Ohio’s budget for 2020-21: Opportunities and Challenges

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Characteristics of the state budget

• Main operating budget
• Various funds in the budget
• Biennial budget period
• Fiscal year – state fiscal year
• Odd- or even-numbered year
• General Assembly
Late spring/summer 2019 – Budget planning guidelines issued
House Finance establishes subcommittees to hear testimony
Senate Finance establishes subcommittees
Conference committee hashes out differences

Late summer/early fall – Departments work on budget
Subcommittees hear testimony, recommendation budget changes to Finance Committee
Senate Finance Committee report out to Senate Finance Committee

Late fall – Agency budgets finalized
House Finance committee hears testimony
Senate Finance committee hears testimony

Feb-March: Governor submits budget
Finance Committee passes budget
Senate Finance passes budget

House turns into legislation and starts hearings
House votes and turns over to Senate to consider
House and Senate vote on final bill
Governor reviews for vetoes

Governor signs budget bill into law
One version or the other is the base; amendments used for final changes
Types of funds in the main operating budget

- General Revenue Fund state source (tax dollars): 34%
- Special purpose funds: 18%
- Fiduciary (passthrough) funds: 11%
- Federal funds (not in the GRF): 30%
- General Revenue Fund federal dollars: 7%

Ohio’s state dollars in the FY 2020-21 General Revenue Fund budget

- K-12 education: 42%
- Higher education: 10%
- Human services: 9%
- Health (Medicaid): 19%
- Corrections: 8%
- Other: 9%
- Local government: 3%
Outlines of the 2020-21 state operating budget

- $143.2 billion over 2 years in all-funds budget
- Grew by $13.4 Billion (10.3%)
- $48.7 billion over 2 years in GRF budget
- Grew by $3.6 Billion (8%)
- Role of inflation, projected at 4.5%

The context of the 2020-21 state budget:
The new low-wage economy

| Most common occupations in the Youngstown metropolitan area, by employment, 2017 |
|---------------------------------|-----------------|-----------------|-----------------|-----------------|
| Top 10 occupations 2017        | Total Employment | Median Hourly Wage | Median Annual Salary | Median annual earnings as a share of poverty |
| Retail Salespersons            | 8,990           | $10.10           | $21,000          | 103%            |
| Food Prep & Serving Workers, Including Fast Food | 7,660           | $9.09           | $18,920          | 93%             |
| Cashiers                        | 6,460           | $9.25           | $19,240          | 94%             |
| Laborers and Freight, Stock and Material Movers+ | 4,830           | $13.68           | $28,440          | 139%            |
| Office Clerks                   | 4,720           | $13.63           | $28,360          | 139%            |
| Waiters & Waitresses            | 4,420           | $9.21           | $19,160          | 94%             |
| Registered Nurses               | 4,410           | $27.60           | $57,420          | 281%            |
| Secretaries and Admin Assistants, Except Legal, Medical, Exec.- | 3,790           | $14.79           | $30,770          | 151%            |
| Heavy and Tractor Trailer Truck Drivers+ | 3,500           | $21.22           | $44,140          | 216%            |
| Janitors & Cleaners, except Maids & Housekeeping+ | 3,410           | $12.39           | $25,770          | 126%            |

EARNINGS AS A SHARE OF POVERTY:
Half of the 10 most common jobs leave a small family in or close to poverty.

Above poverty...

- 281%
- 216%
- 151%
- 139%
- 139%

...In or very close to poverty

- 126%
- 103%
- 94%
- 94%
- 93%

US productivity vs. compensation growth, 1948-2018

- Growth since 1948 Average compensation of production and nonsupervisory workers
- Growth since 1948 Net productivity per hour worked

Source: Policy Matters Ohio based on Economic Policy Institute
Increases in earnings concentrated at the top

Hourly Wage Growth, 1979-2018

Spending through the tax code has increased
The state has cut taxes in most years since 2005

<table>
<thead>
<tr>
<th>Change in annual state taxes since 2005</th>
<th>Bottom 20% Average income $13,000</th>
<th>Middle 20% Average income $48,000</th>
<th>Wealthiest 1% Average income $1,288,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>$5,000</td>
<td>+$140</td>
<td>+$10</td>
<td></td>
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<tr>
<td>$0</td>
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<tr>
<td>-$5,000</td>
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<td>-$10,000</td>
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<td>-$15,000</td>
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<td>-$20,000</td>
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<tr>
<td>-$45,000</td>
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<td></td>
<td>-$40,790</td>
</tr>
</tbody>
</table>

Ohio taxes are below the U.S. average

**Source:** Policy Matters Ohio, based on Ohio Department of Taxation
Results of a more than a decade of tax-cutting

- We have cut more than $6 billion a year in taxes since 2005
- But Ohio job growth has lagged behind the nation’s
- Over the two-year state budget, Ohio’s growth is expected to lag in wages, real output, employment and personal income.

Ohio’s state and local taxes as a share of income

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Opportunity and challenge

Governor calls for investment

• Water
• Children
• Eroded services (Civil Rights Commission)

• Pushback, lack of revenue
  • Health and human services
  • Ongoing tax cuts and tax breaks in the budget

Education (52% of state GRF $$)

• K-12 foundation funding
• ‘Wrap-around’ services
• Charter school funding
• Unfinished business
• Making college affordable
Ohio will spend almost $2 billion a year on adult correctional system by 2021

Funding for the system increases by $255 million or about 7% over the biennium.

The biggest increases are for institutional operations, medical services and education

There are also increases for non-institutional services

Funding for Department of Youth Services grows by $36 million
Local government

<table>
<thead>
<tr>
<th>Table 1: Youngstown and Mahoning County</th>
</tr>
</thead>
<tbody>
<tr>
<td>Youngstown lost $2.1 million a year – a loss of 30.4% of state aid and taxing authority - as a result of state policy changes</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Change in tax laws</th>
<th>CY 2010</th>
<th>CY 2017</th>
<th>$ change</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Elimination of Estate tax</td>
<td>$936,564</td>
<td>$0</td>
<td>($936,564)</td>
<td>-100.0%</td>
</tr>
<tr>
<td>Phase-out of tax reimbursements</td>
<td>$402,027</td>
<td>$402,027</td>
<td>$0</td>
<td>0.0%</td>
</tr>
<tr>
<td><strong>Local government funds</strong></td>
<td></td>
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<tr>
<td>County undivided Fund</td>
<td>$2,530,078</td>
<td>$1,475,056</td>
<td>($1,055,022)</td>
<td>-41.7%</td>
</tr>
<tr>
<td>Municipal Fund</td>
<td>$550,902</td>
<td>$242,958</td>
<td>($307,944)</td>
<td>-55.9%</td>
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<td><strong>Dedicated source funds</strong></td>
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<td></td>
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<tr>
<td>Casino revenues</td>
<td>$0</td>
<td>333,978</td>
<td>333,978</td>
<td>n/a</td>
</tr>
<tr>
<td><strong>Dedicated purpose funds</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Motor fuel</td>
<td>$1,956,542</td>
<td>$1,824,738</td>
<td>($131,804)</td>
<td>-6.7%</td>
</tr>
<tr>
<td>Auto license</td>
<td>$527,897</td>
<td>$523,299</td>
<td>($4,598)</td>
<td>-0.9%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>$6,904,008</td>
<td>$4,802,056</td>
<td>($2,101,952)</td>
<td>-30.4%</td>
</tr>
</tbody>
</table>

Source: Policy Matters Ohio, based on Ohio Department of Taxation, Ohio Board of Public Utilities, Ohio Department of Public Safety, Ohio Department of Revenue

Major issues on the tax side

- Unbalanced tax structure
- State EITC lacks refundability
- New income tax cuts & tax breaks
- Insufficient
Why does Mahoning Valley care about the state budget

• Poverty
• Health care
• Mental health and addiction
• Food insecurity
• Public transit
• Education is the gateway to opportunity in many ways

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THANK YOU