HOW DOES OHIO COMPARE TO OTHER STATES?

Ohio ranks 7th among US states for its fiscal health, based on its fiscal solvency in five separate categories.

Ohio's fiscal ranking in FY 2013 placed it in the top ten even though its performance was a mixed bag. The state had very high levels of cash to cover short-term bills; by one measure, available cash was seven times greater than short-term liabilities. Ohio had enough revenue to cover expenses and showed a small surplus. However, on a long-run basis there are a few causes for alarm. Long-term liabilities accounted for 56 percent of total assets, and at more than $247 billion, the state's unfunded pension liability was far larger than its estimates. Ohio's other postemployment benefits (OPEB) were well funded relative to most states, at 40 percent. The unfunded OPEB liability was almost $13 billion. Taken together, the solvency of Ohio's trust funds ranked third from the bottom among the 50 states.

1. Ohio ranks 4th in terms of cash solvency.

Cash solvency measures whether a state has enough cash to cover its short-term bills, which include accounts payable, vouchers, warrants, and short-term debt. Ohio's cash position was very strong in FY 2013. The state had five to seven times the amount of cash needed to cover short-term spending, placing it far above the national average.

	Cash ratio	Quick ratio	Current ratio
Ohio	5.14	7.12	7.36
National average	2.23	3.02	3.37

2. Ohio ranks 32nd in terms of budget solvency.

Budget solvency measures whether a state can cover its fiscal year spending out of current revenues. Did it run a shortfall during the year? Ohio was able to meet its expenses in FY 2013 with revenues exceeding expenditures by 3 percent. The state realized a small surplus of $162 per capita.

	Operating Ratio	Surplus (deficit) per capita
Ohio	1.03	$162
National average	1.07	$473

3. Ohio ranks 37th in terms of long-run solvency.

Long-run solvency measures whether a state has a hedge against large long-term liabilities. Are there enough assets available to cushion the state from potential shocks or long-term fiscal risks? After paying for its debts, Ohio had a small amount of assets left over with a net asset ratio of 6 percent. (Net assets are those left over after the government has paid its debts. They are a subset of total assets, which also include capital and government buildings. The net asset ratio measures the total of restricted and unrestricted assets, or net assets, as a portion of total assets.) Ohio's long-term liabilities accounted for 56 percent of total assets and $3,728 per capita, both higher than the national average.

	Net asset ratio	Long-term liability ratio	Long-term liability per capita
Ohio	0.06	0.56	$3,728
National average	0.03	0.40	$2,768

4. Ohio ranks 19th in terms of service-level solvency.

Service-level solvency measures how high taxes, revenues, and spending are when compared to state personal income. Do states have enough "fiscal slack"? If spending commitments demand more revenues, are states in a good position to increase taxes without harming the economy? Is spending high or low relative to the tax base? Ohio's total taxes as a percent of state personal income were slightly below the national average at 5 percent. Ohio also relied on nontax sources to cover total expenses, which accounted for 12 percent of state personal income.

	Tax to income ratio	Revenues to income ratio	Expenses to income ratio
Ohio	0.05	0.13	0.12
National average	0.06	0.14	0.13

5. Ohio ranks 48th in terms of trust fund solvency.

Trust fund solvency measures how much debt a state has. How large are unfunded pension liabilities, OPEB liabilities, and state debt compared to the state personal income? Ohio's unfunded pension obligations represented more than half of the total state personal income. As a percentage of income, the shortfall was almost double the national average. (Pension benefits are recalculated based on a discount rate of 3.38 percent to account for the government's guarantee to pay employees earned benefits.) OPEB obligations were 3 percent of personal income, and total state bonded debt represented 4 percent of personal income in FY 2013.

	Pension to income ratio	OPEB to income ratio	Debt to income ratio
Ohio	0.52	0.03	0.04
National average	0.29	0.04	0.04

State Debt

State debt is calculated from each state's Comprehensive Annual Financial Report. Ohio's total bonded debt amounted to more than $17 billion in FY 2013, or 3.6 percent of personal income.

	General obligation bonds	Total primary government debt	Personal income	Ratio of debt to personal income	Total primary debt per capita
Ohio	$8.67 billion	$17.29 billion	$474.97 billion	3.6%	$1,498
National average	$6.08 billion	$12.60 billion	$282.05 billion	4.0%	$1,824

Pension Liability

Pension liability is calculated from each state's pension actuarial reports. Calculated on a guaranteed-to-be-paid basis, Ohio's unfunded pension liabilities increased significantly from about $59 billion to more than $247 billion.

	Unfunded liability	Funded ratio	Market value of unfunded liability (risk-free discount rate)	MVL funded ratio
Ohio	$59.37 billion	72%	$247.65 billion	38%
National average	$19.85 billion	70%	$78.79 billion	40%

OPEB Liability

OPEB liability is calculated from each state's Comprehensive Annual Financial Report. Ohio's OPEB benefits were partially funded at 40 percent. The unfunded OPEB liability was almost $13 billion, slightly higher than the national average.

	Total unfunded OPEB liability	Funded ratio
Ohio	$12.94 billion	40%
National average	$10.84 billion	11%

Interpreting the Ratios: Financial Indicators Used to Measure Fiscal Condition

See mercatus.org/statefiscalrankings for a complete explanation of the methodology used to calculate Ohio's fiscal health rankings.

Eileen Norcross, "Ranking the States by Fiscal Condition"
(Mercatus Research, Mercatus Center at George Mason University, Arlington, VA, July 2015).