

## **Senator Kearney says Governor's budget** would hurt middle class, poor, small businesses

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**By Dan Yount**

Governor John Kasich's proposed \$63.3 billion, two-year state budget under consideration by state lawmakers would hurt middle class and poor Ohioans, and drive Cincinnati area businesses into Northern Kentucky, said Ohio Senate Minority Leader Eric Kearney (D-Cincinnati).

While on the surface the proposed state budget may appear to be advantageous to Ohio residents and businesses, what is given with one hand is taken away with the other as the Governor uses "smoke and mirrors" in his proposed financial plan for the state, Kearney said.

Kearney has large support in his opinions about the Kasich budget. Innovation Ohio, a progressive think tank in Columbus, recently released poll results showing large majorities of Ohioans disagree with many of Gov. John Kasich's key policy and budget proposals. Although the General Assembly is heavily loaded with Republicans, some of those legislators also have concerns, he said.

Ohio Governor John Kasich Some of the Republican Governor's budget proposals appear to be positive the surface: 1. Ohio's income and sales taxes would be slashed by \$1.4 billion and the sales tax broadly expanded to include service industries. Kasich also agrees to expand Medicaid coverage in accordance with federal law to provide coverage to 500,000 additional uninsured Ohioans. He would also borrow \$ 3 billion against future Ohio Turnpike tolls to finance highway and bridge construction.

The Republican-controlled General Assembly has until June 30 to make a decision of Kasich's taxation and spending plan.

Tax provisions in Kasich's proposed budget are said to provide \$1.4 billion in personal income and sales tax rates. The cuts to individual income taxes across all brackets would be 20 percent, or \$2.1 billion, over three years. This would trigger an automatic \$400 million in income tax rebates this fiscal year. Cuts in income taxes for small businesses would be 50 percent on the first \$750,000 of earnings over three years, a savings of \$1.9 billion. However, Kearney notes that only a small number of small businesses would benefit from this cut.

Kearney said he is most concerned about a budget proposal that would broaden the sales tax base by 30 percent to include professional services such as legal, architecture, accounting,

plumbing, car repairs and numerous other services not now taxed. The state estimates this will add \$53 billion to the state's sales tax base by 2015.

"Extending state sales taxes to all professional services would be devastating for Cincinnati, with service businesses in the area moving across the Ohio River to Northern Kentucky, where they would not pay a sales tax," Kearney said.

In addition, the poor share a much larger burden in paying additional sales taxes. "It's unfair to put that big of a burden on so many people," he said. "It is a fallacy for the Governor to say he would be decreasing income taxes, because he is going to tax everything you do. Just think of the taxes you would experience on every aspect of a real estate deal." An all-inclusive sales tax was tried in Florida, and was so unpopular it was killed, he added.

State funding for local governments was slashed 50 percent two years ago for the 2012-2013 state budget, which resulted in a \$30 million loss to Hamilton County, according to Innovation Ohio. Those cuts are not being restored. The Senator added that Kasich is using the savings in cuts to local governments to make up for his proposed income tax cuts. Kasich's proposed budget would provide only a modest increase in local government subsidies and allows up to a 10 percent increase in local sales tax collections.

Said Kearney, "However, in the face of cuts in this year's fiscal budget, local government entities still have to provide certain levels of service. That is why we are experiencing all of these ballot levies coming from municipalities and school districts."

Kasich contends his budget would boost funding for K-12 schools by \$15.1 billion over two years, with emphasis on improving more aid to poorer schools while expanding support for charter schools and vouchers to attend private and religious schools. It would shift the focus for funding for public universities and colleges away from enrollment toward rewarding graduation rates, keeping graduates in Ohio, and recruitment of high-quality, at-risk students.

Kearney that the education budget awards large sums of money to some large school districts, while the smaller districts would receive just annual cost of living increases. It also does not provide adequate funding to increase reading proficiencies by increasing the number of teachers with skills to improve reading levels, he said.

State education cuts in Hamilton County totaled about \$59 million during this fiscal year (2012-2013), according to Innovation Ohio.

Kearney added that the proposed budget would expand the School Choice voucher program allowing more Ohioans to place their children in private schools. Opponents of this program argue that this could harm public education.

**Original Article:** [http://www.thecincinnatiherald.com/news/2013-03-23/Front\\_Page/Senator\\_Kearney\\_says\\_Governors\\_budget.html](http://www.thecincinnatiherald.com/news/2013-03-23/Front_Page/Senator_Kearney_says_Governors_budget.html)