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"No Restraints" Budgeting in Ohio

Ohio's Governor-elect Kasich proclaimed, upon his election, that he was under "no restraints" in running Ohio for the next four years. Mr. Kasich's statement supports the theory that the 6 to 1 majority on the Supreme Court of Ohio will be reliably expected by the incoming governor, to determine lawsuits, particularly challenges to privatization of State functions and the sale of State assets, in a partisan manner, without a whole lot of guidance from the Ohio Constitution.

Mr. Kasich drew interest when he announced that Ohio, under Mr. Kasich's administration, would not accept Four Hundred Million Dollars that had been allocated to Ohio to initiate the passenger rail project from Cleveland to Cincinnati. The following explanation of a possible well-thought-out five-year plan that required the rejection of that rail service, is offered.

Mr. Kasich has made it clear that he intends to sell the Ohio Turnpike to some entity, likely the sovereign wealth fund of some oil-rich nation like Norway or Qatar. This benefits the Kasich administration by bringing in a one-time infusion of many billions of dollars so as to enable that administration to balance the State budget without increasing taxes, as promised by Mr. Kasich during his election campaign. However, a one-time infusion, as Mr. Kasich pointed out in his campaign when he disparaged Governor Strickland for balancing the State budget by relying on one-time Federal disbursements in 2009, leaves the problem of where to get the money to balance the next budget. So, the 2009 budget was balanced with funds from Washington, the 2011 budget may be balanced with the proceeds of selling the Turnpike to Norway, how shall the 2013 budget be balanced?

The installation of EZ-Pass electronic toll gates on the Ohio Turnpike has demonstrated that system's usefulness, to the point that this writer now accepts Big Brother monitoring my Turnpike usage as the acceptable cost of getting through the toll gate quickly. Negotiations may start immediately upon Mr. Kasich taking office, to convert Interstate 71 to a toll road and install EZ-Pass toll gates. There is a legitimate economic argument for creating the toll road: the most frequent users are commercial truckers, State legislators and lobbyists traveling to Columbus, and drug runners. Creating tolls so that these users pay the costs of maintaining their commercial highway, rather than charging the cost to the general taxpayer who uses the road infrequently if at all, has an appeal to economic justice. There may be some ambiguity as to who "owns" the Interstate Highway, as between the State and the Federal government, but the County Recorder shows the deeds to the land on which the highway is built are held in the name of the State of Ohio, so the governor can probably lease or sell it.

Faced with the continuing situation of tax revenues being smaller than the costs of State of Ohio services, Governor Kasich will likely get legislative authorization to build EZ-Pass toll gates on I-71 in 2012. And this, dear reader, is a reasonable explanation of why Mr. Kasich rejected the Federal funding for the passenger rail line - to avoid the competition to the soon-to-be-toll road that serves the same route. The use of a passenger rail line might be more attractive to the traveler if the alternative was driving a toll road on which the traveler was charged the cost of maintaining the road, rather than driving a road for which the taxpayers pay the cost of maintenance. EZ-Pass toll gates on I-71 will be a moneymaker, because the tolls can be as high as the road-owner wants since there is no competing way to get from Cleveland to Cincinnati.

If, in 2012, Gov. Kasich can get the toll gates built, there may be a short period of token resistance demonstrated by folks who try to drive old State Route 42 (does anybody else remember trying to drive Route 42 to Columbus in 1965 before the Interstate?). Enthusiasm for this route will fade as municipal governments on Route 42 attempt to make up the loss of State local-government funds by introducing the traveler to local traffic ordinances. The volume of long-haul traffic on I-71 will not be noticeably reduced by the toll gates.

After a few months of demonstrating the cash flow from the new toll road, the package will be ready to sell to Norway in 2013 to balance the 2013 Ohio budget. These two sales of Ohio's assets will get Governor Kasich through his entire four-year term with a balanced budget without raising taxes. And it still leaves Ohio with I-70, I-75, I-77, the non-Turnpike parts of I-76, I-80, and I-90, and assorted urban spurs and bypasses to sell off for future budgets. One hopes that Governor Kasich will find buyers from the sovereign wealth funds of oil-producing nations, like Norway or Venezuela or Nigeria, as those funds will have a vested interest in maintaining the roads so as to encourage continued consumption by Ohioans of the petroleum products from which their sovereign wealth comes. One hopes to avoid sale of Ohio highways to China or Singapore, which might find it in their interests to permit Ohio's economic infrastructure to deteriorate.

Ohio's highways are not the only assets which Governor-elect Kasich has announced an interest in selling. Ohio's reserves of natural gas are under the sole authority of the Ohio Department of Natural Resources. Mr. Kasich announced, December 30, his appointment as Director of that Department, David Mustine, who "spent the last two years as director of an oil and gas service business based in Dubai." (<http://www.recordpub.com/news/article/4956335>) One might anticipate that there will not be much enthusiasm for protection for Ohio landowners who lease their land to gas drillers, from a "regulatory" agency directed by an executive of the industry to be "regulated". And one might expect leasing of Ohio parks and forest lands to gas drillers to begin as soon as the bids can be opened.

This demonstrates an essential difference in budgeting approach between the Strickland administration and the Kasich administration. Governor Strickland attempted to fund State services from current income, in the tradition of working families who do not have inherited wealth to sell off to pay their bills. In 2009, Governor Strickland postponed the reduction in State revenues previously scheduled by the Taft administration, which was attacked by candidate Kasich as a "tax increase". Governor Strickland was able to pay for moderately-reduced State services without selling off Ohio assets.

Governor-elect Kasich proclaims that he will not have Ohioans pay any more for State services. The Kasich program, possibly from experience at Lehman Brothers in financial manipulation of other people's assets, is to sell off Ohio's inherited physical assets, including the highways built by the Greatest Generation and the natural gas resources over which Ohio has stewardship, until there are no more assets or no more buyers. This approach is apparently favored by folks who believe they should receive services from the State of Ohio without ever having to pay for those services.

Dubai, Dubai, do. Happy New Year.

- Christopher J. Mallin, Old Country Lawyer

