

Ohio House budget sanctions tax cuts for the wealthy and illusory school funding increases

Anthony Wallace
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Last week, the Ohio House of Representatives voted 70-27 to pass House Bill 110, a \$75 billion two-year state budget that cuts income tax by 2 percent and substantially overhauls funding for K-12 public schools. The bill will likely be revised by the Senate before it reaches the desk of Republican Governor Mike DeWine, who was largely responsible for shaping the original document before it was introduced to the House in January. If passed by the Senate and signed by the governor, the 2022-2023 budget will take effect on July 1.

The income tax cut would cost the state an estimated \$380 million annually in tax revenue, which will likely be doubled due to a tax-cut prohibition included in the recently passed American Rescue Plan Act (ARPA), which bars using the federal funds “to either directly or indirectly offset a reduction in the net tax revenue ... resulting from a change in law, regulation, or administrative interpretation during the covered period that reduces any tax.”

Though Ohio has yet to receive any ARPA funds, the expected \$5.4 billion the state is allotted would be reduced by an amount equal to that lost in tax revenue due to any tax cut, meaning the income tax cut would thus cost the state \$760 million.

A far less publicized part of the bill would allow capital gains tax deductions for those who invested \$1 million or more in Ohio-based businesses, who now have capital gains from selling their ownership interest. Likewise, a third deduction benefits Ohio-based venture capitalist companies, allowing complete or partial deduction of capital gains. Both deductions would take effect in 2026.

The tax cuts are being combined with a much-touted overhaul of K-12 public school funding, called the Fair School Funding Plan (FSFP), which provided cover for

12 of the House’s 35 Democrats to vote in support of the budget. HB 110 co-sponsor Representative Bride Rose Sweeney (D-Cleveland), glowingly said, “It’s very difficult to separate the two [the tax cuts and FSFP], and I’m very happy and excited it was implemented. ... I look forward to it passing the House and finally becoming law.”

In reality, the ostensible \$1.8 billion increase in funding for schools is spaced out over six years and is directly undermined by the cuts. Declines in state revenues from these and other future cuts will be used to claw back any increased funding for schools.

The FSFP is purported to fix a faulty school funding system, first ruled unconstitutional by the Ohio Supreme Court in the 1997 case *DeRolph v. State*. In a 4-3 ruling, the court found that the state “fail[ed] to provide for a thorough and efficient system of common schools.” Underscoring the government and media hostility to the working class, then Ohio Governor George Voinovich defied the court and denounced the ruling, calling it “a thinly veiled call for a massive, multibillion tax increase,” intimating that the state should simply ignore the ruling.

Multiple newspapers decried the decision, including those representing some of Ohio’s largest metropolitan areas. According to the *Columbus Dispatch*, the ruling was “one highly injudicious lurch,” while the *Cleveland Plain Dealer* said, “Almost any other outcome would have been preferable.”

In the ensuing quarter of a century, only superficial action has been taken by the state to address the inequities in Ohio’s school funding. Despite the media’s claims today, the latest proposal is totally insufficient to address the decades-long defunding of public education.

Instead of relying heavily on district property tax and

income tax, a structure that left many districts woefully underfunded, the FSFP bases funding levels upon individual districts' expenditures—teacher salaries, technology updates, special needs education, etc.

Districts with higher teacher base salaries and far greater student educational opportunities—in other words, wealthier districts—would benefit just as much from the new model as from the old. Likewise, districts with underpaid faculty and staff, crumbling facilities and few amenities to increase student achievement would remain far behind their affluent counterparts.

Another glaring problem with the proposed overhaul is that the new model would make individual districts far too beholden to state budgetary whims. Since the state already has too much say in academic standards and the specifics of district spending, it is not hard to imagine a statehouse-mandated tightening of the belt to rein in expenditures. Under the new model, the state can forcibly decrease a district's expenditure one year and perpetually squeeze funding year after year. This is not an unlikely scenario, as evidenced by Governor DeWine's attempts to slash more than \$300 million from school funding during the previous round of budget negotiations.

In short, the school funding portion of HB 110, formerly a stand-alone bill that passed the Ohio House last December but failed to be brought to a vote in the Senate, was never intended to fix anything.

The inherent contradictions of cutting tax revenue while increasing spending on any project, schools or otherwise, underscores that Ohio's current leadership has no intention of guaranteeing increased funding to its schools. The school funding increase is based only upon a two-year budget projection, which means that legislators will have ample opportunity to hack away at the current funding promise in ensuing years as available revenues ebb and flow. Indeed, much of the funding increase could easily be stripped away, even before budget ratification, by a Senate which feels that the bill is "not fundamentally changing the system and taking out those unfair aspects of it," says Senate President Matt Huffman (R-Lima).

Multiple politicians have claimed that no schools would lose money under the FSFP, but this simply is not the case. Nearly 100 schools would lose money at some point over the life of the plan, and, since these numbers are based on current projections, it is

impossible to say how much that number could increase.

The issue is even more dire in an era of global pandemic and forced school reopenings. Instead of tinkering with funding models that will have no positive bearing upon education and safety, guaranteed money should be allotted to all districts to allow them to increase their online educational options until the pandemic is contained.

The school funding component of HB 110 was only ever a facade. Though the FSFP has garnered by far the greatest level of media attention of any aspect of HB 110, the tax cuts are the bill's centerpiece for the bipartisan group of representatives who have molded the bill and overwhelmingly voted for passage.

According to Policy Matters Ohio, "the three-fifths of tax filers who are paid less than \$61,000 a year would get just 7% of the total tax cut. Those in the middle fifth of the income spectrum, making between \$40,000 and \$61,000 a year, on average would pay \$7 less a year. Nearly half of the tax reduction would go to the top 5%, who are paid more than \$205,000, with the top 1%, who make at least \$490,000, averaging a \$612 cut and getting nearly a quarter of the tax savings."

Over the past year, both big business parties and their backers in the teachers unions have made it abundantly clear that they have no concern for the lives and well-being of educators, parents and students.

In order to fully fund remote learning until the pandemic is contained, and to secure the right to free, high quality public education, it is necessary to form an Ohio Educators Rank-and-File Safety Committees to coordinate a broad-based struggle against the ruling class attacks on public education. Such committees have been formed in Michigan, Pennsylvania, and numerous other states across the US and internationally. We urge all Ohio educators, parents and students to sign up to form a committee today !



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