



The Governor's Announcement on Taxes: A step in the right direction

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On September 30, 2009, Governor Strickland acknowledged that the plan to install slot machines at Ohio's seven horse racetracks would not take place in this state budget biennium (FY 2010-2011). Only two of the seven racetracks paid the first scheduled installment of their licensing fees, and the Supreme Court allowed a group opposed to the new law to gather signatures to force a voter referendum on the issue ([LetOhioVote.org v. Brunner](http://LetOhioVote.org)). The referendum would not take place until November, 2010. Even if the plan survives a referendum, other court challenges are pending.

The expected slot machine revenue was supposed to generate \$933 million for Ohio's primary and secondary education budget. Faced with this loss of revenue, the governor proposed delaying the final year of a planned cut to Ohio's individual income tax. Rather than falling an additional 4.2 percent, rates would stay at 2008 levels if the legislature lends its approval. According to the Ohio Department of Taxation, the plan would raise \$844 million over the biennium. It would cost \$78 per year for a family with two working parents and two children and an income level of \$60,000.

The governor's leadership on this issue is long overdue. Unfortunately, the proposal will have no impact on health and human services programs, and falls well short of fixing Ohio's budget problems. Vital services for thousands of Ohioans will be cut back or eliminated at a time when they are needed most. For example, funding for the Early Learning Initiative, a successor to Ohio's state-funded Head Start program, was eliminated entirely, depriving low-income preschool-aged children of a valuable opportunity to prepare for school. Income eligibility for subsidized child care was cut to 2004 levels, affecting thousands of children and forcing their parents to choose between substandard care or giving up their jobs. Community Solutions will release a *State Budgeting Matters* issue on the impact of the budget on early care and education in the next several days.

Another example of a devastating cut is in mental health services. GRF funding for mental health is reduced by \$190 million when compared to final FY 2008-2009 funding levels. As a result, some non-Medicaid treatments may not be offered and many adults who are not eligible for Medicaid will go without treatment. (See our August [*Planning and Action*](#) issue for a full description of the impact of the budget cuts in mental health.) Likewise, funding for child and adult protective services has been cut to dangerously low levels. The governor and legislature share responsibility for letting this situation deteriorate to the point that the Ohioans will not be able to get the public services they need.

The failure of the slot machine plan is not the only challenge for the budget's revenue structure. The state is also counting on winning a court case involving \$258 million from the national tobacco settlement lawsuit. The issue is now before the 10th District Court of Appeals; the state lost the first round in the Franklin County Court of Common Pleas. These funds had been pledged for optional Medicaid services for adults, protective services, and the expansion of Medicaid coverage for children.

An even greater fiscal tsunami is coming in two years when the state must find a way to replace \$8 billion in federal stimulus funds and other "one-time," non-recurring revenues and cost savings. Despite this, both the governor and legislative leaders continue to profess their belief in the importance of the tax reduction framework of House Bill 66 (2005), even though there is no evidence that Ohio's tax structure was at fault for the state's economic problems. The House Bill 66 framework has to be reconsidered as part of an honest debate. Ohio has raised taxes in earlier recessions, and dozens of other states around the country are doing so now in order to help balance their budgets.

A temporary freeze of income tax rates is a small step in the right direction, but is not a real solution to Ohio's budget problems. The Center for Community Solutions recommends permanently increasing individual income taxes and the commercial activity tax, as well as closing tax loopholes. The legislature should take up the governor's plan immediately, and add additional revenues that are necessary to adequately fund health and human services.

The Center for Community Solutions is a private, independent, nonprofit organization focused on policy and system reform. It provides strategic leadership to improve targeted health, social, and economic conditions. Established in 1913, it is a United Way agency.

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