# Overview: Ohio's 2014-15 Budget

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The new state budget for 2014-15 expands on the very austere budget of 2012-2013 but does not restore key cuts made in the previous budget and misses opportunities to create a better Ohio.

**What's in the budget and what's missing**

- **Medicaid**: Funding expands with needs but legislators deny care to 275,000 low-income workers, leave billions for other states.
- **Education:** $830 million boost in funds sent to schools leaves them $607 million short of funding levels in fiscal years 2010-11.
- **Local government:** Another $95 million cut, while homeowners lose tax rollback on future new and replacement levies.
- **Early care & education:** $32.7 million boost in early education is a step in the right direction, but too many are left unserved.
- **Tax policy:** $1.9 billion in cuts shifts taxes from wealthy to middle- and low-income people and siphons off needed revenues; Ohioans will foot the bill for public services used by oil and gas drillers.

State-only General Revenue Fund spending expands by $4.5 billion (11.4 percent), largely for health care and restoration of cuts to the Ohio Department of Education. The legislature removed Medicaid expansion that the Governor had sought, leaving 275,000 Ohioans without health insurance and leaving billions of federal dollars to be spent in other states. Despite the restored education funding, many school districts will see less money than in the last budget because of diversion of a larger share of public money to charter schools and vouchers.

The prior state budget made deep cuts to public services at the state and local level. Two years later, buoyed with revenues formerly distributed to schools and local governments and proceeds from privatization, the state has put the money into rainy day savings, tax cuts and new spending at the state level.

**Investment**

House Bill 59's expanded funding for health care and education are good for Ohio. The health care sector will get the greatest investment and schools will see restored funding of $830 million. Yet the school funding falls short of the level of FY 2010-11; public school districts are further eroded by diversion of funding to charters and vouchers. Many other areas of the budget, eroded by years of inflation, recession and cuts, see some increases – economic development, natural resources, community services within corrections, to name a few – but in too many cases, the restoration falls short of the needs. For example, more than $100 million in new funding will help restore mental health services, but not to the levels of a decade ago. An increase of $32.7 million in early education is good for kids and good for the economy, but Ohio saw the nation's largest drop in in early education enrollment in the past decade. More needs to be done. Ohio's community college tuition soared by 42 percent between 2003 and 2012. This budget's increase in the Ohio College Opportunity Grant (OCOG) compared to the previous budget still leaves need-based aid inadequately funded and far below 2009 levels.

**Revenues**

The General Assembly reduced personal income tax rates and created a new tax break for business owners that will siphon off billions of dollars in revenue over the next few years. The administration and General Assembly also continue to shift taxation from the affluent to those with less income. The budget features extensive changes in tax policy, including a net tax cut of $1.9 billion that includes a ¼-penny hike in the sales tax, a 10 percent cut in personal income rates over three years and a business income tax break that will be the third largest loophole in Ohio's $7.7 billion tax expenditure budget. Yet the Governor's proposal to modernize and improve Ohio's tax structure with an expanded and updated tax on gas and oil drilling and a sales tax that better mirrors today's economy were both rejected. No mechanism for review of Ohio's extensive tax loopholes was implemented.

A new, state Earned Income Tax Credit will allow some of those who qualify for the federal EITC to receive a 5 percent credit on their Ohio income tax. This is a smart policy that takes a step toward correcting a state and local tax code that requires low-income families to pay a larger share of their income than the affluent do. However, the new state EITC, which is not refundable, is insufficient to make the budget bill for fiscal years 2014-15 even a break-even proposition for many poor Ohioans; on average, the poorest Ohioans will pay slightly more under the tax plan.

The budget also scales back the homestead exemption so those turning 65 will only be eligible if their income is less than $30,000. This appropriately ends the exemption for affluent homeowners. But it should apply to all seniors, and the means-test should be improved. A reduction in two other "rollback" mechanisms under which the state reimburses school districts and local governments for a portion of homeowners' local property taxes also will make it harder for new levies to pass. This is an additional example of the state reducing support to localities.

Supporters argue that tax cuts make Ohio more attractive to business and generate jobs. The evidence from our own state does not support that: since June 2005, when major Ohio tax cuts were approved, Ohio has lost more than 214,000 jobs, or 3.96 percent of its total, while the nation as a whole has gained 2.48 million, or plus 1.86 percent. The Kasich administration seems to recognize that we will stay slow-growth: Gov. Kasich's budget is based on a forecast that job growth that will continue to lag the national average during fiscal years 2014-2015.

Ohio needs new investment in local government, early education, need-based college aid, health care for the low-income and other critical public services. We need a fair and balanced tax system to raise adequate revenues to pay for the services we need instead of relying on tax-cut strategies that haven't worked.