



Innovation Ohio Analysis:

**GOVERNOR JOHN KASICH'S SIXTH
STATE OF THE STATE ADDRESS:
MARIETTA, OHIO**

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INTRODUCTION

As the debate over Ohio's economic successes or shortcomings continues, a closer look at individual communities can be illuminating. The town of Marietta, the site of the Governor's sixth State of the State Address, reflects the struggles that many communities across the state continue to face.

While Gov. Kasich's push to expand Medicaid has helped many in Marietta access care, the median household income lags the statewide average, tax shifting policies strain lower-income residents, and local schools continue to lose valuable state funding.

The following report takes a closer look at these policies and the impacts on Ohio's first capital City: Marietta, Ohio. Here are a few of the key points this report highlights:

KEY FINDINGS:

1. The median income in Marietta remains nearly \$10,000 less than the statewide average, and 25 percent of Marietta residents – and nearly 4 in 10 children – live below the poverty line.
2. The workforce in Marietta has shrunk by 5 percent over the last five years, declining from 6,868 in 2010 to 6,505 today.
3. The bottom 20% of income earners in Marietta have seen state taxes increase as a result of a shift to a more regressive tax code.
4. Medicaid expansion has resulted in over 3,000 Washington County residents gaining access to health care.
5. State funding cuts have resulted in a nearly \$1 million annual revenue loss to Marietta, an 11 percent reduction from the city's 2010 budget.
6. Marietta schools have lost \$1.7 million (adjusting for inflation) in state aid since 2010, while local property taxes have increased 22 percent.

1. MARIETTA'S ECONOMIC REALITY

While it is encouraging that the rate of unemployment across Ohio and in the U.S. has gone down since the recession, residents of Marietta are dropping out of the labor force. **The number of individuals in Marietta who are working or actively seeking work has actually decreased by 5 percent in the last five years, declining from 6,868 in 2010 to 6,505 today.**

Since 2010, the median earnings of Marietta residents have increased from \$17,057 to \$20,235. This remains far below the current median in Ohio of \$29,672.

Marietta is not only below average in size of labor force and annual income, but also has a very high poverty rate. Almost 25 percent of citizens live at or below the poverty line compared to 15.8 percent in Ohio and 15.6 percent in the entire U.S. Shockingly, Marietta has a child poverty rate that close to doubles the statewide and national rates. 38.5 percent of Marietta's children live at or below the poverty line. The poverty rates in Marietta show a community struggling to make ends meet.

2. IMPACT OF THE TAX SHIFT ON THE PEOPLE OF MARIETTA

In his last two state budgets, Governor Kasich enacted a massive tax-shifting plan that accelerated Ohio's move to a more regressive system of taxation. In the bills, passed in 2013 and 2015, income taxes – which disproportionately benefit those with the highest income in the state – were reduced by 10 and 6.3 percent respectively, while sales taxes – disproportionately paid by the poorest Ohioans – were increased by 4.5 percent. As a result of these tax changes, the wealthiest 1 percent in Ohio received an average tax cut of over \$17,000 a year, while many of the poorest citizens' taxes have actually increased.¹

The impact of Kasich's regressive tax shift was to transfer Ohio's tax code from an income-based progressive system to a consumption-based, or regressive, one. The reduced income tax system enacted under Governor Kasich disproportionately benefits higher income earners who receive tax breaks. Because wages—not profits—are continually taxed as income, those working for lower pay end up seeing very little benefit. **Ohioans that earn from \$20,000 to \$37,000, a range which includes the median income earner in Marietta with income of \$20,235 a year, saw their taxes reduced by just \$44 per year under Kasich.**

¹ Schiller, Zach. "Kasich-era tax changes reward the wealthy." Policy Matters Report. August 27, 2015.

Annual impact of tax changes enacted during Kasich administration

	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Next 15%	Next 4%	Top 1%
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	+0.1%	-0.2%	-0.2%	-0.3%	-0.4%	-0.9%	-1.6%
Average Tax Change	+\$17	-\$44	-\$94	-\$192	-\$504	-\$1,999	-\$17,618

Source: Institute on Taxation and Economic Policy, August 2015. Based on 2014 income levels and includes Ohio residents only. Includes major tax changes in the 2013 budget bill, the 2014 Mid Biennium Review and the 2015 budget bill when fully implemented.

Table: Policy Matters Ohio

3. MEDICAID EXPANSION’S IMPACT ON WASHINGTON COUNTY

Since Gov. Kasich expanded Medicaid for needy Ohioans as a part of the Affordable Care Act in 2013, citizens in Washington County have felt the positive impact. **As of February 2016, 3,072 of the 3,378 Washington County residents eligible for Medicaid expansion have been enrolled.** Thousands of adults in Marietta and Washington County have since benefitted from easier access to health care.

4. STATE FUNDING CUTS TO MARIETTA

Gov. John Kasich’s first budget (HB 153) cut funding to local governments in half. For towns like Marietta, that caused approximately \$996,755 in lost funding each year – which represents 11 percent of its 2010 municipal budget – as a result of state policy changes enacted under Kasich².

City officials saw overall revenues decline, resulting in the City’s overall budget shrinking. At a 2012 budget hearing one Marietta City Council member declared: **“We’re taking a major hit from loss of the inheritance tax.”**³ The loss of estate tax revenue alone represents nearly half of the annual loss in Marietta’s state funding, as the city collected an average of \$464,000 in taxes on inheritances in the five years prior to the tax’s elimination. Local Government Fund cuts have added an additional reduction \$250,000 of City resources.

² Innovation Ohio. House Bill 5 Impact Analysis. November 20, 2014. http://innovationohio.org/wp-content/uploads/2014/11/IOReport_HB5.pdf

³ Shawver, Sam. “Marietta tax budget estimates drop in revenue.” Marietta Times. July 3, 2012.

5. EDUCATION FUNDING AND IMPACTS OF CHARTER SCHOOLS

Changes in state education policy in Ohio have not been beneficial for Marietta City Schools. Adjusting for inflation, Marietta's state education funding has been cut \$1.7 million from the amount provided in 2010.

Thanks to these cuts under Kasich, school property tax rates in Marietta are up 22 percent and the amount of real property taxes collected are up \$3 million. This means the local property tax burden has increased by nearly one third under Kasich, contrary to four Ohio Supreme Court rulings that required the state to decrease the reliance on property taxes to pay for schools.

Charter schools are also affecting Marietta schools' finances. Last year, Marietta City Schools deducted \$540,034 from its budget to send students in its district to charter schools. None of the charter schools that received that funding outperformed Marietta City Schools on the state's annual report card.