



# BUILDING FOR OHIO'S NEXT GENERATION

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

## **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 of 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.
- **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 \$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-Apprentice 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 21<sup>ST</sup> 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 Cyber Security: To ensure that Ohio's government, education and research infrastructure is protected against outside cyber security 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 cyber security.
- 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.

