Accounting for State Government Guarantees

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Before the coronavirus outbreak, the federal government spent about $4 trillion a year. There are heated and relentless debates about this spending. Less well known is that the federal government also lends (or places guarantees on private loans) of almost $1.5 trillion a year. If one includes all the semi-public government corporations, such as Fannie Mae and Freddie Mac, the federal government keeps over $7 trillion in lending and guarantees on its books.[1] Thus lending, or guaranteeing private debt, is one of the most important, albeit underappreciated, occupations of the federal government.

State governments also lend and guarantee tens of billions of dollars of debt, in areas from housing to local school construction to small business assistance, yet there is almost no research on this subject, and we don't know the true total. It is most likely well over $100 billion a year.[2] Importantly, when state governments make loans or guarantees, they usually don't have to account for it in their budgets, and can often claim the lending will earn the government money, when in reality they are putting the state and its taxpayers on hock for billions of dollars, or encouraging their own local governments to take out excessive amounts of debt.

Although some such lending programs may be justified, it is not justifiable to treat these programs as a free lunch. We propose to reform state budgetary rules to ensure that they count their lending and guarantee programs as a cost and not as a free source of revenue. For those states with balanced budget amendments, such mandated budgeting of lending programs will ensure that the government

[1] Wendy Kiska et. al, "Estimates of the Cost of Federal Credit Programs in 2021," *Congressional Budget Office*, April 2020, https://www.cbo.gov/system/files/2020-04/56285-CBO-fair-value-estimates-2021.pdf
James M. Bickley, "Budgetary Treatment of Federal Credit (Direct Loans and Loan Guarantees)," *Congressional Research Service*, July 27, 2012 /https://fas.org/sgp/crs/misc/R42632.pdf "Government-Sponsored Enterprises; GSE Issues; Liability, Level," Fred Economic Data, Sep 21, 2020, https://fred.stlouisfed.org/series/GSEIL
[2] See Appendix below for analysis of just Ohio lending programs in the billions of dollars Steven Maguire, "Private Activity Bonds: An Introduction," *Congressional Research Service*, July 13, 2018, https://fas.org/sgp/crs/misc/RL31457.pdf

does not saddle itself and future generations with dangerous liabilities without including funds to pay for them.

In this article, we lay out why states should be concerned about these assets and liabilities and explain how placing them on-budget could help lawmakers better understand the extent and costs of these programs. We also explain how to incorporate these programs in their regular budgeting process. It is a clear fix that will help current and future taxpayers.

How States Lend Money

Almost every state in the Union engages in numerous types of lending and guarantee programs. The four most common types are housing lending, student lending, business development lending, and public facilities lending.[3] All of these programs cost states money, even though the total amount is unclear, and all have the possibility of losses through changes in interest rates, inflation, or borrower defaults.

Right now, there is very little forcing governments to calculate the cost of these programs, and there are numerous ways states avoid accounting of the costs. Often, the state governments pay an initial amount of "capitalization" and set up "trust funds" or "revolving funds," without accounting for the possibility that these funds could require a state bailout in the future. For instance, the federal government has seeded state revolving funds to support wastewater treatment, but they have also encouraged using those funds as a reserve to "leverage" additional borrowing, often up to five times the reserve amount, which the states do not count as regular debt subject to normal budgetary

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[3] There are comprehensive lists of all housing trust funds (*Community Change*, https://housingtrustfundproject.org/housing-trust-funds/state-housing-trust-funds/#:~:text=The%20average%20amount%20of%20public,%2416.00%20for%20individual%20trust%20funds.), student loan programs ("State-By-State Student Loan Programs," *GoCollege*, http://www.gocollege.com/financial-aid/student-loans/states/ and *Edvisors*, https://www.edvisors.com/college-loans/private/state/), and state small business loan programs (see "State Small Business Credit Initiative Portal," *Council of Development Finance Agencies*, https://www.cdfa.net/cdfa/cdfaweb.nsf/ordredirect.html?open&id=ssbciportal.html and "State Financing Program Directory," *Council of Development Finance Agencies*, https://www.cdfa.net/cdfa/cdfaweb.nsf/sfcresults.html?open&t=keyword&state=OH&o=nameandhttps://www.lisc.org/media/filer_public/36/13/3613e083-8ec6-4751-822f-a8882f698f51/051520_covid_response_resources_small_business_state-by-state.pdf), but there are no lists of programs lending to local governments. Also, all of the existing lists, and even some of the individual state budgets to which they refer, do not give dollar amounts of loans.

processes.[4] More often, states set up and leverage their own funds. For instance, Texas runs a "Product Development and Small Business Incubator Fund" which offers low-interest loans to business incubators in the state with $45 million in state funds created from general obligation bonds.[5] Today, the Texas state budget shows these returning millions of dollars a year to the budget, without accounting for the possibilities of default.[6]

Sometimes the states do not even bother to create reserve funds. For instance, Texas guarantees the debt of local school districts that want to expand their facilities, at minimum fees that later return to the regular budget. The Texas Legislative Budget Board showed that an increase in guarantees of school construction actually brought more money into state coffers, as opposed to expanding state liabilities.[7]

At other times, the states set up independent authorities that make loans and guarantees which are not even considered part of the state government. These instrumentalities appear independent but are in fact arms of state. Like many state governments, the Kentucky government created the a higher education loan program as part of its education department in the 1960s, yet in 1978 they spun it off into an independent "municipal" government separate from and not technically supported by the state.[8] These independent authorities often issue bonds with low-interest rates and occasionally return "profits" to the state, which demonstrates that they are state entities in all but name.

Sometimes one semi-public institution is used to support another. For instance, the Texas Guaranteed Student Loan Corporation funded a special military tuition program with $248 million

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[4] Rick Travis, John C. Morris, and Elizabeth C. Morris, "State Implemenation of Federal Environmental Policy," *Policy Studies Journal* 32, no. 3 (2004) https://onlinelibrary-wiley-com.dartmouth.idm.oclc.org/doi/pdfdirect/10.1111/j.1541-0072.2004.00075.x

[5] "Product Development and Small Business Incubator Fund," *Texas Economic Development*, https://gov.texas.gov/business/page/product-development-and-small-business-incubator-fund " Texas Product Development And Small Business Incubator Funds; Bonds," *Justia*, https://law.justia.com/constitution/texas/sections/cn001600-007100.html

[6] "General Appropriations Act For the 2020-21 Biennium," Legislative Budget Board, May 24, 2019, https://www.lbb.state.tx.us/Documents/GAA/General_Appropriations_Act_2020_2021.pdf

[7] " Fiscal Note, 85th Legislative Regular Session," *Legislative Budget Board*, April 19, 2017, https://capitol.texas.gov/tlodocs/85R/fiscalnotes/pdf/HB00467H.pdf

[8] 2011 Kentucky Higher Education Assistance Authority Annual Report https://www.kheaa.com/pdf/annual_2011.pdf

"donation," which prevented the state from having to appropriate any fund for that new "program." Such accounting legerdemain hides the true extent and cost of these programs.[9]

These state instrumentalities often issue bonds that are not officially guaranteed by the state and which are not counted against state bonding or budget limits. Most of these are considered "moral obligation" bonds, which the state will support if their issuers ever come up short for funding. One analyst described such bonds as "no-debt debt."[10] Rating agencies consider defaults on these debts as reflecting on the state's credit, and to all extents and purposes they should be considered liabilities of the state government.[11]

Right now, there are almost no limits on the amount of money states can lend or guarantee. The only potential constraint is the Government Accounting Standards Board, or GASB, Standard Number 70, which makes states account for their guarantees of some private debt. Yet the Standard only forces states to report such guarantees as a liability if they are "more likely than not to default," an incredibly lax standard that would be criminal if adhered to in the private sector.[12] This accounting standard should obviously be eliminated for budgeting purposes, and replaced with one more closely approximating that in the private sector.[13]

Although research on the subject has been sparse, our own analysis of just Ohio's programs showed likely total of $5 billion in lending or guarantees. Yet the state did not account for the vast majority

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[9] "Fiscal Size-up 2020–21 Biennium", *Legislative Budget Board*, May 2020, http://www.lbb.texas.gov/Documents/Publications/Fiscal_SizeUp/Fiscal_SizeUp.pdf, 290.

[10] Allen Schick, "Hearing on the Proposed Balanced Budget Amendment to the Constitution," *Brookings*, February 5, 1997, https://www.brookings.edu/testimonies/hearing-on-the-proposed-balanced-budget-amendment-to-the-constitution/

[11] "State Debt – A Primer," House of Representatives Democratic Committee on Appropriations, Commonwealth of Pennsylvania, August 8, 2018, p. 16 https://www.pahouse.com/Files/Documents/Appropriations/series/3052/Debt_Primer_Heilman_080818.pdf .

[12] "Summary of Statement No. 70," *Governmental Accounting Standards Boards*, April 2013, https://www.gasb.org/cs/ContentServer?c=Pronouncement_C&cid=1176162551400&d=&pagename=GASB%2FPronouncement_C%2FGASBSummaryPage The Fact that the National Association of State Auditors and Government Finance Officers Association, both associations of state government officials, created GASB, explains why they don't mandate anything more stringent. Craig Foltin, "Unrest in Government Accounting GASB and the GFOA Square Off," *The CPA Journal*, March 2008, http://archives.cpajournal.com/2008/308/essentials/p26.htm

[13] Since state loans are "assets" and not "liabilities," any accounting for these should include both the cost to fund them (the taxes or liabilities issued) and the likelihood that they would lose money, which we will describe below.

of what appears to be 50-plus state lending programs, and most programs did not even state the total amount of loans they could or did issue.[14]

Proposal

The reason states lend so much money and guarantee so much debt is that it is a way to offer benefits to constituents without imposing any obvious costs. We advocate that state should be forced to account for all the costs, along with any benefits, that such programs create.

First, we propose that states should require their state budgeting offices to total the gross dollar amount and total net costs of all lending and guarantee programs, the net costs to be explained below. This will ensure that the public and lawmakers understand the extent of the states' assets and liabilities.

Second, all state lending and guarantee subsidies, including for off-budget government "instrumentalities," should be counted as normal spending programs, with the costs of inflation, interest rate changes, or default calculated in their "true" net cost, and they should be accounted for on a typical "accrual" accounting basis. These programs should be subject to normal state budget constraints, so in any state with a balanced budget amendment, any lending programs that impose net costs have to be met with equivalent savings elsewhere.

Third, these programs should be discounted by the private market rate of the equivalent lending. Those few state programs that account for lending and guarantees calculate the costs by the, generally lower, interest rate the state pays on its own debt. States receive these lower interest rates not because they are better risk managers, but because, unlike a private company, they can force taxpayers to increase contributions if the state is in financial trouble. Thus, the lower interest rate of state debt is merely a result of a transfer of risk from the government to its taxpayers in times of trouble. To account for the true risk to the state, all interest charges, such as housing, student loan

[14] See Appendix on Ohio programs, and Ohio Financial Report, FY 2019, p. 20.

debt, lending to private companies and to local levels of government, should be discounted like equivalent private sector loans.

Even treating such loans as equivalent to the private sector likely underestimates such risk, because government loans are given out with explicitly political ends in mind, and to explicitly fill in "gaps" in private lending, so the risks on government loans are likely greater than private sector equivalents. If possible, therefore, actuaries should either err towards the higher end of private lending interest rates (say, the 75th percentile if available) or simply tack on a 0.25% increase (25 basis points) in rates to private sector rates to compensate for this risk when calculating lending.

Fourth, any institutions set up by the state, such as a housing trust fund, to lend money or guarantee debts should include a public accounting of the likely subsidy costs of their lending and guarantee programs. The state cannot claim that the institution is independent if the majority of the capital for the institution is provided by the state, and if the institution offers bonds supervised and authorized by the state.

These four proposals should ensure that state taxpayers and lenders account for and fund all lending and guarantee programs.

Benefits of the Proposal

The greatest benefit of this proposal is that it could limit the expansion of such off-budget activities, most importantly by forcing legislators voting for these programs to abide by state balanced budget rules. In total, 41 states have some sort of requirement that their legislature pass a balanced budget, and most also forbid offering any general obligation bonds over a set amount.[15] But those amendments often provide exceptions for "revenue bonds" which are issued to fund programs that

[15] "NCSL FISCAL BRIEF: STATE BALANCED BUDGET PROVISIONS," *National Conference of State Legislatures*, October 2010, https://www.ncsl.org/documents/fiscal/StateBalancedBudgetProvisions2010.pdf , North Dakota, and Alaska also have weak balanced budget requirements. In general, these requirements only apply to "operating" expenses, and not "capital" expenses. We advocate that the net cost of any lending program not directly for state capital construction be apportioned to the operating budget. Thomas A. Garrett, "State Balanced-Budget and Debt Rules," *Economic SYNOPSES*, October 19, 2011, https://files.stlouisfed.org/files/htdocs/publications/es/11/ES1133.pdf

pay for themselves, including lending or guarantee programs.[16] In reality, many of these programs may not be self-sustaining, and the potential subsidy cost of such revenue bonds should at least be included in any balanced budget calculation. For those states with a balanced budget amendment, requiring an accounting for new lending programs will force states to ensure that they have enough revenue to pay for them when they are set up.[17]

Since the total size of state lending and guarantees is unclear, it is difficult to calculate the likely savings from implementing these reforms. If one assumes that such programs total at least $100 billion a year (a lower bound estimate), forcing an accounting of these across all states, and forcing them into regular budgeting, could easily reduce the total amount by 10%, or at least $10 billion a year. With higher but still reasonable estimates of total loans or of potential savings, the total could easily exceed $50 billion a year.

Even besides the direct savings for taxpayers, reforming these programs will solve other problems. For one, these programs often involve implicit subsidies to politically connected groups or businesses, which provides an unfortunate way for lawmakers to reward cronies and insiders. Forcing an accounting of these could limit the power of lawmakers to support political allies. Second, besides the net cost to taxpayers, these programs represent a redirection of resources from their highest and best use in the private sector toward many activities only funded for political reason, and thus present a genuine lost "opportunity cost" to the economy as a whole. Third, these programs often encourage the expansion of debt at the local government level by supporting excessive borrowing through guarantees and leverage.[18]

One danger is that some states have possibly overfunded their trust funds and revolving funds relative to expectations of losses, so it is possible that a true accounting will show these programs are less expensive than expected, allowing the state to expand them further. In reality, given state

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[16] "NCSL FISCAL BRIEF: STATE BALANCED BUDGET PROVISIONS," *National Conference of State Legislatures*, October 2010, https://www.ncsl.org/documents/fiscal/statebalancedbudgetprovisions2010.pdf

[17] Ronald K. Snell, "State Constitutional And Statutory Requirements For Balanced Budgets," *National Conference of State Legislatures*, March 1996, https://www.ncsl.org/research/fiscal-policy/state-constitutional-and-statutory-requirements-fo.aspx

[18] See head of Boles School District in Texas, who said his district would not have borrowed so much if the state had not subsidized the loans. Aman Batheja, "Local Debt Climbs as Cities Deal With Growth," *The Texas Tribune*, August 27, 2014, https://www.texastribune.org/2014/08/27/local-debt-soaring-across-texas/

incentives for evading budgeting and oversight, such overfunded programs probably constitutes a small percent of all such programs, and even in those cases an honest accounting would be an improvement in budgeting practices.

The best evidence that such a proposal could work comes from the federal level. Although the Federal Credit Reform Act of 1990 did not mandate all of our proposals here, it has increased the transparency of federal lending and guarantees and forced Congress to account for their costs. It has slowed the increase in federal liabilities, at no noticeable increase in accounting costs. [19] A similar reform can work on the state level.

Conclusion

For too long, states have evaded constitutional strictures on spending, and public oversight, by spending money through lending and guarantees to private companies, non-profits. and branches of government. Such programs often do not show up on state budgets and the public remains oblivious to their costs.

Our proposal will help states see the true size of their assets and liabilities, and ensure that lawmakers do not burden the public with hidden bills. The reform is straightforward and would bring immense benefits to taxpayers.

[19] James M. Bickley, "Budgetary Treatment of Federal Credit (Direct Loans and Loan Guarantees): Concepts, History, and Issues for the 112th Congress," *Congressional Research Service*, July 27, 2012, https://fas.org/sgp/crs/misc/R42632.pdf

Appendix: An Analysis of Ohio's Lending and Guarantee Programs

Overview

Scale

In it's regular budget, Ohio takes in and then spends roughly $35 billion per year. Almost all of the inflow comes from income taxes, sales taxes, and federal grants. A small fraction—$4.5 billion—comes from "other tax and non-tax receipts," notably things like "licenses and fees" and "intrastate transfers."

State Budgeting via Funds

Ohio outlays its expenses through a universe of "governmental funds." Each of the funds has a four-digit code and is allocated money at the end of a two-year budgeting process, either from a specific revenue source (e.g. an industry filing fee) or the General Revenue Fund. Ohio uses a "modified accrual accounting" to measure these funds.[20]

A separate group of "proprietary funds" correspond to Ohio's business-type activities, such as the lottery, unemployment compensation, and workers' compensation. Ohio uses "accrual accounting" for these.[21] Most years, these activities generate a surplus of roughly $1 billion, which is transferred to the general governmental funds.

State Lending within Funds

Some of these governmental funds are associated with programs that include lending or lending guarantees. A few examples include:

i. Healthy Food Financing Initiative – The Department of Jobs and Family Services can withdraw up to $100,000 for FY19 from the *General Revenue Fund* (GRF). These funds can be distributed inter alia through "grant and loan programs."
ii. Lakes in Economic Distress Revolving Loan Program – The Development Services Agency can withdraw up to $247,611 for FY19 from the *Lakes in Economic Distress Revolving Loan Fund* (5RQO).

[20] CAFR 6.
[21] CAFR 6.

iii. Innovation Ohio – The Development Services Agency can withdraw up to $5.847 million for FY19 from the *Innovation Ohio Loan Fund* (7009) for loans & loan guarantees.

These examples illustrate the difficulty of measuring Ohio's loan portfolio in aggregate, since loans are dispersed through this universe of funds. Making matters even more abstruse, some funds are presumably used exclusively for lending, whereas others can be drawn for multiple purposes, only one of which is making loans.

Loans and Guarantees

Ohio's FY19 balance sheet reported $50.781 billion in governmental assets (not including the business-like activities). Of this amount, there is:

- $3.5 billion in *collateral on lent securities*; and
- $1.3 billion in *net loans receivable*.[22]

The state reports $39.608 billion in governmental liabilities, of which:

- $3.5 billion is *obligations under securities lending*.[23]

The $1.3 billion in net loans receivable includes $160 million which Ohio figures to be due within the FY20 year. Some of the $1.3 billion is to be credited to the General Revenue Fund, with the remainder credited to other funds. Apparently, there are only ***6*** lending or guarantee programs that are accounted for at the state level, whereas (anecdotally) there are ***50+*** programs that involve some degree of lending or loan guarantees. Those six programs are:

1) Local Infrastructure / GRF / $588 million
2) Housing Finance / GRF / $340 million
3) Economic Development Office / GRF / $204 million
4) Highway, Transit, & Aviation Infrastructure Bank / [XXXX] / $135 million
5) Third Frontier / 7011 / $42 million
6) Capital Access / 5590 / $3 million

[22] CAFR 20.

[23] CAFR 20 (this amount balances out the collateral) … I wonder if these are the "guarantees" we refer to?

These figures are roughly in line—incl. a modest uptrend—with those of 2017-18 and 2018-19.

House Bill 166 (133rd General Assembly)

This is the biannual operating budget for FY20 and FY21, effective July 2019. Importantly, the law documents which funds are receiving fresh inflows. The law also stipulates—in certain examples—how resources in a specific fund are to be spent.

Examples involving lending:

1. Development Services Agency
    a. Advanced Energy Loan Programs
    b. Alternative Fuel Transportation Fund; all money received from loan repayment or default goes back into the fund.
    c. Capital Access Loan Program
    d. Innovation Ohio Loan Fund
    e. Lakes in Economic Distress Revolving Loan Program
    f. Low- and moderate-income housing trust fund; repayments deposited to the fund. (Portion of funds allocated to Housing Finance Agency.)
    g. Minority Business Enterprise Loan Program – repayments go to fund
    h. Rural Industrial Park Loan Fund
2. Environmental Protection Agency
    a. H2Ohio Fund; "grants, loans, or purchases" – all investment earnings of the fund shall be credited to the fund.
    b. Scrap tire management fund – "loans to promote the recycling or recovery of energy from scrap tires."
3. Department of Natural Resources
    a. Water management fund – "loans and grants" paid back into the fund.
    b. Research and Development Loan Fund
4. Department of Commerce
    a. Real estate education and research fund – loans, not exceeding $2,000, to applicants for salespersons licenses
    b. Small Government Fire Department Services Revolving Loan Fund
5. Department of Higher Education

a. Nursing Loan Program
b. OhioMeansJobs Workforce Development Revolving Loan Fund – money is being transferred in 2019 & 2020 to the Ohio Incumbent Workforce Job Training Fund

6. Department of Jobs & Family Services
    a. Healthy Food Financing Initiative – "grant & loan programs"
    b. State Adoption Assistance Loan Fund
7. Department of Agriculture
    a. Agricultural phosphorous reduction revolving loan program
8. Housing Finance Agency
    a. Housing Trust Fund
    b. Down Payment Assistance

Analysis

These examples reveal a smattering of programs across state departments that involve some amount of *lending*, typically as an option alongside grants. Clearly, some funds are meant to be drained over time, whereas others might be designed as more self-perpetuating. The "fund" concept is largely a way for the state to organize spending and ensure different programs get their due. This gives the semblance of a "checked out" government which scans the funds every two years and fills them up as necessary.

Yet there is also a concept of "loans net receivable" that should be better understood. It seems that some revenue is booked (roughly $160 million) from loans each year. This could result in disappointment for the state if those funds are not paid out.

Zoom-In: Development Services Agency (DSA)

Allocations from funds:

A. General Revenue fund – $160M
B. Dedicated Purpose funds – $450M
C. Internal Service Activity funds (agency operations) – $12M
D. Facilities Establishment funds - $60M
E. Bond R&D funds (Third Frontier) – $114M
F. Federal funds – $385M

The DSA also reports here a ledger of every loan/grant it makes. In FY20, for example, the agency made 1528 grants or loans. Closer examination reveals that these were mostly grants, with only 105 loans.

The DSA also publishes an annual report (150 pages) that lists where grants, loans, and tax credits went. Unfortunately, the report doesn't mention which "awards" were loans. In the executive summary, however, there is reference to one sample project involving a loan:

- Worthington City Schools received a $2.5 million low interest loan to retrofit 21 schools. "In the end, the money saved in energy costs will pay for the project."[24]

Zoom-In: Housing Finance Agency (HFA)

The HFA is an independent state agency that receives roughly $12 million per year in state appropriations. At the same time, a far larger annual allocation of roughly $40-55 million goes to the Development Services Agency for "Low- and Moderate-Income Housing Programs." It is possible then that some of those funds make it to the HFA indirectly. (LSC Appropriations 2019.) The HFA has a *Multifamily Lending Program* and *Housing Development Loan program*. Further loans may be delivered (along with grants) via the *Housing Development Assistance Programs*.

The HFA's annual report for FY20 attests to financing 3,608 loans of which 1,725 were Federal Housing Administration loans, 155 were from the U.S. Department of Agriculture's Rural Development program, and 111 were from the U.S. Department of Veterans Affairs. That means *1,911 loans* were courtesy of the federal government.

- ⇨ Appendix A indicates that the HFA makes these loans through private lenders, most notably Fairway Independent Mortgage Corp (28% of loans).
- ⇨ Unfortunately, the report does not include budgeting appraisals of how/when the state expects to be repaid on these.

The HFA also produces a financial report. Per the FY20 version, the HFA had $469 million in loans receivable, an increase of 1.2% YoY. On an annual basis, the report cites $4 million in "loan interest

[24] Confusingly, neither the report nor ledger lists a line item for Worthington City Schools.

income" and $11.8 million on "HTF grant and loan revenue." It's possible that other categories here also reflect loan repayments.

Results of Operations

	FY 2020	FY 2019	Dollar Change	Percentage Change
Operating Revenues:				
Loan interest income	$ 3,999,009	$ 3,100,343	$ 898,666	29.0%
Mortgage-backed securities interest income	53,175,979	47,612,661	5,563,318	11.7%
Investment income	7,577,877	8,751,697	(1,173,820)	-13.4%
Realized gain on sale of on investment	9,116,193	11,002,570	(1,886,377)	-17.1%
Other mortgage income - net	(1,563,532)	3,428,304	(4,991,836)	-145.6%
Federal financial assistance programs	10,241,008	3,293,423	6,947,585	211.0%
Other grant revenue	1,745,879	850,177	895,702	105.4%
HTF grant and loan revenue	11,833,556	11,092,249	741,307	6.7%
Other income	16,145,193	37,534,457	(21,389,264)	-57.0%
Change in fair value of investments, MBS, and derivatives (GASB 31)	49,649,337	29,192,169	20,457,168	70.1%
Total Operating Revenues	$ 161,920,499	$ 155,858,050	$ 6,062,449	3.9%
Operating Expenses:				
Interest expense	$ 39,773,607	$ 33,776,461	$ 5,997,146	17.8%
Trustee expense and agency fees	3,565,075	6,966,784	(3,401,709)	-48.8%
OHFA contribution to bond issues	6,014,530	10,067,679	(4,053,149)	-40.3%
General and administrative [1]	17,265,054	18,406,800	(1,141,746)	-6.2%
Federal financial assistance programs	10,241,008	3,293,423	6,947,585	211.0%
Other grant expense	1,723,749	440,056	1,283,693	291.7%
Cost of issuance expense	3,113,114	3,407,068	(293,954)	-8.6%
HTF grant and loan expense	11,833,556	11,092,249	741,307	6.7%
Insurance and other expense	21,248,854	31,874,361	(10,625,507)	-33.3%
Total Operating Expenses	$ 114,778,547	$ 119,324,881	$ (4,546,334)	-3.8%
Net Income (loss)	$ 47,141,952	$ 36,533,169	$ 10,608,783	29.0%

[1] General and administrative expenses are comprised of payroll and benefits, pension, other postemployment benefits, contracts, maintenance, rent or lease, and purchased services of the General Fund.

Conclusion

Ohio's lending and guarantee programs likely total over $5 billion, but the lack of consistent accounting, and lack of clarity in many small lending and guarantee programs, makes it almost impossible to estimate the true amount. It is also almost impossible to estimate the likely cost to taxpayers of these programs in the future. f

Entities and Data Sources

- Office of Budget and Management (OBM)
  - 30 East Broad Street, 34th Floor, Columbus, Ohio 43215-3457 or by e-mail at Contact@obm.ohio.gov.
- Legislative Service Commission (LSC)

State-wide Materials

1) Annual financial report ("CAFR") – OBM (320 pages)
2) Annual budget – House Bill (2,600 pages)
3) Budget in Brief – LSC (4 pages)
4) Appropriation Summary ("DASF") – OBM (50 pages)
5) Appropriation Summary – LSC (75 pages)