



Representative Lauren McNally
59th House District

House Bill 290 Sponsor Testimony
Ways and Means Committee
Tuesday, November 19, 2024

Good afternoon, Chair Roemer, Vice Chair Daniels, Ranking Member Troy and members of the Ways and Means Committee, thank you for allowing me to share details about House Bill 290, legislation authorizing the Thriving Family Tax Credit. My Joint Sponsor, Representative Casey Weinstein, sends his regrets.

This sponsor testimony opportunity comes at an interesting time, since we've recently had a statewide election in Ohio and will soon experience some changes here in the state legislature. My community is ever evolving when it comes to our politics and what people can expect on election night. We get a lot of national attention because of it.

Parts of my current district and all of my new district will be in Mahoning County, which has significantly swung from blue to red. Right after the election I was asked that, given this change, would I be moving my agenda closer to the right as well. I made myself perfectly clear: I don't have a partisan agenda. My north star is my next-door neighbors.

I live on the west side of Youngstown. My neighbors are your pretty average, blue-collar working-class families. They have a couple of kids and aging parents that live nearby. My policy priorities and my "partisan agenda" are set by the conversations I hear when I'm out in the neighborhood, at the playground, taking my kids to school and sports, or shopping for groceries. HB 290 was drafted with them in mind.

It was drafted in response to what is top of their mind including: Can they pay their bills? Can they send their kids to school with the supplies their children need? Can they put gas in their car- can they even afford a car that runs these days? Can they take a sick day, or do they need the paycheck more?

The economics behind these concerns are real. For example, housing is considered affordable when a household spends no more than 30% of its gross income on housing costs, including utilities.¹ Instead, our neighbors are spending these percentages of their paychecks meeting basic needs: Housing (33.3%), Transportation(16.8%), Food (12.8%), Personal insurance and pensions (12%), Healthcare (8%), Entertainment (4.7%), Other expenses (4.1%), Cash contributions (3.8%), Apparel and services (2.7%), Education (1.8%).² Affordability has an entirely different meaning between their multiple jobs and multiple demands on their time and their wallet, which is extremely common for the 33% of Americans who have a side hustle to earn extra money to pay for regular living expenses.³

This experience of agonizing over the everyday bills is not unique to us and is definitely not the product of laziness, stupidity, or lack of drive. If you've ever spent time with someone from The Valley, you'd know better than to question our will power and work ethic. It is sadly common and extends beyond our region and throughout the state.

Nearly half (47 percent) of Americans say money has a negative impact on their mental health, at least occasionally, causing anxiety, stress, worrisome thoughts, loss of sleep, depression or other effects.⁴ Nearly 2 in 3 people (59 percent) whose mental health is affected by money cite paying for everyday expenses, such as groceries and utilities.⁵ And every single category of groceries

¹ <https://archives.hud.gov/local/nv/goodstories/2006-04-06glos.cfm#:~:text=Affordable%20Housing:%20Affordable%20housing%20is,Reference:%20www.hud.gov>

² https://www.bls.gov/news.release/archives/cesan_09082023.htm

³ <https://www.bankrate.com/banking/savings/average-household-budget/#avg-household-expenses>

⁴ <https://www.bankrate.com/banking/savings/average-household-budget/#avg-household-expenses>

⁵ cont.

has risen in price in the last year, with Food-at-home prices increasing by 5% in 2023, while food-away-from-home prices increased by 7.1%.⁶

These economic factors are huge attributors to feelings around starting families, with people citing a lack of paid parental leave, overall costs, and careers as being among the top reasons for the desire to not have children.⁷ Although it can vary on location and lifestyle choices, adding a person to your family, meaning raising a child from birth to age 18, can cost around \$237,482 on average, which breaks down to roughly \$17,000 per year per child, factoring in costs like food, housing, childcare, clothing, transportation, and health insurance.⁸ Families with children in elementary through high school were expected to spend an average of \$890 alone on back-to-school items in 2023.⁹

Even though inflation is cooling rapidly, with October's prices rising 3.2% on an annual basis — far lower than the 9.1% pace recorded in June 2022, there are still pockets of inflation hitting consumers, such as at fast-food restaurants like McDonald's, where Big Macs now cost 10% more than in December 2020.¹⁰ That really matters if you're a working parent, racing to pick up your kid from school while you're in between jobs and don't have the time to cook dinner and get food on the table before you're out the door again.

We feel this not just in our homes but within our communities. We can't find volunteers for church, or parents to sign up for PTA or classroom holiday parties. Volunteer rates declined from 2012 (5.8 percent) to 2022 (4.2 percent).¹¹ Formal volunteering dropped 7% from 2019 to 2021, the largest decrease since the U.S. Census Bureau and AmeriCorps began tracking this data via survey in 2002.¹² The most common reason for not volunteering is lack of free time (about half of Americans cite this as the main reason), and another common reason is that the volunteer

⁶ <https://www.ers.usda.gov/data-products/ag-and-food-statistics-charting-the-essentials/food-prices-and-spending/#:~:text=U.S.%20food%20prices%20rose%20by,inflationary%20factors%20eased%20from%202022.>

⁷ <https://www.psychologytoday.com/intl/blog/what-the-wild-things-are/202302/11-reasons-people-choose-not-to-have-children#:~:text=No%20desire%20to%20have%20kids,being%2C%20or%20inability%20to%20conceive.>

⁸ [https://www.investopedia.com/articles/personal-finance/090415/cost-raising-child-america.asp#:~:text=Thrifty%20plan:%20\\$980.60.7](https://www.investopedia.com/articles/personal-finance/090415/cost-raising-child-america.asp#:~:text=Thrifty%20plan:%20$980.60.7)

⁹ [https://nrf.com/media-center/press-releases/majority-back-class-shoppers-have-already-begun-purchasing-school-items#:~:text=Families%20with%20children%20in%20elementary,year's%20high%20of%20\\$41.5%20billion.](https://nrf.com/media-center/press-releases/majority-back-class-shoppers-have-already-begun-purchasing-school-items#:~:text=Families%20with%20children%20in%20elementary,year's%20high%20of%20$41.5%20billion.)

¹⁰ <https://www.cbsnews.com/news/inflation-households-need-extra-11400-these-states-its-even-higher/>

¹¹ https://www.bls.gov/news.release/archives/atus_06222023.htm

¹² <https://americorps.gov/about/our-impact/volunteering-civic-life>

schedules and commitments are too inflexible.¹³ Our neighbors don't have the time or the flexibility to experience the joy of giving back, paying it forward, or making more meaningful contributions to their communities because they are forced to work nonstop just to exist in their communities.

People want and deserve more than to draw breath and to punch a timecard where they live, to be a part of something greater than themselves, but money and time are precious resources. Going to the neighborhood backyard bbq or volunteering to coach the kid's baseball team is a stretch and a splurge. The opportunities for themselves and their kids are dwindling because wages have stagnated as the prices of goods have increased,¹⁴ leading to a cost-of-living crisis.¹⁵

It is not unreasonable to want to live in a state with an economy that earns you a wage that can pay your bills. It is not unreasonable to receive cost-of-living increases in pay that actually match the increases in the costs of goods in our economy, and maybe — just maybe — take a sick day or vacation more than once every decade without having to put it on plastic and pay for it for years to come. Is that so much to ask for?

In his 2022 State of the State Address, Governor DeWine said that “There is simply no better place to raise a family than Ohio.”¹⁶ The Governor's statement is a worthwhile goal we all should be working towards, but unfortunately Ohio is just not there yet. In 2021, Ohio ranked 35th in the nation for childhood food insecurity, with nearly 20% of Ohio children experiencing food insecurity day-to-day.¹⁷ With nationwide inflation driving up costs and outpacing wage growth, Ohio families need our help. Enter the Thriving Families Tax Credit.

HB 290, or the Thriving Families Tax Credit, is an attempt to cut down on this cost-of-living crisis. It does so by targeting the pocketbooks of those who need it most: the working class. The Thriving Families Tax Credit would give nearly 986,000 urban, suburban, and rural Ohio

¹³ <https://longevity.stanford.edu/three-reasons-why-people-dont-volunteer-and-what-can-be-done-about-it/>

¹⁴ <https://www.epi.org/nominal-wage-tracker/>

¹⁵ <https://www.cnn.com/2023/04/21/why-economists-are-no-longer-so-worried-about-a-wage-price-spiral.html>

¹⁶ https://governor.ohio.gov/wps/wcm/connect/gov/27cd3f50-5604-4a35-a531-32914135ec0b/As+Prepared+2022+Governor+Mike+DeWine+State+of+the+State+Remarks.pdf?MOD=AJPERES&CONVERT_TO=url&CACHEID=R00TWORKSPACE.Z18_79GCH8013HMQA06A2E16IV2082-27cd3f50-5604-4a35-a531-32914135ec0b-n-Z8q2E

¹⁷ <https://ohiocapitaljournal.com/2023/04/06/student-hunger-is-pervasive-in-ohio/>

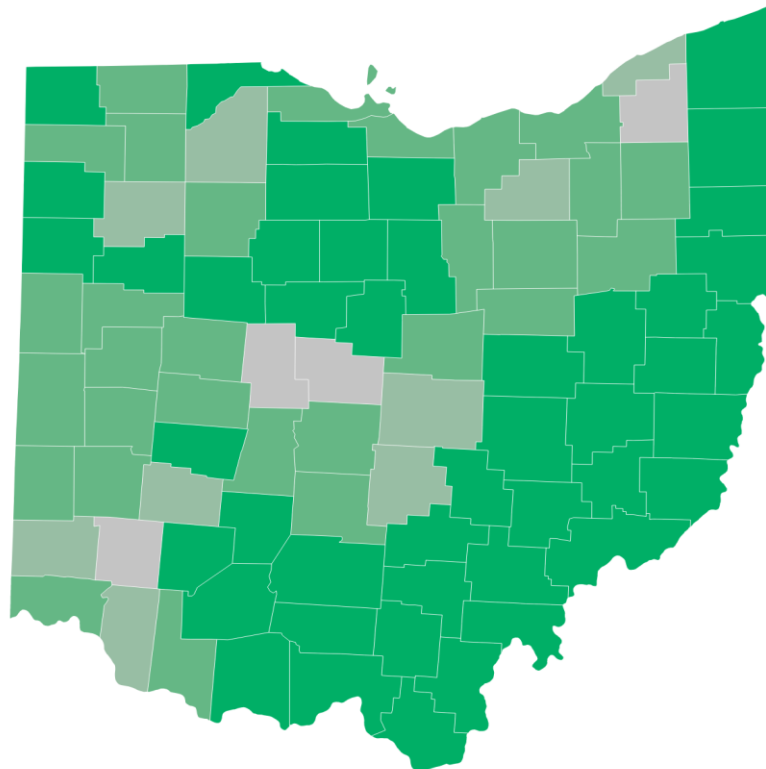
families a much-needed boost.¹⁸ Children in all 88 of Ohio’s counties would benefit, and an estimated 300,000 families (more than 55% of families) in Ohio’s 32 Appalachian counties would be eligible for the credit.¹⁹

It would do this by providing a benefit of up to \$1000 per child aged 0-5 and up to \$500 per child aged 6-17. Families earning less than \$65,000 annually would qualify for the full benefit amount, with benefits tapering off for families earning \$65-85,000. The tapering off will assist with avoiding a potential benefits cliff. This is who would benefit using 2020 data:

Most families in most Appalachian Ohio counties would benefit from either thriving families tax credit option

Estimated share and number of eligible families, by county

■ < 35.0% ■ 35.0%–45.0% ■ 45.0%–55.0% ■ ≥ 55.0%



S1901: Income in the past 12 months (in 2020 inflation-adjusted dollars); 2020: ACS 5-Year Estimates. Eligible families have an annual income below \$75,000.

Source: US Census Bureau • Created with Datawrapper

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¹⁸ <https://www.policymattersohio.org/research-policy/shared-prosperity-thriving-ohioans/basic-needs-unemployment-insurance/basic-needs/increase-family-security-and-expand-opportunity-in-ohio>

¹⁹ cont.

²⁰ [https://data.census.gov/table/ACSST5Y2020.S1901?q=ohio%20income&q=040XX00US39\\$0500000&tp=true&tid=ACSST5Y2020.S1901](https://data.census.gov/table/ACSST5Y2020.S1901?q=ohio%20income&q=040XX00US39$0500000&tp=true&tid=ACSST5Y2020.S1901)

Federal action on this issue and an expanded child tax credit on the federal level gave us a window into how families would use the Thriving Families Tax Credit, and the impact HB 290 would have on communities in our state. Under the federal expanded child tax credit, childhood poverty nationwide fell to record lows.²¹ The American Rescue Plan Act of 2021 temporarily increased the CTC to \$3,600 per child under age 6 and \$3,000 per child up to age 17.²² This expansion included children from families with low and moderate incomes who were previously left out.²³

The result was a historic low in child poverty of 5.2% in 2021.²⁴ The Rescue Plan by itself lifted more people, including more children, above the poverty line with government assistance in a single year than any other piece of legislation enacted in more than 50 years.²⁵ Despite requests from President Biden to extend the credit enhancements, Congress allowed those measures to expire at the end of 2021.²⁶

The expanded tax credit enabled us to learn how families chose to use those payments. Data collected from the first 6 months found that a staggering 65% of families reported using the payments on food.²⁷ 40% reported using their payment on utilities, 39% reported using their payments on their rent or mortgage, 34% reported using it on clothing.²⁸ When families are given money, they use it on basic needs or to better their kids and themselves.

²¹ <https://www.whitehouse.gov/child-tax-credit/#:~:text=In%20addition%2C%20it%20had%20a%20dramatic%20impact,all%20saw%20record%20lows%20in%20child%20poverty.>

²² <https://www.whitehouse.gov/cea/written-materials/2023/11/20/the-anti-poverty-and-income-boosting-impacts-of-the-enhanced-ctc/#:~:text=It%20is%20well%20destablished%20that,their%20parents%2C%20and%20their%20families.>

²³ cont.

²⁴ <https://www.cbpp.org/research/poverty-and-inequality/governments-pandemic-response-turned-a-would-be-poverty-surge-into#:~:text=The%20Rescue%20Plan%20by%20itself,health%2C%20education%2C%20and%20earnings.>

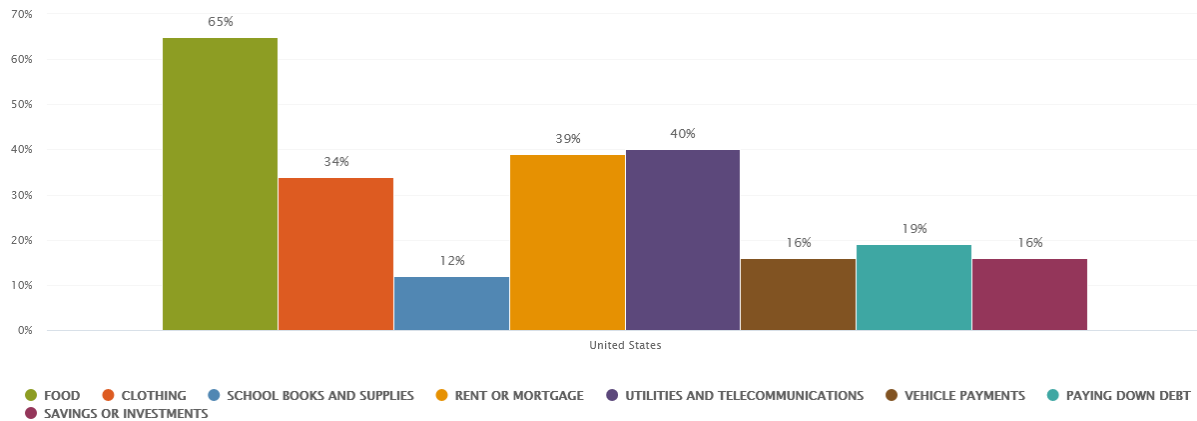
²⁵ cont.

²⁶ <https://itep.org/lapse-of-expanded-child-tax-credit-led-to-unprecedented-rise-in-child-poverty-2023/>

²⁷ <https://www.aecf.org/blog/child-tax-credit-payments>

²⁸ cont.

HOUSEHOLDS WITH CHILDREN BY THE TYPES OF SPENDING THE “CHILD TAX CREDIT” PAYMENT WAS USED ON (PERCENT) - JAN 26, 2022-FEB 07, 2022



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The expanded tax credit’s lapse also enabled us to learn what happens when families are no longer receiving those payments. Child poverty doubled to 12.4% in 2022 from 5.2%, a return to pre-pandemic levels.³⁰ This is attributed in large part to the expiration of pandemic-era programs, including the expansion of the Child Tax Credit and stimulus payments.³¹ Median household income also declined by 2.3% in 2022³². Combining this with skyrocketing inflation and families are once again falling further behind, expected to do more with less.

With this direct, meaningful impact, to such a large and diverse number of people, it is no surprise that support for child tax credits is both bipartisan and increasing. Fifteen states currently have either refundable or non-refundable state-level child tax credits.³³ Eleven of the 15 states (California, Colorado, Maine, Maryland, Massachusetts, Minnesota, New Jersey, New Mexico, New York, Oregon and Vermont) have made the child tax credit refundable.³⁴

²⁹ <https://datacenter.aecf.org/data/bar/11250-households-with-children-by-the-types-of-spending-the-child-tax-credit-payment-was-used-on?loc=1&loc=1#1/any/false/2418/8002.8003.8004.8005.8006.8007.8008.8009/21653>

³⁰ <https://www.census.gov/newsroom/press-releases/2023/income-poverty-health-insurance-coverage.html>

³¹ <https://abcnews.go.com/US/us-poverty-rate-jumped-2022-child-poverty-doubled/story?id=103130527#:~:text=Biden%20sharply%20criticized%20Republicans%20for,31%2C%202021.>

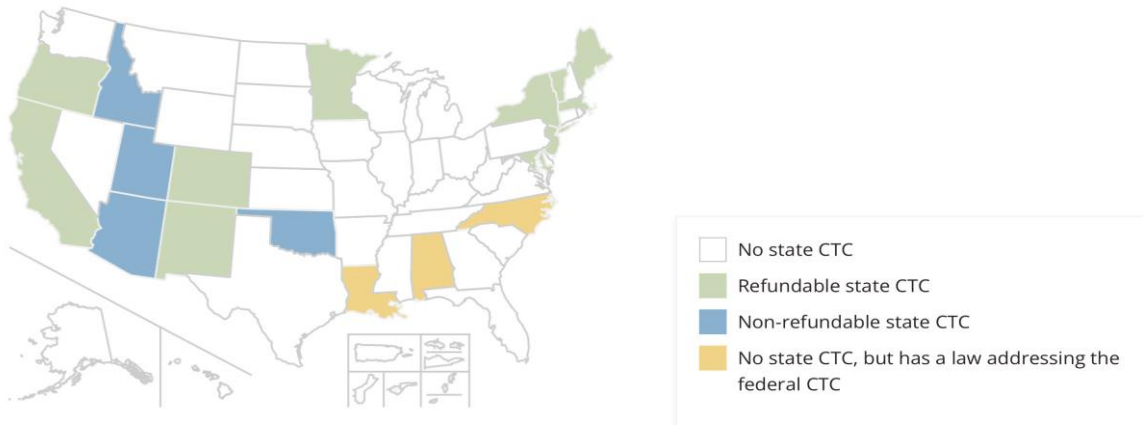
³² cont.

³³ <https://www.ncsl.org/human-services/child-tax-credit-overview#:~:text=The%20federal%20government%20and%2015,%2D%20to%20middle%2Dincome%20brackets.>

³⁴ cont.

California, Colorado, [Idaho](#), Maine, Maryland, Massachusetts, Minnesota, New Jersey, New Mexico, [Utah](#) and Vermont established a fixed limit for the tax credit ranging from \$25 to \$1,750 per qualifying child.³⁵

State Child Tax Credits



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It's time to actually make Ohio the best place to raise a family by adding Ohio to this list.

The Thriving Families Tax Credit starts with a full benefit at \$65k because these Ohioans have been paying more in state and local taxes as a result of all the tax loopholes and tax cuts Ohio has passed since 2005.³⁷ Ohio families with the least resources — those making less than \$24,000— pay more annual taxes on average today than they did before 2005.³⁸ The refundable credit then phases out to \$85k to prevent a benefit cliff. The benefit amount was mostly chosen to keep the total bill cost under \$910 million annually while still making a tangible difference.³⁹

The state has several options in covering the costs associated with the Thriving Families Tax Credit, with the first being a very clear return on investment with the reduction in need for state benefits. We know advance CTC payments were used by families for necessities like food and

³⁵ cont.

³⁶ cont.

³⁷ <https://www.policymattersohio.org/files/research/taxcutsfinalbudget.pdf>

³⁸ <https://www.policymattersohio.org/research-policy/quality-ohio/revenue-budget/tax-policy/the-great-ohio-tax-shift-2024>

³⁹ <https://www.policymattersohio.org/research-policy/quality-ohio/revenue-budget/tax-policy/tax-policy-for-the-people>

clothing and that food insufficiency increased after the advance CTC expired.⁴⁰ The CTC may have reduced the need for food stamps, which could have caused families to not apply for them.⁴¹ The Thriving Families Tax Credit is just good government and makes sense from a fiscal responsibility perspective.

Additionally, our current tax code has overwhelmingly shifted Ohio's tax burden away from top earners to the working class. Over the years as each income quintile has been receiving a tax cut on average, the cut is not being evenly distributed. The lowest earning Ohioans, those making less than \$24,000 a year, receive an average tax cut of \$122 a year, just 1% of nearly \$13 billion in income-tax cuts.⁴² That's about \$10 a month.⁴³ In other words, two decades of massive income tax cuts have on average yielded the lowest-income Ohioan enough to buy lunch once a month.⁴⁴

On the other hand, the average household among the top 1% of Ohio earners, with incomes above \$647,000, now contribute over \$52,000 per year less than they once did.⁴⁵ The result is a loss of about \$12.8 billion a year in revenue that could otherwise be used to meet the needs of Ohioans.⁴⁶ There's also the Business Income Deduction, known as the LLC loophole, that allows owners of many Ohio businesses to pay no taxes on the first \$250,000 of business income.⁴⁷ It is the third largest tax break in the state,⁴⁸ costing Ohio about \$1 billion a year in lost tax revenue as of tax year 2022.⁴⁹

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<https://academic.oup.com/healthaffairsscholar/article/2/2/qxae011/7595298#:~:text=Families%20reported%20using%20advance%20CTC,decreased%20labor%20supply%20among%20recipients.&text=The%20advance%20CTC%20was%20associated%20with%20decreased%20food%20insufficiency%20among,food%20insufficiency%20after%20its%20expiration.&text=However%2C%20it%20is%20still%20unclear.%2C%20climate%20disasters%2C%20or%20recessions.>

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[https://www.ers.usda.gov/webdocs/publications/43417/51833_efan04002a.pdf?v=0#:~:text=\(2\)%20On%20the%20other%20hand,the%20EITC%20and%20FSP%20receipt.](https://www.ers.usda.gov/webdocs/publications/43417/51833_efan04002a.pdf?v=0#:~:text=(2)%20On%20the%20other%20hand,the%20EITC%20and%20FSP%20receipt.)

42 <https://www.policymattersohio.org/research-policy/quality-ohio/revenue-budget/tax-policy/the-great-ohio-tax-shift-2024>

43 cont.

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46 cont.

47 <https://tax.ohio.gov/help-center/faqs/income-business-income-and-the-business-income-deduction/income-business-income-and-the-business-income-deduction>

48 <https://dam.assets.ohio.gov/image/upload/tax.ohio.gov/communications/publications/fy22-23taxexpenditurereport.pdf>

49 https://www.policymattersohio.org/research-policy/quality-ohio/revenue-budget/tax-policy/ohios-llc-loophole-public-dollars-private-benefits#_ftn3

Therefore, passage and implementation of the Thriving Families Tax Credit is not a matter of “if” we can, but is instead a matter of “will we.” HB 290 is a chance to demonstrate our priorities. We are legislators and we are the power of the purse. We have the money, and we decide how it's spent. When we do our budget every year, we are telling our constituents what matters most to us. Right now, we are not telling or showing working Ohioans that their needs and their families matter most. We are not acting with the same urgency, the same pinch, that they feel every day in their households.

Passing the Thriving Families Tax Credit is a question of political will. It is about approaching our state budget with a generational lens while being fiscally responsible and doing the most good for the most people. HB 290 demonstrates that the quality of our neighbors' joy and reducing the stress in their lives is worthy of our investment at the state level. We can afford this, and we can afford to make these very important priorities and values statements. Let's work from a place of shared values and a shared belief that working Ohioans need a break and that our neighbors are our north stars.

This can have long term benefits on addressing Ohio's overall population, which in turn directly impacts the state's economy, by striking at the heart of why people are hesitant to have families. Population influences the size of our workforce, consumer base, and tax revenue, essentially determining the demand for public services like education, healthcare, and infrastructure, and ultimately affecting our ability to attract businesses and residents.⁵⁰ It shapes our overall economic health and political standing; a growing population generally indicates a thriving economy while a declining one can signal potential issues with development and resource allocation.⁵¹ Ohio's population grew by an average of 0.2% per year between 2010 and 2022⁵², but decreased by 0.36% between 2020 and 2022, a loss of 42,234 people.⁵³

⁵⁰ <https://www.pewtrusts.org/en/research-and-analysis/articles/2021/07/27/population-growth-sputters-in-midwestern-eastern-states#:~:text=Population%20trends%20are%20tied%20to%20states'%20economic%20fortunes%20and%20government,population%20growth%20will%20remain%20tepid.>

⁵¹ cont.

⁵² <https://usafacts.org/data/topics/people-society/population-and-demographics/our-changing-population/state/ohio/#:~:text=Share%20This-.How%20has%20Ohio's%20population%20changed%20over%20the%20years?,average%20of%200.2%25%20per%20year.>

⁵³ <https://www.lsc.ohio.gov/assets/organizations/legislative-service-commission/files/current-ohio-facts-population-change-2020-2022-july-2024.pdf>

By passing the Thriving Families Tax Credit, we are helping Ohioans afford to have the families they want to have when they're ready to have them. Instead of inserting ourselves into the private reproductive healthcare decisions of families as a strategy to increase population and the workforce,⁵⁴ allowing Ohioans to increase their capacity to attend and complete school and eventually obtain formal employment,⁵⁵ we can give HB 290 and the Thriving Families Tax Credit a try.

The Thriving Families Tax Credit is about financial stability for families, not just poverty reduction. 4 in 10 Americans lack enough money to cover a \$400 emergency expense.⁵⁶ This credit enables families to pay off debt, finally getting around to a repair or other large expense and saving for the next emergency expenses. Reducing these common stressors allows parents and grandparents to focus on staying in the workforce, paying down debt, helping children with schoolwork, or starting small businesses—it allows families to plan for a future and it allows families, and our local economies to thrive.

We will only ever have an economy built around meeting basic needs, and no need for other spending opportunities, if we don't act urgently to support working families. Whether its shopping at the local business for decorations for my kids birthday party or buying a new couch because my kids were wrestling and broke it, got slime stuck to it, you name it at my house, we can't afford those things that pump money into my community because we're forced to focus on just food, clothing and shelter.

Chair Roemer, Vice Chair Daniels, Ranking Member Troy and members of the Ways and Means Committee, thank you again for allowing me to give sponsor testimony on HB 290 and the Thriving Family Tax Credit. I'd be happy to answer any questions.

⁵⁴ <https://www.project2025.org/>

⁵⁵ <https://poverty-action.org/study/impact-family-planning-fertility-birth-spacing-and-child-development-urban-malawi#:~:text=Providing%20young%20women%20with%20access,and%20eventually%20obtain%20formal%20employment.>

⁵⁶ <https://fortune.com/2023/05/23/inflation-economy-consumer-finances-americans-cant-cover-emergency-expense-federal-reserve/>