

2-year, \$55.5 billion budget proposal

## Kasich cuts spending for schools, governments

March 16, 2011

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COLUMBUS -- Gov. John Kasich's proposed \$55.5 billion, two-year budget unveiled Tuesday would sell off five state prisons to raise \$200 million, cut half a billion from local governments, and privatize the state's liquor system for a lump sum of \$1.2 billion.

It would close the Toledo prison camp and merge it with the Toledo Correctional Institution, something that will also happen to three other prison camps across Ohio to save \$6.7 million over two years.

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Mr. Kasich proposed doubling the state's school-voucher program and eliminating the cap on the number of charter schools, while cutting support for public K-12 schools to reflect the evaporation of one-time federal stimulus dollars.

Counting all sources of funding, the Department of Education would receive a total of \$10.2 billion, or 11.5 percent less than it received this year, largely because of the loss of federal stimulus dollars. In 2013, the department would get \$9.7 billion, or 4.9 percent less than it received in the previous year.

The loss of federal dollars was a recurring theme in Tuesday's rollout of the budget.

"That money's gone," said Gary Mohr, director of the Ohio Department of Rehabilitation and Correction.

The Kasich administration prefers to look strictly at the state general fund, which would increase basic education subsidies to K-12 schools by 2 percent in the first year and then 1.4 percent in the second. The administration did not provide a district-by-district breakdown to show how the added state aid and lost federal aid would shake out per school.

Local governments would lose \$167 million in 2012, a decrease of 25 percent, and \$388 million, a 50 percent cut, in 2013 compared to what they received this year.

"I would advise them to think about ways to be more efficient," Mr. Kasich said. "I mean, the mayor of Toledo is begging for it. He's begging for a way out of his fiscal mess. It's not just local governments, but schools, and everybody that have to pull together ...

"They're getting casino money," Mr. Kasich said. "We're giving them flexibility and shared services. It's not a one-way street. Again, this is a system where we collect the money and pass it out to people who spend it. Even the federal government in the 1970s recognized that revenue sharing didn't make any sense. They will tell you they don't like this, but I know that they thought that what was going to happen to the Local Government Fund was going to be far more dramatic than what's happened here."

Toledo Mayor Mike Bell said he understands the governor's position.

"He's got an \$8 billion deficit he's got to solve. My position is we also have a deficit we have to resolve," the mayor said last night after he arrived in Columbus for the governor's town hall meeting on the topic.

"But at least we've got time to plan and I appreciate that," Mr. Bell said.

At a televised town hall meeting last night, Mr. Kasich invited lawmakers to make changes to his budget -- as long as they work within the numbers he provided.

"We're not going into structural deficit and we're not raising taxes," he said.

Like K-12 schools, funds for Ohio's public universities and colleges also will be cut because of the loss of federal stimulus dollars that temporarily propped up their budgets.

Looking at the general revenue fund only, the Ohio Board of Regents would receive \$2.2 billion in 2012, up 1.1 percent over the current year, and \$2.3 billion in 2013, a 3.7 percent hike over the prior year.

But when you take all sources of funding into consideration, the \$2.3 billion to be received next year would represent a 10.5 percent decrease from 2011. The picture is brighter in 2013 when funding would rebound by 3.7 percent to \$2.4 billion.

At the same time, the state would cap tuition increases at the schools to 3.5 percent in each of the next two years.

Bowling Green State University leaders figure that the loss of federal stimulus dollars will cost them \$12 million to \$13 million in basic subsidies.

"The loss of federal stimulus funds in the proposed budget will create significant challenges for Bowling Green State University," said school spokesman Dave Kielmeyer.

"However, the university recognizes the need for shared sacrifice in this difficult economy and has already taken aggressive action to cut costs and operate more efficiently."

Bruce Johnson, president of the Inter-University Council, applauded provisions loosening regulatory restrictions on the schools, but he would have preferred Mr. Kasich cut one more string: the tuition cap. Those decisions are better left to university boards of trustees, he said.

"While our universities certainly share the administration's desire to keep the cost of a college education affordable, the budget's proposed tuition caps severely restrict our ability to offset significant reductions in state support and the loss of one-time federal stimulus money," he said.

State Sen. Teresa Fedor (D., Toledo), a former elementary school teacher, said the state can't just factor out the loss of federal stimulus dollars as a means of trying to present funding for K-12 schools and higher education as an increase, rather than an overall decrease.

"You need to look at the budget comprehensively, and it's irresponsible to use fuzzy math to [get] where you need to be at the end of the day," she said. "Opening up [school choice] vouchers based on income levels instead of the scheme now for failing schools would certainly drain more money out of the traditional public school system into privatization again. We will do everything we can to reverse the trend that Kasich is making."

The budget would cut support to libraries by 5 percent.

The budget also takes a close look at Medicaid, the federal-state health insurance program of last resort for the infirm, disabled, and poor. It's the biggest cost driver of the budget.

The budget would put more money into programs keeping the elderly in their homes instead of more expensive nursing homes and would control the rates charged by service providers. All of this is designed to slow the rate of growth in the program.

Mr. Kasich's first budget promises plenty of pain, but he said there will be less of it during the second year of the plan.

"Things are going to start to get better," he said. "Stay with us."

Mr. Kasich said he may yet propose introducing slot machines at Ohio's seven horseracing tracks, which he estimated could raise \$800 million or \$900 million not currently factored into the budget.

"That we can think about next year," he said.

Penn National Gaming said it will ask the state to allow it to move its Raceway Park operations in Toledo to the Youngstown area if slots become a reality.

The Kasich team promised that the proposed plan does erase an \$8 billion spending shortfall that results largely from the current budget's reliance on federal stimulus dollars and other one-time funds.

Budget Director Tim Keen, however, said the plan does use some of the one-time money from sale of prisons and moving the state's liquor sales division to the new JobsOhio economic development entity for continuing operating expenses in the first year.

"Yes, but modest amounts," he said. "No one-time money to speak of next year."

The \$55.5 billion, two-year plan is larger than the current \$50.5 billion budget that will expire on June 30. Mr. Keen said this increase is partly because some Medicaid and other programs that were being funded by the one-time stimulus dollars are being moved back onto the state's general fund.

Democrats contend that Mr. Kasich could have eased some of the pain by again delaying the last installment of a long-term income tax cut that would be worth about \$800 million over the next two years.

The plan does not propose privatizing the Ohio Turnpike or the Ohio Lottery, but he said Tuesday that more privatizations are likely to come. His plan also does not pursue further cuts in the state income tax or the elimination of the estate tax, which some Republicans have championed in the General Assembly.

The plan also does not factor in savings from the proposed restrictions on public employee collective bargaining that Republicans are pushing through the General Assembly. But the plan would eliminate seniority as the deciding factor for schools when it comes to making decisions on which employees to let go, and it proposes paying bonuses to teachers whose students meet certain performance standards.

"This business of the last one hired you're the first one out no matter how you're doing, who's that designed to help?" Mr. Kasich asked. "Who's that designed to protect? That's gone."

The spending plan would cut basic subsidies to K-12 schools, but not to the extent many districts feared. Many of the cuts are tied to the loss of the tangible personal property tax that lawmakers started to eliminate several years ago and for which the hold-harmless period for school districts is running out. That revenue is not being replaced.

"Kasich's proposed cuts [in education] -- \$395 million less in 2012 and \$305 million than school districts received in fiscal year 2011 -- could add over 7,000 Ohio teachers to the unemployment lines," said Dale Butland, spokesman for Innovation Ohio, a new organization created to provide a "progressive" counterbalance to the current administration's policies.

"We will simply point out that Governor Kasich was elected to create new jobs, not destroy existing ones," he said.

Mr. Kasich has proposed selling four adult prisons currently in operation, plus the closed Marion Juvenile Correctional Facility. None is in northwest Ohio, but he has proposed closing the prison camp at Toledo Correctional Institution.

Two of the adult prisons in northeast Ohio, Lake Erie Correctional Institution and the North Coast Correctional Treatment Facility, are already privately run, but the state owns the buildings. The other two state-owned and run facilities that would go on the auction block are Marion's North Central and Grafton correctional institutions.

Mr. Keen said the \$200 million expected from the sale of the prisons is a "conservative" number. The move is not designed to decrease the number of beds available to inmates in Ohio but rather would shift who owns and runs the prisons in which state inmates are housed. In addition to the one-time influx of cash, the move is expected to save the state operational money.

State funding alone for the Department of Rehabilitation and Correction would be \$1.5 billion in 2012, up 9.2 percent. Spending would drop less than 1 percent in the second year.

Mental health services take a particularly hard hit in the budget because of the loss of one-time federal stimulus funds.

Counting all sources of funding, the Department of Mental Health would receive \$1.1 billion the first year of the budget, a 10 percent cut. The department would receive \$544.6 million in the second year, a whopping cut of 49.4 percent.

**Original article:**

<http://www.toledoblade.com/State/2011/03/16/Kasich-cuts-spending-for-schools-governments.html>