



PRESS RELEASE

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Legislators squander golden opportunity

Instead of a transformative budget, Ohioans get more of the same

Today Governor DeWine addressed the press and all of Ohio about the 2024-25 state budget, which he signed on July 3rd. Policy Matters Ohio Executive Director Hannah Halbert released the following statement.

Ohioans need a break. Years of underfunding in our public sector have taken a toll which has been compounded by stagnant wages for many workers. The state [ranks poorly](#) across several indicators: 35th in the nation for child hunger, 42nd for infant mortality, 36th for public preschool enrollment, 47th for equitable public education funding, and 37th in child economic security.

This budget was a golden opportunity to strengthen families, support kids and improve the quality of life for all Ohioans. Ohio tax revenues consistently beat estimates, in large part due to rising incomes spurred by federal support for COVID recovery, and a tight labor market. Instead of putting those dollars to work strengthening programs that ensure Ohioans share in the prosperity they help create, lawmakers once again prioritized giveaways to private interests, as well as tax cuts for the wealthy and big business.

The operating budget includes a \$1-billion-per-year income-tax cut that disproportionately benefits the wealthy, does nothing for Ohioans in the lowest-income 20%, and temporarily increases taxes for some middle-income households.

According to modeling provided by the Institute on Taxation and Economic Policy, a nonprofit with a sophisticated model of state and local taxation: **85.4% of the value of this billion-dollar cut will go to the richest 20% of Ohio** (those making more than \$124,000 per year). This version of the income-tax cut goes beyond what was initially proposed by the House or the Senate, giving additional cuts to those making above \$92,150 per year.

Policy Matters Ohio is a nonprofit, nonpartisan state policy research institute with offices in Cleveland and Columbus.

Gov. DeWine to increase taxes on the middle class and give cuts to the wealthy

ITEP estimates of the impact of Budget's income tax changes by household income for tax year 2024

	Bottom 20%	Second 20%	Middle 20%	Fourth 20%	Next 15%	Next 4%	Richest 1%
Income range	< \$23,000	\$23,000 - \$47,000	\$47,000 - \$75,000	\$75,000 - \$124,000	\$124,000 - \$250,000	\$250,000 - \$621,000	> \$621,000
Avg income in group	\$ 12,000	\$ 34,000	\$ 61,000	\$ 97,000	\$ 160,000	\$ 351,000	\$ 1,597,000
Average Tax Change	\$0	\$40	\$15	-\$88	-\$275	-\$793	-\$4,411
Share of Tax Cut	0.0%	0.0%	0.8%	13.7%	30.0%	23.3%	32.1%

All state residents, 2023 incomes.

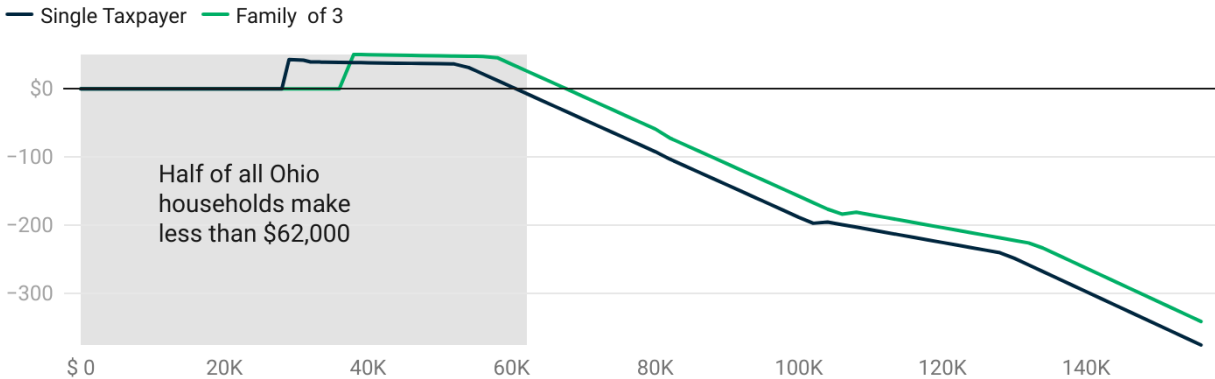
Table: Policy Matters Ohio • Source: Institute on Taxation and Economic Policy • Created with Datawrapper

The temporary suspension of inflation adjustment procedures included in the bill will increase taxes on all households, and, in the case of many middle-income households, will lead to a net tax increase over tax years 2023-24. Once this suspension ends, tax brackets and exemptions will be adjusted for inflation, doing away with the tax increase. However, the \$1 billion tax cut is permanent.

The governor vetoed a provision that would have used the suspension of inflation adjustment starting in tax year 2025 to reduce the rate of taxation on the first \$26,050 of income (paid only by those with incomes above that threshold). He did not change the essence of the **overall** income tax change, which will hamstring the state's ability to fund critical public institutions for years to come.

Impact of Gov. DeWine's budget bill income tax changes in tax year 2024

Tax liability shift by annual income and family size



Includes exemptions and Earned Income Tax Credit (EITC), no other tax credits. Uses a 7% GDP deflator from the Bureau of Economic Analysis for tax year 2023 and the Congressional Budget Office's estimated annualized GDP Price Index change for tax year 2024, which is 2.5%. Does not account for the gradual reduction of the rate of taxation below \$26,050, which will begin in the next biennium. Note: some unmarried childless households might see a larger tax increase as a result of being not being eligible for the EITC. .

Chart: Policy Matters Ohio • Created with Datawrapper

The budget also reduces the state's main business tax, the **Commercial Activity Tax**, permanently slashing nearly half a billion dollars a year in revenue. Most of that reduction will go to [bigger businesses](#), as companies with less than \$1 million in Ohio receipts already pay little or no such tax.

The governor vetoed the requirement that the 2024 **extended sales tax holiday** costing \$750 million be fourteen days long. His veto did not change the essence of a wasteful, [poorly targeted provision](#) that could have been replaced more effectively with a sales tax credit for low-income households.

The governor signed off on a **\$2-billion giveaway to private schools** through voucher expansion. By doing so, he approved sending public dollars to private schools that do not have to accept all children. Because the legislature rejected efforts to means-test the program, much of that funding will go to parents who do not need assistance affording private school tuition and who may already be sending their kids to private schools.

Ohioans who joined together to advocate for their families and communities did win some important investments, even if the funding came with tradeoffs. Remarkably, the state made critical improvements to the **Fair School Funding Plan**, adjusting estimates to better reflect the true cost of educating a child. These improvements slightly increased the teacher salary floor from \$30,000 to \$35,000. **School lunches**

will now be free for kids from families with low incomes, eliminating a gap in federal coverage between free and reduced lunch costs. Food bank funding was increased over the last budget.

Kids will have continuous **Medicaid** coverage through age 3, greatly reducing gaps in care and supporting healthy kids and babies. However, the conference committee removed provisions that would have extended health insurance coverage for kids and pregnant people to those with incomes up to 300% of poverty, and the final budget requires the Medicaid Director to apply for a new Medicaid work requirement waiver in 2025.

The path to certification for Medicaid coverage of **Doula** care finally made it into law after many years of advocacy. Doula care will improve infant and maternal mortality, particularly for Black women who face disproportionately bad health outcomes related to pregnancy, regardless of income. The General Assembly's version of the budget required that the certification process include organizations that provide Doula care and have long been embedded in communities with high need. Governor DeWine eliminated their specific inclusion.

The bill that made it to Governor DeWine's desk raised wages for the **direct care workforce** to \$18 over the biennium. The mandate was removed by the governor and replaced with only a promise to work toward implementing an increase. **Child care** workers did not even receive that. Rather, a \$150 million scholarship fund for these workers was removed by the legislature. Gains were made in early childhood education funding, but **eligibility for publicly subsidized child care** was only raised from 142% of poverty to 145%.

The elements of this budget that benefit the majority of Ohioans pale in comparison to the great need. Ohio cannot be "the heart of opportunity for everyone" with a budget that overwhelmingly prioritizes the privileged few at the expense of all.