

State of Ohio

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**Executive Budget**  
**Fiscal Years 2008 and 2009**



**Book One**

**Prepared by the Office of Budget and Management  
and Submitted to the 127th General Assembly  
By Governor Ted Strickland  
March 2007**



**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 revenue declines by -1.6 percent. State GRF spending grows by 6.0 percent from \$24.67 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

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.

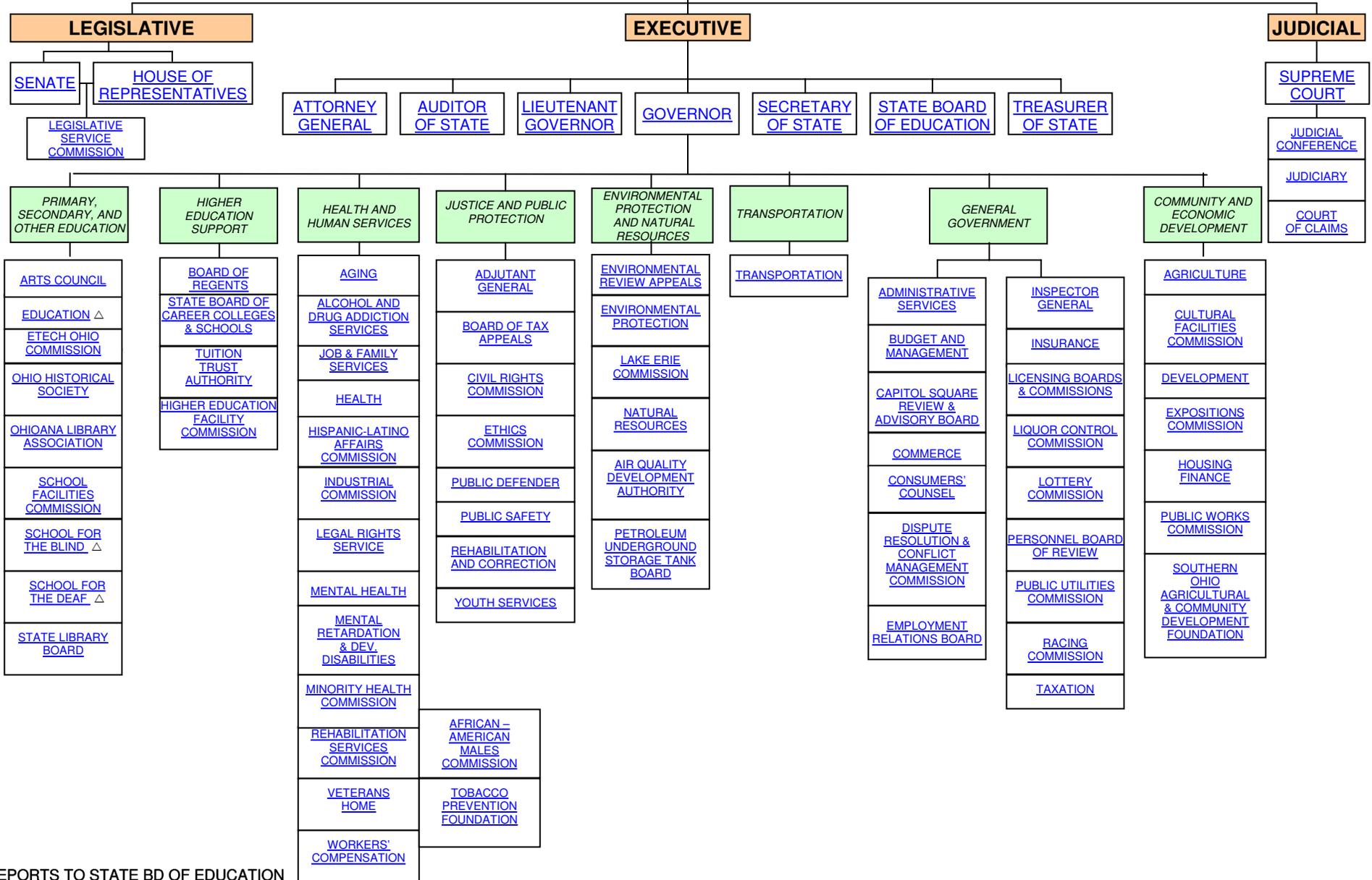
Sincerely,

A handwritten signature in black ink that reads "Ted Strickland". The signature is written in a cursive, flowing style.

Ted Strickland  
Governor

# STATE OF OHIO ORGANIZATION CHART\*

THE CITIZENS OF OHIO



△ REPORTS TO STATE BD OF EDUCATION

\* Organization Chart as proposed in fiscal year 2008-2009 Executive Budget

**MESSAGE FROM GOVERNOR STRICKLAND**

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	Adjutant General	
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	African American Males, Commission on	
	Aging, Department of	
	Agriculture, Department of	
	Air Quality Development Authority	
	Alcohol and Drug Addiction Services, Department of	
	Architects, State Board of Examiners of	
	Arts Council, Ohio	
	Athletic Commission	
	Attorney General	

Auditor of State

- B**     Ballot Board  
          Barber Examiners, Board of  
          Budget and Management, Office of
- C**     Capitol Square Review and Advisory Board  
          Career Colleges and Schools, Board of  
          Chemical Dependency Professionals Board  
          Chiropractic Examiners, State Board of  
          Civil Rights Commission, Ohio  
          Commerce, Department of  
          Consumers' Counsel, Office of the  
          Controlling Board  
          Cosmetology, State Board of  
          Counselor, Social Worker, and Marriage & Family Therapy Board  
          Court of Claims  
          Criminal Justice Services\*  
          Cultural Facilities Commission, Ohio
- D**     Dental Board, State  
          Deposit, Board of  
          Development, Department of  
          Dietetics, Ohio Board of  
          Dispute Resolution and Conflict Management, Commission on
- E**     Education, Department of  
          Educational Telecommunications Network Commission, Ohio\*  
          Elections Commission, Ohio  
          Embalmers and Funeral Directors, State Board of  
          Employment Relations Board, State  
          Engineers and Surveyors, State Board of  
          Environmental Protection Agency  
          Environmental Review Appeals Commission  
          eTech Commission  
          Ethics Commission, Ohio  
          Expositions Commission, Ohio
- G**     Governor, Office of the
- H**     Health, Department of  
          Higher Educational Facility Commission  
          Hispanic-Latino Affairs, Ohio Commission on  
          Historical Society, Ohio  
          House of Representatives  
          Housing Finance Agency
- I**     Industrial Commission, Ohio  
          Inspector General, Office of the  
          Insurance, Department of
- J**     Job and Family Services, Department of  
          Joint Committee on Agency Rule Review  
          Joint Legislative Ethics Committee, Joint

Judicial Conference of Ohio  
Judiciary/Supreme Court, The

**L** Lake Erie Commission  
Legal Rights Service  
Legislative Service Commission  
Library Board, State  
Liquor Control Commission  
Lottery Commission, Ohio

**M** Manufactured Homes Commission  
Medical Board, State  
Medical Transportation Board  
Mental Health, Department of  
Mental Retardation and Developmental Disabilities, Department of  
Minority Health, Commission on  
Motor Vehicle Collision Repair Registration, Board of

**N** Natural Resources, Department of  
Nursing, State Board of

**O** Occupational Therapy, Physical Therapy and Athletic Trainers Board  
Ohioana Library Association  
Optical Dispensers Board, Ohio  
Optometry, State Board of  
Orthotics, Prosthetics and Pedorthics, State Board of

**P** Personnel Board of Review, State  
Pharmacy, State Board of  
Psychology, State Board of  
Public Defender Commission, Ohio  
Public Safety, Department of  
Public Utilities Commission of Ohio  
Public Works Commission

**R** Racing Commission, State  
Regents, Board of  
Rehabilitation and Correction, Department of  
Rehabilitation Services Commission  
Respiratory Care Board  
Revenue Distribution Funds

**S** Sanitarian Registration, State Board of  
School Facilities Commission, Ohio  
School for the Blind, Ohio State  
School for the Deaf, Ohio State  
School Net Commission\*  
Secretary of State  
Senate  
Sinking Fund, Commissioners of the  
Southern Ohio Agricultural and Community Development Foundation  
Speech-Language Pathology & Audiology, Board of

**T** Tax Appeals, Board of

Tax Relief Programs  
Taxation, Department of  
Transportation, Department of  
Treasurer of State  
Tuition Trust Authority, Ohio

**U**      Underground Storage Tank Release Compensation Board, Petroleum

**V**      Veterans' Home, Ohio  
Veterans Organizations  
    Korean War Veterans  
    Jewish War Veterans  
    Catholic War Veterans  
    Military Order of the Purple Heart  
    Vietnam Veterans of America  
    American Legion of Ohio  
    AMVETS  
    Disabled American Veterans  
    Rainbow Division Veterans' Association, Ohio  
    Marine Corps League  
    37<sup>th</sup> Division Veterans' Association  
    Veterans of Foreign Wars  
    Army and Navy Union, U.S.A.  
    Veterans of World War I  
    American Ex-Prisoners of War  
Veterinary Medical Board, State

**W**      Workers' Compensation, Bureau of

**Y**      Youth Services, Department of

\*These former agencies/commissions are displayed to meet the requirements of Revised Code 107.03. Please see the former state agencies/commissions narrative for more information.

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