



## Revenue and budget

### Testimony on House Bill 110 before the House Finance Committee

Wendy Patton

Good morning Chair Oelslager, Vice Chair Plummer, Ranking Member Crawley and members of the Committee. I am Wendy Patton, Senior Project Director with Policy Matters Ohio, a research institute with a mission of contributing to a more prosperous, equitable, inclusive and sustainable Ohio. Thank you for this opportunity to testify on HB 110, the 2022-23 budget bill.

The first priority for the 2022-23 Ohio budget must be recovery and rebuilding. As the pandemic is controlled and the recession lifts, you will have the resources to do so. In addition to the funding proposed in the governor's budget, the Ohio Senate is considering a set of bills that will add another \$2.15 billion in mostly federal pandemic aid – over and above the appropriations in Gov. DeWine's proposed budget.<sup>1</sup> The new American Rescue Plan will send another \$11 billion in federal funds to Ohio that will until 2024.<sup>2</sup> These federal funds can help rebuild Ohio's human services, public health systems, local governments and other critical areas that lawmakers cut or allowed to be eroded by inflation. The American Rescue Plan will provide support to overhaul Ohio's unbalanced and insufficient tax system, restore services and continue much-needed investments through 2024 and beyond. You can use the budget for 2022-23 to build a better, brighter future for all Ohioans, regardless of zip code, income level or race.

Gov. DeWine's budget proposal for 2022-23 continues the long-term underfunding of essential services. It allows inflation to erode education, from public pre-school through classroom instruction for public schools, colleges and universities. There are some important investments, like much-needed funding for broadband and restored funding to Help Me Grow and to the Minority Health Commission's infant mortality HUBS that help to make sure all babies survive to their first birthdays. The governor's proposal includes some expenditures that are inappropriate given the recession and pandemic – such as a \$50 million public relations campaign to attract people to the state. Gov. DeWine made some important expansions, but some are too small to meet Ohio's needs. Allocations for improving the replacement of lead service lines and failed septic systems are less than a drop in the bucket of enormous and urgent need. A tiny boost in income eligibility for public child care will still keep it out of reach for many families and leave Ohio among the hardest states to get help. The DeWine budget cut public transit tenfold, and that cut is only partially restored by the House.

<sup>1</sup> Another \$2.15 Billion In COVID-19 Relief Teed Up For Ohio Entities, Gongwer-Ohio, March 2 2020 at <https://www.gongwer-oh.com/news/index.cfm?n=9004102> (behind paywall)

<sup>2</sup> Rowland, Darrel, "Capitol Insider: Is DeWine right that Ohio should get more in Biden's COVID-19 relief bill?" Columbus Dispatch, March 7, 2021 at <https://bit.ly/2OyKKN1>

The hundreds of millions in funds for new business grants proposed in House Bill 110 and Senate Bill 108 should not come out of the people's coffers. These resources should be entirely provided by the state's privatized economic development entity, JobsOhio, which "leased" the burgeoning liquor profits revenue source in 2013.<sup>3</sup> Any small business grants must be directed at the small businesses that are most in need, not just those who applied. Resources now available to the state must not be used to enlarge the outsized tax cuts the wealthiest Ohioans and corporations have enjoyed over the past 15 years<sup>4</sup> nor to expand the use of special interest tax breaks which are not scrutinized even as they consume billions of public dollars annually.<sup>5</sup> The resources you have available within the timeframe of this budget must be used to fix and fund Ohio's unconstitutional school funding system and close the nearly \$93 million funding gap for Ohio's local public health system. You can significantly increase the state share of instruction for colleges and universities, allowing them to lower tuition and boost financial aid. That would be a big step toward meeting your goal to boost the 2016 level of post-secondary attainment of a degree or certificate to 65% in 2025 (1.3 million Ohioans).<sup>6</sup> These investments can rebuild the post-pandemic Ohio, yet there will be gaps that federal funds cannot address. You must be prepared to supplement the federal funds where necessary to ensure that all Ohioans have food, shelter, child care, health care and income to meet their basic needs.

The pandemic hit Black and brown Ohioans particularly hard. Labor market segregation has concentrated Black and brown people in "essential jobs" like retail, public transit, food service and janitorial work that over-exposed them to the virus. Certain government policies have crowded Black and brown families into substandard housing in segregated communities, provided inadequate educational opportunities, and created other harms.<sup>7</sup> By March of 2021, Black Ohioans made up 14% of the population but 18% of the COVID hospitalizations.<sup>8</sup> The budget for 2022-23 must fund recommendations of the Minority Health Strike Force blueprint, which directly address the needs of communities of color, and will also foster better health for all Ohioans.<sup>9</sup> (See attached list of Policy Matters Ohio proposed investments, many of which stem from the recommendations of the Minority Health Strike Force).

We urge you to work with local officials throughout the state to fully utilize and maximize federal resources. At the same time, you must recognize that Ohio has the resources to care for all its people even after the federal funds expire. You can make sure that all communities have the resources they need to thrive by overhauling, rebalancing and strengthening the state revenue system. You can do so by reducing or eliminating unproductive, inefficient tax breaks and stop spending for special interests through the tax code. You can restore top income tax rates on the wealthiest of Ohioans without affecting or raising taxes on 97% of Ohioans. You can ensure all corporations do their part by reinstating a corporate income tax in addition to the Commercial Activity Tax, requiring companies to pay one or the other, whichever is higher. You can make the

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<sup>3</sup> Patton, Wendy, "Putting JobsOhio to Work Rebuilding Ohio," Policy Matters Ohio, May 6, 2021 at <https://bit.ly/3v1uq8K>

<sup>4</sup> Patton, Wendy, "Rebalance the income tax to build a better Ohio," Policy Matters Ohio, October 15, 2020 at <https://bit.ly/3qqnmfF>

<sup>5</sup> Patton, Wendy, "Weak review: Tax Expenditure Review Committee should balance tax breaks against Ohio's needs," Policy Matters Ohio, June 4, 2018, at <https://bit.ly/3elSlTA>. The Tax Expenditure Review Committee did not even meet as mandated in the past two years, and the required addition to the executive budget was filled in with a 2-year old report. See Patton, Wendy, "Protect essential services with public resources," Policy Matters Ohio, July 7, 2020 at <https://bit.ly/3rw4JuY>

<sup>6</sup> Equipping more Ohioans with credentials, Forward Ohio at <https://bit.ly/2MYrybw>

<sup>7</sup> Patton, Wendy, "Ohio after COVID-19: Looking to the future, learning from history," March 14, 2020 at Policy Matters Ohio, at <https://bit.ly/3t1BmAR>

<sup>8</sup> Ohio Department of Public Health COVID cases demographics dashboard at <https://coronavirus.ohio.gov/wps/portal/gov/covid-19/dashboards/demographics/case-demographics>

<sup>9</sup> COVID 19 Minority Health Strike Force Blueprint: More Than A Mask at <https://coronavirus.ohio.gov/static/MHSE/MHSE-Blueprint.pdf>

state Earned Income Tax Credit refundable so it benefits the lowest income Ohioans, reducing the inequity in the current tax structure, in which the lowest income Ohioans pay nearly twice the share of income in state and local taxes as the wealthiest.<sup>10</sup> These policies would make the state tax system stronger and more fair and allow you to restore and strengthen public services.

For too long, Ohio's budgets have been premised on a strategy of austerity that has underpinned sub-par growth of jobs and a proliferation of low-wage work.<sup>11</sup> On average, Ohio's people are among the least healthy in the nation.<sup>12</sup> Our school funding system was so inequitable the Ohio Supreme Court found it unconstitutional 24 years ago, but it was never fixed. The 2022-23 budget needs to be strengthened to address the needs of all people. The best way to attract people to Ohio is not through an expensive public relations campaign but by making Ohio a place where everyone can thrive. We urge you to use this budget for all people, building a brighter future for Ohio and all Ohioans.

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<sup>10</sup> THIS WILL FOOTNOTE THE BUDGET BITE I NEED A URL FOR THE TESTIMONY

<sup>11</sup> Shields, Michael, "Working for less 2020," Policy Matters Ohio, May 1, 2020 at <https://www.policymattersohio.org/research-policy/fair-economy/work-wages/working-for-less-2020>

<sup>12</sup> 2019 HealthValue Dashboard, Health Policy Institute of Ohio at <https://bit.ly/3cfOHin>