

## Revenue Summaries

This section summarizes the revenue that is estimated to be received by the state in fiscal years 2006 and 2007. It is important to note that because all revenue that the state anticipates receiving in fiscal years 2006 and 2007 is summarized in this section, the revenue summaries include anticipated revenue that is not proposed for spending in this Executive Budget.

Detailed information on the economic forecast that drives the state's revenue estimates and the methods used to prepare the estimates are provided in Tab C - Economic Forecast.

This section contains three pie charts that show summaries of the state's revenue estimates. Each is listed and described below.

**Figure B-1, Total GRF Revenues Pie Chart:** This pie chart shows the total estimated General Revenue Fund (GRF) revenue by major revenue source. All revenue from major state taxes ( personal income tax, sales and use tax, business taxes, etc.) is deposited into the General Revenue Fund along with revenue received from the federal government as reimbursement to the state for certain General Revenue Fund expenditures made by the Department of Job and Family Services.

**Figure B-2, State-Only GRF Revenue Pie Chart:** The federal revenue deposited in the General Revenue Fund is substantial. It's estimated to be \$11.6 billion during the fiscal year 2006-2007 biennium. But the inclusion of this federal revenue in the General Revenue Fund somewhat distorts the role that state tax revenue plays in financing state programs. State tax revenues, not federal reimbursements for human services programs, provide the majority of General Revenue Fund revenues. To make this clear, this pie chart (labeled "State-Only GRF"), shows General Revenue Fund revenue by major revenue source excluding the federal reimbursements for General Revenue Fund spending that the state deposits into the General Revenue Fund. Ninety-seven percent of the state's non-federal General Revenue Fund revenue is from tax receipts.

**Figure B-3, All Funds Revenue:** The "all funds" pie chart illustrates how all operating budget revenue is split among the different types of state funds. Except for the Department of Transportation, whose capital funding is historically appropriated on the same cycle as the main operating budget, no capital fund revenue has been assumed for fiscal years 2006 and 2007, because a capital bill had yet to be enacted at the time of publication. The General Revenue Fund provides about 48.4% of revenue used for all purposes. In order to create this pie chart the state's 43 budget fund groups have been grouped into the following fund types:

### **General Funds**

General Revenue Fund  
General Services Fund Group  
Budget Stabilization Fund  
Education Improvement Fund

### **Special Revenue Funds**

Federal Special Revenue Fund Group  
Highway Operating Fund Group  
State Highway Safety Fund Group  
Revenue Distribution Fund Group  
Tobacco Settlement Fund Group  
State Special Revenue Fund Group  
Waterways Safety Fund Group  
Wildlife Fund Group

### **Coal Research & Development Fund**

Facilities Establishment Fund Group  
School Building Assistance Fund Group  
Lottery Profits Education Fund Group  
Local Transportation Improvement Program Fund

### **Internal Service Funds**

Intragovernmental Service Fund Group

### **Debt Service Funds**

Debt Service Fund Group

### **Enterprise Funds**

Workers' Compensation Fund Group  
Liquor Control Fund Group  
State Lottery Fund Group  
Underground Parking Garage Fund  
Auditor of State Fund Group

### **Agency Funds**

Accrued Leave Liability Fund Group  
Agency Fund Group  
Holding Account Redistribution Fund Group  
Volunteer Fire Fighters' Dependents Fund

**Capital Project Funds**

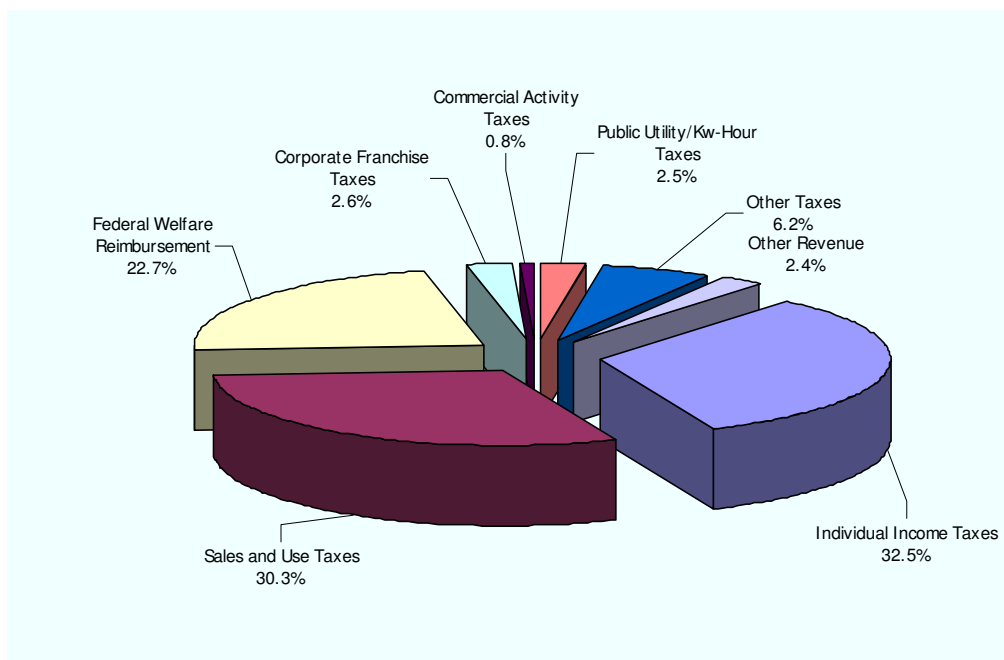
Administrative Building Fund  
 Adult Correctional Building Fund  
 Arts Facilities Building Fund  
 Higher Education Improvement Fund  
 Highway Capital Improvement Fund  
 Highway Obligations Construction Fund

Highway Safety Building Fund  
 Infrastructure Bank Obligations Fund  
 Juvenile Correctional Building Fund  
 Local Infrastructure Improvement Fund Group  
 Mental Health Facilities Improvement Fund

Ohio Parks and Natural Resources Fund  
 Parks and Recreation Improvement Fund  
 Sports Facilities Building Fund  
 Transportation Building Fund

In this section (Tab B) of the Executive Budget, in addition to revenue summary information, the reader will find summaries of historical and recommended spending, fund balances, and state personnel. The spending section begins on page B-5. The spending pie charts look at recommended spending in the same way the estimated revenue pie charts look at revenue: total GRF, state-only GRF, and all funds.

**Figure B-1**  
**Total GRF – Estimated Revenues for FYs 2006 and 2007**

**Estimated GRF Revenues (dollars in millions)**

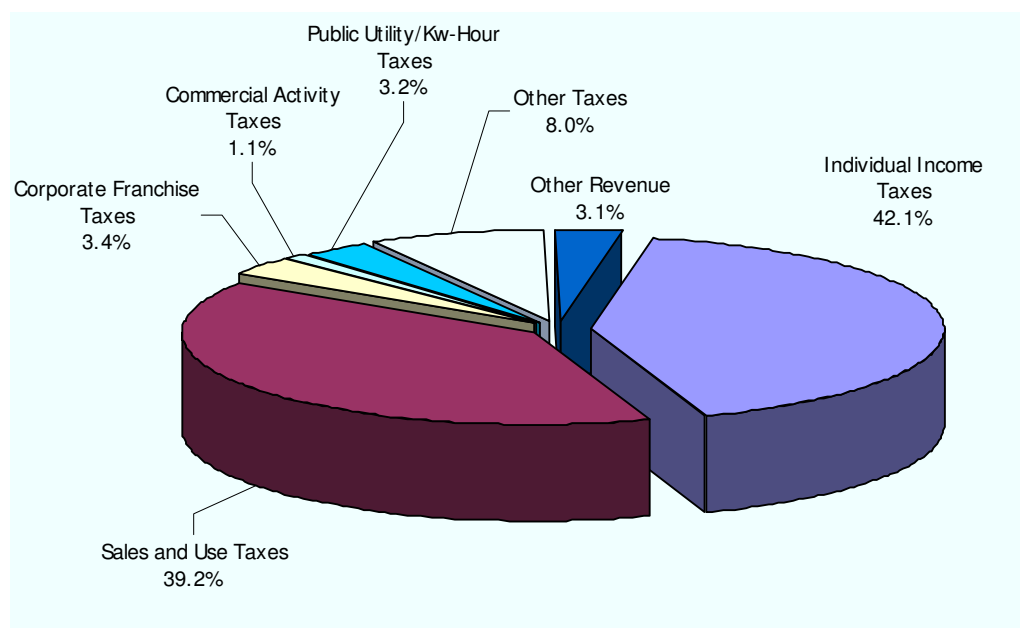
| Revenue Source                 | FY 2006     | FY 2007     | Total       |
|--------------------------------|-------------|-------------|-------------|
| Individual Income Taxes        | \$ 8,291.0  | \$ 8,400.4  | \$ 16,691.4 |
| Sales and Use Taxes            | \$ 7,604.3  | \$ 7,957.9  | \$ 15,562.2 |
| Federal Grants & Reimbursement | \$ 5,760.5  | \$ 5,878.1  | \$ 11,638.6 |
| Corporate Franchise Taxes      | \$ 734.0    | \$ 604.9    | \$ 1,338.9  |
| Commercial Activity Taxes      | \$ 220.0    | \$ 205.0    | \$ 425.0    |
| Public Utility/Kw-Hour Taxes   | \$ 628.0    | \$ 640.9    | \$ 1,268.9  |
| Other Taxes                    | \$ 1,612.0  | \$ 1,564.5  | \$ 3,176.5  |
| Other Revenue                  | \$ 607.7    | \$ 621.4    | \$ 1,229.1  |
| Total                          | \$ 25,457.5 | \$ 25,873.1 | \$ 51,330.6 |

Source: Ohio Office of Budget and Management, January 2005

**What This Chart Shows**

This pie chart shows the proportional contribution that each revenue source makes toward the state's general revenue Fund. All revenue coming into the State Treasury that is not specifically authorized by law to be placed in another fund is deposited in the General Revenue Fund.

**Figure B-2**  
**State-Only GRF – Estimated Revenues for FYs 2006 and 2007**



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

| Revenue Source               | FY 2006     | FY 2007     | Total       |
|------------------------------|-------------|-------------|-------------|
| Individual Income Taxes      | \$ 8,291.0  | \$ 8,400.4  | \$ 16,691.4 |
| Sales and Use Taxes          | \$ 7,604.3  | \$ 7,957.9  | \$ 15,562.2 |
| Corporate Franchise Taxes    | \$ 734.0    | \$ 604.9    | \$ 1,338.9  |
| Commercial Activity Taxes    | \$ 220.0    | \$ 205.0    | \$ 425.0    |
| Public Utility/Kw-Hour Taxes | \$ 628.0    | \$ 640.9    | \$ 1,268.9  |
| Other Taxes                  | \$ 1,612.0  | \$ 1,564.5  | \$ 3,176.5  |
| Other Revenue                | \$ 607.7    | \$ 621.4    | \$ 1,229.1  |
| Total                        | \$ 19,697.0 | \$ 19,995.0 | \$ 39,692.0 |

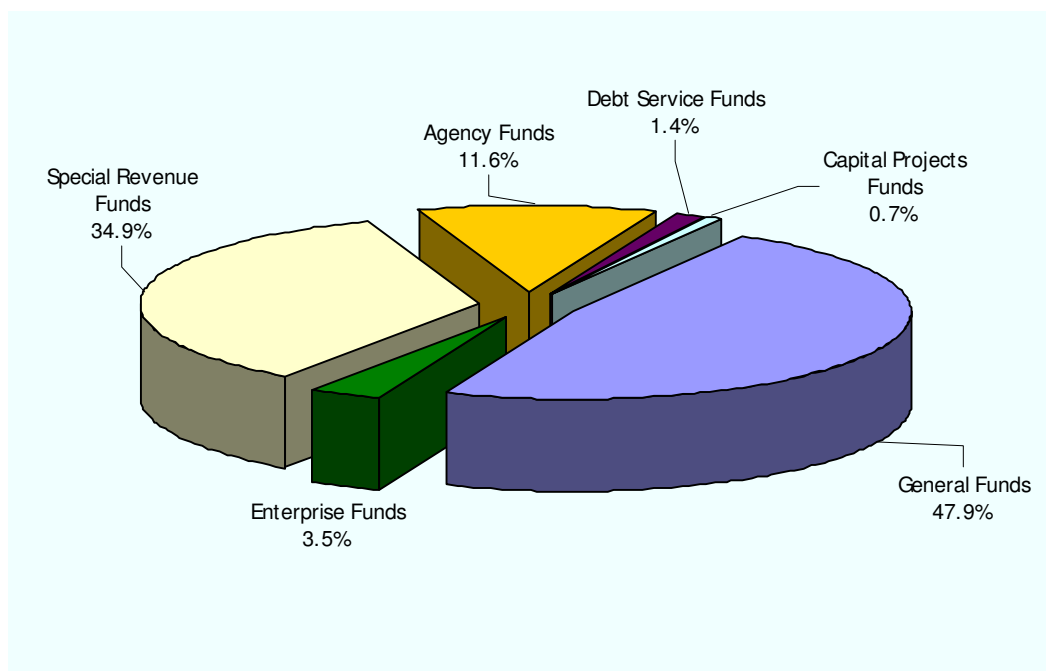
Source: Ohio Office of Budget and Management, January 2005

Please Note: These figures do not include \$11,638.6 million of estimated federal revenue (\$5,760.5 million in FY 2006 and \$5,878.1 million in FY 2007) in the General Revenue Fund.

**What This Chart Shows**

This pie chart shows the proportional contribution that each revenue source, except federal reimbursements, makes toward the state's General Revenue Fund. Ninety-seven percent of the revenue represented in this chart comes from state tax receipts, which are paid by individuals and companies living, working, and doing business in Ohio.

**Figure B-3**  
**All Funds – Estimated Revenues for FYs 2006 and 2007**



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

| Revenue Source         | FY 2006     | FY 2007     | Total        |
|------------------------|-------------|-------------|--------------|
| General Funds          | \$ 26,477.5 | \$ 26,862.4 | \$ 53,339.9  |
| Enterprise Funds       | \$ 1,945.0  | \$ 1,960.0  | \$ 3,905.0   |
| Special Revenue Funds  | \$ 19,134.3 | \$ 19,710.0 | \$ 38,844.3  |
| Agency Funds           | \$ 6,303.1  | \$ 6,580.6  | \$ 12,883.7  |
| Debt Service Funds     | \$ 733.5    | \$ 817.4    | \$ 1,550.9   |
| Capital Projects Funds | \$ 445.0    | \$ 350.0    | \$ 795.0     |
| Total                  | \$ 55,038.4 | \$ 56,280.4 | \$ 111,318.8 |

Source: Ohio Office of Budget and Management, January 2005

Please Note: Except for the Department of Transportation, whose capital funding is historically appropriated on the same cycle as the main operating budget, no capital fund revenue has been assumed for fiscal years 2006 and 2007, because a capital bill had yet to be enacted at the time of publication.

**What This Chart Shows**

This pie chart shows the different types of state funds into which all the state's estimated revenue is deposited. General Funds account for revenue that is traditionally associated with government that is not required to be accounted for in other funds. Enterprise Funds account for operations financed and operated in a manner similar to a private business. Special Revenue Funds account for revenue that is legally restricted to specific purposes. Agency Funds include moneys received, held and disbursed by the state as a custodian or agent. Debt Service Funds account for revenue used to pay the principal and interest on general long-term debt. Capital Projects Funds account for the acquisition of fixed assets and construction and repair of capital facilities other than those financed by enterprise service funds.

**Spending Summaries**

The charts and tables in this section summarize the spending recommended by Governor Taft for the fiscal year 2006 and 2007 biennium. Three pie charts appear first, followed by two tables. The pie charts and tables are listed below with a brief description of what each one shows.

Figure B-4, Total GRF Appropriations Pie Chart: This pie chart shows the Governor's recommended appropriations for the total General Revenue Fund (GRF) by major spending category. All revenue from major state taxes (income tax, sales tax, business taxes, etc.) is deposited into and appropriated from the GRF along with revenue received from the federal government as reimbursement to the state for certain GRF expenditures made by the Department of Job and Family Services.

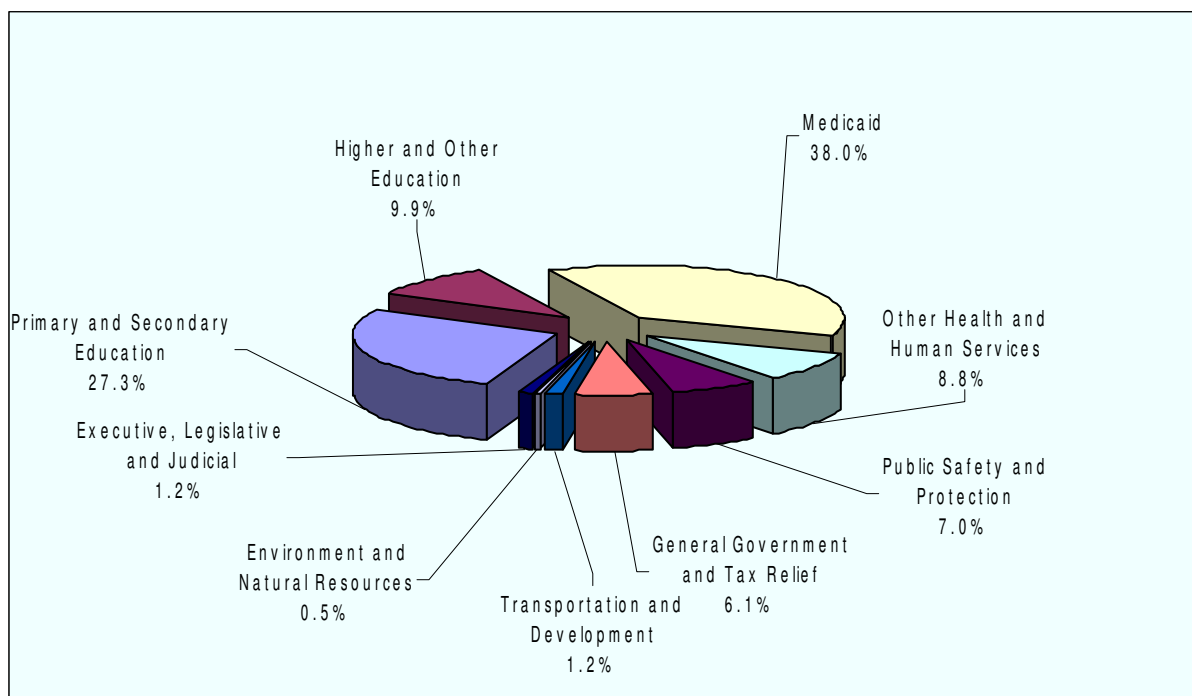
Figure B-5, State-Only GRF Appropriations Pie Chart: While tax revenue makes up the great majority of the GRF, the GRF also includes revenue that the state receives from the federal government as reimbursement for certain GRF expenditures. This "federal share" of GRF spending for these programs is substantial. It's estimated to be \$11.6 billion during the FY 2006-07 biennium. The federal share of GRF spending somewhat distorts the role that state tax revenue plays in financing state programs because state taxes, not federal reimbursements for human services programs, finance the majority of GRF spending. To make this clear, Figure B-5 shows recommended GRF appropriations by major spending category without the federal share of the GRF.

Figure B-6, All Funds Appropriations Pie Chart: The third pie chart that summarizes recommended appropriations is Figure B-6. The "all funds" chart shows how all recommended operating budget appropriations for the FY 2006-07 biennium are split among the major spending categories. Except for the Department of Transportation, whose capital funding is historically appropriated on the same cycle as the main operating budget, no capital fund spending has been assumed for fiscal years 2006 and 2007, because a capital bill had yet to be enacted at the time of publication.

Table B-1, Expense by Object Summary: This table shows actual (FYs 2002 to 2004) and estimated (FY 2005) spending and recommended appropriations (FYs 2006 and 2007) by major object of expense. This information is shown for the GRF and for all funds. Except for the Department of Transportation, whose capital funding is historically appropriated on the same cycle as the main operating budget, no capital fund spending has been assumed for fiscal years 2006 and 2007, because a capital bill had yet to be enacted at the time of publication.

Table B-2, GRF Expense by Category: This table shows actual (FY 2004) and estimated (FY 2005) spending and recommended appropriations (FYs 2006 and 2007) by major spending category.

**Figure B-4**  
**Total GRF – Recommended Appropriations for FYs 2006 and 2007**



**Recommended GRF Appropriations (dollars in millions)**

| Function                            | FY 2006           | FY 2007           | Total              |
|-------------------------------------|-------------------|-------------------|--------------------|
| Primary and Secondary Education     | \$6,906.3         | \$7,096.3         | \$ 14,002.6        |
| Higher and Other Education          | \$2,503.7         | \$2,552.5         | \$ 5,056.2         |
| Medicaid                            | \$9,575.9         | \$9,923.7         | \$ 19,499.6        |
| Other Health and Human Services     | \$2,238.4         | \$2,264.6         | \$ 4,503.0         |
| Public Safety and Protection        | \$1,784.6         | \$1,818.3         | \$ 3,602.9         |
| General Government and Tax Relief   | \$1,602.2         | \$1,526.8         | \$ 3,129.0         |
| Transportation and Development      | \$311.6           | \$329.8           | \$ 641.4           |
| Environment and Natural Resources   | \$135.4           | \$133.1           | \$ 268.5           |
| Executive, Legislative and Judicial | \$305.5           | \$311.1           | \$ 616.6           |
| <b>Total</b>                        | <b>\$25,363.6</b> | <b>\$25,956.2</b> | <b>\$ 51,319.8</b> |

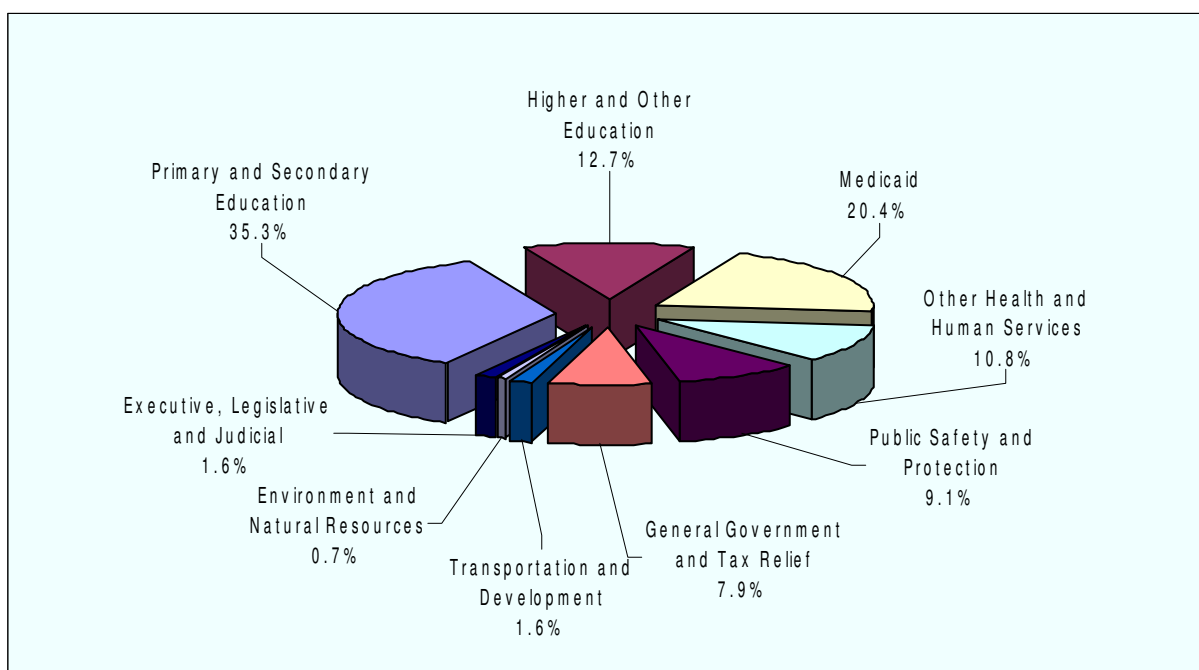
Note: Numbers may not add to total due to rounding

Source: Ohio Office of Budget and Management, February 2005

**What This Chart Shows**

This pie chart shows the share of the state's General Revenue Fund (GRF) that is used for each major function of state government. The GRF is the state's largest single fund and it finances about one-half of all state government activities.

**Figure B-5**  
**State-Only GRF – Recommended Appropriations for FYs 2006 and 2007**



**Recommended State-Only GRF Appropriations (dollars in millions)**

| Function                            | FY 2006   |                 | FY 2007   |                 | Total              |
|-------------------------------------|-----------|-----------------|-----------|-----------------|--------------------|
| Primary and Secondary Education     | \$        | 6,906.3         | \$        | 7,096.3         | \$ 14,002.6        |
| Higher and Other Education          | \$        | 2,503.6         | \$        | 2,552.4         | \$ 5,056.0         |
| Medicaid                            | \$        | 3,928.9         | \$        | 4,158.1         | \$ 8,087.0         |
| Other Health and Human Services     | \$        | 2,125.1         | \$        | 2,152.1         | \$ 4,277.2         |
| Public Safety and Protection        | \$        | 1,784.6         | \$        | 1,818.3         | \$ 3,602.9         |
| General Government and Tax Relief   | \$        | 1,602.2         | \$        | 1,526.8         | \$ 3,129.0         |
| Transportation and Development      | \$        | 311.6           | \$        | 329.8           | \$ 641.4           |
| Environment and Natural Resources   | \$        | 135.4           | \$        | 133.1           | \$ 268.5           |
| Executive, Legislative and Judicial | \$        | 305.5           | \$        | 311.1           | \$ 616.6           |
| <b>Total</b>                        | <b>\$</b> | <b>19,603.2</b> | <b>\$</b> | <b>20,078.0</b> | <b>\$ 39,681.2</b> |

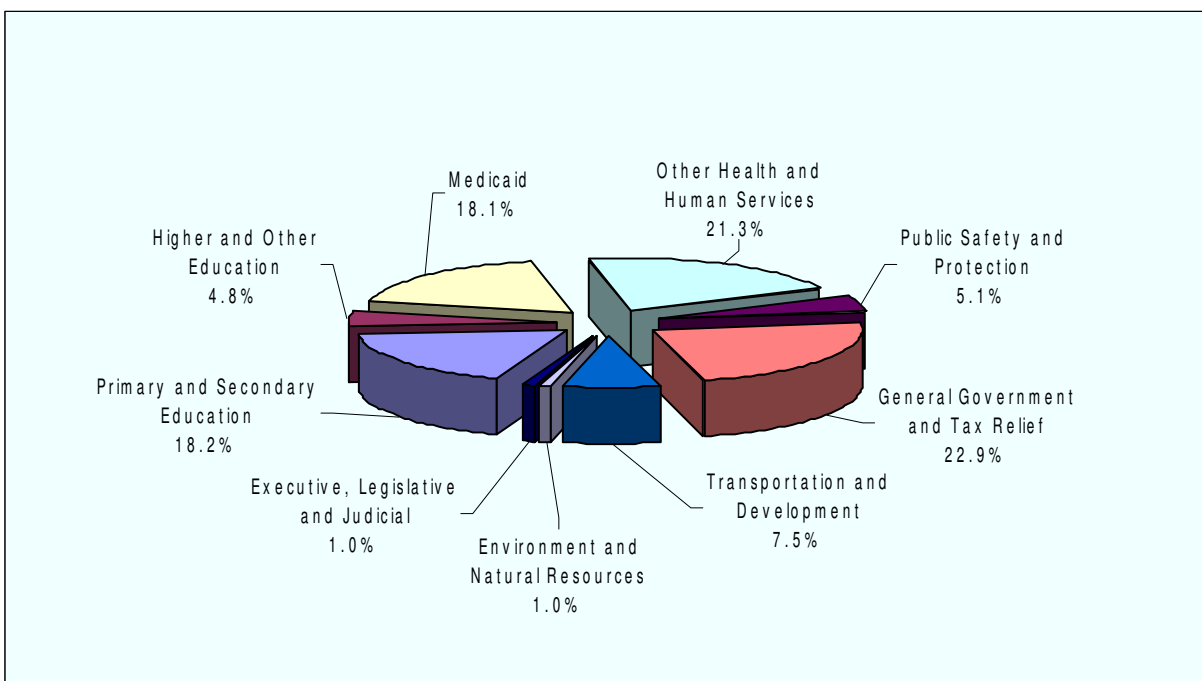
Note: Numbers may not add to total due to rounding

Source: Ohio Office of Budget and Management, February 2005

**What This Chart Shows**

This pie chart shows the share of the tax revenue portion of the General Revenue Fund (GRF) that is used for each major function of state government. The federal share of the proposed GRF appropriations for the Department of Job and Family Services is not shown in order to give a truer picture of how state tax dollars are spent.

**Figure B-6**  
**All Funds – Recommended Appropriations for FYs 2006 and 2007**



**All Funds Recommended Appropriations (dollars in millions)**

| Function                            | FY 2006   |                 | FY 2007   |                 | Total               |
|-------------------------------------|-----------|-----------------|-----------|-----------------|---------------------|
| Primary and Secondary Education     | \$        | 9,546.8         | \$        | 10,068.4        | \$ 19,615.2         |
| Higher and Other Education          | \$        | 2,546.6         | \$        | 2,596.2         | \$ 5,142.8          |
| Medicaid                            | \$        | 9,575.9         | \$        | 9,923.7         | \$ 19,499.6         |
| Other Health and Human Services     | \$        | 11,419.9        | \$        | 11,495.8        | \$ 22,915.7         |
| Public Safety and Protection        | \$        | 2,745.5         | \$        | 2,783.3         | \$ 5,528.8          |
| General Government and Tax Relief   | \$        | 12,182.1        | \$        | 12,517.5        | \$ 24,699.6         |
| Transportation and Development      | \$        | 4,027.1         | \$        | 4,098.2         | \$ 8,125.3          |
| Environment and Natural Resources   | \$        | 533.3           | \$        | 537.4           | \$ 1,070.7          |
| Executive, Legislative and Judicial | \$        | 565.3           | \$        | 533.6           | \$ 1,098.9          |
| <b>Total</b>                        | <b>\$</b> | <b>53,142.5</b> | <b>\$</b> | <b>54,554.1</b> | <b>\$ 107,696.6</b> |

Notes: Numbers may not add to total due to rounding

Source: Ohio Office of Budget and Management, February 2005

**What This Chart Shows**

This pie chart shows how the total state operating budget is split among the major functions of state government. The General Government function is a much larger share of the all funds pie chart than it is of the GRF pie chart because about \$4.3 billion in each year (\$8.6 billion in the biennium) that is appropriated from revenue distribution funds is included in this category. The Local Government Fund and the School District Income Tax Fund are two examples of these revenue distribution funds, most of which are distributed to local governments, libraries and school districts for their use.



Table B-1 (continued on next page)  
**Expense by Object Summary, Fiscal Years 2002 to 2007**  
Dollars in Millions

|                             | FY 2002<br>Actual | % of<br>Total | FY 2003<br>Actual | % of<br>Total | FY 2004<br>Actual | % of<br>Total |
|-----------------------------|-------------------|---------------|-------------------|---------------|-------------------|---------------|
| <b>General Revenue Fund</b> |                   |               |                   |               |                   |               |
| Personal Service            | \$ 1,845.1        | 8.5%          | \$ 1,871.3        | 8.3%          | \$ 1,856.8        | 7.8%          |
| Purchased Personal Services | \$ 264.7          | 1.2%          | \$ 250.4          | 1.1%          | \$ 250.8          | 1.1%          |
| Maintenance                 | \$ 502.3          | 2.3%          | \$ 484.2          | 2.1%          | \$ 504.8          | 2.1%          |
| Equipment                   | \$ 47.6           | 0.2%          | \$ 29.9           | 0.1%          | \$ 44.3           | 0.2%          |
| Total Operating             | \$ 2,659.7        | 12.3%         | \$ 2,635.8        | 11.6%         | \$ 2,656.7        | 11.1%         |
| Subsidy                     | \$ 17,967.4       | 83.1%         | \$ 19,019.4       | 84.0%         | \$ 20,176.9       | 84.6%         |
| Goods for Resale            | \$ -              | 0.0%          | \$ -              | 0.0%          | \$ -              | 0.0%          |
| Capital                     | \$ 11.6           | 0.1%          | \$ 7.6            | 0.0%          | \$ 1.5            | 0.0%          |
| Transfers                   | \$ 988.8          | 4.6%          | \$ 990.5          | 4.4%          | \$ 1,003.8        | 4.2%          |
| Total Expense               | \$ 21,627.5       | 100.0%        | \$ 22,653.3       | 100.0%        | \$ 23,838.9       | 100.0%        |
| <b>All Funds</b>            |                   |               |                   |               |                   |               |
| Personal Service            | \$ 4,143.5        | 9.2%          | \$ 4,215.9        | 9.0%          | \$ 4,323.1        | 9.0%          |
| Purchased Personal Services | \$ 563.4          | 1.2%          | \$ 544.9          | 1.2%          | \$ 537.7          | 1.1%          |
| Maintenance                 | \$ 1,238.4        | 2.7%          | \$ 1,247.1        | 2.7%          | \$ 1,303.5        | 2.7%          |
| Equipment                   | \$ 183.1          | 0.4%          | \$ 169.0          | 0.4%          | \$ 182.9          | 0.4%          |
| Total Operating             | \$ 6,128.4        | 13.6%         | \$ 6,176.9        | 13.2%         | \$ 6,347.2        | 13.2%         |
| Subsidy                     | \$ 26,651.1       | 59.0%         | \$ 28,183.1       | 60.2%         | \$ 29,845.6       | 62.0%         |
| Goods for Resale            | \$ 373.5          | 0.8%          | \$ 392.0          | 0.8%          | \$ 413.2          | 0.9%          |
| Capital                     | \$ 3,082.9        | 6.8%          | \$ 2,989.9        | 6.4%          | \$ 2,774.3        | 5.8%          |
| Transfers                   | \$ 8,963.4        | 19.8%         | \$ 9,056.5        | 19.4%         | \$ 8,774.6        | 18.2%         |
| Total Expense               | 45,199.30         | 100.0%        | 46,798.40         | 100.0%        | 48,154.90         | 100.0%        |

Note: Figures may not add to total due to rounding

Source: Ohio Office of Budget and Management, February 2005

**Table B-1 (continued from previous page)**  
**Expense by Object Summary, Fiscal Years 2002 to 2007**  
Dollars in Millions

|                             | <b>FY 2005</b>  | <b>% of</b>  |                | <b>% of</b>  |                | <b>% of</b>  |
|-----------------------------|-----------------|--------------|----------------|--------------|----------------|--------------|
|                             | <b>Estimate</b> | <b>Total</b> | <b>FY 2006</b> | <b>Total</b> | <b>FY 2007</b> | <b>Total</b> |
| <b>General Revenue Fund</b> |                 |              |                |              |                |              |
| Personal Service            | \$ 1,890.0      | 7.5%         | \$ 1,913.0     | 7.5%         | \$ 1,924.3     | 7.4%         |
| Purchased Personal Services | \$ 301.8        | 1.2%         | \$ 321.3       | 1.3%         | \$ 316.6       | 1.2%         |
| Maintenance                 | \$ 614.4        | 2.4%         | \$ 630.9       | 2.5%         | \$ 677.8       | 2.6%         |
| Equipment                   | \$ 32.0         | 0.1%         | \$ 35.4        | 0.1%         | \$ 33.8        | 0.1%         |
| Total Operating             | \$ 2,838.2      | 11.3%        | \$ 2,900.6     | 11.4%        | \$ 2,952.5     | 11.4%        |
| Subsidy                     | \$ 21,112.0     | 84.2%        | \$ 21,205.1    | 83.6%        | \$ 21,671.2    | 83.5%        |
| Goods for Resale            | \$ -            | 0.0%         | \$ -           | 0.0%         | \$ -           | 0.0%         |
| Capital                     | \$ 3.6          | 0.0%         | \$ 1.0         | 0.0%         | \$ 1.0         | 0.0%         |
| Transfers                   | \$ 1,128.3      | 4.5%         | \$ 1,256.9     | 5.0%         | \$ 1,331.5     | 5.1%         |
| Total Expense               | \$ 25,082.1     | 100.0%       | \$ 25,363.6    | 100.0%       | \$ 25,956.2    | 100.0%       |
| <b>All Funds</b>            |                 |              |                |              |                |              |
| Personal Service            | \$ 4,504.7      | 8.4%         | \$ 4,588.1     | 8.6%         | \$ 4,610.1     | 8.5%         |
| Purchased Personal Services | \$ 912.9        | 1.7%         | \$ 872.1       | 1.6%         | \$ 893.6       | 1.6%         |
| Maintenance                 | \$ 1,637.7      | 3.0%         | \$ 1,600.7     | 3.0%         | \$ 1,645.8     | 3.0%         |
| Equipment                   | \$ 341.8        | 0.6%         | \$ 246.0       | 0.5%         | \$ 203.0       | 0.4%         |
| Total Operating             | \$ 7,397.1      | 13.8%        | \$ 7,306.9     | 13.7%        | \$ 7,352.5     | 13.5%        |
| Subsidy                     | \$ 32,080.9     | 59.7%        | \$ 32,874.4    | 61.9%        | \$ 33,690.9    | 61.8%        |
| Goods for Resale            | \$ 420.5        | 0.8%         | \$ 453.4       | 0.9%         | \$ 471.4       | 0.9%         |
| Capital                     | \$ 3,719.1      | 6.9%         | \$ 2,147.1     | 4.0%         | \$ 2,153.2     | 3.9%         |
| Transfers                   | \$ 10,114.3     | 18.8%        | \$ 10,359.5    | 19.5%        | \$ 10,885.0    | 20.0%        |
| Total Expense               | \$ 53,731.9     | 100.0%       | \$ 53,141.3    | 100.0%       | \$ 54,553.0    | 100.0%       |

Note: Figures may not add to total due to rounding

Source: Ohio Office of Budget and Management, February 2005

**Table B-2**  
**General Revenue Fund Expense By Category**  
**Fiscal Years 2004 to 2007**  
**Dollars in Millions**

| Expense Category                                 | FY 2004<br>Actual | % of<br>Total | FY 2005<br>Estimate | % of<br>Total | Recommended |               |             |               |
|--|-------------------|---------------|---------------------|---------------|-------------|---------------|-------------|---------------|
|  |                   |               |                     |               | FY 2006     | % of<br>Total | FY 2007     | % of<br>Total |
| <b>Education</b>                                 |                   |               |                     |               |             |               |             |               |
| Primary and Secondary Education                  | \$ 6,523.5        | 27.4%         | \$ 6,765.8          | 27.0%         | \$ 6,906.3  | 27.2%         | \$ 7,096.3  | 27.3%         |
| Higher Education                                 | \$ 2,410.5        | 10.1%         | \$ 2,445.2          | 9.7%          | \$ 2,467.2  | 9.7%          | \$ 2,516.0  | 9.7%          |
| Other Education                                  | \$ 47.1           | 0.2%          | \$ 48.5             | 0.2%          | \$ 36.4     | 0.1%          | \$ 36.4     | 0.1%          |
| Subtotal   | \$ 8,981.1        | 37.7%         | \$ 9,259.5          | 36.9%         | \$ 9,409.9  | 37.1%         | \$ 9,648.7  | 37.2%         |
| <b>Health and Human Services</b>                 |                   |               |                     |               |             |               |             |               |
| Medicaid   | \$ 8,912.9        | 37.4%         | \$ 9,574.9          | 38.2%         | \$ 9,420.6  | 37.1%         | \$ 9,584.1  | 36.9%         |
| Other Job and Family Services                    | \$ 820.3          | 3.4%          | \$ 896.6            | 3.6%          | \$ 1,171.1  | 4.6%          | \$ 1,355.4  | 5.2%          |
| MH/MR  | \$ 873.3          | 3.7%          | \$ 891.7            | 3.6%          | \$ 909.8    | 3.6%          | \$ 926.8    | 3.6%          |
| Other Health/Human Services                      | \$ 271.4          | 1.1%          | \$ 292.4            | 1.2%          | \$ 313.0    | 1.2%          | \$ 322.0    | 1.2%          |
| Subtotal   | \$ 10,877.9       | 45.6%         | \$ 11,655.6         | 46.5%         | \$ 11,814.5 | 46.6%         | \$ 12,188.3 | 47.0%         |
| <b>Public Safety and Protection</b>              |                   |               |                     |               |             |               |             |               |
| Adult and Juvenile Corrections                   | \$ 1,622.1        | 6.8%          | \$ 1,673.8          | 6.7%          | \$ 1,720.4  | 6.8%          | \$ 1,753.6  | 6.8%          |
| Other Public Safety/Protection                   | \$ 74.8           | 0.3%          | \$ 69.8             | 0.3%          | \$ 64.2     | 0.3%          | \$ 64.7     | 0.2%          |
| Subtotal   | \$ 1,696.9        | 7.1%          | \$ 1,743.6          | 7.0%          | \$ 1,784.6  | 7.0%          | \$ 1,818.3  | 7.0%          |
| <b>General Government and Tax Relief</b>         | \$ 1,577.0        | 6.6%          | \$ 1,652.1          | 6.6%          | \$ 1,602.2  | 6.3%          | \$ 1,526.8  | 5.9%          |
| <b>Executive/ Legislative/ Judicial Agencies</b> | \$ 289.7          | 1.2%          | \$ 307.6            | 1.2%          | \$ 305.5    | 1.2%          | \$ 311.1    | 1.2%          |
| <b>Transportation and Development</b>            | \$ 273.0          | 1.1%          | \$ 305.3            | 1.2%          | \$ 311.6    | 1.2%          | \$ 329.8    | 1.3%          |
| <b>Environment and Natural Resources</b>         | \$ 141.4          | 0.6%          | \$ 153.1            | 0.6%          | \$ 135.4    | 0.5%          | \$ 133.1    | 0.5%          |
| <b>Capital and Other</b>                         | \$ 1.9            | 0.0%          | \$ 2.9              | 0.0%          | \$ -        | 0.0%          | \$ -        | 0.0%          |
| <b>Total General Revenue Fund</b>                | \$ 23,838.9       | 100.0%        | \$ 25,079.7         | 100.0%        | \$ 25,363.7 | 100.0%        | \$ 25,956.1 | 100.0%        |

Note: Figures may not add to totals due to rounding

Source: Ohio Office of Budget and Management, February 2005

**Fund Balance Summaries****Fund Balance Summaries Overview**

The purpose of this section is to summarize the state's estimated ending fund balances for fiscal years 2006 and 2007. For the state's General Revenue Fund and Budget Stabilization Fund, the planned fund balances for these two funds are shown, in Table B-3 and Figure B-7, in the context of a 10-year history of ending balances. Fund balance calculations for fiscal years 2006 and 2007 are shown in Table B-4 for the state's General Revenue Fund and for other major budget fund groups. Some small or minor budget fund groups are combined for the purposes of these fund balance calculations.

**Fund Balance Calculations by Fund Type and Budget Fund Group**

The state has over 1,000 funds that are active in the central accounting system as of January 2005. Each of these funds is assigned to one of 43 budget fund groups. For financial reporting purposes, each of the 43 fund groups is assigned to one of seven fund types. The state's seven fund types are as follows: General Funds, Enterprise Funds, Special Revenue Funds, Internal Service Funds, Agency Funds, Debt Service Funds, and Capital Projects Funds. The relationship between the seven fund types and the 43 budget fund groups is shown on pages B-1 and B-2 of the Executive Budget. The fund types and budget fund groups for which fund balance calculations are shown on Table B-4 are described below.

Fund Type: General Funds: Fund balance calculations are shown for the General Revenue Fund (which is the only fund in the General Revenue Fund Group) and the General Services Budget Fund Group. A fund balance calculation is also shown for All Other General Funds.

Fund Type: Enterprise Funds: Fund balance calculations are shown for each of the four enterprise fund groups: Workers' Compensation Fund Group, Liquor Control Fund Group, State Lottery Fund Group, Underground Parking Garage Fund, and the Auditor of State Fund Group.

Fund Type: Special Revenue Funds: Fund balance calculations are shown for these special revenue fund groups: Federal Special Revenue Fund Group, Highway Operating Fund Group, State Highway Safety Fund Group, Revenue Distribution Fund Group, State Special Revenue Fund Group, Waterways Safety Fund Group, and the Wildlife Fund Group. A calculation is also shown for All Other Special Revenue Fund Groups.

Fund Type: Internal Service Funds: A fund balance calculation is shown for the Internal Service Fund Group.

Fund Type: Agency Funds: A fund balance calculation is shown for the Agency Fund Group.

Fund Type: Debt Service Funds: A fund balance calculation is shown for the Debt Service Fund Group.

Fund Type: Capital Projects Funds: A fund balance calculation is shown for the Capital Projects Fund Group. Except for the Department of Transportation, whose capital funding is historically appropriated on the same cycle as the main operating budget, no capital fund revenue or spending has been assumed for fiscal years 2006 and 2007, because a capital bill had yet to be enacted at the time of publication.

**Fund Balances for the General Revenue Fund and the Budget Stabilization Fund**

The GRF fund balance at the end of a fiscal year is one measure used by state officials and independent financial analysts to assess a state's financial management practices and its financial condition. In addition, the Ohio Constitution requires the State to maintain a balanced budget. The budget proposed by the Governor for FYs 2006 and 2007 will provide an ending fund balance of 0.5% of the previous year annual GRF revenue, each year, as Table B-3 and Figure B-7 show.

Another measure of the financial health of a state is whether the state has a budget stabilization fund and, if it does, what balances are being maintained in the fund. Since 1981 Ohio has had a budget stabilization fund. And, as seen

in Table B-3 and Figure B-7, the fiscal year ending balances in the fund have varied greatly during the ten fiscal years that are shown.

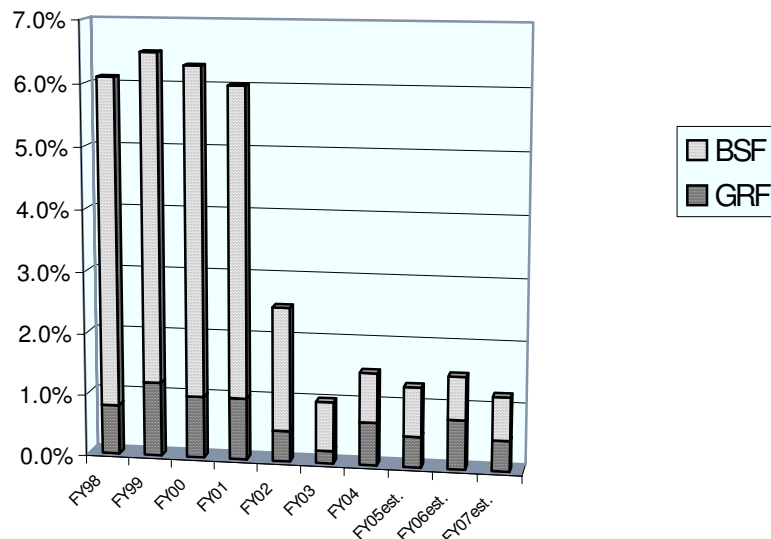
Prudent fiscal management policy further suggests that a state achieve a budget stabilization fund (BSF) balance equal to approximately five percent of annual GRF revenues. Ohio had reached this goal prior to the most recent recession. However, the State has been forced to use the BSF in the current biennium to offset the unprecedented decline in revenue growth and the dramatic increases in Medicaid expenditures that have resulted from that recession.

**Table B-3**  
**History of Ending Fund Balances for the General Revenue Fund**  
**and the Budget Stabilization Fund, FYs 1998 to 2007**  
**Dollars in millions**

| Date         | General Revenue Fund<br>Fund Balances |                      | Budget Stabilization Fund<br>Fund Balances |                      |
|--------------|---------------------------------------|----------------------|--|----------------------|
|              | Ending<br>Balance                     | % of GRF<br>Revenues | Ending<br>Balance                          | % of GRF<br>Revenues |
| Est. 6/30/07 | \$ 127.3                              | 0.5%                 | \$ 180.7                                   | 0.7%                 |
| Est. 6/30/06 | \$ 205.3                              | 0.8%                 | \$ 180.7                                   | 0.7%                 |
| Est. 6/30/05 | \$ 120.2                              | 0.5%                 | \$ 180.7                                   | 0.8%                 |
| 6/30/2004    | \$ 157.5                              | 0.7%                 | \$ 180.7                                   | 0.8%                 |
| 6/30/2003    | \$ 52.3                               | 0.2%                 | \$ 180.7                                   | 0.8%                 |
| 6/30/2002    | \$ 108.3                              | 0.5%                 | \$ 427.9                                   | 2.0%                 |
| 6/30/2001    | \$ 206.5                              | 1.0%                 | \$ 1,010.6                                 | 5.0%                 |
| 6/30/2000    | \$ 196.1                              | 1.0%                 | \$ 1,002.5                                 | 5.3%                 |
| 6/30/1999    | \$ 221.4                              | 1.2%                 | \$ 953.3                                   | 5.3%                 |
| 6/30/1998    | \$ 138.7                              | 0.8%                 | \$ 906.9                                   | 5.3%                 |

Source: Ohio Office of Budget and Management, January 2005

**Figure B-7**  
**GRF and BSF Ending Balances as a Share of Annual GRF Revenues**  
**FYs 1998 to 2007**



**Table B-4**  
**Fund Balance Calculations by GAAP Fund Type and Budget Fund Group for FYs 2006 and 2007**  
(Dollars in Millions)

|                                       | General Funds      |                     |                           | Enterprise Funds         |                   |                  |                                  |
|---------------------------------------|--------------------|---------------------|---------------------------|--------------------------|-------------------|------------------|----------------------------------|
|                                       | GENERAL<br>REVENUE | GENERAL<br>SERVICES | OTHER<br>GENERAL<br>FUNDS | WORKERS'<br>COMPENSATION | LIQUOR<br>CONTROL | STATE<br>LOTTERY | UNDERGROUND<br>PARKING<br>GARAGE |
| <b>FY 2006 est. Beginning Balance</b> | 120.2              | 281.1               | 180.7                     | 46.1                     | 13.3              | 496.5            | .4                               |
| <b>Estimated Revenues</b>             |                    |                     |                           |                          |                   |                  |                                  |
| Taxes                                 | 19,089.3           | 1.8                 | .0                        | .0                       | .0                | .0               | .0                               |
| Federal Grants                        | 5,760.5            | 72.5                | .0                        | .0                       | .0                | .0               | .0                               |
| Licenses and Fees                     | 74.4               | 88.5                | .0                        | .0                       | 1.0               | .1               | 2.1                              |
| Other Income and Transfers            | 533.3              | 857.3               | .0                        | 391.4                    | 575.1             | 932.3            | .7                               |
| <b>Total Resources Available</b>      | 25,777.7           | 1,301.2             | 180.7                     | 437.5                    | 589.3             | 1,428.8          | 3.2                              |
| <b>Proposed Expenditures</b>          |                    |                     |                           |                          |                   |                  |                                  |
| Education                             | 9,410.0            | 40.5                | .0                        | .0                       | .0                | .0               | .0                               |
| Health and Human Services             | 11,814.5           | 275.0               | .0                        | 380.0                    | .0                | .0               | .0                               |
| Public Safety and Protection          | 1,784.6            | 189.2               | .0                        | .0                       | 10.1              | .0               | .0                               |
| General Govt and Tax Relief           | 1,594.5            | 388.0               | .0                        | .0                       | 442.2             | 415.6            | 3.0                              |
| Transportation and Development        | 311.6              | 16.5                | .0                        | .0                       | .0                | .0               | .0                               |
| Environment and Natural Resources     | 135.4              | 44.4                | .0                        | .0                       | .0                | .0               | .0                               |
| Executive, Legislative and Judicial   | 305.5              | 47.8                | .0                        | .0                       | .0                | .0               | .0                               |
| Other Spending and Transfers          | 16.5               | 12.1                | .0                        | .0                       | 129.5             | 648.1            | .0                               |
| <b>Total Proposed Expenditures</b>    | 25,372.6           | 1,013.5             | .0                        | 380.0                    | 581.8             | 1,063.7          | 3.0                              |
| <b>FY 2006 est. Ending Balance</b>    | 205.3              | 287.7               | 180.7                     | 57.4                     | 7.6               | 365.1            | .2                               |
| <b>FY 2007 est. Beginning Balance</b> | 205.3              | 279.3               | 180.7                     | 57.4                     | 7.6               | 365.1            | .2                               |
| <b>Estimated Revenues</b>             |                    |                     |                           |                          |                   |                  |                                  |
| Taxes                                 | 19,373.6           | 1.8                 | .0                        | .0                       | .0                | .0               | .0                               |
| Federal Grants                        | 5,878.1            | 63.4                | .0                        | .0                       | .0                | .0               | .0                               |
| Licenses and Fees                     | 74.4               | 60.1                | .0                        | .0                       | 1.0               | .1               | 2.1                              |
| Other Income and Transfers            | 547.0              | 864.0               | .0                        | 390.1                    | 603.3             | 920.6            | .7                               |
| <b>Total Resources Available</b>      | 26,078.4           | 1,268.7             | 180.7                     | 447.5                    | 611.8             | 1,285.7          | 3.0                              |
| <b>Proposed Expenditures</b>          |                    |                     |                           |                          |                   |                  |                                  |
| Education                             | 9,648.7            | 41.1                | .0                        | .0                       | .0                | .0               | .0                               |
| Health and Human Services             | 12,188.3           | 270.1               | .0                        | 380.4                    | .0                | .0               | .0                               |
| Public Safety and Protection          | 1,818.3            | 188.5               | .0                        | .0                       | 10.4              | .0               | .0                               |
| General Govt and Tax Relief           | 1,519.1            | 357.0               | .0                        | .0                       | 467.4             | 402.9            | 3.0                              |
| Transportation and Development        | 329.8              | 26.5                | .0                        | .0                       | .0                | .0               | .0                               |
| Environment and Natural Resources     | 133.1              | 44.7                | .0                        | .0                       | .0                | .0               | .0                               |
| Executive, Legislative and Judicial   | 311.1              | 47.9                | .0                        | .0                       | .0                | .0               | .0                               |
| Other Spending and Transfers          | 2.7                | 5.2                 | .0                        | .0                       | 126.5             | 642.9            | .0                               |
| <b>Total Proposed Expenditures</b>    | 25,951.1           | 981.0               | .0                        | 380.4                    | 604.3             | 1,045.8          | 3.0                              |
| <b>FY 2007 est. Ending Balance</b>    | 127.3              | 287.6               | 180.7                     | 67.1                     | 7.5               | 239.9            | .0                               |

**Table B-4** (Continued)  
**Fund Balance Calculations by GAAP Fund Type and Budget Fund Group for FYs 2006 and 2007**  
(Dollars in Millions)

|                                       | Enterprise<br>Funds<br>(Continued) | Special Revenue Funds         |                      |                            |                         |                             |                     |
|---------------------------------------|------------------------------------|-------------------------------|----------------------|----------------------------|-------------------------|-----------------------------|---------------------|
|                                       | AUDITOR<br>OF<br>STATE             | FEDERAL<br>SPECIAL<br>REVENUE | HIGHWAY<br>OPERATING | STATE<br>HIGHWAY<br>SAFETY | REVENUE<br>DISTRIBUTION | STATE<br>SPECIAL<br>REVENUE | WATERWAYS<br>SAFETY |
| <b>FY 2006 est. Beginning Balance</b> | 5.0                                | 422.8                         | 773.6                | 214.5                      | 343.6                   | 678.5                       | 15.5                |
| <b>Estimated Revenues</b>             |                                    |                               |                      |                            |                         |                             |                     |
| Taxes                                 | .0                                 | .0                            | 690.0                | .8                         | 2,618.4                 | 78.1                        | 15.7                |
| Federal Grants                        | .0                                 | 7,406.4                       | 1,174.0              | 17.2                       | .0                      | 23.0                        | 4.3                 |
| Licenses and Fees                     | 2.3                                | 498.5                         | 73.1                 | 299.5                      | 544.6                   | 1,070.2                     | 5.5                 |
| Other Income and Transfers            | 40.2                               | 1,334.4                       | 714.7                | 156.2                      | 135.7                   | 1,304.4                     | 3.5                 |
| <b>Total Resources Available</b>      | 47.5                               | 9,662.0                       | 3,425.4              | 688.2                      | 3,642.2                 | 3,154.2                     | 44.4                |
| <b>Proposed Expenditures</b>          |                                    |                               |                      |                            |                         |                             |                     |
| Education                             | .0                                 | 1,711.4                       | .0                   | .0                         | 145.4                   | 146.1                       | .0                  |
| Health and Human Services             | .0                                 | 6,773.9                       | .0                   | .0                         | .0                      | 1,620.9                     | .0                  |
| Public Safety and Protection          | .0                                 | 272.1                         | .0                   | 459.7                      | .0                      | 27.6                        | .0                  |
| General Govt and Tax Relief           | .0                                 | 11.9                          | .0                   | .0                         | 2,317.8                 | 175.8                       | .0                  |
| Transportation and Development        | .0                                 | 290.2                         | 2,432.1              | .0                         | .0                      | 324.4                       | .0                  |
| Environment and Natural Resources     | .0                                 | 68.5                          | .0                   | .0                         | .0                      | 164.2                       | 28.0                |
| Executive, Legislative and Judicial   | 43.9                               | 65.8                          | .0                   | .0                         | .0                      | 70.4                        | .0                  |
| Other Spending and Transfers          | .0                                 | .1                            | 207.2                | 30.7                       | 840.4                   | 26.9                        | 3.0                 |
| <b>Total Proposed Expenditures</b>    | 43.9                               | 9,193.8                       | 2,639.2              | 490.4                      | 3,303.7                 | 2,556.4                     | 31.0                |
| <b>FY 2006 est. Ending Balance</b>    | 3.6                                | 468.2                         | 786.2                | 197.9                      | 338.5                   | 597.8                       | 13.4                |
| <b>FY 2007 est. Beginning Balance</b> | 3.6                                | 468.2                         | 786.2                | 197.9                      | 338.5                   | 575.5                       | 13.4                |
| <b>Estimated Revenues</b>             |                                    |                               |                      |                            |                         |                             |                     |
| Taxes                                 | .0                                 | .0                            | 696.0                | .8                         | 2,877.9                 | 76.7                        | 15.9                |
| Federal Grants                        | .0                                 | 7,753.9                       | 1,194.0              | 17.2                       | .0                      | 23.0                        | 2.7                 |
| Licenses and Fees                     | 2.3                                | 491.4                         | 74.1                 | 301.6                      | 544.6                   | 1,161.2                     | 5.5                 |
| Other Income and Transfers            | 40.0                               | 1,410.3                       | 735.7                | 129.4                      | 155.8                   | 1,095.2                     | 1.4                 |
| <b>Total Resources Available</b>      | 45.9                               | 10,123.8                      | 3,486.0              | 646.9                      | 3,916.8                 | 2,931.5                     | 38.9                |
| <b>Proposed Expenditures</b>          |                                    |                               |                      |                            |                         |                             |                     |
| Education                             | .0                                 | 1,836.0                       | .0                   | .0                         | 322.4                   | 176.5                       | .0                  |
| Health and Human Services             | .0                                 | 7,029.8                       | .0                   | .0                         | .0                      | 1,419.1                     | .0                  |
| Public Safety and Protection          | .0                                 | 265.7                         | .0                   | 465.5                      | .0                      | 32.7                        | .0                  |
| General Govt and Tax Relief           | .0                                 | 11.9                          | .0                   | .0                         | 2,393.4                 | 176.6                       | .0                  |
| Transportation and Development        | .0                                 | 290.2                         | 2,562.3              | .0                         | .0                      | 326.8                       | .0                  |
| Environment and Natural Resources     | .0                                 | 69.7                          | .0                   | .0                         | .0                      | 170.7                       | 26.0                |
| Executive, Legislative and Judicial   | 43.9                               | 28.4                          | .0                   | .0                         | .0                      | 70.6                        | .0                  |
| Other Spending and Transfers          | .0                                 | .0                            | 209.5                | 24.3                       | 862.4                   | 11.0                        | 1.0                 |
| <b>Total Proposed Expenditures</b>    | 43.9                               | 9,531.6                       | 2,771.8              | 489.9                      | 3,578.2                 | 2,384.1                     | 27.0                |
| <b>FY 2007 est. Ending Balance</b>    | 2.0                                | 592.3                         | 714.2                | 157.1                      | 338.6                   | 547.5                       | 11.9                |

**Table B-4 (Continued)**  
**Fund Balance Calculations by GAAP Fund Type and Budget Fund Group for FYs 2006 and 2007**  
(Dollars in Millions)

|                                       | Special Revenue Funds<br>(Continued) |                             | INTERNAL<br>SERVICE FUNDS | AGENCY<br>FUNDS | DEBT<br>SERVICE FUNDS | CAPITAL<br>PROJECT FUNDS |
|---------------------------------------|--------------------------------------|-----------------------------|---------------------------|-----------------|-----------------------|--------------------------|
|                                       | WILDLIFE                             | OTHER<br>SPECIAL<br>REVENUE |                           |                 |                       |                          |
| <b>FY 2006 est. Beginning Balance</b> | 21.8                                 | 637.9                       | .0                        | 418.9           | 4.0                   | 297.7                    |
| <b>Estimated Revenues</b>             |                                      |                             |                           |                 |                       |                          |
| Taxes                                 | .0                                   | .0                          | .0                        | 3,321.4         | .0                    | .0                       |
| Federal Grants                        | 13.1                                 | .0                          | .0                        | .0              | .0                    | .0                       |
| Licenses and Fees                     | 36.5                                 | .3                          | .0                        | 6.7             | .0                    | .0                       |
| Other Income and Transfers            | 5.2                                  | 1,227.8                     | .0                        | 2,997.3         | 733.5                 | 445.0                    |
| <b>Total Resources Available</b>      | 76.7                                 | 1,866.0                     | .0                        | 6,744.4         | 737.5                 | 742.7                    |
| <b>Proposed Expenditures</b>          |                                      |                             |                           |                 |                       |                          |
| Education                             | .0                                   | 639.9                       | .0                        | .0              | .0                    | .0                       |
| Health and Human Services             | .0                                   | .0                          | .0                        | 131.7           | .0                    | .0                       |
| Public Safety and Protection          | .0                                   | .0                          | .0                        | 2.2             | .0                    | .0                       |
| General Govt and Tax Relief           | .0                                   | .0                          | .0                        | 6,084.2         | 733.0                 | .0                       |
| Transportation and Development        | .0                                   | 250.7                       | .0                        | .0              | .0                    | 400.9                    |
| Environment and Natural Resources     | 56.7                                 | 10.0                        | .0                        | 3.5             | .0                    | .0                       |
| Executive, Legislative and Judicial   | .0                                   | .0                          | .0                        | 31.8            | .0                    | .0                       |
| Other Spending and Transfers          | .0                                   | 343.5                       | .0                        | .1              | .0                    | .0                       |
| <b>Total Proposed Expenditures</b>    | 56.7                                 | 1,244.1                     | .0                        | 6,253.4         | 733.0                 | 400.9                    |
| <b>FY 2006 est. Ending Balance</b>    | 19.9                                 | 621.9                       | .0                        | 490.9           | 4.5                   | 341.8                    |
| <b>FY 2007 est. Beginning Balance</b> | 19.9                                 | 621.9                       | .0                        | 490.9           | 4.5                   | 341.8                    |
| <b>Estimated Revenues</b>             |                                      |                             |                           |                 |                       |                          |
| Taxes                                 | .0                                   | .0                          | .0                        | 3,511.1         | .0                    | .0                       |
| Federal Grants                        | 13.1                                 | .0                          | .0                        | .0              | .0                    | .0                       |
| Licenses and Fees                     | 37.3                                 | .3                          | .0                        | 6.7             | .0                    | .0                       |
| Other Income and Transfers            | 5.2                                  | 1,204.3                     | .0                        | 3,085.0         | 817.3                 | 350.0                    |
| <b>Total Resources Available</b>      | 75.6                                 | 1,826.4                     | .0                        | 7,093.6         | 821.8                 | 691.8                    |
| <b>Proposed Expenditures</b>          |                                      |                             |                           |                 |                       |                          |
| Education                             | .0                                   | 639.9                       | .0                        | .0              | .0                    | .0                       |
| Health and Human Services             | .0                                   | .0                          | .0                        | 131.7           | .0                    | .0                       |
| Public Safety and Protection          | .0                                   | .0                          | .0                        | 2.2             | .0                    | .0                       |
| General Govt and Tax Relief           | .0                                   | .0                          | .0                        | 6,353.2         | 817.3                 | .0                       |
| Transportation and Development        | .0                                   | 250.7                       | .0                        | .0              | .0                    | 310.9                    |
| Environment and Natural Resources     | 57.7                                 | 10.0                        | .0                        | 2.5             | .0                    | .0                       |
| Executive, Legislative and Judicial   | .0                                   | .0                          | .0                        | 31.8            | .0                    | .0                       |
| Other Spending and Transfers          | .0                                   | 443.0                       | .0                        | .1              | .0                    | .0                       |
| <b>Total Proposed Expenditures</b>    | 57.7                                 | 1,343.6                     | .0                        | 6,521.5         | 817.3                 | 310.9                    |
| <b>FY 2007 est. Ending Balance</b>    | 17.9                                 | 482.8                       | .0                        | 572.2           | 4.5                   | 380.9                    |



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## Capital Improvements and Long-Term Financing

### Capital Budgeting Process

In even-numbered years the state performs a separate budgeting process for capital expenditures – the construction or rehabilitation of structures and acquisition of real estate (or interest therein) and equipment and furnishings. The purpose of Ohio's capital planning and budgeting process is to facilitate decisions regarding the allocation of dollars available for capital improvements for use by various state agencies and local communities. As with virtually all budget processes, the demand for resources exceeds their availability. The capital budgeting process attempts to balance the needs of different agencies and communities and structures a two-year budget that is affordable within projected available resources.

The process for developing the capital budget involves the affected state agencies, the Office of Budget and Management (OBM), the Governor, and the General Assembly. OBM issues guidelines to agencies describing the format and content for agency capital budget requests.

Concurrent with the receipt of agency requests, OBM projects the affordable size of capital appropriations. This projection involves consideration of a number of factors. Projections of the possible level of capital appropriations from non-debt sources reflect available cash, projected revenues, and competing uses for those funds. OBM projects the amount of debt-supported appropriations that can be authorized by considering such factors as the amount of debt already issued by the state, the amount of debt authorized but not yet issued, the existing debt's maturity schedule, the projected level of the state revenue(s) pledged to repay the debt, and projected interest rates. Determinations regarding the amount of General Revenue Fund (GRF) debt-supported appropriations that may be authorized in the capital budget are also subject to a 1999 constitutional amendment under which additional state obligations payable from the GRF or net state lottery proceeds may not be issued if future fiscal year debt service on those new and the already outstanding obligations would exceed 5 percent of the total estimated GRF revenues plus net state lottery proceeds during the fiscal year of issuance. The director of OBM is authorized to make those determinations.

The Office of Budget and Management works with the Governor and the legislature to devise a capital spending plan that fits within the available resources, reflects the Governor's priorities, and meets the needs of state agencies and local entities. The capital plan is then drafted into a bill and submitted to the legislature for the same review and process described in the discussion of the operating bill.

### Current Capital Appropriations

In December 2002, the state appropriated \$1.27 billion in capital projects in H.B. 675 of the 124<sup>th</sup> General Assembly for the fiscal year 2003-2004 biennium. The 124<sup>th</sup> General Assembly also made additional capital appropriations of \$1.13 billion in other bills effective during the 2003-2004 biennium, bringing the new capital appropriations (GRF and non-GRF) total for the biennium to \$2.41 billion. Of that amount, \$2.18 billion will be funded by the issuance of bonds backed by the GRF. Capital appropriations made from various non-GRF sources effective for the fiscal year 2003-2004 capital biennium total \$225.6 million and include appropriations from, among others, the public school building fund, the highway safety fund, the clean Ohio revitalization fund, and the waterways safety fund.

The School Facilities Commission received a total of \$314.2 million both in GRF-backed debt appropriation and in cash appropriation in the fiscal year 2003-2004 capital bill. Additional capital appropriations for the School Facilities Commission totaling \$793.4 million were also made for the biennium in other bills. Together, these appropriations continue the state's commitment to partner with local school districts to provide appropriate educational facilities for Ohio's public school students. The Board of Regents received appropriations totaling \$504.5 million to address the facility needs of Ohio's higher education institutions. In the capital reappropriations bill (Am. Sub. S.B. 189), new appropriations totaling \$522.6 million were provided for the Ohio School Facilities Commission for the financing of capital improvements for elementary and secondary public schools, \$120 million was provided to the Public Works Commission for the financing of capital improvement projects of local

subdivisions of the state and \$50 million was provided to the Board of Regents for the Third Frontier Initiative to expand research and technology development facilities.

At the time of publication for this document, the capital bill for fiscal years 2005 and 2006 had yet to be enacted.

### **Capital Budget's Impact on the Operating Budget**

The capital budget's most obvious relationship to the operating budget is the debt service requirements it generates. Debt service is the payment of interest and principal to retire debt created by the issuance of bonds or notes to finance major capital projects. The section titled "Overview of Capital Financing" provides information on state capital financing purposes that will require approximately \$3.13 billion for debt service in the 2006-2007 biennium. This includes \$2.35 billion to be paid from the GRF.

The capital budget also relates to the operating budget in other ways. Projects that lead to an expansion of space and service levels generally will require additional employees to provide services and maintain that space. As a result, agencies that receive capital appropriations may experience increases in their operating budgets once a project has been completed. Agencies such as the Ohio Veterans' Home, which opened a new 168-bed nursing facility in Georgetown in 2004, required an increase in its operating budget in the fiscal year 2004-2005 biennium.

### **Overview of Capital Financing**

Ohio began major capital construction programs for highway and non-highway capital projects after constitutional amendments were passed by the voters starting in 1953. These capital programs have resulted in the construction and improvement of highways, public school buildings, higher education facilities, parks and recreation facilities, mental health and correctional facilities, airports, pollution control facilities, and local government infrastructure. The projects have been financed largely by the issuance of bonds that are retired over a period of years (currently ranging from 7 to 20 years) because the cost of such projects could not be funded from current revenues. This financing method allows payments of the capital costs to be spread over the useful life of the facilities.

Capital improvements are financed by issuing several types of obligations, including general obligation bonds, special obligation bonds (revenue bonds and lease-rental bonds), economic development bonds, certificates of participation, and by using current revenues.

### **General Obligation Bonds**

Since 1953, many capital improvements have been financed through the issuance of general obligation bonds, which are backed by the state's full faith and credit. General obligation bonds are issued by the Ohio Public Facilities Commission and by the Treasurer of State. Unless expressly exempted, state revenues from almost all tax and non-tax sources are pledged to the repayment of these general obligations. Exceptions are highway user receipts which may only be used for highway projects and state lottery profits which may only be used for financing primary and secondary education facilities. Such general obligation debt must be authorized by a constitutional amendment approved by the voters before it can be issued.

Ohio Public Facilities Commission. The Ohio Public Facilities Commission issues general obligation bonds for the following capital improvements: primary and secondary education, higher education, natural resources, coal research and development, and conservation projects. Each of these currently authorized programs is described below.

*Primary and Secondary Education.* A 1999 constitutional amendment authorizes general obligation debt, in amounts authorized by the legislature, to be issued to pay the costs of capital facilities for a system of common schools throughout the state. The amount of authorized debt is determined in each capital bill. There is no constitutional limit on the amount of debt that can be outstanding at any time. The full faith and credit, revenue (including net state lottery proceeds) and taxing power (excluding highway user receipts) of the state are pledged to retire this debt.

*Higher Education.* That same 1999 constitutional amendment authorizes general obligation debt, in amounts authorized by the legislature, to be issued to pay the cost of capital facilities for state-supported and state-assisted institutions of higher education. The amount of authorized debt is determined in each capital bill. There is no constitutional limit on the amount of debt that can be outstanding at any time. The full faith and credit, revenue (excluding net state lottery proceeds), and taxing power (excluding highway user receipts) of the state are pledged to retire this debt.

*Natural Resources.* A 1993 constitutional amendment authorizes \$200 million of general obligation debt to be issued to finance capital facilities for parks and natural resources improvements. Additional debt may be issued as outstanding debt is retired, provided that no more than \$200 million is outstanding at any time. Not more than \$50 million may be issued in any fiscal year. The full faith and credit, revenue (excluding net state lottery proceeds), and taxing power (excluding highway user receipts) of the state are pledged to retire this debt.

*Coal Research and Development.* A 1985 constitutional amendment authorizes \$100 million of general obligation debt to be issued to finance grants, loans, or loan guarantees for research and development of coal technology that will encourage the use of Ohio coal. Funding is available to any individual, association, or corporation doing business in the state, or to any educational or scientific institution located in the state. Additional debt may be issued as outstanding debt is retired, provided that not more than \$100 million is outstanding at any time. The full faith and credit, revenue (excluding net state lottery proceeds), and taxing power (excluding highway user receipts) of the state are pledged to retire this debt.

*Conservation.* A 2000 constitutional amendment authorizes \$200 million of general obligation debt to be issued to finance preservation of green space, development of recreational trails and protection of farmland, all through partnerships with local governments. Additional debt may be issued as outstanding debt is retired, provided that not more than \$200 million is outstanding at any time. The full faith and credit, revenue (excluding net state lottery proceeds), and taxing power (excluding highway user receipts) of the state are pledged to retire this debt.

Treasurer of State. The Treasurer of State issues general obligation bonds for highway construction and local infrastructure improvement programs. Each of these currently authorized programs is described below.

*Highway (Capital Improvements).* The Treasurer of State is authorized by a 1995 constitutional amendment to issue general obligation debt for highway construction. The amendment provides that as debt is retired, additional debt may be issued without voter approval as long as no more than \$1.2 billion is outstanding at any time. No more than \$220 million may be issued in any fiscal year. The primary sources of revenue to pay the debt service on these general obligations are highway user receipts (including the motor vehicle fuel tax).

*Infrastructure Improvements.* The Treasurer of State issues general obligation debt, pursuant to a constitutional amendment passed in 1995 for local government infrastructure improvements. That amendment authorizes the issuance of \$1.2 billion of general obligation debt to finance or assist the financing of public infrastructure capital improvements of municipal corporations, counties, townships, and other government entities as designated by law. No more than \$120 million may be issued in any fiscal year. The full faith and credit, revenue (excluding net state lottery proceeds), and taxing power of the state (excluding highway user receipts) are pledged to retire this debt.

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## Capital Improvements and Long-Term Financing

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The following table provides summary information for the state's general obligation bonds as of June 30, 2004 (\$ in thousands).

| <b>Purpose</b>                  | <b>Fiscal<br/>Years<br/>Issued</b> | <b>Amount<br/>Issued(a)</b> | <b>Maturing<br/>through<br/>Fiscal Year</b> | <b>Outstanding<br/>Balance</b> |
|---------------------------------|------------------------------------|-----------------------------|---|--------------------------------|
| Infrastructure Improvements     | 1990-04                            | \$1,919,986                 | 2024  | \$1,245,103(b)                 |
| Coal Research and Development   | 1992-04                            | 150,000                     | 2013  | 48,710                         |
| Natural Resources               | 1995-04                            | 240,000                     | 2018  | 170,355                        |
| Highway Capital Improvements(c) | 1997-04                            | 3,040,000                   | 2014  | 794,000                        |
| Higher Education Facilities     | 2000-04                            | 1,250,000                   | 2024  | 1,131,395                      |
| Common School Facilities        | 2000-04                            | 1,790,000                   | 2024  | 1,684,135(d)                   |
| Conservation Projects           | 2002-04                            | 100,000                     | 2019  | <u>95,315</u>                  |
| <b>Total</b>                    |                                    |                             |   | <b>\$5,169,013</b>             |

(a) The amount of bonds issued for refunding purposes is excluded in determining the amount issued.

(b) Includes \$285,025,000 in adjustable rate bonds.

(c) Includes Highway Obligation bonds, for which issuance authority was repealed in 1996 and with a final maturity in 2005.

(d) Includes \$67,000,000 in adjustable rate bonds.

### Special Obligation Lease-Rental Bonds

Until recent years, most of the state's capital projects had been funded via lease-rental bonds. These bonds constitute a special type of bonded debt because the lease-rental payments are made from biennial GRF appropriations in the state's operating budget. Current state issuers of lease-rental bonds are:

Ohio Building Authority. As authorized by the Constitution and the legislature, the Ohio Building Authority issues lease-rental bonds to finance the capital costs of certain state facilities, including office buildings (some shared by local governments), adult and juvenile corrections, local jails, transportation and public safety, workers' compensation, and cultural facilities. These bonds are paid from GRF lease-rental appropriations, except for the bonds for (i) highway transportation building and public safety facilities which are retired by payments from the Highway Operating Fund and State Highway Safety Fund, and (ii) workers' compensation facilities which are retired by payments from the Bureau of Workers' Compensation Administrative Fund.

Treasurer of State. As authorized by the Constitution and the legislature, the Treasurer of State issues lease-rental bonds to finance capital facilities for mental health and mental retardation and for parks and recreation facilities.

## Capital Improvements and Long-Term Financing

The following table presents summary information for the state's lease-rental bonds as of June 30, 2004 (\$ in thousands).

| <b>Issuer / Purpose</b>           | <b>Fiscal<br/>Years<br/>Issued</b> | <b>Amount<br/>Issued(a)</b> | <b>Maturing<br/>through<br/>Fiscal Year</b> | <b>Outstanding<br/>Balance</b> |
|-----------------------------------|------------------------------------|-----------------------------|---|--------------------------------|
| <b>Ohio Building Authority</b>    |                                    |                             |   |                                |
| Prison Facilities                 | 1986-04                            | \$1,659,500                 | 2024  | \$ 903,780                     |
| Juvenile Facilities               | 1993-03                            | 232,000                     | 2019  | 174,260                        |
| Administrative Service Facilities | 1992-04                            | 1,363,300                   | 2024  | 849,015                        |
| Cultural Facilities               | 1993-03                            | 323,690                     | 2018  | 189,705                        |
| Natural Resource Facilities       | 1988                               | 12,160                      | 2009  | 4,775                          |
| Transportation Facilities(b)      | 1993-02                            | 155,800                     | 2011  | 50,520                         |
| Public Safety Facilities(b)       | 1995-04                            | 133,600                     | 2021  | 89,955                         |
| Workers' Compensation(b)          | 1993-03                            | 214,255                     | 2015  | 142,500                        |
| <b>Treasurer</b>                  |                                    |                             |   |                                |
| Higher Education Facilities       | 1992-01                            | 4,817,590                   | 2014  | 1,125,945                      |
| Mental Health Facilities          | 1992-03                            | 1,237,085                   | 2018  | 259,990                        |
| Parks & Recreation Facilities     | 1993-04                            | 289,900                     | 2019  | 121,610                        |
| Elementary & Secondary Education  | 1995-99                            | 333,640                     | 2008  | <u>106,615</u>                 |
| <b>Total</b>                      |                                    |                             |   | <b>\$4,018,670</b>             |

(a) The amount of bonds issued for refunding purposes is excluded in determining the amount issued.

(b) Debt service paid from non-GRF sources.

### Certificates of Participation

The Department of Transportation and the Department of Administrative Services have entered into lease-purchase agreements (in connection with which Certificates of Participation were issued) to finance various transportation and building projects. The lease payments are made from charges to the user and/or biennial appropriations for repayments that are included in the biennial budget.

The following table presents summary information for certificate of participation financing arrangements as of June 30, 2004 (\$ in thousands).

| <b>Using Agency / Purpose</b>                          | <b>Fiscal<br/>Year<br/>Issued</b> | <b>Amount<br/>Issued</b> | <b>Maturing<br/>through<br/>Fiscal Year</b> | <b>Outstanding<br/>Balance</b> |
|--|-----------------------------------|--------------------------|---|--------------------------------|
| <b>Department of Transportation</b>                    |                                   |                          |   |                                |
| Panhandle Rail Line Project                            | 1992                              | \$ 8,680                 | 2012  | \$ 5,105                       |
| Rickenbacker Port Authority                            | 1996                              | 10,155                   | 2007  | 1,375                          |
| <b>Department of Administrative Services</b>           |                                   |                          |   |                                |
| Youngstown Central Area Community Improvement District | 1998                              | 6,615                    | 2029  | 6,365                          |
| Rickenbacker Port Authority                            | 1998                              | 16,455                   | 2023  | <u>14,425</u>                  |
| <b>Total</b>   |                                   |                          |   | <b>\$27,270</b>                |

### **Bonds Paid from Other State Funds**

Economic Development. These bonds are issued by the Treasurer of State for the Department of Development's Direct Loan, Innovation Ohio and Research & Development programs under Chapter 166 of the Revised Code. These bonds provide financing for loans to businesses within the state that cannot obtain conventional financing for economic development projects that create or retain jobs in the state. The bonds are backed by profits derived from the sale of spirituous liquor.

Clean Ohio Revitalization Program. These bonds are issued by the Treasurer of State for the Clean Ohio Council, which consists of the directors of the Department of Development, Environmental Protection Agency, Public Works Commission, four members of the Ohio General Assembly, and seven citizens appointed by the Governor. The bonds provide financing for grants and loans to projects that provide for the environmentally safe and productive development and use or reuse of publicly- and privately-owned lands within the state. These bonds are payable from revenues and receipts designated by the General Assembly (currently a portion of the state's profits derived from the sale of spirituous liquor).

The following table presents summary information for those bonds paid from state liquor profits as of June 30, 2004 (\$ in thousands).

| <b>Purpose</b>       | <b>Fiscal<br/>Years<br/>Issued</b> | <b>Amount<br/>Issued</b> | <b>Maturing<br/>through<br/>Fiscal Year</b> | <b>Outstanding<br/>Balance</b> |
|----------------------|------------------------------------|--------------------------|---|--------------------------------|
| Economic Development | 1997-04                            | \$268,740                | 2024  | \$233,560                      |
| Revitalization       | 2003                               | 50,000                   | 2018  | <u>47,590</u>                  |
| <b>Total</b>         |                                    |                          |   | <b>\$281,150</b>               |

Highway State Infrastructure Bank (GARVEE). The Treasurer of State issues these bonds for the Ohio Department of Transportation for selected highway construction projects that have been approved by the U.S. Department of Transportation. The debt service charges are paid from pledged Federal Title 23 Highway Funds.

Transportation Improvement District (Butler County). These bonds were issued by a Transportation Improvement District through a lease-purchase agreement with the Ohio Department of Transportation to support selected regional and local highway construction projects that have been approved by the U.S. Department of Transportation. The debt service charges are paid from pledged Federal Title 23 Highway Funds.

State Infrastructure Bank bonds and Transportation Improvement District bonds outstanding, as of June 30, 2004, were as follows (\$ in thousands).

| <b>Purpose</b>                 | <b>Fiscal<br/>Years<br/>Issued</b> | <b>Amount<br/>Issued</b> | <b>Maturing<br/>through<br/>Fiscal Year</b> | <b>Outstanding<br/>Balance</b> |
|--------------------------------|------------------------------------|--------------------------|---|--------------------------------|
| Major New State Infrastructure | 1998-04                            | \$438,765                | 2011  | \$306,585                      |
| Butler County TID              | 1998                               | 154,485                  | 2017  | <u>116,130</u>                 |
| <b>Total</b>                   |                                    |                          |   | <b>\$422,715</b>               |

### Revenue Bonds

Revenue bonds are used by the state to finance a specific project or category of projects. Debt service is paid from revenues or fees that are charged for the use of facilities rather than from the pledge of the full faith and credit, revenue, and taxing power of the state. Various state authorities and commissions have been created by the legislature and given the authority to issue revenue bonds. These include the Ohio Turnpike Commission, the Higher Education Facilities Commission, the Ohio Housing Finance Agency, the Ohio Water Development Authority, and the Petroleum Underground Storage Tank Release Compensation Board. The funds borrowed by these authorities and the funds for the debt service payments on their obligations are outside the state treasury and are not appropriated by the legislature.

The Department of Development, the Ohio Water Development Authority, and the Ohio Air Quality Development Authority have also issued industrial development or pollution control revenue bonds, the debt service on which is paid solely by the benefited business (not from state revenues).

### Debt Service and Outstanding Debt

The following table (Table B-5) shows certain historical debt information and comparisons. These tables include only outstanding bonds of the state secured by pledges of taxes and excises, and those lease-rental obligations that are paid from the General Revenue Fund. Highway obligations and obligations issued by the Ohio Building Authority for Department of Transportation, Department of Public Safety, and Bureau of Workers' Compensation are not included since they are paid from non-GRF sources.

**Table B-5**  
**Debt Service Expenses as a Percent of GRF Revenues**

| <b>Year</b> | <b>Principal Amount<br/>Outstanding (as of July 1)</b> | <b>Outstanding Debt<br/>Per Capita</b> | <b>Outstanding Debt<br/>As % of Annual<br/>Personal Income</b> |
|-------------|--|--|--|
| 1980        | \$1,991,915,000  | \$184                                  | 1.83%  |
| 1990        | \$3,690,154,994  | \$340                                  | 1.81%  |
| 2000        | \$6,308,680,025  | \$556                                  | 1.96%  |
| 2001        | \$6,570,863,174  | \$578                                  | 2.02%  |
| 2002        | \$7,086,317,648  | \$623                                  | 2.18%  |
| 2003        | \$7,559,386,132  | \$661                                  | 2.21%(b)   |
| 2004        | \$8,110,709,343  | \$708(a)                               | 2.37%(b)   |

(a) Based on July 2004 population estimate.

(b) Based on 2003 personal income data.

| <b>Fiscal<br/>Year</b> | <b>Debt Service<br/>Payable</b> | <b>Total GRF Revenue<br/>and Net State<br/>Lottery Proceeds</b> | <b>Debt Service<br/>as % of GRF Revenue<br/>and Lottery Proceeds</b> | <b>Debt Service<br/>as % of Annual<br/>Personal Income</b> |
|------------------------|---------------------------------|---|--|--|
| 1980                   | \$187,478,382                   | \$4,835,670,223   | 3.88%  | 0.17%  |
| 1990                   | \$488,676,826                   | \$12,230,681,298  | 4.00%  | 0.24%  |
| 2000                   | \$871,313,814                   | \$20,711,678,217  | 4.21%  | 0.27%  |
| 2001                   | \$918,248,422                   | \$21,921,275,724  | 4.19%  | 0.28%  |
| 2002                   | \$926,142,216                   | \$22,072,703,100  | 4.20%  | 0.28%  |
| 2003                   | \$959,489,678                   | \$23,055,920,100  | 4.16%  | 0.28%(a)   |
| 2004                   | \$1,013,222,412                 | \$24,678,909,000  | 4.11%  | 0.30%(a)   |

(a) Based on 2003 personal income data.

**Status of Capital Improvements Debt**

The following tables show summary and selected information concerning changes in long-term obligations as of June 30, 2004 (Table B-6), and estimated issuance amounts and debt service costs for the fiscal year 2004-2005 biennium (Table B-7). The debt service appropriations for general obligation bonds are in the Governor's proposed operating budget for each of the benefiting state agencies for which obligations have been issued. The appropriations to cover the debt service on special obligation bonds are included in the budgets of the Board of Regents, Department of Mental Health, Department of Mental Retardation and Developmental Disabilities, Department of Natural Resources, Department of Rehabilitation and Correction, Department of Administrative Services, Department of Youth Services, Cultural Facilities Commission, School Facilities Commission, Department of Transportation, Department of Public Safety, Department of Education, and the Bureau of Workers' Compensation.

**Table B-6**  
**Changes in General Long-Term Obligations (\$ in thousands)**

|   | <b>General<br/>Obligation<br/>Bonds</b> | <b>Special<br/>Obligation<br/>Bonds</b> | <b>Certificates<br/>of<br/>Participation</b> | <b>Economic<br/>Development</b> | <b>State<br/>Infrastructure<br/>and<br/>Butler County<br/>Bonds</b> | <b>Total</b>       |
|---|---|---|--|---------------------------------|---|--------------------|
| Principal<br>Outstanding as of<br>July 1, 2002                | \$3,639,797                             | \$4,573,141                             | \$31,620                                     | \$144,760                       | \$276,430   | \$8,665,748        |
| Additions:<br>Debt Issued                                     | 2,819,379                               | 1,142,095                               | 0  | 150,000                         | 248,765   | 4,360,239          |
| Deductions:<br>Debt Retirement/<br>Refundings/<br>Defeasances | <u>1,290,163</u>                        | <u>1,696,566</u>                        | <u>4,350</u>                                 | <u>13,610</u>                   | <u>102,480</u>  | <u>3,107,169</u>   |
| Principal<br>Outstanding as of<br>June 30, 2004               | <u>\$5,169,013</u>                      | <u>\$4,018,670</u>                      | <u>\$27,270</u>                              | <u>\$281,150</u>                | <u>\$422,715</u>  | <u>\$9,918,818</u> |



**Table B-7**  
**Summary of State Debt as of 6-30-04 and**  
**FY 2006 and 2007 Estimated Issuance Amounts**  
**(\$ in thousands)**

| Security and Purpose       | Constitutional Citation | Amount Authorized by the Legislature <sup>(a)</sup> | Amount Issued As of 6/30/04 | Amount Outstanding on 6/30/04 | Estimated Amount to be Issued in FYs 2006-2007 | Estimated Debt Service Costs for FYs 2006-2007 <sup>(b)</sup> |
|----------------------------|-------------------------|---|-----------------------------|-------------------------------|--|---|
| <b>General Obligations</b> |                         |   |                             |                               |  |   |
| Higher Education           | Sec 2n, Art. VIII       | \$1,851,000   | \$1,250,000                 | \$1,131,395                   | \$600,000                                      | \$289,714   |
| Common Schools             | Sec 2n, Art. VIII       | 2,505,000   | 1,790,000                   | 1,684,135                     | 1,200,000                                      | 413,636   |
| Coal Development           | Sec 15, Art. VIII       | 150,000   | 150,000                     | 48,710                        | 15,000   | 16,052  |
| Natural Resources          | Sec 2l, Art. VIII       | 287,000   | 240,000                     | 170,355                       | 30,000   | 50,225  |
| Highway <sup>(c)</sup>     | Sec 2i&2m, Art. VIII    | 3,515,000   | 3,040,000                   | 794,000                       | 430,000  | 377,086 <sup>(d)</sup>  |
| Infrastructure             | Sec 2k&2m, Art. VIII    | 2,160,000   | 1,919,986                   | 1,245,103                     | 240,000  | 332,877   |
| Conservation               | Sec 2o, Art. VIII       | 100,000   | 100,000                     | 95,315                        | 50,000   | 30,856  |
| Third Frontier             | n.a.                    | <u>n.a.</u>   | <u>n.a.</u>                 | <u>n.a.</u>                   | <u>100,000</u>                                 | <u>13,910</u>   |
| Total                      |                         | \$10,568,000  | \$8,489,986                 | \$5,169,013                   | \$2,665,000                                    | \$1,524,356   |
| <b>Special Obligations</b> |                         |   |                             |                               |  |   |
| Adult Corrections          | Sec 2i, Art. VIII       | \$1,828,000   | \$1,659,500                 | \$903,780                     | \$75,000                                       | \$252,971   |
| Juvenile Correct.          | Sec 2i, Art. VIII       | 257,000   | 232,000                     | 174,260                       | 25,000   | 42,150  |
| Admin. Services            | Sec 2i, Art. VIII       | 1,461,000   | 1,363,300                   | 849,015                       | 40,000   | 231,832   |
| Cultural                   | Sec 2i, Art. VIII       | 385,000   | 323,690                     | 189,705                       | 40,000   | 76,373  |
| DNR – Fount. Sq.           | Sec 2i, Art. VIII       | 12,160  | 12,160                      | 4,775                         | 0  | 2,117   |
| Higher Education           | Sec 2i, Art. VIII       | 4,817,590   | 4,817,590                   | 1,125,945                     | 0  | 401,415   |
| Mental Health              | Sec 2i, Art. VIII       | 1,315,000   | 1,237,085                   | 259,990                       | 60,000   | 94,260  |
| Parks & Recreation         | Sec 2i, Art. VIII       | 313,000   | 289,900                     | 121,610                       | 50,000   | 39,662  |
| Prim./Sec. Educ.           | Sec 2i, Art. VIII       | 333,640   | 333,640                     | 106,615                       | 0  | 63,295  |
| Transportation             | Sec 2i, Art. VIII       | 155,800   | 155,800                     | 50,520                        | 0  | 23,998 <sup>(d)</sup>   |
| Public Safety              | Sec 2i, Art. VIII       | 143,000   | 133,600                     | 89,955                        | 4,400  | 27,794 <sup>(d)</sup>   |
| Workers' Comp.             | Sec 2i, Art. VIII       | <u>214,255</u>                                      | <u>214,255</u>              | <u>142,500</u>                | <u>0</u>                                       | <u>39,863<sup>(e)</sup></u>                                   |
| Total                      |                         | \$11,235,445  | \$10,772,520                | \$4,018,670                   | \$294,400                                      | \$1,295,728   |
| <b>Other</b>               |                         |   |                             |                               |  |   |
| Highway Infrastructure     | Sec 13, Art. VIII       | n.a.  | \$438,765                   | \$306,585                     | \$265,000                                      | \$210,385 <sup>(f)</sup>                                      |
| Economic Development       | Sec 13, Art. VIII       | n.a.  | 268,740                     | 233,560                       | 150,000  | 71,388 <sup>(g)</sup>   |
| Revitalization             | Sec 2o, Art. VIII       | <u>\$100,000</u>                                    | <u>50,000</u>               | <u>47,950</u>                 | <u>50,000</u>                                  | <u>23,226<sup>(g)</sup></u>                                   |
| Total                      |                         | \$100,000   | \$757,505                   | \$588,095                     | \$465,000                                      | \$304,999   |

**Notes:**

<sup>(a)</sup> Includes appropriations passed by the General Assembly as of 6/30/2004.

<sup>(b)</sup> Debt service or lease payments paid from General Revenue Fund unless otherwise noted. Totals may not add due to rounding.

<sup>(c)</sup> Includes highway obligations and highway capital improvement bonds.

<sup>(d)</sup> Debt service is paid from highway user receipts (including the motor vehicle fuel tax receipts).

<sup>(e)</sup> Debt service is paid from appropriations from the BWC Administrative Cost Fund.

<sup>(f)</sup> Debt service on these "GARVEE" bonds is paid from federal transportation grants (Title 23 of the U.S. Code).

<sup>(g)</sup> Debt service is paid from profits derived from the sale of spirituous liquor.

## Tobacco Revenue Budget

### Overview

In March 2000, Governor Bob Taft signed into law Amended Substitute Senate Bill 192 of the 123<sup>rd</sup> General Assembly. The act established Ohio's plan for using the revenue received from the Tobacco Master Settlement Agreement and made the first appropriations of tobacco revenue for fiscal years 2001 and 2002.

The tobacco budget is prepared in accordance with Section 126.022 of the Ohio Revised Code. The tobacco budget is on a separate biennial budget cycle from the state's main operating budget (the biennial budget cycle for the Tobacco Revenue Budget coincides with the cycle for the capital budget). Appropriations for the current biennium, fiscal years 2005 and 2006, can be found in Substitute House Bill 434 of the 125<sup>th</sup> General Assembly.

The Executive Budget for fiscal years 2006 and 2007 does not contain any proposals for using tobacco revenue. However, because the Governor's Executive Budget typically includes an overview of the state's entire financial picture, this summary of pertinent information related to the tobacco settlement, the amount of tobacco revenue received to date, and agency appropriations has been included.

### The Tobacco Master Settlement Agreement

In November 1998, the Attorneys General of 46 states, five U.S. territories, and the District of Columbia signed the Master Settlement Agreement (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. The remaining four states (Florida, Minnesota, Mississippi, and Texas) settled separately.

The main source of tobacco revenue to the states comes from what are called "base payments." Base payments are made annually, and Ohio's share of these payments is 5.04 percent, which is expected to total \$9.9 billion by the end of 2025. Revenue estimates made by the National Association of Attorneys General end in 2025, but under the terms of the MSA, payments are to continue into perpetuity.

While Ohio's share of the base payments will not change over time, the amount of each payment is subject to a number of adjustment factors including inflation and volume adjustments. Some adjustments, inflation for example, should contribute to an increase in the amount of the payments, while other factors may cause a decrease. The net effect of the adjustment factors on future payments is very uncertain, making it difficult to estimate what Ohio's future payments will be. It should be noted as well that the volume factor probably will be affected by the efforts of Ohio, other states, and the federal government to reduce tobacco consumption.

In addition to a share of the base payments, Ohio will receive ten annual payments from the Strategic Contribution Fund between 2008 and 2017. Allocations from this fund are based on the state's contribution to the litigation and settlement with the tobacco companies. These payments are subject to the adjustment factors in the MSA. The total pre-adjusted revenue number for Ohio from the Strategic Contribution Fund is \$239.5 million.

### Ohio's Plan for the Tobacco Revenue

In March 1999, a bipartisan 15-member task force was created under Governor Bob Taft's leadership. The task force issued a report October 5, 1999, making recommendations to the Governor and the legislature as to how Ohio should use the MSA revenue.

Am. Sub. S.B. 192 of the 123<sup>rd</sup> General Assembly was enacted in response to the task force's recommendations and established Revised Code Chapter 183, which provides a comprehensive plan for using the state's tobacco revenue through fiscal year 2012. For the period from fiscal 2012 through fiscal 2025, the act contained a plan for using a portion of the revenue. No provision has been made for using the revenue beyond 2025.

This act created a number of funds for managing the revenue and a formula for distributing tobacco revenue among these funds. It also specified how moneys are to be used and made appropriations for fiscal years 2001 and 2002.

The act created the Biomedical Research and Technology Transfer Commission, housed for administrative purposes in the Board of Regents, and two new state agencies: the Tobacco Use Prevention and Control Foundation and the Southern Ohio Agricultural and Community Development Foundation.

### **The Tobacco Revenue Budget for Fiscal Years 2005 and 2006**

Ohio has received \$1.8 billion in tobacco settlement payments through fiscal year 2004 and expects to receive an additional \$289.8 million in tobacco revenue in fiscal year 2005. This revenue plus any interest earnings will be distributed to the various funds pursuant to the distribution plan and appropriations made in Sub. H. B. 434 of the 125<sup>th</sup> General Assembly.

Amended Substitute House Bill 95 diverted some tobacco revenues to the General Revenue Fund. The remaining funds were distributed as follows:

**School Facilities.** The School Facilities Commission uses the tobacco revenue that goes to the School Facilities Trust Fund, along with other non-tobacco funds, for the construction, renovation, and repair of Ohio's primary and secondary schools. The School Facilities Commission received an appropriation of \$25.6 million in fiscal years 2003 and 2004 and will receive \$243.2 million for fiscal years 2005 and 2006.

**Tobacco Use Prevention.** The Tobacco Use Prevention and Control Foundation (TUP) uses funds to develop and implement programs to reduce tobacco use in Ohio. By law, TUP was to receive approximately \$221.2 million in fiscal years 2003 and 2004. However, in order to help offset reduced revenues to the General Revenue Fund (GRF), Am. Sub. H.B. 405 of the 124<sup>th</sup> General Assembly diverted these funds to the GRF. The transferred amounts will be repaid from the tobacco revenue received in fiscal years 2013 and 2014. Am. Sub. H.B. 95 diverted tobacco revenues that would have been appropriated in fiscal year 2005. Because of this diversion, the Foundation will receive appropriations in fiscal year 2006 only in the amount of \$107.5 million. The funds diverted in fiscal year 2005 will be repaid in fiscal year 2015.

**Southern Ohio Agricultural and Community Development.** The Southern Ohio Agricultural and Community Development Foundation (SOA) uses funds for agricultural and community development programs in Ohio counties where tobacco has traditionally been grown to mitigate the adverse economic impact of reduced tobacco production and to replace the production of tobacco with other agricultural products. SOA received appropriations of \$32.4 million in fiscal years 2003 and 2004 and will receive a total of \$25.8 million in appropriations in fiscal years 2005 and 2006.

**Health Priorities.** Ohio's Public Health Priorities Trust Fund was created to fund five health priorities. Four agencies administer programs in one of more of the following five priority areas:

- The Departments of Health and Alcohol and Drug Addiction Services, and the Commission on Minority Health administer minority health programs, on which not less than 25 percent of the annual appropriations from the trust fund are to be expended.
- The Department of Public Safety receives an appropriation to enforce Ohio's underage tobacco use laws (ORC Section 2927.02).
- The Department of Alcohol and Drug Addiction Services administers alcohol and drug abuse prevention programs, including programs for adult and juvenile offenders in state institutions and aftercare programs.
- The Department of Health administers a non-entitlement program to provide emergency assistance, including medication, oxygen, or both, to low-income seniors whose health has been adversely affected by tobacco use. Five percent of the annual appropriations from the trust fund must be made for this purpose.
- The Department of Health administers a program that provides a partial reimbursement, on a county basis, to hospitals, free medical clinics, and similar organizations that provide free, uncompensated care to the general public.

Overall, the Public Health Priorities Trust Fund received appropriations of \$22.4 million in fiscal years 2003 and 2004 and will receive \$23.3 million in appropriations in fiscal years 2005 and 2006.

**Biomedical Research and Technology Transfer.** Funds are used to make strategic assessments of current biomedical research and technology transfer programs in Ohio. A special focus of the assessments is the capacity to create jobs and improve the health of Ohioans. Based on these assessments, competitive grants are awarded to public and private research institutions and companies for biomedical research and technology initiatives in the fields of human genetics and genomics, structural biology, biomedical engineering, computational biology, environmental biology, and plant biology. In fiscal years 2003 and 2004, appropriations totaling \$51.0 million were received by the Biomedical Research and Technology Transfer Commission housed within the Board of Regents. The fiscal year 2003-2004 capital bill, H.B. 675, abolished this commission and transferred all of its functions to the Third Frontier Commission housed in the Department of Development. The Third Frontier Commission will receive appropriations of \$48.0 million in fiscal years 2005 and 2006.

**Education Technology.** SchoolNet received an appropriation of \$33.0 million in fiscal years 2003 and 2004 and will receive \$15.5 million in fiscal years 2005 and 2006. Among other things, these funds will be used for the SchoolNet Plus program to complete the purchase of computers for sixth grade students and to begin purchasing one computer for every five seventh-grade students. The fiscal year 2006 and 2007 Executive Budget recommendation to merge SchoolNet with the Educational Telecommunications Network Commission affects this appropriation. For additional detail, please refer to the State Controlling Board narrative under Tab E, Agency Budget Recommendations.

**Law Enforcement Improvements.** The Attorney General's Office received an appropriation of \$7.2 million in fiscal years 2003 and 2004 to maintain, upgrade, and modernize its law enforcement training, technology, and laboratory facilities and will receive \$11.6 million in fiscal years 2005 and 2006.

**Tobacco Settlement Oversight, Administration, and Enforcement.** The Attorney General and the Department of Taxation receive appropriations to ensure compliance with provisions of the MSA. The Department of Taxation is responsible for enforcing the excise tax on tobacco for each brand of cigarettes and roll-your-own cigarette tobacco that is not covered by the MSA. The Attorney General provides legal research, civil litigation assistance, and monitors all MSA-related documents. These two agencies received an appropriation of \$1.5 million for fiscal years 2003 and 2004 and will receive \$1.6 million for fiscal years 2005 and 2006.