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Fix the Budget Mess in Ohio Through Medicaid, Tax Reform

By Matt A. Mayer

In the wake of Congress' failed health care effort, Ohio Gov. John Kasich and Colorado Gov. John Hickenlooper are currently working on a bipartisan fix to Obamacare. "You can't solve immense, difficult problems without both sides," Kasich likes to say.

He may be right, but the governor – and his constituents – would be better served focusing on Ohio's own budgetary challenges instead of torpedoing fellow Republican efforts to fix America's health care woes.

This begins with Ohio's budget-busting Medicaid expansion. The expansion of Medicaid under Obamacare cost the state more than \$6 billion in its first two years alone, with Medicaid spending in Ohio increasing 33 percent during Kasich's first term. While liberal Ohioans continually claim the expansion "helped" 700,000 Ohioans enroll in Medicaid, the state already covered the elderly poor, single parents, and children. Medicaid expansion merely added working single adults to an already costly federal program with less-than-ideal health outcomes. Extensive research has found that Medicaid care is strikingly inferior to private insurance.

We can help Ohio's poor without throwing them into a failing government program currently breaking the state budget and adding hundreds of billions to the national debt. As Ohio policymakers struggle to climb out of a revenue hole, a multibillion-dollar entitlement expansion only leaves them with the limited options of raising taxes or taking funds from other vital state services. Repealing Medicaid expansion is a vital step in fixing Ohio's budgetary mess.

Tax reform is another. While Ohio's state income tax rates are relatively low compared with other states, its local tax burden is in the top 20 in the country, which makes the state far less competitive in the 50-state battle to create the best pro-business environment. With over 3,700 taxing jurisdictions across Ohio, small- and medium-sized businesses – as well as homeowners – are being crushed by local income and property taxes, as well as other taxes and fees. A key to making Ohio competitive is streamlining local governments in order to bring down the number of jurisdictions that add tax after tax to our incomes and properties.

Another issue is Ohio's obsession with tax expenditures. A tax expenditure is an exemption, deduction, credit provided to a constituency for a specific purpose – such as the \$800 tax cap on fractionally owned aircraft or a tax credit for campaign contributions. Ohio has nearly 130 tax expenditures, further complicating the tax code and taking away from state

revenue.

Back in 2011, I led a coalition of left- and right-leaning organizations that came together to criticize Ohio's use of tax loopholes. These groups worked together to propose eliminating \$300 million worth of tax expenditures, simplifying the filing system and boosting revenue when the state desperately needed it. We must apply the same approach now and eliminate many of Ohio's remaining tax expenditures. Unfortunately, policymakers have done far too little over the last six years to advance this critical reform.

The momentum for tax simplicity, however, is rapidly building in Washington, D.C. In Treasury Secretary Steve Mnuchin's words, the tax code is a "complicated set of rules" that leaves employers with less time to focus on business expansion and job creation. It also leaves individuals with less money to save and spend. The Trump administration is wisely working with Congress to streamline the federal tax code and provide tax relief to millions of Americans nationwide.

Policymakers should do the same in Ohio. Kasich has little control over what happens in Washington, so should use his remaining time in office to enact state reforms that would reimagine Ohio for the future.

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