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# POLICY MATTERS OHIO

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## **Policy Matters Ohio Statement on the Budget Bill for 2012-13**

### **Under consideration by the Ohio Senate**

*June 7, 2011*

The Senate's changes to the House budget plan are as minor in size as the changes made by the House to the Executive budget. The budget moving through the Senate finance committee adds \$22 million (.08 percent) to the General Revenue Fund (GRF) but shrinks the 'all funds' budget ever so slightly (.09 percent). In the past three months, the level of overall funding in the Kasich Administration's proposed budget has been remarkably unchanged by either house of the 129<sup>th</sup> General Assembly. Tweaks, changes and adjustments in the Senate include:

- \$115 million is restored to primary and secondary schools, but directed disproportionately to wealthier districts. This restoration is a small adjustment to the overall \$1.977 billion spending cut that will impact Ohio classrooms over the next two school years.
- The '*Local Government Integrating and Innovation*' program introduced by the House is eliminated in the Senate, and the \$100 million is added back to the local government fund. This does not help much: counties, cities, townships and villages still face a \$902 million cut in local government funds and tangible personal property and public utility tax replacements.
- The Senate retains the elimination of the estate tax starting in 2013, another blow to local services since 80 percent of the estate tax funds local government (\$231 million in 2010). Ninety-two percent of Ohio's estates do not pay the estate tax. Because of an additional exemption, many family farms do not pay the tax. Scarcely any estates with farms or small businesses find themselves in such hardship that they take advantage of the opportunity to avoid paying it for up to 15 years, as permitted under state law.
- The Senate increases reliance on one-time, non-recurring funds in the budget by adding privatization of the Ohio lottery to the portfolio of taxpayer assets already on the block, including six prisons (despite lack of evidence of cost savings) and the state liquor profits function. Other privatization includes expanded vouchers for charter schools and a new concept for Ohio's higher education: 'charter universities.' The Administration's budget proposed unfettered right of the executive branch to sell taxpayer assets, but the General Assembly has been more cautious, requiring legislative oversight in privatization of the Turnpike and the lottery, and removing some of the more sweeping authorization originally proposed.

- Health and human service programs are tweaked and adjusted, but overall funding is not changed. Increases in one program are offset by decreases in another.
  - Local mental health systems will see \$3.5 million more in each year of the budget, but this is paid for with a \$7 million cut to hospital services within the same agency. Overall, mental health services still face a cut of \$122 million compared with the prior biennium.
  - State Temporary Assistance for Needy Families (TANF) drops by \$19.8 million, which funds an increase in local service administration (\$14 million) and in adoption services (\$5.9 million).
  - With reduction in overall Medicaid spending due to new utilization forecasts, the PASSPORT program for seniors sees \$42 million in state and federal funding restored, bolstering the chance of success in policy to support the aged in their homes instead of nursing homes.
- Even as funding to support home health care is restored, Senators inserted language that would exclude home health care workers from the minimum wage. Unfair pay for those who serve the most vulnerable again undercuts the chance for success in provision of home health care for the aged.

Policy changes pertaining to charter schools are noteworthy in the Senate Finance Committee's budget. The Senate has wisely eliminated House-inserted provisions that would have expanded rights of charter operators over sponsors and schools, and allowed for the establishment of for-profit schools without meaningful oversight. If implemented, these steps would greatly diminish the already weak accountability and transparency in the charter sector. Legislators must resist pressure to reinstate these harmful proposals as the House and Senate craft a final bill. Proposals worth keeping from the Senate Finance Committee include:

- Language that would prohibit sponsors with too many underperforming schools from authorizing new charters;
- Removal of a provision that would have stripped charter school teachers' rights to organize and collectively bargain a labor agreement;
- Removal of provisions that would have mandated teacher performance pay and other teacher-related proposals, which are better left to stand-alone legislation.

On the negative side, the Senate has included a new special education voucher program despite the lack of evidence that the state's autism voucher program (upon which the new proposal is based) has effectively addressed the needs of a broad cross-section of Ohio's children with special needs.

Like the Administration and the House of Representatives, the Senate makes no effort to take a balanced approach to the state budget. The budget shortfall is addressed only through spending cuts. The revenue side of the ledger is left untouched. The Senate establishes a tax expenditure review committee, a positive step. However, it neither establishes sunsets for existing tax breaks nor sets a goal for trimming the 128 loopholes and redirecting some share of the \$7 billion tax expenditure budget to mitigate the deep cuts in education, health and human services and local government. The Governor's representative for education, under consideration for the position of State Superintendent, tells stakeholders in a briefing that 50 children in a classroom is acceptable. The Governor tells the *Columbus Dispatch* there is no need for additional funds in this budget.

The anticipated budget shortfall has gotten smaller as some state revenue sources rebounded during recent months. The primary source of the state fiscal crisis - \$4 billion of the \$5.1 billion biennial shortfall - may be traced to policy changes in the tax overhaul of 2005, which provided \$2 billion in annual tax cuts primarily to top earners and businesses. The \$4 billion these tax cuts will cost the state over the coming biennium are causing the deep cuts, privatization and seizure of local government resources. A majority of Ohioans favor a balanced approach to budgeting, one that includes the restoration of revenues. The permanent changes this budget will bring to Ohio's public sector - in job loss, sale of assets, sweeping policy changes predicated on dismantling of rights for working people - remain deeply harmful to the state and cloud the chance of economic recovery.