

Ohio budget on the brink

Executive Summary

May 2017

KEY FINDINGS:

- More than \$1 of every \$3 in the total state operating budget comes from the federal government - more than \$25 billion a year.
- Congressional actions - from repeal of the Affordable Care Act to changes in federal appropriations - could hurt critical services in Ohio.
- The federal government pays two-thirds of the cost of Medicaid, the largest single insurer in Ohio that covers a quarter of all Ohioans.
- The largest share of Ohio's human services is paid by the federal government, from foster care services to child care aid.



Executive Summary

State and federal governments work together to protect the public and ensure well-being. Proposals Congress will consider in the coming months threaten to destabilize this partnership by cutting funds Ohio uses to provide health care, help children thrive, fix roads and bridges, ensure clean water, assist families and care for veterans. As the president and Congress turn to the federal budget, essentials that Ohioans depend on face profound threats. Billions of federal dollars that support businesses, jobs, services and economic activity throughout Ohio are at risk.

Two driving forces are at work. One is the shift of power in Washington to Republicans, who seek to reduce spending, cut taxes and repeal the Affordable Care Act, among other things. The president has proposed cutting billions of dollars from federal programs for education, infrastructure and health and human services. The House just passed a law to repeal the Affordable Care Act and dismantle the program structure of Medicaid. This threat is compounded by automatic cuts imposed by the Budget Control Act of 2011. This type of automatic cut is called a 'sequester.' The cuts imposed by the sequester have been so

onerous that they have been relaxed - to some extent - every year. However, no reduction is planned for 2018.

Federal budget cuts hurt Ohio. Just over \$1 of every \$3 in the state operating budget comes from the federal government. In this report, we review the federal budget process and consider what proposed changes may mean to Ohio. Table 1 shows the level of reliance on federal funds across important state agencies.

Federal revenue in the state budget is only part of the federal funding that comes into the state. Programs like Social Security directly support individuals, and grants go to cities, towns, non-profits and other entities to support educating our children, maintaining our transportation systems and other essential services.

The federal budget process - The federal process is different from that of the state. The president presents a budget plan that outlines priorities, and Congress passes a budget resolution with general parameters upon which various spending plans are to be based. Sometimes separate plans are not produced, but one large plan is passed. Other times no

Table 1

Federal funds in Governor Kasich’s 2018-19 budget proposal

| Agencies with the greatest share of federal funding | 2018 | 2019 | 2018-19 budget | % of total |
|---|------------|------------|----------------|------------|
| Ohio Department of Medicaid | \$17,340.5 | \$17,766.4 | \$35,106.9 | 69% |
| Department of Education | \$2,030.3 | \$2,043.9 | \$4,074.2 | 18% |
| Developmental Disabilities | \$1,777.8 | \$1,846.9 | \$3,624.7 | 61% |
| Ohio Department of Job and Family Services | \$2,340.2 | \$2,347.6 | \$4,687.8 | 70% |
| Ohio Department of Health | \$425.1 | \$425.8 | \$850.9 | 66% |
| Development Services Agency | \$373.2 | \$373.2 | \$746.4 | 32% |
| Opportunities for Ohioans with Disabilities | \$212.6 | \$215.9 | \$428.5 | 82% |
| Mental health and addiction services | \$147.4 | \$147.4 | \$294.8 | 21% |
| Department of Public Safety | \$150.5 | \$142.8 | \$293.3 | 20% |
| Attorney General | \$87.2 | \$87.2 | \$174.4 | 26% |
| Ohio Department of Aging | \$71.2 | \$71.2 | \$142.4 | 76% |
| Ohio Environmental Protection Agency | \$35.8 | \$35.9 | \$71.7 | 19% |
| Department of Natural Resources | \$22.1 | \$24.7 | \$46.8 | 7% |

budget plan is passed, and instead, ‘continuing resolutions’ are used to allow the government to continue to operate without major changes.

Discretionary spending, mandatory spending

- The annual federal budget resolution and spending bills generally apply to ‘discretionary’ programs. Congress has discretion over level of spending in these programs. ‘Mandatory’ programs, like Medicare, Social Security, interest on the debt, taxes and low-income relief, are tied to the establishing legislation:

changes have to come through legislation and Congress can’t make changes through the budget resolution.

The Sequester - The Budget Control Act of 2011 was developed by a bipartisan committee to reduce the budget deficit. If they did not succeed, the pre-ordained outcome was to be a series of automatic, across the board cuts, year-over-year, for 10 years. This process is called a ‘sequester.’ They didn’t agree, so the sequester kicked in. The first sequester cut