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Ohio in the balance

The governor and Republicans should be alert to the reality: The state cannot cut its way to greater prosperity

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Relying entirely on spending cuts to balance the next state budget risks damaging the state's economy in the long run. That is the worthy argument of One Ohio Now, voiced during a rally at the Statehouse last week. The group, representing more than 30 health and human services, education, transportation and labor interests, rightly called for a "balanced approach." In other words, additional revenue also must be part of the budget solution.

The perspective is a valuable one to bring to the coming budget debate. Gov. John Kasich and the Republican majorities in the House and Senate are charting a different course as a projected deficit ranging from \$4 billion to \$8 billion looms for the next biennium. Kasich and his allies propose cutting taxes, for example, letting the final phase of an income-tax cut go into effect and eliminating the state's estate tax. That means deeper spending reductions.

Billions already have been cut in recent years. Slash billions more? The fear is a further weakening in areas such as education, mental health services and job training, harming Ohio's ability to lay a stronger economic foundation and to assist the poor and vulnerable. Erasing the jobs of teachers, safety forces and state employees also has a downside, the loss of solid, middle-class jobs, contributing to an unemployment rate that remains stubbornly high.

One Ohio Now isn't advocating specific tax hikes, at least not yet. There are several possibilities for increasing the revenue flowing into the state's general fund, softening the blow of a cuts-only approach to balancing the budget.

Where to look? State income-tax rates have been reduced 16.8 percent since 2005. The governor and Republican lawmakers want to finish the job, adding the final 4.2 percent reduction, for 21 percent in all. The reductions already have been generous to wealthy individuals, without strong evidence that the steps amount to an effective way to create jobs.

The state permits tax credits, exemptions and deductions totaling \$7 billion a year. Many of these tax breaks have been on the books for decades — with little or no review. A 10 percent reduction in these "tax expenditures" would produce some \$1.4 billion in the next two-year budget.

No one argues credibly that further spending cuts are unnecessary in the next budget plan. They will be deep and painful. What's important is that the effects are carefully weighed. In the end, Ohio cannot cut its way to prosperity. Leaders must make the right set of investments, in an educated, healthy work force and in modern infrastructure and technology. That should drive an examination of tax policy, providing the right budget mix to advance the state.

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