



# TESTIMONY

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Zach Schiller

## Testimony to the House Finance Committee on H.B. 96

Chair Stewart, Vice Chair Dovilla, Ranking Member Sweeney and members of the House Finance Committee. I am Zach Schiller, research director at Policy Matters Ohio, a nonprofit, nonpartisan research institute working toward a more vibrant, equitable, sustainable, and inclusive Ohio. Thank you for the opportunity to testify on House Bill 96.

If there is a single message we'd like to deliver today, it's this: Don't cut the personal income tax! The General Assembly has tried that for the last 20 years, and it hasn't worked. The evidence is in the testimony Budget Director Murnieks delivered to you at the outset of the hearing process. According to the economic forecast that OBM relied on to develop the revenue estimates for the budget, Ohio will once again underperform the nation over the next two fiscal years in real gross domestic product, nominal personal income, and nonfarm employment growth.<sup>1</sup> After cutting our income tax by more than half over the past two decades, could the result be any clearer?

The General Assembly has accomplished two things with cuts to the income tax. We have nearly \$13 billion a year less in revenue than we would otherwise – revenue that could go to fully funding the Fair School Funding Plan, making childcare accessible, boosting the State Share of Instruction and the Ohio College Opportunity Grant to making our colleges more affordable, improving our health care and supporting public transit.<sup>2</sup>

Second, we have given a huge tax cut to those who need it least, the richest Ohioans. Data from the Institute on Taxation & Economic Policy show that the tax changes since 2004 have delivered an average tax cut of \$52,000 a year to those in the top 1% of the income spectrum: those making at least \$647,000 a year. Meanwhile, those in the middle 20% have seen a modest \$352 cut, while those in the bottom 20%, who make less than \$24,000 a year, actually pay \$80 more on average than they did before.

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<sup>1</sup> [Testimony of Kimberly Murnieks](#), Director, Ohio Office of Budget & Management, Ohio House Finance Committee, Governor DeWine's Executive Budget Proposal, Feb. 4, 2025, Table 1, Page 7.

<sup>2</sup> Williams, Bailey, [The Great Ohio Tax Shift 2024](#), Policy Matters Ohio, Sept. 26, 2024.



It's a bad deal all around. Gov. DeWine and Budget Director Murnieks have noted that companies aren't avoiding Ohio because of our taxes. And a flat-rate income tax hasn't worked elsewhere to spark other state economies, either.<sup>3</sup>

We see real strengths in the refundable child tax credit the governor proposed that would provide up to \$1,000 per child under age 7. However, the \$2,500 earnings requirement will exclude some of those who need it most. None of the 14 other states with such a credit have such a requirement. The proposal also relies too heavily on an unreliable and regressive revenue source, the cigarette tax.

We are also encouraged that the governor proposes implementing the final two years of the six-year phase-in of the Fair School Funding Plan. The problem is that the governor's proposal relies on outdated costs from 2022, thereby shortchanging our public schools by cutting funds as costs have increased. Inflation and rising property values have driven up the amount the state expects local communities to contribute.<sup>4</sup> The General Assembly should use the most current cost figures, just as it does for the revenue side of the equation. In all, a majority of Ohio school districts – 349 in all – will see cuts under the governor's proposal.<sup>5</sup> Foundation formula funding to public schools will fall by \$103 million over the biennium.

At the same time, devoting another \$2.4 billion to vouchers over the next biennium is misplaced. The expansion of the EdChoice voucher in the current budget largely amounted to a subsidy for those already attending private schools. This doesn't provide more options for families, it simply drains dollars needed by the public schools that educate nearly 90% of Ohio's children.

While there are positive elements in Gov. DeWine's budget proposal for higher education, we are especially concerned that the State Share of Instruction (SSI), the state's main funding stream for higher education, has not kept up with inflation for decades.<sup>6</sup> This budget needs to change that trajectory. The governor's proposal will not. At the same time, the Ohio College Opportunity Grant (OCOG), by far the state's most significant financial aid program, remains underfunded and structured in a way that does not benefit Ohioans who attend our state's most affordable colleges and universities. Together, these proposals will continue to keep too many Ohio students from getting the education and training they want and need.

Policy Matters recommends making OCOG a first-dollar award so low-income students attending Ohio's most affordable postsecondary options — community colleges and four-year regional campuses — would be able to cover tuition and general fees with OCOG, and use the more flexible federal Pell Grant to cover other education-related costs.

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<sup>3</sup> Bailey Williams, Policy Matters Ohio, [Tax Policy in Ohio's State Budget, Testimony to the House Ways & Means Committee on H.B. 96](#), Feb. 25, 2025.

<sup>4</sup> Hannah Halbert, Policy Matters Ohio, [K-12 Funding in the State Budget, Testimony to the House Education Committee on H.B. 96](#), March 3, 2025.

<sup>5</sup> Ali Smith and Hannah Halbert, [Save our schools: No more cuts!](#) Policy Matters Ohio, March 5, 2025.

<sup>6</sup> Piet van Lier, Policy Matters Ohio, [Higher Education in Ohio's State Budget, Testimony to the House Workforce and Higher Education Committee on H.B. 96](#), Feb. 25, 2025.

The success of Ohio's Medicaid program, which covers more than one in four Ohioans, is a key part of creating a healthier Ohio. The governor has proposed a number of needed improvements, including increasing funding for mobile crisis services for youth and the personal needs allowance. We recommend also continuing the expansion of continuous coverage for children up to age 6, allowing kids to maintain coverage despite household income fluctuations and ensuring they have access to care.

However, one of the most alarming elements of the governor's executive budget is the trigger language that would cut off health insurance to 770,000 Ohioans if Congress should reduce its support for Medicaid Expansion by even a penny. This would be mandatory and immediate, throwing the lives of and coverage for thousands of Ohioans into chaos. Someone could be in the middle of chemotherapy or diagnosis of a serious disease and suddenly lose all access to their coverage.<sup>7</sup> You should also weigh the economic effects across Ohio of such a drastic shift. Ohio's application to apply work requirements for this group is similarly misguided, given clear evidence that this is costly and ineffective.

We commend the governor's proposal to increase eligibility for subsidies allowing parents to seek high-quality, affordable child care and begin to address weaknesses in the reimbursement system for early childhood educators by basing payments on enrollment, not attendance. Boosting eligibility for publicly funded childcare from 145% to 160% of the federal poverty level and continuing the Child Care Choice Voucher program up to 200% of FPL would make tens of thousands more children eligible. This is vital to address the childcare crisis in the state. At the same time, there is room for improvement in the executive budget. It should be amended to retain presumptive eligibility, so that parents applying for publicly funded childcare receive benefits while their applications are being processed.<sup>8</sup>

Ohio chronically underinvests in its public transportation systems, overlooking the transportation needs of the 7.4% of Ohio households without a vehicle<sup>9</sup> – the 13th-highest share in the country. At the same time, the state's share of statewide transit funding is lower than in 41 other states, leaving transit agencies more reliant on local funding sources than in 43 other states.<sup>10</sup> Increased state funding would enhance transit agencies' capacity to meet growing demand for affordable, reliable transit services among 81.5% of Ohioans who think public transit is critical for connecting both rural and urban communities.<sup>11</sup>

Ten years ago, after a comprehensive analysis of statewide transit needs in Ohio, ODOT recommended that Ohio deliver 10% of statewide transit funding each year through GRF allocations.<sup>12</sup> Ten years later, state funding for public transportation has failed to satisfy

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<sup>7</sup> Kathryn Poe, Policy Matters Ohio, [Medicaid in Ohio's State Budget, Testimony to the House Medicaid Committee on H.B. 96](#), March 3, 2025.

<sup>8</sup> Heather Smith, Policy Matters Ohio, [Testimony to the House Children and Human Services Committee on H.B. 96](#), Feb. 27, 2025.

<sup>9</sup> American Community Survey 5-Year Data, 2019-2023.

<sup>10</sup> [National Transit Database TSI.1 – Total Funding Time Series](#), Federal Transit Administration, 2023.

<sup>11</sup> [Ohio Statewide Transportation Preference Survey](#), National Comparisons, 2024.

<sup>12</sup> Ohio Statewide Transit Needs Study: Summary of Findings, Ohio Department of Transportation, January 2015.



this recommendation, with state investments representing between 1.1% and 4.0% of statewide transit funding each year. To close existing gaps in Ohio's transit systems and keep pace with inflation, GRF allocations for public transit should total approximately \$200 million a year, while the governor's proposal keeps public transportation funding flat at \$37 million. Ohio lawmakers have a responsibility to expand access to public transit options, connecting Ohio's communities to social and economic opportunities, while improving health and environmental outcomes by reducing emissions from the state's second-most emissive sector.

We support the governor's request for a modest surtax on the unemployment compensation tax employers pay to support a badly needed new IT system.<sup>13</sup> And his proposals to increase the Local Government Fund and Public Library Fund, while still leaving them well below levels they once had, are needed.

You might ask, where will the revenues come from to pay for the additional investments in education and public services that we've enumerated. In fact, we have the money if we tax affluent Ohioans and corporations as we should. Policy Matters Ohio's tax plan, including raising income-tax rates on those making more than \$250,000 a year, reinstating a corporate income tax, and eliminating the business income deduction, would raise more than \$3.8 billion from those who can afford it.<sup>14</sup> Our upside-down state and local tax system, which has the lowest-income Ohioans paying twice as much of their income in such taxes as the top 1%, needs to be turned right side up.

Thank you for the opportunity testify. I would be glad to answer any questions you have.

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<sup>13</sup> Bailey Sandin, Policy Matters Ohio, [Testimony to the House Children and Human Services Committee on H.B. 96](#), March 5, 2025.

<sup>14</sup> Bailey Williams, Policy Matters Ohio, [Revise Ohio's Tax Code to Benefit Everyday Ohioans](#), Feb. 25, 2025.