

Use Medicaid savings to improve Ohio (not to give even more tax cuts to the affluent)

Medicaid expansion, completed through State Controlling Board action on Oct. 21, will bring federal dollars to Ohio, freeing up resources for the state. A bill introduced this week in the Ohio Senate would use the \$404 million in savings expected from the expansion to cut income-tax rates.

Devoting these funds to a tax that will go mostly to affluent Ohioans is inappropriate when the state has so many unmet needs. Some result from cutbacks to schools, local governments and public services that have not been fully restored; others are a product of insufficient investment over many years. The list below includes some, but by no means all, of the possible uses for these funds, which are expected to accumulate during the course of fiscal years 2014 and 2015.

The expansion of Medicaid will help meet the health needs of hundreds of thousands of Ohioans, reducing health-care costs while providing economic benefits. There is a court challenge that should be decided before we begin using the savings. But when the savings are available, they should go to meet the needs of Ohio and position us for the future, not go to income-tax cuts. Here is a sampling of better ways to spend ongoing savings that are clearly available:

\$100 million a year could restore 1,000 police and 675 firefighters to communities across the state.

The state has cut revenue sharing with local government in half; tax reimbursements promised when the state eliminated local taxes were slashed, and the estate tax, which brought hundreds of millions to local governments each year, was eliminated. As a result, emergency and protective services have been reduced across Ohio, and many other services have been stopped or slowed. Overall, state aid available for flexible spending by local governments during this two-year state budget has fallen by \$1.1 billion since fiscal years 2010-11. It fell by close to \$100 million in the current budget compared to the prior budget.¹ If income taxes are cut by a total of \$404 million over two years, local governments and

Services \$404 million could fund

Savings from Medicaid expansion should not be spent on income-tax cuts. Vital services we could provide include these and many more:

1,000 police and 675 firefighters
in communities for \$100 million a year

14,000-plus preschool seats
for \$67.3 million over two years

Stronger EITC for 855,000 families
\$160 million a year for working families

239 caseworkers for seniors
\$11.5 million a year to protect the vulnerable

1,570 teachers across Ohio
\$121 million a year would strengthen schools

Need-based college aid
\$85.7 million a year would get us back to pre-recession levels.

¹ Wendy Patton, "Three blows to local government: Loss in state aid, estate tax, property tax rollback," Policy Matters Ohio, July 2013 at www.policymattersohio.org/local-gov-jul2013.

libraries will each receive another cut of \$7 million under the state's revenue-sharing formula. Restoring funding for 1,000 police officers and 675 firefighters would be a better approach.²

\$121 million a year would allow schools to hire 1,570 teachers. The new budget increases state investment in K-12 education but does not make up for deep cuts in the last budget. State funding sent directly to school districts increases by \$830 million in fiscal years 2014-15 compared with 2012-13 but remains \$607 million below what it was four years ago. A Policy Matters Ohio survey last fall found that the 261 responding school districts had eliminated 1,570 positions in 2012-2013. Enabling districts to make up for these losses would be a good use of savings from Medicaid expansion.³

\$67.3 million would allow the state to fund preschool for about 14,000 children in the current budget period. During state budget deliberations, Ohio Sen. Peggy Lehner asked for \$100 million to put 22,000 of Ohio's eligible children in preschool. Her request was funded at \$32.7 million over the biennium, serving about a third of the number she had targeted.⁴ It would cost another \$67.3 million to fully fund her initial proposal. Early learning has lagged in Ohio, despite widespread agreement that it is a critical need. According to the National Institute for Early Education Research, Ohio fell to 37th in the nation for enrolling 4-year-olds in state-funded pre-K 2012 from a 2002 ranking of 19th. On per-child spending, we fell to 18th in 2012 from 6th in 2002.⁵

\$160 million a year would fund a stronger, refundable Earned Income Tax Credit for 855,000 low-income working families. These credits have long been recognized for being highly effective in moving working families out of poverty. But Ohio's new credit is far too weak to have much impact; only 6 percent of earners in the bottom 20 percent of Ohio taxpayers will be able to get the credit, and their average annual tax cut will only be \$50.⁶ Unlike credits in the vast majority of states that have them, Ohio's EITC is nonrefundable, capped for those with taxable income over \$20,000, and set at just 5 percent of the federal credit. A refundable, 10 percent EITC without a cap would improve the lives of more than a more than 855,000 Ohioans at an average annual benefit of totaling \$226. Qualifying workers in the lowest income quintile on average would receive an increased benefit of \$140. This would help working families, reduce child poverty, and make up for unfair features of our tax code. The program would cost the state about \$160 million a year in addition to the cost of the current credit.

² Based on an average median wage for police officers of \$49,229 and for firefighters of \$37,694. See Ohio Department of Job & Family Services, Occupational Employment Statistics (OES) survey, available at <http://ohiolmi.com/oes/oes.htm>. The estimates add a third to that amount for benefits.

³ Based on an average salary for teachers across the state of \$57,950 plus a third of salary used to estimate benefits for a total of \$77, 247. Average salaries in rural areas are as low as \$36,000, so this investment would have more impact in those areas. Average salary from Ohio Department of Education, 2012-13 data.

⁴ Wendy Patton, "Overview: Ohio Budget for FY 2014-15," Policy Matters Ohio, September 2013 at www.policymattersohio.org/budget-oct2013.

⁵ Barnett, W.S., Carolan, M.E., Fitzgerald, J., & Squires, J.H. (2012). "The State of Preschool 2012: State Preschool Yearbook," New Brunswick, NJ: National Institute for Early Education Research. <http://nieer.org>.

⁶ Halbert, Hannah, "A Credit that Counts," Policy Matters Ohio, Oct. 17, 2013, <http://bit.ly/1eLgZfL>.

\$11.5 million a year would fully fund the 239 positions needed to investigate cases and ensure protection of vulnerable seniors at recommended caseload levels.⁷ At least 70,000 elderly and vulnerable Ohioans a year may be abused emotionally, physically or financially; this figure does not include a count of seniors without a caretaker who are simply unable to care for themselves. Counties are mandated to offer protection, but state funding is inadequate. As more seniors age in their homes rather than in nursing homes, the need for properly funded adult protective services becomes more critical.

\$85.7 million a year could restore need-based college aid to pre-recession levels. Post-secondary education is critically important to individual economic mobility and family stability. Having a skilled workforce is a primary concern of employers, and Ohio could do much more to increase the post-secondary skills of residents. The General Assembly has cut appropriations for Ohio's primary need-based financial aid programs from \$352 million in FY 2008-09⁸ to \$180.6 million in FY 2014-15, a 48.7 percent reduction.⁹ Students enrolled in community colleges and at branch campuses are no longer eligible for need-based grant aid. From 2000-01 to 2010-11 Ohio had the largest decline in need-based grant aid of any state in the Midwest.¹⁰ Despite some additions since then, aid remains far below previous levels. The current structure is insufficient to meet the needs of low-income students or to achieve the state's workforce policy goals. The state should do what we once did and increase total funding for state-need based aid and restore aid for students attending 2-year institutions.

\$75 million a year for a Transportation Choice fund would move us in the right direction. Ohio commits to mass transit less than 1 percent of the billions of public dollars it spends on transportation each year. As a result, our state ranks 47th in the nation for its commitment to public transit. We have also underinvested in other options like safe streets for pedestrians and bicyclists. By investing to increase Ohio's transportation choices, we can reduce our economic vulnerability to oil, promote jobs, give firms and workers low-cost and accessible commuting options, improve public health, and reduce emissions. This investment would represent just 2 percent of our transportation spending.

Among the other areas that desperately need new investment are:

- **Childcare subsidies**, which have trailed behind need in Ohio. Other states index eligibility to inflation. But in Ohio, eligibility for subsidized childcare fell from \$27,408 for a family of three in 2011 to \$23,172 in 2012, even as need rose.¹¹ Restoring eligibility to at least 150 percent of the federal poverty level would help many families gain traction in the labor market.
- **Home health care**, where expanded state funding could be used to raise the rates of pay to direct service workers, the front-line workers who come into homes and help Ohioans who are aged, disabled or ill. The Ohio Providers Resource Association, which represents providers of services for those with developmental disabilities, found that 90 percent of its members have

⁷ Wendy Patton, "Protecting older Ohioans: Better funding of protective services would improve lives," Policy Matters Ohio, May 2013 at www.policymattersohio.org/aps-jun2013. (Staffing estimate based on Ohio LMI, Occupational Wage Estimates, median wage for child, family and school social workers in Ohio with an addition for benefits. No calculation was made for supervisory or capital costs of the service.)

⁸ Community Research Partners, Need Based Financial Aid: A Tool for Supporting Ohio's Education and Workforce Goals, January 2013.

⁹ Figures are not adjusted for inflation.

¹⁰ Community Research Partners, Op.Cit.

¹¹ National Center for Children in Poverty, State Profile at <http://bit.ly/VmH6Rg>.

employees who earn so little that they are eligible to receive health care through Medicaid. Pay is so low that annual turnover is 43 percent: this fosters a lack of stability in care.¹²

- **State parks**, where deferred maintenance totals a half billion dollars, according to a 2009 report by the Ohio State Park and Recreational Facility Study Committee.¹³ The committee also identified the need for \$96.5 million per year to sustain the operations of state parks, forests, natural areas and preserves, and canal lands, as well as the programs and services within Soil and Water Conservation. General Revenue Funds freed up by Medicaid expansion could boost efforts to sustain Ohio's parks and recreational areas.
- **Infrastructure across the state.** Ohio was listed as having more than 6,500 functionally obsolete and/or structurally deficient bridges in a 2013 report by the American Society of Civil Engineers.¹⁴ Funding is needed to meet Ohio's growing infrastructure needs.

This policy brief provides an incomplete list of investments Ohio could begin to make to improve public services, invest in needed education and infrastructure, and boost the quality of life for residents and businesses alike. This approach would do much more to help working families, strengthen communities, and position Ohio for the future than another round of tax cuts like those proposed in Senate Bill 210.

¹² Testimony of Mark Davis, Ohio Provider Resource Network, to the House Appropriations and Finance Committee, March 22, 2013 at <http://bit.ly/17s8zbc>.

¹³ Ohio State Park and Recreational Area Study Committee Report, 2009 at <http://bit.ly/1g046Sn>.

¹⁴ American Society of Civil Engineers, "2013 Report Card on America's Infrastructure," at <http://bit.ly/1afVZtz>.