



# ANALYSIS

## A CLOSER LOOK AT HOW STATE POLICIES ARE IMPACTING WILMINGTON

*February 23, 2015*

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Starting in 2007, Wilmington, Ohio was rocked by the double whammy of the great recession and the loss of a major employer when DHL announced it would cut thousands of area jobs. Gov. John Kasich has made this the site of his fifth State of the State address and has described Wilmington’s story of economic recovery as Ohio’s story of economic recovery. While the unemployment rate in Wilmington has dropped, it is important to look more closely at the economic picture underneath that number and how recent state policies have impacted this quintessential Ohio community.

## 5 KEY POINTS

- #1** The average Wilmington household will see a **\$122 tax increase** under Gov. John Kasich’s latest tax proposal.
- #2** Medicaid expansion has provided **healthcare coverage to 1,817 more** people in Clinton County.
- #3** State funding cuts have resulted in **\$1.1 million in annual revenue losses to Wilmington**, a 12.6 percent reduction compared to the city’s 2010 annual budget.
- #4** Even though they have fared better than most school districts, **state funding for Wilmington schools barely kept pace with inflation** over a six-year period, yet funding to charter schools continues to grow.
- #5** While the unemployment rate has dropped significantly, **7,000 fewer people are working in Wilmington today** than in the pre-recession economy of 2007.

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**1. THE COST OF TAX SHIFTING FOR THE AVERAGE WILMINGTONIAN**

Over the last four years, the state of Ohio has accelerated a major shift in its tax code from one that is based on an ability to pay (the progressive income tax) to one that is based on consumption of goods and services (the regressive sales tax). The following will examine how these tax shifts, and current proposals to continue this shifting, impacts the **median income earner in Wilmington who earns just under \$22,000 a year.**

The central element of Gov. Kasich's latest budget proposal continues a massive tax shift from income (progressive) to consumption-based (regressive) taxes. Just like earlier tax plans, this proposal is tilted heavily in favor of the wealthy. Wages would continue to be taxed as income, while profits would not. Reduced income tax rates would disproportionately benefit those in the upper income brackets, while increases in sales and cigarette taxes hit the poor the hardest. Again, the net result of the proposal is a **net tax increase of \$122 on Ohioans earning between \$20,000 and \$37,000** – the range containing Wilmington's median income earner who takes home just under \$22,000 per year.

**IMPACT OF PROPOSED TAX CHANGES**

	<b>Lowest 20%</b>	<b>Second 20%</b>	<b>Middle 20%</b>	<b>Fourth 20%</b>	<b>Next 15%</b>	<b>Next 4%</b>	<b>Top 1%</b>
Income Range	Less than \$20,000	\$20,000-\$37,000	\$37,000-\$58,000	\$58,000-\$89,000	\$89,000-\$163,000	\$163,000-\$388,000	\$388,000 or more
Average income	\$12,000	\$28,000	\$47,000	\$72,000	\$115,000	\$234,000	\$1,071,000
Tax change as % of income	0.9%	0.4%	0.1%	-0.0%	-0.2%	-0.4%	-1.1%
Average change	\$116	\$122	\$64	-\$27	-\$219	-\$890	-\$11,906

*Source: Policy Matters Ohio/Institute of Taxation and Economic Policy, Feb. 2015. Excludes Gov. Kasich's severance tax proposal, and some other elements of his plan. See more at: <http://www.policymattersohio.org/kasich-tax-proposal-feb2015>*

Two years ago, the state budget (HB 59) included a massive tax-shifting plan that accelerated the State of Ohio's move from a progressive tax code to a regressive tax code. Among the tax changes that were made two years, the largest two were a **10 percent income tax cut**, which largely benefits higher income earners, and **4.5 percent sales tax increase**. The budget also eliminated a provision known as the property tax roll back that effectively **increases property taxes by 12.5 percent** on all new local levies. This tax plan also increased the sales tax rate, made modest improvements to the earned income tax credit and limited the homestead exemption for senior citizens. The net effect of these tax changes, according to an analysis by Policy Matters Ohio, would give a **\$6,000 tax break to those at the top while those at the bottom end of the economic spectrum would actually see their taxes go up.** This tax plan was signed into law by Gov. Kasich on June 30, 2013.

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## 2. MEDICAID EXPANSION HAS HELPED

In 2013, Gov. Kasich implemented one of the core components of the Affordable Care Act – expanding Medicaid for needy Ohioans who earn up to 138 percent of the federal poverty level. This expansion has had a positive impact on Clinton County. Medicaid enrollment in Clinton County is currently at 11,945 including 1,817 in the expansion category. In August of 2011, the first month for which comparable data is provided, total enrollment was 9,346.

## 3. SUMMARY OF STATE FUNDING CUTS TO THE WILMINGTON COMMUNITY

State tax reform and utility deregulation in Gov. John Kasich's first budget (House Bill 153) resulted in dramatically reduced payments to municipalities they had received over a decade. As a result, **Wilmington has seen \$467,854 in annual funding from the state disappear.**

House Bill 153 also severely reduced the amount of state general revenue it shares with counties, cities and other levels of government in the form of the Local Government Fund. **Wilmington received \$244,159 less in 2013 compared to 2010.** And the first Kasich budget completely eliminated the state's tax on large estates, the majority of the proceeds of which went to local communities. Prior to the change, Wilmington received \$420,000 per year – resources that are no longer available to pay for municipal services.

**In total, Kasich budget cuts have resulted in \$1.132 million in annual cuts to Wilmington, a 12.6 percent reduction compared to the City's 2010 annual budget.**

## 4. EDUCATION FUNDING BARELY KEEPING PACE WITH INFLATION

Gov. Kasich's policies have provided no relief to Wilmington public schools. Over six years, funding for Wilmington schools is barely keeping pace with inflation, while the amount of state funding diverted to charter schools continues to grow.

While 55 percent of Ohio school districts will receive less state funding in the 2016-2017 budget than they did six years ago, Wilmington City Schools have been spared the axe. **State funding for the district will be \$2.5 million higher in the two-year period starting next school year than it was in the two-year period that began in fall of 2009.**

Wilmington schools only see an increase in state funding before the impact of charter deductions is factored in. However, a significant portion of the increase is offset by the 142 percent increase in charter school funding – an amount that is going to grow, according to estimates released this month by the Ohio Legislative Service Commission. Because of the way the state funds charter schools, money designated for Wilmington Schools is diverted to operators of charter schools that draw students from within the district boundaries. **In 2013-2014, the district lost \$1.06 million to charters, up 142 percent from the \$441,000 the district lost to charters as recently as 2010-2011.** And every dollar goes to fund charter schools that score lower on state report cards than the Wilmington school district the kids left.

## 5. A CLOSER LOOK AT THE WILMINGTON ECONOMY

“The story of Wilmington is, in many ways, the story of Ohio. Hit with hard times and an unemployment rate of 14.4 percent just four years ago, the people of Wilmington and Clinton County came together and persevered, attracting new business, growing their economy and reducing unemployment to just 5.8 percent today.”

- Rob Nichols, Gov. John Kasich’s press secretary

### ECONOMIC REALITY

Starting in 2007, Wilmington, Ohio was rocked by the double whammy of the great recession and the loss of a major employer when DHL announced it would cut thousands of area jobs. While any economic growth is welcome, particularly in a town like Wilmington, a closer look behind these numbers tells a different story than the economic rebirth described in the quote above.

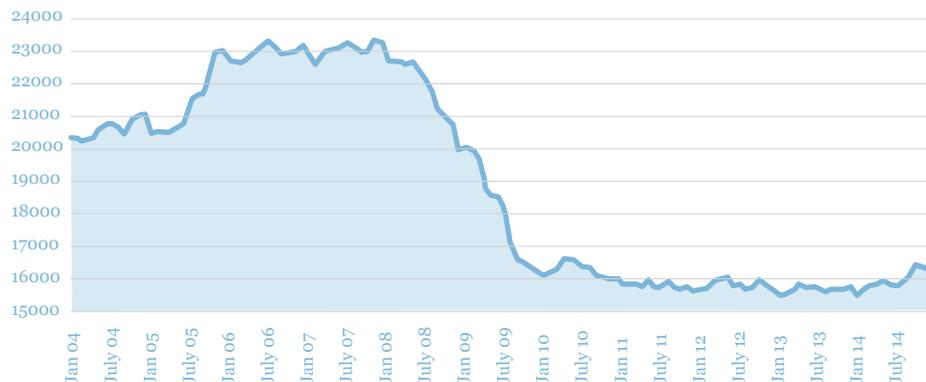
While Wilmington’s unemployment rate has dropped from its astronomical highs in the months following the departure of DHL, the reduction has primarily come as workers dropped out of the labor market rather than from substantial job creation. While the ranks of Wilmington’s unemployed declined by 1,856 in the four years since Kasich took office, much of that drop can be attributed to the expiration of federal unemployment benefits and workers leaving the labor market.<sup>1</sup> Indeed, only a fraction of the decline in unemployment was the result of higher employment. **Employment in Wilmington has only grown by just 498 – or 3 percent – since January, 2011 compared to 5.4 percent growth statewide and 7.7 percent nationally.** Fully 7,000 fewer people are working in Wilmington today than in the pre-recession economy in 2007.

The Wilmington labor force – which represents all workers, whether employed or unemployed and actively seeking employment – has declined by 1,358 since January, 2011. According to the US Census<sup>2</sup>, only 61 percent of Wilmington’s working age population is currently participating in the workforce. This is down from 69 percent in 2000. Unfortunately, labor force participation in Wilmington is also lower (61 percent) than the statewide average of 64 percent.

Other economic data paints a picture of a community that is still struggling to recover from the recession. Because of Wilmington’s small population, Census estimates are based on an average of 5 years of data collection, so this is not meant to represent the situation as it is today, but on all measures – ranging from median income to poverty and the use of public healthcare benefits – the economic conditions in the community are worse than in the 5-year period that ended in 2010.

Figure 1

### EMPLOYMENT



Source: Bureau of Labor Statistics, Local Area Unemployment Statistics

<sup>1</sup> Bureau of Labor Statistics, Local Area Unemployment Statistics

<sup>2</sup> 2009-2013 American Community Survey 5-Year Estimates, and Profile of Selected Economic Characteristics: 2000.

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