



Direct Job Loss from cuts in the Kasich ‘Jobs Budget’

Since January 2010, Ohio’s unemployment rate has seen a slow but steady decline, dropping from 10.6% in January 2010 to 9.2% in February 2011ⁱ. In just the past two months, Ohio has added 22,180 jobs to the economy. While these are steps in the right direction, Ohio’s nascent economic recovery remains highly fragile; therefore, it is imperative that state officials pursue policies that encourage continued growth, rather than policies that could impede or even reverse it.

Governor John Kasich recently introduced his proposed two-year ‘Jobs Budget,’ HB 153. While the Administration claims to be creating “a platform for growth, for job creation and for a resurgence of this stateⁱⁱ,” it appears that the Governor’s budget does just the opposite. The extensive cuts contained in this budget will result not only in the elimination or reduction of key services, but also in extensive job loss throughout the state.

Innovation Ohio conservatively estimates that in the absence of large local tax increases to offset the Administration’s proposed cuts to K-12 education, higher education, state personnel, and local governments, 51,052 direct jobs are likely to be lost.

This figure does not include the significant additional indirect job losses that would almost certainly result from removing the wages and spending of laid off public workers from the economy.

Indeed, job losses have already begun to occur even before the Administration’s proposed cuts have been enacted. Shortly after the Kasich budget was introduced, Princeton Schools in Cincinnati announced that they will cope with state funding reductions by cutting 111 jobs, including 70 teachers.ⁱⁱⁱ Delaware City Schools say they will cut 14 jobs, ask voters for an 8.5 mill property tax increase and eliminate German and Latin foreign language classes.^{iv} The Ohio Department of Taxation has notified 99 employees that their jobs will be eliminated,^v and the Department of Rehabilitation and Corrections has said that 171 employees will likewise lose their jobs^{vi}. These are among the first drops in what is certain to become a flood if the Kasich budget is enacted. Tens of thousands of teachers, police, firefighters, college and university employees and state and local government workers are also destined for the unemployment line.

At a time when Ohio is just beginning to recover from the worst recession since the Great Depression, it seems self-evident that it would be counterproductive to enact a budget that will destroy over 51,000 existing jobs. In fact, the jobs that would be lost through the draconian cuts contained in the Kasich budget represent more than twice as many jobs as were created since Governor Kasich took office. In short, the Kasich ‘Job Budgets’ will reverse the job growth that Ohio has experienced, potentially take

Ohio back to June 2010 levels of unemployment, and jeopardize the state’s still-fragile economic recovery.

Methodology

To calculate job losses, Innovation Ohio first tabulated proposed cuts to major budget line items that pay for personnel. These included cuts to primary and secondary education, higher education, local governments, and state personnel line items.

The dollar value of the cut was then reduced by 25% with the assumption that many but not all cuts will be taken to personnel. The only exception to this was in the state personnel line items since 100% of that money goes to compensation.

Next, average salaries were determined for each field, and the cost of benefits was factored in^{vii}. To determine job losses, these “total” salaries were then divided into the adjusted dollar values of the Administration’s proposed cuts. When multiple professions are affected by a cut, then the cut is distributed across these professions proportionately based on Bureau of Labor Statistics data.

The result is a very conservative estimate of direct job losses. Innovation Ohio cautions again that additional *indirect* job losses, while not part of this calculation, are virtually certain to occur as the wages, purchases, and other economic activity of laid off workers are withdrawn from the economy.

Job Loss in Kasich’s FY 12-13 Budget^{viii}

What is Cut?	Cut Number	75% of Cut Number	Profession	Average Salary	Salary Adjusted to Include Benefits	Job Loss
K-12 Education	\$1.82b	\$1.365b	Teacher	\$ 55,520	\$ 76,055	12,563
			Support Staff	\$ 24,000	\$ 32,877	12,455
Higher Education	\$202m	\$151.5m	Professor	\$ 75,000	\$ 102,740	590
			Other Staff	\$ 42,475	\$ 58,185	1,562
State Personnel Lines	\$306m	n/a	State Employee	\$ 38,603	\$ 52,880	5,787
Local Government	\$1.23b	\$922.5m	Public Safety	\$ 47,750	\$ 65,411	4,231
			Local Gov't Employee	\$ 34,000	\$ 46,575	13,864
Total:						51,052
Assumptions:						
Compare FY11 to FY13 for cut number						
Divide 75% of cut number by average salaries adjusted for benefits						
Teachers make up 70% and Support Staff makes up 30% of K-12 cuts						
Professors make up 40% and Other Staff makes up 60% of Higher Education cuts						
Public Safety makes up 30% and Other Local Gov't Employees make up 70% of Local Government cuts						
Benefits make up 27% of total compensation						

i **Bureau of Labor Statistics, Unemployment Statistics**

http://data.bls.gov/pdq/SurveyOutputServlet?data_tool=latest_numbers&series_id=LASST39000003

ii ***Gov. Kasich says his Jobs Budget is the Most Reform Minded in History*, The Cleveland Plain Dealer** http://www.cleveland.com/open/index.ssf/2011/03/gov_john_kasich_says_his_jobs.html

iii ***Princeton Schools to Cut Jobs*, The Cincinnati Enquirer**

<http://news.cincinnati.com/apps/pbcs.dll/article?AID=/AB/20110404/NEWS0102/104050361/>

iv ***“Delaware Schools to Seek Levy; Offer Cuts*, The Columbus Dispatch**

http://www.dispatchpolitics.com/live/content/local_news/stories/2011/04/06/copy/district-seeks-cash-in-exchange-for-cuts.html?adsec=politics&sid=101

v ***Closing State Tax Offices Eliminates 99 Jobs*, The Columbus Dispatch**

http://www.dispatchpolitics.com/live/content/local_news/stories/2011/03/17/copy/closing-tax-offices-eliminates-99-jobs.html?sid=101

vi ***Sales of Prisons, Fewer Inmates Part of Budget Plan*, The Columbus Dispatch**

http://www.dispatchpolitics.com/live/content/local_news/stories/2011/03/22/copy/sale-of-prisons-fewer-inmates-part-of-plan.html?adsec=politics&sid=101

vii ***Are Ohio Public Employees Over-Compensated?* The Economic Policy Institute**

http://www.epi.org/publications/entry/news_from_epi_epi_study_finds_ohio_public-sector_workers_under-compensated

viii **Average Salaries from:**

K-12 Teacher – School Funding Review Advisory Council

K-12 Support Staff—Ohio Association of Public School Employees

Professors—American Association of University Professors

Higher Education Other Staff, including administration because of its statistical significance—Bureau of Labor Statistics

State Personnel— Ohio Civil Service Employee Association

Local Government Employees—Ohio Council 8

Local Government Public Safety—Bureau of Labor Statistics