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Federal Budget Control Act Will Cut Ohio Programs Now; Threats of New Cuts Loom

Federal dollars fund nearly a third of Ohio's budget. As thousands of cuts imposed by the new state budget take effect, proposals to cut federal spending raise new threats. In a report released today, Policy Matters Ohio outlines the mechanics of the recently-passed federal Budget Control Act that could have harsh consequences for Ohio. "The federal budget pays for services Ohio needs and jobs Ohioans hold," said Wendy Patton, Senior Associate at Policy Matters Ohio and report author. "A cuts-only approach to the federal deficit threatens Ohio's families, communities and economy."

Health and human services in the state budget are largely supported by federal funding: 82 percent of the budget of the Ohio Department of Aging, 74 percent of the Department of Alcohol and Drug Addiction, 68 percent of the Ohio Department of Job and Family Services. In this economic slump, demand for these services has grown. But state legislators slashed state funding in the budget, particularly at the local level. Federal debt reduction further slashes support for already-stretched local agencies.

The funding threatened by federal cuts goes beyond health and human services. More than four billion federal dollars in the current state budget funds Ohio schools. Three billion funds Corrections. The Ohio Department of Development administers \$832 million in federal programs. Almost 20 percent of the Department of Agriculture is federally funded.

In exchange for routine approval to raise the debt ceiling so that the federal government could pay its bills, federal legislators agreed to cut nearly a trillion dollars over the next ten years from the federal budget and outlined a process for proposing another \$1.2 trillion in debt reduction. A committee of 12, including Ohio Senator Rob Portman, has been appointed to decide how to get this done. They could cut tax expenditures, allow the Bush tax cuts on top earners to expire, and/or impose more spending cuts. If they fail, an automatic, cuts-only process called 'sequestration' kicks into action with across-the-board spending cuts for the next decade. Some important programs are exempted, but even those with protection may have related programming exposed to the sequestration.

"Sequestration will not be a sensitive administrator," said Patton. "Poverty, hunger, disease, addiction and other terrible outcomes could be made worse. Instead we should let the tax cuts for the wealthy expire, cut tax expenditures and close loopholes and return to the tax levels we had in the strong economic expansion of the 1990s."

The report recommends a balanced approach to deficit reduction that raises revenues to balance cuts already made. Promises made to the elderly - Social Security and Medicare - should be maintained.



There should be no ‘balanced budget amendment’ that would stymie quick response to emergencies ranging from natural disasters and disease to war or further financial crisis. Above all, the outcomes of this new round of debt reduction talks should maintain the long-held principle that such activity should not increase poverty or inequality.

The report contains definitions of key terms and charts that illustrate historical trends in federal outlays and receipts as a share of the economy.