INVESTMENT BUDGET FOR A BETTER OHIO
Wendy Patton

We can create a stronger Ohio by investing in our children, our infrastructure and our workforce. Instead, Governor Kasich is warning Ohioans that our best days are behind us and we can’t afford to do what is needed to create a more vibrant state with an economy that works for everyone. What we really can’t afford is the austere view of our future; we need to do more, not less. This brief lays out some of the public investments essential to position Ohio for a brighter future and ensure that all of our neighbors have the basics. Billions of dollars have been squandered on tax cuts that have overwhelmingly benefited Ohio’s most affluent, while doing little for the economy. Resources to pay for the investments we need could be provided by modernizing Ohio’s tax system, rebalancing it so the wealthiest pay their share, and eliminating wasteful tax breaks.¹

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<th>Investments we need in Ohio’s 2018-19 budget:</th>
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<td>Expand public pre-K, raise eligibility in public childcare and boost reimbursement in both. More kids need pre-school, more families need help with the high cost of childcare, and the rates paid for these services are too low - quality suffers as a result. We need to invest in our children.</td>
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<td>Meet market demand for public transit. A $75 million “Transportation Innovation” fund, made up of primarily of federal funds, could help with unmet demand for public transit in a flexible manner.</td>
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<td>Address the drug epidemic with expanded treatment facilities. Provide enough beds in crisis centers and rehabilitation units to serve the mental health and addiction crisis needs across the state.</td>
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<td>Fully fund the Ohio Association of Foodbanks’ work to stem hunger. Where plants have closed, jobs are low-paid, hours of work are too few and families struggle to put dinner on the table.</td>
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<td>Restore Ohio’s Housing Trust Fund, the primary source of state aid for affordable housing and homeless shelters, to pre-recession level of funding, with an increase of at least $15 million a year.</td>
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<td>Restore the Oho College Opportunity Grant to $250 million a year, the level recommended by a task force convened during the Taft’s administration.</td>
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<td>Hire back the thousands of art, music and gym teachers and school counselors and librarians. Ohio’s schools have eliminated 3,200 librarians, art, music and gym teachers and school counselors since 2005.</td>
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<td>Ensure counties and transit agencies do not lose revenues as the MCO tax is reconfigured for compliance with federal law.</td>
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<td>Provide fully-funded, tuition free full day kindergarten for all of Ohio’s kids – to help make sure they all learn to read by third grade.</td>
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<td>Restore funding to Ohio’s children’s services agencies, which have lost local levy funding through loss of tax reimbursements, and funding in the state budget as well.</td>
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BUILD THE BASIS FOR TOMORROW’S SKILLED WORKFORCE

Full-day kindergarten: Research shows that full day kindergarten helps kids do better in reading and math. Ohio was going to provide full day kindergarten, but eliminated the mandate in 2012, largely because it was unfunded. Today, some school districts offer full day kindergarten, but some charge tuition. All Ohio kids need fully funded, full-day kindergarten – especially in order to pass the third-grade reading guarantee test.

Pre-Kindergarten: Ohio’s current investments in early childhood programs fall short of providing the funding necessary to provide Ohio’s most vulnerable children with the support necessary for success in kindergarten, third-grade literacy, and beyond. Only about a quarter of eligible youngsters are served across Ohio’s several programs for young children. Within the Ohio Department of Education’s (DOE) publicly funded preschool program, just 18,440 kids are served at $4000 each for a half day program – a per-child number that is $521 per child below the national average.

Public childcare: State funding for childcare across federal and state sources remains lower in 2016 than in 2009, adjusted for inflation. As a result, quality is low – just 1 in 7 kids served is in a program rated as ‘highly qualified.’ Far too few families and children are eligible for this critical work support. In 2010, families earning up to 200 percent of the federal poverty level (about $40,000 a year for a parent with two kids) could get help, but the eligibility has dropped to 130 percent of poverty (about $26,000 for that family). Eligibility needs to be restored, serving more families and kids, and years of underfunding that has eroded wages and quality among Ohio’s public childcare providers needs to be reversed.

Higher Education: Adjusted for inflation, state support to higher education is $500 million lower this fiscal year than it was a decade ago. Public higher education is still recouping losses from the recession. Consistency in funding is necessary to maintain quality. The Inter-University Council estimates a 4.5 percent increase in state support, which would maintain current services. Failure to provide an adequate state share of instruction, combined with tuition freeze, may impact colleges’ ability to provided courses and other essentials. This proposed funding level, of course, falls short of what would be needed to actually reduce Ohio’s high cost of tuition.

Fully fund full-day, tuition-free kindergarten for all Ohio kids

$93 million a year doubles the number of low-income kids in the DOE’s publicly funded preschool program to 36,880 slots - all at the national average per-child cost of $4,521.

$150 million a year restores rates and gives incentives for providers to improve quality. It also opens up slots for almost 10,000 more kids in a high-quality setting – a first step toward restoring eligibility to what it needs to be.

About $90 million a year in additional funding is needed for State Share of Instruction just to support current services and help curtail tuition increases.
ENSURE JOBS FOR WORKERS AND A WORKFORCE FOR EMPLOYERS

Public transit: The Governor’s Workgroup to Reduce Reliance on Public Assistance identified lack of transportation as a leading barrier to self-sufficiency. The Ohio Department of Transportation (ODOT) indicated that the state provided just 1 percent of the cost of operating Ohio’s public transit systems in 2012, although 10 percent is the suggested level. About $40 million a year was provided through the General Revenue Fund (GRF) in 2000; that has dwindled to $15.3 million annually.

ODOT estimates that in 2015, Ohio had unmet market demand for 37.5 million rides. The ODOT Director’s budget letter identified a proposed 33 percent increase in funding for public transit, requesting an additional $10 million, but this is too small of a step. A new coalition - Ohioans for Transportation Equity - has called for a $75 million dollar “Innovation Fund” – a competitive fund that would support local proposals for public transit appropriate to their needs. The source could be a combination of state and federal funds.

Hold counties and public transit agencies harmless from changes to the MCO tax: In 2014, the federal government warned Ohio that the Medicaid Managed Care Organization (MCO) tax, part of the sales tax base, did not comply with federal law. As Ohio moves to fix this, legislators could hurt local governments and public transit agencies that “piggyback” the state sales tax with a local tax. Local governments have seen deep cuts since 2011. Legislators should make sure changes to the MCO tax do not cause further harm -- by ensuring any new design provides equivalent revenues to counties and transit agencies, or by providing funding from another state revenue source.

Scale-up workforce development best practices: Sector partnerships, known in Ohio as Industry Workforce Alliances, are state-of-the art workforce development strategies. These partnerships comprised of worker representatives, community based organizations, training providers, and public agencies, are employer lead and focus on regional barriers to skills and employment in key sectors. Ohio began supporting these partnerships through a $1.4 million pilot initiative. These strategies benefit employers and workers. The Ohio Workforce Coalition has called for a $10 million investment, a portion of which could come from the Governor’s WIOA discretionary fund and could leverage an additional $5 million in support from industry and nonpublic sources.

Smart investments in need-based financial aid: Ohio has one state source for need based financial aid- the Ohio College Opportunity Grant. In the last budget, Ohio made the smart decision to increase funding to OCOG. Even with renewed investment, Ohio remains about $150 million below the
intended target of $250 million a year. OCOG was established during Governor Taft’s era to replace two state need-based student aid programs, the Ohio Instructional Grant (OIG) and the Part-time Student Instructional Grant. The target of $250 million a year was set at that time.

Ohio underinvests in financial aid and poorly targets its spending. Students at two-year public institutions, like community colleges and branch campuses lack full-eligibility. This means the vast majority of students at those institutions receive no need-based aid from the state. Community colleges offer training programs connected to careers and are often the most accessible institutions for low-income and non-traditional learners.

Ohio’s decision to end need-based aid for these students has consequences. A shrinking share of adult learners are enrolling in training. As Ohio emerged from the recession in 2010, 130,000 Ohio adults upgraded their skills at community colleges and branch campuses. That dropped by 35 percent to 85,000 in 2015. This is a setback for Ohioans looking to gain a leg up in the job market and for employers looking for skilled workers.

**Redirect financial aid to public institutions:** Public institutions are good investments. New earnings data show that graduates of public certificate programs, on average, earn $9,000 more than those who graduate from their for-profit counterparts. Nearly one-third of students who graduate from for-profit programs go on to earn less than what a full-time minimum wage worker would earn in a year. That’s nearly double the share of public sector graduates (14 percent) that make less than a full-time minimum wage worker. Although these schools typically cost more and return less to students, Ohio designated $16.7 million in OCOG for proprietary institutions last budget cycle, yet OCOG largely excludes students at public 2-year institutions. For-profit schools cost more and yield less for students. The state should reevaluate its policy of funding proprietary schools at the expense of public two-year programs that promise, on average better returns.

**Make Ohio’s earned income tax credit work for working families:** Ohio’s tax cuts have overwhelmingly favored the wealthiest Ohioans. Low-to-moderate income workers end-up paying a higher share of their income out in state and local taxes. The richest 1 percent of Ohioans, on average, pay only about 6 percent of their income, while the bottom 20 percent of earners pay nearly double that amount. This makes Ohio’s tax system both inadequate to meet our needs and unfair. The Earned Income Tax Credit (EITC) is one way the state can restore some equity to our tax code, while encouraging work and injecting money into the economy. A refundable EITC would support workers, encourage labor force participation, spur local spending and bring some balance back to Ohio’s tax cuts, which have disproportionately favored the wealthiest Ohioans.
local economies that need a boost. Ohio’s existing credit is too weak to help the workers most in need of a tax cut. Data from the Ohio Department of Taxation shows that no one earning under $10,000 benefitted from the credit in 2014. Ohio’s current EITC is only 10 percent of the federal credit, is capped for some earners and, unlike nearly all other state EITC’s Ohio’s credit is not refundable, meaning it can only reduce state income tax liability.

A more substantial, refundable, non-capped EITC would extend the credit’s reach among the poorest workers and increase the amount available to all eligible claimants. It would support labor market participation, local spending and a fairer tax code. A new report on the EITC will be coming from Policy Matters Ohio soon.

**KEEP PROMISES TO THE MOST VULNERABLE**

**Support healthy people and a productive workforce:** Medicaid expansion allowed low-paid workers in Ohio’s largest job categories to see a doctor for common but debilitating ailments such as diabetes, hypertension, depression and addiction. Ensuring access to a doctor’s care helps families stay intact and keeps workforces stable. The state must protect the access to health care that was provided by the Affordable Care Act (ACA). Repeal of the ACA and Medicaid expansion could present lawmakers with hard choices: it would cause an estimated loss of 3.5 billion federal dollars to the Ohio budget in 2019.

**Addressing the drug epidemic and mental health crisis:** Due to a critical bed shortage, too few of Ohio’s severely mentally ill and addicted can access in-patient treatment. The drug epidemic is creating new pressures for intervention for the addicted and subsequent residential care. A coalition of behavioral health providers and advocates developed a plan to create 15 crisis centers with 240 more beds with supportive community services. Additionally, Ohio needs 100 psychiatric beds for children.

**Prevent hunger:** Ohio’s poverty rate remains near recession levels. The Ohio Association of Foodbanks meets a crucial need. It provides dry goods, surplus fresh produce, meats and dairy to Ohio’s hungry. It also conducts outreach to those with difficulty getting to food pantries and provides nutrition programs to keep kids from being hungry on weekends, holidays, snow days and in months that school lunches are not served.

State funding is vital to providing these critical services to the neediest of Ohioans – too many of whom are children. Foodbanks are asking for a larger annual budget allocation than in the last budget because hunger is up in Ohio’s metropolitan areas.
**Restore funding to Children’s Services:** Ohio gives less state support as a share of total costs to children’s services than any other state. Local levies provide the greatest share of funds to draw down federal dollars for children’s services. Yet the phase-out of tax reimbursements, promised when the state eliminated a local business property tax 12 years ago, will leave local children’s service levies about $12 million poorer in 2018 than in 2014 (adjusted for inflation). Making the situation more desperate, the number of kids in the system in state fiscal year 2008 (14,282) is just slightly higher than the number in 2016 (13,895), yet the primary state funding line (600523 – Family and Children’s Services) has fallen by about $28 million (adjusted for inflation) between 2008 and 2016. A modest one-time bump in funding in 2015 was helpful, but not sustained, and need is growing with the drug epidemic.

**Adult Protective Services:** The state has not adequately financed new requirements to protect frail elderly Ohioans living in their homes. As more people age at home instead of nursing homes, more caseworkers are needed to make sure they are safe, well cared for and not living in fear or abuse. The Ohio Family Violence Prevention Project estimates that each year, 105,000 older adults (over 60) in Ohio are abused or neglected. Based on this number, at a recommended 25 cases per worker per month, it would take $15 million a year to adequately staff adult protective services to reach all endangered seniors.

**REBUILD LAGGING COMMUNITIES AND SQUEEZED SCHOOLS**

**Restore school staffing.** Ohio’s schools were ranked #5 in the nation by Education Week in 2010. Since then, we’ve slid to 23rd with the loss of many teachers, including 40 percent of our librarians, 12 percent of our art, music and gym teachers and 4 percent of our school counselors and social workers. We could prepare our children better, for a brighter future, by restoring staffing to our public schools.

**Get charter school funding out of local coffers:** When a public school student moves to a charter school, the local school district must send the charter school a full state per-pupil amount - plus categorical funds - rather than the actual per-pupil share of that district’s formula aid. This has been frustrating school districts for nearly 20 years particularly because not all schools get the same per-pupil amounts as they have to provide to the charter school. Many get less.

Under the current formula, in those districts with less funding than the state per-pupil amount, local resources make up the difference – an estimated $270 million in fiscal year 2016. This is local levy funds – and voters did not approve this diversion of funds.
Local government aid: The state eliminated the estate tax, phased out reimbursements to localities and cut the Local Government Fund in half. Local governments are working with $1 billion less every year, adjusted for inflation, than in 2010, yet they still deliver the public services that we depend on – from snowplowing and road repair to many health and human services.\(^\text{44}\) Restoring local government funding could allow communities to better stem the drug epidemic with community mental health and addiction treatment services, put police back on the beat, reopen closed pools and rec centers, repave streets and fix blight in neighborhoods.

Boost the supply of affordable housing. Ohio has a pressing need for housing assistance. More than 400,000 Ohio households spend more than half their income on rent. An estimated 33,546 Ohioans used homeless assistance services in 2014.\(^\text{45}\) Established in 1991, when Ohio voters approved a constitutional amendment designating housing as a public purpose, the Ohio Housing Trust Fund supports a host of programs for affordable housing and homeless assistance. But in recent years it has been funded at well below previous levels.
ENDNOTES


4 Groundwork Ohio, Leaving Young Children Behind: A Lost Opportunity for School and Workforce Success at http://media.wix.com/ugd/d2fbfd_c4bb4dd579054e418d4a7639d5de299d.pdf

5 Id.

6 Cost based on average cost per child ($4000) in public early education program by Dr. Wendy Grove of the Ohio Department of Education in e-mails of 12/16/2016


8 These numbers are based on the Groundwork report cited above. Inflation adjustment was done by Policy Matters Ohio.


10 The $150 estimate is based on 2 components: quality and quantity. Starting with quality: The federal standard for market rates for publicly funded childcare is to reimburse providers at the 75th percentile of the latest market study. Ohio’s funding lags. The 2009 base rate funding levels were set at the 26th percentile. There have been modest changes in base rates since then, and those changes have provided significant improvement in some places in the state. However, other places still lag. Premiums for Quality have been instituted, but less than a quarter of providers are in the quality program.

Boosting quality – About $80 million

• $65 million: According to preliminary discussions at the Early Education Advisory Council meeting on January 18, 2017, $65 million is needed to adapt payment rates to the new 2016 market study.

• $15 million: Funding of another $15 million is needed to ensure a boost in rates to the nationally recommended level of the 75th market percentile for providers rated in the top tiers of the ‘Step Up to Quality’ program.

Boosting eligibility by funding additional slots - About $70 million:

• $57.5 million would be needed for 10,000 new slots, based on ODJFS’s cost per child in publicly funded childcare ($5,748, provided in a December 18, 2016 e-mail from Communications Director Angela Terez). Funding 10,000 additional children would allow an increase in eligibility – not to the desired level of 200%, but a move in the right direction.

• Our calculations include a 20% premium, assuming those slots are provided at a higher level of quality.


13 Note that the Inter-University Council’s ask is simply to keep up with inflation, not more: The Congressional Budget Office projection for increase in the Consumer Price Index for FY 2018 and FY 2019 will be 4.588 percent. See CBO, 10-year economic projections, August 2016 at https://www.cbo.gov/about/products/budget-economic-data#4.

14 Ohio’s tuition at a 4-year public university is, on average, higher than in 36 other states and the District of Columbia. Tuition at 2-year campuses is pricier, on average, than in 38 other states and Washington, D.C., according to: The College Board, ‘Tuition and fees by sector and state over time’ (Table 5) at https://trends.collegeboard.org/college-pricing/figures-tables/tuition-fees-sector-state-over-time


Ohio Legislative Services Commission Budget in Detail.

Ohio Department of Transportation, Op.Cit.

E-mailed agency budget letters from Katelyn Kaman of the Ohio Office of Budget and Management, December 21, 2016.


The Urban Institute estimates the loss of federal funds in Ohio due to repeal of the Affordable Care Act, modeled on the federal repeal vetoed by President Obama in January 2016, would cost the state $3.5 billion in federal dollars in 2019, when such a repeal is expected to be implemented. See Linda J. Blumberg, Matthew Buettgens, and John Holahan, “Implications of Partial Repeal of the ACA through Reconciliation,” Urban Institute, December 2016 at http://www.urban.org/research/publication/implications-partial-repeal-aca-through-reconciliation


Based on interview with the Ohio Association of Community Behavioral Health Authorities, e-mail form Elizabeth Heinrich, December 21, 2016.


Spreadsheet provided by the Public Children’s Services Association of Ohio, based on Ohio Department of Taxation data on TPP reimbursements, 2014 – 2018.

Number of children provided by Public Children’s Services Association of Ohio. Expenditures and appropriations (2017) data is taken from the Legislative Services Commission’s Budget in Detail for line item 600523.

Healthpath Foundation of Ohio, “Preventing elder abuse in Ohio, August 2015 at http://www.healthpathohio.org/Portals/0/Uploads/Documents/Preventing_Elder_Abuse_in_Ohio.pdf

Investment Budget for 2018-19

42 Victoria Jackson, Number of Ohio's vital school professionals dwindling, Policy Matters Ohio, December 2016 at http://www.policymattersohio.org/k-12-report-dec16. Figures calculated based on Ohio LMI average wages
(Occupational Employment Survey):
• 637 librarians at average salary of @ $24,446 - $51,231
• 2383 art, music and physical education teachers at average salary of @$60,000
• 188 school counselors at @$52,964