Buckeye Policy Brief

Expanding Ohio's Workforce Pipeline

By Greg R. Lawson

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Introduction

A recent CNBC survey ranked Ohio the best state in the country for doing business,[1] thanks to strong ratings in infrastructure, the cost of doing business, and a business-friendly tax and regulatory climate.[2] Grabbing the top spot was a long time in the making and recent reform efforts were key contributors. Unfortunately, the CNBC scores also highlighted Ohio's lagging workforce, which ranks well below average.[3] So, despite its recent successes and deserved accolades, Ohio has work to do to improve its labor force and train a steady supply of skilled workers that 21st century employers need. As The Buckeye Institute has recommended before,[4] the state can make commonsense reforms to align its colleges and universities with the evolving demands of the modern labor market by moving toward outcome-based higher education funding. State subsidies should be refined, and post-graduation outcomes should be rewarded. Public-private workforce partnerships between employers and educators can better prepare graduates for employment. And Ohio should be an early participant in the new Workforce Pell Grant program to extend federal education benefits to apprenticeships and non-traditional students. Taking these steps will build on Ohio's solid economic foundation and make the state even more attractive to employers and their employees.

The Ohio Paradox: No. 1 Overall, 35th for Workforce

Ohio's climb in CNBC's rankings has been slow but steady. The state finished 30th when the study launched in 2007.[5] It placed in the top five for the first time last year.[6] And it took the overall crown this year by ranking

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[1] Scott Cohn, **Ohio is America's Top State for Business in 2026, Capping Years Long Rise with First No. 1 Finish**, CNBC.com, July 9, 2026.
[2] *Ibid.*
[3] *Ibid.*
[4] Greg R. Lawson and Logan Kolas, ***Transforming Higher Education in Ohio: Reforms Needed Today to Prepare for Tomorrow***, The Buckeye Institute, January 14, 2025.
[5] Scott Cohn, **Ohio is America's Top State for Business in 2026, Capping Years Long Rise with First No. 1 Finish**, CNBC.com, July 9, 2026.
[6] *Ibid.*

first in infrastructure, ninth in economy, ninth in access to capital, and ninth in cost of living.[7] Ohio's rise was undoubtedly helped by a series of new projects, including Anduril Industries' Arsenal-1 manufacturing campus in Pickaway County that added roughly 4,000 on-site jobs.[8] Such projects—and the state's successes—have been the foreseeable result of lower income tax rates, fewer tax brackets, a higher commercial activity tax (CAT) exclusion threshold, and other pro-growth tax reforms long supported by The Buckeye Institute.[9]

Despite its top overall rating, Ohio's limited population growth and softening labor force participation remain a hindrance. From January 2025 to June 2026, Ohio's labor force participation slipped from 62.9 percent[10] to 61.6 percent,[11] and the state lost approximately 74,000 jobs between January 2025 and May 2026.[12] Retirements may account for some of that decline, but the numbers also suggest that Ohio still struggles to train and retain a ready-to-hire workforce. Without a labor force built for the 21st century, Ohio risks losing the economic ground it has so strategically gained.

Reform Already Underway: SSI Outcomes-Based Funding

To improve its workforce rating and performance, Ohio should enhance education reforms it has recently begun. The state's higher education funding formula—the state share of instruction (SSI) subsidy—has long rewarded enrollment and graduation rates[13] at public universities and colleges without adequately accounting for post-graduation employment and earnings.[14] As new, specialized employers like Anduril and others expand in Ohio, they will require workers with highly technical skills, and an education funding formula not tied to employment outcomes will lead to greater labor force mismatches for post-graduation employment prospects and ultimately hamstring the state's economy.

The Buckeye Institute has repeatedly recommended revising the state's higher-education funding formula to reward schools for strong job placement, low loan-default rates, and healthy debt-to-income ratios for their graduates.[15] All public colleges and universities—whether four-year or two-year schools—should compete for funding awarded for student outcomes not merely graduation

[7] *Ibid.*
[8] **Anduril Building Arsenal-1 Hyperscale Manufacturing Facility in Ohio**, Anduril Technologies, January 16, 2025.
[9] Logan Kolas and Zachary D. Cady, ***How Ohio Can Join the Flat-Tax Revolution***, The Buckeye Institute, May 24, 2023; and Rea S. Hederman, Jr, Andrew J. Kidd, PhD, and James B. Woodward, PhD., ***Letting the CAT Out of the Bag: How to Improve Ohio's Economy and National Rankings***, The Buckeye Institute, July 29, 2020.
[10] **Ohio Economy at a Glance**, BLS.gov (last visited, July 16, 2026).
[11] **Ohio's June Unemployment Rate Decreases to 3.6%**, Ohio Department of Job and Family Services press release, July 17, 2026.
[12] **Ohio Economy at a Glance**, BLS.gov (last visited, July 16, 2026).
[13] Anthony Hennen and Richard Vedder, PhD, ***Ohio's Higher Education Budget: A Commendable If Modest Action Plan***, The Buckeye Institute, April 3, 2013.
[14] **Appropriation Spreadsheet for House Bill 96 of the 136th General Assembly (Updated July 8, 2026)**, LSC.Ohio.gov (last visited, July 16, 2026).
[15] Greg R. Lawson and Logan Kolas, ***Transforming Higher Education in Ohio: Reforms Needed Today to Prepare for Tomorrow***, The Buckeye Institute, January 14, 2025.

rates. The General Assembly has taken that advice and Ohio's most recent budget, House Bill 96, includes a "student outcomes" tranche carved out of the SSI appropriation for up to $100 million each year.[16] The funding will be distributed under a new formula tied to graduate retention, employment, and wages.[17] As The Buckeye Institute has testified and explained,[18] SSI funds should flow to college programs that provide workplace credentials that employers value.

The Next Step: The JOBS Act & Public-Private Partnerships

Ohio Senate Bill 462 makes another positive education-workforce reform by creating a "qualified education partnership" program[19] through which colleges and universities may work with private employers to develop degrees and certificate programs tied to specific employer needs.[20] The proposed policy requires both sides to put skin in the game. Participating employers must contribute to curriculum development, provide significant resources and equipment, and make subject-matter experts available.[21] Academic institutions will retain full academic control of the agreed program curricula and publicly report completion and job placement rates for every partnership so that families and policymakers have a transparent scorecard for each institution. The partnerships should foster degrees and credentials that are valuable and portable across the labor market.

To attract employer participation in the program, Senate Bill 462 offers two targeted CAT credits. The first is a development credit that allows employers to recover 20 percent of expenses incurred establishing or updating a partnership program. The credit is only available for partnerships that reach a 70 percent completion rate within two years. The second credit provides $1,000 for every graduate the employer hires and retains for at least 12 consecutive months. The second credit is only available to employers whose partnership earned a development credit, and both are nonrefundable and may not exceed total program-related expenses.

Ohio's qualified education partnership program is different from the workforce tax incentives other states have tried. Several states have apprenticeship tax credits that pay employers a flat amount per apprentice hired. Colorado allows up to $12,600 per apprentice over the apprentice's term, with a cap of 10 apprentices per employer.[22] New York offers the Empire State Apprenticeship credit of up to $7,500 per apprentice per year.[23] Arkansas has a program offering apprenticeships $2,000 or 10 percent of wages up to a maximum of $10,000 each year.[24] But no other state ties a tax credit to a statutorily defined, chancellor-certified partnership in which

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[16] Jason Glover, ***LBO Analysis of Enacted Budget-Department of Higher Education***, Legislative Service Commission, August 2025.
[17] *Ibid.*
[18] Greg R. Lawson, senior research fellow, The Buckeye Institute, **Ohio's Budget: An Opportunity for Reform**, Testimony before the Ohio Senate Finance Committee, May 29, 2025.
[19] **Senate Bill 462 of the 136th General Assembly**, Legislature.Ohio.gov (last visited, July 16, 2026).
[20] *Ibid.*
[21] *Ibid.*
[22] **Apprenticeship Colorado Launches Tax Credit to Expand Registered Apprenticeships in New & Emerging Industries**, Colorado Department of Labor and Employment press release, January 15, 2025.
[23] **Empire State Apprenticeship Tax Credit**, Tax.NY.gov (last visited, July 16, 2026).
[24] **Apprenticeship Tax Credit**, ArkansasOSD.com (last visited, July 16, 2026).

employers help design the curriculum and public reporting requirements, and offers an outcome-based tax-credit structure that rewards development and hiring. Senate Bill 462 incentivizes employers to co-design the desired training and avoids subsidizing hiring only after sub-optimal training has occurred.

The Buckeye Institute generally resists new tax credits. Ohio's tax code is healthier, simpler, and more competitive today because of flatter tax rates, and fewer tax brackets and exemptions. Adding a new CAT credit detracts from that streamlined simplicity. And if the proposed credits offer an open-ended subsidy to any employer for any training expense without performance metrics, The Buckeye Institute would oppose it. But Senate Bill 462 is consistent with outcome-based SSI funding: state dollars, whether direct appropriations or foregone tax revenue, should follow demonstrable, transparent results, not provide government favor to individual businesses.

Senate Bill 462 also addresses the financial structure of public-private partnerships that help colleges and universities rapidly install new programs. Mutually beneficial revenue-sharing encourages private-sector partners to support high-quality, in-demand programs while allowing colleges to implement new ones with low up-front cost. This benefit applies to private-sector partners, including participating employers who contribute to curriculum development, and may include Online platform management (OPM) partnerships, which help colleges develop, market, and deliver online degree programs, especially for non-traditional students.[25] Arrangements with private sector partners may include agreements to share tuition revenue tied to bundled services such as recruitment, marketing, and technology support.[26] To ensure quality control on each of these practices, any revenue-sharing agreements should comply with U.S. Department of Education rules and guidance on service bundling and incentive-based compensation.[27] But because the U.S. Department of Education denotes bundled services provisions as merely "guidance," this oversight may be subject to nullification at any point in the absence of a federal bundled services statute. A federal bundled services provision , as proposed in 2024 by House Education and the Workforce Chairwoman Virginia Foxx (**H.R. 6951**), would ensure program and education partnership stability and reduce the risk that state-level partnerships (*i.e.*, Ohio's Senate Bill 462) will be undermined or rendered futile.

Workforce Pell Grants: A Federal Complement, Ohio Should Use

The federal Working Families Tax Cuts Act created a new Workforce Pell Grant program[28] that extends eligibility to short-term programs between 150 and 599 clock hours. To maintain accountability, eligible programs must demonstrate 70 percent completion and 70 percent job placement rates.[29] Each state's governor, working with the state workforce board, decides which

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[25] Greg R. Lawson , **As higher education changes, innovation can help**, The Center Square, April 21, 2025.
[26] *Ibid.*
[27] **Program Integrity Questions and Answers - Incentive Compensation**, Ed.gov (last visited, July 20, 2026).
[28] **U.S. Department of Education Issues Proposed Rules to Implement Working Families Tax Cuts Act's Workforce Pell Grants**, U.S. Department of Education press release, March 6, 2026.
[29] **Accountability in Higher Education and Access Through Demand-Driven Workforce Pell: Pell Grant Exclusion Relating to Other Grant Aid; and Workforce Pell Grants**, FederalReigster.gov, May 19, 2026.

occupations and programs qualify.[30] Unlike open-ended Pell grants, the Workforce Pell Grant program credibly ties federal dollars to building human capital and developing employable skills. The program will help more ready-to-work employees enter the job market faster and with less debt.

Taking advantage of the expanded Workforce Pell Grant program complements Senate Bill 462 insofar as a qualified education partnership would be a natural candidate for Workforce Pell eligibility. Both frameworks have 70 percent completion and placement thresholds, both focus on employer-validated labor market demand, and both reward career-aligned credentials over debt-heavy degree programs. Ohio manufacturers that partner with community colleges under Senate Bill 462 to build technician-training programs epitomize the kind of programs that Workforce Pell dollars aim to reach.

Conclusion

Ohio has a solid foundation for enhancing its workforce. The state has lowered and simplified its tax burden and attracted new investment capital for job growth. Additional reforms, particularly those related to education and job training, can improve labor force participation and keep public educators accountable. Ohio should increase the SSI employment outcome tranche in the next operating budget and work toward an outcome-based SSI appropriation. Senate Bill 462's employer-partnership program offers market-responsive accountability that the state's workforce pipeline needs, if it retains a cost-recovery cap and completion and placement-rate standards to avoid becoming an open-ended government subsidy. Ohio should implement Workforce Pell Grants and fast-track approval for programs that overlap with Senate Bill 462-like partnerships. Swift adoption will give Ohio employers and colleges an advantage in bringing federally funded, employer-validated credentials to market. The state has taken remarkable strides toward prosperity and economic advancement. Improving its workforce pipeline through responsible, commonsense reforms that will enhance training and attract qualified labor will only help Ohio remain atop national business rankings.

[30] *Ibid.*

About the Author

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