2025 Piglet Book

Greg R. Lawson

THE BUCKEYE INSTITUTE

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Introduction

As The Buckeye Institute cautioned during and after the COVID pandemic, the major influx of federal spending during that time were temporary and should not be used as a new or permanent baseline to gauge state spending. We advised state policymakers to view such spending as an aberration and to return to more reasonable spending growth rates as soon as the crisis passed.[1] That advice remains salient as the Trump administration pursues potential spending cuts to Medicaid,[2] education, and other federally funded programs that will inevitably impact Ohio. Regrettably, Governor DeWine's budget proposes nearly $220 billion in total state spending, and almost $61 billion of the state portion of the general revenue fund (GRF)[3]—a significant increase from the pre-pandemic budget baselines that could prove dangerous to the state's long-term fiscal health.[4]

The Buckeye Institute continues to recommend against the new status quo, and instead favors a return to the more sustainable pre-pandemic spending baselines before it is too late. To help keep Ohio economically competitive, the General Assembly should aggressively prioritize public spending, curb Medicaid growth rates, close tax loopholes, eliminate corporate welfare, and end government "philanthropy." These recommendations include adopting a stricter appropriation limit and would trim Governor DeWine's proposed budget by more than $6.7 billion and close more than $2 billion in tax loopholes.[5] The savings would help ensure fiscal space for responsible pro-growth tax reform while funding K-12 and higher education, workforce development, and necessary healthcare.[6] To realize these savings the General Assembly should take the following steps:

- *Embrace technology to streamline government.* Ohio should use emerging technologies such as artificial intelligence (AI) to find and correct inefficiencies at all levels of state and local government to reduce bureaucratic waste.

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[1] Rea Hederman, Jr. ***Responsibly Spending Remaining ARPA Dollars***, The Buckeye Institute, April 5, 2023.
[2] Ryan Levi, **Why Republicans Think Shrinking Medicaid Will Make it Better**, NPR.org, February 10, 2025.
[3] **State of Ohio Executive Budget Fiscal Years 2026-27**, Office of Budget and Management, February 3, 2025.
[4] Laura Meckler, Danielle Douglas-Gabriel, and Hannah Natanson, **Trump Preps Order to Dismantle, Education Dept. as DOGE Probes Data**, *The Washington Post,* February 3, 2025.
[5] ***Tax Expenditure Report: State of Ohio Executive Budget Fiscal Years 2026-27***, Ohio Department of Taxation, February 3, 2025.
[6] **House Bill 96 of the 136th General Assembly**, Legislature.Ohio.Gov (Last visited March 18, 2025).

- *Reset the budget baseline*. Ohio must recalibrate its budget—especially Medicaid spending—to keep it sustainable without sacrificing essential government services or pro-growth tax policies.

- *End government-funded philanthropy*. Governments make poor philanthropists. Charities make better use of voluntary contributions for worthy causes, and Ohio can save at least $64 million by eliminating government-sponsored philanthropies.

- *End corporate welfare and close tax loopholes*. The government should not pick economic winners and losers by redistributing taxpayer dollars to favored companies and cherry-picking preferred organizations for special tax exemptions. Closing tax loopholes and ending corporate welfare can save Ohio more than $2 billion.

Embrace Technology to Streamline Government

Ohio must identify and correct bureaucratic inefficiencies and eliminate wasteful government spending. The Trump administration's Department of Government Efficiency—or DOGE—has spearheaded such efforts at the federal level and has embraced new technologies, including AI, to help find redundancies and improve public spending processes. Taking this approach could help Ohio address spending growth, save millions of dollars by streamlining operations and adopting advanced analytics to eliminate unnecessary government programs, and restore public trust by allocating limited resources more effectively to meet pressing needs. Complementary regulatory reform efforts such as Innovate the Code and Senate Bill 9 in the 134th General Assembly took earlier strides in the same direction. Innovate the Code, for example, used RegExplorer AI to find duplicative and unnecessary rules in Ohio's Administrative Code, saving the state roughly $44 million over the next decade.[7] Subsequently, the DeWine administration announced a plan to eliminate one-third of the code.[8] Similarly, Senate Bill 9 created a regulatory inventory precipitating a 30 percent reduction in regulatory restrictions.[9] Embracing state-of-the-art algorithms can further enhance these efforts.

Ohio should also address its antiquated local government structure that exacerbates inefficiencies at every level.[10] The state should combine AI-driven analytics with a comprehensive review of its revenue-sharing policies and augmented performance audits.[11] These steps are imperative as Ohio projects spending more than $1 billion on revenue sharing through the local government and public library funds while subsidizing local renewal levies with nearly another $2 billion each fiscal year.[12]

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[7] Kim Palmer, **Ohio looks to save $44 million over a decade with Innovate the Code**, *Crain's Cleveland Business*, December 19, 2021.

[8] **Governor DeWine, Lt. Governor Husted Announce Plan to Cut One-Third of Ohio Administrative Code**, Office of the Governor press release, January 26, 2023.

[9] Greg R. Lawson, ***Making the Grade: Ohio's Success Cutting Regulations***, The Buckeye Institute, February 28, 2024.

[10] Greg R. Lawson, ***Joining Forces: Rethinking Ohio's Government Structure***, The Buckeye Institute, October 3, 2011.

[11] **Ohio Performance Team**, OhioAuditor.Gov (Last visited March 18, 2025).

[12] **State of Ohio Executive Budget Fiscal Years 2026-27**, Office of Budget and Management, February 3, 2025.

Using emerging technologies aggressively but responsibly can help Ohio make more transparent and data-driven fiscal decisions that will help restore public confidence in a more sustainable, streamlined government.

Reset Budget Baseline

Ohio must reset its budget baseline to account for historic spending growth during the COVID pandemic. Total state spending jumped nearly five percent in fiscal year 2020,[13] then nearly another 10 percent in fiscal year 2021, followed by an 11 percent increase in fiscal year 2022. By fiscal year 2025, Ohio was spending more than 55 percent more than it did in fiscal year 2018.[14] According to the Office of Budget and Management, Ohio's all-funds spending in the fiscal year ending June 30, 2025, is expected to be more than $105 billion, growing to more than $108.6 billion in fiscal year 2026, and $110.7 billion in fiscal year 2027.[15] These relatively modest growth rates approximate the average 2.56 percent annual increases between 2010 and 2019, but the total spending levels remain irresponsibly high because the COVID era spending—replete with expiring federal handouts—has set the baseline. Maintaining artificially high public spending risks future budget crises and the state's progress enacting pro-growth tax reform.

Begin Taming Medicaid

Medicaid continues to consume more than half of Ohio's GRF spending and will account for more than 45 percent of total state spending by the end of fiscal year 2027.[16] Its projected growth rates of 9.6 percent in fiscal year 2026 and 6.2 percent in fiscal year 2027 outpace inflation and every other budget line item. In fact, Medicaid almost accounts for the increase in Ohio's total budget by itself. Elevated federal matching rates and broader Medicaid eligibility are partly to blame, but those changes will return to a pre-pandemic norm, and other program spending growth remains well above Ohio's economic growth.[17] Ultimately, unless the state curbs Medicaid spending, the program will soon be unsustainable, crowd-out other spending priorities, and jeopardize pro-growth tax reforms.

To reduce Medicaid costs, Ohio should conduct more rigorous audits, cross-check eligibility data, prevent double-dipping by Medicaid recipients who receive

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[13] Calculation uses spending numbers from budget documents available at **Budget Central**, LSC.Ohio.Gov (Last visited March 18, 2025).
[14] *Ibid.*
[15] **State of Ohio Executive Budget Fiscal Years 2026-27**, Office of Budget and Management, February 3, 2025.
[16] **State of Ohio Executive Budget Fiscal Years 2026-27**, Office of Budget and Management, February 3, 2025.
[17] Rea S. Hederman Jr., vice president of policy, The Buckeye Institute, **Interested Party Testimony** Before the Ohio House Medicaid Committee, February 11, 2025.

services in other states,[18] and strictly enforce its work requirement waiver.[19] Lawmakers should scale back significant increases in franchise fees, including the governor's proposed 53 percent increase in the hospital franchise fee. Such taxes appear as if states are spending tax dollars to obtain additional federal matching dollars, but instead they cycle those dollars back to providers rather than make the program more efficient.[20]

Reform the School Fair Funding Plan

Ohio's school funding model funds schools, not students. That model allows public school districts to keep much of the funding allocated for students who may no longer be enrolled in the district,[21] which effectively uses taxpayer dollars to pay for empty desks. Governor DeWine rightly proposes ending this funding structure.[22] And as lawmakers consider the governor's proposal, they should also re-evaluate how the state funding formulas offset local school district costs that are driven entirely by local collective bargaining agreements and other parochial decisions. Currently, local collective bargaining agreements raise the average teacher salary statewide that the state helps pay, creating disincentives for local districts to act frugally—and giving state policymakers virtually no ability to control locally-created costs. Ohio's fair funding plans need to be revised.

Strengthen the State Appropriations Limitation

The state appropriation limit (SAL) should apply to more than the GRF.[23] The SAL limits GRF year-to-year growth to 3.5 percent or the sum of inflation plus population change, whichever is less. Unfortunately, too many exceptions apply and creative accounting gimmicks remove expensive line items from the SAL baseline.[24] The only long-term solution is to expand the SAL to virtually all state funds, not only the GRF, and require a supermajority vote in both General

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[18] Sabrina Eaton, **Ohio Auditor's Report Faults Ohio Department of Medicaid for Failing to Address Double-Dipping**, Cleveland.com, December 13, 2022.
[19] Rea S. Hederman Jr., vice president of policy, The Buckeye Institute, **Interested Party Testimony** Before the Ohio House Medicaid Committee, February 11, 2025.
[20] *Ibid.*
[21] Patrick Campbell and Brian Hoffmeister, ***Members Brief: Formula Funding Phase-in and Guarantees***, Legislative Service Commission, November 12, 2024.
[22] Laura Hancock, **DeWine's $23.4B Education Plan: Continues to Pay for Choice, Reduces 'Guarantee' for Public Schools**, Cleveland.com, February 3, 2025.
[23] Greg R. Lawson, ***Building a Responsible, Pro-Growth Budget***, The Buckeye Institute, February 5, 2025.
[24] *Ibid.*

Assembly chambers to exceed the limit.[25] Applying the SAL to Medicaid, for example, would save the state more than $6.7 billion over the next biennium alone.

[25] *Ibid.*

End Government Philanthropy & Advocacy

Voluntary, philanthropic contributions provide significant social benefits. Societies are better off when members broadly make generous charitable donations. Unfortunately, government attempts to engage in philanthropy re-direct taxpayer dollars away from government's 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 its own "worthy causes," deters genuine philanthropy by private donors, and risks louder calls for even more government spending to offset the reduced private giving.[26] Ending that vicious redistribution cycle of government-backed philanthropy and lobbying would save Ohio taxpayers nearly $64 million.[27]

Ohio Arts Council – $55.2 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 which artists and galleries to patronize without the government's guidance.

Ohioana Library Association – $621,000
The Ohioana Library Association is a valuable, 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 more than 250 public libraries across the state could house the Association without requiring a state subsidy. Commendable organizations like this should rely on private funding and true philanthropy, not taxpayers.

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[26] 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.
[27] All amounts presented in the following section come from the governor's executive budget proposal. **State of Ohio Executive Budget Fiscal Years 2026-27**, Office of Budget and Management, February 3, 2025.

County Agricultural Societies – $760,000
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 – $3.1 million
Nonprofit organizations like the Hayes Presidential Center and other museums across Ohio will receive more than $3 million in taxpayer subsidies. Private philanthropic dollars should replace those public payments.

Ohio Commission for the U.S. Semiquincentennial – $5 million
An over-sized $10 million appropriation to fund the 250th anniversary of the United States and Ohio's history should be right-sized to $2.5 million per year for two years, with the balance made up by private businesses and foundations.

New African Immigrants Commission – $500,000
Providing financial aid to immigrants from sub-Saharan Africa is laudable, but private businesses, foundations, and other charitable organizations should shoulder that burden.

End Corporate Welfare & Close Tax Loopholes

End Corporate Welfare

Governments should not be picking economic winners and losers by redistributing taxpayer dollars to businesses with persuasive lobbyists. Ohio should end its corporate welfare payments, close tax loopholes, and use the savings—more than $2.5 billion—to pay for tax reform and training a 21st century workforce.[28] The following programs and special-interest tax expenditures should be eliminated from the budget:

Wine Industry – $2.4 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 approximately $6.6 billion in economic impacts per year should pay for its own advertising initiatives without asking the state to charge consumers an extra nickel.[29]

TourismOhio – $15 million
TourismOhio coordinates marketing programs for Ohio's tourism industry, which is funded by the state sales tax. As a $56 billion per year industry, businesses seeking tourism dollars can afford their own marketing, paid for by the businesses it benefits.[30]

Small Business and Export Assistance – $8 million
Small businesses are Ohio's economic lifeblood, but special interest payments put the government's thumb on the economic scale, benefiting some businesses over others. Across-the-board tax cuts for everyone—including small business owners—would be a better, fairer use of state funds.

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[28] All amounts presented in the following section come from the governor's executive budget proposal. **State of Ohio Executive Budget Fiscal Years 2026-27**, Office of Budget and Management, February 3, 2025.
[29] Shay Frank, **Ohio Wine and Grape Industry's $6.6B Impact on Display at Ohio State Fair,** WYSO.org, July 29, 2024.
[30] **Tourism Economic Impact**, Ohio.org (Last visited March 18, 2025).

Research and Development – $36 million
The Ohio Department of Development seeks to assist specific businesses in creating research facilities for new or improved products, processes, formulas, or inventions. Unlike essential R&D dollars that might have difficulty attracting private resources, most of these dollars should come from the private sector, not taxpayers.

Procurement and Technical Assistance – $ 3 million
Another well-intended unique interest program for small business owners that unfairly uses taxpayer funds to pay for business and/or trade association activities.

Sports Events Grants – $2.1 million
Ohio should not use state funds to attract sporting events. Communities and private sector partners interested in hosting such events should pay the associated costs. State and local leaders should be cautious about publicly financing stadiums such as through the proposed increase in gaming taxes.[31] Although many stadiums are now included in larger economic development packages, the academic literature on public financing of sports stadiums shows that these public expenditures rarely pay for themselves.[32] State and local leaders considering such financing packages must protect taxpayers over the long run.

Close Tax Loopholes

No matter how well-intentioned, tax expenditures or loopholes make Ohio's tax code more complex, unfairly favor some well-connected groups over others, and can significantly raise costs for businesses and consumers if applied to each step of production. Tax credits and special deductions shrink the tax base, which raises tax rates and impedes pro-growth tax reforms, such as eliminating Ohio's personal income and commercial activities taxes.[33] The latest tax expenditure data from the Office of Budget and Management show more than $2.25 billion in tax loopholes that should be closed immediately, such as the motion picture tax credit and the

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[31] Dave DeNatale and Kaitor Kay, **Gov. Mike DeWine's Budget Plan Includes Gaming Tax Hike to Boost Ohio Sports Facilities, Including New Cleveland Browns Domed Stadium**, WKYC.com, February 3, 2025.
[32] See, Dennis Coates and Brad Humphreys, **Do Economists Reach a Conclusion on Subsidies for Sports Franchises, Stadiums, and Mega-Events?**, working paper, International Association of Sports Economists and North American Association of Sports Economists, August 2008 and Adam Hoffer, Joseph Johns, Craig Depken, ***Taxpayers Shoulder a Heavy Burden for Sports Stadiums Subsidies***, Tax Foundation, October 3, 2024.
[33] Doug Kellogg, **New Study Shows Ohio the Benefits of Income Tax Elimination and How to Get it Done**, Americans for Tax Reform, February 15, 2023; and Rea S. Hederman Jr., Andrew J. Kidd, Ph.D., and James Woodward, Ph.D., ***Letting the CAT Out of the Bag: How to Improve Ohio's Economy and National Rankings,*** The Buckeye Institute, July 29, 2020.

jobs retention tax credit, or phased out slowly and prudently, like the Ohio business income tax deduction.[34] Recouped revenue should be used to reform Ohio's income tax.

[34] See the appendix with all data coming from **Tax Expenditure Report: State of Ohio Executive Budget Fiscal Years 2026-27**. Office of Budget and Management, February 3, 2025. Please note, that to unfairly 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.

Conclusion

The Ohio budget starts from a pandemic-inflated baseline that disguises the severity of the spending growth problem. The two most significant line items, Medicaid and K-12, require meaningful policy changes to prevent their growth rates from eclipsing the state's economic growth. Failing to address these escalating costs jeopardizes Ohio's recent tax reforms and fiscal security in the long run. The Buckeye Institute continues to recommend strategies for dealing with Medicaid and other primary drivers of state spending, has offered a recalibrated budget baseline for most state agencies, and has identified specific programs and tax expenditures for lawmakers to excise safely.

Appendix: Tax Loopholes Ohio Should Close

Sales Tax Credits/Exemptions Ohio Should Eliminate[35]

Tax Expenditure	Estimated Savings	Explanation for Elimination
Eligible Productions Tax Credit	$96,000,000	Corporate welfare that does not pay for itself long-term.
Small Business Investment Credit	$6,000,000	Lower rates and broader tax bases benefit everyone.
Qualified Call Center Exemption	$41,100,000	Narrow carve-out for special group.
Copyrighted Motion Picture and Films	$14,100,000	Private home rentals are not tax-exempt, so exhibition rentals should not be either.
$800 Tax Cap on Qualified Fractionally-Owned Aircraft	$19,400,000	A special-interest tax cap for affluent aircraft owners.
Sales of Materials and Services for Maintenance and Repair of Aircraft	$33,200,000	Narrow carve-out for special group.
Flight Simulators	$2,000,000	Narrow carve-out for special group.
Sales of Investment Bullion and Coins	$16,900,000	Narrow carve-out for special group.
Three-day Sales and Use Tax Holiday	$47,300,000	Gimmick that shifts purchase timing without increasing purchase quantity.
Agricultural Land Tile and Portable Grain Bins	$4,400,000	Narrow carve-out for special group.

[35] ***Tax Expenditure Report: State of Ohio Executive Budget Fiscal Years 2026-27***, Ohio Department of Taxation, February 3, 2025; exemptions based on specified use of property or service.

TOTAL SAVINGS: $280,400,000

Income Tax Credits/Deductions Ohio Should Eliminate

Tax Expenditure	Estimated Savings	Explanation for Elimination
Deduction for Long-Term Care Insurance Premiums	$48,900,000	Preferential tax code treatment.
Ohio Business Investor Income Deduction[36]	$1,821,800,000	A special-interest benefit.
$50 Credit for Taxpayers Aged 65 Years or Older	$48,500,000	A special-interest benefit.
$20 Personal Credit	$5,500,000	Limited to those with less than $30,000 income, benefit is doubtful.
Campaign Contributions Credit	$3,100,000	No sound public policy reason for exemption.
Grape Production Credit	Less Than $1,000,000	Narrow carve-out for special group.
TOTAL SAVINGS: $1,927,800,000		

[36] To avoid unfairly raising taxes on small business owners, this credit should be phased out over time commensurate annually with the reduction in the overall personal income tax rate rather than eliminated immediately.

Commercial Activities Tax Credit Ohio Should Eliminate

Tax Expenditure	Estimated Savings	Explanation for Elimination
Jobs Retention Tax Credit	$47,100,000	Preferential tax code treatment, hard to track.
TOTAL SAVINGS: $47,100,000		

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 10 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 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*.

Prior to his position at Buckeye, Lawson served in the Ohio General Assembly as a Legislative Service Commission fellow. He then went on to several government affairs roles focusing on numerous public policy topics, including Medicaid, school choice, transportation funding, and Ohio's Building Code. He also has a background in fundraising, grassroots organizing, and communications and served on the boards of two Columbus-based charter schools.

Lawson is a frequent speaker across the state of Ohio and is regularly quoted in media outlets throughout the state. His writings have appeared in most major Ohio newspapers including *The Cincinnati Enquirer, The Plain Dealer,* and *The*

Columbus Dispatch, as well as national publications including *Forbes*. He also regularly provides commentary on policy and Ohio's political landscape on Ohio's premier public affairs programs.

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THE BUCKEYE INSTITUTE
88 East Broad Street, Suite 1300
Columbus, Ohio 43215
(614) 224-4422
BuckeyeInstitute.org