Policy Matters Ohio

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Budget

Ohio's 2020-21 budget

New investment, new tax cuts, unmet needs

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Contents

EXECUTIVE SUMMARY	iii
INTRODUCTION	1
OVERVIEW OF THE OPERATING BUDGET	5
TAX POLICY	7
EDUCATION	10
HEALTH & HUMAN SERVICES	14
LOCAL GOVERNMENT	25
PUBLIC TRANSIT	28
CORRECTIONS	31
CROSS-AGENCY INITIATIVES	33
SMALL PROGRAMS	37
CONCLUSION	39
ENDNOTES	40
ACKNOWLEDGMENTS	47

Charts & Tables

Figure 1: Ohio's 2020-21 all-funds budget by share of funds: Ohio taxpayer dollars make up about a third 5

Figure 2: Ohio's 2020-21 General Revenue Fund budget by share of expenditure: (State dollars only; excludes federal Medicaid dollars in the Ohio GRF) 5

Figure 3: Ohio's tax structure has changed, with more collections from the sales tax and fewer from the personal income tax 6

Figure 4: The 20% of Ohio tax filers with the lowest income pay nearly twice the share of income in state and local taxes as the richest 6

Table 1: Major 2019 tax changes enacted 8

Figure 5: State dollars per-student from formula, enrollment supplement, TPP reimbursements and supplement, federal stimulus and Student Wellness and Success fund 12

Figure 6: State share of instruction funds still slightly below 2006 levels (adjusted for inflation; billions of dollars) 13

Figure 7: OCOG increase too small to restore need-based financial aid (adjusted for inflation; millions of dollars) 13

Figure 8: State GRF dollars for health and human services regain pre-recession levels (adjusted for inflation; billions of dollars) 14

Figure 9: State dollars supporting health and human services in the GRF, (adjusted for inflation, billions of dollars) 15

Figure 10: State GRF Dollars supporting Mental Health and Addiction Services, (adjusted for inflation, millions of dollars) 17

Figure 11: Senior Community Services Program remains 42% below 2006, adjusted for inflation, despite growth in seniors and need 20

Figure 12: Cash assistance fell but poverty didn't; state needs to use more TANF funds to help struggling families 23

Table 2: Publicly funded childcare appropriations (millions of dollars, not adjusted for inflation) 24

Figure 13: Surplus spending on public child care runs out after FY 2022; then what? 24

Figure 14: State lawmakers have curtailed local governments revenues over time (Adjusted for inflation, billions of dollars) 25

Table 3: Gas tax boosts revenues for local governments, 2020-21 budget period (Millions of dollars; not adjusted for inflation) 26

Figure 15: Sources and funding provided by or controlled by the state to public transit in Ohio (not adjusted for inflation) 28

Table 4: New, targeted or expanded infant mortality initiatives I the 2020-21 budget (millions of dollars) 34

Executive Summary

How we raise and spend money reflects what we value. Ohio's leaders say they want all children to have access to good schools. They want to help working people get ahead. They want to provide treatment to people struggling with mental illness or addiction. Most Ohioans also want these things, but without sufficient state support, we can't live up to our values.

In recent years Ohio's state lawmakers cut the state income tax, gave more and bigger tax breaks, slashed revenue sharing with local governments and stashed the savings in the bank. Budget cuts and inflation eroded public services. At the same time, need across the state, while better than during the recession, has grown since before the last recession. Manufacturing companies that paid well left the state and left their work forces behind; new companies in the service sector have taken their place with low-wage, non-union jobs. More families struggle.

The new state budget makes substantial investments in a few key areas, and small investments in many more, a welcome development. But it falls short of meeting needs in the low-wage economy and continues cutting the income tax, worsening Ohio's upside-down tax structure.

KEY FINDINGS: OHIO'S 2020-21 STATE BUDGET

1 Lawmakers appropriated $48.8 billion in the 2020-21 General Revenue Fund (excluding federal), an increase of $3.7 billion compared to 2018-19.

2 The overall effect of tax policy in the new budget was to further slant the state and local tax system against low- and middle-income Ohioans in favor of the very affluent, continuing a long-term trend.

3 Investment in the broad category of health and human services catches up to 2006 levels (adjusted for inflation) in 2021. Funds for human services other than Medicaid remain 11.5% below 2006 levels although the poverty rate is higher.

4 Formula funding for K-12 is lower than in 2005, adjusted for inflation and changes in enrollment. By 2021 it will have fallen by 5% compared to 2017.

5 Local governments will get hundreds of millions of dollars more in 2020-21, largely because of the hike in the gas tax. This restores state cuts to some rural counties and small communities, but urban counties and big cities are still hurting.

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Introduction

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OVERVIEW & CONTEXT

Ohio has a biennial (two-year) operating budget. The state's fiscal years run from July 1st to June 30th of the following year. The budget considered in this report is for fiscal years 2020 and 2021. Data in this report is based on state fiscal year; represents both years of the biennial budget and is not adjusted for inflation, unless otherwise noted.[1]

The state budget for 2020 and 2021 will provide $48.8 billion in state taxpayer dollars in the General Revenue Fund (excluding the Medicaid dollars placed in that fund) and an increase of $3.7 billion compared to the prior, two-year budget for 2018-19. The all-funds budget, made up of state taxpayer dollars, federal funds, dedicated purpose funds and fiduciary funds, totals $140.9 billion.[2]

Ohio also has a two-year transportation budget. The vast majority of this $8.5 billion budget went towards roads, highways, bridges and associated public safety and highway-policing measures.[3] Less than 2% of this multi-billion budget went towards public transportation or other alternative modes of transportation such as safe pedestrian and bicycling infrastructure. The Transportation Budget is made up of gas tax revenues, motor-vehicle license fees and federal flexible transportation dollars. This budget raises an additional $865 million annually for highway purposes from an increase in the gas tax (10.5 cents for gasoline and 19 cents for diesel). Given the regressive nature of a gas tax increase, some changes were made to improve Ohio's Earned Income Tax Credit for low-income working families. As part of the transportation budget, funding for public transit also increased by $40.5 million, albeit with funds allocated from the state's operating budget.

Public services are the foundation for our daily lives, providing for schools, roads, public transportation, clean water and much more. The state budget allocates taxpayer dollars collected for public services. Lawmakers' decisions about how to use those dollars should reflect the priorities and needs of the people.

Over the past 15 years, Ohio's lawmakers prioritized tax cuts and tax breaks that mostly benefit the wealthiest. The wealthiest 1% pay an average of $41,000 a year less now than before the tax cutting started in 2005,[4] and in this budget, state lawmakers reduced their taxes again.[5] Taxpayers in the middle quintile – with an average income of $48,000 in 2018 – pay about the same as in 2005; those at the lower end pay more today than they would under the tax laws of 2005 and pay about twice the share of their income in state and local taxes as the wealthiest.[6] The annual cost of state tax breaks has soared and will reach almost $10 billion by 2021.[8]

Ohio has grown jobs at a quarter of the national rate since 2005.[9] Ohio's unemployment rate is low but the poverty rate remains higher than before the recession.[10] Too many of the jobs that have been created are in low-wage sectors. Six of the 10 most common occupations in Ohio leave a full-time worker with two children eligible for – and needing - federal food assistance to put dinner on the table.[11] The tax cuts took $6 billion a year out of state revenues, leaving less to meet the needs of Ohioans.[12]

INVESTMENT BUDGET NEEDED DEEPER INVESTMENT

Governor DeWine said that it is time for investment in Ohio, and lawmakers mostly agreed with him.[13] But after eight years of harsh policies that eroded funding for schools, human services, colleges and universities, financial aid, local governments, public transit and other critical services, this new budget leaves a lot undone.

If policymakers implemented a fairer tax system as outlined by Policy Matters Ohio and invested the revenue in education, communities and public transit, the state would add 39,601 more full- and part-time jobs, wages would increase by $1.7 billion, and state gross domestic product would grow by $2 billion. Those gains would be in addition to the direct benefits of public services. The long-term benefits include better educated Ohioans and services that help communities prosper.[14]

In this budget paper, we outline appropriations in the major agencies of the state and highlight changes in state funding for selected programs. We discuss investments that still need to be made and review changes in tax policy in the new budget that will make those investments harder to achieve.

THE OHIO 2020-21 BUDGET: WHAT'S MISSING

Lawmakers made changes to the Earned Income Tax Credit in the transportation budget, but the key to helping more struggling families - making it refundable, like it is in 22 other states – was not part of the fix.

An investment of $657 million in the Student Success and Wellness Fund, which funds primary and secondary schools to provide health, mental health and other services to help students in poverty learn, will benefit many Ohio children. However, state funds for basic classroom teaching is frozen at 2019 levels and will not keep up with inflation, eroding resources over the coming biennium. State formula funding for K-12 education per student, including TPP reimbursements, supplements, and the Student Wellness and Success Fund, will have dropped by 5% between 2017 and 2021 on an inflation-adjusted basis.[15]

Investment in the broad category of health and human services catches up to 2006 levels on an inflation-adjusted basis for the first time in 2021. But overall state dollars for human services other than Medicaid remain 11.5% below 2006 levels, even though the poverty rate is higher than in 2006.

Ohio didn't provide enough match in 2018 to draw down $32 million federal vocational rehabilitation dollars it was eligible for.[16] Ohio lawmakers left more of this money on the table than any other state. They boosted the state's investment for 2020-21, but will still forgo millions of dollars.

The state helps aging or disabled people live at home with the help of home health aides. Ohio's Medicaid reimbursement for these workers has been so low that turnover is high and services inadequate in some places. Lawmakers increased rates but the governor vetoed the provision. There's a commitment to providing some increase, but maybe not for all services.[17]

Legislators did not provide any funding for new preschool slots, meaning Ohio will continue to have less than half of the national average of low-income youngsters in pre-school.[18]

Only two states make it harder to get child care assistance than Ohio.[19] Lawmakers failed to extend aid to more struggling families, although it was a campaign priority for the governor. Lawmakers can help more struggling families by increasing initial eligibility for public child care aid from 130% of the federal poverty line to 200%. That would also align child care eligibility with public pre-school, making it easier for working parents to send kids to that enrichment program.

The transportation budget's increase in the gas tax will help pay for big-ticket road and bridge repairs in local budgets. The smaller the city or more rural the county, the more helpful the aid. Ohio's biggest urban counties and cities will welcome the new funds, but it's far from what they need to make up for the eight years of deep cuts. In Cleveland, for example, the $5.8 million in additional gas tax revenues the city gets is helpful but does not make up for the $25 million loss over the decade.[20]

Lawmakers considered curtailing the LLC Loophole, an income tax break on passthrough business income, which costs well over $1 billion a year, overwhelmingly benefits the wealthiest, has not created jobs and has not increased business start-ups, as promised.[21] Both chambers of the General Assembly agreed to cutbacks, but their efforts did not make it into the final budget.

KEY CHANGES IN THE BUDGET

- Lawmakers provided at least $182 million in targeted, new or expanded programs in the Departments of Health and Medicaid and the Minority Health Commission to reduce the state's high infant mortality rate.
- The budget increases funding for public child care by $431.7 million in federal dollars in 2020-21 compared to the prior budget; new dollars are for long-overdue, increased rates for public child care providers who meet quality benchmarks.
- Lawmakers boosted investment to strengthen Ohio's mental health infrastructure, including an increase of $55.5 million for the state's psychiatric hospitals; $72.2 million for statewide treatment and prevention initiatives; and new dollars to expand the OhioSTART program for addiction-affected families to an additional 30 counties, now 64 in total.
- New state funding of $675 million for the new 'Student Wellness and Success' fund in the Ohio Department of Education will allow K-12 schools to provide health, mental health, and other services to economically disadvantaged students, shown to improve learning.
- The H2Ohio clean water fund will provide $172 million to clean Ohio's lakes and waterways over the next two years, as the fight to ensure clean-up of Lake Erie's toxic algae problem moves to the courts.
- State funding of more than $20 million (recently augmented by a $44 million federal grant) will rehabilitate homes toxic with lead and provide treatment for children poisoned by lead.
- State funding for indigent legal defense increases by $152 million over the two-year budget period, which will allow courts to fulfill the constitutional duty of all people accused of a crime can be represented by an attorney at trial, regardless of ability to pay.
- Lawmakers doubled state funds for child protective services. Contribution of state funds has historically been the smallest among all the states. With the drug epidemic, need soared; lawmakers added more than $200 million to stabilize the system over the biennium.
- The federal government pays $.68 cents of each Medicaid dollar in Ohio across all programs, but more in the State Children's Health Insurance Program (SCHIP) and the Medicaid expansion, which primarily covers low-wage workers, disabled people and caregivers.[22] Both programs faced reduction in federal share, with federal share of SCHIP dropping from $.97 of each Medicaid health care dollar to $.86 and from $.93 to $.90 for Medicaid expansion. Lawmakers preserved both programs without reducing eligibility or services.
- Across non-programmatic funding, local governments gain $633 million (12%) compared to 2018-19, driven in part by the gas tax hike in the transportation budget.
- The state's expenditure on tax breaks will be close to $10 billion by 2021, which is more than state GRF dollars used for Medicaid, higher education, corrections and most other services.[23]
- Lawmakers considered enacting, repealing or changing 27 state and local tax break measures, and they made changes in 17 of them. They cut the income tax once again, benefitting the wealthiest people the most.

Overview of the operating budget

Ohio has five different budgets that legislators enact during each two-year session of each General Assembly: The main operating budget, the transportation budget, the Bureau of Workers Compensation budget, the Industrial Commission budget and the capital budget. This report focuses on the main operating budget, the largest of the budget bills and the one that supports most state government programs.

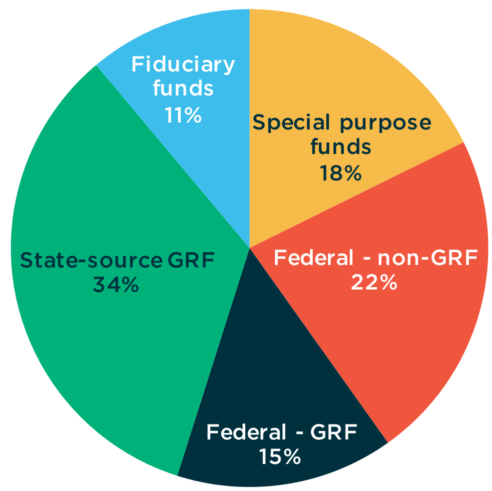
Within the main operating budget, there are four primary types of funds: the General Revenue Fund, made up of state tax collections; federal funds, allocated by Congress; special purpose funds, paid for by fees or assessments related to what they are spent on, and fiduciary or pass-through funds, which pass through the state accounts and are distributed to other levels of government (like the local sales tax the state collects and distributes back to counties and transit agencies).

Most budget analysis focuses on the General Revenue Fund (GRF), because lawmakers prioritize use of state taxpayer dollars in this fund. When the budget is analyzed across all types of funds – including but going beyond GRF dollars - it is referred to as the "all-funds budget." Figure 1 shows the all-funds budget. Federal funds make up 37% and fiduciary funds another 11%. Special purpose funds make up 18%. Just over a third – 34% - of the total is made up of state taxpayer dollars in the GRF.

Ohio's lawmakers place not only state taxpayer funds in the GRF, but also a substantial share of federal Medicaid dollars. Ohio is not the only state to do this, but it's not a common practice. Figure 2 shows how state dollars (not including those federal Medicaid dollars) are used in the GRF. A little more than half supports education, from pre-K to higher education (52%). A little more than a quarter supports health and human services (28%); 8% is used in the

Figure 1

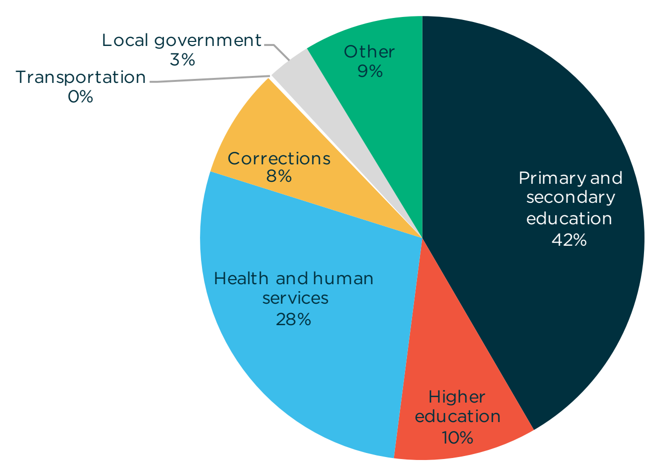
Ohio's 2020-21 all-funds budget by share of funds: Ohio taxpayer dollars make up about a third



Source: Policy Matters Ohio, based on Ohio Legislative Service Commission's Appropriation Spreadsheet for HB 166 as enacted, with 2019 actuals.

Figure 2

Ohio's 2020-21 General Revenue Fund budget by share of expenditure: (State dollars only; excludes federal Medicaid dollars in the Ohio GRF)



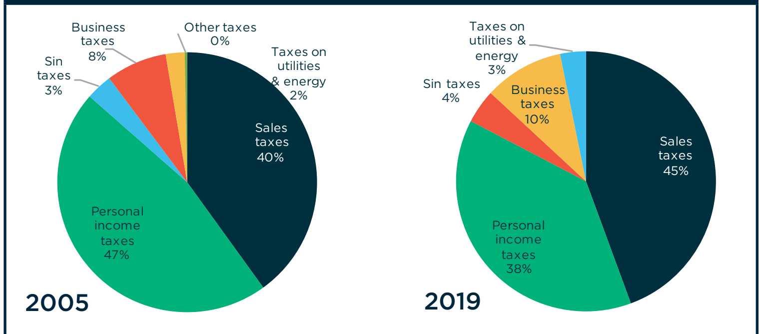
Source: Policy Matters Ohio, based on Ohio Legislative Service Commission's Appropriation Spreadsheet for HB 166 as enacted, with 2019 actuals.

correctional system and 3% is shared with local government. Less than one percent supports public transit. The remaining 9% supports all the other services of state government: the Departments of Natural Resources, Agriculture, Commerce, Development, Administrative Services and others.

To support public services, Ohio relies primarily on revenues collected from the sales tax and the personal income tax. Unlike all but six other states, Ohio does not tax corporate profits. Instead there is a small tax on gross receipts, the commercial activity tax. Figure 3 compares the tax structure of the state in 2005 and 2019.

Figure 3

Ohio's tax structure has changed, with more collections from the sales tax and fewer from the personal income tax



Source: Policy Matters Ohio based on Ohio Legislative Service Commission historical revenue tables (Table 1 - GRF, LPEF, and LGF Revenue History). Business taxes include commercial activity tax, corporate franchise tax, financial institutions tax, foreign and domestic insurance taxes and other business and property taxes. Taxes on energy and utilities includes public utility excise tax, kilowatt-hour tax, MCF (natural gas consumption tax) and the petroleum activity tax. Sin taxes include cigarette, alcoholic beverage, liquor gallonage, soft drink and racing taxes. "Other" includes estate tax.

The share of state revenues coming from the personal income tax has fallen by 29% since 2005, while the share of revenues from the sales tax increased by 19%. This contributed to the increasing unfairness of Ohio's state and local tax structure.

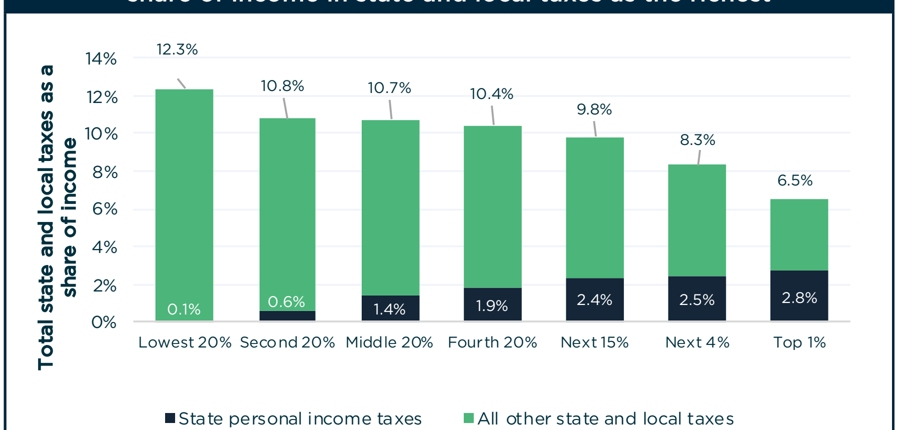
Ohio has a graduated income tax: Everyone pays the same tax rate on the same amount of income, but as income rises, incrementally higher rates are applied to higher bands ("brackets") of income. This tax is based on the principle of "ability to pay," and adds a measure of fairness to Ohio's state and local tax structure.

Figure 4 totals state and local taxes as a share of income by income group. The blue bar shows the state personal income tax, the only measure based on ability to pay. It takes a larger share of income of the wealthiest tax filers compared to the poorest, unlike the other taxes. The state personal income tax prevents the inequality in the state and local tax system from being worse.[24]

The following sections look at changes in tax policy and at appropriations in the major agencies in the budget, including education (at all levels), health and human services, corrections and local government funding. One section looks at major initiatives – like the H2Ohio fund – that cut across agencies. Another section looks at changes in funding for small but important agencies, commissions or programs. Each section gives overall funding levels and highlights various programs within agencies.

Figure 4

The 20% of Ohio tax filers with the lowest income pay nearly twice the share of income in state and local taxes as the richest



Source: Institute for Taxation and Economic Policy, "Who Pays?" Sixth Edition at https://itep.org/whopays/

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Tax Policy

Legislators made important changes to tax policy in the transportation budget as well as in the main operating budget. The overall effect was to further slant the state and local tax system against low- and middle-income Ohioans in favor of the very affluent, continuing a long-term trend. However, for most tax filers, the changes were relatively small, amounting to less than 0.2% of annual income.

THE GAS TAX

The transportation budget, approved earlier in the year, included the first change to the gas tax since 2003. Ohio joined 32 other states which have overhauled or increased gas taxes since 2013, boosting the gas tax by 10.5 cents per gallon to 38.5 cents and the tax on diesel fuel by 19 cents per gallon to 47 cents. At this level the gas tax remains lower than in Pennsylvania (58.7 cents), Michigan (44.1) and Indiana (42.9).) Funds go largely to much-needed upkeep of roads and bridges. The state maintained its policy to not fund public transit or other alternative transportation options from the state's gas tax revenues.

THE EARNED INCOME TAX CREDIT

In addition, lawmakers increased the state Earned Income Tax Credit (EITC) to 30% from 10%, while wiping out a unique cap that had limited the credit for those earning more than $20,000. The EITC changes benefited some low-income Ohioans, but did little for the poorest fifth of Ohio residents earning less than $24,000 a year. That's because, though they pay on average nearly twice as much in overall state and local taxes as the top 1% do, most poor Ohioans don't pay much in state income tax. Ohio's EITC is nonrefundable, meaning it only wipes out taxes that are due; unlike the federal EITC and those of most states with their own versions, it does not provide a refund if its value exceeds a taxpayer's tax liability.[25]

INCOME TAX CUTS

The operating budget included an across-the-board 4% cut in income-tax rates, and eliminated the bottom two income-tax brackets, increasing to $21,750 the amount one has to make before paying tax. It also stopped adjusting brackets and the size of the personal exemption for inflation for one year, an effective tax increase. These income-tax changes in the operating budget added up to just an average $23 tax cut for the fifth of Ohioans in the middle of the income spectrum.[26] Overall, these cuts in the income tax amounted to more than $330 million a year.[27]

SALES TAX FOR ONLINE RETAILERS

The budget also provided that out-of-state on-line retailers would have to start collecting the sales tax. That tax has always been due on online purchases, but out-of-state retailers hadn't been required to collect it. The U.S. Supreme Court ruled last year that they could be, and most states have moved to implement such requirements.[28] This levels the playing field among retailers, allowing brick-and-mortar stores to compete with online operators. Importantly, the provision covers sales by third parties over platforms like Amazon. It covers sellers once they have Ohio gross receipts of $100,000 or 200 or more sales transactions in the state.

Both the higher gas tax and the more complete collection of the sales tax are needed steps. However, they fall more heavily on low-income taxpayers. That underlines the need for a refundable EITC and other measures that would reverse this regressive trend in Ohio tax policy. Altogether, the major tax changes this year mean that the poorest fifth of taxpayers, with income below $24,000 a year, will see an average increase of $2, or 0.02% of income, according to an analysis for Policy Matters Ohio by the Institute on Taxation and Economic Policy (ITEP). Middle-income tax filers who make between $42,000 and $63,000 a year will average a $93-a-year increase, or 0.18% of income. Those in the top 1%, making $496,000 or more, will see an average cut of $746, or 0.06% of income.[29] Table 1 shows the average tax changes for different income groups:

Table 1

Major 2019 tax changes enacted

2019 Incomes	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Next 15%	Next 4%	Top 1%
Income Range	Less than $24,000	$24,000 – $42,000	$42,000 – $63,000	$63,000 – $101,000	$101,000 – $208,000	$208,000 – $496,000	$496,000 or more
Average Income	$14,000	$32,000	$52,000	$79,000	$137,000	$298,000	$1,264,000
Tax Change as % Total of Income	0.02%	0.16%	0.18%	0.14%	0.06%	-0.02%	-0.06%
Average Tax Change	$2	$54	$93	$112	$90	-$39	-$746

Source: Institute on Taxation and Economic Policy. Ohio residents only.

THE LLC LOOPHOLE

A key question during the budget debate was whether the General Assembly would act to rein in unneeded tax breaks, especially the $1.1 billion business income deduction. This provision, also known as the LLC loophole, allows owners of limited liability companies, S Corporations and certain other businesses to avoid income tax on the first $250,000 in business income, and to pay a lower rate on income over that amount. It has not led to increases in the growth of new businesses or first-time hiring by new businesses, compared to the nation. Ohio's share of small businesses has continued to dwindle and our overall economic performance remains subpar.[30] But while lawmakers in both chambers voted to limit this tax break, the governor didn't agree, and in the end only modest adjustments were made.

In one positive move, beneficiaries of the tax break no longer will be able to use it to qualify for means-tested exemptions and credits.[31] That will save the state a total of $14.4 million a year,[32] while keeping affluent business owners from getting tax breaks intended for those who make far less. The legislature also excluded lawyers and lobbyists from receiving the deduction. Lawmakers subsequently has voted to end this exclusion.[33] It was a minor change: just $25 million a year out of the more than $1 billion the deduction is worth, according to the taxation department. Instead of excluding just one small group from getting this unproductive tax break, the General Assembly should wipe it out altogether.

OTHER TAX BREAKS

The LLC loophole was just the largest of the tax breaks that the General Assembly considered cutting back. The House also voted to eliminate the motion picture tax credit and the sales-tax cap for wealthy buyers of timeshares in jet aircraft, both of which deserved to go on the scrap heap.[34] However, neither measure made it into the final bill. A few such measures did, such as the repeal of the sales-tax exemption on investment coins and metal bullion, and another on sales of certain property to qualified motor racing teams.[35]

ECONOMIC DEVELOPMENT TAX BREAKS

But the General Assembly also created or expanded new economic development tax breaks when it has yet to seriously examine those already on the books.[36] It created a new tax credit for investments in federal Opportunity Zones that will benefit wealthy investors and loosened requirements for the Job Retention Tax Credit so that, contrary to its name, it no longer requires any specific amount of job retention in some instances. A recommendation from the Tax Expenditure Review Committee that the legislature "consider hiring additional assistance to aid in the review process" went ignored.[37] Meanwhile, the budget bill estimates that the state will authorize $440.5 million in eight different economic development tax credits during the biennium, that nearly $560 million such credits will be claimed, and that more than $1.2 billion in credits will be outstanding as of June 30, 2021. The General Assembly needs to engage in more thorough examination of these and other tax breaks.

OVERALL IMPACT

Changes to the tax code in the 2020-2021 budget further distort Ohio's upside-down tax code to benefit the wealthy and special interests at the expense of middle and low-income Ohioans.

The legislature approved the imposition of a 10-cent-per-millileter taxon vapor products, while raising the age to purchase vapor and tobacco products to 21. Taken together, these provisions will reduce state revenue by $13.8 million in FY2021, according to the taxation department (because it will reduce vaping). Altogether, the operating budget will trim GRF revenues by $177.1 million that year, it estimated.[38]

Governor DeWine vetoed half a dozen of the tax provisions included in the operating budget bill.[39] One of those would have authorized a property-tax reduction for certain homeowners in tony Hunting Valley. It would have capped their school property taxes based on the number of pupils going to the Orange School District, costing the district millions of dollars.[40]

Education

This section reviews the 2020-21 budget for public pre-school (early learning), primary and secondary education (K-12) and higher education.

Public education can open the door to boundless opportunities for Ohioans, but only if all students attend safe, high-quality schools, no matter where they live. Ohio has 1.7 million K-12 students in 612 traditional school districts,[41] and about 500,000 students attending the state's 14 public universities and 47 university branch campuses and community colleges.[42]

Once a leader in public preschool for low-income youngsters, Ohio now serves a fraction of the national average.[43] Ohio earned a "C" and ranked 18th in Education Week's 2019 K-12 education rankings, moving up in the rankings since 2013 but far below 2010, when it ranked 5th in the nation.[44] Thirty-two states made attending four-year public colleges more affordable to students in 2018 than Ohio and 33 made attending two-year schools more affordable.[45] Financial aid is more than $100 million a year below the target set by Governor Taft's task force – even with a substantial increase in the 2020-21 budget bill.[46]

There are new investments in the budget for 2020-21 that will benefit students of low and modest income. However, increases in classroom teaching do not keep up with inflation, leaving teachers and institutions with fewer resources over the coming biennium.

EARLY EDUCATION

Children who have access to quality preschool develop the skills that prepare them for school. Children who go to preschool are more likely to succeed at school and in the workforce.[47] Most states provide public preschool, nearly all targeted to families with low income.[48] Ohio's is targeted to those earning no more than 200% of the federal poverty level (about $42,000 a year for a family of three).

Ohio's early education grant program will fund 17,913 preschool seats in school year 2020.[49] In 2018, the same number of seats served 11% of eligible 4-year-olds (nationally, 33% of eligible children were in public preschool that year) and 1% of 3-year-olds (the national share was 5.7%). Ohio ranks 33d among states in preschool access and 38th in investment per-seat.[50]

Across three primary line items[51] Ohio will spend $201 million on early care and education in the 2020-21 budget; 68% comes from the GRF. Funding rises by $7.2 million (3.7%) from the prior biennium. Of that $201 million, $73 million in each year funds the Early Childhood Education Grant, for public preschool,[52] and $12.6 million in federal funds supports special education and related services to three-to-five year olds with disabilities.[53] The remainder supports early learning and development in smaller communities or programs that enhance services through the state's "Step Up to Quality (SUTQ) program." This five–star quality rating system administered by the Ohio Department of Education and the Ohio Department of Job and Family Services aims to ensure children are kindergarten-ready by improving the quality of childcare and early education in Ohio.

A bipartisan effort led by Representatives Cupp (R-Lima) and Patterson (D- Ashtabula) is developing a proposal for a new school funding formula. The broad outline recommends that every economically disadvantaged 4-year-old has access to high quality preschool.[54] The Cupp-Paterson proposal did not make it into the budget, but lawmakers and stakeholders continue to work on it with the hope it may be adopted for the second year of the budget.

PRIMARY AND SECONDARY EDUCATION

The 2020-21 budget bill appropriates $23.7 billion for primary and secondary education over the two-year budget period. Just over two-thirds – $16.3 billion – is state GRF dollars. The biggest expenditure is for foundation funding to run school districts and support classroom teaching. Foundation funds are held to the level of 2019 in both 2020 and 2021. Increases in other areas drive an all-funds budget increase of $1.6 billion, or 7.1% compared to the prior two-year budget period (not adjusted for inflation).

STUDENT WELLNESS AND SUCCESS FUND: This new $675 million program supports wraparound services for economically disadvantaged students who struggle to learn because of problems external to school. The resources are for health, mental health, social and other non-academic services that help students be ready to learn in the classroom. Funding is distributed to school districts, joint vocational school districts, charter schools and STEM schools based on a per-pupil amount for each student's resident district, calculated using federal census poverty data. For 2020, the amounts range from $20 per student in the highest-income districts to $250 per student in the lowest-income districts and increase in 2021 to $30-$360 per student.

CHARTER AND PRIVATE SCHOOLS: The new budget makes an additional $165 million available to schools outside the district system. This increase is driven by a $95 million boost for the income-based EdChoice voucher program, an expansion of the state's original EdChoice program available to students with family income less than 200% of federal poverty guidelines.[55] The budget also expands voucher access in three ways: by raising the cap on the number of EdChoice vouchers available; by allowing high school students to use the voucher even if they've never attended a public school; and by expanding the income-based EdChoice voucher to students in all grades starting in 2021 (in FY19 this voucher was available only to students in grades K-5, with eligibility being added by a grade level each year).

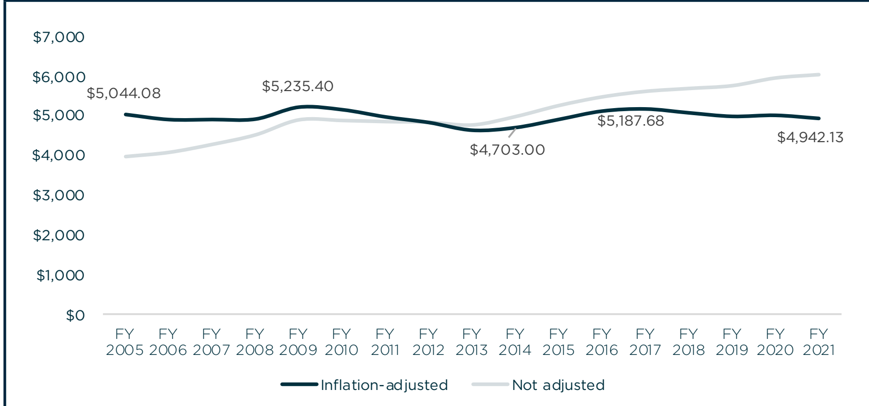
Finally, the increase includes a new line item of $30 million each year of the biennium in supplemental aid to charter schools that meet academic performance criteria as "schools of quality" as spelled out in the law.[56]

In a move unrelated to the budget, the Ohio Department of Education has more than doubled the number of district schools considered low-performing, opening EdChoice voucher eligibility to many more Ohio families.

Public school enrollment has declined over time, but state funding has fallen faster. Figure 5 illustrates that on a per-student basis, funding for education – adjusted for inflation – has fluctuated but the net result is a 2% per student decline over 15 years, even with the new student success and wellness fund factored in. The decline in state funding accelerated in recent years. State funding will have dropped by 5% ($246 per student) between 2017 and 2021 on an inflation-adjusted basis.

Figure 5

State dollars per-student from formula, enrollment supplement, TPP reimbursements and supplement, federal stimulus and Student Wellness and Success fund



Source: Policy Matters Ohio, based on Ohio Legislative Service Commission (LSC) spreadsheet: "Inflation-Adjusted Foundation Funding and TPP Reimbursements., 2005-2021" and "Nominal Foundation Funding and TPP Reimbursements, 2005-2021," These spreadsheets include formula funding (including to Joint Vocational Districts), Student Wellness and Success Funds, enrollment supplement, Tangible Personal Property Tax (TPP) reimbursements, TPP supplement (in 2016 and 2017), and federal stimulus dollars (in 2010 and 2011). Student enrollment based on National Center for Education Statistics Table 203.20. "Enrollment in public elementary and secondary schools, by region, state, and jurisdiction: Selected years, fall 1990 through fall 2023." Estimates of enrollment for 2016-19 and 2021 adjusted using proportional annual change based on projections for 2020 and 2023.

Figure 5 also illustrates the frequent changes in school funding in Ohio. Between school years 2005-06 and 2014-15, 3,269 social workers, guidance counselors, librarians and music, art and gym teachers were eliminated.[57] The Student Wellness and Success program may help backfill some of this loss, but it is a new program with an uncertain future.

The correlation between poor school performance and poverty in Ohio has been well-documented,[58] and the Student Wellness and Success program is rightfully intended to help the poorest students. Flat-funding foundation funding for school districts allows inflation to erode basic funding, even as vouchers further cut public school budgets. As a result, funding for K-12 rises in the new budget, but district schools face new stress.

POSTSECONDARY EDUCATION

People who complete at least some higher education or post-secondary training earn higher incomes, on average, than those with only a high school degree. That's why Ohio's Department of Higher Education has set an ambitious goal that by 2025, 65% of Ohioans aged 25 to 64 will have a degree, certificate, or other postsecondary workforce credential of value. In 2016, only 44.1 percent of Ohioans had this level of education.[59]

Despite the importance of higher education to Ohio's future, state policymakers continue to underfund our public colleges and universities. Ohio is ranked 33d least affordable among states in cost of tuition and fees at two-year and four-year public colleges.

Ohio will spend $5.6 billion on higher education over the biennium, an increase of $390 million (7.5%, not adjusted for inflation). Virtually all higher education funds come from the GRF. The increase included a $127 million boost (23%) in general obligation bonds which pay for debt service on financing for maintenance and new construction; $116 million for the Choose Ohio First scholarship (the $43 million represented a 173% increase) and the Ohio College Opportunity Grant (36.9%) and $103 million for the State Share of Instruction line item (2.6%), which supports classroom teaching and affects tuition. State Share of Instruction (SSI), at $4.1 billion over the two-year budget period, makes up nearly three-quarters of the $5.6 billion budget for the Department of Higher Education. The increase in SSI in the 2020-21 budget is too small to keep pace with inflation.

The new state budget's investment in both the State Share of Instruction (SSI) and the Ohio College Opportunity Grant (OCOG) does little to remedy this problem.

STATE SHARE OF INSTRUCTION: The new budget increased funding for SSI, Ohio's main financial support for public higher education, by 2.6% for the new budget over the previous biennium. Figure 6 shows that when adjusted for inflation, SSI funding remains below 2006 levels. SSI is directly tied to the cost of tuition, which means that tuition rises when funding drops.[60]

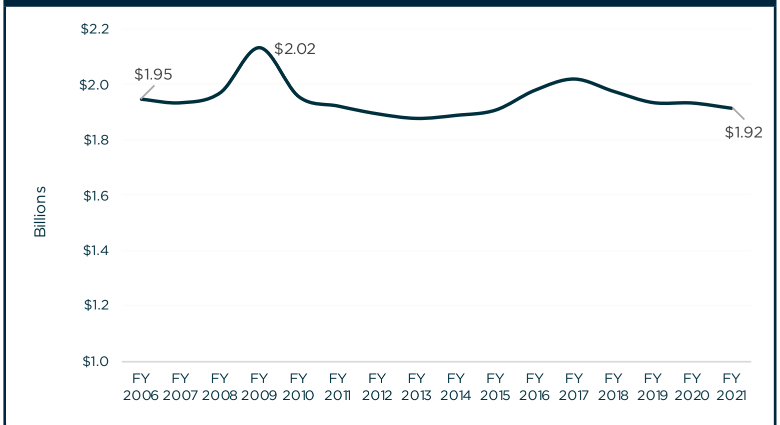
OHIO COLLEGE OPPORTUNITY GRANT (OCOG): Ohio provides need-based aid through OCOG, which is essential to helping students from low-income backgrounds attend college. The 2020-21 budget increased OCOG funding by nearly $72 million over the previous biennium, a 37% increase (not adjusted for inflation). Over the two-year budget period, the state will spend $270.5 million on need-based college aid.

Figure 7 compares the new OCOG budget with prior funding. Whether adjusted for inflation or not, despite the substantial increase from the previous biennium, the budget leaves need-based aid far below what it was before the recession.[61] Ohio ranks 39th among states and among the lowest in the Midwest in need-based aid per-capita, according to the National Association of State Student Grant and Aid Programs.[62]

At the same time, OCOG excludes over 110,000 community college and regional campus students, who are more likely to come from low-income families. Ohio also shortchanges students at Central State University, the state's only public historically black university. This means low-income students and students of color are most likely to be left behind.[63]

Figure 6

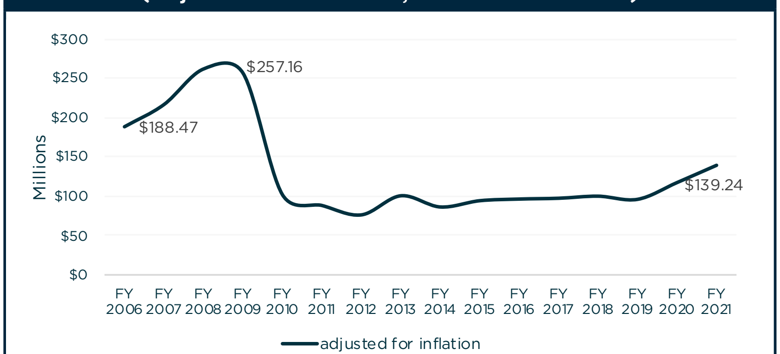
State share of instruction funds still slightly below 2006 levels (adjusted for inflation; billions of dollars)



Source: Policy Matters Ohio, based on Ohio Legislative Service Commission appropriation spreadsheets; deflated using 2018 dollars based on CPIU-RS; 2020-21 inflated using LSC June forecast to the conference committee.

Figure 7

OCOG increase too small to restore need-based financial aid (adjusted for inflation; millions of dollars)



Source: Policy Matters Ohio, based on Legislative Service Commission budget bills as enacted, final appropriations except for 2020-2021, which are projected appropriations. FY 2006 to 2009 include Ohio Instructional Grant, which has since been replaced by OCOG. Deflated using 2018 dollars based on CPIU-RS; 2020-21 inflated using LSC June forecast to the conference committee.

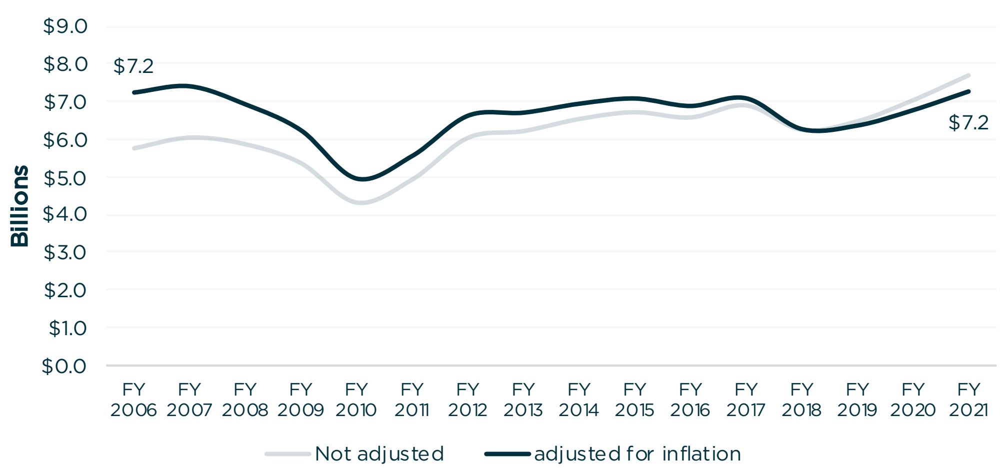
Health and human services

Health and human service programs make sure Ohioans' basic needs are met. They provide a safe place to stay for children while their parents are recovering from addiction. They protect and care for elderly Ohioans. They make sure people get treatment when they are sick, no matter how much money they have. State GRF resources for health and human services grow by $2 billion in the 2020-21 budget compared to the prior budget, an increase of 15.5%. Adjusted for inflation, state GRF resources in these areas will catch up to and surpass the level at which they were funded in 2006 for the first time in 2021 (Figure 8).

During the recession lawmakers used federal stimulus dollars to backfill where the dip appears in the black line in Figure 8. This graph illustrates that post-recession, state support of health and human services was flat, even as poverty remained high.[64] During these years infant mortality rates rose and drug overdose deaths climbed. This budget responds to those emergencies with increased and in many cases targeted funding.

Figure 8

State GRF dollars for health and human services regain pre-recession levels (adjusted for inflation; billions of dollars)



Source: Policy Matters Ohio, based on Ohio Legislative Service Commission Historical Expenditures: Table 2: State - Source GRF, LPEF, and LGF Expenditure History. 2018 dollars; deflation based on CPIU-RS. 2020-21 inflated using LSC June forecast to the conference committee.

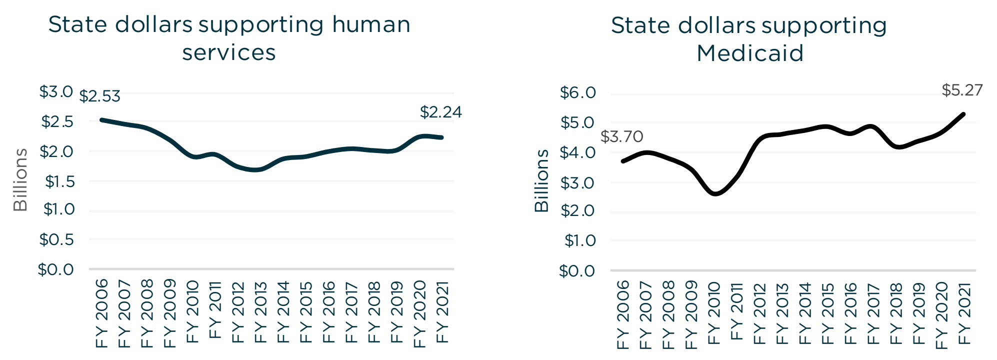
Investment in health and human services in the 2020-21 budget is driven by urgent health concerns. The death rate from the drug epidemic was nation's second highest in 2017, although progress has been made since then.[65] The infant mortality rate is 41st highest in the nation,[66] and in 2017, there was only one other state where a higher share of black babies didn't make it to their first birthday.[67] Too many Ohio children are poisoned by lead.[68] The population is aging, with increased needs for care.[69] The home health and mental health workforces are eroding, in part because of low pay, related to meager Medicaid reimbursement levels set by the state.[70]

Ohio ranks low among states on various health measures. The Commonwealth Fund finds 42 states score better in terms of "healthy lives" than Ohio and that disparity in health outcomes between rich and poor people is on the rise.[71]

Figure 9 shows that growth in state GRF funding for health and human services has primarily been in the Medicaid budget since the 2014 Medicaid expansion. State tax dollars spent on health and human service funding other than in the primary Medicaid lines remains 11.5% below the level of 2006 (Figure 9), adjusted for inflation.

Figure 9

State dollars supporting health and human services in the GRF, (adjusted for inflation, billions of dollars)



Source: Policy Matters Ohio, based on Ohio Legislative Service Commission Historical Expenditures: Table 2: State – Source GRF, LPEF, and LGF Expenditure History. 2018 dollars; deflation based on CPIU-RS. 2020-21 inflated using LSC June forecast to the conference committee. Non-Medicaid human services include agency line items other than the 6500000 series (indicating Medicaid dollars) in the seven sister agencies: Aging, Developmental disabilities, Mental Health and Addiction Services, Job and Family Services, Developmental Disabilities, Opportunities for Ohioans with Disabilities and the Department of Health.

The following sections look at the seven major health and human service agencies:

Medicaid, the Departments of Mental Health and Addiction Services, Health, Aging, developmental disabilities, Opportunities for Ohioans with Disabilities, and Job and Family Services.

MEDICAID

Medicaid is essential to the health of Ohioans. The program covers 3 million people, a quarter of the population. When state, federal and special purpose funds are counted, it is the largest single state program, accounting for 4% of Ohio's economy.[72] It covers just over half of all births in Ohio.[73] Medicaid is the most powerful tool the state has to stem the drug epidemic, funding $1.1 billion in mental health and addiction services in 2018.[74]

Medicaid is paid for by a partnership between the federal government and the state. The federal government covers 68%: $40.6 billion of the $59.8 billion program in the budget for 2020 and 2021. The federal funds are essential to Ohio's health system and economy. State-source GRF Medicaid funds total $11.8 billion. The balance is from special purpose funds.[75]

Across all funds and all agencies, the Medicaid budget will increase by $6.3 billion (12%) compared to the prior, two-year budget period. State GRF dollars make up 25% of the increase. Selected budget highlights are described below.

CHILDREN'S HEALTH INSURANCE PROGRAM: Just over half of Ohio's children under five years old are insured through Medicaid and its program for children called the Children's Health Insurance Program – "CHIP."[76] The Affordable Care Act boosted the federal share of CHIP, but when Congress reauthorized the program for 2020, it reduced that share. The increase in Ohio's share was anticipated to be $200 million over the biennium.[77] Lawmakers covered the increase without cutting eligibility, an investment in Ohio's children.

INFANT MORTALITY: The Department of Medicaid budget includes nearly $90 million in combined state and federal funding to reduce infant mortality, including $47 million for home visiting (this is in addition to Department of Health home visiting program, described below). The chapter on cross-agency initiatives gives more information on efforts across agencies to reduce the state's high rate of infant mortality.

MEDICAID EXPANSION: The federal share of matching funds for Medicaid expansion, which provides health insurance to low-income working-age adults, drops from 93% to 90% over the coming biennium. Lawmakers funded that increased share, protecting health services for 575,699 Ohioans, primarily low-wage workers, disabled people and caretakers.[78] In this budget, lawmakers did not embrace a proposal to charge Medicaid enrollees monthly premiums and reduce services for those too poor to pay, but legislation to do this has cropped up before and will emerge again,[79] a danger to the health of hundreds of millions of Ohioans and to the health care system itself.

WORK REQUIREMENTS: The new budget provides $28 million in combined state and federal dollars to implement a program that links eligibility for Medicaid to monthly hours worked. While those Medicaid enrollees who can work do,[80] low-wage jobs do not always offer enough hours to meet work requirements.[81] Hundreds of thousands of Medicaid enrollees in Ohio could be at risk because of churning work hours or difficulty reporting work hours.[82] Health care should not be dependent on number of hours worked – it's a losing proposition for Ohioans and the Ohio health system. Work requirements do not help people become healthier or more financially stable.[83] In the one state that tried to implement such a program, thousands lost coverage because reporting the weekly hours was an insurmountable barrier.[84]

MEDICAID AND BEHAVIORAL HEALTH: The new budget sets aside $7.5 million for a Medicaid demonstration program that would strengthen community care for substance abuse disorder. Approved on September 23, 2019, this program will waive certain Medicaid rules to permit longer inpatient treatment in certain community health care settings, expanding badly-needed treatment capacity. Ohio lost 152 beds between 2005 and 2010 and was left with just 18% of the public beds considered necessary to meet needs.[85] In 2017 Ohio had 9.7 beds per 100,000 people, 35th among states.[86] The need for more beds was highlighted in a recent report on Montgomery County,[87] known as "ground zero" for the national drug epidemic.[88]

BEHAVIORAL HEALTH CARE COORDINATION: The new budget provides $250 million in GRF ($45.3 million state share) in FY 2021 to implement behavioral health care coordination. People with intensive behavioral health needs will receive case management from a community provider.

BEHAVIORAL HEALTH IN SCHOOLS: The budget bill includes $15 million to provide behavioral health services within schools through telehealth services. Currently, students need to leave their school to receive these services. ODM anticipates better access to behavioral health services could prevent the need for costly emergency room treatment.

PHARMACY BENEFIT MANAGEMENT: Investigative reporting uncovered profiteering by middlemen obtaining prescription drugs for Ohio's privatized Medicaid services.[89] There was considerable debate about solutions, and solutions were presented in the budget sent to the governor for signature, but he vetoed some of them. However, the budget did address fiscal problems in this area, providing $270.6 million over the biennium to support modernization and improvement of the troubled program. In a September 19, 2019 presentation to the Joint Medicaid Oversight committee, Medicaid Director Maureen Corcoran outlined plans that included establishing a single pharmacy benefit manager and preferred drug list, measures to prevent conflicts of interest and new ways of obtaining specialty drugs, implementing a pharmacist appeals process, establishing an annual drug spending growth benchmark and direct manufacturer negotiations with the state to maximize supplemental rebates.[90] Changes were already underway, and a recent report indicates progress in reducing profiteering, but calls for further reform.[91]

MENTAL HEALTH AND ADDICTION SERVICES

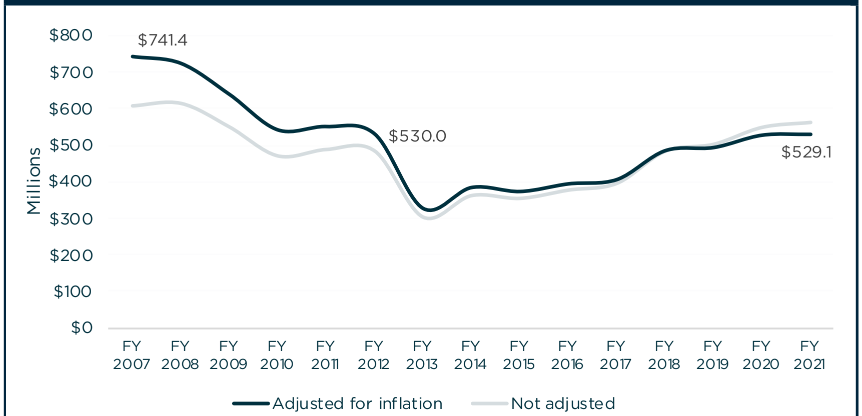
The Ohio Department of Mental Health and Addiction Services (Ohio MHAS) manages a statewide network of care and recovery that includes 51 local behavioral health boards, six regional psychiatric hospitals with 1,065 beds[92] and over 600 community-based mental health and addiction service providers.[93]

In the new budget, lawmakers increased investment in state hospitals, prevention, wellness and recovery and local crisis response. The agency all-funds budget is boosted by $355 million (25.9%) to $1.7 billion. State-source GRF funds rise by nearly $83 million (23% of the increase) to $901 million or 52% of total funding. Federal funds increase by almost $150 million with new grants to stem the drug epidemic.

Experts say drug addiction is a disease of despair, encompassing economic, social and physical elements.[94] Treatment infrastructure can help; lack of such infrastructure can hurt. Ohio's mental health and addiction services infrastructure has declined. Figure 10 shows the trend in GRF funding over the past 15 years, adjusted for inflation.

Figure 10

State GRF Dollars supporting Mental Health and Addiction Services, (adjusted for inflation, millions of dollars)



Source: Policy Matters Ohio, based on Ohio Legislative Service Commission appropriation spreadsheets. 2018 dollars; inflation adjusted using CPIU-RS.2018 $$; 20-21 adjusted using inflation forecasts at the LSC revenue briefing to the Conference Committee, June 25, 2019.

According to the Ohio Association for County Behavioral Health Authorities, lawmakers cut non-Medicaid funding for community mental health services by 70% between 2002 and 2012. Figure 10 shows GRF funding for mental health and addiction services falling off the cliff in 2013. By 2021 it will almost regain the 2012 level – but cuts in prior years are not restored.[95] Two state psychiatric hospitals were closed in 2008.[96] Supply of public beds today remains below need.[97] Seventy-eight percent of in-patient beds in the state psychiatric hospitals are used for people in the criminal justice system.[98]

The 2014 expansion of Medicaid to low-income working adults has been essential to slowing drug deaths, providing $1.1 billion in behavioral health treatment in 2018.[99] Yet both psychiatric hospital capacity and community mental health infrastructure have not been fully restored.

The list below highlights some of the bigger initiatives in the Ohio MHAS budget for 2020-21.

PSYCHIATRIC HOSPITALS: Lawmakers appropriated $567 million in all-funds dollars for the psychiatric hospitals administered by Ohio MHAS, which serve as a safety net for Ohio's most challenging patients.[100] This is an increase of $55.5 million or 10.9%. This function is primarily funded by GRF dollars, which make up 83% of the total appropriation.

COMMUNITY MENTAL HEALTH: Community and recovery funds in Ohio MHAS cover crisis intervention; hospital prescreening; counseling-psychotherapy; drug, alcohol, and gambling addiction treatment services; community support program services; diagnostic assessment; consultation and education; and residential housing. Within that category of services, the Continuum of Care line item (336421) funds local boards to meet locally determined needs. The item will provide $166.9 million over the 2020-21 biennium, an increase of 14.4 million or 9.4% over the prior, two-year budget. The new dollars are to be used primarily to expand the Ohio Sobriety, Treatment, and Reducing Trauma (OhioSTART) program, which provides services to children (who have a parent with substance abuse) and parents toward their recovery. The program is currently in 34 counties and this funding increase will expand the program to another 30 counties.

THE DEPARTMENT OF MEDICAID REMAINS THE BEST TOOL IN THE TOOLBOX TO STEM THE DRUG EPIDEMIC

The 2020-21 Medicaid budget supports many initiatives for behavioral health, including:

- Medicaid funds to catch up on payment of claims to behavioral health providers, a residual problem from the prior administration that drove some providers out of business.[101]
- $250 million ($45.3 million state share) in 2021 to implement behavioral health care coordination for those with intensive behavioral health needs;
- $15 million to provide behavioral health services in schools through telehealth services, and
- $18 million over the biennium to prevent parents from forced custody relinquishment to gain services for children with severe, multiple symptoms that may cut across agencies: Ohio MHAS, under the Family and Children First Council, will work with Medicaid to develop an action plan.
- $7.5 million in state funds will set up a program that allows Medicaid patients to remain in certain community facilities for longer treatment stays, expanding the capacity for in-patient treatment.

The new initiatives and enhanced funding in the budget are important to restoring and strengthening the infrastructure around mental health and addiction treatment and in particular, supporting those in recovery. Recovery can take a long time, and a continuum of care through community mental health services will remain an important component of Ohio's health care system.

TREATMENT AND PREVENTION: $72.2 million is appropriated for statewide treatment and prevention initiatives, including $18 million to support K-12 prevention education initiatives in FY 2020, $18 million to support prevention, treatment, and stigma reduction multi-media campaigns, and $5 million to expand those trained in mental health first aid and to expand the number of law enforcement trained in de-escalation techniques.

FEDERAL GRANTS TO STEM THE OPIOID EPIDEMIC: Two federally funded grants (Opioid State Targeted Response and State Opioid Response) provide $141.9 million to increase access to medication-assisted treatment and naloxone, provide training to improve crisis response, and develop job opportunities for people recovering from opioid addiction.

COMMUNITY JUSTICE: Lawmakers boost funding for the courts in the OMAS budget (line item 336422) by $6.6 million (23.9%) to $34.2 million. Elements of the Criminal Justice Innovation programs are merged into this funding stream. This line item, and others within the category, will use $12 million for drug courts (down from $16 million in 20181-9) and $17.5 million for all specialized dockets (up from $10 million in 2018-19). These specialized court functions help non-violent offenders remain in the community rather than going to jail.[102]

OHIO DEPARTMENT OF HEALTH

The mission of the Ohio Department of Health (DOH) is to protect and improve the health of Ohioans by preventing disease, promoting good health, and assuring access to quality health care. The all-funds budget for DOH over the 2020-21 biennium is $1.4 billion, an 18.8% increase over the prior two-year budget period. The $215 million increase includes $64.8 million in state GRF dollars, 30% of the total agency increase.

Almost half ($30 million or 45%) of the boost in state GRF funding will expand the "Help Me Grow" home visiting program, an evidence-based approach to lowering infant mortality. In addition, screening for breast and cervical cancer, important to lowering infant mortality,[103] is expanded to reach more women. The budget bill also expands DOH's role in recording and monitoring infant and maternal mortality. Cross-agency initiatives to reduce Ohio's high rate of infant mortality are presented in the section below on such initiatives.

Lawmakers added new provisions to address lead poisoning in children by stiffening legal regulation and providing $5 million a year through tax credits for rehabilitation of lead-blighted properties. Two new line items were created for local property rehabilitation programs: $150,000 for a Toledo program and $2,000,000 for a Cleveland program. The section on cross-agency initiatives gives detail on funding to reduce lead poisoning.

AGING

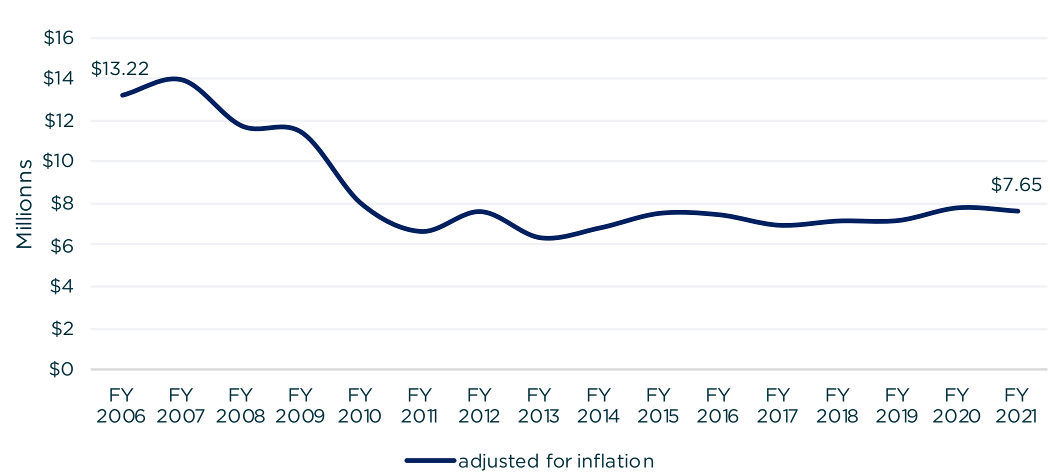
Across all funds in the new biennium, the Ohio Department of Aging will get $197.1 million, a boost of $36 million (22.5% increase, not adjusted for inflation) compared to the prior budget period. State GRF dollars make up just 20.3% of the budget; these increase by $10.9 million or 37.1% over the two years. The new budget boosts the Senior Community Services program, long-term care ombudsman program, personal care services and home-delivered meals.

New funds are helpful, but insufficient to restore years of program erosion and cuts. Figure 11 shows how the one program – the Senior Community Services Program - has eroded and even with the boost, remains 42% below the level of 2006 (adjusted for inflation).

The state encourages older people who need help with the activities of daily living to continue living at home, in the community, with help from home health workers, instead of going to a nursing home. The federal government has 'waived' certain Medicaid rules to facilitate this. When people live in the community they must feed and care for themselves. The Senior Community Services program can help them meet nutrition, transportation and other needs. Lawmakers have dramatically reduced the program even as the state has encouraged people to age at home.[104]

Figure 11

Senior Community Services Program remains 42% below 2006, adjusted for inflation, despite growth in seniors and need



Source: Policy Matters Ohio, based on Ohio Legislative Service Commission appropriation spreadsheets. Deflated using 2018 $$; CPIU-RS.

This year, there is an increase in the Senior Community Services program, but it is very broadly available, narrowly focused and for any one individual or family, provides a very small benefit. The $2.8 million increase in the Senior Community Services program will fund expansion of the federal Senior Farmers Market Nutrition Program, which gives older Ohioans $50 a year in vouchers for farmers market produce.[105]

As Ohio's population ages, more people want to stay in their homes, but there are barriers to getting the supports they need. Ohio's Medicaid reimbursement for home health care has been so low that services are inadequate in some places. Lawmakers agreed to increase reimbursement beginning in 2022, but the governor vetoed the provision. The administration has committed to providing some increase, but likely not for the full list of services in the vetoed budget language.[106]

DEVELOPMENTAL DISABILITIES

Total funding for the Ohio Department of Developmental Disabilities will be $6.9 billion over 2020-21, an increase of $1.2 billion or 20.8%. Most of that money is federal Medicaid funds. State GRF dollars account for $1.5 billion of the total and increase by $133 million (9.8%) compared to the prior budget period.

Ohio has been working to meet federal requirements that allow people with developmental disabilities to live in the community instead of institutions. The 2020-21 budget increases Medicaid funding to support more people in their own homes (with special permission from Medicaid, or a waiver of rules, to serve people in their home and community).

Because policymakers keep Medicaid reimbursement rates too low, home health care companies don't pay their workers enough. Therefore, the jobs don't attract the skilled medical professionals needed to do this vital work. Lawmakers appropriated money to boost their pay to $12.82 per hour in 2020 and $13.23 by the second half of 2021. The governor vetoed the provision. Getting reimbursement rates to a living wage remains a substantial, unmet need.[107]

OPPORTUNITIES FOR OHIOANS WITH DISABILITIES

This agency, formerly the Rehabilitation Services Commission, serves physically disabled people. It works with the federal Social Security system, processes applications for Social Security Disability status, and administers employment services in partnership with the federal vocational rehabilitation program. Total GRF funding for this agency rises by 16.1% over the prior, two-year budget to $37.3 million in the 2020-21 budget. The all-funds budget of $548.1 million rises by $84.3 million or 18.2%; state GRF accounts for 6% of the increase.

In 2019 Ohio policymakers didn't appropriate enough matching funds to draw in an additional $32 million in federal vocational rehabilitation dollars that could have provided employment services to people with a serious physical or mental health disability. Ohio left the most federal vocational rehabilitation dollars on the table of all states and territories.[108]

In the 2020-21 budget, lawmakers boosted the state's investment in vocational rehabilitation by $2.9 million, which will bring in $10.5 million in additional federal funds for employment services. Disability Rights Ohio estimates Ohio will continue to forgo federal vocational rehabilitation money, however, estimating the amount foregone will be $25 million in 2020 and around $20 million in 2021.[109] Employment services is a vitally important part of the continuum of care in recovery. Lawmakers should allocate the full match to better address the addiction crisis hurting so many Ohio families and communities.

DEPARTMENT OF JOB AND FAMILY SERVICE

This agency oversees programs that help struggling families, like food assistance and Temporary Assistance for Needy Families; it administers the unemployment insurance program. It provides work supports, including public child care and employment training programs. In many programs, operations are carried out in through county departments of job and family services. Total funding for the Ohio Department of Job and Family Services (ODJFS) will be $7.4 billion over the two-year budget period, boosted by 22.5% (not adjusted for inflation). GRF in the budget rises by 21.3% over the prior, two-year budget to $1.8 billion, accounting for less than a quarter of the overall increase in funding. A selection of new investments are highlighted below.

PROTECTIVE SERVICES: During the recession, lawmakers cut funding for child protective services, like many social services. Thereafter, they did not increase funding to cover inflation, which allowed the value of appropriated dollars to be eroded by inflation. Ohio's contribution of funding to this service has historically been the smallest among all the states: localities depended on property tax levies.[110] With the drug epidemic, need for child protective services soared.[111] In this budget, lawmakers more than doubled the state's formula allocation to counties (from $60 million to $125 million per year) and overall added more than $200 million over the biennium, an historic contribution to a critically important service.

While the new funding allows Ohio's counties to stabilize, it does not yet support the development of new infrastructure needed to take advantage of the system transformation opportunity presented by the federal Family First Prevention Services Act. Changes in federal law will allow flexibility in the use of funds for prevention. A similar but more flexible approach has been effective in 15 Ohio counties that took advantage of a waiver opportunity (Ashtabula, Portage, Lorain, Stark, Medina, Belmont, Muskingum, Richland, Crawford, Hardin, Clark, Green, Franklin, Fairfield, and Hamilton). However, the federal waiver under which these pilot programs operated expired on September 30. Those 15 counties have lost flexible funding: in some counties, this amounts to millions of dollars. Even the new state funding won't replace the losses in some places.[112]

Although the new state funding to respond to the drug epidemic was badly needed to stabilize a system in serious crisis, funding is now needed to build infrastructure to take advantage of the new federal program, to shore up programs where federal aid expired, and to increase the state's capacity for services and supports for families and caregivers.

KINSHIP CARE: Families that take in the children of relatives often do not know where to turn for help. This budget provides $8.5 million to build a kinship care navigator program to help family members caring for relatives' children. In addition, $30 million will be provided through the TANF block grant to help with a kinship childcare program.

ADULT PROTECTIVE SERVICE FUNDING was increased from $2.7 million a year to $4.2 million, split evenly among all counties. The increased funding is needed, but does not provide each county with enough for just one professional social worker.[113] Estimates of the annual number of elders at risk of abuse and neglect in Ohio range from 105,000 to 250,000; estimates of funding needed to provide adequate protection range from $10 million to $22 million a year.[114]

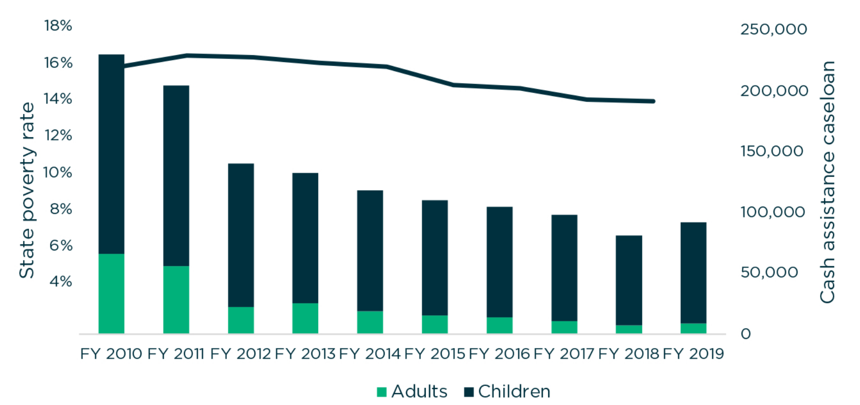
TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF): TANF is a federal program that helps low-income parents earning less than 50% of poverty. Most TANF expenditures are allocated to: publicly funded child care, cash assistance payments to families, and to Ohio's 88 county Job and Family Service entities that administer supportive services. TANF replaced the eligibility-based "Aid to Families with Dependent Children" in 1996 as a federal block grant. Today the program helps far fewer people than it should: Nationally, less than a quarter of eligible families are helped.[115]

Ohio's TANF program is funded by an annual federal block grant of $725.7 million. Because the TANF line item in the Department of Job and Family Services budget rises and falls from year to year, it appears there is variation in the federal funding, but that is not the case: it has not changed since 1996. In some years not all of the money is spent and is placed in savings, for use in later years.

Ohio's lawmakers appropriated $2.1 billion for TANF over the next two years. Of that total, 86.2% is federal funds. The main TANF lines, for the block grant itself (agency line item 600689) and for the required state match, called "Maintenance of Effort" (agency line item 600410) will together expand by $452.1 million (27.5%) as funds built up over the past decade are used up. All of the increase is in federal dollars. The expansion of funds will be used for public child care.

Figure 12

Cash assistance fell but poverty didn't; state needs to use more TANF funds to help struggling families



Source: Policy Matters Ohio, based on memorandum provided by the Ohio Department of Job and Family Services to the House Finance Subcommittee on Health and Human Services, ("Temporary Assistance for Needy Families (TANF) Program." Services Framework for SFY 2020-21)

Ohio's poverty rate remains higher today than before the recession, but use of TANF dollars for cash assistance or one-time emergency assistance dropped over the past decade.[116] Federally-mandated work requirements posed insurmountable barriers to many, who were dropped from the program because they were not able to satisfy the work requirement.[117] Figure 12 shows TANF caseload plummeted – particularly for parents – while poverty remained high.

TANF is supposed to help families struggling to make ends meet, but the Kasich Administration allowed funds to build up in savings (referred to as a "sustainability fund" in one spreadsheet distributed during the budget discussion).[118] TANF funds are meant to bring stability to low-income families in a crisis and to protect children. Funding should fully address these needs.

Advocates asked the legislature to increase the grant to families by $100 a month, but they did not. More TANF funds should be used to reduce eviction and homelessness; and provide transportation,[119] meaningful job training, and meaningful work experience in areas with high unemployment. Ultimately, we need more sustainable revenue outside of the TANF program to expand access to housing, transportation, job training and childcare assistance.

PUBLICLY FUNDED CHILD CARE: Ohio served 118,000 children through the public child care program in August 2018, the last month for which there is an unduplicated count.[120] Families with income below 130% of the federal poverty level (about $27,000 for a family of three) are accepted into the public child care program. Only two states, Michigan and Indiana, make it harder to get public child care aid than Ohio.[121]

Initial eligibility for public child care should be set at 200% of poverty to make child care affordable for more working families. This would also support early learning by aligning childcare eligibility with of the state's public preschool program. While Governor DeWine pledged to raise initial childcare eligibility from 130% to 150% of the federal poverty level in his campaign, policymakers failed to allocate funds to support this goal in the two-year state budget. It remains a stated priority of the Administration.

Nevertheless, policymakers took steps to improve child care quality by increasing payments to public providers who meet certain benchmarks. Progress is measured through the Step Up To Quality (SUTQ) program, a five–star quality rating system administered by the Ohio Department of Education and the Ohio Department of Job and Family Services that aims to ensure children become kindergarten-ready by early care quality.

Table 2

Publicly funded childcare appropriations (millions of dollars, not adjusted for inflation)

Agency	Line item	Program source and name	FY 2018-19	FY 2020-21	Change	% change
JFS	600617	Federal - Childcare & Development block grant	$515.8	$663.2	$147.4	28.6%
JFS	600689	Federal - TANF block grant*	$443.8	$717.3	$273.5	61.6%
JFS	600413	GRF - State Childcare Maintenance of Effort	$166.8	$166.9	$0.1	0.1%
JFS	600535	GRF - Early Care & Education	$281.9	$282.6	$0.6	0.2%
JFS	600555	GRF - Quality Infrastructure Grants	$0.0	$10.0	$10.0	100.0%
		Total	$1,408.4	$1,840.0	$431.7	**30.7%**

*Source: Policy Matters Ohio, based on agency line items provided by the Ohio Legislative Service Commission appropriations spreadsheet for the 2020-21 budget (with 2019 actuals). *Note: TANF figure for public childcare (600689) is taken from the "Temporary Assistance for Needy Families (TANF) Program Services Framework for SFY 2020-21," A memorandum prepared by the Ohio Department of Job and Family Services and provided to the House Finance Subcommittee on Health and Human Services, April 2019.*

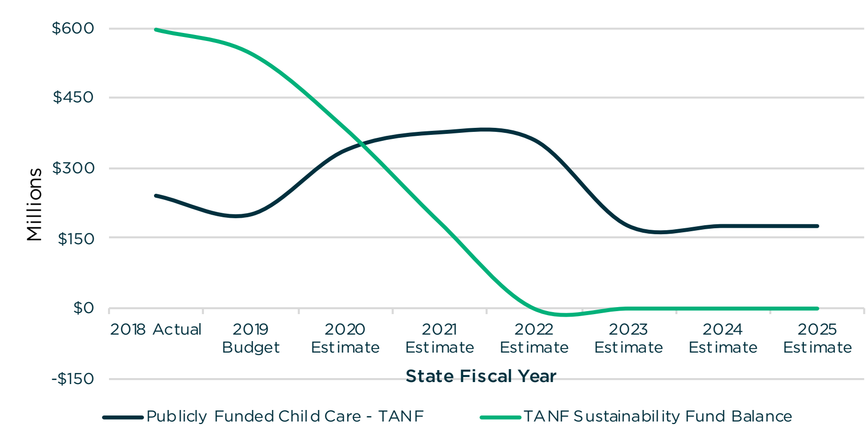
The budget increases funding for public child care by $431.7 million over the 2020-21 biennium (Table 2). All of the increase in funding for the state child care program is from federal sources to support the SUTQ mandates and much-needed increases in child care provider funding. State dollars are used in line item 600555, which provides $10 million in one-time grant funds to help providers participate in SUTQ and improve quality.

The increase in TANF funding for public child care is needed for provider reimbursement, but TANF is an unsustainable source. The TANF savings that allow the increase are projected to run out after 2022.[122] Figure 13 highlights how the TANF 'surplus' boosts funding for child care between fiscal year 2020 and 2022. When the projected surplus runs out in 2022, overall spending for publicly funded child care in TANF decreases.

Legislators need to find a sustainable source of state funding to both support sufficient child care payments and raise initial eligibility to 200% of the federal poverty level to make care affordable for more families. Years of under-investment require substantial investment now.

Figure 13

Surplus spending on public child care runs out after FY 2022; then what?



Source: Policy Matters Ohio, based on memorandum provided by the Ohio Department of Job and Family Services to the House Finance Subcommittee on Health and Human Services, ("Temporary Assistance for Needy Families (TANF) Program." Services Framework for SFY 2020-21)

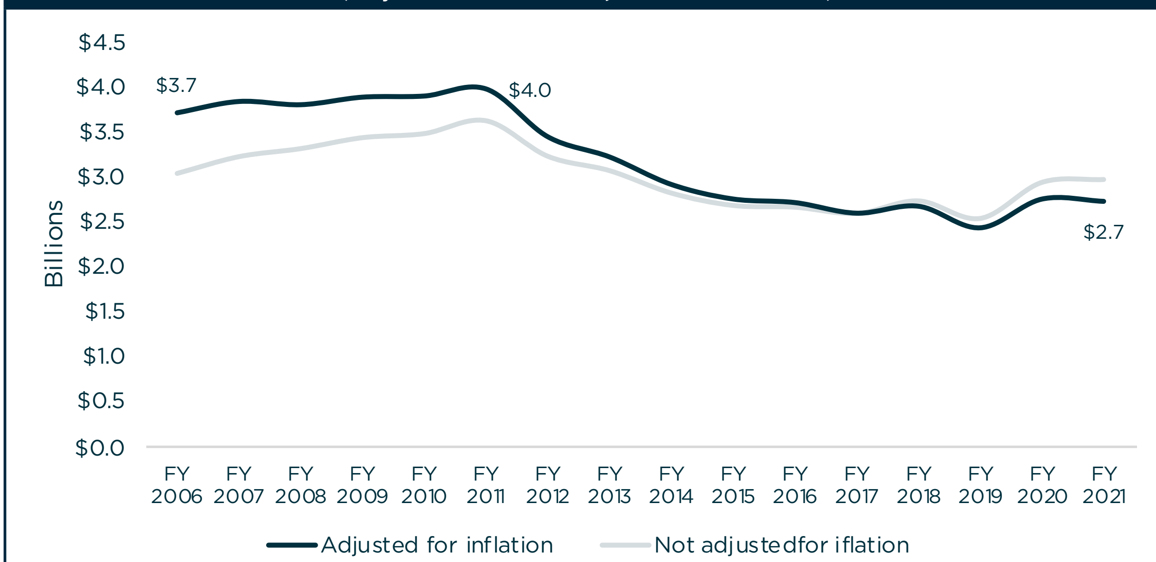
Local Government

Ohio's state and local governments are intertwined through services and funding. The state provides funding for services that local governments deliver, including many health and human services. The state provided revenue sharing so localities could meet their own, diverse needs.

Over the past eight years, state policymakers cut revenues sharing in half. They eliminated the tangible personal property tax but provided reimbursement for revenue loss; these reimbursements were phased out. They abolished the estate tax. Motor fuel taxes shrank and casino revenues did not grow enough to replace the losses. By the end of 2021, local governments will be getting $1.3 billion a year less - adjusted for inflation – than they got in 2011, the last budget year before the cuts started in the budget for 2012-13. Figure 14 gives a visual representation of the cuts.

Figure 14

State lawmakers have curtailed local governments revenues over time (Adjusted for inflation, billions of dollars)



Source: Policy Matters Ohio, based on Ohio Legislative Service Commission (LSC) appropriation spreadsheets and Ohio Department of Taxation data on casino revenues and Medicaid Managed Care Organization sales tax revenues. Deflated using CPIU-RS, 2018$$, inflation for 2020 and 2021 based on Ohio LSC forecasts in June 2019 revenue forecast to Conference Committee. This chart includes Gross Casino Revenue Payments-County, Gross Casino Revenue- Host City, Property Tax Replacement Phase Out - Local Government, Property Tax Reimbursement - Local Government, Local Government Property tax Replacement – Utility, Local government property tax replacement – business, Gasoline Excise Tax Fund, Public Library Fund, State and Local Government Highway Distributions, Local Government Fund, Auto Registration Distribution, Local government services collaboration, Local government revenue assistance, Local government and library support fund, Estate tax, Tangible tax exemption, Medicaid Managed Care Organization (MCO) sales tax revenues and the MCO Local Sales Tax Transition Fund.

The 2020-21 budget helps many local governments, especially smaller and rural ones. Across non-program sources, local governments – counties, municipalities, levies and townships – gain $633 million (12%) compared to 2018-19. The biggest increase is in gas tax revenue, from the Transportation budget. Table 3 compares local government funds provided by the state to localities in the 2020-21 budget compared to the prior, two-year budget period.

Table 3

Gas tax boosts revenues for local governments, 2020-21 budget period (Millions of dollars; not adjusted for inflation)

2019 Incomes	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Next 15%	Next 4%	Top 1%
Income Range	Less than $24,000	$24,000 – $42,000	$42,000 – $63,000	$63,000 – $101,000	$101,000 – $208,000	$208,000 – $496,000	$496,000 or more
Tax Change as % Total of Income	+0.25%	+0.23%	+0.19%	+0.15%	+0.11%	+0.06%	+0.03%
Average Tax Change	+$35	+$75	+$98	+$120	+$146	+$168	+$368
Share of In-State Tax Increase	+7%	+15%	+20%	+25%	+22%	+7%	+4%

Source: Policy Matters Ohio, based on Ohio Legislative Service Commission (LSC) appropriation spreadsheets and Ohio Department of Taxation data on casino revenues and Medicaid Managed Care Organization sales tax revenues.

Many policy changes and changes in program funding affected local governments in the new budget. A few are highlighted below.

MEDICAID LOCAL SALES TAX

A Medicaid provider tax known as the Managed Care Organization (MCO) tax was placed in the base of the sales tax in 2009 and distributed to counties based on residence of Medicaid enrollee. The state moved this tax to the base of the insurance tax in 2018. The change left counties, and transit agencies that levied a sales tax, with an annual loss of millions of dollars. The state provided replacement funds in the budget for 2018-19 at a level comparable level to annual MCO tax revenues state-wide. Lawmakers gave extra funds to some counties and transit agencies with the least capacity to replace lost revenues from local sales or property taxes. The transition fund was not renewed in the budget for 2020-21.

TRANSPORTATION-RELATED FUNDING

House Bill 62, the transportation budget, boosted the gas tax by 10.5 cents per gallon for gasoline and 19 cents per gallon for diesel, which will substantially increase revenues in the Gasoline Excise Tax Fund for local governments.[123] The new revenues are restricted: per ongoing state policy, they can only be used on roads, bridges and related expenditures.

In some smaller counties, this boost makes up for the loss of the MCO tax, although there is a loss in flexibility. In big cities and urban counties, increased gas tax revenue will provide millions of dollars, but does not begin to make up for losses over time. In Cleveland, for example, the additional $5.8 million the city gets because of the new gas tax rates is helpful but does not make up for the $25 million loss over the decade.[124]

NEW LOCAL TAX AUTHORITY

At the same time that local revenue sources were eliminated and state cuts made, lawmakers made it easier for locals to raise taxes in other ways, by allowing smaller increments of sales taxes to be imposed and broadening the uses of sales tax funds. This illustrates how income tax cuts and slashed state revenue sharing has been replaced in part by increases in local taxes which, like the sales tax, tend to weigh the most heavily on people of low income.

LOCAL GOVERNMENT FUND (LGF) AND PUBLIC LIBRARY FUND (PLF)

The share of state revenue dedicated to these revenue sharing lines rises by .02 percentage points in each of these funds, which boosts state aid by $10 million over the biennium to the Local Government Fund and $10 million to the Public Library Fund.

Separately from legislative action, state revenues that are shared through the LGF and the PLF have grown overall, so the LGF rises by $94 million during the 2020-21 budget period compared to the prior biennium, and PLF by $64 million.

COUNTIES WELCOME INCREASED FUNDS FOR SERVICES

In Ohio, children's services are largely funded at the local level, but the drug epidemic boosted needs which strained local budgets. The boost in state funding of public children services agencies, which is doubled to $200,000 for each county annually, will help.[125]

Lawmakers also increased funding for indigent legal defense, which is legal representation for people accused of a crime who cannot afford a lawyer. State and local government share this cost.[126] The state and counties ostensibly split the cost, but counties pointed out that there were years that the state did not pay its fair share, straining county budgets. According to 2019-20 the legislative platform of the County Commissioners' Association of Ohio, the state reimbursement rate to counties has averaged 35% over the last 10 years.[127]

The new budget bill for 2020-21 increases reimbursement to counties by $152 million over the two-year budget period, a 248% increase that boosts funding for this service from about $31 million a year in the last budget to $125 million in 2021.

MORE AND EXTENDED TAX BREAKS AND TAX ABATEMENTS

Were authorized for local governments, including exclusion of certain "top hat" retirement plans from the municipal income tax and expansion of property tax breaks. Other changes included expanded tax abatements for arenas and convention centers in certain counties and allowing tax increment financing (TIF) to be extended to 30 years instead of 15 in certain instances. The governor vetoed one tax break for undeveloped, subdivided residential land that could have cost local governments millions.[128]

Ohio localities have turned to 'bootstrap' strategies like increased TIFs and other tax incentives in the face of state cuts and other revenue loss. Yet tax incentives at the state and local level sap funds for critical public services like good schools, clean water, and safe streets, and are often used to attract profitable, even multinational firms at the expense of local residents and existing businesses.

Public Transit

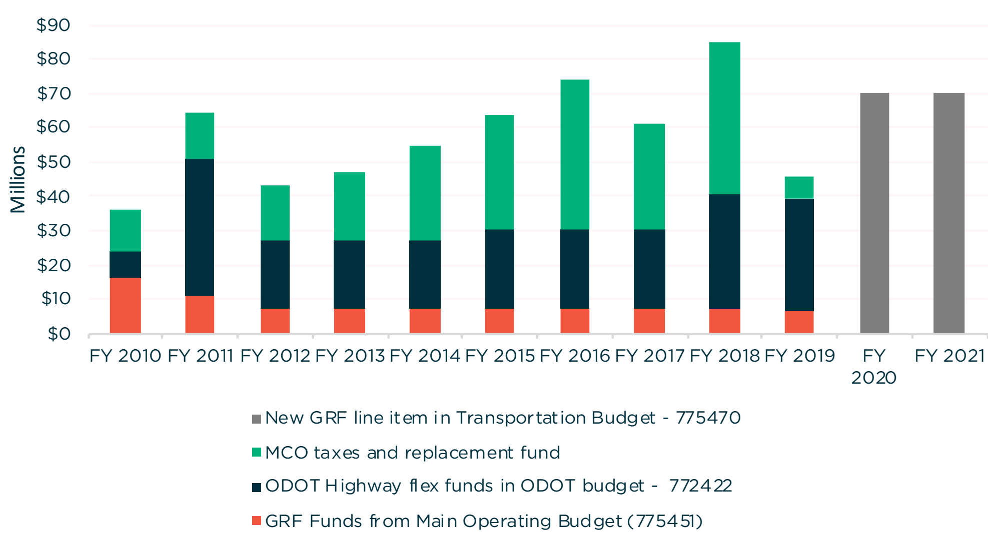
Ohio underinvests in public transit and has done so for decades, routinely spending less than 1% of its multi-billion-dollar transportation budget on public transit. The state's share increased to about 1.6% of Ohio's $8.5 billion biennial transportation budget for 2020 and 2021, a step in the right direction, but an amount that is still less than half of the $150 million per year recommended by the Ohio Department of Transportation's in its 2015 Statewide Transit Needs Study.[129]

In the transportation budget for 2020-21, lawmakers approved GRF expenditure of $70 million a year ($140 million over the two-year budget period.) This amount is nearly double previous state allocations for public transit. Eight transit agencies, including some of the state's largest systems, relied on a local sales tax, and faced loss of millions when the state took the Medicaid Managed Care Organization tax (MCO tax) out of the sales tax base. The new allotment replaces this loss on a state-wide basis.[130]

Figure 15 illustrates the changes state actions have imposed on public transit, including the change to the MCO tax.

Figure 15

Sources and funding provided by or controlled by the state to public transit in Ohio (not adjusted for inflation)



Source: Policy Matters Ohio, based on Ohio Legislative Service Commission appropriation spreadsheets for the Transportation and Main Operating Budgets.; MHIC transition table https://bit.ly/2mEP5kc; permissive county and transit authority Medicaid health insuring corporation sales tax as compared to total permissive sales taxes distributed by calendar year, Ohio Department of Taxation at https://bit.ly/2mEqITI

The loss of the MCO revenue was concentrated in just eight public transit agencies with a sales tax Some will struggle more than others. Cleveland's Regional Transit Authority (RTA) estimated they would lose $20 million per year from elimination of the MCO tax. The state provided RTA $28.3 million in one-time aid for the transition during 2018,[131] but that aid has ended. This past summer Cleveland residents considered two alternatives for the thinly-stretched public transit system: one with wide-spread service served no more than once an hour, and one with skeletal service, which buses serve at 15 minute intervals.[132]

The Federal Reserve Bank of Cleveland emphasized the importance of public transit, especially to a city like Cleveland, with a high share of residents who live in poverty:

> ***Research finds that poor job accessibility tends to significantly increase the duration of joblessness among lower-paid displaced workers, especially for minorities, females, and the elderly. Longer commute distances have also been found to negatively impact the economic mobility of low-income households from one generation to the next, a finding that resonates here in northeast Ohio, which has among the lowest upward-mobility rates in the country. For many workers who rely on public transportation to get to work, then, buses and trains connect them not only to a job, but also to a livelihood—and play a role in positioning these workers and their children for future success in life.***[133]

The same report noted that the Brookings Institute found Cleveland's metropolitan area experienced the largest drop (27%) in the number of jobs near the average resident from 2000 to 2012 among the 96 largest metropolitan statistical areas (MSAs) in the United States, highlighting the vitally important role of public transit in getting people to far-flung employment opportunities. Their study found this hurts workers and employers alike. Findings included: [134]

- Jobs are the least accessible for workers with only a high school degree and for positions that pay less than $1,250/month.
- Half of Northeast Ohio's top 10 employment centers have access to just 15% or less of the regional workforce.

Public transit is an important work support. In Ohio, six of the 10 most common occupations pay too little to eliminate the need for food assistance for a family of three.[135] Working people who struggle to afford food likely struggle to pay for a car. As Ohioans age, public transit is important for getting to doctor's appointments and staying independent. In 2015, public transit across Ohio provided 115 million rides, but failed to meet market demand by 37.5 million rides. People in rural areas are especially harmed: There are 27 counties in Ohio without any transit service. An estimated one million rural Ohioans would be helped by expanding public transit into rural communities.[136] The state could play a critical role in strengthening families, the economy and opportunity for residents with stronger support of public transit.

Public transit is served by agencies and funding streams across state government. The Ohio Department of Transportation's 2015 Transit Needs Study identified roughly $250 million in annual transportation services currently provided by individual agencies in silos across state government.[137] For instance, the Department of Medicaid funds Non-Emergency Medical Transportation for Medicaid patients to get to medical appointments. Other transportation services are provided through a number of agencies including serving our aging population, people with development disabilities, veterans, victims of domestic violence and more. By pooling these funds at the state or regional level, and contracting with Ohio's public transit systems to provide these services, Ohio can take a more holistic approach to meeting Ohio's transportation needs.

The Kasich Administration started a process to align the various individual agency transportation services and funding with Ohio's public transit system. Prior to the next budget season, the new administration should continue the work of aligning individual agency transportation services and funding with Ohio's public transit system.

The state budget needs to fund far greater transportation equity.[138] The federal government has long held a policy for an 80/20 split in funding between highways and public transportation (80% highways, 20% public transit).[139] In actuality, federal allocations for public transit come up a little short, with FY2017 federal transit funding securing 17.4% of total federal transportation funds.[140] Ohio should mirror this policy. At the very least, the State of Ohio should follow the recommendations made in its own study of public transit needs.

In 2015, the statewide public transit study[141] recommended the following steps to reach 2025 funding needs; these recommendations have yet to be adopted:

- Establish a statewide dedicated funding source for transit to ensure consistent and appropriate funding for the 61 transit systems. A dedicated source is essential to allow transit agencies to restore the fleet and make long-range plans for services and investment.
- Use more highway flex funds to support public transit. The state should flex at least $50 million annually in flexible Federal Highway Administration.
- Have the state contribute 10% of costs for total public transit needs. This sum was $120 million in 2015, and rises annually to $185 million in transit a year by 2025.

Ohio needs a more a sustainable, equitable and environmentally-friendly transportation system that includes not only roads and highways, but also a complete network of public transportation, and bikeable, walkable streets.

Policy Matters Ohio

Corrections

OHIO DEPARTMENT OF REHABILITATION AND CORRECTIONS

Ohio's prison population increased by threefold since 1980 – mostly in response to tough on crime policies during the War on Drugs. Increased incarceration has not made Ohioans safer or our communities stronger. The state has one of the highest overdose rates in the nation, even though nearly 50,000 people are in prison. People with felonies on their records are blocked from good paying jobs by laws and administrative rules. These barriers have cost the state $3.4 billion in lost wages.[142] Policies that reduce the prison population could redirect resources towards programs that help reduce crime like treatment, counseling, public education and more.

The budget for the Ohio Department of Rehabilitation and Corrections (DRC) will be $3.9 billion over the fiscal year 2020-21 budget period. This is an increase of $255.8 million, 7% over the prior two-year budget. Slightly more than 96% of the DRC budget is from the General Revenue Fund (GRF), and so is the budget increase.

Ohio's prisons held 49,031 inmates in June of 2019; at least 11,000 over capacity, according to the American Civil Liberties Union of Ohio.[143] The 132nd General Assembly considered 137 bills – 12% of all bills introduced – that contained provisions to send more people to prison or jail. Of those 137 bills, 22 became law.[144]

DRC appropriations are expected to pay for approximately 12,462 full-time equivalent staff, which includes the addition of 232 FTE staff over the next two years.[145] After dropping to a low of 6,279 corrections officers in 2013, an inmate/CO ratio of 7.2:1, that number has inched up to 6,618 in 2019 for a ratio of 6.7:1.[146] Barring a dramatic reduction in the state's prison population, which is not a stated priority of Ohio policymakers, increasing staffing is necessary to ensure a safer prison system.

More than two-thirds of the increase ($160 million) goes to institutional operations, the majority of which pays for wages, benefits and related costs. In addition, education services will keep up with inflation with a 4.6% increase (inflation is projected to be 4.5% over the biennium) and Institution Medical Services increases modestly by $31 million (6.2%).

The DRC budget moves the state's criminal justice system in the right direction by increasing funding for alternatives to incarceration, highlighted below:

FUNDING FOR COMMUNITY RESIDENTIAL PROGRAMS, distributed as grants to counties for facilities to divert people from prisons, will get an additional $10.8 million, (up 6.9% over current funding). The budget earmarks approximately $3 million each year to support staff retention at these residential facilities. In 2018, the 2,680 beds in 18 facilities were used in the diversion of approximately 7,700 people.

COMMUNITY NONRESIDENTIAL PROGRAMS will get a boost of $16.4 million (15.6%) that will go to counties to operate supervision and community sanctions programming in lieu of prison or jail for those convicted of felony offenses.

PAROLE AND COMMUNITY OPERATIONS will get a boost of $10 million (6.1%) to support release and community supervision services, community sanctions assistance and victim services, and the Adult Parole Authority. The

Senate added an earmark of $250,000 in each fiscal year to provide grants to at least one nonprofit reentry program that meets certain criteria, an addition that remains in the final budget.

HALFWAY HOUSES: Funding in the 2020-21 budget grows by $11.7 million (8.8%) for halfway houses, which work with people released from state prisons, referred by courts of common pleas or sanctioned because of a parole violation, providing services like drug and alcohol treatment, electronic monitoring and job placement.

Overall, this biennial budget increases funding for DRC, a move toward meeting the needs of an overburdened system. In the long run, however, the goal should be to decrease the agency's budget as policy changes address the urgent problem of over-incarceration.[147]

DEPARTMENT OF YOUTH SERVICES

The budget of the Department of Youth Services (DYS), which provides services for youth in the juvenile justice system, will be $485.9 million over the 2020-21 budget period, up by $35.9 million or 8% compared to the prior biennium. Virtually all of the DYS budget is from the GRF, and so is the budgetary increase. The budget includes approximately $90 million per year to house 530 youth in Ohio's three large youth prisons; with additional costs, the total amount to house one young person in a youth prison for a year is over $194,000. Most of the budget increase supports these facilities. Other increases including additional funding to community correctional facilities as well as to departmental personnel and administrative services.

The county subsidy for programming to divert youth from the correctional system is flat funded. For the five community-based alternatives to incarceration programs that serve youth, three programs (RECLAIM, Targeted RECLAIM, and the Behavioral Health and Juvenile Justice Initiative) were flat funded and two programs saw small increases (Competitive RECLAIM - $1.1 million increase, Youth Services grant - $400,000 increase).

The new, $675 million fund for school wrap-around support for counselors, social workers, and other personnel (Student Wellness and Success Fund) is welcomed by advocates who believe this funding will help prevent youth from getting involved in the court system and slow the school to prison pipeline.

Deeper investment in community-based alternatives programs, including Targeted RECLAIM, the Behavioral Health and Juvenile Justice Initiative, and Competitive RECLAIM, would support effective treatment closer to home for youth.

At least $1 million is needed to create a plan to begin collecting uniform data in Ohio's juvenile courts; currently, it is unknown how many young people are involved in the juvenile courts throughout the state. This data is necessary to direct focus and funding across agencies to help youth get and stay on a positive path before the juvenile court, with targeted mental health and substance abuse services, family supports, and stable housing.

Cross-agency Initiatives

H2OHIO FUND FOR CLEAN WATER

The state studied growing pollution in Lake Erie during the past decade,[148] but as they studied, crisis emerged.[149] In 2014, the water supply of Toledo became too toxic to drink. This fall, warnings of dangerous levels of toxic algae have been issued for multiple beaches along Lake Erie.[150] The Department of Health advisory website also noted toxic waters in Fairfield and Summit Counties.[151]

By now, the legislature is moving money to the problem as a judge hears a case brought by the Environmental Law & Policy Center and Lucas County commissioners over the cleanup strategy. Ohio agreed in principle, with Michigan and Ontario, to address toxic algae blooms in Lake Erie by reducing the lake's phosphorus levels by 20% by 2020 and 40% by 2025.[152] Michigan is on its way to meeting those targets, in part with major upgrades of Detroit's water and sewer system.[153] Ohio is not. Those targets are now seen as unrealistic by most of the region's phosphorus-tracking experts with 2020 just months away because they are not mandates.[154]

Governor DeWine proposed a $900 million, 10-year fund to address Ohio's water problems. Lawmakers approved $172 million over the next two years. His vision was broad, as described in an executive budget factsheet: "Water is vital, yet communities throughout the state regularly face challenges such as algae blooms, failing septic tanks, nutrient pollution, and threats of lead contamination."[155] The legislature took a narrower view. To capitalize the initiative, called the H20hio fund, lawmakers appropriated $172 million in 2019 surplus funds. Of that, $85.2 million is appropriated in the agency budgets of the Department of Agriculture, the Environmental Protection Agency, and the Department of Natural Resources; the Controlling Board will establish additional appropriations in FY 2021.

Much about the H2Ohio fund remains to be defined. Broadly speaking, it will "…support efforts to minimize the introduction of nutrients and other things that wash off from land that can damage our water. It will also provide funding for more aggressive action to repair failing septic systems and other water treatment needs across Ohio."[156]

It is not clear if the H2Ohio fund is of a size and duration to actually improve Ohio's water problems, or if programs that will mandate changes needed for improvements will be enacted. The court may play an important role in those decisions.

INFANT MORTALITY

In 2018 the infant mortality rate in the United States was 5.9 deaths per 1,000 live births; Ohio's was 7.3 deaths per 1,000, 41st in the nation.[157] The 2017 infant mortality rate in the black community was 15.6 deaths per 1,000.[158] Congressman Tim Ryan recently pointed out that an African American baby born in Youngstown has more chance of dying before his or her first baby than a baby born in Iran. The Washington Post factchecked him and found his statement was true.[159] The budget for 2020-21 boosts relevant funding by $182 million through programs in the Department of Health, Medicaid and the Minority Health Commission. These are in addition to ongoing initiatives funded through the federal Maternal and Child Health Grant and the basic pre-natal and post-partum health care for mother and infant provided by Medicaid, which pays for more than half of the births in the state.[160]

The Department of Health gets $82.3 million to reduce infant mortality, an increase of $31 million (32%) compared to the prior two-year budget. The money will expand the "Help Me Grow" home visiting program, an evidence-based approach to lowering infant mortality. In addition, treatment for breast cancer and cervical cancer - which can help prevent preterm birth, a major cause of infant mortality[161] - is expanded to reach more women. The new budget bill also expands also DOH's role in recording and monitoring infant and maternal mortality by creating a pregnancy mortality review board and authorizing formation of infant and fetal mortality review boards by local departments of health.

The Department of Health administers federal programs for mothers and children, including the federal Maternal and Child Health grant, which is funded at approximately $25 million in 2020 and 2021. Among other things, these funds support the Ohio Equity Institute (OEI), a collaboration between the Ohio Department of Health and local partners. Population data is used to target areas for outreach and services in places with the largest disparities to address the biggest drivers of infant mortality and the population most at risk for poor birth outcomes.[162] Nine communities are participating in the initiative.

New targeted or expanded initiatives within the Medicaid budget aimed directly at reducing infant mortality total $87.6 million over the 2020-21 biennium. This includes $47 million for home visiting (in addition to Department of Health funding of $30 million.) Funding is appropriated for The Mother/Baby Dyad, a treatment model for opioid-addicted mothers and infants, and the extension of post-partum care to moms for 12 months following birth. The Department will serve almost 2,000 families through evidence-based home visiting programs – including Nurse Family Partnership – and other strategies, such as Moms & Babies First, doulas, Centering Pregnancy, and Growing Great Kids.[163]

The Minority Health Commission has funded regional cooperative health care initiatives targeting infant mortality hot spots and building a hub or interacting services that are culturally appropriate, patient centered, and offer broad-based support. In the new budget the funding for the community hubs model is increased from $1.8 million in 2018-19 to $6 million for 2020-21, an increase of 226%. Table 4 shows the 2020-21 budget funding for new, expanded or targeted programs to reduce infant mortality.

Table 4

New, targeted or expanded infant mortality initiatives I the 2020-21 budget (millions of dollars)

Department / Initiative	FY 2020	FY2021	Total
Department of Health			
Help Me Grow Home visiting	$30.3	$39.3	$69.6
Infant vitality	$7.1	$7.1	$14.3
Breast/cervical cancer	$1.2	$1.2	$2.5
Moms Quit for Two	$0.8	$0.8	$1.5
Baby and Me Tobacco Free	$0.3	$0.3	$0.5
Total	$39.7	$48.7	$88.3
Department of Medicaid			
Home visiting	$13.4	$33.7	$47.1
Connecting pregnant moms to services	$0.0	$10.0	$10.0
12-month enhanced post-partum health services	$0.0	$15.0	$15.0
Mother/Baby Dyad	$5.2	$10.4	$15.6
Total	$18.6	$69.1	$87.7
Minority Health Commission			
Infant Mortality Health Grants	$3.0	$3.0	$6.0
Total	$3.0	$3.0	$6.0
Grand total (not including federal funds)	$61.3	$120.8	$182.0

Source: Policy Matters Ohio based on Ohio Legislative Service Commission green books and appropriation spreadsheet (with 2019 actuals).

Research shows that health care is only part of the solution to infant mortality. Increased investment is also needed to improve community conditions, ensuring affordable housing, public child care assistance, public transportation and continuous access in basic safety net programs like food and cash assistance. The 2020-21 budget boosts funds for important infant mortality efforts, but fails to increase funding at the level needed in these other areas that help families survive and thrive. Ohio has a long way to go to address these structural challenges which have a major impact on health outcomes and infant mortality rates.[164]

LEAD ABATEMENT AND REMEDIATION

The Ohio Department of Health estimates 12% of Cleveland kids that have been tested have lead poisoning at or above the level that triggers public health action.[165] Children across the state – in Cambridge, Zanesville and census tracts in Perry County – share the same dangerous risk of lead poisoning as Cleveland, Canton and Dayton.[166] Lead poisoning can damage brains and nervous systems, slow development, impair hearing and speech and bring behavior problems. Exposure to even low levels are dangerous. The greatest risk is to brain development, where irreversible damage can occur.[167]

Advocates asked lawmakers to allocate $12.6 million in Medicaid GRF dollars, which would match and bring in an additional $24.2 million in federal SCHIP (Medicaid) funds, for local prevention to support lead investigations and provide case management, treatment and remediation.[168] The budget for 2020-21 contains more than $20 million in new funding to address lead poisoning and creates new policies, regulations and partnerships. Legal regulation of toxic homes will be stiffened. Poisoned children will be targeted for remedial services. Medicaid funding will be used in new ways for treatment of children and rehabilitation of toxic homes. In September the Governor announced an additional $44.8 million in federal Housing and Urban Development funds to local governments for abatement and remediation.[169] New initiatives and cross-agency partnerships are highlighted below.

MEDICAID FUNDING: The federal government will allow Ohio to use $10 million in Medicaid funds to expand access to remediation, help families qualify for services and rehab of toxic homes, train workers, and buy supplies that reduce lead hazards, such as HEPA vacuums and water filters. In addition, the Department of Medicaid will include lead screening metrics for managed care providers as part of a payment incentive program beginning in 2020.[170]

SCREENING AND REMEDIATION: The Ohio Department of Health will use $1 million in new funding to create initiatives that promote screening and help with toxic property rehabilitation. A $10 million income tax credit over the biennium will help with lead abatement in pre-1978 private homes and rental units.

THE EARLY INTERVENTION PROGRAM in the Ohio Department of Developmental Disabilities is a statewide system that provides coordinated services to parents of infants and toddlers with disabilities or developmental delays. Program funding is more than doubled to $46.5 million over the biennium, an increase of $23.7 million with a target of helping children affected by lead poisoning or neonatal abstinence syndrome. Department of Health lead screening systems will automatically refer children with a high levels of lead in their blood to the early intervention system.

LOCAL PROGRAMS received direct funding as well. The Cleveland Lead Safe Coalition (LSC) sought funding and received $2 million in support for a "Lead Safe Home Fund" pilot program to support lead prevention efforts in Cleveland. The city of Toledo also sought and received approval for $150,000 in lead abatement funding.

In addition, the federal Department of Housing and Urban Development provided grants totaling $44 million to cities in Ohio: Akron will receive $4.6 million; Canton, $3.3 million; Cleveland, $9.7 million; Columbus, $5.6 million; Cuyahoga County, $5.6 million; Erie County, $3.8 million; Lima, $2 million; Mahoning County, $4.6 million and Summit County, $5.6 million.[171]

The new budget, and the HUD grant to cities, bring over $64 million into the state for lead abatement and remediation – a good start on a big problem. In 2016 national news reported that lead had poisoned the water system of the community of Sebring.[172] There was an investigation of possible lead in the Dayton water supply.[173] The state now requires localities and counties to provide maps of water service lines that may contain lead; those maps reveal densely populated areas with aging service lines at risk for lead contamination.

The initiatives funded in the new budget are a start, but substantial work remains to better protect Ohioans, particularly Ohio children, from permanent brain damage.

FOOD AND NUTRITION

One in seven Ohioans can't reliably afford food, and one in five children go to bed hungry.[174] The Ohio Association of Foodbanks reported a 25% increase over the past four years in seniors at food pantries across the state.[175] Too many Ohioans experience food insecurity, in part because Ohio's low-wage job market doesn't pay enough to support workers and their families. Six of Ohio's 10 most common jobs do not pay enough to support a family of three without food assistance.[176]

The single largest source of food aid in the Ohio budget – as in all state budgets – is the federal Supplemental Nutrition Assistance Program, which served 1.3 million Ohioans in July 2019.[177]

Lawmakers made investments to expand access to food in the two-year budget. The budget includes a total of $49.1 million over two years to help the food banks purchase millions of pounds of healthy food to feed hungry Ohioans.[178] This is a $10 million increase compared to the previous state budget. In addition, the new budget allocates another $8.5 million across agencies to meet food needs:

THE OHIO DEPARTMENT OF JOB AND FAMILY SERVICES budget includes $300,000 for the Healthy Food Financing Initiative to support food access in underserved communities, an increase of $94,000 over the biennium (49%).

THE OHIO DEPARTMENT OF AGING budget includes an additional $2.8 million over two years through the Senior Community Services program to expand the Senior Farmer's Market Nutrition Program from 45 counties to all 88 counties.[179]

THE DEPARTMENT OF MEDICAID includes $1.5 million over two years for a hospital system in Summit County to administer a "Food Farmacy" program for food-insecure patients with type 2 diabetes and their families.

THREE EARMARKS IN THE TANF BUDGET also support increased access to food, including:

- $1 million for food banks that are not affiliated with the Ohio Association of Foodbanks,
- $500,000 to support Produce Perks Midwest, which provides a SNAP match to buy fresh, healthy produce from local farmers, and
- $2.35 million for the Children's Hunger Alliance to serve 900,000 meals and snacks to 30,000 children at over 275 afterschool sites.[180]

Small Programs

Many important services received increased funding that helped restore their budgets after years of cuts and erosion by inflation during the past eight years. Several programs are highlighted below. While added support is significant, far more is needed after years of budget cuts and erosion by inflation.

AFFORDABLE HOUSING

Ohio has also seen a troubling increase in homelessness recently. Between 2012 and 2017, total homelessness in Ohio increased 20% to over 70,000 and the number of homeless babies increased 53% to nearly 3,000 infants (under age 1).[181] Ohio also needs more affordable housing, with just 42 affordable rental units available for every 100 low-income tenant households in Ohio.[182]

The Affordable Housing Trust Fund supports development of affordable housing and provides resources for homeless shelters statewide. It is supported by part of the County Recorder's fee on real estate transfers. Although need has increased, revenue lags behind the original $50 million per year goal. Advocates asked for a boost of $16 million over the biennium to meet rising need. Legislators increased the county recorder's fee for the first time in 16 years, which should add between $5 million and $6 million over the two-year budget period for affordable housing and homeless programs.[183] The new support is badly needed but it will take much more funding to ensure that all Ohioans have safe, stable, and affordable housing.[184]

BUREAU OF WAGE & HOUR ADMINISTRATION

Funding for the Bureau is down 24% on an inflation-adjusted basis since 2010. Today just five investigators and one supervisor oversee wage theft enforcement in a state with nearly six million workers -- just one investigator for every 961,167 workers; the same small group is also responsible for enforcing prevailing wage requirements to protect Ohio's construction workers.[185] Lawmakers increased appropriations for the bureau by $200,000 over the biennium, bringing total 2-year appropriation to $2.4 million, an increase of 9%. This is a small increase compared to the need, insufficient to provide proper oversight of the ongoing crisis of wage theft and other workplace violations.[186]

DOMESTIC VIOLENCE

The new budget increases state funding for domestic violence shelters and services for victims by $2.95 million, more than doubling state support and providing an agency line item of $1 million a year through the Attorney General's office.

There is federal money for services for those affected by domestic violence - In 2018, local agencies throughout the state received $12.2 million from the federal Office on Violence Against Women. The state Department of Public Safety's Office of Criminal Justice Services received $4.8 million for distribution. The problem is, it is not enough, and it does not reach all corners of the state in sufficient quantities.

More than 75,000 domestic disputes were reported to Ohio police in 2018.[187] In the year ending July 1, 2018, 91 Ohioans were killed as a result of domestic violence.[188] The National Network to End Domestic Violence found that 216 Ohioans were turned away for domestic violence prevention or recovery services in a single day in 2018.

Although local levies support local services for the victims of domestic violence, not all communities have the resources to provide local funding so some places have little or no services. Far more state funding is needed to provide these critical services in all parts of the state.[189]

OHIO CIVIL RIGHTS COMMISSION

As hate crimes rise and more sexual harassment victims come forward, long-term erosion of state funding for the Ohio Civil Rights Commission threatens the state's ability to protect residents from discrimination and harassment.[190] The new budget boosts the agency's funding by $2.6 million to $19.2 million a year, including $1 million a year in state GRF dollars, a 9.5% increase. This modest state increase replenishes a reserve fund taken in the last budget and covers inflation, but does not restore the agency to earlier levels of support.

Ohio Historical Society between 2008 and 2019, lawmakers reduced funding for the Ohio History Connection operations by 43 percent (adjusted for inflation).[191] The biggest drop occurred during the recession, but in the recovery, policymakers never made significant restoration.[192] In this budget, lawmakers appropriated new funds of $5.9 million, a 25% increase over the prior biennium.

GEOLOGIC MAPPING

The Ohio Geological Survey (OGS), a state office related to the United States Geologic Survey, has lost 74% of its state funding – a total of $2 million annually – over the past decade. Organized as a branch of Ohio Department of Natural Resources, OGS conducts research and maintains data that serve both public and private needs, particularly in natural resource and commercial development. This office also monitors abandoned mines, sinkholes, areas of potential landslides and other natural threats to the land; convenes Ohio's seismic monitoring network to understand trends in and causes of earthquakes and conduct research on Ohio's coastal erosion, disseminating the information to lakefront property owners to help them protect the value and safety of their property.[193]

Lawmakers appropriated new funding of $1.7 million over the 2020-21 biennium, an increase of 21%. This will help municipalities and private investors in planning and building projects.

The small programs described here received sometimes substantial increases in the new budget, but in most cases legislators and the governor left the agencies short of what they once were, adjusting for inflation, or made insufficient increases.

Conclusion

After years of cuts and disinvestment, Ohio lawmakers needed to reinvest. They did: in children's services, indigent legal defense, economically disadvantaged primary and secondary school students, public child care, recovery and clean water. They doubled funding for services to help victims of domestic violence. They restored reserve funds of the Ohio Civil Rights Commission.

But they also prioritized more income tax cuts that continue to benefit the richest, and tax breaks for special interests. This further skewed Ohio's upside down state and local tax code, under which the poorest pay nearly twice the share of their income in taxes as the richest. This deprives Ohio of the funding needed to build stronger communities in every corner of the state. Inflation will erode funding for classroom teaching over the biennium. Far too few struggling families get help with child care, and Ohio's extremely low eligibility level, at 130% of poverty, needs to be raised to 200%. Inflation will continue to erode state support for higher education, putting pressure on colleges and universities to raise tuition, which can only work against the goal of a sharp, quick increase in share of Ohioans with a post-secondary degree or credential. Protection for elder abuse and senior community services continue to be insufficient to meet the needs of an aging population. A leading cause of joblessness and poverty – lack of transportation – remains unaddressed: Ohio continues to invest less than half of is needed to meet market demand for public transit.

Endless tax cuts and tax breaks are not building a better Ohio. In the new low-wage economy, more families struggle to make ends meet. The investments in the new budget are helpful but they do not meet the needs of a growing number of Ohioans.

Lawmakers should boost investment for a better future for all Ohioans.

Policy Matters Ohio

ENDNOTES

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5. Schiller, Zach, "Ohio Taxes Shift Away From the Wealthy, Again," Policy Matters Ohio, August 8, 2019 at https://bit.ly/2MqnyyW
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7. "Who Pays?" Sixth Edition (2018), Institute for Taxation and Economic Policy at https://bit.ly/2kqVmiQ
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36. Patton, Wendy and Zach Schiller, “Weak Review: Tax Expenditure Review Committee should balance tax breaks against Ohio’s needs,” Policy Matters Ohio, June 4, 2018, at https://bit.ly/2rcxklf Separate from such state tax breaks, the General Assembly also made numerous changes in local taxes that don’t affect state revenues, such as new property-tax breaks for certain child-care centers, special measures affecting taxes in specific counties, and changes in the municipal income tax. It also cut tax rates on certain highly capitalized banks and applied the sales tax to newly authorized “peer-to-peer” car-sharing programs.
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