## The American Recovery and Reinvestment Act

The fiscal year 2010-2011 Executive Budget includes anticipated federal funds to be received by the state for fiscal stabilization and economic recovery purposes in accordance with the American Recovery and Reinvestment Act of 2009 ("the Act"). This landmark piece of legislation seeks to preserve and create jobs while promoting economic recovery, providing funds to the states to invest in transportation, environmental protection, technological advances and other infrastructure projects to provide long-term economic benefits, and stabilizing state and local government budgets in order to mitigate reduction in essential services that have been impacted by the current recession. The Act will assist the states in a time of great economic challenge.

On February 2, 2009, when the Executive Budget summary and briefing documents were initially introduced, the Office of Budget and Management made certain assumptions regarding the amount of stimulus resources expected to be received by Ohio based on the House-passed version of the Act. The Executive Budget included appropriation line item levels that were designed to leverage proposed federal funds and thus offset some potential reductions in programs that would have otherwise been necessary.

The Act as passed by Congress and signed by President Obama on February 17, 2009 varied somewhat from the House version. While the overall impact on Ohio's stimulus funding estimates increased by approximately $135.7 million in the aggregate, estimates related to some specific areas of the stimulus funding increased while others decreased. As such, the Office of Budget & Management has recast some specific revenue estimates and appropriations levels for House Bill 1 relative to the Executive Budget as presented on February 2, 2009.

This special analysis clarifies and documents the actual amount of federal stimulus funds expected to be received by the state based on the final version of the Act, and outlines related updates in revenues and expenditures proposed in House Bill 1 relative to the Executive Budget in five main areas:

1) Overall revenue assumption changes, including both stimulus revenue and specific federal tax provisions that are expected to impact general revenue fund (GRF) tax receipts in fiscal years 2010-2011;
2) Enhanced Federal Medical Assistance Percentage (FMAP) for Medicaid;
3) IDEA and Title I funding for education;
4) State Fiscal Stabilization Fund; and
5) Impact on other assumptions that were included in the Executive Budget.

## Revenue Assumption Changes

This section summarizes two different ways in which the Act will impact House Bill 1 revenue estimates: first, changes in federal stimulus support expected to be received by Ohio relative to the estimates included in the Executive Budget; and second, changes in state tax receipts that are expected based on several federal tax provisions that were included in the federal Act. This latter category of changes was not anticipated in the Executive Budget for fiscal years 2010-2011 budget but has been added for inclusion in House Bill 1.

### Federal Stimulus Revenue

As Figure 1 on the following page indicates, Ohio will receive approximately $135.7 million additional in federal stimulus relative to the amounts that were included in the Executive Budget for those categories that are included in the Executive Budget version of the operating bill. (Note that other stimulus resources, such as competitive grants for infrastructure, will be available to states but were not quantified in the Executive Budget or the revised estimates for House Bill 1.) Some discrete portions of the stimulus funding, such as IDEA/Title I, have increased relative to the Executive Budget estimates while other portions, such as the Fiscal Stabilization Fund for General Government Services, have decreased. These changes have required the Administration to reprogram a portion of the stimulus appropriation and a portion of GRF appropriation in order to match resource availability with priorities. All programs are funded at Executive Budget levels, with the exception of subsidies for the Department of Mental Health, the Department of Alcohol and Drug Addition Services (ODADAS) and the Department of Mental Retardation and Developmental Disabilities (MR/DD), which are actually funded above Executive Budget levels because of the additional enhanced Medicaid FMAP. Figure 1 illustrates revenue estimates; expenditure estimates are included later in this special analysis.

**Figure 1: Summary of Stimulus Assumptions, Executive Budget to House Bill**

**Summary of Stimulus Assumption Changes, Executive Budget to House Bill 1**

| | | Executive Budget | Changes | HB 1 |
|---|---|---|---|---|
| | Category | FY10/FY11 Total | FY10/FY11 Total | FY10/FY11 Total |
| | GRF Federal Stimulus | | | |
| 1 | IDEA/Title 1 | $820,550,674 | $101,460,326 | $922,011,000 |
| 2 | Medicaid eFMAP (JFS 525) | $283,687,078 | $135,469,044 | $419,156,122 |
| 3 | IV-E Child Welfare stimulus - State | $0 | $8,693,479 | $8,693,479 |
| 4 | State Fiscal Stabilization Fund - Education | $1,353,266,158 | $129,370,842 | $1,482,637,000 |
| 5 | State Fiscal Stabilization Fund - Other Govt Svcs | $920,576,280 | ($590,698,280) | $329,878,000 |
| | Subtotal | $3,378,080,190 | ($215,704,589) | $3,162,375,601 |
| | Non-GRF Federal Stimulus Directly Impacting GRF | | | |
| 6 | Non-GRF Medicaid eFMAP (JFS only) | $1,219,122,067 | $171,214,105 | $1,390,336,172 |
| 7 | Medicaid eFMAP (DMH, AGE, ADA DMR) | $194,111,613 | $90,787,574 | $284,899,187 |
| | Subtotal | $1,413,233,680 | $262,001,679 | $1,675,235,359 |
| | Non-GRF Federal Stimulus Included in Budget But Not Directly Impacting GRF | | | |
| 8 | Reed Act | $9,750,000 | ($3,900,000) | $5,850,000 |
| 9 | Unemployment Compensation | $15,500,000 | $0 | $15,500,000 |
| 10 | TANF | $42,205,370 | $0 | $42,205,370 |
| 11 | IV-E Child Welfare stimulus - Local | $0 | $23,042,939 | $23,042,939 |
| 12 | Child Care Development Block Grant | $78,000,000 | $0 | $78,000,000 |
| | Subtotal | $145,455,370 | $19,142,939 | $164,598,309 |
| *13* | *Total Stimulus, FYs 10/11* | *$4,936,769,240* | *$65,440,029* | *$5,002,209,269* |
| | FY09 Stimulus Assumptions that Affect FYs 10/11 | | | |
| 14 | FY09 Medicaid eFMAP assumptions for all funds all agencies | $756,191,147 | $58,752,955 | $814,944,102 |
| 15 | FY09 Child Welfare eFMAP assumptions | $0 | $11,529,216 | $11,529,216 |
| | Subtotal | $756,191,147 | $70,282,171 | $826,473,318 |
| | **Total FY09, FY10, FY11** | **$5,692,960,387** | **$135,722,200** | **$5,828,682,587** |
| | Medicaid only, all agencies, FYs 09/10/11 | $2,453,111,905 | $456,223,678 | $2,909,335,583 |

**NOTES ON SPECIFIC ROWS**

| | |
|---|---|
| 1 | IDEA/Title I increased to reflect 100% of estimate in HB 1 instead of 80%, which was used in Exec. Budget |
| 2, 6, 7, 14 | Medicaid eFMAP items changed to reflect conference formula and additional quarters not previously counted for non-JFS agencies |
| 3, 11 | Child welfare stimulus amount was not included in the Executive Budget, but that amount has been added in HB 1. FFIS/GAO estimates include child welfare stimulus funding in the eFMAP amounts published; Ohio's analysis separates these two amounts |
| 4, 5 | State Stabilization Fund total amount is now $896.9 million per year. |
| 8 | Reed Act - Final version of the Act provides $400 million for all states instead of the original $500 million |
| 9, 10, 12 | No changes to CCDF, Unemployment, TANF |

**General Revenue Fund Tax Losses Anticipated as a Result of Tax Provisions in the Stimulus Package**
The Act contains a number of tax cut or tax deferral provisions, in addition to the spending provisions. Most of these provisions will not have a direct impact on Ohio state or local tax revenues, because they are in the form of credits or other kinds of tax relief that do not reduce gross income. Since the calculation of Ohio personal income tax begins with federal adjusted gross income (FAGI), federal tax changes that reduce gross income also have the potential to decrease Ohio income tax.[1]

That said, there are three provisions in the Act that would reduce gross income and thus materially reduce Ohio income tax revenues. These three provisions are:

(1) An exclusion of up to $2,400 of unemployment insurance benefits from gross income for taxable year 2009;
(2) Deferral of recognition of income arising from the discharge of business indebtedness caused by the reacquisition "buyback" of a debt instrument; and
(3) 5-year carryback of 2008 net operating losses (NOLs) for businesses with gross receipts of $15 million or less.

The first of the three provisions is a temporary exclusion, while the next two provisions act to defer taxes from the present to the future, which result in foregone revenue in the short term, with offsets by increased revenues in later years. The following section contains a brief description of each of the three provisions, as well as an estimated revenue loss over the fiscal year 2010-2011 biennium.[2] The total estimated revenue loss from all three provisions over the course of the biennium after calculating for the impact on local government funds distributions is $55.7 million in fiscal year 2010 and $10.0 million in fiscal year 2011.

*Unemployment Insurance Exclusion*
The Act provides an exclusion of up to $2,400 of unemployment insurance benefits from gross income for taxable year 2009.

Internal Revenue Service (IRS) data shows that, for prior years, the average unemployment compensation for Ohioans who included such compensation in their income was about $3,500 per return. If this average were to hold in taxable year 2009 as well, the exclusion amount of $2,400 would be approximately 70 percent of the total compensation per tax return.

The administration estimates that between 365,000 and 370,000 Ohioans will report unemployment compensation on their tax returns in 2009, and thus will receive a benefit from the new federal exclusion. The estimated tax revenue foregone as a result is $21.5 million, all of which would be realized in fiscal year 2010, since the benefit would be realized by taxpayers filing their 2009 tax returns in early calendar year 2010.

*Deferral of income from discharge of certain indebtedness*
Under existing federal law, if a business that has borrowed funds (issued debt) takes steps to buy back such debt at less than the issue price, the difference between the original price and the debt's current value becomes taxable income, and it is taxed during the year in which such reacquisition occurs.[3]

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[1] Note that the word "potential" is used because the linkage between Ohio and federal tax law is not automatic: the Ohio General Assembly must affirmatively act to conform Ohio tax law with any changes to federal tax law. In most cases in recent history the Ohio General Assembly has acted to conform Ohio tax law to federal tax law, but not in every case. Because these provisions were designed to help stimulate overall economic development, the Administration will work with the General Assembly to amend state law and adopt the provisions in Ohio.
[2] For the last two cited tax provisions, the starting point for estimating the Ohio revenue loss is the federal Joint Committee on Taxation (JCT) estimate of the federal tax loss. For the unemployment compensation exclusion, the estimate was computed using Ohio-specific data.
[3] Under limited circumstances, the income is not taxable. Most notably, discharged debt for bankrupt firms is not taxable.

The Act would allow a business to defer income if it reacquires its own debt at a discount in 2009 and 2010. Such income is to be included ratably in income in five successive taxable years beginning in 2015.[4]

This provision is expected to benefit a number of firms whose debt obligations have degraded since the dramatic downturn in credit markets, the real estate market, and the general economy. It will presumably provide some companies with an inducement to adjust their debt obligations and with those reduced debt loads, such firms will be able to spend less of their revenue in servicing their debt, and thus will be able to spend more on activity that generates economic benefit: activity such as capital investment, hiring, and so on. The provision is expected to be of particular benefit to companies involved in real estate business, such as developers.

Because Ohio's corporate income tax has been eliminated, except for a small group of taxpayers, this provision causes a revenue loss only from those taxpayers that are pass-through entities, such as S-corporations, LLCs, and partnerships. The owners of those pass-through entities will realize the tax savings on their Ohio income tax.

The estimated revenue loss as a result of this provision is $19.9 million in fiscal year 2010 and $12.8 million in fiscal year 2011. After several more years of much smaller losses, the provision is estimated to generate state income tax revenue gains in fiscal years 2014-2019.

*Extended carryback of 2008 net operating losses*
Under current federal law, when most income taxpayers (e.g. sole proprietors and investors/shareholders in pass-through entities, such as partnerships and S corporations) realize operating losses during a given year they may subsequently deduct those losses against positive income they may have experienced during the two most recent prior taxable years (by filing amended returns for those prior years). This is referred to as a net operating loss "carryback." If the two prior years do not absorb the entire net operating loss, then the loss may be carried forward to be deducted in a future taxable year (not to exceed 20 years); this is referred to as a net operating loss "carryover" or "carryforward."

As one would expect, the net operating loss carryback deduction provides more immediate benefit to taxpayers since it entails an adjustment to a "closed" taxable year - producing a refund unless there are outstanding tax liabilities still owed on that year – while, in contrast, the taxpayer must wait to the next taxable year before realizing any potential benefit from a net operating loss carryforward deduction.

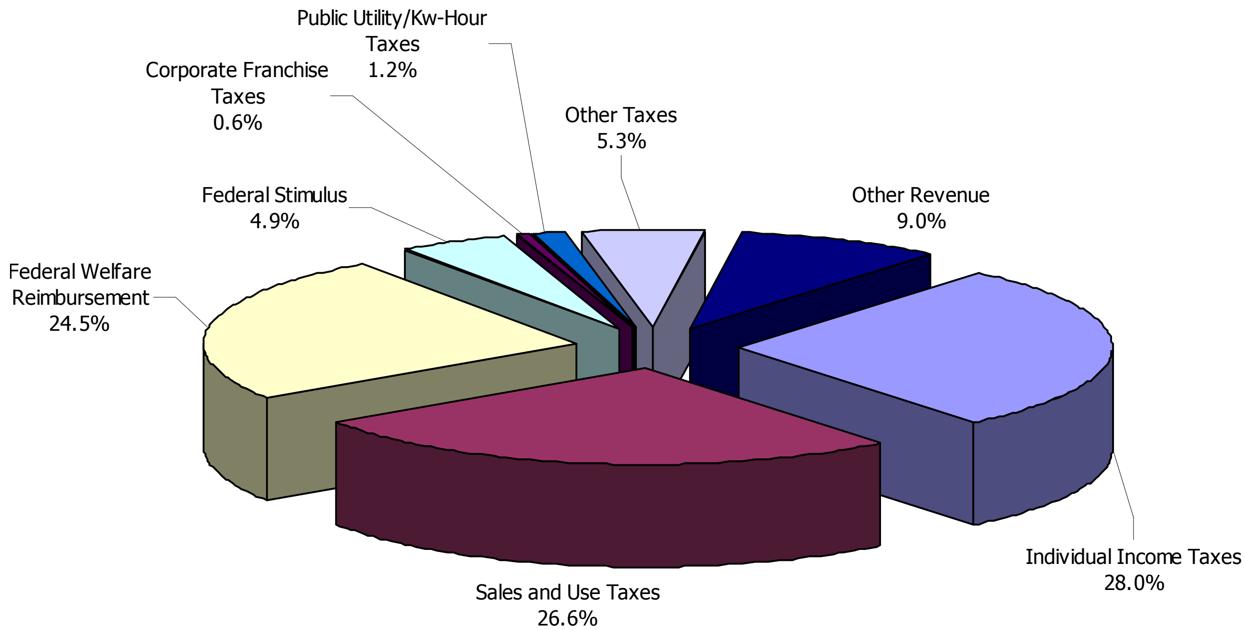
Although the net operating loss carryback concept can provide quicker benefits, because the carryback period is only two years, many taxpayers will simply not be able to fully realize ("use up") their net operating losses against those previous years and instead will have to carry them over to use in future taxable years. The Act provides temporary relief to such taxpayers by extending the carryback period another three years, for a total carryback period of five years. However, only those losses realized for the taxable year beginning in 2008 (or, if the taxpayer chooses, losses for the taxable year ending in 2008) are eligible for this extended carryback treatment.

An important qualifier to the extended five-year carryback is that it is only available to taxpayers with 2008 gross receipts of $15 million or less. This limits the beneficiaries of the provision to small to mid-size businesses.

The estimated Ohio income tax loss is $14.9 million in fiscal year 2010, while there is actually a small estimated gain of $3.0 million in fiscal year 2011. The gain results because losses that otherwise would have been claimed on 2011 tax returns will instead be claimed earlier, making net income slightly higher than it would otherwise have been in fiscal year 2011.

[4] More specifically, for reacquisitions occurring during 2009, the inclusion is to begin five years after the reacquisition; for reacquisitions occurring during 2010, the inclusion is to begin four years after the reacquisition.

## Figure 2: Total GRF – Estimated Revenues for FYs 2010 and 2011

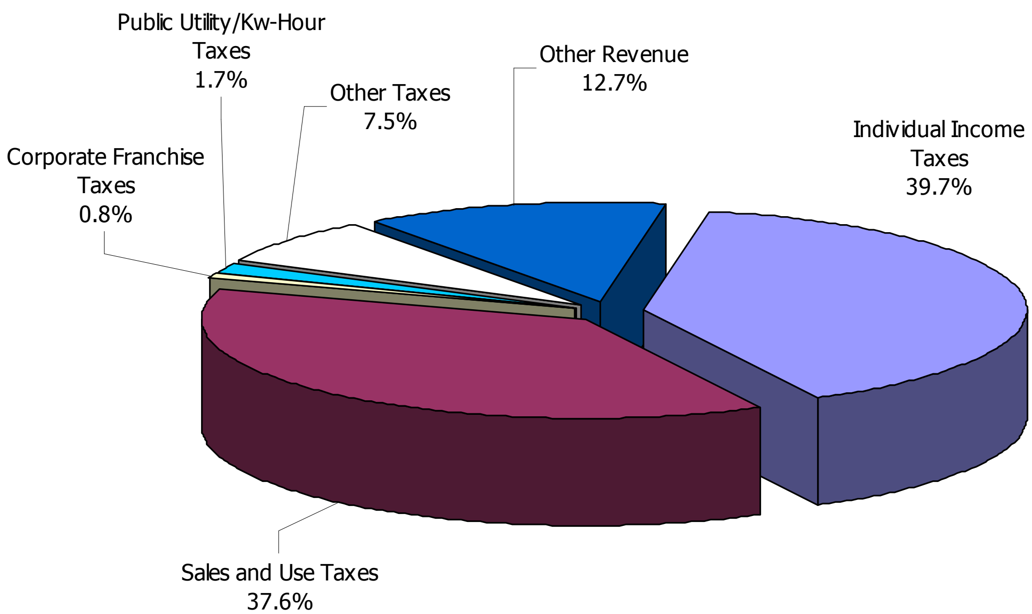



Estimated GRF Revenues (dollars in millions)

| **Revenue Source** | **FY 2010** | **FY 2011** | **Total** |
|---|---|---|---|
| Individual Income Taxes | $ 7,921.7 | $ 7,720.6 | $ 15,642.3 |
| Sales and Use Taxes | $ 7,264.5 | $ 7,581.6 | $ 14,846.1 |
| Federal Grants & Reimbursement | $ 6,401.6 | $ 7,314.3 | $ 13,715.9 |
| Federal Stimulus | $ 1,372.9 | $ 1,370.3 | $ 2,743.2 |
| Corporate Franchise Taxes | $ 163.0 | $ 169.7 | $ 332.7 |
| Commercial Activity Taxes | $ - | $ - | $ - |
| Public Utility/Kilowatt-Hour Taxes | $ 334.1 | $ 330.3 | $ 664.4 |
| Other Taxes | $ 1,479.3 | $ 1,465.7 | $ 2,945.0 |
| Other Revenue | $ 1,890.6 | $ 3,125.7 | $ 5,016.3 |
| **Total** | **$ 26,827.7** | **$ 29,078.2** | **$ 55,905.9** |

Note: Numbers may not add to total due to rounding.
Source: Ohio Office of Budget and Management, February 2009

## Figure 3: State-Only GRF – Estimated Revenues for FYs 2010 and 2011



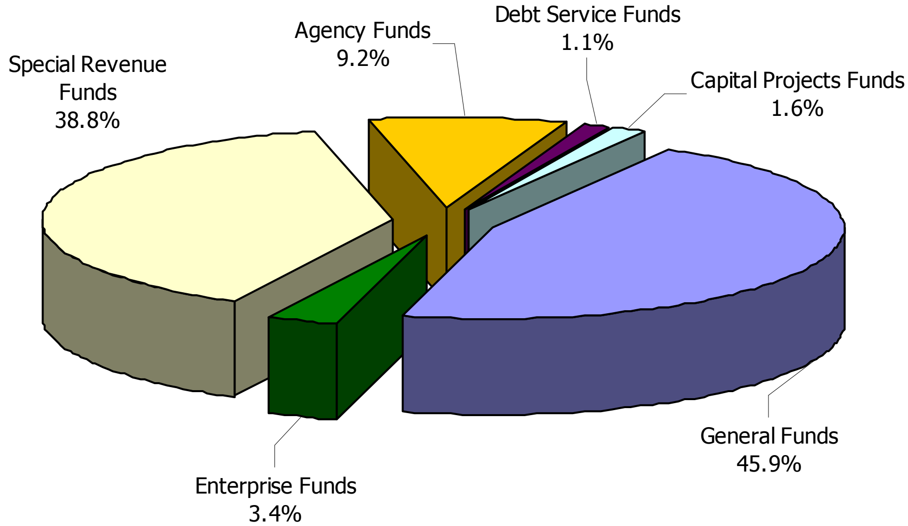

**Estimated State-Only GRF Revenues (dollars in millions)**

| **Revenue Source** | **FY 2010** | **FY 2011** | **Total** |
|---|---|---|---|
| Individual Income Taxes | $ 7,921.7 | $ 7,720.6 | $ 15,642.3 |
| Sales and Use Taxes | $ 7,264.5 | $ 7,581.6 | $ 14,846.1 |
| Corporate Franchise Taxes | $ 163.0 | $ 169.7 | $ 332.7 |
| Commercial Activity Taxes | $ - | $ - | $ - |
| Public Utility/Kilowatt-Hour Taxes | $ 334.1 | $ 330.3 | $ 664.4 |
| Other Taxes | $ 1,479.3 | $ 1,465.7 | $ 2,945.0 |
| Other Revenue | $ 1,890.6 | $ 3,125.7 | $ 5,016.3 |
| **Total** | **$ 19,053.2** | **$ 20,393.6** | **$ 39,446.8** |

Note: Numbers may not add to total due to rounding.
Source: Ohio Office of Budget and Management, February 2009

Please Note: These figures do not include $16,372.5 million of estimated federal revenue ($7,777.0 million in fiscal year 2010 and $8,595.5 million in fiscal year 2011) in the GRF.

## Figure 4: All Funds – Estimated Revenues for FYs 2010 and 2011




**All Funds Estimated Revenues (dollars in millions)**

| Revenue Source | FY 2010 | FY 2011 | Total |
|---|---|---|---|
| General Funds | $ 28,267.0 | $ 30,701.4 | $ 58,968.4 |
| Enterprise Funds | $ 2,189.3 | $ 2,216.6 | $ 4,405.9 |
| Special Revenue Funds | $ 25,577.5 | $ 24,305.1 | $ 49,882.6 |
| Agency Funds | $ 5,854.4 | $ 5,964.4 | $ 11,818.8 |
| Debt Service Funds | $ 711.9 | $ 724.7 | $ 1,436.6 |
| Capital Projects Funds | $ 1,049.0 | $ 1,014.4 | $ 2,063.4 |
| **Total** | **$ 63,649.1** | **$ 64,926.6** | **$ 128,575.7** |

Note: Numbers may not add to total due to rounding.
Source: Ohio Office of Budget and Management, February 2009

## Medicaid Enhanced FMAP

The federal reimbursement percentage for Medicaid is determined by the federal government prior to each federal fiscal year and is called the Federal Medical Assistance Percentage (FMAP). FMAP is the federal government's share of a state's Medicaid expenditures. In general, each state's FMAP rate is based on the ratio of the state's per capita income to the U.S. per capita income. The FMAP rate varies by service and ranges from 50 percent to 90 percent. Prior to factoring in the impact of the forthcoming federal stimulus, Ohio's weighted average FMAP rate is projected to be 62.7 percent in fiscal year 2010 and 63.0 percent in fiscal year 2011.

Not all federal reimbursement for Medicaid is drawn into the general revenue fund (GRF). The federal Medicaid reimbursement that is deposited to the general revenue fund is related only to the Ohio Department of Job and Family Services (ODJFS) portion of general revenue fund Medicaid spending. Medicaid expenses are also paid from non-GRF funds, such as the following:

- Reimbursements for other state agencies that administer portions of the Medicaid program (such as the Department of Aging) are drawn through a federal special revenue fund in the state treasury and used to fund additional Medicaid services through discrete agency-specific funds rather than through the general revenue fund.
- Additionally, federal reimbursement for ODJFS spending from non-GRF rotary funds is reimbursed through a federal special revenue fund rather than through the general revenue fund. As an example, when ODJFS receives rebates from drug manufacturers, those resources are deposited into a state special revenue fund and ultimately matched with federal reimbursement dollars that are drawn into a federal special revenue fund.

The availability of enhanced FMAP during the fiscal year 2010-2011 biennium will impact the general revenue fund in two ways. First, it will draw additional federal revenue into the general revenue fund for every state GRF dollar that is spent by ODJFS (effectively increasing the state's buying power). Second, the fact that the non-GRF funds described above will be drawing enhanced FMAP rates will enable Ohio to pay a greater portion of estimated Medicaid expenditures from these funds. This lowers the amount required from the general revenue fund to support Medicaid and in turn helps the state to balance the overall general revenue fund.

**Comparison of Executive Budget Estimates to House Bill 1 Estimates**

The Executive Budget included an enhanced FMAP based on allocations set forth in the House version of the Act. This enhancement was allocated in two parts:

- A general 4.9 percent increase in the federal reimbursement rate to all states, which begins October 1, 2008 and continues through December 31, 2010; and
- A reduction to the state share of Medicaid expenses based upon each state's unemployment experience. The House version of the Act provided a reduction to the state share of Medicaid expenses across three tiers depending on growth in unemployment. The reduction factor is based on the state's current average level of growth in unemployment for a consecutive three month period compared to its lowest rate of growth in a consecutive three month period since January 1, 2006. Figure 5 shows the tiers associated with the House Bill and the Act. The Executive Budget assumes that the unemployment reduction factor will be effective between January 1, 2009 and June 30, 2010.

The Executive Budget estimates were prepared after the House passed version of the bill, but prior to the Senate version or the version ultimately signed by President Obama on February 17, 2009. As such, the Executive Budget did not recognize all enhanced FMAP that the state will earn as a result of Medicaid expenditures during the period covered by the Act, as passed. The Executive Budget estimates were intentionally conservative in order to avoid overextending the state's GRF capacity in the event that negotiated changes in these provisions during Senate or Conference Committee deliberations had a negative impact on Ohio.

The enhanced FMAP formula included in the final version of the Act varied from the House version as follows:

- While the October 1, 2008 to December 31, 2010 timeframe remains the same, the general FMAP increase is changed to 6.2%; and

- The reduction to the state share of Medicaid expenses based on each state's unemployment experience remains, with modifications to the House formula. The three unemployment tiers remain the same (see Figure 5 below), though the reduction factors change. In addition, the calculation methodology changes slightly, with half of the general increase being applied to the state's FMAP prior to the calculation, and the remainder being applied following the unemployment reduction. Under the final Act provisions, the unemployment reduction factor is applicable from October 1, 2008 through December 31, 2010.

**Figure 5: Medicaid eFMAP unemployment tiers and reduction factor percentages**

| | | Reduction Factor | |
|---|---|---|---|
| | **Unemployment increase over base rate*** | **House** | **Act as Passed** |
| Tier 1 | 1.5% - 2.49% | 6.0% | 5.5% |
| Tier 2 | 2.5% - 3.49% | 12.0% | 8.5% |
| Tier 3 | 3.5% + | 14.0% | 11.5% |

* Base rate for Ohio is assumed to be 5.33% for the three month period of February-April 2006

As noted above, the Executive Budget assumed the unemployment reduction would be effective for six quarters, between January 1, 2009 and June 30, 2010. House Bill 1 assumes three additional quarters, including October-December 2008 and July 1, 2010 to December 31, 2010, for a total of nine quarters of the unemployment reduction factor. Both versions assumed the general increase would be effective for the entire nine quarters of the recessionary adjustment period.

The result of these Medicaid formula changes and assumption changes by the Administration result in $456.2 million additional eFMAP resources being included in House Bill 1 compared to the Executive Budget. The majority of this increase occurs in state fiscal year 2011, accounting for $123.8 million in GRF and $208.0 million in non-GRF funds in JFS Medicaid, and $57.1 million in non-JFS Medicaid, for a total of $388.9 million. This is due to the general increase being higher in the final Act compared to the House version, as well as the application of the unemployment reduction factor for the entire nine quarters of the recessionary period, as called for in the Act as passed.

**Effects on ODJFS Medicaid Expenditures**

Figure 6 contains a summary of major ODJFS Medicaid service line items. Changes between the Executive Budget and House Bill 1 are noted.

**Figure 6: ODJFS Medicaid Service Appropriations**

| Funding Type | FY 10 Exec. Budget | Change | FY 10 House Bill 1 | FY 11 Exec. Budget | Change | FY 11 House Bill 1 |
|---|---|---|---|---|---|---|
| GRF line items | $8,775,641,219 | $38,837,896 | $8,814,479,115 | $10,902,582,112 | ($208,913,616) | $10,693,668,495 |
| Non-GRF line items | $3,821,227,972 | ($44,037,896) | $3,777,190,076 | $2,984,736,483 | $208,913,616 | $3,193,650,099 |
| **Total** | **$12,596,869,191** | **($5,200,000)** | **$12,591,669,191** | **$13,887,318,595** | **$0** | **$13,887,318,594** |

**Effects on State Agencies that Administer Medicaid Services with Local Funding Partners**

The Executive Budget used the House passed version of the Act, and as such, used Fiscal Stabilization Fund resources designated for Other Government Services funding and GRF resources to maintain funding levels for subsidy lines at the Ohio Department of Mental Retardation and Developmental Disabilities (MR/DD), the Ohio Department of Mental Health (ODMH), and the Ohio Department of Drug and Alcohol and Addiction Services (ODADAS). As noted earlier in this analysis, the availability of enhanced FMAP for Medicaid helps to offset the need for general revenue fund resources. Since more enhanced FMAP is recognized for the Medicaid services in these agencies in House Bill 1 than was recognized in the Executive Budget, total subsidy appropriations for the three systems with local funding partners increases relative to Executive Budget levels. This is accomplished via a three-step process:

1) Decreasing the federal stimulus line items for the three agencies relative to Executive Budget amounts in order to manage the overall funding reductions related to State Fiscal Stabilization Fund Other Government Services;
2) Increasing the traditional GRF subsidy line items for these systems in order to help hold the subsidy levels harmless from the reduction in federal stimulus; and
3) Increasing the traditional non-GRF federal special revenue funds that are used to reimburse these local systems for the local resources that are expended to support Medicaid services.

The net effect of these three steps results in a total increase in overall subsidy funding for each of these systems of $232.4 million compared to the Executive Budget levels. Please see a related State Fiscal Stabilization Fund analysis that begins on page 11.

For alcohol and other drug addiction services Medicaid expenditures, Alcohol Drug Addiction and Mental Health Services (ADAMHS) boards and Alcohol and Drug Addiction Services (ADAS) boards are estimated to receive enhanced federal reimbursement of $7.5 million in fiscal year 2010 and $3.5 million in fiscal year 2011.

For mental health Medicaid expenditures, Alcohol Drug Addiction and Mental Health Services (ADAMHS) boards and Community Mental Health (CMH) boards are projected to receive enhanced federal reimbursement of $44.3 million in fiscal year 2010 and $20.4 million in fiscal year 2011.

For MR/DD Medicaid expenditures, the state earned share of enhanced federal reimbursement is estimated at $52.8 million in fiscal year 2010 and $27.0 million in fiscal year 2011. The county boards of MR/DD will earn enhanced federal reimbursement for Medicaid expenses paid with local dollars, which is estimated at $50.7 million in fiscal year 2010 and $25.9 million in fiscal year 2011.

For unified long term care Medicaid expenditures, the Department of Aging is estimated to receive enhanced federal reimbursement of $34.1 million in fiscal year 2010 and $18.7 million in fiscal year 2011. Fiscal year 2010 will also utilize $14.4 million in enhanced FMAP funds carried over from fiscal year 2009.

## IDEA/Title I Funding

The Act includes provisions to assist states with education funding for special education and also for economically disadvantaged students. Using information related to the House version of the Act, the Executive Budget included appropriations for these areas in an amount of $410.3 million per fiscal year. These resources were appropriated within the Department of Education's budget recommendations and will be used for the purposes designed in the Act.

The final version of the Act included $461.0 million per year in aid for special education (IDEA) and children in poverty (Title I), which is a net increase of approximately $102 million over the biennium. As a result, the appropriations included in the Executive Budget are being modified somewhat in House Bill 1 in order to leverage the additional federal resources.

**Figure 7: Appropriation Changes related to Title I and IDEA**

| | FY 10 Exec. Budget | Change | FY 10 House Bill 1 | FY 11 Exec. Budget | Change | FY 11 House Bill 1 |
|---|---|---|---|---|---|---|
| Title I – line item 200609 | $223,665,157 | $12,533,843 | $236,199,000 | $223,665,157 | $12,533,843 | $236,199,000 |
| IDEA – line item 200541 | $186,610,180 | $38,196,320 | $224,806,500 | $186,610,180 | $38,196,320 | $224,806,500 |
| | **$410,275,337** | **$50,730,163** | **$461,005,500** | **$410,275,337** | **$50,730,163** | **$461,005,500** |

- <u>Title I – Aid Targeted for Education of Children in Poverty</u>**:** A portion of funding within the Department of Education's Poverty Based Programs is supported by the Act. These funds are used in an effort to maintain state support for poverty driven programs to local school districts during state fiscal year 2010 and fiscal year 2011. The programs funded with these dollars will support additional teachers, intervention specialists, and student and family advocates for those children most at-risk through the new Ohio Evidence Based Model.

- <u>IDEA – Aid Targeted for Special Education</u>**:** A portion of funding within the Department of Education's Special Education is supported by the Act. These funds are used in an effort to maintain state support for special education programs to local school districts during state fiscal year 2010 and fiscal year 2011. The programs funded with these dollars will support increases for special education instruction through the new Ohio Evidence Based Model.

## <u>State Fiscal Stabilization Fund</u>

The Act provides $1.8 billion for a State Fiscal Stabilization Fund in order to provide fiscal relief to the States to prevent tax increases and cutbacks in critical education and other high priority services over the next two years.

The State Fiscal Stabilization Fund includes two distinct portions: funding for primary, secondary, and higher education; and funding for other governmental services. In the House version of the Act, approximately $2.2 billion was estimated to be received by Ohio and 61 percent of the total amount was required to be used by the state to support education. In the final version of the Act, the amount available to Ohio was reduced by $461.3 million and the formula also changed to require that 81.8 percent of the amount be spent on primary, secondary, and higher education.

**Figure 8: State Stabilization Fund Changes, Executive Budget to House Bill 1**

| | **Executive Budget** | **Changes** | **HB 1** |
|---|---|---|---|
| Category | FY10/FY11 Total | FY10/FY11 Total | FY10/FY11 Total |
| Education | $1,353,266,158 | $129,370,842 | $1,482,637,000 |
| Other Govt Svcs | $920,576,280 | ($590,698,280) | $329,878,000 |
| Total Title XIV | $2,273,842,438 | ($461,327,438) | $1,812,515,000 |

This section of the analysis describes how appropriations in the Executive Budget have been changed in order to fund priority programs within these new funding levels and criteria.

**State Stabilization Fund Investments in Primary, Secondary, and Higher Education**

The Act includes $1.48 billion to local school districts, using existing funding formulas, to prevent layoffs, reduction in services, and other purposes. Additional federal funds are available as bonus grants for meeting educational performance measures, while other amounts are available for other public safety and critical service needs which can include education.

- <u>Foundation Funding (Department of Education)</u>: A portion of the formula aid program, the main source of state foundation payments to all public school districts in the state, is supported by the Act. These funds will provide support for school districts through the Ohio Evidence-Based Model, which uses research to define educational components that result in successful student outcomes. As demonstrated in Figure 9, the increased federal revenue realized to support special education and poverty assistance results in the need for less federal revenue to support foundation funding than what was shown in the Executive Budget. In other words, the appropriation level in the stimulus line item that was created in the Executive Budget has decreased in House Bill 1; however, the offsetting stimulus line items discussed in Figure 7 result in no change in overall program funding.

**Figure 9: Foundation Funding with Offsets**

| ALI | Description | Blue Book FY 2010-2011 | Change 2010-2011 | H.B. 1 2010-2011 |
|---|---|---|---|---|
| 200541 | Special Education - Fed Stim | $ 373,220,360 | $ 76,392,640 | $ 449,613,000 |
| Federal Revenue | IDEA – Special Education | $ 373,220,360 | $ 76,392,640 | $ 449,613,000 |
| 200609 | Poverty Funding - Fed Stim | $ 447,330,314 | $ 25,067,686 | $ 472,398,000 |
| Federal Revenue | ESEA - Title I – Poverty Assistance | $ 447,330,314 | $ 25,067,686 | $ 472,398,000 |
| 200551 | Foundation Funding - Fed Stim | $ 911,493,601 | $ (101,460,326) | $ 810,033,275 |
| Federal Revenue | State Stabilization Fund - Education | $ 911,493,601 | $ (101,460,326) | $ 810,033,275 |

- State Share of Instruction (Board of Regents)

The State Share of Instruction (SSI) is the largest source of state support for public higher education institutions and provides general operating support to state-assisted colleges and universities. The Executive Budget proposes leveraging federal stimulus funds to support to extend the current in-state undergraduate tuition freeze at all two-year institutions and university regional campuses for two additional academic years, and provides funding to extend the current in-state undergraduate tuition freeze at four-year main university campuses through the 2009-2010 academic year and incorporating an agreement with universities to limit tuition increases at the main campuses in the 2010-2011 academic year to no more than 3.5 percent through voluntary tuition restraint. The appropriation for this stimulus line item has not changed from the Executive Budget to House Bill 1; however, the category of federal revenue used from the State Stabilization fund has changed for higher education. See Figure 12 and the related narrative for further details.

**Figure 10: State Share of Instruction**

| | FY 10 Exec. Budget | Change | FY 10 House Bill 1 | FY 11 Exec. Budget | Change | FY 11 House Bill 1 |
|---|---|---|---|---|---|---|
| SSI – federal stimulus ALI 235644 | $279,337,545 | $0 | $279,337,545 | $344,705,908 | $0 | $344,705,908 |

- Need-Based Aid – Federal Stimulus (Board of Regents)

Need-Based Aid – Federal Stimulus supports need-based financial aid to students at Ohio's public institutions of higher education through the Ohio College Opportunity Grant (OCOG). The Executive Budget proposes leveraging Federal stimulus funds to fully support the OCOG program as well as applying federal Pell grants to a student's tuition bill first, thus maximizing federal support for student financial aid and minimizing out-of-pocket expenses for Ohio's students and families. The appropriation for this stimulus line item has not changed from the Executive Budget to House Bill 1.

**Figure 11: Need-Based Aid – Federal Stimulus**

| Executive Budget Appropriation (FY2010) | Change | House Bill 1 Appropriation (FY2010) | Executive Budget Appropriation (FY2011) | Change | House Bill 1 Appropriation (FY2011) |
|---|---|---|---|---|---|
| $50,000,000 | $0 | $50,000,000 | $50,000,000 | $0 | $50,000,000 |

The appropriation supported through revenue from the general government portion of the State Stabilization Fund has decreased in House Bill 1 relative to the Executive Budget. As a result of changes made in the final version of the Act, a greater portion of the higher education appropriations is supported by the education component of the State Stabilization Fund.

**Figure 12: Increased Federal Revenue Support for Education and Appropriation Changes**

| ALI | Description | Blue Book FY 2010-2011 | Change 2010-2011 | H.B. 1 2010-2011 |
|---|---|---|---|---|
| 235645 | Need Based Aid - Federal Stimulus | $ 100,000,000 | $ - | $ 100,000,000 |
| Federal Revenue | State Stabilization Fund - Education | $ 100,000,000 | $ - | $ 100,000,000 |
| 235644 | SSI - Federal Stimulus | $ 624,043,453 | $ - | $ 624,043,453 |
| Federal Revenue | State Stabilization Fund - Education | $ 410,737,565 | $ 161,866,160 | $ 572,603,725 |
| Federal Revenue | State Stabilization Fund - General Government | $ 213,305,888 | $ (161,866,160) | $ 51,439,728 |

**Fiscal Stabilization Fund Resources for Other Government Services**

The Executive Budget included resources from the Fiscal Stabilization Fund that used to support funding in various areas of government where significant reductions would have otherwise occurred. As indicated in Figure 8, the amounts available for other government services decreased by $590.7 million from the House-passed version of the Act to the final version that was signed by President Obama on February 19, 2009.

In order to continue to fund critical priorities in light of the reduced funding for general government services from the Fiscal Stabilization Fund, House Bill 1 includes a strategy that leverages a portion of the additional enhanced FMAP to fund Medicaid services, thereby reducing GRF needed to cover Medicaid. That GRF then is redirected to other areas of government that had been funded via Fiscal Stabilization Fund resources for other government services in the Executive Budget version of the Executive Budget. In each case, total program funding remains at the levels appropriated in the Executive Budget; however, the amount of funding provided by the Fiscal Stabilization Fund and GRF varies relative to the Executive Budget. Detailed information is contained in Figure 13 below.

**Figure 13: Agency Appropriation Changes Related to the State Fiscal Stabilization Fund for Other Government Services**

| AGY | ALI # | Name | FY 10 Exec. Budget | Change | FY 10 House Bill 1 | FY 11 Exec. Budget | Change | FY 11 House Bill 1 |
|---|---|---|---|---|---|---|---|---|
| DMR | 323605 | Developmental Center and Residential Facility Services and Support | $167,175,247 | $328,694 | $167,503,941 | $157,483,825 | $5,373,887 | $162,857,712 |
| DMR | 322639 | Medicaid Waiver-Federal | $758,607,101 | $1,281,728 | $759,888,829 | $724,585,509 | $20,955,239 | $745,540,748 |
| DMR | 322625 | Targeted Case Management Match | $14,832,519 | $49,466 | $14,881,985 | $12,907,720 | $808,734 | $13,716,454 |
| DMR | 322416 | Medicaid Waiver-State Match | $77,458,611 | ($518,455) | $76,940,156 | $105,471,987 | ($8,476,338) | $96,995,649 |
| DMR | 323321 | Developmental Center and Residential Facilities Operation Expenses | $73,203,027 | ($328,694) | $72,874,333 | $85,521,665 | ($5,373,887) | $80,147,778 |
| DMR | 322646 | MR/DD Subsidy – Federal Stimulus | $8,784,049 | ($8,784,049) | $0 | $49,116,063 | ($25,930,239) | $23,185,824 |
| DMR | 322501 | County Board Subsidy | $74,122,497 | $7,971,310 | $82,093,807 | $33,790,483 | $15,548,000 | $49,338,483 |
| **DMR Total** | | | **$1,174,183,051** | **$0** | **$1,174,183,051** | **$1,168,877,252** | **$2,905,396** | **$1,171,782,648** |

| AGY | ALI # | Name | FY 10 Exec. Budget | Change | FY 10 House Bill 1 | FY 11 Exec. Budget | Change | FY 11 House Bill 1 |
|---|---|---|---|---|---|---|---|---|
| DMH | 335635 | Community Medicaid Expansion | $334,728,044 | $26,237,371 | $360,965,415 | $327,351,981 | $15,998,586 | $343,350,567 |
| DMH | 322646 | Local MH Subsidy - Federal Stimulus | $100,132,270 | ($39,265,699) | $60,866,571 | $100,132,270 | ($20,387,001) | $79,745,269 |
| DMH | 335505 | Local Mental Health Systems of Care | $0 | $25,974,000 | $25,974,000 | $0 | $12,259,000 | $12,259,000 |
| **DMH Total** | | | **$434,860,314** | **$12,945,672** | **$447,805,986** | **$427,484,251** | **$7,870,585** | **$435,354,836** |

| AGY | ALI # | Name | FY 10 Exec. Budget | Change | FY 10 House Bill 1 | FY 11 Exec. Budget | Change | FY 11 House Bill 1 |
|---|---|---|---|---|---|---|---|---|
| ADA | 038610 | Medicaid | $58,213,000 | $4,247,042 | $62,460,042 | $57,786,450 | $2,728,883 | $60,515,333 |
| ADA | 038636 | Local AOD Subsidy - Federal Stimulus | $6,469,931 | ($6,469,931) | $0 | $6,469,931 | ($3,515,333) | $2,954,598 |
| ADA | 038401 | Alcohol & Drug Addiction Services | $33,264,594 | $3,861,000 | $37,125,594 | $33,264,594 | $2,093,000 | $35,357,594 |
| **ADA Total** | | | **$97,947,525** | **$1,638,111** | **$99,585,636** | **$97,520,975** | **$1,306,550** | **$98,827,525** |

| AGY | ALI # | Name | FY 10 Exec. Budget | Change | FY 10 House Bill 1 | FY 11 Exec. Budget | Change | FY 11 House Bill 1 |
|---|---|---|---|---|---|---|---|---|
| DRC | 501620 | Institutional Operations - Federal Stimulus | $40,000,000 | ($15,200,000) | $24,800,000 | $60,000,000 | ($25,800,000) | $34,200,000 |
| DRC | 501321 | Institutional Operation | $869,088,147 | $15,200,000 | $884,288,147 | $858,730,244 | $25,800,000 | $884,530,244 |
| **DRC Total** | | | **$909,088,147** | **$0** | **$909,088,147** | **$918,730,244** | **$0** | **$918,730,244** |

| AGY | ALI # | Name | FY 10 Exec. Budget | Change | FY 10 House Bill 1 | FY 11 Exec. Budget | Change | FY 11 House Bill 1 |
|---|---|---|---|---|---|---|---|---|
| DYS | 470640 | RECLAIM - Federal Stimulus | $12,500,000 | ($4,750,000) | $7,750,000 | $0 | $0 | $0 |
| DYS | 470401 | RECLAIM | $192,963,840 | $4,750,000 | $197,713,840 | $192,963,840 | $0 | $192,963,840 |
| **DYS Total** | | | **$205,463,840** | **$0** | **$205,463,840** | **$192,963,840** | **$0** | **$192,963,840** |

| AGY | ALI # | Name | FY 10 Exec. Budget | Change | FY 10 House Bill 1 | FY 11 Exec. Budget | Change | FY 11 House Bill 1 |
|---|---|---|---|---|---|---|---|---|
| JFS | 600661 | Child Care - Federal Stimulus | $14,379,394 | ($5,464,170) | $8,915,224 | $23,613,446 | ($10,153,782) | $13,459,664 |
| JFS | 600413 | Child Care | $82,951,518 | $5,464,170 | $88,415,688 | $82,951,518 | $10,153,782 | $93,105,300 |
| **JFS Total** | | | **$97,330,912** | **$0** | **$97,330,912** | **$106,564,964** | **$0** | **$106,564,964** |

| AGY | ALI # | Name | FY 10 Exec. Budget | Change | FY 10 House Bill 1 | FY 11 Exec. Budget | Change | FY 11 House Bill 1 |
|---|---|---|---|---|---|---|---|---|
| AGE | 490625 | Alzheimer's Respite - Federal Stimulus | $826,320 | ($314,002) | $512,318 | $826,320 | ($355,318) | $471,002 |
| AGE | 490414 | Alzheimer's Respite | $3,305,275 | $314,002 | $3,619,277 | $3,305,275 | $355,318 | $3,660,593 |
| **AGE Total** | | | **$4,131,595** | **$0** | **$4,131,595** | **$4,131,595** | **$0** | **$4,131,595** |

| AGY | ALI # | Name | FY 10 Exec. Budget | Change | FY 10 House Bill 1 | FY 11 Exec. Budget | Change | FY 11 House Bill 1 |
|---|---|---|---|---|---|---|---|---|
| DNR | 725652 | Natural Resources Operating - Federal Stimulus | $7,882,173 | ($2,995,226) | $4,886,947 | $7,882,173 | ($3,389,334) | $4,492,839 |
| DNR | 725423 | Stream and Ground Water Gauging | $125,000 | $50,000 | $175,000 | $125,000 | $50,000 | $175,000 |
| DNR | 725456 | Canal Lands | $263,624 | $36,376 | $300,000 | $263,624 | $36,376 | $300,000 |
| DNR | 725502 | Soil and Water Districts | $4,000,000 | $500,000 | $4,500,000 | $0 | $900,000 | $900,000 |
| DNR | 727321 | Division of Forestry | $6,406,376 | $500,000 | $6,906,376 | $6,406,376 | $500,000 | $6,906,376 |
| DNR | 728321 | Division of Geological Survey | $1,350,000 | $200,000 | $1,550,000 | $1,350,000 | $200,000 | $1,550,000 |
| DNR | 729321 | Computer Info Services/Communications | $150,000 | $200,000 | $350,000 | $150,000 | $200,000 | $350,000 |
| DNR | 733321 | Division of Water | $2,756,000 | $244,000 | $3,000,000 | $2,756,000 | $244,000 | $3,000,000 |
| DNR | 736321 | Division of Chief Engineer | $2,600,000 | $400,000 | $3,000,000 | $2,600,000 | $400,000 | $3,000,000 |
| DNR | 737321 | Division of Soil and Water | $3,263,562 | $365,000 | $3,628,562 | $3,263,562 | $365,000 | $3,628,562 |
| DNR | 738321 | Real Estate/Land Management | $1,636,398 | $363,602 | $2,000,000 | $1,636,398 | $363,602 | $2,000,000 |
| DNR | 741321 | Division of Natural Areas | $2,203,625 | $136,248 | $2,339,873 | $2,203,625 | $130,356 | $2,333,981 |
| **DNR Total** | | | **$32,636,758** | **$0** | **$32,636,758** | **$28,636,758** | **$0** | **$28,636,758** |

| AGY | ALI # | Name | FY 10 Exec. Budget | Change | FY 10 House Bill 1 | FY 11 Exec. Budget | Change | FY 11 House Bill 1 |
|---|---|---|---|---|---|---|---|---|
| AGR | 700654 | Agriculuture Operating - Federal Stimulus | $1,785,540 | ($678,505) | $1,107,035 | $1,785,540 | ($767,782) | $1,017,758 |
| AGR | 700406 | Consumer Analytical Lab | $1,162,114 | $94,355 | $1,256,469 | $1,162,114 | $112,740 | $1,274,854 |
| AGR | 700418 | Livestock Regulation Program | $1,166,494 | $156,290 | $1,322,784 | $1,166,494 | $187,182 | $1,353,676 |
| AGR | 700499 | Meat Inspection Match | $4,493,066 | $427,860 | $4,920,926 | $4,493,066 | $467,860 | $4,960,926 |
| **AGR Total** | | | **$8,607,214** | **$0** | **$8,607,214** | **$8,607,214** | **$0** | **$8,607,214** |

| AGY | ALI # | Name | FY 10 Exec. Budget | Change | FY 10 House Bill 1 | FY 11 Exec. Budget | Change | FY 11 House Bill 1 |
|---|---|---|---|---|---|---|---|---|
| DOT | 776668 | Transportation Operating - Federal Stimulus | $2,181,295 | ($828,892) | $1,352,403 | $2,181,295 | ($937,957) | $1,243,338 |
| DOT | 775451 | Public Transportation - State | $13,330,697 | $634,909 | $13,965,606 | $13,330,697 | $718,450 | $14,049,147 |
| DOT | 776465 | Ohio Rail Development | $2,932,000 | $139,771 | $3,071,771 | $2,932,000 | $158,162 | $3,090,162 |
| DOT | 777471 | Airport Improvements - State | $1,137,664 | $54,212 | $1,191,876 | $1,137,664 | $61,345 | $1,199,009 |
| **DOT Total** | | | **$19,581,656** | **$0** | **$19,581,656** | **$19,581,656** | **$0** | **$19,581,656** |

| AGY | ALI # | Name | FY 10 Exec. Budget | Change | FY 10 House Bill 1 | FY 11 Exec. Budget | Change | FY 11 House Bill 1 |
|---|---|---|---|---|---|---|---|---|
| DOH | 440469 | Health - Federal Stimulus | $4,322,637 | ($1,642,602) | $2,680,035 | $4,322,637 | ($1,858,734) | $2,463,903 |
| DOH | 440407 | Animal Borne Disease and Prevention | $600,000 | $0 | $600,000 | $600,000 | $42,291 | $642,291 |
| DOH | 440412 | Cancer Incidence Surveilance System | $774,234 | $100,000 | $874,234 | $774,234 | $100,000 | $874,234 |
| DOH | 440418 | Immunizations | $7,261,568 | $477,864 | $7,739,432 | $7,261,568 | $577,864 | $7,839,432 |
| DOH | 440431 | Free Clinics Safety Net Services | $499,751 | $125,000 | $624,751 | $499,751 | $125,000 | $624,751 |
| DOH | 440446 | Infectious Disease Protection | $1,315,883 | $100,000 | $1,415,883 | $1,315,883 | $100,000 | $1,415,883 |
| DOH | 440454 | Local Environmental Health | $1,055,219 | $100,000 | $1,155,219 | $1,055,219 | $100,000 | $1,155,219 |
| DOH | 440465 | FQHC's | $1,636,688 | $50,000 | $1,686,688 | $1,636,688 | $50,000 | $1,686,688 |
| DOH | 440468 | Chronic Disease & Injury Prevention | $692,363 | $100,000 | $792,363 | $692,363 | $100,000 | $792,363 |
| DOH | 440511 | Uncompensated Care/Emergency Medical Asst. | $0 | $589,738 | $589,738 | $0 | $663,579 | $663,579 |
| **DOH Total** | | | **$18,158,343** | **$0** | **$18,158,343** | **$18,158,343** | **$0** | **$18,158,343** |

## Additional Changes to Assumptions in the Executive Budget

**GRF Appropriation for Unemployment Insurance Interest Payments:** The Act temporarily waives interest payments and interest accrual on advances made to states from the Federal Unemployment Account. As a result, the amount of GRF appropriated to fund interest payments has been removed from ODJFS appropriation and used toward the overall GRF fund balance.

**Figure 14: GRF Appropriation for Unemployment Insurance Interest Payments**

| Executive Budget Appropriation (FY2010) | Change | House Bill 1 Appropriation (FY2010) | Executive Budget Appropriation (FY2011) | Change | House Bill 1 Appropriation (FY2011) |
|---|---|---|---|---|---|
| $16,150,000 | ($16,150,000) | $0 | $64,650,000 | ($64,150,000) | $0 |

A number of federal stimulus provisions were included in the Executive Budget as augmentation to non-GRF programs, such as Unemployment Insurance and TANF. Ohio estimates related to some of these provisions changed between the House version of the bill and the final version of the Act; that information is noted below.

**Reed Act:** The Act provides $400,000,000 in additional funding to the states for state unemployment insurance and employment service operations. Of this $400 million, $250 million is reserved for reemployment services. All funds will be distributed via the Wagner-Peyser formula. In the House version of the Act, $500 million had been available, of which Ohio's share was $9.75 million. However, with the reduction in the final version of the Act, Ohio's share is reduced to $5.85 million.

**Figure 15: Reed Act**

| Executive Budget Appropriation (FY2010) | Change | House Bill 1 Appropriation (FY2010) | Executive Budget Appropriation (FY2011) | Change | House Bill 1 Appropriation (FY2011) |
|---|---|---|---|---|---|
| $0 | $0 | $0 | $9,750,000 | ($3,900,000) | $5,850,000 |

**TANF - Assistance for Unemployed Workers and Struggling Families:** The Act creates an emergency contingency fund capped at $5 billion. The funds are available for three purposes: cash assistance caseload increases, increased expenditures for non-recurrent short-term benefits, and increased expenditures for subsidized employment. The amount of funds provided are 80% of the caseload increase cost, when compared to a base year (federal fiscal year 2007 or federal fiscal year 2008, whichever is lower and results in the greatest increase for the state).

**Figure 16: TANF - Assistance for Unemployed Workers and Struggling Families**

| Executive Budget Appropriation (FY2010) | Change | House Bill 1 Appropriation (FY2010) | Executive Budget Appropriation (FY2011) | Change | House Bill 1 Appropriation (FY2011) |
|---|---|---|---|---|---|
| $33,764,296 | $0 | $33,764,296 | $8,441,054 | $0 | $8,441,054 |

**Child Care Development Block Grant:** The Act provides $2 billion in additional funding for the Child Care Development Block Grant to provide child care assistance to low-income families. The final version of the Act requires $255,186,000 be set aside to improve the quality of child care, and $93,587,000 of the set-aside is to be spent on quality improvements for infants and toddlers.

**Figure 17: Child Care Development Block Grant**

| Executive Budget Appropriation (FY2010) | Change | House Bill 1 Appropriation (FY2010) | Executive Budget Appropriation (FY2011) | Change | House Bill 1 Appropriation (FY2011) |
|---|---|---|---|---|---|
| $39,000,000 | $0 | $39,000,000 | $39,000,000 | $0 | $39,000,000 |

**Child Welfare Enhanced FMAP:** Act provides a temporary increase in the Federal Medical Assistance Percentage (FMAP). The general increase is 6.2% to all states and applies to payments under Part E of Title IV of the Social Security Act (foster care/adoption assistance).

**Figure 18: Child Welfare Enhanced FMAP**

| Executive Budget Appropriation (FY2010) | Change | House Bill 1 Appropriation (FY2010) | Executive Budget Appropriation (FY2011) | Change | House Bill 1 Appropriation (FY2011) |
|---|---|---|---|---|---|
| $0 | $15,361,626 | $15,361,626 | $0 | $7,681,313 | $7,681,313 |

**<u>Total GRF Appropriations</u>**
A comparison of total General Revenue Fund and All Funds appropriations is listed in Figure 19.

**Figure 19: Comparison of Total General Revenue Fund and All Fund Appropriations - Executive Budget and House Bill 1**

| Fiscal Year | Executive Budget | Change | House Bill 1 |
|---|---|---|---|
| GRF 2010 | $26,068,504,583 | $1,217,117 | $26,069,721,700 |
| GRF 2011 | $28,627,603,903 | ($318,624,631) | $28,309,129,272 |
| All Funds 2010 | $59,428,158,938 | $538,742,353 | $59,966,901,291 |
| All Funds 2011 | $60,610,509,868 | $485,761,384 | $61,096,271,252 |

## Fund Balance

Taking into account the revenue and appropriation changes which result from the federal stimulus, the fund balance estimates related to the Executive Budget have been updated to reflect the following:

**State of Ohio - FY 2010-11 GRF Fund Balance Estimates**

| General Revenue Fund | FY 2010 | FY 2011 |
|---|---|---|
| **FY 2010 Beginning Fund Balance** | **387,197,306** | **292,602,197** |
| NON-AUTO SALES AND USE | 6,375,300,000 | 6,656,100,000 |
| AUTO SALES AND USE | 889,200,000 | 925,500,000 |
| PERSONAL INCOME TAX | 7,921,700,000 | 7,720,600,000 |
| CORPORATE FRANCHISE TAX | 163,000,000 | 169,700,000 |
| PUBLIC UTILITY EXCISE TAX | 173,800,000 | 167,600,000 |
| KILOWATT HOURS EXCISE TAX | 160,300,000 | 162,700,000 |
| FOREIGN INSUR COMPANIES TAX | 270,100,000 | 278,600,000 |
| DOMESTIC INSUR FRANCHISE TAX | 180,200,000 | 210,700,000 |
| INTANGIBLE TAXES | 20,500,000 | 21,000,000 |
| CIGARETTE TAX | 850,000,000 | 796,400,000 |
| ALCOHOLIC BEVERAGES TAX | 59,000,000 | 59,500,000 |
| LIQUOR GALLONAGE TAX | 38,000,000 | 39,000,000 |
| ESTATE TAXES | 61,500,000 | 60,500,000 |
| BUSINESS LICENSES & FEES | 61,800,000 | 62,000,000 |
| HEALTH AND HUMAN SERVICES | 6,401,590,609 | 7,314,317,890 |
| IDEA/Title 1 | 461,005,500 | 461,005,500 |
| IV-E CHILD WELFARE STIMULUS - STATE | 5,637,438 | 3,056,041 |
| STATE FISCAL STABILIZATION FUND FOR EDUCATION | 741,318,500 | 741,318,500 |
| STATE FISCAL STABILIZATION FUND: OTHER GOVT SVCS. | 164,939,000 | 164,939,000 |
| OTHER REIMBURSEMENTS | 253,000,000 | 138,000,000 |
| EARNINGS-INVESTS/ISTV | 155,000,000 | 155,000,000 |
| INTRAGOVERNMENTAL SERVICE/ISTV | 20,000,000 | 20,000,000 |
| **TOTAL RECEIPTS** | **25,426,891,047** | **26,327,536,931** |
| **TRANSFERS IN** | | |
| OPER TRANSFER IN-LIQUOR | 143,000,000 | 136,300,000 |
| OPER TRANSFER IN-OTHER | 346,412,500 | 1,672,198,700 |
| TEMPORARY TRANSFER IN | 911,361,491 | 942,169,088 |
| TOTAL TRANSFERS IN | **1,400,773,991** | **2,750,667,788** |
| **Total Revenue** | **26,827,665,038** | **29,078,204,719** |
| **FY 2010 - TOTAL RESOURCES AVAILABLE** | **27,214,862,344** | **29,370,806,916** |
| TOTAL DISBURSEMENTS | | |
| APPROPRIATIONS | 26,069,721,700 | 28,309,129,272 |
| ESTIMATED LAPSES | -65,000,000 | -65,000,000 |
| OPER TRANSFER OUT-OTHER | 6,176,956 | 4,152,308 |
| OPER TRANSFER OUT-BUD STAB FD | 0 | 0 |
| TEMPORARY TRANSFER OUT | 911,361,491 | 942,169,088 |
| **TOTAL TRANSFERS OUT** | **917,538,447** | **946,321,396** |
| **SUBTOTAL APPROPRIATIONS, LAPSES & TRANSFERS** | **26,987,260,147** | **29,190,450,668** |
| **ENDING BALANCE** | **292,602,197** | **180,356,248** |
| **.5% Requirement** | **134,138,325** | **145,391,024** |
| **NET ENDING BALANCE ABOVE .5%** | **158,463,872** | **34,965,224** |