



Ohio Governor Kasich Discusses Budget, Taxes, Education and Health Care Reform During the 2013 State of the State

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On February 19, 2013, Ohio Governor John Kasich delivered the 2013 State of the State address at the Veterans Memorial Civic & Convention Center in Lima, Ohio.

Describing job creation as "our greatest moral purpose," Governor Kasich began with a list of his administration's successes, including growth of 120,400 jobs; the state's ranking as number one in the Midwest and number six in the nation for job creation; a balanced budget; an increase in the state's rainy day fund from \$0.89 cents to \$1.9 billion in 2 ½ years; and the improvement of the state's credit outlook at a time when the nation's was downgraded.

The governor said that his guiding principle is, "You can never spend more than what you take in."

Governor Kasich said that Ohio Department of Taxation Commissioner Joe Testa's decision to return millions of dollars to the more than 3,500 businesses that overpaid their taxes demonstrates how government should "treat the taxpayers with respect and help businesses when they pay their bills." He also pointed out that the number of state employees in Ohio is at its lowest figure in 30 years. The governor praised Ohio House Speaker William G. Batchelder for his work to repeal the "death tax," or the Ohio Estate Tax, insisting that such a measure will help ensure that heirs of entrepreneurs are able to inherit their families' businesses.

JobsOhio

He explained how replacing the "antiquated" and "slow," 50-year-old Ohio Department of Development with JobsOhio enabled the state to begin working toward diversifying its economy beyond farming and manufacturing to include such fields as bio-health, automotive, advanced manufacturing, financial services, polymers and chemicals, IT, aerospace (with mention of unmanned vehicles potentially being flown in Dayton), agribusiness, energy and logistics. The strongpoint of a diverse economy, he said, is the fact that the fall of one industry does not destroy the entire state's economy. He asked the legislature to debate about



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JobsOhio “as quickly as we can” so that the state can utilize the small window of opportunity it has for cheap money through its recent 4 percent bond deal.

Severance Taxes

After thanking Lt. Governor Mary Taylor for her work with the Common Sense Initiative, Governor Kasich explained that while he wants Ohio to have “an environment where we can prosper the oil and gas industry,” common sense must prevail with regard to regulating the industry in order to ensure that public safety and the environment are being protected at the same time jobs are being created. Acknowledging the many who are concerned about his proposal to modernize the oil and gas severance tax, Governor Kasich insisted that doing so will ensure “that all Ohio can benefit from the oil and gas discoveries in our state.” To illustrate his point, the governor said that oil companies pay only \$0.20 of tax on a \$90 barrel of oil.

During the World Economic Forum in Switzerland, the governor said that CEOs and job creators wanted to meet him so they could try to understand how Ohio was “figuring it out” with regard to its job creation and budget surplus.

Income and Service Taxes

He said his budget was designed to create jobs and “provide help for the most vulnerable,” adding that Ohio’s taxes are “flat out” too high and “particularly punishing to our small businesses,” which he called “engines of job creation.” He described his budget as a “comprehensive program to cut taxes by \$1.4 billion,” including lowering the sales tax from 5.5 percent to 5 percent and broadening the tax base to cover an array of services. Describing a race among states to “create the best business climate,” Governor Kasich said the plan includes a 50 percent tax cut to small businesses (for their first \$750,000 of income), as well as a personal income tax reduction of 20 percent over the next three years.

When combined with other federal, state and local funds, the decision to leverage assets by bonding the Ohio Turnpike will raise \$3 billion for significant infrastructure needs and will enable projects originally scheduled to be executed 20 years from now to be brought down to within a six-year window, according to the governor’s remarks. Governor Kasich said these projects will create a minimum of 65,000 jobs.

Education Reform

His proposed budget plan would allocate \$1.2 billion in new funds over the next two years in additional state aid to K-12 education.

The one common sense guiding principle for school funding, he said, is that “Ohio must help those schools that do not have the resources to help themselves.” Governor Kasich said that impoverished schools and those with growing enrollments need more help than those who are getting richer or smaller in terms of student population, and that schools with disabled students, impoverished students,

students learning to speak English, gifted students and those with limited access to early childhood programs should also receive help. Under his plan, “Ohio’s poorest and urban districts get more money than Ohio’s wealthiest districts” before funding guarantees are factored in. The poorest schools would receive \$1.1 billion and wealthy schools would receive less than half of that, amounting to \$7,500 dollars per pupil in the poorest district and \$110 per student in the wealthiest district. Also, no district would get less state formula funding than last year, even if it experienced fewer students or growing wealth. Governor Kasich implored the legislature to work together to make the state’s education system serve the students more efficiently.

Joking that his plumber makes more than his lawyer, Governor Kasich said the budget would also provide a 16 percent increase to vocational education. He stressed that schools in the United States need to “integrate business with academics” to help create a competitive workforce.

Medicaid Expansion

Reflecting on the first half of his term, Governor Kasich described how after 25 years, the legislature was finally able to reform Medicaid so that senior citizens who are medically able to live at home can do so, and highlighted the state’s work to coordinate Medicaid care so that the 4 percent of patients who “drive over 50 percent of the cost” are treated more efficiently. Slowing the growth of Medicaid to 3.2 percent through increases in efficiency instead of cuts to benefits has made the state a leader in the nation for reform. Although he believes Medicare and Medicaid must be transformed like Medicaid was in Ohio, the governor said that it would not be fair to taxpayers in Ohio to send their tax dollars to another state. Ohio’s “unprecedented opportunity” to bring \$13 billion in tax dollars back to the state to solve its health care problems can help provide basic coverage for the poor, of whom he said many are the working poor and for whom coverage inevitably costs taxpayers more due to their frequent emergency room visits. “What are we going to do,” the governor asked, “leave them out in the street? Walk away from them when we have a chance to help them?” With the federal government phasing out the aid it provides to hospitals that serve the uninsured, Governor Kasich said, “extending Medicaid benefits will help us on many levels, including the positive impact this decision can have on the mentally ill and the addicted.”

Labeling it a controversial position, Governor Kasich said that his personal faith makes him unable to believe that “we ought to ignore” the poor, the disabled and the addicted. To help others “understand how hard it is,” the governor asked those listening to “put it on your doorstep” and “keep an open mind.”

For more information on the Ohio FY 2014-15 budget in general, visit our [Ohio Budget Resource Center](#).