Testimony on the Mid-Biennium Review and corrections bill to the Senate Finance Committee

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The Mid-Biennium Review includes components of legislation that go beyond the corrections bill, and our testimony considers themes evident in House Bill 487 as well as the others spun out of the Kasich administration's initial legislation or included as part of the MBR as posted on the Budget and Management website.

As a whole, the Mid-Biennium Review neither looks back in review of the sweeping changes in public services caused by House Bill 153, the current state budget, nor forward in preparation for the loss of hundreds of millions in federal funds as a result of the Budget Control Act of 2011. Instead, across the many bills under consideration in the MBR process, more services are cut; tax breaks continue to go unscrutinized; unfunded or underfunded mandates are imposed; and more privatization is authorized.

Last year's $1.8 billion cut to K-12 education has been portrayed as a fight with teachers about jobs and pay. It's a much bigger story than that. Education funding in Ohio had expanded under court order to increase equity of opportunity, and graduation rates soared from Toledo to Steubenville, Bucyrus to Ironton. The current state budget wiped out the investment that fueled those gains, returning funding to the level of a decade ago.

Last year's budget bill also cut a billion dollars from community services through the local government fund and property tax replacements. Firehouses have closed, potholes gone unrepaired, playgrounds unsupervised and streetlights dimmed in places around the state. An essential way working families build wealth is through home ownership. The services we need to restore property values in many Ohio neighborhoods are eviscerated in many places by the huge cut in aid.

The changes of the corrections bill you consider this spring – the $72 million squeezed out through debt management and deeper cuts to agencies and services – tinkers around the edges of last year's unprecedented reduction in public services to Ohio's children and families. Some of the policies in the legislation have no immediate recognized budgetary impact, but lay the groundwork for future costs. We are concerned about unfunded or underfunded mandates, loss of oversight by citizen boards, broadened powers of privatization, many new cuts to services and a new round of tax changes that continues to leave Ohio with inadequate revenue to make the necessary investments in our future.

Unfunded or underfunded mandates – In the context of last year's cuts to schools and communities, all requirements that impose new costs burden overstrained systems. Some included in the MBR legislation include:

- **3d-grade guarantee** – Lori Ward, superintendent of Dayton Public Schools, testified on behalf of the Ohio 8 that states that have implemented reading guarantees supported them with significant investment – hundreds of millions of dollars - committed over a long period of time for universal pre-K, targeted professional development, community outreach and aligned curriculum starting at birth. Although a small amount of funding has been appropriated for this initiative, in the context of last year's $1.8 billion cut to K-12, a big, new, underfunded mandate is not fair to Ohio's families and kids.

- **Step up to Quality** – This bill requires adoption of this early care program by early care and other childhood education providers without funding to assist in that adoption.

Weakening of oversight – Transparency and oversight protect public expenditures and ensure accountability.

- **The Ohio Public Health Council** is abolished as responsibilities for oversight are transferred to the Ohio Department of Health director.
- **The Development Finance Advisory Council** is abolished and the Industrial Technology and Enterprise Advisory Council eliminated.

Expanded privatization – Leasing public assets and contracting with private companies to provide public services may seem thrifty, but can be more costly in the long run. Just ask Chicagoans about their parking meters. It can reduce transparency: 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?

- **Sale and leaseback of state and local public buildings –** House Bill 487 expands privatization authority for the sale and leaseback of public buildings.
- **Weights and measures –** The ancient practice of verifying weights and measures is authorized for privatization.
- **Public health inspections –** Inspections of manufactured home parks, and other health related inspections, may be contracted out.

Service cuts

- **Department of Youth Services –** Education reimbursement in the Department of Youth Services is cut by $1.9 million. Nutrition programs are cut by $305,022.
- **Aging –** The Department of Aging loses $146,944 in Senior Community Services, Alzheimer's services, and other.
- **Disease prevention –** The Department of Health loses $105,000 for immunizations, $130,000 for chronic disease and injury prevention and $115,000 for local environmental health services. The Department of Agriculture loses $100,000 for animal disease control.

Tax changes

- **Financial Institutions Tax** – The proposed new bank tax closes major loopholes, but gives the additional revenue back to banks. It also creates a special, new low rate for the biggest banks that will help just a dozen institutions. This is unlikely to help Ohio's economy.
- **Severance tax** – The Kasich proposal to tax oil and gas could raise substantial funding that is badly needed to help communities prepare for up-front costs of drilling and to restore schools and local services. But this revenue would go mostly to upper-income Ohioans in an income-tax cut. The middle fifth of Ohio residents, making between $32,000 and $49,000 a year, on average would get about $42 – not enough for a tank of gasoline at today's prices. With every day that passes, Ohio loses its share of the mineral wealth being severed from the land, but the General Assembly eliminated the proposal from the MBR and is not even discussing it.

- **Tax breaks** – Last year, before it was stripped out in conference committee, the Senate approved as a part of budget bill a committee that would have created a permanent mechanism for reviewing new and existing tax expenditures. This year, no such review is provided, but we do see proposed additions to tax credits, such as the venture capital tax credit. Instead of adding to the $7 billion in annual tax expenditures, the General Assembly should review those already in place.

The budget hole Governor Kasich references when justifying the billions of dollars of cuts to our schools and communities, the half-billion reduction in higher education instruction, and the additional, new cuts of House Bill 487 – that budget hole was due more than anything to the generous tax cuts of 2005, which knocked $5 billion out of the state budget every biennium. Those tax cuts have not helped Ohio's economy. We have lost 285,000 jobs since 2005 – a rate of job loss more than eight times that of the nation as a whole.

Tax cuts eliminate the revenue we need to provide schools with uniform quality across the state that helps kids graduate and community services that keep families' assets intact. The Mid-Biennium Review fails to review what's really wrong with the biennial budget and the corrections bill doesn't correct the problem.