

## A budget that works

The state budget is the two-year blueprint for the services Ohioans depend on for a healthy environment and clean water, thriving communities, safe streets, and opportunity for children to grow and learn.

In the wake of the recession, Ohio's legislature faced a choice as it crafted the current two-year budget: whether to take a balanced approach that included new revenues to maintain services, or to just cut services.

They chose to cut, slashing needed services, seizing money from local government and putting it toward state obligations, and selling off state assets for short-term gain (and at long-term cost). This approach hurt quality of life in Ohio communities. The upcoming budget should take a more balanced approach by restoring revenue and reversing cuts to schools, local governments and health and human services.

Our recommendations include:

### Tax policy

To revamp Ohio's tax system so it is adequate for state needs, policy makers must:

- Restore the top income tax rate of 7.5 percent and add a new, 8.5 percent "half-millionaires' tax" for those earning \$500,000 or more per year;
- Review all tax expenditures, repeal unproductive ones and establish sunset dates for all such expenditures;
- Levy appropriate taxes on oil and gas companies that extract a one-time resource from Ohio to ensure that they pay what they do in other states instead of the extremely low rate they now pay. Use these funds to help impacted communities, restore slashed services, and create a permanent fund for risk management purposes;

### Key findings

- Current budget cut local government fund in half and tax reimbursements by two-thirds, costing counties and communities a billion dollars.
- Tax reimbursements for schools were cut by another billion dollars.
- Estate tax was eliminated effective 2013; communities received \$302 million from this source in FY 2011.
- Tax cuts from 2005 cost the state more than \$2.5 billion a year – nearly a dime out of every budget dollar.
- Tuition remains high and need-based aid low at Ohio's colleges.
- State funding for critical mental health, addiction and children's services has been eviscerated.
- Growth in state revenues reflects funds seized from communities and schools, not economic recovery.
- Automatic, across-the board cuts ("sequester") could take hundreds of millions of federal dollars from Ohio.
- Medicaid expansion could bring new federal funds into the state.

- Restore the overall level of general business taxes so that companies pay a reasonable share of the tax load, as they did in the past;
- Implement a unified development budget that depicts all state support of economic development so that taxpayers and legislators can see clearly annual spending through the tax code and the budget.

## **Education**

- Restore cuts that have caused local school districts to cut staff and course offerings, increase class sizes, and implement pay-to-play for extracurricular activities;
- Institute a fair, adequate and equitable funding formula for schools;
- Apply high standards to charter schools, keeping ineffective schools from opening and closing those that fail their students. Make sure charters become part of a stronger K-12 education system in Ohio, not a means to dismantle it;
- Fund higher education sufficiently to make tuition at Ohio's colleges and universities more similar to that in other states;
- Establish a long-term strategy to restore need-based aid.

## **Health and human services**

- Initiate a long-term strategy to provide adequate health and human services throughout the state;
- Expand Medicaid under the Affordable Care Act to improve the lives of 456,000 Ohioans, to control growth of health care costs and to bring \$17.5 billion into the state, boosting the state budget between January 1, 2014 and June 30, 2022 by \$1.4 billion;
- Bring additional federal dollars into the state for care of the elderly and disabled through the Community First Choice Option and the Balanced Incentives Payment Program;
- Restore early learning and childcare subsidies for young children and their families;
- Sufficiently fund services for the aging and those with disabilities so that the providers earn a living wage, and agencies have sufficient funds to handle work volume.

## **Work and unemployment**

- Use a portion of the state's workforce training funds, enlarged now through casino revenues, to support regional sector partnerships;
- Implement a shared work, or short-time compensation program;
- Provide adequate financing of the unemployment compensation trust fund and a higher taxable wage base.

As budget negotiations commence, we urge legislators to do the right thing and take a balanced approach to state budgeting. We've made many cuts. It is now time to reinvest in Ohio's children, workers, infrastructure and communities.