

Testimony to the House Economic and Workforce Development Committee on House Bill 343

Wendy Patton

Good morning, Chairman Baker, Vice-Chair Romanchuk, Ranking Member Smith and members of the committee. My name is Wendy Patton. I am with Policy Matters Ohio, a nonprofit, nonpartisan organization with the mission of creating a more prosperous, equitable, sustainable and inclusive Ohio. Thank you for the opportunity to testify today regarding House Bill 343.

Legislators should not support the provisions of House Bill 343 because, compared with current policy, it provides a financial incentive for companies to hire temporary workers instead of creating regular employment with stability. There are other dangers in this tax policy as well. In this testimony, we outline five objections to House Bill 343.

1) This tax break works against legislative efforts to reduce reliance on public assistance.

Over the course of the past year, the governor and the legislature formed at least six commissions, study groups, councils and/or committees to study or report on how to reduce reliance on public assistance. This is a prominent legislative goal.

The letter to the governor that accompanied the report of the Workgroup to Reduce Reliance on Public Assistance stated: *“When individuals are impacted by infrastructure limitations, such as jobs that do not pay a sustainable wage in their community or the inability to access reliable transportation to and from work, we need to collectively work to eliminate those barriers.”* House Bill 343 is at cross-purposes to this call to action.

Recent data provided by the Ohio Department of Job and Family Services (May, 2015) showed that among the 50 firms with the most employees (and their families) enrolled in public assistance (federal food aid or SNAP), more than 20 percent are temporary staffing firms (Table 1). More staffing firms are on the list this year compared with last year.

Providing tax breaks to a sector with a workforce that shows a growing reliance on public assistance programs – because of the unstable nature of the work and often inadequate pay and benefits – works against the legislative interest in reducing reliance on public assistance.

2) This tax break helps to shift the risk of the business cycle to workers. Temporary staffing pushes the risk of market fluctuation or business cycle downturns from the corporation to the workers. While there are some appropriate situations for using temporary workers – such as to staff up during a holiday rush – it is not something that public policy should be promoting. Corporations with a stable workforce have a commitment to that workforce. During downturns,

there is incentive to keep the crew intact. The commitment is not the same with a temporary workforce, who often work for a different company. Cheapening the cost of temporary labor through tax breaks incentivizes a shift in risk from corporation to worker.

3) This tax break is not consistent with legislative goals of reviewing tax breaks and studying the entire tax structure. The tax expenditure report for 2016-17 outlined more than \$8 billion dollars worth of tax exemptions, credits and deductions a year. House Bill 64 established a commission to study and review the tax code, and to examine tax credits in particular. The House also has passed House Bill 9 which would establish a protocol for a review of all state tax expenditures. Concerns about this unproven and problematic change to the tax code should be addressed in those forums.

4) The tax cut will hurt local government entities that rely on the sales tax: public transit and counties. State revenue sharing with local government, through the Local Government Funds, tax reimbursements, casino revenues and the property tax rollback, compounded by loss of the estate tax, will be almost a billion dollars less in 2017 than they were in 2011. The Legislative Service Commission's fiscal note to HB 343 finds this bill would cut another \$4.6 million annually from the Local Government Fund and the Public Library Fund. Counties and transit agencies, which rely on local sales taxes, would lose \$34 million annually.

Lack of public transit has been identified as a leading problem for low-income Ohioans. The cut this proposed bill would impose on Ohio's strained public transit resources work against the legislative goal of helping the poorest Ohioans get to work.

5) Funding the \$131 million tax break will require other taxes to be raised or public services to be cut. The state of Ohio must balance its budget. What other taxes will be raised, or spending cut, to fund this \$131 million annual tax break to the temporary sector?

Instead of funding new tax breaks for favored sectors, these resources could be used to restore initial eligibility levels for childcare aid, which remains among the lowest in the nation; to restore need-based financial aid, which remains hundreds of millions below the biennial budget of 2008-09; to provide better support for children's services, given that Ohio pays less to help local agencies with children's services than any other state, and to provide adequate funding for the growing problem of elder abuse. These are some of the uses you should be considering instead of spending resources on an industry that promotes unstable jobs and shifts dangers of an unstable economy onto the workforce.

Thank you for allowing me to testify on this legislation. I am happy to answer any questions that you may have.

*Policy Matters Ohio is a nonprofit, non-partisan research institute
with offices in Cleveland and Columbus.*

Table 1

Ohio's 50 firms with the most employees & families needing federal food aid (SNAP) to put dinner on the table

Rank	Employer Name	Employees & family members	Rank	Employer Name	Employees & family members
1	WALMART	14,114	26	GIANT EAGLE	1,518
2	MCDONALDS	11,580	27	YMCA	1,427
3	KROGER	5,273	28	WALGREEN'S	1,416
4	BOB EVANS	4,619	29	SEARS	1,405
5	WENDY'S	4,412	30	UNIVERSITY HOSPITALS	1,371
6	DOLLAR GENERAL	3,419	31	INTERIM HEALTH CARE	1,347
7	SPEEDWAY	3,311	32	FRISCHS	1,346
8	BURGER KING	3,206	33	STEAK N SHAKE	1,332
9	TACO BELL	3,117	34	KOHL'S	1,287
10	GOODWILL	3,010	35	MARC GLASSMAN STORES	1,271
11	SUBWAY	2,611	36	MINUTE MEN	1,248
12	FAMILY DOLLAR	2,352	37	KENTUCKY FRIED CHICKEN	1,217
13	ADECCO	2,037	38	CVS STORES	1,168
14	TARGET	1,964	39	MANCAN	1,163
15	STAFFMARK	1,805	40	KELLY SERVICES	1,162
16	ARBY'S	1,794	41	CBS/EMS	1,155
17	HOME DEPOT	1,739	42	BELCAN SERVICE & STAFFING	1,154
18	ARAMARK FOOD, FACIL, UNIFORM	1,736	43	CALLOS NURSE & PERSONNEL SVC	1,145
19	MEIJER	1,726	44	ACLOCHE	1,143
20	DOLLAR TREE STORE	1,700	45	INDEPENDENT VOLUNTEER HOURS	1,137
21	LOWE'S	1,671	46	CRACKER BARREL	1,109
22	FEDEX CORP	1,577	47	JC PENNEY	1,108
23	PIZZA HUT	1,545	48	KMART	1,086
24	CLEVELAND CLINIC	1,534	49	CIRCLE K STORES	1,078
25	I FORCE	1,522	50	UNITED PARCEL SERVICE	1,066

Source: Policy Matters Ohio, based on data provided by the Ohio Department of Job and Family Services, May 2015