Our state. Our community. Our budget.

Why care about the state budget?

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November 2020
Introduction

Everyone, no matter where they live or what they look like, deserves safety, security and dignity. We pool our tax dollars to build the foundation: clean water, clean air, public schools; safe roads and bridges, public transit to get to work. We elect lawmakers to decide how to use our public dollars to make Ohio a great place to live.

State lawmakers will hammer out a state budget between January and June of the coming year. They face a daunting task: a global pandemic, a recession and a national reckoning on the historical and continuing unequal treatment of Black and brown people in America. There is no certainty on tax collections to support needed investment in schools, health care and other public services. The federal government sent funds, but some expired and others will end before the pandemic and recession are over.

There is certainty about the past, and the old challenges remain. Before the pandemic, six out of 10 of Ohio’s most common job groups paid so little that a full time worker with a small family would need food aid to make ends meet. The recession makes it harder for many households. More Ohioans need public programs to help them get by: food pantries, SNAP, Medicaid, cash assistance. In the coming budget, lawmakers could lay the groundwork for a broad and inclusive recovery that helps all Ohioans, or they could support policies that push more Ohioans further behind (see box).

This is why Ohio’s budget matters. The state budget is a tool that can help eliminate inequities and boost opportunity for all Ohioans.

The state budget can help all Ohioans live the life they deserve.

42 states have healthier residents and health disparities here are increasing sharply.

36 states have better rates of high school graduation; 46 do better in graduating Black teens.

Ohio ranks 35th in college affordability but 45th in terms of affordability for students of modest income.

Ohio ranked 41st among the states due to high infant mortality. Policy and investment choices contributed to push the Black infant mortality rate ranking down to 48th.

47 states spend more per capita on public health and draw down more federal funds.

With prisons at 120% of capacity, Ohio’s mass incarceration system ranks 3rd in the nation in COVID-19 deaths, in both absolute and relative terms.

Source citations in the appendix.
Decisions about budget priorities are made by the governor and elected state lawmakers in the General Assembly (made up of the Ohio House of Representatives and the Ohio Senate). For the past 15 years state lawmakers have prioritized tax cuts and tax breaks, boosting deductions, credits and exemptions to almost $10 billion a year and cutting taxes so deeply that the annual state revenue system comes in $7 billion a year below what it would have been under the tax laws of 2005. Chart 1 illustrates how, when accounting for inflation, tax collections in the General Revenue Fund for public services have fallen by 14% over the past 15 years.

The tax cuts and tax breaks benefitted corporations and the wealthiest 1% of people, who pay about $40,000 a year less in Ohio taxes, on average, than they would have under the tax laws of 2005. Over time, middle income households got no benefit from all the tax law changes, and the poorest now pay more. It’s not fair, but it was done in the name of “job creation.” Lawmakers told us that cutting taxes for top earners and giving tax breaks to corporations would make companies want to move to Ohio and provide lots of good jobs.
Cutting taxes for the wealthy doesn’t create jobs. After all these years, Ohio employers added jobs more slowly than the rest of the nation. Furthermore, too many Ohio jobs today pay low wages and lack benefits, like paid sick leave and health insurance.4

Ohio entered the recession behind the curve: Outdated public health information technology hindered critical data collection.5 Skeletal staff in state agencies could not deliver timely unemployment checks to hundreds of thousands of Ohioans who suddenly needed them.6

State lawmakers will face a choice early next year during the budget debate: to harness Ohio’s public resources to support all families, improve all communities, reduce inequities and build a stronger, more resilient state — or continue to cut services and push for more tax breaks for the wealthiest and corporations.

This paper is about budget basics: how Ohio generates public revenue (taxes) and how our lawmakers chose to direct those resources (expenditures). It describes the budget process, public services funded by the budget, and changes in the support of those services over time. It talks about how you can get involved. Your knowledge, participation and voice can make Ohio a better place.
Early February - Early April
House Finance Committee hears testimony from state agencies about the governor’s proposed budget. Finance Committee refers budget to subcommittees.

Subcommittees hear testimony from Ohioans about critical needs across the state, then report back with budget recommendations to Finance Committee, which hears more public testimony.

Committee members propose, accept, and/or reject amendments, creating a substitute bill ("Sub Bill"). Finance Committee passes Sub Bill & takes it to the full House for a vote.

House votes on final amendments and passes the House budget, sending it to the Senate...

Late April - Mid-June
Senate Finance Committee hears testimony from state agencies & refers budget to subcommittees.

Subcommittees hear from Ohioans & report back to Finance Committee with recommendations. Finance Committee hears more public testimony.

Members make amendments, creating another Sub Bill, which goes to the full Senate for a vote.

Senate votes on final amendments and passes the Senate budget, sending it to Conference Committee.

Mid-June
Conference Committee (3 from the House, 3 from the Senate) create a compromise ("reconciled") bill that combines elements of the House version & the Senate version. Reconciled budget bill goes to Senate & House for votes. By law, both must pass the bill & send it to the Governor by the end of the state fiscal year, June 28.

June 30
Governor signs the budget into law (and may veto individual line items).
Ohio has five separate budgets.\(^7\) The operating budget is the largest and gets the most public attention. It funds education, health, human services, corrections and more. Ohio has a biennial (two-year) operating budget. In the first half of the coming year, lawmakers will hammer out a new operating budget for state fiscal years (SFY) 2022-23. The state’s fiscal year runs from July 1 to June 30; the budget for 2022-23 will start on July 1, 2021 and run through June 30, 2023. Chart 2 shows the major funds in Ohio’s current budget, for SFYs 2020-21. The two-year, “all-funds” operating budget for the current period authorized the expenditure of $145.5 billion across many different funds.\(^8\) The focus of most budget analysis is the General Revenue Fund (GRF); see Chart 1.

General Revenue Fund (GRF): When Ohioans and Ohio companies pay taxes, those revenues go to the state General Revenue Fund. State dollars in the GRF make up 32.5% of the state budget: $47.3 billion over the two-year budget for 2020-21. Chart 2 also shows how some federal funds are included in Ohio’s GRF.

Federal funds: The federal government supports many public services, from interstate highways to health care, education, housing, rehabilitation services, child care and much more. Congress requires states to invest or “match” funding in many federal programs. The $54.2 billion in federal dollars make up 37% of the total, All Funds 2020-21 budget.

Source: Policy Matters Ohio, based on Ohio Legislative Service Commission, Main Operating Budget – HB 166, Appropriation Spreadsheet (with FY 2020 actual expenditures & FY 2021 adjusted appropriations).
A dedicated or special purpose fund may be raised from a specific source and used for a specific purpose. For example, revenues collected from state fees on hunting licenses support public safety and maintenance of hunting areas. Special purpose funds make up 19% of the budget ($27.7 billion). This pandemic year, the state is accounting for $2.7 billion in federal pandemic aid — CARES Act funds — as a dedicated purpose fund.9

Fiduciary funds are collected by the state but passed through to other entities. For example, the state collects sales taxes levied by counties and transit agencies and distributes them back to the local entities. Fiduciary funds make up 11% of the budget ($16.3 billion).

State spending: Where does the money go?

Chart 3 shows a breakdown of the state-source funds in the General Revenue Fund (GRF). Education receives the largest share: A combined $21.7 billion supports K-12 schools in the current two-year budget and $5.4 billion supports higher education.

### Chart 3
Major investments of state-source dollars in Ohio’s General Revenue Fund in 2020-21

<table>
<thead>
<tr>
<th>Category</th>
<th>Dollars (in billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary &amp; secondary education</td>
<td>$21.69</td>
</tr>
<tr>
<td>Higher education</td>
<td>$5.41</td>
</tr>
<tr>
<td>Medicaid</td>
<td>$9.27</td>
</tr>
<tr>
<td>Other Medicaid &amp; human services</td>
<td>$4.66</td>
</tr>
<tr>
<td>Corrections</td>
<td>$4.20</td>
</tr>
<tr>
<td>Local Government</td>
<td>$1.64</td>
</tr>
<tr>
<td>Transportation</td>
<td>$0.13</td>
</tr>
<tr>
<td>Other</td>
<td>$4.47</td>
</tr>
</tbody>
</table>

Source: Policy Matters Ohio, based on Ohio Legislative Service Commission Historical Expenditures, Table 2 - State - Source GRF, LPEF, and LGF Expenditure History. Note: $70 million for public transit was allocated annually in FY2020 and FY2021 in GRF through Ohio’s transportation budget.
Health care provided by Medicaid is the second largest share of state funds in the GRF. The federal government pays, on average, about two-thirds of each Medicaid dollar spent on health care; the state provides the remaining third.

Chart 4 illustrates how state GRF expenditures changed over time by major area. The changes are not dramatic, other than the impact of the 2008 recession. The sharp decline in state revenues was backfilled in part with federal stimulus dollars, followed by deep budget cuts in 2012-13 when federal policymakers failed to extend federal stimulus funding, allowing the support to expire before the recession ended statewide.

Source: Policy Matters Ohio, based on Ohio Legislative Service Commission Historical Expenditures, Table 2 - State Source GRF, LPEF, and LGF Expenditure History.
Revenues: Where does the money come from?

Chart 5 shows the major sources of funds in the GRF in state fiscal year 2020. Almost half (47%) of the state GRF revenue came from the sales tax ($10.9 billion). Just over a third (35%) came from personal income taxes ($8.3 billion).10

Ohio is one of just six states without a corporate income tax. The commercial activity tax — a gross receipts tax that businesses pay — accounts for 7% of the GRF. Other business and energy taxes, including on utilities, energy consumption and use, account for another 7% of state-source revenues. All other taxes, including some taxes on liquor and cigarettes, account for 4%.
The Ohio tax system has changed in important ways over time. Chart 6 compares the make-up of state revenues in 2005 and in 2020.

A sales tax is “regressive.” A regressive tax takes a larger share of the income of a poor person than a rich person. This is partly because people with low or middle incomes typically spend a greater share of their income on necessities, which are largely subject to the sales tax. A progressive tax is based on ability to pay. Everyone pays the same rate on the same level of income, but there are incrementally higher rates placed on income of higher levels.

Reliance on a progressive income tax creates a more fair tax structure. Chart 6 shows that in Ohio, the tax structure has moved away from fairness: The sales tax has risen by 16% while taxpayer funds in the GRF provided by the personal income tax have fallen by 24%.

Source: Policy Matters Ohio, based on Ohio Legislative Service Commission Historical Revenues, Table 1 - GRF, LPEF, and LGF Revenue History, SFY 2020. Note – FY 2020 distorted by delay of April income tax filing deadline.
As policymakers shifted Ohio's tax structure from primarily relying on the income tax to the sales tax, people with lower incomes are paying a higher share in taxes. Chart 7 shows that by 2017, the poorest were paying almost twice the share of their income in state and local taxes as the wealthiest Ohioans. Chart 7 highlights how the state’s progressive income tax — shown in the dark blue bar — prevented the state and local tax structure from being even more unfair.

**Chart 7**

*Income tax helps offset Ohio’s upside-down state and local tax structure*

Total state and local taxes as a share of income

<table>
<thead>
<tr>
<th>Income Level</th>
<th>State Personal Income Taxes</th>
<th>All Other State and Local Taxes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lowest 20%</td>
<td>0.1%</td>
<td>12.3%</td>
</tr>
<tr>
<td>Second 20%</td>
<td>0.6%</td>
<td>10.8%</td>
</tr>
<tr>
<td>Middle 20%</td>
<td>1.4%</td>
<td>10.7%</td>
</tr>
<tr>
<td>Fourth 20%</td>
<td>1.9%</td>
<td>10.4%</td>
</tr>
<tr>
<td>Next 15%</td>
<td>2.4%</td>
<td>9.8%</td>
</tr>
<tr>
<td>Next 4%</td>
<td>2.5%</td>
<td>8.3%</td>
</tr>
<tr>
<td>Top 1%</td>
<td>2.8%</td>
<td>6.5%</td>
</tr>
</tbody>
</table>

Source: Policy Matters Ohio, based on data from the Institute on Taxation and Economic Policy for Ohio ("Who Pays? A Distributional Analysis Of The Tax Systems In All 50 States," October 2018). This chart shows the share of income paid in state and local taxes by non-elderly Ohio residents based on 2017 income levels.

**Impact of pandemic and recession on the budget**

The pandemic and recession change the context in which lawmakers will shape the 2022-23 budget. There is uncertainty around the surging virus, safety and health costs, the economy, federal funding and state tax collections. State revenues plunged and the April 15 tax filing day was pushed out to July, shifting additional tax revenue into the next fiscal year. The governor imposed cuts of $776 million in May to balance the 2020 budget but overall state-source GRF spending ended up almost $1.5 billion below appropriations, in part because of the budget cut and in part because activities and spending slowed during the pandemic.
Budget shortfall predicted: The Office of Budget and Management estimates a budget deficit of $2.4 billion, although new forecasts for the pending 2022-23 budget discussions may change that estimate. The $2.7 billion rainy day fund remains untouched.

Federal stimulus funds: In the first half of 2020, Congress passed a series of bills that rushed federal funds to states to help people make it through the pandemic and recession. Congress boosted support for Medicaid, state and local aid, unemployment compensation and education, and in many other critical areas. Ohio received an estimated $3.5 billion in direct aid to the state, which has been mostly allocated to state agencies and local governments. Unspent funds go back to Congress on December 31, 2020.

Effects of the pandemic recession

As of November 25, 2020, almost 400,000 Ohioans have been infected by COVID-19; 25,000 have been hospitalized and more than 6,000 have died.

The state economy as measured by Gross Domestic Product dropped by 33% in the second quarter of 2020 as the stay-at-home order closed down businesses.

More than a million Ohioans applied for unemployment compensation. The state unemployment level of nearly 17% in April dropped to 8.4% in September; it remains more than twice as high as in January, before the pandemic.

Additional U.S. unemployment compensation of $600 a week helped many laid-off workers and their families survive initially, but it ceased in late July.
The budget and communities of color

Because of longstanding discrimination, Black and Latinx Ohioans are paid lower wages, have a more difficult time getting a job and aren’t able to build as much wealth as white people. Chart 8 shows that Black workers are more likely to be pushed into unemployment compared to the population as a whole.

This affects quality of life and opportunity for individuals, families, neighborhoods and communities. For example, it has been hard for many Black and brown families to build wealth through their homes because of discrimination in housing and finance. As a result, their communities and neighborhoods often have lower property values, yielding lower property tax revenues for schools. This affects the quality of education, which affects opportunity, health and lifetime earnings of children. The state budget is an important tool that can mitigate the harm of structural racism.
The worst ravages of the pandemic afflict Black Ohioans, who make up just under 14% of the population, but as of November 16, 2020 represent 23% of COVID hospitalizations and 16% of deaths as of October 23. Chart 9 shows that Black Ohioans have become disproportionately ill because of their work. They are more likely to be employed as “essential workers” who kept the economy moving, facing the public as retail clerks, bus drivers and mail carriers.

In response, Governor DeWine created the Minority Health Strike Force, which developed a set of public policy options to address structural racism that blunts opportunity and equity for Black and brown Ohioans and has contributed to the disproportionate impact of the pandemic on these Ohioans. The recommendations of the strike force are included in each section throughout this document, as the state budget could be used to implement many of their recommendations.
Why care? Education

Why care about the state budget? Because good schools are the foundation for a good life. Every ZIP code needs excellent schools, regardless of property wealth.

Major issues in K-12 education

Chart 10 shows that net of federal aid, state dollars sent to the state's K-12 school districts has been flat, even declining by 1%, between 2005 and 2020. Schools have been under increased pressure as more students fall into poverty: The state’s poverty rates have been stagnant and are extremely high in some cities. The cost of educating economically disadvantaged students is high, and the state hasn’t kept up aid. In addition, public school districts face the costs of rapidly changing technology and the diversion of funding to charter schools.

Federal funds added substantial funds to schools in the last recession. The Ohio Legislative Service Commission estimates that in addition to GRF dollars, the state will send $330 million in federal CARES Act funds to school districts in 2021.

Source: Policy Matters Ohio, based on Ohio Legislative Service Commission analysis which includes school district formula aid, JVS formula aid, Student Wellness and Success funds, Enrollment Growth Supplement, TTP reimbursements, TPP supplement, Federal stimulus funds and federal CARES Act funds.
Inequality in education: The Ohio Supreme Court found Ohio’s school funding system unconstitutional in 1997. Because school funding is based largely on local property tax, it advantages wealthier districts with higher property values. Most of the state’s hundreds of school districts joined a famous lawsuit, DeRolf v. the State of Ohio, in 1991; the inequitable funding has not been fixed yet.

Legislators are working on a fix: House Bill 305, known as the Cupp-Patterson bill for its sponsors, State Representative and now House Speaker Robert Cupp (R-Lima) and John Patterson (D-Ashtabula), proposes a new school funding formula that could start to fix the problem of unequal school funding. There is a companion bill in the senate (Senate Bill 376).

Budget cuts: State policymakers cut funding for Ohio’s school districts by $277 million in 2020. The state’s budget office is holding all agencies to 2020 funding levels this fiscal year (2021) because of uncertainty: Schools may end up losing about the same amount in state funding in 2021.20

COVID funds and costs: According to the Ohio Department of Education, Ohio’s schools are getting $440 million in federal aid, including about $50 million for the expansion of broadband services.21 Of that sum, an estimated $385 million in relatively flexible federal aid22 may be used through September 2022. The rest is restricted in use, and some is very short term (expiring December 31, 2020). Between deep cuts to the state budget and costs associated with the pandemic, even with the federal aid, schools are struggling across the state.23 Additional federal funds will be needed in the long months ahead.

Diversion of funds to private schools: Public schools educated 93.8% of Ohio’s students in 2018-19, yet state lawmakers provided $790 million to Ohio’s charter schools for 102,000 students. They increased charter school funding to $849 million in school year 2020.24

Minority Health Strike Force: Among other policy recommendations, the strike force specifically recommended expanding broadband funding to ensure Ohioans of color have sufficient internet access and bandwidth for education and telehealth activities.
Higher Education

A college degree can improve lifetime earnings. In 2019, the average hourly wage of an Ohioan with a bachelor’s degree was $28.33, but for an Ohioan with no more than a high school diploma, it was $16.23.  

Chart 11 shows that on an inflation adjusted basis, lawmakers cut state funding for higher education in the GRF by 21% between 2005 and 2020. The largest share of that funding is for “State Share of Instruction” (classroom teaching); as it fell, tuition rose. The College Board finds that in 2018, Ohio ranked 35th among states for the cost of in-state public tuition at both two-year and four-year public schools, but another study ranked Ohio’s college system at 45th when ability of families and students to pay is taken into account.

Chart 11 also shows that lawmakers intend to increase funding for higher education in 2021, including for State Share of Instruction, which brings funding back to just above the level of funding in 2005. The one-time federal dollars are what brings the total back to 2005 levels; without that federal aid, state appropriations for higher education would continue their downward trend. The size of the budget shortfall in 2021 is not yet known, so actual funding in remains uncertain.

Source: Policy Matters Ohio, based on Ohio Legislative Service Commission Historical Expenditures, Table 2 - State - Source GRF, LPEF, and LGF Expenditure History and Table 3 - Total State and Federal GRF Expenditure History.
Major issues in higher education

**Tuition freeze ends:** For several years, the state mandated tuition freezes, to keep costs from increasing dramatically. The freeze ended in 2020.\(^{27}\) The state’s Tuition Guarantee “guaranteed cost” program limits increases in tuition and general fees. This helps some students who enter a cohort plan for funding over the two or four years of their education.\(^ {28}\)

**Federal pandemic aid:** The CARES Act funding helps with the pandemic crisis but does not fully replace the budget cuts Governor DeWine imposed in May. The Ohio Department of Higher Education received $313.5 million in CARES Act funds.\(^{29}\) Of that sum, $78.3 million went to private colleges and universities. Colleges and universities received $141.1 million for campus residential uses: dorms, where the risk of illness can be high. And $13 million was allocated to boost mental health services. The remainder — $81 million — was smaller than the May 2020 budget cuts to Ohio’s public institutions ($77 million) and other cuts to the Department of Higher Education, which together totaled $110 million.\(^ {30}\)

**Financial aid cut:** The state’s main program of student aid, the Ohio College Opportunity Grant (OCOG), remains over $100 million below the goal of $250 million a year, set under the Taft Administration. Lawmakers had increased it in the 2020-21 budget by $73 million, but it did not escape the May 2020 budget cuts and lost $13 million of that boost. Today it excludes Ohioans attending the state’s public two-year colleges, which serve a higher share of students of color, part-timers, older students and people from lower-income families.\(^ {31}\)

**High student debt:** In 2018, Ohio had one of the nation’s highest student debt burdens per capita.\(^ {32}\) Ohio’s punitive approach to the collection of student debt, which requires schools to turn debt over to the Attorney General’s office for collection, creates barriers to enrollment and degree completion that holds back Ohio students, the communities they live in, and the state’s economy.\(^ {33}\)

**Minority Health Strike Force Recommendations:** The share of Black students in Ohio’s public undergraduate programs dropped by 15% over the past decade.\(^ {34}\) The Minority Health Strike Force identified education as a key pillar of the social determinants of health and recommends improved pathways for Black and brown students. In Ohio only 26% of Black children and 41% of all children start kindergarten ready to learn.\(^ {35}\) Children from low-income families typically start kindergarten two years behind their higher-income peers.\(^ {36}\) Children who start behind, often stay behind.
Child care and early education

High quality early education helps set kids up for success in school and later in life. When all students start kindergarten ready to learn, the entire class can grow and learn together.

Not enough low-income children have access to high quality public preschool. Among children from low-income families (less than 200% of the federal poverty level, the level at which families are eligible for – and need – aid from food pantries) Just 1% of 3-year-olds and 11% of 4-year-olds were enrolled in public preschool in Ohio in the 2018-19 school year, compared to national averages for children from low-income families: 6% of 3-year-olds and 34% of 4-year-olds.37

Comparison with the national average: Ohio spends just $4,000 per child in public preschool (30th nationally), compared to the national average of $5,374 per child.38 Ohio spends a little over $85 million each year and serves about 17,900 children each year.39 By comparison, Washington, D.C. offers two years of universal, full-day preschool and spent over $18,000 per child in the 2018-19 school year; 71% of 3-year-olds and 87% of 4-year-olds are enrolled in public preschool there.40

Lawmakers increased support in recent years, but not enough: The number of low-income youngsters (3- and 4-year-olds) supported in preschool with early education grant dollars in Ohio has grown as legislators increased funding for the program in recent years, but the starting point was so tiny that even the increased funding is far too low to address need.

Minority Health Strike Force: The strike force recommended the state improve access to early childhood education in Ohio, suggesting policymakers increase the number of children served by high-quality child care and preschool and review funding for early learning programs.
Ohioans of color and Ohioans with low incomes have been hit hardest by the pandemic. Over 1.8 million Ohioans have filed for unemployment since March, more than in the last four years combined. Over 1.6 million are struggling with hunger, including one in five children. Yet Chart 12 shows that on an inflation-adjusted basis, funding for Ohio’s human services fell by 14% ($271 million) in 2020 compared to the level of funding 15 years earlier. Chart 12 shows funding for human services broadly, including funding for programs like public child care, protection and support; senior community services; services for public health and for mental health and addiction services: all human services other than those direct medical expenses covered under the main Medicaid line items.

Why care? Health & human services

American philosopher Ralph Waldo Emerson said, “Health is the first wealth.” Economic and social conditions, from quality of housing, access to health care, nutritious food, education and good jobs all affect health.

Source: Policy Matters Ohio, based on Ohio Legislative Service Commission Historical Expenditures, Table 2 - State - Source GRF, LPEF, and LGF Expenditure History. Note: This does not include the major Medicaid agency line item Items 651525 & 651526.
Policymakers have cut state spending on human services over time: Ohio’s poverty rate remains stubbornly high at 13.9% (the national rate is 10.5%) and 19.5% for children, both statistically the same as in 2017. Some places are poorer than others: Both Cleveland and Cincinnati are on the list of the 10 poorest big cities in America.

Federal pandemic aid helps: Federal rules easing restrictions on SNAP food aid have helped thousands. Schools send breakfast and lunch home to children of low-income families. Governor DeWine just announced a new program of $50 million in federal pandemic aid to help people pay rent and back rent and prevent foreclosure. However, more will be needed when the federal eviction moratorium ends December 31, 2020.

The needs are larger now, but needs will remain after the recession: Even before the pandemic recession Ohio was far short of affordable housing, needing over 250,000 more units affordable to the lowest-income families.

Parents struggle to afford high quality child care due to a lack of support from the state. Public preschool may be available to families with income up to 200% of the federal poverty level, depending on the county, but only families making less than 127% of that level ($2,311 a month for a family of three, $27,732 annually) are eligible to get into the public child care program. Only Indiana and Michigan make it harder to get child care aid.

Public child care assistance was inadequately funded before the pandemic. Now the entities that provide that service are struggling to stay afloat with new costs of COVID-19 health and safety regulations. About $148 million in federal pandemic aid has been provided to help with the immediate crisis, but systemic underfunding remains a problem that must be solved.

Minority Health Strike Force: Strike force recommendations called for increased funding for the social determinants of health to reduce poverty and boost opportunity, including increased investment in communities of color, connecting people of color to job training and employment supports and increasing the availability of safe, affordable housing.

Medicaid

Medicaid is the second-largest use of state-source dollars in the GRF, but the largest program in the state’s all-funds budget because of all the federal dollars it brings into the state. On average, across all programs, the federal government pays about two-thirds of Medicaid in Ohio, providing billions in funding that pays for health care and supports jobs in hospitals, health care centers and doctor’s offices across the state.

Medicaid covers more than a quarter of Ohioans — over three million people. Use of Medicaid is rising as workers are laid off and lose their employer-sponsored health
care. In Ohio, enrollment in Medicaid increased by 258,383 people between February and September, an increase of 9.6%.50

Medicaid expansion is a lifesaver in the pandemic. In 2014 Ohio expanded Medicaid coverage to very low-income workers, disabled people and caregivers. The federal government pays 90 cents of each Medicaid expansion dollar. As people were laid off in the pandemic recession, enrollment in Medicaid expansion grew by 106,150 between February and September of 2020, an increase of 17.4%, to a total of 714,710 Ohioans.

During recessions, the federal government boosts its share of each Medicaid dollar, allowing the state to shift funds to other needs. The federal matching assistance percentage (FMAP) will rise by 6.2 percentage points — to about 70% of each Medicaid dollar in Ohio — as long as the national emergency order relating to the pandemic is in place.51

State budget shortfall may affect Medicaid: Director Maureen Corcoran has pointed out Ohio faces a shortfall of several billion dollars in the current fiscal year between the recession and the pandemic. This could affect services, and Medicaid — swelling as people lose jobs and coverage — could face cuts at the worst possible time.52 The state will need additional federal dollars. Congress should increase the federal share of Medicaid again, to 14 percentage points, and keep that aid in place for as long as the recession lasts.

State uses federal CARES Act funds for health care providers: Governor DeWine recently allocated $471 million in federal CARES Act funds to Ohio health care organizations, including those providing care at nursing facilities, rural and distressed hospitals, homes for people with intellectual disabilities, and providers of long-term home and community-based care and community behavioral health services.53

Minority Health Strike Force: The strike force included recommendations to expand access to health care, including improving the state’s outreach effort to enroll Ohioans of color in health insurance, culturally meaningful screening, early intervention, and linkage to treatment in primary health care, community settings and institutional settings.

Mental health and addiction services

The pandemic has harmed the mental health and well-being of many Ohioans. People are dealing with separation from friends and family, job loss, financial challenges, and uncertainty about the future. This has exacerbated ongoing challenges of drug addiction, overdose deaths, trauma, mental illness, depression and suicide.

Drug addiction and mental health problems rise in epidemic: In 2018 Ohio ranked 46th worst among the states, with a drug overdose death rate of 35.9 per 100,000 population. Overdose deaths rose in 2019 and are rising again, by an estimated 29%, in the first half of 2020.54
Strengthened support in recent budgets after a rocky decade: In the current budget, lawmakers increased funding for state hospitals; prevention, wellness and recovery; and local crisis response by $355 million (25.9%) to $1.7 billion. Yet state policymakers put community mental health services on a rollercoaster ride of erratic funding over the past two decades, even though they are critical in containing Ohio’s other epidemic: drug addiction. Lawmakers cut non-Medicaid funding for community mental health services by 70% between 2002 and 2012. By 2021 it may regain the 2012 level, but policymakers have not restored the prior cuts.55

Deep needs remain: In addition to maintaining and restoring stable state funding for community mental health, state lawmakers should restore mental health infrastructure. Two state psychiatric hospitals were closed in 2008 and today, in the midst of a behavioral health epidemic, more people need public beds than are able to get them.56

Medicaid is a major tool in Ohio’s response to mental health and addiction needs, providing over $1.1 billion for behavioral health in 2018.57 The expansion of Medicaid to low wage workers, disabled people and caregivers is important to fighting the drug epidemic.58

Pandemic strains providers: As the pandemic hit, mental health providers 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.59

Federal funds have helped: The Ohio Department of Mental Health and Addiction Services received a $96.2 million grant60 and the governor allocated additional federal CARES Act funding for mental health in schools and college campuses. While very helpful, grants are often one-time sources of funds.

Minority Health Strike Force: The strike force included recommendations to expand access to mental health and addiction services by integrating behavioral health into primary care.

Public health

Like many social services in Ohio, local public health departments depend on local tax levies. State lawmakers provide little funding and little guidance or coordination. As a result, Ohio has a fragmented public health system that hinders effective statewide response to a pandemic.61

Chart 13 shows that adjusted for inflation (2006 dollars), Ohio’s state-source funding of public health, which supports local agencies in 88 counties, reached $80 million at its highest (2011) — less than $1 million per county — and declined afterwards. Governor DeWine boosted public health spending in 2020, but it was insufficient to prepare the state for the COVID-19 pandemic.
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, for example, property tax levies, fines and fees. The balance comes from the Ohio Department of Health’s budget, mostly originating from federal dollars. A tiny percentage comes from state funds. A 2019 study estimated public health services in Ohio are underfunded by $93 million.

Forty-seven states spend more per capita on public health than Ohio: At $14 per person, only Kansas, Nevada and Missouri spend less on public health than Ohio.

Widespread access to quality testing and timely results is critical to containment and treatment. But Ohio’s officials have had trouble knowing where the hot spots are and what is needed there to protect individuals and the community. Ohio has relied on nearly two-decade old technology for contact tracing, making gathering aggregate data nearly impossible. DeWine himself has called out the problem: “We have ignored as a people — Democrats, Republicans — ignored public health.”
Ohio’s testing rate on July 1 was about half what the Health Policy Institute of Ohio recommended: 41,500 tests per day.\textsuperscript{66} Since then, over $715 million in federal pandemic dollars — from the CARES Act and other federal bills — has poured into the state department of health.\textsuperscript{67} The rate of testing is up: On October 24, 2020, 49,398 people were tested in Ohio.

Minority Health Strike Force: The strike force blueprint called for sustainable funding for evidence-based community-based health initiatives that employ, and are overseen by, individuals who represent and are trusted by communities of color, including community navigators and coordinators.

**Why care? Quality communities**

In Ohio, critical services, from children’s services and public health to public transit, are funded by local tax levies. The state gives some support, but in the past provided more flexible revenue sharing for localities to use to plug the gaps. In recent years, state policymakers cut that partnership in half.

This cut is just part of the story. The state also eliminated local government revenue sources, like the estate tax, and ended tax reimbursements for business property taxes phased out in earlier years. Chart 14 shows how adjusted for inflation, local communities are getting $1 billion less in 2020 than they were in the years leading up to 2010. These cuts left communities less resilient in the face of crisis, like the pandemic recession.
Ohio’s local governments fund the biggest share of important public services like public health, community mental health, services for people with developmental disabilities, services for victims of domestic violence and even children’s protective services, so deep cuts in local government aid squeezed local budgets and affected delivery of essential human services.68

Under the Federal CARES Act $1.2 billion has been distributed to the thousands of local governments across Ohio. These one-time funds are restricted to expenditures related to the COVID crisis, public safety and public health. The federal aid is badly needed, but it is very short term: Unspent dollars must go back to the federal government by December 31, 2020. Congress restricted how local governments can use CARES Act money. These funds in no way replace all the flexible aid state policymakers cut over the past decade.

One-time payments don’t fix the structural problem: The governor is pressing the Bureau of Workers Compensation to give billions more in refunds to organizations, governments and businesses. The $5 billion cut he is asking for could yield $64 million for the City of Columbus.69 But it is a one-time fix for a structural problem: Ohio relies on local governments to fund critical health and human service programs and many strain to do so on an ongoing basis, not just now.
New threats on the horizon: Senate Bill 352 and House Bill 754 would eliminate a temporary rule that allows employers to continue withholding municipal income taxes at the primary worksite, including for people working from home during the pandemic. The emergency rule allows cities to keep those funds in order to maintain services pending a return to normal; it expires with the expiration of the emergency health order. Shifting municipal income taxes now would take hundreds of millions more out of local communities even as they struggle to meet needs during the pandemic.\(^7\)\(^0\)

The pandemic has revealed how harmful loss of state revenue sharing and other cuts have been to Ohio’s locally-funded services like public transit, services for victims of domestic violence, public health, and many others.\(^7\)\(^1\)

Public transit

Ohio policymakers have underfunded public transit for decades, routinely spending less than 1% of the state’s multi-billion-dollar transportation budget on public transit. In 2015, public transit across Ohio provided 115 million rides, 37.5 million less than market demand.\(^7\)\(^2\)

Chart 15 shows that since 2015, when the Ohio Department of Transportation quantified what the state share should be — $150 million a year in 2015, rising to $185 million a year by 2025 — funding has increased, but too slowly, and too little.

![Chart 15: The state share of participation is rising but not meeting the need.](image)

Source: Policy Matters Ohio based on Ohio Legislative Service Commission Historical Expenditures Table 2 (GRF, LGF and LPEF). Note: 2020 GRF allocation was made in HB 62, the Transportation Budget.
Public transit helps people get to work.
In Ohio, six of the 10 most common occupations pay too little to eliminate the need for food assistance for a family of three. Working people who struggle to afford food likely struggle to pay for a car. Public transit is critical to help workers get to work and families get to commerce, services and doctor’s appointments.

Federal CARES Act funding helps: This year millions in federal stimulus dollars helped support urban transit agencies, and the state used $81 million for transit: $65 million has been used for rural transit, which was sorely lacking in more than a quarter of Ohio counties, and $12 million for inter-city transit. With the expiration of these dollars, the state will remain underserved — an issue for the budget.

Black and brown workers, families and communities hurt: Data shows that public transit riders are more likely to be Black, brown or low-income than those traveling by car. According to governing.com, 67% of Black commuters used public transit in Cincinnati and 70% in Cleveland. People with disabilities and older adults are also more likely to need public transit options to get where they need to go.

The Minority Health Strike Force recommended state policymakers look for strategies to support and improve access to public transportation, prioritizing transit strategies that improve accessibility and better connect communities of color to health care, jobs, and education.
Why care? Justice reform

Ohio’s sentencing laws have led to mass incarceration and prison overcrowding. Chart 16 shows that funding for corrections in Ohio has dropped. Diminished funding has meant worsening conditions in prisons, not a drop in incarceration.

Mass incarceration: The Ohio Department of Rehabilitation and Corrections incarcerates 44,635 people. This is fewer than at start of the pandemic, but the system is overcrowded, at 120% of capacity.

Staff and inmates are dying of COVID-19: At least 107 incarcerated people and five staff had died of the virus, ranking Ohio third nationally among states for prison COVID deaths, both in absolute numbers and per 10,000 incarcerated people in the system.
State lawmakers must address the crisis with sentencing reform that reduces population to less than 37,000. Sentencing reform is one tool to decrease overcrowding in Ohio’s prison system, as is halting the process of incarcerating people for parole and probation violations that are not crimes, and reforming the parole board to allow for the release of people who no longer present a threat to their communities. Pending legislation to reform sentencing — House Bill 1 and Senate Bill 3 — would move the state in the right direction on these critical issues.

Justice reform is needed on all levels of government. On any given day in Ohio, more than 12,000 people are held in jail pretrial, mostly because they don’t have the money to pay bail. The ACLU of Ohio determined local governments could save up to $200 million a year in public expenditures if Ohio were to adopt common sense bail reform.

The Minority Health Strike Force recommends that the state develop a health and justice system partnership to reduce community violence, police brutality, and bias in policing and sentencing; reform law enforcement practices and evaluate reforms already in place; and collect and report consistent, disaggregated police and court data.
Funding a budget for all Ohioans

Everyone deserves clean water, shelter, food, safety, good schools and a way to get to work, the doctor and the store. We pool our tax dollars and fund services that create the foundation for families and businesses: courts to ensure disputes are settled and keep order, schools to create opportunity for the future, public transit to help people get around, infrastructure to keep water clean and food flowing to markets, public safety, public health and more. We fund programs to prevent worker and family destitution when the plant closes, pink slips fly, disaster strikes or illness surges.

Too many services, from education and public health to social services and housing, are insufficiently funded by the state budget. Ohio lawmakers have prioritized tax cuts and tax breaks over funding for schools, human services and local government. Chart 17 shows that since 2010, the amount of money Ohio foregoes to tax breaks has grown more rapidly than spending on Ohio’s schools. Today, more is spent on tax breaks than on funding sent out to school districts through Ohio’s K-12 education system.

Source: Policy Matters Ohio, based on OH Tax Department’s Tax Expenditure Reports and, for K-12 funding, on OH Legislative Service Commission data; includes school district formula aid, JVS formula aid, Student Wellness and Success funds, Enrollment Growth Supplement, TTP reimbursements, TPP supplement, Federal stimulus funds and federal CARES Act funds. Not adjusted for inflation.
Studies show that businesses chose to locate their high-value operations — the kinds that bring in good jobs with a living wage and benefits — in communities with a well-educated workforce, well-maintained public infrastructure and other factors that contribute to a good public image.\textsuperscript{81} Ohio lawmakers started cutting taxes on the false premise that Ohio was a “high tax” state, and that kept employers from expanding jobs or creating new jobs. Since the major overhaul of Ohio’s tax system in 2005, lawmakers have cut the income tax by a third, while adding a major tax break for business owners. Chart 18 shows the benefit has not flowed to all people: It has overwhelmingly flowed to the wealthiest people in the state.

<table>
<thead>
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<th>Chart 18</th>
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<td>Top 1% see huge income tax benefits from cuts; those in the middle don’t, the poorest pay more</td>
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<td>Bottom 20% with average income of $13,000</td>
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Source: Policy Matters Ohio, based on data provided by the Institute for Taxation and Economic Policy, based on Chart 2 in “Rebalance the income tax to build a better Ohio for everyone,” October 15, 2020 at https://bit.ly/3l0P3wF.

Policymakers have also substantially lowered Ohio’s business taxes. Ohio is one of just six states without a corporate income tax. The 2005 tax overhaul eliminated two business taxes and replaced them with one that brought in about half the revenue. Businesses overall saw a significant tax reduction with this shift, which came after decades in which the business share of state and local taxes had declined compared to that of individuals.\textsuperscript{82}
Ohio is not a high tax state. Chart 19 shows that in 2018, the most recent year for which the state provides data, Ohio ranked 28th among the 50 states, and below the national average, in state and local taxes as a share of personal income.

![Chart 19](image)

Ohio is not a high tax state: Closing tax breaks and ensuring all pay a fair share will not damage the economy

State & local taxes as a share of personal income


Cutting taxes starved Ohio’s public education system, early childhood education, human services, public transit, public health and other services addressed herein that contribute to quality of life and public perception and build a solid base for a future with opportunity: services as critical to businesses as they are to residents. All the tax cutting was sold as a way of bringing jobs into the state. It didn’t work: Ohio’s job growth lagged the nation before the tax cuts started, and after. Chart 20 shows that the growth of Ohio’s employment base was slow relative to national job growth before the recession, and in most years after the recession, despite the tax cutting that started in 2005.
State tax rates are not the magic bullet. An analysis by the Institute for Taxation and Economic Policy (ITEP), a non-profit organization with a model of the federal tax system and the tax systems of each state, found that the nine states with the highest income taxes had slightly higher job growth rates over the past decade than the nine without a conventional income tax. This illustrates that state tax incentives and tax cuts are just not a primary economic factor in job growth. What they do is drain revenues needed for education and other critical services, impacting the future growth potential of places and opportunities of residents.

ITEP analysis finds the state of Ohio goes into the budget for FY 2022-23 with $7 billion a year less than we would have under the tax laws of 2005 to fund essential public services that policymakers have cut or allowed to be eroded by inflation over time. That $7 billion could pay for education funding reform, early childhood education and lower tuition. It could fully fund the needed state share of public transit. Policy Matters Ohio has proposed reductions in unproductive tax breaks, modernization of our weak severance tax, and a rebalancing of our income tax so that many of the lowest-income Ohioans pay less and the highest-income residents pay more. In 2018 Policy Matters Ohio conducted an analysis of how many jobs could be created with a public investment of just $2.7 billion in education, public transit and local communities. The analysis revealed 39,000 jobs could be created in this way, while, at the same time starting to restore public services.
Recommendations & conclusion

The budget for FY 2022-23 will be critical to how Ohio recovers from the pandemic recession. Ohio could recover into a state with sustained funding in health care, a boost in public health and education, funding to improve the social determinants of health: housing, social services, public transit, job training and a focus on communities in need. Or it could face years of economic hardship, particularly in communities of color and poor rural communities.

In this budget, it will be essential to pay attention to and fully fund the 34 recommendations of the Minority Health Strike Force to address the structural racism that has led to shocking disparity in the ravages of the COVID-19 pandemic on communities of color. The funding they recommend in education, preschool, health care, housing, broadband, public transit, workforce training and other areas will help Black and brown Ohioans and will help all Ohioans struggling in the recession.

Acknowledgements

We are grateful for the support of the Center on Budget and Policy Priorities, the Ford Foundation, the Gund Foundation and other national and state level philanthropic organizations that support our work, as well as to the hundreds of individuals and businesses that have contributed. Thank you.
Appendix

Sources for graphic on page 1


44 states have public university systems that are more affordable to students of modest income. https://irhe.gse.upenn.edu/affordability-diagnosis/state_reports.


46 states spend more per capita on public health; Ohio is 47th in pulling down federal public health funds. See Filby, Max, “Ohio spends less per capita on public health than nearly every other state,” The Columbus Dispatch, April 2, 2020 at https://bit.ly/2RUHdHW.

Endnotes

1. Supplemental Nutrition Assistance Program, formerly known as food stamps: a federal program administered for Ohio by the Ohio Department of Job and Family Services, and county job and family service offices.


7. Ohio has five separate, legislatively enacted operating budgets: the main operating budget, the transportation budget, a budget for the Ohio Bureau of Workers Compensation (BWC), a separately enacted budget for the Industrial Commission (which oversees BWC), and the capital budget for brick-and-mortar investments like school facilities, dams, park facilities and other public buildings. The capital budget is passed in years that end in even numbers; the other four budgets are passed in years that end in odd numbers.


9. The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was passed by Congress in late March of 2020. Ohio’s state and local governments (the largest urban counties and the city of Columbus were big enough to get their own cut of that $4.5 billion, under the CARES Act rules) received $4.53 billion in total; of that sum, the state got $3.75 billion. Most of that has been used for public health, education, mental health and local government aid.

10. The share of personal income tax the state receives in 2020 is lower than typical because the income tax filing deadline — April 15 — was shifted to July 15 because of the pandemic. This change moved the collections that pour in on April 15 from state fiscal year 2020 (which runs from July 1, 2019 to June 30, 2020) to state fiscal year 2021 (which started on July 1, 2020).

11. Ohio Legislative Service Commission: see Appropriation Spreadsheet (with FY 2019 actual expenditures) and Appropriation Spreadsheet (with FY 2020 actual expenditures & FY 2021 adjusted appropriations).


The school district foundation funding report for 2020 (October – June) indicates $849 million was provided to Ohio’s charter schools, known as “community schools.” http://webapp2.ode.state.oh.us/school_finance/data/2020/f2020-Settlement-report.asp.

E-mailed spreadsheet from the Ohio Legislative Service Commission, provided by Kelsey Woolard, House Minority Caucus Budget Director, August 17, 2020.


Policy Matters Ohio, based on estimates and analysis by the Ohio Education Policy Institute.

Bamforth, Emily, “Ohio Education Association calls for Gov. Mike DeWine to release money for school safety from rainy day fund,” Cleveland.com, October 21, 2020 at https://bit.ly/2GhiOXc. See also “Union Survey of Columbus City Schools Educators Reveals Shocking Lack of Health and Safety Preparation as Students Return” https://bit.ly/3e9qL0w. The Columbus Education Association found 70% of teachers said they don’t think their building has “the appropriate facilities to promote hand-washing for all students.”


The FY 2020-21 budget eliminated the freeze, although caps have been put in place, as have tuition guarantees designed to protect each entering class of students from tuition increases under specific circumstances and for a period of years.


E-mailed communication from Jeff Robinson, Director of Communications, Ohio Department of Higher Education, to Wendy Patton, October 29, 2020.


37 State of Preschool 2018-19, National Institute for Early Education Research, Rutgers University Graduate School of Education at http://nieer.org/state-preschool-yearbooks/2019-2#profiles. Note that the state's public preschool assistance may be available to families making no more than 200% of the federal poverty level—about $43,440 for a family of three. See Ohio Department of Education, “Early Childhood Education Grant: FY 2020 Grantee Manual” (Section 3.2 – Family eligibility) at https://bit.ly/3e6DFiY. There are also special public preschool programs funded by federal Head Start dollars and federal dollars for disabled children.


44 Mahoning Matters. “Ohio is only state to have 2 large cities ranked among most impoverished,” Op.Cit.


46 Housing needs by State/Ohio, National Low-Income Housing Coalition at https://nlihc.org/housing-needs-by-state/ohio.


48 A family of three making more than $28,000 makes too much money to enroll in and access public support for child care. Ohio offers subsidies for parents to afford child care through the Publicly Funded Child Care program. Initial eligibility for the program is at 127.7% of the federal poverty level ($2,311 per month for a family of three). See Ohio Department of Job and Family Services, Child Care Manual at https://bit.ly/3ekKRF6. See also National Women’s Law Center, Early Progress: State Child Care Assistance Policies 2019, Table 1b: Income Eligibility Limits for a Family of Three in 2001 and 2019 at https://bit.ly/3hX9rw7.


56 Ibid.


62 Ibid.

63 Singh, Simone, PhD, and Jonathon P. Leider, PhD, “Costing The Foundational Public Health Services In Ohio, Final Report for the Ohio Public Health Partnership,” October 31, 2019.

64 State Health Access Data Assistance Center, University of Minnesota at https://bit.ly/3jOQVaa.


84 Holder, Sarah, “The Real Cost of Luring Big Companies to Town,” Bloomberg CityLab, March 29, 2018 at https://bloom.bg/34MuBd9.


86 Ibid.
