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Am. Sub. H. B. No. 96 Testimony

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Prepared for the Senate Government Oversight and Reform Committee

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Thank you Chair Manchester, Vice Chair Brenner, Ranking Member Weinstein, and members of the Government Oversight and Reform Committee.

In 2023, the article “The Benefits and Costs of a Child Allowance” by Irwin Garfinkel et al was awarded the honor of “Best Original Article” in the *Journal of Benefit-Cost Analysis* at the Annual Conference of the Society for Benefit-Cost Analysis.

Benefit-Cost Analysis is a key tool for assessing how public policy impacts a state economy. First formalized at the federal level by President Ronald Reagan, benefit-cost analysis has been reaffirmed as a key tool for evaluating regulations and preventing waste by each federal administration since.

Scioto Analysis is a public policy analysis practice based here in Columbus, Ohio. We have focused over the past six years on demonstrating the value of benefit-cost analysis to evaluating public policy. In 2023, we released a benefit-cost analysis on a hypothetical child tax credit for Ohio based on the well-recognized methodology of the previous national study. In February, we updated that analysis in a memo that has received coverage in the *Center Square*, *Dayton Daily News*, and *Ohio Capital Journal* news outlets.

In our analysis, we project the original child tax credit proposal laid out in the Executive Budget will generate net economic benefits that outweigh costs by $740 million over the lifetime of the children whose families receive benefits. This will mostly be realized by $500 million in higher future wages for these children, making this program an effective long-term economic development program for the state. We also project $190 million in prevented crime cost benefits due to children growing up in more stable home environments, $120 million in child protection expenditure savings, and about $65 million in future health care savings. Overall, we project the benefits from the credit come out to $6.64 for every dollar in costs. These benefits will be foregone if the final budget does not include this credit.

We tested our model by running 10,000 simulations of different scenarios for assumptions throughout the model. In these simulations, 90% of results yielded a positive net present value for the state. In high-end simulations, net present value reaches $2 billion.

I thank you for your time and your service to the people of Ohio.

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Ohio's Child Tax Credit Proposal

February 2025

Prepared by Michael Hartnett, Scioto Analysis

Purpose

Ohio Governor Mike DeWine's Fiscal Year 2026-2027 budget recommendations include a proposal for a new state Child Tax Credit. In this memo, we present analysis of the economic implications of the proposed Child Tax Credit on the state of Ohio. By evaluating the potential effects, we aim to provide insights into how the new policy may influence Ohio's economic landscape.

Methods

To determine how many Ohio families would be impacted by the current Child Tax Credit proposal, we use data from the American Community Survey.[1] Using their linking variables, we are able to determine which survey respondents have qualifying children and what their taxable income is. The exact details of the current Child Tax Credit proposal were obtained from the Ohio Office of Management and Budget via email.[2]

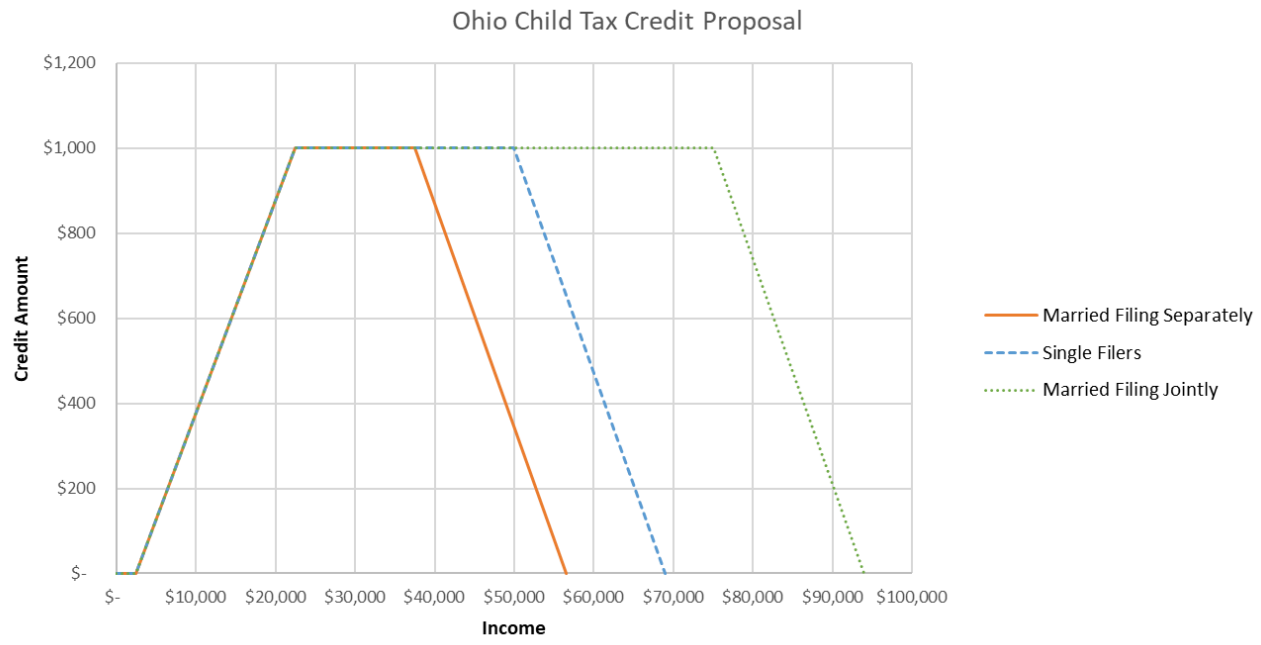

Figure 1: Ohio's proposed Child Tax Credit targets low- and middle-income families

[1] Steven Ruggles, Sarah Flood, Matthew Sobek, Daniel Backman, Annie Chen, Grace Cooper, Stephanie Richards, Renae Rodgers, and Megan Schouweiler. IPUMS USA: Version 15.0. Minneapolis, MN: IPUMS, 2024. https://doi.org/10.18128/D010.V15.0

[2] Pete LuPiba, Office of Management and Budget, email message to Rob Moore, Scioto Analysis, February 14, 2025.

As the current proposal stands, families need to be earning at least $22,500 to qualify for the full $1,000, which roughly equates to the earnings of an individual working full-time at Ohio's minimum wage. This credit is fully refundable, meaning that low-income filers can get money back on their taxes greater than what they might owe. This is especially important for filers who might qualify for the credit but do not owe much if any state income tax.

Results

Our model estimates that this tax credit will give Ohio families over $446 million in direct benefits. Nearly 550,000 children will benefit directly from the proposed tax credit. This does not include children above the eligibility age who will also have more family resources due to the credit. Research has shown that these additional resources can lead to a wide range of benefits for the children and adults who receive them. Following work done by the Columbia University Center on Poverty and Social Policy, we measure the impact this additional income has on the future earnings of children, avoided expenditures on healthcare for both children and adults, avoided expenditures on child protection, and the avoided costs associated with reducing crime into the future.[3] The economic costs associated with this program are the marginal excess burden of taxation and administrative costs needed to facilitate the distribution of this tax credit.

In Table 1, we show the monetized impacts associated with this proposal. The largest positive impact accrues children who are exposed to this credit, which we expect to lead to higher future earnings as those children grow into adults. The second largest benefit accrues to all Ohioans in the form of lower costs associated with future crimes. Investing in children today leads to society wide benefits in the long run.

The largest cost of this program comes from the marginal excess burden of taxation associated with this increase in public spending. The amount of the credit represents a transfer from taxpayers to credit recipients, which has a net zero economic cost (i.e. it doesn't shrink or grow the economy). However, raising taxes creates a drag on the economy which we account for via the marginal excess burden of taxation. Additionally, we expect the administration of this new credit to result in some additional costs.

[3] Garfinkel, Irwin, Laurel Sariscsany, Elizabeth Ananat, Sophie Collyer, Robert P. Hartley, Buyi Wang, and Christopher Wimer. "The benefits and costs of a child allowance." *Journal of Benefit-Cost Analysis* 13, no. 3 (2022): 335-362.

Category	Direct Benefits	Indirect Benefits	Total Benefits
Future Earnings	$500 million	$0	$500 million
Expenditures on Child's Healthcare	$4.4 million	$34 million	$39 million
Expenditures on Parent's Healthcare	$3.1 million	$24 million	$27 million
Expenditures on Child Protection	$0	$120 million	$120 million
Expenditures and Victim Cost of Crime	$0	$190 million	$190 million
Excess Burden for Taxpayers	$0	-$130 million	-$130 million
Administrative Costs	$0	-$1.8 million	-$1.8 million
Total[4]	**$450 million**	**$290 million**	**$740 million**

Table 1: Ohio's proposed Child Tax Credit is beneficial for people who do not receive the credit

In its current form, we estimate that Ohio's Child Tax Credit generates over $744 million worth of economic benefits for the state. To measure the uncertainty of this estimate, we performed a Monte Carlo simulation with 10,000 replications. The distribution of our Monte Carlo outcomes was heavily right-skewed, suggesting that this policy has a significant upside, in some cases with the net present value exceeding $2 billion. Additionally, our model returned a positive net present value 90% of the time.

Statistic	Value
Median	$300 million
5th Percentile	-$35 million
95th Percentile	$2 billion
Percent of Positive Net Present Value Trials	90%

[4] Column totals may not sum correctly due to rounding.

Table 2: Monte Carlo Simulation Results