THE BUCKEYE INSTITUTE

Interested Party Testimony Before the Ohio House Finance Committee on House Bill 529

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Chairman Smith, Vice Chair Ryan, Ranking Member Cera, and members of the Committee, thank you for the opportunity to testify today regarding the Capital Budget.

My name is Greg R. Lawson. I am the research fellow at **The Buckeye Institute**, a free-market think tank here in Columbus that advocates for low-tax, low-regulation policies that remove barriers to prosperity for Ohioans.

On February 5, The Buckeye Institute released its report, *Principled Spending: Using Ohio's Capital Budget to Benefit Ohioans*, which outlined ways to keep Ohio's capital budget focused on principled government spending.[1] Our report encouraged policymakers to be guided by three spending principles: constrain the growth of government, eliminate corporate and special interest welfare, and focus on strengthening Ohio's physical and democratic infrastructures.

In many ways, Ohio's $2.62 billion budget adheres to these basic principles, but we are concerned that this budget, like others before, remains riddled with too many special interest requests, local projects, and some potential boondoggles that veer from providing core government services and infrastructure.

The Buckeye Institute has just released its Top 10 Worst Capital Budget Requests of 2018,[2] in which we highlight more than $18 million of taxpayer dollars spent on pork projects that benefit only narrow local interests and not broader state-wide needs. And that $18 million is just the tip of the proverbial iceberg. All of the special interest projects combined pushes that total to at least $85 million. That is at least $85 million of pork that could be spent on more pressing priorities, saved, or returned to taxpayers.

Regrettably, examples of non-essential government spending abound. The $5 million to build retail and restaurant space at COSI in Columbus—not essential government spending. The $1 million for orangutan and elephant exhibits at the Columbus Zoo—already subsidized by Franklin County property owners—not essential government spending. The $800,000 to install splash pads around the state—not essential government spending. And the $4 million slated for a soccer stadium in Cincinnati—not essential government spending and not likely to live up to the economic hype. As the St. Louis Federal Reserve concluded last year:

> Consumers who spend money on sporting events would likely spend the money on other forms of entertainment, which has a similar economic impact. Rather than subsidizing sports stadiums, governments could finance other projects such as infrastructure or education that have the potential to increase productivity and promote economic growth.[3]

Ultimately, of course, local residents and local taxpayers should have every opportunity to voluntarily choose to fund amphitheaters, performance stages, parks, zoos, and even stadiums out of their own local resources. But Cleveland residents should not be compelled—through state

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[1] Greg R. Lawson and Quinn Beeson, ***Principled Spending: Using Ohio's Capital Budget to Benefit Ohioans***, The Buckeye Institute, February 5, 2018.
[2] **More Than $18 Million Spent on The Buckeye Institute's Top 10 List of Worst Capital Budget Requests**, The Buckeye Institute press release, March 5, 2018.
[3] Scott A. Wolla, ***The Economics of Subsidizing Sports Stadiums***, Federal Reserve Bank of St. Louis, May 2017.

taxes—to pay for the Columbus Zoo, nor should Youngstown residents be made to pay for a soccer venue in Cincinnati.

Then there is the $400,000 appropriation to build several government-owned broadband networks across the state. As I outlined recently in *Broadband "GON" Wrong*,[4] private-sector players have already deployed billions of dollars developing state-of-the-art technology to nimbly respond to consumer demands and preferences, while these government-owned networks have proven unable to pay for themselves, leaving taxpayers to pay for networks that few consumers even want to use.

That communities are asking for state money in the capital budget indicates that these networks all too frequently fail to live up to the promises made by government officials, and often lead to further taxpayer subsidies to maintain operations.

Many of the other local projects are not inherently misguided, but insofar as they provide only narrow local benefits and do not strengthen Ohio's physical infrastructure, state policymakers should remove them from the capital budget. Those funds should instead be spent on Ohio's pressing needs, such as building and maintaining water and sewer systems, and state roads.

We are also disappointed that this capital budget will not strengthen the state's democratic infrastructure, including, for example, replacing Ohio's aging voting machines. Such funding appears allocated in separate legislation, but the capital budget was not then reduced to maintain spending balance—and it should have been.

Finally, and perhaps most critically, policymakers must remember that a lack of fiscal restraint, even during good economic times, unwittingly creates unrealistic spending expectations over time. Using the capital budget to fund local projects rather than state priorities will only make it harder for policymakers to curb and manage state spending when tough economic times inevitably arrive.

Today, even as the state budget looks solidly in the black, the danger of recession and fiscal instability still lurks. Recall, for instance, how unforeseen challenges required immediate and multiple adjustments to the last biennial budget due to lower than expected revenues. Prudence cautions against the tempting but non-essential government spending included in this capital budget. For the sake of Ohio taxpayers, such temptation must be resisted.

Thank you and I look forward to answering any questions that the Committee may have at this time.

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[4] Greg R. Lawson, ***Broadband "GON" Wrong: Remembering Why Government-Owned Broadband Networks are Bad for Taxpayers***, The Buckeye Institute, February 14, 2018.

About The Buckeye Institute

Founded in 1989, The Buckeye Institute is an independent research and educational institution – a think tank – whose mission is to advance free-market public policy in the states.

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