

OPPORTUNITY *Ohio*

When the Lines Cross Part II: Ohio Still Headed for Big Deficits

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With the submission of the 2016-2017 proposed state budget and eighteen months of data, Governor John Kasich clearly prefers higher spending covered by projected higher revenues over making the tough choices to keep spending down. In [When the Lines Cross: Failure to Make Tough Spending Choices Today Guarantees Deficits Tomorrow](#), I showed how higher state spending would overtake the historical growth in state revenues by 2015, resulting in deficits.

Unfortunately, not much has changed since that first projection. As the table below shows, the lines now cross in 2016, with deepening problems each passing year. This projection ties spending increases to Governor Kasich's five-year average (7.04% -- 0.34% higher than my earlier projection) and revenue increases to the average from 2001 to 2014 (2.62% -- 0.16% higher), excluding the highest and lowest years.

Keep in mind, by 2019, the state budget will be required to pick up 10 percent of the cost of expanding Medicaid. With the explosion in enrollment well beyond either of Governor Kasich's estimates, the deficits likely will be even larger. These deficits will require severe cuts in other programs or tax increases.

Here are a few key highlights from Governor Kasich's actual and proposed budgets:

- From Governor Kasich's first year to his proposed sixth year, Ohio's budget will grow by 40.14%;
- The projected budgetary growth under Governor Kasich would outstrip every gubernatorial tenure since 1991 by 15 percentage points;
- Unless spending slows and/or revenues exceed the average growth since 2001, Ohio will begin running deficits in 2016;
- If the next budget grows at the same rate as the last three budgets, Ohio's budget will surpass \$42.3 billion in FY2019;
- If the projections below hold, Governor Kasich will have presided over a stunning 60.6% explosion in the state spending during his tenure; and
- If revenues grow at the same rate (excluding the high and low years), Ohio's revenues will hit \$35.1 billion in FY2019, resulting in a \$7.2 billion one-year deficit and \$12.6 billion two-year deficit.

Finally, the U.S. has averaged 57 months between recessions from 1929 to today. We currently are in the fourth longest recovery. If we remain in a recovery until December 2017, it will be the longest recovery in nearly 90 years. I wouldn't bet on that outcome actually happening. To his good fortune, Governor Kasich entered office shortly after the recovery began. He won't be so fortunate when he leaves office unless the Ohio General Assembly saves him from his penchant for higher spending supported by the hope of ever-increasing higher revenues.

Ohio Revenues and Expenditures 1975-2019*
(in billions & color-coded by political control)

Year	General Revenue Fund (State & Federal)	Percentage Growth	General Revenue Fund (State)	Percentage Growth	All Revenues	Percentage Growth	Surplus / Deficit	Percent of GRF
1975	\$2,958.9		\$2,674.2		\$3,116.6		\$156.7	5.33%
1976	\$3,228.9	9.1%	\$2,814.8	5.3%	\$3,460.7	11.0%	\$231.9	7.18%
1977	\$3,553.4	10.0%	\$3,124.1	11.0%	\$3,788.6	9.5%	\$235.2	6.62%
1978	\$3,890.1	9.5%	\$3,433.4	9.9%	\$4,271.8	12.8%	\$381.7	9.81%
1979	\$4,285.2	10.2%	\$3,749.4	9.2%	\$4,676.1	9.5%	\$390.9	9.12%
1980	\$4,911.7	14.6%	\$4,395.1	17.2%	\$5,003.0	7.0%	\$91.28	1.86%
1981	\$5,395.5	9.8%	\$4,701.9	7.0%	\$5,654.9	13.0%	\$261.37	4.85%
1982	\$5,705.4	5.8%	\$5,002.0	6.4%	\$6,106.1	8.0%	\$400.68	7.02%
1983	\$6,727.3	17.9%	\$5,946.3	18.9%	\$7,083.5	16.0%	\$356.19	5.29%
1984	\$7,349.9	9.3%	\$6,656.7	11.9%	\$8,215.5	16.0%	\$865.64	11.78%
1985	\$7,852.6	6.8%	\$7,201.8	8.2%	\$9,089.3	10.6%	\$1,236.7	15.75%
1986	\$8,839.3	12.6%	\$8,053.5	11.8%	\$9,666.8	6.4%	\$827.5	9.36%
1987	\$9,643.4	9.1%	\$8,834.5	9.7%	\$10,478.3	8.4%	\$834.9	8.66%
1988	\$10,133.4	5.1%	\$9,251.6	4.7%	\$11,226.5	7.1%	\$1,093.2	10.79%
1989	\$10,652.2	5.1%	\$9,913.2	7.2%	\$12,156.2	8.3%	\$1,504.0	14.12%
1990	\$11,581.8	8.7%	\$10,685.8	7.8%	\$12,940.1	6.4%	\$1,358.3	11.73%
1991	\$12,496.9	7.9%	\$11,258.7	5.4%	\$13,513.8	4.4%	\$1,016.9	8.14%
1992	\$13,115.2	4.9%	\$11,490.0	2.1%	\$14,605.5	8.1%	\$1,490.3	11.36%
1993	\$13,595.8	3.7%	\$11,752.0	2.3%	\$15,083.3	3.3%	\$1,487.5	10.94%
1994	\$14,423.1	6.1%	\$12,415.4	5.6%	\$16,423.7	8.9%	\$2,000.6	13.87%
1995	\$14,980.1	3.9%	\$13,040.8	5.0%	\$17,254.2	5.1%	\$2,274.1	15.18%
1996	\$15,814.4	5.6%	\$13,759.5	5.5%	\$18,246.5	5.8%	\$2,432.2	15.38%
1997	\$16,393.4	3.7%	\$14,532.3	5.6%	\$18,975.9	4.0%	\$2,582.5	15.75%
1998	\$17,081.7	4.2%	\$15,576.3	7.2%	\$19,951.7	5.1%	\$2,870.0	16.80%
1999	\$18,004.5	5.4%	\$16,457.1	5.7%	\$20,880.8	4.7%	\$2,876.3	15.98%
2000	\$19,225.0	6.8%	\$17,422.3	5.9%	\$21,964.6	5.2%	\$2,739.6	14.25%
2001	\$21,079.9	9.6%	\$18,504.0	6.2%	\$23,179.1	5.5%	\$2,099.2	9.96%
2002	\$21,614.4	2.5%	\$19,155.2	3.5%	\$23,338.4	0.7%	\$1,724.0	7.98%
2003	\$22,648.4	4.8%	\$19,753.1	3.1%	\$24,299.7	4.1%	\$1,651.2	7.29%
2004	\$23,846.8	5.2%	\$20,294.4	2.7%	\$25,896.5	6.6%	\$2,059.7	8.64%
2005	\$24,828.6	4.2%	\$21,015.8	3.6%	\$27,410.9	5.8%	\$2,582.3	10.40%
2006	\$24,862.5	0.1%	\$21,102.4	0.4%	\$27,712.9	1.1%	\$2,850.4	11.46%
2007	\$25,144.8	1.1%	\$21,627.7	2.5%	\$27,662.5	-0.2%	\$2,517.8	10.01%
2008	\$25,721.2	2.3%	\$21,934.3	1.4%	\$28,436.3	2.8%	\$2,715.2	10.56%
2009	\$26,783.2	4.1%	\$21,718.2	-1.0%	\$28,500.9	0.2%	\$1,717.7	6.41%
2010	\$24,141.0	-9.9%	\$18,980.9	-12.6%	\$26,662.3	-6.5%	\$2,521.3	10.44%
2011	\$26,247.6	8.7%	\$19,489.1	2.7%	\$29,527.9	10.7%	\$3,280.3	12.50%
2012	\$26,394.6	0.6%	\$20,707.1	6.2%	\$28,897.9	-2.1%	\$2,503.3	9.48%
2013	\$27,439.2	4.0%	\$21,307.2	2.9%	\$31,061.7	7.5%	\$3,622.5	13.20%
2014	\$28,901.7	5.3%	\$22,173.7	4.1%	\$30,882.1	-0.6%	\$1,980.4	6.85%
2015	\$31,375.1	8.6%**	\$23,585.3	6.4%	\$31,691.2	2.62%***	\$316.1	1.01%
2016	\$35,299.9	12.5%****	\$24,505.1	3.9%	\$32,521.5	2.62%	-\$2,778.4	-7.87%
2017	\$36,989.6	4.8%****	\$25,441.7	3.8%	\$33,373.6	2.62%	-\$3,616.0	-9.78%
2018	\$39,593.7	7.04%****			\$34,248.0	2.62%	-\$5,345.7	-13.50%
2019	\$42,382.1	7.04%****			\$35,145.3	2.62%	-\$7,235.8	-17.07%

*All data comes from the Ohio Legislative Service Commission at <http://www.lsc.state.oh.us/fiscal/revenuehistory/staterevenue.htm>.

**Estimate by the Ohio Legislative Service Commission.

*** Average rate of growth from 2001-2014 excluding highest (10.7%) and lowest years (-6.5%).

****As introduced in House Bill 64 by Governor John Kasich.

*****Average rate of growth for Governor John Kasich's budgets from 2012-2017.