



Look east Ohio; you're headed for the same cliff New Jersey is going over: Brent Larkin

By Brent Larkin

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Hello, Ohio, welcome to your future

As doomsday nears, Ohio now has its first sneak preview of the carnage sure to result from its inevitable state budget meltdown.

"New Jersey's Day of Reckoning," screamed the headline in the Newark Star-Ledger. Below it was a story that offered Ohioans some insight of what Ohio's "day" might look like when it arrives in 11 or 12 months.

Early next year, Ohio must deal with a \$7 billion to \$8 billion structural deficit. New Jersey's problem is worse, so Ohio will soon grapple with a slightly smaller calamity. Still, Ohioans should brace themselves for one of three possibilities: a) a huge tax increase; b) a combination of a tax increase and significant spending cuts; c) little or no tax increases and gigantic, unprecedented cuts in spending.

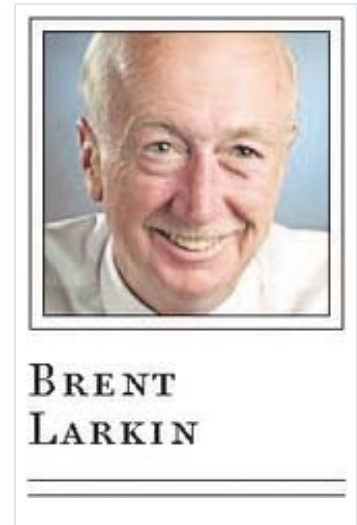
New Jersey's new Republican governor, Christopher Christie, last week chose "c." Absent a significant tax hike, New Jersey's budget solution will include:

- Laying off more than 1,300 state workers.
- Ending \$20 million in child care subsidies.
- Dropping all childless adults from welfare.
- Charging seniors more for prescription drugs.
- Closing state psychiatric institutions.
- Slashing payments to local governments by nearly \$500 million.
- Privatizing many state functions -- parks, food service, facilities maintenance, vocational education and parking lots.

And then, there's the real headline:

- Cutting more than \$1 billion in funding for primary and secondary education. School districts could lose up to 5 percent of their non-local funding. Higher education would be cut by \$173 million.

The big reason, Christie says, is New Jersey cannot afford to replace more than \$1 billion of federal stimulus money that it used to hide a shortfall to schools this year. So while state aid to education will actually inch upward, it will be far below pre-



recession levels and the cash available to individual districts will crater.

Ohioans don't know exactly how the two candidates for governor -- incumbent Democrat Ted Strickland or Republican John Kasich -- would deal with Ohio's looming budget crisis. Neither has, or is likely to, offer more than the sketchiest of details prior to the election.

It's fair to assume Strickland's solution would resemble "b," while Kasich would try to get away with "c."

"This is the type of thing we're going to be looking at in Ohio," John Begala, executive director of the highly respected Center for Community Solutions, a tax policy think tank, said of the unfolding crisis in New Jersey. "It's the worst possible scenario. It's every politician's worst nightmare."

Begala also suggested that neither Strickland nor Kasich has shown much evidence of being up to the challenge.

"The situation we're in is almost unimaginable," he said. "Yet we have a Democratic governor who has steadfastly refused to do anything significant on the revenue side and a Republican challenger who wants to repeal the state's largest source of income" -- by, over time, phasing out the state income tax.

Ohio's present, two-year budget is balanced solely because of more than \$7 billion in one-time money, most of which came in the form of federal stimulus money that almost certainly won't be available again next year, especially if Republicans regain control of Congress.

What's more, the state's moribund economy and declining population have resulted in a significant decline in tax revenues.

That perfect storm will soon bring a torrent of financial trouble -- worse than the damage wrought by the deep recession of 1981 and 1982, and probably the worst since the Depression.

William J. Shkurti and Greg Browning are probably Ohio's two best budget directors in the past 50 years, serving under Govs. Richard Celeste and George Voinovich, respectively.

Browning described Ohio as "walking across a bridge that doesn't reach the other side. Most states are in trouble. And the trouble's only going to get worse."

Shkurti said Ohio is paying the price for a 40- to 50-year "erosion of the industrial base." He said fixing what has the makings of an ongoing budget problem will require "some form of bipartisan support that will be really hard to get."

Here's Ohio's idea of bipartisan support: More than seven months ago, legislative leaders of both political parties appointed a commission to find fixes for the state's upcoming budget crisis.

In theory, it's decent idea. In execution, it has been a total failure.

Why? Because the commission has yet to meet.

"We're in a critical period here in Ohio," said Begala. "These people are grown-ups. They have to behave as such."



Associated Press file

Critics say that neither Democratic Gov. Ted Strickland nor GOP gubernatorial candidate John Kasich have shown much evidence of being up to the challenge presented by Ohio's looming budget crisis.

That's probably expecting way too much.

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