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Looking back

What's next for Ohio budget?

By Jon Craig • jcraig@enquirer.com • September 24, 2009

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COLUMBUS - The state bet it could raise \$1 billion from slots at horse tracks - and lost.

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With the hoped-for video slot machines rendered uncertain by the Ohio Supreme Court on Monday, what happens now?

If Gov. Ted Strickland can't come up with an answer to closing the newly opened budget gap soon, state legislators are likely to return to paralyzing partisan bickering that led to the first late budget in 18 years in July.

Strickland, a Democrat elected in 2006 while campaigning against casinos in Ohio, surprised everyone in June by proposing slots at seven horse tracks as a way to raise \$933 million for public schools. Now he is faced with having to come up with alternative ways to finance schools, through budget cuts or new taxes.

The fallout already is being felt from Monday's decision: a bond agency lowered the state's rating, and the governor canceled scheduled public appearances today to deal with matters in Columbus, including the budget, according to his spokeswoman, Amanda Wurst.

Strickland's aides said not to read too much into the cancellation. No special announcements or major developments are expected today.

Strickland and legislative leaders from both political parties say they won't raise taxes. The loss of slots revenue could mean more spending cuts affecting Ohioans' everyday lives.

When the governor proposed slot machines as a partial solution to the budget deficit in late June, he said it would spare cuts to education and "safety net services" for children, the elderly and the disabled.

New cuts could include everything from additional layoffs to reduced aid for public programs and delays in funding non-emergency projects.

"A tax increase could have the effect of deepening the recession and make it last longer," Strickland told reporters this week.

Strickland, who is up for re-election next year, said that politicians calling for tax increases "are out of touch with the struggles Ohio families and Ohio businesses are going through."

Republicans, who control a majority of seats in the Ohio Senate, wanted a public vote on slots in the first place. They now insist any new funding problem is the governor's problem.

"Now that's what I call a sticky situation," said state Sen. Bill Seitz, quoting Cartman from television's "South Park."

"I think the governor needs to decide what he wants to do and I certainly wouldn't presume to tell him what to do," said Seitz, a Republican from Green Township.

The state already spent most of its \$1 billion "rainy day" fund set aside for emergencies. Federal stimulus money is committed to other projects. During budget deliberations, Strickland and state legislators also cut about \$2.4 billion in state worker salaries and public services from the two-year, \$52 billion budget that began July 17. While the slot machine profits were earmarked for education, the governor and the state legislature have the authority to shift spending among agencies to fill any holes, or propose new revenue

sources - such as higher taxes. Any state aid already promised to local schools is expected to remain intact.

Disagreement over how to close the budget gap - and whether slot machines at horse tracks should be part of the solution - delayed passage of the state budget by three weeks in July. Legislators ultimately agreed to Strickland's plan, but only after heated debate.

After Monday's Supreme Court decision, the governor hinted he may have options for legalizing slots without a statewide vote - including by executive order - but wouldn't elaborate.

The state's highest court, in a 6-1 ruling Monday, said Strickland's plan to raise \$933 million by legalizing electronic slot machines - also called video lottery terminals - requires a statewide vote of Ohioans. The earliest a vote can happen is November 2010, assuming the group that sued Strickland, LetOhioVote.org, collects the 241,365 signatures needed to put the issue on the ballot.

The Supreme Court ruling favored a trio of conservative Republicans, including former state Rep. Tom Brinkman of Mount Lookout, who sued the state for the right to put the slots-at-tracks proposal before voters. Seven horse tracks, including River Downs and Lebanon Raceway, were in the process of buying licenses and lining up financial backers. That process is now in disarray.

"It's still premature to speculate," said Wurst, Strickland's spokeswoman. "It probably will not be a matter of days but a matter of weeks before there are announcements from us" on proposed slot machine and budget solutions.



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This year's state budget was late for the first time in 18 years. It was approved July 17, 2 weeks after the deadline. The Ohio House, which generally agreed with Gov. Ted Strickland's two-year budget proposal, reviewed and revised it for nearly three months last spring.

The GOP-controlled Senate was left with just one month to make changes, which contributed to the delay.

The last two times the state missed its June 30 budget deadline came in the recession years of 1991 and 1981 - years when state legislators were forced to make hard choices.

In those cases as now, rival parties controlled the General Assembly - Republicans running the Senate, Democrats the House - and the divisions were just as deep:

In 1981, it took state legislators until Nov. 13 to pass a final budget, requiring two interim budgets to keep state programs operating.

Taxes were increased by \$1.3 billion, including an increase in the sales tax from 4 percent to 5 percent.

By early January 1982, the two-year budget had slipped \$983 million in the red. New spending cuts were ordered by then-Gov. James A. Rhodes.

In 1991, the General Assembly passed its two-year budget a month late. By Dec. 30 of that year, the budget deficit grew to \$930 million.

Then-Gov. George V. Voinovich ordered \$196 million in spending cuts and taxes on cigarettes, beer, wine and liquor.

If the past is a guide, rockier budget times are ahead. In 1991 and 1981, the final budget ultimately did not close the gaps between taxes collected and money being spent.

In both cases, the state ended up nearly \$1 billion in the red the following year, prompting spending cuts and new taxes. A major credit ratings agency has given Ohio's credit a negative outlook.

Standard & Poor's cites uncertainty over racetrack slot machines and the state's need for their potential revenues to balance the budget.

The state's high court has blocked Ohio's plans to use video lottery machines at horse-racing tracks while a group tries to get the issue on the 2010 general election ballot as a referendum.

The Wednesday S&P report dropped the outlook for Ohio to "negative" from "stable." The agency still gives Ohio's long-term bonds a high rating, saying the state has a long record of managing volatile budgets.

A spokeswoman for Ohio Gov. Ted Strickland says the outlook change underscores the need for a collaborative response to state budget challenges.

The Associated Press

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