



Governor Kasich presents annual State of the State address

April 5, 2017

On April 4, 2017, Governor Kasich delivered his seventh State of the State address during a joint House and Senate session. As has become his custom, he took the speech on the road, this year delivering it from Sandusky, Ohio.

Ohio Job Creation, Innovation & Tech Expansion

The governor launched his speech with an overview of many job creation and expansion stories — from Amazon in Central Ohio to Fuyao in Dayton. He emphasized a survey of CEOs that named Ohio one of the 10 best states in which to do business. Kasich said that the state needs to keep moving forward in order to build on past successes, including tax reform, reducing regulation and education realignment.

FY2018-2019 State Budget

As expected, the governor then turned his attention to his budget proposal, which is currently sitting in the Ohio House of Representatives. Governor Kasich made the case for specific aspects of his budget proposal, including reforming the municipal tax system, broadening and expanding the sales tax, and lowering income taxes.



Matthew R. Koppitch
Senior Associate

Columbus
614.227.8824
mkoppitch@bricker.com



Gregory J. Lestini
Partner

Columbus
614.227.4893
glestini@bricker.com



Christopher N.

Slagle

Partner

Columbus

614.227.8826

cslagle@bricker.com

Specifically, the governor's budget proposal seeks to:

- Reduce the number of income tax brackets from nine to five
- Implement a 17 percent income tax cut over fiscal years 2018 and 2019
- Increase the sales tax from 5.75 percent to 6.25 percent and expand the products and services that are subject to the sales tax
- Increase tobacco taxes from \$1.60 per pack to \$2.25 per pack and apply the tax on other tobacco products, including vapor products
- Increase the state's beer and wine tax
- Simplify Ohio's municipal tax filing system by providing a single filing form and one payment through the Ohio Business Gateway
- Change Ohio's severance taxes to fixed rates for crude oil and natural gas (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)
- Reiterate the administration's support of Medicaid expansion and its continued efforts to innovate Ohio's health care delivery systems and keep costs in line

Venturing into a topic on the national stage, Governor Kasich touted his decision to expand Medicaid. He emphasized the importance of helping those who had no other option before the expansion. He then focused on welfare reform and the importance of using welfare as a path to work.

Opiate/Heroin Addition Prevention & Treatment

Governor Kasich spent a portion of the evening detailing his new rule proposal for tackling Ohio's opiate addiction problem. The new rules would limit prescriptions of opioids for acute pain to no more than seven days for adults and five days for minors. The prescriptions would not be permitted to exceed an average of 30 morphine equivalent doses per day. He also announced an initiative to get Ohio's Third Frontier to dedicate \$20 million for innovations in addressing the opioid epidemic.

After calling for a chief innovation officer in Ohio, Governor Kasich linked big data to improved mental and physical health. He highlighted technological advances that can help family members monitor their loved ones' health and safety — including help in the opioid addiction space. The governor also expressed the importance of evolving with artificial intelligence, calling on everyone to prepare for change and get ahead of the curve.

Education

Governor Kasich believes that Ohio's education and assessment policies are ripe for innovation. He mentioned Cristo Rey, a high school in Columbus, Ohio, that offers a professional work study program where students work in professional settings such as law firms, banks and hospitals. (Bricker & Eckler is a proud partner of Cristo Rey

and has several Cristo Rey students working in our firm throughout the school year.) Governor Kasich noted that Ohio requires students to take too many tests. He said the state will have to consider the quality of tests over the quantity.

Energy

The governor also reiterated his opposition to legislative efforts (contained in H.B. 114) to make Ohio's renewable energy standards optional. In December 2016, Governor Kasich vetoed similar legislation. H.B. 114 has passed the House with a veto-proof majority, but, at present, it is unclear if there is similar support in the Senate to approve the shift of Ohio's renewable portfolio standard and energy efficiency tiers from requirements to goals.

Ohio Courage Medal

The emotional highlight of the evening was the awarding of the Governor's Ohio Courage Medals to Rev. Dan Rogers for leading the Cherry Street Mission in Toledo, Judge Paul M. Herbert for creating the CATCH Court in Franklin County that helps victims of human trafficking caught in the justice system, and Damone Hudson, a bus driver in Dayton, for helping a suicidal woman in need.

Bricker's Government Relations team will continue to monitor the reactions to Governor Kasich's speech and the key policy considerations included as the House finishes its work on the state budget and attention shifts to the Senate.