POLICY BRIEF

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Enough is enough

Senate gives a billion-dollar annual tax break to Ohioans earning six figures, underfunds schools by $2.74 billion, and leaves behind students with the most need

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Senate lawmakers found the revenue to support a tax cut that will send $1.68 billion over the biennium to the highest paid 20% of Ohioans who make at least six-figures. Lawmakers made the bold step of closing tax loopholes to offset the cost of this tax cut, rather than spending it on schools, which could directly benefit every community in Ohio.[1] Starting in 2027, this income tax cut alone will strip about $1.1 billion annually from state revenues, further weakening the state's ability to meet the most basic needs of Ohioans and fulfill their constitutional obligation to fully, fairly fund children's education.

Senate leaders should close the same loopholes, retain the income tax as-is, or better yet restore brackets lost in the "great Ohio tax shift" and spend that money on students.[2] An additional $1.68 billion would go a long way to closing the $2.74 billion education underspend, and it would set the state up to narrow the remaining gap in future budgets.[3] Instead, lawmakers made the choice to spend that money on Ohioans earning more than $100,000 a year. Fully 97% of this tax cut goes to Ohioans in the top 20% of earners making at least $139,000 dollars. Forty percent of the benefit of this tax cut goes to the top 1% alone. An Ohioan in the top 1% has an average income of over $1.7 million and would receive an average tax cut of $9,891. The Senate's tax plan, along with the backbends lawmakers are doing to get the Haslams $600 million for their stadium, further cement this as the Billionaires' Budget.

The Senate proposal released on Tuesday shortchanges Ohio's public schools by $2.74 billion in needed funding over the next two years.[4]
This is a nominal improvement over the House proposal that left a $2.75 billion gap between their proposal and a fully updated Fair School Funding plan (FSFP), which

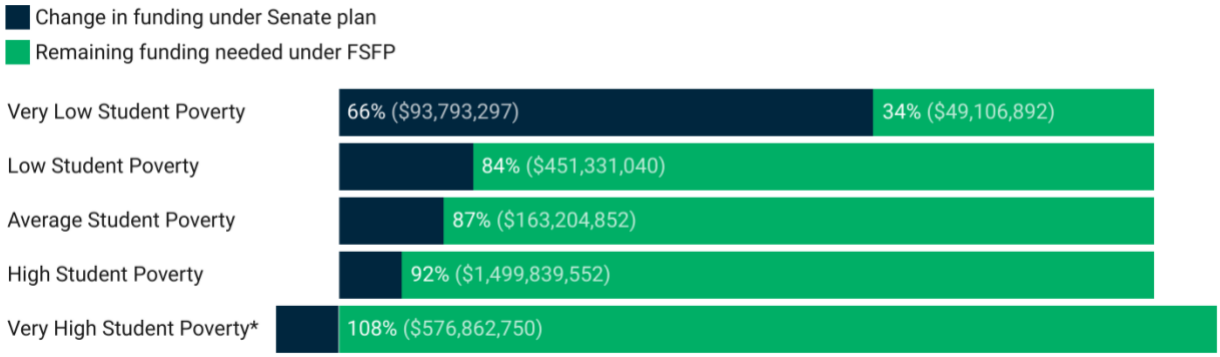
[1] Policy Matters Ohio and ITEP analysis of H.B. 96 Sub-Bill, Flat income tax is a billion-dollar handout to people with six-figure incomes.
[2] Policy Matters Ohio, Revise Ohio's tax code to benefit everyday Ohioans, Feb. 14, 2025.
[3] This includes ending the data center sales tax exemption new applicants after October 2025, which will save an estimated $20 million in FY 27; limiting the sales tax exemption on construction materials for Port Authority projects unless approved by county commissioners; and repealing exemptions for newspapers, rental cars being repaired where payments are reimbursed by the service provider, and transfer of copyrighted versions of motion picture films.
[4] Policy Matters Ohio analysis of SC analysis of House Bill 96 Senate Sub-Bill.

would at minimum include updated cost inputs and updates to how special ed and English language costs are calculated.

Under the Senate's plan, 73.4% of Ohio's school districts will receive less than what the FSFP says they need to meet the costs of an adequate education. As an average, this group of districts is shortchanged by $6.3 million per district over the biennium.

See if your district is among those left behind by this plan.
**Additional districts will be added as the analysis is complete.*

The Senate sub-bill fails to adequately fund all districts, prioritizes funding for low-poverty districts



**The difference between the Senate plan and the FSFP is greater than 100% because the Senate's plan cuts funding to these districts in each fiscal year, compared to FY2025.*
Three school districts do not have a typology assigned and are excluded from the figure.

Because the Senate is moving further away from adequacy and need, some districts will get more from this plan than they would from the FSFP, but those funds aren't going where they are most needed. Some districts will have more than expected under the formula, while others starve. The Senate has chosen to provide for 65% of what the FSFP says low poverty districts need, while wildly underfunding — and in some cases cutting funding from — districts that have higher numbers of kids who live in poverty.

The Senate sub-bill reverses course on the Fair School Funding Plan

The Senate's proposal includes some key elements of the FSFP formula, but it also eliminates or fails to implement those elements that legislators decided were too expensive. The Senate plan combines the outdated costs of education from the governor's proposal with its own budget math based on enrollment and report card data. It appears to work backward, starting not with the cost of educating students — or the legislature's constitutional duty to adequately fund **all** public schools — but with the Senate leadership's notion of acceptable state spending to create a new version of the formula. This iteration prioritizes state support to school districts with lower student poverty, directly inverting the purpose of the Fair School Funding Formula: It starves some districts while feeding others.

The plan includes 5 elements:[5]

1) **Costs and property tax inputs are out of sync, outdated**. The plan relies on 2022 cost inputs.[6] However, the proposal continues to update the property tax value and income data used to determine how much additional funding the district needs from the state to reach an adequate level of funding. There are also no updates of the weights and costs of Special Education and English Language Learners, as prescribed by the FSFP and cost studies.

   This is a departure from the FSFP and one of the primary ways lawmakers are shifting costs from the state back to local communities. It reverses progress made toward constitutionality and fosters ever greater disparities in basic education.[7]

   This cost shift is a driver of increasing property tax levies as districts must fill the funding gaps left by the state or cut education resources to local kids. Gaming the formula to shift costs of education onto property owners allows the state to continue to cut the state income tax.

   At the same time, this proposal includes several provisions that will restrict local district's ability to pass levies.[8] This will leave many districts with no choice but to make cuts. In total, this proposal will further weaken what should be a world-class public school system.

2) Eliminates **"supplemental targeted assistance"** from districts' FY 2025 funding totals. Supplemental targeted assistance is funding provided under the FSFP to districts with low wealth and high shares of students attending schools outside of their home district. This supplement primarily helps equalize school funding in poor urban districts.[9] The House and Senate scrap this crucial support when calculating a district's funding. This is another element that erodes the fairness and the constitutionality of the plan and will take an estimated $105 million out of those districts. The Senate did not release district level estimates for this element of their proposal, so we do not know which, if any, districts recoup this loss through other elements of the plan.[10]

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[5] Ohio Legislature, 136th General Assembly, H.B. 96 Sub-Bill.
[6] Id. The Sub-Bill uses FY 2024 base costs, which rely on 2022 prices and cost inputs. See, FY 2024 Line by Line Funding explanation.
[7] See, Ohio Education Policy Institute's analysis of the falling state share of Base Cost Funding, FY 99-FY27. In FY 99, during the DeRolph lawsuits, the state was covering about 47% of the base cost of education. By 2025 the failure to update cost inputs while allowing inflation to drive up local capacity dropped that share to just 38.4%. This plan continues to allow the state to abdicate its responsibility.
[8] See, Ohio Education Policy Institute's testimony to the Senate Finance Committee, which outlines clearly how the plan to limit school carry-over balances harms the entire system. See also, the Policy Matters Ohio report showing the cap is ineffective as property tax relief. Among other provisions, the bill eliminates emergency and replacement levies, and allows county budget commissions to reduce millage on any voter-approved tax levy aside from a debt levy if the commission finds it reasonably necessary or prudent to avoid unnecessary, excessive, or unneeded property tax collections, which will ultimately allow the county auditor, treasurer and prosecutor and only in some counties two additional members, to override the will of voters.
[9] LSC Members Brief, "Targeted Assistance," Jan. 26, 2023.
[10] Policy Matters Ohio analysis of LSC, FSFP Cost Tracker.

3) **Restores guarantees.** The proposal restores elements of the FSFP that ensure no district is funded less than they were in 2020 or 2021. These promises primarily benefit districts that have high local tax and income capacity. This ensures that those districts are not harmed as the FSFP is implemented. These protections should remain in place at least until all elements of the plan are updated — including the revision of categorial cost weights for serving Special Education, English Language Learners, and Economically Disadvantaged Students. Over time, as costs and the state share of those costs change, fewer schools would depend on the guarantees. Gaming the inputs, however, will keep growing the number reliant on them.[11]

4) Changes how **Disadvantage Pupil Impact Aid (DPIA)** is calculated. This is funding that comes from the state to ensure schools can provide reading intervention, physical and mental health services, and additional services for low-income students. This change is estimated to cut more than $200 million in DPIA funds over the next biennium, from FY 2025 levels of support.[12] The funding proposal appears to use that money to offset the "performance" supplement, discussed below, which is estimated to cost about $215 million over the biennium.[13]

   Ohio determines how much DPIA funding to send districts based on how many students qualified for free and reduced school lunch. Typically, these are students from homes with incomes below 185% of poverty. Changes at the federal level to ensure more students are fed and to reduce red tape allowed districts with high shares of students qualifying for subsidized lunch to opt in and have "community eligibility," making all students eligible for subsidized lunch. This policy, despite being good for child nutrition and efficiency, is in the crosshairs for elimination at the federal level.[14]

   Some bemoaned this policy for sending more funding to districts that opt into community eligibility than to those that don't, even when they have similar levels of poverty.

   Senate lawmakers are attempting to use this inconsistency created by federal policy that is likely short-lived to fundamentally change the way DPIA is calculated and switch to a system that will leave districts with low-income students with less support. They propose **direct certification**, a process of identifying low-income students by relying on public benefits data that will lead to fewer low-income students being counted in the system and fewer DPIA dollars going to the places that desperately need them.

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[11] See, Ohio Education Policy Institute analysis of the impact of neglecting costs driving schools onto guarantees in the current biennium.
[12] Policy Matters Ohio analysis of LSC, FSFP Cost Tracker.
[13] Id.
[14] See, Ohio Capital Journal, More than 280,000 Ohio kids would be impacted by proposed national school meal program cuts, Jan. 28, 2025.

Direct certification is only as accurate and sufficient as the underlying public benefit system — and Ohio's falls short. Some Ohio programs that would identify a child as impoverished for DPIA have income eligibility standards below the existing 185% of poverty standard used for subsidized school meals. For example, SNAP, which provides food assistance, typically requires incomes under 130% of poverty to qualify. Medicaid, which would offer a more comparable eligibility standard, has been plagued with disqualifications related to red tape and the recertification process. Both are directly targeted for additional restrictions either through direct cuts, job loss penalties, or increased bureaucratic hoops for otherwise eligible recipients to navigate. There will be fewer Ohioans and fewer students getting the security they need to thrive with these changes. **Direct certification** will ensure that those cuts hit schools too.

5) **New supplements distort the purpose of the FSFP.** Instead of updating costs of educating Special Education, English Language Learner, or Economically Disadvantaged students, the Senate plan prioritizes enrollment growth and "performance." Both could be great ways to top-off support to schools once the state fulfills the basics on cost-based funding. These two provisions, particularly the "performance" based supplement, on average however direct state funding away from schools with the biggest state funding gaps and the highest levels of student poverty to schools that have average or low student poverty and need less from the state to cover the basic costs of providing an adequate education.

   This flips the FSFP on its head, and much like the changes to the tax code, sends state resources to places that are relatively well-off rather than to the areas of greatest need. **The Enrollment Growth Supplement** would send $225 per student to districts with a 5% enrollment growth in 2026, and $250 per student to districts with a 3% increase in 2027.

   The **Performance Supplement** would rely on state report card data, increasing funding by $26 per student times the number stars on their state report card or progress report. Report card scores are built on testing performance as well as factors like chronic absenteeism, and the "breadth of coursework available in the district." Low scores on these indicators should signal to policymakers that the school and the community it serves are devalued, under-resourced, and in need of more help, not less. It explicitly reverses course on closing opportunity and education gaps, which would help schools improve.

   The performance supplement presupposes two things that are grossly incorrect: that all schools already have what they need to meet the costs of an adequate education; and that schools alone can offset the trauma, harm, and educational consequences of chronic generational disinvestment in Ohio's most underserved communities.

Should legislators want to reward high-performing schools, they could close more tax breaks for special interests to pay for it once they have met the basic funding

requirements of the constitution and provided all schools with a predictable, cost-based, adequate level of funding. Unfortunately, this plan pits district against district, rather than making common sense improvements in the tax code.

The Senate has not yet released detailed splits of how each of these elements impact the system or individual districts. Policy Matters will update materials once those are available. However, the overall impact of the plan is clear: The Educational Hunger Games continue in Ohio. This plan deepens educational gaps between the haves and have-nots. It continues to pit property owners against school kids and educators. It does all this while eliminating the predictable, cost-based funding levels that allow schools to budget responsibly.