Tax & Budget

OHIO BUDGET BASICS

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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 118,000 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 37th 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 45th 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.