Policy Matters Ohio

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Another budget forecast confirms: Ohio's tax-cutting strategy hasn't worked

Tim Keen, Ohio's budget director, predicts that Ohio will underperform the country over the next two years in all major measures that "summarize the broad economy or are key drivers for the revenue estimates for major taxes." Testifying on June 22 before the six-member House and Senate conference committee, Keen outlined that compared to the U.S., Ohio will:

- See less growth in real output
- Experience smaller gains in nominal personal income
- Generate relatively fewer nonfarm jobs
- Have a higher unemployment rate, and
- See a smaller increase in retail and food service sales

The economic forecast comes from the firm IHS. Overall, it isn't very different than the one Keen delivered in February, when the budget process began. But this time, his office has generated some of its own forecasts, including projections for growth in Ohio wage and salary income—and lowered those, so they are roughly a percentage point lower each year than what IHS projects.

In his testimony, Keen noted that the average weekly wage in Ohio fell in the last quarter of calendar 2016 from a year earlier, and said it helped explain the poor growth in state income-tax withholdings from employee paychecks.

While that goes part of the way toward explaining the recent shortfall in income tax collections, it demonstrates a larger point: Ohio's long-time strategy for economic growth isn't working. Cutting taxes, and shifting taxes onto lower- and middle-income Ohioans from the most affluent, isn't bringing faster job or wage growth.

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Policy Matters Ohio is a nonprofit, nonpartisan state policy research institute with offices in Cleveland and Columbus.