REIMAGINE OHIO

OPPORTUNITY Ohio

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Introduction

Too often, career politicians full of ambition make promises to citizens about how "their" tenure will usher in a new era in Ohio. Rarely do they base those promises on the facts readily available to them about how those same policies didn't work in the past. Even worse, no serious effort is made to move beyond the rhetoric and fundamentally diverge from the failures of yesterday.

Why is that, you might ask?

Part of the reason is that the very politicians making those promises today were in the legislature voting in favor of those policies yesterday or remained silent in their elected offices when they could have used their voices to stop the madness. Their acts and omissions helped drive Ohio into the perpetual ditch it has occupied for over 26 years.

It didn't have to be this way. In fact, given the super-majority or near super-majority control of the General Assembly and statewide offices by the Right for most of the last 26 years, Ohio could have served as a bright beacon of light for fiscal responsibility, for an aggressive pro-jobs economy, for keeping and attracting the best and brightest minds of today and tomorrow, for streamlining government to keep state and local taxes as low as possible, and for leading the fight to get power and money out of Washington, D.C.

Ohio could have been a leader, not the laggard it was. It isn't too late to turn things around.

With the most recent elections, now is the time for bold, principled ideas that also are pragmatic ideas to allow Ohio to leapfrog to the head of the pack. It just takes a little imagination of what could have been to see what still could be.

Just because Ohio spent the last 26 years in the slow lane doesn't mean it has to spend the next 26 years as a permanent laggard. It is time we moved into the fast lane by adopting policies that will give Ohio the fuel to become a leader of the pack.

As a fifth generation Ohioan raising a sixth generation Ohioan, I firmly believe we need to make the tough choices today that will create an Ohio that retains and attracts the best and brightest citizens and businesses. We've tried the higher spending, big government way and it has failed us miserably.

Take a moment to reimagine an Ohio in which government spending is kept in check, businesses and populations boom, and prosperity touches all Ohioans. Imagine what Ohio could be like 26 years from now in 2042.

Reimagining Ohio

Imagine If State Spending Had Kept Pace with Growth Instead of Far Outpacing It

In 1990, the State General Revenue Fund (GRF) totaled $11,581,800,000. That budget provided goods and services to 10,847,115 Ohioans, which breaks down to nearly $1,100 for every Ohioan. At that time, 4,127,400 Ohioans worked in the private sector. Few of them complained in 1990 that state government was failing to meet its obligations to citizens. Only those on the Left called out for higher spending.

By 2016, Ohio's population had grown by just 7.1 percent to 11,613,423 people. Ohio's private sector has only increased by 14.3 percent to 4,705,200 from 1990 to 2016, which equates to a mere 0.05 percent per year over 26 years. The relatively weak growth in both population and private sector jobs brought both good and bad news. The good news is that, unlike Florida and Texas that saw populations explode, Ohio didn't have a need to build lots of additional infrastructure to support new growth. Unfortunately, the lack of growth also meant Ohio would have tepid economic and revenue growth from income, sales, and property taxes.

In stark contrast to Ohio's population and private sector, using 2013 inflation-adjusted figures, the State GRF exploded by 81.4 percent to $36,399,800,000. That's right, the state budget nearly doubled (it tripled without adjusting for inflation)! The state now spends roughly $3,150 per Ohioan.

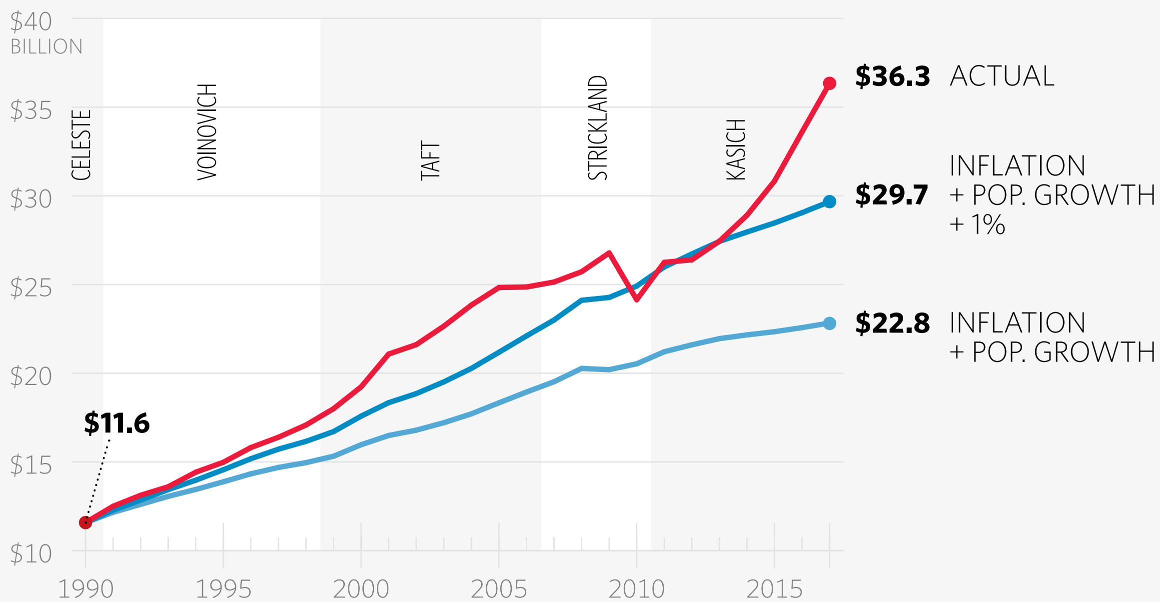
That enormous growth is the reason Ohio once again faces tight budgets and will confront a large deficit when the next cyclical recession occurs, which is overdue based on the average length of recoveries since 1929. Governor-after-governor and General Assembly-after-General Assembly increased state spending year-after-year. So long as revenues kept pace with that spending and recessions didn't occur, everything looked fine. The problem, of course, is that recessions do happen cyclically and revenues fall when recessions or slowdowns occur.

What if, instead of running as conservatives but spending like liberal-progressives, our elected officials had controlled spending to match population growth and inflation? The average annual increase in those components from 1990 to 2016 was 2.55 percent.

Under that scenario, the 2017 GRF would have been $22,827,334,142, which is $13.5 billion less than the current GRF. The difference between the two budgets is more than the entire GRF in 1990! Now, critics on the Left (and, sadly, big spenders on the Right) will at-

OHIO'S UNCONSTRAINED SPENDING

General revenue fund spending in Ohio has risen faster than the rate of inflation plus population growth, and most rapidly during Gov. Kasich's administration.



SOURCE: OPPORTUNITY OHIO CALCULATIONS AND OHIO LEGISLATIVE SERVICE COMMISSION.

tack such an approach given the myriad of "needs" they would claim "had to be funded." For purposes of this report, let's entertain their claims and meet them part of the way (i.e., compromise).

What if our elected officials had limited GRF spending by population growth plus inflation plus another 1 percent just to cover some of the "needs?" For perspective, in 1990, 1 percent of the GRF would have equaled $115,818,000—a fairly sizable amount for extra spending.

Under that scenario, the 2017 GRF would have been $29,665,957,908, or $6.67 billion less than the actual budget currently is. Don't you think we could have lived under a budget that covered population growth, inflation, and a bit more?

With reduced government spending, it is likely Ohio would have experienced stronger economic growth. The surpluses noted above could have adequately funded a rainy-day fund to cover the economic downturns and provided several opportunities to reduce the overall tax burden on Ohioans without raising other taxes as is necessary when spending exceeds inflation by 81 percent.

Think about it. Most of the major tax cuts over the last 26 years came with "tax reforms" that merely raised taxes elsewhere (i.e., a personal income tax cut in exchange for a business or sales tax hike). This tax-shifting approach is required to keep tax revenues high enough to keep pace with the higher spending. It also allows our elected officials to both raise spending to please one faction of Ohioans and cut taxes to please another faction.

Unlike what citizens do at their kitchen tables, our elected officials didn't make tough choices. They just hoped for the best and blamed predictable deficits on "Washington, D.C." or "a cold winter" or "a currency war." We need a different approach to state spending.

How about we freeze state spending for the next four years? Let's give taxpayers a chance to catch-up to the enormous growth in spending that occurred over the last 26 years. Critics of a state spending freeze will drag out a parade of horribles. They will claim that such an approach just isn't possible due to commitments politicians have made or federal spending requirements or other such mandates from Washington.

They are wrong.

Now is the time to take a break from enacting new laws that require more spending and conduct a comprehensive analysis of every single state program and regulation to determine whether we get a meaningful return on the investment we've made thus far. Despite streamlining efforts in the past, state employment remains higher than it needs to be, with reductions largely coming from retirements and not filling vacancies. Not one single major program has been eliminated over the last 26 years. It simply can't be the case that every program existing in 1990 and launched thereafter is still needed.

With sheer dedication and a surgeon's scalpel, we can find savings in the current budget that can be redirected to meet current obligations. One of the first programs to go should be Governor John Kasich's expansion of Ohio's Medicaid population. That program, as noted below, binds Ohio taxpayers to write blank checks for decades to come. Though it will be a tough transition, it is best to delink our state budget from mandated federal spending now instead of years from now when the bill requires higher state taxes to fund. With other reforms, Ohio's economy will provide opportunities for those covered by expanded Medicaid to gain private insurance coverage.

Lastly, it is time we wrestled with the sheer weight of the 3,700+ jurisdictions in Ohio with taxing power. From state government to 88 county governments, from 614 school districts to 938 city governments, from over a thousand townships and villages to hundreds of special taxing districts, and from thirty-eight four-year colleges to twenty-three community colleges, Ohioans are overly burdened by state and local taxes and fees. The Tax Foundation ranked Ohio's business tax climate 42nd in America.

We need jurisdictional reform in Ohio. Governor Kasich should gather representatives from all the various jurisdictions to hammer out a reform package to present to voters. The gathering should occur early in his last two years and continue until agreement is reached on reducing the number of jurisdictions to a more manageable and less taxing figure. Consolidating jurisdictions will reduce the number of workers and equipment needed, allow for more efficient use of buildings and technology, and, once the dust settles, result in lower local taxes. All of these outcomes will contribute to making Ohio more competitive with other states and more attractive to businesses.

Despite the failure of Senate Bill 5 in 2011, we still need to eliminate collective bargaining for government workers and move away from defined-benefit pensions. Unlike in 2011, we should absolutely exclude public safety workers like firefighters and law enforcement personnel from this reform given that their jobs are inherently different from other government workers. With more than 85 percent of all taxes going to salaries and benefits, controlling costs requires eliminating the barrier erected by labor unions between taxpayers and their public servants. No one wants to gut government salaries and benefits. We just want to keep them in line with what we can afford to pay.

Imagine If Ohio's Private Sector Had Mirrored Stronger States

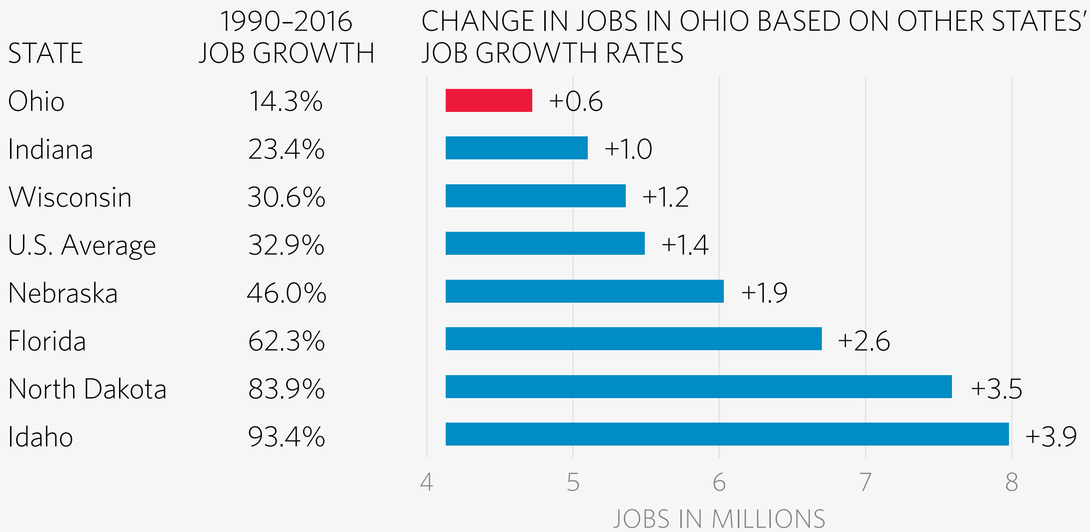
In 1990, 38.9% of Ohio's population worked in the private sector. Today, 40.5 percent of Ohio's population is working in the private sector. In March 2000, Ohio's private sector reached its peak employment when 4,853,400 Ohioans were employed outside of government and agriculture. That high watermark meant that 42.7% of Ohioans were engaged in private sector activity. Given Ohio's population growth since March of 2000, to attain a high of 42.7 percent private sector employment, Ohio's private sector would need to hit 4,964,669 or add 246,469 more workers.

At the current pace, Ohio won't achieve that mark until August of 2021, which is when a child born in March 2000 could begin drinking alcohol legally!

But, Ohio isn't in a vacuum in which it just competes with its past. Ohio competes with 49 other states to keep and attract businesses and workers. With just 14.3

OHIO'S SLUGGISH JOBS GROWTH

In 1990, Ohio had 4.1 million private-sector jobs. By 2016, it had 4.7 million jobs, a paltry 14 percent increase. Shown below are the job gains Ohio would have today had it kept pace with other states.



SOURCE: BUREAU OF LABOR STATISTICS.

percent growth from 1990 to 2016, Ohio's private sector fell way behind other states. Over the last six years, Ohio's private sector growth fell from the 18th best in 2010 to the 38th best in 2016. That dropped occurred despite the hundreds of millions spent by JobsOhio to lure companies here or to subsidize companies to stay. Through the latest U.S. Bureau of Labor Statistics (BLS) report, Ohio added a mere 18,400 private sector jobs in all of 2016 (through the final BLS figures in October).

We are losing ... big time.

Imagine if Ohio had attained the job growth in places like Indiana, Wisconsin, Nebraska, Florida, North Dakota, or Idaho? Please note that among this list, only Florida is a southern sunshine state. If these states can do it, so can Ohio.

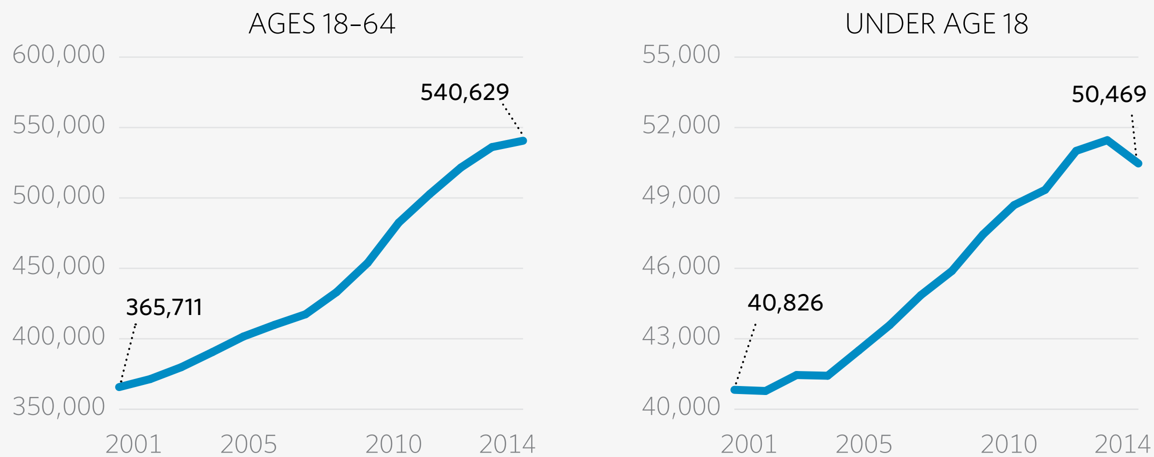
If Ohio had matched Indiana's growth, we would have surpassed the March 2000 jobs peak by 239,812 jobs. With Wisconsin's growth rate, Ohio would have 672,184 more people working today than it does. By just matching the U.S. average, over 767,000 more Ohioans would be earning a paycheck on their personal pathway to prosperity (and paying taxes). Under the growth rate in the corn belt of Nebraska, Ohio would have 1.3 million more workers today than it does.

Forget the sunshine states and the coastal meccas like Florida and California or the majestic mountain locales of Colorado and Idaho. Ohio should never come in behind Wisconsin or Nebraska. Never.

No matter what cowardly politicians on the Right and compromised politicians on the Left say, the only major policy change Ohio can enact to make its job market get moving is to adopt a right-to-work law. The longitudinal data on the performance of right-to-work states versus forced unionization states from 1990 to

MORE OHIOANS TURNING TO DISABILITY PAYMENTS

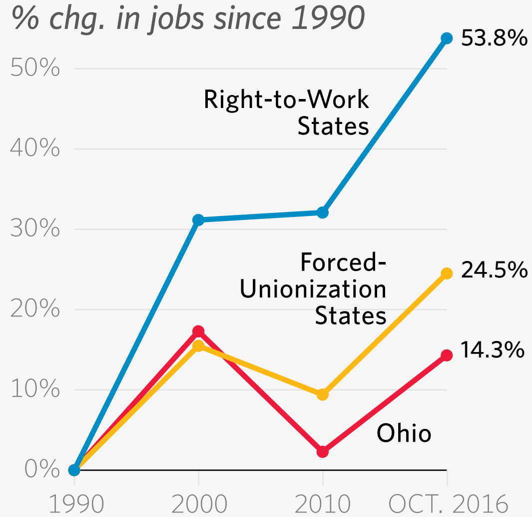
The number of Ohioans ages 18 to 64 receiving Social Security disability benefits rose by 48 percent since 2001.



SOURCE: SOCIAL SECURITY ADMINISTRATION.

WORKER FREEDOM JOB PERFORMANCE

% chg. in jobs since 1990



SOURCE: BUREAU OF LABOR STATISTICS.

today is overwhelmingly in support of right-to-work.

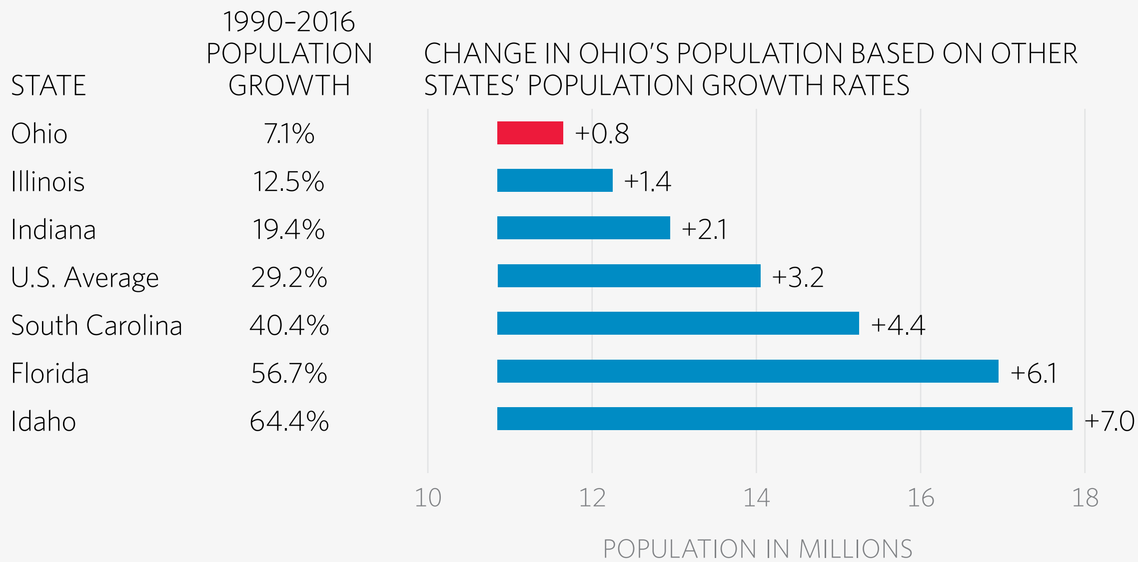
Specifically, from 1990 through the most recent BLS data, the net percentage change in private sector jobs in right-to-work states averaged 53.8 percent, which is more than double the result (24.5 percent) in forced unionization states. Ohio's rate is a paltry 14.3 percent, or nearly four times less than the right-to-work states average. With October's data, Michigan jumped ahead of Ohio, as its job growth since enacting a right-to-work law outpaced Ohio's rate.

Personal income also increased at a faster pace in right-to-work states from 1970 through 2015 (latest data) according to the U.S. Bureau of Economic Analysis. The average per capita personal income net percentage change in right-to-work states was 1,157 percent compared to an average of 1,084 percent in forced unionization states. Again, Ohio's rate hit the bottom of the rankings at 963.55 percent, placing it above just six other states.

It isn't coincidental that job growth and personal income growth rise simultaneously. The reality is that stronger job growth leads to greater competition for

OHIO'S ANEMIC POPULATION GROWTH

From 1990 to 2016, Ohio's population grew 7.1 percent, or about 770,000 people. Had Ohio's population grown at the same rate as the states listed below, it would have 1 to 7 million more people today.



SOURCE: U.S. CENSUS BUREAU.

workers, which drives salaries and benefits up as employers fight for workers. Unionized workers should realize that they are better off in a right-to-work state with strong job growth than a forced unionization state in which job growth is weak.

A final troubling issue is the skyrocketing number of Ohioans receiving Social Security disability payments. In 2001, 365,711 Ohioans age 19 to 64 received such benefits. By 2014, the beneficiary rolls had exploded by 48 percent to 540,629 Ohioans. This increase occurred despite the improved safety of workplaces and access to healthcare. Is Ohio's moribund job market driving people to seek alternate sources of income via government payments, with a broken system facilitating payments for individuals who could work?

The bottom line is Ohio's private sector is simply too weak.

Imagine If Ohio's Population Had Grown Like Other Vibrant States

Ohio's population grew by just 7 percent from 1990 to 2016, which made it among the slowest growing states in America. Because of Ohio's systemically weak private sector, our best and brightest move to states that offer more promising futures and America's top workers opt to go elsewhere. Think about that fact for a moment. We spend enormous amounts of tax dollars on K-12 public schools and Ohio's public colleges and universities so we can educate our kids who then move to where the jobs are in other states. We educate our kids so they can leave Ohio and compete against us!

That makes no sense.

Specifically, Ohio has been getting older every decade since 1970. According to the U.S. Census Bureau, Ohio's median age at each decennial census was:

1970	1980	1990	2000	2010	2014
27.7	**29.9**	**33.3**	**36.2**	**38.8**	**39.4**

Even more troubling, Ohio is aging at a faster pace than the U.S., with Ohio aging 11.7 years versus just 9.6 years from 1970 to 2014.

People really do vote with their feet, especially young, mobile people.

What if Ohio's population had experienced the growth of debt-ridden Illinois or our neighbor Indiana? What if Ohio could have just kept pace with the U.S. average? What about at the pace of the southern darlings South Carolina or Florida? Or even the northern state of Idaho?

Illinois may be bankrupt and dysfunctional, but its growth rate in Ohio would have meant 600,000 more people. With Indiana's growth rate, Ohio would be 1.3 million people stronger today than it is. By just mirroring the U.S. average, Ohio's population would have swelled by nearly 2.5 million Americans.

With all of those new Ohioans, Ohio's private sector would have boomed, as those new people needed housing, goods, and services. With more people working, revenues from income, sales, and property taxes would have been stronger, too, thereby allowing government to provide the infrastructure to support that growth.

Nationally, Ohio would have become the 5th largest state in America. Rather than losing congressional members and Electoral Votes – and the influence that goes with those items – Ohio would have nine more congressional members and Electoral Votes, thereby making Ohio even more important.

At the end of the day, state spending matters because it requires higher taxes. Higher taxes matter because they reduce economic activity. Reduced economic activity matters because it results in lower population and job growth. Lower population and job growth matter because they result in less tax revenue and, typically, more spending due to the need for more government goods and services. It is a vicious cycle that must be severed if Ohio is going to escape its past.

The Reality: Three Decisions That Hurt Ohio

For Ohioans to clearly imagine what their state could be, they must first confront the mistakes of the past. Here are three actions over the past 50 years that weakened Ohio's ability to compete with other states

1. Governor John Gilligan's Institution of the Personal Income Tax in 1971

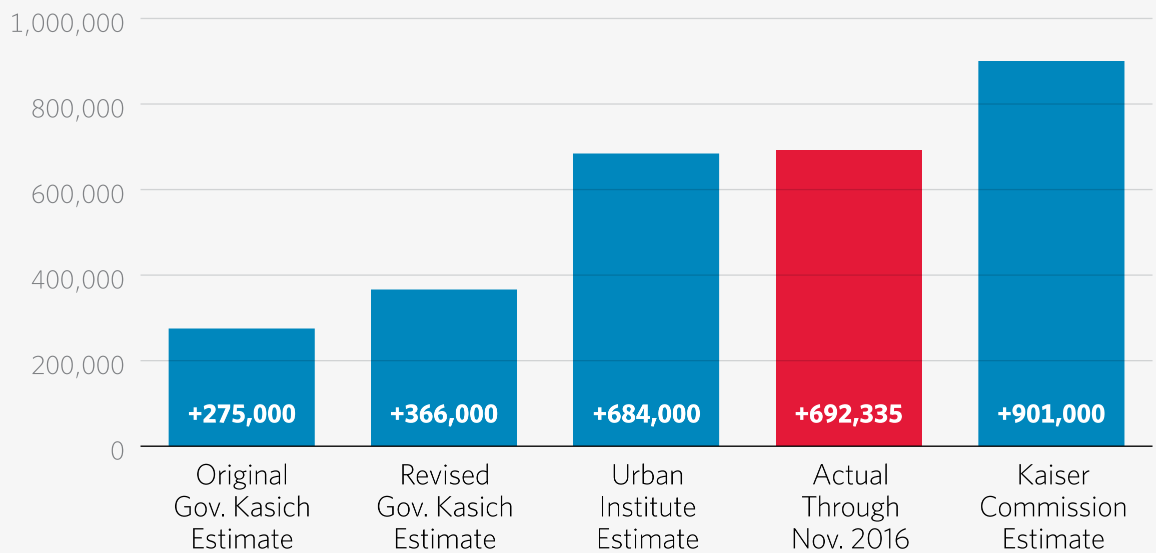
With the institution of the state personal income tax in 1971, the cap on state spending got removed. It isn't coincidental that shortly after Governor John Gilligan enacted the state personal income tax, Ohio's state budget began to grow beyond inflation year-after-year. Even with the arrival of total Republican control of the Ohio beginning in 1996, state income tax cuts typically were accompanied by hikes in sales, property, sin, or business taxes, as well as increases in fees. The reason for this tax shifting mentality is due to the need to balance the budget as state spending went up-and-up. The personal income tax, along with local taxes, renders Ohio a high tax state and less competitive with the other states.

2. Governor Richard Celeste's Implementation of Public Sector Collective Bargaining in 1983

Whether you support public sector collective bargaining or not, you cannot deny that the goal of it was to increase the salary and benefits of government workers. More than thirty years later, there is little doubt that this goal has been met. As detailed in 2010 in the report, The Grand Bargain Is Dead: The Compensation of State Government Workers Far Exceeds Their Private-Sector Neighbors, public sector compensation packages now far outstrip private sector compensation packages. This outcome has driven state and local taxes higher and higher, as more than 85% of tax revenue

ESTIMATES OF OHIO MEDICAID EXPANSION ENROLLMENT

In 2013, Gov. Kasich's moved to expand Medicaid in Ohio. As a result, an additional 692,335 people have been added to Medicaid rolls—more than doubling Kasich's original estimate.



SOURCES: WASHINGTON POST, OHIO DEPARTMENT OF MEDICAID, KAISER COMMISSION, AND OTHER MEDIA REPORTS.

in local governments goes towards compensation packages. As a result, Ohio's local tax burden is among the highest in America (without a concomitant increase in value provided by government entities), which makes Ohio a less attractive place to live, to work, and to start and grow a business.

3. Governor John Kasich's Expansion of Medicaid Under ObamaCare in 2013

Ohio's expanded Medicaid enrollment is now more than double Governor John Kasich's original estimate and nearly twice his revised estimate. It also has surpassed the estimate from a liberal think tank and is headed towards the high estimate of the Kaiser Commission. We warned policymakers not to expand Medicaid due to the enormous uncertainty surrounding how many people would enroll and the cost per enrollee, but Governor Kasich ignored our warnings. His failure will harm Ohio's taxpayers for years. In 2016, federal funds became the top source of revenue for the state, thereby making Ohio a permanent and dependent ward of the federal government.

We may not be able to undo all three of these decisions, but we can substantially lessen the future impact those decisions have on Ohio's ability to compete with other states.

Reimagining What We Should Do Now

Here are the key reforms required to move Ohio from a laggard to a leader

• **Freeze or cut state spending.** Is it really that hard to not do something like increase spending? It shouldn't be. At a minimum, Ohio should be able to live with a two-year budget that keeps spending flat. With alleged fiscal conservatives in charge of government, it frankly shouldn't be that hard to actually reduce state spending over the next two years.

Additional reading:

- State of the State: Two Decades of Weak Job Growth and Skyrocketing Government Costs Pose Daunting Challenges for Ohioans
- The False Narrative on the Ohio Budget
- Ohio's Looming Crisis

• **Analyze every state program.** Governor Kasich has two years left to truly put Ohio on the firmest of foundations. Why not hand the next governor a comprehensive report based upon an in-depth review of every single program in state government with recommendations on eliminating, reducing, or strengthening each program?

Additional reading:

- Six Principles for Fixing Ohio
- Testimony on Tax Expenditures Before the Ohio House Tax Structure Study Committee

• **Repeal Medicaid expansion.** Nothing about this program is fiscally prudent. The General Assembly was right to oppose it in 2013. With Ohio starting to pay a portion of Medicaid expansion this year, the General Assembly should stand up to Governor Kasich and end this program before the tab requires painful choices in future years.

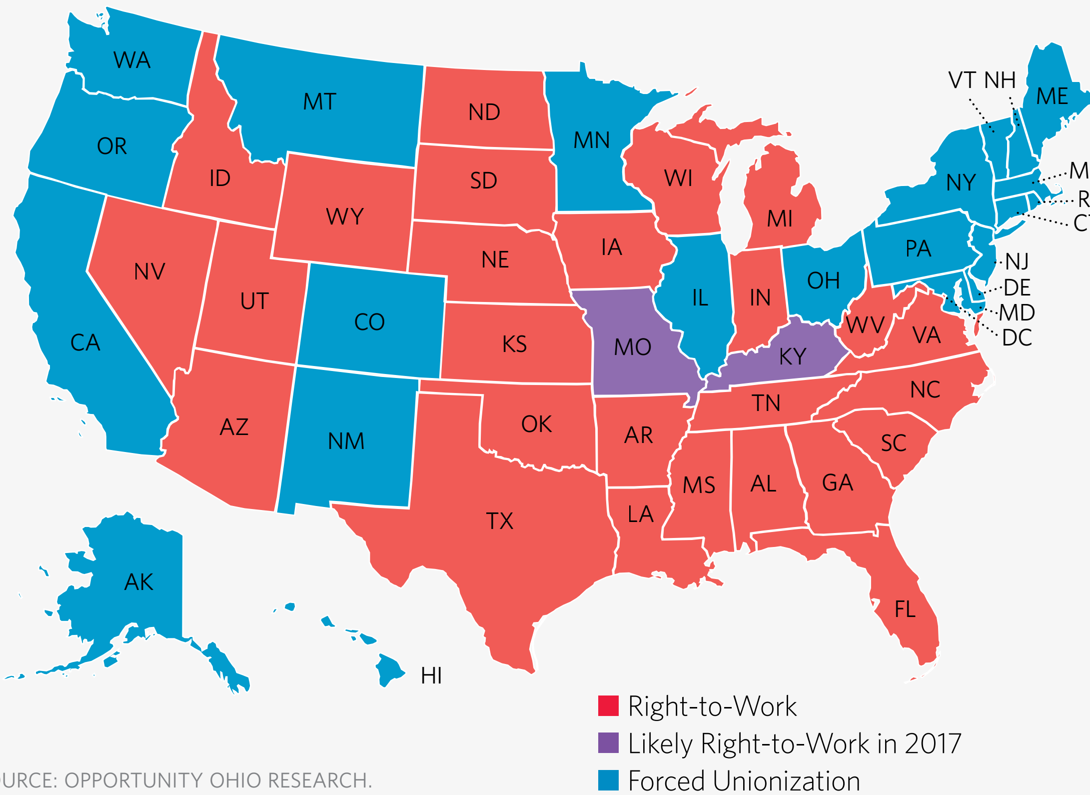
Additional reading:

- New Statewide Medicaid Poll: What's the Rush?
- Why Expanding Medicaid Remains a Bad Deal for Taxpayers
- Obamacare: It's Not for the Children

• **Reduce the number of taxing jurisdictions.** Getting kings and queens to give up their fiefdoms is one

OHIO HAS BECOME THE LEFT FLANK OF THE NORTHEASTERN UNION BLUE WALL

Indiana, Michigan, West Virginia, and Wisconsin became Right-to-Work states over the past four years. Kentucky and Missouri are likely to join them in 2017. Ohio soon will be the only state controlled by Republicans that is a Forced Unionization state.



SOURCE: OPPORTUNITY OHIO RESEARCH.

of the hardest tasks to do. No sitting elected official wants to make himself obsolete. As with the previous action, Governor Kasich could focus his time on achieving major government consolidation in Ohio that would reduce the combined state and local tax burden on Ohioans. With consolidation and lower taxes, Ohio would become a more hospitable place to live, start a business, and move a business.

Additional reading:

- Six Principles for Fixing Ohio
- Joining Forces: Consolidation Will Help Ohio's Local Governments If Compensation Package Costs Are Properly Managed

• **Eliminate public sector collective bargaining for all non-public safety government workers and institute real government pension reform.** What excuse is left now that Republicans control state government so thoroughly that the veto referendum is irrelevant? Government workers shouldn't be insulated from the economic realities faced by the rest of Ohio. After more than thirty years of collective bargaining, the pay of government workers has more than caught up with their private sector peers. Let's tie future increases to inflation with a merit based bonus system and transition the government from gold-plated defined-benefit retirement plans to fiscally-responsible defined-contribution retirement plans.

Additional reading:

- The Grand Bargain Is Dead: The Compensation of State Government Workers Far Exceeds Their Private-Sector Neighbors
- The Grand Bargain Is Still Dead
- Six Principles for Fixing Ohio
- The Impact of Shifting Ohio State Workers from Defined Benefit Plans to Defined Contribution Plans
- Ohio Government Pensions Should Promise They Won't Seek a Bailout from Taxpayers

• **Enact a private sector right-to-work law.** Now that Republicans control the General Assembly by a margin permitting emergency measures beyond the threshold that allows veto referenda, Ohio should pass a right-to-work law. Republicans in Indiana, Michigan, West Virginia, and Wisconsin did with far less control. It looks increasingly likely that Republicans in Kentucky and Missouri will pass a right-to-work law in 2017. If those states do, Ohio will be one of the last states outside of New England and the Liberal coasts still putting Big Labor ahead of citizens. Ohio will serve as the left flank in Big Labor's blue wall that runs from Ohio to Maine.

Additional reading:

- Radical in 2012: Forced Unionization—excerpt from "Taxpayers Don't Stand a Chance: Why Battleground Ohio Loses (No Matter Who Wins) and What to Do About It"
- Two Winning Policies for Job Growth
- JobsOhio Needs a More Accurate Tagline
- Ranking the States on Population and Private Sector Job Growth
- Ohio Mired in Mediocrity

Beyond these actions, Ohio also should become the national voice on getting the locus of power over our lives back to the states (i.e., competitive federalism). As detailed in Competitive Federalism: Leveraging the Constitution to Rebuild America, when states are free to compete on issues, that freedom spurs innovation and reforms that improve lives. Americans are tired of Washington and yearning for leaders outside the Beltway to step up. Governor Kasich and his successor should put their hands up and lead the charge of America's governors in demanding that the federal government move the power and money back to the states and get out of the way on issue after issue.

Additional reading:

- The Founding Debate: Where Should the Power Over Our Lives Reside
- Ohio Competitive Federalism Issue Survey Topline Results (December 2016)
- Ohio Competitive Federalism Issues Survey Topline Result (January 2016)

Additional watching:

- Competitive Federalism #1: Making America Great Again
- Competitive Federalism #2: President Reagan's Reminder
- Competitive Federalism #3: Where Do You Want Your Tax Dollars to Go?
- Competitive Federalism #4: Help Doesn't Come from Washington
- Competitive Federalism #5: With Freedom, Florida Innovated K-12 Schools
- Competitive Federalism #6: Time to Kill the Federal Gas Tax

- Competitive Federalism #7:
  Colorado Eased Its Traffic Jam Ahead of Schedule & Under Budget
- Competitive Federalism #8:
  It's Time to Let the States Win America's War on Poverty
- Competitive Federalism #9:
  States Moved Millions from Welfare to Work—Let Them Lead
- Competitive Federalism #10:
  Barack Obama's War on Coal, Oil & Natural Gas Hurts America
- Competitive Federalism #11:
  The Energy Diversity of Our States Is a Strength We Must Leverage
- Competitive Federalism #12:
  Letting States Compete Won't Take America Back—It Will Drive Us Forward!
- Competitive Federalism #13:
  When Washington Fails, 315 Million Americans Are Harmed. When a State Fails, the Successes of Other States Drives It to Reform or Lose People and Businesses. Competition Works!
- Competitive Federalism #14:
  FOIA Laws, Smart Phones & Social Media Root Out Corruption Ensuring Returning Power & Money to the States Increases Competition, Not Corruption
- Competitive Federalism #15:
  Though a Few States May Need a Hand-Up from Washington Due to Systemic Issues, America Should Have a Hands-Off Policy for the Rest of the States
- Competitive Federalism #16:
  It Isn't Rocket Science. Competition Made America Great. It Can Do It Again. Let's Get Power and Money Out of DC

Conclusion

Did you take a minute to review any of the documents listed above? The documents go as far back as 2010 when I first started writing policy pieces on Ohio's economy and its status as a laggard. In fact, the "State of the State" report came out in February 2010, which is nearly seven years ago. Imagine how different Ohio would be today if policymakers had heeded any of the advice my team at the Buckeye Institute and Opportunity Ohio gave them over those years.

Instead, they ramped up spending, shifted taxes, nibbled on the margins on public pensions, expanded government, and stood idly by while four competitors—three of them neighbor states—enacted right-to-work laws. And, by "they," I unfortunately mean Republicans/conservatives/center-rightists. None of those actions would have surprised anyone had those things happened in Illinois or California where liberal-progressive, big government ideology reigns supreme. Sadly, Ohio's Establishment Right is to blame for the mess we are in.

The good news is that it is never too late to turn things around. Imagine how great the next 26 years could be if Ohio's policymakers simply rolled up their sleeves, stiffened their spines, and made the seven tough choices described above. Imagine the spending restraint that would allow for tax cuts, as revenues poured in from Ohio's exploding job growth. Imagine how those jobs would keep our kids here competing for us and bringing prosperity and peace of mind to all Ohioans. Imagine the influence Ohio would have as its population boomed. Imagine the innovative ideas Ohio could leverage to reform issues taken back from the federal government.

Imagine the prosperity in Ohio that we've seen go to other states.

It is obviously a possibility that my suggestions won't work. That said, we know after 26 years of doing the same thing again and again that their ideas have utterly failed. As Albert Einstein said, continuing to do what we know won't work is the definition of insanity. Why not take a different path – even for just a few years to see if we get different results?

Do policymakers sitting in Columbus really oppose less spending, smaller government, freer workplaces, and more prosperity for more Ohioans than just those living in the Greater Columbus and Cincinnati areas?

Unlike any time in Ohio's past, our elected officials actually possess the power to make every one of those reforms in the next six months. Will they use it, or waste it? Let's hope for Ohio's future, they use it. If not, let's find leaders who will.

It is time to stop hoping for miracles to revive Ohio. We know what needs to be done. We just need the political courage to do it. I hope you'll join me in reimagining Ohio.

Another Do-Nothing Commission

Government commissions increasingly have earned a bad reputation. Many people see such entities as mechanisms policymakers use to punt on tough issues. After all, by creating a commission, you can look like you are taking action while at the same time ensuring that the issue dies a slow death mired in the quicksand of the commission. The Ohio Constitutional Modernization Commission (OCMC) appears to be just another do-nothing commission. Launched in December 2011 and scheduled to complete its work by January 1, 2018, the OCMC is charged with "making recommendations from time to time to the General Assembly for the amendment of the Ohio Constitution." It has managed to make five recommendations to the Ohio General Assembly. Four recommendations propose repealing two sections of Article IV on obsolete judicial issues and two sections in Article VIII on outdated financial items. The fifth recommendation proposes adopting provisions to protect holders of bonds issued under the two sections to be repealed and to issue general obligation bonds.

In five years of work, Ohio tax dollars have managed to be spent eliminating four provisions no longer relevant and adding one provision on issuing bonds. Not surprisingly, the OCMC also is trying to figure out how to pass an extension of term limits for legislators, which Ohioans passed in 1992 by a 68 percent to 32 percent margin. The OCMC deadlocked on redistricting reform.

The OCMC says it "welcomes and encourages ongoing feedback from the public," including accepting ideas from Ohioans "regarding changes to the Ohio Constitution," but doesn't appear to sincerely want Ohioans to get involved in the process. I speak from experience. On March 4, 2015, I submitted a proposal to the OCMC to prohibit the use of public resources "to assist a labor organization in collecting dues or services fees from wages of public employees." The aim of the proposal is to stop government labor unions from using government accounting and payroll systems to automatically deduct dues and fees from members. If enacted, government labor unions would have to bill members directly for dues and fees like any other non-governmental organization. On March 27, 2015, I submitted a second proposal to the OCMC to make Ohio a right-to-work state. The proposal used the language approved by voters in Oklahoma in 2001.

Other than an email from the head of the OCMC acknowledging receipt of the proposals, the only other action on the two proposals occurred when the Coordinating Committee briefly discussed the submissions at the April 9, 2015, meeting. At that meeting, former Speaker of the House Jo Ann Davidson used her influence to try to quash the proposals out-of-the-gate by raising two concerns: (1) that the OCMC should only deal with proposals to amend existing provisions in the Ohio Constitution, which isn't what the legislation creating the commission required, and (2) that citizens might swamp the OCMC with proposals if it accepted such proposals, which hasn't occurred as my proposals are among the only ones coming from "outsiders." Nothing has occurred on either proposal in the nearly two years since that time.

One would think a commission on modernizing Ohio could move forward on a few vital items that would turn our state from a permanent laggard to a leader, but, when the commission is comprised of Establishment figures from the Left and Right, one would be wrong.

Perpetually Behind the Curve

Back in July 2013, again in February 2015, and a third time in September 2016, I predicted a looming fiscal crisis would hit Ohio due to the imbalance between the growth in state spending and the slower growth in tax revenues. Specifically, in July 2013, I stated that "the fiscal picture begins growing cloudy in 2015 and gets substantially worse in future years." Nearly two years ago in February 2015 I updated my analysis with the latest data, I again noted that "Governor John Kasich clearly prefers higher spending covered by projected higher revenues over making the tough choices to keep spending down." I revised my estimate that Ohio would hit deficits in 2015 by one year. Finally, just four months ago, I wrote: "Ohio policymakers increasingly will see darkening clouds on the horizon as three problematic issues intersect…[t]he upcoming intersection of booming expanded Medicaid, anemic private sector job growth, and declining tax revenues won't be pretty."

As expected, spending overtook revenues in mid-2016, with the problem growing worse each passing month. Policymakers and the Mainstream Media repeatedly ignored my warnings on Ohio's fiscal future.

Last month, Governor Kasich and his team finally figured out they had a problem. As the media reported, "Gov. John Kasich told the Ohio House on Tuesday that 'we are on the verge of a recession in our state,' [because] the latest state tax receipts showed revenue continuing to significantly lag behind estimates." The report further read: "Slowing tax revenue is just one issue impacting the funding available for the next two-year budget. Kasich and lawmakers also must deal with the loss of federal Medicaid dollars[, as] [f]ederal regulators are putting an end to Ohio charging sales tax on Medicaid managed-care organizations, [which] will cause an estimated $1.1 billion state funding loss in the next two-year budget, while local counties and transit authorities stand to lose another $400 million."

Better late than never, I suppose. Imagine if for once our government leaders were ahead of the curve rather then perpetually behind it.

Higher Energy Taxes Will Harm Ohio

With all of the focus in Ohio on the Utica Shale, often overlooked is the energy renaissance produced by the combination of hydraulic fracturing and horizontal drilling resulting in massive exploration activities across the United States and the world. If only Ohio possessed natural gas, then the tax rates really wouldn't matter, as energy companies would be forced to pay the tax to extract natural gas to meet supple needs. Unfortunately for Governor John Kasich and pro-tax hike proponents, natural gas exists in rock formations all over America and the world. In the last year, large natural gas discoveries occurred in Myanmar in Southeast Asia, in the western deserts and off the coast of Egypt, off the coast of Israel, in the Terryville field in Louisiana, and in the Wolfcamp Shale in West Texas.

Those discoveries and existing production activities generated unprecedented levels of natural gas production, reaching more than 37 billion cubic feet per day in the U.S. and roughly 342 billion cubic meters per day worldwide in 2015. In a classic supply and demand battle, as supplies skyrocketed without a concomitant increase in demand, prices have remained historically low. It likely will take years for natural gas prices to rebound due to the sheer volume of natural gas wells already in production, as well as the production from newly discovered deposits.

That means marginal costs increases—like higher taxes—matter, especially when profits are still years away. Keep in mind, over the last two years, the number of drilling rigs operating in Ohio plummeted from 48 down to 19—a 60 percent drop in drilling rigs. Of course, some of that drop is due to the reduction in energy prices, but not all of it. The drop correlates closely with Governor Kasich's continuous demand for a higher severance tax in his budgets.

Ohio's energy activities make our state an attractive place for companies due to the proximity to low-cost energy. Ohioans also benefit via low prices to heat their homes. Policymakers should do nothing to make it even harder or more costly for energy companies to engage in activities in Ohio. With Ohio's private sector stagnating over the last year and energy prices remaining low, holding firm against higher taxes is the right call.

Ohio policymakers must resist the urge to shift taxes yet again in order to maintain Ohio's high spending ways.

PER-CAPITA PERSONAL INCOME

		1970	2015	% chg.
●	North Dakota	$3,257	$54,376	1570%
	D.C.	4,970	71,496	1339%
●	Wyoming	3,910	55,303	1314%
	New Hampshire	3,883	54,817	1312%
●	Louisiana	3,089	43,252	1300%
●	Arkansas	2,840	39,107	1277%
●	Virginia	3,792	52,136	1275%
●	South Dakota	3,286	45,002	1270%
	Massachusetts	4,472	61,032	1265%
●	Mississippi	2,628	35,444	1249%
●	Tennessee	3,176	42,069	1225%
	Connecticut	5,071	66,972	1221%
	Vermont	3,625	47,864	1220%
●	Alabama	2,962	38,965	1215%
	California	4,801	62,651	1205%
●	Texas	3,628	46,745	1188%
●	Oklahoma	3,475	44,272	1174%
●	Nebraska	3,793	48,006	1166%
	Minnesota	4,050	50,541	1148%
	Colorado	4,040	50,410	1148%
●	South Carolina	3,055	38,041	1145%
●	North Carolina	3,273	40,656	1142%
	New Jersey	4,813	59,782	1142%
	Maine	3,413	42,077	1133%
	Maryland	4,558	56,127	1131%
	Kentucky	3,176	38,989	1128%
	Rhode Island	4,098	50,080	1122%
	Washington	4,189	51,146	1121%
	Pennsylvania	4,069	49,180	1109%
	New Mexico	3,189	38,457	1106%
●	Georgia	3,379	40,551	1100%
●	Kansas	3,824	45,876	1100%
	West Virginia	3,109	37,047	1092%
	New York	4,868	57,705	1085%
●	Iowa	3,878	44,971	1060%
●	Utah	3,389	39,045	1052%
	Wisconsin	3,981	45,617	1046%
	Montana	3,624	41,280	1039%
	Missouri	3,855	42,752	1009%
●	Florida	3,998	44,101	1003%
	Oregon	3,927	42,974	994%
	Illinois	4,568	49,471	983%
	Indiana	3,791	40,998	981%
	Alaska	5,248	55,940	966%
	Ohio	**4,088**	**43,478**	**964%**
●	Idaho	3,539	37,509	960%
	Delaware	4,594	47,662	937%
●	Arizona	3,829	39,060	920%
	Michigan	4,198	42,427	911%
	Hawaii	5,077	47,753	841%
●	Nevada	4,932	42,185	755%

REAL PER-CAPITA GDP

		2000	2015	% chg.
●	North Dakota	$35,067	$67,278	91.9%
●	South Dakota	35,601	47,785	34.2%
●	Oklahoma	34,015	45,042	32.4%
	Oregon	38,193	50,009	30.9%
●	Nebraska	41,761	52,773	26.4%
●	Iowa	39,747	49,532	24.6%
●	Texas	44,432	54,964	23.7%
	Montana	31,899	39,046	22.4%
●	Wyoming	50,814	61,389	20.8%
	Pennsylvania	41,857	50,540	20.7%
	Maryland	45,619	54,626	19.7%
	California	48,223	56,851	17.9%
	New York	53,827	63,390	17.8%
	Vermont	36,622	43,122	17.7%
	Massachusetts	54,736	64,017	17.0%
	Alaska	57,184	66,835	16.9%
●	Kansas	39,923	46,132	15.6%
	D.C.	138,628	159,938	15.4%
	Rhode Island	41,395	47,413	14.5%
	West Virginia	32,144	36,817	14.5%
●	Arkansas	31,834	36,259	13.9%
●	Utah	38,695	43,688	12.9%
	Hawaii	44,260	49,945	12.8%
	New Hampshire	44,460	50,162	12.8%
	Minnesota	47,577	53,562	12.6%
	Wisconsin	41,911	46,893	11.9%
	Washington	50,063	55,577	11.0%
●	Alabama	33,284	36,750	10.4%
	Ohio	**42,678**	**47,109**	**10.4%**
	New Mexico	37,773	41,529	9.9%
●	Tennessee	38,892	42,647	9.7%
●	Louisiana	40,679	44,587	9.6%
●	Indiana	41,205	45,118	9.5%
	Kentucky	35,513	38,865	9.4%
	Illinois	49,145	53,669	9.2%
●	Virginia	47,313	51,540	8.9%
●	Mississippi	29,166	31,504	8.0%
	New Jersey	53,701	56,663	5.5%
	Maine	36,503	38,431	5.3%
●	North Carolina	42,193	43,680	3.5%
	Missouri	41,920	43,145	2.9%
	Connecticut	61,355	62,800	2.4%
	Colorado	51,524	52,558	2.0%
●	Idaho	34,851	35,455	1.7%
●	South Carolina	36,070	36,620	1.5%
●	Florida	38,860	39,218	0.9%
	Michigan	42,225	42,401	0.4%
●	Arizona	39,185	38,276	-2.3%
●	Georgia	45,447	43,555	-4.2%
	Delaware	68,992	63,783	-7.6%
●	Nevada	49,607	43,126	-13.1%

● — Right-to-Work state (historically)
Note: Per-capita income figures are in chained 2005 dollars. Real per-capita GDP figures are in chained 2009 dollars.
Source: Bureau of Economic Analysis, https://www.bea.gov/iTable/index_regional.cfm.

REAL GDP BY STATE

		2000	2015	% chg.
●	North Dakota	$22,514	$50,925	126.2%
●	Texas	930,610	1,509,819	62.2%
	Oregon	130,992	201,484	53.8%
●	South Dakota	26,909	41,022	52.4%
●	Utah	86,850	130,885	50.7%
●	Oklahoma	117,500	176,174	49.9%
●	Wyoming	25,118	35,981	43.2%
	Montana	28,830	40,332	39.9%
●	Nebraska	71,571	100,068	39.8%
	Alaska	35,909	49,353	37.4%
	California	1,638,988	2,225,413	35.8%
	D.C.	79,302	107,515	35.6%
	Maryland	242,282	328,103	35.4%
	Washington	295,895	398,504	34.7%
	Hawaii	53,710	71,501	33.1%
●	Iowa	116,421	154,734	32.9%
●	Idaho	45,286	58,676	29.6%
●	Arizona	202,215	261,350	29.2%
●	North Carolina	340,989	438,673	28.6%
	Colorado	222,942	286,789	28.6%
●	Virginia	336,195	432,061	28.5%
●	Florida	623,599	794,998	27.5%
●	Tennessee	221,830	281,481	26.9%
●	Arkansas	85,271	107,986	26.6%
	New Mexico	68,793	86,592	25.9%
	Pennsylvania	514,175	647,041	25.8%
	Minnesota	234,732	294,032	25.3%
	Massachusetts	348,183	434,957	24.9%
●	Kansas	107,539	134,321	24.9%
●	Nevada	100,143	124,669	24.5%
●	South Carolina	145,153	179,298	23.5%
	New York	1,022,817	1,254,859	22.7%
	New Hampshire	55,125	66,747	21.1%
	Vermont	22,326	26,996	20.9%
●	Alabama	148,188	178,566	20.5%
	Wisconsin	225,228	270,636	20.2%
	Kentucky	143,791	171,979	19.6%
●	Georgia	373,907	444,908	19.0%
●	Indiana	251,015	298,666	19.0%
	West Virginia	58,084	67,895	16.9%
	Rhode Island	43,476	50,082	15.2%
●	Louisiana	181,910	208,255	14.5%
●	Mississippi	83,074	94,271	13.5%
	Illinois	611,079	690,187	12.9%
	Ohio	**484,975**	**547,100**	**12.8%**
	New Jersey	452,735	507,588	12.1%
	Missouri	235,057	262,479	11.7%
	Delaware	54,253	60,335	11.2%
	Maine	46,618	51,087	9.6%
	Connecticut	209,329	225,507	7.7%
	Michigan	420,241	420,729	0.1%

MANUFACTURING GDP BY STATE

		2000	2015	% chg.
	Oregon	$14,095	$50,358	257.3%
●	North Dakota	1,461	3,508	140.1%
●	Nevada	2,989	5,762	92.8%
●	Texas	110,994	200,406	80.6%
●	Utah	9,293	15,053	62.0%
	Montana	1,718	2,493	45.1%
●	Nebraska	8,709	12,353	41.8%
	Minnesota	30,915	43,783	41.6%
	Colorado	14,806	20,694	39.8%
●	Louisiana	28,681	40,047	39.6%
●	Alabama	22,715	31,261	37.6%
●	South Dakota	2,960	4,046	36.7%
	California	180,327	243,175	34.9%
	Hawaii	1,019	1,366	34.1%
●	Indiana	66,207	87,944	32.8%
	Massachusetts	34,019	44,894	32.0%
	Kentucky	25,986	33,792	30.0%
●	Wyoming	1,340	1,738	29.7%
●	Florida	31,379	40,403	28.8%
●	Tennessee	35,747	45,854	28.3%
●	Idaho	5,428	6,913	27.4%
●	Arizona	17,680	22,199	25.6%
●	Iowa	23,068	28,906	25.3%
	Maryland	14,324	17,832	24.5%
	Washington	40,841	49,736	21.8%
●	Oklahoma	13,867	16,066	15.9%
	New Hampshire	6,690	7,462	11.5%
●	South Carolina	26,742	29,618	10.8%
●	Kansas	17,134	18,774	9.6%
●	Mississippi	12,833	14,027	9.3%
●	North Carolina	78,752	85,508	8.6%
	Alaska	1,197	1,277	6.7%
	Wisconsin	48,350	51,319	6.1%
	Illinois	84,274	88,284	4.8%
	Michigan	81,692	83,909	2.7%
	Vermont	2,480	2,514	1.4%
	Ohio	**95,192**	**95,996**	**0.8%**
	Missouri	34,498	33,989	-1.5%
●	Arkansas	16,650	16,117	-3.2%
●	Virginia	39,060	37,036	-5.2%
	New York	69,762	65,589	-6.0%
●	Georgia	51,328	47,795	-6.9%
	West Virginia	7,073	6,474	-8.5%
	Rhode Island	4,590	4,080	-11.1%
	Pennsylvania	88,329	76,158	-13.8%
	Connecticut	27,501	23,705	-13.8%
	Maine	5,767	4,883	-15.3%
	Delaware	5,138	4,305	-16.2%
	New Mexico	4,815	3,878	-19.5%
	D.C.	278	216	-22.3%
	New Jersey	57,875	38,817	-32.9%

● — Right-to-Work state (historically)
Note: Figures are in chained 2009 dollars.
Source: Bureau of Economic Analysis, https://www.bea.gov/iTable/index_regional.cfm.