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## Budget Overview

### Revenue Summaries

This section summarizes the revenue that is estimated to be received by the state in fiscal years 2010 and 2011. It is important to note that because all revenue that the state anticipates receiving in fiscal years 2010 and 2011 is summarized in this section, the revenue summaries include anticipated revenue that is not proposed for spending in this Executive Budget.

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

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

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

**Figure C-2, State-Only GRF Revenue Pie Chart:** The federal revenue deposited in the GRF is substantial. It's estimated to be \$16.7 billion during the fiscal year 2010-2011 biennium. But the inclusion of this federal revenue in the GRF somewhat distorts the role that state tax revenue plays in financing state programs. State tax revenues, not federal reimbursements for human services programs, provide the majority of GRF revenues. To make this clear, this pie chart (labeled "State-Only GRF"), shows GRF revenue by major revenue source excluding the federal reimbursements for GRF spending that the state deposits into the GRF. Approximately 87.3 percent of the state's non-federal GRF revenue is from tax receipts.

**Figure C-3, All Funds Revenue:** The "all funds" pie chart illustrates how all operating budget revenue is split among the different types of state funds. The GRF provides about 46.0 percent of revenue used for all purposes. In order to create this pie chart the state's 44 budget fund groups have been grouped into the following fund types:

#### **General Funds**

Budget Stabilization  
Education Improvement  
General Revenue  
General Services

#### **Special Revenue Funds**

Advanced Energy  
Clean Ohio Conservation Program  
Coal Research & Development  
Cultural & Sports Facilities Building  
Facilities Establishment  
Federal Special Revenue  
Higher Education Improvement  
Highway Operating  
Highway Safety

#### **Capital Projects Funds**

Administrative Building  
Adult Correctional Building  
Highway Capital Improvement  
Highway Safety Building  
Infrastructure Bank Obligations

Job-Ready Site Development  
Local Infrastructure Improvement  
Local Transportation Improvement  
Lottery Profit Education  
Revenue Distribution  
School Building Assistance  
State Special Revenue  
Third Frontier Research  
& Development  
Tobacco Settlement  
Waterways Safety  
Wildlife

#### **Debt Service Funds**

Debt Service

#### **Enterprise Funds**

Liquor Control  
Office of Auditor of State  
State Lottery  
Underground Parking  
Workers' Compensation

#### **Agency Funds**

Accrued Leave Liability  
Agency  
Holding Account Redistribution  
Volunteer Firefighter Dependents

**Capital Projects Funds (cont'd)**

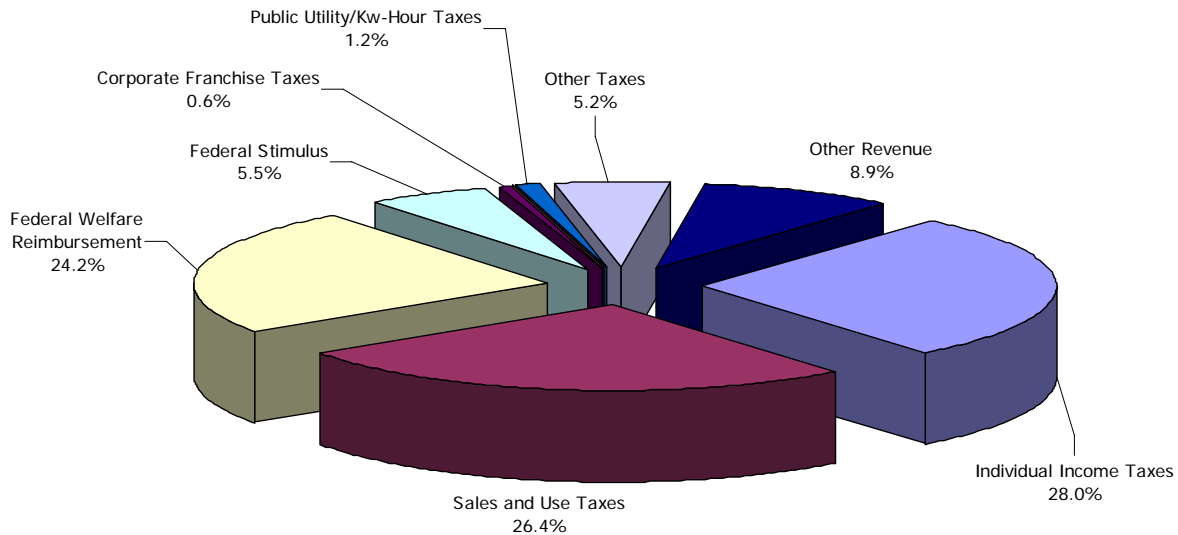
Juvenile Correctional Building

Mental Health Facilities

Improvement

In this section (Section C) of the Executive Budget, in addition to revenue summary information, the reader will find summaries of historical and recommended spending, fund balances, and state personnel. The spending section begins on page C-6.

**Figure C-1**  
**Total GRF – Estimated Revenues for FYs 2010 and 2011**



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

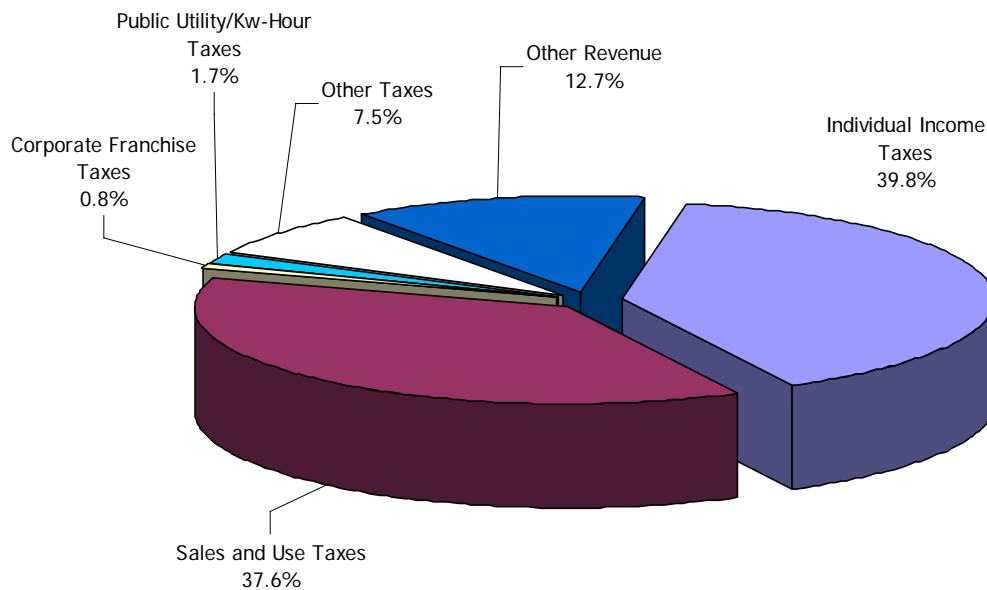
<b>Revenue Source</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>Total</b>
Individual Income Taxes	\$ 7,979.1	\$ 7,730.8	\$ 15,709.9
Sales and Use Taxes	\$ 7,263.8	\$ 7,581.5	\$ 14,845.3
Federal Grants & Reimbursement	\$ 6,386.4	\$ 7,187.5	\$ 13,573.9
Federal Stimulus	\$ 1,387.1	\$ 1,707.3	\$ 3,094.4
Corporate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

Note: Numbers may not add to total due to rounding.  
Source: Ohio Office of Budget and Management, January 2009

**What This Chart Shows**

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

**Figure C-2**  
**State-Only GRF – Estimated Revenues for FYs 2010 and 2011**



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

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/Kilowatt-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
<b>Total</b>	<b>\$ 19,109.3</b>	<b>\$ 20,403.6</b>	<b>\$ 39,512.9</b>

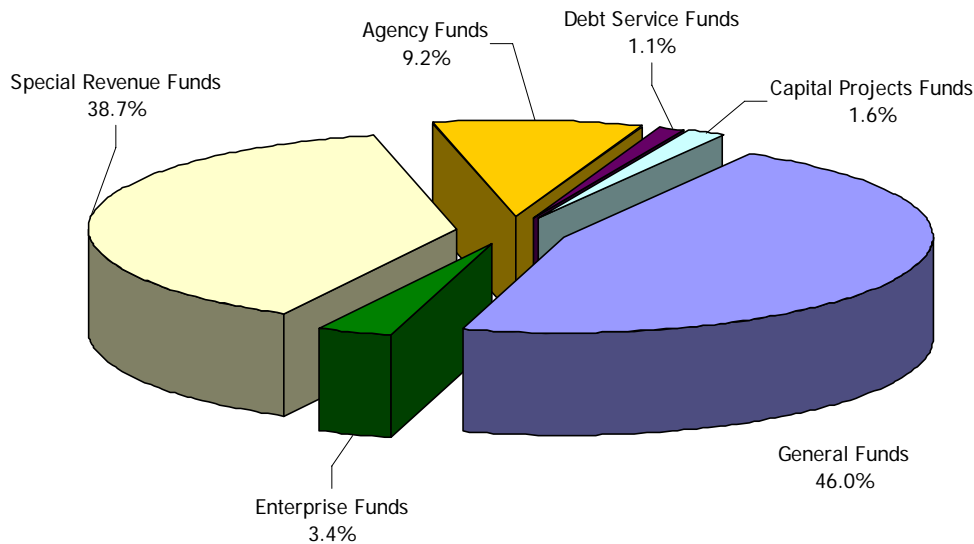
Note: Numbers may not add to total due to rounding.  
Source: Ohio Office of Budget and Management, January 2009

Please Note: These figures do not include \$16,668.3 million of estimated federal revenue (\$7,773.5 million in FY 2010 and \$8,894.8 million in FY 2011) in the GRF.

**What This Chart Shows**

This pie chart shows the proportional contribution that each revenue source, except federal reimbursements, makes toward the state's GRF. Approximately 87.3 percent of the revenue represented in this chart comes from state tax receipts, which are paid by individuals and companies living, working, and doing business in Ohio.

**Figure C-3**  
**All Funds – Estimated Revenues for FYs 2010 and 2011**



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

Revenue Source	FY 2010	FY 2011	Total
General Funds	\$ 28,322.1	\$ 30,921.6	\$ 59,243.7
Enterprise Funds	\$ 2,189.3	\$ 2,216.6	\$ 4,405.9
Special Revenue Funds	\$ 25,577.5	\$ 24,305.1	\$ 49,882.6
Agency Funds	\$ 5,854.4	\$ 5,964.4	\$ 11,818.8
Debt Service Funds	\$ 711.9	\$ 724.7	\$ 1,436.6
Capital Projects Funds	\$ 1,049.0	\$ 1,014.4	\$ 2,063.4
<b>Total</b>	<b>\$ 63,704.2</b>	<b>\$ 65,146.8</b>	<b>\$ 128,851.0</b>

Note: Numbers may not add to total due to rounding.  
Source: Ohio Office of Budget and Management, January 2009

**What This Chart Shows**

This pie chart shows the different types of state funds into which all the state's estimated revenue is deposited. General Funds account for revenue that is traditionally associated with government that is not required to be accounted for in other funds. Enterprise Funds account for operations financed and operated in a manner similar to a private business. Special Revenue Funds account for revenue that is legally restricted to specific purposes. Agency Funds include moneys received, held and disbursed by the state as a custodian or agent. Debt Service Funds account

for revenue used to pay the principal and interest on general long-term debt. Capital Projects Funds account for the acquisition of fixed assets and construction and repair of capital facilities other than those financed by enterprise service funds.

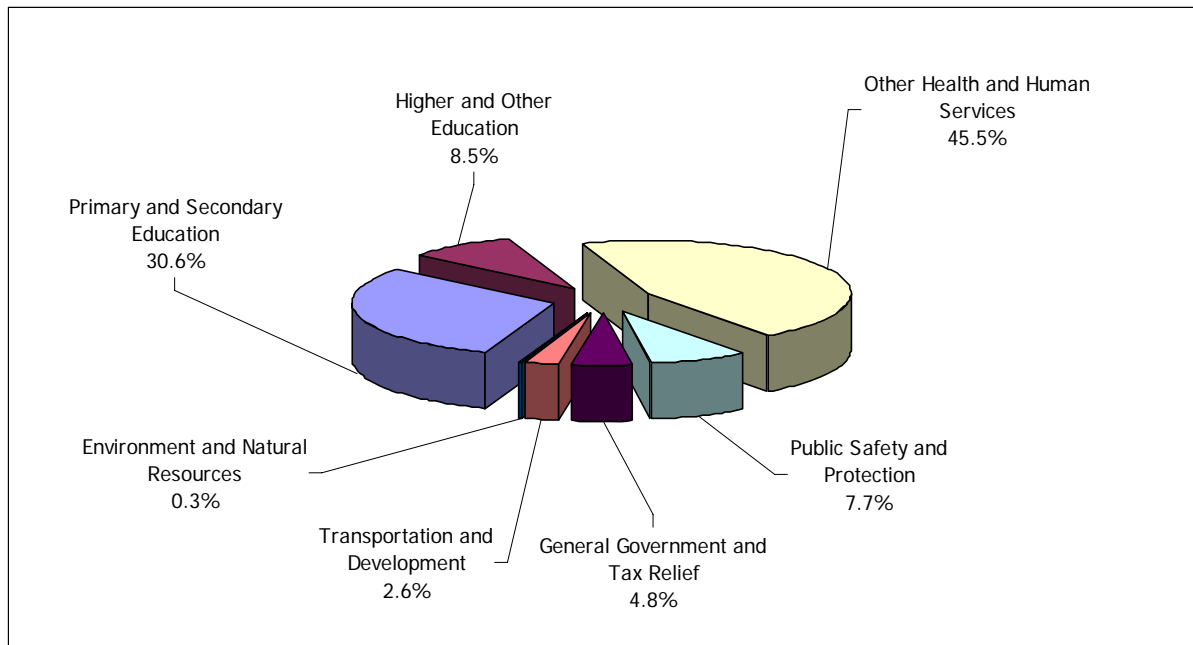
The charts and tables in this section summarize the spending recommended by Governor Strickland for the fiscal year 2010 and 2011 biennium. Two pie charts appear first, followed by a bar chart and two tables. The charts and tables are listed below with a brief description of what each one shows.

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

Figure C-5, All Funds Appropriations Pie Chart: The third chart that summarizes recommended appropriations is Figure C-5. The “all funds” chart shows how all recommended operating budget appropriations for the fiscal year 2010-11 biennium are split among the major spending categories.

Figure C-6, Expense by Object Summary: This table shows actual (fiscal years 2006 to 2008) and estimated (fiscal year 2009) spending and recommended appropriations (fiscal years 2010 and 2011) by major object of expense. This information is shown for the General Revenue Fund and for all funds.

**Figure C-4**  
**Total GRF – Recommended Appropriations for FYs 2010 and 2011**



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

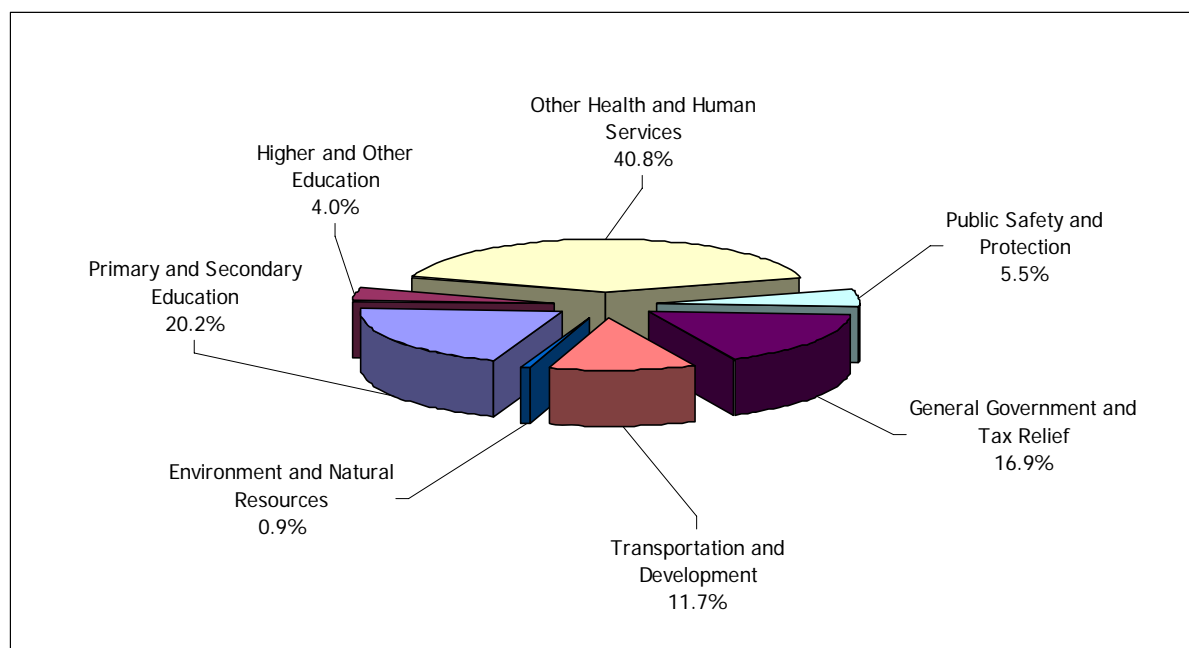
<b>Function</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>Total</b>
Primary, Secondary and Other Education	\$ 8,236.6	\$ 8,510.6	\$ 16,747.2
Higher Education	\$ 2,339.1	\$ 2,290.3	\$ 4,629.4
Health and Human Services	\$ 11,312.9	\$ 13,563.5	\$ 24,876.4
Justice and Public Protection	\$ 2,103.8	\$ 2,097.2	\$ 4,201.0
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
<b>Total</b>	<b>\$ 26,068.5</b>	<b>\$ 28,627.8</b>	<b>\$ 54,696.3</b>

Note: Numbers may not add to total due to rounding.  
Source: Ohio Office of Budget and Management, January 2009

**What This Chart Shows**

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

**Figure C-5**  
**All Funds – Recommended Appropriations for FYs 2010 and 2011**



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

<b>Function</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>Total</b>
Primary, Secondary and Other Education	\$ 11,975.5	\$ 12,248.1	\$ 24,223.6
Higher Education	\$ 2,396.4	\$ 2,347.4	\$ 4,743.8
Health and Human Services	\$ 23,849.9	\$ 25,101.1	\$ 48,951.0
Justice and Public Protection	\$ 3,305.2	\$ 3,304.1	\$ 6,609.3
General Government and Other	\$ 9,956.9	\$ 10,255.7	\$ 20,212.6
Transportation and Development	\$ 7,305.7	\$ 6,748.1	\$ 14,053.8
Environment and Natural Resources	\$ 518.1	\$ 519.3	\$ 1,037.4
Primary, Secondary and Other Education	\$ 11,975.5	\$ 12,248.1	\$ 24,223.6
<b>Total</b>	<b>\$ 59,307.7</b>	<b>\$ 60,523.8</b>	<b>\$ 119,831.5</b>

Note: Numbers may not add to total due to rounding.  
Source: Ohio Office of Budget and Management, January 2009

**What This Chart Shows**

This pie chart shows how the total state operating budget is split among the major functions of state government. The General Government function is a much larger share of the all funds pie chart than it is of the General Revenue Fund pie chart revenue distribution funds is included in this category. For more information about these funds, see the Revenue Distribution Fund narrative in section E.

**Figure C-6 (continued on next page)**  
**Expense by Object Summary, Fiscal Years 2006 to 2011**  
**Dollars in Millions**

	FY 2006 Actual	% of Total	FY 2007 Actual	% of Total	FY 2008 Actual	% of Total
<b>General Revenue Fund</b>						
Personal Service	\$ 1,878.1	7.6%	\$ 1,954.5	7.8%	\$ 2,030.7	7.9%
Purchased Personal Services	\$ 298.3	1.2%	\$ 292.9	1.2%	\$ 330.8	1.3%
Maintenance	\$ 569.9	2.3%	\$ 572.5	2.3%	\$ 541.1	2.1%
Equipment	\$ 59.5	0.2%	\$ 46.4	0.2%	\$ 45.8	0.2%
Total Operating	\$ 2,805.8	11.3%	\$ 2,866.4	11.4%	\$ 2,948.5	11.5%
Subsidy	\$ 20,880.5	84.0%	\$ 20,963.8	83.4%	\$ 21,447.6	83.4%
Goods for Resale	\$ -	0.0%	\$ -	0.0%	\$ -	0.0%
Capital	\$ 0.6	0.0%	\$ 1.2	0.0%	\$ 0.6	0.0%
Transfers	\$ 1,175.6	4.7%	\$ 1,313.4	5.2%	\$ 1,327.5	5.2%
Total Expense	\$ 24,862.5	100.0%	\$ 25,144.8	100.0%	\$ 25,724.2	100.0%
<b>All Funds</b>						
Personal Service	\$ 4,794.7	9.3%	\$ 4,490.3	8.5%	\$ 4,396.1	8.3%
Purchased Personal Services	\$ 739.5	1.4%	\$ 767.3	1.5%	\$ 1,108.4	2.1%
Maintenance	\$ 1,435.1	2.8%	\$ 1,446.3	2.7%	\$ 1,490.7	2.8%
Equipment	\$ 308.9	0.6%	\$ 239.8	0.5%	\$ 178.7	0.3%
Total Operating	\$ 7,278.1	14.1%	\$ 6,943.8	13.2%	\$ 7,173.8	13.6%
Subsidy	\$ 32,248.0	62.3%	\$ 33,020.3	62.7%	\$ 33,709.4	63.8%
Goods for Resale	\$ 471.9	0.9%	\$ 494.5	0.9%	\$ 522.8	1.0%
Capital	\$ 1,846.9	3.6%	\$ 1,942.9	3.7%	\$ 1,874.0	3.5%
Transfers	\$ 9,911.6	19.2%	\$ 10,275.2	19.5%	\$ 9,526.2	18.0%
Total Expense	51,756.4	1.0	52,676.7	1.0	52,806.2	1.0

Note: Figures may not add to total due to rounding

Source: Ohio Office of Budget and Management, January 2009

**Figure C-6 (continued from previous page)**  
**Expense by Object Summary, Fiscal Years 2006 to 2011**  
**Dollars in Millions**

	FY 2009 Estimate	% of Total	Recommended			
			FY 2010	% of Total	FY 2011	% of Total
<b>General Revenue Fund</b>						
Personal Service	\$ 2,033.8	7.4%	\$ 1,988.7	7.6%	\$ 2,005.6	7.0%
Purchased Personal Services	\$ 310.0	1.1%	\$ 323.2	1.2%	\$ 323.6	1.1%
Maintenance	\$ 631.9	2.3%	\$ 608.2	2.3%	\$ 600.7	2.1%
Equipment	\$ 12.7	0.0%	\$ 16.4	0.1%	\$ 17.1	0.1%
Total Operating	\$ 2,988.3	10.9%	\$ 2,936.4	11.3%	\$ 2,947.1	10.3%
Subsidy	\$ 23,019.2	84.0%	\$ 22,001.6	84.4%	\$ 24,521.0	85.7%
Goods for Resale	\$ -	0.0%	\$ -	0.0%	\$ -	0.0%
Capital	\$ -	0.0%	\$ 46.0	0.2%	\$ 6.0	0.0%
Transfers	\$ 1,406.3	5.1%	\$ 1,084.5	4.2%	\$ 1,153.6	4.0%
Total Expense	\$ 27,413.8	100.0%	\$ 26,068.5	100.0%	\$ 28,627.8	100.0%
<b>All Funds</b>						
Personal Service	\$ 4,681.1	8.0%	\$ 4,739.3	7.7%	\$ 4,807.6	7.6%
Purchased Personal Services	\$ 1,218.8	2.1%	\$ 1,057.4	1.7%	\$ 1,072.8	1.7%
Maintenance	\$ 1,818.5	3.1%	\$ 1,768.9	2.9%	\$ 1,845.2	2.9%
Equipment	\$ 172.1	0.3%	\$ 178.6	0.3%	\$ 162.4	0.3%
Total Operating	\$ 7,890.6	13.5%	\$ 7,744.2	12.5%	\$ 7,888.0	12.5%
Subsidy	\$ 37,088.8	63.4%	\$ 41,429.3	67.0%	\$ 42,716.1	67.9%
Goods for Resale	\$ 576.5	1.0%	\$ 598.5	1.0%	\$ 624.0	1.0%
Capital	\$ 2,238.2	3.8%	\$ 4,543.1	7.3%	\$ 4,123.8	6.6%
Transfers	\$ 10,697.7	18.3%	\$ 7,515.1	12.2%	\$ 7,552.0	12.0%
Total Expense	\$ 58,491.8	100.0%	\$ 61,830.3	100.0%	\$ 62,903.9	100.0%

Note: Figures may not add to total due to rounding

Source: Ohio Office of Budget and Management, January 2009

### **Fund Balance Summaries Overview**

The purpose of this section is to summarize the state's estimated ending fund balances for fiscal years 2010 and 2011. For the state's General Revenue Fund and Budget Stabilization Fund, the planned fund balances for these two funds are shown, in Figure C-7 and Figure C-8, in the context of a 10-year history of ending balances. Fund balance calculations for fiscal years 2010 and 2011 are shown in Figure C-9 for the state's General Revenue Fund and for other major budget fund groups. Some small or minor budget fund groups are combined for the purposes of these fund balance calculations.

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

The state has over 1,000 funds that are active in the Ohio Administrative Knowledge System as of January 2009. Each of these funds is assigned to one of 44 budget fund groups. For financial reporting purposes, each of the 44 fund groups is assigned to one of six fund types. The state's six fund types are as follows: General Funds, Enterprise Funds, Special Revenue Funds, Agency Funds, Debt Service Funds, and Capital Projects Funds. The relationship between the six fund types and the 44 budget fund groups is shown on pages C-1 and C-2 of the Executive Budget. The fund types and budget fund groups for which fund balance calculations are shown on Table C-9 are described below.

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

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

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

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

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

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

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

The General Revenue Fund balance at the end of a fiscal year is one measure used by state officials and independent financial analysts to assess a state's financial management practices and its financial condition. In addition, the Ohio Constitution requires the state to maintain a balanced budget. The budget proposed by the Governor for fiscal years 2010 and 2011 will provide an ending fund balance of more than 0.5 percent of the previous year annual General Revenue Fund revenue as required by law, each year, as Figure C-7 and Figure C-8 show.

Another measure of the financial health of a state is whether the state has a budget stabilization fund and, if it does, what balances are being maintained in the fund. Since 1981, Ohio has had a budget stabilization fund. And, as seen in Figure C-7 and Figure C-8, the fiscal year ending balances in the fund have varied greatly during the ten fiscal years that are shown.

Prudent fiscal management policy further suggests that a state achieve a Budget Stabilization Fund (BSF) balance equal to approximately five percent of annual General Revenue Fund revenues. Ohio had reached this goal prior to the 2000-2001 recession. However, the state was forced to use the BSF in the fiscal year 2002-2003 biennia to offset declines in revenue growth and the large increases in Medicaid expenditures that resulted from that recession. Since the end of fiscal year 2005, the state has been able to replenish the balance of the BSF to the point at which it now sits. At the end of the current biennia, Ohio will have a BSF balance of approximately 3.5%, after a BSF

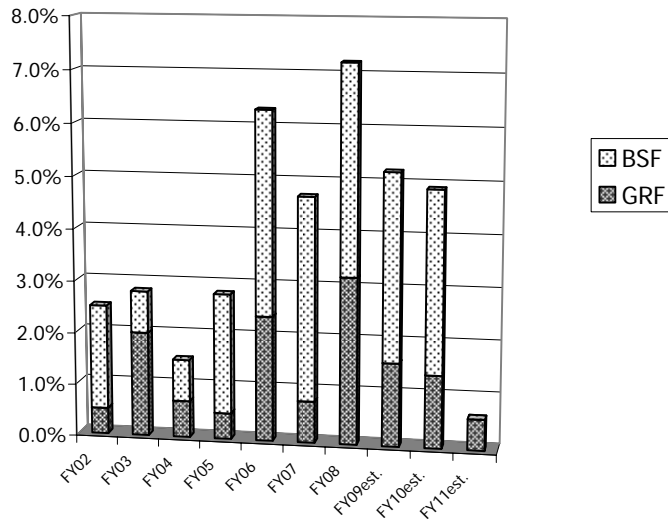
**Fund Balance Summaries**

transfer of \$63.3 million in FY 2009. Due to the extraordinary challenges facing the state, it is estimated that the remainder of the balance will be used during the upcoming biennia.

**Figure C-7**  
**History of Ending Fund Balances for the General Revenue Fund**  
**and the Budget Stabilization Fund, FYs 2002 to 2011**  
 Dollars in millions

<b>Date</b>	<b>Ending Balance</b>	<b>% of GRF Revenues</b>	<b>Ending Balance</b>	<b>% of GRF Revenues</b>
Est. 6/30/11	\$ 171.6	0.6%	\$ -	0.0%
Est. 6/30/10	\$ 382.4	1.4%	\$ 949.0	3.5%
Est. 6/30/09	\$ 420.6	1.6%	\$ 949.0	3.6%
6/30/2008	\$ 807.6	3.2%	\$ 1,012.3	4.0%
6/30/2007	\$ 215.5	0.8%	\$ 1,012.3	3.9%
6/30/2006	\$ 632.0	2.4%	\$ 1,010.7	3.9%
6/30/2005	\$ 138.4	0.5%	\$ 574.9	2.3%
6/30/2004	\$ 157.5	0.7%	\$ 180.7	0.8%
6/30/2003	\$ 52.3	0.2%	\$ 180.7	0.8%
6/30/2002	\$ 108.3	0.5%	\$ 427.9	2.0%

**Figure C-8**  
**GRF and BSF Ending Balances as a Share of Annual GRF Revenues**  
**FYs 2002 to 2011**



Summaries of Budget Information  
Fund Balance Summaries

**Figure C-9  
State of Ohio  
Fund Balance Calculations by GAAP Fund Type and Budget Fund Group for FYs 2010 and 2011  
(Dollars in Millions)**

	GENERAL FUNDS			ENTERPRISE FUNDS				SPECIAL REVENUE FUNDS	
	GENERAL REVENUE	GENERAL SERVICES	OTHER GENERAL FUNDS	WORKERS COMP	LIQUOR CONTROL	STATE LOTTERY	OTHER ENTERPRISE FUNDS	FEDERAL SPECIAL REVENUE	HIGHWAY OPERATING
<b>FY 2010 est. Beginning Balance</b>	420.6	556.3	949.0	55.9	3.3	574.7	14.2	343.5	902.5
<b>Estimated Revenue</b>									
Taxes	17,218.7	16.5					0.1		674.7
Federal Grants	7,773.5	87.6						10,809.8	1,277.1
Licenses and Fees	61.8	123.9			1.2	0.1	5.6	1.0	71.1
Other Income	428.0	1,169.3		376.3	701.2	1,047.5	41.7	1,955.5	570.7
Transfers In	1,400.8	42.0				15.0	0.6		502.9
<b>Total Resources Available</b>	27,303.4	1,995.7	949.0	432.2	705.7	1,637.3	62.2	13,109.8	3,999.0
<b>Proposed Expenditures</b>									
Primary, Sec & Other Education	8,236.6	44.5						1,685.6	
Higher Education	2,339.1	4.3						36.4	
Public Assistance & Medicaid	9,510.9	0.0							
Health and Human Services	1,802.0	571.8						10,308.3	
Justice & Public Protection	2,103.8	270.2						242.1	
Environ & Natural Resources	94.0	46.4						55.4	
Transportation	17.4	0.0							2,936.1
General Government	768.5	534.0		387.4	555.2	338.7	48.3	68.5	
Commerce & Econ Development	686.3	22.0						343.4	
Other Spending	509.9	0.3							
Transfers Out	917.5	9.2	0.0		145.0	755.0		0.0	205.3
<b>Total Proposed Expenditures</b>	26,986.0	1,502.8	0.0	387.4	700.2	1,093.7	48.3	12,739.7	3,141.4
Projected Lapses	65.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>FY 2010 est. Ending Balance</b>	382.4	492.9	949.0	44.9	5.5	543.5	14.0	370.1	857.6

**Summaries of Budget Information**  
**Fund Balance Summaries**

**Figure C-9 Continued**  
**State of Ohio**  
**Fund Balance Calculations by GAAP Fund Type and Budget Fund Group for FYs 2010 and 2011**  
**(Dollars in Millions)**

	GENERAL FUNDS			ENTERPRISE FUNDS				SPECIAL REVENUE FUNDS	
	GENERAL REVENUE	GENERAL SERVICES	OTHER GENERAL FUNDS	WORKERS COMP	LIQUOR CONTROL	STATE LOTTERY	OTHER ENTERPRISE FUNDS	FEDERAL SPECIAL REVENUE	HIGHWAY OPERATING
<b>FY 2011 est. Beginning Balance</b>	382.4	492.9	949.0	44.9	5.5	543.5	14.0	370.1	857.6
Taxes	17,277.9	16.5					0.1		681.2
Federal Grants	8,894.8	88.2						10,002.8	1,277.3
Licenses and Fees	62.0	131.7			1.2	0.1	5.6	1.0	71.1
Other Income	313.0	1,349.9		376.9	723.8	1,051.2	42.1	1,935.5	219.0
Transfers In	2,750.7	36.9				15.0	0.6		508.0
<b>Total Resources Available</b>	<b>29,680.8</b>	<b>2,116.0</b>	<b>949.0</b>	<b>421.8</b>	<b>730.6</b>	<b>1,609.8</b>	<b>62.4</b>	<b>12,309.4</b>	<b>3,614.2</b>
<b>Proposed Expenditures</b>									
Primary, Sec & Other Education	8,510.6	43.8						1,679.3	
Higher Education	2,290.3	4.3						36.2	
Public Assistance & Medicaid	11,625.6								
Health and Human Services	1,937.9	698.4						9,277.3	
Justice & Public Protection	2,097.2	272.4						232.5	
Environ & Natural Resources	90.1	47.1						54.5	
Transportation	17.4	0.0							2,566.7
General Government	842.2	532.4		389.2	588.2	338.8	48.5	118.6	
Commerce & Econ Development	695.2	22.1						342.2	
Other Spending	521.3	0.3							
Transfers Out	946.3	4.3	949.0		136.5	755.0		0.0	205.3
<b>Total Proposed Expenditures</b>	<b>29,574.1</b>	<b>1,625.0</b>	<b>949.0</b>	<b>389.2</b>	<b>724.7</b>	<b>1,093.8</b>	<b>48.5</b>	<b>11,740.5</b>	<b>2,772.0</b>
Projected Lapses	65.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>FY 2011 est. Ending Balance</b>	<b>171.7</b>	<b>491.0</b>	<b>0.0</b>	<b>32.5</b>	<b>5.8</b>	<b>516.0</b>	<b>13.8</b>	<b>568.9</b>	<b>842.2</b>

**Figure C-9 Continued**  
**State of Ohio**  
**Fund Balance Calculations by GAAP Fund Type and Budget Fund Group for FYs 2010 and 2011**  
**(Dollars in Millions)**

	SPECIAL REVENUE FUNDS						AGENCY	DEBT SERVICE	CAPITAL
	STATE HIGHWAY SAFETY	REVENUE DISTRIBUTION	SPECIAL REVENUE	WATERWAYS SAFETY	WILDLIFE	OTHER SPECIAL REVENUE	AGENCY	DEBT SERVICE	CAPITAL PROJECTS
<b>FY 2010 est. Beginning Balance</b>	144.4	1,591.8	883.9	30.3	42.7	5,570.5	497.5	0.0	3,048.0
<b>Estimated Revenue</b>									
Taxes	0.0	2,823.1	90.1	16.0	2.2		3,865.5		
Federal Grants	22.5		18.2	5.3	18.0				
Licenses and Fees	385.1	554.6	1,812.1	4.9	37.1	0.1	0.1		
Other Income	85.6	1,543.9	665.4	1.2	4.6	378.3	1,988.7	711.9	516.0
Transfers In	25.8		66.2			1,154.4			533.0
<b>Total Resources Available</b>	663.3	6,513.6	3,535.9	57.7	104.5	7,103.3	6,351.7	711.9	4,097.0
<b>Proposed Expenditures</b>									
Primary, Sec & Other Education		1,241.3	62.5			705.0			
Higher Education			8.6			8.0			
Public Assistance & Medicaid			0.0						
Health and Human Services	0.2	1.8	1,648.9			6.0			
Justice & Public Protection	521.3		158.8			4.5	4.5		
Environ & Natural Resources			230.3	25.3	66.1	0.6	0.0		
Transportation			3.5						500.0
General Government			215.4				881.6		
Commerce & Econ Development		2,359.0	381.1			556.9			
Other Spending			10.2			0.3	4,926.7	711.9	2,022.4
Transfers Out	33.4	5.0	6.9			74.8	0.1		1.9
<b>Total Proposed Expenditures</b>	554.9	3,607.1	2,726.2	25.3	66.1	1,356.0	5,812.8	711.9	2,524.3
<b>FY 2010 est. Ending Balance</b>	108.4	2,906.4	809.7	32.4	38.4	5,747.3	538.9	0.0	1,572.7

**Summaries of Budget Information**  
**Fund Balance Summaries**

**Figure C-9 Continued**  
**State of Ohio**  
**Fund Balance Calculations by GAAP Fund Type and Budget Fund Group for FYs 2010 and 2011**  
**(Dollars in Millions)**

	SPECIAL REVENUE FUNDS						AGENCY	DEBT SERVICE	CAPITAL
	STATE HIGHWAY SAFETY	REVENUE DISTRIBUTION	SPECIAL REVENUE	WATERWAYS SAFETY	WILDLIFE	OTHER SPECIAL REVENUE	AGENCY	DEBT SERVICE	CAPITAL PROJECTS
<b>FY 2011 est. Beginning Balance</b>	108.4	2,906.4	809.7	32.4	38.4	5,747.3	538.9	0.0	1,572.7
<b>Estimated Revenue</b>									
Taxes	0.0	2,835.9	89.4	16.0	2.2		3,871.5		
Federal Grants	22.4		19.2	5.2	18.0				
Licenses and Fees	410.6	554.6	1,758.4	4.7	37.1	0.1	0.1		
Other Income	91.4	1,543.9	689.6	1.2	4.5	357.0	2,092.8	724.7	512.4
Transfers In	25.9		58.0			1,063.9			502.0
<b>Total Resources Available</b>	658.7	7,840.9	3,424.3	59.5	100.2	7,168.2	6,503.3	724.7	2,587.1
<b>Proposed Expenditures</b>									
Primary, Sec & Other Education		1,241.3	62.1			711.0			
Higher Education			8.6			8.0			
Public Assistance & Medicaid			0.0						
Health and Human Services	0.2	1.8	1,553.9			6.0			
Justice & Public Protection	524.6		170.4			2.5	4.5		
Environ & Natural Resources			239.3	25.3	62.4	0.6	0.0		
Transportation			3.5						485.0
General Government			218.2				943.3		
Commerce & Econ Development		2,359.0	381.0			361.0			
Other Spending			10.4			0.3	4,979.3	724.7	1,895.3
Transfers Out	29.5	5.0	4.0			77.3	0.0		1.9
<b>Total Proposed Expenditures</b>	554.3	3,607.1	2,651.3	25.3	62.4	1,166.7	5,927.2	724.7	2,382.2
<b>FY 2011 est. Ending Balance</b>	104.4	4,233.8	773.0	34.1	37.7	6,001.6	576.1	0.0	204.9

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**Capital Improvements and Long-Term Financing****Capital Budgeting Process**

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

The process for developing the capital budget involves the affected state agencies, the Office of Budget and Management (OBM), the Governor, and the General Assembly. Every two years, state agencies must submit to OBM, in accordance with Section 126.03 of the Ohio Revised Code, a six-year capital improvements plan and a two-year capital budget. OBM issues guidelines to agencies describing the format and content for agency capital budget requests.

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

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

**Current Capital Appropriations**

In June 2008, the state appropriated \$1.31 billion in capital projects (H.B. 562 of the 127th General Assembly) for the 2009-2010 capital biennium. The 127th General Assembly also made additional capital appropriations of \$145 million in the reappropriations bill (H.B. 496) during the 2009-2010 capital biennium, bringing the new capital appropriations (GRF and non-GRF) total for the biennium to \$1.46 billion. Of that amount, \$1.32 billion will be funded by the issuance of bonds backed by the GRF. Capital appropriations made from various non-GRF sources effective for the 2009-2010 capital biennium total \$135 million and include appropriations from, among others, the veteran’s home improvement fund, the clean Ohio revitalization fund, and the waterways safety fund.

The largest portion of capital appropriations for the fiscal years 2009 and 2010 capital biennium (\$499 million) were made to the Board of Regents to address the capital needs of Ohio’s higher education institutions. The Public Works Commission received appropriations totaling \$240 million for the financing of capital improvement projects of local subdivisions of the state. Other new capital appropriations included \$104 million provided to the Department of Mental Health for capital facilities (including the new campus consolidation project described below) and \$100 million provided to the Department of Development for the Third Frontier Program.

In June 2008, the 127th General Assembly also made new capital appropriations as part of the Governor’s \$1.57 billion economic stimulus plan to stimulate the Ohio economy through investments in logistics and distribution, bio-products

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**Capital Improvements and Long-Term Financing**

and bio-medical research, advanced and renewable energy, local government infrastructure, conservation and brownfield revitalization projects, higher education workforce programs and expansion of the state's historic preservation tax credits. Of the total amount, \$386 million is intended to be funded from the issuance of bonds backed by the GRF and \$384 million from the issuance of bonds backed by non-GRF sources. Funding of the remaining amount (\$800 million) is tied to various cash sources including the GRF and funds of the Ohio Tobacco Prevention Foundation.

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

The capital budget's most obvious relationship to the operating budget is the debt service requirements it generates. Debt service is the payment of interest and principal to retire debt created by the issuance of bonds or notes to finance major capital projects. The section below titled "Overview of Capital Financing" provides detailed information on state capital financing purposes, including the cost of debt service in the 2010-2011 biennium.

The capital budget also relates to the operating budget in other ways. Projects that lead to an expansion of space and service levels generally will require additional employees to provide services and maintain that space. As a result, state agencies that receive capital appropriations may experience increases in their operating budgets once a project has been completed. For example, the Department of Rehabilitation and Correction received a capital appropriation in the fiscal years 2007 and 2008 capital biennium to construct a new community based correctional facility in Cuyahoga County. When complete, the operation of the facility will be funded with a subsidy from the department requiring an increase in its appropriation.

Some projects may lead to a decrease in appropriation due to efficiencies gained through consolidation. For example, the Ohio Department of Taxation (ODT) in collaboration with the Office of Information Technology is implementing the State Taxation Accounting and Revenue System (STARS). STARS is an integrated tax collection and audit system that will replace ODT's existing separate tax software and administration systems. Currently, there are 27 different computer systems used to accomplish the revenue collection, distribution and tracking functions. STARS will consolidate and eliminate those legacy systems and is expected to increase revenues primarily through increased discovery of non-resident taxpayers and non and under reporting filers. Additional amounts will be realized through information technology savings, improved productivity and workflow management.

Another capital project that is expected to generate operational savings is the Department of Mental Health's \$84 million campus consolidation project in Cuyahoga County. This new facility will be used for the treatment and care of individuals with mental illness and disabilities and will consolidate two existing facilities in the cities of Cleveland and Northfield. Once complete, the Department of Mental Health expects a reduction in personnel and operational expenses as well as near-term savings resulting from deferred maintenance on the existing facilities.

**Overview of Capital Financing**

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

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

**General Obligation Bonds**

Since 1953, many capital improvements have been financed through the issuance of general obligation bonds, which are backed by the state's full faith and credit. General obligation bonds are issued by the Ohio Public Facilities

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## Capital Improvements and Long-Term Financing

Commission and by the Treasurer of State. Unless expressly exempted, state revenues from almost all tax and non-tax sources are pledged to the repayment of these general obligations. Exceptions are highway user receipts which may only be used for highway projects and state lottery profits which may only be used for financing primary and secondary education facilities. Such general obligation debt must be authorized by a constitutional amendment approved by the voters before it can be issued.

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

*Third Frontier Research and Development.* A 2005 constitutional amendment authorizes the issuance of \$500 million of general obligation debt in support of Ohio industry, commerce and business. Not more than \$100 million may be issued in each of the first three fiscal years and not more than \$50 million in any other fiscal year. The full faith and credit, revenue (excluding net state lottery proceeds), and taxing power (excluding highway user receipts) of the state are pledged to retire this debt.

*Site Development.* A 2005 constitutional amendment authorizes the issuance of \$150 million of general obligation debt for the development of sites for industry, commerce, distribution, and research and development. Not more than \$30 million may be issued in each of the first three fiscal years and not more than \$15 million in any other fiscal year. The full faith and credit, revenue (excluding net state lottery proceeds), and taxing power (excluding highway user receipts) of the state are pledged to retire this debt.

*Conservation.* A 2000 constitutional amendment authorizes \$200 million of general obligation debt to be issued to finance preservation of green space, development of recreational trails and protection of farmland, all through partnerships with local governments. Not more than \$50 million may be issued in any fiscal year. Additional debt may be issued as outstanding debt is retired, provided that not more than \$200 million is outstanding at any time. A 2008 constitutional amendment authorizes an additional \$200 million for the same purposes. The full faith and credit, revenue (excluding net state lottery proceeds), and taxing power (excluding highway user receipts) of the state are pledged to retire this debt.

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

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

*Infrastructure Improvements.* A 1995 constitutional amendment authorizes the issuance of up to \$1.2 billion of general obligation debt to finance or assist the financing of public infrastructure capital improvements of municipal corporations, counties, townships, and other government entities as designated by law. No more than \$120 million may be issued in any fiscal year. A 2005 constitutional amendment authorizes an additional \$1.35 billion of general obligation debt as a ten-year extension of this program, with an increase in the annual issuance amount in the last five-years from \$120 million to \$150 million. The full faith and credit, revenue (excluding net state lottery proceeds), and taxing power of the state (excluding highway user receipts) are pledged to retire this debt.

## Capital Improvements and Long-Term Financing

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

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

Treasurer of State. The Treasurer of State issues general obligation bonds for highway construction, as summarized below:

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

The following table provides summary information for the state's general obligation bonds as of June 30, 2008 (\$ in thousands).

<b>Purpose</b>	<b>Fiscal Years Issued</b>	<b>Amount Issued<sup>(a)</sup></b>	<b>Maturing through Fiscal Year</b>	<b>Outstanding Balance</b>
Infrastructure Improvements	1990-08	\$2,399,986	2028	\$1,355,190 <sup>(b)</sup>
Coal Research & Development	1992-08	158,000	2016	32,380
Natural Resources	1995-07	295,000	2020	160,425
Highway Capital Improvements	1997-08	1,945,000	2018	837,500
Higher Education Facilities	2000-07	2,000,000	2027	1,589,085
Common School Facilities	2000-07	3,290,000	2027	2,769,170 <sup>(c)</sup>
Conservation Projects	2002-07	200,000	2023	166,425
Third Frontier R&D	2007	80,720	2017	62,160
Site Development	2007	30,000	2016	24,405
<b>Total</b>		<b>\$10,398,706</b>		<b>\$6,996,740</b>

**Notes:**

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

<sup>(b)</sup> Includes \$282,290,000 in adjustable rate bonds.

<sup>(c)</sup> Includes \$426,130,000 in adjustable rate bonds.

### Special Obligation Lease-Rental Bonds

Until fiscal year 2000, most of the state's capital projects had been funded via lease-rental bonds. These bonds constitute a special type of bonded debt because the lease-rental payments are subject to biennial GRF appropriations in the state's operating budget. Lease-rental bonds do not carry the state's full faith and credit and bondholders have no

## Capital Improvements and Long-Term Financing

right to have taxes or excises levied by the General Assembly for the payment of debt service. Current state issuers of lease-rental bonds are:

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

Treasurer of State. As authorized by the Constitution and the legislature, the Treasurer of State issues lease-rental bonds to finance capital facilities for higher education, primary and secondary education, mental health and mental retardation, parks and recreation facilities, and for cultural and sports facilities. The higher education and elementary and secondary education lease-rental bond programs are no longer active, except to refund bonds previously issued.

The following table presents summary information for the state's lease-rental bonds as of June 30, 2008 (\$ in thousands).

Issuer / Purpose	Fiscal Years Issued	Amount Issued <sup>(a)</sup>	Maturing through Fiscal Year	Outstanding Balance
<b>Ohio Building Authority</b>				
Prison Facilities	1986-08	\$1,759,500	2025	\$ 678,405
Juvenile Facilities	1993-07	267,000	2019	154,760
Administrative Service Facilities	1992-08	1,513,300	2025	698,920
Natural Resource Facilities	1988	12,160	2009	1,045
Transportation Facilities <sup>(b)</sup>	1993-06	155,800	2011	8,400
Public Safety Facilities <sup>(b)</sup>	1995-05	138,600	2021	57,055
Workers' Compensation <sup>(b)</sup>	1993-03	214,255	2014	94,805
<b>Treasurer</b>				
Higher Education Facilities	1992-99	4,817,590	2014	461,715
Mental Health Facilities	1992-07	1,322,085	2020	202,445
Parks & Recreation Facilities	1993-08	343,000	2020	121,845
Cultural & Sports Facilities	1993-07	398,690	2020	153,190
Primary & Secondary Education	1995-99	333,640	2008	-0-
<b>Total</b>		<b>\$11,275,620</b>		<b>\$2,632,585</b>

**Notes:**

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

<sup>(b)</sup> Debt service paid from non-GRF sources.

## Capital Improvements and Long-Term Financing

### Certificates of Participation

The Department of Transportation and the Department of Administrative Services have entered into lease-purchase agreements, in connection with which Certificates of Participation (COPs) were issued on behalf of the state, to finance building and equipment, information systems and non-highway related projects. The lease payments are made from charges to the user and/or appropriations for repayments that are included in the biennial budget. Holders or owners of the COPs have no right to have excises or taxes levied to make those payments.

The following table presents summary information for COPs financing arrangements as of June 30, 2008 (\$ in thousands).

Using Agency / Purpose	Fiscal Year Issued	Amount Issued(a)	Maturing through Fiscal Year	Outstanding Balance
<b>Department of Transportation</b>				
Panhandle Rail Line Project(b)	1992	\$ 8,680	2012	\$ 3,210
Rickenbacker Port Authority (Rickenbacker Airport)	1996	10,155	2007	-0-
<b>Department of Administrative Services</b>				
Youngstown Community Improvement District	1998	6,615	2029	5,995
Rickenbacker Port Authority (Lazarus)	1998	16,455	2023	12,605
Ohio Administrative Knowledge System	2005-2008	146,070	2019	137,270
State Taxation Accounting and Revenue System	2008	40,080	2019	40,080
The Riversouth Authority (Lazarus)	2008	16,500	2028	16,500
<b>Total</b>		<b>\$244,555</b>		<b>\$215,660</b>

#### Note:

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

<sup>(b)</sup> Debt service paid from non-GRF sources.

### Bonds Paid from Other State Funds

Economic Development. These bonds are issued by the Treasurer of State for the Department of Development's Direct Loan, Innovation Ohio, Research and Development, and logistics and distribution programs under Chapter 166 of the Revised Code. The Treasurer of State also issues these bonds for the Air Quality Development Authority's advanced energy program. These bonds provide financing for loans to businesses within the state that cannot obtain conventional financing for economic development projects that create or retain jobs in the state. The bonds are backed by the net profits derived from the state's liquor enterprise.

Clean Ohio Revitalization Program. These bonds are issued by the Treasurer of State for the Clean Ohio Council, which consists of the directors of the Department of Development, Environmental Protection Agency, Public Works Commission, four members of the Ohio General Assembly, and seven citizens appointed by the Governor. A 2000 constitutional amendment authorizes \$200 million of bonds to provide financing for grants and loans to projects that provide for the environmentally safe and productive development and use or reuse of publicly- and privately-owned lands within the state. A 2008 constitutional amendment authorizes an additional \$200 million for the same purposes. These bonds are payable from revenues and receipts designated by the General Assembly (currently a portion of net profits derived from the state's liquor enterprise).

## Capital Improvements and Long-Term Financing

The following table presents summary information for those bonds paid from state liquor profits as of June 30, 2008 (\$ in thousands).

<b>Purpose</b>	<b>Fiscal Years Issued</b>	<b>Amount Issued</b>	<b>Maturing Through Fiscal Year</b>	<b>Outstanding Balance</b>
Economic Development	1997-06	\$368,740	2026	\$297,055
Revitalization	2003-08	150,000	2023	132,090
<b>Total</b>		<b>\$518,740</b>		<b>\$429,145</b>

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

The following table presents summary information for State Infrastructure Bank bonds, as of June 30, 2008, were as follows (\$ in thousands).

<b>Purpose</b>	<b>Fiscal Years Issued</b>	<b>Amount Issued</b>	<b>Maturing through Fiscal Year</b>	<b>Outstanding Balance</b>
Major New State Infrastructure	1998-08	\$987,250	2017	\$496,490

### Revenue Bonds

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

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

### Debt and Interest Rate Risk Management Policy

The Office of Budget and Management and the three issuers of debt backed by state revenue – the Treasurer of State, Ohio Building Authority and Ohio Public Facilities Commission – developed and in December 2006 adopted a Debt and Interest Rate Risk Management Policy. This policy is intended to ensure that financings undertaken by the three issuers satisfy established standards that allow the state to protect its financial resources and position in order to meet its long-term capital financing needs. The policy largely formalized existing practices and procedures for issuing debt and managing a debt portfolio based upon the state's overall capital improvement needs. The policy highlights as primary objectives of the state issuers: i) achieving the lowest cost of capital, ii) ensuring high credit quality, iii) assuring access to the capital credit markets, iv) preserving financial flexibility, and v) managing interest rate risk exposure.

## Capital Improvements and Long-Term Financing

### Debt Service and Outstanding Debt

The following tables (Figure C-10) shows certain historical debt information and comparisons. These tables include only outstanding obligations of the state for which debt service is paid from the GRF. Highway obligations and obligations issued by the Ohio Building Authority for Department of Transportation, Department of Public Safety, and Bureau of Workers' Compensation are not included since they are paid from non-GRF sources.

**Figure C-10**  
**Debt Service Expenses as a Percent of GRF Revenues**

Year	Principal Amount Outstanding (as of July 1)	Outstanding Debt Per Capita	Outstanding Debt as % of Annual Personal Income
1980	\$1,991,915,000	\$184	1.83%
1990	\$3,707,054,994	\$341	1.82%
2000	\$6,308,680,025	\$555	1.97%
2001	\$6,570,863,174	\$578	2.02%
2002	\$7,086,317,648	\$621	2.13%
2003	\$7,559,386,132	\$661	2.22%
2004	\$8,110,709,343	\$708	2.30%
2005	\$8,476,432,135	\$740	2.32%
2006	\$8,909,382,567	\$777	2.34%
2007	\$9,211,911,840	\$803	2.33%
2008	\$8,631,565,254	\$751 <sup>(a)</sup>	2.18% <sup>(b)</sup>

Fiscal Year	Debt Service Payable	Total GRF Revenue and Net State Lottery Proceeds	Debt Service as % of GRF Revenue and Lottery Proceeds	Debt Service as % of Annual Personal Income
1980	\$187,478,382	\$4,835,670,223	3.88%	0.17%
1990	\$488,676,826	\$12,230,681,298	4.00%	0.24%
2000	\$871,313,814	\$20,711,678,217	4.21%	0.27%
2001	\$918,248,422	\$21,921,275,724	4.19%	0.28%
2002	\$926,142,216	\$22,072,703,100	4.20%	0.28%
2003	\$959,489,678	\$23,055,920,100	4.16%	0.28%
2004	\$1,013,222,412	\$24,678,909,000	4.11%	0.29%
2005	\$1,097,842,137	\$26,195,614,000	4.19%	0.30%
2006	\$1,128,591,711	\$26,492,277,500	4.26%	0.30%
2007	\$1,216,382,190	\$26,447,718,900	4.60%	0.31%
2008	\$1,231,640,023	\$27,331,442,423	4.51%	0.31% <sup>(b)</sup>

**Notes:**

<sup>(a)</sup> Based on July 2008 population estimate.

<sup>(b)</sup> Based on 2007 personal income data.

## Capital Improvements and Long-Term Financing

### Status of Capital Improvements Debt

The following tables show summary and selected information concerning changes in long-term obligations as of June 30, 2008 (Figure C-11), and estimated issuance amounts and debt service costs for the fiscal year 2010-2011 biennium (Figure C-12). The debt service appropriations for general obligation bonds are in the Governor's proposed operating budget for each of the benefiting state agencies for which obligations have been issued. The appropriations to cover the debt service on special obligation bonds are included in the budgets of the Board of Regents, Department of Mental Health, Department of Mental Retardation and Developmental Disabilities, Department of Natural Resources, Department of Rehabilitation and Correction, Department of Administrative Services, Department of Youth Services, Cultural and Sports Facilities Commission, School Facilities Commission, Department of Transportation, Department of Public Safety, Department of Education, and the Bureau of Workers' Compensation.

**Figure C-11**  
**Changes in General Long-Term Obligations (\$ in thousands)**

	<b>General Obligation Bonds</b>	<b>Special Obligation Bonds</b>	<b>Certificates of Participation</b>	<b>Economic Development</b>	<b>State Infrastructure Bonds</b>	<b>Total</b>
Principal Outstanding as of July 1, 2006	\$6,577,433	\$3,392,635	\$103,465	\$411,070	\$291,970	\$10,776,573
Additions: Debt Issued	1,418,720	352,225	123,465	50,000	390,000	2,334,410
Deductions: Debt Retirement/ Refundings/ Defeasances	(999,413)	(1,112,275)	(11,270)	(31,925)	(185,480)	(2,340,363)
Principal Outstanding as of June 30, 2008	\$6,996,740	\$2,632,585	\$215,660	\$429,145	\$496,490	\$10,770,620

### Debt Restructuring in Fiscal Year 2010-2011

Debt service appropriations in the fiscal year 2010-2011 Executive Budget reflect the restructuring into later biennia of certain debt service payments currently scheduled to be paid from the General Revenue Fund (GRF) [See Special Analysis – Debt Restructuring section of this Executive Budget]. The purpose of the restructuring is to free up GRF resources in the 2010-2011 biennium to help provide funding for core state services and investments in a time of constrained resources. The planned debt restructuring lowers net debt service payable from the GRF in the 2010-2011 biennium by approximately \$400 million and timely repays that debt service in fiscal years 2012 through 2021. The impact of the restructuring is reflected in the estimated debt service numbers presented in Figure C-12 below.

**Budget Overview**

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**Capital Improvements and Long-Term Financing**

**Figure C-12**  
**Summary of State Debt as of June 30, 2008 and FY 2010 and 2011 Estimated New Issuance Amounts**  
**(\$ in thousands)**

Security and Purpose	Constitutional Citation	Amount Authorized by the Legislature <sup>(a)</sup>	Amount Issued As of 6/30/08	Amount Outstanding on 6/30/08	Estimated Amount to be Issued in FYs 2010-2011	Estimated Debt Service for FYs 2010-2011 <sup>(b)</sup>
<b>General Obligations</b>						
Higher Education <sup>(c)</sup>	Sec 2n, Art. VIII	\$2,613,000	\$2,000,000	\$1,589,085	\$0	\$174,798,000
Common Schools <sup>(c)</sup>	Sec 2n, Art. VIII	3,345,000	3,290,000	2,769,170	0	358,069,700
Coal R&D	Sec 15, Art. VIII	231,000	158,000	32,380	66,000,000	20,915,400
Natural Resources	Sec 2l, Art. VIII	350,000	295,000	160,425	60,000,000	52,883,800
Highway <sup>(d)</sup>	Sec 2m, Art. VIII	2,420,000	1,945,000	837,500	480,000,000	405,508,200
Infrastructure <sup>(c)</sup>	Sec 2k&2m&2p, Art. VIII	2,880,000	2,399,986	1,355,190	240,000,000	311,775,400
Conservation	Sec 2o&2q, Art. VIII	240,000	200,000	166,425	100,000,000	46,396,000
Third Frontier R&D	Sec. 2p, Art. VIII	350,000	80,720	62,160	215,000,000	49,959,900
Site Development	Sec. 2p, Art. VIII	<u>120,000</u>	<u>30,000</u>	<u>24,405</u>	<u>90,000,000</u>	<u>16,287,300</u>
Total		\$12,549,000	\$8,418,706	\$6,996,740	\$1,251,000,000	\$1,436,593,700
<b>Special Obligations</b>						
Adult Corrections	Sec 2i, Art. VIII	\$1,943,000	\$1,759,500	\$678,405	\$90,000,000	\$199,658,300
Juvenile Corrections	Sec 2i, Art. VIII	304,000	267,000	154,760	37,000,000	49,504,800
Admin. Services	Sec 2i, Art. VIII	1,646,000	1,513,300	698,920	80,000,000	200,348,000
Cultural & Sports	Sec 2i, Art. VIII	512,000	398,690	153,190	60,000,000	54,756,500
DNR – Fountain Square	Sec 2i, Art. VIII	12,160	12,160	1,045	-	-
Higher Education	Sec 2i, Art. VIII	4,817,590	4,817,590	461,715	-	232,358,200
Mental Health	Sec 2i, Art. VIII	1,517,000	1,322,085	202,445	105,000,000	87,974,200
Parks & Recreation	Sec 2i, Art. VIII	418,000	343,000	121,845	75,000,000	42,973,900
Prim. & Sec. Educ.	Sec 2i, Art. VIII	333,640	333,640	-	-	-
Transportation <sup>(d)</sup>	Sec 2i, Art. VIII	155,800	155,800	8,400	-	5,236,700
Public Safety <sup>(d)</sup>	Sec 2i, Art. VIII	143,000	138,600	57,055	-	25,173,200
Workers' Comp. <sup>(e)</sup>	Sec 2i, Art. VIII	<u>214,255</u>	<u>214,255</u>	<u>94,805</u>	-	<u>38,891,200</u>
Total		\$12,016,445	\$11,275,620	\$2,632,585	\$447,000,000	\$936,875,000
<b>Other</b>						
Highway Infrastructure <sup>(f)</sup>	Sec 13, Art. VIII	n.a.	\$987,250	\$496,490	\$445,000,000	\$317,654,000
Economic Development <sup>(g)</sup>	Sec 13, Art. VIII	n.a.	368,740	297,055	239,000,000	92,977,900
Revitalization <sup>(g)</sup>	Sec 2o&2q, Art. VIII	<u>\$240,000</u>	<u>150,000</u>	<u>132,090</u>	<u>100,000,000</u>	<u>35,991,800</u>
Total		\$240,000	\$1,505,990	\$925,635	\$784,000,000	\$446,623,700

**Notes:**

- <sup>(a)</sup> Includes appropriations passed by the General Assembly as of 6/30/2008.
- <sup>(b)</sup> Debt service or lease payments paid from GRF unless otherwise noted.
- <sup>(c)</sup> Fiscal Year 2010-2011 debt service projections reflect the debt service restructuring discussed separately as a Special Analysis.
- <sup>(d)</sup> Debt service is paid from highway user receipts (including motor vehicle tax fuel tax receipts).
- <sup>(e)</sup> Debt service is paid from appropriations from the BWC Administrative Cost Fund.
- <sup>(f)</sup> Debt service on these "GARVEE" bonds is paid from federal transportation grants (Title 23 of the U.S. Code).
- <sup>(g)</sup> Debt service is paid from profits derived from the state's liquor enterprise.

**Capital/Debt Affordability Analysis**

Section 17 of Article VIII of the Ohio Constitution establishes an annual debt service limitation on state debt obligations payable from the GRF or net state lottery proceeds. Section 17 prohibits the issuance of debt payable from

## Capital Improvements and Long-Term Financing

those sources if debt service in any future fiscal year on those new and the then outstanding bonds would exceed 5 percent of the total of estimated GRF revenues plus net state lottery proceeds for the fiscal year of issuance.

Debt obligations payable from the GRF include both general obligation and special obligation bonds, but exclude (i) general obligation debt issued for third frontier research and development and for site development purposes and (ii) general obligation debt payable from non-GRF funds (e.g., highway capital improvement bonds that are paid from highway user receipts). Application of the “5 percent limit” may be waived in a particular instance by a three-fifths vote of each house of the General Assembly.

Debt obligations are typically issued as needed to ensure uninterrupted funding of the various capital appropriations enacted by the General Assembly that are intended to be funded by bond proceeds. To determine the amount of new capital appropriations that are affordable under the five percent limit, OBM utilizes a model that factors in: i) existing GRF debt service, ii) estimated GRF debt service from bond authorizations passed by the General Assembly for which bonds will be issued in the near-term, iii) projected GRF debt service from alternative amounts of new capital appropriations, and iv) projections of total GRF revenue plus net state lottery proceeds in future fiscal years. The model reflects forecasts of GRF revenue and net lottery proceeds for future fiscal years that do not include federal stimulus and other one-time funds employed in the 2010-2011 biennium. The model also reflects conservative assumptions with respect to the timing, amount, and prevailing interest rates for projected future bond sales.

The fiscal years 2008 and 2009 operating budget bill (H.B. 119 of the 127th General Assembly) created the Buckeye Tobacco Settlement Financing Authority to securitize tobacco settlement receipts payable to the state under the 1998 national tobacco master settlement agreement. In fiscal year 2008, the Authority issued \$5.53 billion Tobacco Settlement Asset-Backed Bonds to fund capital expenditures over the next three-to-four years for higher education and common school facilities in lieu of the state issuing GRF-backed general obligation bonds for those purposes. As a result, the state reduced its reliance on GRF-backed debt and lowered its position relative to the five percent limit. Debt service on the tobacco bonds is paid solely from tobacco settlement receipts with no recourse to any funds of the state.

Figure C-13 below shows the results of the capital/debt affordability model based on the amount of GRF revenue plus net state lottery proceeds presented in the Executive Budget for fiscal years 2010 through 2013. The affordable amount of GRF-backed capital appropriations shown below for the fiscal years 2011 and 2012 capital biennium is not intended to be a recommended level, but the result of a calculation of what may be affordable under the constraint of the five percent limit.

**Figure C-13**  
**GRF Debt Capacity Under the 5% Limit**

<b>Capital Biennium</b>	<b>Capital Appropriations Backed by GRF Debt Subject to the 5% Limit<sup>(a)</sup></b>	<b>Debt Service Percent of GRF Revenue and Net State Lottery Proceeds (the 5% Limit)</b>
FY 2005-06 act.	\$2,125,050,200	4.26%
FY 2007-08 act.	\$2,381,167,100	4.45%
FY 2009-10 est.	\$1,291,457,200	3.36% <sup>(b)</sup>
FY 2011-12 proj.	\$2,200,000,000	4.90%

**Note:**

<sup>(a)</sup> These amounts only reflect those capital appropriations funded by debt obligations payable from the GRF and net state lottery proceeds that are subject to the 5 percent limit.

<sup>(b)</sup> Reflects a temporary reduction associated with the debt restructuring which lowers debt service payable from the GRF in fiscal year 2010 by approximately \$200 million.

**Figure C-14**  
**Summary of State of Ohio Personnel**  
**Fiscal Years 2008-2011**

FY 2008 (July 2007)	FY 2009 (July 2008)	%	FY 2010 (Estimate)	%	FY 2011 (Estimate)	%
		Change		Change		Change
64,203	62,265	-3.0%	60,480	-2.9%	60,480	0.0%

This table summarizes state agency employment figures for full-time and part-time employees in the following employment types:

- **Established Term:** These employees are established by agency-specific and collective bargaining agreements and have a limited duration of work dependent upon the needs of the department.
- **Fixed Term:** These employees have been appointed or elected to serve for a period fixed by law. *Fixed term salaried* employees receive a fixed salary set by law. *Fixed term per diem* employees receive compensation on a daily basis for attending meetings and/or conducting official business on behalf of the agency.
- **Interim:** These employees work for an indefinite period of time that is fixed by the length of absence of an employee due to sickness, disability, or approved leave of absence.
- **Intermittent:** These employees work an irregular and unpredictable schedule, which is determined by the fluctuating demands of the work. Typically, these employees work fewer than 1,000 hours per year.
- **Permanent:** These employees hold a position that requires a regular schedule of twenty-six consecutive bi-weekly pay periods, or any other regular schedule of comparable consecutive pay periods that is not limited to a specific season or duration.
- **Project Employees:** These employees are hired in connection with a special project having a limited-term funding source, such as a federal grant.
- **Seasonal:** These employees work a certain regular season or period of each year performing some work or activity limited to that timeframe.
- **Temporary:** These employees hold their positions for a limited period of time, which is fixed by the appointing authority for a period not to exceed six months.

Data for fiscal years 2008 and 2009 are from the start of each fiscal year—July 2007 and July 2008, respectively. In the middle of fiscal year 2008, in January, the Strickland Administration instituted hiring controls to achieve cost savings. In addition, the first of three agency budget General Revenue Fund recalibrations occurred in February. Consequently, state employment declined 3.0 percent by the start of fiscal year 2009 in July, as noted above.

The figure above also shows that employment has continued to decline 2.9 percent during the current fiscal year, as the second and third agency budget General Revenue Fund recalibrations occurred to bring the current year's General Revenue Fund spending in line with declining state revenues. Data for fiscal years 2010 and 2011 represent the most current available data for total statewide employment (January 2009). This represents the maximum employment the state expects in the upcoming biennium. It is anticipated that the number of state employees will continue to decline in the upcoming biennium. Because the Executive Budget proposes smaller General Revenue Fund budgets than agencies requested and further General Revenue Fund reductions for agencies beyond those already incurred from budget recalibrations to date, agencies are working to identify the precise number of employees they will be able to have to carry out their more limited goals and objectives in fiscal years 2010 and 2011.

Note that these figures represent a point in time during each fiscal year and do not represent either the minimum or maximum staffing levels for the period. Certain position types, particularly certain non-permanent position types, are not captured in these data simply because of the points in time represented.

**Figure C-15**  
**Summary of State of Ohio Personnel-Related Expenditures**  
**Fiscal Years 2008-2013**

	<b>FY 2008</b>	<b>FY 2009</b>	<b>%</b>	<b>FY 2010</b>	<b>%</b>	<b>FY 2011</b>	<b>%</b>	<b>FY 2012</b>	<b>FY 2013</b>
	<b>(Actual)</b>	<b>(Estimate)</b>	<b>Change</b>	<b>(Estimate)</b>	<b>Change</b>	<b>(Estimate)</b>	<b>Change</b>	<b>(Estimate)</b>	<b>(Estimate)</b>
GRF	\$2,034,997,819	\$1,998,531,749	-1.8%	\$2,036,503,852	1.9%	\$2,075,197,425	1.9%	\$2,114,626,177	\$2,154,804,074
All Funds	\$4,402,296,470	\$4,470,179,859	1.5%	\$4,555,113,276	1.9%	\$4,641,660,429	1.9%	\$4,729,851,977	\$4,819,719,164

This table summarizes all personnel-related expenses captured within the personal services expense account category. Amounts include basic wages, overtime compensation, paid leave, employer paid benefit expenses, employee training and tuition reimbursement, payroll surcharges for central services (e.g., payroll processing) and other personnel-related expenses.

State personnel costs in fiscal year 2008 totaled \$4.4 billion, with General Revenue Fund expenses comprising \$2.0 billion (46.2 percent) of that amount. Extrapolating fiscal year 2009 payroll expenses to date to the rest of the year shows that General Revenue Fund state payroll is estimated to decline 1.8 percent compared to the prior year. This is due to the three agency budget General Revenue Fund recalibrations that have occurred. Total state payroll for all funds in this fiscal year is slated to increase 1.5 percent from the prior year.

The state's payroll projection system forecasts personnel expenses to increase 1.9 percent annually in the fiscal year 2010-2011 biennium for current state employees. This represents a combination of step and longevity increases that add to employee wages and increases in the cost of benefits such as health insurance. No cost-of-living adjustments are assumed in this forecast because the current collective bargaining agreements will have all expired by the end of the current fiscal year. Carrying the 1.9 percent annual trend forward, state payroll expenses are estimated to be \$4.8 billion by fiscal year 2013.