

**For Immediate Release:**  
Monday, December 1, 2008

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## **Governor Discusses Impact of National Economic Deterioration on Ohio Budget**

*Calls for Extraordinary Partnerships and a Spirit of Cooperation to Confront Economic Challenges*

**Columbus, Ohio** – To ensure Ohioans are fully aware of the historic economic challenges confronting Ohio and the nation, Governor Ted Strickland and Budget Director J. Pari Sabety today announced that the state is facing not only a budget deficit in our current fiscal year, but is projected to face an exceptionally large, more than \$7 billion deficit in the upcoming 2010 – 2011 operating budget.

“Our great state is confronted with challenges of historic proportions,” Strickland said. “But armed with a true understanding of the conditions we face, Ohioans will be better equipped to honestly address these difficult circumstances with the same strong resolve and spirit of cooperation we have applied to trying times in our past.”

Mirroring the national economy, Ohio’s economic circumstances have deteriorated rapidly. A \$640 million shortfall is now projected for the remainder of the current fiscal year. This is in line with the Office of Budget and Management’s recession-based scenario, outlined in January, which had forecast a \$1.9 billion total budget deficit if the economy fell into recession.

Strickland said that the need to initiate additional spending reductions to balance the current budget will be largely determined by whether considerable state aid is included in the federal government’s recovery package and if robust activity occurs in retail holiday sales. Any further reductions to the current budget will be in addition to the \$1.27 billion in budget adjustments already underway.

Based on current economic and revenue indicators, an approximate \$7.3 billion deficit is forecast for the FY 2010-11 operating budget. Even after assuming a 10 percent reduction to all state agency budgets, based on the February 2008 recalibrated spending levels, the projected deficit is approximately \$4.7 billion.

“Now is the time for all Ohioans to join together, in an extraordinary partnership, to meet the challenges before us,” Strickland said. “Working together in common purpose, I believe we will be able to address these circumstances with a consensus, bipartisan budget. There will be shared sacrifice, but we also recognize that historic opportunities lie on the other side of our current economic challenges.”

The governor and budget director presented the austere budget picture to members of his cabinet, legislative leadership, Ohio’s public employee union leadership and representatives of the business community today. The administration will also present

this information to Ohio's mayors, county commissioners, members of the faith community, the human services and education communities, and other important stakeholders in the immediate days ahead.

Strickland asked his cabinet to begin conversations with all of their stakeholders to consider 2009 cuts as well as the challenges we face in the next budget – asking for and encouraging creativity, flexibility and collaboration while planning for future budgeting.

Recognizing the best long-term solution to address these challenges is to get the economy moving again, the Strickland Administration is pursuing an aggressive agenda of job creation through the \$1.57 billion bipartisan job stimulus bill and recently-enacted energy bill. And the administration has made significant reductions to the size of state government, both through proactive efficiency initiatives and in response to declining revenues.

The state workforce has been reduced from 63,568 employees in March 2007 to 60,540 employees as of December 1, 2008. In February and again in September, the governor acted quickly to implement budget adjustment plans totaling \$1.27 billion for the biennium. Those actions included spending reductions, programmatic cuts and the closure of state institutions.

“Unfortunately, many of these difficult reductions have come at a time when people are relying more than ever on state services,” Strickland said.

Repeating his call for an aggressive federal economic recovery package to include direct aid to states, Strickland said he believes significant federal help is essential to avoid the potentially severe effects of the projected budget shortfalls.

“I am traveling today to Philadelphia to join with other governors and President-elect Barack Obama in a discussion about the economy's impact on the states,” Strickland said. “I believe that significant federal aid to states, and a willingness to make tough choices here in Ohio, are absolutely necessary to address this crisis in a way that will enable Ohio to continue investing in what matters to move our economy forward.”

In addition to meeting with President-elect Obama, Strickland is sending him a letter today detailing Ohio's specific needs to help our economy recover.