



PRESS STATEMENT
JUNE 2, 2020

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Protect public resources that support Ohioans

Federal aid, rainy day funds and targeted tax hikes on the wealthy will preserve jobs and demand in local economies, and help communities recover

The Ohio Office of Budget & Management (OBM) announced Monday that the COVID-19 pandemic would cut state revenues by \$2.5 billion from what was originally budgeted in Fiscal Year 2021, which begins July 1. OBM further announced pay cuts for exempt employees, asked unions to begin bargaining to reduce personnel costs, and requested that the General Assembly adopt a pay freeze and suspend step advancements for exempt employees next fiscal year. Policy Matters Ohio issued the following statement from Research Director Zach Schiller:

“During this time of change and uncertainty, Ohioans are coming together to take care of each other and their communities--whether it's the people keeping our cities clean by collecting our trash, the teachers spending hours preparing virtual lesson plans, or our local health department and community care workers keeping people safe.

“In the pandemic and recession, fewer people are earning income and families are buying less, so state and local governments are collecting less in income and sales taxes that support the vital work of the public employees we all depend on. All while the needs of communities are increasing. The first response of the DeWine Administration was to impose budget cuts to schools and health care providers, which it now is following with pay cuts for state employees.

“Hard times like this demand a more balanced approach. Only the federal government has the capacity to prevent a major depression and stem the pandemic. Ohio's elected leaders must press the state's Congressional delegation for much more [aid](#) for schools, local governments and the state to support public jobs and services—and for the ability to use funds already appropriated more flexibly. State lawmakers must utilize the [\\$2.7 billion](#) rainy day fund. And they should fix the state's upside down tax code to make it stronger, more fair and resilient.

“Cutting funding for public programs hurts private economic activity [more](#) than asking high-income people and profitable corporations to do their part with carefully targeted tax hikes. A share of the resources of the wealthiest taxpayers and corporations' taxes goes to savings, stock buybacks or out-of-state spending. By contrast, cutting state spending takes money out of the economy that recirculates and supports economic activity. Eliminating teachers not only threatens the education of our kids, and deepens

longstanding disparities in education, it means they can't spend as much, hurting local businesses.

Ohio policymakers' long-term strategy of income-tax cuts has weakened economic security instead of strengthening it and left the state unprepared for a public health and economic crisis. The poorest Ohioans pay nearly twice the share of their income in state and local taxes as the richest. Even before the pandemic and recession, the state's tax system failed to generate enough revenues to [properly fund](#) schools, human services, public transit and other critical services. Greater investments are needed now, during the pandemic.

Policymakers must now enact [changes](#) to the state tax system so it produces more revenue more equitably, and cut [unneeded tax breaks](#). That will support the economy and prevent [budget cuts](#) that would cause further harm. Policy Matters Ohio will lay out a variety of possibilities in the weeks and months ahead.

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Policy Matters Ohio is a nonprofit, nonpartisan state policy research institute with offices in Cleveland and Columbus.