TESTIMONY BEFORE THE SENATE FINANCE AND FINANCIAL INSTITUTIONS COMMITTEE IN SUPPORT OF HOUSE BILL 318
November 5, 2009

Mr. Chairman, Ranking Minority Member Miller, and members of the Senate Finance and Financial Institutions Committee, good afternoon. My name is Thomas Ash, and I am Director of Governmental Relations for the Buckeye Association of School Administrators. Joining me to testify today in support of House Bill 318 are David Varda, Executive Director of the Ohio Association of School Business Officials, and Damon Asbury, Director of Legislative Services for the Ohio School Boards Association.

It is our understanding that HB 318 will postpone for two years the last of five previously scheduled reductions in state personal income tax rates.

The challenge to building the state's current biennial budget in House Bill 1 was indeed formidable. As the months progressed during the budget process, declining revenues forced you to make extremely difficult choices. The problem was not unique to Ohio. According to the October 2009 issue of the *State Revenue Report* issued by the Nelson A. Rockefeller Institute of Government, "Both nominal and inflation adjusted figures indicate that the second quarter of 2009 (April 1 to June 30) marked the largest decline in state tax collections at least since 1963."

The following comparison between FY 2008 and FY 2009 total General Revenue Fund tax receipts illustrates the difficult position which the administration and this General Assembly confronted in crafting the new budget:

Fiscal Year	**Total GRF Tax Revenues ($ in thousands)**
2009 (ending June 30, 2009)	$17,093,678
2008 (ending June 30, 2008)	$19,419,477
Difference	($2,325,800)

Despite the drastic drop in anticipated revenue and significant cuts to agencies that provide state or local services, Ohio's policymakers made the funding of public education a priority, and basic state aid sustained a reduction of about 0.25%. We are indeed grateful to you for your roles in avoiding reductions which might have reached 10 to 15% in basic state aid, given the current economy. Through our discussions with colleagues in other states, we are aware that public education funding in some states has received more drastic reductions.

We are expressing our support for House Bill 318 for two basic reasons. First, the apparent loss of the video lottery terminal money creates a loss of anticipated revenue for education in an amount in excess of $850 million from the biennial budget as it stands now. It has been estimated that the delay in the implementation of the income tax reductions enacted in 2005 would generate approximately $844 million in receipts.

Second, we support this legislation because we think it is a much-needed step toward addressing the next biennium. There will likely be difficult choices in the budget for fiscal years 2012 and 2013. In fact, a two-year delay in the implementation of the scheduled personal income tax reductions may not be sufficient if the economy does not respond soon to the stimulus efforts. The current budget for fiscal years 2010 and 2011 contains significant “non-recurring revenue,” including fiscal stabilization funds, state revenue transfers, and loans.

All of this means that Ohio’s tax collections must improve significantly in the next biennium in order to maintain the existing programs and services provided in this budget.

In many ways, time is of the essence. An additional comparison of receipts of the first quarter of this fiscal year (through September 30) with one year ago reveals the following:

First Quarter of Fiscal Year	Total GRF Tax Revenues ($ in thousands)
2009 (ending September 30, 2009)	$3,749,668
2008 (ending September 30, 2008)	$4,265,333
Difference	($515,664)

Total tax receipts for the first three months of this year are over one-half billion dollars below the same point one year ago. Of those reduced receipts, almost $284 million resulted from lower personal income tax collections (which included the final reduction in the income tax withholding rates).

Mr. Chairman, in closing, we would note that Ohio is not alone in this challenge. According to a report issued on October 28, 2009 by the National Conference of State Legislatures (NCSL), twenty-five states have already implemented or are considering budget cuts to address shortfalls in their budgets that began this July.

Moreover, the NCSL in a separate report issued on September 29, 2009 noted that 21 states had already voted to increase taxes in some form while another five (Arizona, Colorado, Georgia, Idaho, and New Jersey) have voted to delay or eliminate certain scheduled tax reductions.

Mr. Chairman, we wish to express again our thanks for sparing education from the significant cuts experienced by other agencies and services, and we urge the committee to support this timely legislation so that additional budget reductions will not be necessary.