

## Governor Kasich Releases \$144 Billion State Budget Proposal – What You Need to Know

By **Madison Lisotto Whalen**, Associate

Today, Governor Kasich released the executive version of the state's two-year operating budget (Fiscal Years 2018-2019), which includes proposed spending of over \$144 billion during the biennium. Similar to his previous three (3) budgets, the Governor's proposal includes **sweeping** reforms in taxation, health care, workforce development, and education. If passed, many of the proposed law changes will have significant impacts on businesses and local governments.

The members of the Ohio House of Representatives will begin hearing budget testimony this week and will continue to work on the House version of the budget until April, when the budget bill will be sent to the Ohio Senate for deliberation and amendments. The final version of the budget bill must be signed by the Governor on or before June 30, 2017.

Find below budget highlights and [click here](#) for a comprehensive budget overview by the Ohio Office of Budget and Management.

### Taxation:

- Proposes a 17% reduction in the income tax with fewer tax brackets
- Increases the state's sales tax by 0.05% (to 6.25%) and broadens the goods and services subject to sales tax including cable television, landscaping design, interior design, repossession of services, lobbying, and travel agents
- Increases the tobacco tax and taxes on alcohol
- Creates a higher severance tax on oil and gas companies
- Expands the businesses subject to the commercial activity tax

### Higher Education:

- Freezes higher education tuition and fees for two-years and requires public colleges and universities to provide textbooks to students with a limit of charging \$300
- Allows higher education institutions to award degrees and certificates based on demonstrated competency instead of classroom time
- Requires public college and university teachers to embed drug awareness and education into curriculum for teacher preparation programs

### Primary Education:

- Increases spending to K-12 schools by \$200 million in base support, with modifications to the caps and guarantees within the school funding formula
- Requires superintendents to appoint three business people on each school board
- Provides flexibility in the law to allow schools to give credit to students for work experience
- Allocates \$20 million to support new community mentorship programs in schools
- Changes to the *college credit plus program* provided by high schools to align pre-apprenticeship programs

**Health Care:**

- Funds 20 additional project DAWN (deaths avoided with naloxone) sites in high-risk counties
- Invests over \$41 million to support initiatives aimed at improving infant mortality
- Imposes a provider assessment to Medicaid Managed Care companies to offset the elimination of the Medicaid managed care sales tax
- Requires the Ohio Department of Medicaid to enroll all remaining populations in managed care, but giving individuals through the Ohio Department of Developmental Disabilities the ability to opt into managed care
- Requires childless, non-pregnant adults on Medicaid above the poverty line to pay a monthly premium
- Invests \$122 million to increase opportunities for individuals with disabilities who want to live in the community
- Reduces provider payments to hospitals by 2% in Fiscal Year 2018 and 5% in Fiscal Year 2019
- Eliminates the nursing home rate increase created in the last budget
- Reforms the prescription drug program within the Ohio Department of Medicaid, resulting in a \$40 million decrease
- Provides the Ohio State Board of Pharmacy with subpoena authority to strengthen their drug investigations

**Local Government:**

- With the elimination of the Medicaid managed care sales tax affecting counties and public transit authorities that have imposed a piggy-back tax, the Governor proposes that the state completely replace all lost revenue for the last quarter of 2017
- Beginning in 2018, the state has created a 'formula loss assistance' amount which will be based on each taxing authorities reliance on the lost tax and get distributed back to the taxing authorities
- Streamlines municipal taxes by allowing businesses to file just one form for municipal taxes and make one single payment through the Ohio Business Gateway
- The Ohio Department of Taxation will process the municipal tax payments and distribute revenues back to the appropriate local government, as it does for county sales taxes and school district income tax, which will result in reduced administrative costs, allowing the department to retain 1% of the collections vs. the current 2.5 to 3% rate now charged to the cities by third party administrators

If you are interested in learning more about these proposed public policy changes or seeking state funding opportunities, please contact any of the listed Roetzel attorneys.

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