

OHIO Budget Report Card



ALTHOUGH OHIO’S rainy day fund balance was the equivalent of a record high of 8.5 percent of general fund expenditures in fiscal 2018, the state received a C average in reserve funds for that year and the two previous years. The grade reflected the absence of a link between revenue volatility and reserve fund policies. The state also lacks rules governing withdrawals, although it does have policies for replenishment.

Ohio fared better in transparency, notching a B average for fiscal 2016 through 2018. A web-based interactive budget lets users click through a series of charts for information derived from the state’s accounting system, including the breakdown of nontax and tax revenues and the portion of the budget spent on debt service, personnel, and equipment. Ohio missed receiving an A because it does not disclose deferred infrastructure replacement costs, a shortcoming shared by all

but four states—Alaska, California, Hawaii, and Tennessee in 2017 and 2018.

Ohio also averaged a B in the budget maneuvers category. The state avoided one-time measures such as deferring recurring expenditures and funding spending with debt. Still, like thirty-two other states in fiscal 2017, Ohio used cash from special funds to help achieve general fund balance. For example, that year \$255 million was transferred to the general fund from other government funds, according to the state’s comprehensive annual financial report.

Ohio’s worst grade was a D average in budget forecasting. The state does not provide multiyear revenue or expenditure forecasts beyond the second year of its biennial budget. It also lacks a formal consensus process for revenue estimating. The Legislative Service Commission and the governor’s office prepare separate revenue estimates, often discussing the results informally. While legislators can choose between the forecasts, they have tended in recent years to accept the more conservative outlook or average the two.


EAST NORTH CENTRAL STATES SIDE BY SIDE: Three-Year Average Grades, 2016-18


	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Illinois	D	D	D-	D	B
Indiana	C	A	B	A	C
Michigan	B	B	C	A	B
Ohio	D	B	C	C	B
Wisconsin	D	B	A	B	B
US AVERAGE	C	B	C	B	B


NOTE States are grouped by US Census Bureau divisions.


Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: Preventing the Next Fiscal Crisis* at VolckerAlliance.org.


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BUDGET FORECASTING					
	2016	2017	2018		
	CATEGORY GRADE	D	D	D	
	Consensus Revenue Forecasts	X	X	X	
	Multiyear Expenditure Forecasts	X	X	X	
	Multiyear Revenue Forecasts	X	X	X	
	Revenue Growth Projections	✓	✓	✓	
3-YEAR AVERAGE		D	3-YEAR TREND		—

BUDGET MANEUVERS					
	2016	2017	2018		
	CATEGORY GRADE	B	B	B	
	Deferring Recurring Expenditures	✓	✓	✓	
	Revenue and Cost Shifting	X	X	X	
	Funding Recurring Expenditures with Debt	✓	✓	✓	
	Using Asset Sales and Up-Front Revenues	✓	✓	✓	
3-YEAR AVERAGE		B	3-YEAR TREND		—

LEGACY COSTS					
	2016	2017	2018		
	CATEGORY GRADE	C	C	C	
	Public Employee OPEB Funding	X	X	X	
	Public Employee Pension Funding	✓	✓	✓	
	Public Employee Pension Funded Ratio*	71%	78%	78%	
3-YEAR AVERAGE		C	3-YEAR TREND		—

RESERVE FUNDS					
	2016	2017	2018		
	CATEGORY GRADE	C	C	C	
	Positive Reserve or General Fund Balance	✓	✓	✓	
	Reserve Funds Disbursement Policy	X	X	X	
	Reserve Funds Replenishment Policy	✓	✓	✓	
	Reserves Tied to Revenue Volatility	X	X	X	
3-YEAR AVERAGE		C	3-YEAR TREND		—

TRANSPARENCY					
	2016	2017	2018		
	CATEGORY GRADE	B	B	B	
	Consolidated Budget Website	✓	✓	✓	
	Provides Debt Tables	✓	✓	✓	
	Discloses Deferred Infrastructure Replacement Costs	X	X	X	
	Discloses Tax Expenditures	✓	✓	✓	
3-YEAR AVERAGE		B	3-YEAR TREND		—

KEY

✓	Followed best practice
X	Did not follow best practice

BUDGET FORECASTING evaluates whether and how states estimated long-term revenue and expenditure trends. **BUDGET MANEUVERS** evaluates whether states used one-time revenues, borrowings, asset sales, and other measures to achieve short-term budgetary balance. **LEGACY COSTS** evaluates whether states provided adequate funding, as defined by retirement system actuaries, for pensions and other promised retirement benefits for public workers. **RESERVE FUNDS** evaluates states' rainy day funds and other fiscal reserves, as well as any policies governing their use and replenishment. **TRANSPARENCY** evaluates the accessibility to the public of states' budget practices.

* SOURCE Bloomberg; 2017 data also used for 2018.