



February 22, 2019

Budget

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# **An investment budget:**

Ohio resources for Ohio's people



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# Executive Summary

When Ohioans come together, we can accomplish great things. Together we created a world class system of public universities and built some of the best state parks in the nation. It's time to return to what made us great and use our shared resources to reinvest in Ohio's greatest asset: our people. Years of state budget cuts have left our schools mediocre instead of good, our workforce less educated than the national average, our people among the country's least healthy, and our lakes and rivers polluted. In the 2020-2021 state budget, lawmakers should start investing again in Ohio and Ohioans. Since the recession, lawmakers have prioritized tax cuts and tax breaks; in this report, Policy Matters Ohio illustrates what an investment budget could look like. Here's a sample of our recommendations.

**RESTORE REVENUE SHARING:** State lawmakers need to rebuild the funding partnership with local governments, including restoring the Local Government Fund, which has been cut by \$370 million a year since 2011, adjusted for inflation.

**BOOST STATE SHARE OF FUNDING FOR PUBLIC TRANSIT:** Ohio is 37 million rides short of market demand, but could close that gap by investing least \$150 million a year in public transit.

**STRENGTHEN OHIO'S EARNED INCOME TAX CREDIT** it's so weak that it doesn't help 95 percent of the poorest families at all. It should be refundable, set at 20 percent of the federal credit and have no cap for families earning over \$20,000. The cost would be \$427.5 million a year.

**DRAW DOWN FEDERAL FUNDS FOR JOB TRAINING FOR HUNGRY OHIOANS:** The SNAP 50-50 program reimburses 50 percent of nonfederal dollars spent on eligible education and training services for SNAP recipients; \$4 million per year in General Revenue Funds will draw down additional federal funds to train the neediest Ohioans for better jobs.

**RAISE ELIGIBILITY FOR PUBLIC CHILD CARE AID TO 200 PERCENT OF POVERTY:** Governor DeWine has committed to raising the eligibility level for public preschool to 150 percent of poverty. He should have a goal of restoring it to 200 percent of poverty, as it was in 2009.

**PROTECT WORKERS FROM WAGE THEFT:** Doubling the budget of the Bureau of Wage and Hour Administration to just \$2.2 million a year in the upcoming budget would allow the agency to start restoring staff.

**MAINTAIN AND PROTECT THE MEDICAID EXPANSION:** Nearly 700,000 Ohioans are insured by the Medicaid expansion. Access to health care without freezes, barriers and harsh requirements is essential to low-wage workers, job seekers, disabled people, caretakers, students and their families.

**STEM THE DRUG CRISIS:** Ohio lawmakers should build on the local mental health and addiction systems built with federal 21st Century Cures Act funds and one-time funding of the 2018-19 budget – but the funding must be sustainable, and build on successes.

**REDUCE INFANT MORTALITY:** Ohio's overall infant mortality rate of 7.2 deaths per 1,000 live births is higher than 42 other states'. There is shocking racial disparity: the infant mortality rate for African-American babies is 15.6 per 1,000. Governor DeWine has pledged to triple the number, of eligible pregnant women and infants benefitting from home visiting, a good start, but one that would reach just 12 percent of those eligible.

**FUND SCHOOLS BASED ON COST OF EDUCATION:** The number of very low-income students grew by 67 percent since 2001, but targeted funding for schools that serve them grew by only 23 percent. Funding should be increased from \$272 per disadvantaged student to \$425 as a bridge measure, if the new formula does not address it. The cost: \$256 million a year.

**BOOST NEED-BASED FINANCIAL AID:** Ohio is ranked 45th least affordable for college for families of low and modest income; \$106 million would restore financial aid for 114,500 low-income community college and regional campus students and boost the Ohio College Opportunity Grant (OCOG), the state's only need-based grant.

**COUNT EVERY OHIOAN IN THE 2020 CENSUS:** Ohio could lose federal funding and congressional representation if state residents are undercounted in the 2020 census. State funding of \$2.5 million

for education, outreach and accuracy efforts and \$250,000 to staff a "Complete Count Commission" would ensure a fair, comprehensive and accurate count.

**FEED THE HUNGRY:** One in seven Ohioans struggles with hunger; one in five children may go to bed hungry. An annual \$30 million allocation will fund a range of proven anti-hunger initiatives, including food banks and summer feeding programs for children.

**PREVENT HOMELESSNESS:** Homelessness jumped by 53 percent between 2012 and 2017, when 70,123 Ohioans accessed homeless services. A third were children, including nearly 3,000 infants; \$25 million over a two-year period could create the Homeless Families Assistance Program.

**BUILD MORE AFFORDABLE HOUSING:** The Housing Trust Fund has dwindled and cannot support as many units as are needed. A \$20 million annual allocation would almost double the number of affordable housing projects built and low-income families helped.

**FUND SUFFICIENT, SKILLED STAFF FOR THE TAX EXPENDITURE REVIEW COMMITTEE:** State lawmakers spend \$9 billion a year through the tax code. The oversight committee should be fully staffed, with funding comparable to that of other joint Committees.

Ohio's long run of tight budgets has meant underinvestment and a weakened state. This has meant worse health, more hunger and lower-quality schools. It's meant too little transit and too much lead poisoning; high-cost college and low-quality housing. Our infant mortality rates are too high, our overdose rates are alarming, and our racial disparities for many outcomes are shameful.

Lawmakers in the 133rd General Assembly have no shortage of needs to address. Restoration of eroded services is even more difficult because revenue sources have been cut so deeply and spending on tax breaks is growing so fast. Ohioans must watch the budget process carefully and hold them accountable for policy choices.



# Introduction: Investing in Ohio and Ohioans



## INTRODUCTION: INVESTING IN OHIO AND OHIOANS

It's time for state lawmakers to reinvest in Ohio's greatest resource: our people. Years of budget cuts have left our schools mediocre instead of good, our workforce less educated than the national average, our people among the country's least healthy, and our lakes and rivers polluted. We have to start investing again in Ohio and Ohioans.

For the past 14 years lawmakers prioritized income tax cuts that benefitted the wealthiest, tax breaks for special interests and slashing of business taxes. Today Ohio is one of just six states with no corporate profits tax. The state foregoes \$9 billion a year in tax breaks, which grew by 18.5 percent since 2012.<sup>1</sup> The wealthiest 1 percent of Ohioans, earning on average \$1.3 million a year, pay about \$41,000 less annually in state taxes than they did under the tax laws of 2005 (while on average, middle- and low-income people are paying the same or more than they once did.)<sup>2</sup> These policy choices reduced funding needed for public schools, higher education, clean water and other essential services.

Tax cutting didn't fix the economy and lack of investment in public programs has hurt. As Ohio recovers from the last recession,

prosperity has not been widely shared.<sup>3</sup> There are 115,000 more Ohioans living in poverty in 2017 than in 2006, before the recession.<sup>4</sup> People who live in poverty are more likely to be unhealthy. According to the Health Policy Institute of Ohio, Ohio ranks 44th among states for the health and well-being of resident and 47th for how the health of our lower-income residents compares to higher-income residents.<sup>5</sup> Other rankings don't look so good, either.<sup>6</sup>

Public policy could turn things around. Ohio lawmakers start the 133d General Assembly by putting together a two-year state budget. This issue brief describes investments that could make Ohio healthier, better educated, better protected and more prosperous.

Lawmakers can pay for these needed investments by ensuring the affluent pay a fair share of state taxes; modernizing the tax code to better reflect the new economy, including new types of businesses, from Airbnb to the fracking industry; and eliminating or tightening up wasteful tax breaks.<sup>7</sup>

<sup>1</sup> Patton, Wendy, "Ohio Budget Basics," Policy Matters Ohio, January 30, 2018 at <https://bit.ly/2leJdse>

<sup>2</sup> Id.

<sup>3</sup> Halbert, Hannah, "Good bad and ugly: Data suggests a divided Ohio economy," Job Watch, Policy Matters Ohio, October 19, 2018 at <https://bit.ly/2BHtr3U>

<sup>4</sup> Halbert, Hannah, "New Census Data confirm policy action needed," Policy Matters, Sept 2018 at <https://bit.ly/2NdNoXt>.

<sup>5</sup> Health Policy Institute of Ohio, Health Policy Brief: Connections Between Income and Health <https://bit.ly/2yIO8An>

<sup>6</sup> US News and World Report State Rankings 2018 at <https://www.usnews.com/news/best-states/rankings>. The ranking was conducted by McKinsey and Company and included measures of health care, education, economy, opportunity, infrastructure, criminal justice, fiscal stability and quality of life. Ohio ranked 40th overall: <https://www.usnews.com/news/best-states/ohio>

<sup>7</sup> For the Policy Matters Ohio position on restoring state tax revenues for needed investments, see Schiller, Zach and Patton, Wendy, "Overhaul: A plan to rebalance Ohio's income tax," Policy Matters Ohio, June 26, 2018 at <https://bit.ly/2RVhMDL>



# Investing in Communities

## INVESTING IN COMMUNITIES

Ohio's state and local governments have a history of shared funding and delivery of many public services.<sup>8</sup> But in 2018, local governments had lost \$1.4 billion, adjusted for inflation, compared to 2006, in large part due to lawmakers slashing revenue sharing, eliminating local taxes and phasing out tax reimbursements.<sup>9</sup> Some services paid for at the local level were elevated to the state,<sup>10</sup> but not enough to offset the loss. Governor DeWine and the 133d General Assembly should start to repair the loss in the budget for 2020 and 2021. Some places to start are outlined below.



### LOCAL GOVERNMENT FUND

Restore revenue sharing with local government.

In other states, the state government funds and delivers many services that are funded and delivered locally in Ohio. Local funding relies heavily on property tax levies, causing an unequal distribution of essentials like emergency response equipment, protective services for seniors and children and defense attorneys. In the mid 1930s, Ohio established the "Local Government Fund" (LGF) to distribute a share of state tax collections to counties, cities and townships. Since 2012 state lawmakers have cut the LGF from 3.68 percent of state tax collections to 1.66 percent,<sup>11</sup> a cut that amounts to \$370 million, in 2018 compared to 2011, adjusted for inflation. This accounts for a quarter of the \$1.46 billion annual loss Ohio's local governments have suffered due to state lawmaker actions between 2011 and 2018 (adjusted for inflation).<sup>12</sup> Lawmakers need to rebuild this funding partnership, including restoring the municipal component of the LGF distribution, which was entirely eliminated in the current (2018-19) budget.<sup>13</sup>



### PUBLIC TRANSPORTATION

\$150 million a year to meet market demand for mass transit.  
\$30 million for bike lanes and walkways.

Ohio is 37 million rides short of market demand, but could start to close that gap by investing least \$150 million a year in public transit.<sup>14</sup> Transit agencies with a sales tax lost \$38 million a year when state lawmakers narrowed the sales tax base in the 2018-19 budget,<sup>15</sup> almost completely offsetting the entire state budget allocation of \$6.8 million in GRF funding and \$33 million in federal flex funds. The

<sup>8</sup> Thompson, Jill, "Local Government Fund: Statutory and Alternative Formulas," Local Government Officials Conference, March 22 2018 at <https://bit.ly/2Doi8gM>. Note that in addition, revenue sharing through the Local Government Fund was part of how the state supported counties, which provide the majority of funds for some health and human services, like Child Protective Services, and deliver services for developmentally disabled people, SNAP, Medicaid, cash assistance, workforce training and other health and human services. See Patton, Wendy, "State cuts sting Ohio localities," Policy Matters Ohio, December 19, 2019 at <https://bit.ly/2MEX4GM>

<sup>9</sup> Patton, Op.Cit.

<sup>10</sup> Ramey, Jim, Green Book for the Ohio Department of Mental Health, (operating budget 153 of the 129th General Assembly), August 2011 at <https://bit.ly/2Bvr2ZB>

<sup>11</sup> County Commissioners Association of Ohio, 2019-2020 Legislative Platform at <https://bit.ly/2GjSwFG>

<sup>12</sup> 2018 dollars; adjustment based on the CPI-U (1982-84+1.00).

<sup>13</sup> Patton, Wendy, "Post budget-bite: Local governments," October 26, 2017 at <https://bit.ly/2A4YmG8>

<sup>14</sup> Ohio Department of Transportation, "Ohio Statewide Transit Needs Study," 2015 at <https://bit.ly/TiNRqP>. The Statewide Transit Needs Study called for investment of \$120 million a year to commence in 2015 and rise to \$185 million a year by 2025; had that happened, Ohio would be investing \$150 million a year in 2020 and \$156 million a year in 2021.

<sup>15</sup> In the current budget (for 2018-19), lawmakers took the tax on Managed Care Organizations (MCO) out of the base of the sales tax and put it in the base of the insurance tax. The loss of MCO funds totaled \$38.6 million, in the state calculation. Since it was on Medicaid managed care organizations, the loss hit counties with the greatest share of residents enrolled in Medicaid: very rural places and the most urban counties. Transitional aid was provided in the current budget period but none beyond. For state calculation of impact by transit agency, see Ohio Office of Budget and Management, "Proposed transitional aid to counties and transit authorities in response to the termination of sales tax on Medicaid Health Insuring Corporations (MHICs)" at <https://bit.ly/2Tizlms>



allocation recommended here would build on current funding levels for public transit (\$39.8 million), replace the MCO tax loss (\$38.6 million) and boost overall public transit funding by \$71.6 million. In addition, lawmakers should fund a competitive grant of \$30 million in federal flex funds to encourage communities to expand sidewalks, bike lanes, and other alternative transit options.



## RIGHT TO REPRESENTATION

\$90 million to elevate all of the funding of indigent legal services to the state.

The state and counties share the cost of providing legal counsel for people accused of a crime who cannot afford a lawyer. As revenue sharing has been cut and local tax sources reduced or eliminated, counties struggle with the unpredictable cost of indigent legal defense. According to the Office of the Public Defender, local government fiscal woes interfere with justice in some counties.<sup>16</sup> The state should fully fund the service at the level recommended by the Supreme Court (\$189.8 million in 2020 and \$195.5 million in 2021)<sup>17</sup> and cover the share now paid by counties: a \$90 million annual cost in 2020 and 2021.



## PROTECTION FOR SENIORS AND CHILDREN

\$20 million in new funds for Adult Protective Services, \$30 million for child protective services.

Estimates of elderly Ohioans who are abused, neglected or exploited each year range from 105,000 to 250,000. Annual state funding of \$2.6 million afforded protection to 19,492 in state fiscal year 2018,<sup>18</sup> but more is needed for sufficient staffing to ensure seniors are safe in the community. This is one of many public services with funding shared between state and local government, but state cuts hurt counties' ability to fund shared services adequately. State funds of \$22 million a year would support enough staff to investigate cases of elder abuse and financial exploitation and ensure Ohio's seniors are safe in their homes and communities.<sup>19</sup> The child protective system, funded mostly by county property tax levies, is also underfunded: Ohio provides less state aid to child protective services than any other state.<sup>20</sup> On any given day more than 15,000 Ohio children are in foster care, a 21 percent increase from just five years ago; \$30M in Children's Services funding is needed to meet children's basic needs today and reform the system for tomorrow.

<sup>16</sup> Office of the Public Defender budget letter, 2018, stated that in some counties the pay for court-appointed counsel is so low no attorneys will take cases; in others, lawyers are pleading innocent people guilty because they only make \$800 to take a felony case to trial. See "Public Defenders Office warns of inability to defend rights," Gongwer Ohio, January 4, 2018 at <https://bit.ly/2E2dMxg>.

<sup>17</sup> The Indigent Legal Defense system is so underfunded that the system is failing. The 2020-21 budget letter of the Office of the Public Defender stated: "This year the OPD had to make the drastic decision to no longer provide representation in post-conviction cases despite there being a clear statutory charge to do so." See "Public Defenders Office warns of inability to defend rights," Gongwer Ohio, January 4, 2018 at <https://bit.ly/2E2dMxg>. A Supreme Court-appointed task force recommended in 2006; adjusted for inflation, that indigent legal defense should have been funded at \$179 million in 2018 instead of the \$146 million it received. The upcoming state budget should fully fund the system at the recommended levels (\$189.8 million in 2020 and \$195.5 million in 2021). For more background on this, see "Funding Recommendations" (p.37) of Ohio Supreme Court, "Report and Recommendations of the Supreme Court on the Pro Se and Indigent Litigants" at <https://bit.ly/2U19Kep>; see also Krause, Peter, "50 years ago, U.S. Supreme Court said indigent defendants are entitled to free attorney", Cleveland.com March 19, 2013 at <https://bit.ly/2ijWnoc>

<sup>18</sup> E-mailed from the office of communications within the Ohio Department of Job and Family Services, October 15, 2018.

<sup>19</sup> Patton, Wendy, "Adult Protective Services need a boost from the state," Policy Matters Ohio, November 1, 2018 at <https://bit.ly/214AoBp>

<sup>20</sup> PCSAO Factbook: 2017, Public Children's Services Association of Ohio at <https://bit.ly/2H5jqwT>



# Investing in the Labor Force: Work Supports

## INVESTING IN THE LABOR FORCE: WORK SUPPORTS

Ohio's economy has changed. Many Ohio jobs today have very low median wages.<sup>21</sup> Of the 10 most common Ohio occupations, three pay less than the federal poverty line for a family of three; nine pay less than twice that level and remain within the range at which people can – and do – access assistance from food banks.<sup>22</sup> The answer is a living wage for workers, with benefits, set schedules and paid sick leave and family leave. Until these policies are enacted, work supports are an essential public service that workers – and their employers – rely on. Important investments in work supports for the 2020-21 budget include:



### EARNED INCOME TAX CREDIT

Reform the credit so it helps more working families: make it refundable, cut the cap, boost it to 20 percent of the national average.

The Earned Income Tax Credit, for working families with children, is the state's most powerful anti-poverty tool. Like many states, Ohio has one to offset the regressivity of the state and local tax system<sup>23</sup> and help families meet basic needs. But Ohio's EITC is so weak that it doesn't help 95 percent of the poorest families at all. An investment of \$175.5 million could make Ohio's EITC refundable, which would boost its reach to more families. Increasing the credit to 20 percent of the federal credit and eliminating Ohio's unusual cap on families making over \$20,000 would allow the credit to be much more effective and make it a more meaningful refund that better keeps up with the cost of living. These improvements – at a cost of \$427 million – would make Ohio's state and local tax structure fairer as well.



### SNAP EMPLOYMENT AND TRAINING PROGRAM

\$4 million for job training for people struggling to earn enough to eat pulls down millions more from the federal government.

One in seven Ohioans struggle with hunger<sup>24</sup> but working-age adults without custody of children can't get help through the federal Supplemental Nutrition Assistance Program (SNAP) unless their work schedules give them 80 hours a month.<sup>25</sup> Low-wage jobs don't reliably do that.<sup>26</sup> SNAP employment and training services offer a solution by expanding training capacity. The SNAP 50-50 program reimburses 50 percent of nonfederal dollars spent on eligible education and training services for SNAP recipients. Voluntary job training that allows adults to prepare for better jobs and get the food they need is the right way to help Ohioans gain workforce skills. Onerous work requirements keep people in poverty-wage jobs without offering better opportunities. An investment of \$4 million per year in General Revenue Funds will draw down a \$2 million federal reimbursement to train the neediest Ohioans for better jobs and keep them from going hungry.

<sup>21</sup> Sommeiller, Estelle and Price, Mark, "The new gilded age Income inequality in the U.S. by state, metropolitan area, and county," Economic Policy Institute, July 19, 2018 at <https://bit.ly/2LY6Nrx>

<sup>22</sup> Hanauer, Amy, "State of Working Ohio: Inequality Amid Job Growth," September 2, 2018 at <https://bit.ly/2Pfw9Bu>

<sup>23</sup> Ohio's poorest families pay nearly twice the share of income in state and local taxes as the wealthiest 1 percent "Who Pays?" Institute on Taxation and Economic Analysis, October 2018 at <https://itep.org/whopays/>

<sup>24</sup> "Hunger in Ohio," Feeding America at <https://www.feedingamerica.org/hunger-in-america/ohio>

<sup>25</sup> United States Department of Agriculture, Food and Nutrition Service, Able Bodied Adults Without Dependents, at <https://www.fns.usda.gov/snap/able-bodied-adults-without-dependents-abawds>

<sup>26</sup> Keith-Jennings, "More evidence that work requirements don't work," Center on Budget and Policy Priorities, October 19, 2018 at <https://bit.ly/2WR21kF>



## PUBLIC CHILD CARE ASSISTANCE

Boost initial eligibility to 200 percent of poverty; \$150 million starts to expand services.

In Ohio, 208,000 children under 6 years old are from families making no more than 200 percent of the federal poverty line (\$42,660 for a family of three).<sup>27</sup> This is the level at which individuals and families are eligible for, and need, food assistance from food banks. For these families, the cost of child care can take nearly half of family income.<sup>28</sup> Yet only families making less than \$27,024 (127 percent of the 2019 federal poverty level) can get into the state program for child care aid – only one state makes it harder to qualify initially.<sup>29</sup> An additional investment of \$150 million would allow the state to raise the eligibility level, with a goal of restoring income eligibility to 200 percent of the federal poverty level, as it was in 2009.



## PROTECTION FROM DISCRIMINATION AND HARASSMENT

\$7.3 million to restore Ohio Civil Right Commission, protecting Ohioans from discrimination and sexual harassment.

As hate crimes rise and more sexual harassment victims come forward, long-term erosion of state funding for the Ohio Civil Rights Commission threatens our ability to protect Ohioans from discrimination and harassment. Boosting the agency's budget by \$2.5 million to \$7.3 million a year will reset funding to the inflation-adjusted level of 2001 and allow the agency to restore outreach and education and hire investigators in regional offices.<sup>30</sup>



## PROTECTION FROM WAGE THEFT

\$2.2 million doubles wage theft protections.

Restoring the budget of the Bureau of Wage and Hour Administration must be a state priority. Funding for the Bureau is down 24 percent 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 group is responsible for enforcing prevailing wage requirements to protect Ohio's construction workers. Because the section is under-resourced enforcement is complaint driven rather than strategic and proactive. The Cleveland Plain Dealer found that the Bureau collected only a fraction of what wage victims were owed, at a time when abuse should be getting increasing attention.<sup>31</sup> Doubling funding to just \$2.2 million a year in the upcoming budget would allow the agency to start restoring staffing. We should also invest to revamp data systems so the Bureau can fully respond to public information requests about wage and hour violations and can launch strategic enforcement campaigns to protect workers and law-abiding employers.

<sup>27</sup> Annie Casey Kids Count Data center, 2016 data, at <https://datacenter.kidscount.org/>

<sup>28</sup> A single mother of two children (an infant and a 4-yearold) living in Franklin County making 200 percent of poverty must spend 41% of her income on child care. GroundWork Ohio, "Ohio's publicly funded childcare: An essential support for working families at <https://bit.ly/2N33ZKw>

<sup>29</sup> National Women's Law Center, Overdue for investment: State childcare assistance policies 2018 at State of Childcare Policies in the States, 2018 at <https://bit.ly/2SKMtg1>

<sup>30</sup> Patton, Wendy, Ohio Civil Rights Commission: Fighting discrimination with diminished state support, Policy Matters Ohio, February 14, 2019 at <https://bit.ly/2BH5bi8>

<sup>31</sup> Perkins, Olivera, Do Ohio's wage theft laws help or hurt workers? Cleveland.com, April 18, 2018 at <https://bit.ly/2V5bTpp>



# Investing in Health

## INVESTING IN HEALTH

According to the Health Policy Institute of Ohio, Ohio ranks 44th among states for the health and well-being of residents and 47th for how the health of lower-income residents compares to higher-income residents.<sup>32</sup> In the low-wage economy, Medicaid is an essential tool for individuals and families, covering about 3 million Ohioans, more than a quarter of the population<sup>33</sup> and half of all births in the state.<sup>34</sup> It is the most important tool we have in fighting Ohio’s addiction crisis.<sup>35</sup> Protecting Medicaid is critical to improving the health of Ohioans. But good health also depends on many external factors. The social determinants of health include living conditions (like affordable, lead-free housing in safe neighborhoods); opportunity (like quality education, from pre-K to college), environment (like clean and safe water), and access to services.<sup>36</sup> Governor DeWine and the 133rd General Assembly should fully fund health care and public health programming, and invest to improve conditions that can lead to poor health.



### MEDICAID EXPANSION

Don’t erect new barriers to care.

Nearly 700,000 Ohioans are insured by the Medicaid expansion,<sup>37</sup> which in 2021 will bring \$4.6 billion federal dollars into the state, with an expected state match of \$163 million.<sup>38</sup> In the 2020-2021 budget period, the federal government will pay just over 90 percent of the cost of health care for these Ohioans. As those federal dollars circulate in the economy they create 54,000 Ohio jobs.<sup>39</sup> State legislators have tried to eliminate Ohio’s Medicaid expansion, erode it through enrollment freezes or throw up barriers, like charging premiums and requiring more hours of work than many low-wage job schedules reliably provide.<sup>40</sup> Access to health care without freezes, barriers and harsh requirements is essential to low-wage workers, job seekers, disabled people, caretakers, students, and their families.



### STEMMING THE DRUG EPIDEMIC

Protect Medicaid Expansion. Replace one-time funds from last budget with dedicated support for community mental health wraparound services.

Better addressing the drug crisis requires retaining Medicaid expansion, enforcing mental health parity laws, strengthening existing local treatment systems, and training more mental health workers.

<sup>32</sup> Health Policy Institute of Ohio, Op. Cit.

<sup>33</sup> Health Policy Institute of Ohio, Medicaid Basics update: Recent trends in enrollment and spending, May 2018 at <https://bit.ly/2DsSszK>

<sup>34</sup> In 2016, 51.8 percent of births were covered by Medicaid. See Ohio Department of Medicaid, Report on pregnant women, infants and children, December 29, 2017 at <https://bit.ly/2tl2cra>

<sup>35</sup> State Auditor David Yost identified the importance of Medicaid to Ohio in an audit, saying: “Medicaid is the safety net for our most-needy Ohioans.... That safety net is being stretched thin by the thousands of people who have lost their jobs, their health insurance and are in desperate need of care. As much as we’ve done in Ohio to curb this epidemic, more needs to be done.” Knight, Cameron and DeMio, Terry, “Medicaid spending on opioid treatment soars in Ohio, auditor reports, Cincinnati Enquirer, June 26, 2018 at <https://bit.ly/2tplmw5>. See also Becker Hospital Review: “In 2016, Medicaid accounted for 24 percent of buprenorphine prescriptions around the nation. In Ohio, Medicaid paid for nearly 50 percent of all buprenorphine prescriptions statewide in 2016.” Zimmerman, Brian, “Medicaid essential to addressing opioid epidemic: 4 report insights,” Becker Hospital Review, March 19, 2018 at <https://bit.ly/2SrcFQN>

<sup>36</sup> Woodrum, Amanda, Op.Cit.

<sup>37</sup> Ohio Department of Medicaid Caseload Report for Group VIII, January, 2019

<sup>38</sup> Keen, Tim, Director of Ohio Office of Budget and Management, “Medicaid Financing,” August 2018 at <https://bit.ly/2tmUk8y>

<sup>39</sup> Patton, Wendy and Woodrum, Amanda, “Medicaid supports Ohio jobs,” Policy Matters Ohio, November 26, 2018 at <https://www.policymattersohio.org/research-policy/fair-economy/work-wages/medicaid-supports-ohio-jobs>

<sup>40</sup> Solomon, Judith, “Medicaid work requirements can’t be fixed,” Center on Budget and Policy Priorities, January 10, 2019 at <https://bit.ly/2S14rJQ>

Ohio had the second largest number of overdose deaths in the nation in 2017, although recent data shows some improvement.<sup>41</sup> Currently, only four of 10 people with a mental illness and one of 10 people with addiction get access to the treatment and services they need; the biggest barrier is lack of timely, quality, and affordable services, especially in rural areas.<sup>42</sup> Medicaid expansion is credited as the most important tool to stem the crisis.<sup>43</sup> Legislative proposals to eliminate it outright, or slash it by freezing enrollment, imposing harsh new eligibility requirements based on hours of work or increasing cost to patients, would halt progress in fighting the drug epidemic.<sup>44</sup> Legislators must protect Medicaid expansion and safeguard Ohio's mostly-privatized Medicaid system from faulty administration, ensuring timely payment to independent behavioral health providers, the backbone of treatment and recovery in many Ohio communities.<sup>45</sup> We can expand capacity by enforcing mental health parity laws that say public and private insurers must fund mental health on par with other health challenges.

Ohio lawmakers should build on the local mental health and addiction systems built with federal 21st Century Cures Act funds: quick response teams, prevention in schools and ongoing training for medical professional using medication-assisted treatments.<sup>46</sup> In the tight budget for 2018-19 lawmakers earmarked and redirected existing mental health, local government and Temporary Assistance for Needy Families (TANF) funds to treatment and other community needs related to the drug crisis.<sup>47</sup> This year they must replace those funds with sustainable resources for a long-term, muscular effort.<sup>48</sup> Ohio needs more psychiatric and detox beds; funding for beds and facilities must be increased.<sup>49</sup> There are not nearly enough trained mental health workers to deliver needed services; a workforce development plan is needed.<sup>50</sup> Funds are also needed to collect and share data.



## VOCATIONAL REHABILITATION AND EMPLOYMENT

\$8.4 million in state funds could leverage \$31 million from the federal government.

Lawmakers should scrutinize all state agencies for opportunities to support the recovery continuum of care. For example, employment services are an essential part of the community mental health and addiction service continuum. In 2018, Ohio passed on \$31 million federal vocational rehabilitation dollars that could have been drawn down to help disabled Ohioans recover and work.<sup>51</sup> This was the largest sum any state chose to forego; \$8.4 million in state funds could have drawn these funds into Ohio to support employment services for people recovering from mental health and addiction illnesses.<sup>52</sup>

<sup>41</sup> Candisky, Catherine and Rowland, Darrel, "Overdose deaths falling but not in Franklin County," Columbus Dispatch, January 27, 2018 at <https://bit.ly/2Ulu9n>

<sup>42</sup> Ohio Council of Family and Behavioral Health Providers, "Policy Solutions for Ohio's Addiction & Mental Health Crisis" at <https://bit.ly/2Gzmdlz>

<sup>43</sup> Goodnough, Abby, "This city's overdose deaths have plunged. Can others learn from it?" New York Times, November 25, 2018 at <https://nyti.ms/2Rh3VYS>. In addition, the number of opioid hospitalizations among uninsured patients dropped from 20.2 percent in 2013 to 3.4 percent in 2015, the year after Medicaid was expanded in Ohio. See Broadus, Matthew; Bailey, Peggy and Aron-Dine, Aviva, "Medicaid Expansion Dramatically Increased Coverage for People with Opioid-Use Disorders, Latest Data Show," Center on Budget and Policy Priorities, February 28, 2018 at <https://bit.ly/2CqbPew>

<sup>44</sup> Policy Matters Ohio: Threats to Medicaid at <https://www.policymattersohio.org/research-policy/threats-to-medicaid>

<sup>45</sup> Viviano, JoAnne, "Medicaid payment changes worry mental-health care providers in Ohio," Columbus Dispatch, October 1, 2018 at <https://bit.ly/2rsE7xt>; see also Viviano, JoAnne, "Mental Health Agency Closes, blames changes in Medicaid Claims," Columbus Dispatch, November 5, 2018 at <https://bit.ly/2SOF9Ac>

<sup>46</sup> Welsh-Huggins, Andrew, "Bucking trend, Ohio moved fast to use federal opioid money," Associated Press, published in the Akron Beacon Journal, updated October 23, 2018 at <https://bit.ly/2DCIJYy>

<sup>47</sup> Patton, Wendy, Post Budget Bite 2018-19: Mental Health and Addiction Services, Policy Matters Ohio, October 16, 2017 at <https://bit.ly/2E7zgZK>. Some funds, like the \$15 million annual earmark for kinship child care, went largely unused because the federal requirements on use of TANF money didn't match Ohio's needs. See Patton, Wendy, "Eroded services in the state budget," Policy Matters Ohio, January 26, 2018 at <https://bit.ly/2Hh15Vs>

<sup>48</sup> The Association of County Behavioral Health Authorities' budget recommendations include maintenance of \$14.5 million for local mental health and addiction system collaboratives, including the \$75,000 per-county allocation for targeted services, and \$20.25 million in new funds, including \$12 million per year in flexible funds through the Continuum of Care line item and \$8 million a year for step-up/step down units for people needing longer community care. See Ohio Association of County Behavioral Health Authorities, "SFY 2020-21 Biennial Budget request: Putting People First," at <https://oacbha.org/docs/20->

<sup>49</sup> In 2016 Ohio had 9.7 beds per 100,000 population, ranking poorly (35th) among the states: A state should have 40 beds per 100,000. Funding for additional beds was provided in the current operating and capital budgets, but the need remains. Ohio Council of Family and Behavioral Health Providers, Op.Cit. citing Ollove, Michael, "Among long waits for treatment, mentally ill face shortage of psychiatric beds," Pew Charitable Trust, August 2, 2016 at <https://bit.ly/2TMT762>

<sup>50</sup> Ohio Council of Family and Behavioral Health Providers, Op.Cit.

<sup>51</sup> State Vocational Rehabilitation Services Reallocation data for federal fiscal year 2018 at <https://bit.ly/2V4Xhq8>

<sup>52</sup> State Vocational Rehabilitation Services match calculator at <https://rsa.ed.gov/match-calculator.cfm>



## REDUCE INFANT MORTALITY

More in-home visits for at-risk mothers and babies.

Ohio's overall infant mortality rate of 7.2 deaths per 1,000 live births is higher than 42 other states.<sup>53</sup> This figure masks shocking racial disparity: the infant mortality rate for African-American babies is 15.6 percent and has gone up over the past three years.<sup>54</sup> The "Help Me Grow" home visiting program helps reduce infant mortality, but Ohio's program serves less than 5 percent of eligible families. Governor DeWine has pledged to triple the number, a good start, but one that would still reach just 12 percent of those eligible.<sup>55</sup> DeWine has noted that this target is too low:<sup>56</sup> The state should set a goal of reaching all eligible women and infants - if not in this budget, then in the next.



## CHILDREN'S HEALTH COVERAGE

Fill the \$200 million federal funding cut for SCHIP, the Medicaid program for children.

In 2016, 54.6 percent of Ohio's children had health insurance through Medicaid (and its program for children called the State Children's Health Insurance Program (SCHIP)).<sup>57</sup> The Affordable Care Act boosted the federal government's share of the cost through SCHIP, but when Congress reauthorized the program for 2020, it reduced the federal share. The consequent increase in the state's share will be \$60 million in 2020 and \$140 million in 2021.<sup>58</sup> Lawmakers must authorize increased funding for SCHIP at existing eligibility and service levels. They must not use it as an excuse to eliminate the Medicaid expansion, which serves adults. Pitting kids against parents over who gets health care is a savage fight Ohio doesn't need.



## LEAD FREE HOMES

Allocate \$12.6 million to leverage \$24.2 million from federal government.

The Ohio Department of Health estimates 12 percent of Cleveland kids that have been tested have lead poisoning at or above the level that triggers public health action.<sup>59</sup> Children across the state face the same dangers: Cambridge, Zanesville and census tracts in Perry County share the same dangerous risk of lead poisoning as Cleveland, Canton and Dayton.<sup>60</sup> Child lead poisoning can cause irreversible brain and nervous system damage leading to learning and behavioral challenges.<sup>61</sup> As a starting point, the state should allocate \$12.6 million, which draws an additional \$24.2 million in federal SCHIP (Medicaid) funds, for local prevention efforts to support lead investigations, and to provide case management, treatment and remediation to afflicted children.

<sup>53</sup> Centers for Disease Control and prevention, Infant mortality in the states, 2017 at <https://bit.ly/2Ektsy4>

<sup>54</sup> 2017 Infant Mortality Data, Ohio Department of Health at <https://bit.ly/2QTEMXL>

<sup>55</sup> Prosser, Maggie and Ludlow, Randy, "DeWine wants to triple home visits for at-risk young families," the Columbus Dispatch, January 15, 2019 at <https://bit.ly/2Rweewm>

<sup>56</sup> Ibid.

<sup>57</sup> In 2016, public health insurance covered 54.6 percent of Ohio's children. Annie Casey Kids Count database at <https://bit.ly/2Gm5S46>

<sup>58</sup> "Federal match rate changes among budget considerations," Gongwer Ohio, January 2, 2019 at <https://bit.ly/2THzFr3>

<sup>59</sup> Dissell, Rachel and Zeltner, Brie, "Cleveland kids still poisoned by lead at four times the national average," Cleveland Plain Dealer, March 21, 2018 at <https://bit.ly/2RvxxF2>

<sup>60</sup> Frostensen, Sarah and Kliff, Sarah, "The risk of lead poisoning isn't just in Flint. So we mapped the risk in every neighborhood in America," Vox, Updated April 16, 2016 at <https://www.vox.com/a/lead-exposure-risk-map>

<sup>61</sup> Driscoll, Kara, "Area young children still poisoned by lead, state data shows," March 26, 2018 at <https://bit.ly/2Gzp5i6>





# Investing in Education

## INVESTING IN EDUCATION

Ohio fell from 5<sup>th</sup> to 21<sup>st</sup> among states in the quality of primary and secondary education between 2010 and 2017, according to Education Week.<sup>62</sup> The state is moving in the wrong direction. The goal of the Ohio Department of Higher Education is to boost the share of working-age Ohioans with a degree or certificate to 65 percent by 2025,<sup>63</sup> but affordability is the main barrier to degree completion,<sup>64</sup> and the cost of attending Ohio's public colleges and universities is higher than 44 other states.<sup>65</sup> Investments like those listed below here could help Ohio change direction on education – and opportunity.



### PUBLIC PRESCHOOL

Fund 100,000 more pre-K seats, helping low-income 3- and 4-year-olds to go to preschool, enter school more ready to learn.

Ohio lags the nation in low-income students' access to public preschool. Currently, Ohio's early education grant program only serves about 18,000: Just 5 percent of 4-year-olds (nationally, 29 percent are in state public pre-school) and 2 percent of 3-year-olds (nationally, 5 percent of 3-year-olds are enrolled).<sup>66</sup> Research indicates that Ohioans who go to preschool can look forward to a better chance of success in school, graduation, and a brighter future.<sup>67</sup> An investment of \$440 million would allow almost 100,000<sup>68</sup> more eligible, low-income children to attend public preschool, preparing them to read and succeed in school.



### FUND SCHOOLS BASED ON REAL COST

Fund public schools at the real cost of educating students. Ensure funding for schools that serve economically disadvantaged students.

School funding needs should be based on the cost of educating students, including wraparound services such as mental health counselors, social workers, and school nurses. Ohio currently does not do it this way, although lawmakers are preparing recommendations for a new funding formula aimed at a more rational distribution. However it is accomplished, they should allocate additional funds for schools with economic challenges. There were 826,000 economically disadvantaged students in Ohio's public schools in 2018. These students may face hunger, homelessness and trauma. Schools must offer social

<sup>62</sup> Education Week, Quality Counts 2010 (<https://bit.ly/2WYgTht>) and Quality Counts 2017 (<https://bit.ly/2I9O283>)

<sup>63</sup> Ohio Department of Higher Education, Attainment Goal by 2025 at <https://bit.ly/2lpgFbx>

<sup>64</sup> Mitchell, Michael; Leachman, Michael; Masterdon, Kathleen and Waxman, Samantha, "Unkept Promises: State Cuts to Higher Education Threaten Access and Equity," Center on Budget and Policy Priorities, October 4, 2018 at <https://bit.ly/2DZfTny>

<sup>65</sup> Ranking by the Institute for Research on Higher Education, based on the percentage of income required to pay for the net price of college (tuition, fees, and room and board less financial aid). Students with incomes below \$30,000 (nearly a quarter of families) would need to spend 81 percent of their income to pay for one year of the net price of a public university and 38 percent for community college. For families making \$30,000 to \$48,000, it costs 39 percent and 27 percent of income to pay for public university and community college, respectively. Institute for Research on Higher Education. (2016). College Affordability Diagnosis: Ohio. Philadelphia, PA: Institute for Research on Higher Education, Graduate School of Education, University of Pennsylvania. <https://bit.ly/1O58djo>

<sup>66</sup> State of Preschool, National Institute for Early Education Research, Rutgers University at <https://bit.ly/2qGWij>

<sup>67</sup> See "Perry Preschool Project," Social Programs that Work, January 25, 2018, <http://evidencebasedprograms.org>; "Perry Preschool Study," Highscope Educational Research Foundation, 2017, <http://highscope.org>; Heckman, James, "Invest in Early Childhood Development: Reduce Deficits, Strengthen the Economy," 2017, <http://heckmanequation.org>; "Abecedarian Project," Social Programs that Work, November 20, 2017, <http://evidencebasedprograms.org>; "Groundbreaking Follow-Up Studies," The Carolina Abecedarian Project, <http://abc.fpg.unc.edu>; Heckman, "Invest in Early Childhood Development," <http://heckmanequation.org>; Garcia et al., "Quantifying the Life-cycle Benefits of a Prototypical Early Childhood Program," May 26, 2017, <http://NBER.org>, cited in Rob Moore, "Assessing Ohio's Childcare System," Policy Matters Ohio, June 25, 2018 at <https://bit.ly/2SgasmC>

<sup>68</sup> Jackson, Victoria, Investing for Growth, Policy Matters Ohio, February 18, 2019 at <https://bit.ly/2V4um5q>

and emotional support, specialized academics for the students and training for teachers and staff. The number of very low-income students grew by 67 percent since 1999, but targeted funding for schools that serve them grew by only 23 percent. Funding should be increased in the 2020-21 budget from the current (arbitrary) figure of \$272 per disadvantaged student to \$425 - as a bridge measure, allowing the Ohio Department of Education to a) figure out a better measure of economically disadvantaged students, b) conduct a cost study and c) examine whether the current poverty aid formula is the best one or not. The cost of the bridge funding would be about \$256 million a year.<sup>69</sup>



## NEED-BASED FINANCIAL AID

Boost need-based financial aid for public universities and community college students.

Affordability is a big barrier to college attainment and Ohio's public colleges and universities are too expensive, with too little need-based financial aid. Ohio is ranked 45th least affordable for college for families of low and modest income<sup>70</sup> and Ohioans owe \$57 billion in student debt, one of the highest rates of debt per capita in the nation.<sup>71</sup> Lawmakers' goal of raising college attainment from 40 percent of working age Ohioans to 65 percent by 2025<sup>72</sup> will take significant investment. A GRF appropriation of \$106 million would boost the Ohio College Opportunity Grant (OCOG), the state's only need-based grant, to \$207 million a year. This would not reach the goal of \$250 million set by a task force under Governor Taft.<sup>73</sup> This investment would restore OCOG for about 114,500 low-income community college and regional campus students, who are currently excluded, and boost the maximum award for Central State University. A more aspirational effort would guarantee that students of middle- and low-income families can afford college.<sup>74</sup>



## STATE SHARE OF INSTRUCTION

Strengthen the State Share of Instruction to help public colleges and universities keep tuition down.

If lawmakers want to significantly raise the share of Ohioans with a degree or certificate, they must boost investment in higher education. But the investment trend is headed in the wrong direction. According to the Center on Budget and Policy Priorities, the state's per-pupil spending was 18.1 percent lower in 2018 than in 2008, adjusted for inflation, a bigger decline in higher education investment than 23 other states.<sup>75</sup> The high cost of Ohio's public colleges and universities won't come down unless the state restores its share of the cost of classroom instruction. Former Chancellor of the Department of Higher Education John Carey emphasized the need for state investment in State Share of Instruction.<sup>76</sup> Chancellor Randy Gardner needs to keep the pressure on.

<sup>69</sup> Fleeter, Howard, Economically disadvantaged students and funding in Ohio's Schools, Ohio Children's Budget at <https://ohiochildrensbudget.org/>

<sup>70</sup> Institute for Research on Higher Education, Op.Cit.

<sup>71</sup> "50 State Snapshot of Student Debt: A Nationwide Look at Complaints about Student Loans" (Consumer Financial Protection Bureau, October 2017), <https://bit.ly/2yeeUe6>. The office of student loans within the Consumer Financial Protection Bureau has been reorganized and an updated report is not available. The 13th annual report of the Institute on College Access and Success, "Student Debt and the Class of 2017," issued September, 2018, reports that Ohio is 17th in average student debt, at \$30.329 and 10th in share of students with student loan debt, at 62 percent. <https://bit.ly/2TK4g7w>

<sup>72</sup> Ohio Department of Higher Education, Op.Cit.

<sup>73</sup> Association of Independent Colleges and Universities of Ohio, "Student Financial Aid," at <https://bit.ly/2X9AQLu>

<sup>74</sup> Jackson, Victoria, "Ohio Promise: Free equitable College," Policy Matters Ohio, October 18, 2018 at <https://bit.ly/2RrBXJz>

<sup>75</sup> Mitchell, et.al., Op.Cit.

<sup>76</sup> Preliminary agency budget request for the Ohio Department of Higher Education, "Chancellor wants fresh look at SSI during budget process," Gongwer News, January 3, 2019 at <https://bit.ly/2S9jzFn>



# Investing in Basic Needs

## INVESTING IN BASIC NEEDS

According to the Health Policy Institute, Ohio ranks 47th among the states for how health of lower-income residents compares to higher-income residents.<sup>77</sup> Services that provide for basic needs have a big impact on health. In addition to the priorities outlined here, legislators should conduct a “health equity impact analysis” of all legislation, in the same way that they conduct a “business impact analysis.”



### CENSUS OUTREACH

\$2.5 million for education and outreach; \$250,000 for staff.

The largest share of Ohio’s health and human service programming comes from the federal government, and Ohio could lose federal funding and congressional representation if state residents are undercounted in the 2020 census. Undercounting of people is common in hard-to-reach places like rural counties and densely populated central cities, or among people who may be afraid to be counted, like legal immigrants. State funding of \$2.5 million for education, outreach and accuracy efforts and \$250,000 to staff a “Complete Count Commission” would ensure a fair, comprehensive and accurate count.<sup>78</sup>



### FOOD

\$30 million a year for proven anti-hunger initiatives.

One in seven Ohioans struggles with hunger; one in five children may go to bed hungry.<sup>79</sup> Unpredictable disasters like the federal shutdown, storms and major plant closings highlight the growing need for stronger state-level funding to prevent hunger. An annual \$30 million allocation will fund a range of proven anti-hunger initiatives like summer lunches for kids, the Ohio Agricultural Clearance Program, and collaboration among local organizations that find resources for families and people in need.

<sup>77</sup> Health Policy Institute of Ohio, Connections between Income and Health, Op.Cit.

<sup>78</sup> Najera, Tracy, Census 2020 and the Child Undercount, Ohio Children’s Budget Coalition issue brief at <https://ohiochildrensbudget.org/>

<sup>79</sup> Hunger in Ohio, Op.Cit.



## SHELTER

An addition \$20 million a year for the Ohio Housing Trust Fund.

Just 42 rental units are affordable and available for every 100 extremely low-income tenant households in Ohio.<sup>80</sup> There is great need but less funding for affordable housing because the Ohio Housing Trust Fund has fallen by \$20 million from a target of \$50 million a year. The General Assembly should rebuild the Trust Fund with a \$20 million annual allocation from the General Revenue Fund, which would almost double the number of affordable housing projects built and low-income families helped.<sup>81</sup>



## REDUCING HOMELESSNESS

\$25 million over two years from Ohio's TANF surplus.

Homelessness is on the rise in Ohio, jumping by 53 percent between 2012 and 2017, when 70,123 Ohioans accessed homeless services. A third were children (23,000), including nearly 3,000 infants. An allocation of \$25 million over a two-year period from Ohio's TANF surplus could create the Homeless Families Assistance Program for immediate, flexible funding for rapid re-housing and homelessness prevention services to divert several thousand families with children from shelter to housing.<sup>82</sup>



## AT-RISK YOUTH

\$15 million over two years to coordinate services for children facing difficult challenges.

Across Ohio thousands of children are caught up in state and local correctional, health, mental health, child welfare and other systems. The Joint Legislative Committee on Multi-System Youth of the 130th General Assembly studied the needs and the gaps in systems that result in custody relinquishment. Chaired by Senator Gardner and Representative LaTourette, the bi-partisan committee unanimously recommended dedicated funding for services, including funds to help youth and families in crisis access appropriate care; collecting and sharing data; creating various Medicaid-reimbursable wraparound and peer services; and others. An allocation of \$15 million over two years would support these recommendations.<sup>83</sup>

<sup>80</sup> National Low-Income Housing Coalition's Gap Report, cited by COHHIO (Report shows lack of affordable housing in Ohio) at <https://cohhio.org/report-shows-gap-in-affordable-housing-in-ohio/>

<sup>81</sup> "Build on Ohio's housing success: The Housing Trust Fund," Coalition on Housing and Homelessness in Ohio (COHHIO).

<sup>82</sup> "Homeless Families Assistance Program," proposal by Coalition on Housing and Homelessness in Ohio (COHHIO).

<sup>83</sup> Channing Tennenbaum, Gayle, Coordinating Care & Preventing Custody Relinquishment for Multi-System Youth at <https://ohiochildrensbudget.org/>



# Paying for Investments

## PAYING FOR INVESTMENTS

Lawmakers can pay for these needed investments by ensuring the affluent pay a fair share of state taxes; modernizing the tax code to better reflect the new economy, including new types of businesses, from Airbnb to fracking; ensuring existing sales taxes are collected, including from on-line retailers, and eliminating or tightening up inefficient, ineffective tax breaks.<sup>84</sup> Lawmakers spend through the tax code as well as through the budget. State coffers forgo \$9.4 billion a year to 129 tax breaks.<sup>85</sup> Budget talks focus on expenditures; taxpayer dollars forgone need to be scrutinized as well. The Tax Expenditure Review Committee has this job, but has been unstaffed and review is weak. This should be changed.



### TAX EXPENDITURE REVIEW

Fully fund staffing for the committee.

In the budget for 2020-21, lawmakers should fully fund staffing for the Tax Expenditure Review Committee's evaluation and oversight of tax expenditures at a level comparable to that of the Joint Medicaid Oversight Committee (\$840,000 a year) and the Joint Education Oversight Committee (\$350,000). The Legislative Service Commission should hire experienced staff to assist and should contract with outside experts to allow lawmakers to be as scrupulous in overseeing the \$9 billion spent through the tax code as they are in the \$8 billion they spend on Medicaid health services or the \$9.8 billion on schools.<sup>86</sup>

<sup>84</sup> For the Policy Matters Ohio position on restoring state tax revenues for needed investments, see Schiller, Zach and Patton, Wendy, "Overhaul: A plan to rebalance Ohio's income tax," Policy Matters Ohio, June 26, 2018 at <https://bit.ly/2RVhMDL>

<sup>85</sup> Beneficiaries of Ohio's tax breaks include major drug distributors (some fighting court battles over their role in the opioid epidemic) people who buy time shares in private aircraft, private schools that build sports facilities; egg production corporations that have repeatedly polluted the water and employed contractors that provided slave labor and wealthy owners of pass-through businesses who pay no taxes on the first \$250,000 of income and a preferential rate of 3 percent instead of 5 percent on all income over that amount. See Patton, Wendy and Schiller, Zach,

<sup>86</sup> The Joint Medicaid Oversight Commission (JMOC), with oversight of almost \$8 billion in annual state taxpayer and provider funds, meets monthly, has a budget of \$840,000, a staff of two and contracts with accountants and actuaries. The Joint Education Oversight Committee (JEOC), with oversight of \$9.8 billion in state taxpayer funds, has a staff of three and a budget of \$350,000 a year. See Patton, Wendy and Schiller, Zach, "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>





# Summary

## SUMMARY

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Ohio's long run of tight budgets has meant underinvestment and a weakened state. This has meant worse health, more hunger and lower-quality schools. It's meant too little transit and too much lead poisoning. It's meant high-cost college and low-quality housing. Our infant mortality rates are too high,<sup>87</sup> our overdose rates are alarming, and our racial disparities for many outcomes are shameful.

State investment has been flat since the recession, adjusted for inflation, although needs have grown. Many places have not recovered from the recession. Poverty remains high, with an estimated 14.9 percent of Ohioans living in poverty in 2017, higher than the 13 percent in 2006, before the recession. Increased tax revenues that came with economic recovery were not used to improve Ohio communities and schools. They were mostly used for income tax cuts,<sup>88</sup> tax breaks for special interests<sup>89</sup> and replenishment of the state rainy day fund.

Policy choices got Ohio where it is, and policy choices can turn things around. Governor DeWine is off to a promising start, with task forces developing budget recommendations to address the addiction crisis (the Recovery Task Force), infant mortality (Home Visiting Task Force), a commitment to boost eligibility for public child care and a focus on infrastructure needs of the state.

Lawmakers in the 133rd General Assembly have no shortage of needs to address. Restoration of eroded services is a harder job now because revenue sources have been cut and unappropriated funds stashed away for future use. Is the 133rd General Assembly up to the challenge? It's time for lawmakers to restore investment in Ohio, and Ohioans must hold them accountable.

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<sup>87</sup> Centers for Disease Control and Prevention, Infant Mortality at <http://1.usa.gov/1j1QbMj> and World Bank Open Data: Infant mortality, 2017 at <https://data.worldbank.org/indicator/sp.dyn.imrt.in>

<sup>88</sup> Schiller and Patton, Op.Cit.

<sup>89</sup> Patton, Ohio budget basics, Op.Cit.

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