Policy Matters Ohio

January 30, 2019

Budget

Ohio Budget Basics:

2019 Budget Primer

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Executive Summary

Executive Summary

Years of income tax cuts, elimination of corporate taxes and soaring tax breaks have left Ohio's budget in a bind. Adjusted for inflation, state revenues in the General Revenue Fund (GRF) are lower in 2018 than in 2006 and have fallen by 18.3 percent as a share of the state economy. As a result, needed public services have been cut and curtailed.

State policymakers could and should have resources to meet the needs of Ohioans. There are 115,000 more Ohioans living in poverty in 2017 than before the recession. Ohio's sectors with the most jobs, like retail, janitorial and food service, leave a full-time worker with a small family eligible for and needing public aid for basic needs like food, childcare and rent.

For too many, our economy is not working. Ohio has prioritized tax cuts for corporations and the wealthy instead of investing to broaden opportunity and prosperity for middle and lower income residents. In almost every year since the tax overhaul of 2005, Ohio lawmakers cut taxes, reducing revenues by an estimated $6 billion a year. The wealthiest 1 percent of Ohioans, earning an annual average of $1.3 million, pay $40,790 a year less in state taxes, on average, than they would have under state tax laws 15 years ago. Ohioans in the middle fifth of earners, with an annual average income of $48,000, had negligible change. The lowest-income 20 percent, earning an annual average of $13,000, pay an average of $140 a year more. Ohio's state and local tax structure has become upside down, with the poorest paying nearly twice the share of their income in state and local taxes as the wealthiest.

The trend toward inequity has increased in recent years. State tax breaks, which often benefit wealthy people and corporations the most, grew by $1.4 billion (18.5 percent) since 2012, adjusted for inflation. Today, the state foregoes more than $9 billion because of tax breaks.

During the recession, federal stimulus dollars allowed lawmakers to boost support for health care, social services, schools and universities. After the recession, that increase was not maintained. Investments that would benefit all Ohioans and all communities were deeply cut in the budget for 2012-13. As tax collections rebounded, lawmakers instead gave more income tax cuts and tax breaks.

Lawmakers never restored many important investments in Ohio's future – like state support for higher education and need-based financial aid or state funding for some local services that help senior citizens. Only one other state makes it harder for low-wage workers to qualify for childcare assistance. In these and other public services that benefit millions of Ohioans and their communities, lawmakers are investing less now than before the recession.

All funds described below are state (not federal) dollars in the General Revenue Fund, adjusted for inflation, unless noted differently, and figures are adjusted for inflation.

- **K-12 education (43.9 percent of state dollars in the GRF)** - Funding for Ohio's school districts in 2018 is $199 million higher (2.4 percent) than in 2006, but fell by $610 million (6.7 percent) from a high in 2010, when federal stimulus funding – used in the GRF during the recession - and tax

reimbursement payments were used to improve the state's long-contested approach to school funding.

- **Higher education (10.5 percent of state dollars in the GRF)** – Funding for the Department of Higher Education fell by $505 million (16.8 percent) since 2006. Ohio ranks 45th in bachelor's degree attainment. Lawmakers want to raise the share of working-age Ohioans with a degree from 40 to 65 percent but the high cost of higher education in the state is a barrier. Ohio ranks 35th least affordable in higher education and has one of the highest rates of student debt per capita in the nation.

- **Medicaid (state share only – 17.7 percent of state dollars in the GRF)** State dollars that support Medicaid in the GRF dropped by $425 million since 2006 (9.2 percent) although federal Medicaid dollars in the GRF rose sharply with the Medicaid expansion. Today Medicaid expansion funds the largest share of treatment for substance abuse disorders in Ohio, which has the nation's second highest drug overdose death rate.

- **Human services other than Medicaid (8.6 percent of state dollars in the GRF)** – Revenues for other human services have declined by $270 million since 2006 (under Republican Governor Taft), a drop of 12.9 percent. This includes vital programs like job training, protective services for children and the elderly, work supports like childcare assistance, and other programs that help many Ohioans.

- **Local Government Funds (3.1 percent of state dollars in the GRF)** - Ohio is a home rule state: Cities and villages are responsible for the health and safety of residents. Ohio's courts and health and human services are funded in significant measure by local government revenues. By 2018, counties, cities, townships and villages lost $1.4 billion a year since 2006 because of state cuts to local government funds, dwindling motor fuel taxes, and the state's elimination of some local taxes. The $1.4 billion loss includes in the calculation new sources of funds for locals, like casino revenues.

- **Corrections (8 percent of state dollars in the GRF)** - Funding for Ohio's correctional system - the Department of Youth Services and the Department of Rehabilitation and Correction combined - has fallen by $195 million since 2006 in inflation-adjusted dollars (9.1 percent). Almost half came from Youth Services with policy changes that increased community supervision and closed institutional facilities. The balance came from the Department of Rehabilitation and Corrections.

- **All other services (8 percent of state dollars in the GRF)** - In 2018 Ohio spent $72 million less among other services in the main operating budget, compared to 2006, a decline of 3.6 percent. This includes agencies like the Departments of Agriculture, Natural Resources, Commerce, Development Services, Administrative Services and others.

The challenge for the incoming administration will be restoring and aligning public services after years of weak investment. We can pay for services that build strong families and communities by closing tax loopholes and restoring adequate taxes on the most affluent.

Lawmakers should focus on making Ohio a place where we all can live healthy and happy lives, find productive work, and ensure a strong future for the next generation.

Introduction

Introduction

Ohio's General Assembly creates laws and funds the government to carry them out. Resources are appropriated through the state budget, which reflects the General Assembly's legislative priorities. State legislators will debate the 2020-21 operating budget in the first half of the coming year and sign it into law by July 1, 2019. This chartbook reviews the basics of the Ohio budget and looks at funding trends over time.

Budget analysis generally focuses on the General Revenue Fund (GRF), which funds government operations and public services. Ohio's major taxes – such as the sales and income tax – fund the majority of the GRF. But since 2005, when the corporate profits tax was phased out and deep income tax cuts initiated (among other changes), tax revenues have fallen as a share of the economy, despite economic growth. Today the state brings in $6 billion less in annual tax revenues than it would have before the 2005 tax overhaul and all of the tax cuts since that time.[1]

As revenue growth has been constrained, so has funding of public services. There are growing gaps between need and funding in education, human services, public transit and local government. Dependence on federal revenues has grown, presenting dangers as Congress considers slashing federal programs following deep federal tax cuts in 2017.

Many programs in the current budget bill – House Bill 49, for state fiscal years[2] (FY) 2018-19 – were cut as revenue projections dropped during the budget discussions, but revenues have improved. In July 2018 Ohio transferred another $657.5 million to the rainy day fund, so it now has $2.7 billion, near the maximum. Officials predicted in July that there would be another $368 million in addition to what is in the current budget;[3] There's more money available, but not nearly enough for all of the investments Ohio needs.

THE BACKDROP: OHIO'S ECONOMY

As 2019 starts, the nation is in the tenth year of economic recovery, and Ohio's economy is beginning to strengthen. After many years of weak growth compared to the nation, 2018 was a year of strong job growth, but not in all communities. There are 115,000 more Ohioans living in poverty in 2017 than before the recession.[4] This is the consequence of policy choices. Instead of making investments to bring more people into the middle class, the nation and the state have relied on tax cuts for corporations and the wealthy.[5]

Income inequality has spiked. Between 1973 and 2015, 86 percent of pre-tax, pre-transfer income growth went to the wealthiest 1 percent: the tax filers earning more than 99 percent of all Ohioans. Many Ohio jobs today have very low median wages.[6] Of the 10 most common Ohio occupations, three pay less than the federal poverty line for a family of three; nine pay less than twice that level and remain within the range at which people can – and do – access assistance from food banks.[7] Poverty hurts the health and well-being of Ohioans. Ohio ranks 44th among states for the health and well-being of our citizens and 47th for how the health of our lower-income residents compares to higher-income residents.[8]

Public policy can make a difference. For example, education matters: people with college degrees have seen wages rise over time but those without have seen wages fall. The state has a goal of boosting the share of working age Ohioans with a post-secondary degree or certificate, but to reach this goal, lawmakers must remove financial barriers by investing to lower tuition and restore need-based financial aid to pre-recession levels. It will take meaningful investment to rebuild eroded programs. In this report, we track trends in state investment in public services Ohioans need and conclude with recommendations to broaden opportunity for Ohio and Ohioans.

1 ITEP modeling for Policy Matters Ohio and Policy Matters Ohio calculations, April 2018, cited in Schiller, Zach and Patton, Wendy, "Overhaul: A Plan to Rebalance Ohio's Income Tax", Policy Matters Ohio, June 25, 2018 at https://bit.ly/2Q7MHwu

2 The state of Ohio's fiscal year runs from July 1 to June 30. Unless otherwise stated, references to years in this report will be to fiscal year.

3 Borchardt, Jackie, "Ohio's Rainy Day Fund grows to nearly $2.7 billion," Cleveland.com, July 12, 2018 at https://bit.ly/2KLEQ5M

4 Halbert, Hannah, "New Census Data confirm policy action needed," Policy Matters Ohio, September 2018 at https://bit.ly/2NdNoXt

5 Halbert, Hannah, "Good bad and ugly: Data suggests a divided Ohio economy," Job Watch, Policy Matters Ohio, October 19, 2018 at https://bit.ly/2BHtr3U

6 Sommeiller, Estelle and Price, Mark, "The new gilded age Income inequality in the U.S. by state, metropolitan area, and county," Economic Policy Institute, July 19, 2018 at https://bit.ly/2LY6Nrx

7 Hanauer, Amy, "State of Working Ohio: Inequality Amid Job Growth," September 2, 2018 at https://bit.ly/2Pfw9Bu

8 Gallup Sharecare Well-Being Index, 2017 State Well-Being Rankings at https://bit.ly/2CJyrXJ, and Commonwealth Fund Scorecard on State Health System Performance, 2018 at https://bit.ly/2P6RFMN.

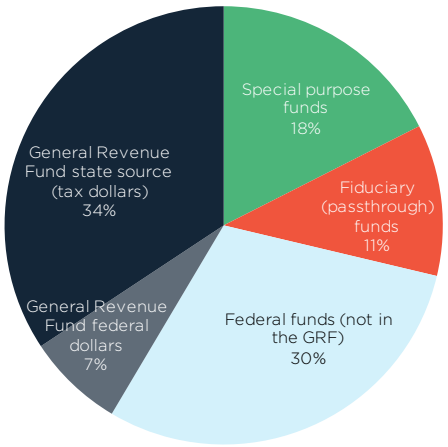
State Budget Overview

STATE BUDGET OVERVIEW

The budget process begins with the governor in the winter. Governor DeWine just began his term, so the March 15th deadline to deliver the executive budget proposal to the House of Representatives is later than usual.[9] The House will turn it into legislation, introduce it as a bill, and refer sections to committees to review; the committees will invite the public to testify. After the House passes the bill, a senator will introduce it in the Senate, which will repeat the process and pass its own bill. Representatives from both houses will then meet in "conference committee" to reconcile differences between the bills so they can be passed as identical bills. The governor must then sign it before midnight on June 30th so it can go into effect by the beginning of the fiscal year on July 1st.[10]

Figure 1

Ohio's all-funds budget by primary funding sources, 2018-19



Source: Policy Matters Ohio based on Ohio Legislative Service Commission Budget in Detail for House Bill 49, the budget bill for state fiscal years 2018 and 2019.

Ohio's current, two-year operating budget totaled $64.2 billion in fiscal year (FY) 2018 and is estimated to total $67.9 billion in FY 2019 ($132.1 billion in for both years). The "all-funds" budget is made up of four primary funds (Figure 1).

- The General Revenue Fund (GRF) makes up 41 percent of the state budget. It includes some federal revenues as well as state taxpayer dollars. Excluding the federal funds, state GRF dollars make up 34 percent of the total, all-funds budget.
- Federal funds – including those in the GRF - make up 37 percent of the budget and are the biggest single source of funds in the state budget.
- Special purpose taxes and fees make up 18 percent of Ohio's budget. These funds are raised from specific sources and dedicated to specific uses – like the money from hunting or fishing licenses, which is used to stock ponds and maintain shooting ranges.
- Fiduciary or "pass-through" funds make up 11 percent of the state budget. These funds are collected by the state but distributed to other entities. For example, the state collects all sales taxes, and distributes funds back to counties and transit agencies that levy a local sales tax on the state sales tax base.

9 A Guidebook for Ohio Legislators: Fifteenth Edition, Ohio Legislative Service Commission, 2017, p. 75, http://lsc.ohio.gov.

10 Ohio has four separate, legislatively-enacted operating budgets: A 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 main operating budget. Of these, the operating budget receives the most attention since it is the biggest, authorizing over 90% of state spending. In addition to these operating budgets, lawmakers also pass a capital budget for brick-and-mortar investment like public buildings, school facilities, dams and park facilities, as well as debt-financed economic development initiatives, like the Third Frontier. The capital budget is passed in years that end in an even number; the other four budgets are passed in years that end in an odd number.

Paying for Government: Tax Revenues

Paying for Government: Tax Revenues

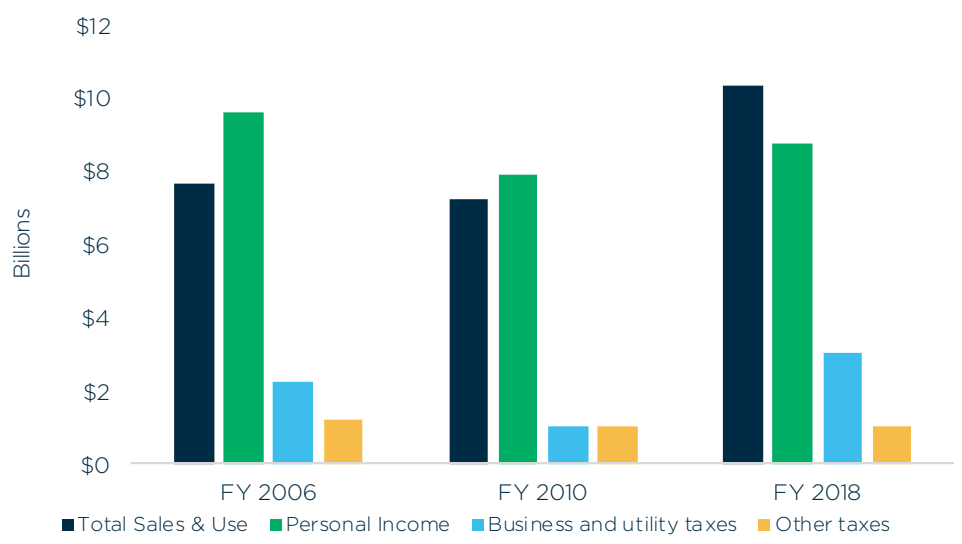
Ohio's biggest revenue source is the sales tax, followed by the state personal income tax, then business and other smaller tax sources. Figure 2 shows the changing profile of Ohio's revenue system since 2006, following a major overhaul of the state tax system. Today the sales tax (the blue bar) has replaced the personal income tax (green bar) as the largest source of funding for state government. The growth in the business taxes (red bar) in 2018 compared to 2010 does not reflect a tax hike or growth in collections but a change in use: These funds were redirected from revenue sharing with local governments and back into the state's coffers.

Ohio's overall state and local tax levels are slightly below the national average. In 2016, Ohio was 27th among the states and the District of Columbia in state and local tax revenues per capita ($472 less than the national average of $4,946)[11] and 31st with state and local tax revenues as a share of personal income at 9.1 percent (the national average is 9.9 percent).[12]

In 2005, policymakers abolished the corporate income tax and the business tangible personal property tax and replaced them with a tax on gross receipts that brings in half as much in total revenue. They ended the estate tax, which had been paid only on estates worth more than $338,333. But the biggest changes were to the personal income tax. Policymakers cut income-tax rates by a third since 2005. In 2013, they created a state level deduction for income from limited liability companies and other businesses known as passthrough entities and then expanded it to include a tax cut for such income over $250,000. It is now costing Ohio more than $1 billion a year, based on current tax rates.

Figure 2

Major sources of tax revenue in Ohio's General Revenue Fund (Not adjusted for inflation; billions of dollars)



Sources: Policy Matters Ohio, based on historical revenue tables of the Ohio Legislative Service Commission (LSC), Table 1: Ohio LSC GRF, LPEF, and LGF Revenue History

11 The 2016 data is taken from U.S. Bureau of the Census, Annual Survey of State and Local Government, Table 1: State and Local Government Finances by Level of Government and By State: 2016 (data used is from line 8: General Revenue From Own Sources: Taxes. Population estimates are taken from the U.S. Bureau of Economic Analysis (https://apps.bea.gov/iTable/iTable.cfm?acrdn=6&isuri=1&reqid=70&step=1#reqid=70&step=1&isuri=1)

12 The 2016 data is taken from U.S. Bureau of the Census, Annual Survey of State and Local Government, Table 1: State and Local Government Finances by Level of Government and By State: 2016 (data used is from line 8: General Revenue From Own Sources: Taxes. State personal income for 2016 is taken from the U.S. Bureau of Economic Analysis (https://apps.bea.gov/iTable/iTable.cfm?acrdn=6&isuri=1&reqid=70&step=1#reqid=70&step=1&isuri=1)

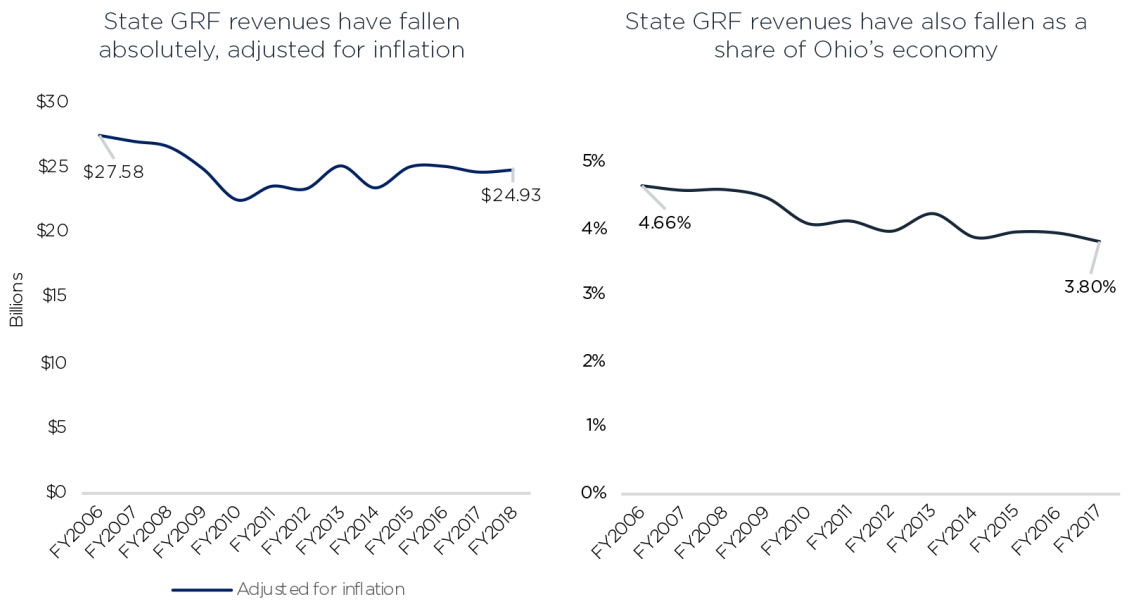
State resources in the GRF (including Local Government Funds and Lottery Profit transfers), have declined in value since 2006. Figure 3 shows that state GRF dollars are $2.65 billion lower in 2018 than in 2006 (a decline of 9.6 percent) when adjusted for inflation. Figure 3 also shows that the share of Ohio's Gross Domestic Product made up of state revenues in the GRF declined by 18.3 percent between 2006 and 2018 (Figure 3). As Ohio's economy has grown, resources that should be available to provide excellent schools, safe and well-maintained parks and beaches, drug treatment and other critical services have instead fallen due to deepening cuts to the personal income tax, elimination of business taxes and rapid expansion of tax breaks and loopholes.

Changes in Ohio's tax structure benefitted the most affluent, had little impact on those in the middle and left the poorest paying more. Although proponents claimed they would kickstart the economy, since the 2005 cuts, Ohio's job growth and median wages have in most years trailed the nation's.[13]

Policy Matters worked with the Institute on Taxation and Economic Policy (ITEP) to understand the impact of tax cuts since the 2005 cuts. By 2018, the state received $6 billion a year less in state revenues than it would have before the cuts.[14] These revenues could have been used to strengthen schools, reduce public college tuition, fund public transit, and more.

Figure 3

Adjusted for inflation, state revenues in the GRF have fallen since FY 2006 and dropped as a share of the economy.



Sources: Policy Matters, based on historical revenue tables of the Ohio Legislative Service Commission (LSC), Table 1: Ohio LSC GRF, LPEF, and LGF Revenue History, and Bureau of Economic Analysis, Gross Domestic Product (GDP) by State (https://www.bea.gov/data/gdp/gdp-state), Inflation adjustment is based on CPI-U (1982-84=1.00).Note: For state revenues as a share of GDP (LSC Table 1), total state revenues net of federal dollars in the GRF are used).

13 Schiller, Zach and Patton, Wendy, "Overhaul: A Plan to Rebalance Ohio's Income Tax," Policy Matters Ohio, June 25, 2018 at https://bit.ly/2rhpIUU

14 ITEP modeling for Policy Matters Ohio and Policy Matters Ohio calculations, April 2018, cited in Schiller, Zach and Patton, Wendy, "Overhaul: A Plan to Rebalance Ohio's Income Tax", Policy Matters Ohio, June 25, 2018 at https://bit.ly/2Q7MHwu

Figure 4

State and federal tax changes by income group

Source: Policy Matters, based on data provided by the Institute on Taxation and Economic Policy, April 2018. Data covers Ohio residents only.

Figure 4 shows how changes to Ohio's personal income tax structure increased taxes for people at the bottom of the income scale but reduced them dramatically for the top 1 percent of tax filers: The state income tax bill on the wealthiest 1 percent of Ohioans has fallen, on average, by more than $40,000 a year. For this tiny group of affluent tax filers, this enormous saving was doubled by the 2017 federal tax cut, which gives the same group another $40,000 in federal tax cuts in calendar year 2018.

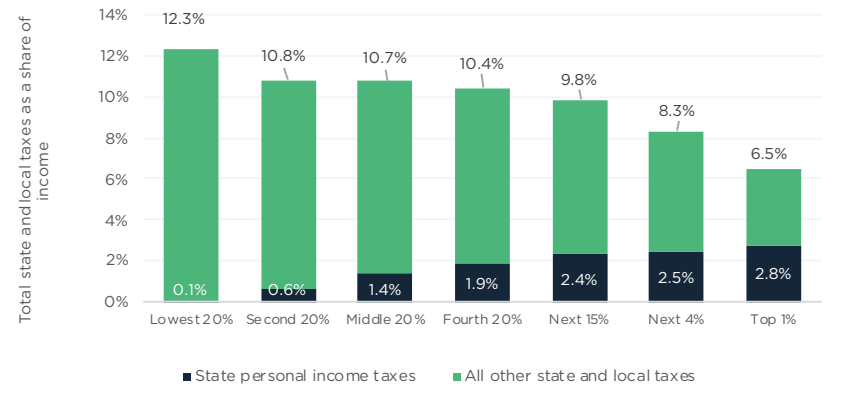
Ohio's state and local tax system ranks 13th among the states in unfairness, according to an ITEP analysis.[15] Figure 5 shows that the wealthiest pay only about half of what the poorest pay in share of income devoted to state and local taxes. The 20 percent of Ohioans earning the least pay an average of 12.3 percent of their income in state and local taxes – primarily sales and property taxes – while the one percent of Ohioans earning the most pay just 6.5 percent. Nearly half of what the most affluent pay is in the state personal income tax, the only tax provision that offsets the unfairness in the Ohio state and local tax structure.

The Ohio tax code is upside down, with the lowest income families paying the highest share of their income in state and local taxes. This contributes to structural racism in our tax system, with more Black and Latinx[16] families paying higher shares of income in state and local taxes compared to white families.[17]

15 "About who pays," Institute for Taxation and Economic Policy (ITEP), October 17, 2017 at https://itep.org/whopays-map/
16 This term refers to people with roots or ancestry in Latin America.
17 Schiller, Zach, State tax structure contributes to racial inequity, Policy Matters Ohio, January 11, 2019 at https://bit.ly/2FrXwGX

Figure 5

Ohio's state and local taxes weigh most heavily on the poorest: State and local taxes as a share of income by income group



Source: Policy Matters, based on ITEP, "Who Pays? A Distributional Analysis Of The Tax Systems In All 50 States," Sixth Edition, October 2018 at https://itep.org/wp-content/uploads/whopays-ITEP-2018.pdf

Ohio's income tax, unlike other major taxes, is graduated: it has seven brackets, each incrementally higher than the former, so the highest rate – 4.997 percent – is applied only to income greater than $217,400 (in 2018.) The top rate has been reduced from 7.5 percent, enacted under Governor Voinovich in the 1990s, when job growth was strong.

In a tax break known as the LLC loophole, The General Assembly also reduced taxes on business income from what are known as passthrough entities, which include limited liability companies, sole proprietorships and S Corporations, among others. Profits from this type of organization are taxed under the individual income tax as they "pass through" to their owners. Today, owners of these entities do not have to pay Ohio income tax on the first $250,000 in passthrough income, and only pay a 3 percent tax rate on such income over and above that—a rate lower than the 4.997 percent top income tax rate in Ohio. As a result, the LLC loophole drains more than $1 billion annually from state revenues, based on current rates.[18] This tax break was touted as a tool to spur creation of new firms and jobs, but it has failed. Even as it costs the state dearly, the vast majority of those receiving the break save less than $1,000 a year, nowhere near enough to hire a new employee.

Unfairness in a state and local tax structure can be offset by a well-designed state Earned Income Tax Credit (EITC), also known as the working family tax credit. This tax credit is a powerful anti-poverty program. In 2016, it lifted 265,000 Ohioans out of poverty.[19] Refundable EITCs reward work, improve health, education and employment outcomes throughout life, balance tax inequality, and boost local economies.

Ohio, like most states, has a state EITC pegged to the federal credit. Yet Ohio's EITC remains one of the weakest in the nation due to design flaws that prevent it from helping most low-income working families. Ohio's credit is nonrefundable, has an income cap and is smaller than the average credit offered by other states. Refundability, which is used in business tax credits, allows tax filers to receive the difference of their credit and taxes owed.[20] The income cap is restrictive: the credit does not even fully eliminate state income tax liability for many eligible families who earn over $20,000 a year. The average state EITC is set at about 27% of the federal tax credit, more than twice that of Ohio's 10% credit.

Table 1 shows that Ohio's credits helps few of the state's poorest workers.

18 Schiller and Patton, Op.Cit. The Ohio Department of Taxation has estimated that in Tax Year 2016, the tax break was worth $1.086 billion.
19 Halbert, Hannah, Ohio EITC too weak to work," Policy Matters Ohio, January 27, 2017 at https://bit.ly/2DNiyRn
20 Halbert, Hannah, Lift Ohio kids out of poverty with a reformed EITC," Policy Matters Ohio, November 9, 2018 at https://bit.ly/2DRKBxm

Table 1

Ohio's current working families tax credit helps few needy families

	Poorest Ohioans	Low-income Ohioans	Middle-income Ohioans
Income range	Less than $23,000	$23,000-$40,000	$40,000-$61,000
Average income	$14,000	$31,000	$50,000
Share receiving EITC tax cut	5%	18%	10%
Average EITC tax savings	$37	$120	$78
Share of Ohioans getting ***no*** benefit from the Ohio EITC	95%	82%	90%

Source: Policy Matters, based on data provided by ITEP. See Halbert, Hannah, "Refundable tax credit for working families puts kids first," Table 3, Policy Matters Ohio, November 9, 2018 at https://www.policymattersohio.org/research-policy/quality-ohio/revenue-budget/tax-policy/refundable-tax-credits-for-working-families-put-kids-first

SPENDING THROUGH THE TAX CODE: TAX BREAKS AND LOOPHOLES

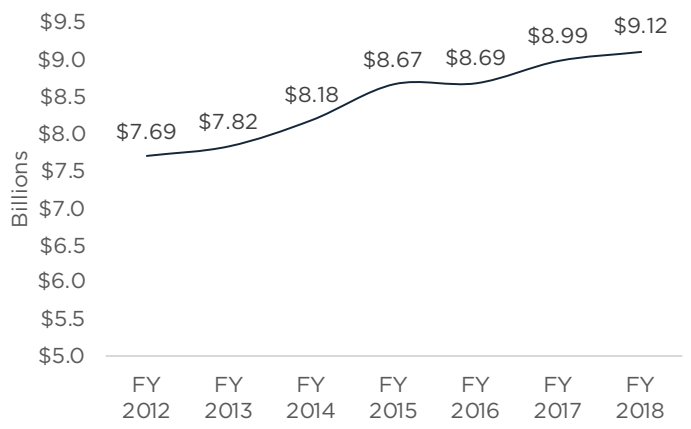
Ohio spends billions of dollars through the tax code on tax expenditures, also known as 'tax breaks' or 'tax loopholes' (Figure 6). Such expenditures have soared well above inflation in recent years. Tax breaks are estimated by the Ohio Department of Taxation as "revenues foregone" by lawmakers. If not for the special breaks granted by the General Assembly, the state would collect revenues on these.

- In the 2018-19 budget there were 129 tax expenditures listed in the state tax expenditure report, which is part of the executive budget.
- The state foregoes more than $9 billion a year in tax breaks, more than state GRF dollars spent on Medicaid, more than what the state sends to the school districts.
- Ohio's tax expenditures have grown by $1.4 billion since 2012, an increase of 18.5 percent (adjusted for inflation).

Tax expenditures, unlike budget expenditures, are not carefully reviewed by legislators for efficiency and effectiveness. In 2016, the legislature unanimously embraced legislation to review tax breaks, but the first round of reviews was weak: Three brief hearings were held on $5.5 billion dollars in annual state and local tax breaks; staff analysis was so limited that the original purpose of some of the tax breaks was not known and no testimony was provided by proponents on more than half of the items.[21] Four of the six lawmakers on the Tax Expenditure Review Committee (TERC) criticized the process, but in the end, the majority of lawmakers voted in favor of simply continuing all $5.5 billion in tax breaks without modification and further scrutiny or review. The committee did recommend that the General Assembly consider hiring staff to aid in the next phase of the review, a recommendation that should be approved in the upcoming budget.

Figure 6

Trendline in Ohio's tax expenditures (state tax revenue foregone) (Adjusted for inflation, 2018 dollars, in billions)



Source: Policy Matters Ohio, Ohio Department of Taxation, Tax Expenditure Reports. Actual expenditures 2012-17, estimated for 2018.. Inflation is adjusted using the CPI-U (1982-84=1.00)

21 Patton, Wendy and Schiller, Zach, "Weak review: Tax Expenditure Review Committee should balance tax breaks against Ohio's needs," Policy Matters Ohio, June 4, 2018 at https://bit.ly/2rcxkIf

State Government Investments

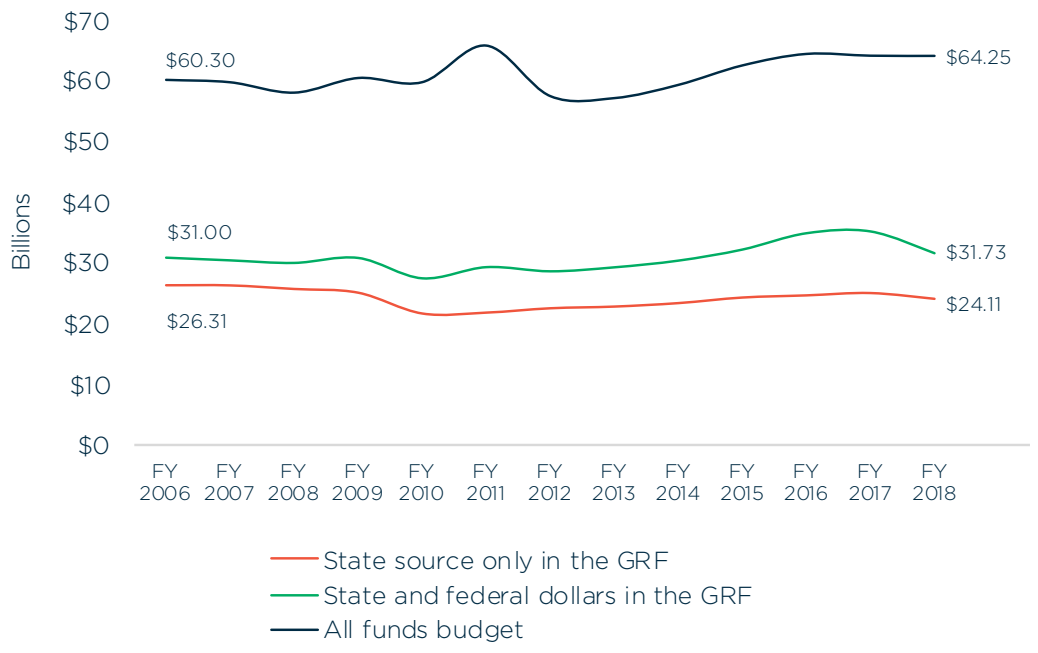
State Government Investments

As tax breaks and cuts have drained Ohio's coffers, our ability to invest in people, families and communities has declined. Figure 8 shows the trendlines in Ohio's state-source GRF spending, adjusted for inflation.

- The red line shows state-source GRF expenditures (adjusted for inflation) fell by $2.2 billion in 2018 compared to 2006, a decline of 8.4 percent.
- Ohio includes some federal dollars in the GRF: about $10 billion in Medicaid dollars. The green line in Figure 6 shows GRF expenditures including federal funds.
- Adjusted for inflation, total GRF expenditures, including federal funds, rose by $730 million (2.3 percent).
- The black line in Figure 7 shows the level of the all-funds budget, including GRF, federal funds, special purpose funds and fiduciary (passthrough) funds. Adjusted for inflation, the all-funds budget rose by $4 billion between 2006 and 2018, an increase of 6.5 percent.

Figure 7

Trendlines in GRF and all-funds budget expenditures (Adjusted for inflation, 2018 dollars, in billions)



Source: Policy Matters Ohio, based on Ohio Legislative Service Commission historical expenditures data (Tables 2 and 3) and Budget in Brief for all-funds budget. Inflation is adjusted using the CPI-U (1982-84=1.00)

Figure 8 shows how state dollars are allocated among major categories in the GRF. Two views are presented: One shows allocation of state dollars alone in the GRF, and the other includes all funds, including the federal Medicaid dollars Ohio places in the GRF.

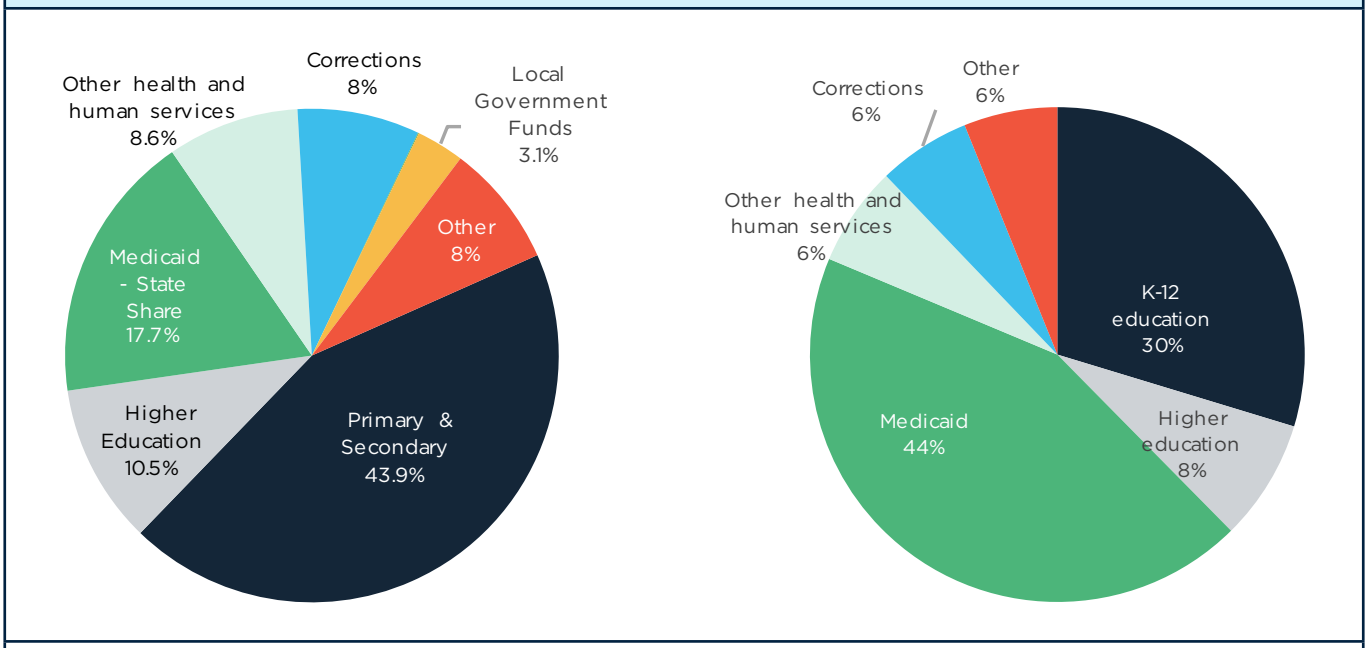
- State-funded investments total $24.1 billion in 2018 and $25 billion in 2019 (these figures are not adjusted for inflation).
- In terms of state-source funds, K-12 education and higher education are the biggest share, making up 54 percent of total state-source spending.
- When federal funds are included, the GRF totals $31.7 billion in 2018 and $33.3 billion in 2019.
- With federal funding shown, Medicaid stands out as the largest single category, making up 44 percent of state and federal GRF investments.

A statutory limit on state spending from the General Revenue Fund (GRF), known as the State Appropriation Limitation (SAL) limits the growth of most GRF appropriations to 3.5 percent or the sum of the inflation rate plus rate of population change (Combination Rate) – whichever is greater. Since 2006 executive budget proposals have been hundreds of millions of dollars below the SAL or, in some cases, well over a billion dollars below.

Major categories of investment, and selected programs within those categories, are reviewed below.

Figure 8

GRF investments by major category, 2018-19 (not adjusted for inflation)



Source: Policy Matters Ohio, based on Ohio Legislative Service Commission historical expenditures Table 2 (Includes General Revenue Fund, Local Government Fund, Public Library Fund, and Lottery Profits Education Fund dollars.) and Table 3 (includes federal funds as well as other funds in Table 2)

Education

Education

Education is the largest investment in Ohio's General Revenue Fund. Primary and secondary education funding make up 43.9 percent of the GRF. Early education (public preschool) is largely funded out of the Department of Education as well. Higher education makes up another 10.5 percent. Together, they comprise 54.4 percent of Ohio's GRF.

PRIMARY AND SECONDARY EDUCATION

Total state-source GRF funding for primary and secondary education grew by $316.4 million (3.1 percent) between 2006 and 2018, adjusted for inflation. This does not include federal stimulus dollars used in the GRF for education during the recession, but it does include money from the Lottery Profits Education Fund, (LPEF) which grew by about the same amount - $316.1 million, adjusted for inflation - between 2006 and 2018.[22]

Figure 9 shows a different view: the trend in state GRF funds for K-12 education that were distributed to the 612 public school districts. This trendline includes state monies but also federal stimulus funds and tax replacements promised by the state to schools when local business property taxes were eliminated over a decade ago.[23] From this perspective, 2018 funding for Ohio's public school districts, adjusted for inflation, is just about flat when compared with 2006, and has fallen by over a half-billion dollars from a high in 2010.

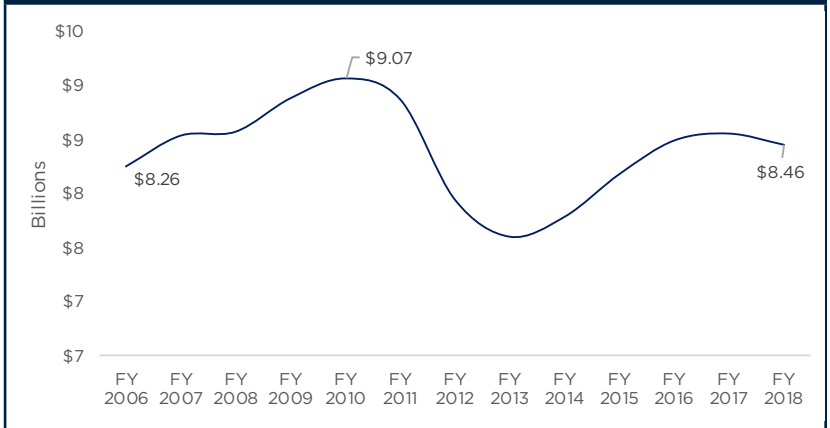
Over time, policymakers restored the deep 2012-13 cut, but not equally in all places. In the first year of the current budget, for example, it was projected that in 2018, 258 school districts would see a funding increase, 203 would have no change, and 149 would get less. Funding patterns in 2019 were projected to look about the same, but with more districts staying flat.[24]

Problems of unequal funding in poorer areas remain, even after years of court battles. The largest source of funding for Ohio's schools is local property tax dollars (not included in Figure 9). Because of wide variation in property value among communities, the way schools are funded does not meet Ohio constitutional standards for uniform educational opportunity.

For students, the outcome of overreliance on unequal local resources is, on average, unequal achievement, with implications for lifetime opportunity. An analysis of the performance index score on Ohio's 2018 school district report cards found students in districts with the highest property value per pupil scored 33 percent higher on the "Performance Index," on average, than districts with the lowest property value per pupil.[25] The state has known

Figure 9

State GRF funding sent to local school districts (Adjusted for inflation, 2018 dollars, in billions)



Source: Policy Matters Ohio. based on LSC data provided by e-mail 11-2-2018 and includes formula funding, tax reimbursements (TPP) and federal stimulus dollars. Inflation is adjusted using the CPI-U (1982-84=1.00)

22 Policy Matters Ohio, based on data from the Ohio Legislative Service Commission historical expenditure table (Table 2: State - Source GRF, LPEF, and LGF Expenditure History

23 See "How the state broke its promise and schools lost one billion dollars, Ohio.com editorial board, December 15, 2018 at https://bit.ly/2CvB5ii

24 Keller, Jeremy, "SEARCH: What does the state budget mean for your school district's funding? Dayton Daily News, July 3, 2017 at https://bit.ly/2BsAQ5N.

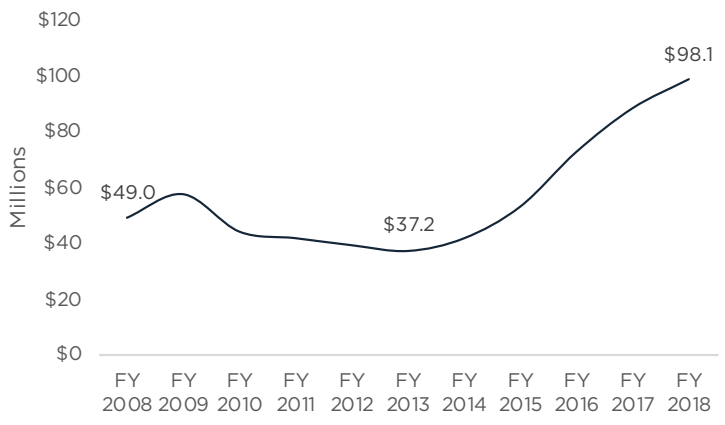
25 "The Performance Index is a comprehensive measure of the performance of Ohio's students on the standardized tests administered in grades three through high school. It.considers performance of all students in a district at different levels (Advanced Plus, Advanced, Accelerated, Proficient, Basic, and Limited), rather than just showing the number or percent of students who achieve proficiency. The maximum possible PI score is 120." Fleeter, Howard, PhD, "OEPI Analysis of 2018 School District Report Card Data Ohio Education Policy Institute, October 2018 at https://bit.ly/2TWZIeu

about the problem for a long time, but has not corrected it, despite a long-running court case dating back to the 1990s.[26] Since 1999, increase in state and local revenues in the poorest quintile of 604 public school districts studied by the Ohio Education Policy Institute is only slightly higher than in Ohio's wealthiest school districts.[27]

Urban districts lose resources to charter schools, some of which perform very poorly.[28] Charter schools are often run by for-profit enterprises but funded by state revenues sent to the public school district where they are located.[29] They are concentrated in cities.[30] Ohio allocated $935.5 million to charter schools in 2018 and $937 million in 2017, just over 11 percent of total funding for school districts in those years.[31] Charters served just 6.65 percent of Ohio students in school year 2016-17.[32]

Figure 10

State GRF investment in public pre-school (Adjusted for inflation, 2018 dollars, in millions)



Source: Policy Matters Ohio, based on data provided by the Ohio Department of Job and Family Services and the Ohio Legislative Service Commission (Budget in detail with 2018 actual expenditures and 2019 adjusted appropriations) Includes Department of Education and Job & Family Service line items 200408, 200661, 600696. Inflation is adjusted using the CPI-U (1982-84=1.00)

EARLY EDUCATION

Research has shown that children with early education learn to read better, are more likely to graduate from high school, make more money and achieve a higher standard of living and well-being.[33] Ohio is among the bottom half of states in terms of state investment in public pre-school, but has boosted funding in recent years.

Children of families earning less than double the poverty line are eligible for public pre-school slots (this eligibility is the same level at which families can get help – and need help – from Ohio's food banks). In Ohio, 41 percent of children under 18 – two out of five children - live in families at this income level.[34]

Figure 10 shows Ohio doubled funding for public pre-school. Yet Ohio's public preschool programming reaches a tiny share of eligible children. In 2013, just 4,817 Ohio 3- and 4-year-olds (two percent of those eligible) attended state-supported public pre-school, and Ohio ranked 39th among the 50 states and the District of Columbia for number of kids in public pre-school. By 2017, there were 15,942 Ohio children, or 5.7 percent, and state ranking rose to 32nd - an improvement, but far below the national average of 19 percent.[35]

26 DeRolf v. State of Ohio, Ohio History Connection at http://www.ohiohistorycentral.org/w/DeRolph_v._State_of_Ohio

27 Fleeter, Howard, PhD., "20 Years of School Funding Post-DeRolph,"Ohio Education Policy Institute August 2018 at http://www.oepiohio.org/wp-content/uploads/2018/08/Post-Derolph-Press-Conference-Package_8-15-18.pdf

28 Ohio's charter schools are poorly regulated and have a poor national reputation. The largest charter school, ECOT, falsified enrollment numbers; the state school board has voted to recover $60 million in overbilling. See O'Donnell, Patrick, "State school board votes to recover $60 million from ECOT online school," The Plain Dealer, June 12, 20-18 at https://bit.ly/2KKbTr0

29 Some school districts sponsor charter schools, while others are privately run.

30 Ohio law currently prohibits new charters from locating in more than 97 percent of the state, according to a 2018 analysis by the Columbus Dispatch, which concludes that although only four states have more charter schools, Ohio concentrates its charters in a handful of mostly urban districts. See Bush, Bill, "Ohio's GOP dominated rural areas have few charter schools, Columbus Dispatch, February 4, 2018 at https://bit.ly/2QrTowJ

31 Ohio Department of Education, Community School Transfer Detail, November 29, 2018 at https://bit.ly/2DTEmsP

32 Community Schools 2016-2017 Annual Report, Ohio Department of Education at https://bit.ly/2zB9WbR

33 See "Perry Preschool Project," Social Programs that Work, January 25, 2018, http://evidencebasedprograms.org; "Perry Preschool Study," Highscope Educational Research Foundation, 2017, http://highscope.org; Heckman, James, "Invest in Early Childhood Development: Reduce Deficits, Strengthen the Economy," 2017, http://heckmanequation.org; "Abecedarian Project," Social Programs that Work, November 20, 2017, http://evidencebasedprograms.org; "Groundbreaking Follow-Up Studies," The Carolina Abecedarian Project, http://abc.fpg.unc.edu; Heckman, "Invest in Early Childhood Development," http://heckmanequation.org; García et al, "Quantifying the Life-cycle Benefits of a Prototypical Early Childhood Program," May 26, 2017, http://NBER.org, cited in Rob Moore, "Assessing Ohio's Childcare System," Policy Matters Ohio, June 25, 2018 at https://bit.ly/2SgasmC

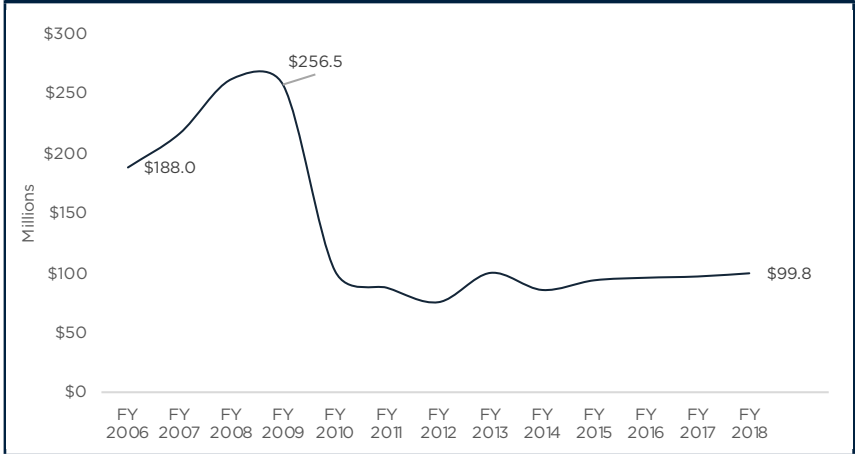
34 Kids Count data base at https://datacenter.kidscount.org/data#OH/2/0/char/0

35 State of Preschool, National Institute for Early Education Research, Rutgers University at http://nieer.org/state-preschool-yearbooks/yearbook2017

In addition to state-funded pre-school, there are federally funded preschool services for special education and the federal Head Start program. In 2017, 13.1 percent of income-eligible 3-year-olds in Ohio (compared to 16.1 percent nationally) and 26.3 percent of income-eligible 4-year-olds (compared to 43.8 percent nationally) were enrolled in one of Ohio's state and/or federally-funded public pre-school options, including special education and Head Start.[36]

Figure 11

Funding has fallen for need-based financial aid for higher education (Adjusted for inflation; 2018 dollars, in millions)



Source: Policy Matters Ohio, based on Ohio Legislative Service Commission Budget in Detail for financial aid; historical expenditure Table 3, which includes federal stimulus dollars, used for total higher education funding. Inflation is adjusted using the CPI-U (1982-84=1.00)

HIGHER EDUCATION

Lawmakers boosted investment in higher education before the recession, cut it during the recession and never restored funding. State support for the Ohio Department of Higher Education has fallen by a half billion dollars (16.8 percent) in the GRF, adjusted for inflation, since 2006. Figure 11 shows that while lawmakers were committed to making college affordable in 2009, they cut need-based financial aid sharply during the recession and never restored it to previous levels.

Education makes a significant difference in earnings. Inflation-adjusted median wages fell from $15.64 in 1979 to just $10.35 an hour in 2017 for Ohioans who haven't finished high school, and wages fell from $16.00 to $15.02 over the same time period for those with just a high school diploma, but for those with at least a college degree, median wages rose from $21.38 to $26.30.[37]

Ohio ranks 25th among states in high school graduation, 37th among states in bachelor's degree attainment and 30th among states in postgraduate education. Ohio has made some progress in boosting college graduation. In 2011, 31.8 percent of Ohioans over 25 had a degree, a share that rose by 4.9 percent to 36.7 in 2017, compared to 40.5 percent nationally.[38] Lawmakers set a college degree attainment goal of 65 percent of working-age Ohioans by 2025. That requires more state support for higher education.[39]

The high cost of Ohio's public universities and community colleges is holding the state back. Ohio ranks 45th least affordable state for college in terms of net expenses as a share of family income.[40] Collectively Ohioans owe $57 billion in student debt. The state has one of the highest rates of student debt per capita in the nation.[41] To reduce the cost of higher education policymakers should boost investment in the state's share of instruction (SSI), which supports direct classroom education. SSI has fallen by almost 2 percent, adjusted for inflation, since 2006. More Ohioans need help paying for college and lawmakers should restore cuts to Ohio's need-based financial aid program. Policymakers should also begin to move toward free community college.[42]

36 Ibid.

37 Hanauer, Op.Cit.

38 American Factfinder, Educational Attainment for Ohio and for the Nation, 2017.

39 Jackson, Victoria, "Ohio Promise: Equitable Free College," Policy Matters Ohio, October 19, 2018 at https://bit.ly/2RrBXJz

40 Ohio is ranked 45th in college affordability by the Institute for Research on Higher Education, based on the percentage of income required to pay for the net price of college (tuition, fees, and room and board less financial aid). Students with incomes below $30,000 (nearly a quarter of all families) would need to spend 81 percent of their income to pay for one year of the net price of a public university and 38 percent for community college. For families making $30,000 to $48,000, it costs 39 percent and 27 percent of income to pay for public university and community college, respectively. Institute for Research on Higher Education. (2016). College Affordability Diagnosis: Ohio. Philadelphia, PA: Institute for Research on Higher Education, Graduate School of Education, University of Pennsylvania. https://bit.ly/1O58dj0

41 Jackson, Op.Cit.

42 Jackson, Victoria, Ohio Promise: Equitable Free College, October 18, 2018 at https://bit.ly/2RrBXJz

Health & Human Services

Health & Human Services

The second largest set of expenditures in the Ohio GRF budget are for health and human services, accounting for 25.3 percent of state-source expenditures in the GRF budget (Figure 12). Medicaid accounts for 17.7 percent of GRF state-source expenditures in 2018, and health and human services, 8.6 percent.

MEDICAID

Ohio has a great network of world-class hospitals and outstanding children's hospitals, but poor health outcomes. The Health Policy Institute of Ohio ranks Ohio 46th among the states in health value, concluding: "Ohioans are living less healthy lives and we spend more on health care than people in most other states."[43] Much of this has to do with barriers to health associated with poverty: toxic stress from economic instability, lack of access to healthy foods and green space, unsafe neighborhood conditions, substandard housing, and more.[44]

With so many structural barriers keeping Ohioans unhealthy, access to health care is especially important. It also means a need for greater access to public health and human service programs designed to promote economic stability and targeted investments in areas of concentrated poverty to reduce health-damaging neighborhood conditions.

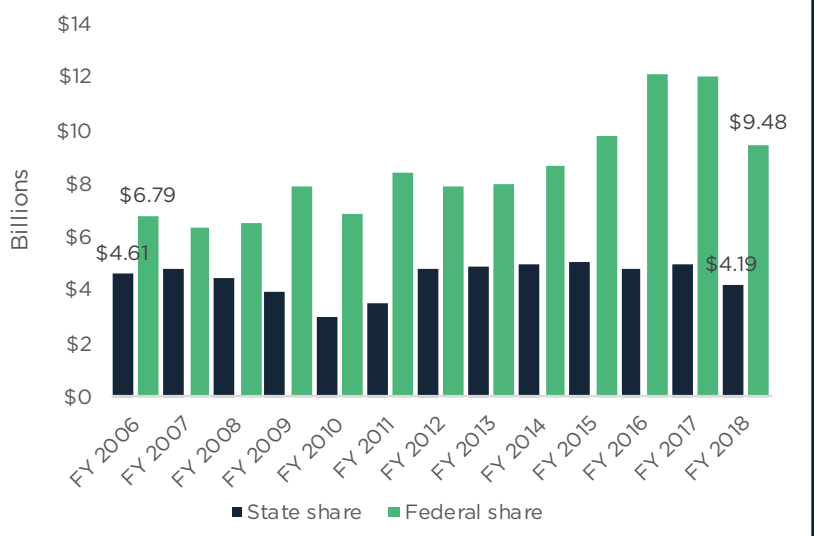
Medicaid, Ohio's largest insurer, provides health insurance to Ohioans who live in or near poverty. Across all programs, it covers about 3 million, a quarter of all residents.[45] Ohio is among the states with the highest share of insured residents (94 percent) in part because of Medicaid expansion, which covers working Ohioans who make low wages.[46]

The budget appropriates $27.07 billion in FY 2018, across all funds – state tax dollars, special purpose funds and federal funds. Of that, $14.82 billion are in the GRF. Most of that is federal money. The state share is $5.09 billion. Approximately 63 percent of this spending will be reimbursed by the federal government, which reimburses more than 90 percent of funding for Medicaid expansion.[47]

Figure 12 shows that the trendline in state share of Medicaid in the GRF has been flat over time, adjusted for the overall rate of inflation – not medical inflation, which is much higher. Federal funding rose on an inflation-adjusted basis with the Medicaid expansion in 2014.

Figure 12

In Ohio GRF, state Medicaid funding has been flat, federal Medicaid funds have risen (Adjusted for inflation, 2018 dollars, in billions)



Source: Policy Matters Ohio, based on Ohio Legislative Service Commission historical expenditure tables (Table 2: GRF spending, including Local Government Funds and Lottery Profits Education Fund). This table shows the major line items for Medicaid in the GRF budget: 651525 and 651526. Inflation is adjusted using the CPI-U (1982-84=1.00)

43 Health Values Dashboard, Health Policy Institute of Ohio at https://bit.ly/2zvpJZB
44 Woodrum, Amanda, Building a Healthy Ohio: Overcoming Barriers to Health Stemming from Poverty, Segregation and Racism, Policy Matters Ohio, November 19, 2018 at https://bit.ly/2KfAoMp.
45 Average enrollment for state fiscal year 2018 was 3,007,828. Medicaid Caseload Report, Ohio Department of Medicaid at https://bit.ly/2FOUONv
46 Halbert, Hannah, New Census Data Confirms that Policy Matters, Policy Matters Ohio, September 12, 2018 at https://bit.ly/2Pbsft0
47 "Budget in Brief," Ohio Legislative Service Commission, https://bit.ly/2sfgGYL

- Medicaid expansion funds the largest share of medication-assisted treatment for substance abuse disorders in Ohio, the most effective and cost-effective treatment.[48] Ohio has the second highest drug overdose death rate in the nation.[49]
- Some state lawmakers want to eliminate Medicaid expansion, although it brings more than $4 billion in federal funds into the Ohio economy, supporting health, employment and jobs in every county.[50]
- Others, including Governor-elect Mike DeWine, want new eligibility requirements that mandate a set number of hours per week of work or community engagement. Census data shows 95 percent of all working-age enrollees in Medicaid already work, are disabled, or are otherwise fully engaged as caregivers for children or disabled people.[51]
- Similar requirements in other programs[52] and in other states[53] show they reduce access to health care because of uncertain scheduling in low-wage work, lack of sick leave, and administrative difficulty of proving many kinds of disabilities. The mandates will not eliminate Medicaid expansion but will greatly reduce it.[54]

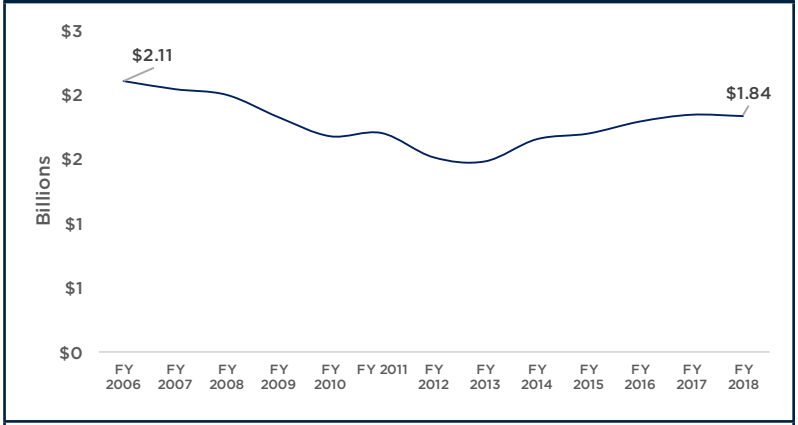
Ohio has privatized much of Medicaid. Today 89 percent of Medicaid services are provided through private managed care organizations compared to 30 percent nine years ago, according to the Governor's Office of Health Transformation.[55] The privatized system has been criticized for lack of transparency in the administration of drug purchasing and pricing – enriching for-profit companies at the expense of taxpayers. As a result, this year Ohio Medicaid is implementing tighter fiscal oversight and control of these enormous contracts.[56]

OTHER HEALTH AND HUMAN SERVICES

On an inflation-adjusted basis, spending on health and human services other than Medicaid declined in the GRF by $270 million since 2006 (when Republican Governor Taft was in power), a drop of 12.9 percent (Figure 13). Health and human services are often thought of as safety net programs but they go way beyond that, providing job training and work supports like public childcare; services for seniors; protective services for children and the elderly, and other programs that help many Ohioans.

Figure 13

Ohio's state investment in health & human services other than Medicaid (Adjusted for inflation, 2018 dollars, in billions)



Source: Policy Matters Ohio, based on Ohio Legislative Service Commission historical expenditure tables (Table 2): This table shows health and human services excluding the primary Medicaid line items (Agency Line Items 651525 and 651526). Inflation adjusted using the CPI-U (1982-84=1.00)

48 Scott, Dylan, "Visualized: What Medicaid pays for addiction treatment meds, state by state," STATnews, March 4, 2017 at https://bit.ly/2ADoEyL

49 Drug Overdose Deaths in the United States, 1999–2017, Centers for disease Control, National Center for Health Statistics, November 2018 at https://www.cdc.gov/nchs/products/databriefs/db329.htm

50 Patton, Wendy and Woodrum, Amanda, "Analysis: Medicaid expansion supports 54,000 jobs," Policy Matters, November 26, 2018 at https://bit.ly/2Q1Ogjs See also Sopko, Kate, "Ohio's Growing Health Care Sector," Policy Matters Ohio, May 2017 at https://bit.ly/2LKJDVK

51 Patton, Wendy, "Medicaid works: Work requirements don't," Policy Matters Ohio, February 7, 2018 at https://bit.ly/2pI0i1X

52 Pavetti, LaDonna, "Work Requirements Don't Work," Center on Budget and Policy Priorities, January 10, 2018 at https://bit.ly/2zBw9Xc

53 Hellman, Jesse, "4000 more lose Medicaid coverage under Arkansas Work Requirements," Governing .com, October 18, 2018 at https://bit.ly/2BJiHlu

54 Woodrum, Amanda, "Medicaid requirements threaten health care access, Policy Matters Ohio, June 14, 2018 at https://bit.ly/2FPTNoC. Policy Matters Ohio estimates 318,000 Ohioans will be at risk for losing health coverage under this new eligibility policy for administrative reasons. Work requirements are not likely to move Medicaid enrollees into a job with benefits. Employers offer health coverage to few low-wage and part time workers earning so low that they qualify for Medicaid. See Woodrum, Amanda, "Ohio's low-wage employers provide health benefits to less than 1 in 5 of their employees," Policy Matters Ohio, August 2, 2018 at https://bit.ly/2Q4ojQf

55 Governor's Office of Health Transformation at https://bit.ly/2QsSsZW

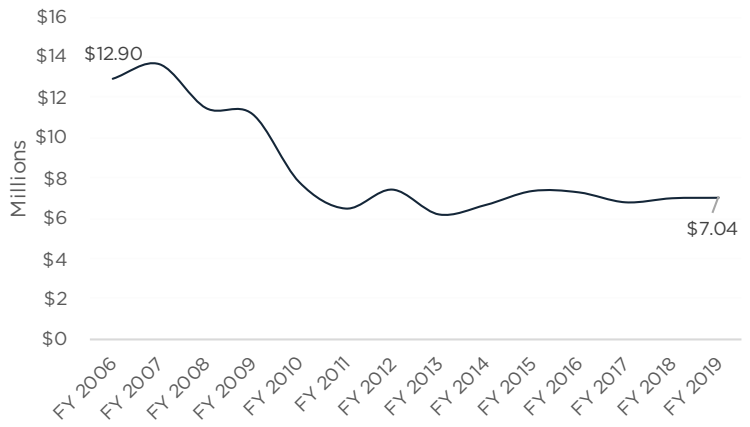
56 Candisky, Catherine, "Ohio's prescription plan to be more transparent in 2019, The Columbus Dispatch, December 10, 2018 at https://bit.ly/2QopFFx

Human services, excluding the Medicaid line items in the GRF – make up 8.6 percent state-source GRF expenditures. Many important programs addressing pressing needs of residents are provided by six "sister" agencies in addition to the Ohio Department of Medicaid, examined below.

The Ohio Department of Aging administers state- and federally funded programs that serve seniors. There is little non-Medicaid spending in the General Revenue Fund for the Ohio Department of Aging. Funding in some programs for seniors has dropped sharply. The Senior Community Services line is a good example of this. State dollars for this program draw down federal funds to support older people living in their own homes, including home meals and congregate group meals. State GRF funding dropped by $5.8 million in 2018 compared with 2006, adjusted for inflation, a 45 percent decline (Figure 14). Funding for the Alzheimer's respite program also dropped by $2.5 million over the same time period, a decline of 51 percent. These cuts occurred even as the state has focused on helping elderly people stay in their own homes in the community as they get older, where they and their families need help – like with home delivered meals or Alzheimer's respite.[57]

Figure 14

State dollars to match federal Senior Community Block Grant has dropped (Adjusted for inflation, 2018 dollars, in millions)



Source: Policy Matters Ohio, based on Ohio Legislative Service Commission Budget in Detail for Senior community services, line item 49011. Inflation based on CPI-U (1982-84=1.00).

State and federal dollars fund Adult Protective Services, which protects seniors from physical, emotional or financial abuse, as well as neglect and self-neglect. It is funded through the Ohio Department of Job and Family Services and counties provide the service. During the past five years the state provided millions of dollars in one-time funds to improve the system and boosted ongoing funding for county operations. This was a step in the right direction, but even so, funding has been inadequate.

While more than 20,000 people were helped under the program in 2018, an estimated 105,000 to over 200,000 elderly Ohioans are abused.[58] Many professionals are newly required to report suspected financial exploitation of seniors – this will expand the need for investigations. Lawmakers designated fines on perpetrators to cover the expense,[59] but such fines will not expand services as much as is needed. Policy Matters Ohio found the service is underfunded by about $20 million.[60]

The Ohio Department of Developmental Disabilities administers services for people who are developmentally disabled and **Opportunities for Ohioans with Disabilities (OOD)**, the former Rehabilitation Services Commission, administer services for people who are ill or physically disabled and served by Social Security Disability Insurance.

Medicaid funding has been substantially increased for the Department of Developmental Disabilities, rising by $131 million (not adjusted for inflation) in the GRF of the current budget compared to the prior budget period, but non-Medicaid, state-source GRF funding fell by $20.7 million – again, not adjusted for inflation – over the same period. Figure 15 shows that over time and adjusted for inflation, state-source GRF funding has fallen by $78.6,

57 Governor's Office of Health Transformation, "Ohio Leads Nation in Home and Community Transition Planning," June 6, 2016 at https://bit.ly/2AlYHog
58 Patton, Wendy, "Protecting Older Ohioans," Policy Matters Ohio, November 1, 2018 at https://bit.ly/2GExSkC
59 Sweigart, Josh, "New Ohio law targets elder fraud as cases on the rise: Here's how it works," Dayton Daily News, December 26, 2018 at https://bit.ly/2CDqDWh
60 Id.

a decline of 50 percent. Figure 15 shows that state GRF funding for "Opportunities for Ohioans with Disabilities" has also been reduced by $14.6 million in GRF funding, also cut almost in half since 2006 (Figure 15).

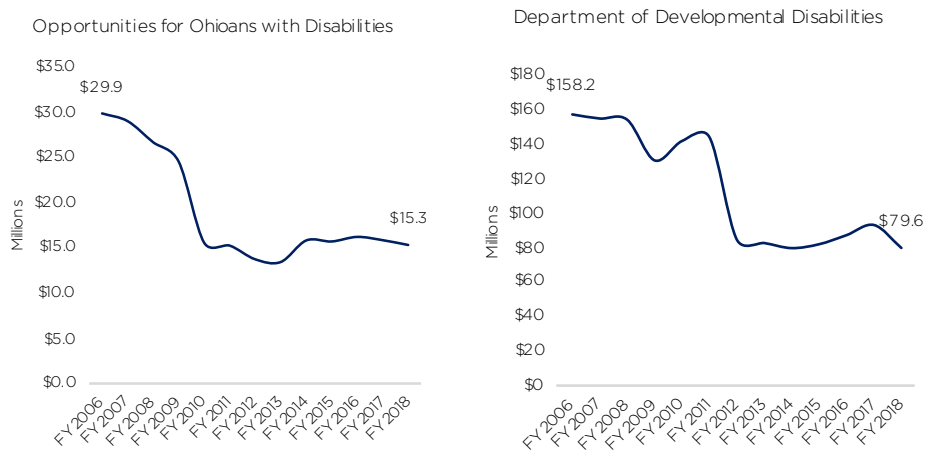
Reduction in funding to county developmental disability boards accounted for almost half of the decline in GRF funding to the Ohio Department of Developmental Disabilities. Some of this is budget re-arrangement: some dollars have been absorbed into Medicaid lines.[61] The most harmful cuts to county boards of developmental disabilities came through loss of tax reimbursements. These had been promised to make up for lost local tax revenues due to state elimination of a local business property tax, but were mostly phased out in the 2012-14 budget. County developmental disability levies lost an estimated $60 million a year.

State-source GRF funding for Opportunities for Ohioans with Disabilities (OOD) has also declined. In addition, Ohio lawmakers eliminated Disability Financial Assistance, a program operated by the Ohio Department of Job and Family Services to support very poor people waiting for a determination for Social Security Disability Insurance. The average wait can be up to 20 months in Ohio, so to someone unable to work because of illness or disability, this small program was a lifeline.

The Ohio Department of Health collects data on births, deaths, infant mortality and other public health statistics; and oversees programming, laboratory services, water and sewer, and other programs affecting public health. State GRF funding for this agency has declined by $24 million, adjusted for inflation, since 2006, a decline of 26.5 percent (Figure 16).

Figure 15

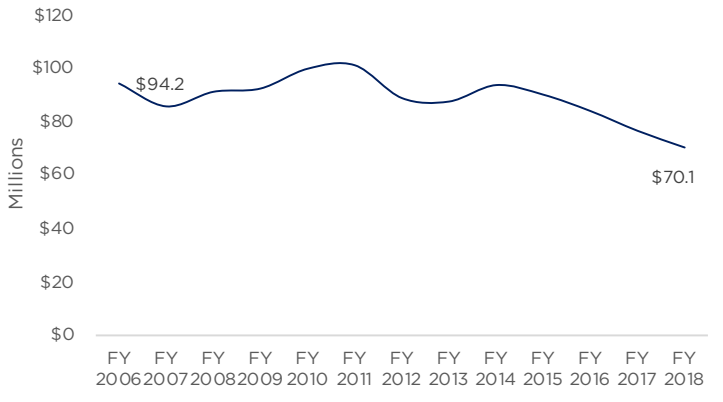
State-source GRF funding for services for disabled people has declined on an inflation adjusted basis (2018 dollars, in millions)



Source: Policy Matters Ohio, based on Ohio Legislative Service Commission Budget in Detail. Medicaid services are excluded. Inflation is adjusted using the CPI-U (1982-84=1.00)

Figure 16

Decline in state GRF for the Ohio Department of Public Health (Adjusted for inflation, 2018 dollars, in millions)



Source: Policy Matters Ohio, based on Ohio Legislative Service Commission Budget in Detail for line items Inflation adjusted with CPI-U 1982-84=1.00

61 Interview with Erich Bittner and Rick Black of the County Boards of Developmental Disabilities trade association, January 3, 2019.

The Ohio Department of Job and Family Services administers Temporary Assistance for Needy Families (TANF) programs including cash assistance and public childcare; protective services for children and elderly people; programs that support foster care, kinship care and adoption; child support; workforce training services; unemployment compensation and other programs.

The federal TANF program funds what is thought of as basic "welfare" or cash assistance programs. In 2016, and on a national basis, only 23 of every 100 eligible families received TANF cash assistance. When TANF was created in 1996, 68 families received cash assistance for every 100 in poverty.[62]

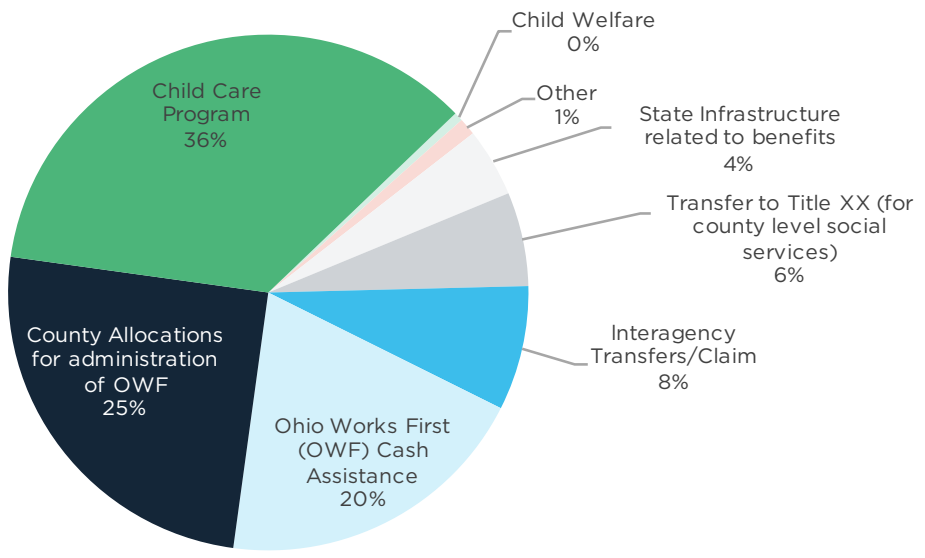
In 2018, Ohio's $836.4 million federal TANF block grant was matched with $464.1 million in state dollars for a program total of $1.3 billion dollars (1 percent of the all-funds budget and 1.8 percent of the state-source GRF). Figure 17 shows how TANF dollars are used in the state spending plan for 2018-19.

- The largest share of TANF funding supports the public childcare program. More than a third of TANF dollars – 36 percent – fund public childcare.
- The next largest category of funding is for administration of Ohio's county-based human services infrastructure. Like in nine other states, health and human services in Ohio are delivered through a county system, not by state employees.
- Actual cash assistance for the neediest, which is the basic purpose of the funding, accounts for just $1 of every $5 spent by the agency.

Ohio's cash assistance program, "Ohio Works First," provides aid to families with children earning no more than 50 percent of the federal poverty level, those in deep poverty. It also supports children who are not living with their own parents, but with foster families or in the child protective system.

Figure 17

Ohio's use of federal TANF dollars in 2018-19 (includes federal dollars)



Source: Policy Matters Ohio, based on Ohio TANF spending Plan, March 9, 2017, provided by the Ohio Department of Job and Family Services . Inflation is adjusted using the CPI-U (1982-84=1.00)

62 Britton, Tara and Luscheck, Brie, "Majority of Ohioans living in deep poverty don't receive cash assistance: Temporary Assistance For Needy Families in Ohio," Center for Community Solutions, October 2018 at https://bit.ly/2AC3qS1

Figure 18 shows that while poverty rose during the recession and did not drop to pre-recession levels,[63] the number of people in poverty who are helped by Ohio Works First has dropped sharply. The red line shows people living in poverty (percentage on right, number on left vertical axes) while the blue and green bars show the adults and children receiving assistance.

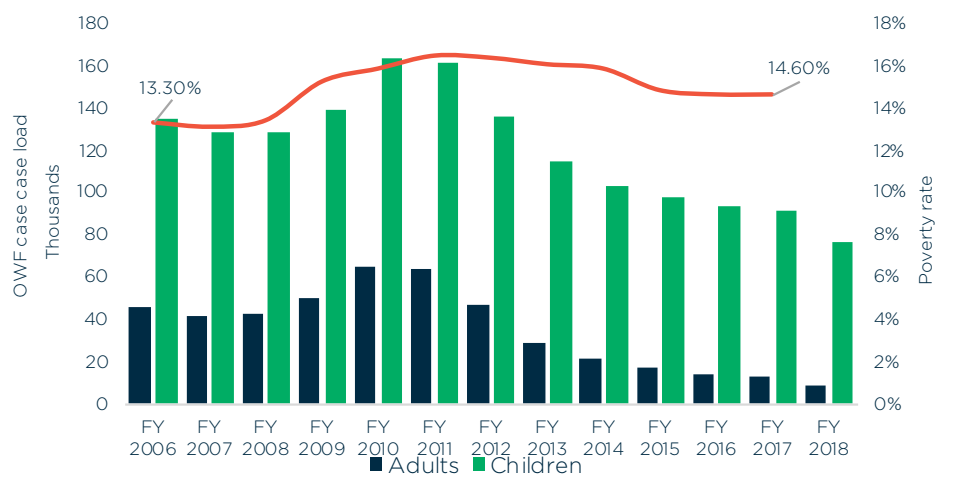
Work requirements in the TANF program contributed to the sharp decline in aid to adults.[64] In addition, Ohio restricts federally-funded cash assistance to 36 months, although the federal funds can be given for up to 60 months.[65] As a result, many who need help the most do not get it. Estimates say 191,000 Ohioans live on $2.00 a day or less[66] – a level of deep poverty applied in the evaluation of underdeveloped nations.[67] Despite the high need, over the years, Ohio has built up an estimated half a billion dollars in unspent TANF funds.[68]

TANF money plays an important role in funding for public childcare: between TANF and the Child Care and Development Block Grant, most funding to subsidize the cost of child care for low-income working parents is federal. Figure 19 shows that increased funding was appropriated for public child care assistance during the recession but dropped by $83 million, adjusted for inflation (10.3 percent) between 2011 and 2018.

Eligibility for the program has dropped. To be accepted into the program today, a family of family of three can make no more than $27,024. This is lower than in 49 other states.[69]

Figure 18

Number of Ohioans aided by Ohio Works First (cash assistance) has fallen sharply while poverty rates have remained high



NOTE: Navy and green bars depict adults and children receiving assistance, while red line depicts Ohioans in poverty. Percentage is shown on right vertical axis and numbers are shown on the left vertical axis.
Source: Policy Matters based on Ohio Department of Job and Family Services "Public Assistance Monthly Statistics" (http://jfs.ohio.gov/pams/archive.stm) and the Ohio Development Services Agency's 2018 Ohio Poverty Report (Table 1-A, p.52) (poverty is calculated as a three-year average).

63 Figure 18 poverty rates are based on the 2018 Ohio Development Service Agency's Poverty Report, and reflect 3-year averages. Using that measure, poverty remained 12.3 percent higher in 2016 compared to 2006. A slightly different measure – the American Community Survey's one-year estimate – shows the poverty rate for Ohio in 2017 was 14.0 percent, This remains 7.7 percent higher than in 2006.

64 Patton, Wendy, "Work Requirements Shrink Ohio Cash Assistance Ranks," Policy Matters Ohio, November 21,2013 at https://bit.ly/2TZhzkZ

65 Ohio Works First factsheet, Ohio Department of Job and Family Services, at https://jfs.ohio.gov/factsheets/owf.pdf

66 Ahern, Joseph, "Extreme Poverty in Ohio: How Many People in Ohio Live on Less than $2.00 Per Day?", Center for Community Solutions, April 4, 2016 at https://bit.ly/2rb5trO

67 Roser, Max and Ortiz-Ospina, Estaben, "Global Extreme Poverty," 2018, OurWorldInData.org. 'https://ourworldindata.org/extreme-poverty'

68 Britton and Luscheck, Op.Cit.

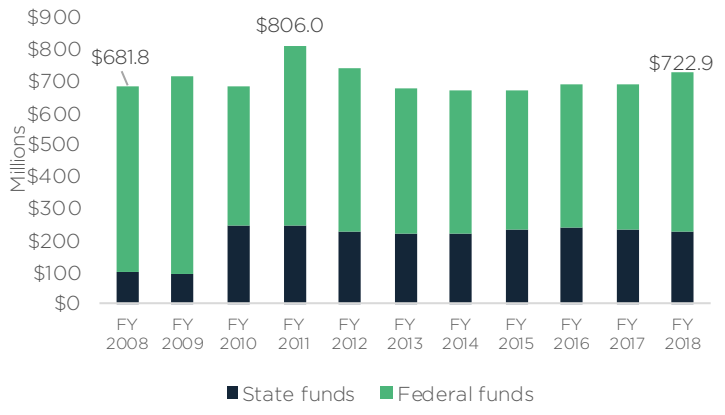
69 Schulman, Karen, "Overdue for Investment State Child Care Assistance Policies 2018," National Women's Law Center, October 2018 at https://bit.ly/2recBUv

State payments to providers in the public child care program are set at a low percentage of market rate.[70] As a result, quality can suffer. As required by the federal Child Care and Development Block Grant, the state implemented a program called Step Up To Quality. Providers can boost their reimbursement rates by implementing quality improvements and becoming certified under the program. However, not enough providers are enrolling in the program to meet legislative requirements.[71] Without initial increase in base pay, some providers struggle to afford improvements required to qualify for Step Up To Quality.[72]

Policymakers have to make a significant investment to expand access and improve quality in public childcare. Many working parents can't take advantage of the half-day pre-school enrichment programming. Legislators should restore the eligibility level to match that of public pre-school (200 percent of poverty).

Figure 19

State spending on public childcare has fallen since the recession (Adjusted for inflation, 2018 dollars, in millions)



Source: Policy Matters Ohio, based on e-mailed data from the Ohio Department of Job and Family Services and the Ohio Legislative Service Commission Budget in Detail. State sources include Agency Line Items 600413 and 600535; federal sources include 600671 – Child Care and Development Block Grant and 600689, TANF block grant. Inflation adjustment based on, CPI-U (1982-84=1.00). Spending in millions.

The Department of Mental Health and Addiction Services is at the center of the response to Ohio's addiction epidemic that claimed 5,111 lives in 2017. Ohio had the second highest drug-related death rate among the states that year.[73] As this report went to press in late January, the Columbus Dispatch reported that a provisional count found a 20 percent decline in drug deaths in Ohio from July 2017 to June 2018, the biggest decline in the nation.[74] Legislators have increased funding to address the crisis, and progress has been made, but addiction continues to be a difficult and persistent problem.

Funding for services related to the drug epidemic includes federal, state and local money and straddles many agencies.

- Medicaid, Ohio's largest single insurer, provides half the funding to fight the drug epidemic.[75]
- The Kasich Administration estimated that of the $939 million in state dollars that addressed the addiction crisis in 2016, $650 million (69 percent) came from Medicaid services.[76]
- The Ohio Department of Mental Health and Addiction Services also provides significant funding, particularly for community-based "wrap around" services.
- Other state agencies addressing the crisis include the Ohio Department of Job and Family Services, the Attorney General's Office, Public Health, Public Safety and more.
- Local governments contribute as well: 76 of Ohio's 88 counties have a property tax levy that helps fund mental health and addiction services.[77]

70 The draft Ohio Child Care and Development Plan for 2019-21 identifies base provider payments in most categories as averaging between 15 percent and 20 percent of market rates, with just one age classification reaching 35 percent. Higher reimbursement rates are offered for programs that climb to the firth or top tier of program improvements through the 'Step Up To Quality' program.

71 Sweigart, Josh and Kelley, Jeremy P., "New rules in Ohio could close some child care businesses," Dayton Daily News December 16, 2018 at https://bit.ly/2TjZFZ2

72 Patton, Wendy, Post-Budget Bite: Public childcare and early education, Policy Matters Ohio, November 2017 at https://bit.ly/2FMViUj

73 Centers for Disease Control and Prevention, Op.Cit.

74 Candisky, Catherine and Rowland, Darrel, "Overdose deaths falling but not in Franklin County," Columbus Dispatch, January 27, 2018 at https://bit.ly/2Uluc9n

75 Scott, Op.Cit.

76 "Reduce drug abuse and overdose deaths," Ohio Office of Health Transformation at https://bit.ly/2D5v1yw

77 Ohio Association of County Behavioral Health Authorities Levy Map at https://www.oacbha.org/docs/LevyMap062014.pdf

Figure 20 shows that GRF funding dropped sharply, but has rebounded between 2013 and 2018 by $74.8 million (22.9 percent), adjusted for inflation. At the same time, Medicaid expenditures for behavioral health have increased. The expansion of Medicaid has allowed far more people to get treatment, and is at the heart of efforts to stem the drug epidemic.

On the other hand, funding for community mental health and addiction services has been cut by the state's elimination of business personal property taxes and the promised tax reimbursements. This took scores of millions of dollars on an annual basis from community mental health levies.[78]

Figure 20

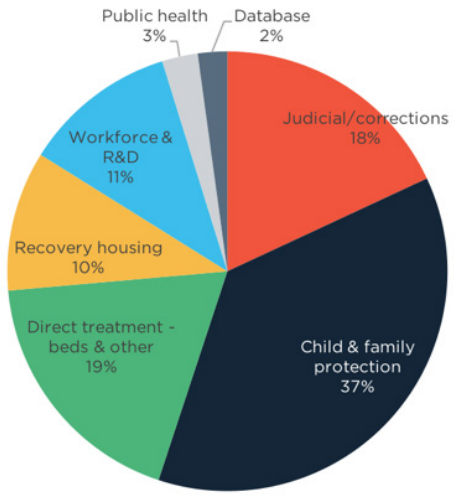
State GRF funding for Mental Health and Addiction Services has fallen (Adjusted for inflation, 2018 dollars, in millions)

Source: Policy Matters Ohio, based on Ohio Legislative Service Commission Budget in Detail; Inflation adjusted using CPI-U (1982-84=1.00)

The drug crisis requires help from various public services. Coroners' offices are swamped. Children's services are overwhelmed as parents become addicted and children are neglected. Although half of Ohio's counties have local children's service levies, these local funds also were hard hit by the loss of tax reimbursements and lost an estimated $39.1 million between 2010 and 2013.[79] In the very tight 2018-2019 budget, lawmakers pulled together nearly $200 million to address the range of services strained by the drug crisis (Figure 21). Money was siphoned from existing programs. Millions of dollars were taken from revenue sharing with cash-strapped cities, which are on the front lines of the epidemic.[80]

Figure 21

State funding to address the drug epidemic in the 2018-19 budget



Source: Policy Matters Ohio, based on Legislative Service Commission data for House Bill 49, the budget bill for 2018-19.

Of the roughly 3 million Medicaid clients in Ohio, 26 percent have been diagnosed with a mental-health or substance-abuse condition. The state privatized Medicaid, contracting most care to five managed care organizations. Over the past year, behavioral health has been placed under the managed care umbrella as well. Payments to providers are down by scores of millions of dollars as providers and managed care organizations adjust to the new billing system. Mental-health care providers worry that changes in how Medicaid claims are paid for could lead to limited programming options.[81] Mental health personnel are being laid off even as the drug epidemic continues to claim lives throughout the state.[82]

78 Patton, Wendy, "Intensifying impact: State budget cuts deepen pain for Ohio communities," Policy Matters Ohio, November 13, 2012 at https://bit.ly/2RrxYgo

79 Ibid.

80 Patton, Wendy, "Ohio's 2018-19 budget in Review," Policy Matters Ohio, November 9, 2018 at https://bit.ly/2FNqqDi

81 Vivian, Joanne. Medicaid payment changes worry mental health providers, The Columbus Dispatch, October 1, 2018 at https://bit.ly/2rsE7xt See also: 'Concerns On Medicaid Behavioral Health Integration Payments Continue, Gongwer News, September 20, 2018 at https://bit.ly/2EbhdCk

82 See Christ, Ginger, "Ohio mental health centers making tough decisions on Medicaid payments, Cleveland.com, October 28, 2018 at https://bit.ly/2PpLyTK and Viviano, Joanne, "Ohio mental health agency closes, blames changes in Medicaid claims, The Columbus Dispatch, November 5, 2018 at https://bit.ly/2RQ4qt2

Local Government & Public Transportation

Local Government & Public Transportation

LOCAL GOVERNMENT

Ohio is a home rule state: cities and villages are responsible for the health and safety of residents. Municipalities may adopt policies to meet their needs as long as they do not conflict with state law. Ohio's courts and health and human services are largely administered and funded by the state's 88 counties. Since the Great Depression, Ohio has provided flexible funding for local governments through revenue sharing to support different needs in different regions.[83]

Since 2006 counties, cities, townships and villages have lost $1.4 billion a year, adjusted for inflation (Figure 22). Governor Kasich and state legislators began cutting funding in the 2012-13 budget. They cut the primary revenue-sharing program, the Local Government Fund (LGF), almost in half and redirected the LGF allocation for cities to other uses. They phased out reimbursements for taxes that had been repealed and eliminated local tax sources. Important revenue sources for local governments' maintenance of streets, roads and bridges – motor fuel and gasoline excise taxes – have grown too slowly, and have even fallen in some places.

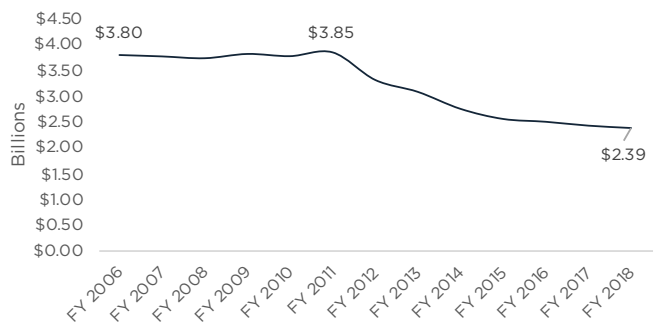
The state has used the deep and ongoing cuts to local government to fill its own rainy day fund even as lawmakers gave new income tax cuts and greatly expanded tax breaks.

Figure 22 illustrates the downward trend in local government funding across many funding sources (including some that increased, like casino revenues).

In addition to the losses shown in Figure 22, the state cut revenues to counties and transit agencies by repealing the sales tax on Medicaid managed care organizations (MCOs) and replacing it within the base of the insurance tax. The change did not cover the losses for local governments that levy a sales tax as a result of the state's narrowing of the sales tax base. Counties and transit agencies that piggyback a local tax on the state base lost a collective $207 million a year. There were temporary transition funds in the current budget, but no aid for 2019 and after.

Figure 22

Funding lost to local governments (adjusted for inflation, 2018 dollars, in billions)



Source: Policy Matters Ohio, Ohio Legislative Service Commission. Includes casino revenues for local governments, property tax reimbursements and replacements (and precursor funds); Local Government Fund, Public Library Fund and related precursor funds; Gasoline Excise tax, State and Local Government Highway Distributions, Auto registration distribution, and estate tax. Inflation is adjusted using the CPI-U (1982-84=1.00)

Problems in local government financing spill over into the safety and court systems. While uniform financial information prevented an Ohio Supreme Court task force from providing a definitive overview of public finance across the system, the task force recommended a greater share of funding come from the state, instead of splitting the cost with local governments.[84] The County Commissioners Association of Ohio has focused on the need for the state to restore its earlier commitment to pay a larger share of the cost of indigent legal defense, which has climbed steeply in the past 14 years.[85] This is part of a larger problem of underfunding of public defense. In its 2017 annual report, the Ohio Public Defender's office stated: "Public defense in Ohio is estimated to be underfunded by over $35 million dollars annually.... The agency remains dramatically underfunded and understaffed, given the number of clientele and the needs of the indigent defense system. At risk is the most fundamental principle of our justice system—fairness."[86]

83 Hall, Christopher, "A History of the Local Government Fund and the Local Government Revenue Assistance Fund," Ohio Department of Taxation, January 31, 2006 at https://www.tax.ohio.gov/portals/0/research/LGF_presentation.pdf

84 Report and recommendations of the Supreme Court of Ohio, Task Force on the Funding of Ohio's Courts, November 2015 at https://www.supremecourt.ohio.gov/Boards/courtFunding/Report.pdf

85 County Commissioners Association of Ohio, 2017-18 Legislative Platform at https://ccao.org/wp-content/uploads/132nd%20Legislative%20Platform%20for%20web.pdf

86 2017 Annual Report of the Public Defender of the State of Ohio at https://opd.ohio.gov/Portals/0/AnnualReports/Annual%20Report%202017.pdf

PUBLIC TRANSIT

The state woefully underfunds Ohio's public transportation systems. The Ohio Department of Transportation estimated in 2015 that the state should be contributing $125 million to local public transit to meet market demand and replace obsolete equipment, a sum that should rise to $185 million a year by 2025.[87] Lawmakers appropriate only about $38 million a year for bus and passenger rail services through the operating budget and the Transportation Budget.

In 2015, public transit across Ohio failed to meet demand by 37.5 million rides.[88] For example, an estimated 1 million people in rural Ohio could be helped by expanding services to areas without public transportation. Governor Kasich's Task Force to Reduce Reliance on Public Assistance identified lack of transportation as a leading barrier to employment.[89] Cars are costly to own and operate, and can be prohibitively expensive for low-income households. Due to Ohio's lack of investment in public transportation services over multiple decades, too many struggle to get to work, school and other places they need to go.

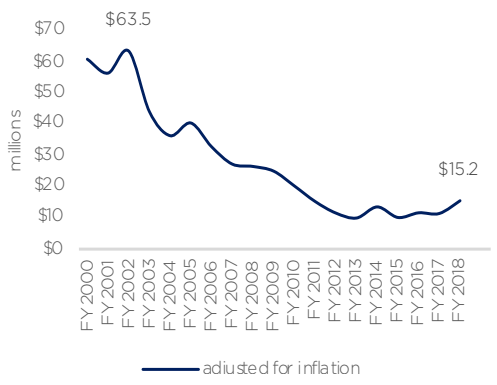
The state has reduced GRF investment in local public transit by $45.6 million, adjusted for inflation, or about 71.2 percent, from 2000 through 2018 (Figure 23).

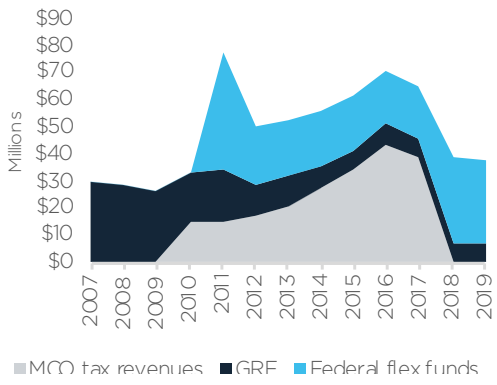
- As state GRF funding dropped, "flexible" federal highway funds were used to backfill, starting with stimulus dollars in the recession.
- The eight transit agencies that levy a sales tax face a collective loss of $38.6 million a year starting in 2019 because of removal of the Medicaid Managed Care Organization tax (MCO tax) from the state sales tax base.[90]
- The 2018-19 budget included transition funds which partially compensated for MCO tax loss in 2018 and 2019. But there is no permanent solution. In fact, the funding loss faced by just these eight agencies matches the entire state appropriation through the Transportation Budget (Highway flex funds) and the operating budget for local bus service in 2018.

Figure 23

State and federal revenues for public transit

State GRF funding for public transportation dropped sharply over the past two decades	Federal highway funds were used to backfill with federal stimulus dollars during the recession, and these allocations were sustained.





Source: Policy Matters, Ohio Legislative Service Commission, Historical expenditures Table 2 (GRF expenditures are adjusted for inflation; 2018 dollars) and Ohio Department of Transportation Statewide Transit Needs Study, Transit Funding report at https://bit.ly/2Qui0AZ. Inflation is adjusted using the CPI-U (1982-84=1.00)

87 Ohio Department of Transportation, Ohio Statewide Transit Needs Study, 2015 at https://bit.ly/2TZIdu7

88 Ibid.

89 Workgroup to Reduce Reliance on Public Assistance Report to Governor John R. Kasich and the Ohio General Assembly, April 15, 2015 at http://www.ohiohouse.gov/Assets/Media/Content/47236.pdf

90 Ohio Office of Budget and Management, Transition Aid Table, http://budget.ohio.gov/doc/budget/MHIC_Transition_Aid_Table.pdf

Corrections

Corrections

Funding for Ohio's correctional system - the Department of Youth Services and the Department of Rehabilitation and Correction combined - has fallen by $195.3 million since 2006 in inflation-adjusted dollars, 9.14 percent (Figure 24).

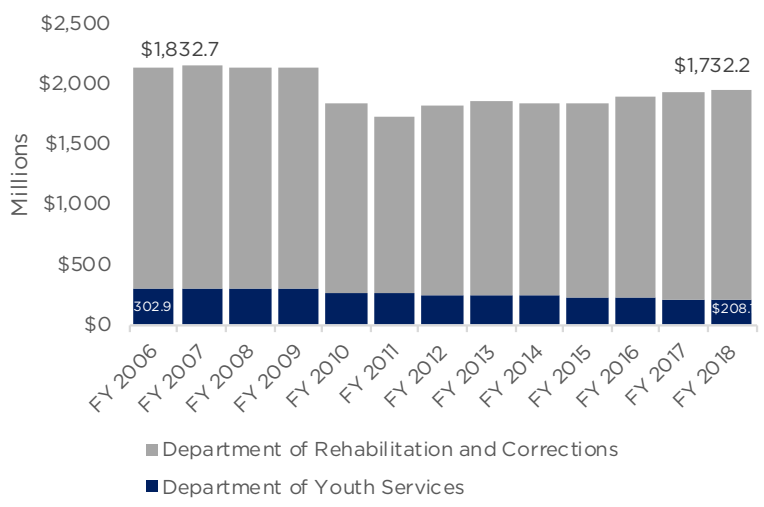
Shrinking the state's prison system is a worthy goal. Efforts to reduce incarceration have been made through policies and initiatives, including Targeted Community Alternatives to Prison; the failed citizen's ballot initiative, Issue 1; and ongoing legislatives effort to preserve some of the most compelling aspects of Issue 1.[91 92 93] Smarter criminal justice approaches can reduce costs, but budgetary reductions must follow, not precede, population reductions.

Of the $195.3 million reduction, almost half ($94.8 million, adjusted for inflation) came from the Department of Youth Services: a 31.3 percent drop in expenditures that reflects policy changes that increased community supervision and closed institutional facilities. Community supervision is a far better approach with young offenders, and this reduction shows how smarter policy can improve outcomes and reduce costs.

A little over half ($100.5 million, adjusted for inflation) came from the Department of Rehabilitation and Correction (ODRC) and reflects a 5.7 percent drop in GRF funding since 2006. Although recent budgets have increased spending on locally administered community corrections programs, the problem of overcrowding has not been solved.[94] In 2008, Ohio's prison system peaked with nearly 51,300 people incarcerated. In 2017, despite a small decline, the system was still at 132 percent capacity and housed around 49,000 inmates.[95]

Figure 24

State-source GRF funding for Corrections (adult and youth) (Adjusted for inflation, 2018 dollars, in millions)



Source: Policy Matters Ohio, Ohio Legislative Service Commission, Budget in Detail. Inflation is adjusted using the CPI-U (1982-84=1.00)

91 Ohio Department of Rehabilitation and Corrections, "Targeted Community Alternatives to Prison" at https://drc.ohio.gov/tcap
92 Hutcherson, Donald and Hanauer, Amy, "Issue 1: Reducing incarceration, improving communities," August 23, 2018 at https://bit.ly/2o7Na57
93 Balmert, Jessie, "Lawmakers after Ohio Issue 1: Reduce drug penalties. Curb state constitution changes," Cincinnati Enquirer, November 8, 2018, cited by WKYC, https://on.wkyc.com/2F1tOth
94 Shields, Michael, "Post 2018-2019 Budget Bite: Alternatives to Incarceration," Policy Matters Ohio, October 16, 2017 at https://bit.ly/2BllHyB
95 Ohio Department of Rehabilitation and Corrections, April 2017 fact sheet at https://bit.ly/2EYNT35

All Other Spending

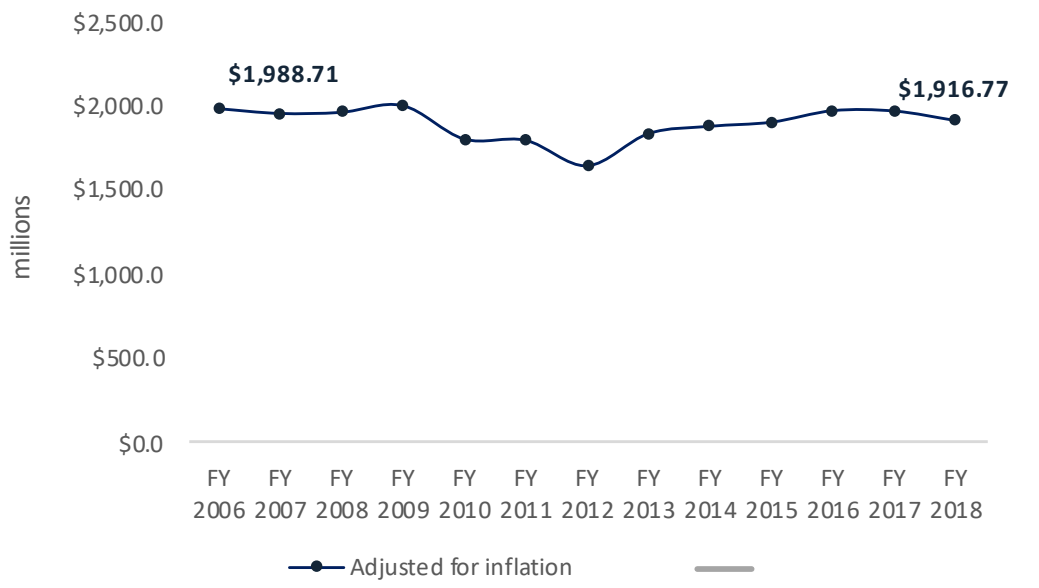
All Other Spending

The rest of the spending in the state operating budget makes up 8 percent of the state-funded services in the General Revenue Fund. This includes operations of the Ohio Department of Commerce, the Development Services Agency, the Department of Agriculture, the Department of Natural Resources, the Ohio Environmental Protection Agency, the Adjutant General, and others. Many – but not all – of these departments rely heavily on fees and federal dollars. It also includes funding for the General Assembly, the Governor's Office, the Attorney General, the Secretary of State, the Auditor, and other statewide offices.

Figure 25 shows that adjusted for inflation, in 2018 Ohio is spending $72 million less among all the agencies grouped in the "all other services" category than it was in 2006, adjusted for inflation, a decline of 3.6 percent.

Figure 25

State-source GRF funding for "all other "services (Adjusted for inflation, 2018 dollars, in millions)



Source: Policy Matters Ohio, Ohio Legislative Service Commission, Historical expenditures Table 2. Inflation is adjusted using the CPI-U (1982-84=1.00)

Summary & Conclusion

Summary & Conclusion

Over the last 14 years, Ohio lawmakers used state resources for income and corporate tax cuts and boosted spending on tax breaks for special interests. As a result, investment in important foundations for the economy and the future - like higher education – has fallen instead of increased to meet new needs in the modern workplace. State funds sent to school districts and used for human services has either stagnated or fallen since 2006. Thanks to cuts in revenue sharing with local governments, the state simultaneously doled out big tax cuts for the wealthy while boosting the its own rainy day fund. Federal funds are increasingly used to backfill in services - like increasing use of TANF funds for public child care for low-wage workers – a precarious position for many Ohioans who rely upon them as Congress keeps trying to dismantle federal health and human service programs.

Aspirational goals for improvement in a number of areas have been set but without money for implementation. The goal to nearly double the share of Ohioans with a college degree is not backed by resources. To get there, lawmakers should restore need-based financial aid so Ohio's colleges and universities can lower tuition, which remains out of reach for many, especially for families of low and modest income. Lawmakers have passed new rules to protect elderly residents from financial exploitation through county Adult Protective Service programs, but have not dedicated the estimated $20 million it would take to fund those services at the scale needed in Ohio. They have added new funding for early education but only for a limited number of part-day preschool slots. Moreover, eligibility is not aligned with the public childcare program, so many poor working families cannot use it. Funding sent to Ohio's public school districts has not kept up with inflation, with some communities suffering more than others. Ohio's major urban districts are especially harmed because poorly-performing charter schools are by law concentrated in the cities. Charter schools are often run by private, for-profit management companies but funded by public dollars.

After years of tax cuts, Ohio's state and local revenue system is unfair. Families that earn the lowest wages pay an average 12.3 percent of their income in state and local taxes, while the richest 1 percent, who have benefitted the most from Ohio's infrastructure, workforce, judicial system, pay just 6.5 percent. This also translates into racial inequity, with more Black and Latinx families paying a higher share of their income in state and local taxes, on average, than other racial groups.

Years of inadequate funding has made life harder for working people and their families. Ohio's biggest occupational groups (retail, janitorial, food service, leisure and hospitality) leave a small family with income so low that they are eligible for and in need of public assistance. Yet state support for public assistance and work supports - like public transit - has fallen, adjusted for inflation, not because labor market conditions have improved, but because lawmakers cut funding.

Tax cut proponents said they'd jumpstart the state's economy, yet growth in Ohio's employment base has been more sluggish than the nation in most years since the recession. Tax breaks cost the state more than $9 billion per year, but have not resulted in good jobs and rising income. The state's growing reliance on federal funds like Medicaid is tenuous not only because of threats from Congress but because Ohio's legislators in the General Assembly maneuver to downsize or eliminate the Medicaid expansion, which has brought jobs, health coverage and expanded federal funding for needed services in Ohio.

The challenge for the incoming administration will be rebuilding, restoring and aligning public services after years of weak investment. Lawmakers can pay for the programs that build strong families and communities by restoring income tax cuts to the most affluent and closing tax loopholes. This would also improve Ohio's upside-down state and local tax structure, which takes a larger share of poor families' earnings than of wealthy families. It's time lawmakers focus on making Ohio a place where we all can live healthy and happy lives, find productive work, and ensure a strong future for the next generation.

Policy Matters Ohio

Acknowledgments

We thank the George Gund Foundation, the Saint Luke's Foundation, the Cleveland Foundation, the Center on Budget and Policy Priorities and the Ford Foundation for support of our work on taxes and budget. Thanks to Rob Moore for work on this document.

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