



State of Ohio

Executive Budget

Fiscal Years 2006 and 2007

Book One

**Prepared by the Office of Budget and Management
and Submitted to the 126th General Assembly**

By Governor Bob Taft

February 2005

STATE OF OHIO

EXECUTIVE BUDGET

Fiscal Years 2006 and 2007

**Thomas W. Johnson
Director
Office of Budget and Management**

**Timothy S. Keen
Assistant Director**

The preparation of the Executive Budget is a team effort by the budget analysts, computer programmers, and support staff of the Office of Budget and Management, and also the budget, program, and support staffs of state agencies. Questions about the Executive Budget should be directed to the Office of Budget and Management, 30 East Broad Street, Columbus OH 43215-3457, Telephone 614.466.4034 or FAX 614.466.3813. Budget information also may be accessed via the Internet at <http://www.obm.ohio.gov>.



**BOB TAFT
GOVERNOR
STATE OF OHIO**

February 10, 2005

Dear Fellow Ohioans and Members of the General Assembly:

I am pleased to present my recommendations for the fiscal years 2006-2007 biennial budget. This is my fourth and final operating budget as governor of the State of Ohio. My recommendations for the upcoming biennium reflect values and priorities I have emphasized throughout the time I have held this office:

- Advancing tax reform that reduces the tax burden on families while enhancing Ohio's business climate;
- Supporting programs and activities that create jobs and spur economic development;
- Setting the stage for academic success for Ohio's children; and
- Creating a more efficient government.

Comprehensive Tax Reform

The Ohio economy is growing slowly relative to the rest of the nation. Our tax system is contributing to this slow growth, and we must do something about it. Our current tax system is archaic, uncompetitive, and unfair. Ohio's high taxes on personal income and on business equipment and inventory are its primary competitive disadvantages. I believe comprehensive tax reform is the major piece of unfinished business of my Administration. We must ensure that Ohio has a tax structure that is fair and supports our economic development goals. The tax reform included in my budget proposal will:

- Encourage capital investment and job creation;
- Slow out-migration of highly educated, high-income households;
- Reduce the need for tax abatement and level the playing field;
- Have business and individuals pay their "fair share" of tax;
- Create a tax structure whose revenue growth keeps pace with the economy; and
- Provide adequate revenue to fund essential state and local government services.

Encouraging Economic Development

A key priority of this administration is to strengthen Ohio's economy and create more, good-paying jobs. In addition to tax reform proposals, this budget supports a number of initiatives that foster economic growth.

We continue to support the Third Frontier Project, and in recent months launched the Third Frontier Network, a statewide, fiber-optic network for education, research and economic development. This budget recommends over \$134 million for Third Frontier programs. It provides funding for the Third Frontier Action Fund, and for Innovation Ohio and research and development programs that began in the current biennium.

Last February, we won the prestigious Governor's Cup, awarded by *Site Selection Magazine* to the state with the most new and expanded business facilities in 2003. We are proud of this award, and this budget builds on this recognition by increasing business development funding. These grants assisted in securing more than \$1.3 billion in new investments in fiscal years 2003 and 2004, creating more than 6,600 new jobs and retaining more than 22,600 existing jobs. We continue to work to assure that we have a workforce that can meet the demands of our businesses. In the 2004 Jobs Bill, we began the Worker Guarantee Program to assess, screen, and train employees for companies creating 100 or more new jobs. This budget continues this initiative and provides substantial resources to ensure that customized training is available to new and expanding businesses. Finally, we continue to work to market Ohio to the nation and the world as a great place to do business. This budget provides funding to the Ohio Business Development Coalition, created in 2004 to promote and market Ohio's tremendous economic assets.

Education, the Cornerstone of Success

Reforming education in the State of Ohio has been a top priority of this administration. The first two steps toward that reform were the creation of the Governor's Commissions for Student Success and on Teaching Success. Implementation of the recommendations from these commissions has created an aligned educational system that holds students, teachers, and schools accountable. The final step toward this reform was ensuring that districts have the resources necessary to give all students the opportunity to succeed. For this purpose I called for the creation of the Governor's Blue Ribbon Task Force on Financing Student Success. The Task Force, made up of leaders from the education and business community and policy makers from the legislative and executive branches, began its work in August 2003 and issued its recommendations after 17 months of deliberation.

My budget begins phasing in the recommendations of the Task Force supporting a new building-blocks approach to allocating funds. It funds those activities, like teacher training, that research tells us make a difference in student achievement. It also recognizes that different children have different needs to achieve the same standards.

A More Efficient Government

As good stewards of the public treasury, we have an obligation to become more efficient and maintain the state's financial stability. Through common sense tax reform and spending constraints, we're returning the budget to structural balance and leaving the state on a solid financial footing.

Over the course of the last several years, my administration has worked very hard to balance the budget in very difficult economic times.

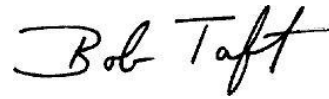
- We've cut \$1.4 billion in spending from authorized spending levels.
- We've closed six state institutions.
- We've reduced the state workforce by more than 3,000 employees.
- We've reduced the state vehicle fleet by 12 percent.
- We negotiated the most conservative contract ever with state employee unions under which state employees received no cost of living adjustments for two years; and,
- We've worked to control the growth of Medicaid – implementing cost containment initiatives that will reduce spending by \$863 million in the current biennium alone.

Governor Bob Taft
February 10, 2005
Page 3

This budget continues that conservative management of state government. It reduces or holds flat spending for most agencies; consolidates functions and activities of several state agencies and holds the line on our biggest spender – the Medicaid program.

I am pleased to present to you a budget that is balanced, demonstrates good stewardship of taxpayer dollars and fosters the economic development so important to our great State.

Sincerely,

A handwritten signature in black ink that reads "Bob Taft". The signature is written in a cursive, slightly stylized font.

Bob Taft
Governor

MESSAGE FROM GOVERNOR BOB TAFT

Table of Contents

State of Ohio Organization Chart

Tab A	Reader's Guide	Page
	Introduction to the Executive Budget	A-1
	Demographic Information	A-2
	Glossary of Key Terms	A-4
	Basis of Budgeting	A-7
	The Budget Process	A-9
	Budget Calendar	A-12
	Funds of the State	A-13
	How the Executive Budget is Organized	A-18
	Frequently Asked Questions	A-20
	Guide to Reading the Budget Tables	A-23
Tab B	Summaries of Budget Information	
	Revenue Summaries	B-1
	Spending Summaries	B-5
	Fund Balance Summaries	B-12
	Capital Improvements and Long-Term Financing	B-17
	Tobacco Revenue Budget	B-26
Tab C	Economic Forecast and Income Estimates	
	Economic Overview and Forecast	C-1
	Revenue Estimates and Methodology	C-10
	Actual and Estimated Revenues	C-32
Tab D	Special Analyses	
	Tax Reform	D-1
	Education, the Cornerstone of Success	D-15
	Economic Development	D-27
	Ohio Children's Budget	D-38
	Ohio Medicaid	D-65
	Fee Increases	D-69
Tab E	Agency Budget Recommendations (Organized Alphabetically)	
	Accountancy Board of Ohio*	
	Accrued Leave Liability Fund Group	
	Adjutant General	
	Administrative Services, Department of	
	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

Ballot Board
Barber Examiners, Board of*
Budget and Management, Office of

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, Office of
Cultural Facilities Commission, Ohio

Dental Board, State*
Deposit, Board of
Development, Department of
Dietetics, Ohio Board of*
Dispute Resolution and Conflict Management, Commission on

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
Ethics Commission, Ohio
Expositions Commission, Ohio

Governor, Office of the

Health, Department of
Higher Educational Facility Commission
Hispanic-Latino Affairs, Ohio Commission on
Historical Society, Ohio
House of Representatives
Housing Finance Agency
Human Services, Department of**

Industrial Commission, Ohio
Inspector General, Office of the
Insurance, Department of

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

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

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*

Natural Resources, Department of
Nursing, State Board of*

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

Personnel Board of Review, State
Pharmacy, State Board of*
Professional and Occupational Regulatory Boards
Psychology, State Board of*
Public Defender Commission, Ohio
Public Safety, Department of
Public Utilities Commission of Ohio
Public Works Commission

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

Sanitarian Registration, State Board of*
School Facilities Commission, Ohio
School for the Blind, Ohio State
School for the Deaf, Ohio State
School Net Commission, Ohio
Secretary of State
Senate
Sinking Fund, Commissioners of the
Speech-Language Pathology & Audiology, Board of*
State and Local Government Commission of Ohio**

Tax Appeals, Board of

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

Underground Storage Tank Release Compensation Board, Petroleum

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
 37th 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*

Women's Policy and Research Commission**
Workers' Compensation, Bureau of

Youth Services, Department of

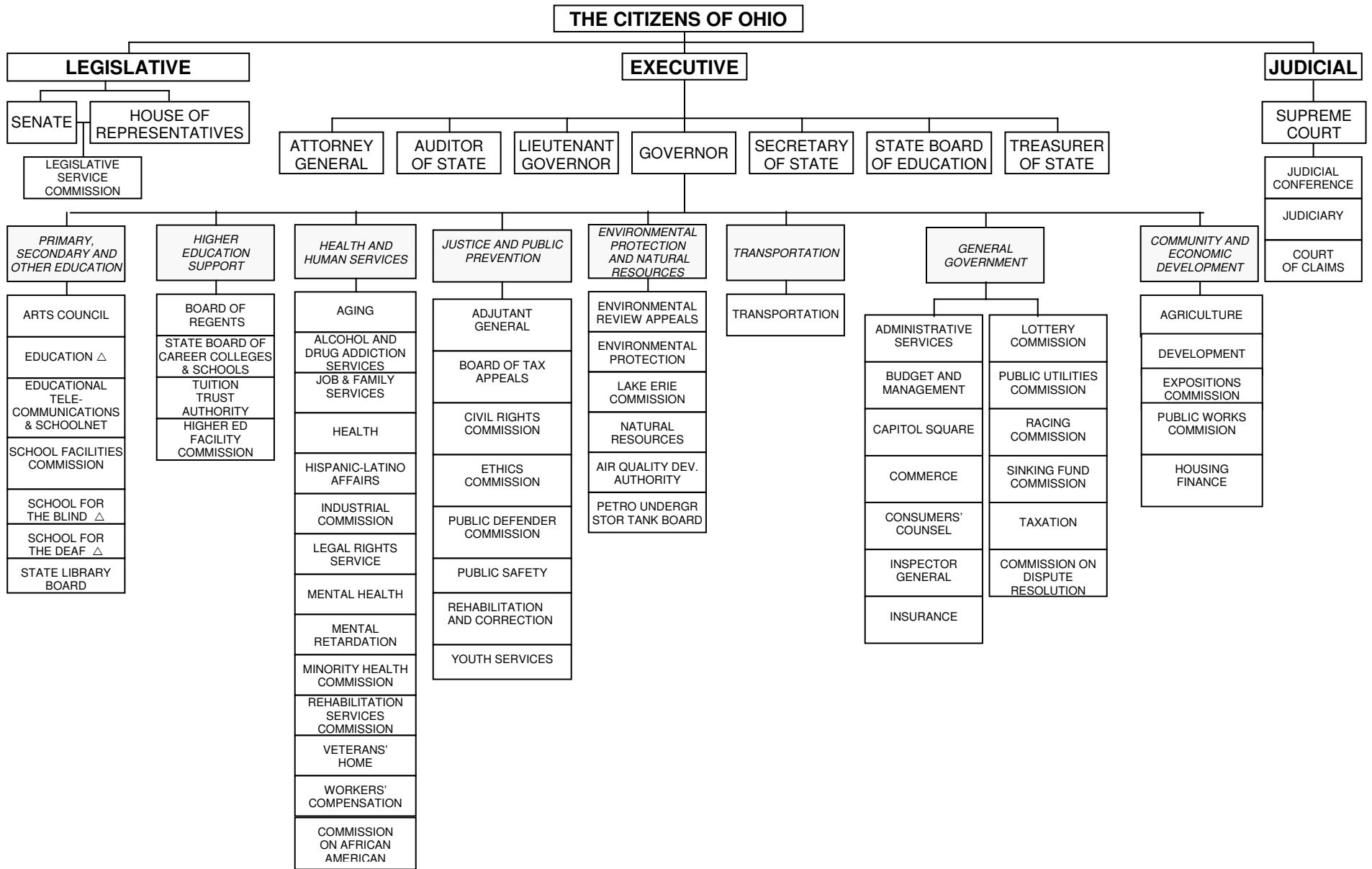
*Please see Professional and Occupational Regulatory Boards

**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.

List of Tables and Figures in the Executive Budget, Book One

Table Number and Title	Page
Table B-1 Expense by Object Summary, Fiscal Years 2002-2007	B-9
Table B-2 GRF Expense by Category, FYs 2002-2007	B-11
Table B-3 History of Ending Fund Balances for GRF and BSF, FYs 1998-2007	B-13
Table B-4 Fund Balance Calculations by GAAP Fund Type and Budget Fund Group For FYs 2006 and 2007	B-14
Table B-5 Debt Service Expenses as a Percent of GRF Revenues	B-23
Table B-6 Changes in General Long-Term Obligations	B-24
Table B-7 Summary of State Debt as of 6-30-04 and FY 2006 and 2007 Estimated Issuance Amounts	B-25
Table C-1 Economic Variables, Historical and Forecast for CYs 1999-2006	C-9
Tables C-2-22 Income Sources for FYs 2002-2007	C-11
Table E-1 Department of Job and Family Services, State and Federal Shares of GRF	JFS-21
 Figure Number and Title	
Figure B-1 Total GRF – Estimated Revenues for FYs 2006 and 2007	B-2
Figure B-2 State-Only GRF – Estimated Revenues for FYs 2006 and 2007	B-3
Figure B-3 All Funds – Estimated Revenues for FYs 2006 and 2007	B-4
Figure B-4 Total GRF – Recommended Appropriations for FYs 2006 and 2007	B-6
Figure B-5 State-Only GRF – Recommended Appropriations for FYs 2006 and 2007	B-7
Figure B-6 All Funds – Recommended Appropriations for FYs 2006 and 2007	B-8
Figure B-7 GRF and BSF Ending Balances as a Share of Annual GRF Revenues	B-13

STATE OF OHIO ORGANIZATION CHART*



Δ REPORTS TO STATE BOARD OF EDUCATION

* Organization Chart as proposed in fiscal year 2006-2007 Executive Budget