greatest needs. The Executive Budget recognizes this dynamic and proposes to modernize ICF reimbursement to support residents with greater needs, ultimately increasing the ICF reimbursement rate 2.5 percent in 2019.

ADDRESSING OHIO'S GREATEST HEALTH NEEDS

The Executive Budget includes a number of reforms aimed at tackling Ohio's toughest public health problems.

- **Reducing Infant Mortality:** The Executive Budget includes \$41 million over the biennium to support initiatives aimed at improving birth outcomes and reducing racial and ethnic disparities in infant mortality. Through the Ohio Department of Health and Ohio Medicaid, efforts to increase home visiting capacity in at-risk neighborhoods, provide transportation services to pregnant mothers, and promote infant safe sleep practices, among others, will maintain strong funding. The Executive Budget's \$41 million investment includes a \$6 million increase over the biennium to support intensive community based pilot programs, such as smoking cessation and safe sleep interventions, and a new pilot for opiate-addicted pregnant women.
- **Fighting Drug Abuse:** Ohio invests nearly \$1 billion each year to help fight drug abuse and addiction. The Executive Budget includes new initiatives aimed at preventing and combatting drug abuse, and maintains Ohio's strong funding commitment to provide continued access to health care for many Ohioans struggling with addiction, plus other necessary treatment and recovery supports.
- **Improving Children's Academic Performance through Better Health Care:** Gaps in children's health care can be predicted by examining absenteeism, kindergarten readiness assessments, Third Grade Reading Guarantee assessments and high school graduation rates. The Executive Budget includes new financial incentives for Medicaid managed care plans to find and close gaps in children's health care in an effort to improve academic performance by supporting better overall health.
- **Supporting Public Health Accreditation:** The Executive Budget accelerates the significant recent progress made to ensure every Ohioan has access to accredited public health services by providing an additional \$8 million over the next two years for local health districts that are making progress toward Public Health Accreditation Board (PHAB) accreditation.
 - Doubling the State Subsidy for Accredited Health Districts: The Executive Budget doubles the state subsidy for any district that achieves PHAB accreditation.

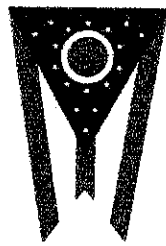
- Helping Health Districts Achieve Accreditation: Small health districts may not have the capacity to achieve PHAB accreditation without merging with another health district. The Executive Budget supports districts that want to merge by providing funding for accreditation fees, accreditation coordination, and other infrastructure costs.

SMARTER GOVERNMENT TO BETTER SERVE OHIOANS: The Executive Budget continues to promote the most efficient use of resources in order to best serve the needs of Ohioans.

- **Modernizing Medical Professional Licensing Boards and Ensuring Compliance with Antitrust Laws**: The Executive Budget resolves Ohio's current vulnerability to an antitrust lawsuit by establishing a third-party review process by the Department of Administrative Services, which will be triggered when a board action has the potential to violate state or federal antitrust law. The Executive Budget also consolidates and realigns several of the state's medical licensing boards, achieving a net reduction of eight boards while updating the structure to better align with modern clinical standards and practices.
- **Using Innovation and New Technologies to Improve Transportation for Those Seeking Health Services**: Ohio will modernize its existing non-emergency medical transportation system for Ohioans seeking medical treatment.
- **Using Technology to Improve Ohio's Benefit Eligibility Systems**: The Executive Budget continues the work to simplify and automate Ohio's benefit eligibility systems, and add more capability to Ohio Benefits – an online system where Ohioans can apply for benefits. By transforming how Ohioans seek benefits and replacing trips to county offices with an online option, Ohio Benefits has already processed two million cases without manual intervention.
- Helping Counties Share Services: Thanks to new streamlined capabilities made possible through the online Ohio Benefits system, 56 counties have committed to a County Shared Services model that encourages them to work collaboratively across county lines within virtual service centers, and discussions are underway for an additional 13 counties to join the model. The Executive Budget supports implementation of a comprehensive Enterprise Workflow and Document Management solution that will provide all 88 counties with an efficient means to share documents and caseloads across county lines.
- Transitioning Additional Income-Tested Programs to Ohio Benefits: The Executive Budget requires eligibility applications and renewals for more than 1.7 million Temporary Assistance for Needy Families (TANF) and Supplemental Nutrition Assistance Program (SNAP) recipients to be supported through Ohio Benefits. In addition, a plan will be developed to migrate other income-tested programs onto Ohio Benefits over the next two years, including child care programs and the Women, Infants and Children (WIC) program.

BOTTOM LINE: With new initiatives, innovative policy reforms and the commitment of additional resources, the Executive Budget continues the historic transformation of Ohio's health care system begun by Gov. Kasich in 2011. By continuing to modernize Ohio's Medicaid program in the face of changing federal priorities and finding smarter ways to serve those with health care needs, we're making Ohio a healthier place to live and work.





BUILDING FOR OHIO'S NEXT GENERATION

BUDGET OF THE STATE OF OHIO - FISCAL YEARS 2018-2019

STRENGTHENING OHIO'S FIGHT AGAINST DRUG ABUSE

Over the last six years, under Governor John R. Kasich's leadership, Ohio has put in place one of the nation's most aggressive and comprehensive approaches to fighting opiate addiction and drug overdoses. Central to this commitment has been a responsive, comprehensive and community-centered plan of action – an approach based on four strategic pillars: Treatment and Recovery, Prevention, Education and tougher, more effective Enforcement aimed at the drug traffickers and pill-mill operators who are injecting this poison into our communities. Ohio is investing nearly \$1 billion each year to help communities battle the scourge of drug abuse and addiction at the local level. Because of this strong commitment, Ohio communities have access to significant funding to help them address treatment, education, prevention and law enforcement. The governor's budget proposal continues a strong investment and provides additional tools to those on the frontlines in our communities.

Enlisting Future Teachers in the Battle Against Addiction: Ohio educators who interact with children in the classroom every day are in a strong and convincing position to talk with students about the dangers of drugs. Gov. Kasich's budget will require that public colleges and universities embed drug awareness and education into their curriculum for teacher preparation programs.

Expanding Access the Ohio Automated Rx Reporting System: Physician and pharmacist access to the Ohio Automated Rx Reporting System (OARRS) has helped to curb the amount of opiates prescribed by providing critical information about a patient's prescription history. That data now will be accessible to drug courts to ensure clients are adhering to terms of the program, as well as to coroners conducting drug overdose death investigations and the Department of Medicaid to incentivize responsible prescribing practices. Sharing prescription history with key medical and legal partners will create a better understanding of the drug epidemic and help curb excessive prescribing practices. The length of record retention for OARRS will be extended from three to five years to provide more information on prescribing history.

Strengthening Pharmacy Board Investigations: By providing the Ohio State Board of Pharmacy confidentiality and granting its investigators subpoena authority, the board will gain valuable tools to better fight the opiate epidemic. A confidentiality provision encourages the reporting of illegal activity because it ensures that the Pharmacy Board can protect the identity of the complainant. This budget provision also enables better coordination when conducting investigations with other state entities and law enforcement. Subpoena authority will allow the Board to obtain important records to help build cases and improve investigations.

Increasing Access to Naloxone to Stop Drug Overdoses: Ohio will increase the availability of the life-saving opiate overdose reversal drug, naloxone, by funding an additional 20 Project DAWN (Deaths Avoided With Naloxone) sites in high-risk counties.

Engaging Local Experts to Better Understand Drug Overdose Deaths: Authorizing a county or region to establish a Drug Overdose Fatality Review Committee will allow local experts to review circumstances surrounding overdose deaths. These committees will have authority to review multiple data sources providing confidential information about drug overdose deaths ranging from coroner scene investigations and medical history including controlled prescription usage, to mental health treatment and law enforcement involvement. Committee findings will supplement the state's extensive drug overdose surveillance activities and help inform state and local overdose prevention efforts.

FY16 Statewide Assistance to Support Fighting Drug Abuse and Addiction:

Health Care for Ohioans with Drug Addiction/Behavioral Health Issues	\$ 650,200,000.
Department of Mental Health and Addiction Services	\$ 88,768,265.
Programs in Ohio's Prisons	\$ 31,411,160.
Department of Public Safety	\$ 11,069,452.
Medical Board	\$ 5,257,526.
Pharmacy Board	\$ 4,232,963.
Bureau of Workers' Compensation	\$ 2,900,000.
Department of Youth Services	\$ 2,827,469.
Department of Health	\$ 262,025.
Department of Job and Family Services	\$ 138,238,777.
Adjutant General	\$ 4,068,190.
GRAND TOTAL	\$ 939,235,827.*

*Has Not Been Updated to Reflect FY2018

BOTTOM LINE: With Gov. Kasich's new budget proposal, Ohio continues to provide tools and resources to local communities to help combat addiction and drug abuse. It is imperative that communities collaborate with those on the frontlines of this battle and put these available resources to work in their neighborhoods. The evil we're fighting continues to take on a changing face, making it essential that everyone engaged in this battle have a determined, community-based sense of commitment and a shared purpose to make progress.





BUILDING FOR OHIO'S NEXT GENERATION

BUDGET OF THE STATE OF OHIO • FISCAL YEARS 2018–2019

RESPONSIBLY REPLACING THE MEDICAID MCO SALES TAX

The Governor's Budget Plan Maintains Balance, Provides Transitional Support for Local Governments and Transit Authorities

Since 2009, Ohio – like a number of other states – has imposed a sales tax on Medicaid Managed Care Organizations (MCOs) based on the Medicaid payments the MCOs receive from the state. However, a federal rule change impacting this sales tax program has created a unique challenge in the upcoming biennial budget. In 2014, the federal Centers for Medicare and Medicaid Services (CMS) declared that, as of July 2017, Ohio's Medicaid MCO sale tax would no longer be a permissible taxing method used to draw down Medicaid matching funds from the federal government.

If Ohio fails to adopt a federally approved replacement plan, the state will face a \$597 million state revenue shortfall in its Fiscal Year 2018. Additionally, because the federal rule change also impacts local “piggyback” sales taxes, county governments and local transit authorities will collectively face a shortfall of more than \$200 million.

Since CMS announced this policy change, the Kasich Administration has been working to find a responsible solution that takes into consideration state budget realities, local government concerns and other stakeholder input. The Executive Budget proposal includes a replacement tax program based on a federally approved Medicaid waiver that maintains state fiscal stability and provides temporary, need-based support to counties that stand to lose funding due to the federal change.

MEDICAID MCO SALES TAX REPLACEMENT PLAN

As the governor's new FY 2018-2019 budget was being developed, the Kasich Administration felt an urgent need to seek federal approval of a Medicaid MCO sales tax replacement plan prior to the budget's introduction. In December 2016, CMS approved a waiver request by Ohio Medicaid to replace the current tax program with an alternative that addresses federal concerns and eliminates projected state budget shortfalls.

- Under new waiver authority granted by the federal government, and contingent upon state legislative approval of the Executive Budget proposal, Ohio's Medicaid MCO sales tax replacement plan will apply a broad-based tax to all Medicaid MCOs and non-Medicaid major medical MCOs to generate \$858 million annually.
- The tax rate to be paid by Medicaid MCOs will range from \$26 to \$56 per member per month, while non-Medicaid major medical MCOs will pay a significantly lower rate of \$1 to \$2 per member per month.

- Medicaid MCOs will recover the entire cost of the sales tax replacement – \$854 million annually – because that cost is an allowed expense reimbursed by Ohio Medicaid and CMS. However, non-Medicaid MCOs are not eligible for reimbursement. With this in mind, the CMS-approved plan aims to limit the financial impact on these non-Medicaid entities by constraining the total combined tax to a significantly smaller amount of \$4 million annually.
- The federally approved replacement plan will produce an estimated \$615 million in state revenues, fully replacing the \$597 million Ohio would have received under the existing Medicaid MCO sales tax system.

TRANSITIONAL SUPPORT FOR LOCAL GOVERNMENTS AND TRANSIT AUTHORITIES

In June 2016, the state Office of Budget and Management (OBM) notified county leaders about the potential loss of Medicaid MCO sales tax revenue based on federal rule changes. OBM also communicated that the Kasich Administration would consider options to mitigate the local impact of this revenue loss. While the Medicaid MCO sales tax replacement plan does not generate revenue for local taxing authorities, the Executive Budget does provide two types of transition assistance to counties and transit authorities: (1) full revenue replacement for the last quarter of calendar year 2017 and (2) formula loss assistance post-calendar year 2017.

- **\$49 Million – Full Revenue Replacement** will be provided to all 88 counties and eight transit authorities to completely replace revenue lost from October 1, 2017 to December 31, 2017 as a result of repealing the Medicaid MCO sales tax (the first sales tax distribution where any local loss would be felt is October). This form of aid amounts to \$49 million, with the payments to be made late in calendar year 2017.
- **\$158 Million – Formula Loss Assistance** will be provided in one lump sum based on a multi-year formula that considers each taxing authority's reliance on the Medicaid MCO sales tax, actual Medicaid MCO sales tax distributions, per capita sales tax base, and total permissive sales tax distributions. This form of aid amounts to \$158 million, with payments made in calendar year 2017. All eight transit authorities and 80 counties will receive revenue loss assistance. The eight counties that do not receive assistance have Medicaid MCO sales tax revenues of less than four percent of total sales tax revenues.

BOTTOM LINE: In the face of a tough budget challenge created by a federal rule change, Gov. Kasich's budget proposal includes a federally approved Medicaid MCO sales tax replacement plan that maintains fiscal stability, limits negative impacts on Ohio's non-Medicaid MCOs and provides temporary assistance to counties and transit authorities as they work to reduce their reliance on this seven-year-old state sales tax program.





BUILDING FOR OHIO'S NEXT GENERATION

BUDGET OF THE STATE OF OHIO - FISCAL YEARS 2018-2019

SIMPLIFYING LOCAL TAXES FOR JOB CREATORS

New Reforms Lift a Cumbersome Burden from Businesses Seeking to Comply with Ohio's Complicated Filing System for Municipal Tax on Net Profits

More than 600 cities and villages in Ohio levy a tax on net profits, requiring a business to separately file a return and pay taxes to each of those municipalities where the business earned any portion of its profits. Each municipality can have own forms, collection practices and interpretations of law, creating a paperwork nightmare for businesses struggling to comply with these laws. Businesses operating in multiple municipalities (some in hundreds of cities and villages) often pay more to prepare all those returns than the total amount of taxes owed.

THE GOVERNOR'S REFORMS

In his Executive Budget, Governor John R. Kasich is proposing – and business groups are supporting – a solution that provides one centralized filing system to serve all businesses and municipalities at a lower cost to all involved. These reforms will:

- Expand the existing capability of the Ohio Business Gateway (OBG) to process all municipal net profits tax returns. Currently about 4,000 business tax returns are filed annually via OBG. Once scaled up, OBG would be employed to process all returns and payments from the hundreds of thousands of businesses filing this tax.
- Engage the Ohio Department of Taxation to administer the filing process, audit returns when appropriate, and distribute tax receipts to the intended municipality at a lower cost than most municipalities currently pay for these services.

BENEFITS TO BUSINESS

- Uniformity and simplicity: one return, one place to file, one set of rules, one (potential) audit rather than responding to multiple audit requirements from municipalities imposing tax.
- Reduced cost of compliance, bookkeeping, paperwork and red tape.

BENEFITS TO MUNICIPALITIES

- Reduced administrative costs: the Ohio Department of Taxation would retain only one percent of the collections vs. the 2.5-3.0 percent rate now charged to the cities by third party administrators.
- Increased compliance/collections through enhanced screening and cross-checking of returns filed for other Ohio taxes.
- Municipalities would retain control of tax rates and credits.

BOTTOM LINE: For decades, businesses, study commissions and tax analysts have identified Ohio's municipal income tax system as a significant compliance challenge for businesses. The General Assembly made some improvements to the system two years ago, but Ohio's antiquated system remains one of the most complex and administratively burdensome setup in the country. Centralizing the filing of the municipal tax on business profits, as in the same manner used successfully for years in Ohio with the sales tax, school district income tax and municipal tax paid by public utilities, would greatly simplify the process, ease the burden and cost of compliance borne by businesses, and deliver cost savings and additional revenues to municipalities.



