

Introduction to the Executive Budget

The Reader's Guide is an introductory section of the Executive Budget that contains general information to help readers understand and use the contents of Governor Taft's budget proposal for fiscal years 2006 and 2007. It contains the following informational sections:

- Demographic information about Ohio
- Glossary of key terms
- Summary of the state's financial accounting method
- Description of the process used to develop the state budget, including a budget calendar
- Description and listing of state funds
- Description of the organization of the Executive Budget, including a brief description of each section in the budget
- Frequently asked questions about the budget
- Guide to reading and understanding the budget tables that are included in the summaries for each agency

Background

The state's first Constitution was adopted in 1802 and Ohio entered the union in 1803. Ohio's present Constitution was modified by a state Constitutional Convention in 1851 and has since been amended on numerous occasions. The Constitution establishes a state governmental structure similar to the federal model, with three separate branches of government—executive, legislative, and judicial.

The executive branch consists of the Governor and Lieutenant Governor, who are jointly elected, and four additional statewide elected officials: the Attorney General, the Auditor of State, the Secretary of State, and the Treasurer of State. All of these officials are elected to four-year terms. Approximately 100 departments, agencies, boards, and commissions are part of the executive branch of government and receive appropriations from the legislature, along with three judicial and five legislative agencies.

The state legislature in Ohio is referred to as the General Assembly and consists of two separate chambers, the Senate, a 33-member body, and the House of Representatives, a 99-member body. Each member of the General Assembly is elected to represent the residents of a geographical district for a specified term. Members of Ohio's General Assembly are subject to term limits; Senators are restricted to serving two four-year terms, and Representatives are restricted to serving four two-year terms. Each chamber has a presiding officer to call the chamber to order and direct the calendar of events. The presiding officer in the Senate is the President of the Senate, and the presiding officer of the House of Representatives is the Speaker of the House. A new General Assembly is convened in January of each odd-numbered year. The legislature that convened in January 2005 is the state's 126th General Assembly.

Along with the establishment of the state governmental structure, the state constitution requires Ohio to have a balanced budget. Ohio's budget is prepared for a period of two years – a biennium – which begins on July 1 of odd-numbered years and ends 24 months later on June 30. Within a biennium are two separate fiscal years, each beginning on July 1 and ending on June 30. The budget proposed by Governor Taft in this document is for the two-year period beginning July 1, 2005 and ending June 30, 2007.

State Demographic Information

STATE OF OHIO*

TOTAL POPULATION:	11,353,140	Median age:	36.2
Percent White	85%	College graduates:	1,563,532 (13.6%)
Percent Black	11.5%	Home Ownership:	69.1%
Percent Hispanic	1.9%	Land area (sq. miles):	40,948
Percent Asian	1.2%	Persons/square mile:	277.3

* Includes most recent data available from census 2000.

Demographics

Ohio's population of approximately 11.4 million is ranked seventh in the nation and is largely concentrated in eight large urban centers and 15 micro-metropolitan centers. The largest metropolitan area in Ohio is the Cleveland-Akron-Canton consolidated area, with more than 2.9 million people. Other metropolitan areas with populations in excess of 500,000 include Cincinnati, Columbus, Dayton, Toledo, and Youngstown.

History

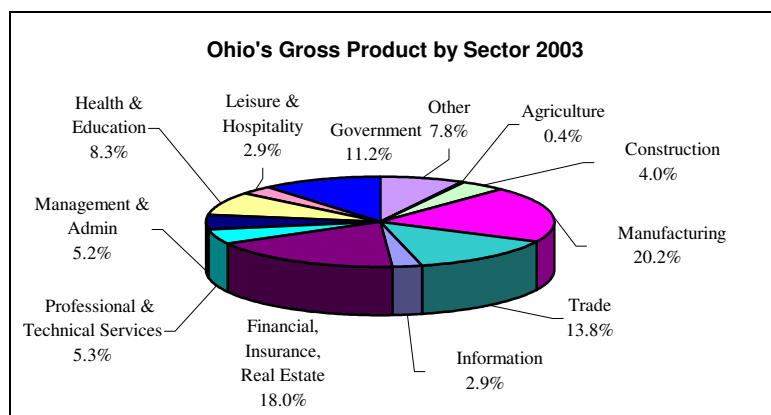
Of Ohio's first inhabitants during the prehistoric era, the Adena (800 BC – 100 AD) were the first to farm Ohio, and the Hopewell (100 BC – 400 AD) built Ohio's mounds that can still be seen today. Marietta, established in 1788 by New England Revolutionary War veterans, was the first permanent white settlement in the state. Ohio was admitted to the union as the 17th state in 1803, and was the first state created from the Northwest Territory. Chillicothe was designated as the first capital of the new state until 1810, when the capital was moved to Zanesville. The capital was temporarily moved back to Chillicothe in 1812, and Columbus became the state's permanent capital in 1816.

Ohioans have played important roles in our nation's history. There have been eight presidents from Ohio, earning Ohio the nickname "the Mother of Presidents." Ohio is also the birthplace of world famous inventors, actors, athletes, authors, and astronauts. March 1, 2003, marked the 200th anniversary of statehood for Ohio, a state with many accomplishments, rich history and culture, and a strong future.

Economy

Ohio's gross state product was \$407 billion in 2004, making Ohio the seventh largest state economy. Ohio ranks third among the 50 states in manufacturing gross state product.

Because of its diverse population and its location, Ohio has become home to a variety of businesses and industries, including the service industry, manufacturing, agriculture, and tourism. Sixty percent of all U.S. and Canadian households lie within 600 miles of Ohio. Manufacturing is the largest of Ohio's major sectors, based on gross state product. The state's factories lead the nation in the production of plastics, rubber, and electrical equipment and supplies. The state's largest manufacturing industries are transportation equipment and fabricated metals. These two industries are closely identified with a number of nationally recognized firms with a major presence in Ohio, including General Motors, DaimlerChrysler, Delphi, Ford, Honda, General Electric, AK



Steel, International Steel Group, Timken, and WHX. Other notable firms include: Procter & Gamble, NCR, The Limited, Sherwin-Williams, and numerous financial institutions such as J.P. Morgan Chase, KeyCorp, National City Corp, Huntington Bancshares, and Fifth Third Bancorp. Ohio's service-producing sectors generate 75 percent of the state GSP. The state's two leading export commodities are machinery and motor vehicles. Ohio firms ship products to 205 countries and the state accounts for about 4.3 percent of the U.S. export total. Ohio's merchandise exports were \$29.8 billion in 2003.

EMPLOYMENT FACTS:

- *The top five auto-related manufacturers in Ohio employ roughly ten percent of the manufacturing employment in the state.*
- *Five of the top 25 employers in Ohio are hospital/health networks and employ 91,250 workers.*
- *Ohio's top eight leading financial institutions employ 81,170 workers.*
- *Ohio's top ten universities employ 56,905 workers.*

Source: Major Ohio Employers, Ohio Department of Development, December 2004

Glossary of Key Terms

Appropriation. An authorization granted by the Ohio General Assembly to make expenditures and incur obligations for specific purposes. An appropriation limits the amount that may be spent for a given purpose in a given period of time. No appropriation may be made for a period greater than 2 years.

Appropriation Line Item, or ALI, or Line Item. An ALI is a 6 digit numeric code (in the format xxx-xxx), used to identify and account for amounts appropriated for the activities of an agency. The first three characters identify the administering agency, division, or activity responsible for the specific purpose. The last three characters indicate the specific purpose.

Biennium. A two-year period that begins July 1 and ends 24 months later on June 30.

Budget. A plan for the expenditure of funds to support an agency, program, or project.

Budget Fund Group. The categories used to group similar funds for Ohio's budgetary reporting purposes. Ohio's funds are categorized according to their revenue sources and the purposes for which they are used.

Budget-In-Brief. The "Budget in Brief" is a document that often accompanies the Executive Budget. It highlights the spending priorities presented in the Governor's budget recommendations to the General Assembly. It discusses the policy goals and budget proposals underlying the major program areas. The "Budget in Brief" gives special attention to the key policy initiatives in program areas such as children's services, education, economic development, corrections, and natural resources. The document also summarizes expenditures and proposed funding for all agencies.

Budget Object Class. See Object Class.

Budget Request Limitation. The Budget Request Limitation concept replaced the "core budget level" and "budget request cap" concepts from prior biennia. The Budget Request Limitation is imposed by fund and limits the amount of funding that an agency can request. In most cases the limitation was 100% of fiscal year 2005 appropriations.

Budget Stabilization Fund. A reserve balance account that receives transfers from the GRF. The balance in this fund is intended to stabilize budgets against cyclical changes in revenues and expenditures. This fund can carry a balance of up to 5 percent of prior-year GRF revenues.

Capital Budget. The budget for the acquisition or construction of major capital items, including land, buildings, structures, and equipment and is completed in two-year periods beginning in odd-numbered years. Moneys for these projects are typically appropriated from funds whose revenue comes from bond sales.

Cash. Actual balance of moneys available to support disbursements and appropriations. All state special revenue funds (revenue generated by the agency), federal special revenue funds, and bond funds must have an available cash balance to support disbursements. Agencies that receive a GRF appropriation are not required to monitor cash balances for disbursements.

Custodial Accounts. Some accounts are created "in the custody of the State Treasurer" but are not a part of the state treasury. These accounts are referred to as custodial accounts. A custodial account must have specific language that establishes it in the custody of the State Treasurer.

Debt Service. The payment of principal, interest, and associated costs on the state's bonded indebtedness. Debt service appropriations are usually made to the agency on whose behalf the bonds were issued.

Encumbrance. Reservation of appropriation authority typically representing purchase orders and contracts entered into by state agencies.

Equipment. Expenditures for durable goods such as computers, desks, chairs, or cars.

Executive Budget. Also known as the “Blue Book” or the “Blue Disk” in the past, the Executive Budget provides the legislature and the public with the Governor’s funding recommendations for the next budget biennium. Proposed funding levels, historical spending patterns, and descriptive narratives are presented for each agency. It also includes information about the budget process, revenue sources and estimates, economic forecasts, capital improvements, state funds, and special program areas. The document is the executive’s financial plan for state government and is made available via Office of Budget and Management’s (OBM) website.

Expenditures. Payments against appropriations that reduce the cash balance after legal requirements have been met. A fiscal year’s expenditures are payments actually made in that fiscal year, regardless of the state fiscal year in which the appropriations were reserved or encumbered for such payments.

Extended Program Budget Requests. Agencies use Extended Program Budget Requests to show the proposed uses of funding above the request limitations, by program, for non-GRF funds for which an appeal has been granted.

Federal Special Revenue Fund (FED). A group of funds whose revenues are federal grants or entitlements. Expenditures for these funds are made in accordance with state and federal law.

Fiscal Year (FY). A 12-month period used for fiscal planning purposes. The state fiscal year (SFY) begins July 1 and ends the following June 30. The federal fiscal year (FFY) begins October 1 and ends the following September 30.

Full-Time Equivalent (FTE). For budget development purposes, OBM uses this method of calculating personnel levels, in which one FTE works 2,080 hours per year. Each full-time permanent employee is counted as one FTE and each part-time permanent employee is counted as one-half of an FTE.

Fund. A fund is a separate fiscal and accounting entity with a self-balancing set of accounts. A fund created in the state treasury usually has one or more appropriation items from which expenditures are made. If the fund has only one appropriation line item, the line item name often is the same as the fund name.

Fund Balance. The unencumbered cash remaining in a fund at the end of a specified time period, usually the end of the fiscal year.

General Revenue Fund (GRF). The GRF is the primary operating fund of the state. This fund receives the unrestricted revenues of the state, primarily from such revenue sources as the personal income tax, the sales and use tax, the corporate franchise tax, and the public utilities excise tax. The fund also receives significant federal revenues in support primarily of human services programs.

General Services Fund (GSF) Group. This fund group consists of funds not easily classified into or appropriately accounted for in another fund group. Many of the funds in this group receive payments from other funds for services provided or receive interagency grants.

Lapse. Appropriations not encumbered or expended prior to their expiration.

Line Item Veto. A provision that allows a Governor to veto components of the legislative budget on a line-by-line basis.

Maintenance. Expenditures for expendable goods and supplies such as utilities, gasoline, postage, paper, pens, repairs, telephone, and travel.

Multi-Program Series Agency. For agencies that perform more than one distinct activity, the activities of the agency are divided into program series. The program series may have multiple programs.

Non-recurring/One-time Appropriation. An appropriation made for a one-time item or project. Examples include capital or major equipment purchases, special studies, and information technology upgrades.

Object Class. Two-digit code used to categorize expenses.

- **Personal Service (10):** Payroll, including fringe benefits;
- **Purchased Services (13):** Purchased or contracted services (e.g. consultants);
- **Supplies & Maintenance (20):** Expendable goods and supplies such as utilities, gasoline, postage, paper, pens, repair and travel;
- **Equipment (30):** Durable goods such as computers, furniture or vehicles;
- **Subsidy (50):** Distributions made to individuals, organizations, school districts, higher education facilities, or other local government units;
- **Goods for Resale (60):** Goods or services purchased by one state agency to be sold or resold to another state agency or to the public;
- **Capital (70):** Significant fixed assets such as land and buildings; and
- **Transfers & Non-Expense Disbursements (90):** Cash disbursements and other transactions that reduce cash resources but are not an operating expense.

Operating Budget. The budget established for the operation of a state agency or program, typically based on legislative appropriation, and completed in two-year periods beginning with even numbered years.

Performance Measures. Performance measures are used by an agency to evaluate the effectiveness of its programs. They may indicate a level of agency activity or output, or a level of outcomes experienced by an agency's customers. Over time, performance measures help agencies identify ways to improve their efficiency and effectiveness.

Personal Services. Expenditures for payroll, including fringe benefits and related services such as consultants, physicians, and temporary services.

Program. A program is a discrete activity within an agency's organization that is intended to provide a specific good or service in response to identified social or individual need or problem. A various number of programs can be grouped under each program series. An example of a program is the Department of Education's Entry-Year Educators Program that provides year-long professional growth experience for newly licensed teachers and principals.

Program Series. A program series groups closely related programs into an overarching category that captures the state's efforts to provide for a public need. A program series corresponds with a major area of focus or goal for a state agency and in most cases is composed of two or more programs. Most agencies are characterized by more than one program series. An example of a program series is the Department of Education's Educator Training Program Series that includes general, entry-year, mathematics, science, and literacy educator training programs.

Reappropriation. Legislative action that provides for the renewal of a previous capital appropriation. Agencies sometimes are not able to spend what is in the current capital bill or the current reappropriations bill by the end of the biennium. However, they will continue to need the appropriation or a portion of the appropriation for projects designated in those bills.

Single Program Series Agency. For budget purposes, small agencies are generally single program series agencies, as they usually have a more narrowly defined purpose.

State Special Revenue (SSR) Fund Group. This fund group consists of funds that receive special revenues for specified activities that are required by law.

Subsidy Account. An appropriation line item used to legally restrict appropriations and account for distributions for designated purposes. Such distributions are made to individuals, organizations on behalf of individuals, school districts, higher education facilities, local governmental units, or other recipients.

Introduction

The legally adopted budget plays a central role in the state's financial management system. The budget is a plan of financial operations that embodies an estimate of proposed expenditures for each fiscal year of the biennium.

The objective of budgetary control is to manage the state's finances within limitations set forth in its approved budget. Budgetary control allows the state to keep its expenditures within limitations of available appropriations and available revenues.

The state has designed its Central Accounting System to ensure and demonstrate compliance with the budget. The appropriated budget is "integrated" into the accounting system. This means that the accounting system is specifically designed to provide ongoing and timely information on what is still available to be spent within established budget limitations.

The following discussion addresses specifics about the state's budgetary process and related policies, including the level of budgetary control, the basis of budgetary accounting, and the use of encumbrance accounting.

Budgetary Process

As required by the Ohio Revised Code, the Governor submits the biennial operating and capital budgets to the General Assembly. The particular budget, which includes those funds of the state subject to appropriation pursuant to Ohio law, is comprised of all proposed expenditures for the state and of estimated revenues and borrowings for a biennium.

The General Assembly enacts the budget through passage of specific departmental line item appropriations. Line item appropriations are established within funds by program or major object of expenditure. The Governor may veto any item in an appropriation bill. Such vetoes are subject to legislative override.

The state's Controlling Board, comprised of six members of the General Assembly and the Director of the Office of Budget and Management (OBM) or a designee, can transfer or increase a line-item appropriation within the limitations set under Chapter 127 of the Ohio Revised Code. The Board has delegated the authority to the Director of OBM to transfer appropriations between existing operating expenditure/expense line item appropriations within a state agency in amounts not to exceed a cumulative total of \$50,000 (or \$75,000 for institutional agencies) from each line item appropriation within a fiscal year.

Budgetary Control

The state maintains its legal level of budgetary control at the departmental line item appropriations level. Ohio's Central Accounting System controls expenditures at this level; therefore, at no time can expenditures exceed appropriations and financial-related legal compliance is assured.

Basis of Accounting

Ohio prepares its budget using the modified cash basis of accounting. Under this basis of accounting, the state recognizes revenues when cash is received and expenditures when paid. Furthermore, at the close of a fiscal year the state reserves cash sufficient to cover the payment of outstanding encumbrances and other obligations. For external financial reporting purposes, the state issues the Comprehensive Annual Financial Report (CAFR). This report is prepared in conformity with generally accepted accounting principles (GAAP). Because the state budgets on a modified cash basis of accounting, which differs from GAAP, the required reconciliation of the differences between the state's budgetary financial statements and its GAAP-basis financial statements is presented in the CAFR.

Encumbrance Accounting

Encumbrance accounting, under which purchase orders, contracts, and other commitments for expenditures are recorded as a reserve of the applicable appropriations, is employed as an extension of formal budgetary integration in the state's accounting system. Outstanding encumbrances at the end of the fiscal year are recorded as reservations of fund balance for expenditure in subsequent years. Operating encumbrances are generally cancelled five months after the end of the fiscal year while capital encumbrances are generally cancelled two years after the biennial period for which they are appropriated. Unencumbered appropriations lapse at the end of the biennium budget period.

For external reporting in its non-GAAP budgetary financial statements, the state also reports encumbrances as expenditures in the year when related purchase commitments are made.

Introduction

Every two years, the Governor is required by state law to propose a new budget for state activities. The operating budget proposal must be submitted to the General Assembly not later than four weeks after its organization and is usually submitted to the legislature in early February of each odd-numbered year. In years of a new Governor's inauguration, however, state law permits the budget proposal to be submitted to the legislature by March 15. More than a statutory requirement, however, the budget represents a statement of priorities. It sets a strategic policy direction for the activities of state government. Therefore, a detailed budget preparation process is necessary to generate information that will help the Governor and the General Assembly reach consensus regarding the priorities of the state and the most effective use of state resources. The process can be divided into the following components:

- Development of the Governor's Executive Budget
- Enactment by the legislature
- Gubernatorial approval and vetoes

Development of the Governor's Executive Budget

The Office of Budget and Management (OBM) is the executive agency charged with preparing the Governor's budget recommendations. In March 2004, OBM issued to all agencies the *Operating Budget Guidance for Ohio's State Agencies for Fiscal Years 2006 and 2007* that specified the format, content, and due dates for agency budget requests to OBM.

The operating budget guidance continued OBM's implementation of substantial changes to the budget preparation process. OBM had previously completed an exercise in which all agencies reviewed their operations and developed a descriptive structure based on the concepts of program series and programs. Other changes from past biennia included the following:

- ❑ Earlier budget request due date;
- ❑ Elimination of the Core and Supplemental Budget Requests and the "core budget level" and "budget request cap" concepts;
- ❑ Implementation of program budgeting; and
- ❑ Introduction of Budget Request Limitations, including the limitation of nearly all agencies' requests for all funds to 100% of the fiscal year 2005 appropriations.

Agencies then used Program Budget Requests to seek appropriations within the limitations above. The underlying organizational structure for the Program Budget Request was the description of an agency by program series and programs. This format allowed for a more easily understood budget request by clearly showing what services or activities are "bought" by each program at a requested dollar amount. Agencies were able to prioritize within and by programs. Agencies were also able to allocate dollars within a fund, rather than by line item, which afforded flexibility when budgeting the available resources.

For funding above the fiscal year 2005 appropriation level, agencies were asked to make Extended Program Budget requests for specific funds. Prior to submitting Extended Program Budget requests, agencies were required to appeal to OBM, identifying the need for the additional appropriation. If the appeal was approved, the agency could then request the additional amount and further justify the need in the request. With some exceptions, agencies were not permitted to request or appeal for funding beyond 100% of fiscal year 2005 GRF appropriations.

Agency budget submissions were due in mid-July. Once budget requests were received, the Office of Budget and Management worked closely with agency representatives to gain a full understanding of the budget submission, agency circumstances, and needs.

In addition to reviewing the spending requests, OBM must assess and predict the availability of revenue to support the proposed state expenditures. In November 2004, a meeting of the Governor's Council of Economic Advisors was held to construct a consensus forecast of key economic indicators for the United States and Ohio. OBM and the Department of Taxation worked together to produce revenue estimates based on the consensus forecast. As revenue projections were finalized, the director of OBM worked closely with the Governor and his key advisors to ensure that this spending plan reflected the Governor's priorities.

Preliminary spending recommendations were made and submitted to agencies for review. Agencies were given an opportunity to appeal the recommendations, and changes were made to the Governor's spending plan based on the merits of appeals and the availability of resources. Final recommendations were reviewed by the Governor and approved for transmittal as the Governor's Executive Budget.

Enactment by the Legislature

Although the Governor is required to make budget recommendations, the power of appropriating money rests with the legislature. The Governor's spending plan, along with any statutory and temporary law necessary to make it operational, is drafted into a bill. Separate budget bills are prepared for the Bureau of Workers' Compensation, the Industrial Commission, and the non-GRF portions of the budget for the Departments of Transportation and Public Safety.

Traditionally, budget bills are introduced in the House of Representatives under the sponsorship of the chairman of the House Finance and Appropriations Committee. Once introduced, the bill is referred to the House Finance and Appropriations Committee. The committee and its various subcommittees conduct extensive hearings, reviewing all aspects of agency budgets and law changes. The full committee concludes its work when it reports, after changing the Governor's plan through substitutions and amendments, a bill with a favorable vote by a majority of the committee members. The bill is then considered before the full House of Representatives, where further amending may take place, and the bill is passed by a majority of the members.

Once passed by the House, the bill is sent to the Senate for consideration. It is referred to the Senate Finance Committee where, again, extensive hearings are held. The committee reports a modified bill, which then goes to the full Senate for further amending and passage.

Typically, differences exist between the House and Senate versions of the budget bill, thus requiring the appointment of a Conference Committee. The Conference Committee is comprised of three members of each chamber and is responsible for resolving the differences between the House and Senate versions of the bill. Once all differences are resolved, the committee prepares a report that it recommends to both chambers for final approval. Majority affirmative votes in each house are required to accept the report of the Conference Committee and enact the budget bill.

Gubernatorial Approval and Vetoes

A bill usually becomes law upon signature of the Governor. In Ohio, the Governor is empowered to veto all or any item of an appropriations bill. Upon receipt of the bill passed by the legislature, the Governor conducts a thorough review of its contents and determines whether any items should be disapproved. Disapproved items are noted in the bill signed by the Governor, and the bill, along with the written objections, is returned to the legislature. The bill must be signed by July 1, the first day of the new fiscal year. The legislature is empowered by a three-fifths majority vote of each house to override each vetoed item.

Capital Budgeting Process

Apart from the operating budget process, Ohio also must budget for capital expenditures – the construction or rehabilitation of structures and the purchase of permanently affixed equipment. The capital bill is generally submitted every even-numbered year, while the operating bill is submitted on each odd-numbered year.

Tobacco Settlement Budgeting Process

Since calendar year 2002, OBM has been charged with preparing and recommending, with the concurrence of the Governor, to the General Assembly a biennial budget for the use of the revenue received by Ohio pursuant to the Tobacco Master Settlement Agreement (MSA). In November 1998, the Attorneys General of 46 states, five U.S. territories, and the District of Columbia signed the MSA with the nation's largest tobacco manufacturers. This Agreement ended litigation brought by the Attorneys General against the manufacturers in 1996 for state health care expenses attributed to smoking-related claims. Based on OBM's recommendations, the tobacco bill is drafted and typically introduced every even-numbered year.

From preparation of the Executive Budget through enactment of the appropriation bills, the following calendar was followed:

March 2004	The Office of Budget and Management (OBM) distributes guidelines to state agencies for preparation of the Executive Budget for fiscal years 2006 and 2007.
April 2004	Agency appeal letters requesting increased Budget Request Limitations for non-GRF funds are due to OBM.
July 2004	All agencies' budget requests, prepared in the program series and program format, are due to OBM.
July through October 2004	OBM completes review and analysis of agency requests; budget hearings held; agencies may be asked to provide additional information to assist in the development of recommendations.
Nov. 2004 through January 2005	OBM prepares revenue estimates internally for the upcoming biennium. OBM evaluates agencies' budgets and makes recommendations on funding priorities to the Governor within established revenue projections. Agencies are given a time period in which they may appeal for additional funding.
Late January 2005	Governor makes final decisions for the Executive Budget. The Executive Budget is submitted to the General Assembly. OBM and the Legislative Service Commission prepare the main operating appropriations bill based on the Executive Budget document.
February 2005	The first of the budget bills is introduced in the House of Representatives.
February through June 2005	The House and Senate hold hearings and vote on the budget bills.
June 2005	The Conference Committee works out differences between the versions of the budget bill passed by the House and Senate. The House and Senate vote on the Conference Committee report. The Governor signs the appropriations bill, which takes effect July 1, 2005. If the budget bill is not signed by June 30, 2005, an interim budget must be enacted.

Funds of the State

The state's funds are organized into budget fund groups – categories used to group similar funds for budgetary reporting purposes. The funds are categorized according to their revenue sources and the purposes for which they are used. The budget fund group (BFG) concept is used in the Executive Budget to summarize history and recommendations for fiscal years 2000 to 2007 for each agency. The list below contains descriptions of all existing budget fund groups.

The State's Budget Fund Groups

<u>Budget Fund Group</u>	<u>Abbreviation</u>	<u>Budget Fund Group</u>	<u>Abbreviation</u>
Accrued Leave Liability	ALF	Juvenile Correctional Building	028
Administrative Building	026	Liquor Control	LCF
Adult Correctional Building	027	Local Infrastructure Improvement	LIF
Agency	AGY	Local Transportation Improvement	052
Arts Facilities Building	030	Lottery Profits Education	LPE
Auditor of State	AUS	Mental Health Facilities Improvement	033
Budget Stabilization	013	Ohio Parks and Natural Resources	031
Clean Ohio Conservation Program	CLF	Parks and Recreation Improvement	035
Clean Ohio Revitalization Program	CLR	Revenue Distribution	RDF
Coal Research and Development	046	School Building Assistance	SBA
Debt Service	DSF	Sports Facilities Building	024
Education Improvement	006	State Highway Safety	HSF
Facilities Establishment	037	State Lottery	SLF
Federal Special Revenue	FED	State Special Revenue	SSR
General Revenue	GRF	Tobacco Settlement	TSF
General Services	GSF	Transportation Building	029
Higher Education Improvement	034	Underground Parking Garage	UPG
Highway Capital Improvement	042	Volunteer Fire Fighters' Dependents	085
Highway Operating	HOF	Waterways Safety	WSF
Highway Safety Building	025	Wildlife	WLF
Holding Account Redistribution	090	Workers' Compensation	WCF
Infrastructure Bank Obligations	045		

The budget fund groups are described below.

Accrued Leave Liability (ALF). The Accrued Leave Liability Budget Fund Group consists of funds that receive direct payroll charges and interest. Major expenditures consist of payments to state employees for accrued vacation, sick and personal leave time, disability benefits, and payments associated with the state's self-insured health care plan.

Administrative Building (026). The Administrative Building Budget Fund Group consists of the Administrative Building Fund that receives proceeds from special obligation debt issuances. Expenditures are for capital improvements to state office buildings and structures.

Adult Correctional Building (027). The Adult Correctional Building Budget Fund Group consists of the Adult Correctional Building Fund that receives proceeds from special obligation debt issuances. Expenditures are for capital improvements for the Department of Rehabilitation and Correction.

Agency (AGY). The Agency Budget Fund Group consists of funds used to account for cash receipts held by the state as custodian or agent. Ultimately, cash is distributed from these funds to individuals, corporations, private organizations, other state funds, or local governmental units.

Arts Facilities Building (030). The Arts Facilities Building Budget Fund Group consists of the Arts Facilities Building Fund that receives proceeds from special obligation debt issuances. Expenditures are for the conservation of and improvements to various arts and sciences facilities at the state and local levels.

Auditor of State (AUS). The Auditor of State Budget Fund Group consists of funds used to operate the Office of Auditor of State. Primary sources of revenue include the sale of audit services to local governments and other state agencies. Expenditures cover the cost of providing audit services.

Budget Stabilization (013). The Budget Stabilization Budget Fund Group consists of the Budget Stabilization Fund that receives transfers from the General Revenue Fund. The purpose of the Budget Stabilization Fund is to help reduce the impact of an economic downturn that may result in the reduction of revenues to the General Revenue Fund.

Clean Ohio Conservation Program (CLF). The Clean Ohio Conservation Program Budget Fund Group consists of funds that receive proceeds from general obligation debt issuances. Expenditures from these funds are used for conservation projects across the state.

Clean Ohio Revitalization Program (CLR). The Clean Ohio Revitalization Program Budget Fund Group consists of funds that receive proceeds from revenue debt issuances. Expenditures from these funds are used for revitalization projects across the state.

Coal Research and Development (046). The Coal Research and Development Budget Fund Group consists of the Coal Research and Development Fund that receives proceeds from general obligation debt issuances. Expenditures from this fund are for grants to industries and universities for coal research and development projects.

Debt Service (DSF). The Debt Service Budget Fund Group consists of several debt service funds that receive taxes, interest revenue, and transfers from the General Revenue Fund. Expenditures from these funds provide for payment of general long-term debt principal, interest, and associated costs.

Education Improvement (006). The Education Improvement Budget Fund Group consists of the Education Improvement Fund that receives transfers from the General Revenue Fund. Expenditures from this fund are for education improvement programs in elementary and secondary schools.

Facilities Establishment (037). The Facilities Establishment Budget Fund Group consists of funds that receive proceeds from the sale of revenue bonds that are used for loans and loan guarantees to assist businesses in building or expanding Ohio-based facilities. The fund also receives repayments of those loans.

Federal Special Revenue (FED). The Federal Special Revenue Budget Fund Group consists of funds that receive federal grants or entitlements. Expenditures from these funds are made in accordance with state and federal laws.

General Revenue (GRF). The General Revenue Budget Fund Group consists of the General Revenue Fund that accounts for all financial resources except those required to be accounted for in another fund. Primary sources of revenue include sales, income, and corporate franchise taxes. General Revenue Fund expenditures support education, human services, general government, and property tax relief.

General Services (GSF). The General Services Budget Fund Group consists of funds not easily classified into or appropriately accounted for in one of the other budget fund groups. Many of the funds in this group receive payments from other funds for services provided. Also included in this group are funds that receive interagency grants. The Income Tax Reduction Fund is one of the many funds in this group.

Higher Education Improvement (034). The Higher Education Improvement Budget Fund Group consists of the Higher Education Improvement Fund that receives proceeds from general obligation debt issuances. Expenditures are made for improvements to state-assisted higher education facilities.

Highway Capital Improvement (042). The Highway Capital Improvement Budget Fund Group consists of the Highway Capital Improvement Fund that receives proceeds from general obligation debt issuances. Expenditures are for capital improvements to highways.

Highway Operating (HOF). The Highway Operating Budget Fund Group consists of transportation-related funds that receive motor fuel taxes and highway use taxes. Expenditures are made primarily for the maintenance and expansion of the highway system.

Highway Safety Building (025). The Highway Safety Building Budget Fund Group consists of the Highway Safety Building Fund that receives proceeds from special obligation debt issuances. Expenditures are for capital improvements for the Department of Public Safety.

Holding Account Redistribution (090). The Holding Account Redistribution Budget Fund Group consists of several funds used to account for moneys collected but for which the correct fund for deposit is unknown or the money is not yet determined to be earned by the state. In instances when moneys on deposit in these funds are determined not to be earned by the state, a refund disbursement is recorded.

Infrastructure Bank Obligations (045). The Infrastructure Bank Obligations Budget Fund Group consists of the Infrastructure Bank Obligations Fund that receives proceeds from revenue debt issuances. Expenditures are made to provide financial assistance to public and private entities for transportation projects.

Juvenile Correctional Building (028). The Juvenile Correctional Building Budget Fund Group consists of the Juvenile Correctional Building Fund that receives proceeds from special obligation debt issuances. Expenditures are for capital improvements for the Department of Youth Services.

Liquor Control (LCF). The Liquor Control Budget Fund Group consists of funds used to operate the Division of Liquor Control in the Department of Commerce, the Investigative Unit in the Department of Public Safety, and the Liquor Control Commission. Primary sources of revenue include retail and wholesale liquor sales. Major expenditures consist of liquor purchases, operating costs, and debt service on economic development bonds and revitalization bonds issued under the Clean Ohio Program. Additionally, a portion of the liquor profits is transferred monthly to the General Revenue Fund.

Local Infrastructure Improvement (LIF). The Local Infrastructure Improvement Budget Fund Group consists of funds created to assist local subdivisions in financing public infrastructure capital improvements. Proceeds from general obligations debt issuances are credited to these funds.

Local Transportation Improvement (052). The Local Transportation Improvement Budget Fund Group consists of the Local Transportation Improvement Program Fund that receives transfers from the State and Local Government Highway Distribution Fund within the Revenue Distribution Budget Fund Group. Expenditures are for grants to local subdivisions for projects approved by the Ohio Public Works Commission.

Lottery Profits Education (LPE). The Lottery Profits Education Budget Fund Group consists of funds that receive lottery profits for the support of elementary, secondary, vocational, and special education programs.

Mental Health Facilities Improvement (033). The Mental Health Facilities Improvement Budget Fund Group consists of the Mental Health Facilities Improvement Fund that receives proceeds from special obligation debt issuances. Expenditures are for improvements to state and community mental health and mental retardation facilities.

Ohio Parks and Natural Resources (031). The Ohio Parks and Natural Resources Budget Fund Group consists of the Ohio Parks and Natural Resources Fund that receives proceeds from general obligation debt issuances. Expenditures from this fund are for projects related to parks and natural resources.

Parks and Recreation Improvement (035). The Parks and Recreation Improvement Budget Fund Group consists of the Parks and Recreation Improvement Fund that receives proceeds from special obligation debt issuances. Expenditures are for improvements to parks and recreation facilities.

Revenue Distribution (RDF). The Revenue Distribution Budget Fund Group consists of funds that receive tax and license fees for distribution to other state funds or local governmental units.

School Building Assistance (SBA). The School Building Assistance Budget Fund Group consists of funds that receive general obligation debt issuances and loan repayments from local school districts. Expenditures are for loans to local school districts for the costs of capital improvements.

Sports Facilities Building (024). The Sports Facilities Building Budget Fund Group consists of the Sports Facilities Building Fund that receives proceeds from special obligation debt issuances. Expenditures are for capital improvements to various Ohio sports facilities.

State Highway Safety (HSF). The State Highway Safety Budget Fund Group consists of several highway safety-related funds that receive transfers from the Highway Operating Fund, federal grants, fees, fines, and taxes on motor vehicles. Expenditures are restricted to support motor vehicle safety and law enforcement programs.

State Lottery (SLF). The State Lottery Budget Fund Group consists of the funds used to operate the Ohio Lottery Commission. Primary sources of revenue are lottery ticket sales and license fees. Major expenditures consist of operating costs, commissions to agents, and lottery prizes. The state uses the net proceeds after expenditures for the support of elementary, secondary, vocational, and special education programs.

State Special Revenue (SSR). The State Special Revenue Budget Fund Group consists of funds that receive specific revenues for specified activities that are required by law.

Tobacco Settlement (TSF). The Tobacco Settlement Budget Fund Group consists of funds that account for various health, education, economic, and law enforcement-related programs. The primary source of revenue is money received under the Master Settlement Agreement with the nation's largest tobacco companies.

Transportation Building (029). The Transportation Building Budget Fund Group consists of the Transportation Building Fund that receives proceeds from special obligation debt issuances. Expenditures are for the construction, reconstruction, or rehabilitation of various capital facilities for the Department of Transportation.

Underground Parking Garage (UPG). The Underground Parking Garage Budget Fund Group consists of the Underground Parking Garage Operating Fund used to operate the underground parking garage. The primary source of revenue is parking fees. Expenditures are for the administration and operation of the garage.

Volunteer Fire Fighters' Dependents (085). The Volunteer Fire Fighters' Dependents Budget Fund Group consists of the Volunteer Fire Fighters' Dependents Fund. The primary purpose of this budget fund group is to account for fire district and political subdivision premiums for distribution in support of compensation to disabled fire fighters and to surviving spouses and families in the case of death.

Waterways Safety (WSF). The Waterways Safety Budget Fund Group consists of funds that receive watercraft license fees and fines. Expenditures are restricted to supporting watercraft operations and watercraft law enforcement and education programs.

Wildlife (WLF). The Wildlife Budget Fund Group consists of funds that receive wildlife license fees and fines. Expenditures are restricted to supporting wildlife preservation and wildlife law enforcement programs.

Workers' Compensation (WCF). The Workers' Compensation Budget Fund Group consists of funds that receive assessments on the State Insurance Fund (non-appropriated). Expenditures support the Bureau of Workers' Compensation and the Industrial Commission's administrative, adjudicatory, and programmatic responsibilities.

How the Executive Budget is Organized

Overview

The Executive Budget for fiscal years 2006 and 2007, as submitted to the General Assembly by Governor Taft, consists of two separate documents. Book One, prepared by the Office of Budget and Management, contains detailed spending and revenue information, required by law, and summary information to help readers understand the policy and financial context of the Governor's proposals. Book Two, a report on the state's tax expenditures, is prepared by the Department of Taxation. This section focuses on the organization of Book One.

Governor's Message

The first item in the Executive Budget is a letter from Governor Taft to the people of Ohio and the General Assembly. Governor Taft's letter provides an overview of his spending recommendations and outlines his goals and priorities for the fiscal years 2006 and 2007 biennium.

Tab A Reader's Guide

The Reader's Guide contains 10 sections intended to help the reader understand the Executive Budget document. The Guide provides a glossary of key terms, a summary of the state's financial accounting method, a description of the budget process, a listing and description of state funds, answers to frequently asked questions about the budget, a description of how the Executive Budget is organized, and a guide to reading the tables.

Tab B Summaries of Budget Information

This section summarizes revenue estimates and spending recommendations for fiscal years 2006 and 2007. It contains information describing historical and estimated General Revenue Fund (GRF) balances, information describing the relationship between debt service spending and GRF revenues, and ending fund balances by budget fund group for each year of the biennium. It also contains information on the state's capital and tobacco budgets.

Tab C Economic Forecast and Income Estimates

This section contains information on the forecasts for the national and state economies for fiscal years 2006 and 2007. It describes the methods used to estimate future revenues and also contains a summary table of historical and estimated revenues and ending balances.

Tab D Special Analyses

This section contains analyses of some of Governor Taft's priorities for the fiscal years 2006 and 2007 biennium.

Tab E Agency Budget Recommendations

This section contains historical and recommended spending information as well as narrative descriptions for all state agencies. The agencies appear in alphabetical order by the first key word in an agency's name. The narrative provides an overview of the particular agency's role, followed the Governor's funding recommendations for each agency program series and program for the fiscal years 2006 and 2007 biennium. The presentation of agency budget recommendations by program series and program is new for this biennium.

Narratives for certain agencies may also include an Appropriation Line Item Analysis, which could include one or all of the following additional analyses:

- Line Item Restructuring Analysis is provided for agencies that have changed their line item structures to accommodate a more programmatic presentation of funding. With a new line item structure, it is difficult for the reader to understand how funding levels have changed over time. In order to illustrate changes in funding for new line items, estimated fiscal year 2005 amounts are converted from the current line item structure into the proposed line item structure and are compared to recommended funding levels for fiscal years 2006 and 2007.

- Summary of Agency Restructuring analysis appears for agencies that receive new functions transferred from other agencies. The presentation of this section is similar to the Line Item Restructuring Analysis. Estimated fiscal year 2005 funding levels are converted from the line item structure of the agencies from which the programs are transferred into the line item structure of the receiving agencies.
- Line Item Note that offers additional information regarding a recommendation for an appropriation line item. The line item name and number are given.

Each agency also has three main budget tables that provide historical and recommended spending information. The budget tables are described in more detail in the Guide to Reading the Budget Tables, which begins on page A-23.

Frequently Asked Questions

What is the state budget?

The state budget is an agreement between the legislative and executive branches of government on a spending plan for state government. It represents a statement of priorities for a two-year period. The state budget generally refers to the operating budget, not the capital budget. The capital budget directs the expenditure of funds for infrastructure and maintenance needs, such as buildings, parks, and historical sites.

What is a biennial budget?

Ohio prepares a biennial budget which is a spending plan for a two-year period. Appropriations are made separately for the two fiscal years in a biennium. The state's fiscal year begins on July 1 and ends the following June 30. The Executive Budget shows recommended spending levels for fiscal year 2006 (July 1, 2005 to June 30, 2006) and fiscal year 2007 (July 1, 2006 to June 30, 2007).

What is the GRF?

The GRF is the General Revenue Fund. It is the largest fund of the state and receives the majority of the state's tax receipts. Since there are few restrictions on how GRF dollars can be used, much of the focus of the budget process is on development of a spending plan for GRF resources. Federal dollars that reimburse the state for certain human services-related expenditures are also deposited into the GRF.

How big is the budget?

Many people think of the "size" of the budget in terms of level of recommended spending from the General Revenue Fund. Recommended spending from the GRF is \$25.36 billion in FY 2006 and \$25.96 billion in FY 2007. However, the true size of the budget is the amount appropriated from all funds¹. Appropriations from all operating funds total \$53.14 billion in FY 2006 and \$54.55 billion in FY 2007.

How much is the budget growing?

When compared to FY 2005 spending, the growth of GRF spending is 1.1% in FY 2006 and 2.3% in FY 2007, and total budget growth for all operating funds is 3.3% in FY 2006 and 2.7% in FY 2007. The fiscal year 2006 and 2007 Executive Budget recommends the lowest GRF budget growth in 40 years.

Where does the money for the budget come from?

Revenue to support governmental operations comes from a variety of sources. The largest portion of this revenue is derived from the general unrestricted taxes imposed by the state. Ohio also receives money through special fees, the sale of goods and services, and from the federal government. More information as well as graphical depictions of the major sources of state revenues can be found in the section titled "Revenue Summaries" in Tab B.

How does the state know how much money it will have to spend?

The Office of Budget and Management, working with the Department of Taxation, prepares projections for state revenues. Projections are usually prepared in November preceding the issuance of the Executive Budget, and revenues are forecast for more than a 30-month period. Revenue estimates are updated throughout the process of enacting the budget as the state has more experience with actual receipts from different revenue sources. The Legislative Service Commission also prepares independent revenue estimates, which are compared to the administration's forecast. Consensus between the legislature and the executive must be built around the revenue assumptions that support the final version of the budget.

No method of forecasting is 100 percent accurate, so forecasts will always deviate from the actual performance of state revenue sources. It is hoped, however, that this deviation ends up being small and manageable.

¹ Capital appropriations are not included in the comparisons, except for the Department of Transportation, because the department's capital is historically appropriated on the same cycle as the main operating budget.

Which agencies have the largest budgets?

The agency with the largest budget in fiscal years 2006 and 2007 is the Department of Job and Family Services. Total recommended appropriations in fiscal year 2006 are \$16.95 billion, and total recommended appropriations in fiscal year 2007 are \$17.31 billion. Not only does the department have the largest total budget each year, it also has the largest General Revenue Fund budget (\$10.59 billion in fiscal year 2006 and \$10.94 billion in fiscal year 2007) and has the single largest line item in the General Revenue Fund – line item 525 – Health Care/Medicaid (\$9.42 billion in fiscal year 2006 and \$9.58 billion in fiscal year 2007).

Based on total funding, the agencies with the next largest budgets are as follows:

- Department of Education, with total appropriations of \$9.30 billion in FY 2006 and \$9.78 billion in FY 2007. GRF appropriations total \$6.69 billion in FY 2006 and \$6.82 billion in FY 2007.
- Department of Transportation, which is primarily funded with state and federal motor fuel tax revenues and has total appropriations of \$2.86 billion in FY 2006 and \$2.90 billion in FY 2007.
- Board of Regents, primarily funded from GRF, with total appropriations of \$2.49 billion in FY 2006 and \$2.54 billion in FY 2007.
- Department of Rehabilitation and Correction, with total funding of \$1.69 billion in FY 2006 and \$1.71 billion in FY 2007. Of this amount, \$1.48 billion in FY 2006 and \$1.50 billion in FY 2007 are from the GRF.
- Department of Mental Retardation and Developmental Disabilities, which is recommended to receive total funding of \$1.12 billion in FY 2006 and \$1.10 billion in FY 2007. The GRF provides \$353.13 million in FY 2006 and \$353.67 million in FY 2007.
- Department of Mental Health, with total appropriations of \$989.13 million in FY 2006 and \$1.03 billion in FY 2007. Of this amount, \$556.70 million in FY 2006 and \$573.12 million in FY 2007 come from the GRF.

How big is the budget deficit?

Ohio has no budget deficit. This question is usually asked by those who confuse the state budget with the federal budget. The Ohio Constitution prohibits the state from borrowing money to fund operating expenses. Therefore, the budget must be balanced. The budget presented in the Executive Budget is balanced to the revenue forecast proposed by the administration. The budget is balanced at each step of the legislative process based on revenue assumptions as revised at that point. The final enacted budget is balanced to revenue assumptions agreed to by the Conference Committee.

How big is the budget surplus?

The concept of a “surplus” is not one that is specifically defined. It is generally understood, however, to be funds that remain above and beyond any planned uses (including planned reserves and planned carryover balances). Typically a surplus is an unexpected result of higher-than-anticipated revenues or lower-than-anticipated spending. Amounts typically excluded from consideration as part of the surplus include one-half of one percent of GRF revenues (considered to be a necessary amount for a beginning carryover fund balance), amounts in the Budget Stabilization Fund up to 5% of GRF revenues, and funds needed to support appropriations made by the General Assembly. Based on statute, state budget surpluses cannot accumulate because the law requires that any “surplus” at the end of each fiscal year be deposited into the Income Tax Reduction Fund and returned to Ohio taxpayers.

What is the Executive Budget?

State law requires the Governor to “submit to the general assembly, not later than four weeks after its organization, a state budget containing a complete financial plan for the ensuing fiscal biennium.”

The Executive Budget document is a response to this statutory requirement, but it serves as both a reporting and planning document as well. It provides the reader with historical revenue and spending information and recommends a spending plan for two fiscal years. The Executive Budget is a fiscal presentation of many of the Governor’s significant policy proposals for the next two years.

What is the Blue Book?

Years ago, the Executive Budget document was printed with a blue cover and, as a result, people began to call the document “the Blue Book.” Over the years, each Executive Budget has been presented with a blue cover, and it is now considered a tradition. Beginning with the Executive Budget for fiscal years 2004 and 2005, the Executive Budget was no longer published in hardcopy. The Executive Budget was made available on the OBM website and on CD-ROM. Beginning with the Executive Budget for fiscal years 2006 and 2007, the Executive Budget will only be available on the OBM Website: <http://www.obm.ohio.gov>.

What is most important when reading the Executive Budget?

Typically, the most attention is paid to the columns in each agency’s budget tables that show the Governor’s recommended funding levels. These recommendations will appear in the introduced version of the budget bill and may be changed by the legislature as the bill goes through the process of enactment. “What the Budget Buys” sections for each agency give the reader a concise view of outstanding features of the recommendations and help readers understand exactly what the Governor is proposing.

What are the differences between the Executive Budget and the Budget Bill?

The Executive Budget contains historical and recommended spending information along with narrative descriptions of the agencies. It does not contain the specific codified and uncoded law changes required to implement the recommendations. The budget bill contains appropriations for fiscal years 2006 and 2007 and the statutory changes necessary to implement the spending plan. Separate bills are prepared for the non-GRF budgets of the Department of Transportation, the Department of Public Safety, the Bureau of Workers’ Compensation, and the Industrial Commission.

Where are the appropriations for capital construction?

This budget provides appropriations for the operating expenses of state government and debt service payments, but does not include appropriations for capital construction (with the exception of Department of Transportation highway construction). The state’s capital budget is prepared separately during even-numbered years.

What is a program series and program?

A program series groups closely related programs into an overarching category that captures the state’s efforts to provide for a public need. A program series corresponds with a major area of focus or goal for a state agency and in most cases is composed of two or more programs. Most agencies are characterized by more than one program series. An example of a program series is the Department of Education’s Educator Training Program Series that includes general, entry-year, mathematics, science, and literacy educator training programs.

A program is a discrete activity within an agency’s organization that is intended to provide a specific good or service in response to identified social or individual need or problem. A various number of programs can be grouped under each program series. An example of a program is the Department of Education’s Entry-Year Educators Program that provides yearlong professional growth experience for newly licensed teachers and principals.

What is zero-based budgeting and why did some agencies prepare a zero-based budget?

A zero-based budget’s definition lies in its title – it is a budget that starts from zero, assuming no prior history or built-in assumptions. In House Bill 95 of the 125th General Assembly, the director of the Office of Budget and Management (OBM) was required to prepare a full zero-based budget for the fiscal year 2006-2007 biennium for the Department of Rehabilitation and Correction (DRC) and the Department of Youth Services (DYS). Although the legislature did not give specific direction as to how these budgets should be prepared, OBM offered guidance and the agencies developed an approach to the preparation of these budgets. As with all other agencies the budget request limitations applied (see section titled “The Budget Process”), however the zero-based requests for DRC and DHS reflect agency-wide prioritization by program and by multiple funding levels. Both the Ohio Environmental Protection Agency and the Office of Criminal Justice Services underwent the zero-budgeting exercise in preparation for the fiscal year 2004 - 2005 biennium.

Guide to Reading the Budget Tables

The purpose of this section is to help the reader understand the tables included in the Executive Budget for each agency. Each agency has budget tables that contain the Governor's detailed spending plan for the fiscal year 2006-2007 biennium.

What are Budget Tables?

A majority of agencies have at least three budget tables: an Agency Summary of Budget History and Recommendations, a specific Program Recommendation Summary, and an Appropriation Line Item Summary (titled Line Item Summary). The Agency Budget History and Recommendations and the Appropriation Line Item Summary tables show spending history for fiscal years 2002, 2003, and 2004, estimated spending for fiscal year 2005 (since fiscal year 2005 will not end until June 30, 2005), and recommended spending by the Governor for fiscal years 2006 and 2007. The Program Recommendation Summaries identify the Governor's recommended funding levels by specific program.

Where are the Tables?

Starting with Tab E, the Executive Budget contains Governor Taft's funding recommendations for each agency. The agencies appear in alphabetical order and each agency has its own section that begins with an overview narrative followed by the agency's Summary of Budget History and Recommendations table. Following the summary table are narratives for each agency program series and program. Immediately after the individual program narratives are tables that identify the Governor's recommended funding levels for that specific program by appropriation line item. Finally, at the end of each agency section, a table totals and groups by fund the individual recommendations into an Appropriation Line Item Summary.

Agency Summary of Budget History and Recommendation Tables

The Agency Summary of Budget History and Recommendation table can be found following an agency's overview narrative in the Executive Budget document. This summary shows actual agency spending in fiscal years 2002, 2003, and 2004; estimated spending in fiscal year 2005; and the Governor's recommended appropriations for fiscal years 2006 and 2007 by budget fund group and by object of expense. A diagram of this table appears on page A-24.

Program Recommendation Tables

The Program Recommendation table can be found immediately following each agency's program narrative in the Executive Budget document. This table identifies the Governor's recommended funding levels for that specific program by appropriation line item for fiscal years 2006 and 2007. Since a line item can support multiple programs, the reader must refer to the Appropriation Line Item summary to find the total amount recommended for a line item. A diagram of this table appears on page A-25.

Appropriation Line Item Summary Tables

All agencies have one Appropriation Line Item Summary at the end of the agency program series and program narratives and associated tables. Each table shows, by line item, actual spending for fiscal years 2002, 2003, and 2004; estimated spending in fiscal year 2005; and the Governor's recommended appropriations for fiscal years 2006 and 2007. The line items listed on this table are grouped and subtotaled by budget fund group. Totals for the agency appear at the bottom of the table. A diagram of this table appears on page A-26.

More Detail Available

For some agencies, two asterisks (“**”) appear in the “% Change” columns of the Appropriation Line Item Summary table for certain line items. This signals the reader to refer to a following Appropriation Line Item Analysis for additional detail.

Immediately following each agency's executive priority section is an **Agency Summary of Budget History and Recommendations** table. The table shows summary budget information for the agency by budget fund group and object of expense. The diagram below uses the State Library Board's Agency Summary table as an example.

Summary of Budget History and Recommendations

(In thousands)									
BUDGET FUND GROUP	FY 2002	ACTUAL FY 2003	FY 2004	ESTIMATE FY 2005	% CHANGE FY 04-05	FY 2006	RECOMMENDED % CHANGE	FY 2007	% CHANGE
General Revenue Fund	11,430	9,671	9,081	13,587	49.6	13,005	(4.3)	13,005	.0
General Services Fund Group	7,183	8,790	7,142	3,969	(44.4)	5,479	38.1	5,717	4.3
Fed Special Revenue Fund Group	5,591	5,380	6,431	5,542	(13.8)	5,644	1.8	5,644	.0
TOTAL	24,203	23,841	22,654	23,098	2.0	24,128	4.5	24,366	1.0

(In thousands)									
OBJECT OF EXPENSE	FY 2002	ACTUAL FY 2003	FY 2004	ESTIMATE FY 2005	% CHANGE FY 04-05	FY 2006	RECOMMENDED % CHANGE	FY 2007	% CHANGE
Personal Services	6,094	5,931	5,907	6,154	4.2	6,162	.1	6,325	2.6
Purchased Services	773	725	349	484	38.9	42	(91.4)	42	.0
Maintenance	7,003	7,438	6,313	7,274	15.2	7,906	8.7	8,081	2.2
Equipment	3,666	3,327	3,060	3,450	12.7	4,439	28.7	4,324	(2.6)
Subsidy	6,666	6,397	7,024	5,732	(18.4)	5,577	(2.7)	5,592	.3
Capital Improvements	0	22	0	0	.0	0	.0	0	.0
Transfer & Other	1	1	1	3	362.1	2	(25.7)	2	.0
TOTAL	24,203	23,841	22,654	23,098	2.0	24,128	4.5	24,366	1.0

The "Summary of Budget History and Recommendations" section summarizes information by Budget Fund Group and by Object of Expense.

The "Recommended" columns show the Governor's Recommendation for FYs 2006 and 2007.

Reductions appear in parentheses.

Within each agency, funding is designated to a program within a program series. A **program series** groups closely related programs into an overarching category that captures the state's efforts to provide for a public need. A program series corresponds with a major area of focus or goal for a state agency and in most cases is composed of two or more programs. A **program** is a discrete activity within an agency's organization that is intended to provide a specific good or service in response to identified social or individual need or problem.

The first two digits of the program numbering convention designate the program series, while the second two designate the program. The top table is program one within program series one.

Program 01.01: State Library Services				Program name	
FUND GROUP	FUND	ALI	ALI NAME	FY 2006	FY 2007
GRF	GRF	350-321	Operating Expenses	6,289,416	6,289,416
GSF	139	350-602	Intra-Agency Service Charges	9,000	9,000
GSF	459	350-602	Interlibrary Service Charges	120,300	117,700
FED	313	350-601	LSTA Federal	1,835,330	1,816,112
TOTAL FOR PROGRAM				8,254,046	8,232,228

Total recommended funding for program 01.01 State Library Services.

One line item can fund multiple programs. Recommendations within programs add up to the **Line Item Summary Table** for the agency.

Program 01.04: Statewide Resource Sharing					
FUND GROUP	FUND	ALI	ALI NAME	FY 2006	FY 2007
GRF	GRF	350-321	Operating Expenses	9,261	9,261
			Interlibrary Service		
GSF	459	350-602	Charges	1,092,000	1,310,400
FED	313	350-601	LSTA Federal	583,258	587,532
TOTAL FOR PROGRAM				1,684,519	1,907,193

Each agency will have a **Line Item Summary** table that summarizes historical spending and recommended spending information by appropriation line item. The spending and recommendations are presented by fund and subtotaled by budget fund group.

LINE ITEM SUMMARY - Library Board										
FUND	ALI	ALI TITLE	FY 2002 ACTUAL	FY 2003 ACTUAL	FY 2004 ACTUAL	FY 2005 ESTIMATE	FY 2006 RECOMMENDED	% CHANGE	FY 2007 RECOMMENDED	% CHANGE
GRF	350-321	Operating Expenses	7,204,126	6,556,287	6,408,696	6,298,677	6,298,677	.0	6,298,677	.0
GRF	350-400	OPLIN	686,018	0	0	4,700,000	4,230,000	(10.0)	4,230,000	.0
GRF	350-401	Ohioana Rental Payments	120,972	120,972	120,972	124,816	124,816	.0	124,816	.0
GRF	350-501	Library for the Blind - Cincinnati	702,480	615,172	561,037	535,615	535,615	.0	535,615	.0
GRF	350-502	Regional Library Systems	1,659,544	1,453,123	1,146,599	1,122,712	1,010,441	(10.0)	1,010,441	.0
GRF	350-503	Library for the Blind - Cleveland	1,056,668	925,307	843,880	805,642	805,642	.0	805,642	.0
TOTAL General Revenue Fund			11,429,808	9,670,861	9,081,184	13,587,462	13,005,191	(4.3)	13,005,191	.0
139	350-602	Intra-Agency Service Charges	27,949	15,070	8,538	9,000	9,000	.0	9,000	.0
4S4	350-604	OPLIN Technology	5,744,793	7,001,681	5,128,221	1,000,000	3,000,000	**	3,000,000	.0
459	350-602	Interlibrary Service Charges	1,409,768	1,773,469	2,004,893	2,959,661	2,469,925	(16.5)	2,708,092	9.6
TOTAL General Services Fund Group			7,182,510	8,790,220	7,141,652	3,968,661	5,478,925	38.1	5,717,092	4.3
313	350-601	LSTA Federal	5,590,707	5,379,719	6,430,899	5,541,647	5,643,905	1.8	5,643,905	.0
TOTAL Fed Special Revenue Fund Group			5,590,707	5,379,719	6,430,899	5,541,647	5,643,905	1.8	5,643,905	.0
TOTAL State Library Board			24,203,025	23,840,800	22,653,735	23,097,770	24,128,021	4.5	24,366,188	1.0

The two "% Change" columns show the percent change between (1) the FY2005 Estimate and FY2006 Recommended columns and (2) the FY2006 and FY2007 Recommended columns

Reductions appear in parentheses.

A "***" in the "% Change" column refers the reader to the applicable section of an agency's narrative or to a restructuring table for additional information.

Subtotals are shown for each budget fund group.