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Governor Orders Adjustments to Preserve Balanced Budget As National Economic Deterioration Continues

Columbus, Ohio – Governor Ted Strickland today ordered \$640 million in budget adjustments to maintain a balanced budget as the accelerated deterioration of the national economy continues to deprive Ohio of revenue.

This reduction is in addition to the \$1.27 billion in budget adjustments already undertaken this year, for a total of \$1.9 billion in budget adjustments over the biennium. This is in line with the Office of Budget and Management’s recession-based scenario, outlined in January 2008, which had forecast a \$1.9 billion total budget deficit if the economy fell into recession. Earlier this month, economists agreed that the national economy has been in recession since December 2007.

Strickland said the adjustments must be undertaken now to give state agencies ample planning time before January 1, when large subsidy payments to local communities are scheduled.

“Ohio’s budget circumstances are substantially worse today than they were just 12 weeks ago,” Strickland said. “I believe that taking this action today is necessary to make sure the state budget remains balanced and agencies have time to plan. And we are making this decision while continuing to protect the college tuition freeze and foundation funding for local schools.”

The budget adjustment plan includes a 5.75 percent across-the-board cut to state agency spending levels while holding harmless key programs. The plan also anticipates a 6 percent increase in the federal share of Medicaid payments early next year.

“It appears clear that the federal government will include aid to states in any economic recovery package,” Strickland said. “While we do not yet know what the full scope of that aid will be, we believe it is reasonable to plan for an increase in federal Medicaid funding.”

The budget adjustments announced today protect tax reform passed by previous legislatures, the newly-established homestead tax cut, the tuition freeze for state colleges and universities, and increased funding for local school districts in addition to exempting other key programs.

Strickland recognized state employees for their hard work and dedication during this difficult time.

“I honor and appreciate the hard work every state employee does every day,” Strickland said. “While any budget cuts mean pain and difficulty for state workers, I want you to know that I would not have made this decision if I did not believe it was absolutely necessary and the right thing for the people of Ohio.”

Budget reductions announced today will result in \$180.5 million less being spent by state agencies through June 30, 2009. The remaining \$460 million shortfall will be made up through Medicaid spending adjustments and various cash management strategies.

General revenue fund (GRF) Medicaid spending in the Department of Job and Family Services will be adjusted to reflect an anticipated enhanced federal medical assistance percentage (FMAP), additional cost containment and the liquidation of balances in non-GRF funds.

Specific line items fully exempted include: Department of Education line items for foundation funding, pupil transportation, gifted pupil program, special education enhancements and career/technical education enhancements; Board of Regents line items for OCOG, OIG, SSI, Academic Scholarships, Central State Supplement, Shawnee State Supplement, and capital component; Ohio Department of Job and Family Services line items for Medicare Part D, TANF and Child Care maintenance of effort, and Disability Financial Assistance; Expositions line item for Junior Fair Subsidy; all GRF line items within the Department of Rehabilitation and Correction; all GRF line items within the Department of Youth Services; Ballot Board advertising reimbursement; all line items within the Department of Veterans’ Services; line items for mandate assistance and ballot advertising costs; debt service line items; line items related to tax relief; several boards and commissions; disability pension and survivor funds administered by the Treasurer of State; and all GRF line items for the legislative and judicial agencies.