

### Budget

#### **Cuts, costs and CARES Act funds:**

Will state lawmakers' choices help or hurt in the pandemic recession?

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#### **A history of shortchanging Ohio's public services**

Everyone - no matter where we live or what we look like - needs a safe place to call home, food to eat and medical care to keep us healthy or treat us when we're sick. We pool our public resources through taxes to get clean water, sewer services and trash pick-up to protect our health; schools to build a future for our children, and other basic public services to keep the community going. That platform must be strong and resilient.

The recent shock of the pandemic recession found many of Ohio's public services weakened from years of tax cuts and tax breaks that primarily benefit the wealthy and corporations. For example, funding of Ohio's schools remains unconstitutional 23 years after the State Supreme Court ruling. The governor points to long-term underfunding of public health as a reason why Ohio struggles to contain the pandemic. Yet he already cut funding for schools and the Ohio Department of Health during the pandemic recession.

#### **State cuts reverse recent progress**

The danger is that the pandemic recession will further erode the revenue that supports state and local public services, leaving Ohioans worse off. In the 2020-21 state budget, lawmakers increased funding to stem infant mortality, ensure counties could pay for public defenders, address community corrections and substance abuse, and increase need-based financial aid for college students. Lawmakers are already reversing that. Gov. DeWine cut \$776 million from the state budget in May. The actual spending from budget funds was even lower: State-source General Revenue Fund expenditures ended up \$1.5 billion below appropriations. Some of this was due to the pandemic, as activities and spending slowed during stay-at-home orders. This establishes a new, lower baseline for 2021 appropriations.

Although budget cuts for FY 2021 have not been announced, agencies are holding expenditures to 2020 levels. Some reductions are already known:

- The Ohio Department of Education: Lawmakers cut \$277 million from school district formula funding in 2020; the reduction will be \$309 million in 2021.
- The administration cut funding for colleges and universities by 3.8% in May, a decrease of \$77 million. In July, the state announced 2020 cuts of 4.38% to the previously budgeted 2021 amount, a decrease of \$89 million.

- The state's share of indigent legal defense – an expense shared with counties - rose in the last budget but is expected to be reduced by \$46 million from FY 2021 appropriated levels.

If the reduced 2020 budget becomes the baseline for flat-funding in 2021, lawmakers may cut other essential services, including:

- Programs to address Ohio's drug addiction crisis and the attendant social problems, including the Ohio Department of Mental Health's partnership with corrections and statewide treatment and prevention activities.
- Programs to lower Ohio's high infant mortality rate, including Help Me Grow, Early Intervention and the Minority Health Commission's successful community hubs programs.

### **Federal funds help, but won't solve long-term problem**

Federal funds are helping in the immediate crisis, but they cannot rebuild a decade of services eroded by tax cuts and tax breaks. Today, the health of Ohioans is poor compared to other states; college is unaffordable for many and student debt is onerous. School funding remains unconstitutional and varies wildly based on the wealth and race of a community. Funding for social services has been reduced, adjusted for inflation. Ohio's local governments fund and deliver a big share of human services, and policymakers slashed state revenue sharing and tax reimbursements for these local governments over the past decade.

### **Lawmakers must do better**

The pandemic and recession are putting more pressure on people and families in Ohio. The state has an untouched \$2.7 billion reserve fund, a surplus of federal social service funds in the hundreds of millions, and around a billion dollars in unallocated state and local government funds from the federal CARES Act. In the past spring, JobsOhio – the state's privatized economic development agency – had a reserve fund of more than \$500 million. These of course are one-time sources of funds. More funding is needed from the federal government for relief in the pandemic and recession, but Ohio's immediate needs can and should be met if state leaders take action.

Economists predict a "K-shaped recovery," with technical and professional workers gaining wealth while others, many called "essential" workers, lose ground. Lawmakers need to reduce inequality and boost opportunity for workers at the bottom of the pay scales who have been badly hurt in the pandemic: cashiers and janitors, construction laborers, clerks, and food service workers. They are, disproportionately, women and people of color, groups that were already harmed with ongoing pay and wealth gaps, even before COVID-19 hit.

As Ohio recovers and emerges from the pandemic recession, it should be with a strategy to rebuild and restore the public services Ohioans need and deserve with stronger, more fair revenues from a rebalanced state tax structure.