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BUDGET BRIEF

We Deserve a Better Business Plan: An Assessment of Ohio's New Biennial Budget

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House Bill 153, the Ohio budget bill for state fiscal years 2012 and 2013, will impose enormous cuts on critical public services, yet provides hundreds of millions of dollars in tax cuts, breaks and amnesties and even repeals the estate tax, which impacts only 8 percent of Ohio estates, provides important resources for local services and makes the tax system more fair. The tax breaks reward few and the cuts damage much. Cutting education, childcare, local government and other necessities will suppress job growth in Ohio and hurt our communities. It will result in public sector layoffs, weaken public structures, depress demand for private goods and services and hurt the quality of our schools, infrastructure and communities, eventually making Ohio a worse place to live, work, and invest. We still need a balanced approach that replaces lost revenues and closes tax loopholes to mitigate the damage of this budget, the business plan for our state.

Economic events of the past five years shaped budget negotiations. The recession caused demand for safety net services to skyrocket and revenues to plummet. Congress responded by passing the bipartisan American Recovery and Reinvestment Act of 2009 (federal stimulus) to help meet immediate and urgent needs, but that funding has mostly expired. Deep tax cuts passed in 2005 now drain more than $2 billion annually from state resources. As a result, inadequate revenues for services needed as Ohio families lost jobs, income and health insurance caused the much-touted budget gap. The answer of the Kasich administration was to slash services, sell taxpayer assets and eliminate must collective bargaining rights for teachers, police and fire and other public employees. Senate Bill 5, the legislative vehicle to drastically limit collective bargaining, was introduced by Senator Shannon Jones and passed by both houses of the legislature,[1] ostensibly to help local entities and the state make up for the huge funding cuts through layoffs and lower wages and benefits for public workers. Deep cuts to public services will be accompanied by job loss and wage cuts in the public sector, but this will not be enough to make up for the cuts in this budget. Communities will be deciding between new local levies, diminished services, or both.

[1] Since that time, opponents of SB 5 have circulated petitions and collected 915,000 valid signatures for a ballot measure to repeal the law.

Legislators may have cut services deeply, but they spent lavishly in the tax code, a type of spending that benefits top earners. More than a dozen tax breaks were authorized, expanded or extended in House Bill 153. The final implementation of a multi-year income tax cut that favors the wealthy will be completed in this budget at a cost of $800 million. A $100 million investors' tax credit (scheduled to start in the next biennium) was inserted into the budget during the conference committee and, unexamined and without debate, passed into law. The estate tax, which affects the heirs of only the top 8 percent of Ohio's wealthiest estates and raised $231 million for local government services and $55 million for state services in 2010, is eliminated (also starting in the next biennium). Although services across the board were slashed, not a single cut was made in the $7 billion tax expenditure budget.

Economic recovery has been robust at the top of the income scale and for America's businesses. Corporations may not be hiring, but profits are setting records. Ohio is weakened by the failure of the General Assembly to mitigate cuts by closing tax loopholes and reversing tax cuts for top earners and corporations. The cuts that make college more expensive, crowd classrooms and eliminate public jobs are not in the best interest of Ohio's working families and their communities.

Ohio deserves a better business plan.

Education

The largest reduction in services will be in primary, secondary and higher education. Colleges and universities (see section on Higher Education) drop by almost a half billion dollars. Tuition will increase by 7 percent over the biennium and while tuition is capped, other fees are not. The biggest cuts in the budget, however, are taken against K-12 education, where the failure to replace federal stimulus funding and the seizure of tax replacements drive total cuts of nearly $1.8 billion dollars to school districts across the state.

Education is a necessary public service that lays the foundation for the future of the state. For most of us, it shapes the future for our children. Cuts of this magnitude have great potential to damage individuals as well as an institutional system of great importance to Ohio families.

Education is also a major customer for many Ohio businesses and a huge employer in the state. Policy Matters Ohio estimated that cuts proposed to primary, secondary and higher education in the executive budget would cost the state 31,000 direct jobs and another 16,000 indirect and induced jobs in private firms that sell goods and services to schools and universities, as well as in grocery stores, shops and restaurants where teachers and other school employees spend their paychecks.[2] Cuts in this budget to education highlight the kind of damage House Bill 153 imposes on critical public services, employment, communities, families and even Ohio's kids.

Primary and secondary education

The largest cuts to state funding for education, totaling $1.1 billion compared to the previous biennium, were made by taking money that had been directed to school districts as compensation for the phase-out of the business tangible personal property tax (TPP) and loss of tax revenues

[2] Wendy Patton, "Economic Impact of Budget Cuts Proposed in the Kasich Education Budget Proposal: An Input-Output Analysis," Policy Matters Ohio, 4/8/2011 at www.policymattersohio.org/DirectIndirectInducedJobLoss.htm.

from changes in public utility assessment rates.[3] Table 1 shows that this amounts to reduction of more than 46 percent in the Revenue Distribution Fund over the biennium.

Table 1 also shows that the budget bill shifted more state money into the General Revenue Fund, but not enough to offset decreases in Revenue Distribution, Lottery Profits or the loss of State Fiscal Stabilization Funds from the federal stimulus that Ohio schools received during fiscal years 2010 and 2011. This federal support was key in preventing devastating budget cuts during the previous biennium. Many districts and charters continue to benefit from a smaller amount of emergency federal support in the form of the Education Jobs Fund, passed in August 2010 with the goal of "saving or creating jobs for the 2010-2011 school year."[4] EdJobs sent $361 million to Ohio for use by district and charter schools.[5] While intended for use in FY 2011 (2010-11 school year), the law allowed districts to use the money during the coming school year as well. Approximately $290 million in Ohio's EdJobs money has not been disbursed, and our calculations assume it will be used in FY 2012.

Table 1: Comparison of K-12 education funding, previous biennium compared to current biennium. (In millions of dollars)

Funds	FY 2010-11	FY 2012-13	Change	Percent change
General Revenue (state)	$14,648	$15,168	$520	3.6%
General Revenue (SFSF)[a]	$875	$0	($875)	-100%
General Services[b]	$50.6	$83.2	$32.5	64.2%
Federal[c]	$4,592	$4,262	($330)	-7.2%
State Special Revenue	$97.7	$110	$12.5	12.8%
Lottery Profit Education	$1,456	$1,398	($58)	-4.0%
Revenue Distribution	$2,363	$1,261	($1,102)	-46.6%
Totals	**$24,082**	**$22,282**	**($1,799)**	**-7.5%**

Source: Policy Matters Ohio based on Ohio Legislative Services Commission 'Budget in Detail' (as enacted) for the 129th General Assembly.

[a] State Fiscal Stabilization Fund – American Recovery and Reinvestment Act dollars used to fill budget holes and aid schools and districts during the recession.

[b] Increase is due primarily to a doubling, from $25 million to $50 million over the biennium, of the School District Solvency Assistance fund, line item 200687.

[c] Includes poverty and special education funding, as well as other programs; much of the decrease is the result of the loss of federal stimulus funds specific to Title 1 poverty and special education after FY 2012. Also includes the Education Jobs Fund, which has awarded over $359 million to Ohio for FY11 and 12; documents available on the ODE website show about $68 million was disbursed in FY 2011, leaving just over $290 million for FY 2012.

A "mid-biennium budget bill" could change the state-funding outlook for FY2013.[6] Governor John Kasich also has said he hopes to implement a new school funding formula for FY 2013, according to news reports.[7]

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[3] See sections on the TPP and Public Utility tax on pages 9 and 10 below.

[4] See http://www2.ed.gov/programs/educationjobsfund/index.html.

[5] Although the official award was $361 million, a document available on the Ohio Department of Education website "Education Jobs Fund: Sub awards and Disbursements as of 6/30/11" shows that $359,196,023 was awarded to Ohio schools.

[6] *Gongwer News Service – Ohio*, "Tax revenues end fiscal year $973 million in black; tax changes muddle comparisons." Volume #80, Report #130, Article #1 -- July 7, 2011.

At the level of state foundation aid the picture is no less grim, according to a simulation released by the Ohio Department of Education in July. ODE's analysis, which included state aid based on enrollment, as well as tax reimbursement funds (TPP and public utility), showed that all 613 of Ohio's school districts that received state funding in FY 2011 are seeing cuts for both of the next two school years.[8] In FY 2012, those cuts range from 1 percent to 39 percent below FY 2011 funding levels; for FY 2013, cuts range to 59 percent below FY 2011.[9] Some of the state's more affluent districts are seeing the highest percentage cuts in both years, in part because those districts receive less state funding. Larger districts and those more dependent on state aid are seeing higher reductions in terms of dollar amounts.

Table 2 shows that the total cut in foundation aid, including the tax reimbursement and State Fiscal Stabilization Funds from the federal stimulus, total $578 million in FY 2012 and $772 million in FY 2013 compared to FY 2011 levels.

Table 2: Comparison of state foundation aid for Ohio school districts. (In millions of dollars)

	FY 2011	FY 2012	FY 2013
State aid	$6,001	$6,271	$6,315
Reimbursement (TPP/Public Utility)	$1,018	$670.8	$433.0
Federal stimulus (SFSF)	$515.6	-	-
Bonus for top-rated districts[a]	-	$14.1	$14.1
Totals	**$7,534**	**$6,956**	**$6,762**
Change from FY11 ($)	-	($578.0)	($772.4)
Change from FY11 (%)	-	-7.7%	-10.3%

Source: Ohio Department of Education, Bridge Simulation, released July 15, 2011.
[a] ODE did not include the bonus payments for districts rated excellent or excellent with distinction in its analysis. This new funding stream was included in HB 153. Official payments will be calculated using ratings to be released in August 2011; to provide a more accurate funding picture for this analysis, Policy Matters estimated these payments based on previous ratings.

As this analysis shows, Ohio's governor and the General Assembly have abdicated their role in ensuring a strong public education system for our state. In doing so, they have pushed responsibility to the local level and increased the likelihood that inequities already plaguing our public schools will worsen.

As serious as the funding ramifications of this bill are for Ohio's public schools, other policy changes also pose grave risks, particularly as policymakers' passed as part of HB 153 the expansion of charters and school vouchers (both with existing programs and with the creation of

[7] Candisky, Catherine. "New state schools chief is a surprise." *The Columbus Dispatch*, July 13, 2011. http://www.dispatch.com/live/content/local_news/stories/2011/07/13/new-state-schools-chief-is-a-surprise.html?sid=101.
[8] "Bridge Simulation FY12-13," released by the Ohio Department of Education July 15, 2011. This analysis did not include HB 153's "bonus" per-pupil payment for districts rated Excellent or Excellent with distinction by the state; Policy Matters used last year's ratings and enrollment to estimate these payments and they are included in the figures here.
[9] Ohio's island school districts are not included in this range because of extremely low enrollment and specific issues relating to funding for these schools.

a new special education voucher). These changes will drain additional funds from school districts even as they are coping with the already severe cuts described above. A forthcoming brief by Policy Matters will provide an analysis of these policy issues.

Higher education

Ohio has one of the most expensive systems of higher education in the nation.[10]

A significant investment of State Fiscal Stabilization funds from the federal stimulus was made in higher education in Ohio, in part to keep the lid on tuition. Stimulus finding expired and little was replaced in House Bill 153 (Table 3). Overall, funding for higher education was reduced by $411 million dollars, a cut of 8.1 percent. Tuition will be allowed to increase by 7 percent over the biennium. Fees are not capped.

Table 3: Higher education funding in state share of instruction, prior biennium compared to current biennium. (In millions of dollars)

	Prior Biennium	Current Biennium	$$$ change	% change
State Share of Instruction	$3,395.6	$3,486.7	$91.1	2.7%
SSI - Federal Stimulus	$589.8	$0	($589.8)	-100.0%
Total SSI funding	**$3,985.4**	**$3,486.8**	**($498.7)**	**-12.5%**

Source: Policy Matters Ohio based on Ohio Legislative Services Commission 'Budget in Detail' (as enacted) for the 129th General Assembly.

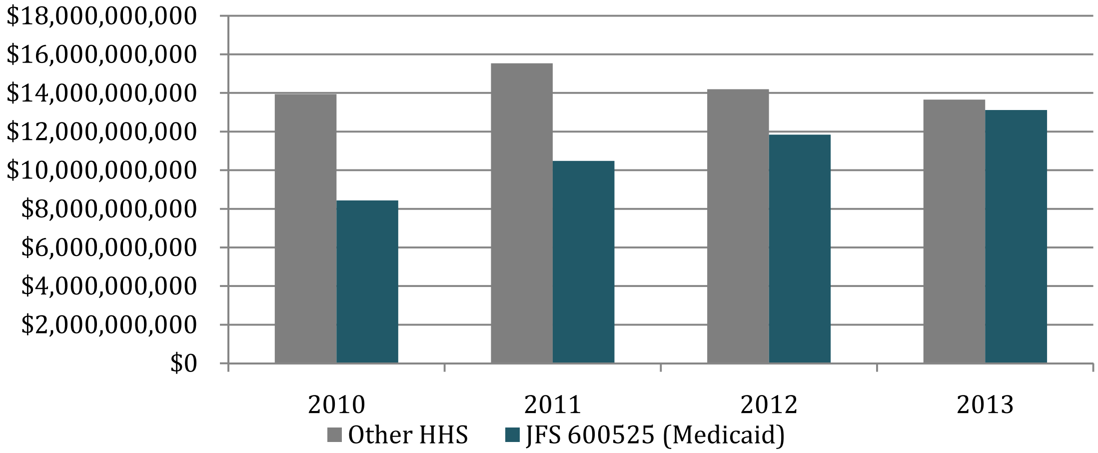
The budget moves toward privatization of Ohio's public system of higher education by introducing the option of as-yet undefined 'charter university' status. Non-educational activities like dorms and parking facilities are authorized for privatization. Within a privatized system, the public good of broad affordability could lose meaning and focus.

Health and Human Services

House Bill 153 retains Medicaid eligibility levels and consolidates program funding within the system. Preservation of Medicaid eligibility protects Ohio's ability to draw down federal Medicaid funds when the Affordable Care Act is implemented in 2014. As joblessness has driven a robust increase in the use of Medicaid, the main Medicaid line item in the budget, the Ohio Department of Job and Family Services' (JFS) Line Item 600252, grew robustly compared with the prior biennium. As a result of this growth, overall spending in the six major agencies associated with health and human services (Aging, Alcohol and Drug Addiction, Developmental Disabilities, Health, Job and Family Services and Mental Health) increased by about 9 percent over the prior biennium. As Figure 1 shows, however, growth in Medicaid lines reflected transfers of funding from other programs across the six agencies.

[10] In the most recent data provided by the National Center on Higher Education Measures (NCHEMS) at http://www.higheredinfo.org/ , Ohio ranked fourth in percentage of family income needed to pay for college at four year public institutions and fifth at community colleges. This weighs particularly heavily on the poorest of families: for those in the lowest income quintile, Ohio is second most expensive for both two-year and four-year colleges.

Figure 1: Prior and current biennium funding for health and human services and for main Medicaid line item (JFS 600525)



Source: Ohio LSC, conference committee budget in detail (as enacted)

Budget changes to individual agencies outside of the main Medicaid line are obscured by the transfer of funds and shifting of line items across departments. Table 4 shows the magnitude of change within the budgets of the six key agencies comprising health and human services. The apparent cut to the all-funds budget of the Department of Mental Health, for example, involves a transfer of Medicaid funds among agencies.

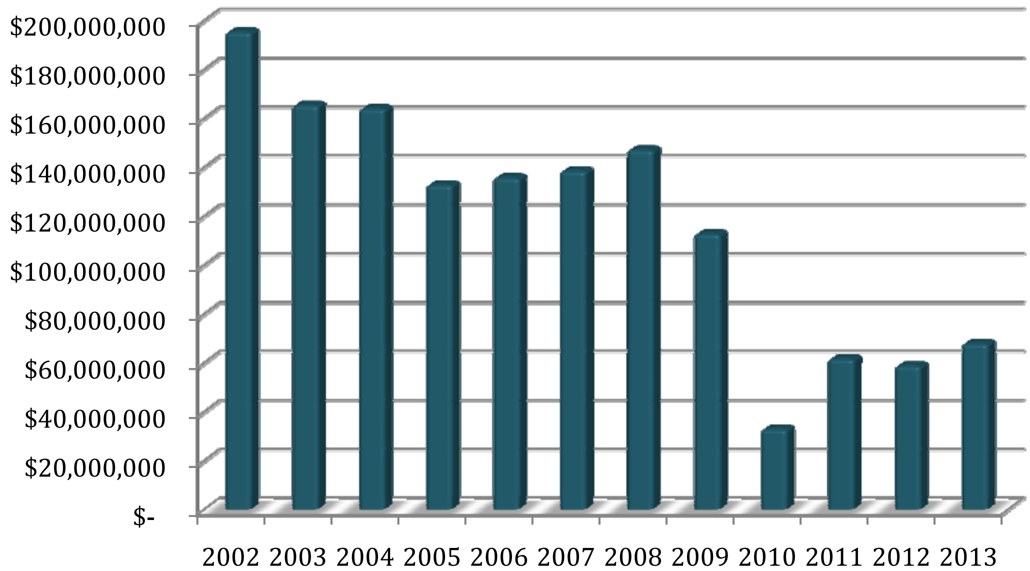
Table 4: Changes in funding by agency, prior biennium compared to current biennium (millions of dollars)

	Current compared to prior biennium	
Agency	**$$$ Difference**	**% change**
Dept of Aging	($1,140.8)	-85.2%
Alcohol & Drug Addiction	($91.3)	-23.0%
Dept of Developmental Disabilities	$538.8	16.8%
Dept of Health	$16.7	1.2%
Dept of Job & Family Svc (ex Medicaid line)	($389.5)	-1.9%
Dept of Job & Family Svc (Medicaid line*)	$6,044.6	32.0%
Dept of Mental Health	($559.7)	-25.4%

Source: Ohio LSC, Conference committee budget in detail (as enacted)
*JFS 600525

The situation within Mental Health demonstrates the complexity of changes within the health and human services agencies. There are transfers of funding among state agencies, and funding for local services is also changed. Yet between loss of tax replacement funding (see the next section on local government) and years of erosion in selected areas (Figure 2), local delivery of health and human services remains strained.

Figure 2: Ohio Department of Mental Health – Non-Medicaid State Funds to Communities



Source: Ohio Association of County Behavioral Health Agencies; note that in SFY 2011 an additional one-time allocation of $30 million was provided but is not reflected in this chart.

Across the various health and human service agencies, House Bill 153 contains a multitude of cuts in services for individuals and families. Many cuts are small but significant in terms of specific programs. Some cuts were partially or even fully restored over the course of budget negotiations through diligent work of stakeholders. Some programs were funded at the level of the last biennium but growing needs in the weakening economy, inflation or long waiting lists make this something less than a victory. A brief sample of budget outcomes in House Bill 153's treatment of health and human service programs includes the following:

- The Alzheimer's Respite program is cut by $4.4 million or 53.6 percent;
- Early Care and Education is reduced by $24 million dollars, a 9 percent cut;
- Child, Family and Adult Community Protective Services in the JFS/GRF budget line by the same name are reduced by $2.3 million (8 percent);
- Adult Protective Services are mandated by the state to protect neglected and abused seniors but supported by an inadequate appropriation of $732,000 for the 88 counties after a cut of $96,000 (11.6 percent);
- The child care quality budget was reduced $11.8 million per year, reducing funding to Step Up to Quality, Ohio Resource & Referral agencies, remote training opportunities for teachers and administrators, and other strategic efforts to increase school readiness through supports for early childhood mental health, health, research and evaluation.;
- Some cuts that were initiated in the executive budget were reversed during budget negotiations. For example, a $3 million cut to executive-level funding for the Help Me Grow home-visiting and early intervention program was restored, though the program was reduced by $5.8 million;
- While eligibility for subsidized day care was reduced from 150 percent of poverty to 125 percent, enrollment in these programs was largely preserved to keep working parents

from losing child care, although resources to improve quality in early childhood care and funding for Early Childhood Mental Health consultations were eliminated in order to preserve those child care slots;[11]

- Some programs are expanded but not enough to meet current needs. The Second Harvest Food Bank, for example, received appropriated funding of $25 million over the biennium, a 4 percent increase over the prior biennium, but remains $9 million dollars short of what is needed;[12]
- Long-term care for seniors was shifted to provide greater resources and emphasis on home- and community-based care instead of more expensive institutional care, but fiscal policies may not support the programmatic changes. Service providers were cut by a minimum of 3 percent. Emergency response system providers were cut by 10 percent. Area Agency on Aging operations for assessments, provider relations and general administration were by 5 percent in 2012 and another 5 percent in 2013;
- Funding for Federally Qualified Health Centers, an important source of health care for those too poor for health insurance but not eligible for Medicaid, was restored in full ($5.46 million over the biennium);
- Funding for Intermediate Care Facilities for people with developmental disabilities was restored ($4 million over the biennium), but challenges remain – long waiting lists are not adequately addressed by the budget.

The financial needs of all of these programs, even taken together, are modest compared to the hundreds of millions for tax credits, tax cuts and other tax breaks authorized or implemented in this budget, a comparison that highlights winners and losers in House Bill 153, the Kasich administration's business plan for our state.

Local Government

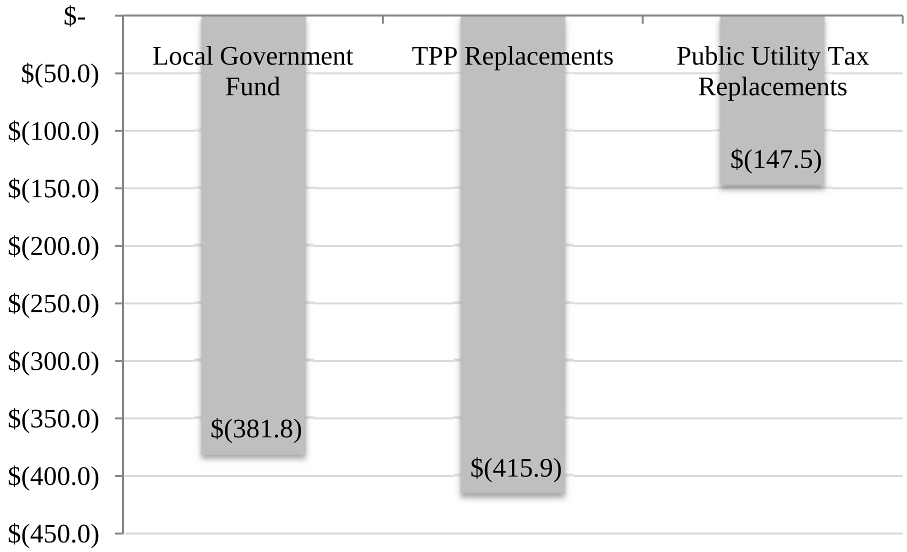
Loss in state health and human services funds are compounded by $945 million in resources the state cut or seized in this budget from local governments of all kinds (Figure 3). The impact is expected to ripple through counties, cities, villages, townships, parks, port authorities, police and fire funds, health and human service levies, and others. Communities will face a choice between raising local taxes, which tend to be flat taxes that have a greater impact on middle and lower income families than the wealthy, and/or diminished services.

Cuts in some communities may be mitigated by a $50 million fund that will provide grants on a competitive basis to help communities merge services.

[11] Advocates for Ohio's Future at http://advocatesforohio.org/

[12] E-mail from Lisa Hamler-Fugit, Executive Director of the Ohio Association of Second Harvest Foodbanks, to Policy Matters Ohio, 7/14/2011.

Figure 3: Reduction for local government in four primary areas in SFY 2012-13 budget compared to SFY 2010-11 budget (millions of dollars)



Source: Policy Matters Ohio, based on Ohio Legislative Services Commission, Budget in Detail

Tangible Personal Property tax reimbursements
The largest cut to local government comes from loss of reimbursement for the tangible personal property tax (TPP), a local tax on business equipment and machinery that was eliminated when the state overhauled the tax system in 2005. Revenues from the newly created Commercial Activity Tax (CAT) were dedicated to reimburse taxing jurisdictions for lost revenue, reimbursements scheduled to be phased out by 2019. House Bill 153, accelerates the phase-out of TPP reimbursement by 27 percent in 2012 and 38 percent in 2013. As a result, local governments will receive $416 million dollars less in these reimbursements in the current biennium compared to the prior biennium.

The impact is quite large to some types of local governments: for example, 71 percent of all municipalities will lose all of their TPP reimbursements after the November 2011 payment. By Calendar Year ("CY") 2013 (compared to CY 2010):[13]

- 92 percent of municipalities will have lost all of their TPP reimbursements for current expenses;
- 74 percent of townships will have lost all TPP reimbursements;
- 43 percent of special districts will have lost all TPP reimbursements;
- 14 percent of county mental health/developmental disability (MH/DD) levies (12 of 85) will lose all TPP tax reimbursements. Statewide, this means the 85 MH/DD levies will see 66 percent less in reimbursements when compared to CY 2010, a loss of $78.9 million;

[13] Local government budgets on a calendar year ("CY") basis, so the data on anticipated revenue distribution of the tax replacements provided by the Ohio Department of Taxation are given on a calendar year basis.

- 17 percent (5 of 29) of county health levies that received TPP reimbursements will lose all such payments. There is a loss of $18 million statewide in annual funding for local health services by CY 2013 compared to CY 2010, a reduction of more than two thirds;
- 13 percent (5 of 39) county children's services levies lose all TPP reimbursements. There is a loss of $24 million statewide in annual funding from this source to local children's services levies by 2013, a reduction of two thirds;
- 26 percent of seniors' levies (14 of 57) will lose all TPP reimbursements by 2013. Statewide, annual funding is $7.1 million less in CY 2013 compared to CY 2010, a reduction of almost three quarters.

The impact of these cuts hit the state's urban counties disproportionately. For example, Cuyahoga County has relied on a property tax levy for health services. As a result of House Bill 153, TPP reimbursements will be reduced by $14.7 million in CY 2013 compared to CY 2010, an 82 percent loss. Statewide, the loss is $18.6 million, but almost 80 percent of that reduction impacts Cuyahoga County alone.

Public Utility Tax Reimbursements
HB 153 also accelerates the phase-out of reimbursements for public utility taxes eliminated in 2001. As a result, local governmental entities take another $148 million cut from loss of anticipated tax replacements. These reimbursements also supported a variety of other local entities, including but not limited to human services, health, fire and police and other basic local services.

Local Government Fund
The Local Government Fund, a key source of state funding for cities, villages and townships established to help counties care for the needy in the Depression, provides flexible funding upon which local governments depend. The Local Government Fund is cut by 25 percent in State Fiscal Year (SFY) 2012 and by 50 percent in SFY 2013. Funds appropriated in the current budget are $381 million less than in the prior budget.[14]

The revenue side of the ledger

In House Bill 153, Governor Kasich and legislators who tout the virtue of spending cuts were lavish in their spending on the other side of the ledger – in the tax code. The final phase-in of a 21 percent income tax cut enacted in 2005 will cost $800 million over the two-year budget. This did not require specific action to go into effect. By contrast, legislators affirmatively approved more than $400 million a year in new tax breaks when fully implemented, the bulk of them for wealthy Ohioans and special interests. And that underlines a key aspect of largest tax changes in the budget: They are timed so they don't substantially affect revenues until after the FY2012-13 biennium, leaving it to the next General Assembly to figure out how to make up the hundreds of millions of dollars of lost revenue to the state and localities.

The budget authorizes, expands, extends or otherwise modifies more than a dozen tax breaks for businesses, agriculture, energy, racetracks and more. By far, the largest is the elimination of the

[14] Legislators have encouraged local governments to consolidate functions or to merge to cut costs, and a $50 million dollar fund is reserved to support such regional merging of function.

estate tax, which applies to just the wealthiest 8 percent of Ohio estates, and provides hundreds of millions of dollars for local services.

Tax expenditures are earmarks in the tax code, but get a lot less attention. These exemptions, credits and deductions often benefit particular entities or special interests. While frequently justified on the basis of job creation, many are targeted to boost profits; in these cases, jobs are generally a secondary objective that may or may not "trickle down." They are the gift that keeps on giving: Ohio's tax expenditure budget will amount to more than $7 billion a year for 128 tax breaks during FY12-13, some of which have been on the books since the 1930s.

A proposal inserted into the budget by the Senate would have established a tax expenditure review commission, charged with scrutinizing the objectives and effectiveness of each tax expenditure. The commission was to review each proposed tax expenditure as a step in the legislative process and existing tax expenditures were to be individually reviewed once every eight years. However, this measure was not included in the final budget bill. Tax expenditures were not subjected to cuts, nor is there anything in House bill 153 that would subject them to scrutiny over the biennium.

Privatization of state assets and services

The budget calls for a massive sell-off of Ohio's public assets worth billions of dollars. Among the things to be privatized are the Ohio Turnpike, six prisons and the liquor distribution business. The budget also authorizes local and exempted village school districts to contract out their bus transportation, universities to enter into agreements transferring buildings and parking facilities to outside entities for up to 99 years, and for cities to lease their parking meters for up to 30 years. It allows the Ohio Department of Transportation to enter into "public private partnership" agreements for transportation facilities that last indefinitely, removing a limitation that such arrangements could only last for the two-year period in which appropriations were made.

Little evidence has been put forward that the public will benefit from this slew of privatization moves. The lease of the liquor business to newly created nonprofit JobsOhio would leave the state without hundreds of millions of dollars in regular revenue. Though the sale of the prisons is based on supposed savings that would be achieved by private operation, the state has been unable to show it has a reliable way to compute such savings with two existing prisons run by a private company.[15] A turnpike lease could last up to 75 years, far longer than the existing interstate highway system, and take out of public control a key piece of transportation infrastructure. Operators of a privatized turnpike or liquor business would not pay taxes.

Both the House and Senate rejected the governor's proposal to give the administration authority to contract out any state service for up to 75 years, and the invitation for turnpike bids would require a legislative review. However, nearly all of these prospective deals raise the question: Will the public be able to find out how well services are being delivered and keep tabs on the private monopolies that will be providing these services?

[15] Bob Paynter, "Cells for Sale: Understanding Prison Costs and Savings," Policy Matters Ohio, April 18, 2011.

Summary and recommendations

The narrow focus of the Kasich Administration and the General Assembly on service cuts – in the context of the recession and tax policy that drained state resources – shape a business plan for our state that dramatically favors a small number of wealthy Ohioans at the expense of ordinary families. Families with children in public schools or with parents employed as teachers, firefighters, policemen and other public workers bear the brunt of the cuts. Most Ohioans will be faced with the choice of local tax levies, which are less progressive than state taxes, or diminished services that may ultimately impair public safety and impact property values.

Cutting education, child care, local government and other necessities will suppress job growth in Ohio and hurt our communities. It will result in public sector layoffs, weaken public structures, depress demand for private goods and services, and hurt the quality of our schools, infrastructure and communities, eventually making Ohio a worse place to live, work, and invest. Responsible legislation could change this business plan. We still need a balanced approach that includes replacing lost revenues and closing tax loopholes. The recommendations of Policy Matters Ohio remain unchanged from the budget negotiations:

1. The income tax cuts on top earners enacted in the overhaul of 2005 should be reversed and a new tax imposed on those earning more than $500,000, raising the revenue we need to restore services like schools, local government, child care, seniors services, welfare-to-work programs, public safety and more.
2. The estate tax should not be repealed. It affects the heirs of only 8 percent of the wealthiest estates, while providing hundreds of millions of dollars for public services needed by Ohioans; 80 percent goes to local government. It makes the Ohio tax system more fair by equalizing the balance between top earners and everyone else.
3. Corporate taxes should be restored to the levels of 2005, supporting restoration of primary, secondary and higher education, which provides the work force business depends upon.
4. Tax loopholes for businesses should be scrutinized for effectiveness and reduced, raising revenues to mitigate cuts and bring funding into line with needs.
5. Tax cuts and breaks authorized, implemented, expanded or extended in House Bill 153 should be reversed.