



RENEW. REFORM. REVIVE.

BUDGET OF THE STATE OF OHIO • FISCAL YEARS 2012–2013

AN OVERVIEW OF THE STATE OF OHIO FY2012-13 BUDGET

On March 15, 2011, Gov. John R. Kasich submitted to the General Assembly *The Jobs Budget*—his budget for the 2012 and 2013 fiscal years—and did what people said couldn't be done.

Faced with the largest budget shortfall in the state's history—a product of years of dodging difficult budget problems and an over-reliance on one-time funding—Gov. Kasich proposed a budget to erase an \$8 billion shortfall, prevent its recurrence, avoid tax increases, and preserve the \$400 million annual income tax cut that went into effect at the beginning of 2011. Furthermore, the governor proposed significant and overdue reforms to some of the state's most expensive programs: Medicaid, education and prisons, in order to improve both the quality of their services and their value to taxpayers.

The common thread to Gov. Kasich's budget policy—and his policy agenda overall—is a ceaseless drive to create jobs. When the governor signed the State of Ohio's FY2012-13 budget on June 30, 2011, after his proposal was improved through a successful partnership with the General Assembly, Ohio took a major leap forward to renew its fiscal stability, reform antiquated government programs and revive its economy.

Renewing Fiscal Stability and Reining-in Spending

- **Closing an Historic \$8 Billion Budget Gap:** The national economic downturn amplified the effects of Ohio's budget mismanagement and hostile business climate, creating double-digit unemployment and an \$8 billion chasm between Ohio's projected revenue and expenses. By tightening Ohio's belt and providing overdue reforms to major programs, the FY2012-13 budget eliminates this historic shortfall and returns Ohio to sound fiscal ground.
- **Reducing Non-Medicaid Spending \$1 Billion:** The FY2012-13 budget reduces non-Medicaid spending in the General Revenue Fund by approximately \$1 billion compared to the previous biennium. By demanding that every state agency tighten its belt, and asking the same of local governments as well, spending is restrained and taxpayers are treated with the respect they deserve.
- **Restoring Integrity to Ohio's Budget Process:** In the wake of a series of budgets, which relied heavily on one-time funds and accounting maneuvers that made spending appear artificially lower, the FY2012-13 budget virtually eliminates reliance on one-time funds in the second year and returns Ohio to more transparent and normal accounting practices.

Making Ohio Jobs-Friendly

- **Eliminating the Death Tax:** The budget eliminates the Death Tax, providing more than \$300 million in tax relief annually and helping farmers and small business owners keep cherished enterprises in the family from generation to generation.
- **Jump-starting Investment in Ohio Small Businesses:** Ohioans who invest up to \$10 million in an Ohio small business [a business with less than \$50 million in assets or \$10 million in sales] will receive a 10 percent tax credit if that investment is held for two years.
- **Major New Resources for Job-Creation:** In order to help provide Ohio's new job-creation effort an ongoing, dedicated funding source, the budget authorizes JobsOhio, a non-profit corporation, to lease the state's wholesale liquor

business. By redirecting these funds from general government and toward economic development, Ohio's job-growth resources become among the most formidable in the nation.

- **Strengthening Ohio's Workforce:** Current federal law largely prevents states from helping workers upgrade their skills until *after* they lose their jobs. To help prevent layoffs created by a skills deficit, and to help ensure that Ohio businesses have the workforce they need to be globally competitive, the budget provides \$60 million for incumbent worker training.
- **Generating New Resources for Infrastructure:** Ohio is approximately a day's drive from half of the nation's population, and logistics and distribution centers are key employers. In order to help cope with projected shortfalls in federal and state highway funding, the budget allows the Ohio Turnpike to be leased to a private operator with the General Assembly's approval. The funds generated by this lease would provide needed support for new transportation infrastructure projects and required maintenance, and keeps Ohio's job-creating infrastructure moving.

Reforming Medicaid to Improve Care and Value

- **Caring for Vulnerable Ohioans in a Comprehensive Way:** The budget lays the groundwork for a new Integrated Care Delivery System (ICDS) to provide comprehensive, person-centered care that meets the physical health, behavioral health, long-term care and social needs of seniors and people with disabilities. Ohio will submit a waiver proposal to the federal government by September 2012 to implement the ICDS for people who are eligible for both Medicaid and Medicare ("dual eligibles") and people with severe and persistent mental illness.
- **Empowering Seniors and People with Disabilities to Live With Dignity Where They Choose:** An additional 12,890 Ohioans will receive Medicaid home- and community-based services instead of having to go into an institution. The budget makes a significant investment in home- and community-based services for seniors and people with physical disabilities (PASSPORT/Choices, Assisted Living, Home Care and Aging Transitions waivers) and people with a developmental disability (Level One, Individual Options, DD Transitions and the new SELF waivers). The budget provides \$532 million more for waivers for home- and community-based services over the biennium (above SFY 2011 levels), including \$55.6 million more for PASSPORT.

Improving Education for Ohio's Children

- **Expanding Education Choices:** No child should be trapped in a failing school. The budget doubles the number of EdChoice scholarships from 14,000 to 30,000 in FY12 and to 60,000 in FY13, as well as lifts the cap on the number of charter schools to give parents and students a ticket to a better education.
- **Setting Higher Standards for Public Schools:** The budget requires failing schools to implement practices that will turn the school around by replacing staff, hiring an independent organization to run the school or by closing it. Past performance will be considered before sponsors are granted the authority to open a new community school and sponsors are required to more closely monitor the financial and enrollment records at their charter school. New standards for computer- or internet-schools and drop out recovery schools will be developed and implemented.
- **Improving Teacher Evaluation Standards:** The current system does not appropriately prioritize children's learning needs. By implementing a fair teacher evaluation system based on multiple measures, students are given the opportunity to learn from the best. No longer will seniority be the prominent focus of teacher employment and compensation. Instead, high-quality educators will receive better recognition and low-performing teachers will be able to improve or be removed.
- **Buckeyes Forever and Tuition Cap:** A 3.5 percent tuition cap helps make higher education accessible. Additionally, the budget aims to keep students in Ohio by extending the in-state resident tuition break to 10 years if an Ohio high school graduate leaves the state and wants to return.

Helping Government Control Costs

- **Prevailing Wage Reform**: Ohio's prevailing wage law was enacted in 1931 and reformed just once, in 1994, to raise thresholds for new public construction projects. Over the years, prevailing wage rules have driven up taxpayers' costs without guaranteeing a better product. Moreover, the rules make it increasingly difficult for small and new contractors to win government bids because of high union wages. The budget increases the threshold of public projects impacted by prevailing wage to \$250,000 for new construction and \$75,000 for renovations over three years, saves school districts money by prohibiting prevailing wage requirements from applying to them, and ensures taxpayers are getting their money's worth by increasing competition in the bid process. Importantly, prevailing wage rules are eliminated for all new private-sector construction projects supported by state economic development programs, thus making Ohio more job friendly to businesses seeking to expand or relocate to the state.
- **Construction Reform**: Ohio is the only state in the nation that still mandates multiple-prime construction for public projects. As other states have learned, requiring four separate "prime" contractors drives up costs and creates confusion and conflict on construction sites. Eliminating multiple-prime allows public projects to have a single general contractor, saving taxpayers, state and local governments and universities millions of dollars.
- **Promoting Shared Services**: Local governments will have more flexibility to share services and develop cost-saving partnerships. By combining forces on back-office functions, governments can better focus on their core missions: serving taxpayers.
- **New Health Care Savings Opportunities**: Local governments and school districts, most of whom have separate health insurance pools for their employees, have seen health care costs skyrocket over the past several years. The budget creates optional state-managed regional health care pools for schools and local governments that will help them reduce costs associated with health care.

Reforming Criminal Justice

- **Sentencing Reform**: Approximately 12,000 low-level Ohio offenders spend less than a year in state prison, where they are exposed to far more dangerous criminals. Diverting first-time, non-violent offenders to intensive, community-based rehabilitation programs avoids exposing them to the corruptive influence of career criminals, reduces incidents of prison violence, reduces over-crowding, reduces costs and better prepares inmates for productive re-entry to society.
- **Selling Prisons**: Five prisons will be sold by competitive bid to private operators: *Lake Erie Correctional Institution (Ashtabula); *North Coast Correctional Treatment Facility (Lorain); Grafton Correctional Institution; North Central Correctional Institution (Marion); and Marion Juvenile Correctional Facility. [*Currently privately operated.] These sales will reduce taxpayers' costs by an estimated \$6.6 million annually, provide local communities new property and income tax revenue and improve security. Facilities will still be subject to the same high training and standards as state prisons.

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