

## Ohio's latest budget: Kasich's legacy



**Phillip L. Parker**  
CAE, CCE President & CEO

Ohio Gov. John Kasich has now presented the details of his 2017-2019 biennium state budget for the Ohio legislature and others to review. This budget must be completed by June 30 of this year and per our Ohio constitution is mandated to be balanced.

This new financial plan – Kasich's last, as he is term-limited – will most likely be a big part of his legacy agenda for Ohio.

It has several interesting nuances that the Ohio General Assembly must review before the final iteration is completed by midyear. But it is safe to say, there will

certainly be some negotiating on the final product between the governor and the legislature.

Here are several recommended changes by Kasich that may affect consumers and businesses during the next two years if passed:

- An average 17 percent state income tax cut.

- Centralized municipal income tax collection by the state.

- Increase in cigarette taxes by 65 cents per pack.

- Increase tax on beer and wine by 1 cent per drink.

- Retail sales tax increase of 1/2 percent from 5.75 percent to 6.25 percent.

- Broadening retail sales taxes on services like cable TV, landscape design, interior design, travel agents and more.

- Reducing the consumer sales tax trade-in tax credit by 50 percent for cars and boats.

Also this budget will:

- Reduce the number of

state tax brackets from nine to five brackets.

- Higher-education tuition in public colleges and universities will be frozen, and colleges must provide students with up to \$300 per student for books.

Naturally as you look at this first draft, to reduce taxes (state revenue), you must increase taxes elsewhere to balance the budget. We just can't rely on an organic growth that will make up for any new spending or cuts in revenue (taxes).

We go through this "dance" every other year. Some years, like six years ago when Ohio was in a very deep hole coming out of the Great Recession, it was extremely difficult to balance the budget.

Though Ohio has certainly grown since 2011, it has not grown at a rate that would allow enough tax growth to offset growth in state expenditures. Plus priorities change things all the time, and we need to adapt

to an ever-changing environment.

And so the dance begins anew. Priorities are debated. Fiscal constraint is debated. And over the next four months almost every line item will be examined and debated.

But if there is at least one positive, it's this: Ohioans were smart enough when they passed amendments to our state constitution back in 1851 that with few exceptions (such as time of war, need for infrastructure or by a specific vote of the people), we could not create debt. This has since been interpreted – and re-interpreted – as balancing our general fund each year. Many states don't – certainly not our federal government – but we do.

So I say, good for Ohio. We dance and debate, but in the long run, we don't spend more than we make. Thank you, forefathers, for your insight. Your efforts have kept our heads above water.

### MILITARY

## Students invent for U.S. military

Graduate course offers new products to solve problems.

**Aaron Gregg**

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The U.S. military usually develops its advanced technology in classified labs staffed by gigantic defense companies. But as the Pentagon looks for new ways to reach out to Silicon Valley, some unexpected characters are getting a shot at the action.

The Defense Department's Hacking for Defense program (which, despite its H4D handle, does not focus on cybersecurity) is a graduate school course designed to let students invent new products for the military. Students without security clearances – including some foreign nationals – are put to work on unclassified versions of real-world problems faced by military and intelligence agencies.

A Pentagon-funded unit called the MD5 National Security Technology Accelerator, which coordinates it all behind the scenes, gives students a modest budget to try to solve military problems using off-the-shelf products.

After a test run at Stanford University last spring, the accelerator is starting similar courses at least a dozen universities.

The University of Pittsburgh, University of San Diego, James Madison University and Georgetown University are among those trying to replicate Stanford's success.

To spearhead its effort, Georgetown hired a former Special Operations Marine with a deep Rolodex and a long history of doing business with the Pentagon.

Chris Taylor's first career had him jumping out of airplanes and serving on hostage rescue teams as part of the Marine Force Recon unit, an elite intelligence-gathering team tasked with "deep reconnaissance" missions in dangerous combat zones.

He became an instructor in the unit's amphibious reconnaissance school, where he taught enlisted Marines skills such as how to covertly approach military installations from the sea and survive undetected in the wilderness.

"He's been good at teaching, leading and just sell-

ing ideas for a long time," said Bob Fawcett, a retired Marine who worked with Taylor at the Force Recon training program.

Taylor spent evenings studying accounting as he worked toward a college degree, the first step in a lucrative career on the business side of the Bush administration's military buildup.

He became a top executive at Blackwater Worldwide, the private security firm that was at the forefront of a booming mercenary industry working in Iraq and Afghanistan, until its reputation took a turn for the worse over a deadly shooting involving its employees that launched a congressional inquiry and was eventually ruled a criminal offense.

He served at private security firm DynCorp and founded a small but profitable company called Novitas Group, which handled job placement for Veterans.

His next challenge: helping Georgetown's students navigate the Pentagon.

One team of students in Taylor's class is working for the Army Asymmetric Warfare Group, a Pentagon sub-agency, to find new ways to track social unrest in crowded foreign cities by mining Twitter and Facebook.

Another group of students is trying to combine augmented reality technology with advanced facial recognition software, hoping to build something that would allow U.S. forces to constantly scan crowds for individuals known to be a threat.

Another team is looking for ways to counter the off-the-shelf drone fleets that the Islamic State claims to employ.

"This is like the greatest educational experience you could possibly have if you're interested in national security," Taylor said.

The program's managers in the government say the main point is to familiarize techies with the Pentagon's mission, but their trial run at Stanford also showed a degree of success in spinning off businesses.

In Stanford's trial run, four out of eight student teams raised additional money, either from the government or from private investors, to continue their work beyond the course.

## Economic Indicators

### Sales Tax Collections

County	Current Rate	Sep 2016	Sep 2015	12 Mos Change	YTD 2016	YTD 2015	YTD Change
Butler	0.75%	\$ 3,763,311	\$ 3,390,426	11.00%	\$ 33,053,689	\$ 30,675,649	7.75%
Clark	1.50%	\$ 2,104,236	\$ 2,110,308	-0.29%	\$ 19,056,614	\$ 18,889,639	0.88%
Darke	1.50%	\$ 728,695	\$ 761,168	-4.27%	\$ 6,673,951	\$ 6,501,345	2.65%
Greene	1.00%	\$ 2,270,327	\$ 2,148,150	5.69%	\$ 20,247,180	\$ 19,178,106	5.57%
Miami	1.25%	\$ 1,502,933	\$ 1,502,582	0.02%	\$ 13,575,786	\$ 13,032,915	4.17%
Montgomery	1.00%	\$ 6,492,556	\$ 6,270,484	3.54%	\$ 63,101,357	\$ 59,173,449	6.64%
Preble	1.50%	\$ 473,456	\$ 499,285	-5.17%	\$ 4,407,476	\$ 4,247,368	3.77%
Warren	1.00%	\$ 3,402,728	\$ 3,279,535	3.76%	\$ 29,518,977	\$ 27,618,753	6.88%
<b>Region Total</b>		<b>\$ 20,738,240</b>	<b>\$ 19,961,938</b>	<b>3.89%</b>	<b>\$ 189,635,031</b>	<b>\$ 179,317,224</b>	<b>5.75%</b>

Source: <http://www.tax.ohio.gov/tax-analysis/tax-data-series/sales-and-use/subinclusions-tels-sales/51M0116.aspx>

### Residential Home Sales

	Oct '16	Oct '15	%Change	YTD '16	YTD '15	%Change
<b>Number of Homes Sold</b>	1325	1209	9.59%	13620	12414	9.71%
<b>Total Home Sales</b>	\$198,767,519	\$160,244,708	24.04%	\$2,004,733,228	\$1,748,029,416	14.69%
<b>Average Sale Price (\$)</b>	\$150,013	\$132,543	13.18%	\$147,190	\$140,811	4.53%

Source: Dayton Area Board of Realtors, Dayton Area Home Sales for October 2016

## Calendar Of Events

- Register for all events at DaytonChamber.org.
- **Generation Dayton 101**, Feb. 28, 5:30-7:30 p.m., Dayton Convention Center, 22 E. Fifth St., Dayton. Topic: Learn how to get involved with the chamber's young professionals group
- **Access to Capital**, March 8, 11:30 a.m.-1 p.m., BarryStaff Community Room, 230 Webster St., Dayton. Speakers: First Financial Bank and Montgomery

County Economic Development; topic: traditional lending opportunities and grants to help your business reach its goals

- **Breakfast Briefing**, March 10, 7:15-9 a.m., Montgomery County Business Solutions Center, 1435 Cincinnati St., Suite 300, Dayton. Topic: Airstream: The global resurgence of an iconic American brand; speaker: McKay Featherstone, Airstream
- **Insights for Women in Busi-**

**ness**, March 10, 11:30 a.m.-1 p.m., Montgomery County Business Solutions Center, 1436 Cincinnati St., Dayton. Speaker: Marie Cosgrove, BalanceBack; topic: "Persevere and Persist"

- **Generation Dayton Professional Development**, March 15, 5:30-7:30 p.m., Dayton Racquet Club, 40 N. Main St., Dayton. Topic: emotional intelligence; speaker: Dr. Ann Bizarro
- **Safety Breakfast with the**

**Experts**, March 16, 7:30-9 a.m., Crowne Plaza Dayton, 33 E. Fifth St., Dayton. Topic: The impact of slips, trips and falls in the workplace; speaker: Jamie Coburn Van Horn, Therapy2Go

- **Human Resources Forum**, March 23, 8 a.m.-1 p.m., Crowne Plaza Dayton, 33 E. Fifth St., Dayton. Topic: Best practices and hot topics in human resources

### TAXES

## Why it's been 31 years since the last tax reform

**Albert R. Hunt**

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President Donald Trump has promised the most comprehensive overhaul of the tax system since 1986. That was when a Republican president joined forces with a Democratic House of Representatives and a Republican Senate to lower personal income-tax rates and simplify a messy and outdated tax system.

Today, Republicans control both houses of Congress as well as the White House. Democrats agree with them that the system has once again become messy and outdated. So in theory it should be easier to reach agreement now than it was then.

Forget that theory. Passing tax reform this year will be a much tougher slog than it was 30 years ago, or than Republicans expect it to be today.

Republican opposition would have doomed President Ronald Reagan's plans without Democratic support, and the bipartisanship and skilled leadership needed to push them through don't exist today.

Thus while a sweeping tax-reform bill is a top priority of both Trump and House Speaker Paul Ryan, with a goal of passing it by July, the odds are that it won't happen. A look at what took

place in 1986 helps explain why.

The architect of the 1986 tax bill was a Democratic senator, Bill Bradley, who was a relentless and effective advocate. The concept was embraced and proposed by Reagan, who delegated the responsibility for getting it through to Jim Baker, the most politically skillful Treasury secretary of modern times, and his brilliant deputy, Richard Darman, a genius at navigating the intersection of policy and politics.

On Capitol Hill, the chairmen of the two tax-writing committees surprisingly rose to the occasion. The Democratic Ways and Means Chairman Dan Rostenkowski transcended his roots as a Chicago machine politician to become a national legislator. Senate Finance Committee Chairman Bob Packwood stopped defending tax benefits tailored for some of the business interests he and other Republicans had faithfully championed.

The result was a comprehensive bill that slashed individual and corporate rates while compensating for the lost revenue by closing loopholes. That meant eliminating tax advantages enjoyed by powerful interest groups like the oil and real-estate industries and overcoming their formidable allies in

Congress.

On the way, the 1986 tax bill nearly died on multiple occasions as lobbyists pressed their cases. Throughout almost two years of debate and negotiation, the conventional wisdom was that the proposal would not survive. It was defeated once in the House. The Senate, with Democrats and Republicans equally beholden to special interests, appeared to be a certain graveyard.

Then, as the bill reached final passage, Senate Republican Leader Bob Dole marveled that in a matter of days, it went from "immoveable to unstoppable." It cleared the Senate by 97 votes to 3. A combination of will, skill and ideological flexibility made it possible.

For example, conservatives got the lower individual rates they favored by giving liberals something they wanted: stiff increases in corporate taxes (something Reagan chose not to talk about in public).

Liberals suppressed their horror at the idea of a 28-percent rate for wealthy people (down from 70 percent just six years earlier) because conservatives overcame their fears about constraining economic growth.

Today, that spirit of horse-trading is gone. Many Republicans are dead-set against raising any taxes,

even if needed to offset cuts elsewhere. Some Democrats are unbending on reducing high U.S. corporate tax rates despite widespread agreement that they are counterproductive. It's hard to see why either side would give ground.

## TAX LAW

Business and Personal tax issues can be complex and very expensive. I've been helping businesses and individuals resolve tax problems for nearly 30 years.

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