



# INNOVATION OHIO

2019 STATE BUDGET PRIORITIES

## AN INVESTMENT IN OHIO'S FUTURE

As Governor Mike DeWine prepares to introduce his first two-year state operating budget, Innovation Ohio urges the administration to include 15 key policies that will provide the resources our state needs to invest in its communities, kids and working people. These investments and revenues will strengthen our state in the long term and include policies DeWine advocated for during the 2018 election.

**INVEST IN KIDS**

**PROTECT THE DIGNITY OF WORK**

**ENSURE OHIO'S COMMUNITIES HAVE SUFFICIENT  
RESOURCES TO THRIVE**

**PROVIDE ADEQUATE REVENUES WHILE MAKING OUR TAX  
SYSTEM MORE FAIR**

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## **INVEST IN KIDS**

### **DOUBLE THE NUMBER OF PUBLIC PRESCHOOL OPPORTUNITIES.**

Early learning facilitates later learning, and quality preschool closes gaps in achievement and school readiness. Other states - and even some cities in Ohio - are already putting in place universal public preschool, recognizing that early education is essential to school readiness. Ohio can bring universal pre-K closer to reality by doubling the number of available public preschool slots for less than \$100 million each year.

### **PROVIDE WRAPAROUND SERVICES IN SCHOOLS TO DELIVER BETTER OUTCOMES.**

When students, families and communities are physically and emotionally healthy, educational outcomes improve and workers are better prepared. One of the most promising investments states and communities can make is in wraparound services for students, especially in high-poverty areas. These services include nurses, social workers, clinics and family resource centers.

### **FUND K-12 EDUCATION BASED ON WHAT IT ACTUALLY COSTS TO EDUCATE A CHILD, INCLUDING AT CHARTER SCHOOLS.**

Ohio must fund a modern and equitable system of public education, regardless of school type or community wealth so our state is not left behind. Nobody's zip code should determine the quality of their education. To rebuild our schools the state must determine what resources kids need to excel in the 21st century, then firmly commit to adequate funding, regardless of school type, based on actual costs and educational setting. Today many schools receive less state support than they did in 2010 - reversing that trend will increase quality and equity. And when public funding goes to charter schools, those that spend less than public schools should be provided less.

### **STOP THE FLOW OF TAXPAYER DOLLARS TO FAILING SCHOOL CHOICE OPTIONS.**

We agree with Speaker Householder that operation of the state's charter schools should be limited to nonprofit entities, so tax dollars stay in classrooms, not padding corporate profit margins. Ohio's charter oversight system should reward and encourage high performers while quickly eliminating poor performers, creating cost savings that can be reinvested back into public education. Any funding increase to charter schools should be based on the quality of those schools.

Despite the evidence that vouchers actually harm student achievement, the state has more than quadrupled the amount of taxpayer funding to private, mostly religious schools since 2011. Like charters, private school vouchers should be limited to schools that provide options that are at least as good as the public schools that students leave behind. Such funding should only go to students who spend at least one full year in their school district of residence prior to receiving the voucher.

### **ELIMINATE OR REFORM ACADEMIC DISTRESS COMMISSIONS.**

When the Ohio General Assembly passed House Bill 70 in 2015 that created Academic Distress Commissions, it was done at the last minute with no public input. Not surprisingly, eliminating the power of democratically elected local school boards has had a disastrous outcome in both Youngstown and Lorain. Ongoing issues in these cities have sparked widespread, bipartisan calls to fix the commission system. We call for the undoing of HB 70 and the for the creation of more locally based solutions for fixing school districts' persistent performance issues.

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## **BOOST INVESTMENT IN HIGHER EDUCATION.**

Ohio has set a goal of having 65 percent of our working adults with a post-secondary credential or degree by 2025. At 42 percent, Ohio currently falls far short and is trending in the wrong direction. The state's higher education enrollment dropped over 17% between 2011 and 2017—the largest drop in the nation. Ohio's retention rate is also among the nation's lowest. One factor driving this trend is a failure to invest. Ohio has the ninth lowest per-student financial commitment to higher education in the U.S.—nearly \$2,100 below the national average, thanks to a massive failure to invest in higher education since the Great Recession. The state budget must meaningfully increase funding for the State Share of Instruction (SSI), which pays for two and four-year degree institutions. This increase could allow tuition to drop at our institutions of higher learning—a critical outcome for Ohio's families.

The budget should also catch up our need-based grant program (the Ohio College Opportunity Grant or 'OCOG') to the needs of students—it's currently about half the relative size it was prior to the Recession.

## **PROTECT THE DIGNITY OF WORK**

### **EXPAND THE EARNED INCOME TAX CREDIT.**

Low- and moderate-income families pay a higher share of their income in state and local taxes than higher-income taxpayers do. To partly make up for that, and to assist families that work but earn little, both the federal and Ohio tax code include an Earned Income Tax Credit. The credit helps working people take care of their families, but in Ohio is limited to people in a very narrow income band due to caps and non-refundability. Ohio should remove the cap and make the credit refundable. The budget should address this so that no one is taxed into poverty as a result of having a job.

### **ENACT A STATEWIDE PAID FAMILY LEAVE PROGRAM.**

People who work hard and play by the rules shouldn't be afraid of losing their jobs if they get sick or need to take care of a loved one. Today, just 17 percent of workers have any form of paid family leave through their employer, including just 4 percent of low-wage workers. Most Ohio workers must choose between their job and family obligations. They can't get paid time off even to recuperate from childbirth or help a parent going through chemotherapy. Paid family leave has been shown to foster better workforce attachment and retention, and deliver health benefits for children and new moms.

Five other states and the District of Columbia have a statewide family and medical leave insurance program, funded through small payroll deductions, administered by the state, allowing workers to take up to 12 weeks off with partial paycheck replacement to care for a new child or address a serious medical condition. Ohio should do the same. The state budget should include a modest investment to perform needed actuarial studies and program implementation.

### **EXPAND ACCESS TO AFFORDABLE, QUALITY CHILD CARE.**

All parents want their children to have the opportunity to get ahead, but also need to earn a living to support their family. High-quality childcare and early education helps Ohio families do both. Unfortunately, it is harder to qualify for childcare assistance in Ohio than in 44 other states. Fewer working families are eligible to get help with childcare today than in 2010. The state could improve our ranking and get affordable childcare to more working families by setting initial eligibility for the program at 200 percent of poverty (\$32,920 for a family of two).

Eligibility standards should also be consistent across public child care and preschool programs so families have more options for care and enrichment. Ohio's public childcare system should pay adequate wages so that workers doing this important job are not themselves stuck in poverty. The state can ensure this by increasing provider rates so more can enroll in the Step Up to Quality program.

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## **PRESERVE MEDICAID EXPANSION TO ENSURE LOW-INCOME OHIOANS ARE HEALTHY AND READY TO WORK.**

Health care is a right that should be ensured for all Ohioans. The federal Affordable Care Act helped nearly a million Ohioans get health insurance coverage, dramatically improving a problem that had been growing worse for decades. Medicaid expansion in particular meant that more than 700,000 Ohioans who earn too little to pay for their own coverage were able to be insured using almost entirely federal dollars. The federal government covers 90% of the costs of Medicaid expansion. Ohio should retain Medicaid expansion without ineffective fees and burdensome paperwork requirements that will cause thousands to lose coverage.

## **EMPOWER THE BUREAU OF WAGE AND HOUR ADMINISTRATION TO BETTER ADDRESS WAGE THEFT.**

When employers don't pay workers the full compensation they are legally entitled to, they are stealing worker wages or engaging in wage theft. Ohio has the second highest share of workers who are victims of minimum wage violations. More than 5 percent of Ohio workers, and nearly 23 percent of low-wage workers are not receiving full compensation under minimum wage law. The lost wages amount to just over 22 percent of impacted workers' earnings. This number represents only the effect of minimum wage violations, just one form of wage theft.

The state has some measures in place to protect workers, from confidential complaints to imposition of triple damages on violators. But the state under-invests in enforcement. Budget cuts forced consolidation and personnel erosion in Ohio's wage and labor investigative departments. The number of investigators dwindled from an already-measly 15 in 2008 to just six in 2018. That is just one for every 795,883 private-sector workers. State support for wage and hour enforcement is just \$2.3 million over 2018-2019. Real investment and targeted enforcement in low-wage sectors is needed.

## **ENSURE OHIO'S COMMUNITIES HAVE SUFFICIENT RESOURCES TO THRIVE**

### **UNDO HARMFUL CUTS TO LOCAL COMMUNITIES BY RESTORING THE LOCAL GOVERNMENT FUND.**

Over the last ten years, Local Government Fund disbursements have been significantly reduced from \$745 million in 2008 to \$362 million in 2018. When combined with the loss of tangible personal property tax reimbursements, the estate tax and limits on municipal taxation, the total cut to cities is estimated to be nearly \$500 million a year.

### **INVEST IN A SUCCESSFUL 2020 CENSUS EFFORT WITH A DEDICATED FUNDING ALLOCATION FOR PREPARING FOR AND DEVELOPING OUTREACH AT THE DEVELOPMENT SERVICES AGENCY.**

It is incumbent on Ohio to take the necessary steps to ensure a clear and accurate count for the state. This census will be critical for Ohio because the allocation of Congressional seats and the over \$33 billion of federal funds distributed to Ohio for programs that serve our state rests on the accurate count of our residents.

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## PROVIDE ADEQUATE REVENUES WHILE MAKING OUR TAX SYSTEM MORE FAIR

Over the last eight years, Ohio has seen its tax system become steadily less progressive as working and middle class Ohioans have been forced to shoulder more of the burden. In addition to these spending priorities laid out above, Gov. DeWine's budget must include adequate revenues in order to fully invest in the future of our state, and do so in a way that restores fairness to our tax system.

### ENSURE A PROGRESSIVE TAX SYSTEM IN WHICH GENERAL GOVERNMENT SERVICES ARE FUNDED BY THOSE MOST ABLE TO PAY.

We must end tax policies that worsen income inequality and give tax breaks to the most fortunate among us. The state budget should restore the pre-2005 tax rate of 7.5% on income in excess of \$218,250 and introduce a new 8.5% bracket for those earning a half million or more.

### CLOSE THE UNPROVEN LLC TAX LOOPHOLE.

Ohio should end its recently enacted \$1 billion annual tax giveaway to individuals who hold ownership in limited liability companies (LLCs) and others known as passthrough entities. Today, business owners—including many who employ no one—can pocket the first \$250,000 in income from these businesses tax-free, and pay a special low rate on amounts above that. There is no evidence this experiment has led to more jobs or new businesses. The budget could reallocate over \$1 billion in resources by closing this one ineffective tax break.

