State of Ohio

Executive Budget

Fiscal Years 2008-2009

Briefing Document
For Governor Ted Strickland's Budget

Prepared by
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March 2007

Executive Budget Briefing Document, Fiscal Years 2008-2009

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TED STRICKLAND
GOVERNOR
STATE OF OHIO

MARCH 15, 2007

My Fellow Ohioans and Members of the General Assembly,

I am honored to present my recommended budget for fiscal year 2008 and fiscal year 2009 state operations and programs. My recommended budget outlines an ambitious plan of investment in what matters while living within our means.

This budget is balanced, and I have adhered to my commitment to see the tax reforms enacted in Amended Substitute House Bill 66 (HB66) fully phased in as enacted. In terms of tax policy, the centerpiece of the Executive Budget recommends $257 million in annual additional property tax relief through an enhanced homestead exemption for 775,000 Ohioans over age 65, and homeowners with a permanent, total disability. Overall, tax growth from fiscal year 2007 to fiscal year 2008 is projected to be $411.9 million, a modest increase of 2.1 percent. Tax collections are projected to decline by $40 million from fiscal year 2008 to fiscal year 2009, or -0.2 percent. Further, the combined effect of tax changes included in the fiscal years 2008-2009 Executive Budget reduces taxes by an additional $261.5 million over the biennium.

The Lowest Budget Growth in 42 Years
With this modest amount of new tax revenue, General Revenue Fund (GRF) spending growth will also be modest. From fiscal year 2007 to fiscal year 2008 GRF spending declines by -1.6 percent. State GRF spending grows by 6.0 percent from $25.67 billion in fiscal year 2008 to 27.22 billion in fiscal year 2009. For the biennium, total growth is 4.4 percent, slightly less than the growth contained in HB66 of 4.5 percent.

The State Appropriation Limitation, or SAL, has no impact on the Executive Budget since proposed spending is well below allowable spending under the SAL. The SAL allows appropriation increases of 3.5 percent in each year and 7.1 percent over the biennium. Aggregate GRF appropriations to which the SAL applies, decrease by 0.9 percent in fiscal year 2008 and increases by 4.2 percent in fiscal year 2009. For the biennium, aggregate GRF appropriations increase by only 3.2 percent over fiscal year 2007 levels. As a result, the state will be $843.6 million under the SAL in the first year and $751 million under in the second year.

Investing in What Matters
Using this modest growth and a variety of management strategies, the Executive Budget targets all available resources into programs vital to our state's success. Necessarily, the strategy will have a disparate impact on state agencies. Of the 76 agencies receiving GRF appropriations for 2008, 16 will receive a cut, 22 will be flat funded, 15 will receive an increase of between 0 and 3 percent and 23 will receive an increase of more than 3 percent. In other words, for fiscal year 2008 the typical agency will be

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flat funded. In fiscal year 2009, nine agencies will receive a cut in comparison to fiscal year 2008, while 31 will be flat funded, 11 will receive an increase of 0-3%, and 25 will receive increases of 3% or more. For the biennium as a whole, 11 agencies will receive less money in 2009 than they did in 2007, with 20 agencies receiving flat funding from 2007 to 2009. For the biennium the typical state agency will receive zero increase.

Modest revenue growth requires neither consternation, nor concern. It requires tough choices. In only about six weeks, we have learned that there are a few ways to save a lot of money, and a lot of ways to save a little money. We've looked at both. The Executive Budget invests in the priorities of my plan to Turnaround Ohio: life long learning, access to health care, investments in Ohio's strengths, and accountable government.

Life Long Learning to Create the Most Competitive Workforce in the World

The Executive Budget makes investments and improvements in each level of our state's education and training system. We make new investments in early care and education so that children are ready to succeed when they reach school age. The Executive Budget also redesigns the funding for primary and secondary education to focus limited resources on children's needs. We propose a compact with our institutions of higher education. If they keep tuition flat, keep increases under 3% in the second year, and identify new efficiencies, we match their improvements with a 5% increase in the state share of instruction in fiscal year 2008 and 2% in fiscal year 2009. The Executive Budget also requires private institutions meet the standard of public institutions to be eligible for state grants to students. The Executive Budget also begins to realign and coordinate our workforce programs.

Health Care Access for All Children

The Executive Budget provides access to health care coverage for every child in Ohio. Many hard working Ohioans do not have access to affordable healthcare insurance. The Executive Budget restores access to care for working parents. Additionally, with implementation of our Medicaid buy-in plan, Ohioans with disabilities will no longer have to choose between work and access to affordable healthcare. Finally, we take initial steps to more effectively manage the Medicaid program by developing an implementation plan for a long term care budget.

Investments in Ohio's Strengths

The Executive Budget implements initiatives to boost new and growing industry sectors in Ohio and takes advantage of the work of countless economic development, business and labor leadership groups that already work hard to create and retain jobs in the state. The budget supports multiple initiatives, including investments in vibrant downtowns, accelerates the pace of reclaiming brownfields, and puts resources in the hands of Ohio's businesses to compete in a global marketplace. To build a strong energy industry in our state, the Executive Budget calls for the coordination of almost $1 billion in energy related programs to use energy as an economic development driver in Ohio. To take advantage of Ohio's central location and the increasing role of distribution and logistics, we have set aside $2.5 million to support airport expansions and airport development, as well as increasing our commitment to construction of rail spurs statewide. Finally, we have provided a $20 million down payment on moving Ohio's state network traffic to the NextGen network, laying the groundwork for extending it to all 88 counties.

A Government that is Accountable

The fiscal years 2008 and 2009 Executive Budget demonstrates how we will live within our means and invest in what matters by focusing on core goals and directing the entire state government and budget toward meeting those goals. Beyond targeted investment, we also must be better managers and better stewards of Ohioans tax dollars. In just six weeks, we have identified and worked to correct many unacceptable practices. Four of these practices, totaling $350 million, are described below.

First, the School Employee Health Care Board proposes that the state's 614 school districts could start using regional pools of insurance. It is estimated that this could save between $60 million and $120 million annually in school costs. The Executive Budget suggests that school districts voluntarily participate in such pools, which could significantly reduce overhead costs.

Second, speeding up the paperwork between two agencies that handle PASSPORT services will produce a one-time infusion of $20 million in extra federal funding.

Third, the Executive Budget uses rate control to assure that every Ohioan has access to the entire continuum of care, and the most appropriate care settings for their condition. We've taken a long, hard look at reimbursement rates across the board in Medicaid and among various provider groups. Some providers will be reduced that have enjoyed significant increases over the past decade. Others will be increased. While some types of providers will be reduced by as much as $137 million over the biennium, the entire provider rate bill for the state over the next biennium will still increase by approximately $485 million.

Finally, the Executive Budget implements "best practices" for third party liability in Medicaid. Medicaid is supposed to be the payer of last resort. As pointed out in the Medicaid Administrative Study Council, Ohio is far behind other states in implementing a comprehensive system to review third party liability for claims payments prior to making the Medicaid payment. Other states, and our own workers compensation system, have been using these systems to assure that we are only paying the bills that we should be paying. Implementing a third party liability system in Ohio's Medicaid system is estimated to save at least $49 million over the biennium.

These are a few examples of how this administration will be responsible stewards of taxpayer dollars, while investing in programs that improve the lives of Ohioans. Quite simply, these financial conditions are not a constraint, they are an opportunity to unite in the shared purpose to Turnaround Ohio and realize our greatest potential as a state.

Sincerely,

Ted Strickland

Ted Strickland
Governor

OVERVIEW

The guiding philosophy of the Strickland-Fisher Administration is to live within our means, and to invest in what matters. Our administration was elected with a specific, detailed agenda for action: the Turnaround Ohio Plan. This budget reflects substantial progress towards translating that plan into action. The Turnaround Ohio Plan is predicated on the assumption that we will create and keep jobs in Ohio by investing in Ohio's strengths, such as energy production and entrepreneurship, while bringing us the jobs of the future by assuring that we have the most educated workforce possible. This budget provides guideposts along the way to begin our state's journey back to prosperity.

Our state's general revenues over the next three years will be constrained significantly as the tax reforms made as part of Amended Substitute House Bill 66 of the 126th General Assembly continue to be phased in. Faced with reduced revenues and resources, the Strickland-Fisher Administration has not raised any taxes or fees to balance the budget. Instead, we have asked state agencies to operate largely at flat levels of funding. The result is that, in total, General Revenue Fund (GRF) spending in this biennial budget has been limited to 4.4% over the last biennial budget. (GRF spending, including federal funds that are deposited in the GRF, from FY 2007 to FY 2008 declines by 1.6%, and increase from FY 2008 to FY 2009 by 6.1%.) Despite these constraints, we have worked to assure that our proposals do not put the burden of budget cuts on those with the least ability to endure them.

At the heart of the Turnaround Ohio plan is a common sense approach informed by the values of Ohioans. We know that healthy, happy children are able to learn; that good learners in effective schools become educated workers ready to contribute to the economy; that able workers stay where there are worthy opportunities. We know that when good jobs are performed well, for fair pay, we start a cycle of success that builds its own momentum, creating opportunities for new investment, a growing tax base, stable families—everything that Ohio has been losing for almost two decades. This budget lays the groundwork to start that cycle of success.

Budget Summary

The Executive Budget recommends General Revenue Fund appropriations of $25.66 billion in FY 2008 (a decrease of 1.6% over estimated FY 2007 spending), and $27.23 billion in FY 2009 (an increase of 6.1% over the FY 2008 appropriation). The Governor's recommendations for all funds total $57.26 billion in FY 2008 (a decrease of 1.4% over estimated FY 2007 spending), and $59.31 billion in FY 2009 (an increase of 3.6% over the FY 2008 appropriation).

While total GRF appropriations decrease by 1.6% in FY 2008 and increase by 6.1% in FY 2009, the State will remain well below the "State Appropriation Limit" (SAL) during the biennium. This is due to the fact that while the SAL increases by 3.5% in each year and 7.1% over the biennium, recommended "aggregate GRF appropriations" (those covered by the SAL) decrease by 0.9% in FY 2008 and increase by 4.1% in FY 2009, a net increase of only 3.2% over the course of the biennium. Therefore, barring a significant increase in aggregate GRF appropriations during the legislative process, Ohio will be $839.4 million and $747.5 million under the SAL in FY 2008 and FY 2009, respectively.

The state share of the General Revenue Fund, not including federal reimbursement in programs in the Department of Job and Family Services, is $20.19 billion in FY 2008 (a decrease of 0.3% from estimated FY 2007 spending) and $21.06 billion in FY 2009 (an increase of 4.3% over the FY 2008 appropriation). Of the 76 agencies receiving GRF appropriations for 2008, 16 will receive a cut, 22 will be flat funded, 15 will receive an increase of between zero and three percent and 23 will receive an increase of more than three percent. As for FY 2009, 9 will receive a cut in comparison to FY 2008 while 31 will be flat funded, 11 will receive an increase of zero to three percent, and 25 will receive increases of three percent or more. For the biennium as a whole, 11 agencies will receive less money in 2009 than they did in 2007, with 20 agencies receiving flat funding from 2007 to 2009. The increases are directed to agencies that have the greatest role to play in implementing the administration's Turnaround Ohio strategy, or agencies that required an increase due to other special circumstances.

Highlights of the Executive Budget:

- **Will create schools that work for every child** – the budget increases the base-cost funding per-pupil by 3.0% in FY 2008, and by 3.0% in FY 2009. This increase in the per-pupil base cost funding for K-12 education supports initiatives toward high quality teaching, school readiness, and enhances equity in funding.

- **Will fund our future and support our seniors** – the administration proposes to securitize Ohio's tobacco revenues from the Master Settlement Agreement and use the GRF freed up through the proceeds to finance a 20 year expansion of Ohio's homestead exemption for senior citizens and the disabled, as well as to complete the construction commitments of the Ohio School Facilities Commission, rebuilding every school building in the state. The property tax relief proposed will help 775,000 Ohioans, and approximately one out of four homeowners. This measure will allow the state to step in and provide over $257 million in additional support to schools, raising the state share of education expenses to the highest rate in modern history.

- **Will make college accessible and affordable to all Ohioans** – the budget establishes a compact between the state and public institutions of higher education. The compact increases the state share of instruction by 5.0% in FY 2008 and 2.0% in FY 2009, if the growth of tuition is restrained to 0% growth in fiscal year 2008 and no more than 3% growth in fiscal year 2009. Institutions must also realize efficiency savings of 1% in fiscal year 2008 and 3% in fiscal year 2009.

- **Will provide every child a fair start through access to high quality early care and education** – the Executive Budget increases funding to support access to early childhood care and education programs, increases child care provider rates, and expands quality initiatives and intervention services for young children.

- **Will advance the health of our citizens** – the budget increases accessibility to affordable healthcare for all children in Ohio; and expands Medicaid eligibility for working people with disabilities, for pregnant women, and for low-income working parents. Improves program efficiencies through numerous reform initiatives.

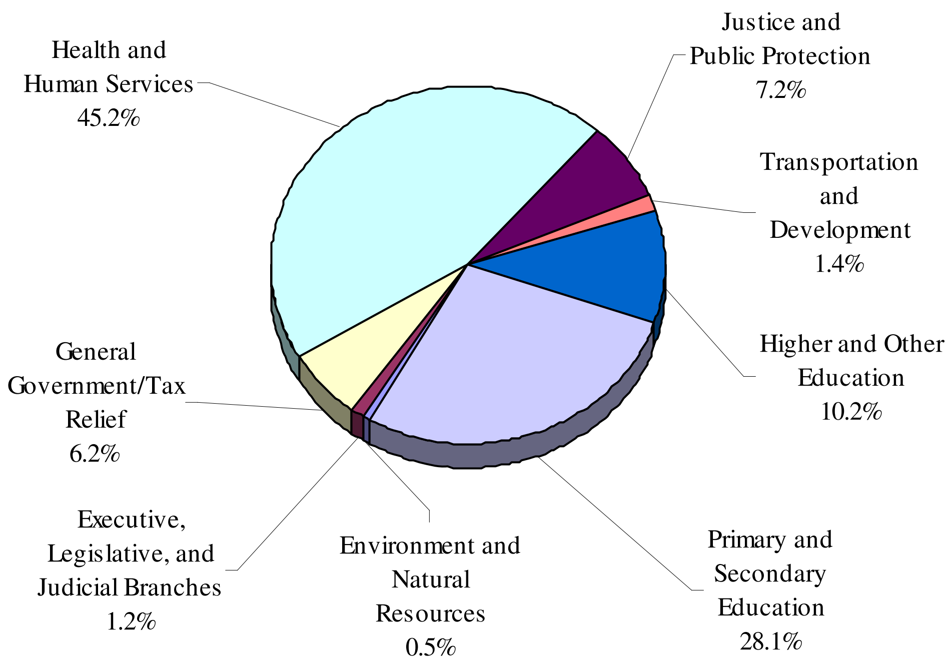
- **With a focus on Ohio's economic strengths** – the budget makes strategic investments in the areas of workforce development, energy conservation and development, and communications infrastructure that will better position Ohio in a changing economy.

- In **maintaining essential services –** the budget provides for the health, safety, and public welfare of its citizens by maintaining essential services throughout state government. Examples include:
    - Maintaining the current program level in the Department of Rehabilitation and Correction.
    - Providing for an annual increase in the Ohio Works First program to keep up with inflation.
    - Increasing funds for child protection.
    - Increasing the subsidy for adoption assistance.
    - Increasing the subsidy for child support.
    - Maintaining services at the Ohio Veterans Home.

- **Will provide strong support for community services by reforming the local government funds** – the Executive Budget commits a set percentage of all tax revenues deposited into the General Revenue Fund and provides a dependable source of support, combines the Local Government and Local Government Revenue Assistance Funds, and provides a small increase over the previous "freeze" levels.

Figure 1a

Total GRF – Recommended Appropriations for FYs 2008 and 2009



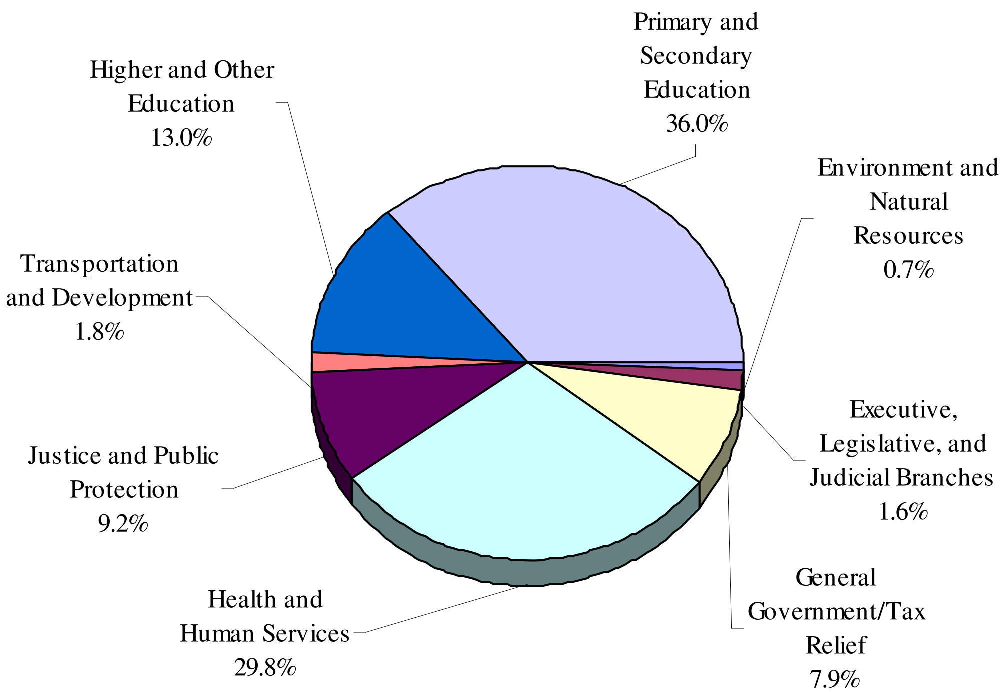
Recommended GRF Appropriations (dollars in millions)

Function		FY 2008		FY 2009		Total
Environment and Natural Resources	$	138.1	$	138.9	$	276.9
Executive, Legislative, and Judicial Branches	$	318.4	$	328.5	$	646.9
General Government/Tax Relief	$	1,600.2	$	1,671.5	$	3,271.7
Health and Human Services	$	11,435.5	$	12,477.2	$	23,912.7
Justice and Public Protection	$	1,873.7	$	1,925.7	$	3,799.4
Transportation and Development	$	358.0	$	392.1	$	750.1
Higher and Other Education	$	2,689.6	$	2,688.9	$	5,378.5
Primary and Secondary Education	$	7,255.5	$	7,599.1	$	14,854.6
Total	**$**	**25,668.9**	**$**	**27,221.9**	**$**	**52,890.9**

Note: Numbers may not add to total due to rounding.
Source: Ohio Office of Budget and Management, March 2007

Figure 1b

State-Only GRF – Recommended Appropriations for FYs 2008 and 2009



Recommended State-Only GRF Appropriations (dollars in millions)

Function		**FY 2008**		**FY 2009**		**Total**
Environment and Natural Resources	$	138.1	$	138.9	$	276.9
Executive, Legislative, and Judicial Branches	$	318.4	$	328.5	$	646.9
General Government/Tax Relief	$	1,600.2	$	1,671.5	$	3,271.7
Health and Human Services	$	5,965.7	$	6,310.9	$	12,276.6
Justice and Public Protection	$	1,873.7	$	1,925.7	$	3,799.4
Transportation and Development	$	358.0	$	392.1	$	750.1
Higher and Other Education	$	2,689.6	$	2,688.9	$	5,378.5
Primary and Secondary Education	$	7,255.5	$	7,599.1	$	14,854.6
Total	**$**	**20,199.2**	**$**	**21,055.6**	**$**	**41,254.7**

Note: Numbers may not add to total due to rounding.
Source: Ohio Office of Budget and Management, March 2007

ECONOMIC FORECAST AND REVENUE ESTIMATES

U.S. Economic Outlook

The Ohio Governor's Council of Economic Advisors expects that U.S. economic growth will continue at the recent below-trend pace through early 2007, giving way to somewhat stronger growth at near its potential later in the year and thereafter. Inflation is expected to moderate from the faster pace experienced in 2006, and interest rates are expected to remain within the range of the last year.

The Council predicts that real GDP will increase by 2.4% in 2007, down from 3.3% in 2006, and improve to 3.1% in 2008 and 3.2% in 2009. As a result, growth in corporate profits is predicted to slow from 19.1% in 2006 to 4.9% in 2007, 7.0% in 2008, and 1.7% in 2009.

Consumer spending is expected to expand 3.3% in 2007 – about the same as in 2006 – before slowing to 3.0% in 2008 and 2009, according to Global Insight, a leading economic forecasting company. The Council projects sales of new light vehicles to slip to 16.4 million units in 2007 before rebounding to 16.7 million units in 2008 and 16.9 million units in 2009. Steady growth in employment and earnings, the availability of credit on agreeable terms, and the high level of household wealth and consumer confidence will support spending.

Housing is expected to subtract significantly from growth in 2007, due to the significant decline in the level of activity that occurred during the course of 2006. Construction and sales are expected to change little from recent readings in the near-term, but annual figures will post major declines. After decreasing 4.2% in 2006, investment in residential structures is projected to decrease 14.2% in 2007, before leveling off at -1.6% in 2008 and 2.9% in 2009. Several developments hint at improving conditions in the housing sector, including a stabilization in sales of both new and existing homes, the decline in inventories of unsold homes relative to the pace of sales late in 2006, and the substantial adjustments made by builders to employment and production schedules since mid-2005.

International trade turned the corner in 2006 and is projected by Global Insight to add to real economic growth throughout the forecast period. Real net exports were marginally higher in 2006, due to stronger export growth and weaker import growth. Export growth of 8.1% in 2007, 8.6% in 2008, and 8.8% in 2009 is projected to combine with import growth of only 3.4% in 2007, 4.4% in 2008, and 5.4% in 2009 to trim the trade deficit by 15.6% from 2006 to 2009.

Ohio Economic Outlook

Forecasters expect the Ohio economy to continue underperforming the national economy by most key measures throughout the forecast period. **Real Gross State Product** is projected to increase 1.8% in 2007 and 2.6% in 2008 and 2009, according to Global Insight. The fastest growing of the 12 major NAICS Industry Sectors as measured by real output are predicted to be professional & business services, manufacturing, and trade, transportation & utilities. The slowest growing of the 12 major NAICS Industry Sectors (excluding government) are predicted to be information, mining, and construction.

Demographics pose a challenge for growth in the Ohio economy. Global Insight predicts that Ohio's population will grow only 0.3% at a compound annual rate during 2006-2009 – about one third of the national population growth rate. Net migration is projected to remain marginally negative through at least 2009. In addition, the two fastest growing age cohorts are predicted to be age 55-64 and age 65 and above. The only other cohort predicted to grow during the period is age 25-34. The aging of the Ohio population at the upper end of the age spectrum will continue to be felt in future budgets.

Against this backdrop of a slow-growing and aging population in Ohio, the Council projects cyclical improvement in **employment growth**. Non-farm payroll employment is projected to grow 0.5% in 2007, 0.7% in 2008, and 1.0% in 2009. In comparison, U.S. employment is projected by Global Insight to rise at a compound annual rate of 1.4% on the same basis during the forecast period. The **unemployment rate** is projected to remain between 5% and 6% through 2009.

The Council projects Ohio **personal income** to rise 4.4% in 2007, 4.5% in 2008, and 5.1% in 2009. The fastest growing components of personal income are expected to be proprietors' income, taxable non-wage income, transfer payments, and property income. Wage and salary disbursements are projected to grow more slowly than personal income, rising 4.2% in 2007, 4.4% in 2008, and 4.6% in 2009. In comparison, U.S. personal income is projected to grow 5.3% in 2007, 5.5% in 2008, and 5.9% in 2009.

Growth in Ohio **retail sales**, as estimated by Global Insight, is projected to be much slower in the forecast period than in recent years. After rising 4.9% in 2006, retail sales are projected to grow only 2.1% in 2007, 2.8% in 2008, and 3.3% in 2009. One factor limiting growth in retail sales is expected to be **light motor vehicle sales**. New passenger and light truck registrations in Ohio are projected by Global Insight to decrease 2.4% in 2007 before rising just 1.2% in 2008 and 0.8% in 2009.

Summary of Revenue Estimates

The revenue estimates for the FY 2008-2009 biennium are based on the consensus forecast of the Ohio Governor's Council of Economic Advisors that predicts moderating economic growth and modest inflation. The estimates also use the economic forecasts of Global Insight. Figures 2a and 2b display the projected FY 2008-2009 GRF revenues by major sources. Figure 2a shows total GRF revenue, which includes Federal Grants. Figure 2b shows total GRF revenue excluding Federal Grants to display state-only resources.

The Executive Budget proposals reflect a commitment to provide a stable and predictable tax base for all taxpayers by maintaining the tax reforms enacted in Amended Substitute House Bill 66 of the 126th General Assembly (House Bill 66). House Bill 66 reformed the state of Ohio's tax code in such a way that the state will forego over $2 billion annually in revenues once all the changes are fully phased in. The foregone General Revenue Fund receipts in FY 2008 and FY 2009 are expected to be $502.4 million and $1,296.6 million, respectively. The estimated impact of House Bill 66 is accounted for in the presented numbers.

The estimated revenues incorporate the impact of several tax changes proposed in the Executive Budget. In the effort to continue the tax reforms enacted in House Bill 66, no tax or fee increases are proposed in the FY 2008-2009 Executive Budget. However, the Executive Budget does propose a few tax law changes including an expansion of property tax relief. Table 1 lists the proposed tax changes in the Executive Budget and the impact on state revenues. The proposed tax changes will reduce Ohio Residents' tax liability by an additional $261.5 million over the biennium.

***Table 1*. Fiscal Impact of Tax Relief and Revenue Law Changes Proposed in Executive Budget**

	State Revenue or Tax Relief	
Law Change	FY2008	FY2009
Expand homestead exemption to include all senior citizen and permanently disabled homeowners, regardless of income - also increase exemption to $25,000 of market value	($128.5)	($257.0)
Restructure nonresident sales tax exemption for Ohio motor vehicle purchases. Nonresident is charged 6.0%: 5.5% state rate + 0.5% permissive rate (permissive portion is equal to lowest permissive rate in effect in this state). If home state does not have sales tax credit for its residents, no Ohio tax is charged. Change effective August 1, 2007.	$64.0	$66.0
Change sales tax vendor discount from current 0.75% of all collections to 1.00% discount on first $3,000 of tax collections for the reporting period (monthly or semiannual); no discount on remainder. Change effective August 1, 2007.	$35.0	$39.0
Eliminate the $300 per month cigarette/tobacco product importation exemption.	$25.0	$25.0
Total all impacts	**($4.5)**	**($127.0)**
Total all impacts on Ohio residents - i.e. subtract motor vehicle change	**($68.5)**	**($193.0)**

Notes:
[1] New Property Tax Relief Increases GRF Expenditures.

[2] Impacts of Other Tax Changes Includes Both GRF and LF Impacts.

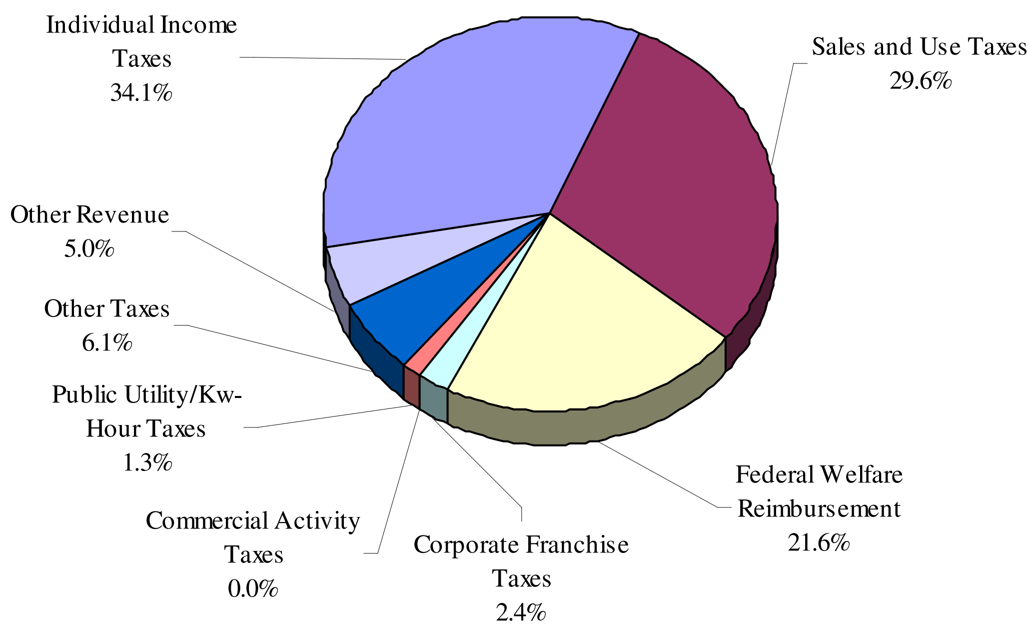
[3] Table does not include impacts of law changes passed in HB 66 (the budget bill from the last General Assembly) but with delayed impact - e.g. income tax cuts phased in over FY 2006-2010. If such impacts were included, net tax relief would rise substantially.

Finally, the estimated GRF receipts also reflect the proposed change in the mechanisms to allocate state tax revenues to local government funds. The proposed change is explained in detail in the following section.

Total GRF revenues, including the effects of tax changes, are projected to be $26.7 billion in FY 2008, an increase of 4.0 percent over FY 2007, and $27.2 billion in FY 2009, an increase of 1.8 percent from FY 2008. State-only GRF revenues are estimated to be $21.1 billion in FY 2008 and $21.2 billion in FY 2009. This produces annual growth of 3.8 percent and 0.3 percent, respectively. Total GRF tax receipts are expected to be $19.8 billion in FY 2008, an increase of 2.1 percent over FY 2007, and $19.8 billion in FY 2009, a slight decline of 0.2 percent from FY 2008.

Figure 2a

Total GRF – Estimated Revenues for FYs 2008 and 2009



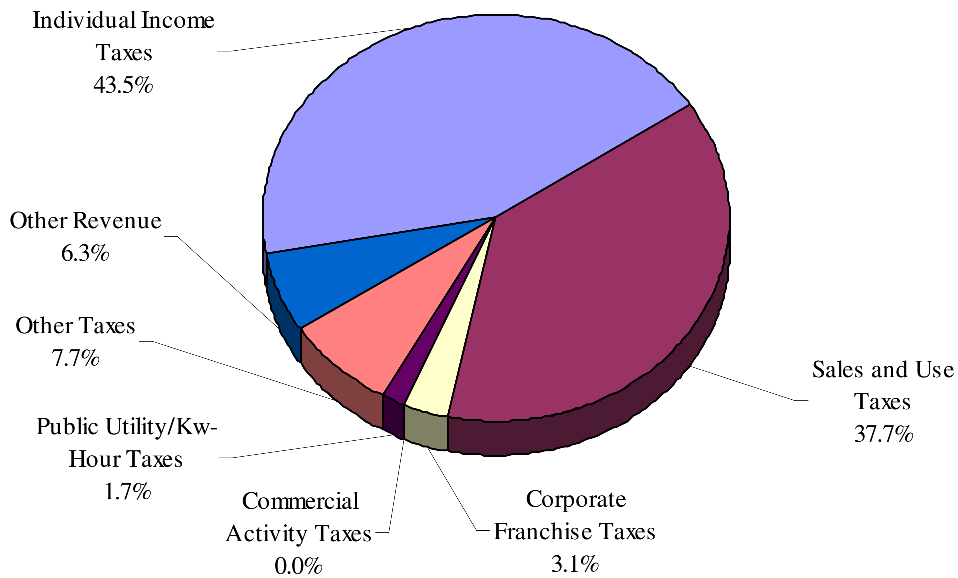
Estimated GRF Revenues (dollars in millions)

Revenue Source	**FY 2008**	**FY 2009**	**Total**
Individual Income Taxes	$ 9,148.4	$ 9,251.9	$ 18,400.3
Sales and Use Taxes	$ 7,839.3	$ 8,109.5	$ 15,948.8
Federal Grants & Reimbursement	$ 5,604.6	$ 6,030.7	$ 11,635.3
Corporate Franchise Taxes	$ 812.8	$ 497.4	$ 1,310.2
Commercial Activity Taxes	$ -	$ -	$ -
Public Utility/Kw-Hour Taxes	$ 405.2	$ 314.1	$ 719.3
Other Taxes	$ 1,640.5	$ 1,633.4	$ 3,273.9
Other Revenue	$ 1,292.4	$ 1,390.4	$ 2,682.8
Total	**$ 26,743.2**	**$ 27,227.4**	**$ 53,970.6**

Note: Numbers may not add to total due to rounding.
Source: Ohio Office of Budget and Management, March 2007

Figure 2b

State-Only GRF – Estimated Revenues for FYs 2008 and 2009



Estimated State-Only GRF Revenues (dollars in millions)

Revenue Source		**FY 2008**		**FY 2009**		**Total**
Individual Income Taxes	$	9,148.4	$	9,251.9	$	18,400.3
Sales and Use Taxes	$	7,839.3	$	8,109.5	$	15,948.8
Corporate Franchise Taxes	$	812.8	$	497.4	$	1,310.2
Commercial Activity Taxes	$	-	$	-	$	-
Public Utility/Kw-Hour Taxes	$	405.2	$	314.1	$	719.3
Other Taxes	$	1,640.5	$	1,633.4	$	3,273.9
Other Revenue	$	1,292.4	$	1,390.4	$	2,682.8
Total	**$**	**21,138.6**	**$**	**21,196.7**	**$**	**42,335.3**

Note: Numbers may not add to total due to rounding.
Source: Ohio Office of Budget and Management, March 2007

CREATE SCHOOLS THAT WORK FOR EVERY CHILD

Education is the backbone of our communities and the gateway to economic prosperity. All of Ohio's families, wherever they live, must be able to send their children to safe schools with a challenging, relevant curriculum that provides students with the skills they need to compete in a global economy. The Turnaround Ohio approach will provide our state's education system with more equitable outcomes, targeting limited resources to students who need it most.

The Executive Budget recommendations are focused on four primary policy goals:

1. Support high quality teaching,
2. Promote and support early childhood care and education and school readiness,
3. Enhance equity and eliminate disparities throughout the system, and
4. Increase transparency and accountability, and provide incentives for efficiencies.

Primary and Secondary Education

School Funding

Funding for the Department of Education (all funds) totals $10.03 billion in FY 2008 (2.7% above FY 2007) and $10.39 billion in FY 2009 (3.6% above FY 2008). GRF funding for the Department of Education totals $6.90 billion in FY 2008 (0.6% above FY 2007) and $7.21 billion in FY 2009 (4.5% above FY 2008). Funding from lottery profits totals $672.9 million in FY 2008 and $667.9 million in FY 2009.

The Executive Budget recommendations will:

- Increase the state's share of the foundation formula by 5.5% over the last biennium. The state's foundation formula share in FY 2008 will be 47.5%, increasing to 48% in FY 2009. This increase in the state share percentage reduces the local share of special education and vocational education.
- Increase per-pupil funding by 3% each year to $5,565 in FY 2008 and $5,732 in FY 2009, the largest increases since FY 2002.
- Increase the hourly rate for building block investments by 3% in each fiscal year.
- Simplify the school funding formula to dedicate more resources to Poverty Based Assistance and Parity Aid. Parity Aid millage will increase from 7.5 mills to 8.0 mills in FY 2008 and 8.5 mills in FY 2009. Qualifying districts will be reduced from the 80^{th} percentile to the 60^{th} percentile, better directing this aid to districts with the greatest need.
- Hold districts harmless through restructured and simplified guarantee that reduces a district's reliance on guarantees in future years.

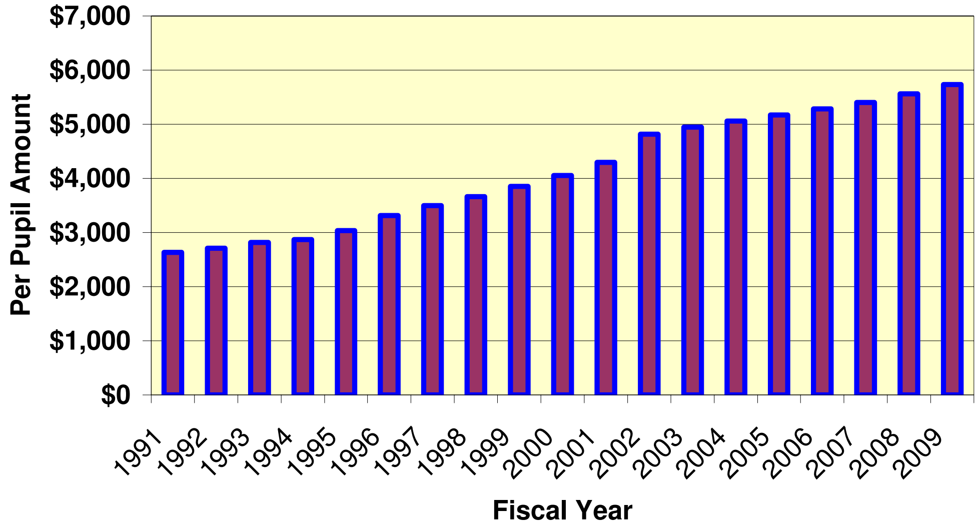
- Increase the discretion that school districts have over their poverty-based assistance. The budget proposal fully funds the professional development, drop out prevention, and community outreach components of poverty-based assistance, and the budget creates a new payment for districts in academic distress.
- Reduce a district's reliance on guarantees in future years by holding districts harmless through restructured and simplified guarantees.
- Restore the prior method of current year average daily membership by eliminating the February count.
- Provide $6.5 million in new state investment for the Post Secondary Enrollment Option (PSEO) program in fiscal year 2009. Funding will allow over 3,800 students to earn college credit while still in high school. Because this is supplemental funding that is not deducted from a school district, this new investment will partially remove the existing disincentive to school districts to participating in PSEO.
- Invest an additional $750,000 in the Early College High School program in each fiscal year. These programs provide high school students the opportunity to earn college credit toward an associate or bachelor degree while still in high school.

The table and chart below summarize the overall impact of the Executive Budget recommendations on Primary and Secondary Education:

***Table 2*. Impact of Recommendations on K-12 Education**

Indicator	FY2007 (*est.)	FY2008	FY2009
Per-pupil Amount	$5,403	$5,565 (+3.0%)	$5,732 (+3.0%)
Building Block Rate	$20.40/hour	$21.01 (+3.0%)	$21.64 (+3.0%)
State Share %	44.8%	47.5%	48.0%
Special Education	$438 million*	$472 million (+7.7%)	$513 million (+8.7%)
Parity Aid (@ equity threshold)	$482 million* @ 7.5 mills	$485million @ 8 mills (0.6%)	$521 million @ 8.5mills (7.4%)
Poverty-based Assistance (PBA)	$411 million*	$468 million (+13.8%)	$500 million (+6.8%)
Bottom Line Guarantee:	$87 million*	$360 million	$308 million
# districts with increased funding	--	311 (over FY07)	371 (over FY08)
# districts with decreased funding	--	0	0
Total Appropriation:	**$6,312,222,127**	**$6,357,710,420**	**$6,651,739,647**
Increase over the prior year:	--	$45,488,293 (0.7%)	$294,029,227 (4.9%)

Figure 3
Base Cost Funding Per Pupil
FY 1991-FY 2009 (includes recommendations)



In terms of the recently adopted Ohio Core initiative, the administration proposes to dedicate resources to high quality teaching, and attracting individuals into the profession and creating a pipeline that directs high quality teachers to hard-to-staff schools.

The Executive Budget recommendations will:

- Increase the investment in the National Board Certified Teaching program by $1 million in each fiscal year. The additional funding will restore stipends to teachers from $1,000 to $2,500. Funding will also increases state assistance for the application fee.
- Invest in teacher instruction in laboratory-based sciences, mathematics, and foreign languages for hard-to-staff schools.
- Increase support for high quality teachers and their professional development.

Additional programs supporting the Ohio Core are noted in the Higher Education section, below.

Funding our Future, Supporting Our Seniors

The second plank in the administration's plan to turn around Ohio's education system is property tax relief. Continuing the theme of the Strickland administration's budget proposal, the emphasis is on targeting limited, available resources in order to achieve the greatest possible effect.

Additional tax relief for senior citizens and the disabled through the expanded homestead exemption program will cost approximately $260 million annually. The number of homestead exemption recipients will increase from 220,000 to 775,000, approximately 25.2% (about one-quarter of all Ohio homeowners) and increase the amount of tax relief from $70 million to approximately $330 million.

The proposal makes four fundamental changes to the existing homestead exemption program.

- First, the executive budget removes the existing income limitations on the homestead exemption and makes the property tax relief available to all senior citizen homeowners, as well as those who are permanently and totally disabled.

- Second, the proposal eliminates the three tiers of exemptions in value under the current program and replaces them with a single market value exemption of $25,000 annually.

- Third, it rationalizes the program by multiplying the exemption amount by the actual tax rate in effect on residential real property, rather than by the gross tax rate, which is paid only by business and public utilities on tangible property.

- Fourth, it protects any homeowners currently receiving the homestead exemption from any reduction in their tax relief by ensuring that the new homestead tax relief will be at least as much as what was received under the old program.

As under current law, the homestead exemption tax relief will be reimbursed by the state general revenue fund to schools and to local governments, insuring that no local entity loses property tax revenue as a result of program expansion. The proposed expansion will take effect in the current tax year, 2007, and will thus affect property tax payments made in 2008.

By targeting tax relief to senior citizens and the disabled through the homestead exemption, the proposal accomplishes several objectives of the Strickland Administration:

- Reduces school reliance on property tax revenues and increases the state's overall role in paying for education by substituting state tax relief dollars for locally collected school revenues. This at least partially addresses one of the criticisms of the education finance system in the Supreme Court's *DeRolph* decisions, the over-reliance on local property taxes.

- Improves the levy success rate and results in fewer levies appearing on local ballots by providing senior citizens with additional tax relief when local voters approve additional millage.

- Limits additional administrative costs by expanding an existing tax relief program rather than creating a new one and eliminating the need for new forms, new rules, and new procedures for taxpayers to apply for relief.

Tobacco Securitization

The Executive Budget enables the State to securitize 100 percent of the payments to be made to Ohio under the Tobacco Master Settlement Agreement (MSA) over the next 40 or more years. Based on current market conditions, this securitization would generate an estimated $5.0 billion in net proceeds. The Executive Budget explicitly limits the use of the net proceeds to the twin priorities of: (1) rebuilding Ohio's elementary and secondary school facilities, and (2) providing property tax relief to 775,000 Ohioans through an expansion of the homestead exemption funded from GRF debt service savings resulting from the securitization. This securitization would also eliminate the risk currently borne by the State that MSA payments will continue to decline in value or be subject to significant interruptions or reductions over the term of the bonds.

Net Proceeds Used to Fund School Facilities and Property Tax Relief. The Executive Budget proposes that the State securitize 100 percent of its tobacco settlement receipts (TSRs) over the next 40 or more years by selling the rights to receive those TSRs to investors for a set period of time through the issuance of tobacco bonds.

- To implement the securitization, the Executive Budget proposes establishing the Ohio Tobacco Settlement Financing Authority (OTSFA) as a single-purpose authority that would purchase all rights to Ohio's MSA payments and monetize the upfront value of those payments through the issuance of bonds secured solely by a pledge of the TSRs. Investors in those bonds would have no recourse to any other funds of the state.
- The OTSFA would be comprised of the Governor, Auditor of State, Treasurer of State, Attorney General, Tax Commissioner and the Director of Budget and Management.
- The net proceeds from securitizing 100 percent of Ohio's TSRs over the next 40-years are presently estimated at just over $5.0 billion based on current interest rates and existing tobacco market conditions.
- The Executive Budget proposes applying those net proceeds to accomplish two vital purposes: (i) rebuilding Ohio's elementary and secondary school facilities through the School Facilities Commission building assistance program, and (ii) providing property tax relief to 775,000 Ohioans through an expansion of the homestead exemption funded from GRF debt service savings resulting from the securitization (See Table 3).

Table 3. Use of Tobacco Bond Proceeds

$ in Billions	Use of Proceeds	Purpose/Rationale
$2.20	K-12 School Facilities (Fund 032)	K-12 School Facilities. Amount equals the present value of the current ORC 183.02 MSA allocations for education facilities (trust fund and endowment fund) for FYs 2008-2025.
$1.92 $0.92	K-12 School Facilities (Fund 032) Higher Education Facilities (Fund 034)	Debt Service Savings for Tax Relief. Funds capital needs over the next 3 years that would have otherwise been funded from State GRF-backed bonds. Debt service savings used to fund expansion of the homestead exemption.
$5.04		

Accountability and Efficiency

The Strickland administration recognizes the difficulty for parents and their children in identifying schools that best meet their academic needs, especially when data are incomplete and there is no penalty for failing to report academic performance. The Executive Budget outlines a comprehensive package of reforms that directly address the concerns raised in the Achieve report as well as other reports, and takes steps to build accountability and efficiency into the education system. (See the report by Achieve, Inc., "Creating a World-Class Education System in Ohio," commissioned by the Ohio State Board of Education, released February 13, 2007.) The Executive Recommendations will:

- Advancing the school employees health care board's recommendations by establishing a board to develop and implementation plan to create voluntary health care pools and other best practices for purchasing health care services. The board estimates that implementing its findings can save $60-120 million per year in healthcare costs for school districts.
- Permit school districts with an income tax to reduce the assessment as they deem necessary.
- Provide the Department of Education additional authority to impose penalties for school districts that do not submit the required data through the Education Management Information System (EMIS).
- Limit the report card rank of schools that do not test high proportions of their students.
- Establish a moratorium on the creation of new community schools.
- Require community schools to comply with the same accountability requirements as traditional public schools. This will result in strengthened community school accountability to ensure that the consumer rights of students and their families are protected and that they benefit from full academic and financial disclosure.

- Enhance the Department of Education's authority to oversee community school sponsors.
- Require community school sponsors to assure the operational capacity of community schools before the start of each school year.
- Require that existing contracts for management of community schools, up for renewal, be competitively bid to ensure that taxpayer dollars are protected. Prohibit the use of for-profit companies as the management company for all community schools.
- Eliminate the EdChoice program. In fiscal year 2007, the first year of the program, fewer than 30% of the funded slots were utilized.
- Reduce the per-pupil basic aid amount for e-schools to remain consistent with the business model's requirement for significantly fewer teachers, a major cost-driver for traditional public schools.

Higher Education: Making College Accessible and Affordable to All Ohioans

Funding for the Board of Regents (all funds excluding General Obligation debt service and higher education lease rental payments) totals $2.30 billion in fiscal year 2008 (1.7% above fiscal year 2007) and $2.33 billion in fiscal year 2009 (1.3% above fiscal year 2008). GRF funding, excluding General Obligation debt service and higher education lease rental payments, for the Board of Regents totals $2.27 billion in fiscal year 2008 (3.6% above fiscal year 2007) and $2.31 billion in fiscal year 2009 (1.3% above fiscal year 2008).

The Executive Budget recommendations will make college more accessible and more affordable to all Ohioans, thus assuring that all Ohioans have the opportunity to attain skills for high-quality jobs. The administration also supports and expands the dedication of resources to high-quality teaching in the science, technology, engineering and mathematics (STEM) disciplines. In higher education and workforce development, the Executive Budget focuses on four primary policy goals of critical importance to Ohio's future:

1. Close the gap in higher education costs for students, making college affordable for all Ohioans.
2. Compact with Higher Education institutions to control costs, stem tuition growth, increase collaboration and cooperation between the state and institutions of higher education.
3. Create "truth in tuition" to eliminate unexpected costs for those attending institutions of higher education.
4. Seamlessly link education, workforce development and the needs of business, so that high school graduates obtain the appropriate level of post-secondary education and high demand skills they need to support the needs of Ohio's growing businesses.

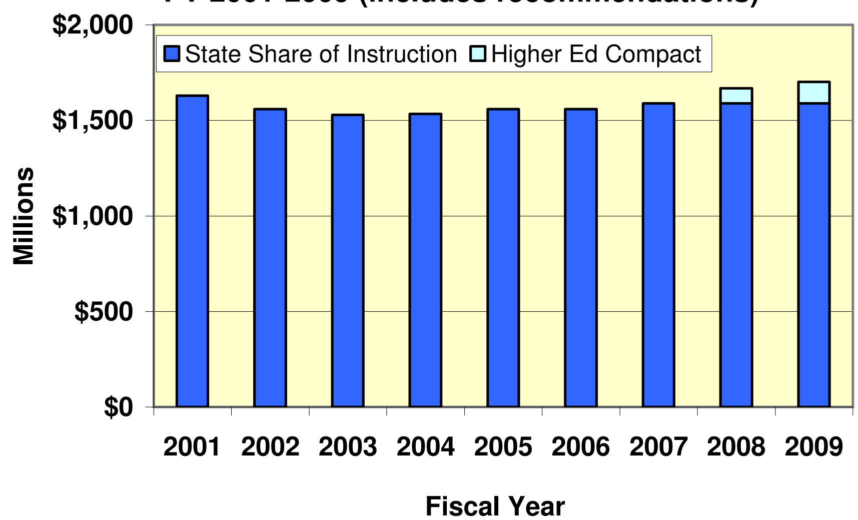
The Turnaround Ohio approach has fully funded need-based financial aid, as well as increasing institutional funding to help colleges and universities keep tuition down, and aligning higher education with Ohio's economy. The executive recommendations will:

- Request that state-supported institutions participate in the Higher Education Compact in order to obtain a 5% increase for fiscal year 2008 and a 2% increase for fiscal year 2009 for the State Share of Instruction. The compact will require campuses to:
- Restrain tuition growth to 0% in fiscal year 2008 and 3% in fiscal year 2009.
- Realize efficiency savings of 1% in fiscal year 2008 and 3% in fiscal year 2009.
- Continue the phased-in implementation of the Ohio College Opportunity Grant (OCOG), which will replace the Ohio Instructional Grant (OIG) completely in fiscal year 2011. Eligibility for new need-based financial aid program is aligned with the federal Pell grant, which will result in needy students receiving the financial aid they need and maximize their tuition buying power. A student attending a public four-year institution in the state qualifying for the maximum state and federal need-based aid, could receive \$6,546 toward tuition – covering over 75% of the average tuition at a state supported four-year institution of higher education.
- Target the Student Choice Grants for private colleges and universities to those students eligible for the Ohio College Opportunity Grant, thus making them need-based.
- Supplement the Research Incentive Program (formerly called Research Challenge) with \$18 million in Third Frontier Bond. GRF support for this program is reduced by \$6 million for each fiscal year, however overall dedicated support actually increases by 66% (\$12 million for each year). Funds provided are matching dollars to universities to support basic and applied research. The funds are allocated each year and the amount is based on the institution's share of grant awards (external – federal, nonprofit, etc) from the prior year.
- Increase funding to expand Ohio College Access Network (OCAN) project sites (\$4.25 million in each fiscal year). Expansion of this program will result in higher numbers of at-risk and low-income students and their families preparing for higher education.
- Invest \$8.2 million in seed funding to Central State University's Speed to Scale Plan over the biennium and restore the university's supplemental funding (earmarked in Access Challenge) to fiscal year 2005 levels (an increase of \$2 million in each fiscal year). Funds will be used to support student recruitment, retention, and improve graduation rates.
- Eliminate the Student Workforce Development Grants (\$2.1 million in fiscal year 2007), which consist of grants to proprietary schools.
- Increase funding for early college high schools, which will expand learning opportunities to additional high school students, by \$750,000 in each fiscal year over fiscal year 2007 level. The program helps students get a head start on

college by allowing them to earn college credit toward an associate and bachelor degree while still in high school.

- Increase support of the Ohio Agricultural Research and Development Center by 2% or $719,104 in each fiscal year. Additional funding will support basic and applied research through the Ohio State University's colleges of Food, Agricultural, and Environmental Sciences, Human Ecology, Biological Sciences, and Veterinary Medicine. Research areas include plant and animal agriculture, engineering, social sciences, food science, natural resources, environmental sciences, community and human development, and human nutrition.
- Provide funding for the Ohio National Guard Scholarship ($16,611,063 in each fiscal year) and a three percent increase for Ohio War Orphans Scholarship ($4,812,321 each fiscal year).

Figure 5
State Share of Instruction
FY 2001-2009 (includes recommendations)



The administration will also continue to support the recently enacted Ohio Core initiative and dedicates resources to high quality teaching by offering professional development in the STEM disciplines and in foreign language. The Executive recommendations will:

- Continue $2.0 million funding per year to support 10 STEM and foreign language academies, which will benefit 1,000 high school students over the biennium. Students will fulfill Ohio Core requirements while earning college credit in an intensive summer program.
- Investment in New Teacher Incentive programs: New programs to encourage increasing teacher capacity throughout the state include the Teacher Signing Bonus ($4 million in fiscal year 2009) and Teacher Loan Forgiveness ($2.5 million in fiscal year 2009). These programs are projected to increase the number

of STEM and foreign language teachers working in hard-to-staff schools by 1,300.

Provide Every Child a Fair Start Through Access to High Quality Early Care and Education

The administration strongly supports an expanded investment in early care and education programs in order to address achievement gaps as early as possible, and to provide high-quality care and learning choices to Ohio's families. The Executive Budget funds initiatives that will improve the quality of early care and education, increase access to these programs, and strengthen the state's early intervention efforts.

To improve the quality of early care and education and to ensure that adequate resources are available to build and sustain capacity for early care and education, the Executive Budget will:

- Increases child care provider rates using federal TANF funding. The new rates will increase revenue for providers by 11.5% and represent an increase in funding of $54.9 million in FY 2008 and $57.4 million in FY 2009.
- Implement over the biennium a number of child care quality set-aside initiatives including
  - Increase resource and referral services, expand Teacher Education and Compensation Helps (T.E.A.C.H.) scholarships.
  - Increase the budget for the professional development registry.
  - Increase the number of infant and toddler specialists. Total additional quality funding for these initiatives over the biennium will be an estimated $9.4 million.
  - Develop a statewide early care and education fiscal model that will provide sustainable funding for quality care for all Ohio's children.

To increase access to early care and education programs for all of Ohio's children the Executive Budget will:

- Harmonize eligibility at 200 percent of the federal poverty level for all of the state's early care and education programs.
- Remove the one hour per month work requirement for parents whose children participate in the state's Early Learning Initiative (ELI) program.
- Eliminate the six-month re-determination requirement for the ELI program will be so that any child who is eligible at the start of a school year may attend for the entire year regardless of changes in family income.
- Continue to provide $125.3 million in both FY 2008 and FY 2009 for the ELI program, with a goal of increasing the number of children served to 12,000 in each fiscal year.

- Expand funding for the Early Childhood Education program (i.e., "public preschool") by $22.5 million over the biennium to provide 1,956 new slots for 3 to 4-year-olds in FY 2008 and an additional 490 new slots in FY 2009 (a 65.5% increase in slots from FY 2007 to FY 2009). This change will allow up to 49 new school districts in FY 2008 and 12 districts in FY 2009 to offer the program.
- Make preschool services an allowable expense for the first time for Poverty Based Assistance funds, giving eligible districts the opportunity to use funding not specifically set aside for all-day kindergarten on public preschool. The Executive Budget also increases the appropriation for all-day kindergarten from $133.6 million in FY 2007 to $139.6 million in FY 2008 and $143.2 million in FY 2009.
- Expand the state's early intervention efforts by providing a total of $2.7 million over the biennium through the Transformation State Incentive Grant (TSIG) for early childhood mental health consultation and parent education services.
- Increase funding for home and community-based mental health treatment services by $1.9 million over the biennium.
- Increase funding for the Help Me Grow program by $7.3 million in FY 2008 and by $17.0 million in FY 2009 to serve an additional 3,000 children and to enhance quality of care, increasing the amount available to be spent per child by $450, through a combination of GRF and TANF funding sources.
- Provide $6.5 million per year in TANF funds for the School Readiness Enrichment program to support short-term intervention to help prepare children for kindergarten.

STABILIZE HEALTHCARE COSTS FOR GOVERNMENT AND BUSINESS ALIKE AND ADVANCE THE HEALTH OF OUR CITIZENS

Medicaid and Other Health Care

Healthcare Coverage for the Uninsured

Providing access to affordable healthcare coverage is a cornerstone of the Executive Budget. The proposed budget will provide access to affordable healthcare to all children in Ohio. This will be accomplished through the expansion of the State Child Health Insurance Program (SCHIP) program and by allowing other families to buy into the Medicaid program. Currently, Ohio's SCHIP program eligibility is limited to children whose family income is 200 percent or lower than the federal poverty level. The budget will increase the SCHIP eligibility level to 300 percent of the federal poverty level, which will enable approximately 20,000 more children to enroll in the Medicaid program. For those children whose family income is over 300 percent of the federal poverty level and who lack access to health insurance, the proposed budget will allow them to buy Medicaid coverage through premiums that will be charged on a sliding scale based on the family's income level. An estimated 4,000 children will obtain healthcare coverage through this option.

The Executive Budget will:

- Allow people with severe disabilities who want to work to buy health insurance coverage through Medicaid. Many people with disabilities would prefer to work but are discouraged from doing so because they will lose their much-needed Medicaid benefits. This new program will permit an estimated 7,300 citizens to overcome these obstacles by allowing them to pay a premium to retain their medical coverage through the Medicaid program.
- Increase eligibility for pregnant women from 150 percent to 200 percent of the federal poverty limit. Ohio is one of only 12 states with an eligibility limit at or below 150 percent of poverty. Prenatal care is the first step to ensuring that Ohio's children are happy, healthy, and ready to learn.
- Restore Medicaid coverage for approximately 25,000 parents with incomes between 90 and 100 percent of the federal poverty level who lost Medicaid eligibility during the FY 2006-2007 biennium.
- Provide funds to research the opportunity for an Ohio Healthcare Exchange in the Department of Insurance to link the uninsured with affordable health insurance products. The Healthcare Exchange sets up a free-market exchange whereby private health plans become available to all Ohioans at low prices through the power of group purchasing.

Prevention

Knowing that front-end, preventive care lowers overall healthcare costs and keeps people healthy, the Executive Budget provides $1.5 million in FY 2008 and $2.9 million in FY 2009 for the Healthy Ohio program to reduce health disparities among minorities and to improve health outcomes using care coordination models for individuals with catastrophic and expensive health conditions.

Investments in Home and Community Based Care

Long-term care costs make up a significant portion of all spending in the Medicaid Program. Institutional care is an important component of the long term care continuum; however, due to the institutional bias in the Medicaid program, additional investment in home and community based options is needed to address this bias. As the baby boomer generation nears retirement, it is important that Ohio begin now to develop cost-effective options for people requiring long-term care services. We must build the infrastructure and resources we will need in the future.

In line with the recommendations of the Medicaid Administrative Study Council, the Executive Budget initiates a plan for a unified long-term care budget that will help the state balance its spending to expand the choices available for long term care, eliminate barriers for people moving from institutions to home and community based settings, and assure a wide variety of options for different levels of care. The Governor has instructed the Director of the Department of Aging to convene a workgroup that includes state policymakers, consumer advocates, and industry leaders to develop an implementation plan to create a statewide long-term care budget. This implementation plan will outline the action steps needed to begin implementation in fiscal year 2009 with a goal of full implementation in fiscal year 2010.

In November 2007 Ohio received a federal Money Follows the Person grant to help balance spending between home and community based and institutional settings. This grant will provide over $100 million in enhanced federal match over the next five years and will help the state relocate over 2,200 people away from institutions and into home and community-based settings. Eligible participants must have resided in an institution for at least six months and the grant requires the state to continue to provide community services after the demonstration period for as long as the individual remains eligible for Medicaid and needs community services.

In addition the Executive Budget provides sufficient resources for the PASSPORT program in the Department of Aging to eliminate the current waiting list and add 5,600 waiver slots over the biennium. The Executive Budget also provides $6.2 million in FY 2008 and $29.0 million in FY 2009 to support 600 new Independent Option waiver slots in FY 2008 and 900 in FY 2009 in the Department of Mental Retardation and Developmental Disabilities' budget in compliance with the *Martin v. Taft* consent order.

Improving Efficiency in the Medicaid Program

Improving the efficiency of government operations is another focus of the administration's plan. The Medicaid budget contains numerous initiatives focused on improving the efficiency of the program. One example is an emphasis on improved management of Medicaid's Third Party Liability (TPL) program. This program ensures Medicaid is the payer of last resort, which means other insurers must pay their share of a claim prior to Medicaid making a payment. The administration's plan includes changes that will improve the identification of these insurers.

Total Medicaid Spending by JFS

Total GRF spending for the Medicaid healthcare services in the Department of Job and Family Services budget totals $9.5 billion in fiscal year 2007. In fiscal year 2008 projected spending for these services will increase by 1.8 percent to $9.6 billion and in fiscal year 2009 spending projections will increase by 5.4% to $10.1 billion. The growth rate in fiscal year 2009 is higher due to the time it takes to see the full impact of eligibility expansions.

***Table 4.* JFS GRF Medicaid Spending by Line Item**

Line Item	FY 2007 - Est.	FY 2008 Appropriation		FY 2009 Appropriation	
600-525 – Healthcare/ Medicaid	$9,157,150,368	$9,338,655,406	2.0%	$9,838,135,512	5.3%
State Share	$3,673,848,727	$3,711,477,365	1.0%	$3,781,240,317	1.9%
Federal Share	$5,483,301,640	$5,627,178,041	2.6%	$6,056,895,195	7.6%
600-526 – Medicare Part D	$239,504,892	$254,397,401	6.2%	$271,854,640	6.9%
600-513 – Disability Medical Assistance	$24,088,991	$ -		$ -	
Total	**$9,420,744,251**	**$9,593,052,807**	**1.8%**	**$10,109,990,152**	**5.4%**

Note: The Executive Budget assumes $437 million of the fiscal year 2007 unspent funds will be encumbered and used in fiscal year 2008 to pay Medicaid obligations. This encumbrance is included in the fiscal year 2008 figures in the table. In fiscal years 2008 and 2009, DMA spending has been moved from line item 600-513 to line item 600-525.

FOCUS ON OHIO'S ECONOMIC STRENGTHS

The Turnaround Ohio Plan focuses on boosting new and growing industry sectors in Ohio and takes advantage of the work of countless economic development, business and labor leadership groups already working hard to create and retain jobs in the state, while supporting vibrant downtowns, and putting resources in the hands of Ohio's businesses to compete in a global marketplace.

While the economy continues to place pressure on state finances, the Executive Budget promotes the development of Ohio's economy by assisting companies, training workers, and supporting strong communities. The budget continues to invest in infrastructure improvements and in research that will develop new technologies, while also directing funding to business development, job training programs, and advanced energy initiatives.

Energy: Building Jobs for Ohio and Leading the Nation to Energy Independence

The administration will coordinate almost $1 billion in energy-related programs to use energy as an economic development driver in Ohio, and will target $250 million in tax exempt bond cap allocation to energy projects. In addition the administration will:

- Create the Energy Strategy Development Fund that will support the office of the Governor's Energy Advisor. The budget provides an appropriation of $307,000 in each fiscal year for use by the Energy Advisor and his staff to develop energy-related initiatives, projects, and policy. The Energy Advisor will work with delegated personnel from each state agency to identify, categorize, and coordinate all programs that have an impact on state energy policy, coordinate and target implementation of those programs to accomplish established energy policy objectives and work with stakeholders across the state to guarantee that all interests are understood and considered.
- Guide a broader Third Frontier investment in energy research and development.
- Increase the Advanced Energy program by $5 million in each biennium to broaden its impact on advanced energy initiatives.

Learning for Life: Skills for High-Quality Jobs

Following the Turnaround Ohio plan, the administration's budget proposal aims to ensure that workers have access to lifelong education and that employers have access to well-trained workers. Initiatives supported through the budget will better link workforce training and education initiatives to business development priorities and enable Ohioans to more easily participate in training opportunities.

The Executive Budget recommendations for the Workforce Development program will:

- Implement the Learning for Life: Skills for High-Quality Jobs initiative.

- Earmark \$1.9 million in FY 2008 and \$2.2 million in FY 2009 of Workforce Investment Act dollars to the Ohio State Apprenticeship Council for apprenticeship employment and training services.
- Create a \$6 million program in the Department of Job and Family Services using Workforce Investment Act funds to encourage job training and job creation for young people in low income communities. Participating employers will receive funds to support the training and wages of a young employee. Thousands of young men and women will benefit from this opportunity.

- ***Additional initiatives include:***

    - **Workforce Guarantee Program.** This initiative represents an aggressive effort to use Ohio's workforce development system to support Ohio's growth industries with high quality jobs. The Workforce Guarantee Program will provide support for every business that creates more than 20 quality jobs per year through the provision of free customized training and education by Ohio's community and technical colleges, in collaboration with our adult career centers by coordinating and leveraging the offerings of Enterprise Ohio, Ohio Investment in Training Partnership, and Workforce Investment Act programs. The Workforce Guarantee Program is funded at \$1.0 million in fiscal year 2008.
    - **Ohio Investment in Training Program.** The Ohio Investment in Training Program provides customized training to new and expanding businesses. The Executive Budget provides funding of \$12.6 million per year for the program, while also increasing the funding for Economic Development Regional Offices by nearly \$2.8 million over the biennium to strengthen the programs throughout Ohio.

Revitalizing our Cities and Towns

Revitalizing Our Cities and Towns is the Strickland Administration's commitment to give local leaders the tools they need to create jobs and attract investments to make their communities vibrant centers of commerce. Numerous initiatives are incorporated in the biennial operating budget proposal to support business creation and development, including:

- **Ohio Main Street Program.** The Executive Budget proposal includes an additional investment of \$500,000 over the biennium to revitalize local economies through the Ohio Main Street Program. The state's investment will expand the current 32 locally-driven efforts to strengthen and diversify the economic base through revitalization of historic and traditional commercial areas.
- **Clean Ohio.** Accelerate the pace of reclaiming brownfields and vacant industrial sties by increasing the Clean Ohio line item by \$275,000 in fiscal year 2008 and \$200,000 in fiscal year 2009.

- **Mass Transit in Communities.** Provide $20 million in GRF to mass transit in communities, an increase of 24.5 % over fiscal year 2007 and represents the highest appropriate for mass transit since 2004.
- **Airport expansions and economic development.** In recognition of the vital role of logistics and distribution in Ohio's economy, the Executive Budget sets aside $4.0 million in FY 2008 to support airport expansions and economic development.
- **Rail Improvements.** The Executive Budget allocates $2.0 million in GRF revenue to support rail improvements and multimodal infrastructure to service Ohio's growing logistics and distribution base.
- **Ohio State Film Commission.** The Executive Budget re-establishes the Ohio State Film Commission and provides for ongoing support of the Cincinnati and Cleveland Film Commissions with $50,000 per year for each.

Building on Ohio's Industry Sectors of Strength

- **Broadband Ohio**. The Executive Budget provides a $20 million down payment to move Ohio's state network traffic to the NextGen network, laying the groundwork for extending it to all 88 counties.
- **Rapid Outreach.** The budget expands funding for Rapid Outreach Grants that assist companies and communities to create and retain jobs. The funding level of $16.1 million per year is an increase of 37.0% from the FY 2007 appropriation.
- **Marketing and International Trade.** The Executive Budget continues support of the Ohio Business Development Coalition in its marketing and promotion work with $6 million over the biennium. Additionally, International Trade support is increased by $400,000 (10.1%) in each fiscal year to add new trade offices in Australia and India, and to fully fund the Shanghai office that was established in fiscal year 2007.

MAINTAINING ESSENTIAL STATE SERVICES

Among the fundamental purposes of state government is the responsibility to provide for the health, safety, and public welfare of its citizens. Highlights of budget initiatives that support this purpose are listed below.

Department of Rehabilitation and Correction

GRF funding for the Department of Rehabilitation and Correction is $1.54 billion in FY 2008 (2.0% above FY 2007) and $1.59 billion in FY 2009 (2.0% above FY 2008). The budget will fund the operation of 32 institutions, including inmate medical and mental health services, as well as parole operations and community corrections programs. Negotiated pay increases are fully funded with no planned layoffs or institutional closures. Mandated levels of medical and mental health services will continue for every Ohio inmate, and community programs are increased to divert more low level offenders from state institutions. Increased production through the Ohio Penal Industries, as well as the Services and Agriculture program are projected to produce cost savings through bulk purchases and streamlined operations.

The Ohio Department of Rehabilitation and Correction (DRC) protects and supports Ohioans by ensuring that adult felony offenders are effectively supervised in environments that are safe, humane, and appropriately secure. In partnership with communities, DRC promotes citizen safety and victim reparation. Through rehabilitative and restorative programming, the department seeks to instill in offenders a sense of responsibility and the capacity to become law-abiding members of society. The department has over 14,000 employees with an annual operating budget of $1.76 billion. The Executive Budget recommendations will allow DRC to:

- Develop a performance contract to set priorities in line with Turnaround Ohio strategies to fund results.
- Operate the Ohio Department of Rehabilitation and Correction with a high level of transparency and accountability to Ohio citizens.
- Develop a plan for the expansion of technology that will improve the efficiency of operations and the quality of communication within the department.
- Implement the comprehensive plan targeting employment strategies for ex-offenders.
- Expand energy conservation and performance contracts.

Other Human Services

In addition to other human service initiatives noted above, the Executive Budget will also provide for the following:

- **Cost of Living Adjustment for Ohio Work First.** The Executive Budget allows for a cost of living adjustment to be made in Ohio Works First program, beginning in January 2009. The estimated cost of the adjustment is $4.6 million in FY 2009.

- **Increase Funds for Child Protection.** To address the systemic reforms called for in the administrative review following the death of Marcus Feisel, the Executive Budget will increase state support for child welfare programs by $10.4 million per year.

- **Adoption Assistance Subsidy Increase.** To encourage the adoption of special needs children and to remove the financial disincentive of adoption for families, the Executive Budget increases the state subsidy for qualifying adoptions by $50 from $250 to $300 per month, providing subsidies for the families who have adopted approximately 22,000 special needs children through the federal adoption program and 1,700 children through the state adoption program.

- **Child Support Subsidy Increase.** County subsidy funding is increased by $17.2 million per year to minimize the impact of the Deficit Reduction Act (DRA) on this program. Under the DRA counties are no longer able to use child support incentive funds to pull down additional federal matching funds. This change would have reduced the funds available to counties by $60 million per year.

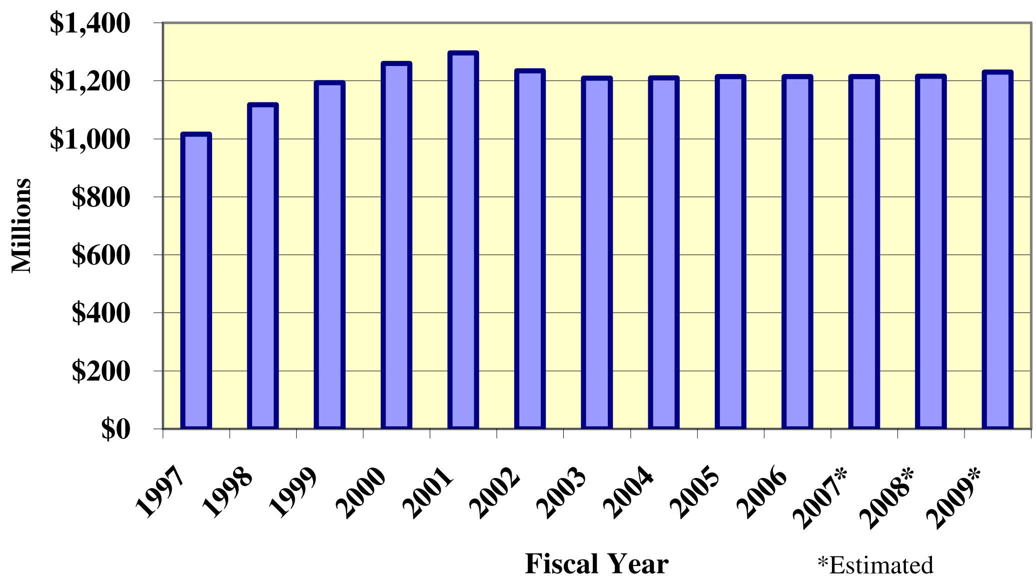
- **Maintain Services at the Ohio Veterans Home.** The Ohio Veterans Home GRF budget is increased by 6.4 percent in FY 2008 and 6.3 percent in FY 2009. This increase will allow the maintenance of current levels of service at both the nursing home and domiciliary in Sandusky and the nursing home in Georgetown.

PROVIDE STRONG SUPPORT FOR COMMUNITY SERVICES BY REFORMING THE LOCAL GOVERNMENT FUNDS

Maintaining the state's revenue assistance to local governments and libraries through the local government funds is a priority of the Strickland administration. Governor Strickland has committed to providing a predictable and stable source of revenue for the three funds that adjusts for recent tax changes and that continues to support local priorities.

Recent state budget bills enacted in 2001, 2003, and 2005 (Am. Sub. H.B. 94 of the 124th General Assembly, Am. Sub. H.B. 95 of the 125th General Assembly, and Am. Sub. H.B. 66 of the 126th General Assembly, respectively) suspended the statutory funding method for the Local Government Fund (LGF), the Local Government Revenue Assistance Fund (LGRAF), and the Library and Local Government Support Fund (LLGSF) over the fiscal years 2002 through 2007 time period. A "freeze" was imposed by these bills in lieu of the statutory funding method and distribution formulas. During the "freeze" these three funds have distributed to local units of government and libraries about $1.2 billion annually from the shares of the state's major tax sources as specified in law. A history of distributions from 1989 (when the LGRAF was added) to 2006 is provided in the following chart:

Figure 5
Local Government Funds Deposits
FY 1997 - 2007



Background on Local Government Funds

The LGF took form when the state sales tax was established in 1935, and was intended to provide an offset to the repeal in 1934 of a property tax increase that had been approved in a 1929 constitutional amendment. Under current law, the LGF receives 4.2 percent of the sales and use tax, the personal income tax, the corporation franchise tax, and the public utility excise tax, and 2.646 percent of the kilowatt-hour tax. These revenues are distributed by the Department of Taxation to counties and municipalities based on a statutory formula. The amounts received by each county are then distributed by the county based on an agreement among the local units of government within the county.

The LGRAF has existed since July 1989. Under current law, it receives 0.6 percent of the sales and use tax, the personal income tax, the corporation franchise tax, and the public utility excise tax; and it receives 0.378 percent of the kilowatt-hour tax. LGRAF revenues are distributed by the Department of Taxation to counties on a per capita basis, and are then distributed within each county based on an agreement among the local units of government within the county.

The LLGSF was created in order to replace the locally collected intangible property tax, which was repealed in calendar year 1986. Under current law, it receives 5.7 percent of the Personal Income Tax, which is distributed by the Department of Taxation to counties based on a statutory formula. The county governments oversee the distribution of the revenues to libraries and municipalities within each county.

Executive Proposal

Given the tax changes enacted in the last General Assembly, each of the three funds could have decreased over time under the statutory formulas, which are based on certain tax revenues reduced or eliminated in the last budget. The Strickland administration proposes to make several notable changes to the funds. First, the "freeze" would continue through calendar year 2007, thus ensuring that each county (and municipality receiving a direct distribution from the state) receives the same amount in that year as it received in calendar year 2006. The proposed permanent law changes would become effective in January 2008. Beginning in that month, the LGF and LGRAF would be replaced by a single fund called the Local Communities Fund; the LLGSF would be renamed the Local Libraries Fund. Also beginning in January 2008, a new funding method would be used to provide stable ongoing support for the local funds. Each month, the Local Communities Fund would receive 3.65 percent of the total prior month's General Revenue Fund tax receipts, while the Local Libraries Fund would receive 2.20 percent of the total prior month's General Revenue Fund tax receipts. ("General Revenue Fund tax receipts" actually means the total revenues of the various tax sources that are entirely or partially deposited in the General Revenue Fund, net of deposits made to funds other than the General Revenue Fund and the local government funds, such as the state fire marshal fund.)

Finally, the administration proposes changes in how Local Communities Fund revenues are distributed to counties. Due to cumulative valuation and population changes that have occurred since the freeze first went into effect in July 2001, if the entire Local

Communities Fund were distributed according to the existing statutory Local Government Fund and Local Government Revenue Assistance Fund formulas, there would be substantial distributional swings among the counties in calendar year 2008 relative to the freeze-based calendar year 2007 distributions. Under the proposal, the Local Communities Fund allocation formula would guarantee that distributions to counties (and to municipalities that received a direct calendar year 2007 Local Government Fund distribution from the state) would at least equal the calendar year 2007 distributions received from the LGF and LGRAF (only a decline in state tax revenue performance would result in distributions not meeting that calendar year 2007 target). All additional Local Communities Fund revenue exceeding the calendar year 2007 base amounts would be distributed to counties based on each county's share of the total state population.

The Local Libraries Fund would operate in the same manner as the current Library and Local Government Support Fund. The only difference would be that the calendar year 2007 entitlements embedded in the calendar year 2008 Library and Local Government Support Fund formula would be set so that they equal the amounts actually distributed to county library funds in calendar year 2007. This ensures that each county will experience the same rate of change in their calendar year 2008 distributions relative to their calendar year 2007 distributions (in addition, because aggregate calendar year 2008 distributions are not expected to grow at a rate exceeding the inflation rate, the "equalization" formula is not expected to be triggered, thereby allowing each county to grow by the same rate in calendar year 2008).

Only if total tax receipts fall approximately one percent or more below current projections, would local governments and libraries would not receive a larger dollar amount in calendar year 2008 than they will in calendar year 2007. This is because the Local Communities Fund and the Local Libraries Fund would receive a designated percentage of total General Revenue Fund tax receipts. The following Table shows the calendar year distributions to the local governments and libraries.

***Table 5*. Projected Calendar Year Distributions, CY 2007-2009** ($ in millions)

(Includes proposed revenue raisers, first impacting the CY 2008 distributions.)

	CY 2006 Actual	**CY 2007* Projected**	**CY 2008** Projected**	**CY 2009 Projected**
Local Government Distributions	$756.8	$756.8	$766.6	$771.2
Library Distributions	$458.0	458.0	462.1	464.9
Total	**$1,214.8**	**$1,214.8**	**$1,228.6**	**$1,236.1**

*Assumes the freeze will last through December 2007
**Beginning in January 2008, distributions will reflect the new funding method.

Because distributions under the new funding method would not start until January 2008, and because of the pattern in which funds are received in the state fiscal year, the total increase for FY 2008 is projected to be $0.9 million, and for FY 2009 the increase is projected to be $15.0 million. This is an increase of $15.9 million during the biennium.

Summary

The Executive Budget recommendations to reform the Local Government Funds will:

- Provide a dependable source of support for local governments and libraries by committing a set percentage of all tax revenues deposited into the General Revenue Fund.
- Combine the Local Government and Local Government Revenue Assistance Funds to form the Local Communities Fund.
- Under the new system, beginning in 2008 the following will occur:
    - The Local Communities Fund will receive 3.65 percent of total GRF tax revenues annually
    - The Local Libraries Fund will receive 2.20 percent of total GRF tax revenues annually.
    - As GRF revenues increase, local governments and libraries will share in the growth.
    - No local entity receives less under the new framework than they did under the freeze in place since FY 2002.
    - Local governments and libraries are projected to receive an increase of $15.9 million during the biennium.
- Revenue growth for the Local Communities Fund above FY 2007 levels will be distributed on a per capita basis.

Tables Summarizing Budget Revenues and Appropriations

Table 6
Actual and Estimated Revenues for the General Revenue Fund
Fiscal Years 2006 to 2009
(Dollars in Millions)

	Actual	Estimated					
Revenue Source	**FY 2006**	**FY 2007**	**% Chg**	**FY 2008**	**% Chg**	**FY 2009**	**% Chg**
Tax Revenue							
Auto Sales and Use	936.4	920.0	-1.7%	1,022.3	11.1%	1,061.9	3.9%
Non-Auto Sales and Use	6,431.9	6,550.0	1.8%	6,817.0	4.1%	7,047.6	3.4%
Subtotal Sales and Use	7,368.2	7,470.0	1.4%	7,839.3	4.9%	8,109.5	3.4%
Personal Income	8,786.4	8,790.0	0.0%	9,148.4	4.1%	9,251.9	1.1%
Corporate Franchise	1,054.9	1,055.0	0.0%	812.8	-23.0%	497.4	-38.8%
Commercial Activity Tax	185.1	0.0	N/A	0.0	N/A	0.0	0.0%
Public Utility	176.2	170.0	-3.5%	177.9	4.6%	181.0	1.7%
Kilowatt Hour Tax	325.3	330.0	0.0%	227.3	-31.1%	133.1	-41.4%
Foreign Insurance	248.8	255.3	2.6%	266.3	4.3%	272.4	2.3%
Domestic Insurance	170.3	174.7	2.6%	178.4	2.1%	182.5	2.3%
Business and Property	19.1	19.0	-0.5%	19.5	2.6%	20.0	2.6%
Cigarette	1,084.1	1,020.0	-5.9%	1,025.0	0.5%	1,005.0	-2.0%
Alcoholic Beverage	57.5	57.5	-0.1%	58.0	0.9%	58.5	0.9%
Liquor Gallonage	33.4	34.3	2.8%	35.5	3.5%	36.7	3.4%
Estate	54.1	56.5	4.5%	57.8	2.3%	58.3	0.9%
Total of Tax Revenue	19,563.4	19,432.3	-0.7%	19,846.2	2.1%	19,806.3	-0.2%
Non-Tax Revenue							
Earnings on Investments	107.3	163.0	51.9%	168.0	3.1%	172.0	2.4%
Licenses and Fees	73.9	71.0	-3.9%	76.0	7.0%	76.0	0.0%
Other Income	138.3	102.0	-26.2%	62.7	-38.5%	66.7	6.4%
Interagency Transfers	52.7	51.6	-2.1%	51.6	0.0%	51.6	0.0%
Total of Non-Tax Revenue	372.2	387.6	4.1%	358.3	-7.6%	366.3	2.2%
Transfers							
BSF Transfer	0.0	0.0	0.0%	0.0	0.0%	0.0	0.0%
Liquor Transfers	138.0	135.0	-2.2%	147.0	8.9%	141.0	-4.1%
Transfer In - Other	164.3	119.0	-27.6%	320.3	169.2%	298.0	-7.0%
Transfers In - Temporary	12.9	287.4	2133.3%	466.8	62.4%	585.1	25.3%
Total Transfers	315.2	541.4	71.8%	934.1	72.5%	1,024.1	9.6%
Total Sources Excluding Federal Grants	20,250.8	20,361.3	0.5%	21,138.6	3.8%	21,196.7	0.3%
Federal Grants Deposited in the GRF	5,595.2	5,357.0	-4.3%	5,604.6	4.6%	6,030.7	7.6%
Total Sources	25,846.0	25,718.3	-0.5%	26,743.2	4.0%	27,227.4	1.8%

Source: Ohio Office of Budget and Management, March 2007

Table 7
Estimated Expenditures and Recommended Appropriations by Agency
General Revenue Fund, FYs 2007, 2008, 2009

State Agency	FY 2007 Estimate	FY 2008 Recommendation	% Change	FY 2009 Recommendation	% Change
Education					
Arts Council	11,238,161	11,488,161	2.2%	11,488,161	0.0%
Education, Department of	6,859,822,040	6,903,322,532	0.6%	7,213,795,695	4.5%
eTech Commission	25,791,452	26,762,440	3.8%	26,762,442	0.0%
Historical Society	14,294,655	13,620,297	-4.7%	13,618,177	0.0%
Library Board	13,105,191	13,105,191	0.0%	13,105,191	0.0%
Ohioana Library Association	200,000	200,000	0.0%	200,000	0.0%
Regents, Board of	2,550,632,969	2,651,172,945	3.9%	2,650,527,541	0.0%
School Facilities Commission	256,514,700	307,470,400	19.9%	339,648,300	10.5%
SchoolNet Commission	0	0	0.0%	0	0.0%
State School for The Blind	7,411,713	7,910,569	6.7%	8,336,760	5.4%
State School for The Deaf	9,656,955	10,030,955	3.9%	10,519,454	4.9%
Health and Human Services					
African American Males, Commission on	282,000	782,000	177.3%	1,282,000	63.9%
Aging, Department of	160,085,711	173,907,080	8.6%	206,034,833	18.5%
Alcohol and Drug Addition Services, Dept. of	41,674,515	33,785,051	-18.9%	37,590,051	11.3%
Health, Department of	76,290,567	76,099,699	-0.3%	85,168,584	11.9%
Hispanic-Latino Affairs, Commission on	181,781	700,121	285.1%	707,156	1.0%
Job and Family Services, Department of	10,880,877,212	10,147,098,278	-6.7%	11,118,133,601	9.6%
Legal Rights Service	489,322	489,322	0.0%	489,322	0.0%
Mental Health, Department of	573,705,486	574,261,785	0.1%	576,633,885	0.4%
Mental Retardation/DD, Department of	354,795,421	369,669,156	4.2%	389,282,941	5.3%
Minority Health, Commission on	1,346,514	1,421,285	5.6%	2,459,831	73.1%
Rehabilitation Services Commission	24,684,552	24,684,552	0.0%	24,914,552	0.9%
Veterans' Home	29,076,231	30,945,805	6.4%	32,887,516	6.3%
Veterans' Organizations	1,634,619	1,634,619	0.0%	1,634,619	0.0%
Justice and Public Protection					
Adjutant General	12,813,233	13,124,780	2.4%	13,431,796	2.3%
Civil Rights Commission	7,470,667	7,097,134	-5.0%	7,097,134	0.0%
Criminal Justice Services, Office of	0	0	0.0%	0	0.0%
Ethics Commission	1,742,213	1,863,028	6.9%	1,902,275	2.1%
Inspector General, Office of	1,769,085	1,367,372	-22.7%	1,437,901	5.2%
Public Defender Commission	38,077,880	38,078,220	0.0%	38,078,220	0.0%
Public Safety, Department of	7,887,883	8,231,175	4.4%	8,231,175	0.0%
Rehabilitation and Correction, Department of	1,514,281,251	1,544,700,707	2.0%	1,591,681,362	3.0%
Youth Services, Department of	252,293,165	259,215,908	2.7%	263,885,566	1.8%
General Government/Tax Relief					
Administrative Services, Department of	164,009,979	178,301,125	8.7%	173,534,357	-2.7%
Budget and Management, Office of	3,480,759	3,306,973	-5.0%	4,868,497	47.2%
Capital Square Review and Advisory Commission	2,852,269	2,942,837	3.2%	2,937,837	-0.2%
Commerce, Department of	2,032,396	2,132,397	4.9%	2,132,397	0.0%
Controlling Board	5,553,045	4,950,000	-10.9%	4,950,000	0.0%
Cultural Facilities Commission	38,442,207	36,780,736	-4.3%	37,631,636	2.3%
Dispute Resolution and Conflict Mgmt, Comm. On	470,000	470,000	0.0%	470,000	0.0%
Elections Commission	411,623	411,623	0.0%	423,975	3.0%
Personnel Review Board	1,148,000	1,148,181	0.0%	1,201,643	4.7%
State Employment Relations Board	3,363,359	3,258,803	-3.1%	3,382,847	3.8%
Tax Appeals, Board of	2,211,035	2,247,476	1.6%	2,369,363	5.4%
Tax Relief Programs	1,243,753,516	1,272,129,775	2.3%	1,344,778,875	5.7%
Taxation, Department of	91,511,742	92,111,742	0.7%	92,839,776	0.8%

Table 7
Estimated Expenditures and Recommended Appropriations by Agency
General Revenue Fund, FYs 2007, 2008, 2009

State Agency	FY 2007 Estimate	FY 2008 Recommendation	% Change	FY 2009 Recommendation	% Change
Executive, Legislative, and Judicial Branches					
Attorney General	54,148,888	55,773,354	3.0%	56,497,151	1.3%
Auditor of State	32,099,282	32,069,552	-0.1%	33,371,482	4.1%
Court of Claims	5,178,331	2,830,489	-45.3%	2,912,000	2.9%
Governor, Office of the	4,672,265	4,476,488	-4.2%	4,487,488	0.2%
House of Representatives	20,370,859	20,574,568	1.0%	20,574,568	0.0%
Joint Committee on Agency Rule Review	387,364	409,856	5.8%	409,856	0.0%
Joint Legislative Ethics Committee	550,000	550,000	0.0%	550,000	0.0%
Judicial Conference	957,000	1,269,430	32.6%	1,329,193	4.7%
Judiciary/Supreme Court	122,882,604	132,588,982	7.9%	140,567,912	6.0%
Legislative Service Commission	21,509,427	21,724,521	1.0%	21,724,521	0.0%
Secretary of State	4,171,311	2,971,585	-28.8%	2,971,585	0.0%
Senate	11,661,821	11,778,439	1.0%	11,778,439	0.0%
Treasurer of State	31,169,283	31,363,261	0.6%	31,306,261	-0.2%
Transportation and Development					
Agriculture, Department of	19,366,396	18,969,895	-2.0%	18,869,895	-0.5%
Development, Department of	107,491,846	114,723,284	6.7%	128,750,284	12.2%
Expositions Commission	400,000	400,000	0.0%	400,000	0.0%
Public Works Commission	189,313,900	192,360,800	1.6%	208,475,500	8.4%
Transportation, Department of	21,903,885	31,583,585	44.2%	27,583,603	-12.7%
Southern Ohio Agr and Comm Dev Trust Fund	0	0	0.0%	7,988,471	0.0%
Environment and Natural Resouces					
Air Quality Development Authority	11,554,614	7,803,092	-32.5%	8,805,192	12.8%
Environmental Protection Agency	0	0	0.0%	0	0.0%
Environmental Review Appeals	483,859	574,375	18.7%	573,575	-0.1%
Natural Resources, Department of	129,424,033	129,708,234	0.2%	129,480,534	-0.2%
Captial	1,112,747	0	-100.0%	0	0.0%
Cancelled and Reissued Warrants	1,989,991	0	-100.0%	0	0.0%
Grand Total	**26,082,166,780**	**25,668,936,025**	**-1.6%**	**27,221,894,754**	**6.0%**

Source: Ohio Office of Budget and Management, March 2007

Table 8
Estimated Expenditures and Recommended Appropriations by Agency
All Funds, FYs 2007, 2008, 2009

State Agency	FY 2007 Estimate	FY 2008 Recommendation	% Change	FY 2009 Recommendation	% Change
Education					
Arts Council	12,624,527	12,659,527	0.3%	12,659,527	0.0%
Education, Department of	9,760,078,866	10,026,825,087	2.7%	10,390,212,255	3.6%
eTech Commission	37,405,834	30,473,620	-18.5%	30,473,622	0.0%
Higher Education Facilities Commission	16,819	16,819	0.0%	16,819	0.0%
Historical Society	14,294,655	13,620,297	-4.7%	13,618,177	0.0%
Library Board	23,349,785	24,514,075	5.0%	24,514,075	0.0%
Ohioana Library Association	200,000	200,000	0.0%	200,000	0.0%
Career Colleges and Schools, Board of	508,600	552,300	8.6%	572,700	3.7%
Regents, Board of	2,616,113,806	2,675,360,284	2.3%	2,674,469,761	0.0%
School Facilities Commission	267,666,848	315,220,213	17.8%	347,434,497	10.2%
SchoolNet Commission	0	0	0.0%	0	0.0%
State School for The Blind	10,408,515	10,742,585	3.2%	11,168,716	4.0%
State School for The Deaf	12,953,685	13,071,921	0.9%	13,557,946	3.7%
Tuition Trust Authority	6,364,705	6,911,575	8.6%	7,018,665	1.5%
Health and Human Services					
African American Males, Commission on	292,000	792,000	171.2%	1,292,000	63.1%
Aging, Department of	516,711,043	622,709,777	20.5%	661,735,765	6.3%
Alcohol and Drug Addition Services, Dept. of	194,635,091	188,045,626	-3.4%	191,850,626	2.0%
Health, Department of	582,645,782	618,137,762	6.1%	609,916,357	-1.3%
Hispanic-Latino Affairs, Commission on	201,781	720,121	256.9%	727,156	1.0%
Industrial Commission	59,999,383	61,799,365	3.0%	61,799,365	0.0%
Job and Family Services, Department of	17,717,563,261	17,173,244,786	-3.1%	18,216,645,858	6.1%
Legal Rights Service	4,896,507	5,525,674	12.8%	5,375,674	-2.7%
Mental Health, Department of	1,046,703,358	1,143,383,779	9.2%	1,193,759,140	4.4%
Mental Retardation/DD, Department of	1,230,577,100	1,173,831,084	-4.6%	1,252,695,175	6.7%
Minority Health, Commission on	1,810,554	2,028,771	12.1%	2,930,128	44.4%
Rehabilitation Services Commission	264,600,436	263,428,923	-0.4%	270,631,235	2.7%
Veterans' Home	55,204,994	57,359,708	3.9%	59,421,570	3.6%
Veterans' Organizations	1,634,619	1,634,619	0.0%	1,634,619	0.0%
Workers' Compensation, Bureau of	324,027,568	328,956,361	1.5%	329,210,479	0.1%
Justice and Public Protection					
Adjutant General	42,838,965	42,249,138	-1.4%	44,039,305	4.2%
Civil Rights Commission	11,081,618	11,122,641	0.4%	11,759,319	5.7%
Criminal Justice Services, Office of	0	0	0.0%	0	0.0%
Ethics Commission	2,354,756	2,295,571	-2.5%	2,334,818	1.7%
Inspector General, Office of	1,869,085	1,742,372	-6.8%	1,812,901	4.0%
Public Defender Commission	94,608,309	82,581,180	-12.7%	82,799,635	0.3%
Public Safety, Department of	722,802,223	692,395,401	-4.2%	699,444,085	1.0%
Rehabilitation and Correction, Department of	1,727,929,640	1,763,777,007	2.1%	1,819,987,951	3.2%
Youth Services, Department of	291,273,816	293,629,034	0.8%	299,067,209	1.9%
General Government/Tax Relief					
Employee Benefits Funds	2,634,068,668	2,755,007,303	4.6%	2,862,705,331	3.9%
Administrative Services, Department of	380,986,391	390,648,408	2.5%	390,753,178	0.0%
Budget and Management, Office of	15,765,043	17,657,832	12.0%	21,278,216	20.5%
Capital Square Review and Advisory Commission	6,444,512	6,315,314	-2.0%	6,310,314	-0.1%
Commerce, Department of	627,819,517	667,141,151	6.3%	706,017,859	5.8%
Consumers' Counsel, Office of	7,770,070	8,498,070	9.4%	8,498,070	0.0%
Controlling Board	5,553,045	4,950,000	-10.9%	4,950,000	0.0%
Deposit, Board of	1,676,000	1,676,000	0.0%	1,676,000	0.0%
Medical Transportation Board	388,450	471,450	21.4%	473,450	0.4%
Cultural Facilities Commission	39,506,502	37,845,031	-4.2%	38,695,931	2.2%
Dispute Resolution and Conflict Mgmt, Comm. On	610,000	610,000	0.0%	610,000	0.0%
Elections Commission	636,623	666,623	4.7%	678,975	1.9%

Table 8
Estimated Expenditures and Recommended Appropriations by Agency
All Funds, FYs 2007, 2008, 2009

State Agency	FY 2007 Estimate	FY 2008 Recommendation	% Change	FY 2009 Recommendation	% Change
Insurance, Department of	32,123,567	32,643,567	1.6%	33,340,834	2.1%
Liquor Control Commission	700,533	743,093	6.1%	772,524	4.0%
Lottery Commission	439,866,268	420,945,841	-4.3%	422,879,388	0.5%
Personnel Review Board	1,153,900	1,163,181	0.8%	1,216,643	4.6%
Petrol. Undergd Storage Tank Release Comp. Bd.	1,116,658	1,116,658	0.0%	1,169,181	4.7%
Professional Licensing Boards	36,550,412	37,095,968	1.5%	38,054,444	2.6%
Public Utilities Commission	81,242,608	78,632,617	-3.2%	64,468,698	-18.0%
Racing Commission	27,157,145	26,401,499	-2.8%	26,401,499	0.0%
Revenue Distribution Funds	4,814,790,471	5,181,786,631	7.6%	5,440,777,143	5.0%
Sinking Fund, Commissioners of	820,090,505	915,151,600	11.6%	1,033,906,900	13.0%
State Employment Relations Board	3,438,900	3,334,344	-3.0%	3,458,388	3.7%
Tax Appeals, Board of	2,211,035	2,247,476	1.6%	2,369,363	5.4%
Tax Relief Programs	1,243,753,516	1,272,129,775	2.3%	1,344,778,875	5.7%
Taxation, Department of	1,746,484,162	1,730,028,597	-0.9%	1,711,991,631	-1.0%
Executive, Legislative, and Judicial Branches					
Attorney General	179,766,323	201,024,176	11.8%	202,475,101	0.7%
Auditor of State	78,702,708	79,568,138	1.1%	81,870,068	2.9%
Court of Claims	6,761,015	4,413,173	-34.7%	4,494,684	1.8%
Governor, Office of the	5,026,779	4,841,637	-3.7%	4,852,637	0.2%
House of Representatives	21,827,802	22,046,081	1.0%	22,046,081	0.0%
Joint Committee on Agency Rule Review	387,364	409,856	5.8%	409,856	0.0%
Joint Legislative Ethics Committee	650,000	650,000	0.0%	650,000	0.0%
Judicial Conference	1,182,000	1,619,430	37.0%	1,679,193	3.7%
Judiciary/Supreme Court	130,084,352	139,681,522	7.4%	147,753,195	5.8%
Legislative Service Commission	21,716,927	21,933,796	1.0%	21,933,796	0.0%
Secretary of State	48,531,394	22,637,000	-53.4%	22,637,000	0.0%
Senate	12,120,846	12,261,401	1.2%	12,261,401	0.0%
Treasurer of State	66,368,283	66,562,261	0.3%	66,655,261	0.1%
Transportation and Development					
Agriculture, Department of	50,926,155	49,914,540	-2.0%	49,804,540	-0.2%
Development, Department of	1,158,683,394	1,199,463,636	3.5%	1,173,057,776	-2.2%
Expositions Commission	14,563,315	14,688,652	0.9%	14,563,315	-0.9%
Housing Finance Agency	9,173,332	9,750,953	6.3%	10,237,491	5.0%
Public Works Commission	259,983,586	261,333,111	0.5%	277,512,099	6.2%
Transportation, Department of	2,908,342,146	3,232,067,776	11.1%	3,082,304,585	-4.6%
Southern Ohio Agr and Comm Dev Trust Fund	0	0	0.0%	7,988,471	0.0%
Environment and Natural Resouces					
Air Quality Development Authority	22,153,590	18,723,325	-15.5%	19,741,569	5.4%
Environmental Protection Agency	203,151,248	202,554,045	-0.3%	207,689,173	2.5%
Environmental Review Appeals Commission	483,859	574,375	18.7%	573,575	-0.1%
Lake Erie Commission	658,549	837,000	27.1%	838,000	0.1%
Natural Resources, Department of	343,534,413	336,130,989	-2.2%	336,456,120	0.1%
Capital	1,387,265,751	1,164,186,000	-16.1%	0	-100.0%
Cancelled and Reissued Warrants	2,070,646	0	-100.0%	0	0.0%
Grand Total	**57,564,268,774**	**58,324,339,905**	**1.3%**	**59,285,504,952**	**1.6%**

Source: Ohio Office of Budget and Management, March 2007

Table 9
Estimated General Revenue Fund Balances
For Fiscal Years 2008 and 2009
(Dollars in Millions)

FY 2008	
Estimated FY 2008 Beginning Balance	**130.0**
Plus Estimated FY 2008 Revenues and Transfers to the GRF	26,743.3
Total Sources Available for Expenditure and Transfer	26,873.2
Less Recommended FY 2008 Appropriations and Transfers	26,139.5
Adjustment for Estimated GRF Debt Service Lapses	(7.9)
Total Uses	26,131.6
Estimated FY 2008 Ending Balance	**741.7**
FY 2009	
Estimated FY 2009 Beginning Balance	**741.7**
Plus Estimated FY 2009 Revenues and Transfers to the GRF	27,227.3
Total Sources Available for Expenditure and Transfer	27,969.0
Less Recommended FY 2009 Appropriations and Transfers	27,836.4
Adjustment for Estimated GRF Debt Service Lapses	(3.5)
Total Uses	27,832.9
Net Estimated Unreserved, Undesignated FY 2009 Ending Balance*	**136.1**

* FY 2009 estimated ending fund balance equals required 0.5 percent of revenue. In addition to the required ending fund balance, $26.1 million will be transferred to the Budget Stabilization Fund at the end of FY 2009.

Source: Ohio Office of Budget and Mangement, March 2007