

Priority Issue: Financial Stability

Financial stability involves not just a job with a living wage and benefits, but income security for an individual or family over time. Incomes must be high enough for people to afford basic needs such as housing, food, clothing, medical care, and other necessities of life. Difficult choices must be made when limited resources cover only some of these basic needs, then difficult choices have to be made regarding several important life issues on a “Robbing Peter to pay Paul” basis. A lack of income security can mean that a family experiencing even one illness that creates medical debt, an accident that means less income or any unexpected employment change could result in the possibility of foreclosure or eviction, hunger, and increased emotional turmoil. These situations are further exacerbated by the prevalence of record high unemployment and predatory payday lenders across the state.

Because we are in a deep recession unemployment and underemployment are at generational highs in Ohio. Wages are stagnant. The state-wide unemployment rate reached 10.8% in January, 2010, with 35 counties above 14% and Ottawa County reaching a staggering 19.8%. The situation is especially difficult for young Ohioans struggling to establish careers in a depressed labor market. Ohioans face significant barriers to economic security and lack the resources necessary to even live at their usual economic status for three months immediately after losing their employment and source of income. Intervention is needed to stimulate the economy, relieve need and prevent a deeper downward spiral.

Since the passage of payday lending reform, the payday lending industry has manipulated the Small Loan Act and the Ohio Mortgage Loan Act to continue to exact fees, and charges that can result in payday loans at interest rates as high as 680% APR. Borrowers end up in a never ending cycle of owing their paychecks to the neighborhood payday lending store. These payday loans are having a huge impact on the consumers’ ability to make both loan payments and meet essential day-to-day expenses for their households.

Earned Income Tax Credit (EITC) is a federal tax benefit which was originally enacted in 1975. The legislation was designed as a poverty reduction tool to help low income workers increase their financial stability. It incorporates several important benefits to reduce payroll taxes for eligible employees to supplement wages and to make work more attractive than depending on government assistance. In Ohio, a two parent family of four earning less than three quarters of the poverty line, or \$16,513, is subject to state income tax. Taxing the incomes of working poor families runs counter to the efforts of policymakers to help families work their way out of poverty. There are currently 14 states that not only avoid taxing poor families but also offer tax credits that provide refunds to families with income at the poverty line. Enacting a State tax benefit program and considering other federal legislative enhancements that would reflect the changing demographics and economic challenges of Ohio’s workforce could help to reduce child poverty, cut taxes for low-income workers, and increase employee incentive to work.

The United Way system in Ohio is committed to addressing Financial Stability and Independence as a major community priority. Best practice methods and needs assessment findings confirm that the economic viability of any region, community or neighborhood is contingent upon its constituents’ capacity to maintain adequate personal income and to sustain an overall healthy economy.

Ohio United Way requests legislative support for the following initiatives:

- Support the establishment of stricter payday lending laws and financial education opportunities
- Support the establishment of a state earned income tax credit
- Support expansion of the Federal EITC to allow an additional deduction for a third child in a family