



Update

State budget might suffer massive cuts

Shortfall could near \$1.9B; Strickland tells state agencies to make plans

Wednesday, January 23, 2008 3:14 PM

By [Mark Niquette](#)

THE COLUMBUS DISPATCH

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The state could be facing massive budget cuts in the coming year and a half if gloomy new revenue forecasts based on a struggling state economy hold true.

State officials are projecting a budget shortfall by the end of June 2009 of between \$733 million and nearly \$1.9 billion, depending on how the economy performs.

Gov. Ted Strickland shared the projections this morning with legislative leaders, statewide elected officials, his cabinet and labor leaders based on estimates from the Office of Budget and Management and Department of Taxation.

The \$733 million estimate assumes a “low growth” economy, with a projected shortfall of \$1.3 billion if there is zero growth and \$1.9 billion if there is a recession, the administration said.

Strickland told *The Dispatch* this afternoon that he has ordered state agencies to come up with general plans soon on how to address a budget shortfall based on each of the three scenarios, but that no decisions have been made.

Under the Ohio Constitution, the state can't end the biennium with a deficit, so cuts must be made or revenue increased to cover any shortfall.

Strickland said he's not considering a tax increase at this time because of the fragile state economy. He also doesn't want to tap the state's \$1 billion rainy-day fund or delay planned state income tax cuts being phased in through 2010.

“We're looking for ways to save money and become more efficient,” he said.

Strickland already has delayed planned increases in Medicaid spending as part of what he has called a conservative approach to managing state finances.

But Strickland also insisted he wants to avoid dramatic cuts in services if possible and is committed to maintaining spending for his administration's priorities such as higher education, arguing such outlays are critical for the state's long-term economic health.

“I want to be as candid and as forthcoming as I can possibly be without being overly pessimistic,” he said. “I am determined not to allow these circumstances, which I consider to be temporary in nature, to deter us

from continuing to advance those initiatives which I believe to be essential for Ohio's future economic prosperity."

Sen. John A. Carey Jr., chairman of the Senate Finance Committee, said he sees problems both in revenues and in spending, particularly with Medicaid, the federal-state health-care program for the poor.

"If you look at the global economy, it hasn't been positive since the first of the year, so it's not too surprising. It's disappointing, but not surprising."

Asked about what to do next, Carey said he's waiting to hear ideas from the governor first.

"I don't have any suggestions at this point. I do think it's too early to consider using the rainy-day fund," Carey said, referring to the \$1 billion accumulated to offset future economic downturns.

Asked about the possibility of a tax increase, Carey said, "I haven't heard anybody suggest that."

Strickland, who campaigned on a "Turnaround Ohio" platform and adamantly refused to even discuss potential tax increases during the 2006 campaign, said he's still confident the long-term prospects for the state are good.

"I believe we can get through this," the governor said.

Dispatch *staff reporter Jim Siegel contributed to this story.*

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