



Is Kasich ‘Worst’ on Spending?

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February 12, 2016

Pro-Jeb Bush ads rely on skewed data to falsely label Ohio Gov. John Kasich as having the “worst rating on spending of any governor in the country, Republican or Democrat.”

The rating is based on data about Ohio’s general revenue fund spending, but the nonpartisan group that published the data warned that the figures for Ohio were skewed, for state comparison purposes, due to accounting methods employed by the state for Medicaid expenditures.

The attack is particularly significant given that Kasich has made balancing the federal budget a central part of his campaign. Kasich, a former chairman of the House Budget Committee, has described himself as “one of the chief architects” of a successful effort to balance the budget in 1997 for the first time in decades.

As several candidates vie for the Republican establishment vote, the pro-Bush super PAC Right to Rise came out with an ad in the New England area attacking Kasich’s record. The ad, called “Quiz,” claims Kasich “even had the worst rating on spending of any governor in the country, Republican or Democrat.” That line also was in a Right to Rise ad that ran in Iowa asking viewers to compare the records of the three governors running for president if you “can’t stomach Trump or Cruz.”

Those ads, as well as one on the Bush campaign website, all cite a report from the libertarian Cato Institute, which gave Kasich an overall “D” rating in its 2014 “Fiscal Policy Report Card on America’s Governors.”

The Cato report praised Kasich for enacting numerous tax cuts but said his “score was dragged down by his spending increases.” Indeed, Cato ranked Kasich dead last among governors on spending, based on large growth in general revenue fund spending in FY 2014, which was adjusted for population increases and inflation. (Interestingly, in 2006 Cato gave then Florida Gov. Jeb Bush a “C” grade, praising his tax cuts but noting that “[w]hat has finally caused his grade to drop to a C this term was explosive growth in state spending.”)

Cato particularly criticized Kasich’s push for Medicaid expansion made possible by the Affordable Care Act. Kasich has said he opposes the Affordable Care Act, but he supports the Medicaid expansion, which took effect Jan. 1, 2014.

Cato based its spending conclusions on data from a [state expenditure report](#) by the nonpartisan National Association of State Budget Officers. But that report carries a significant footnote for the data from Ohio.

The footnote, found on page 14, states that unlike most other states, Ohio's accounting practices are such that most of the federal reimbursements for Medicaid expenditures are put into the general revenue fund. Other states list such federal reimbursements separately as federal expenditures. As a result, the footnote states, "This will tend to make Ohio's GRF expenditures look higher and conversely make Ohio's federal expenditures look lower relative to most other states that don't follow this practice."

The Kasich campaign argues that it makes more sense to look at all-funds spending, which includes state and federal (and other) spending. By that measure, Kasich's record on spending is middle-of-the-pack — increases of about 2 percent a year. Those are the figures Kasich cited in an Aug. 2 interview on "[Fox News Sunday](#)," when he dismissed the Cato report and claimed, "our budget overall is growing by about 2 percent or 3 percent." When he says overall, he's talking about the all-funds budget.

Kasich's interview sparked a [blog response](#) from Nicole Kaeding, coauthor of the Cato report who now works for the pro-business Tax Foundation.

"By using the all-funds number, Kasich is trying to use federal spending to mask the quick increase in general fund spending," Kaeding wrote. "Federal spending — besides Medicaid — is not increasing in Ohio that quickly. Kasich has little control over federal spending, but he is using it to hide how much Ohio's state spending has grown during his tenure."

"Our data is correct, and so is his," Kaeding concluded. "Kasich seems to pick the dataset that shed the best light on him. Ohio spending has increased quickly when you look at the general fund."

There are pros and cons to looking exclusively at either the general fund or all-funds budget when it comes to evaluating Ohio's spending performance. And we won't wade into the political debate about which way is best. But it is misleading to call Kasich the worst on spending based on general revenue fund spending data from NASBO. That ignores NASBO's warning that an accounting peculiarity in Ohio regarding Medicaid expenditures makes its general fund look larger relative to other states that do their accounting differently.

We reached out to Chris Edwards of Cato, who was the other coauthor of the 2014 report card, and we asked him about NASBO's footnote on Ohio spending.

He noted that between FY 2012, Kasich's first year in office, and FY 2015, Ohio's general revenue fund grew 16.8 percent and all funds grew 12.4 percent. For all states over the same

period, general revenue funds grew 13.1 percent and all funds grew 13.2 percent. (We checked and confirmed these numbers independently.) These figures — which are not adjusted for inflation or population fluctuations — back up the Kasich campaign’s assertion that its all-funds spending was nearly in line with the national average over that period, even as its general fund appears to be well above the national average.

“So I would say looking now that Kasich’s spending increases over his first 3 years were roughly in line with the average for the 50 states,” Edwards said.

But Edwards then pointed to GRF-only data for 2016 released by NASBO (all-funds data is not yet available). That data show Ohio’s GRF “leaps by 13 percent compared to the 50-state average of 4.1 percent for that one year.”

That’s true, but again, back to those pesky footnotes. On page 41, a footnote provides an important caution when it comes to comparing the general revenue fund for Ohio with other states in FY 2016.

NASBO, Fall 2015: Medicaid expansion was not funded through the General Revenue Fund (GRF) in fiscal year 2015, but it is in fiscal 2016. This change is responsible for the majority of the fiscal 2016 growth. In addition, federal reimbursements for Medicaid expenditures funded from the GRF are deposited into the GRF. This will tend to make Ohio’s GRF expenditures look higher relative to most states that don’t follow this practice.

While Ohio had been funding federal reimbursements for Medicaid through the GRF prior to the ACA Medicaid expansion, it didn’t start funding those expansion funds specifically through the GRF until 2016.

That’s largely the reason why Ohio appears to have larger general revenue fund increases in 2016 relative to other states — many of which have also opted to expand Medicaid through the Affordable Care Act, said Brian Sigriz, director of state fiscal studies at NASBO.

The general fund figure “is definitely skewed for Ohio because of the way they do Medicaid,” Sigriz said. “If they weren’t a Medicaid expansion state, you wouldn’t see anything. But they are, and that’s mostly what’s leading to a big jump right now.”

In other words, it would be expected that as Medicaid funding increased — as it did in Ohio and 34 other states that have expanded Medicaid under the Affordable Care Act — Ohio’s GRF would expand faster relative to other states based on the relatively unique way it does its accounting.

NASBO referred us to Ohio’s Department of Medicaid budget, which shows the GRF federal fund for Medicaid grew by nearly 29 percent from 2015 to 2016, while its GRF state Medicaid fund grew by only 1.2 percent. There was also a big drop in a separate federal fund group for

Medicaid, outside the GRF, of 42 percent, showing that a shift had occurred in how Ohio categorized its Medicaid spending (see [page 50 of the state's FY 2016-2017 budget](#)).

Edwards stood by the Cato rating, arguing that using the NASBO data is the fairest way to compare state spending.

“As an economist trying to be fair, I’ve almost always stuck with what NASBO reports,” Edwards said. “Over the years, I’ve noticed many discrepancies between NASBO data and what state specific budget documents show. But I’ve decided it is most fair to just use the NASBO-reported data. For one reason, state budget officers in the 50 states are the ones that provide the data to NASBO, and they know exactly what they are giving to NASBO. NASBO, to the extent it can, tries to get the states to report consistent data.”

“Kasich touts himself as a spending cutter, but it appears that he’s no more fiscally frugal than the average of all Democratic and Republican governors,” Edwards said. “Besides, his unilateral decision to expand Medicaid is a clear decision in favor of budget expansion over fiscal retrenchment.”

For the purposes of our fact-check, we would note that saying the spending increases over Kasich’s first three years were “average” is far different from the ads’ claim that Kasich was worse on spending than any other governor, Republican or Democrat.

Cato is entitled to its opinion on the Medicaid expansion, of course. But its comparison of state spending is based on a report that warns that Ohio’s general fund may appear larger than other states due to the way it accounts for Medicaid spending. And so it is misleading to conclude based on that data that Kasich has the “worst rating” on spending, as the ads claim.