



TRANSFORMING OHIO FOR JOBS + GROWTH

FISCAL YEARS 2014–2015 STATE BUDGET

TRANSFORMING OHIO FOR JOBS & GROWTH: OHIO'S FY14-15 BUDGET

Ohio is making a strong comeback. Between January 2011 and May 2013, Ohioans created more than 170,000 private sector jobs, our unemployment rate is down from 9.0 to 7.0 percent and wages are growing faster than the rest of the U.S. This progress is the product of the pro-growth policies of the FY2012-13 budget and the work done since then to build upon them. While some leaders would have used this success as an excuse to take a break, Ohio's leaders pushed ahead for more—more jobs, more growth, more stability, more opportunities for all. The FY2014-15 budget unveiled by Gov. John R. Kasich in February 2013 proposed bold new policies to keep Ohio's economic revitalization going. Over the past five months, the governor and the General Assembly worked together to keep their feet on the accelerator and have produced a final FY2014-15 budget that moves Ohio further down the road toward solid, sustained prosperity for every Ohioan.

KEEPING OHIO'S FISCAL HOUSE IN ORDER

- Aligning State Resources to Best Serve Ohio's Needs: More than 85 percent of the FY2014-15 state budget is allocated to local schools, governments, colleges and programs that serve Ohio in their communities. In the 10 percent of the general revenue fund that supports state government, this budget continues the spending restraint of the past two years that has led to a reduction of state bureaucracy by nearly 10 percent. The budget commits significant new resources to schools, colleges and universities, while taking steps to improve and reform Ohio's Medicaid program to better serve low-income Ohioans. The budget also reduces the number of sub-cabinet agencies by merging the Ambulance Board, and the Cultural Sports Commission into larger agencies or commissions.
- Rebounding Economy, Budget Restraint and Good Fiscal Management Helps Reduce Taxes: Ohio's improving economic growth is generating higher state revenues. By not committing all of this revenue to additional state spending, some of these new funds will be returned to Ohioans through reduced taxes. In addition, prudent fiscal management over the past two years has yielded additional surplus funds which can be used to jump start a permanent tax cut.

\$2.7 BILLION TAX CUT TO DRIVE JOB CREATION

High taxes are a barrier to job creation, so Gov. Kasich is committed to reducing Ohio's overall tax burden on individuals and job creators. The FY2014-15 budget takes steps to build upon tax relief achieved in the governor's first budget, providing more than \$2.7 billion in tax relief to Ohioans over the next three years.

- 10 Percent Income Tax Cut: Income tax rates are reduced 10 percent over the next three years. This builds on the \$800 million in tax relief achieved in the past two years by eliminating the Death Tax and preserving an income tax cut.
- 50 Percent Small Business Tax Cut: Taxable income from small businesses will be reduced by 50 percent on the first \$250,000 of business income. This means taxes are effectively cut in half for nearly all small businesses in Ohio. This dramatic tax cut frees more than \$1.6 billion of new capital over three years for small businesses to better leverage the expanding economic recovery and make new investments and increase hiring to improve their competitiveness.

- **Needed Tax Reforms:** Ohio's overreliance on income taxes is eased by transitioning to a greater focus on consumption taxes. Additionally, equal tax treatment is created for digital products and certain tobacco products, and the overall tax system is made more fair.
- **Tax Relief for Low-Income Ohioans:** The new Ohio Earned Income Tax Credit is created to assist more low-income Ohioans. Now, working families can receive a credit against their Ohio income tax, providing relief for 475,000 more households than the state's current low-income tax credit.

PRESERVING OHIO'S JOB-CREATING HIGHWAY INFRASTRUCTURE – WITHOUT A TAX INCREASE

Ohio's strategic position within 600 miles of 60 percent of the nation's population has long been a job-creating asset for our manufacturing and agriculture sectors, and increasingly made Ohio a top destination for the logistics sector. Ohio's \$1.6 billion highway budget deficit threatened these key economic assets so new funds were needed without a job-killing tax increase.

- **Jobs and Transportation Plan:** An additional \$3 billion in federal, state and local funds to meet Ohio's pressing transportation needs was made possible by Gov. Kasich's plan to leverage the value of the Ohio Turnpike by bonding against turnpike revenues. The Jobs and Transportation Plan, proposed in Gov. Kasich's Jobs Budget 2.0 and passed in the state transportation budget (Sub. HB 51), keeps our highways in good shape, freezes local tolls for 10 years, holds future increases below the historic rate of growth and rebuilds the turnpike decades ahead of schedule—all without a tax increase.

A CULTURAL CHANGE IN HIGHER EDUCATION TO INCREASE OHIO'S GRADUATION RATES

In 2012, Gov. Kasich challenged Ohio's 37 public college presidents to collaborate on a single capital construction plan that put the needs of the state—not their own institutions—first. They rose to that challenge and their unprecedented unified plan changed the way higher education collaborates for the good of the state as a whole. Building on that success, this year Gov. Kasich challenged the presidents to develop a new college and university funding formula to increase the number of Ohioans with college degrees, since our 25 percent bachelor degree-rate for adults lags the nation's by four points. They again accepted the challenge and succeeded.

- **Incentivizing Colleges to Graduate Students, Not Just Enroll Them:** State funding will now be based less on how many students enroll and more on how many students successfully complete their degree. The share of university funding tied to graduation will increase from the current 20 percent up to 50 percent. Community college funding will be tied to course and degree completion with new success points tied to measures of student achievement.
- **Keeping Tuition Affordable for Ohio Families:** For universities, the budget limits in-state undergraduate tuition and general fee increases to no more than the greater of 2 percent over what the institution charged in the previous academic year or 2 percent of the statewide average cost, by sector. For community colleges, annual tuition and general fee increases are capped at \$100.

NEW RESOURCES FOR CLASSROOM ACHIEVEMENT

The governor's *Achievement Everywhere Plan* introduced as part of the Jobs Budget 2.0 built upon recent school improvement initiatives, such as the Third Grade Reading Guarantee and A-to-F Report Card, to help better educate Ohio's children and prepare them for successful careers. The final version of the plan adopted in the FY2014-15 budget ensures \$1.5 billion in new funds will be invested in our classrooms over the next two years.

- **Directing Dollars to the Classroom:** In addition to funds based on a district's property wealth and residents' income, schools will receive additional funds according to the classroom needs of students. This includes

funds for students with disabilities, gifted learners, students not yet proficient in English and funding for students in K-3 literacy to help schools fund improved literacy efforts. Each principal will be told how much state funding goes to their building so that they and parents can make sure their children are receiving all the funds they are due.

- Encouraging Sustainable Improvements: A new \$250 million *Straight A Fund* will provide one-time grants to school districts with the vision to take on ambitious new improvements that help improve achievement and increase operational efficiency. Savings generated can be retained by districts to use as they see fit, including to improve classroom instruction or make locally-generated property tax revenues go further.
- New Education Choices: EdChoice vouchers will be expanded to incoming 2013-14 kindergarteners whose family income is below 200 percent of poverty and students in schools receiving failing grades on the state's new Third Grade Reading Guarantee beginning in 2016.
- Investing in What Works: In order to nurture a uniformly high-achieving education culture across Ohio, the FY2014-15 budget helps school districts compare their education outcomes and management practices to those of similar districts, so that they can learn from one another and constantly improve.

CONTINUING OHIO'S PROGRESS IN TRANSFORMING MEDICAID

Building on Ohio's progress to transform health care over the past two years, the FY2014-15 budget continues Ohio's progress in transforming Medicaid, rewarding value instead of volume and providing high-quality services in settings that individuals prefer. Work continues by the General Assembly outside the budget process on the governor's proposal to extend Medicaid coverage to 275,000 low-income Ohioans, and the issue remains a key priority for the Administration.

- Improving Program Integrity and Fighting Fraud: Nationally, fraud accounts for approximately 10 percent of all health care waste, so fighting fraud and maximizing integrity and accountability in Medicaid is a key to improving efficiency. Expanded program integrity efforts are expected to save \$74 million over the biennium.
- Improving Quality and Reducing Spending by Rewarding Value, Not Volume: Continued reforms to the way Medicaid pays providers helps further control costs while incentivizing higher quality care.
- Simplifying and Automating Medicaid Eligibility Determination: Current eligibility determination processes for health and human services programs in Ohio are fragmented, overly complex and rely on outdated, 30-year-old technology. Ohio will simplify the state's current 150+ Medicaid eligibility categories and implement simplified eligibility processes and information technology systems.
- Updating Provider Regulations to be More Person-Centered: Ohio will continue to drive quality improvements in services that are administered in the community and in institutional settings.
- Ensuring People Can Live at Home Instead of an Institution: The budget continues to invest in home- and community-based services through participation in the Balancing Incentive Payment Program that sets the goal of achieving a fifty-fifty balance in funding for services and creates a no wrong door/single point of entry for people seeking home- and community-based services.

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