

State of Ohio
The Executive Budget
Fiscal Years 2012 and 2013

The Jobs Budget

Transforming Ohio for Growth

Governor John R. Kasich



Budget Overview



JOHN R. KASICH
GOVERNOR
STATE OF OHIO

March 15, 2011

Fellow Ohioans and Members of the General Assembly:

Budgets are not goals in themselves but merely tools for achieving goals, and the goal of this budget is job creation.

The budget I submit to the General Assembly today helps create the jobs-friendly environment Ohio needs. It closes an \$8 billion structural imbalance while preserving the \$800 million, two-year income tax cut that went into effect on January 1, provides \$34 million in job-creating tax incentives, pursues major reforms and reduces spending in significant but carefully-considered ways.

As I have said, just as we cannot tax our way to prosperity, neither can we cut our way there. Significant savings are achieved through restructuring and reform efforts that are long overdue.

The large, expensive programs that consume the bulk of Ohio taxpayers' funds—especially Medicaid—have in the past been viewed by some as a “third rail” of budget policy. A perpetual unwillingness to tackle the difficult work of trying to contain programs' costs may have appeased certain influential groups but it has only led to higher and higher tax burdens for Ohioans and broken, less responsive programs for vulnerable Ohioans. That mindset ends with this budget. Careful, thoughtful effort has been made—with the input from countless stakeholders—to transform complex programs into more sustainable efforts that deliver better products to those who need them at a better value for those who pay for them.

Among the reforms I propose in my budget proposal are:

- Consolidating and improving Medicaid: Ohioans spend more on Medicaid—the health care program for low-income families—than on any other single program in the budget, and the costs only continue to increase—dramatically. Left alone, Medicaid costs would increase by 15.4 percent over the next two years and crowd out other priorities. Such runaway growth isn't the hallmark of a compassionate society but of a neglectful one. Making sure Medicaid is sustainable allows the care that vulnerable Ohioans need to continue, and gives taxpayers the accountability they deserve;
- Helping prepare Ohioans more effectively to compete: We must compete with Indiana as well as India. Both want our jobs and our companies. Unless adults can stay abreast of new developments and innovations, and unless we prepare our young people to hit the workforce ready to succeed, the jobs-friendly environment we seek will elude us. Tired systems that fund buildings instead of children, and bureaucracy instead of classrooms need to be rethought; and new solutions are needed that respond to the new ways in which children think and learn;

- Putting unrealized assets to work: The state has substantial, valuable assets in infrastructure and commercial enterprises that are not being properly leveraged for the broader, long-term benefit of all Ohioans. Quite frankly, we are wasting money that could be put to work. In my budget I request legislative authority to seek partnerships with the private sector to tap the money trapped in these assets for the benefit of the entire state;
- New savings tools for local government: Ohio's state and local tax burden is higher than most states', in large part because of our high local taxes. Local governments have been hard-hit by the economic downturn and, at the same time, have been systematically denied much-needed tools to control their costs. By tearing down walls that currently prevent townships, villages, cities, counties and school districts from working together to share services and reduce their costs, we will empower localities to put themselves on track to provide better taxpayer value and create jobs-friendly environments.

Ohio has more government than it can afford and my budget contains significant reductions across most agencies of state government. At the same time, however, my team has worked to make these reductions in a thoughtful way. In fact, where deemed necessary, funding increases are recommended. Agency programs and line items were not reduced by across-the-board percentage reductions, but instead were examined for the most appropriate spending levels based on available resources and on the work, mission and populations served. Great care was made to both provide value to taxpayers and improve the quality of services provided to the most vulnerable Ohioans.

Never in our lifetime has Ohio faced as grave a fiscal crisis. The choices we make for our state in this budget for Fiscal Year 2012 and Fiscal Year 2013 [July 1, 2011 to June 30, 2013] will determine not only our immediate fate, but that of the generation immediately following ours. The budget proposal I am unveiling today allows Ohioans to take an important step forward together toward regaining our footing, getting our state back on track, and creating the jobs-friendly environment necessary to get folks working again.

Together we will embrace a new direction and together we will take a better, higher path that lifts the hopes and opportunities of every Ohioan, from every walk of life and from every corner of our great state.

Sincerely,



John R. Kasich

Governor



The Jobs Budget

Transforming Ohio for Growth

THE JOBS BUDGET *Transforming Ohio for Growth*

CREATING JOBS IS JOB ONE: The goal of Gov. John Kasich’s budget proposal—The Jobs Budget—is to create a jobs-friendly environment in Ohio. His proposal delivers a balanced budget that returns Ohio to fiscal stability, without raising taxes while preserving the two-year \$800 million income tax cut. It proposes significant, long-overdue transformations of major programs and redefines the relationship between state and local government to preserve essential funding to key programs like Medicaid and education, while giving local governments powerful new tools to control their costs. Its singular focus is to help Ohio regain its economic competitiveness and become a place where business can thrive and jobs can grow.

PRINCIPLE-DRIVEN CHOICES: This budget is a means to an end, not an end in itself. Together with a series of major reforms, The Jobs Budget seeks to restore our economic competitiveness, create jobs and deliver Ohio taxpayers 21st Century government services. By making difficult choices that for too long have been avoided, the budget eliminates an \$8 billion structural imbalance projected for the next two years and makes careful allocations of limited state resources while preserving the social safety net for the most vulnerable Ohioans.

Major Category Expenditures, FY2010-2013 (in millions)				
Spending/Appropriations	FY2010	FY2011 (est'd.)	FY 2012 (Proposed)	FY2013 (Proposed)
All Funds	57,640.0	62,659.1	59,360.0	60,181.1
Total GRF	24,141.4	26,611.3	26,892.3	28,622.1
OHT Medicaid All Funds (1)	-	17,862.8	18,844.9	19,855.1
K-12 State GRF Foundation Aid (2)	5,818.9	5,775.4	5,859.0	5,946.6
Higher Education State SSI (3)	1,706.3	1,689.3	1,735.5	1,751.2
Local Government Fund	641.7	665.0	526.0	339.0

(1) Medicaid expenditures have traditionally been calculated by agency, not in total. The three years shown here are from a special analysis by the Office of Health Transformation.

(2) K-12 State GRF Foundation Aid excludes Lottery as well as federal stimulus (SFSF) of \$417.6m in FY10 and \$457.4m in FY11

(3) Higher Education State SSI (State Share of Instruction) excludes federal stimulus (SFSF) of \$281.0m in FY10 and \$308.8m in FY11

LONG-OVERDUE TRANSFORMATION OF MAJOR PROGRAMS: Reforms to the large, expensive government programs that consume the bulk of Ohio taxpayers’ funds—especially Medicaid—are long overdue. The perpetual unwillingness to tackle the difficult work of trying to contain program costs has led to higher tax burdens for Ohioans and broken, less responsive services for vulnerable Ohioans. The Jobs Budget transforms complex programs into more sustainable efforts that deliver better products to those who need them, at a better value for those who pay for them.

THE JOBS BUDGET: Transforming Ohio for Growth

MEDICAID TRANSFORMATION: Ohioans currently spend more per person on health care than residents in all but 13 states, yet we are 42nd in preventing infant mortality, 7th highest in the overall rate of breast cancer deaths and 37th in preventing avoidable deaths before age 75. Medicaid spending in Ohio (totaling almost \$18 billion in FY 2011) has increased steadily for years and, if Ohio doesn't act, is scheduled to grow by 43 percent in FY 2012. Four percent of Ohioans account for 51 percent of Medicaid spending. Common sense reforms are essential and include:

- **Improve Care Coordination: Coordinate care to achieve better health and costs savings:** Effective care coordination across the delivery systems for physical health services, behavioral health services and long-term care services can improve overall health outcomes, reduce the growth in health care costs and the number and length of hospital stays, lead to fewer hospital readmissions and help prevent Ohioans from having to go into nursing homes.
- **Integrate Behavioral and Physical Health Care: Treat the whole person by integrating physical and behavioral health services:** Adults with serious mental illness represent about 10 percent of those Ohioans served by Medicaid, yet they account for 26 percent of total Ohio's Medicaid expenditures. Past state practice has been to deliver Medicaid services to these Ohioans through separate systems, but this lack of coordination often fails to result in positive health outcomes. For example, individuals with serious mental illness have about twice the rate of hospitalizations and emergency room visits for chronic conditions, including diabetes, pneumonia and asthma. The Jobs Budget will bring these different systems together to improve care and control costs.
- **Rebalance Long-Term Care: Enable seniors and people with disabilities to live with dignity in settings they prefer:** Each year, Ohio's Medicaid program serves approximately 173,000 individuals with long-term care needs. While only 7 percent of Ohioans served by Medicaid use long-term services, approximately 41 percent of our state's annual Medicaid expenditures stem from these services. Ohio will develop a unified long-term care system so that individuals who need long-term services will have more choices at reduced costs to taxpayers.
- **Modernize Reimbursement: Reset Medicaid payment rules to reward value instead of simply rewarding volume:** The Jobs Budget proposes changes to outdated payment rules that are based on volume and do not reward providers for improving health outcomes. These changes will impact providers across the system, putting the needs of those served by Medicaid, their families—and taxpayers—first, while generating significant cost savings.

THE OUTCOME: These proposals will enable the state to transform its Medicaid system into an efficient, navigable, person-centered care system that effectively delivers coordinated physical health, behavioral health and long-term care services based on an individual's needs. In return, the state will be able to reduce the growth in its projected share of Medicaid spending.

K-12 AND HIGHER EDUCATION REFORM: While the international and national economy grows more competitive, Ohio has failed to make the educational progress necessary to improve its standing on the world stage. The Jobs Budget provides a reform agenda to move Ohio from being a manager of the educational status quo to a high-performer:

- **Bring the best teachers to Ohio:** Welcome "Teach for America" to Ohio and make our state the preferred destination for creative, talented educators by improving educator licensure processes;
- **Reward superior educators:** Provide a bonus for student learning, let teacher quality drive employment decisions instead of seniority, test teachers in failing schools, and streamline the dismissal process for poor-performing educators;
- **Support innovative, successful schools and close failing ones:** Give parents the right to reconstitute their children's school, create innovation schools, rank schools on the basis of student performance and cost effectiveness, create a student results-driven recognition program, and revoke the charters of the poorest-performing schools;
- **Expand school choice:** When adults compete for the right to educate our children, children win. The Jobs Budget doubles the number of EdChoice scholarships, removes the cap on community schools, and enhances community school access to facilities.

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- **Welcome innovative tech-driven educational models:** Enhance access to affordable online courses, advance acceptance of virtual learning as a choice for course completion, and streamline the state’s digital leadership structure.
- **Invest in students, not bureaucracies:** Encourage shared services and repeal the Evidence-Based Model for funding;
- **Make higher education more affordable:** Create charter universities, develop a three-year college program, increase the faculty teaching load, and significantly reduce education remediation rates and costs.

THE OUTCOME: Ohio’s future depends on our workforce being the best and brightest in the world. Our education system must deliver better results at lower costs for taxpayers, and the reforms in The Jobs Budget will deliver.

LOCAL GOVERNMENT RELIEF AND REFORM: Ohioans shoulder higher combined state and local tax burdens than residents of most other states largely due to high local taxes. Changes to the Local Government Fund reduce state revenue sharing with local government—a practice the federal government wisely abandoned decades ago. To help local governments adjust to those changes, The Jobs Budget provides local governments and schools powerful new tools to help control costs.

- **Reduce Mandates:** The Jobs Budget proposes several initiatives and reforms to help reduce or eliminate some of the most burdensome and outdated mandates—many of them obsolete, redundant or counterproductive—that drive up local government costs, often with little or no benefit to taxpayers.
- **Use 21st Century Technology:** While E-Commerce and new methods of purchasing have transformed business, local governments are often barred from using these same modernizations and instead are burdened with pre-internet processes. The Jobs Budget allows local governments to leverage new technologies for immediate savings and benefits for taxpayers. Reforms proposed include reducing newspaper public notice costs with a statewide public notice website and aligning website advertising policies with current policies for publications and facility naming rights.
- **Promote Shared Services:** The Jobs Budget empowers local governments to collaborate through shared services partnerships to reduce their costs and increase value for taxpayers. By combining forces on less important back-office functions, governments can better focus on their core missions: serving taxpayers. Additionally, a state-managed health care pool for schools and local governments will help them come together to reduce costs.
- **More Flexibility:** In addition to the estimated \$1 billion in savings that local governments will realize annually from collective bargaining reforms pending in the General Assembly, The Jobs Budget proposes allowing colleges and universities, schools and local governments to replace multiple prime contractors with a single prime contractor, use the design/build process to share risk and create new incentives to bring construction costs down and allow county commissioners to adopt a quarterly spending plan to adapt budgets to mid-year changes in revenue.

THE OUTCOME: The structure and operation of local governance in Ohio has experienced little change since the 19th century, while mandates have grown more costly and complex. Reforming the ways local governments are structured and funded—while taking advantage of technological tools adopted by businesses long ago—allows local communities to become more fiscally sustainable, reduce their costs so they can begin reducing their taxes, and improve the quality of services they provide to their citizens.

PRISON AND SENTENCING REFORM: Ohio’s corrections system is fiscally unsustainable, over-crowded and increasingly dangerous for staff and inmates. Further, the lack of judicial sentencing options and proper incentives for positive inmate behavior has hindered rehabilitation. The Jobs Budget takes innovative steps to develop a high-quality blended public/private correction system that will make prisons safer while saving tax dollars. Also, the state will work to enact public safety-focused sentencing reform aimed at reducing crime.

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- A Blended Public/Private Corrections System: The Jobs Budget calls for selling by competitive bid *Lake Erie Correctional Institution (Ashtabula), *North Coast Correctional Treatment Facility (Lorain), Grafton Correctional Institution, North Central Correctional Institution (Marion), Marion Juvenile Correctional Facility (**Indicates prison that is currently privately operated.*) By law, privately operated prisons are required to realize 5 percent operational savings resulting in an expected \$6.6 million savings. Privatizing, rather than closing the facilities, will save thousands of jobs in Ohio's communities and private facilities will be subject to the same high level of training and standards as state-operated prisons. In addition, local governments and schools will benefit from increased tax revenue from the sale of the prisons.
- Sentencing Reform: Ohio's prisons operate at 131 percent capacity. Comprehensive and public safety-focused sentencing reform will keep dangerous and violent offenders behind bars while diverting low-level offenders to community-based programs and rehabilitating inmates who one day can become productive citizens.
- Prison Camp Closure: Four camps adjacent to London, Ross, Toledo and Trumbull correctional institutions will close and camp inmates and staff will be transferred to appropriate and/or adjacent prison facilities. Consolidation will not result in staff displacement and inmate transfers will not result in overcrowding because the currently closed Marion Juvenile Correctional Facility will be reopened as a privately operated prison.

THE OUTCOME: The Jobs Budget provides a safer prison system that operates more efficiently and provides significant tax revenue to local communities; and helps reduce prison populations in safe, constructive ways to better integrate low-level offenders back into society.

DEDICATED FUNDING FOR JOB CREATION: With the loss of more than 400,000 jobs since 2006, Ohio must reform the way it approaches economic development if it is to effectively compete against states and foreign countries that want our jobs and businesses. Replacing Ohio's government-based economic development efforts with a pioneering new private sector approach is enabling Ohio to become more proactive, competitive, and better able to respond to new job-creating opportunities. Creating a dedicated funding stream for job creation will ensure it is a success.

- A reliable, dedicated funding source for job creation: JobsOhio creates the vehicle for economic development reform and dedicating Ohio's liquor profits as its independent and primary funding source will give it the fuel it needs to move the needle. State funding for economic development goes up and down with the economic cycle and hampers job creation, but by transferring Ohio's Liquor Enterprise to JobsOhio, job creation can be sustained without cost to the state. Additionally, problems with investing public funds in private companies are avoided and private investors' confidence in JobsOhio increases, thanks to its stable revenue source.
- A high-impact, low-downside transaction: JobsOhio will acquire the wholesale merchandizing component of Ohio's Liquor Enterprise for a period of 20 to 25 years in exchange for a lump-sum payment and annuity or both. A final price will be determined at the conclusion of negotiations between JobsOhio and the state later this year. The budget assumes a \$500 million lump sum payment to the General Revenue Fund to compensate the state for the foregone liquor profit, and approximately \$700 million to prepay the current outstanding liquor profit bonds in their entirety. JobsOhio will use the liquor profit revenue to fund ongoing economic development activities and operating costs and contract with the Department of Commerce to manage day-to-day operations including inventory management, distribution, and contracts for warehousing and shipping.

OUTCOME: A more robust job-creation effort to help Ohio get back on track and retain and grow jobs.

THE JOBS BUDGET: Gov. Kasich's FY2012-13 Executive Budget Proposal helps create a jobs-friendly environment in Ohio so we can revive our economy and help get Ohioans working again. It honestly balances Ohio's budget without tax increases and preserves the \$800 million tax cut. It provides modest increases in basic state support for K-12 and post-secondary education, gives local governments powerful new tools for cost savings and provides reforms to major programs in bold yet thoughtful ways. It provides solid solutions for Ohio's fiscal crisis while transforming government today and for the demands we face in the coming century.

###



The Jobs Budget

Transforming Ohio for Growth

TRANSFORMING MEDICAID

Coordinated, person-centered care improves health outcomes and reduces long-term costs

OHIO HAS A FRAGMENTED SYSTEM: Currently in Ohio, Medicaid-funded long-term care, home- and community-based services, behavioral health and physical health services are provided through eleven or more largely disconnected delivery systems. Many of the individuals receiving these services are also insured by Medicare, with little coordination occurring between the two coverage programs. For Ohio's Medicaid system, this fragmented, poorly coordinated approach leads to higher costs, over utilization, poor health outcomes and patient confusion. Put simply, Ohio spends a lot, but does not have good outcomes to show for its investment.

POOR OUTCOMES AND UNSUSTAINABLE COSTS:

- Ohioans currently spend more per person on health care than residents in all but 13 states.
 - Ohio is 38th most affordable for hospital care and 45th most affordable for nursing homes;
 - Ohio is 44th most affordable in Medicaid for seniors;
- Ohio's health care system is under-performing in a number of areas. For example, Ohio ranks:
 - 42nd in preventing infant mortality;
 - 7th highest in the overall rate of breast cancer deaths and 13th highest in the rate of colorectal cancer deaths;
 - 37th in preventing avoidable deaths before age 75;
 - 44th in avoiding Medicare hospital admissions and 40th in avoiding Medicare hospital readmissions;
- Hot spots that lead to especially high costs for taxpayers are prevalent throughout the Medicaid delivery system, including:
 - Avoidable hospital admissions for low birth weight babies cost the system \$156 million in 2009;
 - Medicaid beneficiaries with Schizophrenia have three times more hospitalizations for uncontrolled diabetes;
 - Beneficiaries who receive care primarily from hospitals account for 1.8 percent of enrollment but 13 percent of spending;
 - Four percent of Medicaid beneficiaries account for 51 percent of all spending in the entire program;

Medicaid is Ohio's largest health payer, providing medical care for 2.2 million Ohioans who cannot afford it—typically low-income children and their parents, as well as individuals who are elderly or disabled. Medicaid funding (totaling almost \$18 billion in FY 2011) has increased steadily for years. Because the federal share of Medicaid is scheduled to decrease in 2012, the state share of funds provided by Ohio taxpayers to support the program is scheduled to grow by 43 percent in FY 2012, if Ohio does nothing to adjust the current trend.

Ohio needs to put the needs of consumers and taxpayers first and transform Medicaid by providing coordinated, patient-centered care and resetting spending growth trends. Our strategy will focus on improving how the system interacts with those who are most difficult (and most expensive) to treat—the four percent of Ohioans who account for 51 percent of Medicaid spending.

COMMON-SENSE REFORMS IN MEDICAID ARE NEEDED

1. Improve Care Coordination: Coordinate care to achieve better health and costs savings

TRANSFORMING MEDICAID: Coordinated, person-centered care improves health outcomes & reduces long-term costs

Effective care coordination across the delivery systems for physical health services, behavioral health services and long-term care services can improve overall health outcomes, reduce the growth in health care costs and the number and length of hospital stays, lead to fewer hospital readmissions and help prevent Ohioans from having to go to nursing homes.

- **Promote health homes:** Expand on the traditional medical home model by enhancing coordination of medical and behavioral health care to help Ohioans with severe and/or multiple chronic illnesses.
- **Provide accountable care for children:** Currently, 37,544 children with disabilities are served through Ohio's fee-for-service program at a cost of \$313 million per year. These children often have complicated and long-term medical conditions, but receive little assistance in accessing and coordinating care, which results in less than desirable health outcomes. The state will encourage the development of pediatric Accountable Care Organizations (ACOs) to provide the necessary attention and care to meet the unique needs of these children. The first step will be to enroll children who are disabled in Medicaid managed care plans, then create special contracts through managed care with pediatric ACOs, and eventually support stand-alone ACOs.
- **Care coordination planning grant:** The Jobs Budget will support Ohio's planning grant proposal to the Center for Medicare and Medicaid Innovation. The proposal outlines an implementation strategy for a new Individual-Centered Integrated Care Delivery System (ICDS) that will provide person-centered care to individuals who are enrolled in both Medicaid and Medicare and addresses all of a person's physical health, behavioral health, long-term care and social needs, no matter who is the payer. It will be the cornerstone of Ohio's efforts to achieve the vision of a balanced delivery system that enables the aged and people with disabilities to live with dignity in their preferred settings.

2. Integrate Behavioral & Physical Health Care: Treat the whole person by integrating physical & behavioral health services

Adults with serious mental illness (SMI) represent about 10 percent of Ohio's Medicaid population, yet they account for 26 percent of total Ohio Medicaid expenditures. The level of spending is significant and growing. Furthermore, the lack of coordination between service providers often fails to result in positive health outcomes for these individuals. For example, individuals with SMI have about twice the rate of hospitalizations and emergency room visits for chronic conditions, including diabetes, pneumonia and asthma. Past state practice has been to coordinate Medicaid budget and policy for treating people with SMI in separate systems—physical health benefits have been administered by the Department of Job and Family Services (ODJFS), and behavioral health services have been administered by the Departments of Mental Health and Alcohol and Drug Addiction Services. Specific proposals will address these issues:

- **Elevate behavioral health financing to the state:** Move financial responsibility for community behavioral health from local boards to the state. This change relieves local governments of the expense and effort of running complex programs for the most vulnerable Ohioans and achieves efficiencies and statewide controls necessary to meet the state's obligations to operate and provide hospital services, and to assure better coordination of care for Medicaid recipients.
- **Manage behavioral health service utilization:** The community mental health Medicaid benefit currently is operated differently than the rest of Ohio Medicaid. This creates significant challenges for budget predictability and prevents any analysis whatsoever of services individuals receive and their health outcomes. Without utilization management controls and cost containment measures, funding for community mental health services will not be sustainable and increased pressure will be placed on state and local financing structures.
- **Consolidate Residential State Supplement (RSS) program:** The Ohio Department of Mental Health will become the single point of accountability for the administration of the RSS Housing Program and the Adult Care Facilities Program. These programs serve a significant number of RSS consumers with behavioral health needs (80 percent). Consolidating the administration of these programs will result in a more streamlined and efficient administrative structure at the state level.

TRANSFORMING MEDICAID: Coordinated, person-centered care improves health outcomes & reduces long-term costs

3. Rebalance Long-Term Care: Enable seniors and people with disabilities to live with dignity in settings they prefer

Ohio's Medicaid program serves approximately 173,000 individuals with long-term care needs each year. While only 7 percent of the Medicaid population uses long-term services and supports, approximately 41 percent of annual Medicaid expenditures stem from services to this population. Today a Medicaid-eligible patient who needs long-term services must choose among as many as five different waivers and two Medicaid state plan delivery models with different enrollment requirements and processes and different service packages for each. Ohio will develop a unified long-term care system so that individuals who need long-term services can easily understand their choices and how to access services.

- **Create a unified long-term care budget:** To establish a more patient-centered delivery system, spending will be driven by the settings and services individuals choose rather than line item appropriations in the state budget process. Medicaid funding for long-term services and supports will be combined with ODJFS funding to create a single long-term care budget for people with physical disabilities and seniors.
- **Create a single waiver:** A new single waiver will incorporate self-direction, a single set of provider and enrollment requirements, a service package to meet the needs of individuals with physical disabilities and seniors, and consistent care management across populations. Currently there are five home care waivers (PASSPORT, Ohio Home Care, Ohio Home Care/ Transitions Aging Carve-out, Choices, and Assisted Living).
- **Avoid high cost institutional placements:** To facilitate individual choice and eliminate barriers for individuals seeking long-term services, ODJFS will establish waiver priorities to maximize individual opportunities to receive long-term services and supports in community based settings.
- **Link nursing home payments to patient-centered outcomes:** Modify the quality incentive payment included in the Medicaid rate for nursing facility services by replacing current measures with measures focused on person-centered care, and increase the value placed on good outcomes for individuals.
- **Align programs for people with developmental disabilities:** Consolidate Medicaid programs for people with disabilities in the Department of Developmental Disabilities and eliminate barriers that keep people with developmental disabilities from accessing the services they need.
- **Evaluate PACE program:** Complete a comprehensive evaluation of the cost-effectiveness of the current PACE sites.

4. Modernize Reimbursement: Reset Medicaid payment rules to reward value instead of simply rewarding volume

The Jobs Budget proposes to change outdated payment rules that are based on volume and do not reward providers for improving outcomes. These changes will impact providers across the system, putting the needs of beneficiaries and taxpayers first. They will also generate significant cost savings.

- **Modernize hospital payments:** Medicaid is using prospective payment methods developed in the late 1980s to pay for inpatient and outpatient hospital services. These methodologies are volume-driven and need to be updated to incentivize improved outcomes. Examples of proposed modernizations include reforming how inpatient hospital stays are paid, changes to the reimbursement fee schedules for outpatient services and prohibiting payment for conditions that hospitals could have helped prevent. These proposals also include the continuation of the hospital franchise fee.
- **Reform managed care payments:** Currently, more than 1.6 million people that are enrolled in Medicaid receive care through a managed care plan. As the Medicaid managed care delivery system has become more mature in Ohio, plans should become better managers of care and in turn be able to reduce the trend in medical cost inflation and become more efficient in running their operations. This suite of proposals includes changes to the capitation rates, language to require Medicaid reimbursement to default to fee-for-service rates for hospitals that will not contract with a managed care plan, and other policy changes to improve care coordination for individuals through managed care.

TRANSFORMING MEDICAID: Coordinated, person-centered care improves health outcomes & reduces long-term costs

- **Reform nursing facility payments:** Nursing facilities are a critically important service in Medicaid. However, Ohioans spend more per capita on nursing homes than citizens in all but five states. Nursing facility rates are approximately \$4.75 higher than the national average, and the current reimbursement methodology does not reflect individuals' preferences for personalized care. The Jobs Budget proposes to adjust the nursing home rate methodology and make other changes that will allow the state to invest in home- and community-based services.
- **Other benefit and payment reforms:** A variety of other payment reform proposals include, for example, an adjustment in nursing and home health services base rates; adjustment of PASSPORT/Choices, assisted living, and PACE provider rates and support for Area Agencies on Aging; implementation of a selective contracting program for diabetic supplies; and establishment of a maximum payment rate and prior authorization review criteria for nutritional products.

THE OUTCOME: BETTER HEALTH, BETTER CARE AND COST SAVINGS THROUGH IMPROVEMENT

- **SERVE THE WHOLE PERSON:** Individuals will receive person-centered care through a delivery system designed to address all of the individual's physical health, behavioral health, long-term care, and social needs.
- **TREAT PEOPLE WITH DIGNITY:** Individuals will have access to the services they need in the setting they choose.
- **SIMPLIFY THE SYSTEM:** The delivery system will be easy to navigate for both the individuals receiving services and the providers delivering the services.
- **PROVIDE FLEXIBILITY:** Individuals will be able to transition seamlessly among settings and programs as their needs change.
- **CONTINUOUSLY IMPROVE:** Incentives in the system will be focused on performance outcomes related to better health, better care, and lower costs through improvement.

In addition to modernizing the Medicaid system and improving outcomes for individuals, these proposals will benefit taxpayers by controlling runaway Medicaid costs. Ohioans spend more on Medicaid than on any other single item in the budget. And the costs only continue to increase—dramatically. Left alone, Medicaid would increase by 15.4 percent over the next two years and crowd out other priorities. Instead, this budget saves \$1.4 billion (all funds) over the biennium, compared to the initial trend. The level of funding in the Executive Budget ensures that Medicaid is sustainable, allows vulnerable Ohioans to continue to receive the services they need and gives taxpayers the accountability they demand.

BOTTOM LINE: These proposals will enable the state to transform its Medicaid system into an efficient, navigable, person-centered care system that effectively delivers coordinated physical health, behavioral health and long-term care services based on an individual's needs. In return the state will be able to reduce the growth in its projected share of Medicaid spending.

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The Jobs Budget

Transforming Ohio for Growth

EDUCATION REFORM

Education That Gets Results: Giving Taxpayers Their Money's Worth

AS THE GLOBAL ECONOMY EVOLVES, OHIO IS BEING PASSED BY: While the international and national economy grows more competitive, Ohio has failed to make the educational progress necessary to improve its standing on the world stage. To provide a higher standard of knowledge workers, our state needs to recognize the status quo is unacceptable. After all, increased educational performance means opportunity for each and every Ohioan. And increased opportunity means jobs.

THE EVIDENCE IS CLEAR – MONEY ISN'T THE ANSWER: Ohio's financial commitment to education has grown faster than the inflation rate, even as the number of students we serve has gone down¹. In fact, per-pupil expenditures in Ohio have increased by 98% over the past 15 years², yet student performance has stagnated³.

ONE-TIME FEDERAL STIMULUS MONEY IS GONE. AND IT'S NOT COMING BACK: During the FY10-11 budget cycle, federal stimulus funds were used to help operate school districts across Ohio. These dollars were one-time funds. They aren't coming back. Rather than using these funds to help prepare for the Ohio's fiscal crisis, the state kicked the can down the road and failed to make the reforms necessary to soften the blow.

OHIO MUST DO MORE WITH LESS: While some school districts have been able to use best practices to get the most bang for the buck, others lag disastrously far behind. By recognizing these best practices and encouraging cooperation and flexibility, there is no reason why all Ohio school districts can't make the same advances. A study by KnowledgeWorks, a non-partisan education advocacy organization, revealed that Ohio school districts could save up to \$1.4 billion in non-instructional spending just by adopting the efficiencies already in place at some of our state's best schools⁴.

INCREASING STATE BASIC AID: While the state cannot and should not replace federal stimulus funds, state basic K-12 education funding to schools is increased by 2 percent in the first year and 1.5 percent in the second, while also directing more dollars to poorer school districts. The process is accelerated, however, to end state subsidies to school districts that lost revenue due to previous changes in the tax code for the Tangible Personal Property Tax and Kilowatt Hour Tax. Federal maintenance of effort provisions are met for special education and career-technical education, ensuring continued funding of specific federal programs.

WHAT WE KNOW ABOUT SCHOOLS THAT SUCCEED: A high-performing, cost-effective educational system is achievable. Real schools serving real students in really tough environments are already showing results. They are beating the odds and proving success is possible. Here are some of the hallmarks of these schools:

- **Results:** Everyone at the school knows where they stand on student results compared to their peers. Moreover, results at these schools are benchmarked against high performing schools, and not schools that let them look good.
- **Responsibility:** Within every high performing school, the adults take responsibility for student success. They refuse to participate in the practice of blaming poverty, parents, and poor support for student results. This sense of

¹ Ohio Department of Education, enrollment reports

² Ohio Department of Education, Financial reports 1995-2010

³ NAEP results, Ohio

⁴ http://knowledgeworks.org/press_room/press_releases/press_release/03/01/2011/ohio-school-districts-could-save-nearly-14-billio

EDUCATION REFORM Education That Gets Results—Giving Taxpayers Their Money’s Worth

responsibility by the educators inspires students, parents, and community members to also take responsibility for student results.

- **Students:** Students and their success become the focus of daily work. Contracts, reforms, communications, school design, and all other decisions are driven by a simple question...Will this improve student success?
- **Choice:** High performing schools embrace choice. They recognize that when adults compete for the right to educate our children, the children win.
- **Flexibility:** High performing schools have been successful despite being unnecessarily burdened by rules and regulations that too often raise barriers to creativity and problem solving.
- **Technology:** Technology is often added to existing school structures like butter onto toast. Simply installing computers isn't enough. Students only truly benefit when technology and technology-based instruction are integrated into every aspect of the school experience.

Reforms that put students first are needed: The reforms we will implement are aligned to what high performing and improving schools require. These reforms will allow great teachers, principals, superintendents, and school boards to assure student results. Our reform agenda will move Ohio from being a manager of the educational status quo to a model that other states will emulate.

- **Welcome Teach for America:** We will make Ohio the preferred destination for creative, talented educators by improving educator licensure processes.
- **Reward superior educators:** Provide a bonus for student learning, let teacher quality drive employment decisions instead of seniority, test teachers in failing schools, and streamline the teacher dismissal process for poor-performing educators.
- **Support innovative, successful schools and close failing schools:** Give parents the right to reconstitute their children's school, create innovation schools, rank schools in the basis of student performance and cost effectiveness, create a student results driven recognition program, and revoke the charter of the poorest performing schools.
- **Expand school choice:** When adults compete for the right to educate our children, the children win. We will double the number of EdChoice scholarships that are available, remove the cap on community schools, and enhance community school access to facilities.
- **Welcome innovative tech-driven educational models:** Enhance access to affordable online courses, advance acceptance of virtual learning as a choice for course completion, streamline the state's digital leadership structure.
- **Invest in students, not bureaucracies:** Encourage shared services and repeal the Evidence-Based Model for funding.
- **Make higher education more affordable:** Create charter universities, develop a three-year college program, increase the faculty teaching load, and significantly reduce education remediation rates and costs.

THE OUTCOME: Ohio's future depends on our children being the best and brightest in the world. Our education system must deliver better results at a better value for the taxpayers. The reforms we will implement will support and encourage such an educational system.

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The Jobs Budget

Transforming Ohio for Growth

HIGHER EDUCATION REFORM

Making College More Affordable and Improving Lifelong Learning

OHIO IS FALLING BEHIND: As the global economy continues to grow more competitive, the United States is falling behind. By the end of this decade, 60 percent of all jobs will require some type of higher education degree⁵. Stagnant graduation rates, high costs, and rigid state laws are making it difficult for colleges and universities to compensate for this demand—and Ohio is no exception. Currently, Ohio’s 6-year graduation rate stands at just 60 percent. Further, spending for higher education has been rising faster than health care costs. Without greater flexibility and appropriate incentives, a complete and valuable college education will continue to be out of reach for far too many, and taxpayers will not receive the most value.

ONE-TIME FEDERAL STIMULUS MONEY IS GONE. AND IT’S NOT COMING BACK: During the FY10-11 budget cycle, federal stimulus funds were used to help operate colleges and universities across Ohio. These dollars were one-time funds. They aren’t coming back. Rather than using these funds to help prepare for the Ohio’s fiscal crisis, the state kicked the can down the road and failed to make the reforms necessary to soften the blow.

INCREASING STATE AID: While the state cannot and should not replace federal stimulus funds, the State Share of Instruction will increase 2.7 percent in FY 2012 and 0.9 percent in FY 2013.

COMMON SENSE REFORMS WILL INSTITUTE INCENTIVES AND REDUCE COSTS: For far too long, Ohio’s public universities have been trying to operate under an outdated system of rigid laws and inefficiency. It’s time to provide incentive-based relief that will meet the needs of both universities and their student bodies.

- **New Tools for Flexibility, Savings, and Improvement:** The Chancellor of the Ohio Board of Regents will submit a report to the General Assembly and the governor containing findings and recommendations for developing the appropriate policy, administrative rule and statutory changes necessary to implement a charter university program. The plan will define the manner in which an institution of higher learning can receive increased freedom from state regulations in return for less dependency on state financial subsidies. Universities’ eligibility will be determined by certain performance measures determined by the chancellor;
- **Ensure that Students are Ready for College:** Colleges and universities often find themselves having to bring high school graduates up to the level where they are ready for college-level learning, which consumes time and funds. The Board of Regents will report the frequency of this—the “remediation rate”—and its cost for each school district based on graduates from each school. The Board of Regents will work with the institutions of higher learning to create a clear, actionable definition of what is meant by “remediation free.” This definition will be required to explain “remediation free” in such a way that school districts can determine the coursework and special programs required to assure every student is college-ready. The Chancellor and the State Superintendent of Public Instruction will produce a set of recommendations to reduce these remediation costs by 50 percent;
- **Encourage 3-year Degrees:** In many cases, students are taking five or six years to complete a 4-year degree. A 4-year degree should take four years. In some cases, where we have especially gifted or ambitious students, they should have the opportunity to complete their degree in three years. Universities will be required to produce plans on

⁵ <http://cew.georgetown.edu/research/jobs/79012.html>

HIGHER EDUCATION REFORM: Making College More Affordable and Improving Lifelong Learning

how to move to 3-year baccalaureate degrees. The plan to transition 10 percent of their programs will be due in 2012 and a plan to transition 60 percent of their programs will be due in 2014;

- **Faculty Should Teach One Extra Class Every Two Years:** Ohio public colleges and universities will be required to increase full-time research and instructional faculty teaching loads by one class in every other year. The Ohio Board of Regents will report the instructional workloads of faculty for all colleges and universities for FY2010 through FY2013.

THE OUTCOME: REDUCED COSTS FOR STUDENTS AND INCREASED FLEXIBILITY FOR SCHOOLS:

- **Modernizing Operations:** Ohio's institutions of higher learning will become more productive and efficient. Increased flexibility with standards will provide them with a clear performance expectation while granting them increased autonomy to achieve it.
- **Preparing Students:** College remediation costs thwart Ohio's ability to provide advanced learning and consume many of the resources available to students who need financial assistance to attend college. By incentivizing schools to be better prepared, these costs will be reduced and students will be better prepared for university learning.
- **Empowering learners:** By allowing greater flexibility for advanced placement and international programs to be accepted for credit at institutions of higher learning, students will be able to obtain the schooling they need to compete for jobs in a 21st century workforce. In the long run, this saves the students unnecessary costs and rewards them for embracing education.

THE OUTCOME: With greater flexibility and less red tape, Ohio's colleges & universities must remember that students come first. By continuing a tuition increase cap of 3.5 percent, students from across the state will have the opportunity to further their education and become a productive member of the global workforce. By enabling our students to succeed, Ohio can once again become a strong economic power in our ever-evolving economy.

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The Jobs Budget

Transforming Ohio for Growth

LOCAL GOVERNMENT RELIEF AND REFORM

Balancing the Budget and Restructuring the State Relationship with Our Local Government Partners

Ohioans shoulder higher combined state and local tax burdens than residents of most other states largely due to high local taxes. Changes to the Local Government Fund will reduce state revenue sharing with local government—a practice the federal government ended decades ago. To help local governments adjust to those changes, The Jobs Budget provides local governments and schools powerful new tools to help control their costs.

Reducing Mandates: Multiple layers of state-imposed rules and regulations—many of them obsolete, redundant or counterproductive—drive up local government costs, often with little or no benefit to taxpayers. The Jobs Budget proposes several initiatives and reforms to help reduce or eliminate some of the most burdensome and outdated mandates, beginning a process of reform that will help offset the reduction in state support for local government.

Using 21st-century Technology: While E-Commerce and new methods of purchasing have transformed business, local governments are often barred from using these same modernizations and instead are burdened with pre-internet processes. The Jobs Budget allows local governments to leverage innovative E-commerce opportunities and use internet tools and websites for purchasing and advertising. The application of these and other 21st century technologies will provide immediate savings and benefits for taxpayers.

- **Statewide Public Notice Website:** Government activity should be transparent and information needs to be readily available to the public. For that reason, government has long been required to publish certain public notices in newspapers. Even newspapers publish their content on the internet today, however, and so should local governments. A new statewide public notice website for state agencies, schools, colleges and universities and local governments will provide a free, easily accessible location for those seeking to do business with government or who are interested in government procedures and activities. Governments will still be required to place ads in newspapers but they will be smaller and less costly since they will be supported by the statewide website.
- **Online Advertising:** Colleges, local governments and schools already raise revenue from advertising in publications, event sponsorships and naming rights for buildings, stadiums and facilities. The Jobs Budget provides this same type of flexibility to their internet websites, while setting appropriate limitations and oversight.

Promoting Shared Services: The Jobs Budget empowers local governments to collaborate through shared services partnerships to reduce their costs and increase value for taxpayers. By combining forces on less important back-office functions, governments can better focus on their core missions: servicing taxpayers.

- **Local Government Shared Services:** Currently, the laws governing how local governments can engage in shared services are so complex that they stand in the way of savings. In fact, townships have different laws for how they can cooperate on fire, police and ambulance services. These barriers are erased in The Jobs Budget so that local governments can more easily work together to provide better services and drive down costs.
- **Centralized County Services:** County commissions will be able to require other county offices to use centralized services for purchasing, transportation, vehicle maintenance, information technology, human resources, revenue collection, printing and mail operations. Independently-elected officials will maintain the authority to carry out their core functions, while creating economies of scale for back-office administrative functions.

LOCAL GOVERNMENT RELIEF AND REFORM: Balancing the Budget and Restructuring the State Relationship with Our Local Government Partners

- **Education Shared Services:** In education, several types of regional support groups currently exist—ESCs, ITCs, RABs, etc.—but often duplicate or provide inconsistent arrays of services. The Jobs Budget calls for integrating these entities by July 1, 2012 with a single collection of Regional Shared Service Centers that could provide administrative support services to both school districts and local governments.
- **Pooled Health Care:** Local governments recognize the buying power of the state and have often asked to join the state’s health care pool. Similarly, since 2006, the School Employees Health Care Board has been studying ways to provide quality health care for school employees at lower costs. In response to this need, The Jobs Budget will create a new combined health insurance program that local governments and schools can join if they choose. Managed by the Department of Administrative Services, it will be known as the Ohio Public Employees Health Care Program. It will be managed separately from the state employee program while still providing group savings and the experience of professionals who know how to negotiate and manage large group health care plans.

Flexibility and Cost Containment: In addition to the estimated \$1 billion in savings that local governments will realize annually from collective bargaining reforms pending in the General Assembly, the Jobs Budget proposes additional flexibilities to provide savings:

- **Construction Reform:** On some building projects, colleges and universities, schools and local governments will be able to replace multiple prime contractors with a single prime contractor, and use the design/build process to share risk and create new incentives to bring construction costs down.
- **Local Government Budget Flexibility:** County commissioners will be able to adopt a quarterly spending plan to adapt budgets to mid-year changes in revenue. They will also be able to utilize furlough days during times of fiscal distress, and modify work weeks. These changes will ensure delivery of services while maintaining fairness for employees.

THE OUTCOME: The structure and operation of local governance in Ohio has experienced little change since the 19th century, while mandates have grown more costly and complex. Reforming the ways local governments are structured and funded—while taking advantage of technological tools adopted by businesses long ago—allows local communities to become more fiscally sustainable, reduce their costs so they can begin reducing their taxes, and improve the quality of services they provide to their citizens.

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The Jobs Budget

Transforming Ohio for Growth

Prison and Sentencing Reform

Ohio's corrections system is fiscally unsustainable, over-crowded and increasingly dangerous for staff and inmates. The Department of Rehabilitation and Correction received over \$300 million in federal stimulus funding over the past biennium that is no longer available. Further, the lack of judicial sentencing options and proper incentives for positive inmate behavior has hindered rehabilitation. This budget proposal takes innovative steps to refocus the trajectory of the corrections system. Ohio will develop a high-quality blended public/private correction system that will make prisons safer while saving tax dollars. And the state will work to enact public safety-focused sentencing reform aimed at reducing future crime.

Blended Public/Private Corrections System: Ohio will develop a financially responsible corrections system that will reform offenders, ensure staff and inmate safety, and contribute to economic growth. The Jobs Budget proposes selling five prisons by competitive bid to private operators: *Lake Erie Correctional Institution (Ashtabula); *North Coast Correctional Treatment Facility (Lorain); Grafton Correctional Institution; North Central Correctional Institution (Marion); Marion Juvenile Correctional Facility. [*Indicates prison that is currently privately operated.]

- State law requires privately operated prisons to realize 5 percent savings resulting in an expected \$6.6 million savings.
- Counties will benefit from increased tax revenue from the sale of the prisons.
- Privatizing, rather than closing the facilities, will save thousands of jobs within Ohio's communities.
- Facilities will be subject to same high level of training and standards compliance as state operated prisons.

Sentencing Reform: Comprehensive and public safety focused sentencing reform will keep dangerous and violent offenders behind bars, and rehabilitate inmates who one day can become productive citizens.

- Ohio's prisons operate at 131% capacity.
- Proposal to enact comprehensive and public-safety focused sentencing reform.
- Divert low-level offenders to community-based programs.
- Inmates who participate in meaningful programming will be considered for earned credit.
- Sentencing reform will reduce overall incidents of prison violence due to a reduction in prison population.

Prison Camp Closure: Prison camps exist as annex facilities at 11 state prisons. The budget proposes closing four camps adjacent to London, Ross, Toledo and Trumbull correctional institutions. Camp inmates and staff will be transferred to appropriate and/or adjacent prison facilities. Consolidation will not result in staff displacement. Inmate transfers will not result in overcrowding because the currently closed Marion Juvenile Correctional Facility will be activated as a privately operated prison.

Fund Counties to Write Pre-Sentence Investigations: Most counties currently produce their own Pre-Sentence Investigation Reports, which assist courts in sentencing procedures. DRC will directly fund 25 counties who rely on the agency to write these reports.

- Pre-Sentence Investigations (PSI) are produced both by the Adult Parole Authority (APA) and Common Pleas probation departments and provide information to courts on a defendant's history in order to promote individualized sentencing. The Jobs Budget proposes to reinvest the report writing functions to counties and directly fund those counties which are reliant on DRC. This would reduce 115 APA positions within DRC; impacted staff may be eligible for Unit Management positions that will become available within DRC's facilities.

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The Jobs Budget

Transforming Ohio for Growth

CREATING JOBS IS JOB ONE

Creating a Permanent Commitment to Job Creation

Ohio Needs a New Approach to Economic Development—Old Approaches No Longer Work

With the loss of more than 400,000 jobs since 2006, Ohio must reform the way it approaches economic development if it is to effectively compete against states and countries that want our jobs and businesses. Replacing Ohio's government-based economic development efforts with a pioneering new private sector approach, modeled after business, will enable Ohio to become more proactive, competitive, and better respond to emerging and promising opportunities. The end goal is to transform Ohio's economy and accelerate job growth in the state. **Three steps to economic development reform are:**

- **Create JobsOhio:** JobsOhio, a private not-for-profit, will work at the speed of business and be free from bureaucratic delays and restrictions that are more common for government agencies;
- **Provide sustainable funding:** Ohio's Liquor Enterprise will provide JobsOhio with an ongoing revenue stream to fund economic development activities well into the future. Private investors will be more likely to invest in JobsOhio knowing there is a long-term commitment to Ohio's job-creation efforts;
- **Equip JobsOhio with the best talent & tools:** JobsOhio will attract top talent and manage a balanced economic development toolbox emphasizing return on its investments;

1. Create JobsOhio. JobsOhio will inject new, needed life into Ohio's economic development efforts: House Bill 1 created JobsOhio, a new approach rooted in an understanding of how businesses create jobs. As a private not-for-profit company, JobsOhio will be more nimble, flexible and responsive than state government in responding to job-creators.

2. Provide sustainable funding. JobsOhio needs reliable, dedicated funding for job creation: JobsOhio creates the vehicle for economic development reform and dedicating Ohio's liquor profits as its independent and primary funding source will give it the fuel it needs to advance job creation. **Why transferring Ohio's Liquor Enterprise to JobsOhio makes sense:**

- **Stability:** State funding for economic development goes up and down with the economic cycle; transferring Ohio's Liquor Enterprise to JobsOhio will provide a source of sustained economic development funding that is not dependent upon the state's general revenue fund;
- **Keep profits in the private sector economy:** The sale of liquor is a consumer business; profits of the business should be reinvested to help boost private sector business activity instead of helping to grow government;
- **Leverage private investments:** Private investors will be more likely to invest in JobsOhio if they are confident in its stability and revenue;
- **Help to hold harmless Ohio's treasury:** Transferring the State Liquor Enterprise to JobsOhio will provide the state with revenue in exchange for the Enterprise;
- **Benefit from the upside of JobsOhio investments:** It is problematic to invest public funds in private companies today. By using private funds instead, Ohio can see a great benefit from its economic development efforts;
- **No change in permitting or regulation:** The Department of Commerce will continue to operate the system, creating a seamless transition for consumers, producers and retailers;

CREATING JOBS IS JOB ONE: Creating a Permanent Commitment to Job Creation

- **Invest in Ohio's future job growth** – Dedicating profits from the state's liquor enterprise to the priority of economic development is a sound investment in Ohio's future;

How Ohio Will Transfer Its Liquor Enterprise to JobsOhio:

- **What's included in the State's Liquor Enterprise:** The State's Liquor Enterprise is the sole source of wholesale and retail sales of spirituous liquor in Ohio. JobsOhio will acquire the wholesale merchandizing component of the business; permitting and regulation will remain with the Department of Commerce;
- **Terms of the transaction:** The state will transfer Ohio's Liquor Enterprise to JobsOhio for a period of 20 to 25 years in exchange for a price to be determined at the time of the transaction, estimated to be January 1, 2013;
- **Price:** The transfer allows for a lump-sum payment and an annuity payment. JobsOhio will provide an upfront payment of approximately \$1.2 billion: \$500 million to the General Revenue Fund to compensate the state for the foregone liquor profit and approximately \$700 million to prepay the current outstanding liquor profit bonds in their entirety;
- **How JobsOhio will fund the payment:** Immediately upon the effective date of the transfer, JobsOhio will issue revenue bonds backed by the liquor profit revenue stream to fund the upfront payment to the state. The Treasurer of State is anticipated to be the issuer of these bonds;
- **How JobsOhio will use the liquor profits:** On an ongoing annual basis through the term of the agreement, JobsOhio will use the liquor profit revenue to:
 - Fund ongoing economic development activities and operating costs;
 - Pay debt service on its bond issuances, and;
 - Make annuity payments to the State of Ohio.
- **Management of the Liquor Enterprise by JobsOhio** - JobsOhio will contract with the Department of Commerce to manage the day-to-day operation of the Liquor Enterprise, including inventory management, distribution, and contracts for warehousing and shipping.

Step 3: Arm JobsOhio with the best talent and tools. JobsOhio will hire top talent and build an economic development toolbox to grow net new job creation: JobsOhio will be led by a chief investment officer and staffed with experienced industry professionals who use their strengths to provide businesses with the financing and resources they need to grow and thrive. **JobsOhio will build a team and tools designed for success:**

- **Experienced staff** - The JobsOhio team will have the experience and ability to identify potential projects, understand the needs of customers, structure deals innovatively and take risks appropriately.
- **Review of toolbox** - Department of Development programs will be evaluated for effectiveness and either be eliminated, moved to JobsOhio or remain in state government.
 - New program ideas will also be offered, including a Refundable Retention Tax Credit, to help retain key Ohio businesses.
 - JobsOhio anticipates a contract with the state to maintain and operate the loan portfolios which exist within the Facilities Establishment Fund today.

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