



THE BUCKEYE INSTITUTE

Budget Guardrails to Protect Ohio's Fiscal Future

Interested Party Testimony
Ohio Finance Committee
Ohio House Bill 96

Greg R. Lawson, Research Fellow
The Buckeye Institute

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As Prepared for Delivery

Chair Stewart, Vice Chair Dovilla, Ranking Member Sweeney, and members of the Committee, thank you for the opportunity to testify regarding **Ohio House Bill 96**—Ohio’s biennial budget.

My name is Greg R. Lawson. I am a research fellow at **The Buckeye Institute**, an independent research and educational institution—a think tank—whose mission is to advance free-market public policy in the states.

As The Buckeye Institute **warned** during the last budget process, Ohio should be directing major influxes of new federal spending in ways that are temporary, transparent, and targeted in order to ensure fiscal responsibility going forward. Given the uncertainty around the Trump Administration’s inclination to reduce federal Medicaid and education spending, that advice should be followed now more than ever.

My remarks today will largely focus on Ohio’s Medicaid and education spending—the two largest budget line items—because dramatic spending increases in those areas could prove especially dangerous to the state’s long-term fiscal health and make it difficult, if not impossible, to retain pro-growth tax policies, including **last budget’s** tax and bracket reforms. To mitigate such risks, The Buckeye Institute continues to **recommend** aggressively prioritizing spending and strengthening the statutory appropriation limitation—or SAL. A broader SAL applied to most of the “all funds” budget rather than just the general revenue fund (GRF) would inhibit the accounting gimmicks that perpetuate runaway budget growth.

Medicaid

Medicaid continues to be the “Pac-Man” of the state budget, consuming more than half of Ohio’s GRF spending and growing to over 45 percent of total spending by the end of fiscal year 2027. The growth rate outpaces inflation and any other budget area, with total spending increases of 9.6 percent in fiscal year 2026, and another 6.2 percent in fiscal year 2027. In fact, the increase in the total budget is almost entirely attributable to Medicaid.

The hard fact is that Ohio’s Medicaid spending growth will soon reach unsustainable levels, crowd-out other spending priorities, and jeopardize recent pro-growth tax reforms. Guardrails on Medicaid costs are now imperative, especially as federal cuts look imminent. Such guardrails should include more **rigorous audits**, cross-checking program eligibility data, and preventing double-dipping by recipients who receive services in other states. Ohio should ensure its **work requirement waiver** is strictly enforced and scale back increases in franchise fees, including the governor’s proposed 53 percent spike in hospital franchise fees. Federal reformers frown on such taxes because they recycle the money back to providers without making the program more efficient or effective.

Primary and Secondary Education

Ohio’s education funding formulas remain hopelessly complex and I will not belabor their intricacies here, but public district school enrollment is broadly **declining** across the state as families decide to enroll their students elsewhere. The General Assembly should appropriate

funds accordingly. Ohio already **spends more** on public schools since the **DeRolph** court decision and has spent **more than \$12 billion** on facilities alone. Regrettably, the state's **less-than-stellar scores** on the most recent Nation's Report Card suggest that these significant funds may not be so well spent.

Governor DeWine therefore has wisely pushed to **phase-out guarantees** in the so-called fair funding system that needlessly over-fund public school districts with declining enrollment. Maintaining the broken status quo would continue funding empty desks and classrooms rather than sending state resources to the schools that students actually attend. Although the proposed budget resists a dramatic spike in spending, it does increase overall state education funding—and news headlines decrying the phase-out as a funding “cut” are misleading at best.

The General Assembly should modify Ohio's school funding formula to ensure that decisions made by local school districts do not automatically increase state funding and, to the extent that the General Assembly considers additional spending, it should be for improving popular school choice options that put student and family preferences first. The proposed budget rightly increases the per-student allocation for charter school capital costs, for example, from \$1,000 to \$1,500, because charter schools do not benefit from local property taxes and already receive less per-student funding than district schools. But the General Assembly should also allow recipients of all scholarships, including EdChoice, to receive the **Disadvantaged Pupil Impact Aid** (DPIA) meant to help lower-income and disadvantaged students. Some scholarship recipients do not receive the DPIA funds available to public district and public charter school students. Extending the DPIA to non-public school scholarship recipients will help the non-public schools reach and educate more lower-income students.

House Bill 96 improves how public district schools treat their underused buildings. Districts underuse some of their buildings and new annual reports to the Department of Education and Workforce with updated enrollment data will help determine whether certain buildings are “unused facilities” that should be **repurposed** or sold to public charter schools with growing enrollment. Districts should not retain underused buildings, and the budget rightly modifies how to sell such buildings to alternative education providers.

The proposed budget also wisely adds a college, career, workforce, and military readiness (CCWMR) component to the state report cards. As The Buckeye Institute has **recommended**, more transparency is critical for families to make informed decisions about their child's education. Reverting to a letter-grade rating system would be even better, but adding the CCWMR component for parents to consider takes a transparent step in the right direction.

The General Assembly should closely monitor and expand the pilot school transportation program authorized in the **previous budget**. This pilot program enables two educational service centers to provide transportation for students enrolled in participating charter and private schools, reducing the transportation burden on school districts. Unfortunately, some school districts, including right here in Columbus, have resisted this piloted effort, resulting in **legal action** by the state attorney general.

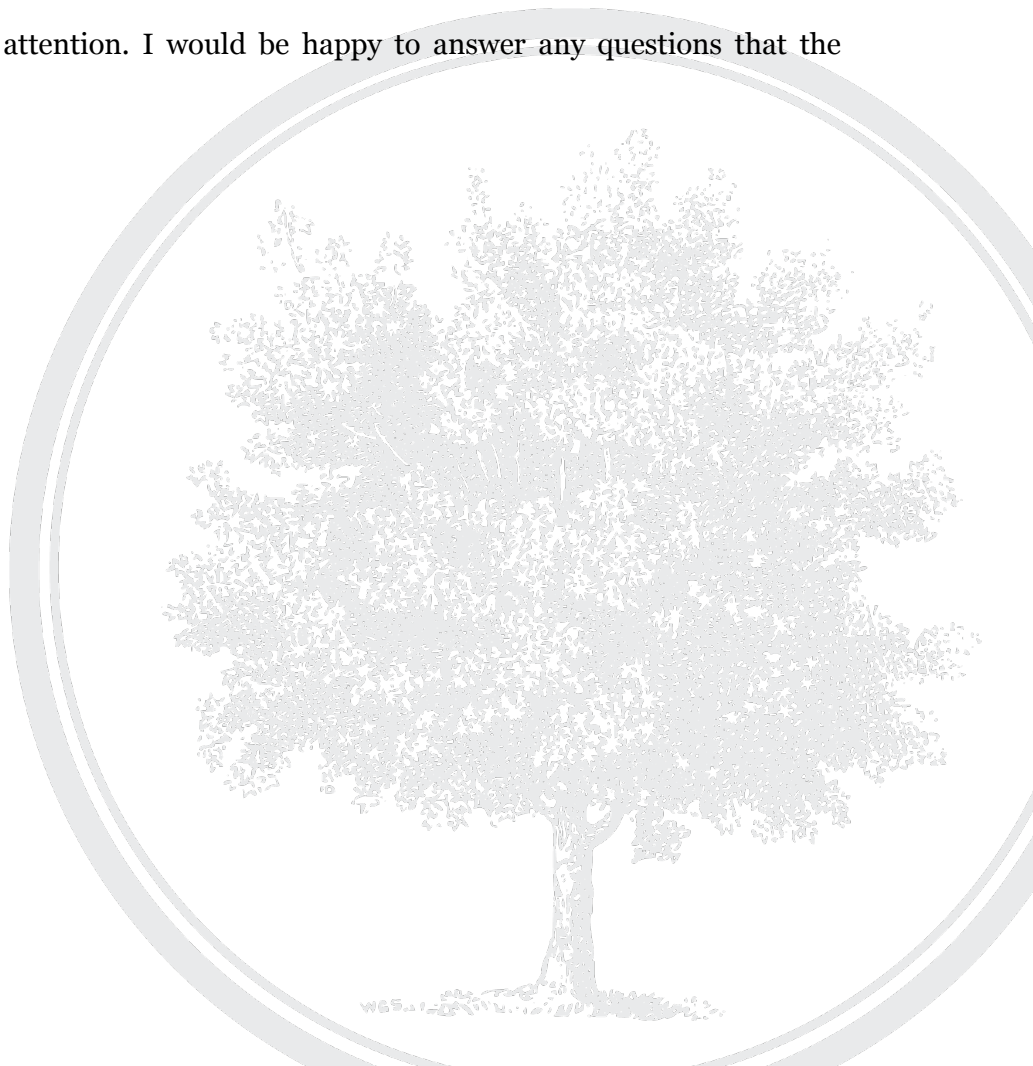
Higher Education

Students **overwhelmingly report** “job and career outcomes” as their primary motivating factor for attending college, and although Ohio Department of Higher Education **data show** that many graduates earn competitive wages, Ohio does not fund colleges or universities according to how well their degrees and programs yield financially stable careers. Instead, Ohio’s funding formula relies heavily on outmoded graduation rates with little regard for post-graduate earnings or job-placement success. As new technology companies like Intel and Anduril expand in Ohio, they seek employees with special, **highly technical skills** that the state’s funding formula does not properly incentivize its colleges and universities to teach. The governor’s proposed budget rightly aligns with The Buckeye Institute’s **recent recommendations** to shift some of the state share of instruction (SSI), but we also recommend that more SSI funding be based on outcomes and that funding increases go to programs focused on workplace credentials such as the **Ohio Work Ready Grant**.

Taxes

Ohio’s 2023 tax bill reduced two tax rates, eliminated several tax brackets, and raised the commercial activities tax threshold. House Bill 96 keeps those reforms intact, which will continue to save Ohio families and businesses billions of dollars. Ohio taxpayers will save even more if the General Assembly follows The Buckeye Institute’s **recommendation** and does not once again suspend the indexation of tax brackets to inflation.

Thank you for your time and attention. I would be happy to answer any questions that the Committee might have.



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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