

# CRAIN'S CLEVELAND BUSINESS

## **You like numbers? Researchers at two institutions that ranked Ohio's fiscal health provide plenty of them**

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Ohio Gov. John Kasich is no longer a favorite of conservatives, but he gets a pretty good grade from the libertarian Cato Institute in its 2018 fiscal policy report card on the nation's governors.

Kasich is among a group of 11 governors who receive a grade of "B" in the record card, which Cato says "uses statistical data to grade the governors on their taxing and spending records." Governors "who have cut taxes and spending the most receive the highest grades, whereas those who have increased taxes and spending the most receive the lowest grades," according to the think tank.

Five governors were awarded an A on this report: Susana Martinez of New Mexico, Henry McMaster of South Carolina, Doug Burgum of North Dakota, Paul LePage of Maine, and Greg Abbott of Texas. Eight governors were awarded an F: Roy Cooper of North Carolina, John Bel Edwards of Louisiana, Tom Wolf of Pennsylvania, Jim Justice of West Virginia, Dennis Daugaard of South Dakota, David Ige of Hawaii, Kate Brown of Oregon, and Jay Inslee of Washington.

Here's how Cato assesses Kasich's tenure:

*John Kasich has a generally fiscally conservative record as governor of Ohio. He has approved numerous tax reductions. In 2013, he signed a law cutting individual income tax rates by 10 percent, with the top rate falling from 5.93 to 5.33 percent. The plan also exempted a portion of small business income from taxation. To partly offset the revenue loss, the plan broadened the base of the state sales tax and raised the sales tax rate. In 2014, the income tax rate reductions were accelerated and personal exemptions were increased.*

*In 2015, Kasich approved further income tax rate cuts. Individual rates were slashed across the board, and the top rate dropped to 5.0 percent. The 2015 legislation also allowed taxpayers to exempt the first \$250,000 of business income, with just a 3 percent tax rate above that threshold. The revenue losses from the 2015 tax cuts were partly offset by a cigarette tax increase from \$1.25 to \$1.60 per pack.*

*In 2017, Kasich proposed reducing the number of individual income tax brackets from nine to five and cutting the top tax rate to 4.3 percent. The revenue loss would be partly offset by raising sales taxes and cigarette taxes.*

*The legislature approved only small individual and business tax cuts and reduced the number of individual income tax brackets from nine to seven. General fund spending rose briskly in Kasich's earlier years in office, but spending has been roughly flat in recent years, and he scored well on spending in this report.*

Somewhat consistent with that "B" grade is this analysis of states' fiscal conditions in 2018, produced by the Mercatus Center at George Mason University. It ranks Ohio 23rd of the 50 states.

The study analyzes state finances on five factors, which it describes as follows:

*Cash solvency. Does a state have enough cash on hand to cover its short-term bills?*

*Budget solvency. Can a state cover its fiscal year spending with revenues, or does it have a budget shortfall?*

*Long-run solvency. Can a state meet its long-term spending commitments? Will there be enough money to cushion it from economic shocks or other long-term fiscal risks?*

*Service-level solvency. How large a percentage of personal income are taxes, revenue, and spending? How much "fiscal slack" does a state have to increase spending if citizens demand more services?*

*Trust fund solvency. How much debt does a state have? How large are its unfunded pension and health care liabilities?*

The study noted that Ohio "has between 3.43 and 4.20 times the cash needed to cover short-term obligations, well above the US average. Revenues match expenses, with an improving net position of \$63 per capita. In the long run, Ohio has a net asset ratio of 0.07. Long-term liabilities are lower than the national average, at 51 percent of total assets, or \$3,243 per capita. Total unfunded pension liabilities that are guaranteed to be paid are \$388.98 billion, or 75 percent of state personal income."

### **This and That, Politics Edition**

- Pleased that Brett Kavanaugh is an associated justice of the Supreme Court? A good deal of the credit for that should go to U.S. Sen. Rob Portman, R-Cincinnati, according to this piece in *Forbes* from Bill Whalen, a research fellow at the conservative Hoover Institution. Whalen offers three reasons that Portman "deserves more credit than he received (though Kavanaugh did thank him in his remarks) — and why Portman may be a key player if there's such a thing as the Senate returning to a more collegial environment." Those reasons: an eloquent floor speech, his efforts to gain the support of Sen. Susan Collins of Maine, and what Whalen calls "let the healing begin." On that final point, Whalen writes, "Rob Portman is not to be confused with the late John McCain as a political maverick. However, he does have a calm demeanor and good standing to reach out to the loyal opposition — in Portman's words, 'lower the volume.' The question: if Portman tried to be a peacemaker, would he find any willing takers across the aisle?"

- *The Economist* takes a look at how the success of an Ohio referendum on gerrymandering "has inspired campaigners elsewhere to push for more ambitious changes." Next month, the magazine notes, "electorates in Colorado, Missouri, Utah and Michigan will all have the opportunity to

wrest control of district-drawing away from their representatives." Hope for those measures is rising, *The Economist* says, since Ohio's Republican party "gave its assent to a modest reform, which requires numerous steps to secure bipartisan support for legislative maps, and shortens the lifespan of those passed by a one-party majority from ten years to four. Voters approved the initiative in May by a three-to-one margin." It was needed. As the story notes, "one of America's most effective gerrymanders" was in Ohio, "where Republicans won 58% of votes for the House of Representatives in 2016 and 75% of the seats."