

CAMPAIGN
BRIEFING:
INVESTING
IN OHIO

AUTHOR

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POLICY MATTERS OHIO, the publisher of this study, is a nonprofit, nonpartisan policy institute dedicated to researching an economy that works for Ohio. Policy Matters seeks to broaden debate about economic policy by doing research on issues that matter to working people and their families. With better information, we can achieve more just and efficient economic policy. Areas of inquiry for Policy Matters include work, wages, education, housing, energy, tax and budget policy, and economic development.

Campaign Briefing 2008:

Achieving an Economy That Works

Policy Matters Ohio is a policy research institute dedicated to doing research and advocacy to create an economy that works better for everyone in Ohio. For the past eight years, we have conducted research on work, wages, budgets, education, incarceration, economic development, workforce development, housing, health, and consumer policy, all with an eye to creating more shared prosperity in this state.

We hope to be a resource to those seeking and holding office in Ohio. This document provides a brief summary of our policy recommendations in a few high-priority areas, with links to research we or others did on these issues. This brief is not intended to provide an exhaustive list of all of the challenges and opportunities facing Ohio, or even a comprehensive catalogue of all issues we research – rather it is meant to make you aware of our analysis of key issues of interest to the state.

We believe Ohio became a great state because its people made smart decisions and sound investments. During times far less prosperous than today, Ohio's citizens considered future needs, invested effort, time and scarce resources, and took a chance on a better tomorrow. Today we are better educated, more prosperous, and more successful because of that earlier leadership.

Creating a more fair, prosperous and sustainable Ohio requires thinking big. As someone seeking office in Ohio, we know you have many ideas to offer. This document is meant to be a resource to you and other candidates, to enable you to make informed judgments when developing your vision of an Ohio economy that works better for all.

Action Items for Ohio

- **Raise Adequate Revenue to Invest in Needed Services; Increase Tax Fairness.**
- **Invest in Pre-Kindergarten Education.**
- **Train and Retrain Ohio's workforce to Meet Labor Demands**
- **Invest in Energy and Infrastructure.**
- **Create Opportunity in Ohio**
- **Construct On-Ramps to the Middle Class**
- **Strengthen Unemployment Compensation**
- **Help Build and Protect Ohioans' Assets**

Providing opportunity, investing in the future, building on-ramps to the middle class, protecting assets and providing strong public infrastructure led to a more prosperous, educated, productive, equitable and sustainable Ohio. A renewed commitment to these policies will create a better Ohio and a better America.

Introducing Some Key Resources from Policy Matters

Policy Matters, founded in January 2000, now employs eight full-time, dedicated professionals. Despite our relatively small size and brief tenure, we have weighed in on many crucial issues facing lawmakers in Ohio. We've written extensively about tax and budget policy, economic development, work, wages, unemployment compensation, trade, workforce development, equity, and foreclosures. We want you to be aware of what we've published, even if it is not a comprehensive discussion of a certain issue. Where we think it makes sense, we have also provided links to other organizations that have done high quality analysis.

Most of our reports are analyses of one particular issue – a review of a job training program, an examination of the growth in payday lending, an analysis of the job potential of clean energy, and the like.

Three reports or series serve as useful general background for you and your staff as you seek to understand Ohio's economy and its opportunities and challenges.

- An [*Economy That Works*](#) is a one-time report completed just as the Strickland administration took office, provides an overview of our thinking in a variety of policy areas. The report also includes links to other useful resources. Click here for the [Executive Summary](#) and here for the [Full Report](#).
- We publish [*The State of Working Ohio*](#) series each year around Labor Day. This series provides useful background information on Ohio's economy and Ohio's working families—including snapshots and trends related to working people here in Ohio. The most consistent conclusion of this series is that our economy is more productive, and our workforce more educated, than previous generations, yet the rewards from that productivity have not been broadly distributed. Median wages have stagnated, work hours have grown, and inequality has skyrocketed. The reports also provide policy suggestions we believe can lead Ohio to better job growth, higher wages, more shared prosperity and stronger career ladders. The [Executive Summary](#) and [Full Report](#) are available on our website.
- Finally, in our [*JobWatch*](#) series we regularly check on progress in Ohio's job growth. This 2-page report will allow you to monitor, throughout the year, whether we are adding jobs or losing them. In particular, each report makes careful note of progress on manufacturing jobs. One jarring conclusion from the most recent of these reports: Ohio is heading into an economic downturn before even recovering the jobs from the last recession seven years ago. Except for Michigan, Ohio is in this position alone. Ohio lost almost 175,000 jobs since the last recession, or 3.4 percent of its total as of June. This series can be found [here](#).

Action Item #1: Raise Adequate Revenue to Invest in Needed Services; Increase Tax Fairness

Taxes are the main way we raise resources for services the public sector provides.

The private sector works well for producing many goods and services, especially if forceful laws are in place to monitor product safety, environmental compliance and labor practices. But for health care, schools, roads, sewers, policing and other essentials, the public sector is best. The taxes we pay are used to provide high quality public services, and to invest in our public infrastructure.

- ⇒ See Jon Honeck's 2006 report, [*Economic Growth and the Public Sector: Evidence from the States*](#), dispelling the myth that increased public spending reduces economic growth. To the contrary, the results suggest that higher rates of public sector growth were associated with more rapid economic growth.
- ⇒ The Economic Policy Institute report, [*Rethinking Growth Strategies: How State and Local Taxes affect Economic Development*](#) explains the above results. Public spending increases can mean increased access to health care; better infrastructure like schools, roads and transit; more effective fire and police protection; and more access to high-quality school from pre-kindergarten through college. All of these can generate growth in spending, income and jobs. Investments in mass transit or pre-k education, for example, stimulate the economy by employing teachers, transit drivers and skilled tradespeople, make it easier for people to get to work because other needs are better taken care of, and invest in the future by making tomorrow's workforce more prepared and reducing the pace of global warming. Reductions in tax revenues, on the other hand, may negatively impact growth and employment by forcing cutbacks in public services, reducing public employment, and forcing individuals or businesses to pay more for services that the public sector could provide more efficiently.

Like most states and the United States, Ohio has a progressive individual income tax based on an individual's ability to pay. Higher income is taxed at a higher rate. This is a principle of fair taxation that dates back to the Enlightenment, endorsed by such thinkers as John Locke and Adam Smith. Many low-income Ohioans, however, pay a larger share of their income in state and local taxes than their wealthier counterparts.

Over time, Ohio's tax burden has shifted from corporations to individuals and from higher-income households to lower-income families. This has reduced the taxes paid by the most affluent Ohioans at the expense of needed revenue and a fair tax system.

- ⇒ In 2005, the General Assembly reduced income-tax rates across the board by 21 percent over five years. Besides costing the state \$2.2 billion next fiscal year, much of this reduction will go to Ohio's most affluent taxpayers. The top 20 percent of Ohio families, by income, will receive \$1.56 billion, or 70 percent of the aggregate \$2.22 billion annual reduction. Even before the 2005 tax changes, low- and middle-income Ohioans paid a

greater share of their income in taxes than wealthier Ohioans. See Jon Honeck's 2008 report, [*A Step Towards Fiscal Balance: Ohio's Income Tax Options*](#) for more detail.

- ⇒ The legislature also approved a phase-out of the corporate franchise tax – Ohio's corporate income tax – and the tangible personal property tax, and replaced them with a new tax on gross receipts called the Commercial Activity Tax (CAT). While the CAT has some merit as a broad-based tax, it will generate \$1 billion less in annual revenue than the two loophole-ridden taxes it replaces. On a long-term basis, the change will reduce revenue available to schools and local governments. See Zach Schiller's 2005 report, [*Strengthen, Don't Scrap, Ohio's Corporate Franchise Tax*](#).
- ⇒ A recent report from our national partner Citizens for Tax Justice, [*Capital Gains and Dividend Tax Cuts*](#), examines the 2003 national reduction of the top U.S. tax rate for capital gains and corporate stock dividends. In Ohio, the top 1 percent of taxpayers who make an average of \$955,400 a year, will gain \$14,298 in 2009. In contrast, the bottom 60 percent of Ohio taxpayers by income will average a gain of just \$20. The study also demonstrates that the cut in taxes on investment income doesn't cause federal revenue to increase, despite mythical arguments to the contrary.
- ⇒ Ohio's tax system is riddled with loopholes that drain revenue while providing special treatment for favored taxpayers. Zach Schiller's 2007 report, [*Exempt from Scrutiny*](#), outlines some of these exemptions, deductions and credits, as does a report released just this month, called [*Limiting Loopholes*](#).

Specific Policy Recommendations

In order to maintain effective public services in the long run and make the tax system more fair, we call on the new Ohio General Assembly to take the following actions:

- (1) Halt further cuts to personal income tax rates, and reverse cuts for the most affluent. Restoring the personal income tax on the affluent would make the tax system fairer and generate needed revenue for investments in education and other critical needs.
- (2) Retain the corporate franchise tax, Ohio's corporate income tax. This tax is being phased out, together with the tangible personal property tax, and replaced by the new Commercial Activity Tax. Companies should continue to pay a tax on their income, as they do in the vast majority of states.
- (3) Establish a permanent, comprehensive mechanism to provide regular evaluation of the effectiveness of all tax credits and deductions. Eliminate or limit unneeded tax breaks. For instance, the state should make its property tax exemption for seniors available only to those who need it, not to affluent Ohioans. See Jon Honeck's 2007 report, Targeting Ohio's Homestead Exemption Would Save \$118 Million a Year.
- (4) Create an Ohio Earned Income Tax Credit, as 24 other states have done, which will help moderate income working Ohioans make ends meet, reward work, and provide resources in modest-income communities that spur economic development. This will partially compensate for a tax code that increasingly relies on regressive taxes.

Action Item # 2: Invest in Early Care and Education

Building tomorrow's students begins early. This means Ohio must begin investing in its youngest citizens today. By providing excellent child care for infants and toddlers, high-quality pre-K to all four-year-olds, and all day kindergarten to all five-year-olds, Ohio can help ensure that today's children thrive and excel throughout their lives. Since 2001, Policy Matters has released about [ten reports](#) making the case for solid investments in education that begins with Ohio's youngest children and continues through adulthood. Our annual [State of Working Ohio](#) report also examines how higher levels of education correlate with better compensation, looks at how education levels have increased in the past generation, and pushes for new efforts to increase education levels.

Every dollar that Ohio invests in universal pre-K will bring a three-dollar return in the long term. Investments in education pay off dramatically for our children and our public budgets, lowering costs for remedial education, incarceration and poverty assistance and increasing lifelong literacy, knowledge and well-being. High-quality preschool should be available to all four-year-olds and staffed with well-compensated, credentialed professionals.

Ohio has often been a leader among states in the breadth of its Head Start investment and coverage. The 2008-09 biennial budget included a renewed commitment to our future with an increase of nearly \$270 million in funding for the care and education of children from birth through age six. Much of this investment is geared toward the expansion of full-day kindergarten and quality pre-K programming. Governor Strickland's creation of an Early Childhood Cabinet can help Ohio make smart decisions to continue expanding quality early childhood services.

- ⇒ **Long-Term Goal:** Ohio should provide free preschool to every four-year-old through its neighborhood public schools. In May 2007, with our partners at the Economic Policy Institute and Voices for Ohio's Children, we released this report written by economist Robert Lynch, [Pre-K Pays! - Enriching Children, Enriching the Nation](#), which found that, nationally, investments in pre-K have begun paying for themselves within nine years. Publicly funded preschool saves government money, boosts individual earnings, reduces crime and improves community well-being. [3-page Ohio fact sheet](#)
- ⇒ **Short-term strategy:** As we build toward that universal system, we can more immediately enact other education-related recommendations of the GroundWork campaign for better early care and education: Offer full day kindergarten to all families who want it; continue to enroll new children under age four in high quality early education; and increase the number of T.E.A.C.H Early Childhood higher education scholarships available to pre-K teachers across the state. For more on how the GroundWork campaign is building a better early care and education system, go to <http://www.groundworkohio.org/>.

Action Item #3: Train and Retrain Ohio's Workforce to Meet Labor Demands

In an era of rapidly changing technology, lifelong learning is an essential ingredient for a successful career. Ohioans have to be nimble, prepared to change jobs, learn new skills, adjust, and adapt, and our public system needs to help them do so. For those who have already joined the work world, we could take many steps to provide flexibility and encourage lifelong learning.

Make it easier for adult workers at all income levels to access needed training for careers:

Bring classrooms to the neighborhood or to the workplace; Keep college costs low and provide direct aid in the form of grants and loans to those who have financial needs; Reward training providers serving low-income students, the work force of the future; Gear training toward the needs of existing, local employers who provide career paths for upward mobility; Provide critical work supports like child care and transportation to enable students to better access training;

Frequently, adult learners have the greatest need for new training, but face the greatest obstacles. The typical places of adult training, community colleges and vocational schools, must be provided with the tools they need to allow adults to succeed. These institutions must be adequately funded and should be rewarded for succeeding at serving those who need training the most.

Transfer the skills and experience of displaced workers to new fields. As a society, we've made choices that make layoffs and job loss more likely. For workers affected, the consequences can be devastating. The Bureau of Labor Statistics' worker displacement surveys find that two years after most layoffs, only 27 percent of workers are making their old salary again, and only two-thirds are working at all. Providing high quality training is a public service to help retain companies in Ohio while reducing the negative consequences when workers lose jobs. Well-trained workers keep firms rooted in Ohio.

See these reports for greater insight into the training needs of Ohio's adult workers: Jon Honeck (2008), [*Meeting the Challenge: Improving Dislocated Worker Services in Ohio*](#), and [*Occupational Shortages in Health Care and Occupational Shortages in Health Care and Manufacturing \(2008\)*](#); D. Altstadt, J. Honeck, G. Coulter (2008), *Leave no Worker or Training Dollar Behind*. <http://www.policymattersohio.org/pdf/LeaveNoWorkerBehind.pdf>. Also see Community Research Partners Director Roberta Garber discussing five similar themes on a revamped workforce development system at www.communityresearchpartners.org and check out the thoughts of the KnowledgeWorks Foundation at www.kwfdn.org.

Specific Policy Recommendations

1. When working with dislocated workers, encourage high-skill training instead of immediate work placement in low-wage positions.
2. Target high-wage occupations with benefits and career paths.
3. Create partnerships with employers and unions to ensure training is appropriate.
4. Provide financial support during training. Offer job development, placement, retention, advancement, and workforce supports like help with child care.
5. Emphasize workforce training to a greater degree, instead of tax credits or other subsidies, as an economic development tool.

Action Item #4: *Invest in Energy and Infrastructure*

If Ohio wants a more prosperous, equitable and sustainable future, we must start investing now. Renewable energy and energy efficiency are high priority areas for infrastructure improvements and economic development in Ohio. If we grow these new sectors, the right way, we can become more energy independent and create green pathways out of poverty:

- ⇒ **Generating Energy, Generating Jobs:** Working with the Renewable Energy Policy Project, we released a report in late 2005 demonstrating Ohio's potential to capture thousands of manufacturing jobs if our nation committed to using renewable energy. We summarized national findings in a concise policy brief found at the link above (state and county map of job creation potential can also be found there). Other estimates have since been released but the bottom line is that tens of thousands of manufacturing jobs could be created here if America and Ohio get serious about wind, solar, biomass and geothermal. Even more jobs can be created, and our economy made more sustainable, if we invest in mass transit, building retrofits, and other smart strategies.
- ⇒ **The New Apollo Program-Clean Energy and Good Jobs:** In this report, the Apollo Alliance lays out a national strategy for developing a clean energy economy that will also create green pathways out of poverty. Americans face a choice—continue with business as usual, putting our planet, our security, and our economic well-being at risk; or seize the opportunity to forge a new path—building a new clean energy economy that creates good jobs, broadly shared prosperity, and a better future? **Policy Matters is the Ohio partner to the national Apollo Alliance. Their website (www.apolloalliance.org) is a solid information source on the promise of a green energy economy.**
- ⇒ **Investing to Re-Energize Ohio.** Ohio's Advanced Energy Fund uses grants, contracts, loans, linked deposits and production incentives to encourage a more renewable and energy efficient economy. This October 2007 report, by Policy Liaison Amanda Woodrum, documents the many important projects supported by the fund, despite its small size. A larger, more stable Advanced Energy Fund would encourage investment in clean energy products and services, stimulate development in clean energy, and reduce the use of polluting and foreign fuels. **For more, see: [Green Energy Ohio](#), the [Ohio Environmental Council](#), the [Blue Green Alliance](#), and [Eco-city Cleveland](#).**

Specific Policy Recommendations

1. Ohio's Advanced Energy Fund should be expanded and made permanent.
2. Federally, we need a system to limit carbon use and raise money from carbon emitters for investments in the clean energy economy. But the standard must help Ohio's energy-intensive manufacturing industry transition to cleaner ways of producing what America needs.

Action Item # 5: Create Opportunity in Ohio

Economic development should assist firms in ways that build community assets, improve worker well-being and increase commitment to community. Some examples: assist with training, improve access to public infrastructure, provide links to research partners, improve communication among firms, or help firms solve problems collectively and plan for future needs.

Five principles should steer decision-making regarding economic development to focus less on recruiting from other states and giving away expensive credits and subsidies, and more on building a strong, permanent, high-skill, high-road Ohio:

1. **Ensure a strategic purpose for any subsidy provided.** Develop an explicit cost-benefit analysis, and require repayments when jobs are not provided as promised.
2. **Target incentives to areas with high unemployment or persistent poverty.** Jobs should pay living wages with good benefits and should have career ladders.
3. **Assure that assisted companies are “anchored” to Ohio because of the skills of our workforce, our research strengths, or our strong supplier base.** State incentives should not be used merely to lure businesses from one locality to another.
4. **Consider urban density, avoid sprawl and discourage greenfield development.** Programs should favor sites that are already built-out and have public transportation.
5. **Workforce and economic development should be integrated** When we help ensure a well-trained workforce, it roots the firm in the community and provides lasting benefits to Ohio. When we just give financial assistance, the firm can seek a better package out of a neighboring state the next year.

Specific Policy Recommendations

1. **We should overhaul economic development programs with the above goals in mind.** Ohio’s 2005 tax reform slashed business taxes. Tax abatements and incentives should be reduced particularly now that the overall levels are lower. State policy should discourage poaching business from other Ohio communities. Relocations within the state should rarely receive state support. Localities that do lure firms should continue to share revenue with their old communities. School districts should be given more say about incentives that affect their revenue. See [Anti-Poaching Agreements: A Background](#), for more.
2. **Ohio should put in place a unified economic development budget.** This would list all state aid to private companies, including tax expenditures, in one electronically accessible place. The state should have a clear vision of economic development goals, a transparent understanding of spending toward those goals, and a method of monitoring progress. The Strickland administration has pledged to put such a budget in place. Fund to do so should be included in the next biennial budget.
3. **When the state does subsidize firms, it should require that they create high-quality jobs with good pay and health benefits.** Standards should be included in subsidy programs, with requirement to repay subsidies where performance is lacking. Low-wage work can have high public costs. When employers don’t provide health care or salaries high enough to meet needs, the state sometimes has to pick up the cost, in the form of Medicaid, cash assistance, child care assistance or other subsidies. Economic development assistance should be structured to ensure that new jobs do not increase public benefits spending due to low wages or poor benefits. For more detail, see the recent 2008 Policy Matters’ report from researcher Piet van Lier, [Public Benefits Subsidize Major Ohio Employers](#).

Action Item # 6: Create On-Ramps to the Middle Class

Falling or stagnant wages, soaring health care costs, volatile home prices, and growing costs for child care and other services have created a middle-class squeeze. Our sense of security, in particular, has plummeted. A forty-year trend toward increased commitment from workers to employers and vice versa unraveled in the last quarter of the twentieth century as layoffs, downsizing and plant closures became the norm. For workers who lose jobs, replacement positions are usually at lower pay rates –often much lower. Rates of employer-provided health and pension coverage declined markedly, leaving employees to fend for themselves in establishing these basics, or go without.

Many Ohioans work hard but cannot make ends meet. Over 2.8 million Ohioans, approximately 25 percent, do not earn enough to meet basic needs. The gap between what these Ohioans earn and their basic family budgets, a hardships gap, forces many families to go without such necessities as health insurance or safe and enriching child care. Public work support programs such as Medicaid and child care assistance can help these families to bridge the hardships gap between what they earn and what they need to make basic ends meet:

- ⇒ ***Bridging the Hardships Gaps in Ohio.*** This 2008 Policy Matters Ohio report shows that while public work supports help narrow the gap between what people earn and their basic family budgets, nearly 2.1 million Ohioans (20 percent) continue to struggle. Many families either do not qualify for public work supports, the programs lack enough resources to cover everyone eligible, or the administrative process is too cumbersome. Eligibility requirements for public work support programs should be simplified, expanded to include more Ohioans, and should phase out slowly, so that an additional dollar of work-related earnings never results in a step backwards with more than a dollar in lost income.
- ⇒ ***Reasonable costs: What can Ohioans afford to pay for health care?*** This 2008 Policy Matters' report shows how wages in Ohio often make health care unaffordable for many Ohioans. While some manage to pay for health care or health insurance, often they cannot afford to do so. Over one million Ohioans lack health insurance altogether.

Work alone no longer ensures a decent standard of living. If the American Dream is to become a reality for all Americans, then there is a role for government in helping working families meet their basic needs.

1. *Enact policies that help raise the earnings of low-income and poor families*, including an Ohio Earned Income Tax Credit and expanded federal credit, more comprehensive job training programs, and stronger pay equity policies to help ensure that women are paid as much as men.
2. *Greater access to public work supports.* Americans at all income levels need stronger work support programs, including access to health insurance, child care assistance for children of all ages, and affordable housing.

Action Item # 7: Strengthen Unemployment Compensation

A crucial part of protecting Ohio's middle class is taking steps to ensure that working families do not fall into destitution as the result of what should be a temporary setback. Ohio's unemployment compensation system is a life raft for laid-off workers. While these benefits provide essential support for families, economists agree unemployment compensation also benefits the broad economy. A study commissioned by the U.S. Department of Labor in 1999 found that unemployment benefits reduce the severity of recessions and that each dollar of UC benefits produced \$2.15 of increased economic activity.

Ohio's unemployment compensation system is going broke. We have insufficiently funded the system, with an average tax rate that has been below that of the U.S. as a whole for the last decade. Now, as unemployment rises, the fund soon will be inadequate to pay benefits, forcing us to borrow from the federal unemployment trust fund.

Ohio also has covered fewer of its unemployed with benefits than the United States as a whole. For the 12 months ended in March 2008, only 31 percent of unemployed Ohioans received unemployment benefits.

1. **Ohio should strengthen funding for its unemployment compensation system by raising the wage base on which taxes are levied and indexing that base to average wages in the state.** Ohio taxes only the first \$9,000 of each worker's annual wages, so that only about a fifth of wages in the state are taxable. That's below the national average of \$11,482. Sixteen other states index their wage base so that it can adjust with time and Ohio should do the same.
2. **We should improve eligibility for low-wage and part-time workers.** Ohio has restrictive eligibility provisions that reduce the number of people who are able to get unemployment benefits when they lose their jobs. Our earnings requirement to qualify for UC is one of the toughest in the country. According to our December 2007 analysis, [*Ohio Still Excludes Many from Unemployment Compensation*](#), Ohio was one of only three states in the country in which someone working at \$9 an hour 20 hours a week would not qualify for unemployment compensation. The state also excludes many jobless workers seeking part-time employment who meet all of the other requirements of the program.

These changes will allow our UC system to perform its twin goals of helping jobless workers and the economy. See Zach Schiller's 2008 report, [*Why Ohio's Unemployment Compensation Fund is Going Broke, and What We Should Do About it*](#), for more information on the solvency of the unemployment compensation fund. For an additional resource on unemployment compensation, see the National Employment Law Project website at www.nelp.org.

Action Item #8: Help Build and Protect Wealth

Banks and other financial institutions provide funds needed to invest in such things as becoming educated, buying a home, establishing or expanding a business—investments that can pay off in the long run but can be difficult to pay for up front. Borrowers later repay the loan with interest, making both the lender and the borrower better off in the long run.

Interest rates must be reasonable, so that loans are likely to be repaid, in order for the financial system to work. Exploitative forms of credit with sky-high interest rates and other bad terms, however, have proliferated in recent years since deregulation of the credit industry. People increasingly borrow for spending that isn't an investment, and borrow against their hard-earned equity. Borrowers end up paying much more than they should in interest, accumulating debt that can't be repaid, and losing their assets.

- ⇒ **Research from Policy Matters showed there were now more payday lending centers in Ohio than McDonald's, Burger King, and Wendy's combined.** Workers ensnared in payday lending debt traps pay over 300 percent APR for a modest loan, ultimately taking out multiple loans when they are unable to pay off the original loan. The Ohio legislature recently passed excellent guidelines for short-term loans, but the payday lending industry is working hard to thwart those efforts. See researcher David Rothstein's most recent 2008 report on [*The Continued Growth of Payday Lending in Ohio*](#).
- ⇒ **Predatory Home Loans increased 10-fold nationally over the past decade.** Every major religion, and American law from Colonial times on, has condemned usury, or charging of excess interest. But in the late 1980s, a Supreme Court decision and congressional indifference changed all that, allowing sub-prime predatory lenders to couple high interest rates with things like balloon payments (where initial low payments inflate to be unaffordable), prepayment penalties, high fees, practices that encourage repeated refinancing, and loans for overvalued homes. Lax regulation allowed supercharged growth that eventually resulted in today's foreclosure crisis.
- ⇒ **For the most recent research, See Zach Schiller's, [*Foreclosure Growth in Ohio 2008*](#), and David Rothstein's, [*Collateral Damage: Renters in the Foreclosure Crisis*](#).**

Specific Policy Recommendations

1. Candidates should speak out in favor of keeping the recently passed legislative guidelines on payday lenders in place, and thwart efforts to amend Ohio's constitution to permanently eradicate the legislature's gains.
2. Mortgage servicers should engage in meaningful negotiations of loan terms before they file foreclosure actions against borrowers who are owner-occupants. Courts should refer foreclosure complaints to mediation to see if it's possible to keep owners in their homes.
3. Renters deserve more protection from suddenly losing their home to foreclosures. Bills currently in the General Assembly would ensure that rental leases survive a foreclosure. Tenants who are paying their rent and fulfilling the conditions of their leases should not be forced out of their homes because of their landlords' financial problems.
4. Congress recently approved much-needed federal aid to localities, but it was far from sufficient. Additional federal outlays should be provided to assist communities damaged by the mortgage crisis.
5. The Ohio legislature should do more to prevent predatory lending of all kinds. Learn more about responsible lending here at www.responsiblelending.org.

Conclusion

As this document goes to press, the nation faces an enormous financial crisis, with leaders deeply divided about how to resolve it. Any resolution being considered will likely involve great costs to American taxpayers. Ohio has, in many ways, been in a recession for much of the past decade but an official national recession now seems all but certain. It is likely that our already strained state budget and our already burdened Ohio families will now be faced with more layoffs, more downward pressure on incomes, lower property values, reduced value of savings, and other troubling trends.

Since our arrival on the scene eight years ago, Policy Matters has warned about an economy that excessively compensated the wealthiest while leaving out low- and middle-income workers. We noted the frightening spike in foreclosures and demanded better regulation. We've raised caution about underinvestment in people, infrastructure and alternative energy, and we've laid out a vision of a smarter economy that invests in the future, creates opportunity, and increases equity and sustainability.

Going forward, it is crucial that we change our approach. We need to include working people in our prosperity, build our economy on wages, not debt, and do more to create a more educated, prosperous, sustainable and equitable society. This season's turmoil reflects the perils of an approach that disdains regulation, devalues government, and celebrates inequality. This campaign briefing and our other resources will, we hope, provide the beginnings of a blueprint for a smarter approach that leaves us prepared for tomorrow.

POLICY MATTERS OHIO IS A NON-PROFIT, NON-PARTISAN RESEARCH INSTITUTE DEDICATED TO RESEARCHING AN ECONOMY THAT WORKS FOR ALL IN OHIO. POLICY MATTERS SEEKS TO BROADEN DEBATE ABOUT ECONOMIC POLICY BY PROVIDING RESEARCH ON ISSUES THAT MATTER TO OHIO'S WORKING PEOPLE AND THEIR FAMILIES. AREAS OF INQUIRY FOR POLICY MATTERS INCLUDE WORK, WAGES, AND BENEFITS; EDUCATION; ECONOMIC DEVELOPMENT; ENERGY POLICY; AND TAX POLICY. GENEROUS FUNDING COMES FROM THE JOYCE, GUND, CLEVELAND, PUBLIC WELFARE, KNOWLEDGEWORKS, NEW WORLD, ANNIE E. CASEY AND SISTERS OF CHARITY FOUNDATIONS, THE ECONOMIC POLICY INSTITUTE, AND GREATER CLEVELAND COMMUNITY SHARES. TO THOSE WHO WANT A MORE FAIR AND PROSPEROUS ECONOMY... **POLICY MATTERS.**

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