CC4188 11.12.25 Wednesday

Jan Resseger wrote about how the Ohio legislature underfunds the public common school by granting colossal tax breaks on September 23.

Legislature leadership has been telling Ohioans that the Cupp/Patterson Fair School Funding Plan is unsustainable. This is patently disingenuous. Legislature leadership could have:

1. Not cut taxes for the rich
2. Not squandered funds on EdChoice vouchers
3. Not funded the private ballpark
4. Tapped the rainy-day fund

These public officials made a deliberate choice to shortchange public school students.

Jan Resseger relates another way the legislature leadership failed.

Ohio Legislature Underfunds Public Schools While Granting Billions of Dollars in Tax Breaks to Business

Posted on September 23, 2025 by janresseger

Article VI, Section 2 of the Ohio Constitution defines the state's responsibility to provide a strong system of public education as an essential provision of the social contract: "The General Assembly shall make such provisions, by taxation, or otherwise, as, with the income arising from the school trust fund, will secure a thorough and efficient system of common schools throughout the state…." Our elected officials are expected to protect the social contract as defined by our state constitution.

The legislature has fallen short by making made several choices which have denied the state enough revenue to provide adequate public school funding.

First, in the state budget passed in June, the legislature failed to finish fully phasing in what was expected to be the completion of the new Fair School Funding plan. Our legislators shirked their constitutional responsibility to remedy the state's long failure—dating back to the *DeRolph* lawsuit in the 1990s—to invest enough money and distribute it fairly for the state's public schools. The new Fair School Funding Plan, carefully calculated over several years by a team of experts, was designed to measure the local capacity of each school district and then, based on hard data, create a system to educate all of Ohio's children equitably. The legislature had completed phasing in the first two steps of the plan, with the final phase due in the FY 2026-2027 state budget. However, House Speaker Matt Huffman warned that the plan was unsustainable, and, when the final budget passed, Policy Matters Ohio documents, the legislature had underfunded the last phase of the plan by $2.75 billion, a choice that undermined the adequacy and fairness of the formula.

Second, the legislature cut taxes for the wealthy instead of investing enough funds in the public schools. The new budget replaced Ohio's graduated income tax with a flat tax, resulting in tax cuts for the wealthy and at the same time eliminating over a billion dollars of state revenue. *Signal Ohio*'s Andrew Tobias reports: "That new top tax rate of 2.75% is lower than any surrounding state and lower than any time in the past five decades… About 96% of the $1.1 billion in annual lost revenue… will stay in the pockets of those earning $138,000 or more…." The new state tax cut follows two decades of previous Ohio tax cuts.

Third, the legislature has continued to divert state revenue to private school tuition vouchers. Ohio school funding expert Howard Fleeter has compared the legislature's investment in public school funding to the legislature's investment in vouchers. He explains that in the FY 2026-2027 state budget, foundation funding for Ohio's traditional school districts—spread across the state's 610 local school districts—will increase by $281.9 million over the biennium compared to current funding levels. However: "Voucher funding is slated to increase by $327.1 million over the FY26-27 biennium…. This increase is $45 million more than the increase slated for the traditional K-12 districts… despite the fact that K-12 districts educate roughly 8 times as many students as do private schools."[1]

What many of us did not realize, however, until two weeks ago when Policy Matters Ohio published *Shortchanging Ohioans*, is that our legislators have also chosen a fourth give-away: over $12 billion will be spent this year on loopholes and tax breaks. Although some state tax breaks are legitimate and necessary—benefiting individuals and society as a whole—the report's authors —Annie Wimsatt, Zach Schiller, and Bailey Williams—show that Ohio's legislators need to be better stewards of our tax dollars:

"(T)ax expenditures… lower tax liability for a person, business, or other entity. They represent revenue forgone: taxes that the state could take in but has decided not to. This includes tax exemptions, exclusions, deductions, credits, deferrals, allowances, reimbursements, and preferential tax rates. Some help most people (like exempting sales tax on prescription drugs); some help certain groups (exempting sales tax on prosthetic devices); and some lower costs for certain entities (exempting sales tax on purchases by schools and local governments). However the the greatest share of Ohio's tax breaks goes to private companies… The most recent tax expenditure report, issued with the Governor's Budget in early February, estimated that tax expenditures will be 10 percent higher in FY2026-27 than during the two years earlier. These expenditures would amount to more than a quarter of the revenue the state collects."

The report adds that, while the legislature did review and eliminate some of these tax breaks during this year's budget debate, during the next two-year budget period, 177 business and economic development tax breaks will total $16.4 billion. "This category includes tax breaks for all sectors: manufacturing, retail, food preparation, agriculture, mining, communications and telecommunications, utilities, and more." Sixty-one tax breaks totaling $5.97 billion per year will benefit individuals: "34 are general, like the personal exemption and various retirement exemptions to the income tax, and 27 are specifically for health or education purposes." (S)even tax breaks – 4% of the 177 identified in the report – benefit the public sector and nonprofits. "The state will forgo $3.01 billion on these seven tax breaks in the 2026-27 budget, accounting for 11.8% of total revenue forgone."

Analyzing Policy Matters' new report for the *Plain Dealer*, Anna Staver distinguishes the tax expenditures that benefit our society and those that extract dollars that could be better spent for public schools and other government priorities: "It's not that all tax breaks are bad. But every tax break granted by the state is a choice that confers a benefit to groups or individuals while forgoing incoming revenue that could benefit all… But whether a tax break is a public good or a special-interest perk often depends on who you ask." Staver quotes Zach Schiller, Policy Matters' research director: "Business… is paying a much lower share of the overall freight than it did decades ago."

Although some tax breaks benefit our society, Policy Matters' reports there has been inadequate oversight in recent years: "Until four years ago, Ohio was among the majority of states that had a formal process for evaluating their state tax expenditures. These evaluations analyze expenditures for factors such as their costs, benefits, efficiency, the degree to which they change business behavior, and recommendations for improvement." But in the FY 2022-2023 state budget, the legislature eliminated the tax expenditure review committee.

How is the Ohio Legislature overseeing tax expenditures today? "Ohio lawmakers could do similar reviews, but instead of supporting expert analysis, public input, and a clear method for examining tax expenditures, they have opted for using the biennial budget process to occasionally make changes in spending through the tax code." It is unfortunate when important policy is made in the enormous state budget, because specific line items get lost without sufficient debate, and there is often undue influence of statehouse lobbyists.

Policy Matters Ohio adds: “Too many Ohio lawmakers have prized cutting taxes in a manner that benefits the wealthiest people and corporations, taking billions out of the pool of public resources. Spending through the tax code too often benefits select groups and special interests instead of funding public services that are available to everyone. Ohioans should require their elected state leaders to be more accountable. Tax breaks for special interests should be subject to the same scrutiny and debate as budgetary spending for public programs like K-12 education, Adult Protective Services, college financial aid, and Medicaid.”

The Ohio Legislature has put the state’s 609 public school districts in a financial bind by failing fully to fund the Fair School Funding Plan, by slashing the state income tax, by diverting more and more state revenue into private school tuition vouchers, and by failing to oversee carefully the diversion of state dollars into the tax expenditures Policy Matters covers in its new report. School finance expert, Howard Fleeter has calculated: “In the current fiscal year (FY 2025) under the budget that passed two years ago, the state is paying 38.4% of public school funding in Ohio. In the new budget… “the average state share (of total school funding) will decline to 35.0% in FY 26 and to 32.2% in FY 27….”[1]

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[1]Howard Fleeter, *“*On The Money,” *Hannah News Service,* June 27, 2025, (available free in many public library research collections).