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## Public Law & Finance

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Tucker Ellis & West LLP

### **Governor Confronts Bleak Economic Outlook**

Over the course of the past two weeks, Governor Strickland's Administration has reached out to various interested parties and the media regarding Ohio's current economic crisis and its potential to decline over the next two fiscal years.

Ohio's Office of Budget and Management (OBM) [presentation](#) illustrated how the national financial crisis could impact Ohio in the coming years. Ohio faces a \$640 million shortfall for the remaining six months of this fiscal year and a potential \$7.3 billion shortfall over the course of the next biennium.

The projected deficits result from a precipitous decline in State tax revenue. The State is projecting \$491 million decline in sales tax revenue in 2010. According to OBM, this will be the first time that the State has seen a decline in sales tax revenue since 1950.

Likewise, the State's income tax receipts are expected to decline in 2010. The expected decline would be the first time in Ohio's history that income tax receipts decreased from the previous budget cycle. Based on OBM's analysis, the State is likely to see a decline of income tax receipts totalling \$1.4 billion over the course of the next three years.

Governor Strickland appealed in person and by [letter to President-Elect Obama](#) requesting \$5 billion in federal funds for Ohio as well as a larger federal match for Medicaid aid.

Governor Strickland's request also asked officials to consider providing most of the funds via flexible block grants allowing States the greatest flexibility in spending of federal dollars for State programs.

Governor Strickland indicated that he was confident that Ohio will receive significant assistance, but that the support will not cover all of Ohio's economic issues. *"I do not believe that we will get federal assistance that will be sufficient to solve all of our needs, and to remove all of our challenges."*

[Click here to view the State's Economic Outlook document](#)

[Click here to view the Governor's letter to President-Elect Obama.](#)

If you have any questions or need more information regarding the above, please contact Nicholas C. York at [nicholas.york@tuckerellis.com](mailto:nicholas.york@tuckerellis.com) (216) 696-5572