

Decline In Ohio's Revenues Temporary Or A Sign The Economy Is Stalling?

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Just prior to the Ohio General Assembly's two-week spring break, the Senate Finance Committee held an informal hearing on the biennium budget, HB 49 (Smith), during which Director Tim Keen of the Office of Budget and Management (OBM) outlined the governor's proposal for SFY 2018 and 2019. Keen informed the committee that revenues continue to fall short of projections for the current fiscal year by \$615 million, with March coming in \$202.9 million below estimates. Keen explained that the proposed budget as introduced in January was adjusted downward by \$592 million in anticipation of declining revenues. However, he cautioned the committee to anticipate a significant downward revision of budget projections during the conference committee process in June. While he could not provide an estimate on revenue projections for the committee due to the tax filing season having just begun, he believes "the negative downside scenario that he outlined in January is likely to materialize. Notwithstanding this bad news, he also believes that the fiscal situation for FY 2017 is manageable and that the GRF balance at year's end will be positive." He posed the following question to the committee: Should whatever is causing the disconnect between revenues and income and sales statistics that has been going on for 15 months now be treated as an ongoing problem or be treated as a temporary issue? The director stated it is the OBM's position that "underperformance of revenues has gone on long enough that it is unwise to treat it as a temporary aberration." While the administration is unable to identify the cause of the decline, it has looked into several factors, including the recent changes in the small-business income tax implemented in the last budget. Based on their findings, they do not believe there is a correlation. The administration believes it can handle the current trend, but will be monitoring the situation very closely over the remainder of the FY and the OBM will present a plan should the situation be worse than is currently anticipated.

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