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Editorial: Credit for good behavior

Ohio's austerity budget pays off as credit ratings stabilize

Ohio's new fiscal responsibility is getting noticed and rewarded.

Standard & Poor's upgraded the state's credit forecast from "negative" to "stable," in time for a $417 million bond sale last week to refinance at a lower interest rate and restructure debt.

Ohio's lean budget will pay off with lower costs for borrowing, saving taxpayers as much as $1 million or more over the course of a year, according to the state's Office of Budget and Management. It's like having a credit-card company lower its annual percentage rate: The borrower can either accelerate the payoff or spend the savings elsewhere.

So essentially, cutting state programs spared money for state programs.

This is vindication for the Kasich administration. When Gov. John Kasich took office this year, the state was $8 billion in the hole and its rainy-day fund totaled $1.78. That's not a typo; Ohio barely had enough in the bank to buy itself a cup of coffee. A small one.

The three major bond-rating agencies, which evaluate risk, took notice of the changes as they sized up Ohio's finances for the big bond sale. This was the first review since the state passed its new budget, began seriously paying down debt and replenished the rainy-day fund with $247 million.

Investors pay attention to these ratings, especially since Ohio stands out as other states continue to struggle. "There are a lot of jitters in the credit market; I can't imagine it won't be helpful," said Robin Prunty, primary credit analyst with Standard & Poor's.

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