

Ohio's Budget Needs Big Fix

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People should stop labeling the politicians involved in the budget crisis as heroes or villains. The blunt reality is that today's mess has nothing to do with term limits, election posturing or increased partisanship. We all too quickly ignore the countless checks politicians wrote over the past 30 years that can be cashed only by putting Ohioans on a bigger tax hook.

Ohio's budget is a disaster because politicians from both parties cut deals and made spending promises totally dependent on the erroneous belief in an endless economic boom. As the pain spreads to every corner of Ohio, more people find themselves stretching fewer dollars and looking for a ray of hope. With Ohio's next biennial budget already projected to be \$5 billion in deficit, Ohioans need more than hope. They need game-changing ideas. Unfortunately, given how our politicians dealt with the "small" \$851 million deficit, it is clear they lack big ideas.

From 1975 to 2008, recession or not, Ohio's budget grew every year. The percentage growth in spending exceeded inflation in all but seven years. The budget grew by an average of 6.8 percent as inflation averaged just 4.3 percent. From 1994 to 2001, the budget under a Republican governor and Republican-led legislature grew by more than 5 percent every year as inflation averaged just over 2.5 percent.

On the job front, Ohio hit a peak of 4.8 million nonfarm, nongovernment jobs in March 2000. As of September 2009, the number of nonfarm, nongovernment jobs had declined to 4.3 million -- the same number of jobs in Ohio in March 1994. Since 2000, jobs declined in manufacturing (40 percent), construction (29.6 percent), information (28.8 percent), transportation (11.8 percent), mining and logging (10.7 percent), financial activities (9.4 percent) and professional and business services (2.5 percent).

Our government is spending money as if the job base and, therefore, key sources of tax revenue to support that spending grew rather than shrank over the past decade. The net worth of Americans is down 14 percent from 2000, and the 2000s likely will go down as the worst decade since the 1830s to own stock. To realign government spending to reflect the reality of our economy, politicians can either increase taxes on a smaller pie or seriously cut government spending. Ohio already has the seventh-highest state-local tax burden, the 47th worst business tax environment, and the 11th highest per-person individual income-tax burden.

Politicians just increased taxes on every small-business owner who has paid three quarters of estimated taxes under a lower tax rate, thereby forcing them to pay a huge fourth-quarter "catch-up" estimated tax payment on Jan. 15 at the higher rate.

Keep in mind, small businesses create roughly two-thirds of all net new jobs. On spending, lawmakers permitted three limited construction-reform projects that everyone knows would save billions of tax dollars over the next decade if fully implemented. Anyone want to hazard a guess at which they will choose to eliminate that \$5 billion deficit?

Failing to tackle the toughest government spending issues will only drive Ohio further into the ditch. It is time for big ideas aimed at restructuring government costs to bring them in line with the realities of our economy. That doesn't necessarily mean slashing services to our vulnerable populations; rather, it means the Walmartization of government: same services, lower costs.

To lower costs, we need to address the gold-plated compensation of government workers who make more over the course of their work and retirement lives than those in the private sector who fund them. It means reforming our workers' compensation and Medicaid systems that few believe produce efficient outcomes. It also requires eliminating antiquated and costly government construction policies, including affirmative-action policies without which unions couldn't compete.

Although government cannot create jobs, it can attract to those who can. We must, therefore, reduce the regulatory burden on entrepreneurs and small businesses that comes from both government activism and Ohio's overlapping and inefficient jurisdictional redundancies. Whether fair or not, Ohio is viewed as a pro-union state, which is why it rarely is in the running for new manufacturing facilities or relocations. That has to change. It is not coincidental that Michigan, the most union-friendly state in America, has the highest unemployment rate.

Real change isn't easy, but we must reduce government costs and create a pro-business environment. The alternative of continued government spending increases and more anti-business policies will guarantee three things we already have too much of: deficits, unemployment and emigration. It is time to end the blame game, get serious and fix Ohio's budget.

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