

Ohio: Governor signs budget bill but vetoes a number of provisions



David M. Kall | Thursday, July 6, 2017

Like most states, Ohio's new fiscal year began on July 1. Gov. John Kasich signed the Ohio state budget set forth in [Substitute House Bill 49](#) at the very last minute, and also vetoed 47 provisions. "[T]he question [wasn't] whether the budget [would] be signed on time but how many provisions Kasich [would] veto," quipped Karen Kasler, reporting for WOSU. She noted that the governor vetoed seven line items in 2011, 22 in 2013, and 44 in 2015.

Among those vetoes is the freeze on Medicaid expansion, as expected. Even so, according to a [blog](#) that the Majority Caucus published, the budget legislation presented a fiscally responsible plan that "prioritizes our state's greatest needs, such as fighting the drug crisis, funding schools and supporting our communities."

What is more, the Majority Caucus noted, not only does their budget simplify the tax code, by reducing the number of tax brackets from nine to seven, it also removes certain tax changes that the governor had recommended in his executive budget proposal, including levies on sales, severance, tobacco and vapor, and the commercial activity tax (CAT).

More specifically with respect to these tax changes, when the governor issued his [executive budget proposal](#) earlier this year, it included an expansion of the sales tax base to include certain services, like cable and travel services, and non-medically necessary cosmetic surgeries, while also imposing a permanent 0.5 percent sales tax rate increase, from 5.75 percent to 6.25 percent. Gov. Kasich also wanted to increase the cigarette tax, from \$1.60 per pack to \$2.25, and subject products from horizontal wells to a severance tax, of 6.5 percent on the gross receipts from oil and natural gas, and 4.5 percent on the receipts from natural gas liquids.

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As for the CAT, the governor hoped to reallocate those revenues by reducing the share going to the school district and local government property tax replacement funds, from 20 percent and 5 percent to 13 percent and 2 percent, respectively, and increase the general revenue fund share to 85 percent, from 75 percent.

Significant budget provisions

In their blog, the Majority Caucus asserted that their final version streamlines government by reducing the House administrative budget by 6 percent; prioritizing the consolidation of certain boards and commissions; and eliminating further barriers to certification for various professions.

Other important budget initiatives that the Majority Caucus highlighted in its blog are the following:

COMBATING THE DRUG EPIDEMIC

As championed by the House through the Ohio HOPES (Heroin, Opioids, Prevention, Education and Safety) agenda, the budget tackles the state's drug epidemic head-on with funding totaling more than \$180 million in new money. Investments focus on the areas of prevention, treatment, mental health care and workforce reintegration programs to ensure that communities across Ohio, both rural and urban, receive the support they need to educate young people, help those who are addicted and prevent overdose deaths, which is a statistic that continues to rise.

PRIORITIZING SCHOOLS

Enhancing opportunities for all Ohioans is a central component of the state operating budget by increasing school funding by \$154 million in FY 2018 and \$120 million in FY 2019. The bill also increases per-pupil funding and rewards high-performing educational service centers.

LOWERING THE COST OF HIGHER EDUCATION

The bill promotes tuition guarantee programs to provide more cost consistency to students while also requiring colleges to study textbook expenses in order to ultimately reduce the cost of obtaining a college degree.

STRENGTHENING ACCOUNTABILITY WITHIN THE MEDICAID PROGRAM

House Bill 49 includes a provision that would make Ohio the first state to seek a federal waiver to freeze new enrollment to the Medicaid Group VIII expansion population with certain exemptions (while exempting the drug-addicted and mentally ill). Additionally, through a series of provisions, the budget strengthens accountability in the state's Medicaid program by placing guardrails on future Medicaid Group VIII spending through the Controlling Board. The bill also returns Medicaid oversight to the General Assembly by directing the Department of Medicaid to seek a federal waiver to require a Group VIII Medicaid recipient to be one of the following: over 55, medically fragile, employed, in an education or workforce training program, or in a recovery program.

FREEZE ON MEDICAID EXPANSION

It is this last provision that has created so much controversy. The House Minority Caucus, in its own [blog](#), seized on the Medicaid expansion freeze by calling out the letter they sent to Governor Kasich urging him to veto the freeze. The asserted that it would "dramatically change the state's ability to provide healthcare for many Ohioans in need."

In January 2011, Gov. Kasich created the [Office of Health Transformation](#) (OHT) to control Medicaid spending and improve health outcomes. Medicaid is the largest recipient of operating funds, at 39.5 percent, and there are currently about 725,000 Ohioans that have benefitted from the state's expansion of Medicaid. In total, Ohio Medicaid covers three million residents, including more than half of all of the births in the state.

In his executive budget proposal, Gov. Kasich planned to increase total appropriations by 4.4 percent, to \$71.5 billion in fiscal year 2018. In fiscal year 2019, he sought an increase of 1.8 percent, to \$72.8 billion. As for recommended Medicaid appropriations, for fiscal year 2018, he recommended an amount of \$28.1 billion, a 6.2 percent increase above fiscal year 2017 estimated spending levels. In fiscal 2019, he recommended \$28.8 billion, 2.7 percent above fiscal year 2018.

Pursuant to this funding, the OHT has put forth several [budget initiatives](#) related to the health and well-being of Ohio citizens. For starters, it intends to modernize Medicaid by providing high-value health care coverage for very low-income Ohioans by accomplishing the following:

- Improving care coordination
- Prioritizing home and community based services
- Providing choices in Ohio's developmental disabilities system
- Rebuilding community behavioral health system capacity

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- Reforming provider payments
- Improving program performance

The OHT's remaining aspirations are these:

1. Streamline Health and Human Services by sharing services across jurisdictions to improve performance:
 - a. Simplify eligibility determination
 - b. Modernize medical professional licensing boards
2. Pay for value by resetting the basic rules of health care competition to reward value:
 - a. Increase access to comprehensive primary care
 - b. Report performance on high-cost episodes of care
 - c. Make health care cost and quality transparent
3. Improve population health by making Ohio a model of health and economic vitality:
 - a. Set clear priorities for health improvement
 - b. Improve health through economic vitality
 - c. Strengthen public health infrastructure
 - d. Promote student success through better health
 - e. Reduce infant mortality
 - f. Reduce drug abuse and overdose deaths

Among the Medicaid provisions in the budget that Gov. Kasich vetoed is one that would have set rates for some neonatal and newborn babies at 75 percent of the Medicare rates. He objected to this on the grounds that it would reduce access to services for the most vulnerable.

[Cleveland.com reported](#) that lawmakers overrode 11 of Gov. Kasich's 49 vetoes, nine of which were related to Medicaid. But they did not vote on the Medicaid expansion itself, leaving it intact: "inaction on the freeze was seen as a big win for Kasich, who has made the expansion a policy hallmark of his tenure."



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