OHIO'S TIME
BUDGET OF THE STATE OF OHIO FY 2024-2025

Testimony Of
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Ohio House Finance Committee
Governor DeWine's Executive Budget Proposal
Fiscal Years 2024 and 2025

February 7, 2023

Chairman Edwards, Vice Chair LaRe, Ranking Member Sweeney, and members of the House Finance Committee, as the Director of the Office of Budget and Management, it is my privilege to present to you Governor DeWine's Executive Budget for Fiscal Years 2024 and 2025.

Mr. Chairman, I am pleased to report that Governor DeWine's executive budget is conservatively forecast and structurally balanced. The Governor's plan significantly reduces the state tax burden for families with children. Our Rainy Day Fund is at a historic high and will not be utilized in the upcoming biennium – in fact, the state's savings account will continue to grow through investment earnings, providing a strong reserve in the face of national economic headwinds. And this budget does not contain fee increases.

Before I get into the details of Governor DeWine's proposed budget, I want to take a few moments to look back at key results.

Over the past four years, we have seen the impacts of our work together. We have developed and executed structurally balanced, forward-focused, and conservative budgets. We have ensured that Ohio's finances remained on sure footing during challenging times. We remained focused on kids, workforce, communities, and on our economy. And, as a result, we have experienced sustained, historic lows in unemployment and a strengthened economy, and Ohio achieved its first AAA bond rating in more than 40 years.

Last year, we hailed the announcements of several nationally recognized economic development projects, including Intel's decision to locate semi-conductor facilities in

Licking County. Because we worked together with many regional and local leaders, we were able to attract the largest economic development project in Ohio's history, and we have announced many others major projects across the state.

As a result of our work together, we secured $1.6 billion in federal grants with Kentucky that jumpstarted the process to build a new bridge across the Ohio River in Cincinnati to relieve a major traffic bottleneck surrounding the Brent Spence Bridge – a key economic corridor – that impacts commerce and commuters.

We have utilized one-time federal dollars from the American Rescue Plan Act (ARPA) to make our communities healthier, more prosperous, and safer.

The 32 counties in our Appalachian region are benefiting from $500 million to revitalize downtowns, to improve access to public health services, and to rebuild the local workforce in an area where our state was born – an area of untapped potential.

$500 million of ARPA is flowing through the Department of Development to communities for water and wastewater systems to improve access to clean drinking water and to improve wastewater infrastructure. We dedicated $150 million to support lead poisoning abatement projects and workforce development for lead contractors for future work. And over $150 million is being invested in parks and trails because we know that quality of life and recreational opportunities are key to economic growth.

We worked together to commit $250 million in ARPA funds to provide grants to law enforcement agencies to reduce violent crime, to attract new recruits to our local first responder ranks, and to develop wellness initiatives for law enforcement and first responders.

And while we have wisely used these federal dollars for important one-time purposes, we also remained laser-focused on keeping our state's fiscal house in order. We held true to our promise of responsible management and sound budgeting. Just a few weeks ago, we made history together by transferring another $727 million into the Rainy Day Fund, bringing the cash balance to nearly $3.5 billion, the largest balance in our savings account in state history.

We have seized on a unique time, building Ohio's long-term potential. Targeted use of one-time dollars, combined with conservative forecasting and balanced budgeting of our citizens' tax dollars, provides us the opportunity to take bold steps into the future. While we are in good standing today, we must be clear-eyed that global and national good times never last forever, and we must prepare now by directly investing in the people of Ohio.

This budget continues our conservative practices and Ohio citizens can be confident that our fiscal position is strong. The Governor's budget plan is carefully constructed to allocate one-time resources only to one-time expenses providing lasting returns for long-term prosperity – and to allocate recurring revenues to ongoing priorities.

ECONOMIC OVERVIEW AND FORECAST

For the past four years, responsible governance and conservative financial principles guided us through uncertainties and historic challenges, and we are now experiencing momentous progress. I want to thank you for your trust, support, and collaboration as we navigated these challenges.

NATIONAL CONTEXT

Since May 2020, the U.S. economy has been in a period of expansion following the nation's shortest economic downturn. But it has been an unusual time for the economy. Typically, consumption spending makes up about 70 percent of GDP, but since the second quarter of 2020, consumption spending growth accounted for 88 percent of the growth in GDP.

Much of the recovery was spurred on by direct federal aid to households. In the last three years, Congress passed three rounds of economic impact payments ("stimulus") plus expanded child tax credits.

Significant financial support and a rapid economic recovery lessened fiscal stress for many households and spurred higher levels of consumption. Elevated spending coupled with a strong labor market and international supply chain disruptions brought serious concerns about inflation. By June 2022, the Consumer Price Index for all urban consumers peaked at an annual rate of 9.1 percent. These price increases reduced the purchasing power of consumers which can negatively impact spending, and therefore our state revenue.

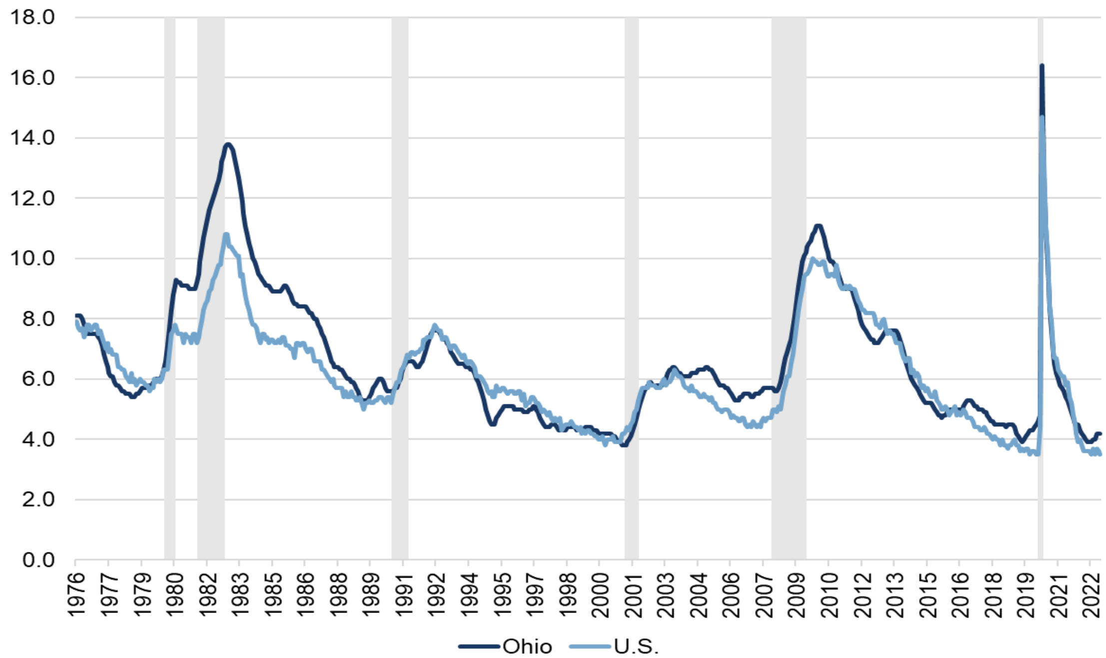
To stabilize prices, the Federal Reserve began increasing the effective borrowing rate in March 2022. For consumers, these steps appear to be having an impact on prices and the annual rate of inflation in December 2022 was 6.5 percent. However, economists continue to debate whether these measures will push the country back into a recession during current calendar year 2023.

OHIO'S STANDING

In 2021, Ohio's economy generated $756.6 billion of economic activity, continuing our position as the seventh largest state economy. Ohio is an economically diverse state with a particularly strong presence in the finance, insurance, real estate, rental and leasing sector; and in trade, transportation, and utilities; and in advanced manufacturing.

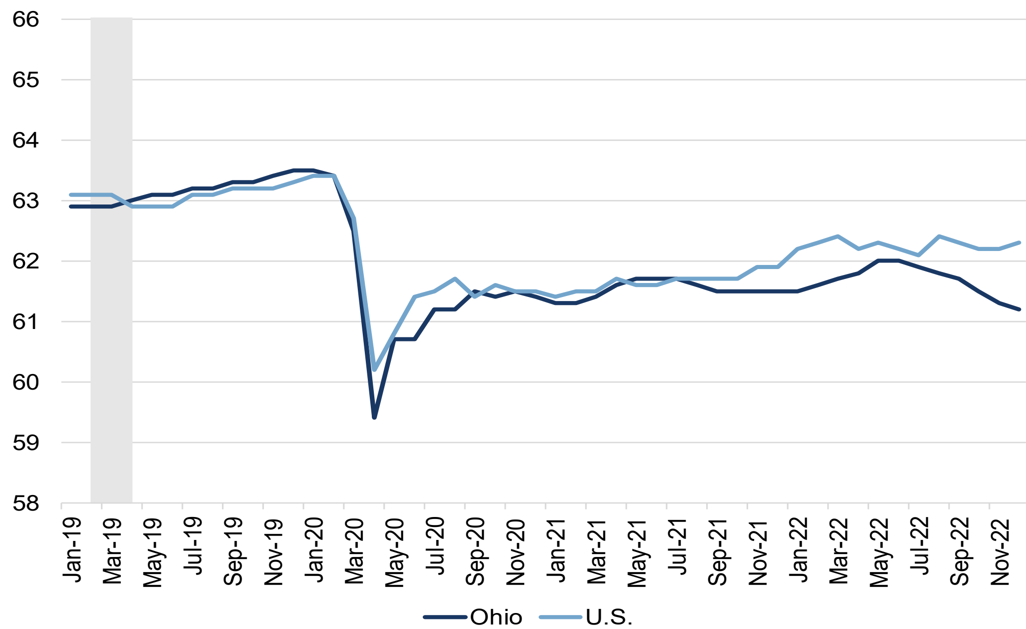
Ohio’s unemployment rate generally follows the national trend. In the fourth quarter of FY 2022, the Ohio unemployment rate fell to 3.9 percent, the second lowest ever recorded in Ohio (see Figure 1). Today, Ohio’s unemployment rate remains low at 4.2 percent.

Figure 1: Unemployment Rate January 1976 through Present



While unemployment remains low, our labor force participation rate is a concern. As recently as December of 2019, Ohio’s labor force participation rate outperformed the national average. However, as shown in Figure 2, over the past biennium, Ohio’s labor force participation has lagged the nation. Current statistics and economic forecasts suggest that the state’s labor force participation rate has plateaued and will likely continue to decline as the state’s population grows older.

Figure 2: Labor Force Participation Rate 2019 through Present



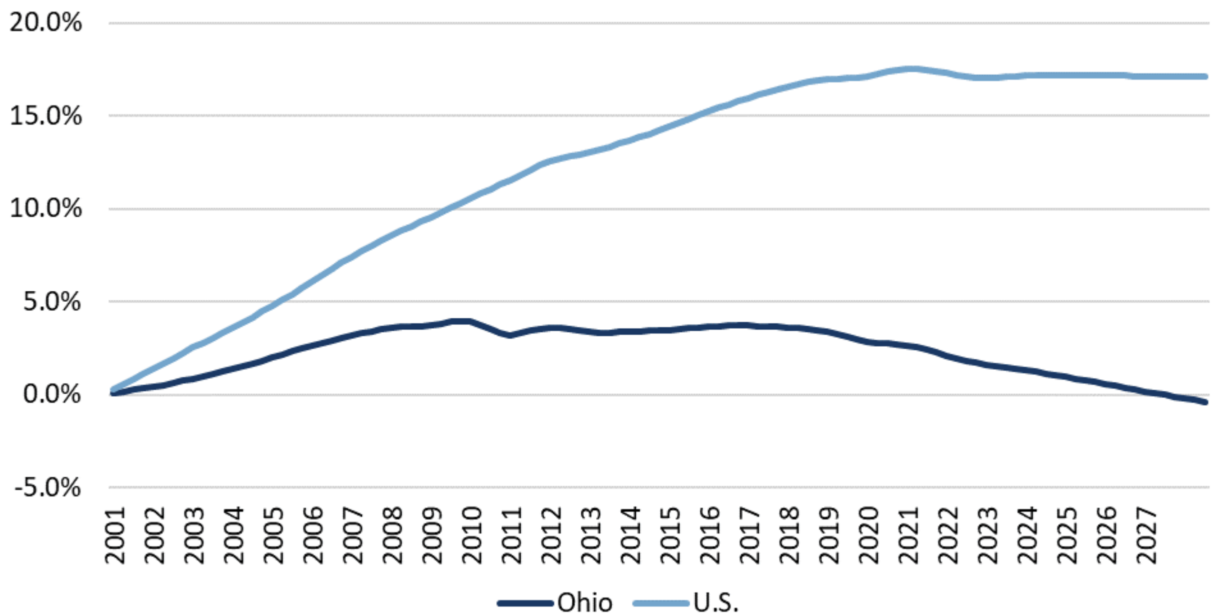
Much of this decline is the result of Ohio's aging population. In 2010, Ohio's median age was 38.9, this increased to 39.6 in 2021 and is forecasted to climb further. As shown in Table 1, on average in 2021, individuals aged 65 and above represented 23.3 percent of Ohio's population. This is 1.8 percentage points higher than the national average. Older Ohioans are also less likely to be in the labor force than the national average for this age group.

Table 1: Comparison of Ohio and National Labor Force by Age, 2021

	Age Group as a Percent of Civilian Non-Institutional Population			2021 Average Labor Force Participation Rate		
Age Group	**Ohio**	**National**	**Difference**	**Ohio**	**National**	**Difference**
16 to 19 years	6.5%	6.3%	0.2	46.2%	36.2%	10.0
20 to 24 years	8.1%	8.0%	0.1	77.2%	70.8%	6.4
25 to 34 years	17.0%	17.1%	-0.1	83.0%	81.9%	1.1
35 to 44 years	14.4%	16.0%	-1.7	82.8%	82.0%	0.8
45 to 54 years	13.4%	15.1%	-1.7	79.7%	80.7%	-1.0
55 to 64 years	17.4%	16.0%	1.4	65.7%	64.6%	1.1
65 years and over	23.3%	21.5%	1.8	17.2%	18.9%	-1.7
All ages	100%	100%		61.3%	61.7%	-0.4

Likewise, the size of Ohio's prime age workforce, those 25- to 64-years-old, is forecasted to decline faster than that of the nation. Figure 3 shows the cumulative growth rate of Ohio's prime age worker population since 2000. Prime working age population is expected to plateau this year in the U.S. as Baby Boomers continue to retire. However, in Ohio the prime working age population is expected to see slower growth over the next four years with the potential of shrinking by the year 2027.

Figure 3: Cumulative Growth in US and Ohio Prime Working Age Population (Age 25-64) from 2000 to 2027



These demographic changes will require that, for our state to continue to grow and prosper, Ohioans must fully participate in our workforce and achieve their full potential. It will also require that we attract new residents to maintain our growth trajectory. Governor DeWine's budget plan addresses these challenges.

THE FORECASTS

Over the past few months, surveys of professional economists show that the majority expect a recession in the U.S. economy within the next 12 to 24 months.[1] The January

[1] This is generally, but not universally true. For example, the November 2022 Philadelphia Federal Reserve Survey of Professional Forecasters puts the probability of negative real GDP growth in all quarters of CY 2023 at slightly less than 50 percent. This survey also predicts a peak unemployment rate of only 4.4 percent. Federal Reserve Bank of Philadelphia. (2022). *Fourth Quarter 2022 Survey of Professional Forecasters.* https://www.philadelphiafed.org/surveys-and-data/real-time-data-research/spf-q4-2022.

2023 Wall Street Journal Survey of economists found that 61 percent of those surveyed expect a recession within the next 12 months. The good news is that they predict the downturn to be relatively short and mild. The mildness of the anticipated decline can be seen in the survey's average projections for real GDP growth: a 0.1 percent (annualized) increase in the first quarter of calendar year 2023, a 0.4 percent decrease in second quarter, no change in the third quarter, and an increase of 0.6 percent in the fourth quarter.[2]

Despite these expectations, the economists surveyed foresee very small reductions in employment across the U.S. - only an average of 7,000 jobs per month decreased over calendar year 2023. A recent survey of Chief Executive Officers (CEOs) found that rather than reducing employment, U.S. CEOs are focused on innovation, emphasizing higher-growth business lines, protecting margins with pricing strategies, investing in marketing and cutting administrative and discretionary spending.[3]

The forecasting firms with whom OBM contracts are split on the likelihood of a U.S. recession. The latest Moody's Analytics baseline forecast predicts very slow growth in calendar year 2023 but not an outright recession, while the latest S&P Global baseline predicts a mild recession in the first and second quarters.

After analysis of the Moody's and S&P forecasts, OBM cautiously selected the S&P baseline forecast as the foundation for our forecasts of tax revenue and Medicaid caseloads over the remainder of FY 2023 and the upcoming FY 2024-2025 biennium. Given that most professional forecasters are currently predicting national recession, it is conservative and wise to use an underlying economic forecast that has a mild downturn built in.

SOURCES OF RISK AND UNCERTAINTY

There are both upside and downside risks to the S&P baseline forecast. On the upside, it is possible that consumer spending turns out to be stronger than is forecast, perhaps because the stock of accumulated savings is greater or lasts longer than anticipated. It is also possible that after some weak recent productivity readings, stronger productivity growth improves corporate profitability and leads to greater business investment. Additionally, a resolution to the Russia-Ukraine conflict would allow for a lower path for energy prices, bringing inflation down more quickly and allowing for lower interest rates.

[2] Torry, H. & DeBarrons, A. (2023, January 15). Economists in WSJ survey still see recession this year despite easing inflation. *Wall Street Journal* https://www.wsj.com/articles/despite-easing-price-pressures-economists-in-wsj-survey-still-see-recession-this-year-11673723571

[3] Francis, T. (2023, January 12). CEOs say they expect a U.S. recession, but most think it will be short. https://www.wsj.com/articles/ceos-say-they-expect-a-u-s-recession-but-most-think-it-will-be-short-11673500868?mod=article_inline

There are also potential downside risks to the S&P baseline economic forecast. Consumer spending could be weaker as consumers become more cautious in the face of employment losses. An intensification of the Russia-Ukraine conflict would likely lead to higher price paths for energy commodities, other industrial commodities and grain products, and a more pronounced slowdown in foreign growth which would hurt U.S. exports. A slower correction of supply-chain issues would prolong delays in the production of consumer durable goods, further slowing consumption spending. Slumping consumer demand and persistent supply-chain issues would then lead businesses to scale back investment plans.

DETAILED NEAR-TERM OUTLOOK

There are thousands of variables in the S&P Global economic forecasts. OBM pays particular attention to a relatively small group of key variables that either summarize the broad economy or that are directly used in equations to forecast our General Revenue Fund, or GRF, tax revenues. The fiscal years 2023-2025 forecasts for those variables, along with the history for fiscal years 2020-2022, are summarized in Table 2, below.

Table 2: U.S. and Ohio Key Variables in the SPG December 2022 Baseline Forecast

Output	FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2023 Estimate	FY 2024 Forecast	FY 2025 Forecast
U.S. Real GDP	-0.7	2.3	4.0	0.8	0.8	2.1
Ohio Real GDP	-1.0	2.7	3.6	-0.2	0.5	1.8
Income						
U.S. Nominal Personal Income	6.0	7.6	2.7	4.8	4.2	4.8
Ohio Nominal Personal Income	5.6	7.3	1.0	4.9	4.2	4.8
Ohio Nominal Wage and Salary Income	1.5	4.3	8.0	6.2	3.9	5.0
Employment						
U.S. Nonfarm Employment	-1.9	-2.8	4.5	2.7	-0.8	0.4
Ohio Nonfarm Employment	-2.7	-2.2	2.3	1.5	-0.7	0.6
U.S. Unemployment Rate (percentage)	6.0	6.9	4.2	3.9	5.2	4.8
Ohio Unemployment Rate (percentage)	6.6	6.6	4.4	4.4	5.9	5.5
Prices						
CPI (all items)	1.6	2.3	7.2	6.4	2.7	2.2
PCE Deflator, Less Food and Energy	1.5	2.0	4.7	4.5	3.0	2.2
Consumer Spending						
U.S. Real Personal Consumption Expenditure	-1.2	3.8	5.4	1.9	0.9	1.5
U.S. Nominal Personal Consumption Expenditure	0.1	5.9	11.5	6.9	3.5	3.6
U.S. Retail and Food Service Sales	0.0	13.7	13.2	5.8	1.2	2.5
U.S. Light Vehicle Sales (millions of units)	15.06	16.31	13.44	13.95	15.55	16.09
U.S. Light Vehicle Average Price (thousands)	$35.96	$38.53	$43.91	$44.82	$40.36	$39.87

*Annual percent change unless otherwise noted
**Fiscal year totals are averages of quarterly data

GENERAL REVENUE FUND TAX FORECAST

OBM collaborated with the Department of Taxation to develop the estimates for fiscal years 2023 through 2025. These forecasts reflect the total GRF tax revenue expected to be generated in each fiscal year to then be available to support the GRF appropriations in this budget.

The Governor's budget very conservatively anticipates total tax revenue of $28.4 billion in current FY 2023, increasing by 0.8 percent from the previous year. The forecast projects current law (or "baseline") tax revenues of $28.9 billion in FY 2024, 2.0 percent over projected FY 2023, $30.4 billion in FY 2025, 5.0 percent over FY 2024.

Because the Executive Budget proposes various tax policy changes to take effect in the upcoming biennium, the GRF tax revenue forecast after applying these tax changes totals **$28.7 billion in FY 2024** and **$30.1 billion in FY 2025**.

I will summarize our forecasts for the most significant tax sources.

PERSONAL INCOME TAX

The personal income tax revenue estimates entail two different collection components: employer withholding, and taxes derived from non-wage income. Additionally, refund payment estimates are incorporated into the overall income tax forecast.

OBM conservatively forecasts a 3.0 percent decline in GRF revenue from this source in current FY 2023. Anticipated performance from non-wage income is the prime driver of the year's expected negative growth outcome. Revenue growth is then expected during the upcoming biennium, with current law baseline revenue from this source increasing by 2.8 percent in FY 2024 and by 7.7 percent in FY 2025.

Our forecast for personal income tax revenues is impacted by proposed changes in the Governor's executive budget. The executive budget plan includes a proposed increase to the Local Government Fund (LGF), which is credited against GRF personal income tax revenue. Under current law, the fund receives 1.66 percent of GRF tax revenues; the budget proposes to increase the percentage to 1.7 percent. As a result, the LGF will grow as state GRF tax revenues increase and will also grow due to the proposed percentage increase.

Governor DeWine also proposes to provide families a **$2,500 per child state income tax deduction** to further ease the burden of raising a family, benefiting about 900,000 families across the state.

The budget also includes a new program supporting stable communities through home ownership. Ohioans planning to purchase a home or make major improvements will be able to open a **home ownership savings account**. Homeowners and prospective home buyers, their families, and their employers will be able to contribute to an account and be eligible to deduct such contributions on their Ohio personal income tax return.

NON-AUTO SALES AND USE TAX

The recent path of non-auto sales tax revenues has been a winding one. Non-auto sales tax GRF revenues increased by only 1.2 percent in FY 2020, impacted by reduced consumption. In contrast, FY 2021 growth was a historically strong 12.5 percent, an outcome caused by both a suppressed FY 2020 base year and high consumer demand – especially for taxable goods. FY 2022, revenue growth remained elevated, at 7.2 percent. Anticipated growth rates during the FY 2023, FY 2024, and FY 2025 are moderated compared to the most recent two years. This reflects a slowing national economy during calendar year 2023 and returning toward long-term trend.

The forecast for non-auto sales tax revenues for the upcoming biennium is also impacted by proposed changes in the Governor's executive budget. Governor DeWine proposes a sales tax exemption for purchases of products that support children, exempting baby diapers and wipes, and products such as cribs, car seats, and strollers. The exemption would save Ohio parents and caregivers an estimated $16 million in state sales tax over a full year, keeping hard-earned money in family wallets.

The budget also increases the Public Library Fund (PLF). Under current statute, the fund would receive 1.66 percent of GRF tax revenues. One-half of PLF funding is credited against GRF non-auto sales tax revenue (the other half is credited against GRF kilowatt-hour tax revenue). The budget proposes to increase the percentage to 1.7 percent. As a result, PLF will grow as state GRF tax revenues increase and, relative to continuing law, will also grow due to the funding percentage increase.

AUTO SALES TAX

The motor vehicle market experienced unique disruption over the past few years. The auto sales tax reflects the broad dynamics of that market since early calendar year 2020. FY 2020 revenue experienced a downturn as access to and demand for motor vehicles declined. In contrast, revenue spiked in FY 2021 as consumer demand increased and supply was limited. Motor vehicle prices rose at historic rates during FY 2021, and the large price increases continued through the first half of FY 2022. The run-up in vehicle price growth has since peaked, with used vehicle prices in particular showing a decline as market dynamics continue to evolve.

The revenue forecast for this source anticipates modest growth for FY 2023, followed by a slight 0.3 percent decline in FY 2024 and resumed growth in FY 2025.

TAX POLICY

Governor DeWine's tax policy is focused on families. The tax provisions that I have already outlined today will **save families almost $200 million each year** by eliminating the sales tax on baby products, by implementing a new per-child state income tax deduction, and by creating home ownership savings accounts. Governor DeWine's budget includes several additional tax provisions to make housing more affordable, to protect our historic buildings, and to make Ohio a more attractive place for filmmakers.

This budget plan includes tax credits totaling $100 million per fiscal year for the development and rehabilitation of low-income multifamily rental housing projects to add to the affordable housing supply or extend the viability of such housing. The credits are part of an overall four-year program totaling $400 million.

A second proposed housing-related tax credit would address the supply of affordable single-family housing. Qualifying projects would be allocated tax credits totaling $50 million per fiscal year. These credits are also part of an overall four-year program, totaling $200 million.

The budget also increases the annual maximum amount of credits that may be issued from the Ohio motion picture tax credit program each fiscal year from $40 million to $75 million. The program provides an important incentive for film productions and qualifying live theater productions to locate in Ohio, employing Ohio residents and purchasing Ohio products and services.

Finally, to further incentivize our communities to protect and preserve the historic buildings that make our downtowns unique, the historic preservation tax credit annual maximum would continue to be doubled in FY 2025 – from $60 million to $120 million – adding another year to the increase enacted last year through H.B. 225.

FY 2024-2025 PRIORITIES

I would now like to turn to the Governor's priority appropriation proposals. Recommended appropriations in the executive budget are made across 1,300 budget line items in 800 funds, which are grouped by similarity of purpose into 15 budget fund groups – the largest of which is the GRF.

- The GRF receives the majority of the state's general-purpose tax revenues – those sources that I have outlined today – and is the most discretionary fund. While tax revenues make up the majority of the GRF, it also includes revenue that the state receives from the federal government as reimbursement for Medicaid.

- The next largest fund group is the Federal fund group, which receives most of the funding that flows to the state from the federal government, such as grants from various federal agencies.

- Another notable fund group is the Dedicated Purpose Fund, which includes revenue mostly from fees and fines – money that must be used for specific purposes outlined in statute.

The all-funds budget totals $103.3 billion in FY 2024, an increase of about 3.4 percent from FY 2023 estimates, and $99.8 billion in FY 2025, a decrease of 3.3 percent from FY 2024. Figure 4 and Table 3 outline recommended appropriations from all funds, broken down by major category. The largest of all categories in the all-funds budget is Medicaid, which accounts for about 42 percent, followed by General Government purposes, and K-12 Education.

Figure 4: All Funds Appropriations, FY 2024-2025

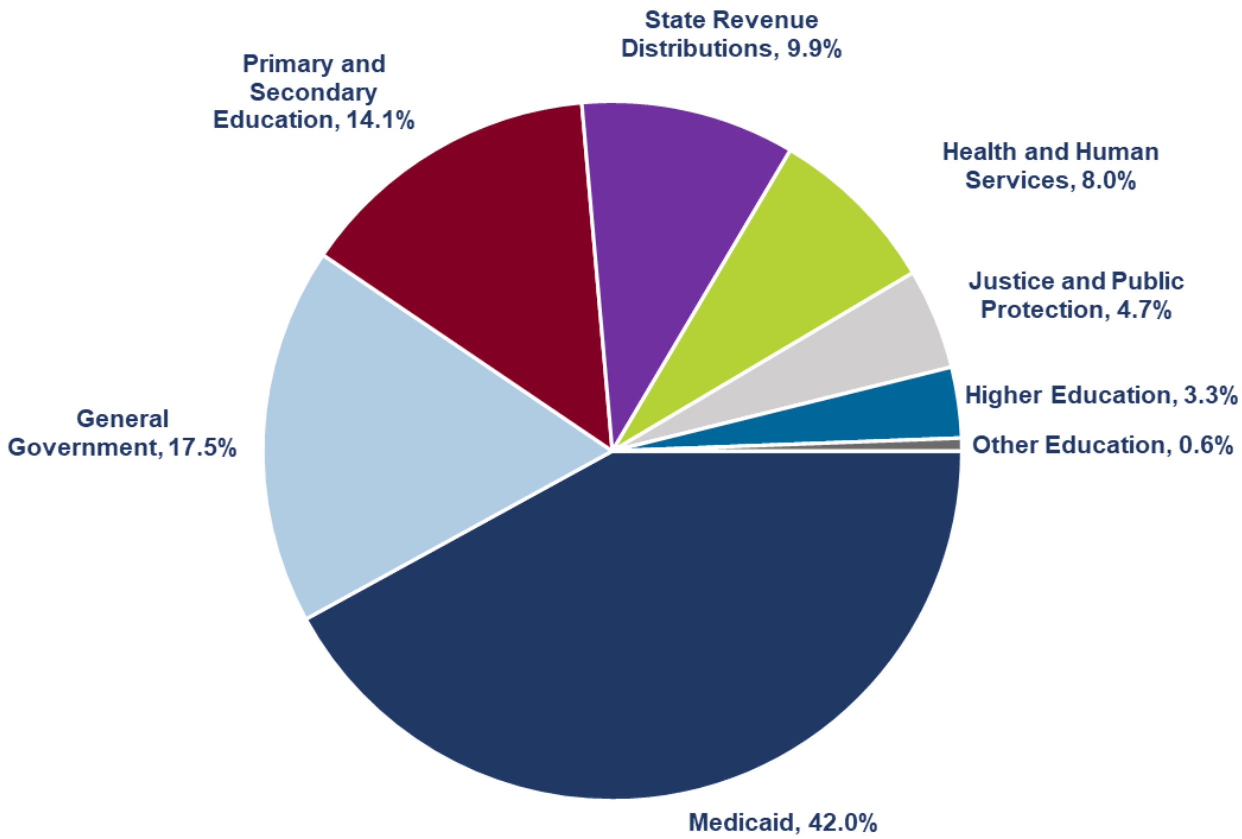


Table 3: All Funds Appropriations (dollars in millions)

Function	FY2024	FY2025	Total
Primary and Secondary Education	$15,129.8	$13,562.3	$28,692.1
Higher Education	$3,287.2	$3,359.2	$6,646.5
Other Education	$735.2	$466.6	$1,201.8
Medicaid	$41,559.4	$43,781.8	$85,341.2
Health and Human Services	$8,364.1	$7,822.4	$16,186.6
Justice and Public Protection	$4,640.8	$4,812.9	$9,453.7
General Government	$19,779.1	$15,673.4	$35,452.6
State Revenue Distributions	$9,831.4	$10,289.3	$20,120.8
Total	**$103,327.1**	**$99,768.1**	**$203,095.1**

The total GRF recommendation, which includes federal Medicaid reimbursement dollars that are deposited to the GRF, is $42.3 billion in FY 2024, just 3.7 percent over FY 2023, and $44.6 billion in FY 2025, 5.4 percent over FY 2024. Figure 5 and Table 4 visualize these figures.

Figure 5: Total General Revenue Fund Appropriations, FY 2024-2025

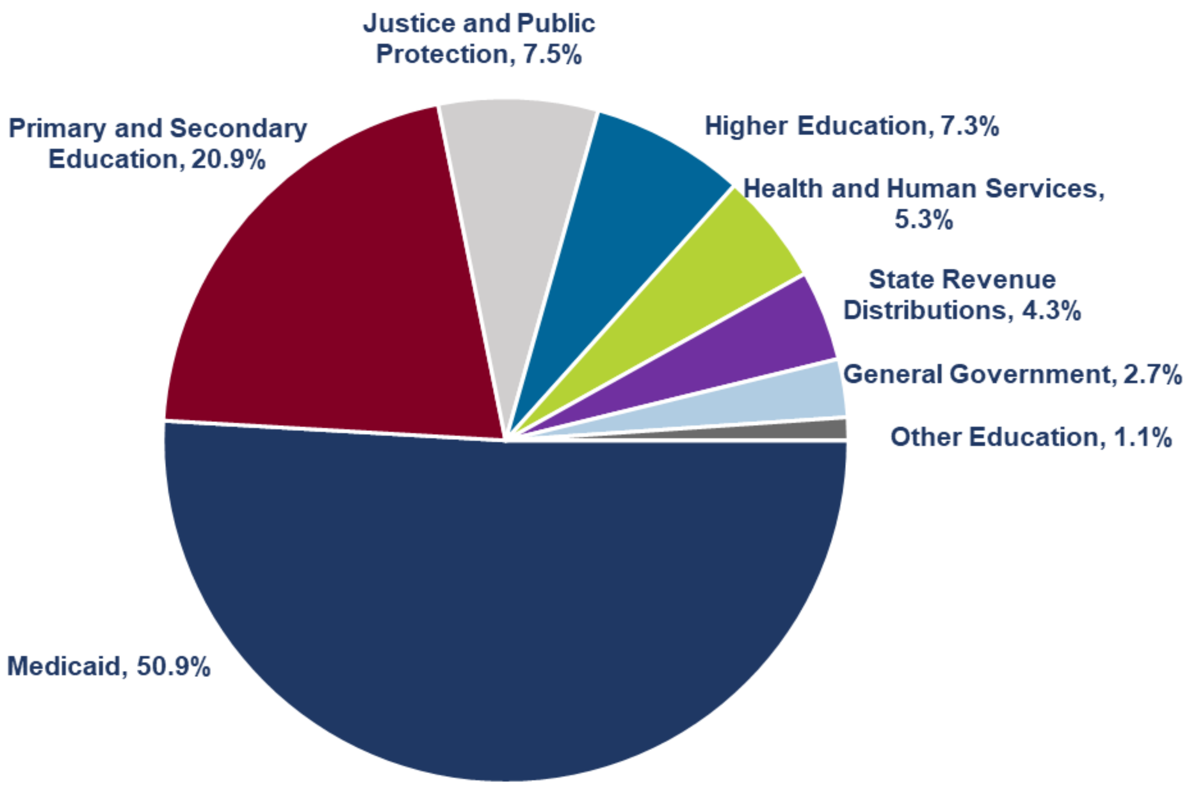


Table 4: Total General Revenue Fund Appropriations (dollars in millions)

Function	FY2024	FY2025	Total
Primary and Secondary Education	$8,997.3	$9,182.0	$18,179.4
Higher Education	$3,028.4	$3,300.2	$6,328.7
Other Education	$501.8	$432.9	$934.7
Medicaid	$21,257.0	$22,990.3	$44,247.3
Health and Human Services	$2,270.5	$2,306.3	$4,576.8
Justice and Public Protection	$3,192.2	$3,341.7	$6,533.9
General Government	$1,209.3	$1,179.4	$2,388.7
State Revenue Distributions	$1,845.9	$1,858.0	$3,703.9
Total	**$42,302.5**	**$44,590.8**	**$86,893.4**

The state-only GRF budget – the most flexible, discretionary portion of the budget – totals $28.1 billion in FY 2024, just 2.2 percent over FY 2023, and $29.4 billion in FY 2025, 4.6 percent over FY 2024. As Figure 6 and Table 5 show, K-12 Education is the largest portion of our state-only GRF budget, accounting for nearly 32 percent, followed by Medicaid, Justice and Safety, and Higher Education.

Figure 6: State Only General Revenue Fund Appropriations FY 2024-2025

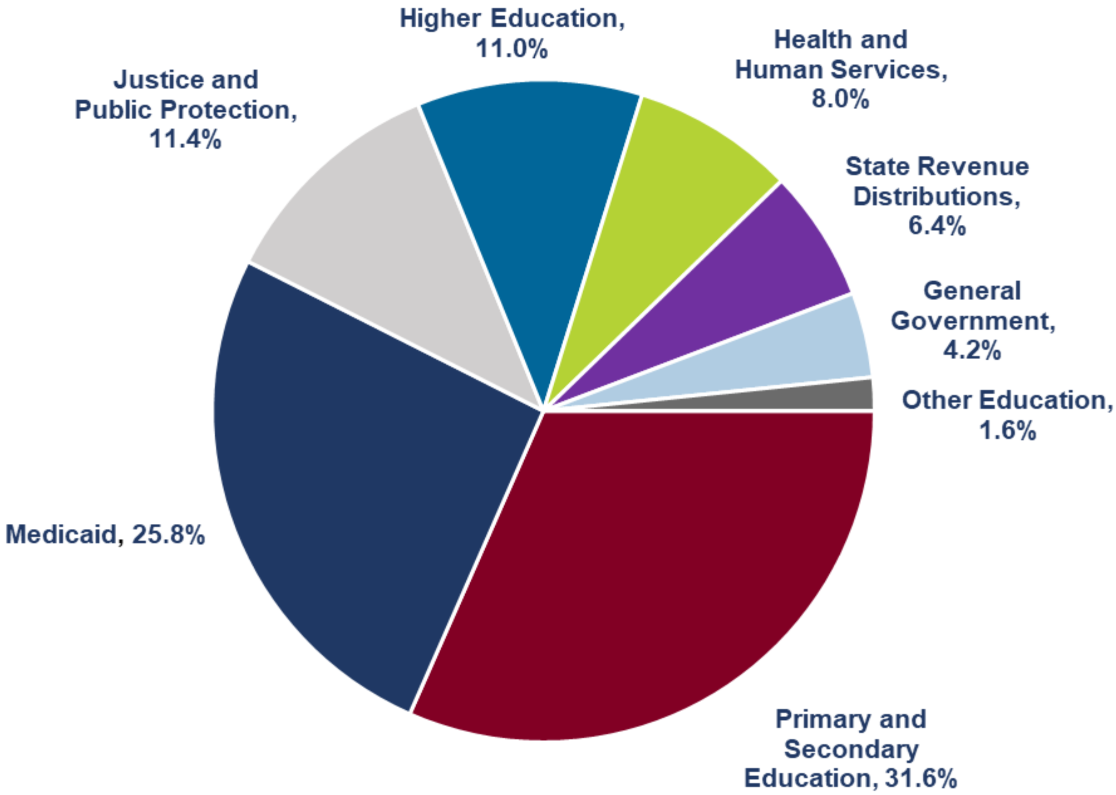


Table 5: State Only General Revenue Fund Appropriations (dollars in millions)

Function	FY2024	FY2025	Total
Primary and Secondary Education	$8,997.3	$9,182.0	$18,179.4
Higher Education	$3,028.4	$3,300.2	$6,328.7
Other Education	$501.8	$432.9	$934.7
Medicaid	$7,038.0	$7,818.2	$14,856.2
Health and Human Services	$2,270.5	$2,306.3	$4,576.8
Justice and Public Protection	$3,192.2	$3,341.7	$6,533.9
General Government	$1,209.3	$1,179.4	$2,388.7
State Revenue Distributions	$1,845.9	$1,858.0	$3,703.9
Total	**$28,083.5**	**$29,418.7**	**$57,502.3**

OHIO'S TIME

Mr. Chairman, members of the Finance Committee, this is Ohio's time. Our economy continues to surge. As I have demonstrated in the revenue discussion, our state is on firm footing. Businesses large and small are flocking to Ohio because they see what we see – Ohio is one of the best places to start and raise a family, to go to school, to find a job, and to live.

When OBM plans the executive budget, we begin as I have this morning, with the economic forecast. We then layer on models to project the available GRF tax revenues as I have discussed today, we estimate the resources available in each of the other federal, dedicated purpose, and all other funds, and we then craft the Governor's budget plan, ensuring that every one of those 800 funds are balanced. We confirm that revenues are available to support the priorities in the budget plan.

As I have discussed, the largest single fund, and the fund that receives the most discussion during budget deliberations, is the state General Revenue Fund. This budget has been carefully constructed to maintain the state's GRF **structural balance**, allocating one-time resources to one-time expenses that will provide lasting returns for long-term prosperity. The budget includes both one-time state GRF and one-time federal funding. I will begin with a discussion of the one-time GRF.

When I talk about one-time state GRF, I am referring to the cash balance that accumulated over the past few years as revenues have thankfully exceeded budgeted estimates. This cash balance is available now because our last budget was conservatively forecast at a time of great economic uncertainty. Ohio consumer spending was propelled by relief payments. The shift back to pre-pandemic spending trends on services, which are largely not taxed in Ohio, from goods, which are subject to Ohio sales tax, occurred more slowly than had been anticipated two years ago. These factors resulted in higher-than-expected sales tax receipts. Low unemployment and rising wages also propelled our personal income tax receipts. Revenues exceeded estimates in FYs 2021 and 2022 and are projected to again exceed estimates in current FY 2023. The accumulated cash balance in the GRF resulted from these revenue overages and must be budgeted for one-time expenses, whereas the growth in the GRF from year-to-year or biennium to biennium is the amount that can be budgeted for new or expanded, recurring priorities. A structurally balanced budget is a budget that uses revenues received in a given year to pay for the expenses in that same year. **Governor DeWine's plan is <u>structurally</u> balanced**.

Because we have been conservative in our budget planning, Ohio stands today in a strong fiscal position. We project that we will end this current FY 2023 on June 30 with an accumulated cash balance of $6 billion in the GRF. A portion of that balance was set aside in the capital budget to fund the current two-year capital plan with cash-on-hand, instead of issuing debt (bonds). That plan that you enacted last summer has **already saved Ohioans almost a quarter of a billion dollars** in future interest payments. Going forward, Governor DeWine's budget plan allocates the remaining cash balance towards one-time priorities to ensure that we avoid a future budget cliff. Again, it is critical that this accumulated cash not be allocated towards recurring expenses. The **one-time GRF** is allocated to these one-time priorities:

- $2.4 billion to the **All-Ohio Future Fund** to invest in site development and infrastructure for economic development,
- $200 million to **upgrade K12 career tech facilities**,
- $150 million to support **Innovation Hubs** in communities outside of the "Three-Cs,"
- $140 million for Mental Health – including the "State of Ohio Action for Resiliency Network" or **SOAR Network**,
- $50 million more for facility improvements to **local jails**,
- $125 million for **rail crossing safety** projects – funding that will match federal infrastructure grants,
- $307 million for **H2Ohio** – including a new Rivers Initiative and additional funding to expand the program across the state,
- $65 million to upgrade our two existing **Veterans Homes** – this will cover 1/3 of the project cost – 2/3 of the cost will be covered by federal funding,
- $190 million to upgrade our **state fairgrounds**, following the recommendations of the Expo 2050 Task Force, implementing the feedback from stakeholders to support Ohio's critical agriculture sector long-term, by modernizing and enhancing the Center and the fairgrounds for the future,
- $50 million for the state's **Emergency Purposes Fund** that is overseen by the Controlling Board and allows the state to be prepared for unforeseen contingencies,
- $1 billion for the **Health and Human Services Reserve Fund** to ensure that the Medicaid program does not imbalance future budgets as the additional federal match received during Covid ("e-FMAP") is phased-out.

Mr. Chairman, as members of the Committee are aware, the state also has remaining one-time federal ARPA recovery funding. The Governor's budget allocates these one-time federal dollars to the following:

- $150 million for a **one-time ARPA-funded pilot child-care scholarship program** for critical occupations and other direct service professionals and to **increase access to licensed child-care programs for infants and toddlers** with priority for those in rural and urban areas.

- $50 million for **pediatric behavioral health** to address the shortage of behavioral health professionals serving kids and provide additional capital support needed to expand outpatient and residential services – investments that will help make sure that no family is forced to send their child out of state for care or stay too long in a hospital because there is nowhere else to go for help,

- $40 million to counties for **Healthy Aging Grants** so local communities can provide direct help to senior citizens to keep them in their homes and off Medicaid,

- $200 million for a "**Super RAPIDS**" surge in coordination with the Office of Workforce Transformation for high-tech training equipment requested in collaboration with local businesses – so we can prepare Ohioans for high-skilled in-demand jobs – this investment of federal funds is a partner to the investment of one-time state funding for K-12 career-tech,

- $10 million for the Department of Transportation (ODOT) and the Department of Development for a comprehensive future-focused and data-driven **plan to ensure that our transportation infrastructure supports and propels future economic growth** across the state – this includes specific focus on Toledo-Columbus connection.

The Governor's budget proposal begins with Ohio **children** <u>at the center</u>, invests in our people and strong **workforce**, supports **communities** across our great state, and advances our thriving and innovative **economy**. Mr. Chairman, members of the Committee, this is Ohio's time. We have an opportunity with this budget to take hold of our future and set Ohio on a prosperous path for generations. We have an opportunity to take action to change the path of our declining working-age population and set a vibrant future. In my remaining moments today, I will discuss highlights of this future-focused plan.

BOLD BEGINNINGS: HEALTHY, SUPPORTED FAMILIES

Governor DeWine's FY 2024-2025 budget transforms Ohio into the best state in the country to have a baby and raise a family. The recommended funding supports the Governor's Bold Beginning Initiative, which seeks to remove barriers to health care, ease financial burdens, and support parents.

NEW DEPARTMENT OF CHILDREN AND YOUTH

Everyone agrees that Ohio's children are our future – Ohio cannot continue to grow into a prosperous state without investing in our kids. Governor DeWine's administration, through the Governor's Children's Initiative, has worked to improve our families' lives by coordinating important agency initiatives such as evidence-based home visiting services, quality childcare, mental health programming, and foster care system reforms.

Despite this great work, Ohio lags top performing states on many indicators, ranking 31st for overall child well-being by the Annie E. Casey Foundation's metrics. At least 19 percent of Ohio children live in poverty, 13 percent of our children are diagnosed with anxiety or depression, and 28 percent are not demonstrating readiness for kindergarten.

The Governor's budget emphasizes supporting families to ensure that every child has a strong foundation for life. It takes the bold step of creating a new cabinet-level agency, the **Department of Children and Youth**, to place a greater focus on improving our communities for children and families.

This new department will consolidate programs currently housed across six agencies, including the Departments of Job and Family Services, Education, Health, Developmental Disabilities, Medicaid, and Mental Health and Addiction Services.

Major children's priorities in the budget include:

- $120 million over the biennium for **Help Me Grow**, Ohio's evidence-based home visiting program to encourage prenatal and well-baby care, and parenting education to promote comprehensive health and child development. This will increase the number of families receiving these critical services from about 10,000 to nearly 18,000.

- **An increase in eligibility for publicly funded childcare** to 160 percent of the federal poverty level and supporting the industry and its workforce, which will increase access and ease the financial burden on low-income working parents and caregivers struggling to provide adequate childcare.

- $15 million in startup funding to expand the **Healthy Beginnings at Home** model, which invests in secure housing for pregnant women and new mothers who are in unstable living conditions.

- **Increased access to early learning programs**, providing $92.2 million over the biennium to allow schools to provide an additional 11,525 low-income children with high-quality early childhood education.

IMAGINATION LIBRARY

One of Governor DeWine's major focuses is children's literacy. The Governor and First Lady thank you for your support of the Dolly Parton Imagination Library, which provides a free book each month to children from birth to age five. Thanks to our work together, 51 percent of Ohio young children are now enrolled. The Governor's budget provides $8 million per fiscal year to continue this impactful program.

INCREASING ACCESS TO MENTAL HEALTH RESOURCES

The mental health of our citizens, especially our children, is becoming ever important in our communities. More children are being diagnosed with a mental health ailment such as depression and anxiety. A report from the Annie E. Casey Foundation found that over 13 percent of Ohio children ages three to 17 were diagnosed with anxiety or depression in 2020, an increase of 42 percent compared to 2016.

Governor DeWine is seeking to change that trend and to improve the mental well-being of our children and adults. First and foremost, this budget seeks to make behavioral health services visible, accessible, and effective. This budget will invest in programs to build a system to treat Ohioans early and in their communities.

Key mental health priorities in the Governor's budget include:

- Maintaining the operations of over 1,000 inpatient beds in our **state hospital system**, ensuring staff and patient safety and alleviating stress placed on adjacent systems, including local jails.

- Establishing the State of Ohio Action for Resiliency Network (**SOAR Network**) with a one-time investment of $110 million to make Ohio a national leader in mental health research and innovation. The SOAR Network of state research institutions will study complex and diverse factors related to the prevention, treatment, and recovery from mental illness and substance use disorders; develop innovative strategies to improve recovery, health, and wellness, and deploy those findings through treatments across the state. This is included in the $140 million in one-time GRF funding for mental health priorities that I discussed earlier in my testimony, which also includes statewide initiatives to increase treatment capacity and reduce waitlists for services by building out Ohio's transitional step-down housing capacity.

- **Appropriating $50 million** in ARPA, as I noted earlier, for Pediatric Behavioral Health programs to support children's behavioral health workforce development, infrastructure improvements at health care facilities to expand access to services, including OhioRISE Psychiatric Residential Treatment Facilities, and to improve integration of behavioral health and primary care services.

- Providing $46.5 million over two years for Ohio's **988 Suicide and Crisis Lifeline** network to increase the ability to provide a timely and quality response and intervention during a behavioral health crisis, reducing reliance on local law enforcement, reducing emergency department use and jail stays by individuals with mental illness and addiction.

HEALTH PROGRAMS

The health of Ohioans directly impacts their ability to raise their families and contribute to our workforce.

Governor DeWine's budget bolsters our Public Health Laboratory by investing over $19 million to further increase the number of vital tests conducted at the facility, including newborn and other pathogen screening tests.

The negative health effects of smoking on Ohioans takes an enormous toll on our families and on our health care system. According to the Centers for Disease Control and Prevention, every year there are approximately 480,000 deaths caused in the United States due to tobacco, over 20,000 each year in Ohio. Smoking also puts an enormous cost on our families, our state budget, and on employers – $6.56 billion annually is spent on health care costs in Ohio due to smoking, $1.85 billion in Medicaid costs are tied to smoking, a drag on our budget and our state's economy.

Our children are at risk – nearly one-third of high school students in Ohio use e-cigarettes, which can lead to smoking. Over 1,600 kids in Ohio become new daily smokers each year. Governor DeWine's budget is focused on reversing that trend by providing $40 million to the **Tobacco Use Prevention and Cessation program.**

Included in that appropriation are **tobacco cessation programs for pregnant mothers**. Funding will be allocated to the Moms Quit for Two program, which provides grants to programs that deliver evidence-based tobacco cessation interventions to women who reside in communities that have the highest incidence of infant mortality, and the Baby and Me Tobacco Free Program, which will support 500 pregnant women with tobacco cessation services.

SUPPORTING OHIOANS WITH DISABILITIES

With $12 million, this budget ensures that technology is considered as part of all service support plans for people with developmental disabilities. Making technology-based supports available will help Ohioans with developmental disabilities to experience life more fully integrated into communities.

People with disabilities are valuable members of our workforce and this budget ensures that Ohio maximizes available federal funding for vocational rehabilitation services, empowering more than 8,000 additional Ohioans with disabilities through employment. This funding will ensure that underserved populations, including high school and college students and people with developmental disabilities, receive the services they need to be productive in our workforce.

MEDICAID

In further support of Governor DeWine's health initiatives, this budget includes $36.9 billion in FY 2024 and $38.9 billion in FY 2025 for the Department of Medicaid. The majority of this funding is federal – the recommended state-only GRF appropriation for the Department of Medicaid is $6.1 billion in FY 2024 and $6.8 billion in FY 2025.

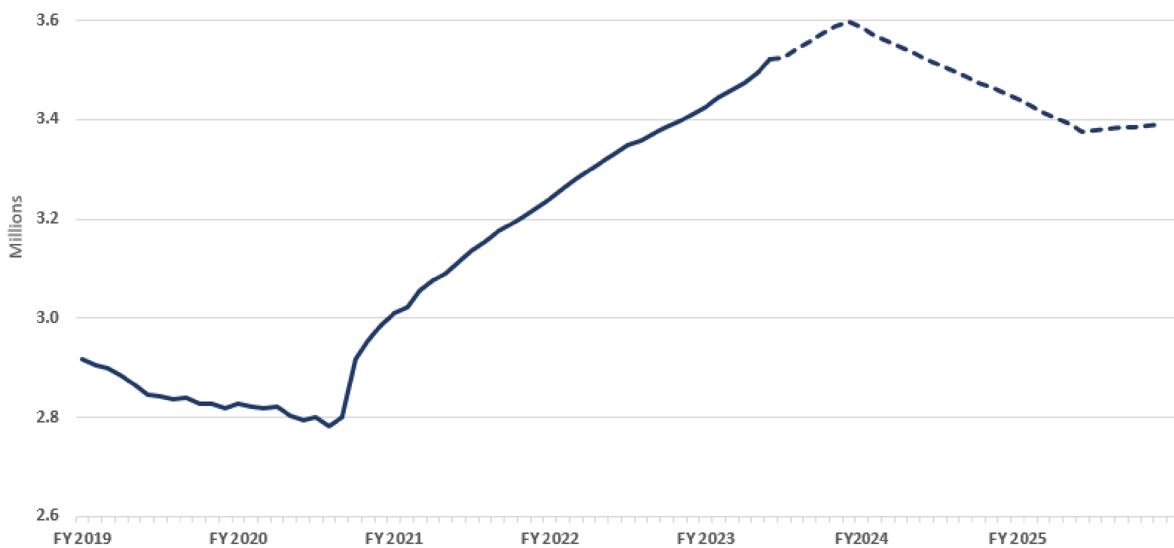
While the majority of Medicaid spending occurs through the Department of Medicaid, significant spending also occurs through six "sister agencies": the Departments of Aging, Developmental Disabilities, Health, Job and Family Services, Mental Health and Addiction Services, and Education. The recommended all-funds appropriations for the Medicaid program, including sister agencies, totals $41.6 billion in FY 2024 and $43.8 billion in FY 2025.

A significant cost driver of the budget is the elevated caseloads due to federal requirements during the federal Covid public health emergency. Those restrictions are coming to an end. The Department will soon implement a plan, working with our county partners, in accordance with the federal requirements to begin reevaluating program eligibility and disenrolling ineligible members. This significant county workload is supported by ARPA funding recently appropriated in HB 45 – funds that we began distributing this week.

The Medicaid budget is built on a forecast aligned with the budget's economic forecast, projecting that approximately 200,000 current Ohio Medicaid members will be disenrolled due to ineligibility during the upcoming biennium.

Medicaid Enrollment

After steadily increasing due to federal law changes during the pandemic, enrollment is expected to **decrease by approximately 200k** over the biennium as the Department resumes routine eligibility determinations.



The Governor's budget also includes Medicaid program priorities to increase access, efficiency, and accountability, including:

- Increasing eligibility to **new and expectant mothers and children up to 300 percent of the federal poverty level**, providing critical access to health care services for over 3,000 more mothers and over 50,000 more children. Additionally, the Department will continue to implement the **Maternal and Infant Support Program**, which connects expectant mothers with care earlier in their pregnancies and improves birth outcomes.

- Supporting provider rate adjustments through the Departments of Medicaid, Aging, and Developmental Disabilities to help address current **health care workforce** shortages by supporting higher wages and providing additional workforce supports, ensuring greater stability and greater access to care for Medicaid recipients.

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PREPARING OHIO'S WORKFORCE FOR THE FUTURE

Ohio is quickly becoming the go-to home for companies with state-of-the-art facilities and manufacturing capabilities that create products on the cutting edge. Businesses are investing in Ohio because of our stability, our location, and our resources, including the promise of a dedicated workforce trained to operate and manufacture high-tech products. We also have increased demand for employees in healthcare and other vital industries. Opportunities are abundant in Ohio today – when I checked this past weekend, we had 327,433 jobs available on OhioMeansJobs – and almost 200,000 of those jobs (199,695) come with a salary of over $50,000 per year. For our economy to grow, we must continue to focus on building an educated, highly-trained, innovative workforce and we must ensure that every Ohioan has the skills for the in-demand jobs available today and that each of us continues to upskill for the future.

HIGHER EDUCATION OPPORTUNITIES

Governor DeWine's budget prioritizes access to our two- and four-year universities. Through the efforts of the Department of Higher Education, this budget will make college and job skills training attainable for more Ohioans.

Importantly, this budget prioritizes higher education access for students by proposing an increase of over $230 million during the biennium for the **Ohio College Opportunity Grant** (OCOG), significantly improving student **affordability** and **access** to higher education.

OCOG currently provides financial assistance only to Ohio residents with the highest levels of financial need. Expansion will phase-in increased award amounts to $6,000 per student in 2025 and will expand eligibility to students with family incomes less than $87,000 per year – providing assistance to more middle-income families. This will increase the number of students eligible for OCOG by nearly 15,000 (28%) in the first year with eligibility expected to continue to increase at the same rate over the next four years.

Further, Governor DeWine's budget provides additional investments in our economic future:

- As mentioned earlier, we invest $200 million of remaining one-time ARPA dollars to expand **"Super RAPIDS" (Regionally Aligned Priorities in Delivering Skills)** for collaborative projects between Ohio's 49 technical centers, 14 public universities, 23 community colleges, and other qualifying institutions in Ohio. This investment will provide workforce facility upgrades, training equipment, and laboratory resources that will allow students to learn skills for in-demand jobs in their region.

- We create a new **Governor's Merit Scholarship,** providing $5,000 scholarships to every student in the top five percent of their high school graduating class. This critical investment in Ohio's future encourages high-achieving high school graduates to remain in Ohio to pursue their post-secondary studies. It is expected that the Governor's Merit Scholarship will reduce outmigration of this population by 10-15 percent.

- The Governor's plan establishes a new **Mentoring Scholarship Program,** allocating $13.5 million over the biennium to provide support services, counseling and mentoring for students beginning as early as 6th grade. This program will provide annual $2,500 college scholarships to help students succeed. When fully implemented, an estimated 12,000 at-risk students will benefit from a mentoring relationship, and 4,000 students will qualify for a renewable Mentorship Scholarship.

- The budget launches the **Teacher Apprenticeship Program** with $3.8 million in funding to identify and support high-quality educator candidates by providing a more efficient, collaborative, and cost-effective pathway to the teaching profession.

- And the Governor allocates $18.5 million each fiscal year for a new program to coordinate statewide efforts to enhance **computer science** at Ohio's K-12 schools and at institutions of higher education.

K-12 EDUCATION

The best way to ensure our children can grow to reach their full potential is to provide access to a quality education.

Through the Department of Education, the Governor's budget will:

- First and foremost, invest $20.3 billion over the biennium to support **students, schools, and districts with increased funding through the K-12 school funding formula and school choice options**. This record investment continues the phase-in of the school funding formula implemented in FY 2022, funding students where they are educated and increasing investment in economically disadvantaged students and pupil transportation programs.

- Expand family educational choice options by increasing the **EdChoice Expansion Scholarship to 400 percent of the federal poverty level**, which equates to $111,000 per year for a family of four.

- Double per-pupil funding, from $500 to $1,000, ($87.1 million in FY 2024 and $88.6 million in FY 2025) to support brick and mortar community schools through the Community School Facilities Program. In addition, this budget increases Quality Community School Support to $125 million per year to encourage and identify high-quality charter schools and provide additional support for economically disadvantaged students. These funds will help successful charter schools build the capacity to serve more Ohio students.

- Fund $174 million across the biennium to **improve student literacy** by creating professional development coursework rooted in evidence-based strategies for effective literacy instruction and by providing funds to schools and districts to incorporate literacy training in their classrooms. The Department will support up to 100 additional literacy coaches in schools and districts with the lowest reading proficiency, and ensure that all schools are using high-quality curriculum aligned with the science of reading.

- Launch the new **Ohio Military Veteran Educators Program** with $3.2 million per fiscal year to provide more opportunities and incentives for veterans to enter the teaching profession in Ohio.

CAREER TECHNICAL EDUCATION

Career technical centers throughout the state provide valuable training and credentialing to those pursuing high-wage jobs that do not require a college degree. Ohio has high-paying jobs available for in-demand careers. However, school districts face barriers to expanding and establishing programs to fill that need. Many existing career-tech programs have waitlists of students for in-demand programs – our kids want to develop skills in manufacturing, trades, and other technical fields, and some regions of the state do not have the facilities or the equipment to accommodate the demand.

To meet that demand, large investments in developing and establishing career-technical programs are needed. Governor DeWine, along with the Ohio Facilities Construction Commission and Department of Education, will work to improve career-technical education programming through two aligned groundbreaking programs: the **Career Tech Equipment Grant** and the **Career Tech Construction Grant.**

- The Governor's budget provides $50 million each year for the **Career-Tech Equipment Grant** to support equipment purchases to help schools and districts establish and expand their career-technical education programs that support Ohio's Top Jobs List, breaking down one of the most challenging barriers that schools face when starting or expanding vocational programs.

- As I mentioned earlier today, $200 million in one-time state money is allocated for the **Career-Tech Construction Grant** to provide funds to joint vocational school districts, or to city, local, and exempted school districts that are designated as the lead district of a career technical planning district. These grants will support facility construction costs for education and training programs.

As noted earlier, this is a "partner" to the Super RAPIDS funding at the higher education level so we can ensure that we are preparing students of all ages for high-paying, in-demand jobs in our local communities.

Further, the budget prioritizes $52 million to **incentivize students earning industry recognized credentials** and engaging in work-based learning experiences, provides increased funding for career awareness and exploration supports, and incentivizes high-performing Business Advisory Councils.

The TechCred Program for in-career adults will also be bolstered by an investment of **$25.2 million per fiscal year**, funding 20,000 technology-focused credentials per year.

DEVELOPING OUR COMMUNITIES

Our unique communities make Ohio special, and Governor DeWine's budget creates attractive economic environments that will allow businesses to provide good paying jobs, to protect our diverse natural resources, to preserve and sustain our farmlands that feed the state and our country, and to provide for affordable housing for families.

The Governor's executive budget will take bold steps to advance our communities:

ECONOMIC DEVELOPMENT

- We prioritize $2.5 billion for historic investment in **the All-Ohio Future Fund**, an economic development initiative that will support infrastructure to attract new businesses, support business growth and retention, and encourage workforce development across the state. As we discussed earlier, most of this funding comes from our accumulated one-time GRF – we have a unique opportunity today to use those available dollars to dramatically change Ohio's economic landscape for generations to come.

- Through a **$150 million investment,** the Department of Development will establish **new innovation hubs** near anchor research institutions and create new or preserve existing jobs, improving the economic conditions in each hub's region. This is also funded using those one-time GRF dollars.

- **$7.5 million is allocated each fiscal year for the Sector Partnership Grant Program**, which creates partnerships among businesses, schools, training providers, and community leaders, to strengthen the local workforce.

H2OHIO/OHIO RIVERS INITIATIVE

H2Ohio is a comprehensive, data-driven approach to improving our water quality over the long term. Concerted efforts by the Departments of Agriculture and Natural Resources, the Ohio Environmental Protection Agency, and the Lake Erie Commission ensure safe and clean water for all Ohioans.

The four main components of the program include: agriculture best management practices; wetland creation, restoration, and enhancement; water infrastructure improvements; and coordination, analysis, and accountability. This budget invests **$124 million** each year for H2Ohio to continue this successful initiative. Water is crucial for Ohio's economic future and our state is leading by protecting this resource.

Additionally, Governor DeWine's budget includes the new H2Ohio Rivers Initiative to maintain and improve the quality of waters in rivers across our great state. The Department of Natural Resources will protect streamside habitats, monitor aquatic species, and repair streams impacted by acid mine drainage, while the Ohio EPA will survey contaminants and work to reduce salt and chloride in streams and river areas. The budget includes **$59 million** over the biennium toward these efforts.

NATURAL RESOURCES

The budget also includes $2.9 million to address the limited supply of tree seedlings with the development of the new **Buckeye State Tree Nursery** to help meet growing demand. The facility will produce between 500,000 and 750,000 seedlings in the first full year of operation and up to one million seedlings per year, after three to four years.

VETERANS

Governor DeWine's budget honors and supports Ohio veterans by investing $65 million – the state funding needed to **modernize the veteran's homes in Sandusky and Georgetown**. This project will convert the facilities to single occupancy rooms, upgrade the heating, ventilation, and air conditioning, roofing, lighting, and plumbing, and improve infrastructure.

ENSURING SAFE and SECURE COMMUNITIES

Throughout his career as a public servant, Governor DeWine has devoted himself to improving the safety of communities by prioritizing our law enforcement and ensuring our justice system works efficiently and fairly for all citizens. This budget continues the Governor's mission to ensure our first responders and judicial system have the tools they need.

This budget will:

- **Provide the state share for a School Resource Officer in each school building** by providing $194 million per fiscal year.

- Allocate $40 million each fiscal year for **Law Enforcement Training,** the amount recommended by the Law Enforcement Training Funding Study Commission created by the General Assembly in the last budget.

- Provide $58.5 million over the biennium to **cover the standard local fees for the Multi-Agency Radio Communication System (MARCS)**. MARCS provides state-of-the-art wireless digital communications allowing over 3,000 public safety and public service agencies to easily communicate and coordinate across different entities.

- Fund $46 million over the biennium to build out the **Next Generation 9-1-1** infrastructure necessary for critical access to voice, text, and data used to support emergency responders.

- Invest an additional $12 million over the biennium to expand the Department of Public Safety's **Ohio Narcotics Intelligence Center**. This doubling of funding will allow for additional investigations of drug-related violent crimes and will increase support to agencies throughout the state.

- Provide $367 million over the biennium for **indigent defense** to reimburse counties for 100 percent of the costs incurred providing legal defense for people accused or convicted of a crime who cannot afford an attorney.

- Devote $3.9 million to support Ohio's **volunteer firefighters** by waiving certain fees at the State Fire Marshal's Fire Academy, increasing equipment and training grants, and upgrading the State Fire Marshal's systems to allow for online training. It would also support a new full-time volunteer recruitment/retention coordinator position within the State Fire Marshall and public service announcements (PSAs) focused on the needs of the volunteer fire service.

MAKING GOVERNMENT MORE EFFICIENT

Governor DeWine's budget prioritizes children, our workforce, communities, and our economy, and also is focused on making state government more efficient and **cost-effective**. I have already highlighted that we have saved Ohioans $249 million in future interest costs by cash-funding the current capital budget. This operating budget continues our focus on efficiency.

Most notable amongst those efforts is the work of the Common Sense Initiative, spearheaded by Lt. Gov. Husted, to streamline state government and remove outdated regulations. Just a couple weeks ago, the Governor and Lt. Governor announced their intention to **cut one-third of the Ohio Administrative Code** by targeting duplicative provisions, outdated sections, and unnecessary requirements. The law changes needed to streamline the Administrative Code are included in this budget.

Last year, the Lt. Governor also announced with members of the General Assembly the **Innovate the Code** effort. Those changes, aimed at outdated or inefficient statutory provisions in the Ohio Revised Code, are included in this budget and will save taxpayers approximately $44 million and save the state approximately 58,000 hours of labor.

Additionally, the Department of Commerce's Division of Real Estate and Professional Licensing will transition activities to an electronic licensing platform. The goal is to remove roadblocks and increase customer satisfaction for current and future real estate license holders. An evaluation of a similar transition in Oklahoma demonstrated a 230 percent return on investment.

The Department of Public Safety will continue to integrate local agencies into the eWarrants interface for arrest warrants and protection orders at no cost to local governments. This will allow for more readily available information for criminal background checks. This will increase public safety and efficiency – reducing travel time, minimizing redundant data entry, and decreasing error.

And as I have discussed, the Department of Children and Youth will ensure that services are more effectively provided to kids and families, eliminating duplication and bringing state programming together into a single, focused agency.

CONCLUSION

Now is our time to take bold steps to invest in kids and our families with quality childcare and excellent K-12 schools. Now is the time to develop our mental health system to be the best in the country so we can help those most at risk to addiction and mental health issues. Now is the time to develop our workforce and to ensure that every Ohioan is an independent and productive member of our community. Now is the time to make college affordable. Now is the time to support our communities to be even better places to raise a family. Now is the time to focus on building a strong economy for today and for future generations.

Mr. Chairman, members of the Finance Committee, thank you for this opportunity to provide an overview of Governor DeWine's FY 2024-2025 executive budget. This is a budget focused on investing in Ohioans and on delivering results.

I know that each of the members of Governor DeWine's cabinet looks forward to joining this Committee and your Subcommittees in the upcoming days and weeks as you examine the budget in detail during your hearings.

I will close this morning by thanking Governor DeWine, his staff, Lieutenant Governor Husted, members of the Governor's cabinet, the fiscal teams at our agencies, boards, and commissions, and especially the staff of OBM who worked for months to put together the balanced budget that I have presented to you today. I also thank each of you in advance for your time and work on the budget – it is a critical service that you provide to each and every Ohioan, and I appreciate your partnership throughout the process.

Thank you for your time and consideration this morning. I am happy to answer any questions that you have.

Actual and Estimated Revenues for the General Revenue Fund
Fiscal Years 2020 to 2025

(dollars in millions)

	Actuals					Estimates					
Revenue Source	**FY 2020**	**FY 2021**	**% Chg**	**FY 2022**	**% Chg**	**FY 2023**	**% Chg**	**FY 2024**	**% Chg**	**FY 2025**	**% Chg**
Tax Revenue											
Auto Sales and Use	1,502.7	1,856.6	23.5%	1,949.0	5.0%	2,003.0	2.8%	1,997.0	-0.3%	2,047.0	2.5%
Non-Auto Sales and Use	9,183.0	10,334.0	12.5%	11,080.6	7.2%	11,428.4	3.1%	11,658.5	2.0%	12,141.9	4.1%
Subtotal Sales and Use	10,685.8	12,190.6	14.1%	13,029.6	6.9%	13,431.4	3.1%	13,655.5	1.7%	14,188.9	3.9%
Personal Income	7,881.3	10,201.3	29.4%	10,752.2	5.4%	10,428.6	-3.0%	10,517.9	0.9%	11,306.8	7.5%
Corporate Franchise	-0.4	6.0	-1472.1%	0.7	-87.9%	0.0	-100.0%	0.0	N/A	0.0	N/A
Financial Institutions Tax	214.9	226.4	5.3%	202.8	-10.4%	233.0	14.9%	230.0	-1.3%	235.0	2.2%
Commercial Activity Tax	1,671.7	1,666.8	-0.3%	1,995.5	19.7%	2,127.7	6.6%	2,174.0	2.2%	2,254.3	3.7%
Petroleum Activity Tax	8.7	3.9	-55.5%	9.3	138.4%	13.5	45.5%	11.0	-18.5%	11.5	4.5%
Public Utility	141.0	124.7	-11.6%	156.3	25.4%	179.8	15.0%	176.2	-2.0%	179.7	2.0%
Kilowatt Hour Tax	331.8	298.2	-10.1%	291.4	-2.3%	282.5	-3.1%	279.3	-1.1%	266.9	-4.4%
Natural Gas Consumption	59.7	70.1	17.3%	69.0	-1.5%	72.5	5.0%	72.0	-0.7%	72.0	0.0%
Foreign Insurance	305.1	324.4	6.3%	328.4	1.2%	344.8	5.0%	353.4	2.5%	362.2	2.5%
Domestic Insurance	303.0	309.7	2.2%	312.6	0.9%	323.6	3.5%	334.9	3.5%	346.6	3.5%
Business and Property	0.4	0.4	3.3%	0.4	-1.9%	0.4	-1.0%	0.4	0.0%	0.4	0.0%
Cigarette	913.0	926.9	1.5%	884.6	-4.6%	817.9	-7.5%	791.5	-3.2%	766.7	-3.1%
Alcoholic Beverage	53.6	59.9	11.6%	61.7	3.1%	62.0	0.4%	62.0	0.0%	62.0	0.0%
Liquor Gallonage	53.4	57.6	8.0%	57.9	0.5%	58.0	0.1%	59.0	1.7%	60.0	1.7%
Estate	0.1	0.1	-10.0%	0.1	-7.9%	0.0	-100.0%	0.0	N/A	0.0	N/A
Total of Tax Revenue	22,623.2	26,466.9	17.0%	28,152.5	6.4%	28,375.7	0.8%	28,717.2	1.2%	30,113.0	4.9%
Non-Tax Revenue											
Earnings on Investments	131.4	57.0	-56.6%	52.8	-7.4%	90.0	70.5%	165.0	83.3%	150.0	-9.1%
Licenses and Fees	66.6	88.4	32.7%	99.2	12.2%	100.0	0.8%	100.0	0.0%	100.0	0.0%
Other Income	92.7	96.5	4.1%	175.3	81.7%	159.2	-9.2%	34.2	-78.5%	15.0	-56.1%
Interagency Transfers	28.7	12.4	-56.9%	225.9	1723.5%	13.9	-93.8%	13.9	0.0%	13.9	0.0%
Total of Non-Tax Revenue	319.4	254.3	-20.4%	553.2	117.6%	363.1	-34.4%	313.1	-13.8%	278.9	-10.9%
Transfers											
BSF Transfer	0.0	0.0	N/A	0.0	N/A	0.0	N/A	0.0	N/A	0.0	N/A
Transfers In - Other	81.0	97.8	20.7%	57.1	-41.6%	5.0	-91.2%	310.0	6100.0%	300.0	-3.2%
Transfers In - Temporary	0.0	0.0	N/A	0.0	N/A	0.0	N/A	0.0	N/A	0.0	N/A
Total Transfers	81.0	97.8	20.7%	57.1	-41.6%	5.0	-91.2%	310.0	6100.0%	300.0	-3.2%
Total Sources Excl. Federal Grants	23,023.6	26,818.9	16.5%	28,762.8	7.2%	28,743.8	-0.1%	29,340.3	2.1%	30,691.9	4.6%
Federal Grants	10,482.0	12,727.2	21.4%	11,897.3	-6.5%	13,451.9	13.1%	14,117.4	4.9%	15,062.8	6.7%
Total Sources	33,505.7	39,546.1	18.0%	40,660.2	2.8%	42,195.7	3.8%	43,457.6	3.0%	45,754.7	5.3%

Source: Ohio Office of Budget and Management, January 2023

BASELINE General Revenue Fund Tax Revenues
Fiscal Years 2022 - 2025
(dollars in millions)

Note: FY24 and FY25 "baseline" amounts do not include the Executive Budget tax policy proposal.

Tax Revenue Source	Actual FY 2022	Estimated FY 2023	FY22-23 % Chg	Baseline FY 2024	FY23-24 % Chg	Baseline FY 2025	FY24-25 % Chg
Auto Sales and Use	$1,949.0	$2,003.0	2.8%	$1,997.0	-0.3%	$2,047.0	2.5%
Non-Auto Sales and Use	11,080.6	11,428.4	3.1%	11,673.5	2.1%	12,162.2	4.2%
Personal Income	10,752.2	10,428.6	-3.0%	10,723.1	2.8%	11,544.5	7.7%
Commercial Activity Tax	1,995.5	2,127.7	6.6%	2,174.0	2.2%	2,254.3	3.7%
Kilowatt Hour Tax	291.4	282.5	-3.1%	283.6	0.4%	271.3	-4.3%
Foreign Insurance	328.4	344.8	5.0%	353.4	2.5%	362.2	2.5%
Domestic Insurance	312.6	323.6	3.5%	334.9	3.5%	346.6	3.5%
Cigarette and Other Tobacco	884.6	817.9	-7.5%	791.5	-3.2%	766.7	-3.1%
Other Taxes	558.2	619.2	10.9%	610.6	-1.4%	620.6	1.6%
Total	$28,152.5	$28,375.7	0.8%	$28,941.6	2.0%	$30,375.4	5.0%

PROPOSED General Revenue Fund Tax Revenues
Fiscal Years 2022 - 2025
(dollars in millions)

Note: FY24 and FY25 "proposed" amounts include the Executive Budget tax policy proposal.

Tax Revenue Source	Actual FY 2022	Estimated FY 2023	FY22-23 % Chg	Proposed FY 2024	FY23-24 % Chg	Proposed FY 2025	FY24-25 % Chg
Auto Sales and Use	$1,949.0	$2,003.0	2.8%	$1,997.0	-0.3%	$2,047.0	2.5%
Non-Auto Sales and Use	11,080.6	11,428.4	3.1%	11,658.5	2.0%	12,141.9	4.1%
Personal Income	10,752.2	10,428.6	-3.0%	10,517.9	0.9%	11,306.8	7.5%
Commercial Activity Tax	1,995.5	2,127.7	6.6%	2,174.0	2.2%	2,254.3	3.7%
Kilowatt Hour Tax	291.4	282.5	-3.1%	279.3	-1.1%	267.0	-4.4%
Foreign Insurance	328.4	344.8	5.0%	353.4	2.5%	362.2	2.5%
Domestic Insurance	312.6	323.6	3.5%	334.9	3.5%	346.6	3.5%
Cigarette and Other Tobacco	884.6	817.9	-7.5%	791.5	-3.2%	766.7	-3.1%
Other Taxes	558.2	619.2	10.9%	610.6	-1.4%	620.6	1.6%
Total	$28,152.5	$28,375.7	0.8%	$28,717.2	1.2%	$30,113.1	4.9%