Cuts, costs and CARES Act funds: Will state lawmakers’ choices help or hurt in the pandemic recession?
Everyone - no matter where we live or what we look like - needs a safe place to call home, food to eat and medical care to maintain our health and treat us when we’re sick. We pool our public resources through taxes to get clean water, sewer services and trash pick-up to keep us healthy; schools to build a future for our children, and other basic public services to keep the community going. That platform must be strong and resilient. The recent shock of the pandemic recession found many of Ohio’s public services weakened from years of tax cuts and tax breaks that primarily benefit the wealthy and corporations. For example, funding of Ohio’s schools remains unconstitutional 23 years after the State Supreme Court ruling.\(^1\) The governor points to long-term underfunding of public health as a reason Ohio struggles to contain the pandemic.\(^2\) Yet both school funding and the Ohio Department of Health have already been cut during the pandemic recession.

The danger is that the pandemic recession will further erode the revenue that supports state and local public services, leaving Ohioans worse off. Lawmakers already cut $776 million from the current 2020-21 state budget’s General Revenue Fund (GRF).\(^3\) The cuts were deep but use of state funds in the GRF ended up $1.5 billion below appropriations.\(^4\) Some of this was due to the pandemic, as activities and spending slowed during stay-at-home orders. This establishes a new, lower baseline for 2021 appropriations.

In memos from May 12, the Office of Budget and Management asked agencies to set-aside 20% of non-payroll/debt-service line items appropriated for 2021 in holding accounts, where they would not be spent until further instructions were given.\(^5\) This depresses spending in fiscal year FY 2021, which started July 1, 2020.\(^6\) The director’s guidance of June 26 instructed that subsidy lines – which fund public services

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2 Richardson, Seth, “Gov. Mike DeWine says state relies on two-decade old disease reporting system, making aggregate contact tracing data ‘nearly impossible’ to get,” Cleveland.com, August 7, 2020 at https://bit.ly/3g6ScYd
3 The GRF is where state taxpayer funds are held and is the most flexible source of funds. It gets most of the attention in budget discussions. But there are other funds in the state budget a well: federal funds, fiduciary funds (that just pass through the state, like local sales tax collections) and dedicated purpose funds. Another $352.7 million in other state funds were also trimmed in the May 2020 budget cuts, mostly from special or dedicated purpose funds, which may come from specific taxes, fees or fines that are dedicated to a specific purpose.
4 According to the Ohio Legislative Service Commission Historical Revenues, Table 2 (state GRF, LGF and LPEF funds), appropriated state-source funds for 2020 were to be $26,001.2 million but actual spending ended up as $24,455.7 million. Table 2 (2020 appropriations) was accessed May 22, 2020; Table 2 with 2020 actual appropriations was accessed August 15, 2020.
5 “Fiscal Year 2021 Allotment Guidance,” May 12, 2020, memo from Director Kimberly Murnieks to Fiscal Officers of All Departments, Agencies, Boards and Commissions, provided in e-mailed communications from the Department of Rehabilitation and Corrections public information office, Kevin Stockdale, August 11, 2020.
6 The state of Ohio’s fiscal year, or the 12 month period covered by the budget, runs from July 1 to June 30.
delivered locally, like mental health services, child protective services, and other services, should also be held to 2020 levels. Some critical services have been notified of 2021 actual subsidy levels. The restraint slows investment in public services when community needs are growing. The FY 2021 GRF budget was to increase by 3.9% above 2020, but in many areas, it is now being held to 2020 levels. Budget cuts for FY 2021 have not been announced, but a reduction of at least $440 million is already known based on e-mailed information from state agencies:

- **K-12 schools:** Lawmakers cut $277 million from school district formula funding in 2020. The reduction will be $309 million in 2021.

- **Colleges and universities:** The Administration cut State Share of Instruction (SSI), the state's main funding mechanism for public higher education, by 3.8% in May 2020, a decrease of $77 million. In July, the state announced an SSI cut of 4.38% to the previously budgeted 2021 amount, a decrease of $89 million.

- **Public defender:** The Office of the Public Defender's share of indigent legal defense – an expense shared with counties - rose in the last budget, but now faces a $46 million reduction from FY 2021 appropriated levels.

If the reduced 2020 budget becomes the baseline for flat-funding in 2021, other essential services could also see reduced funding, including:

- Programs to address Ohio’s drug addiction crisis and the attendant social problems, including the Ohio Department of Mental Health’s partnership with corrections and statewide treatment and prevention activities.

- Programs to lower Ohio’s high infant mortality rate, including Help Me Grow, Early Intervention and the Minority Health Commission’s successful community hubs programs.

Federal funds are helping in the immediate crisis, but they cannot rebuild a decade of services eroded by tax cuts and tax breaks. Today, the health of Ohioans is poor

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7 E-mailed communication from Pete Lubipa of the Office of Budget and Management to Pete van Lier of Policy Matters Ohio, July 15, 2020.
8 The reduction of $300.8 million is based on historical school district formula funding and includes TPP reimbursement and student wellness and success funds, based on an Ohio Legislative Services Commission spreadsheet and E-mailed communication from Kelsey Woolard, Finance Director to the House minority caucus, to Wendy Patton, Policy Matters Ohio, July 22, 2020. In the e-mail, Mr. Phillips instructed: “Look at line A of the web-based payment report for the FY 2021 July #1 payment I have linked to below. It shows the same statewide annualized amount as the FY 2020 report for the June #2 payment ($7,773,798,990.07), reflecting the rolling forward of the FY 2020 reductions into FY 2021.” See https://bit.ly/2EfUTdp.
compared to other states;\textsuperscript{13} college is unaffordable for many\textsuperscript{14} and student debt is onerous.\textsuperscript{15} School funding remains inequitable and unconstitutional.\textsuperscript{16} Social services have been reduced, adjusted for inflation. Ohio’s local governments fund and deliver a big share of human services, and state revenue sharing and tax reimbursements for these local governments were cut deeply over the past decade.\textsuperscript{17}

People and families in Ohio have rising needs with illness and recession. The state has an untouched, $2.7 billion reserve fund,\textsuperscript{18} a surplus of federal social service funds in the hundreds of millions,\textsuperscript{19} over $1 billion in unallocated state and local government funds from the federal CARES Act.\textsuperscript{20} In the past spring, JobsOhio – the state’s privatized economic development agency – had a reserve fund of more than a $500 million.\textsuperscript{21} These are one-time sources of funds that should be used now to help struggling families. More funds are needed from Congress during the pandemic and recession, but Ohio’s immediate needs can and should be met.

Economists now predict a “K-shaped recovery, with technical and professional workers gaining wealth while other workers, many called “essential” workers, lose ground. Lawmakers need to reduce inequality and boost opportunity for workers at the bottom of the pay scales who have been badly hurt in the pandemic: They are cashiers and janitors, construction laborers, clerks, and food service workers. They are, disproportionally, women and people of color, precisely the groups that were already harmed by pay and wealth gaps even before Covid-19 hit.\textsuperscript{22} They are, disproportionally, women and people of color, precisely the groups that were already harmed by pay and wealth gaps even before COVID-19 hit.\textsuperscript{23}

As Ohio recovers and emerges from the pandemic recession, it should be with a strategy to rebuild and restore the public services Ohioans need and deserve, like excellent schools in all communities, better public health and other strong health and human services, paid for with a strengthened and fair state tax structure.

\textsuperscript{13} Health Values Dashboard for 2019, Health Policy Institute of Ohio, at https://bit.ly/3giov6U. Ohio ranks in the bottom quartile of states in terms of overall health and wellbeing of the population, ranking 40\textsuperscript{th} in 2019.
\textsuperscript{14} The College Board finds Ohio ranks 35\textsuperscript{th} among the states in tuition at public 4-year and 2-year colleges: https://research.collegeboard.org/trends/college-pricing.
\textsuperscript{15} The average student debt burden for Ohio is $33,000 among those who take out student loans. See Malinsky, Gili and Kiersz, Andy, “Here’s the amount of student debt owed by every US state and DC, in billions,” Business Insider, August 23, 2019 at https://bit.ly/3lb0OPD.
\textsuperscript{16} DeRolph versus the state of Ohio, Ohio History Channel at https://bit.ly/32nZ3Vz.
\textsuperscript{18} State Budget Stabilization Fund at https://checkbook.ohio.gov/State/Resources/BSF.aspx.
\textsuperscript{20} Policy Matters Ohio calculations based on Controlling Board actions and agendas.
\textsuperscript{22} Mims, Christopher, “COVID-19 is dividing the American Worker,” Wall Street Journal, August 22, 2020 at https://on.wsj.com/3dFvVg
\textsuperscript{23} Mims, Christopher, “COVID-19 is dividing the American Worker,” Wall Street Journal, August 22, 2020 at https://on.wsj.com/3dFvVg.
In March, Congress passed three acts to allocate additional federal funding to states for several programs to address the COVID-19 pandemic: the Coronavirus Preparedness and Response Supplemental Appropriations Act, the Families First Coronavirus Response Act (FFCRA), and the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The state of Ohio is slated to get $6.6 billion.\(^\text{24}\)

State and local governments may draw down $4.5 billion of this funding. At the time this brief goes to press, more than $1 billion remain to be allocated for specific uses. The money is restricted to activities related to the pandemic. It cannot be used to replace revenue shortfalls but is helpful with immediate needs. For example, the Ohio Controlling Board appropriated $29.3 million in CARES Act money through the Department of Aging’s Federal Independence Services line for a variety of services for seniors. The board also provided the department with federal funds through the Families First Coronavirus Relief Act, including $8.8 million for home delivered meals, which will help offset the May 2020 state budget cut imposed on the long-eroded Senior Community Services program.\(^\text{25}\)

Evidence is emerging that family violence is rising with the stress and isolation of the pandemic; $8.7 million in federal funds have been provided for domestic violence and sexual assault crisis centers, increasing total state-wide resources significantly. The additional funding will be used for pandemic pay for staff, hotel rooms to allow survivors to physically distance, and other pandemic-related costs.\(^\text{26}\)

In addition to the COVID-related funds, Ohio has gotten other federal funds to help with the crisis. For example, the Ohio Department of Job and Family Services (ODJFS) received an $8.5 million National Dislocated Worker Grant and another $9.4 million grant to expand apprenticeship opportunities from the federal Department of Labor.\(^\text{27}\)

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\(^{25}\) The Senior Community Services program has been cut in half over the past 15 years. It was boosted by $2.8 million in the budget for 2020-21, which fully funded the expansion of the federal Senior Farmers Market Nutrition Program, which gives older Ohioans $50 a year in vouchers for farmers market produce. The $1.7 million cut to the program reduces this boost by almost 40%. See section on Health and Human Services in Patton, Op.Cit.

\(^{26}\) E-mailed communication from Mary O’Doherty, Executive Director, Ohio Domestic Violence Network, August 13, 2020.

\(^{27}\) Cited in the Ohio Department of Job and Family Services August 13, 2020 e-mailed media release, “Ohio Jobless Claims for Sunday, August 2, through Saturday, August 8, 2020.”
The federal funds are helpful with immediate needs, but they do not backfill for cuts already made, nor will they prevent revenue shortfalls that are causing or may cause a new round of cuts in 2021. It is estimated that across all state and local governments in the nation, at least $550 million is needed to prevent drastic cuts in needed services. Only the federal government is big enough to address that scale of fiscal crisis. However, the DeWine administration should tap the $2.7 billion rainy day fund to address immediate needs while Congress struggles to agree on the next fiscal relief package. Moreover, Ohio lawmakers need a plan to raise sufficient funds to rebuild state services. This can be done without affecting the majority of working Ohio families.

Ohio eliminated two major business taxes, including the corporate profits tax, and replaced them with a smaller gross receipts tax. Today Ohio is one of six states with no corporate profit tax. The wealthiest Ohioans pay, on average, $40,000 a year less in state taxes than they did in 2005. (In addition, the 2017 federal tax cut reduced their federal taxes by another $40,000, on average.) Meanwhile, families of middle or low income pay the same or more than they would have under the laws of 2005, on average. State lawmakers should rebalance the state tax system so wealthy Ohioans and corporations pay their fair share and use it to make public services stronger and more resilient to crisis.

Ohio’s state lawmakers under-invested in critical public services since 2005, when the corporate profits tax was eliminated; the tangible personal property tax, a local tax, was phased out; and income taxes were cut, and continued to be cut, in almost every year since. These policy changes benefitted top earners the most. As a result of these tax changes, public services have declined: State expenditures as a share of the economy fell from 4.5% in 2005 to 3.9% in 2020. On an inflation-adjusted basis, state GRF investment in health and human services was 19% lower in 2020 than in 2005 (Figure 1). Local tax levies pay for a big share of services like child welfare, domestic violence services, public health, and more. Deep cuts to state revenue sharing with local governments, and phase-out of tax reimbursements to levies, further eroded health and human services over time.

30 Ibid.
31 State source revenues taken from the Ohio Legislative Service Commission’s historical state-source expenditures (Table 2); state GDP is taken from the Bureau of Economic Analysis, accessed August 1, 2020.
Ohio heads into this new recession with weakened health and human service infrastructure, but with surplus funds in the bank. The Kasich administration allowed local human service agencies to reduce cash assistance after the last recession while the statewide poverty rate remained high,\(^{32}\) building up a surplus of unspent funds in the federal Temporary Assistance for Needy Families (TANF) program.\(^{33}\) The May 2020 budget cuts included a $36 million cut to ODJFS, the agency that administers cash assistance and other safety net programs; however, the agency has begun to tap surplus funds to help struggling families. For example, the DeWine administration provided $6 million in TANF funds for food banks in April\(^ {34}\) and $15 million from the same source to help families avoid homelessness in the pandemic.\(^ {35}\)

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**Figure 1: Needs remained high but investment has fallen**

*State-source General Revenue Funds for health and human services (billions, 2020 $$)*

![Graph showing State-source General Revenue Funds for health and human services (billions, 2020 $$)](chart.png)

*Source: Policy Matters Ohio, based on Ohio Legislative Service Commission historical expenditure Table 2 (state-source General Revenue Fund spending), 8/1/2020.*

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\(^{32}\) Patton, Wendy, “Ohio after COVID-19: Looking to the future, learning from history” (Figure 3), Policy Matters Ohio, May 14, 2020 at [https://bit.ly/34lWF8a](https://bit.ly/34lWF8a)


\(^{35}\) “Housing Now for Homeless Families,” Request for Proposals, Coalition for Housing and Homelessness in Ohio (COHHIO) at [https://cohhio.org/housing-now-for-homeless-families/](https://cohhio.org/housing-now-for-homeless-families/)
Reaching into banked reserves and surpluses to meeting immediate, pressing needs is a good policy response at this time. Imposing new cuts on health and human service funding at a time of crisis is not.

Cardiologist Dr. Greg Lam of OhioHealth Berger Hospital in Circleville worries about the deep stress and anxiety affecting his patients since the pandemic began. He has witnessed an increase in substance abuse as people cope with the psychological distress of the pandemic with alcohol, opioids and IV drug abuse. At his hospital, this has resulted in increases in cases of heart attacks, atrial fibrillation and endocarditis (an infection of the valves). Adding to their burden, a growing number of Dr. Lam’s patients have been laid off, and therefore lost their health insurance. They can’t pay their rent or feed their families. They have no way of affording their life-saving heart medications – so they don’t take them. He knows what state lawmakers could do to keep people healthier during this crisis: Fund a flood of “navigators” to help people get enrolled in Medicaid or other insurance alternatives, surge funding to support and expand community mental health services, develop ways of getting the uninsured access to medical care and medicine. He’s not seeing any of that.

Gov. DeWine slashed Medicaid by $210 million in May. Some organizations responded with shock, decrying cuts to Medicaid in the midst of a pandemic. Others suggested it would not cause harm because routine and elective health care and surgical services slowed under stay-at-home orders and Congress’s relief legislation increased the federal share of each Medicaid dollar in Ohio.36

The DeWine administration did not exclude the Ohio Department of Mental Health and Addiction Services from cuts, taking $21.7 million from GRF and non-GRF state-source funds for the agency. Director Lori Criss pointed out in her budget reduction letter to the Office of Budget and Management that it is well-known that the pandemic increases mental stress.37 However, the biggest cut, $13.4 million, was taken from programming for statewide treatment and prevention. The toll of this stress can be measured in grim ways, like the recent increase in drug deaths.38

37 In her April 7, 2020 Budget Reduction Scenario memo to the Director of the Office of Budget and Management, Director Lori Criss of Mental Health and Addiction Services stated: “These funds were for use with RecoveryOhio for new public awareness education campaigns to help reduce stigma associated with mental health and substance use disorders. The community impact would be minimal at this point, especially given the increased awareness of the importance of mental health and addiction as public health issues through the COVID-19 crisis.”
Dr. Lam points out that public health care, particularly community addiction services, are essential to stem the drug epidemic that continues to plague southern Ohio. Lam fears that without substantial strengthening of Medicaid and mental health in the next federal stimulus bill, more cuts could weaken services and reduce access to treatment around Berger Hospital, located in rural Southern Ohio where farming and manufacturing are vital to the local economy. Lam notes that rural communities have been hit hard: The prices of crops, already hurt by tariffs, have further dropped and factory workers have been laid off or furloughed. Medicaid and community health centers are essential to the farming and industrial families he serves.

The behavioral health system is made up in significant measure by small providers who, like all other small businesses, have been hit hard by the recession and are struggling to make payroll. The Washington Post points out that in normal times, most nonprofit behavioral health centers operate on extremely thin margins and rely on reimbursements from major government health programs such as Medicaid and Medicare and grants from local government. During the pandemic, they have struggled to treat patients, leading to severe drops in reimbursement. A survey of members conducted by the Ohio Council of Family and Behavioral Health Providers found more than half had furloughed personnel, affecting 915 staff members.

The DeWine administration made cuts to the Department of Mental Health and Addiction Services, reducing the mental health partnership with corrections, funding for specialized drug dockets and community corrections (Table 1). Given the rising drug epidemic, lawmakers should be vigilant about protecting funding for mental health services of community corrections.

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39 Wan, William and Heather Long, ‘Cries for help’: Drug overdoses are soaring during the coronavirus pandemic, Washington Post, July 1, 2020 at https://wapo.st/3gcx6rt
### General Revenue Fund (GRF) cut and non-GRF state-source cuts to the Ohio Department of Mental Health and Addiction Services, May 2020

<table>
<thead>
<tr>
<th>Program name</th>
<th>Appropriated</th>
<th>Cut</th>
<th>% of 2020 appropriation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Continuum of Care Svc. (OhioSTART)</td>
<td>$23,489,846</td>
<td>$2,000,000</td>
<td>8.5%</td>
</tr>
<tr>
<td>Criminal Justice Services</td>
<td>$17,113,780</td>
<td>$2,653,105</td>
<td>15.5%</td>
</tr>
<tr>
<td>Addiction Svc. Partnership w/Corrections</td>
<td>$26,528,872</td>
<td>$2,555,677</td>
<td>9.6%</td>
</tr>
<tr>
<td>Specialized Docket Support</td>
<td>$7,500,000</td>
<td>$680,000</td>
<td>9.1%</td>
</tr>
<tr>
<td>Community Innovations</td>
<td>$13,950,000</td>
<td>$400,000</td>
<td>2.9%</td>
</tr>
<tr>
<td>Non-GRF cuts, including statewide prevention and treatment</td>
<td>$212,185,822</td>
<td>$13,375,000</td>
<td>6.3%</td>
</tr>
</tbody>
</table>


ODJFS will ask for Controlling Board approval to use TANF funds to replenish and boost the OhioSTART program, which provides help for children whose parents suffer from substance use disorder. Using surplus federal funds to address health and social problems growing in the pandemic is the right policy choice.

Cuts to the Ohio Department of Rehabilitation and Corrections were minimal; that said, the small cuts that were made – less than $1 million out of a budget of almost $2 billion – were taken against community corrections. The danger is if FY 2020 funding levels become the base for 2021, which could cut millions from the agency, which operates at dangerous over-capacity in some prisons.

The danger is similar for the Department of Youth Services, which DeWine cut by $5.4 million. The majority of these cuts – $5.3 million – came from the RECLAIM program, a community-based partnership that diverts youth from prison, as well as from parole services and administrative operations. The agency plans to absorb those cuts through attrition and slowing of projects, but advocates who watch the program remain concerned. "We are still waiting for FY21 numbers but understand..."
minimally, the FY20 cuts will remain in effect. This may be where we will start feeling the impact to community programs,” says Gabriella Celeste, Policy Director at the Schubert Center for Child Studies at Case Western Reserve University.

The Ohio Public Defender Commission provides, supervises, and coordinates legal representation for people accused of a crime who cannot afford to hire an attorney. The state and counties share the cost of providing legal counsel. The state’s share shrank during the last recession but didn’t rise when the economy improved. As state funding to counties and other local governments was cut under the Kasich Administration, counties struggled with the unpredictable cost of indigent legal defense. According to the Office of the Public Defender, local government fiscal woes interfered with justice in some counties.

The state increased support for the Public Defender’s office in the 2020-21 budget, boosting state share from 45% and 42% in FY 2018 and FY 2019, respectively, to approximately 70% and 90% for FY 2020 and FY 2021. DeWine’s May 2020 state budget cuts took $12 million from this agency. Reimbursement to counties for public defenders will not reach 90% as planned in the 2020-21 budget. It will stay at 70%, an estimated reduction from the originally appropriated level of $46.5 million. The state should have a goal of fully funding this constitutional responsibility to the level recommended by the Ohio Supreme Court remains a challenge; while progress is being made, these cuts work against such a goal.

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49 A Supreme Court-appointed task force recommended in 2006 adjusted for inflation, that indigent legal defense should have been funded at $179 million in 2018 instead of the $146 million it received.[17] The upcoming state budget should fully fund the system at the recommended levels ($189.8 million in 2020 and $195.5 million in 2021). For more background on this, see “Funding Recommendations” (p.37) of Ohio Supreme Court, “Report and Recommendations of the Supreme Court on the Pro Se and Indigent Litigants” at https://bit.ly/2U19Kep
50 A Supreme Court-appointed task force recommended state funding levels for this service in 2006; adjusted for inflation, funding should be at $189.8 million in 2020 and $195.5 million in 2021. Estimated state funding for 2021, at $110.5 million, falls short of the goal. For more background on this, see “Funding Recommendations” (p.37) of Ohio Supreme Court, “Report and Recommendations of the Supreme Court on the Pro Se and Indigent Litigants” at https://bit.ly/2U19Kep.
Dr. Robert Redfield, the director of the Centers for Disease Control and Prevention, said in April that his “biggest regret” was “that our nation failed over decades to effectively invest in public health.” Ohio, too, has failed to make necessary investment in public health.

Ohio’s public health system is decentralized among 113 local authorities, plus the state department. Three-quarters of local departments’ funding comes from local sources - property tax levies, fines and fees, for example - and the balance from the Ohio Department of Health’s budget, mostly originating from federal dollars. A tiny percentage comes from state funds. Ohio ranks 47th in the nation for state investment in public health according to the U.S. Department of Health and Human Services. A 2019 study estimated public health services in Ohio are underfunded by $93 million.

Gov. DeWine boosted GRF support for public health in the current budget by $55.6 million, a 36.6% increase over the 2018-19 budget. But it was not enough to counter the long-term effect of disinvestment in this critical public service. Today, poorly funded data collection makes it more difficult to control the COVID-19 virus. Gov. Mike DeWine points out that the state is relying on nearly two-decade old technology for contact tracing, making gathering aggregate data nearly impossible. “We have ignored as a people -- Democrats, Republicans -- ignored public health,” DeWine said. “We’ve got to stop ignoring public health. This ought to be a real wake up call for us.”

The Ohio Department of Health has received significant funds from the federal relief bills: The Ohio Controlling Board has approved over $500 million for local health departments, preparedness, equipment, testing and other COVID-related purposes. The funding is essential to controlling the COVID-19 virus but it will not make up for decades of neglect.

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Gov. DeWine did not spare public health from the May 2020 budget cuts, slashing $11.8 million (4.6%) across programs funded by state sources. The largest single share of the cut - $3.3 million – came out of the Help Me Grow home visiting program, which helps families with new babies get off to a good start. A companion program in the Department of Developmental Disabilities, Early Intervention, was also cut by $1.2 million or 7%.

Director Jane Whyde of the Franklin County Families and Children First Council (FCFC) has worried about Ohio’s high levels of infant mortality for over a decade. Her organization, and the network of Families and Children First Councils across the state, have supported Help Me Grow as an effective approach to reducing infant mortality (which is when babies die before their first birthday). She was elated when Gov. DeWine took a strong position on infant mortality in his campaign, and then significantly boosted funding of programs that could reduce infant mortality, including Help Me Grow and Early Intervention. She is discouraged that the priority did not survive May’s state budget cuts. If the reduced 2020 budget becomes the basis for 2021 appropriation levels, these programs could lose an aggregated $17 million over the biennium.

Prior to the pandemic, Ohio had two pressing public health crises, one of drug addiction and the other of systemic racism. The infant mortality rate is an indicator of the overall physical health of a community. Ohio ranked 41st in the nation in terms of number of infants that died before their first birthday in 2018, but the crisis was much worse among Black families. While the mortality rate for white babies, at 5.1 deaths per 1000 live births in the 4th quarter of 2019, is below the national average, the rate for Black babies of 14.2 is higher than in most places in the nation, and higher than in many developing nations.

Legislators boosted investment in the Minority Health Commission’s program to reduce infant mortality, but the agency’s 2020 appropriation was cut by $659,427 (14%) in May 2020. Of that sum, $500,000 came out of grant funding for the agency’s successful Hubs model for combating Black infant mortality. In the agency letter published prior to the May 2020 budget cuts Agency Director Angela Dawson stated that the program reduction would affect efforts to expand the Hub model to serve an additional “230 high risk pregnant women” who “are within population groups that tend to have poor birth outcomes, bear the burden of infant mortality,

56 Calculated from the Department of Health Agency Budget Reduction Spreadsheet, attached to Director Amy Acton’s Budget Reduction Memo of April 7, 2020, and from “OBM GRF Budget Reduction Spreadsheet” provided by e-mail from Kelsey Woolard to Wendy Patton, June 2020.
57 FY 2020 GRF Reductions–Updated, spreadsheet by the Ohio Legislative Service Commission, provided by Kelsey Woolard, Finance Director of the House Minority Caucus in an e-mail of July 23, 2020.
58 Encyclopedia Britannica https://bit.ly/34g1EWY
59 Centers for Disease Control, Stats of the States at https://bit.ly/3yPSG1h
61 World Bank data at https://data.worldbank.org/indicator/SP.DYN.IMRT.IN
experience social determinant of health barriers and have increased healthcare costs.” 62

The RFPs are not going forward because of the May 2020 budget cuts. Director Dawson reports that 74% of the budget reduction stems from eliminating the RFPs, and as a result, 10% fewer women than originally planned will be served.

Tracy Najera, Executive Director of the Children’s Defense Fund of Ohio and Policy Matters board member, fears the cuts will set Ohio back in achieving DeWine’s campaign goals of reducing infant mortality and helping more children thrive. She points out: “With shrinking state revenues and Congressional inaction to support children and families, Ohio is at risk of backsliding on some of the modest investments and gains we were making to support maternal and infant health. Without additional federal support, Ohio’s upcoming biennial budget will prove to be one where no good choices exist and critical programs will be starved. Ohio will be forced to make impossible choices, similar to those that so many parents are making right now, between rent and utility bills and putting food on the table for their children.”

Schools

The Ohio Department of Education serves 1.67 million students in 612 school districts across the state. DeWine cut the department by $366.1 million in May. The school district formula funding for K-12 school districts, which policymakers held to the 2018-19 funding level in the current budget, was cut by $277 million. A cut of $309 million is imposed in 2021 (Table 2).

The Legislative Service Commission anticipates $330 million in CARES Act funding will be appropriated for schools in FY 2021. 63 At first glance, this appears to offset state budget cuts, but it does not do the job for several reasons, and it does not fully replace lost state funds in many school districts.

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62 Budget reduction letter of the Minority Health Commission, from Director Angela Dawson to Director Kimberly Murneiks of the Office of Budget and Management, dated April 6, 2020.
63 K-12 foundation funding (Historical foundation and other funds, including federal funds, that go out to school districts), Ohio Legislative Service Commission, provided in an e-mail from Kelsey Woolard, House Minority Caucus Finance Director, August 17, 2020. Subsequent discussions with the Ohio Department of Education indicated only $16 million of the 2020 CARES Act appropriation was actually drawn down. Part of the issue is that these funds reimburse schools for expenditures already made. DeWine’s May 2020 cuts and CARES Act allocations were made late in the year, and schools were largely closed, which worked against timely use of funds.
The CARES Act funding is not flexible like the federal stimulus funds provided under the American Recovery and Reinvestment Act of 2009, and in general cannot be used to backfill for budget shortfalls and gaps.\textsuperscript{64} Levels of funding and the suitability of these funds to meet local needs will vary by school district. For example, the Medina school district lost $811,000 more from the state budget cut than it will

\textsuperscript{64} E-mailed communication with Dr. Howard Fleeter of the Ohio Education Policy Institute on May 8, 2020 and conversation with Aaron Rausch of the Ohio Department of Education, July 27, 2010.

Table 2: May cuts roll over into 2021

<table>
<thead>
<tr>
<th>Element of school district funding</th>
<th>Estimated FY 2020</th>
<th>Actual, FY 2020</th>
<th>$$ Change</th>
<th>Estimated FY 2021</th>
<th>Revised Estimate, 2021</th>
<th>$$ Change</th>
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<tr>
<td>School District Formula Aid</td>
<td>$8,074.8</td>
<td>$7,797.1</td>
<td>$277.7</td>
<td>$8,074.8</td>
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<td>Joint Vocational School District Formula Aid</td>
<td>$306.5</td>
<td>$307.3</td>
<td>-$0.8</td>
<td>$306.5</td>
<td>$307.3</td>
<td>-$0.8</td>
</tr>
<tr>
<td>Student Wellness and Success Funds</td>
<td>$275.0</td>
<td>$274.8</td>
<td>$0.2</td>
<td>$400.0</td>
<td>$391.1</td>
<td>$8.9</td>
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<td>Enrollment Growth Supplement</td>
<td>$15.5</td>
<td>$15.5</td>
<td>$0.0</td>
<td>$23.0</td>
<td>$23.0</td>
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<tr>
<td><strong>Total Formula Aid</strong></td>
<td><strong>$8,671.8</strong></td>
<td><strong>$8,394.7</strong></td>
<td><strong>$277.1</strong></td>
<td><strong>$8,804.3</strong></td>
<td><strong>$8,495.2</strong></td>
<td><strong>$309.10</strong></td>
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<td>TPP Reimbursement - Business</td>
<td>$0.0</td>
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<td>$0.0</td>
<td>$0.0</td>
<td>$0.0</td>
<td>$0.0</td>
</tr>
<tr>
<td>TPP Reimbursement - Public Utility</td>
<td>$0.0</td>
<td>$0.0</td>
<td>$0.0</td>
<td>$0.0</td>
<td>$0.0</td>
<td>$0.0</td>
</tr>
<tr>
<td>TPP Reimbursement - Business and Public Utility</td>
<td>$135.1</td>
<td>$132.3</td>
<td>$2.8</td>
<td>$111.2</td>
<td>$111.2</td>
<td>$0.0</td>
</tr>
<tr>
<td><strong>Total TPP Reimbursements</strong></td>
<td><strong>$135.1</strong></td>
<td><strong>$132.3</strong></td>
<td><strong>$2.8</strong></td>
<td><strong>$111.2</strong></td>
<td><strong>$111.2</strong></td>
<td><strong>$0.0</strong></td>
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<tr>
<td>Total Formula Aid, Reimbursements, and Supplement</td>
<td>$8806.9</td>
<td>$8,527.0</td>
<td>$279.9</td>
<td>$8915.5</td>
<td>$8,606.4</td>
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Source: Policy Matters Ohio, based on Ohio Legislative Services Commission, K-12 foundation funding (Provided by House minority caucus staff August 17, 2020).
receive in CARES Act funds, while relief funds for the Warrenville Heights district are $663,000 more than state cuts. Pickerington comes out close to $500,000 behind; Reynoldsburg, $850,000 ahead. This difference has to do with composition of each district and the distribution formula of the various funds.

In Ohio, funding for charter schools and private school vouchers further distort public school financing. The Cleveland Heights-University Heights City School District, for example, saw more than one-third of its state aid deducted for EdChoice vouchers in FY 2019, according to a report done by the district.

Federal CARES Act funds have flowed directly to district and charter schools, and to private schools through per-pupil deductions from district allocations. Some private and charter schools applied for and received an extra cushion through the Payroll Protection Program (PPP) for private businesses and nonprofits, funds for which district schools were not eligible. The Ohio Capital Journal identified 220 non-district schools in Ohio – including religious schools and charter schools – that received PPP funding, with total federal support between $95 million and $232 million.

The federal money will help with COVID-related expenditures but will not solve the decades-old problem of inadequate funding for schools in communities with lower incomes. This funding crisis predated the DeRolph lawsuit, filed in 1991 because the funding of schools in Ohio was both inequitable and inadequate. In multiple rulings starting in 1997, the Ohio Supreme Court found that the state’s funding system violated the state constitution, in part because of an overreliance on local property taxes.

Schools in Ohio depend on local resources—mostly property tax levies—so school districts with lower property values can’t offer the same quality of education as schools where property values are high. At the same time, as Ohioans are being paid less for the work they put in, more students in neighborhoods with low property values come from families in poverty. It costs more to educate children who may come to school hungry or uncertain of where they will stay, which combines to

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68 Ibid.
69 DeRolph vs the state of Ohio, Op.Cit.
create a constant stress referred to as the toxic stress of poverty. Schools that serve these students need more funding to assure all students get a good education regardless of their ZIP code and the property tax base of their school district.

State lawmakers should seize the opportunity today to lay the groundwork for a stronger, better funded, more fair system. House Bill 305 — known as the Cupp-Patterson bill for its primary sponsors, Speaker Robert Cupp and Rep. John Patterson — could lay the groundwork for a better and more equitable funding formula. Gongwer Ohio, the statehouse newsletter, cautions that cost may be a sticking point, as it has been for decades. This demonstrates the ongoing under-investment by Ohio’s General Assembly that has prevented improvement of schools over time.

Legislators have prioritized tax cuts over investment in Ohioans for 15 years. Ohio’s state and local tax structure today is badly imbalanced, with the poorest families paying almost twice the share of their income as the wealthiest. Tax cuts have taken $6 billion out of the state system since 2005. The benefit went to the wealthiest families and corporations. The long-term erosion and disinvestment in public services hurt families of middle and low income, and their children.

To rebuild a more resilient Ohio, with a brighter future for all, lawmakers need to turn this trend around and rebalance the income tax.

Colleges and universities

DeWine’s May cuts took $109 million from the Department of Higher Education’s 2020 budget, decreasing funding for Ohio’s public colleges and universities by $77 million (3.8%). The University of Akron is laying off 178 people. Ohio University has laid off an estimated 345. Miami University is anticipated to lay off 150 to 200. These cuts ripple through the local economies of Ohio’s many college towns, making the recession worse.

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More is to come. The $77 million cut to public colleges and universities in 2020 will be followed by a larger cut in 2021. In July, the state announced an across-the-board cut of 4.38% to the budgets for public colleges and universities in FY 2021, a decrease of $89 million.77

People who complete at least some higher education or post-secondary training earn higher incomes, on average, than those with only a high school degree. That’s why Ohio’s Department of Higher Education has set a goal that by 2025, 65% of Ohioans aged 25 to 64 will have a degree, certificate, or other post-secondary workforce credential of value. In 2016, only 44.1% of Ohioans had this level of education.78 It will be difficult to achieve this goal given how expensive it is to attend a public institution in Ohio, which ranks 35th among the states in the cost of tuition, room and board.79 This burden is particularly onerous for Black and Hispanic students: The cost of tuition, housing and fees for public higher education institutions in Ohio would take up an estimated 52% of the median income of a Black family and 41% of the median income of a Hispanic family. By contrast, it would take up 29% of the median income of a white, non-Hispanic family.80 The cost of college is too high in Ohio, and it has been for years.81

Need-based financial aid is critically important. Yet state lawmakers slashed the Ohio College Opportunity Grant (OCOG), the state’s primary need-based aid program, in the recession of 200882 and never restored the loss. This is particularly alarming because of the drop in the share of Black undergraduate students, which fell from 13% of total student undergraduates in 2010 – roughly reflective of the share of Black Ohioans in the state’s population – to 11% in 2019.83 A drop like this in enrollment is like a canary in the coal mine, a harbinger of growing financial stress that is holding too many students back.84

The May 2020 budget cuts reduced key scholarships that provide financial assistance to lower-income Ohio students. DeWine cut OCOG by 7.3%, or $8.9 million. The Choose Ohio First Scholarship strengthens Ohio’s competitiveness in science, technology, engineering, math and medicine by recruiting underrepresented students in these fields. DeWine reduced its funding by $13 million, or 46%. OCOG will not be cut for FY 2021, according to the Ohio Chapter of the American

79 The College Board, Published State Tuition and Fees (four-year and two-year institutions). In both cases, Ohio ranks 35th among states. See https://bit.ly/3hmtJy.
81 Patton, Wendy, “Deregulation and higher education,” (Figure 12), Policy Matters Ohio, October 17, 2012 at https://bit.ly/328HIEi.
Association of University Professors. Even so, this leaves need-based financial aid in Ohio an estimated 75% below what is was before the last recession.

In a recent editorial, Former Lt. Governor Bruce Johnson, President of the Inter-University Council of Ohio, pointed out that studies by the Federal Reserve Bank of Cleveland show people with a bachelor’s degree earn more over their lifetime than those without a degree and are more financially resilient during a crisis. He wrote that Ohio’s universities are anchor institutions and major employers in cities and towns. Moreover, research at Ohio’s universities drives innovation in products, services, and a modern economy. Ohio’s universities also train and prepare our state’s essential professionals, like the thousands of physicians, nurses and health care professionals that graduated in May. He wrote: “Ohio must nurture and prioritize a robust higher education community. The economic fallout of COVID-19 – furloughs, firings, pay cuts, shutdowns – has struck a mighty blow, but Ohio is fighting back. We all need to understand that Ohio’s public universities have never been more critical to the future of our state.”

If the state is really fighting back, state lawmakers need to join the fray by restoring the 2020 cuts to higher education funding for 2021.

**Recommendations & conclusion**

Ohio could come out of the pandemic recession stronger, with a revitalized revenue system and a plan to strengthen critical public services in public health, education and other health and human services. Or, the state could come out weaker, with a longer recovery or no recovery at all in some places, like after the 2008 recession. Assuming lawmakers opt for a plan to create a better future for all Ohioans, we offer the following recommendations:

- **Lawmakers should use the rainy day fund and all available federal funds to prevent cuts and layoffs that will make the recession worse.** It is time to utilize budget reserves, unspent human service surpluses and federal funds to relieve suffering and start rebuilding Ohio. We need leaders who will strengthen public services and make Ohio more resilient to crisis. It is time to build a new normal.

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87 Johnson, Bruce, “Ohio’s public universities have never been more critical to our state and its communities,” Cleveland.com, August 14, 2020 at https://bit.ly/3hcW8rH
that directs public resources toward building the vibrant communities all Ohioans deserve.

- **Lawmakers should use surplus federal funds to relieve suffering of people hit the hardest in the pandemic recession.** Instead of cutting the resources of the human service agencies, the state should be taking surplus funds out of the bank, actively reaching out to help Ohioans and rebuilding social service funding and infrastructure. Otherwise, Ohio will come out of this recession back where we started: with poorly funded schools, colleges and universities; badly funded public health services and inadequate safety net services, and unready for the next recession, pandemic or other crisis. ODJFS officials have started to use surplus TANF funds to replenish cut programs and to address immediate, urgent needs. These are great policy choices, and we look forward to more.

- **Lawmakers should rebalance the state income tax system and raise sufficient revenues to rebuild Ohio's eroded services.** Ohio is one of the few states with no corporate profit tax. The wealthiest Ohioans pay, on average, $40,000 a year less in state taxes than they did in 2005. (And the 2017 federal tax cut reduced their federal taxes by another $40,000, on average.) Meanwhile, families of middle or low income pay the same or more in state and local taxes than they would have under the laws of 2005, on average. State lawmakers should rebalance the state tax system so wealthy Ohioans and corporations pay their fair share and use it to make public services stronger and more resilient to crisis.

It is the job of Ohio’s lawmakers to mitigate the harm of the anticipated “K-shaped recovery,” in which technical and professional workers gain wealth while other workers, predominantly women and people of color, lose ground. This is the time to use public services to reduce inequality and boost opportunity for workers at the bottom of the pay scales who have been badly hurt in the pandemic: the groups that were already hurt by pay and wealth gaps even before COVID-19 hit, in particular, women and people of color.  

When Ohio recovers and emerges from the pandemic recession, it should be with a strategy to rebuild and restore the public services Ohioans need and deserve with funds from a more fair and sufficient tax structure with which a brighter, more resilient future for all Ohioans can be built.

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88 Mims, Christopher, “COVID-19 is dividing the American Worker,” Wall Street Journal, August 22, 2020 at https://on.wsj.com/34tFvVg