



## Tax & Budget

### Testimony on HB 166 before the Senate Finance Subcommittee on Health and Medicaid

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Good morning, Chairman Hackett, Vice-Chair Huffman, Ranking Member Thomas and members of the committee. My name is Wendy Patton and I am a Senior Project Director with Policy Matters Ohio, a nonprofit, nonpartisan organization with the mission of creating a more prosperous, equitable, sustainable and inclusive Ohio. Thank you for the opportunity to testify.

While Ohio's economy has stabilized since the Great Recession, [six in ten](#) of Ohio's largest occupational groups leave a full-time worker with two children eligible for and needing public assistance like Medicaid, SNAP food aid and other services – at the median wage. More than [450,000 Ohio children experienced poverty in 2017](#). As the cost of housing, child care, healthcare and education continues to rise, more and more working parents are struggling to afford the rising cost of the basics.

Making Ohio a healthier place to live will take investing in services and supports that create opportunities for all Ohioans to thrive. Healthy food, stable housing, quality child care, lead-free homes, and access to basic transportation all impact the health of our families and communities. We also need investments in quality health care and recovery services to make sure Ohioans dealing with drug addiction, trauma, and mental illness have timely, compassionate, and affordable treatment to recover and thrive.

We are glad that the executive budget and the budget as passed by the House continue to support the Medicaid expansion, the most important tool we have in stemming the drug epidemic and allowing hundreds of thousands of Ohioans to get needed doctor's care. The ongoing investment in the health of Ohioans strengthens families and communities and the economy as well. Our [analysis](#) last year found 54,000 more jobs were created due to Medicaid expansion funding, 90% of which comes from federal dollars that circulate throughout every county of Ohio.

Medicaid is a critically important work support. The majority of the Medicaid expansion enrollees find having health care [helped](#) them work and look for work. The substantial investment in mental health and addiction services will help Ohio stem the drug epidemic. The new 'Student Success and Wellness' funding will help students with mental health and other needs in our poorest rural and urban school districts. We are glad to see funding to abate lead, which poisons far too many Ohio homes and the children living in them. We ask you to support these important investments.

Other important investments are still needed to support the most basic of needs: Food and shelter. When Ohioans have access to stable, affordable housing and nutritious food, they have better health, better chances to thrive at school, and are more likely to become more self-sufficient. Households earning no more than 200% of poverty are eligible for and need help from Ohio's foodbanks, but the legislature has allowed inflation to erode funding for this lifeline. We support the Ohio's foodbanks request for an additional \$10 million a year in food aid. The Housing Trust Fund also needs to be fully funded to expand the supply of affordable housing.

We compare the state budget to a car's engine. One can save money by putting off oil changes, but when the engine seizes up, the cost of repair is far higher than the cost of maintenance would have been. Rebuilding critical social infrastructure damaged by long-term lack of investment is costly but crucially important, helping stabilize uncertain lives of Ohio's hundreds of thousands of workers in churning, low-wage labor markets. Public transit allows workers a broader

area to search for a job and employers a wider labor market to draw from. Childcare stabilizes a working parent and quality childcare gives social, emotional and literacy skills children need to succeed.

Investment in the state public childcare program provides a good example of what it takes to start to rebuild an eroded service. Publicly available data about the program reveals flat funding during a time of sharply rising need that has strained the infrastructure of the program, which is made up of private and non-profit childcare providers reimbursed through the state.

**Income eligibility has dropped.** In state fiscal year 2009, families earning up to 200% of poverty – about \$40,000 for a family of three – were eligible for public child care assistance. In 2018, eligibility had fallen to 130% of poverty (\$27,024 for a family of three).

**The number of children served has grown.** The state program served 108,608 children in 2009, during the recession. As the economy recovered more jobs became available, but many were low-wage jobs, which increased the need and demand for public child care assistance. In June of last year, the last month for which an unduplicated count of enrollment is available, 117,685 kids were enrolled. The income eligibility threshold for child care assistance dropped while the growth of low-wage jobs fueled demand for the service, leaving more families struggling to find safe, affordable places to care for their kids.

**Funding remained flat on an inflation-adjusted basis.** Ohio Department of Job and Family Services agency line items dedicated to supporting public child care assistance included 600617 (Child Care and Development Block Grant; 600689 (TANF); 600535 (early care and education) and 600413 (state maintenance of effort). Together, these line items – adjusted for inflation in 2018 dollars - totaled about \$625 million in 2009. In 2018 those four lines, plus a new one from a dedicated purpose funding source (600696), totaled \$623.4 million. Even as demand for services soared, and more children were served, lawmakers held funding to just under the rate of inflation. Quality throughout the program suffered.

**Reimbursement rates for providers are inadequate.** The Ohio Child Care and Development Plan for [2019-21](#) identifies the base provider rate for centers in Ohio's largest payment category (serving over 50% of children in Ohio's public child care program) ranges between the 15th to 20th percentile of market rates. The recommended benchmark is the [75<sup>th</sup> percentile](#). Higher reimbursement rates are offered for child care centers that are accepted into the 'Step Up To Quality' program, but existing base market rates are so low some providers [struggle](#) to make the improvements necessary.

The budget uses federal TANF dollars to boost aid to struggling providers and help them get into the quality program. This is necessary to strengthen the infrastructure of a program that faces strong demand. But there is more to do. We are disappointed that HB 166 does not include new GRF funding to expand child care access by increasing the level of initial eligibility to the Governor's promise of 150% of poverty. Policy Matters Ohio like many others urges the General Assembly to restore initial eligibility for public child care assistance to 200% of poverty. This would align public child care with the public preschool program, allowing thousands of children and families to take advantage of enrichment programs for early learners while supporting low-income working parents.

The important rebuilding we see initiated in this budget and new investments necessary to improve systems need to be supported by predictable and sustainable state-based funding now and in the future. Over the past decade, lawmakers have prioritized tax cuts that have overwhelmingly benefitted the wealthiest at the expense of maintaining investment in essential services needed in the changing economy. By 2018, the wealthiest 1% of Ohioans paid almost \$41,000 [less in state taxes](#), on average, than they would have under Ohio's tax laws of 2004, before all the tax cutting started. Those in the middle pay about the same. The lowest income taxpayers pay about \$140 a year more, on average, because flat taxes, like the sales tax and the gas tax, have gone up. Today, the poorest pay almost twice the share of income in Ohio's state and local taxes as the wealthiest.

Income-tax cuts are not the prescription for prosperity in Ohio. Almost 15 years of tax cuts have eliminated an estimated [\\$6 billion](#) in state revenues and further shifted the weight of state and local taxes from wealthy to middle- and lower-income families, but it has not boosted the economy. Ohio still lags the nation in job creation. The forecasts that underlie the proposals in HB 166 show that Ohio will continue to trail behind the United States in employment growth (see page [B-4](#) of the governor's proposal) and other indicators, including growth of personal income, gross domestic product and unemployment (see [Ohio Legislative Service Commission](#) forecast, pages 7-9).

The needs we highlight in this testimony, in human services, are in addition to the substantial investment needs of schools and higher education. We need to restore funding for local governments, which are responsible for the delivery and much of the financing of human services; they have lost more than a billion dollars a year since 2011 due to state cuts and elimination of local tax sources. Continuing to flat-line the state budget will not rebuild Ohio nor meet the growing needs of Ohioans in the low-wage economy.

Rebuilding takes a belief in Ohio's future, and investment to build that future. We are glad that Governor DeWine and members of the General Assembly have a vision for the future. The Governor is right: it is time to invest, and it is a conservative strategy to invest, because the costs of delayed investment grow over time. We agree with him, and only regret that important investments that are badly needed are still left out of the executive budget proposal.

Thank you for this opportunity to testify. I will be glad to take any questions.