

# State Budgeting Matters

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*The governor faces many challenges in producing and maintaining a balanced budget that meets Ohio's needs.*

*This series is an opportunity for our readers to get involved by e-mailing their Ohio budget questions to our Ohio budget expert, Richard G. Sheridan, at [rsheridan@CommunitySolutions.com](mailto:rsheridan@CommunitySolutions.com).*

*Please note that Richard G. Sheridan's opinions are not necessarily those of The Center for Community Solutions.*

## Restoring Legislative Fiscal Equality

Ohio's new state legislature has convened and awaits the delivery of Governor Strickland's proposed FY 2010 – FY 2011 state budget on February 2. The forthcoming budget session portends to be among the most contentious this writer has witnessed—perhaps surpassing the 1973 session when the newly-turned-Democratic House of Representatives was unable, or unwilling, to act on fellow Democratic Governor John Gilligan's proposed budget months after its introduction. The Democrats long felt that they had been "victims" in the budget process in the past. Now that they had ascended to the majority, they trusted none of the legislative fiscal staff (or bill-writing and analysis staff, for that matter) that had been hired by Republican legislators and, they felt, primarily served their interests. I wrote in a book in 1989:

*"Since the LSC was created when the Republicans controlled the General Assembly, several Democratic members viewed it as the 'Republican Organization' and continued to rely upon the (separate) Legislative Reference Bureau for bill drafting, legislative information and research services. There were also some Republicans who viewed the LSC as a bunch of liberal Democrats. In both parties, the number who did not accept LSC adherence to impartial service was few in number."<sup>1</sup>*

So, what Dave Johnson, then-director of the Legislative Service Commission (LSC), did was contact the National Conference on State Legislatures to see if they could find some budget analyst, totally unknown in Ohio, who was non-partisan and untainted to come to work for him to aid the House Democrats in moving on the state budget. The person they found was me.

I was then working as an analyst for the Washington State Legislative Budget Office and, as was the case in Ohio, the legislative chambers had switched parties and the office was threatened with reorganization. It was a good time for me to take a three-month leave of absence and await the outcome of the reorganization. As it turned out, I never returned to Washington. My contract was extended so that after the assignment with the House Democrats was completed, I assisted the Senate Republicans and eventually the Conference Committee which produced the state's FY 1974 – FY 1975 state budget—remarkably, and unexpectedly, before the expiration of the previous budget on June 30, 1973. I was then asked to establish a non-partisan Legislative Budget Office (LBO), modeled as it was, on the structure in Washington. All staff were to be selected on a non-partisan basis and four senior positions were to serve each of the legislative caucuses. They, like me, were immune to political testing or labeling. For 10 years I remained as director and the model worked very well. The legis-

<sup>1</sup> Richard G. Sheridan, *Governing Ohio: The State Legislature*, Federation for Community Planning [Now The Center for Community Solutions], Cleveland, Ohio, 1989.



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lature strengthened its budget role and became, I believe, a true fiscal partner with the executive branch. Reaching that point was not without difficulty. For example, when Governor Rhodes returned as governor, after defeating one-term Governor Gilligan, he harkened back to the past and his budget office attempted to ignore the existence of the new “whippersnapper” LBO staffers. The central budget office and executive agencies refused to provide our office with the most basic budget information. At one point, in order to obtain needed welfare budget data, I took several briefcases filled with office work and stationed myself in the waiting room of the office of the director of public welfare where I spread my work out and remained all day long trying to gain access to the director.

After three days of sitting there trying to get an appointment with the director, and being told he was “unavailable” (to me, that is), the statehouse press corps got wind of what was happening, came to the office, interviewed me and the next morning—after the story was printed—I was called into the director’s office, who expressed amazement that I was trying to see him, and it was then that I could have all the information I needed. This is, of course, only one example of what it took to establish the LBO as a legitimate arm of the legislature in fiscal affairs to garner access to basic fiscal data residing with the governor and the agencies under his control.

I tell this story simply to illustrate that it was not an easy task trying to aid legislators in developing their own budgetary expertise in those days. What is most disheartening these days is that the idea of an independent LBO is now long gone and so is, in my opinion, the Ohio legislature’s ability to develop its own fiscal and budget capacity to serve as true partners in budget development as originally envisioned by the writers of the Constitution.

I wrote about this problem just over eight years ago. As the FY 2009 – FY 2010 budget is introduced I would suggest an appropriate time for the legislature to once more consider the role of the LBO in this process. The following includes excerpts from what I

wrote on December 20, 2000.

## What Does the Reorganization of the Legislative Budget Office Portend?<sup>2</sup>

*“This summer the legislative leadership made the Legislative Budget Office (LBO), the non-partisan fiscal assistance arm of the General Assembly, an integrated component of the Legislative Service Commission (LSC), the General Assembly’s bill-drafting arm. For 17 years prior to this reorganization, the LBO had presented its fiscal analyses directly to legislators. Now it will have to go through an intermediary. Writing as the founding director of the LBO, I want to express my sincere hope that the essential role and services of the office are not compromised by this new arrangement. Of primary concern is that the legislature and its ‘power of the purse’ not be weakened. Diminished fiscal analytical capacity within the General Assembly tends to tip the balance in favor of the executive, even though the power of the purse is an expressed power of the legislative branch of our government...”*

*“Legislators, and all those involved with the legislative process, want legislative staff. They want non-partisan fiscal research. And they also want fiscal advice on how to achieve the objectives of their political party. They cannot get these from the governor’s budget staff and, in 1973, also felt that they could not get it from the fiscal staff of the LSC.”*

*“The governor’s budget staff in the Office of Budget and Management (OBM) are apolitical professionals. Only the director and his deputies are typically replaced when a new governor is elected, even if the governor is of the opposite political party as his predecessor. Nonetheless, regardless of the professional credentials of its staff, OBM is now, and always has been, an instrument of gubernatorial policy development and implementation. OBM will not provide fiscal information to legislators, constituents, or external policy developers, that might be used to threaten the position*

<sup>2</sup> Richard G. Sheridan, “Commentary, Planning & Action,” Federation for Community Planning [Now The Center for Community Solutions], Volume 53, No. 11, December 20, 2008.

*of the governor or any executive agency. Whether correctly or not, fiscal data emanating from a partisan office always has a potential partisan taint.*

*“With respect to the LSC, the fiscal staff was limited to only one person, and that person had been so closely associated with the political party that had been in power for so many years that the new House leadership was unwilling to utilize his assistance in providing needed staff analyses to help them in the adoption of their first budget...”*

So, after adopting the FY 1974 – FY 1975 state budget, the legislative leadership created the LBO to be directed by a 12-member body of legislators that would be equally divided between political parties. Staffing was left to me, without legislative interference, with the goal of developing professional competence that would enable the legislature, as an institution, to be an equal partner with the governor and the bureaucracy in fiscal matters. The LBO was to provide staff to the two finance committees which comprise about one-third of the House and Senate. Each caucus continued to employ its own partisan fiscal staff but the LBO also offered one senior staff member to each caucus to provide liaison between it and the LBO in the development of each caucus’ own state budget priorities.

This model worked successfully for 23 years (though less successfully in the two years preceding what amounts to its demise). Then, eight years ago, the LBO staff was integrated with the staff of the LSC. Liaisons no longer functioned as adjuncts to the four caucuses. Former LBO staff are now hired by the LSC director who, in turn, reports to an interim legislative committee which is evenly divided between political parties only when the chambers’ control is split between the political parties (as it will be in 2009). The number of staff has been reduced. Fiscal analyses and research produced by the office are now subject to review by LSC attorneys who are more cautious and less definitive in reaching conclusions than may be helpful to legislators. In short, the fiscal staff of the LSC is far different than the fiscal staff that served the legislature under the LBO. To a large extent, its

reports have been “sterilized,” and the lack of direct involvement with legislators in the development of their priorities has permitted the ascension of the executive branch to one of not co-equal partnership with the legislature, but rather to one of supremacy in budget matters.

Concomitant to this institutional change has been the effect of term limits imposed upon state legislators which, among other things, has had the effect of limiting institutional memory about budget practices and procedures and history—especially important in budget development. LBO’s knowledge base continues to exist, but since it has become marginalized its ability to provide meaningful alternative research to that presented by the executive branch, and by paid lobbyists, has been compromised. The strength of its staff has been diluted by being spread more thinly.

## Restoration of Legislative Fiscal Equality

When Board of Regents Chancellor Eric Fingerhut was in the state Senate he introduced legislation to recreate the independent LBO using the model that had served the legislature so well for over two decades. For reasons involved with executive-legislative power relationships more than anything else, the legislation was not enacted. As the state struggles with fiscal issues as serious, or perhaps even more serious than those extant when the LBO was created, and as work begins on the development of the FY 2010 – FY 2011 state budget, it is time to re-consider ways in which an equal fiscal partnership can be established between the legislative and executive branches of government. One such way would be to restore the LBO to its original concept.

### Do You Have Questions about Ohio’s Budget?

E-mail your questions to budget expert Richard Sheridan at [rsheridan@CommunitySolutions.com](mailto:rsheridan@CommunitySolutions.com).

Answers to your questions could be the topic of future issues!