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### Public Law & Finance

#### OHIO'S BUDGET BATTLE IS SHAPING UP

The Ohio Senate recently passed its version of the 2010-2011 biennial state budget. The Senate version provides nearly \$650 million less than the House version passed in April. The Bill now moves to the House/Senate conference committee and must be completed by June 30, 2009. Estimated state tax revenue figures show a projected \$912 million shortfall in the fiscal year ending June 30.

Governor Ted Strickland and Speaker of the House Armond Budish chastised the Republican lead Senate for failing to fund critical measures to reform education and increase economic development in Ohio. Senate President Bill Harris has taken a measured approach to the budget battle, suggesting that its time to start working to resolve the considerable differences between the House and Senate versions.

Speculation has begun on the possibility of tax increases and/or other methods to raise needed revenues to balance the budget. The speculative options for increased revenues include increased taxes (sales, tobacco or upper income bracket) and/or gambling. While both sides have indicated their opposition to tax increases and/or gambling, anticipated shortfalls in the projected revenues could put "all options" back on the table. Ohio's Office of Budget and Management (OBM) revenue reports for

May reflect a continuing drop in personal income tax receipts as well as considerable decreases in sales tax compared to estimates earlier this year. Unconfirmed estimates put the revenue shortfalls as high as \$2.5 to \$4 billion.

The Governor and House had hoped to fill some of next year's budget gaps with the State's Budget Stabilization Fund (aka rainy day fund) but it now appears that Fund will have to be used to fill the gaps for the 2009 fiscal year.

There are no easy answers and interests groups are lobbying hard to maintain their share of an ever decreasing pie. Undoubtedly, there will need to be drastic cuts in a myriad of programs unless additional revenue streams are created. For now however, both sides are working to avoid having to deliver the bad news.

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