



Budget in Brief

Summary Document for Governor Strickland's
FYs 2010-2011 Operating Budget
February 2, 2009



Overview

- 1) Key Themes
- 2) Overview of FY 10/11 Budget Priorities
 - a) Education Reform Initiatives
 - b) Health Care Initiatives
 - c) Government Efficiencies & Performance
 - d) Jobs & Economic Development
 - e) Sentencing Reform and Community Corrections
- 3) Resources to Balance the Budget
 - a) Economic Forecast & Tax Revenue Estimates
 - b) Leveraging Existing Resources
 - c) Impact of the Forthcoming Federal Stimulus
 - d) Other Strategies
- 4) Agency Appropriations



Key Themes

- The FY 10/11 Executive Budget **does not raise taxes** for Ohioans.
- This budget **continues the momentum in key investments** that are critical to rebuilding Ohio's economy and positioning it for recovery

The Executive Budget: Key Investments

- **Creates a P-16 system of education** that focuses on the whole child
- **Reforms Ohio's primary and secondary education system** for accountability and results
- Makes Ohio's education finance system **simple, equitable and sustainable**
- **Increases affordability** through sustained tuition freezes for the University System of Ohio

The Executive Budget: Key Investments, 2

- Implements a **Unified Long Term Care Budget** to assure that Ohioans have access to a broad range of long term care choices in every community
- **Provides access to health care** for children (0 to 300% of federal poverty level)
- **Extends access to health care** for uninsured Ohioans by implementing the first steps of the State Quality and Coverage Initiatives

The Executive Budget: Key Investments, 3

- Advances an **accountability and efficiency** agenda to lower the cost of government
- Completes implementation of the **tax reforms** enacted in Amended Substitute House Bill 66
- Maintains the **homestead exemption** from HB 119
- Proposes **new tools to get and keep good jobs**

Agency Funding Levels

- In order to fund the Governor's key investments, other areas of state government have been funded at levels that require **difficult choices and shared sacrifice**.
 - Many programs and line items are funded below FY 2009 appropriations levels, at 80-90-95% of budget planning levels
 - Budget planning levels refer to the OBM guidance issued July 2008
 - Some previously announced initiatives have been scaled down or placed on hold for the FY 10/11 biennium

Safety Net Services

- While various services will be impacted by reduced funding, steps have been taken to **preserve the safety net** for the most vulnerable Ohioans:
 - Medicaid eligibility and services will extend to children up to 300% of the federal poverty level
 - MR/DD waiver services related to the *Martin* settlement will continue at current funding levels
 - Eligibility for all early care and education programs remains at 200% of the federal poverty level
 - Disability Financial Assistance is fully funded at projected caseloads

FY 10/11 Budget Priorities

- This section provides summary information and links to additional detail for each key investment area.
- Please review the entire presentation in order or go directly to a particular topic via the links at right.

EDUCATION

Primary & Secondary
Higher Education
Early Care & Education

HEALTH CARE

Medicaid
State Coverage Initiative

GOVERNMENT EFFICIENCY

JOBS & ECONOMIC DEVELOPMENT

Primary & Secondary Education Reform

- Governor Strickland's **Evidence-Based** reforms package in six categories:
 - 1) 21st Century Learning Environments
 - 2) Expand Learning Opportunities
 - 3) High Quality Educators
 - 4) Resource Accountability
 - 5) Measure Ohio Students Against the World
 - 6) Effective Funding Systems

Primary & Secondary Education Reform, 2

An Effective Funding System

- Ohio's Evidence-based Model (OEBM) measures the **costs of a 21st century education**
 - Replaces the current foundation funding system with a comprehensive new, evidence-based system centered on each student's needs
- OEBM establishes a completely new structure of **state and local school finance**
 - Makes the funding system transparent and easy to understand

Summary Budget Impacts of Education Reform

- Under OEBM, funding will be increased over 2009 by \$321.5 million in FY 2010 and \$603.5 million in FY 2011
- The ODE budget is reduced in a number of areas where those costs are included in the OEBM
- Additional reductions have been taken in other line items to direct resources to support direct student instruction

Other Education Highlights

- OEBM is phased in over 8 years, and state share is projected to rise to 59% by 2017, when it is fully phased in
- Cleveland Municipal School District will serve as the state's early adopter initiative district and will complete implementation of OEBM immediately

Higher Education

- **Affordability** is the key policy goal for higher education
- Full tuition freeze will remain in force for FY10/11, for community colleges and branch campuses, covering 60% of Ohio students
- For 4 year public institutions, tuition freeze will remain in force for the 2009-2010 academic year; University System of Ohio has voluntarily agreed to limit tuition growth in the 2010-2011 academic year to no more than 3.5%
- Lowest 4 years of tuition increases in Ohio in recent history

Higher Education, 2

- The State Share of Instruction formula has been updated to reflect performance and accountability provisions of USO strategic plan
- The Ohio College Opportunity Grant will use a "Pell First" strategy to maximize financial aid to students requiring needs-based financial aid
- Other line items have been reduced or eliminated to prioritize investments in affordability

Early Childhood Education

- The Administration will **consolidate** all early care and education programs within the Department of Education in FY 2011
- The Governor maintains his commitment to fund **early care and education programs** for families up to 200% of the federal poverty level

Early Childhood Education, 2

- A new **statewide payment system for subsidized child care** will be developed in FY 2010 and implemented in FY 2011, thereby ensuring consistency & accuracy for providers and also avoiding costs associated with reporting & payment errors
- Review OBM's special analysis for education initiatives

Health Care Initiatives

- The Executive Budget **preserves Ohio's current Medicaid eligibility & services**. This is possible through the use of:
 - Forthcoming federal stimulus resources
 - Restructured fees & rates for some Medicaid providers
 - Policy changes affecting Medicaid managed care
 - Completes the nursing facility transition to a price model legislated in H.B. 66
- The budget **continues planned expansion eligibility** for children to 300% of the federal poverty level.

Health Care Initiatives, 2

- The executive budget continues rebalancing of our long term care system to offering more consumer choice and greater efficiency
 - OBRT found Ohio spends 40% more on long term care compared to the nation average, and while varied across the state, they system was heavily skewed towards care in nursing facilities
- **Ohio's Unified Long Term Care Budget** enables the movement of funds between specific programs based on consumer demand and resource availability
- A revised **Certificate of Need policy** helps to supply nursing facility services in those areas of Ohio where capacity is needed
- Full funding for **PASSPORT** will prevent waiting lists for these community-based services during the FY 10/11 biennium
- Nursing facilities reimbursements moved to price in FY 2010, as originally contemplated in HB 66

Health Care Initiatives, 3

- The Executive Budget includes the following provisions for **MR/DD**:
 - Prioritizes funding for Medicaid waivers, including full funding for the Individual Options waivers included in the Martin settlement
 - Federal stimulus resources in the amount of \$51.9 million in FY 2010 and \$12.6 million in FY 2011 will be available for use by local boards to offset reduced state subsidy funding levels

Health Care Initiatives, 4

- The Executive Budget includes several changes related to **behavioral health**:
 - Federal stimulus resources of \$21.2 million in FY 2010 and \$5.2 million in FY 2011 will be available for use by local ADAMHS/ADAS/CMH boards to offset subsidy reductions
 - **Medicaid elevation to State:** Financing responsibility and related management functions of the community behavioral health Medicaid program will move to ODMH and ODADAS by July 1, 2011
 - **Advisory Group** created to develop a plan to implement the move, convened by the Directors of ODMH and ODADAS and including state policy experts, representatives of the boards, providers and consumer advocates.

Health Care Initiatives, 5

- The Executive Budget funds the first steps of the **State Coverage & Quality Initiatives**:
 - Creation of Health Care Access and Quality Council
 - Conduct a study of health care financing alternatives
 - Raise age of dependency to 29
 - Extend continuing coverage to 12 months for employees of small businesses that lose their jobs
 - Increase transparency regarding loss ratios and rating formulas in the health insurance market
 - Cap premiums for Open Enrollment program
- The combination of these initiatives will cover an additional 110,000 Ohioans over time

Health Care Initiatives, 6

- The Executive Budget provides funding to advance **health information technology** as well as other quality/improvement initiatives
 - The Ohio Health Information Exchange Center brings together the necessary information to create a comprehensive view of the individual patient, improving overall delivery of healthcare and lowering costs
 - Funding for this initiative will help obtain Federal stimulus grants in the future
- Review OBM's special analysis regarding Health Care initiatives

Health Care Initiatives, 7

- The executive budget restructures the financing of Medicaid 3 of the largest categories of Medicaid spending
- The change helps maintain services and prevent rate cuts in the near term and establish a finance structure that improves the long term sustainability of the program
 - For instance, in FY 2005 90% of JFS Medicaid was funded with GRF, but by FY 2011 only 78.9% will be GRF supported
- Modifications of Medicaid reimbursement and tax and fee structures for certain provider types
 - Hospital Franchise Fees and Rates
 - Replacement tax source for Medicaid Managed Care
 - ICF/MR franchise fee for Developmental Centers
 - Nursing Facility Franchise Fee

Government Efficiencies & Performance

- The Executive Budget contains a series of **efficiency measures** that will result in avoided costs and more streamlined use of taxpayer resources
 - General language is included expressly allowing all agencies to work together to achieve efficiencies in finance, HR functions, legal or other administration
- Review OBM's special analysis of this topic

Government Efficiencies, 2

Initiative	Notes
Procurement reform	Implement Advantage Ohio recommendations in order to avoid costs inherent in current "silo" purchasing practices
Consolidate the back-office functions of 28 regulatory boards and commissions into a single unit in the Department of Administrative Services	Boards will remain independent with separate Executive Directors & regulatory staff; cost containment focus is on eliminating administrative duplication (e.g., support operations, HR functions, etc.)
Shared Services for Finance Processes	Office of Budget & Management will implement the first stages of consolidated financial processing for multiple state agencies
Accountable Government Initiative	Office of Accountability & Results assists agencies in developing more efficient practices and avoiding costs

Jobs & Economic Development

- New programs funded from ODOD's Strategic Plan:
 - Ohio Hubs of Innovation and Opportunity
 - Ohio Means Home
 - Ohio Green Places
 - Ohio Available Skills Alert Posting (Ohio ASAP)
 - Ohio Ambassador Initiative
 - Check Ohio First
 - Enterprise Appalachia
- Third Frontier bond proceeds of \$11 million per year are used in place of GRF to support Third Frontier Fund administration

Jobs & Economic Development, 2

- Executive Budget includes several tax provisions to help Ohio attract and retain jobs:
 - Renew Technology Investment Tax Credit
 - Broaden Job Creation Tax Credit
 - Reform & streamline Job Retention Tax Credit, capped at \$13 million per year
 - Create new Film Tax Credit, capped at \$10 million per year
 - Create New Markets Tax Credit, modeled on similar federal tax credit

Sentencing Reform and Community Corrections

- **Rehabilitation and Corrections** is funded at \$40 million above 2009 appropriations levels in FY 2010 and \$60 million above FY 2009 levels in FY 2011
 - Budget also includes proposals for sentencing reform and additional funding for community corrections to slow prison population growth and lower operational costs of the department for the long-term
 - Without sentencing reform it is likely an institution will be closed in FY 2011

Sentencing Reform and Community Corrections, 2

- **Department of Youth Services** is funded at \$12.5 million above 2009 appropriations levels in FY 2010
 - Increased funding provides for additional, targeted investments in community correction programs
 - Investments aimed at treating youths, reducing recidivism, and decreasing the DYS population in accordance with the department's continuing vision

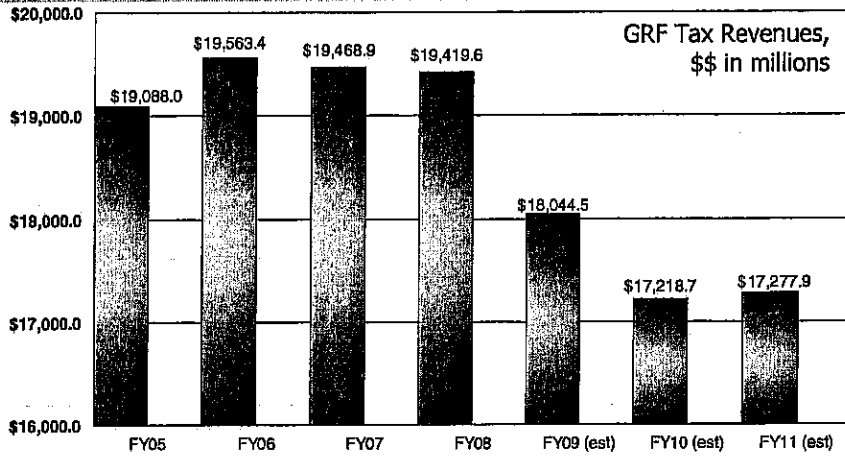
Resources to Balance the Budget

- The Executive Budget meets the Constitutional balanced budget requirement through the use of estimated tax receipts and other opportunities.
- This section includes:
 - Economic Forecast & Revenue Estimates
 - Leveraging Existing Resources
 - Impact of the Forthcoming Federal Stimulus
 - Other Strategies

Economic Forecast & Revenue Estimates

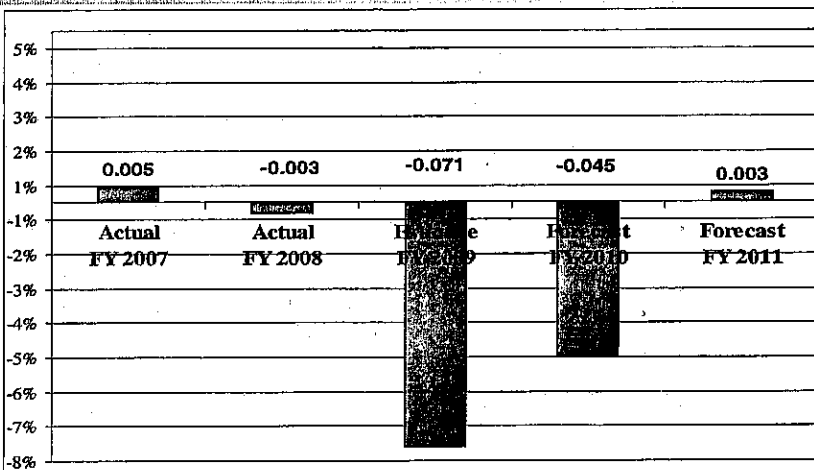
- U.S. economy has been in recession since December 2007
- Credit crunch has affected major industries including housing, banking & manufacturing
- Volatile energy prices also have affected overall economic situation
- Increased unemployment and decreased consumer spending have direct impacts on 75% of Ohio's tax sources: personal income tax and sales tax

GRF tax revenues: declined 2 years in a row & will continue through FY 10



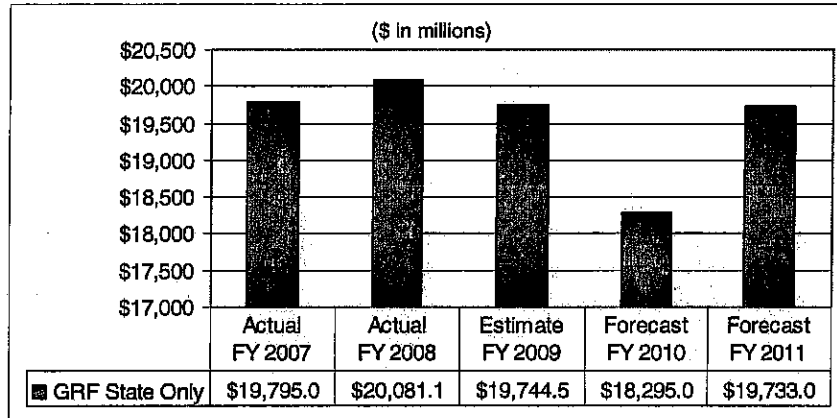
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GRF Tax Revenue Percentage Growth (FY 2007 – FY 2011)

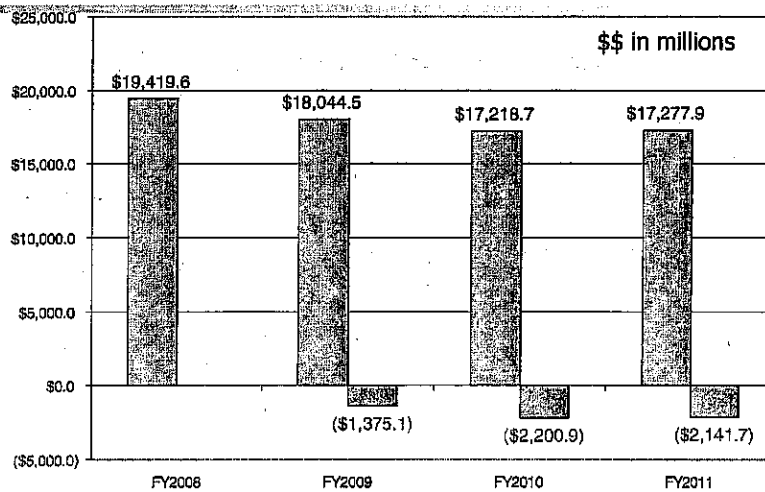


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GRF State Only Spending (FY 2007 - 2011)



GRF Tax Revenue and FYs 09-11 Losses Compared to FY 08



GRF Tax Receipts by Source, FYs 08 - 11

Tax Source	FY 2008 Actual	FY 2009 Estimate	FY 2010 Estimate	FY 2011 Estimate
Auto Sales & Use	\$943.5	\$875.0	\$889.2	\$925.5
Non-Auto Sales & Use	\$6,670.7	\$6,577.1	\$6,374.6	\$6,656.0
Total Sales & Use	\$7,614.2	\$7,452.1	\$7,263.8	\$7,581.5
Personal Income	\$9,114.7	\$8,257.5	\$7,979.1	\$7,730.8
Corporate Franchise	\$753.5	\$495.0	\$163.0	\$169.7
Commercial Activity Tax	\$0.0	\$0.0	\$0.0	\$0.0
Public Utility	\$157.7	\$177.3	\$173.8	\$162.6
Kilowatt-Hour Tax	\$231.2	\$132.8	\$159.7	\$165.2
Foreign Insurance	\$267.3	\$264.8	\$270.1	\$278.6
Domestic Insurance	\$154.6	\$167.7	\$180.2	\$210.7
Business & Property	\$22.3	\$20.0	\$20.5	\$21.0
Cigarette	\$950.9	\$917.0	\$850.0	\$796.4
Alcoholic Beverage	\$56.8	\$58.5	\$59.0	\$59.5
Liquor Gallonage	\$35.0	\$36.7	\$38.0	\$39.0
Estate	\$61.4	\$65.0	\$61.5	\$60.5
Total Tax Receipts	\$19,419.6	\$18,044.5	\$17,218.7	\$17,277.9
Yearly change	Amount	(\$1,375.1)	(\$825.8)	\$59.2

\$\$ in millions, net of local government fund adjustments



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Leveraging Existing Resources

- In order to offset declining revenue receipts without raising taxes, the Executive Budget leverages existing state resources in new ways:
 - Restructuring Ohio's General Obligation debt
 - State employee payroll reduction strategies to avoid costs and redirect resources to the GRF
 - One-time cash transfers to the GRF in order to assist with fund balance
- Review OBM's Special Analysis of this topic



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Restructuring Ohio's G.O. Debt

- OBM will shift debt service payments currently scheduled to be paid from the GRF in FY 10/11 into later biennia
 - Frees up approximately \$400 million of GRF resources in FY 10/11
- Timely repayment will occur in FY 12-21
- Accomplished by issuing new refunding bonds through Ohio Public Facilities Commission

Payroll Reduction Strategies

- Executive Budget includes two strategies that result in approximately \$170-200 million per year in cost avoidance:
 - Pay reductions from 3-5% based on the amount earned
 - Lower state-funded portion of vision, dental and life benefits from 100% to 90%
- Applicable to **all** state employees within the Executive Branch (union and exempt employees)
- These specific strategies are the subject of concurrent negotiation with bargaining unions.
 - State is requesting union concessions of an equivalent dollar amount in order to maintain a balanced budget

Redirect Existing Cash to GRF

- Executive Budget includes two strategies to bring cash balances from other state accounts into GRF for FY 10/11 only:
 - Transfers from various payroll funds into the GRF, except where prohibited (result of payroll reduction strategies)
 - Specific one-time cash transfers from non-GRF sources
 - NOTE: BSF Transfer calculations assume that the \$200 million investment in Local Transportation Improvement Program enacted as part of the bipartisan jobs stimulus bill will be funded via cash transfers from ODOT made available through the issuance of highway debt authorized in the FY 10/11 transportation budget

Specific One-Time Cash Transfers

Cash Transfers to GRF	FY 10	FY 11
Unclaimed Funds	\$200,000,000	\$85,000,000
Budget Stabilization Fund (Rainy Day Fund)	\$0	\$948,000,000
Securities Lending	\$0	\$5,000,000
Occupational Licensing & Regulatory Fund (4K9)	\$0	\$30,000,000
School Facilities Commission Funds N087 and 7021 (Will be a loan repayable after FY 11)	\$0	\$200,000,000
TOTAL	\$200,000,000	\$1,268,000,000

Federal Stimulus Assumptions

- Three types of stimulus available through the American Recovery & Reinvestment Act of 2009:
 - Portfolio of middle class tax cuts
 - State fiscal relief (e.g., increased reimbursement rate for Medicaid, additional funding for primary, secondary and higher education)
 - Infrastructure and other funding priorities
- Some of these resources require grant applications from the Governor
- Federal act imposes significant transparency, reporting and accountability measures
- Fiscal relief funds for Medicaid enhanced FMAP may not be “directly or indirectly” deposited into a state’s rainy day fund or other reserve funds

American Recovery & Reinvestment Act of 2009 (H.R. 1)

- Division A Includes:
- Application and reporting requirements as well as other management controls (Title 1)
 - The act recognizes the governor as the state official responsible for complying with accountability provisions
 - The use it or lose it provisions will require flexible, expedient processes for filing grant applications
- Appropriations
 - Miscellaneous grants to states (Titles II through XII)
 - State Fiscal Stabilization Fund Title XIII
 - 61% of the resources are for education and the remaining portion can be used for general government support

American Recovery & Reinvestment Act of 2009 (H.R. 1), 2

- Division B Includes:
 - Tax provisions
 - Assistance for Unemployed Workers and Struggling Families
 - Health Insurance for the Unemployed
 - Medicaid
 - Broadband
 - Energy

American Recovery & Reinvestment Act of 2009 (H.R. 1), 3

Grants to states can be thought of in 3 categories:

- 1) New grants and those that extend existing federal grants and can be applied for in order to extend state programming
 - Miscellaneous operating and infrastructure grants contained in Titles II through XII of section A
 - Processes and priority setting will need to be developed
 - These resources are not budgeted

American Recovery & Reinvestment Act of 2009 (H.R. 1), 4

- 2) Those that can be budgeted and that enhance programming:
 - Unemployment: \$15.5 million
 - Reed Act: \$19.5 million
 - TANF: \$42.1 million
 - Child Care: \$78.0 million
 - These non-GRF resources are included in the operating budget
- 3) Those that can be used to provide budget relief:
 - Enhanced FMAP: \$283.7 million
 - State Fiscal Stabilization Fund in Title XIII: \$2,273.8 million
 - Education Grants contained in Title IX: \$820.6 million
 - These resources are included in the operating budget to balance the GRF

Role of Federal Stimulus in GRF Budget

- Without federal stimulus resources, Ohio's GRF expenditures would be cut by \$1.5 billion in FY 2010 and \$1.9 billion in FY 2011, with the following impacts:
 - Cuts to BOR affordability and tuition freeze
 - Cuts to primary and secondary education
 - Cuts to subsidies at MR/DD, Mental Health, ODADAS
 - Cuts to ODJFS operations
 - Cuts to Public Health and Safety Services in Agriculture, Health, Dept of Rehab and Corrections, Youth Services
 - Cuts in long term care and Alzheimer's Respite Care, resulting in waiting lists and unmet need
 - Cuts to provider rates and eligibility in Medicaid
 - Cuts to early care and education eligibility and provider rates
 - Cuts to ODNR programs that protect and maintain natural resources

Federal Stimulus Assumptions

- The Executive Budget includes funding only from those parts of the stimulus that can be quantified at this time
- Other resources available from the American Recovery and Reinvestment Act of 2009 that may be applied for to extend state programming are NOT included in the Executive Budget

Stimulus Resources Deposited to GRF

Federal Stimulus by Type	FY 10	FY 11
Federal Revenue IDEA/Title 1	\$410,275,337	\$410,275,337
Federal Revenue Enhanced FMAP*	\$135,034,772	\$148,652,306
Federal Revenue Title XIII Education	\$516,516,173	\$836,749,985
Federal Revenue - Title XIII Other Gov't Svcs	\$460,288,140	\$460,288,140
Federal Revenue - Total	\$1,522,114,422	\$1,855,965,768

* Shows amount deposited to GRF only; other eFMAP deposited to rotary funds

Other Revenue Strategies

In order to offset declining revenue receipts without raising taxes, the Executive Budget:

- Increases various state agency use fees, including fines & penalties, to decrease reliance on GRF:
 - ODNR, AGR, EPA, DPS, COM, DOH, DOT, various boards & commissions

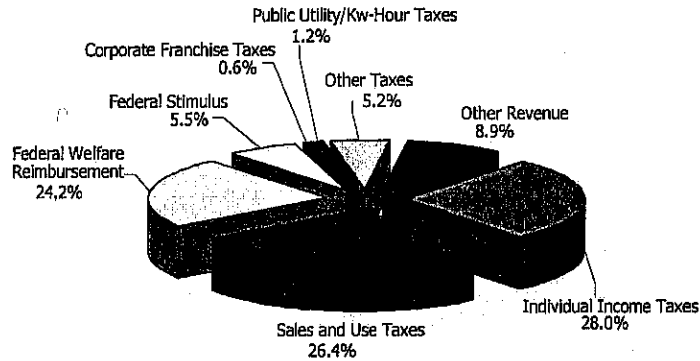
Fees and GRF Impact

- 120 fee changes will generate an estimated \$236 million, to sustain programming and shift \$53.6 million of expenditures off of the GRF
- Restructure Medicaid funding by
 - creating a fee (hospital franchise fee)
 - increasing 2 existing franchise fees (NFs and ICF/MR):
 - These fees generate \$892 million over the biennium
 - replacing the managed care tax with a new structure consistent with federal regulations: \$417 million

Estimated GRF Revenue, FY 10/11

Includes federal reimbursement & federal stimulus deposited to GRF

Total Revenue = \$56,181.2 million



Estimated GRF Revenue, FY 10/11

Includes federal reimbursement & federal stimulus deposited to GRF

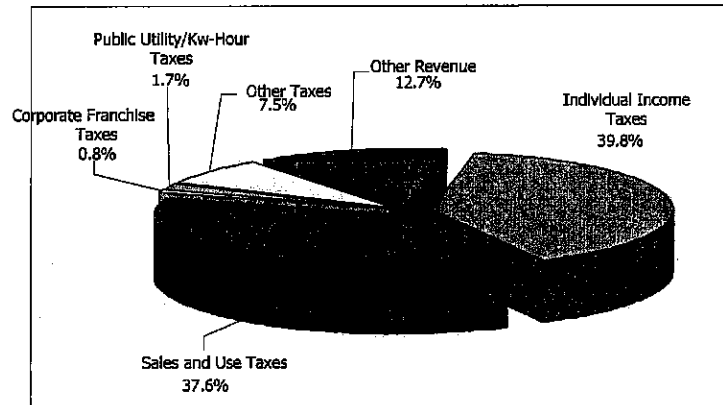
Revenue Source	FY 2010	FY 2011	Total
Individual Income Taxes	\$ 7,979.1	\$ 7,730.8	\$ 15,709.9
Sales and Use Taxes	\$ 7,263.8	\$ 7,581.5	\$ 14,845.3
Federal Grants & Reimbursement	\$ 6,386.4	\$ 7,187.5	\$ 13,573.9
Federal Stimulus	\$ 1,387.1	\$ 1,707.3	\$ 3,094.4
Corporate Franchise Taxes	\$ 163.0	\$ 169.7	\$ 332.7
Commercial Activity Taxes	\$ -	\$ -	\$ -
Public Utility/Kw-Hour Taxes	\$ 333.5	\$ 330.2	\$ 663.7
Other Taxes	\$ 1,479.3	\$ 1,465.7	\$ 2,945.0
Other Revenue	\$ 1,890.6	\$ 3,125.7	\$ 5,016.3
Total	\$ 26,882.8	\$ 29,298.4	\$ 56,181.2

Note: In millions
Numbers may not add to total due to rounding

Estimated GRF Revenue, FY 10/11

excludes all federal resources deposited to GRF

Total Revenue = \$39,512.9 million



Estimated GRF Revenue, FY 10/11

excludes all federal resources deposited to GRF

Revenue Source	FY 2010	FY 2011	Total
Individual Income Taxes	\$ 7,979.1	\$ 7,730.8	\$ 15,709.9
Sales and Use Taxes	\$ 7,263.8	\$ 7,581.5	\$ 14,845.3
Corporate Franchise Taxes	\$ 163.0	\$ 169.7	\$ 332.7
Commercial Activity Taxes	\$ -	\$ -	\$ -
Public Utility/Kw-Hour Taxes	\$ 333.5	\$ 330.2	\$ 663.7
Other Taxes	\$ 1,479.3	\$ 1,465.7	\$ 2,945.0
Other Revenue	\$ 1,890.6	\$ 3,125.7	\$ 5,016.3
Total	\$ 19,109.3	\$ 20,403.6	\$ 39,512.9

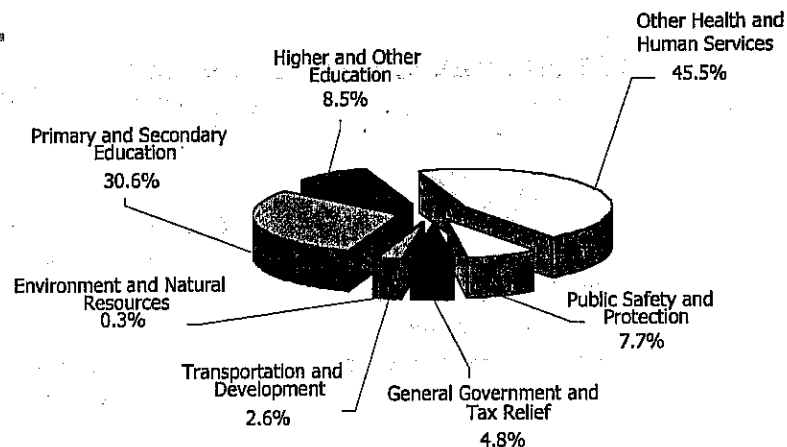
Notes: In millions
Numbers may not add to total due to rounding

Agency Appropriations

- GRF Appropriations:
 - **FY 2010 = \$26,068,504,583**
 - 4.9% decrease from FY 09 (appropriation as of 1/1/09)
 - 5.1 % decrease from HB 119 FY 09 appropriations
 - **FY 2011 = \$28,627,753,903**
 - 9.8% increase over FY 10
- All Funds Appropriations:
 - **FY 2010 = \$59,602,858,938**
 - 1.8% increase over FY 09 (appropriation as of 1/1/09)
 - 0.8% increase over HB 119 FY 09 appropriations
 - **FY 2011 = \$60,781,609,868**
 - 2.0% increase over FY 10

GRF Appropriations, FY 10/11

includes federal reimbursement & federal stimulus deposited to GRF



Total Appropriations = \$54,696.3 million

GRF Appropriation, FY 10/11

Includes use of federal resources deposited to GRF

Function	FY 2010	FY 2011	Total
Primary, Secondary & Other Education	\$ 8,236.6	\$ 8,510.6	\$ 16,747.2
Higher Education	\$ 2,339.1	\$ 2,290.3	\$ 4,629.4
Other Health and Human Services	\$ 11,312.9	\$ 13,563.5	\$ 24,876.4
Justice and Public Protection	\$ 2,103.8	\$ 2,097.2	\$ 4,201.0
General Government and Other	\$ 1,278.4	\$ 1,363.5	\$ 2,641.9
Transportation and Development	\$ 703.7	\$ 712.6	\$ 1,416.3
Environment and Natural Resources	\$ 94.0	\$ 90.1	\$ 184.1
Total	\$ 26,068.5	\$ 28,627.8	\$ 54,696.3

Notes: In millions
Numbers may not add to total due to rounding

Agencies that Use GRF

Compared to FY 2009 estimated spending:

- 20 agencies receive GRF increases over current FY 2009 funding levels
 - Most of these are due to federal stimulus resources that will be deposited to GRF & appropriated to those agencies
- 6 agencies (legislative & judicial) at FY 2009 levels
- 33 agencies decreased from FY 2009 levels
 - 6 of these are removed from GRF completely
- [Link here for relevant data](#) (summaries by agency and by line item)

Agencies that Use GRF, 2

Compared to HB 119 FY 2009 appropriations, of the 59 agencies receiving GRF appropriations in 2010,

- 33 will receive a cut
- 6 will be flat funded
- 9 will receive an increase of between 0-3 percent% and
- 11 will receive an increase of more than 3%
- Compared to FY 2010, in FY 2011,
 - 7 agencies will receive a cut in
 - 37 will be flat funded
 - 7 will receive an increase of 0-3%, and
 - 8 will receive increases of 3% or more

FY 2010: Agencies' All Funds Levels

- 34 agencies receive increases over current FY 2009 funding levels
 - Some are due to federal stimulus resources that will be deposited to GRF & appropriated to those agencies
 - Others are due to proposed fee increases or other (non-stimulus) federal grants
- 34 agencies at FY 2009 levels
- 43 agencies decreased from FY 2009 levels
 - 6 of these are removed from GRF completely
- [Link here for relevant data](#) (summaries by agency and by line item)

Agency Appropriation Summary

- Key investment areas highlighted earlier
- Many other GRF line items are funded at approximately 80% or 90% of the budget planning totals provided to agencies last spring in OBM guidance
- Since two additional rounds of FY 2009 budget cuts have taken place since that time, agencies have modified FY 2009 budgets and thus line item increases/decreases are difficult to generalize
- [See agency-level specifics here](#)

Sustaining State Spending for Education and Other Programs

- **GRF Taxes**
- In FY 10/11 total GRF taxes are forecast to be \$34.496 billion
- The forecast revenue growth from FY 2011 to FY 2012 is 2.2%, and the forecast growth from FY 2012 to FY 2013 is 3.1%
- After we fully emerge from the recession in FY 2014, we believe the long term growth capacity of the GRF tax system to be 3.75% per year
- In 2016/2017 GRF taxes will be \$41.418 billion
- This is growth of \$6.921 billion

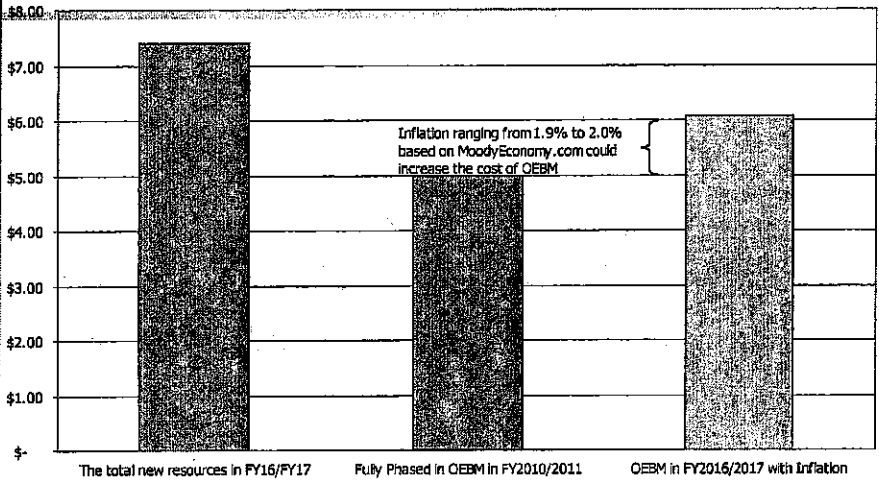
Sustaining State Spending for Education and Other Programs, 2

- **CAT**
- The CAT, 70% of which is permanently dedicated to education, will follow a similar growth trend
- In FY 10/11 total CAT for education were \$2.300 billion, and in FY 16/17 the total CAT for education will be \$2.817 billion
- That is growth of \$516.76 million
- **Lottery Profits**
- Lottery profits are fully dedicated to education and can be expected to grow 0.05% per year
- In FY 10/11 total lottery profits were \$1.416 billion and in FY 16/17 Lottery profits will be \$1.461 billion. This is growth of \$45.55 million

Sustaining State Spending for Education and Other Programs, 3

- The total new resources to sustain education and other state programs will be \$7,483.75
- The estimated cost of fully phasing OEBM in FY 10/11 is \$5 billion
- After our FY 10/11 down payment of \$925 million, and after including inflation, the additional cost of education funding could grow to as much as \$6.08 billion in FY 16/17
- Volatile economic and demographic factors impacting the estimate include:
 - Property Valuations
 - Student Enrollment
 - Inflation
 - Policy Decisions made by future Governors and General Assemblies

**Through Continued Priority Setting and the Return of Revenue Growth
Ohio will have Adequate Resources for Education Reform**



Transportation Budget

- The Executive Transportation Bill is committed to ensuring that Ohio's development of infrastructure keeps pace with the changing needs of the economy even during times of economic tumult, realizing that an investment in Ohio's infrastructure is an investment in Ohio's economic growth.

Transportation Budget, 2

- By developing new financing tools for state and local governments the Executive Budget will:
 - Invest in multiple modes of transportation
 - Manage congestion and extend the life of Ohio's existing infrastructure
 - Expand the investment in the Department of Transportation's State Infrastructure Bank
 - Increase the ability of the state and local governments to partner with the private sector in new infrastructure development opportunities.



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Transportation Budget, 3

- ODOT Priorities to the Transportation Budget include:
 - Construct Phase I of the Cleveland-Columbus-Cincinnati (3C) Passenger Rail Line.
 - Initiate steps necessary to advance development of the Ohio Hub intercity high-speed passenger rail.
 - Expands the State Infrastructure Bank to invest in new highway, transit, and rail projects across the state.
 - Improve highway safety for Ohio drivers by enacting Primary Seat Belt legislation.
 - Create innovative financing tools such as Public Private Partnerships (PPP), Transportation Innovation Authorities (TIA), and Tolling.



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Transportation Budget, 4

- In FY 2010 the Transportation Bill budget is \$3.98 billion, which is a 4.0% increase over FY 2009.
- In FY 2011 the Transportation Bill budget is \$3.58 billion, which is a 10.1% decrease over FY 2010.
- These figures do not include federal stimulus

Workers' Compensation

- Bureau of Workers' Compensation budget request fully funded at \$328 million annually.
 - Down .3% from estimated FY 2009 Expenditures
- Industrial Commission funding at 100% of FY 2009 estimated expenditures.

Special Analysis

Ohio's Evidence-Based Model School Finance System



Ohio's Funding System - History

- Current foundation funding system starts from a "base cost" derived from a "successful schools" model developed by Augenblick and Myers in the mid-1990s.
- Identifies successful schools (using state assessment data) and determine which districts are doing so at a reasonable cost (as defined by the gap aid districts).



Ohio's Funding System - History

- Earlier this decade, the "building blocks" model identified professional development and technology costs (ORC3317) as the key inputs because of their critical role in supporting educational adequacy.
 - Building Blocks transitioned our state from a purely output-based model to a model that included inputs.
 - Input cost for the "building blocks" were developed using an adaptation of the "professional judgments" and a "research-based" approach

Ohio's Funding System - History

- Since DeRolph, Ohio has tried to increase equity and adequacy through a patchwork of "fixes" to the formula:
 - 23 mill charge-off
 - Gap Aid (Charge off Supplement)
 - Increased Parity Aid Funding
 - Guarantee
- These "fixes" add complexity and often operate in inconsistent ways.

Effective Funding System

**Forget everything you
know about the
Foundation Formula!**

Primary & Secondary Education Reform

- Governor Strickland's **Evidence-Based** reforms package is based on 6 categories:
 - 1) 21st Century Learning Environments
 - 2) Expand Learning Opportunities
 - 3) High Quality Educators
 - 4) Resource Accountability
 - 5) Measure Ohio Students Against the World
 - 6) Effective Funding Systems

Primary & Secondary Education, 2

An Effective Funding System

- OEBM measures the **costs of a 21st century education**
 - Replaces the current foundation funding system with a comprehensive new, evidence-based system centered on each students needs
- OEBM makes significant changes in the structure of **state and local school finance**
 - Makes the funding system transparent and easy to understand

Summary Budget Impacts of Education Reform

- Under OEBM, funding will be increased over 2009 by \$321.5 million in FY 2010 and \$603.5 million in FY 2011
- The ODE budget is reduced in a number of areas where those costs are included in the OEBM model
- Additional reductions have been taken in other line items to direct resources to support direct student instruction

Primary & Secondary Education, 3

- Costs allocated on an **Organizational Unit** basis
 - Elementary Schools = 418 students
 - Middle Schools = 557 students
 - High Schools = 733 students
 - Small School Districts = less than 800 students in district
- Organizational units are based upon an "ideal" researched building size, adapted to Ohio's statewide average, and consistent with Ohio School Facilities Commission standards



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Primary & Secondary Education, 4

- OEBM determines the **costs for a 21st Century education** for each school district based on its specific needs:
 - Instructional Services (teachers)
 - Administrative Services (building and district)
 - Plant Operations and Maintenance
 - Extracurricular Opportunities
 - Technology Resources
 - Instructional Resources
- The funding system is **driven by teacher quality** and meets the **unique needs of every child**



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OEBM Teacher Investments

- **Core Teachers** teach core curriculum subjects such as Math, English, Science, etc. They are funded in the following teacher/student ratios:
 - Ratio for Grades K through 3= 1 / 15
 - Ratio for Grades 4 through 5= 1 / 25
 - Ratio for Grades 6 through 8= 1 / 25
 - Ratio for Grades 9 through 12= 1 / 25
- **Specialist Teachers** provide instruction in art, music, career-tech, and physical education
 - For every 5 Core Teachers, the Ohio EBM model funds 1 specialist teacher
- **Instructional Facilitator/Master Teacher** provides teacher support and mentoring.
 - OEBM funds 1 Facilitator/Master Teacher per organizational unit

Teacher Compensation

- **Key issues:**
 - Accounting for district differences
 - Targeting resources to educational need
 - Sharing state and local control
- Research shows that teacher salary patterns differ according to location and type of school district
- All state-mandated teacher costs, such as STRS contributions, are funded by OEBM
- Locally defined benefits are assumed to be supported by local revenues

Primary & Secondary Education, 5

Ohio Instructional Quality Index

- Embeds teacher quality in the OEEM model to target resources where they are needed most
- Each district's teacher compensation rate is assigned an index value based on the following:
 - Student Poverty (ODE's Economic Disadvantage Measure)
 - Community Wealth (Federal Adjusted Gross Income and Property Valuation per Pupil)
 - College Attainment Rate for Population over the Age of 25 (community measure)
- The Ohio Instructional Quality Index replaces the current PBA and parity aid supplements.

Primary & Secondary Education, 6

- In OEEM, **Special Education** weights are updated to the 2006 levels
 - Current weights for the 6 categories of disabilities are applied to the number of students in those categories to arrive at a weighted number of special education students
 - This weighted number of special ed students is used to calculate costs for teachers and aides
- As in the current system, funding for special education is provided at 90%

Supplemental OEBM Resources

- Tutors are provided at the ratio of 1 tutor per 100 students in poverty
- Summer school funding based on 50% of the number of students in poverty
- Family liaisons, social workers or student advocates at the ratio of 1 per 75 students in poverty
- Limited English Proficiency (LEP) funding is provided for instruction in English as a second language. One FTE position is funded for every 100 LEP students

OEBM Enrichment Activities

- Gifted students: \$25 per student in the district is provided for gifted education.
- Student activities: \$250 per student is provided for non-athletic, student enrichment activities such as field trips.
- Instructional Materials: \$165 per student is provided for instructional materials

OEBM Additional Resources

- **Media Services:**
 - \$60,000 flexible funding per Organizational Unit is provided to fund positions related to media support, experiential learning, etc
 - \$250 per student is provided for technical support and equipment
- **Operations and maintenance: \$902 per student**
 - The amount is based on the statewide average expenditure amount of \$884 for operations and maintenance. 2% is added to this amount to assist school districts with extending the school year from 180 day to 184 days. $902=884*1.02$
- These items are phased in over an 8 year period

Primary & Secondary Education, 7

- A separate evidence-based model has been developed for **community schools**
 - Reflective of unique business model and attributes of community schools in Ohio
- **Joint Vocational Schools and Educational Service Centers** are funded at FY 2009 levels.
 - Over the next biennium, evidence-based models will be developed for each of these systems

Primary & Secondary Education, 8

- **OEBM eliminates Charge-Off Phantom Revenue**
 - Lowers the amount that the state presumes a local community raises in property taxes from 23 mills to 20 mills
 - State picks up all costs above the 20 mills raised by the local community to provide a **21st century education** under Ohio's Evidence-based Model

Primary & Secondary Education, 9

- **OEBM allows Growth in District Resources with local voter approval**
- "Conversion" levies are a tool created to allow school districts to convert existing millage that counts toward the floor into mills that don't count toward the floor
 - Conversion levies would not increase the overall homeowner tax rates in the year the levy passes
 - Like emergency levies, conversion levies would be fixed-dollar levies that do not grow
- Today, 64% of school districts are at the 20 mill floor, and enjoy growing revenues. Conversion levies will help to level the playing field for other school districts currently not at the 20 mill floor

Why Conversion Levies Will Help

- Two districts with very similar homeowner tax rates
 - One district at floor, the other not
 - Similar total tax rates in mills

	District X	Y
Current expense gross rate	50.80	49.07
Mills that count toward Class I floor	26.05	20.00
Emergency levy rate	0	5.90
Total Class I tax rate	26.05	25.90

Conversion Levies allow Growth with Voter Approval

	District X	Y
Current expense gross rate	50.80	49.07
Mills that count toward Class I floor	20.00	20.00
Emergency levy rate	0	5.90
Conversion levy rate	6.05	0
Total Class I tax rate	26.05	25.90

Primary & Secondary Education, 10

- OEBM provides **Tax Relief for Business**
- Conversion levies will cut taxes for commercial and industrial real property and public utility tangible property
- A new, state-funded guarantee will temporarily protect school districts against business tax revenue losses from reduced millage
 - Allow school districts 4 years to pass conversion levies
 - Guarantee would initially be at 100 percent of loss
 - Phase districts off guarantee over 12 years
- Total cost of guarantee is estimated at \$135 million over 12 years

Primary & Secondary Education, 11

- OEBM provides **transitional funding** for districts
- Model includes a "**gain cap**" and a **guarantee** to move districts to the new system without dramatic changes in their funding year over year
 - **Guarantee** is at 100% of FY 2009 spending in FY 2010 and 98% in FY 2011
 - "**Gain Cap**" will limit growth in funding to 15% in FY 2010, and 16% in FY 2011
- Guarantee and Gain Cap will be **phased out over the next 8 years**



Primary & Secondary Education, 12

- **In summary, OEBM Simplifies School Finance:**
 - Retains shared state-local responsibility for school funding
 - Operation of OEBM, using the Instructional Quality Index, replaces parity aid and PBM
 - Eliminates "charge-off" phantom revenue (and gap aid)
 - Gives local school districts a tool to obtain growing revenues
 - Cap Gain and Guarantee to help school districts adjust
- **Additional information:**
 - Review a slide show summary presentation
 - Review OBM's special analysis of this topic



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Ohio's 21st Century Education Reforms

Academic Reforms

- 21st century skills and core knowledge
- 21st century learning environments
- Academic supports and additional learning opportunities
- Community and family engagement
- Focus on creativity and innovation
- Quality teaching

Funding Reforms

- Ohio's evidence-based model for funding a 21st century education
- Eliminate charge off phantom revenue
- Reduce reappraisal phantom revenue by providing local communities with tool to let resources grow at the 20 mill floor

Accountability Reforms

- Demands fiscal, operational and academic accountability and transparency from our school districts
- Ensures taxpayers know exactly how their dollars are being spent, right down to an individual school building's budget.



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