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Gov. John Kasich: Rainy day fund to see boost to \$482 million, but price tag from health care law looms

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COLUMBUS, Ohio - The state of Ohio will tuck away another \$235 million in its rainy day fund when the books close on fiscal 2012.

But storm clouds are looming over the next state operating budget, Gov. John Kasich said Tuesday. Kasich and state budget director Tim Keen laid out the state's financial picture for reporters during a conference call. The sunniest news was that Ohio's rainy day fund -- as low as 89 cents in 2011 -- is set to nearly double from \$247 million to \$482 million, due to a combination of higher than anticipated tax revenues and lower than expected spending, particularly in Medicaid, the duo said.

"We've got a long ways to go and still face significant headwinds, but this is a very good news day," Kasich told reporters. "There is actually some good news out here. We are putting money in the bank, which is what every family wants to do, and I think we are in a good place."

Add in \$500 million from leasing the state's liquor operations to JobsOhio, the state's private economic development arm, that is supposed to come rolling in next year, and the state should be in good shape heading into the next state budget. Right?

Not so fast. The Kasich administration estimates the federal health care law will have a \$940 million impact in 2014 and 2015. The cost comes from about 400,000 people currently eligible for Medicaid who officials expect to sign up once the federal law requires most people to have health insurance or pay a penalty. The Kasich administration estimates the cost will be \$369 million in 2014 and \$571 million in 2015.

"Unfortunately, it is going to force us to go back and look inside the Medicaid program at the benefits we provide," Kasich said. "I don't want to raid all of these other programs to pay for it, but this is a work in progress right now."

Kasich said "everything is on the table" as the state's health care program for the poor and disabled is studied for cuts, including optional services such as dental and vision as well as provider rates. "This \$950 million blast from Obamacare is going to call into question our ability to manage this with the kind of compassion that we have," he said.

House Minority Leader Armond Budish, a Beachwood Democrat, said he's skeptical of the price tag Kasich cited. Budish said it's better to have poor Ohioans with Medicaid coverage than to have them show up at emergency rooms to be treated without health insurance.

"These are people who would have been eligible before, and could have signed up for no cost," Budish said. "To suggest that everyone is going to immediately sign up for Medicaid now, I am skeptical. I hope they do sign up, because it's less expensive to provide care in a preventative way than at the emergency room, which is the most expensive way. We all pay for that too, you know."

Kasich said he will resist calls from Democrats "banging the drum for more spending" and even suggested that tax cuts could be part of the mix when he unveils his next state budget in February 2013.

"It's always been one of my interests in driving down the income tax because it's one of the biggest impediments in the state," Kasich said. "Tax reform is something you will see, but the extent of it, in light of our Medicaid challenge, I don't know yet."

Budish said the kind of education reforms supported by Kasich in the Cleveland schools plan that the GOP governor signed into law Monday are useless without the proper funding. Budish and other Democrats would like to see a portion of the rainy day fund returned to schools and local governments, which both saw deep cuts in Kasich's first budget.

"I continue to believe the state needs to fund education adequately to the benefit of our kids rather than push the budget costs down to local government and local schools districts, which is what happened here," Budish said. "The governor has already put many local communities into the position where they have to go to voters for local property taxes like what we are seeing in Cleveland."

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