

## OHIO Budget Report Card



OHIO'S D AVERAGE in budget forecasting for fiscal 2017 through 2019 resulted from multiple weaknesses in the way the state charts its future path. One of only seven states to receive the second-lowest possible mark in the category, Ohio failed to produce at least three-year estimates for revenues or expenditures. It also does not employ consensus revenue forecasting for the budget, leaving that task to the executive branch. While the Legislative Service Commission, a bipartisan agency, prepares its own revenue forecasts, they are not used directly in formulating a budget.

Ohio earned C averages in budget maneuvers, reserve funds, and legacy costs, the last of which includes public worker pensions and other postemployment benefits (OPEB), principally health care.

The state's reserve funds grade benefited from statutory conditions for replenishing the Budget Stabilization Fund from surpluses, a recommended practice in the Volcker Alliance's recent working paper, *Rainy Day Fund Strategies: A Call to Action*. However, statutes offer little guidance for use of the reserve beyond mentioning "purposes of cash management."

The state's C average in legacy costs stemmed from underfunding of annual OPEB contributions. Though Ohio appropriated for pensions in line with actuarial determinations, the most recent information available (for fiscal 2017) shows that its contribution for the Ohio Highway Patrol Retirement System was \$5.6 million, versus the actuarially determined amount of \$30 million. In 2017, the state made no OPEB contributions for the State Teachers Retirement System of Ohio, although actuaries called for \$339 million.

### EAST NORTH CENTRAL STATES SIDE BY SIDE: Three-Year Average Grades, 2017-19


	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Illinois	C	D-	D-	D	B
Indiana	C	A	B	A	B
Michigan	B	A	C	A	B
Ohio	D	C	C	C	B
Wisconsin	D	B	A	B	B
US AVERAGE	B	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: The Balancing Act* at [VolckerAlliance.org](http://VolckerAlliance.org).


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BUDGET FORECASTING				
	2017	2018	2019	
	CATEGORY GRADE	<b>D</b>	<b>D</b>	<b>D</b>
	Consensus Revenue Forecasts	<b>X</b>	<b>X</b>	<b>X</b>
	Multiyear Expenditure Forecasts	<b>X</b>	<b>X</b>	<b>X</b>
	Multiyear Revenue Forecasts	<b>X</b>	<b>X</b>	<b>X</b>
	Revenue Growth Projections	✓	✓	✓
<b>3-YEAR AVERAGE</b> <b>D</b>		<b>3-YEAR TREND</b> —		

BUDGET MANEUVERS				
	2017	2018	2019	
	CATEGORY GRADE	<b>B</b>	<b>D</b>	<b>B</b>
	Deferring Recurring Expenditures	✓	✓	✓
	Revenue and Cost Shifting	<b>X</b>	<b>X</b>	<b>X</b>
	Funding Recurring Expenditures with Debt	✓	<b>X</b>	✓
	Using Asset Sales and Upfront Revenues	✓	<b>X</b>	✓
<b>3-YEAR AVERAGE</b> <b>C</b>		<b>3-YEAR TREND</b> —		

LEGACY COSTS				
	2017	2018	2019	
	CATEGORY GRADE	<b>C</b>	<b>C</b>	<b>C</b>
	Public Employee OPEB Funding	<b>X</b>	<b>X</b>	<b>X</b>
	Public Employee Pension Funding	✓	✓	✓
	Public Employee Pension Funded Ratio*	78%	74%	74%
<b>3-YEAR AVERAGE</b> <b>C</b>		<b>3-YEAR TREND</b> —		

RESERVE FUNDS				
	2017	2018	2019	
	CATEGORY GRADE	<b>C</b>	<b>C</b>	<b>C</b>
	Positive Reserve or General Fund Balance	✓	✓	✓
	Reserve Funds Disbursement Policy	<b>X</b>	<b>X</b>	<b>X</b>
	Reserve Funds Replenishment Policy	✓	✓	✓
	Reserves Tied to Revenue Volatility	<b>X</b>	<b>X</b>	<b>X</b>
<b>3-YEAR AVERAGE</b> <b>C</b>		<b>3-YEAR TREND</b> —		

TRANSPARENCY				
	2017	2018	2019	
	CATEGORY GRADE	<b>B</b>	<b>B</b>	<b>B</b>
	Consolidated Budget Website	✓	✓	✓
	Provides Debt Tables	✓	✓	✓
	Discloses Deferred Infrastructure Replacement Costs	<b>X</b>	<b>X</b>	<b>X</b>
	Discloses Tax Expenditures	✓	✓	✓
<b>3-YEAR AVERAGE</b> <b>B</b>		<b>3-YEAR TREND</b> —		

### KEY

✓	Followed best practice
<b>X</b>	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; 2018 data also used for 2019.

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