



130TH GENERAL ASSEMBLY
STATE OF THE STATE
GOV. JOHN R. KASICH
LIMA 2013



OHIO'S COMEBACK STORY

Ohio is successfully emerging from one of the most pivotal economic periods in its history, a time during which it closed an historic \$7.7 billion budget imbalance without raising taxes. We cut taxes by \$800 million in 2011 and brought needed new reforms to Medicaid, education and other important efforts.

Success in Job Creation

Under Gov. John R. Kasich's leadership, Ohio has gone from 48th in job creation to becoming one of the top job creators in the country and 1st in the Midwest, and the unemployment rate currently sits at 6.7 percent – more than a full point below the national average. However, too many families are still struggling – we've still got more work to do.

JobsOhio

As Gov. Kasich, members of his cabinet and partners in the General Assembly continue their work to make Ohio a friendlier place for business by lowering taxes, cutting regulations and restoring fiscal stability, JobsOhio has played a key role in driving economic development, retaining and creating thousands of jobs across the state.

In 2012 alone, JobsOhio completed 288 projects which are expected to create 20,771 jobs and add nearly \$908 million in new payroll over the next three years. These projects also retained jobs for more than 54,600 Ohioans and kept more than \$2.5 billion in their pockets. At the end of the day, 75,404 Ohio families will be better off because of the work of JobsOhio and its regional partners, and our communities across the state will benefit from more than \$5.8 billion in capital investment being pumped into our economy.

The success of JobsOhio has not been realized merely by handing out incentives to companies. Instead, it is because of the ability to leverage our state's burgeoning reputation as having a jobs-friendly approach to governing. This focus has allowed JobsOhio to clear hurdles that would otherwise prevent job growth.

2012 Job Creation Highlights

- JobsOhio and the Ohio EPA worked with Esmark Steel to turn an empty steel mill in Yorkville into a revived facility, restoring hope for 160 eastern Ohio families and an area hit hard by the recession.
- More than 200 families will benefit as Huhtamaki turns an empty plant in Clermont County into a humming manufacturing and distribution facility.
- One of the world's largest health care companies, Abbott, is building a new facility in Tipp City – its first new facility to be built in the U.S. since 1984. The project was all but promised to another state, but JobsOhio moved quickly and ultimately won the project, creating jobs for more than 240 people in western Ohio.
- In North Baltimore, JobsOhio and the Ohio Department of Transportation worked with local officials and CSX to build a direct and more efficient alternative transportation route that will not only improve safety and traffic congestion but also has the potential to attract new businesses to northwest Ohio.
- Ohio is now attracting the attention of many international companies, such as Alexander Mann Solutions, which ultimately chose to locate its U.S. headquarters in Cleveland over a southern state, creating more than 300 high-paying jobs in northeast Ohio.

Sunday, December 23, 2012

Leap year

After repairing state, Kasich's bold 2012 course is transforming Ohio

For Ohio and its governor, 2012 has been a transformative year. John Kasich sped through his second year with his trademark zeal for getting done the big and difficult things, hardly skipping a beat after his 2011 reforms stabilized the state.

When Kasich took office that January, the state's budget had an \$8 billion shortfall and its economy was in a freefall. More than 400,000 Ohioans had lost their jobs. Former Gov. Ted Strickland clearly was in over his head. Hopes were high that Kasich, having learned politics in Congress and business in boardrooms, could repair the damage by the end of his first term.

He did it in a year.

The man who once balanced the federal budget, line by line, took a scalpel to the Buckeye spending plan and erased the deficit without raising taxes. He launched reforms of Medicaid, prisons and job-killing red tape, to name a few.

He got rid of the estate tax, shed government bureaucracy and proclaimed Ohio was once again "open for business."

Is it ever. In a year-end review with reporters on Wednesday, Kasich cited employment statistics. Ohio went from being nearly dead-last in job creation to No. 5 in the nation this past year and No. 1 in the Midwest; we're up 132,900 jobs. And unemployment, nationally at 7.7 percent, has dropped in Ohio during his tenure from 9 percent to 6.8 percent.

The state's rainy-day fund, which held \$1.78 in pocket change two years ago, now stands at \$482 million.

The new third-grade reading guarantee aims to end social promotion and holds educators accountable for making sure struggling students are identified early and are provided help to catch up. The payoff will become obvious as students succeed, raising test scores and graduation rates.

The governor also tackled education reform in Cleveland, established a task force and signed tougher laws to fight human trafficking and brought university presidents together to distribute tight state dollars, requiring them to work together for the good of the entire system.

And instead of waiting for 2013, Kasich revisited the state's two-year budget at the midpoint, enacting 3,400 pages of changes that continue right-sizing government and encourage innovation and collaboration. This month, he rolled out a deft compromise involving the Ohio Turnpike.

He knit together a deal that the Teamsters Union, the Democratic mayor of Cleveland and many northern Ohio cities are hailing, and one that will provide the state with \$3 billion to rebuild snarled and dangerous roads and bridges within six years, instead of the previously projected 20. Again, he avoided raising taxes.

The governor plans to unveil a new school-funding plan next year. Though he has provided no details, Ohioans can expect that it will reflect more innovation and pragmatism.

Kasich also is gearing up to push through a boost of "fracking" taxes in order to lower income taxes, a deal that was held up in the legislature this year. This proposal makes sense because Ohio's severance taxes on shale drillers are the lowest of any major producing state, and its 5.9 percent income tax "is too darn high," Kasich said.

In the past two years, Kasich has courted, prodded and sometimes shoved lumbering, sclerotic state and local government toward innovation and efficiency. This is what leadership looks like.

But Kasich's most critical accomplishment doesn't appear on a spreadsheet or in legislation; it rests in the hearts of the many Ohioans who again have hope that their state and their prospects are on the rise.

This editorial was published in the December 23, 2012 edition of the Columbus Dispatch. It can be found online at <http://www.dispatch.com/content/stories/editorials/2012/12/23/leap-year.html>

THE PLAIN DEALER

Tuesday, January 1, 2013

Ohio is living within its budget -- Medicaid and all: editorial

Midway through this fiscal year, Ohio's General Revenue Fund -- its checking account -- appears to be in good shape. And that matters to taxpayers, because the performance of Ohio's current budget will offer a base, or at least a framework, for the next two-year budget, which Gov. John Kasich will propose soon.

In the first five months of this fiscal year (July 1-Nov. 30), tax receipts were running \$724 million ahead of where they were at the same point in 2011, a gain of 9.8 percent, according to the state Office of Budget and Management. Pacing the increase: a \$292 million period-over-period rise in income tax collections and a \$154 million rise in sales tax collections. Total state spending also rose but far less steeply than the rise in tax receipts. Over the five months, spending was \$365 million greater than for the comparable 2011 period. That's an increase of 2.9 percent.

All in all, according to the budget office, Ohio should have an ending fund balance June 30, the end of the fiscal year, of \$552 million. That's not the same as a surplus, and it's only about \$48 per Ohioan. But the contrast with congressional budget antics is stark. It helps Ohioans that the state constitution requires a balanced budget.

As always, state spending on the federal-state Medicaid program is a key factor in the status of Ohio's cash box. Kasich and his appointees have managed Medicaid costs well. Counting both state and federal funds, Ohio fiscal-year-to-date Medicaid spending was \$6.2 billion. That's only \$87 million (1.4 percent) over the comparable 2011 period.

Still, unemployment and poverty continue to stoke Medicaid enrollment. According to the budget office, the number of Ohioans enrolled in Medicaid in November was 2.3 million. A year ago, total enrollment was 2.18 million. Enrollment is likely to keep rising, due to the federal Patient Protection and Affordable Care Act. That's why, long range, the Kasich Administration's shrewd management of Medicaid is essential if Ohio is to maintain what look like stable, strong state finances.

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130TH GENERAL ASSEMBLY
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IMPROVING GOVERNMENT EFFICIENCY FOR TAXPAYERS

The mission of Lean Ohio is to make state government services simpler, faster, better and less costly. This is important because public perception of government service and speed is low. Lean Ohio uses quality improvement tools and principles (Lean Six Sigma and specifically Kaizen) to identify and remove waste, create processes that flow efficiently, and focus on customer needs. The private sector has been utilizing these principles to better deliver services and it is a high priority of this administration to do the same within state government. With Lean Ohio, agencies focus on their critical priorities and core processes. When it comes to making improvements, the Lean approach involves and engages the workforce, so change is made with employee involvement and thus their buy-in.

Lean Ohio gives new tools to state employees – tools they then can use to simplify their work processes. By focusing on the customers, studying and improving the very state processes that they use daily, state employees are able to reach across silos that have been built over time and make things more efficient for each other. Thus, the ultimate benefactors of these process changes are Ohio's taxpayers.

During the last fiscal year, the return on investment for Lean Ohio was more than 40:1. That is, for every dollar invested in Lean Ohio, agencies that participated saved \$40. This has resulted in a projected total of \$26 million in cost savings. On average, Lean events have reduced process times by 50 percent.

By cutting red tape and waste through Lean Ohio, the state is reducing costs and the time businesses and citizens spend waiting for government services. Examples include:

Department of Taxation

- In the past if a citizen or Ohio business wanted to appeal their tax penalties it could take years to resolve. A more Lean process has reduced this wait by as much as 30 months, simple appeals are being resolved in 8 to 20 days, and an 18,000 volume backlog of appeals has been reduced to less than 3,000 – a 91 percent reduction!
- *What does this mean for Ohioans?* Citizens, businesses, non-profit entities etc. can receive faster answers to their appeals concerning a questionable tax bill. Thus, service to the customer is improved and citizens can walk away feeling that they were listened to instead of being left wondering about their appeal.

Department of Insurance

- It used to take between 102 and 146 days for the state to respond to citizen complaints about Ohio insurance companies. It now takes less than 56 days on average to resolve those cases.
- *What does this mean for Ohioans?* A citizen's weather damaged home that required repair but did not receive satisfactory assistance through their insurance company can now look to this faster process to obtain a more timely and satisfactory resolution.

Rehabilitation Service Commission

- The time to determine eligibility for vocational rehabilitation services has been reduced by more than half so Ohioans with disabilities will be able to find jobs faster.
- *What does this mean for Ohioans?* This helps Ohioans with disabilities achieve quality employment and independence.

Department of Public Safety

- The state licenses car dealerships and salespeople. While necessary, the process was overly cumbersome to legitimate businesses, so a team using Lean tools eliminated up to 184 days of delays, saving each now car dealership in Ohio between \$200,000 and \$300,000 in start-up costs.
- *What does this mean for Ohioans?* Ohio car dealerships can go into business faster with lower start-up costs and sales staff can get to work sooner. Citizens can also have more options to purchase a vehicle.

Bureau of Workers' Compensation

- Because of improvements made to streamline the modified claims process, injured workers will return to work an average of four days sooner. This leaner claims process will save the state approximately \$6 million annually.
- *What does this mean for Ohioans?* Ohio workers and businesses can be back on the job and back in operation faster, helping to keep Ohio moving forward economically.

Development Services Agency

- A new improved process for determining eligibility in the HEAP program will mean Ohio citizens in need will be able to get heat for their homes in the winter more than 60 percent faster.
- *What does this mean for Ohioans?* Income-eligible Ohioans can more quickly access needed resources to help maintain their utility services.

January 16, 2013

The Buckeye Refund: editorial

Here's a story you don't hear every day: Ohio returns taxpayer money.

State tax collectors will pursue individuals suspected of underpaying their taxes to all ends of the earth (and to the grave as well), but they are rarely so conscientious about refunding those who pay more than they owe. Which is what makes Ohio Governor John Kasich's decision to begin issuing refunds to such businesses so noteworthy.

Last year Ohio's Tax Commissioner Joe Testa reviewed the state's 20 or so tax computer systems to identify and fix inefficiencies. In the process he discovered unexplained credit balances and that 3,500 businesses had overpaid \$13.7 million in commercial activity taxes, which are imposed on gross receipts over \$150,000.

Rather than hoard the cash, as was the state's wont, the Governor has instructed the Department of Taxation to refund the hard-earned money extending to the four-year statute of limitations and to audit returns for 184,000 other businesses that may have overpaid their taxes. This no doubt comes as welcome news to the thousands of small businesses that will see their taxes rise this year thanks to President Obama.

Speaking of which: President Obama owes his re-election in no small part to the economic recoveries in Republican-governed states like Ohio, where unemployment has dropped to 6.8% from 9% when Mr. Kasich entered office in January 2011. Job growth nationally has been more tepid, with unemployment falling to 7.8% from 9.1% in the same period.

Credit goes in part to the state's pro-growth fiscal policies. In his first year Mr. Kasich erased an \$8 billion deficit without raising taxes and streamlined regulations, both of which have improved confidence and certainty for businesses. The state expects to finish the fiscal year with a budget surplus, which will give lawmakers running room to accomplish the tax reforms that the Governor has been urging.

In other state news, Illinois—aka the government of, by and for unions—has \$8 billion in unpaid bills. Good luck to businesses there that are owed a refund.

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CSI: COMMON SENSE INITIATIVE

Ohio's business community is a partner in the state's success. The priority of a strong regulatory system should be *compliance*, not *punishment*. While regulations play an important role in promoting fair competition and protecting the public, regulations should also facilitate economic growth. Ohio's regulatory process should be built on the foundations of transparency, accountability, and performance, and should hold state agencies accountable as rules and regulations impacting businesses are developed or renewed.

Rule Making

A key goal of CSI was to establish a process for reviewing the impact of agency rules on businesses. CSI successfully delivered on this promise and in 2012, for the first time in Ohio, state agencies had to follow a formal process to justify the impacts to businesses from their rules. In 2012, the CSI Office reviewed 1,500 proposed rules and overall, rule filings were down by 44 percent compared to the historical average. Compared to Washington, where major pending federal regulations have increased by 60 percent since 2005, Ohio is moving in the right direction.

CSI continues to protect the environment, children, food safety, and all the other areas where regulations are critical to our quality of life. At the same time, our job creators face uncertainty about the volume of regulations coming out of Washington. But in Ohio, we know that the message was delivered – before proposing rules impacting business, take time to involve those businesses and ensure that the regulations can be justified through the CSI process.

Residential Building Code

One substantive example of the CSI process is the Ohio Residential Building Code. CSI worked with the Department of Commerce and the home building industry to update the Code to make it current, maintain safe standards, and minimize cost increases that could have undermined Ohio's construction industry at the same time it's finally starting to recover.

The Residential Code has been an area of historical tension between the industry and the regulators due to the increased construction costs from new requirements. However, the CSI process brought them together to work through the disagreements, identify the purpose and costs of any new provisions, and ultimately develop a new Code that supports an active residential construction industry which will create jobs.

According to the Ohio Home Builders Association, the changes made to just the energy portion of the building code during the CSI process reduced the cost to build an average new home by nearly \$2,000 compared with the originally-proposed version of the Code. That translates to more than \$27 million industry-wide based on 2013 estimates.

Alcohol Requirements for Food Manufacturers

CSI learned about Custom Culinary, a business in northern Ohio that manufactures soups, sauces, and purees for national restaurant chains. Previously, Ohio's liquor law required food manufacturers to purchase alcohol in retail containers and at retail prices. Because some of their recipes use alcohol, the company was forced to purchase, uncork, sterilize, and pour, one bottle at a time, 140,000 pounds of Merlot wine for one recipe. In 2011, CSI worked with the Ohio Department of Commerce and the Ohio General Assembly to get the law changed. Now, Custom Culinary and other Ohio businesses can purchase alcohol wholesale for their recipes. In June 2012, Custom Culinary broke ground on its \$5 million expansion.

International Doctors

CSI brought stakeholders together to change a law that prevented Ohio's academic medical centers from attracting world class, internationally-trained medical researchers. These researchers bring millions of dollars of investments and jobs to Ohio. Previously, these doctors could stay for only three years forcing them to leave Ohio, and often locate in other states. CSI worked to draft legislation to ensure that the State Medical Board would have the authority it needs to protect the public, but also allow these special certificates to be renewed so these doctors can stay in Ohio. The Clinical Research Faculty Certificate was enacted in June 2012.

Monday, January 28, 2013

Kasich's Swiss trip packed with Ohio pitches

DAVOS, Switzerland — Colorado's Democratic governor said he approached the chief executive of a fertilizer company here last week, and one of the first people mentioned in their conversation was Ohio Gov. John Kasich.

"This executive said, 'Yeah, Gov. Kasich was all over me about Ohio, about coming to Ohio,'" John Hickenlooper said on Saturday, the final day of the World Economic Forum, an annual summit for global political and business leaders in a small ski community in the Swiss Alps.

"Of course, I was trying to do the same thing, get (the chemical-company executive) to look at Colorado," Hickenlooper said. "From everything I've heard, Gov. Kasich represented Ohio exceedingly well. He seemed to be everywhere — that makes it harder on the rest of us."

The Republican Kasich's first trip abroad as governor was nothing if not active. Kasich and two senior staff members flew to Switzerland for the forum — famous for lavish parties, A-list entertainers and some of the biggest names in business and politics — determined to meet with as many chief executives as they could to sell them on Ohio.

In four days here, Kasich spoke with Coca-Cola CEO Muhtar Kent and Cisco chief John Chambers, plus executives of Dow Chemical, ThyssenKrupp and Mitsubishi Chemical. He sat down with Google Vice President Sebastian Thrun and ArcelorMittal's Lakshmi Mittal.

There were other meetings with top executives — more than 20 in all. He had meetings with energy companies and aerospace companies, and companies in other sectors considering projects in Ohio that Kasich and his aides declined to identify because they are pending.

"This was well worth my while," Kasich said. "I didn't want to come to something just to rub elbows with people; I'm not interested in that. What we found was this was very targeted — a lot of different people from lots of different companies from lots of different countries all in one place, and all you've got to do is walk across the street to see them.

"I think what's going to come out of this is a number of delegations from different companies are going to come into Ohio."

Therein lies the bottom line for any governor who goes on a trade mission: What is the economic impact on the state? Former Governors George V. Voinovich and Bob Taft, the two Ohio chief executives who most recently had gone on trade missions, kept economic tallies of their trips, claiming that their travels generated hundreds of millions of dollars in investments and exports for Ohio.

But most of those statistics were compiled and announced over time, not as soon as the governor stepped off the plane.

"Davos is about relationships," said Hickenlooper, a two-time veteran of the World Economic Forum. "You plant a lot of seeds here, but that doesn't mean you have an oak tree the next day."

Kasich did produce some immediate results. He said he and Coca-Cola's Kent agreed to launch a joint effort to fight obesity in Ohio.

Kasich said he and Hickenlooper agreed to devise a strategy to protect their respective states from possible federal regulations placed on "fracking" that might supersede the laws crafted in Ohio and Colorado and stunt growth.

Kasich and Thrun took another step toward bringing Thrun's for-profit, online program for remedial and introductory college courses to Ohio. Kasich also might have found a consultant here who could help his administration (free of charge) examine state government to make it more efficient — a goal of the governor's for later this year.

"Just him being here is fantastic," said Roger Wood, chief executive of Dana Corp., based in Maumee, Ohio. "Being in Davos allows that kind of dialogue to happen. There's an audience here unlike any other in the world.

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February 11, 2013

Commentary: How Ohio's Budget Plan Could Boost Small Business

By Scott Shane

The federal government gets lots of attention for how its policies affect the health of small companies. What states do (or don't do) is often overlooked, even though their policies matter, too.

That's why I'm drawing attention to Ohio Governor John Kasich's 2014-15 budget plan. His current budget's unusual focus on small business is already raising eyebrows (and his previous economic policies have attracted controversy), but it should serve as a model for other politicians interested in increasing hiring and economic growth. Remember, small employers account for half of private sector GDP and employment, according to the Small Business Administration.

What I find most appealing about the governor's plan: It shifts Ohio's taxes from a heavy reliance on income taxes and toward greater reliance on consumption taxes. Under the proposed plan, income tax rates would be cut 20 percent across all brackets, with the highest marginal rate falling from 5.925 percent to 4.74 percent, and the sales tax base would be broadened to encompass most services to make up the shortfall in revenue.

Many mainstream economists believe the economic distortions that taxes impose are smaller if governments rely on consumption taxes rather than income taxes. Income taxes penalize savings by reducing the financial return to invested capital, encouraging people to consume more and save less than they should. This excess consumption reduces the amount of capital available for investment, which in turn hinders innovation and lowers future living standards.

By shifting taxes to consumption, the governor's budget reduces this distortion, bringing savings closer to the optimal amount for investment. Not only do small business owners benefit (as all taxpayers do) from the reduced economic distortions, they also benefit as borrowers from increased savings.

The governor's plan also proposes tax relief for all owners of pass-through entities—sole proprietorships, S corporations, and partnerships—by excluding 50 percent of up to \$750,000 of net business income from taxes. This tax cut will encourage business owners to hire and invest. Research by Robert Carroll, an economist at the Tax Foundation, and colleagues shows that policies (such as an income exclusion) which boost small business owners' after-tax income increase the odds that their companies will hire and make capital investments. Given the slow pace of small business investment and hiring in recent years, this incentive is a welcome stimulus.

Finally, the governor is offering tax relief to investors by allowing both active and passive business income to qualify for the exclusion as business income on personal tax returns. Cutting taxes on income earned from investing in small businesses is an important component to stimulating the sector because many growth-oriented entrepreneurs need outside capital to expand. This policy shift will encourage angel investors to take more bets, making it easier for growth ventures to raise money.

It's a shame that Kasich is only the governor of Ohio. His plan would work even better at the federal level, where taxes are higher. Cutting state taxes, which are relatively small, won't stimulate small business owners to hire and invest as much as cutting federal taxes, which are relatively large. And, of course, the governor's plan only affects the taxpayers of Ohio.

But Washington might see Governor Kasich's budget plan as a model that other states and the federal government can copy in their efforts to boost small business investment and hiring. And even if those in our nation's capital don't recognize the wisdom of the governor's approach, he might take his plan to the city on the Potomac in 2016, after proving its merits in the Buckeye State.

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Sunday, February 17, 2013

Schools plan takes a different tack: editorial

Grumbling at some of the results of Gov. John Kasich's proposed education-funding plan reflects a fact of life for school districts: Each considers itself underfunded, and each believes it should receive more money every year.

But even with a proposed increase of \$1.2 billion over the two-year budget period, the state has only so much to divide among 614 districts.

Kasich's plan aims to divvy it up on an eminently reasonable basis: by giving every district a guaranteed floor and, beyond that, comparing each district to the others in wealth per child and the special needs of its students.

While school superintendents cheered Kasich's declaration that poor districts would "get more" and rich districts would "get less," when the numbers were crunched, the results surprised and dismayed many. Some districts historically thought of as poor are scheduled for no increase over the two-year period, because their property wealth has increased and their enrollments have gone down. Meanwhile, some suburban districts considered wealthy are scheduled for increases.

But the same set of criteria, designed to direct money where it is needed most, was applied to all.

The "floor" each district would receive, called "core opportunity aid," is an amount equal to what 20 mills of tax would raise if the district had an exceptionally healthy property-tax base worth \$250,000 per student.

The next step is to add to each district's total based on its wealth, taking into account both property value per student and total income of district residents, divided by the number of students. The income component is an important innovation, because it addresses the reality that some districts relatively rich in property wealth nonetheless have residents with low incomes who typically don't vote for new school taxes.

Based on these factors alone, many districts would be in line for a decrease from the last budget. But Kasich's proposal maintains, at least for the next two years, a guarantee that no district's funding will drop.

But administration officials rightly question whether the guarantee should remain forever. Shouldn't districts become less dependent on state aid as they grow wealthier or their enrollment decreases? Arbitrarily keeping in place funding that they could live without means less is available to help truly needy districts.

Beyond the formula-based aid amount, districts would receive additional funding based on how many students they have who are poor or have special needs, such as limited English proficiency, physical or developmental handicaps or lack of access to preschool.

These are sensible criteria that aim to direct state resources where they are needed most. And, while some school-district totals may be a surprise, the distribution overall favors needier districts. The 44 percent of Ohio students who live either in urban districts or those with lower property wealth would receive 62.7 percent of state funding in 2013-14, while the 21.8 percent who live in the higher-property-wealth districts would receive only 8.4 percent.

State funding for schools never has been simple, and no plan will be perfect. But the rationale for this one appears reasonable and objective.

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Fostering a culture of completion: John Kasich and E. Gordon Gee

What we learn is one of the most important factors in shaping our futures. This is measured most easily in education levels, where college graduates on average receive higher pay and earn significantly more income over the course of their lifetimes than those without two- or four-year degrees. It can also be measured on a macro level, with states seeing stronger economies and communities when their work forces are more highly trained and their higher education systems are aligned with the needs of job creators.

Though the economic recovery is well under way in Ohio -- the state's current 6.8 percent unemployment rate is almost a full point less than the nation's and we are first in the Midwest and fifth in the nation in job creation -- there are still too many Ohioans out of work. One of our challenges is a shortage of skilled workers. For example, right now there are approximately 80,000 jobs open for workers with the right kinds of skills. Filling these jobs would go a long way toward not only accelerating Ohio's recovery, but also brightening the prospects for individual Ohioans, their employers and their communities.

With a higher-education funding system that, for years, has put a higher premium on enrolling students than graduating them, it's no surprise that employers often struggle to find enough skilled workers. It's an outdated approach that won't efficiently deliver a world-class work force and help attract high-wage jobs. In Ohio, we're taking a different direction.

To incentivize colleges to better help students succeed, Ohio will now tie 50 percent of state funding for four-year public universities -- about \$600 million -- to the number of students who graduate with a degree. For community colleges, the focus will be on how many students complete a course or credit.

The effect of this change will be enormous. The interests of students, colleges and employers will now be more closely aligned, and the same incentives which drive employers to seek certain skills and reward employees for acquiring them, will now also reward colleges for playing their part and delivering graduates.

Refocusing our higher education system to better encourage degree completion does more than just help people realize their aspirations and lift Ohio. It also helps prevent the problems that arise when students leave school too soon. Statistics reported recently in *The New York Times* show that two out of every five students will not graduate within six years, leaving them ill-equipped for a global, high-tech world and not earning enough to repay student loan debts. Ohio's emerging "culture of completion" can help turn this problem around.

It may surprise some that the changes Ohio is making to higher education were not crafted in isolation by a disconnected committee but instead were developed by Ohio's college and university presidents themselves in coordination with the governor's office. Working collaboratively, and with the shared purpose of making our colleges and state more competitive, Ohio's college presidents willingly gave up their funding security blankets and established metrics that benefit the state's students.

And this isn't the first time that Ohio's colleges have come together behind game-changing reform. Earlier in 2012, Ohio's 37 public colleges collaborated to develop a single list of recommendations for dividing up state construction dollars based on statewide priorities, putting aside a formula-based approach which guaranteed funds to every institution, even if minimal. Among the results was the accelerated completion of two new training centers for Ohio's booming oil-and-gas industry, projects that otherwise would have taken years to complete.

The advent of this kind of collaboration among Ohio's higher education leadership, with the support of state government, is an example of academia coming together to apply its powers of innovation to solve its own challenges. Rising operating and tuition costs, disparate K-12 preparedness, increasing debt and fierce global competition become a little less daunting when tackled collectively by Ohio's colleges and universities.

While there is still much to be done, Ohio has taken a bold step in the right direction to creating a more efficient, market-responsive system to preparing its work force. Students, employers and the communities and states they call home need higher education systems that work together -- and work for the 21st century. Embracing and sustaining this trend will have a profound impact on our global competitiveness over the long haul.

John Kasich is the governor of Ohio. E. Gordon Gee is the president of Ohio State University

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THE PLAIN DEALER

February 4, 2013

Ohio to expand Medicaid, despite Gov. John Kasich's opposition to Obamacare

By Sarah Jane Tribble

CLEVELAND, Ohio — Gov. John Kasich today joined the growing ranks of Republican governors who will expand Medicaid.

The governor, who had hinted at his decision in recent days, confirmed in his two-year budget announcement that he will expand the program to cover hundreds of thousands more residents.

However, the brief also said that Ohio would "reverse this decision" if the federal government failed to cover nearly all of the cost of expansion, as it has said it would. (See a summary of the entire budget below.)

The expansion of Medicaid fulfills an option under the federal Patient Protection and Affordable Care Act to provide coverage to adults living at up to 138 percent of the federal poverty level. Last year, the U.S. Supreme Court ruled that states have the ability to opt in or out of the program, but they cannot partially expand it.

"Obamacare is the law of the land for now and Ohio needs work to reduce its impact," stated a brief released by Kasich's administration.

Medicaid currently covers 2.2 million -- or one in five Ohioans -- and it is already the single largest program in the state's current two-year budget. It accounts for roughly \$18.7 billion, or 32 percent, of the more than \$55 billion budget, which runs through the end of June.

Two years ago, Kasich introduced his "Transforming Ohio for Growth" budget and announced that reducing the rising costs of Medicaid was a primary goal. His staff immediately began streamlining care coordination for the disabled and elderly eligible for coverage.

In today's summary, Kasich stated that changes to the Medicaid program in his first two years "helped bend the cost curve, saving Ohio taxpayers almost \$2 billion."

He also announced the creation of a new Cabinet-level Medicaid Department to remove "barriers that impede innovation," the brief stated.

There have been varying estimates on what an expansion will cost the state. Last month, a nonpartisan report found that Ohio's Medicaid expansion could mean a \$1.4 billion net gain for the state budget by 2022, along with health insurance for an additional 456,000 residents.

The expansion will provide coverage to adults living at up to 138 percent of the federal poverty level -- about \$32,000 per year for a family of four and \$15,400 per year for an individual.

Currently, Ohio covers adults with dependents at up to 90 percent of the federal poverty level and doesn't cover childless adults. A family of four earning \$20,745 or less qualifies for current coverage.

Under the expansion, the federal government would pay the full tab, 100 percent, for three years for the newly qualified individuals. After that, the federal government would cover 95 percent and phase down to 90 percent.

This article was published in the February 4, 2013 edition of the Cleveland Plain Dealer. It can be found online at http://www.cleveland.com/healthfit/index.ssf/2013/02/ohio_to_expand_medicaid_despit.html



130TH GENERAL ASSEMBLY
STATE OF THE STATE
GOV. JOHN R. KASICH
LIMA 2013



CARING FOR OHIO'S MOST VULNERABLE

As Ohio climbed out of an \$8 billion budget hole and as we continue to identify ways to reduce the cost of government and restrain the rising cost of Medicaid, Gov. Kasich has been clear that never in this process should members of his administration lose sight of one of our most important callings, not only as public servants but as human beings – to help those who cannot help themselves. Under the governor's leadership, the administration has worked to improve the lives of our state's most vulnerable citizens in a numbers of ways.

Autism

- In December 2012, the Kasich Administration announced the decision to expand insurance coverage to include autism benefits.
- Autism Spectrum Disorder (ASD) is the fastest-growing developmental disability in the United States. One in 88 children is diagnosed with autism, putting both financial and emotional pressure on Ohio families as they cope with providing medical and other support for their children.
- When treated early, children with autism will have more opportunities throughout their lives, do better in school, have a greater chance of finding meaningful employment, and ultimately lead more independent and fulfilling lives as adults.
- The decision to expand coverage to ASD protects job-creators from the uncertainty of possible future federal interference in 2016 when all state health insurance coverage levels will be reviewed and possibly revised. States with no minimum coverage levels for autism are expected to be prime targets for federal intervention.

Feeding the Hungry

- In December 2011, Gov. Kasich signed Executive Order 2011-30K which authorized the expenditure of \$2 million to assist the Ohio Association of Second Harvest Foodbanks in order to increase the amounts of food for emergency use in poverty-stricken areas throughout Ohio.
- Childhood hunger is increasingly prominent in the United States, especially during the summertime when children are not provided school lunches. In May 2012, Gov. Kasich signed Executive Order 2012—09K which authorized the expenditure of \$1 million to assist the Ohio Association of Second Harvest Foodbanks in feeding hungry children throughout the summer of 2012.
- In December 2012, Gov. Kasich instructed the Ohio Department of Jobs and Family Services to send \$1 million to the Ohio Association of Foodbanks, helping more than 3,300 local pantries, soup kitchens and shelters provide for the needy.
- In January 2013, Kasich signed Executive Order 2013-01K which authorized the expenditure of \$1.5 million to assist the Ohio Association of Foodbanks in feeding hungry children throughout the summer of 2013.

Children's Hospitals

- On March 27, 2012, Kasich announced the two Children's Hospitals' Research Collaborative projects that will receive \$2 million (\$1 million each) in state funding.

- In the fall of 2011, a group of world-renowned clinicians from Ohio's six children's hospitals independently came to an agreement on two timely and relevant research initiatives for the state to focus on: Asthma prevention and treatment and Neonatal Abstinence Syndrome (commonly referred to as drug-addicted babies) prevention and treatment. Ohio put \$1 million toward each of these initiatives.
 - *Asthma Research Project*: This project improves how all of Ohio's children's hospitals collect and share information about asthma treatments and outcomes. It allows Ohio's children's hospitals to compare and understand the effectiveness of strategies currently utilized for the treatment of acute asthma.
 - *Neonatal Abstinence Syndrome Research Project*: This research project tracks and analyzes treatment plans to better understand what works and develops standardized treatments that will create the best outcomes, fewest side effects and shortest duration of withdrawal. Ohio's children's hospitals are also partnering with Ohio Medicaid to identify Medicaid costs for treating these children while documenting improvements in outcomes.
- Ohio's children's hospitals have taken a leadership role in improving quality of care and patient safety. Their Solutions for Patient Safety initiative has saved more than 7,700 children from unnecessary harm and avoided \$11.8 million in unnecessary health-care costs since the project's inception. Now, Ohio's children's hospitals are leading an effort to replicate these results at children's hospitals across the nation.

Employment First

- On March 19, 2012, Gov. Kasich signed Executive Order 2012-05K to announce the establishment of Ohio's Employment First Taskforce with the goal of increasing meaningful employment opportunities for working-age Ohioans with developmental disabilities.
- Task force members include representatives from the Departments of Developmental Disabilities, Mental Health, Rehabilitation Services Commission, Education, and Jobs and Family Services.

Human Trafficking

- More than 1,000 Ohio children are trafficked every year in the sex trade, and over 3,000 Ohio youth are at risk of becoming victims. Gov. Kasich brought together state agencies, legislators, other executive office holders, and stakeholders, and began to implement meaningful reforms to abolish human trafficking.
- In March 2012, Kasich signed an Executive Order establishing the Human Trafficking Task Force. Because of Task Force recommendations, Ohio made the following progress:
 - Human Trafficking training is scheduled for school nurses at regional meetings in March and April 2013; a day-long statewide conference for school nurses scheduled for June 2013.
 - 65 percent of the state employees identified as mandated have been trained to identify/report human trafficking.
 - State boards now have the authority to suspend and revoke the license of an individual or facility if they are convicted of or plead guilty to the crime of human trafficking (HB 247 signed in Dec. 2012).
 - The Statewide Human Trafficking Coordinator has been hired at DPS.
 - The Statewide Public Awareness Campaign RFP was released.
- In June 2012, Gov. Kasich signed House Bill 262 to raise penalties on human traffickers, offer victims protection they didn't have before, and take steps to raise awareness of the issue.
- In January of this year, Ohio hired its first human-trafficking coordinator.



130TH GENERAL ASSEMBLY
STATE OF THE STATE
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THE GOVERNOR'S COURAGE AWARD

During his 2012 State of the State address at Wells Academy in Steubenville, Gov. Kasich announced a new tradition – the Governor's Courage Award – to honor Ohioans who have exhibited courageous behavior, improved the lives of others around them and inspired others to follow their example.

The 2012 Governor's Courage Award recipients included: Jo Anna Krohn, who lost her son to opiate addiction but used that loss to help other families fighting to overcome similar struggles; Theresa Flores, a victim of human trafficking who turned her horrific experience into an opportunity to help other victims regain their lives; and, U.S. Army Specialist Jesse Snow, who fought for our country in Afghanistan and lost his life when he used his own body to shield his fellow soldiers from gunfire.

Continuing the tradition he began in 2012, Gov. Kasich has awarded the following Ohioans with the 2013 Governor's Courage Award:

Neil Armstrong

On July 21, 1969, Neil Armstrong, the spacecraft commander of Apollo 11, gained the distinction of being the first man to step on the surface of the moon. Earning his flight certificate at age 15, Armstrong, born and raised in Wapakoneta, practiced flying at the county airport in order to become a naval aviator. Over the course of his prestigious career he wore many different hats including being a decorated veteran, an engineer, test pilot, astronaut, and an administrator at NASA. Armstrong, an American hero and patriot, passed away on August 25, 2012, and Ohio lowered its flags in honor of his devoted service to our nation.

Accepting the Courage Award on behalf of Neil Armstrong are his two sons, Rick and Mark Armstrong.

Sondra Williams

Sondra Williams, an adult with autism, has spent most of her life misdiagnosed and was even institutionalized for several years. Since learning more about her condition, Autism Spectrum Disorder (ASD), she has made it her mission to educate and council Ohio's families with autism in their lives. She is currently the director of the Autism Research Institute's Youth Division, a member of the OCALI Advisory Board and the Autism Society's panel of advisors. She also presents nationally on ASD and is the author of the book, *Reflections of Self*.

Faculty and Staff of Chardon High School

On February 27, 2012, the lives of Chardon High School students, parents, faculty, staff, and community members changed forever when a student brought a gun to school and opened fire, killing three and injuring three. Since that tragic day, the faculty and staff of Chardon High School have been a shining example of strength and perseverance.

Accepting the Courage Award on behalf of Chardon High School are Superintendent Joseph Bergant and several members of the Chardon High School faculty and staff.

The Medal

The Governor's Courage Medal was designed by Columbus graphic artist David Browning, who also designed the Ohio Bicentennial logo. Each medal is three inches in diameter and made of 10 troy ounces of 0.999 silver, with selective 24k

gold plate highlights and hangs on a red ribbon. Browning's design was converted into a three dimensional die by the manufacturer, Northwest Territorial Mint.

The front of the medal shows a flame representing the spirit of courage. Below, a shape of Ohio connects boughs of Ohio buckeye tree leaves and fruit. Above are the words "For Courage" and below is the word "Ohio." This composition is surrounded by a 17-sided regular polygon corresponding to Ohio's status as America's seventeenth state. On the back is the recipient's name engraved with the year of presentation. Below the word *Ohio* and sprigs of buckeye is a quote selected by the governor from the Roman statesman Cicero: "A man of courage is also full of hope."

The Box

The box was handmade in the workshop of Millersburg resident Wes Schmucker. The top and bottom are made of curly Ohio cherry with the inner container formed from pale, native buckeye. On the lid is engraved Ohio's Great Seal. On the inside of the lid the words *For Courage* and the Cicero quote are repeated.



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