

Ohio House of Representatives



*State Representative
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**HB320 Sponsor Testimony
September 19th 2017**

Chairman Dever, Vice Chair Sprague, Ranking Member Smith, and members of the House Finance Committee, thank you for the opportunity to provide sponsor testimony today on House Bill 320, which establishes the Long-Range Financial Outlook Council to research and annually report on the long range financial outlook for the State of Ohio.

Currently we operate on a biennial budget. We look out two years at a time, which is fine for budgeting purposes, but not for planning. As legislators, we would benefit from understanding Ohio's long-term outlook. If we had such a long-term outlook, it would be a tool which could help us prepare and make policy decisions proactively instead of reactively, when we find ourselves in a crisis.

HB320 proposes a four-year financial outlook for Ohio, which would be a fact based, non-partisan forecasting tool for legislators that projects fiscal trends, including projected expenditures and expected tax revenues. It will be based on current law, demographics, debt, Medicaid loads, expected trends and other factors including economic, socio-economic, environmental, and more. Basically, the outlook would consider anything that is likely to affect the fiscal health and course of the state. The report

should be easy to read and understood by anyone. (As an example of the level of detail we are envisioning, please see the State of Florida's Long-Range Financial Outlook Report.) The report shall, amongst other things:

1. Project the future financial needs of Ohio for the subsequent four fiscal years;
2. Project state revenue estimates for the subsequent four fiscal years; and
3. Review revenue estimates and budget projections for all major state-funded programs.

The financial outlook report will not only be made available to legislators, but to the public as well, thereby increasing both transparency and accountability.

So how do we make this happen? HB 320 establishes a Long-Range Financial Outlook Council to prepare annual long-range financial outlook reports for the State of Ohio. It also requires the Legislative Service Commission to conduct research and provide staffing as well as technical assistance to the council. The Long-Range Financial Outlook Council will be staffed by fifteen to twenty-one Ohioans, experts in accounting, banking, economics, and financial planning. The council will be a nonpartisan body designed to produce impartial and fact-based information. This is why no more than half plus one of the council members may be from the same political party, why the Chairperson of the Ohio Legislative Service Commission shall appoint the Council's Chairperson, and why the council will be exclusively supported by the Ohio Legislative Service Commission. To further assure nonpartisanship, the council will conduct regular and open public hearings, which consequently will also enable agency officials and the public to comment on all council activity. Besides the Council Chairperson who is appointed by the Chairperson of the Ohio Legislative Service Commission, the remaining members of the council will be appointed by the Speaker of the House of Representatives, the President of the Senate, and the Director of the Office of Budget and Management. The council members will not receive any compensation for their services; however will receive reimbursement for expenses.

In order to generate the report, which will be due to the General Assembly every year on September 1st, the council will annually assess the state's debt and debt service; economic forecasts relating to Ohio; state demographics;

and information given to it by every state agency. Once the report has been generated and adopted by a majority of the council's members, a copy of it shall be published on the websites of the General Assembly, the Ohio Legislative Service Commission, and the Office of Budget and Management. The report itself will be submitted to the General Assembly, which, starting in 2019 will have until January 31st to meet to officially receive the report. An executive summary of the report will also be submitted to the Clerk of the House of Representatives.

Other states, most notably Virginia, Florida and Kentucky, in demonstrating their commitment to fiscal responsibility, have adopted similar processes. Some instituted constitutionally, others statutorily, but all helping their states to minimize uncertainty and surprise in the budgeting process. It should be noted that, while Ohio's debt rating has improved since the introduction of this legislation in the 129th GA to AA positive, Florida continues to receive the best debt rating possible, AAA. Of course there are many factors which weigh into receiving such a rating, Florida's ability to be proactive (for example managing their costs) due to having such a long-range financial outlook, certainly played a key role.

Having a long-range financial outlook just makes common sense. Most successful businesses forecast out several years, this helps them to make decisions today to optimize their future. States are no different.

I would like to thank Representative Christina Hagan, for her leadership on this issue and the Ohio Society of CPA's for their support of sound fiscal policy such as this.

At this time, we would be delighted to entertain any questions that the committee might have.