



THE BUCKEYE INSTITUTE

An Ohio Budget to Benefit Every Child, Every Family, Every Community

Interested Party Testimony
Ohio House Finance Committee
Ohio House Bill 33

Greg R. Lawson, Research Fellow
The Buckeye Institute

April 20, 2023

As Prepared for Delivery

Thank you, Chair Edwards, Vice Chair LaRe, Ranking Member Sweeney, and members of the Committee for the opportunity to testify regarding Ohio House Bill 33.

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.

First, The Buckeye Institute appreciates the House’s effort to build on Governor Mike DeWine’s **proposal** to expand EdChoice eligibility to 450 percent of the federal poverty line and send additional resources to high-performing charter schools. Unfortunately, in the wake of the **historic decline** in academic performance following the COVID-19 school closures, even this laudable expansion is insufficient under the circumstances. At a minimum, Ohio’s budget should make all K-12 students eligible for EdChoice vouchers and raise the tax credit for home schooling families. By increasing schooling options and educational resources, policymakers will help families tailor academic environments to fit their children’s learning needs. One student in a household may thrive in their local public school, while their sibling struggles and would do better in a charter or private school across town. Students and their families deserve options.

A **meta-analysis of rigorous studies** by the University of Arkansas has shown voucher programs and their recipients have been successful across the country. Other **studies** have shown increased parental satisfaction and higher graduation rates and college attendance among voucher students. It is time to acknowledge and reward the success of school choice initiatives.

Second, while House Bill 33 rightly attempts major tax reform, it regrettably misses the mark by not fully taking advantage of the golden opportunity afforded by major revenue surpluses. It also fails to follow all four of The Buckeye Institute’s **four principles** of good tax policy. Those principles require tax policies to promote growth, improve transparency, promote equity, and be simple.

House Bill 33 does reduce tax rates on investment and labor, and it consolidates the lower two tax brackets into one 2.75 percent flat rate, but without changes to the upper two tax brackets future tax reform will be extremely difficult, if not impossible. An across-the-board 2.75 flat tax rate would be more equitable and promote even more growth and prosperity. To fulfill the promise of tax reform, the General Assembly should close more tax loopholes, reduce the top tax rates, move to a true flat rate income tax, and make clear in this bill that it intends to eventually eliminate the state income tax entirely.

Finally, House Bill 33 has too many earmarks. As I have explained in the **Piglet Book** (a copy is included in the testimony), earmarks should be avoided and their sums used to help offset tax rate reductions. It is also important for state budgets to include responsible **revenue triggers** such that further tax rate reductions may only occur after revenue goals are met. These triggers act as circuit breakers for tax cuts during fiscal stress and recessions, and would help prevent the nightmare scenarios that **Kansas** encountered when it failed to curb spending while cutting taxes.

There is still time to amend House Bill 33 to make school choice universally available and make tax reform bolder and better. With just a few changes, Ohio's budget can benefit every child, every family, and every community.

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

Piglet Book® is a registered trademark of Citizens Against Government Waste and is used with permission.



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.

The Buckeye Institute is a non-partisan, non-profit, and tax-exempt organization, as defined by section 501(c)(3) of the Internal Revenue code. As such, it relies on support from individuals, corporations, and foundations that share a commitment to individual liberty, free enterprise, personal responsibility, and limited government. The Buckeye Institute does not seek or accept government funding.



2023 PIGLET BOOK



By Greg R. Lawson



THE BUCKEYE INSTITUTE

2023 PIGLET BOOK

By Greg R. Lawson

April 4, 2023



THE BUCKEYE INSTITUTE

TABLE OF CONTENTS

Introduction	2
Reset Budget Baseline and Close Tax Loopholes	4
End Corporate Welfare	6
End Government Philanthropy and Advocacy	8
Eliminate Earmarks	10
Fund Students First	11
Conclusion	12
Appendix	13
Programs Recommended for Elimination or Adjustment	
Tax Loopholes Ohio Should Close	
Income Tax Deductions Ohio Should Eliminate	
Commercial Activity Taxes Ohio Should Eliminate	
About the Authors	20

INTRODUCTION

Governor Mike DeWine’s budget proposes more than \$200 billion in all-funds spending and nearly \$87 billion in General Revenue Fund (GRF) spending.¹ Medicaid, K-12 education, and criminal justice spending account for almost 61 percent of the Governor’s proposal. Another roughly 10 percent would be redistributed to local governments, including \$1.8 billion in each fiscal year for renewal levies.² These spending levels represent a biennial increase of \$68.5 billion over Ohio’s pre-COVID budget during fiscal years 2019 and 2020.³ Some of the proposed spending will be of the one-time variety, but even one-time expenses must be prioritized. The Governor has wisely proposed expanding EdChoice,⁴ Ohio’s largest school voucher program, to allow more families to improve their students’ K-12 education; and that is especially critical as students look to overcome the historic learning loss suffered during the pandemic. But the proposed budget spends taxpayer money well beyond providing the essential government services that residents expect, and the General Assembly should work with the DeWine Administration to return to a more sustainable budget baseline, reduce excessive spending on many non-essential programs, and create fiscal flexibility to reform the tax code and promote economic growth. With significant budget surpluses, Ohio can pare and redirect state spending today so that it does not rely on dwindling federal subsidies tomorrow.

The Buckeye Institute recommends implementing pro-growth tax policies, prioritizing necessary spending, closing tax loopholes, ending corporate welfare and government “philanthropy,” and continuing the effort to fund students rather than school districts. Our recommendations would trim Governor DeWine’s proposed budget by more than \$648 million and more than \$2 billion in tax expenditures,⁵ which would result in more than \$2.7 billion in taxpayer savings. Those savings should be used to fund K-12 education opportunities and further reduce Ohio’s income tax.⁶

¹ **State of Ohio Executive Budget Fiscal Years 2024-25**, Office of Budget and Management, January 31, 2023.

² *Ibid.*

³ See 134th and 133rd General Assemblies at **Budget Central**, LSC.Ohio.Gov (Last visited February 13, 2023).

⁴ Aaron Churchill, **Governor DeWine’s Budget Takes Bold Steps Forward on Charter Schools and Private School Choice**, Thomas B. Fordham Institute, February 7, 2023.

⁵ **Tax Expenditure Report: State of Ohio Executive Budget Fiscal Years 2024-25**, Office of Budget and Management, January 31, 2023.

⁶ **House Bill 1 of the 135th General Assembly**, Legislature.Ohio.Gov (Last visited February 16, 2023).

The General Assembly should:

- *Reset the budget baseline and close tax loopholes.* Ohio must recalibrate its budget in line with sustainable spending growth rates so that it can pursue pro-growth tax reform without sacrificing essential government services.
- *End corporate welfare.* The government should not pick economic winners and losers by redistributing taxpayer dollars to favored companies.
- *End government-funded philanthropy.* Governments are not good philanthropists. Charities—not politicians or bureaucrats—know how to use voluntary contributions to benefit the programs and causes that generous donors wish to support.
- *Eliminate earmarks.* Earmarks subvert competitive grant-making and erode the public’s faith in government. Government funding through grants and direct aid should only flow through a transparent, competitive process in which all eligible entities may compete.
- *Fund Students First.* Use current budget surpluses to expand school choice for families and fund K-12 students first through broad-based education savings accounts that will help pay for individually tailored academic resources.

RESET BUDGET BASELINE AND CLOSE TAX LOOPHOLES

The General Assembly must reset the baseline for state spending. According to the Office of Budget and Management, the all-funds spending in the fiscal year ending June 30, 2020, was \$74.55 billion. Under the Governor’s budget, Ohio expects to spend \$103.33 billion and \$99.77 billion in fiscal years 2024 and 2025, respectively.⁷ Such spending is unsustainable in the long-run and responsible budget adjustments need to be made.

Those adjustments will take time insofar as Medicaid consumes more than half of Ohio’s GRF spending and 42 percent of overall spending due to enhanced federal matching rates and federal changes to validating Medicaid eligibility during the pandemic.⁸ These changes will soon return to the pre-pandemic norm, but the return process is unlikely to be smooth. To help keep Medicaid costs under control, Ohio should conduct more rigorous audits, cross-check eligibility data, and prevent double-dipping by Medicaid recipients who receive services in other states.⁹

But to return state spending to sustainable levels and reset the budget baseline, the General Assembly will need to set reasonable spending growth rate targets. Between fiscal years 2014 and 2019, overall spending growth averaged around three percent per year.¹⁰ Although current inflation makes three percent growth too ambitious for this budget cycle, future budgets should be scaled and prioritized to meet that pre-pandemic target rate. Increases in Medicaid, K-12 education, and workforce development funding, for example, should be offset by cuts and rate reductions in less critical areas such as the H2Ohio program and inefficient public transportation.

⁷ **State of Ohio Executive Budget Fiscal Years 2024-25**, Office of Budget and Management, January 31, 2023.

⁸ **Resuming Routine Medicaid Eligibility Operations**, Medicaid.Ohio.Gov (Last visited February 8, 2023); and **COVID-19 Public Health Emergency Unwinding Frequently Asked Questions for State Medicaid and CHIP Agencies**, Medicaid.Gov, October 17, 2022.

⁹ Sabrina Eaton, **Ohio Auditor’s Report Faults Ohio Department of Medicaid for Failing to Address Double-Dipping**, Cleveland.com, December 13, 2022.

¹⁰ Author calculations using actual spending as outlined by the Legislative Service Commission. See **Budget Central**, LSC.Ohio.Gov (Last visited February 23, 2023).

Ohio can also adjust its post-pandemic budgets by closing tax loopholes that reduce annual revenues by more than \$11 billion.¹¹ Tax credits and deductions impede efforts to provide critical services or adopt pro-growth tax reforms such as eliminating Ohio’s personal income and commercial activities taxes.¹² The latest tax expenditure data from the Office of Budget and Management show more than \$2 billion in tax loopholes that should be closed immediately, such as the Motion Picture Tax Credit, or phased out prudently, such as the Ohio Business Income Tax Deduction.¹³ Recouped revenue should be used to reform Ohio’s income tax.

¹¹ **Tax Expenditure Report**, Archives.OBM.Ohio.Gov (Last visited February 9, 2023).

¹² **New Study Shows Ohio the Benefits of Income Tax Elimination and How to Get it Done**, Ohioans for Tax Reform, February 15, 2023; and Rea S. Hederman Jr., Andrew J. Kidd, PhD, and James Woodward, PhD, **Letting the CAT Out of the Bag: How to Improve Ohio’s Economy and National Rankings**, The Buckeye Institute, July 29, 2020.

¹³ **Tax Expenditure Report: State of Ohio Executive Budget Fiscal Years 2024-25**, Office of Budget and Management, January 31, 2023.

END CORPORATE WELFARE

Governments should not be in the business of picking economic winners and losers with taxpayer dollars. Such redistribution schemes are nothing less than corporate welfare payments for businesses with persuasive lobbyists and they should be stopped. Instead of rewarding some businesses and not others, Ohio should use much of the \$2.5 billion intended for the All Ohio Futures Fund to pursue broad-based tax reforms, enhance school choice options, and promote workforce training that will benefit all businesses and taxpayers—not just the politically well-connected. Eliminating corporate welfare payments to the industries below could save Ohio more than \$120 million.¹⁴

Wine Industry – \$3.1 million

Ohio conducts marketing on behalf of the state’s wine grape growers, underwritten by a five cents per gallon excise tax on wine. A wine industry that generates revenues of approximately \$1.3 billion per year should pay for its own advertising initiatives without asking the state to charge consumers an extra nickel.¹⁵

Agriculture Marketing – \$1 million

Agriculture is one of Ohio’s leading economic sectors. Expanding markets for Ohio agricultural products is important. But doing so through publicly-funded advertising and marketing campaigns benefiting specific private businesses is not a fair or wise use of taxpayer dollars. The Ohio Farm Bureau, the voluntary association that protects Ohio’s farming community, collects voluntary dues that already cover many such marketing services without taxpayer expense.

Small Business Assistance – \$200,000

The state appropriates grants to businesses to purchase “clean air equipment” through the Ohio Air Quality Development Authority. Although the program targets small businesses that may have difficulty purchasing this equipment, private-sector financing options and Environmental Protection Agency grants are already available.¹⁶

¹⁴ Mark Williams, **\$2.5 Billion Plan Seeks to Make Sites Across Ohio Ready for the Next Intel, Honda**, Columbus Dispatch, February 13, 2023.

¹⁵ Shelly Detwiler, **Wine is Big Business in Ohio**, *Ohio’s Country Journal*, June 4, 2018.

¹⁶ **Specific EPA Grants**, EPA.gov, (Last visited February 10, 2023).

State Marketing Office – \$20 million

This marketing program for Ohio’s tourism industry is funded by the state sales tax. As a \$47 billion per year industry, tourism can afford its own marketing paid for by the businesses it benefits.¹⁷

Third Frontier – \$44 million

The Third Frontier program gives grants to universities and businesses to spur technical innovation. But venture capital firms, not taxpayers, should be identifying and funding innovative lines of research. Debt backed by tax revenue should be rare and not used for direct commercial applications.

Minority Business Development & Women-Owned Business Loans – \$16.8 million

Governor DeWine’s budget proposes boosting aid to minority business owners by more than 75 percent—a well-intentioned payment increase that can be pared down while still accomplishing its objectives. Funds appropriated for women-owned business loans similarly use public resources to benefit of a small subgroup of Ohioans. Such special interest payments and loans favor a select few over the broader taxpaying population and should be made sparingly.

Small Business and Export Assistance & Promotion – \$18.8 million

Small businesses are the lifeblood of Ohio’s economy, but special interest payments put the government’s thumb on the economic scale, benefiting some businesses over others. Across-the-board tax cuts for all Ohioans—including small business owners—would be a better, fairer use of state funds.

Research and Development – \$10 million

The Ohio Department of Development seeks to assist specific businesses create research facilities for new or improved products, processes, formulas, or inventions. Like funding for the Third Frontier Program, these pure R&D dollars should come from the private sector, not taxpayers.

Procurement and Technical Assistance – \$2.6 million

Another well-intended special interest program for small business owners that unfairly uses taxpayer funds to pay for business and/or trade association activities.

Sports Events Grants – \$3.9 million

Ohio should not use taxpayer dollars to attract sporting events. Communities and private sector partners interested in hosting such events for their own enjoyment or economic benefit should pay the associated hosting costs themselves.

¹⁷ **Tourism Economic Impact**, Ohio.org (Last visited February 9, 2023).

END GOVERNMENT PHILANTHROPY AND ADVOCACY

Voluntary, philanthropic contributions provide significant social benefits. Societies are better off when members broadly make generous philanthropic donations. Unfortunately, government attempts to engage in philanthropy re-direct taxpayer dollars away from its more pressing responsibility to provide the public with core services, including law enforcement, well-maintained roads, public health, and other infrastructure. Taxpayer-funded “philanthropy” forces governments to choose “worthy causes” and can crowd-out real philanthropy from private donors, which then risks louder calls for even more government spending to offset the reduced private giving.¹⁸ Ending that vicious redistribution cycle of government-backed philanthropy and lobbying would save Ohio taxpayers nearly \$62 million.¹⁹

Ohio Arts Council – \$44.6 million

The Ohio Arts Council redistributes income and sales tax revenue to artists and galleries that the government selects, making the state an arbiter of artistic taste and culture. Private charities and interested citizens can voluntarily choose for themselves which artists and galleries to patronize without the government’s guidance.

Ohioana Library Association – \$640,500

The Ohioana Library Association is a useful, nonprofit organization that collects and promotes literary works by Ohio authors. Taxpayers subsidize the Association’s rent at the State Library of Ohio in Columbus and “leverage” private donations. One of over 250 public libraries could house the Association without requiring a state subsidy. Commendable organizations like this should rely on private funding and true philanthropy, not state-sponsored subsidies.

¹⁸ Walter O. Simmons and Rosemarie Emanuele, “**Does Government Spending Crowd Out Donations of Time and Money?**” *Public Finance Review* Volume 32, Issue 5 (September 1, 2004) p.498–511.

¹⁹ All amounts presented in the following section come from the Governor’s Executive Budget proposal. **State of Ohio Executive Budget Fiscal Years 2024-25**, Office of Budget and Management, January 31, 2023.

County Agricultural Societies – \$759,346

The Ohio Department of Agriculture uses income and sales tax revenue to subsidize county fairs, crowding-out local governments and private organizations, such as 4-H, that could fill this role.

Ohio History Connection – \$2.7 million

Nonprofit organizations like the Hayes Presidential Center and other museums across Ohio will receive more than \$2 million in taxpayer subsidies. Those subsidies should be replaced by private philanthropic dollars.

Ohio Commission for the U.S. Semiquincentennial – \$8,294,000

This over-sized appropriation will fund the 250th anniversary of the United States and Ohio's history. At nearly \$14 million, it will cost taxpayers over four times the amount spent on the Ohio Bicentennial Commission 20 years ago to celebrate Ohio's 200th anniversary.²⁰ Providing similar, inflation-adjusted funding to the new commission would save taxpayers more than \$8 million.

²⁰ **FY 2002 - FY 2003 Operating Budget Analysis (Ohio Historical Society)**, LSC.Ohio.Gov (Last visited February 14, 2023).

ELIMINATE EARMARKS

Spending on special interest earmarks remains a perennial challenge. Earmark spending inflates the state budget with local and parochial projects that do not benefit all Ohioans. The practice courts controversy and breeds public suspicion that government looks out for the politically privileged rather than taxpayers. Direct state funding to businesses and organizations should only be made through an open, transparent, broad-based, and competitive process. Eliminating state earmarks will save Ohio more than \$161 million.

Local Development Projects – \$12.6 million

Earmarked local projects for the Development Services Agency violate the general principle that grants should be awarded through a competitive process, not set aside as line items in the budget.

Universities – \$118.8 million

In addition to large general state subsidies that they already get, Ohio universities will now also receive needs-based subsidies through an expanded Ohio College Opportunity Grant²¹ to help prepare students for the workforce ready. Any college-specific funding should only be given through a transparent, competitive award process, not as earmarks.

Safety and Health Center of Excellence – \$30 million

The Ohio Center of Occupational Safety and Health within the Bureau of Workers' Compensation (BWC) pays redundant grants to universities to study and train workplace safety. Employers already have incentives to reduce workplace injuries, and the BWC already has other programs focused on reducing injuries and expediting recovery.

²¹ Morgan Trau, **Gov. DeWine's State of the State: Childcare, Education and Workforce Development**, News5Cleveland.com, January 31, 2023.

FUND STUDENTS FIRST

K-12 education is the second largest line item in Ohio’s biennial budget, behind only Medicaid. Unfortunately, the current funding system does not put students first.²² The previous budget’s school funding plan significantly changed how public-school districts and other school choice options like vouchers and charter schools are funded.²³ Policymakers will continue debating that plan and its funding mechanisms, but Ohio must take a students-first approach to K-12 education and empower families to tailor learning environments and resources to meet the specific needs of their children. The historic learning loss suffered during the pandemic makes a student-first system all the more critical.²⁴ Governor DeWine rightly proposes expanding EdChoice eligibility to allow more families to choose the best education setting for their children.²⁵ That should be a starting point. Policymakers should give every student in Ohio an education savings account to help pay for tuition and educational resources such as textbooks, tutors, online classes, and group learning pods.²⁶

²² Greg R. Lawson, ***#StudentsFirst: Empowering Parents to Help Students Regain Lost Learning***, The Buckeye Institute, September 6, 2022.

²³ ***Overview of School Funding***, Education.Ohio.Gov (Last visited February 10, 2023).

²⁴ Sarah D. Sparks, ***Two Decades of Progress, Nearly Gone: National Math, Reading Scores Hit Historic Lows***, EducationWeek, October 24, 2022.

²⁵ Aaron Churchill, ***Governor DeWine’s Budget Takes Bold Steps Forward on Charter Schools and Private School Choice***, Thomas B. Fordham Institute, February 7, 2023.

²⁶ Greg R. Lawson, ***#StudentsFirst: Empowering Parents to Help Students Regain Lost Learning***, The Buckeye Institute, September 6, 2022.

CONCLUSION

Governor DeWine’s biennial budget proposal takes several steps in the right direction, especially its encouraging effort to expand EdChoice eligibility and help families regain lost academic ground for their children. Unfortunately, the proposal retains too much corporate welfare and overspends on nonessential programs and government philanthropy. Reducing and reprioritizing spending, closing tax loopholes, and returning to a more sustainable spending baseline will create more fiscal flexibility to make significant tax reforms and further reduce income taxes. Making those adjustments will spur economic growth and prosperity by relieving some of the government burden shouldered by taxpayers. Ohio has an opportunity to use historic budget surpluses to rein in state spending, focus on providing core government services, cut taxes, and adopt a “fund students first” approach to K-12 education. The Administration and the General Assembly would do well to take full advantage of that opportunity, rethink some of the proposed programmatic spending, and resist the temptation to overspend today instead of preparing for tomorrow.

APPENDIX

Programs Recommended for Elimination or Adjustment Fiscal Years 2024-2025

Agency	Program for Elimination or Adjustment	Savings Over Biennium
Department of Aging	National Senior Service Corps	\$445,584
Department of Agriculture	Agricultural Commodity Marketing Program	\$400,000
	County Agricultural Societies	\$759,346
	Ohio Proud	\$646,127
	Ohio Grape Industries	\$3,100,000
	Auction Education	\$107,300
	H2Ohio ²⁷	\$12,538,897
Air Quality Development Authority	Small Business Assistance	\$200,000
	Small Business Relief Acceleration	\$2,000,000
Ohio Arts Council	Abolish Agency	\$44,606,853
Ohio Department of Commerce	Financial Literacy Education	\$300,000
	Video Service	\$905,440

²⁷ These savings are based on a revised appropriation for H2Ohio that increases the combined FY 22-23 appropriation by 20 percent to reflect ongoing and new priorities for the program.

Department of Development	Small Business and Export Assistance	\$16,820,000
	Local Development Projects	\$12,600,000
	State Special Projects	\$300,000
	Third Frontier Research and Development Projects	\$4,000,000
	Research and Development Taxable Bond Projects	\$40,000,000
	Coal Research and Development Program	\$367,450
	Minority Business Development ²⁸	\$6,840,879
	Women Owned Business Loans	\$10,000,000
	Sports Events Grants	\$3,942,810
	Innovation Hubs ²⁹	\$75,000,000
	Research and Development	\$10,000,000
	Procurement Technical Assistance	\$2,600,000
	State Trade and Export Promotion	\$2,000,000
Department of Education	School Management Assistance	\$5,495,191
Environmental Protection Agency	Environmental Education	\$1,100,000
	H2Ohio ³⁰	\$38,334,098

²⁸ These savings are based on a revised appropriation that increases funding by 10 percent above the FY 22-23 appropriation.

²⁹ This suggested appropriation is 50 percent of the governor’s total request.

³⁰ These savings are based on a revised appropriation for H2Ohio that increases the combined FY 22-23 appropriation by 20 percent to reflect ongoing and new priorities for the program.

Ohio Expositions Commission	Junior Fair Subsidy	\$760,000
Department of Higher Education	Sea Grants	\$625,702
	Central State Supplement	\$24,433,243
	Case Western Reserve University School of Medicine	\$4,263,219
	Shawnee State Supplement	\$11,319,201
	The Ohio State University Clinical Teaching	\$19,205,950
	University of Cincinnati Clinical Teaching	\$17,427,534
	University of Toledo Clinical Teaching	\$12,312,620
	Wright State University Clinical Teaching	\$5,981,710
	Ohio University Clinical Teaching	\$5,782,700
	Northeast Ohio Medical University Clinical Teaching	\$5,947,500
	OCPM Clinical Subsidy	\$1,045,450
	The Ohio State University College of Veterinary Medicine Supplement	\$10,454,500
	Ohio History Connection	National Afro-American Museum
Hayes Presidential Center		\$1,219,077
Ohio Commission for the U.S. Semiquincentennial ³¹		\$8,294,000

³¹ Suggested appropriation of \$2.85 million each fiscal year for the Ohio Commission for the U.S. Semiquincentennial. This is in line with appropriations for Ohio's Bicentennial Commission as adjusted by inflation.

State Library Board	Ohioana Library Association	\$640,500
	Regional Library Systems	\$1,008,000
Department of Mental Health and Addiction Services	Problem Gambling Services ³²	\$4,640,000
Department of Natural Resources	Healthy Lake Erie Program	\$1,976,538
	H2Ohio ³³	\$62,916,728
State Revenue Distributions	Property Tax Replacement Phase Out – Education	\$114,314,063
Department of Transportation	Public Transportation – State ³⁴	\$37,014,636
TOTAL SAVINGS: \$648,532,479		

³² There are two-line items for problem gambling treatment. One is funded with money from the Ohio Lottery, and one is from fees and taxpayers’ dollars from the Casino Control Commission. Buckeye’s recommendations are for Ohio to fund problem gambling treatment under one budget line item under the Casino Control Commission.

³³ These savings are based on a revised appropriation for H2Ohio that increases the combined FY 22-23 appropriation by 20 percent to reflect ongoing and new priorities for the program.

³⁴ This suggested appropriation is 50 percent of the governor’s total request.

Tax Loopholes Ohio Should Close³⁵

Tax Expenditure	Estimated Savings	Explanation for Elimination
Eligible Productions Tax Credit	\$52,100,000	Motion picture tax credits: corporate welfare that does not pay for itself long-term.
Small Business Investment Credit	\$5,300,000	Lower rates and broader tax bases are keys to tax reform that benefits everyone.
Copyrighted Motion Picture and Films	\$17,100,000	Private home rentals are not tax-exempt, so exhibition rentals should not be either.
\$800 Tax Cap on Qualified Fractionally-Owned Aircraft	\$20,500,000	A special-interest tax cap for affluent aircraft owners.
Sales of Materials and Services for Maintenance and Repair of Aircraft	\$31,700,000	A narrow carve-out for a highly-specialized group.
Flight Simulators	\$2,000,000	A narrow carve-out for a highly-specialized group.
Agricultural Land Tile and Portable Grain Bins	\$3,200,000	A narrow carve-out for a highly-specialized group.
Sales of Tangible Personal Property and Services for Maintenance and Repair of Qualified Fractionally-Owned Aircraft	Less Than \$1,000,000	A narrow carve-out for a highly-specialized group.
TOTAL SAVINGS: \$131,900,000		

³⁵ **Tax Expenditure Report: State of Ohio Executive Budget Fiscal Years 2024-25**, Office of Budget and Management, January 31, 2023; Exemptions based on specified use of property or service.

Income Tax Deductions Ohio Should Eliminate

Tax Expenditure	Estimated Savings	Explanation for Elimination
Deduction for Long-Term Care Insurance Premiums	\$37,900,000	Preferential tax code treatment.
Ohio Business Investor Income Deduction ³⁶	\$1,559,800,000	A special-interest benefit only for certain taxpayers.
\$50 Credit for Taxpayers Aged 65 Years or Older	\$44,800,000	A special-interest benefit only for certain taxpayers.
\$20 Personal Credit (Ohio Revised Code 5747.022; originally enacted 1983, revised 2013)	\$7,100,000	Limited to those with less than \$30,000 in income, its benefit is doubtful.
Campaign Contributions Credit (Ohio Revised Code 5747.29; originally enacted 1995)	\$4,600,000	No sound public policy reason for this exemption.
Grape Production Credit	Less Than \$1,000,000	A narrow carve-out for a highly-specialized group.
TOTAL SAVINGS: \$1,654,200,000		

³⁶ In order to avoid raising taxes on small business owners, this credit should be phased down commensurate with the reduction in the overall personal income tax rate rather than eliminated immediately.

Commercial Activity Taxes Ohio Should Eliminate

Tax Expenditure	Estimated Savings	Explanation for Elimination
Job Creation Credit	\$227,300,000	Special-interest tax credits create an unlevel playing field. Broad rate reductions are fairer to all businesses.
Job Retention Tax Credit	\$68,000,000	Special-interest tax credits create an unlevel playing field. Broad rate reductions are fairer to all businesses.
TOTAL SAVINGS: \$295,300,000		

ABOUT THE AUTHOR



Greg R. Lawson is a research fellow at The Buckeye Institute with expertise on Ohio's budget, local government, state and local taxes, education and education funding, transportation funding, and occupational licensing.

Lawson also serves as Buckeye's liaison to the state government policymakers where he educates policymakers in the legislative and executive branches on free-market solutions to Ohio's challenges. In this role, he is regularly called on to testify before legislative committees on policies that impact Ohio's families and the state's economy.

With nearly 20 years of experience working on nine state budgets, Lawson is a recognized expert on Ohio's budget, and is the co-author of *Principled Spending: Using Ohio's Capital Budget to Benefit Ohioans*. He has a deep knowledge of state and local taxes, and how Ohio funds Medicaid, education, and transportation. He is the author of the *Piglet Book*, The Buckeye Institute's biennial publication outlining areas of government waste.

A recognized expert in the school choice movement and on occupational licensing, Lawson is the author of *#StudentsFirst: Empowering Parents to Help Students Regain Lost Learning*, co-author of *Education Savings Accounts: Expanding Education Options for Ohio* and *Still Forbidden to Succeed: The Negative Effects of Occupational Licensing on Ohio's Workforce*. Lawson is also the author on several reports dealing with local government funding and reform, including, *Revenue Sharing Reform: On the Road to Ohio's Recovery* and *Joining Forces: Rethinking Ohio's Government Structure*.

2023 Piglet Book

Copyright © 2023 The Buckeye Institute. All rights reserved. Piglet Book® is a registered trademark of Citizens Against Government Waste and is used with permission.

Portions of this work may be reproduced and/or translated for non-commercial purposes provided The Buckeye Institute is acknowledged as the source of the material.



THE BUCKEYE INSTITUTE

88 East Broad Street, Suite 1300

Columbus, Ohio 43215

(614) 224-4422

BuckeyeInstitute.org