Big spenders

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Republicans campaigning for the Statehouse a year ago spent much time championing performance audits. They called for casting a cold, hard eye on state operations, squeezing every possible dime of savings. The recently approved two-year state budget reflects a willingness to whack spending, especially for schools, local governments and many programs for the disadvantaged. What did lawmakers miss? They let slide roughly $15 billion in tax expenditures for the biennium, the many tax credits, exemptions and deductions that work just like spending programs.

Worse, they added to the collection of tax breaks. They even balked at forming a commission that would examine whether the items, some dating to the 1930s and 1950s still serve effectively a sound purpose. The president of the Ohio Senate explained that the legislature already has committees for such work. Yet they haven't done it.

On Wednesday, Policy Matters Ohio, a Cleveland-based think tank, issued an assessment of the new tax breaks. It noted the creation of InvestOhio, a tax credit for investors in small businesses in the state. A good idea? In principle, perhaps. The analysis notes that an investor would qualify if a company merely continues to pay its current employees. There's no requirement for adding jobs. The idea suffers from a lack of deliberation. It was dropped into the budget during the conference committee — without a public hearing.

An exemption has been carved into the commercial activity tax for uranium enrichment facility transactions, specifically designed for the Piketon nuclear reservation. Six years ago, lawmakers reshaped the way the state taxes businesses, rightly stressing the benefit of low rates applied across a broad base. Yet they almost immediately began to enact pockets of relief, eroding the efficiency and fairness of the system.

The flawed approach has surfaced elsewhere in the tax code. Policy Matters Ohio pointed to relief from the sales and use tax for computer data centers. It explained that a private operator of the Ohio Turnpike would receive breaks from the sales, income and commercial activity tax.

The argument here isn't that the state should abandon using the tax code to create incentives or take similar strategic steps. Rather, in a time of strained budgets, the state squanders resources when it does not have a mechanism for ensuring that a tax break makes sense. The state doesn't have a sunset provision, requiring the expiration of tax breaks and thus the opportunity for examining whether they should be extended.

Once enacted, a deduction, credit or exemption seems to exist in perpetuity.

Too bad lawmakers have not yet mirrored the broad chorus calling for change, including familiar Republican allies such as the Ohio Chamber of Commerce and the Buckeye Institute for Public Policy Solutions. John Kasich often sounds like he is prepared to look carefully at tax expenditures. The governor has yet to step up.

So many at the Statehouse talk easily about more efficient government. Yet here is $15 billion largely unexamined. Reduce that amount by 10 percent, and the state would have additional resources to invest in jobs, public schools, health care and the needy. But first, lawmakers must have a clear grasp of what they have been spending.