Ohio Facts 2001

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A Broad Overview of Public Finance in Ohio

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OHIO LEGISLATIVE SERVICE COMMISSION

January 2001

Dear Reader:

The Ohio Legislative Service Commission is pleased to present *Ohio Facts*. Now in its third edition, this booklet was developed to address frequently asked questions and to provide a broad overview of public finance in Ohio. Highlighted areas range from the comparative state of Ohio's economy, to its schools, justice systems, health and human services, transportation, and environment.

In all instances, researchers have used the most up-to-date data available. Our hope is that *Ohio Facts* will serve as a quick and valuable reference tool for legislators, agencies, and all persons interested in the financial state of Ohio.

If you have questions about any of the information contained in *Ohio Facts*, please call our office at (614) 466-3615.

Sincerely,

Robert M. Shapiro
Director

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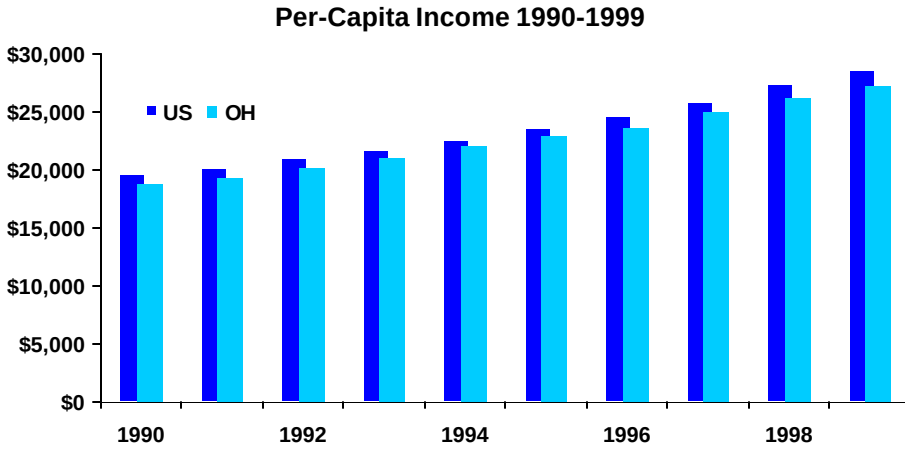
Ohio's Economy Second Largest in Midwest

Great Lakes States 1998 Gross State Product		
State	**GSP in billions**	**National Rank**
Illinois	$425.7	4
Ohio	$341.1	7
Michigan	$294.5	9
Indiana	$174.4	15
Wisconsin	$157.8	20

- Ohio's 1998 Gross State Product (GSP) of $341.1 billion made it the second largest economy in the Midwest (behind Illinois) and the seventh largest in the United States.
- Over the 1990-1998 period, Ohio's nominal GSP grew by 48.2 percent, or 5.0 percent annually (average annual compounded growth rate). U.S. nominal GDP grew by 53.2 percent, or 5.5 percent annually. Great Lakes region GSP grew by 53.3 percent, or 5.5 percent annually.
- Over the 1990-1998 period, Ohio's real (inflation-adjusted) GSP grew by 25.4 percent, or 2.9 percent annually. U.S. real GDP grew by 28.8 percent, or 3.2 percent annually. Great Lakes region GSP grew by 29.7 percent, or 3.3 percent annually.
- Ohio's 1998 real GSP was 3.9 percent of the national total. Ohio's manufacturing GSP was 6.0 percent of the national total. Ohio's share of durable goods manufacturing was 6.8 percent.

Ohio Income Holds Steady Against U.S. Average

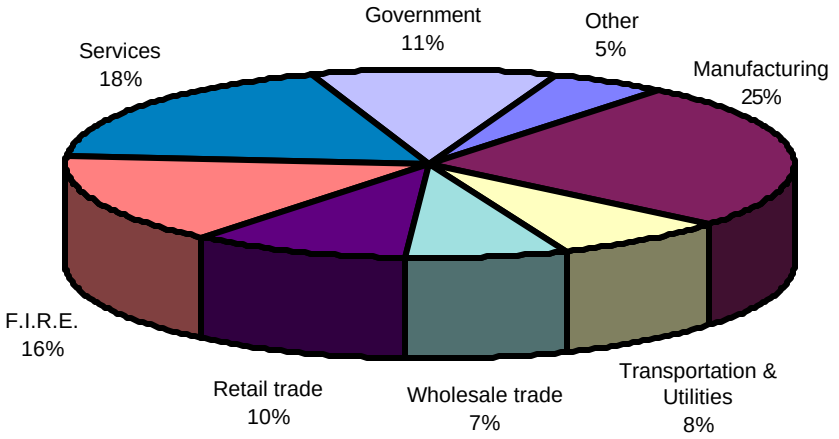


Great Lakes States 1999 Per-Capita Income		
State	**Per-Capita Income**	**National Rank**
Illinois	$ 31,145	7
Michigan	$ 28,113	19
Wisconsin	$ 27,390	22
Ohio	$ 27,152	24
Indiana	$ 26,143	31

- Ohio's per-capita income increased from $19,792 in 1990 to $27,152 in 1999. During that same period, U.S. per-capita income increased from $19,584 to $28,542.
- From 1990-1999, Ohio's inflation adjusted per-capita income grew by 13.3 percent, while U.S. growth was 14.3 percent. Ohio grew at 1.4 percent annually compared to 1.5 percent for the U.S.
- Over the 1990-1997 period, median income grew from $30,013 to $36,134 in Ohio. U.S. median income grew from $29,943 to $37,005. Adjusted for inflation, U.S. median income rose by 0.6 percent, while Ohio median income fell by 2.0 percent.
- Throughout the 1990's, Ohio's per capita income held steady between 95 and 98 percent of the national average.

Manufacturing Still Heavy in Ohio

Shares of Ohio Gross State Product, 1998



- The biggest contributors to Ohio GSP in 1998 were: manufacturing (25.3 percent); services (18.4 percent); finance insurance and real estate (15.7 percent); government (10.8 percent); and retail trade (9.5 percent).

- Ohio is not only concentrated in manufacturing, it is concentrated in durable goods manufacturing. In 1998, 67 percent of Ohio's manufacturing GSP came from durable goods. For the nation as a whole, the figure was 59 percent.

- Over the 1990-1998 period, Ohio moved from 4th to 5th among the states in manufacturing concentration. States that rank ahead of Ohio are Indiana (31.1 percent of GSP from manufacturing), Kentucky (27.0 percent), Wisconsin (26.5 percent), and Michigan (26.5 percent).

- Ohio ranks 29th in terms of concentration in services. The share of Ohio's GSP derived from services rose from 16.9 percent to 18.4 percent.

- Although the output of Ohio and the other Great Lakes states is still heavily concentrated in manufacturing, services and trade now account for greater employment.

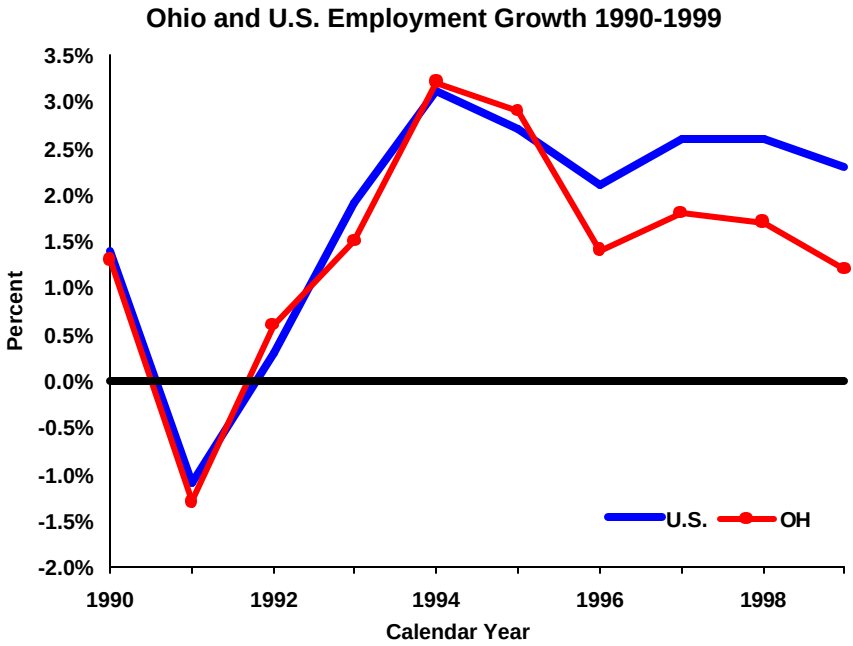
Ohio Employment Moves Away From Manufacturing Toward Services and Trade

Ohio Employment by Sector (in thousands)

Sector	1990	1999	Change	Percent Change	Annual Rate of Change
Mining	17.6	13.1	-4.5	-25.6%	-3.2%
Construction	195.3	236.2	40.9	20.9%	2.1%
Manufacturing	1,112.3	1,087.7	-24.6	-2.2%	-0.2%
Transportation & Public Utilities	218.7	245.0	26.3	12.0%	1.3%
Trade	1,171.7	1,333.7	162.0	13.8%	1.4%
F.I.R.E.	255.6	307.3	51.7	20.2%	2.1%
Services	1,189.0	1,551.9	362.9	30.5%	3.0%
Government	722.2	773.3	51.1	7.1%	0.8%
Total	**4,882.4**	**5,548.2**	**665.8**	**13.6%**	**1.4%**

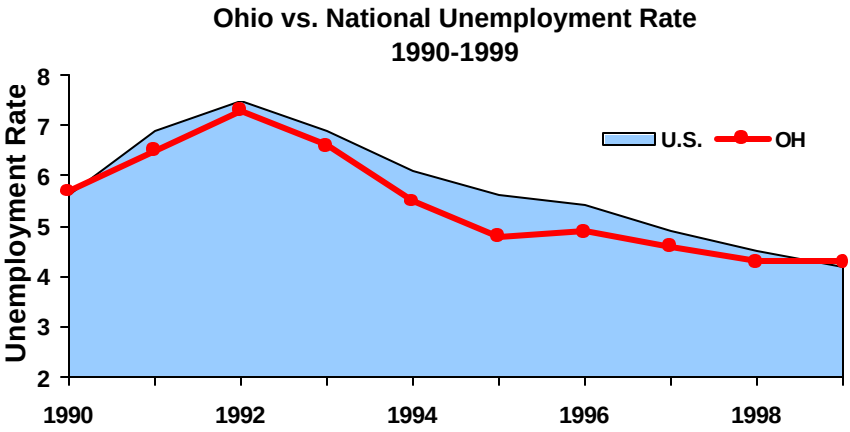
- Between 1990 and 1999, manufacturing employment in Ohio fell from 22.8 percent of wage and salary employment to 19.6 percent. During this same period, service jobs increased from 24.4 percent to 28.0 percent.
- In manufacturing, average weekly earnings (AWE) increased from $536 in 1990 to $698 in 1999. The 30.2 percent nominal gain was reduced by inflation to a 2.1 percent real gain.
- In wholesale trade, AWE increased from $417 in 1990 to $590 in 1999. The 41.5 percent nominal increase was reduced by inflation to an 11.0 percent real increase.
- In retail trade, AWE increased from $179 to $254. The 41.7 percent nominal gain was reduced by inflation to an 11.1 percent real gain.
- Mining and construction experienced reductions in real AWE. Between 1990 and 1999, mining suffered a 7.5 percent decline in real AWE and real AWE fell by 2.7 percent in construction.

Ohio Employment Lags National Pace



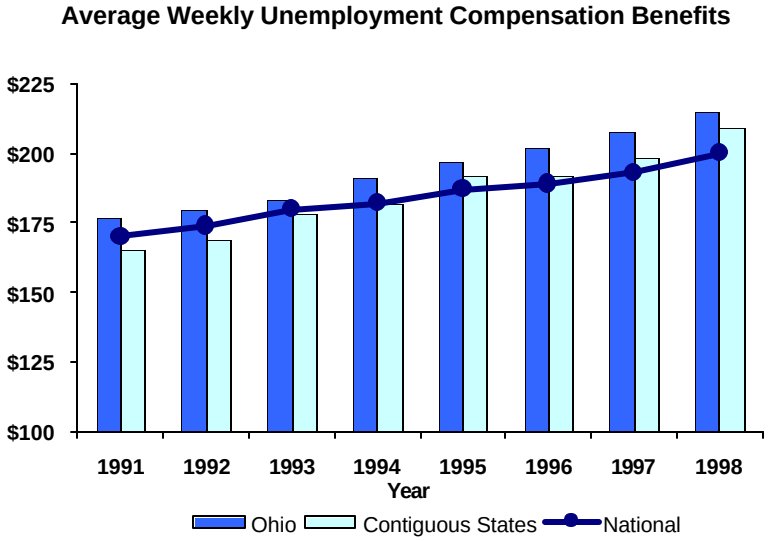
- In the 1990's, Ohio job growth averaged 1.4 percent compared to a U.S. average of 1.8 percent.
- Ohio's strongest growth was in services (3.0 percent average annual compounded growth), construction (2.1 percent), and in finance, insurance, and real estate (2.1 percent).
- The greatest employment loser was mining, which lost jobs at a 3.2 percent average annual compounded rate.
- Although manufacturing lost jobs over the decade at an average annual rate of 0.2 percent, manufacturing employment has grown at a 0.6 percent average annual rate since 1993.

Ohio's Unemployment Better Than National Rate



- For most of the 1990's, Ohio's unemployment rate was below the national average.
- In 1990, Ohio's unemployment rate was 5.7 percent. In 1999, it was 4.3 percent.
- The average annual number of unemployed people in Ohio was 309,658 in 1990. In 1999, the average was 245,754.
- Both the unemployment rate and the average annual number of unemployed people reached their highest levels in 1992 at 7.3 percent and 401,279 people.
- Although the state's annual average unemployment rates compare favorably to those of the nation, unemployment rates vary greatly among counties within the state. In 1999, 51 counties had average annual unemployment rates higher than the nation's and 37 counties were at or below national levels.

Ohio Unemployment Benefits Exceed National Average



Average Weekly Unemployment Compensation Benefits
1991-1998

	1991	1992	1993	1994	1995	1996	1997	1998
Ohio	**$177**	**$180**	**$183**	**$191**	**$197**	**$202**	**$208**	**$215**
Contiguous States	**165**	**169**	**178**	**182**	**192**	**192**	**198**	**209**
National	**170**	**174**	**180**	**182**	**187**	**189**	**193**	**200**
Indiana	112	126	142	158	179	187	186	201
Kentucky	145	144	156	159	167	171	176	186
Michigan	212	211	215	213	221	205	222	235
Pennsylvania	197	201	210	212	219	219	228	238
West Virginia	160	163	167	167	172	176	180	187

- Ohio's average unemployment benefits have exceeded the national average and were greater than the median benefits paid by its contiguous states for the period 1991-1998.

Ohio Ranks High In Exports

1999 Exports and Percentage Changes

1999	Exports (millions of $)	Rank	Percentage Change 1993-99
U.S. Total	**695,797**	**n/a**	**49.6%**
California	102,864	1	51.1%
Texas	61,706	2	73.2%
New York	43,297	3	6.4%
Michigan	41,490	4	63.8%
Washington	36,826	5	34.4%
Illinois	30,857	6	51.6%
Ohio	**26,562**	**7**	**50.5%**
Florida	22,544	8	53.4%
New Jersey	21,008	9	44.5%
Pennsylvania	19,2528	10	48.1%

- Ohio's exports grew at a rate just above the total U.S. rate for the period 1993-1999 (50.5 percent versus 49.6 percent). Ohio ranked 7th among the top ten exporting states.
- From 1998-1999, Ohio recovered from a slight decrease in exports to turn in a 7.0 percent increase as compared to a 2.0 percent increase for the nation as a whole. Ohio's percentage increase was 2nd among the top ten exporting states.
- Ohio's state rank in total export volume jumped from 11th in 1987 to 7th in 1997. Ohio maintained this ranking in 1999.
- In 1999, Ohio had five export markets where dollar volume exceeded $1 billion: Canada, Mexico, France, Japan and the United Kingdom. Of these, Canada was by far the largest market, purchasing over $11.96 billion of Ohio's $26.56 billion in exports, or about 45 percent. For the second consecutive year, Mexico overtook France as Ohio's second highest export market.
- In 1998, Ohio's top exporting sectors were transportation ($8.9 billion), industrial machinery ($5.4 billion), chemicals ($2.5 billion), electronics ($2.1 billion), and metal products ($1.7 billion).

International Trade Offices Enhance Ohio's Trade on Five Continents

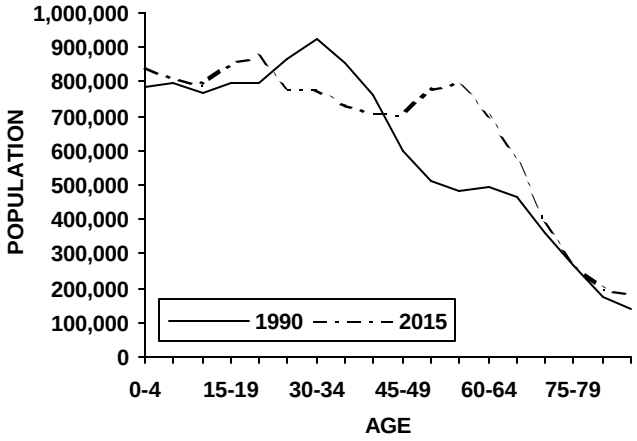
Location	Date Office Opened	Proposed FY 2001	% Change 1997-2001
Columbus, Ohio	Before July, 1975	$3,004,675	-9.1
Brussels, Belgium	July, 1976	363,894	9.4
Buenos Aires, Argentina^	February, 1999	26,900	N/A
Hong Kong	May, 1990	393,263	8.9
Johannesburg, S. Africa*^	July, 1998	199,235	N/A
Mexico, Districto Federal	September, 1995	392,650	-32.0
Santiago, Chile^	December, 1998	35,600	N/A
Sao Paolo, Brazil^	July, 1997	53,900	N/A
Tel Aviv, Israel	September, 1995	360,068	20.8
Tokyo, Japan	July, 1976	434,477	-31.0
Toronto, Canada	October, 1990	200,329	23.1
Total – All Offices		**$5,464,991**	**-3.6**

*Previously, operations were located in Lagos, Nigeria, 1987-1992.
^Shared offices with the Council of Great Lakes Governors.

- Actual general revenue fund spending for Ohio's Department of Development International Trade activities totaled just under $5.6 million in FY 2000, a 1.2 percent decrease from FY 1997 expenditures of $5.6 million.
- In FY 1999, 2 new "shared" offices – Santiago, Chile and Buenos Aires, Argentina – were opened, increasing the number of Ohio's off-shore trade office locations to ten. The "trade presence" offices in Buenos Aires, Johannesburg, Santiago and Sao Paolo reflect joint efforts with other Great Lakes States, including Indiana, Michigan, New York, Pennsylvania and Wisconsin. Since FY 1996, the establishment of six new offices has more than doubled Ohio's off-shore trade locations.
- For FYs 2000-2001, major Ohio trade missions included a trip to Japan (February 2000) and a scheduled trip (March, 2001) to the A-B-C's of South America: Argentina (Buenos Aires), Brazil (Sao Paolo) and Chile (Santiago).

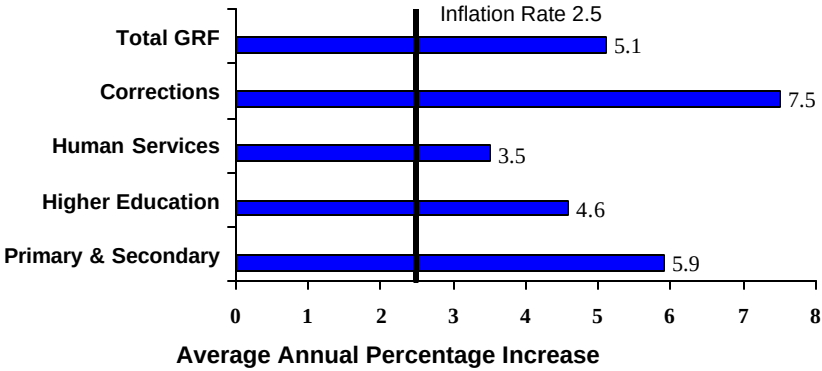
"Baby Boomers" Impact Ohio Demographics

1990 Census & 2015 Projections of Population by Age Group



- Ohio's "baby boomers," like their peers in the rest of the nation, will reach retirement age between the years 2010 and 2030.
- In 2015, the "baby boomers" will be age 51 to 69. It is estimated that the segment of Ohio's population between the ages of 50 and 69 will increase by approximately 884,000 people or 45.2 percent between the year 1990 and 2015.
- In 2015, the "baby boom echo" (children of "baby boomers") will be age 20 to 38 and will represent the next largest increase in population for any given age category when compared to 1990 demographics.
- The demographic group sandwiched between the "boomers" and the "echo" is known as "Generation X" or the "baby bust." In 2015, this significantly smaller demographic segment will be age 39 to 50 and will be in their prime wage earning years.

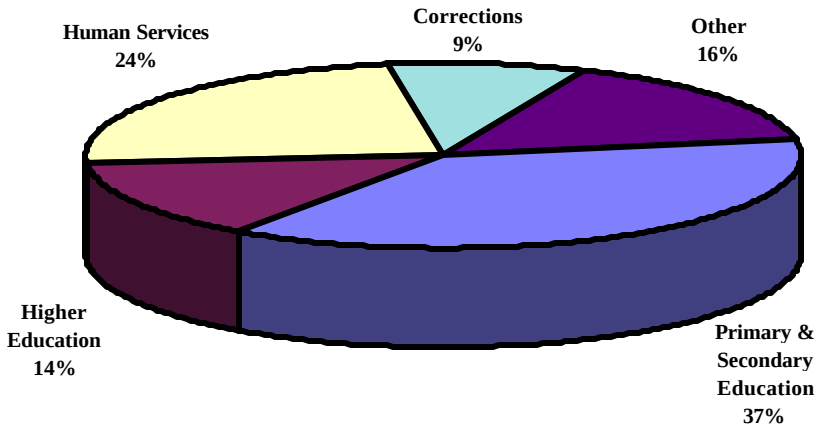
Spending Growth Varies Across Program Areas



- Over the period encompassing actual fiscal year 1992 expenditures through 2001 appropriations, GRF corrections spending (dominated by the Department of Rehabilitation and Correction) experienced a high average annual growth rate relative to most other areas of state spending. This growth in GRF corrections spending reflects the cost of building and operating a relatively large prison system, in combination with a dramatic expansion in community corrections programs.
- During the same time period, Primary and Secondary Education funding posted the second highest annual growth rate: an average of 5.9 percent compared to the average annual inflation rate of 2.5 percent.
- From 2000 to 2001, annual percentage increases were as follows: Corrections – 8.7 percent; Human Services – 2.5 percent; Higher Education – 6.1 percent; Primary and Secondary Education – 7.7 percent.
- Human Services spending, which experienced the lowest average annual percentage increase, grew an average of 3.5 percent annually (just 1 percent above the average inflation rate). The fact that this spending category realized the lowest average percent increase year-to-year is not surprising, considering the economic expansion that has characterized this time period.

Spending on K - 12 Education Increases As Largest Share of the State Budget

Spending as a Percentage of the FY 2000-01 State Budget



State Spending in Millions

	1992-1993	1994-1995	1996-1997	1998-1999	2000-2001
Primary & Secondary	8,331.2	9,015.9	10,067.4	11,642.1	13,513.4
Higher Education	3,300.0	3,649.2	4,087.8	4,510.3	5,013.8
Human Services	6,839.0	7,126.2	7,361.5	8,093.5	8,586.8
Corrections	1,319.5	1,744.5	2,265.6	2,670.6	3,122.7
Other	3,452.3	3,920.5	4,472.3	5,104.6	5,742.8

- Total spending has grown 55 percent since the 1992-93 biennium.
- Growth rates in spending for the major categories are: Corrections – 137 percent; Human Services – 26 percent; Primary and Secondary Education – 62 percent; Higher Education – 52 percent.
- The share of the biennial budget allocated to each of the major spending areas has changed since 1992-93 by the following amounts: Primary and Secondary Education – 1 percent increase; Higher Education – no change; Human Services – 5 percent decline; Corrections – 6 percent increase.
- K-12 education and higher education together account for 51 percent of the entire state budget.

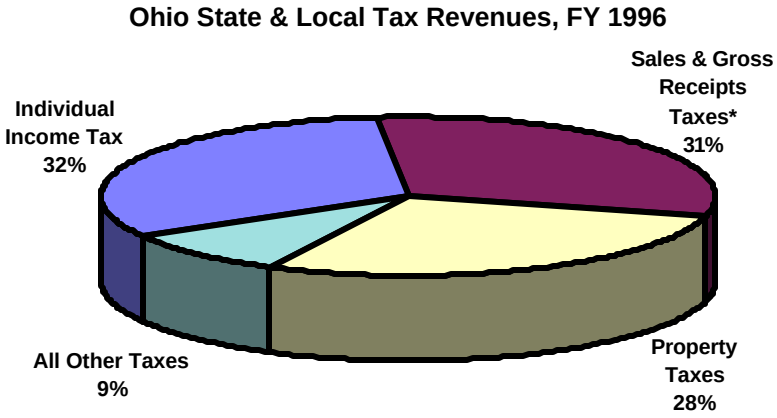
Although Taxes Have Increased Ohio is Still a Moderate Tax State

Comparative Tax Measures

FY 1996	Tax/Income Percentage	Rank	Taxes Per-Capita	Rank
National Average	11.3		$2,597	
Ohio	**11.1**	**27**	**2,503**	**21**
Neighboring States				
Indiana	10.4	40	2,222	35
Kentucky	11.6	18	2,166	37
Michigan	10.9	31	2,588	17
Pennsylvania	10.6	37	2,512	20
West Virginia	11.3	25	1,995	42

- Whether the measure is taxes per-capita ($2,503) or taxes as a percentage of personal income (11.1 percent), in 1996 Ohio still fit its traditional image as a state with moderate tax burdens.
- For FY 1996, Ohio's state taxes were $1,401 per-capita while local taxes were $1,102 per capita.
- Ohio state taxes were 6.2 percent of personal income in FY 1996 and local taxes were 4.9 percent of personal income.
- In FY 1996, New York had the highest per-capita combined state and local tax burden at $3,987 while Alabama had the lowest at $1,786.
- Alaska had the highest level of taxes as a percent of personal income at 15.9 percent and New Hampshire had the lowest at 8.9 percent.

Ohio's State and Local Taxes Balanced Between Income, Sales, and Property



* Sales and gross receipts taxes include general state and local sales tax and excise taxes on specific products like tobacco, alcohol, motor fuels, and utility services.

- Ohio state and local taxes are balanced between the "Big 3" of property taxes, income taxes, and consumption taxes. In comparison with other states, Ohio's tax system relies more heavily on the individual income tax, and somewhat less heavily on the property tax and on consumption taxes (and "other" taxes like the corporate income tax or franchise tax).
- State taxes accounted for 56 percent of total revenue in FY 1996. State taxes accounted for 66.8 percent of revenue from individual income taxes, 88.2 percent of revenue from sales and gross receipts taxes, and 83.8 percent of revenue from "other" taxes. Local taxes accounted for 99.8 percent of revenues from property taxes.
- For state taxes, 48.6 percent of tax revenue came from sales and gross receipts taxes, 37.7 percent from the individual income tax, 13.6 percent from "other" taxes, and 0.1 percent from property taxes.
- For local taxes, 64.6 percent of tax revenue came from property taxes, 23.8 percent from individual income taxes, 8.3 percent from sales and gross receipts taxes, and 3.3 percent from "other" taxes.

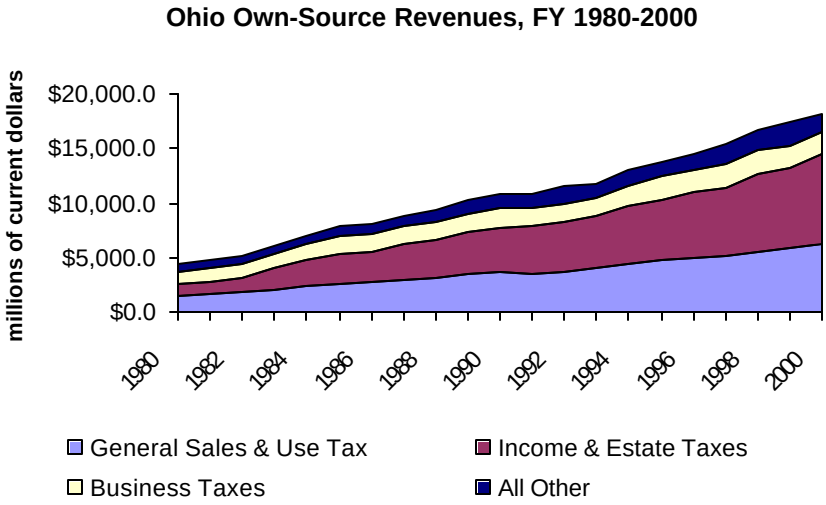
Ohio Taxes Lower Than National Average But Greater Than Most Neighbors

State and Local Taxes as a Percent of Income, FY1996

	U.S	IN	PA	MI	**OH**	WV	KY
Total Taxes	11.3%	10.4%	10.6%	10.9%	**11.1%**	11.3%	11.6%
Individual Income	2.4	3.1	2.6	2.6	**3.5**	2.3	3.5
Property Tax	3.4	3.2	3.1	3.1	**3.2**	2.2	1.9
Sales & Gross Receipts	4.1	3.1	3.2	3.7	**3.4**	4.6	4.4
General Sales	2.8	2.3	2.0	2.9	**2.4**	2.5	2.5
Selective Sales	1.3	0.8	1.1	0.8	**1.1**	2.1	2.0
Motor Fuel Sales	0.4	0.5	0.3	0.3	**0.5**	0.6	0.6
Alcoholic Beverages	0.1	0.0	0.1	0.1	**0.0**	0.0	0.1
Tobacco	0.1	0.1	0.1	0.3	**0.1**	0.1	0.0
Public Utility	0.3	0.0	0.3	0.0	**0.3**	0.7	0.2
Other Sales	0.4	0.2	0.4	0.1	**0.2**	0.7	1.1
Corporate Income	0.5	0.7	0.5	1.0	**0.3**	0.7	0.4
Motor Vehicle Licenses	0.2	0.1	0.2	0.3	**0.2**	0.2	0.3
Other Taxes	0.6	0.2	1.1	0.3	**0.5**	1.1	1.1

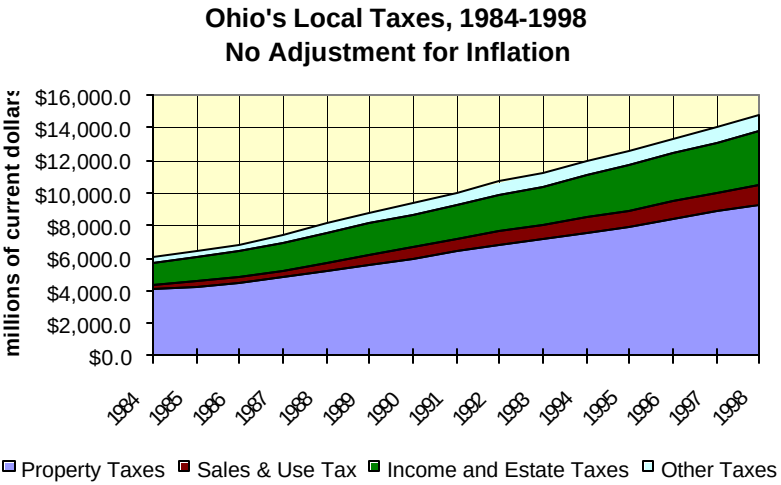
- Ohio's state and local taxes as a percentage of income are below the U.S. average, but Ohio's tax burden is higher than three of its five neighbors.
- Ohio has low to average sales taxes and property taxes. However, Ohio's individual income tax stands out as being high relative to its neighbors and to the U.S. average.
- Ohio's graduated income tax allows it to score well relative to other states in terms of the progressivity of its tax system (the burden on rich taxpayers relative to poor taxpayers). This makes Ohio's system relatively well balanced between income, sales, and property. However, this may also act as a negative factor in economic development.

State Own-Source Revenues Dominated by Income Tax, General Sales Tax



- In FY 2000, total state revenue was $18.2 billion. This figure includes tax and non-tax revenue. The personal income tax ($7.2 billion) and the general sales and use tax ($6.2 billion) were the most important revenue sources, accounting for 74 percent of state revenue. The two largest components of the "other" category are transfers to the Lottery Profits Education Fund and transfers from the Income Tax Reduction Fund (ITRF). The transfers to the Lottery Profits Education Fund have been steadily declining, while ITRF transfers are more variable. In 2000, transfers to the Lottery Profits Education fund were $661 million and transfers from ITRF were $293.2 million.
- From FY 1980 to FY 2000, state own-source revenues increased at a compounded annual growth rate of 7.4 percent. Inflation-adjusted growth over the period was 3.3 percent compounded annually.
- With the growth in the sales tax and the income tax, the relative importance of the "business taxes" – the corporate tax, the public utility taxes, and the insurance taxes – has declined. These sources were over 25 percent of total state revenue in FY 1980; but were less than 11 percent in FY 2000.

Local Property Taxes Are Still A Cash Cow



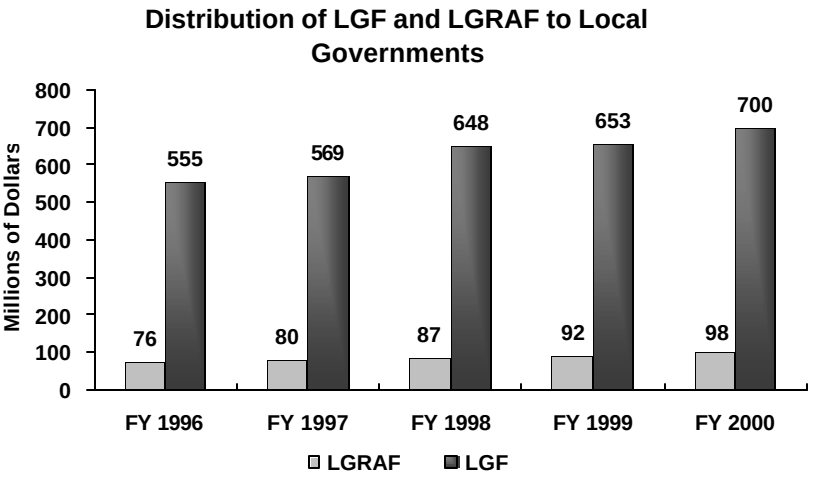
- In 1998, $14.8 billion in local taxes were collected. Property taxes yielded $9.3 billion. Income and estate taxes generated $3.3 billion. Sales and uses taxes yielded $1.2 billion. Other taxes (alcohol, cigarette, lodging, motor vehicle fuel, and motor vehicle license) generated $934 million.

- In 1998, property taxes accounted for 62.8 percent of local tax revenues. Income and estate taxes made up 22.6 percent. Sales and use taxes accounted for 8.3 percent. Other taxes yield the remaining 6.3 percent.

- Over the 10-year period from FY 1988 to FY 1998, there was a small shift away from reliance on the property tax and toward reliance on the permissive sales tax. However, the shift was very gradual: the property tax went from 64.1 percent of local revenue to 62.8 percent, and the sales tax grew from 6.6 percent of revenue to 8.3 percent.

- From 1988 to 1998, total local tax revenue grew at a compounded annual rate of 6.2 percent. Growth in property tax revenue was moderate, averaging 5.9 percent annually. Sales taxes revenues grew at a more rapid 8.6 percent annual rate. The income and estate taxes and all other taxes grew an average of 6.2 percent annually.

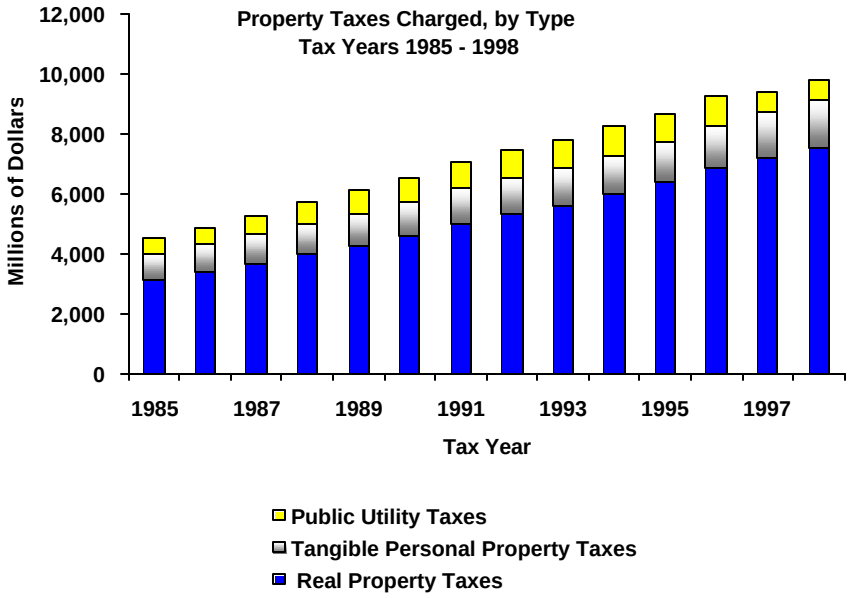
State-Shared Revenue Supports Local Governments



Over the past five fiscal years, local governments have received more than $3.0 billion from the state through the Local Government Fund (LGF) and more than $433 million from the Local Government Revenue Assistance fund (LGRAF).

- In calendar year 1998, approximately $733 million, combined from the LGF and LGRAF, was distributed to Ohio's local governments. Of that total, approximately $368 million ultimately went to municipalities, over $302 million went to counties, nearly $52 million went to townships, and about $11 million was provided to certain county park districts.
- In terms of averages received for calendar year 1998, each county in Ohio received more than $3.4 million, each municipality received nearly $391,000, and each township received approximately $39,000.
- The ultimate disposition of LGF and LGRAF moneys for calendar year 1998 resulted in Ohio's municipalities receiving about 50 percent of total moneys disbursed, counties receiving 41 percent, townships receiving 7 percent, and certain park districts receiving about 2 percent.
- The LGF is composed of 4.2 percent of the state sales tax, use tax, personal income tax, corporate franchise tax, and public utility excise tax. The LGRAF is composed of 0.6 percent of the state sales tax, use tax, personal income tax, corporate franchise tax, and public utility tax.

Historical Property Tax Collections

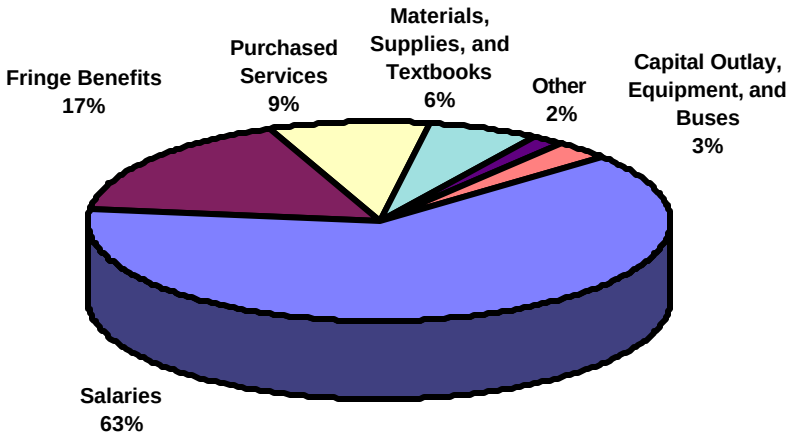


Percent Growth in Taxes, 1985-1998

	Real Property Taxes	Tangible Personal Property Taxes	Public Utility Taxes	Total
Overall	140.3	81.5	34.4	117.1
Annualized	7.0	4.7	2.3	6.1

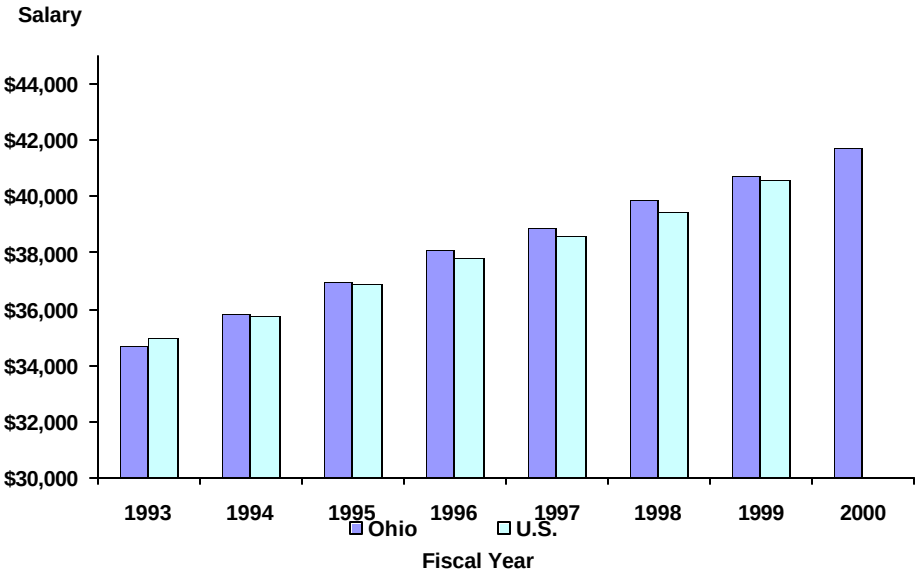
- Despite the restrictions in real property tax growth, taxes charged have increased by 140 percent since 1985, larger than any other class of property tax.
- Tangible personal property assessment rates have fallen from 33 percent of value in 1985 to 25 percent of value in 1998, reducing the growth rate in tangible personal property taxes by an estimated 20 percent.
- Approximately 70 percent of all property taxes collected are allocated to Ohio's local school districts.

80% of a Typical School Budget Spent on Salaries and Fringe Benefits



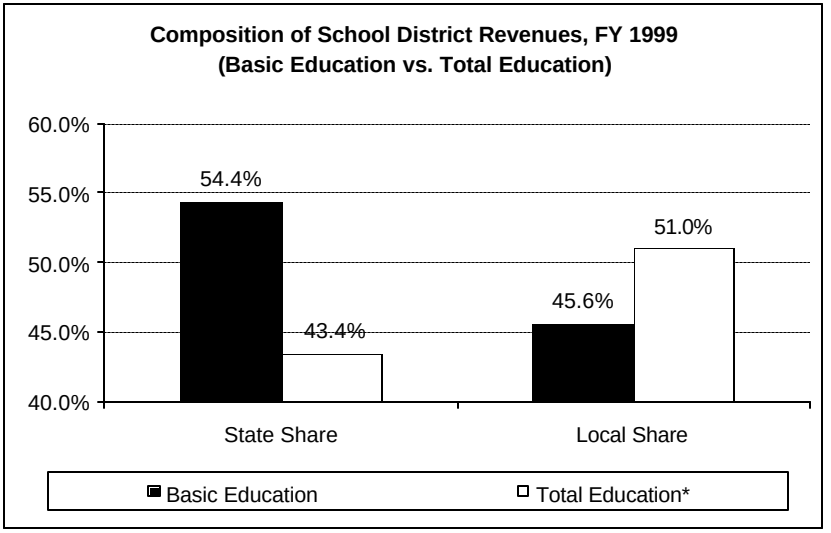
- Salaries and fringe benefits account for approximately 80 percent of school district budgets statewide.
- The percent of school budgets devoted to fringe benefits has increased dramatically in recent years, and amounted to 27.0 percent of the cost of salaries in FY 1998.
- The "other" category includes expenditures for the redemption of notes, transfers out, auditor and treasurers' fees, and liability insurance.
- Under Sub. H.B. 412 of the 122nd General Assembly (as modified by the Auditor of the State), school districts are required to set aside 3 percent of their operating revenues for textbooks and instructional materials and also for capital and maintenance needs. The set-asides have been further modified by Am. Sub. S.B. 345 of the 123rd General Assembly.

Teacher Salary: Ohio Average and Rate of Increase Comparable to U.S. Average



- Average salary for an Ohio teacher was approximately $21,900 in FY 1984, $39,836 in FY 1998, and $41,714 in FY 2000.
- In 1995, Ohio teachers' average salaries surpassed the average for all U.S. teachers. Ohio's overall average rose higher in the next two years to exceed the U.S. average by 0.8 percent in 1997. Historically, Ohio's average has been at least 95 percent of the U.S. average, and since 1992 has been at least 98.5 percent of the U.S. average. In FY 1999, Ohio's average surpassed the U.S. average by less than 1 percent.
- In 2000, the average salary for beginning teachers in Ohio was $23,579 for teachers with bachelor's degrees and $26,105 for those with master's degrees. These salaries were 4.9 percent and 4.8 percent higher, respectively, than in 1998. This is compared to an inflation rate just under 4.9 percent during that time.
- Increases in Ohio teachers' average salaries moderated in recent years. Typically, teachers' average salaries have increased at rates exceeding inflation rates. However, recent salary increases more closely approximate the inflation rate. (These statistics are also affected by retirement and the rate of new hires.)

School District Revenues: More State than Local in Basic Education

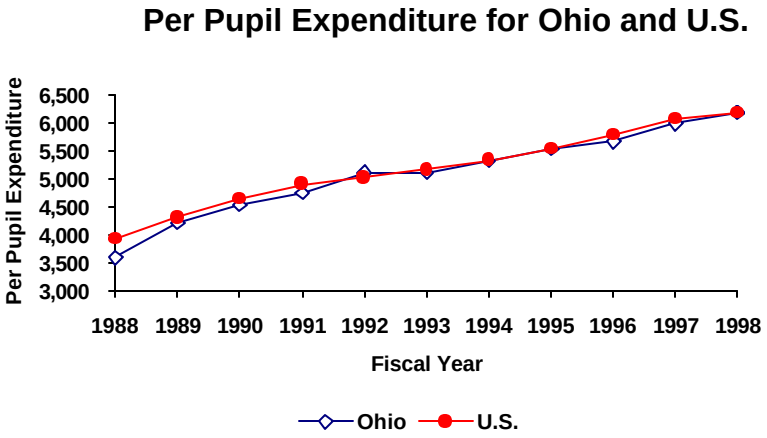


*Federal funds account for the remaining 5.6 percent of total education spending.

- House Bills 650 and 770 of the 122nd General Assembly adopted a performance based method to determine the cost of a basic education. Total basic education cost is shared between the state and local school districts through an equalized SF-3 foundation formula. The state pays approximately 54.4 percent of total basic education cost under the formula. Local school districts pay the remaining 45.6 percent of the basic education cost. The state share includes the portion of the local property tax charge-off paid by the state under the property tax rollback program.

- The SF-3 foundation formula equalizes approximately 2/3 of local operating revenues and the other 1/3 (about $2 billion in fiscal year 2000) of local revenues is available for school districts to provide education services beyond the basic education level. The existence of local revenues beyond the basic education level is the main reason for a lower state share percentage (43.4 percent) in total education spending.

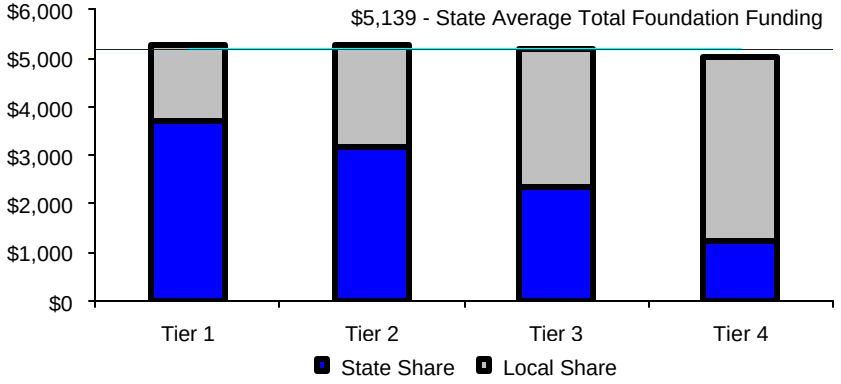
Ohio's Per Pupil Expenditures Increasing Along With National Average



- Ohio's per pupil expenditures increased from 8 percent below the national average in FY 1988 to 2 percent above the national average in FY 1992, then changed to slightly above the national average level in FY 1998.
- Ohio's per pupil expenditure ranking in the nation accordingly changed from 30th in FY 1988 to 18th in FY 1992, and to 23rd in FY 1998.
- In FY 1998, Ohio's per pupil expenditures were higher than Kentucky and Tennessee, but lower than Illinois, Indiana, Michigan, Minnesota, Pennsylvania, West Virginia, and Wisconsin.

Equalized State Aid Neutralizes the Effect of School Districts' Wealth in Providing Basic Education

Per Pupil State & Local Foundation Funding for Basic Education by District Tiers



FY 2000	Adjusted Recognized Valuation Per Pupil	Per Pupil State Foundation Funding	Per Pupil Local Foundation Funding
Tier 1	$57,526	$3,847	$1,431
Tier 2	80,410	3,324	1,956
Tier 3	109,156	2,569	2,628
Tier 4	161,997	1,550	3,466
State Average	**$102,090**	**2,826**	**2,367**

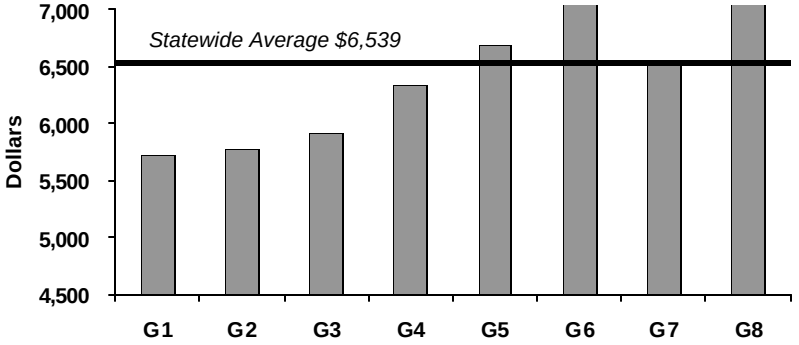
- To create the tiers, school districts are first ranked from the lowest to the highest in adjusted recognized valuation per pupil. Districts are then grouped into four tiers and each tier includes approximately 25 percent of total statewide ADM. Funding amounts are then calculated under the state SF-3 foundation program. Other funding is excluded.

- Valuation per pupil is the most important indicator of each district's ability to provide education. Due to the uneven distribution of taxable property, valuation per pupil varies from $57,526 for tier 1 to $161,997 for tier 4.

- The state shares of total foundation funding for district tiers 1 to 4 are 73 percent, 63 percent, 49 percent, and 31 percent respectively. The average state share is approximately 54 percent. Equalized state aid has ensured the same basic education funding for every student in every district regardless of the district's property wealth. The funding is equalized at 23 mills of local share. While valuations per pupil vary significantly, there is little difference in the total amount of per pupil state and local foundation funding among the four district tiers.

Per Pupil Operating Expenditure Varies Across Ohio

Adjusted Expenditures Per Pupil by District Comparison Groups, FY 1999



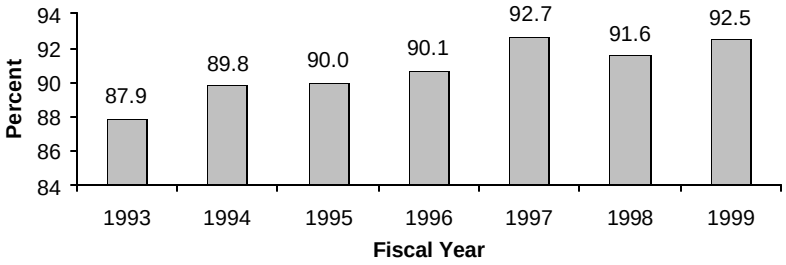
Group Type	Description	ADM % FY99	No. of Districts
G1 - Rural	Very low SES*, very high poverty	7.0	78
G2 - Small Rural	Low SES, low poverty	10.8	157
G3 - Rural Town	Average SES, average poverty	13.5	123
G4 - Urban	Low SES, high poverty	9.3	67
G5 - Large Urban	Average SES, high poverty	11.1	44
G6 - Major Urban	Very high poverty	19.9	14
G7 - Suburban	High SES, moderate poverty	20.2	89
G8 - Suburban	Very high SES, low poverty	8.2	35

*Socio-economic status

- The Ohio Department of Education clusters school districts throughout the state as a means to compare districts with similar socio-economic characteristics. While per pupil expenditures vary significantly, the pattern of allocation in all types of districts is similar. Instruction costs represent approximately 57 percent of total adjusted operating expenditures in all districts in Ohio.
- In FY 1999, the statewide weighted average per pupil expenditures was $6,539. Approximately 87 percent of districts spent within a band of between 20 percent below the average ($5,231) and 20 percent above the average ($7,847) per pupil.

Equity Aid Brings Up Low Wealth School Districts' Spending

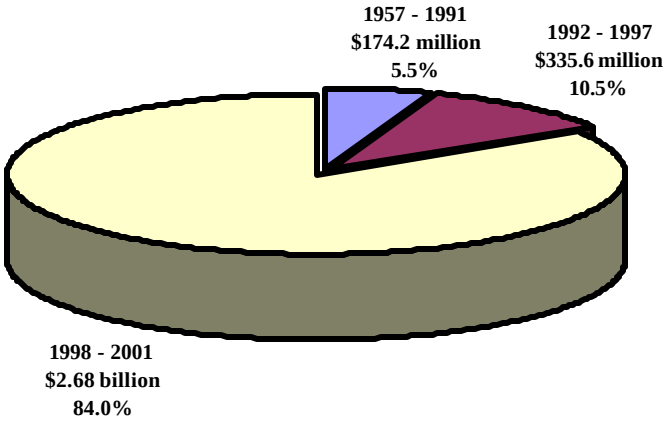
Per Pupil Expenditures for the 153 Lowest Wealth Districts as a Percentage of the State Average



	FY93	FY94	FY95	FY96	FY97	FY98	FY99
Per Pupil Equity Aid							
The 153 Lowest Wealth SDs	$159	$212	$246	$269	$286	$300	$212
Per Pupil Expenditures							
The 153 Lowest Wealth SDs	4,428	4,680	4,837	5,031	5,294	5,568	6,036
State	5,038	5,213	5,373	5,545	5,708	6,080	6,523
Annual % Change							
The 153 Lowest Wealth SDs	--	5.7	3.4	4.0	5.2	5.2	8.4
State	--	3.5	3.1	3.2	2.9	6.5	7.3

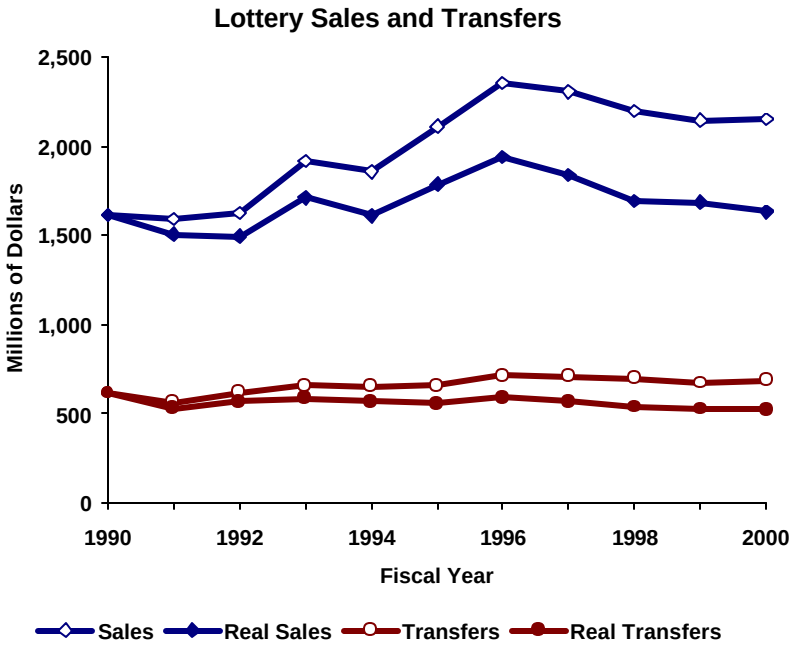
- School districts were first ranked from the lowest to the highest in valuations per pupil every year. The weighted average per pupil expenditures for the 153 lowest wealth school districts and for the state were then calculated. The analysis includes 604 school districts.
- Equity aid was established in FY 1993 as an interim mechanism to target more state moneys for the low wealth districts. Equity aid has clearly increased low wealth school districts' expenditures per pupil. The average per pupil expenditures for the 153 lowest wealth districts as a percentage of the state average increased from 87.9 percent in FY 1993 to 92.5 percent in FY 1999.
- The 122nd General Assembly has established a base cost per pupil by using a performance base methodology. The General Assembly intends to bring every district up to the same base cost level with the 23 mill equalized local share. With this change the necessity of equity aid no longer exists. Therefore, equity aid will be fully phased out in FY 2003.

Total State Appropriations for School Facilities Fiscal Years 1957 - 2001



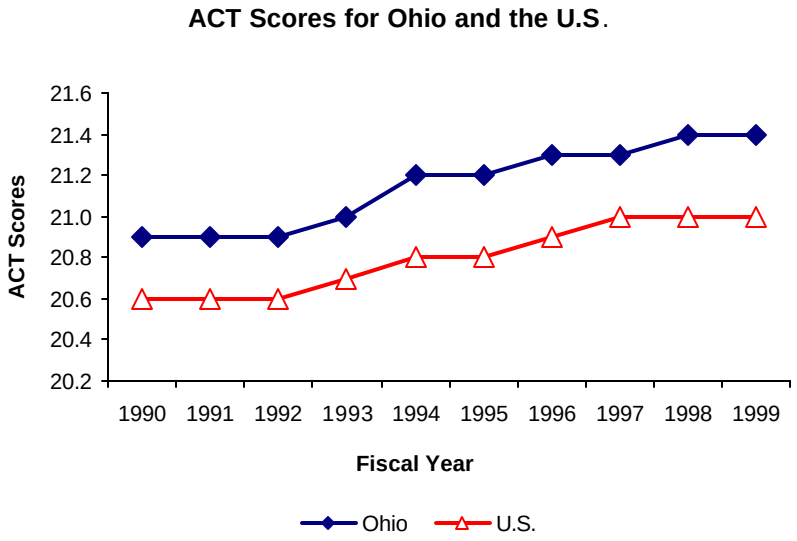
- Through the Building Assistance Program established within the Ohio Department of Education (ODE) in 1957, the state provided $174.2 million in total building assistance appropriations through 1991. Because it operated essentially as a loan program during that time, $63.7 million in repayments received by the state were reinvested in the program.
- Following the release of an ODE study of the condition of classroom facilities in 1990, the state's role as a source of funding increased considerably. As a result, state appropriations during the period 1992 to 1997 totaled $335.6 million, a 92.6 percent increase over the amounts appropriated during the first thirty-five years of the program.
- The Classroom Facilities Assistance Program (CFAP), created by Senate Bill 102 in 1997, ushered in another increase in the state's financial commitment. As a result, since 1998, the General Assembly has appropriated $2.68 billion for school repair and construction, a 425.7 percent increase in state funding compared to the previous forty years.
- Of the moneys appropriated, $682.2 million was distributed in support of construction projects during the period 1998 through 2000. During this period, annual spending increased from $120.7 million in FY 1998 to $352.6 million in FY 2000. Continuing this trend, the School Facilities Commission estimates that approximately $450 million will be disbursed in FY 2001.

Lottery Sales Still Declining From 1996 Peak



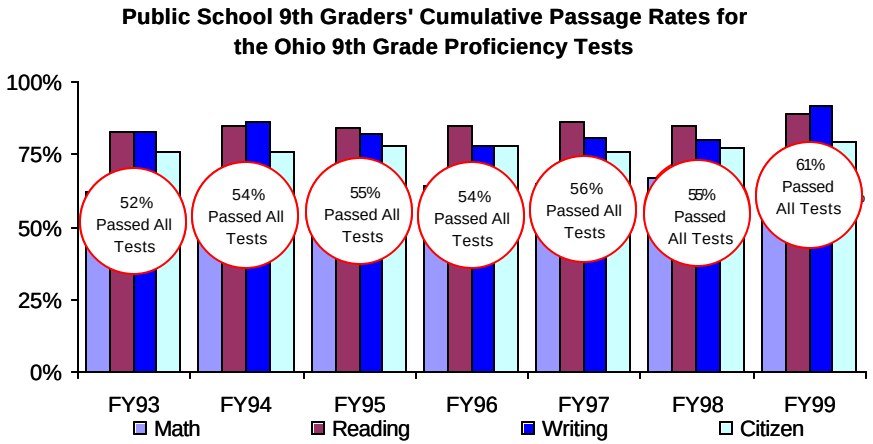
- During the 1990's, lottery sales grew from $1.6 billion in FY 1990 to a peak of $2.4 billion in FY 1996 before falling to $2.1 billion in FY 2000.
- Although sales grew by 33 percent between FY 1990 and FY 2000, in real terms (adjusted for inflation) sales have grown by just 1 percent, from $1.61 billion to $1.63 billion in 1990 dollars.
- Transfers to education grew from $616 million in FY 1990 to a peak of $714 million in FY 1996 before falling to $686 million in FY 2000.
- Although transfers grew by 13 percent between FY 1990 and FY 2000, in real terms transfers have fallen by 15 percent, from $616 million to $521 million in 1990 dollars.
- Sales have decreased 13 percent from their peak in FY 1996. This decline is attributed to increased competition in the gaming industry. This competition comes from riverboats in Indiana and Kentucky, casinos in Michigan and Canada, enhanced racetracks in West Virginia, multi-states lotteries with huge prizes, and flourishing Internet gaming.

Ohio ACT and SAT Scores are Higher than U.S. Average



- ACT and SAT scores are indicators to help predict how well students will perform in college. ACT and SAT scores for Ohio high school graduates have been consistently higher than the national average since FY 1990.
- From FY 1990 to FY 1999, approximately 60 percent of Ohio high school graduates took the ACT test each year, and 24 percent of high school graduates took the SAT test each year. For FY 1999, a record 26 percent, or 32,395 graduates statewide, took the SAT.
- Ohio SAT scores increased from 1,048 in FY 1990 to 1,072 in FY 1999. SAT scores nationwide increased from 1,001 to 1,016 during the same period.
- School districts in Ohio were required to offer the post-secondary enrollment options program beginning in FY 1992. The program provides an opportunity for 11th and 12th graders to enroll in post-secondary courses for high school and/or college credits. Beginning in FY 1999, the post-secondary enrollment options program was made available to 9th and 10th graders. In FY 2000, over 3 percent of 9th through 12th graders took advantage of the post-secondary enrollment option.

Ninth Grade Proficiency Test Results Show Improvement

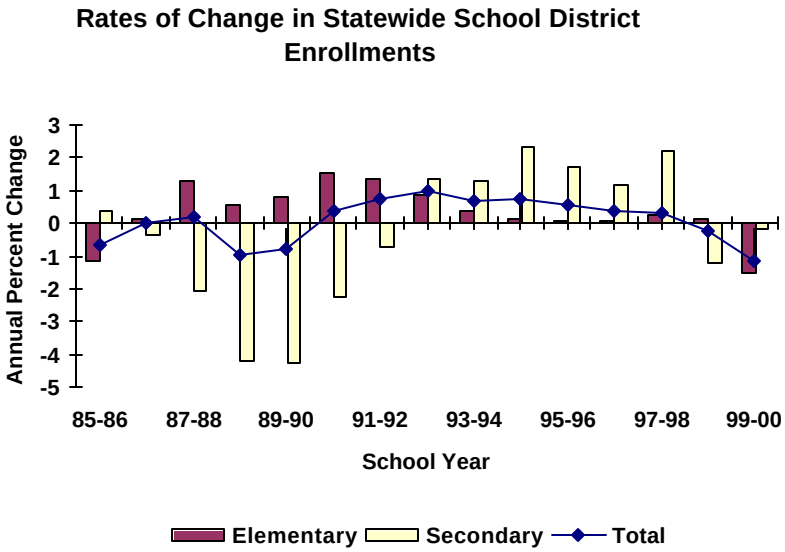


- The percentage of Ohio public school 9th graders passing all four 9th grade proficiency tests by the end of the 9th grade increased from 52 percent in FY 1993 to 61 percent in FY 1999. Public school students have to attain the 9th grade level on each test in order to receive a high school diploma. In FY 1999, this graduation requirement was applied to chartered nonpublic school students as well. From the start of FY 2001, students in both public and chartered nonpublic schools are also required to attain a 9th grade level on the science test in order to receive a high school diploma.

- Public school 9th graders have made improvements in all areas of the proficiency tests. Passing rates among public school 9th graders on the mathematics test increased from 62 percent in FY 1993 to 69 percent in FY 1999. Reading test rates increased from 83 percent to 89 percent, citizenship test rates increased from 76 percent to 79 percent, and writing test rates increased from 83 percent to 92 percent during the same period.

- Am. Sub. S.B. 55 of the 122nd General Assembly phases out 9th grade proficiency tests and replaces them with 10th grade proficiency tests. The 10th grade proficiency tests will begin in FY 2001. However, passing all five 9th grade proficiency tests will continue to be a requirement for high school graduation until FY 2004. By FY 2005, passing all five 10th grade proficiency tests will be a requirement for graduation.

K-12 Enrollment: Moderate Increases Convert To A Moderate Decrease



- Total enrollment in Ohio schools decreased during the 1998-1999 and 1999-2000 school years. The annual rate of decrease was less than 0.5 percent for 1998-1999, and more than 1 percent for 1999-2000.
- From 1985-86 to 1999-00, total public school enrollment grew by only 1.53 percent, or from 1,793,900 students (1,206,200 elementary and 587,800 secondary) to 1,821,276 students (1,281,210 elementary and 540,066 secondary).
- In recent years, enrollment in secondary schools (grades 9-12) grew faster than elementary schools (K-8), although this trend has since moderated and is now characterized by a similar relationship in terms of decreases.
- The ethnic composition of K-12 enrollment has remained essentially the same for the past decade. In FY 1998 the enrollment was 81.5 percent white, 15.3 percent black, 1.4 percent Hispanic, and 1.7 percent "other" (Asian, Indian, multiracial, et al.).
- A one percent increase in enrollment would require an increase of approximately $122 million in total school district expenditures in order to maintain the 1998-99 average rate of expenditure (approximately $6,700 per pupil).

Fees Rise at University Main Campuses, Decline at Others

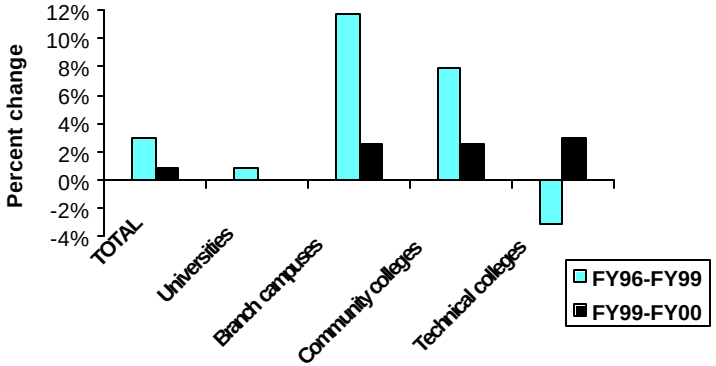
Annual Fulltime In-state Undergraduate Tuition and Fees, FY 1999 - FY 2001

	Amount			Percent change	
Fiscal year	**1999**	**2000**	**2001**	**2000**	**2001**
University main campuses	$4,174	$4,379	$4,629	4.9%	5.7%
Branch campuses	3,270	3,270	3,104	0.0	-5.1
Community colleges	2,298	2,299	2,133	0.0	-7.2
Technical colleges	2,580	2,580	2,443	0.0	-5.3
Consumer Price Index				*2.9%*	*2.5%e*

- For the FY 2000 – 2001 biennium, annual tuition and fee increases are limited to 6 percent for university main campuses, and to 3 percent for branch campuses, community colleges and technical colleges. In the previous biennium, the limit was 6 percent for all campuses.
- The Access Challenge program subsidies have enabled university branches, community colleges and technical colleges, as well as Central, Cleveland and Shawnee state universities, to reduce their fees. In return for these enrollment-based subsidies, these "access campuses" were required to hold fees stable in FY 2000 and to reduce them by 5 percent in FY 2001.
- According to the 1998-99 College Board Annual Survey of Colleges, the national average tuition and fee level for public institutions was $3,243 for four-year campuses and $1,633 for two-year campuses (each a 4-percent increase). Ohio's average fee levels of $4,174 (four-year) and $2,439 (community and technical colleges) exceeded these national averages by 29 percent and 49 percent, respectively.
- Ohio's overall average FY 1997 tuition and fee level of $3,269 per FTE was 41 percent above the national average. This above-average level reflected the state's lower-than-average public support for higher education (86 percent of the national average).

Two-year Campuses Lead Enrollment Increase

Subsidy-eligible FTE Enrollments:
Changes during two periods, FY 1996 - FY 2000



Subsidy-eligible FTE enrollments, FY 1996 – FY 2000

Fiscal year	1996	1997	1998	1999	2000
University main campuses	193,771	194,686	194,279	195,562	195,656
Branch campuses	23,026	24,332	25,296	25,722	26,399
Community colleges	59,113	58,669	62,324	63,835	65,411
Technical colleges	16,094	15,501	15,562	15,588	16,048
Total	292,004	293,188	297,461	300,707	303,514
Percent change		0.4%	1.5%	1.1%	0.9%

- The last four fiscal years have seen steady growth in total subsidy-eligible FTE enrollments in public institutions. From FY 1996 to FY 2000, this total increased by 11,510 (3.9%). The main sources of growth have been university branch campuses and community colleges.
- The growth in the branches' and community colleges' enrollments is partly attributable to the Regents' Access Challenge program, under which additional state funds subsidize mandated reductions of tuitions and fees at two-year campuses.
- According to the 1990 U.S. census, 17.0 percent of Ohio's population held college degrees. The national average was 20.3 percent. Ohio ranked 39th among the 50 states. Ohio's shortfall from the national average equated to 372,000 persons without degrees.

State Support of Higher Education Continues as Instructional Subsidy is Augmented by Challenges

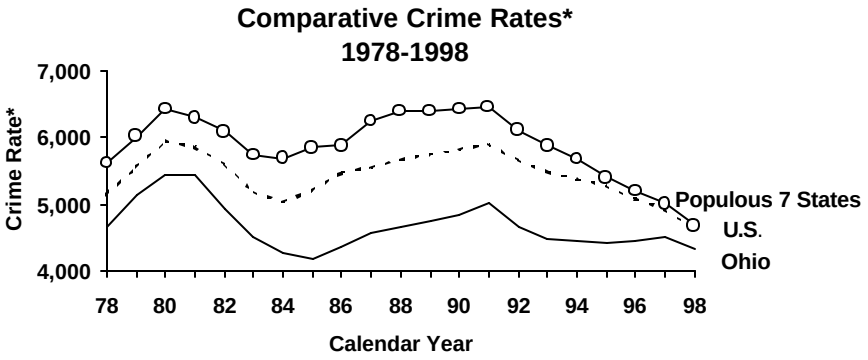
State Instructional Subsidy/FTE* to Campuses, FY 1996- FY 2000

Fiscal Year	1996	1997	1998	1999	2000
University main campuses	$5,582	$5,751	$6,025	$6,132	$6,293
Branch campuses	2,929	2,996	3,050	3,251	3,280
Community colleges	3,004	3,158	3,092	3,160	3,301
Technical colleges	3,192	3,440	3,628	3,703	3,707
Average	$4,719	$4,881	$5,032	$5,129	$5,249
Percent change		3.4%	3.1%	1.9%	2.3%
Consumer Price Index Percent change		*2.9%*	*1.8%*	*1.7%*	*2.9%*

* The amount of the Board of Regents' budgeted line item 235-501, Instructional Subsidy, per FTE as allocated to the campuses. An FTE (full-time equivalent) is based on one student's taking 15 credit hours per quarter or the equivalent.

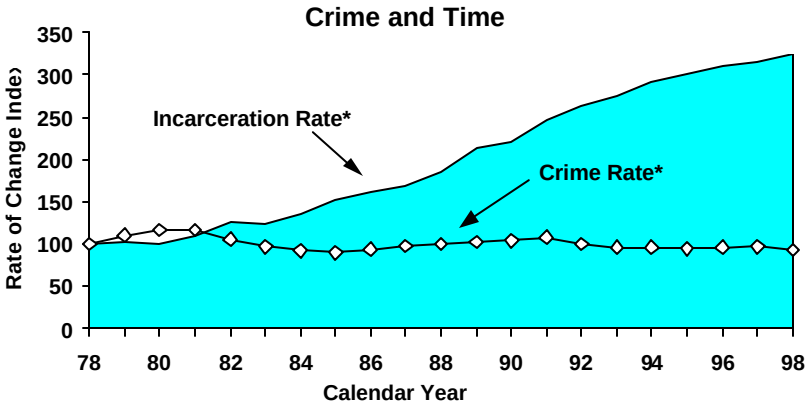
- The relatively low percentage increases of 1.9% and 2.3% for FY 1999 and FY 2000, respectively, arose, in part, from enrollment increases. However, they also reflect the current trend toward providing more subsidy funds through other line items. Instead of the Instructional Subsidy's method of allocating funds according to enrollments, space utilizations and activities, additional sources such as the Challenge line items base their subsidies on the campuses' performances in education and other specified areas.
- State Instructional Subsidy allocations to the universities are significantly higher than those to the two-year campuses because they include the higher-cost baccalaureate, doctoral and medical curriculum models. The state also subsidizes resident and non-resident masters and professional students.
- The state Instructional Subsidy supports a higher percentage of instruction costs for the technical and baccalaureate curriculum models than for the lower-cost general studies models. Thus, for general studies the student's percentage share is higher: In FY 2000 the student's average share of costs was 60 percent for the three general studies models, 42 percent for the two technical models and 41 percent for the three baccalaureate models.
- In FY 1997 Ohio ranked 40th in the nation in its higher-education investment per FTE. Ohio spent roughly 86 percent of the national average amount.

Crime & Punishment



*UCR Index Crimes per 100,000 population.

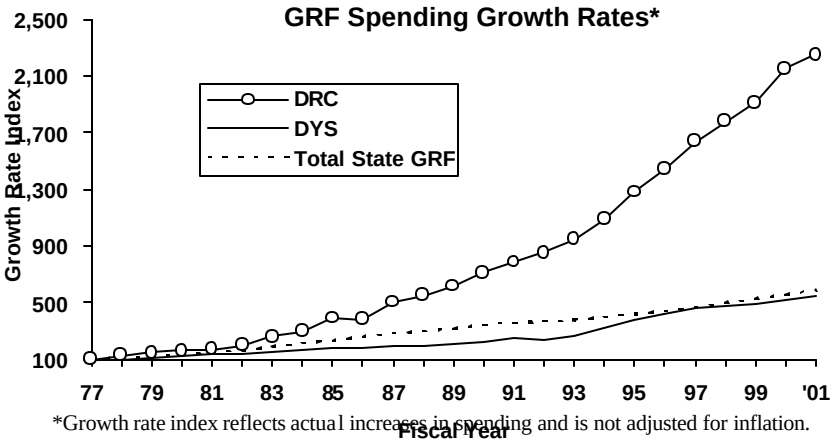
- Although Ohio's crime rate generally mirrors the cyclical pattern of the nation as a whole, as well as the average for the seven other most populous states (CA, FL, IL, MI, NY, PA, TX), it also consistently exhibits a relatively lower crime rate, although the gap has narrowed in recent years.



*Both crime and incarceration rates are expressed per 100,000 population, then, for comparative purposes, standardized to the baseline year 1978.

- While Ohio's UCR Crime Index has remained relatively stable over the past two decades, the state's incarceration rate has more than tripled.

Corrections Spending Continues To Grow Rapidly



*Growth rate index reflects actual increases in spending and is not adjusted for inflation.

- In FY 1975, the Department of Rehabilitation & Correction (DRC) consumed 61 percent of $86.4 million in total state GRF spending for corrections, with the Department of Youth Services (DYS) accounting for the remainder. During FY 1998, DRC's GRF spending for the first time exceeded the $1 billion mark. By the close of FY 2001, DRC's expected share of total state GRF corrections spending will surpass 85 percent and exceed $1.3 billion.

- At the end of FY 2000, the state's prison system had developed into a geographically expansive system with 34 correctional institutions, more than 46,000 inmates and about 15,000 employees. In FY 1975, the system had eight correctional institutions with approximately 11,000 inmates and 3,000 employees.

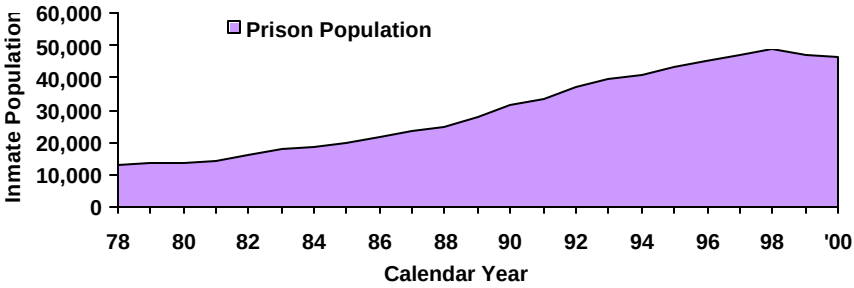
- More than 85 percent of DRC's annual budget is fueled by the state's GRF, of which slightly more than two-thirds is expended on day-to-day operations of correctional institutions.

- DYS currently oversees eleven institutions holding some 2,100 youth. During FY 2000 more than 91 percent of the DYS budget came from the state GRF.

- Rapid growth in the DYS GRF budget since FY 1993 is directly related to the Reclaim Ohio initiative that provides fiscal incentives to treat delinquent youth in the community. Subsidy dollars retained by the counties have increased by more than 223 percent, expanding from approximately $8.7 million in FY 1995 to over $28 million in FY 2000.

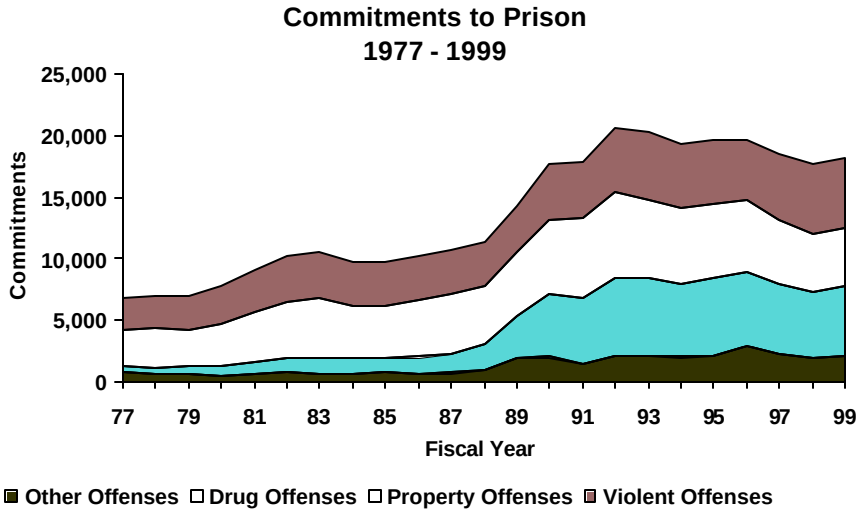
Prison Population Has Doubled Since 1987

Prison Population as of July 1, 2000
1978 - 2000



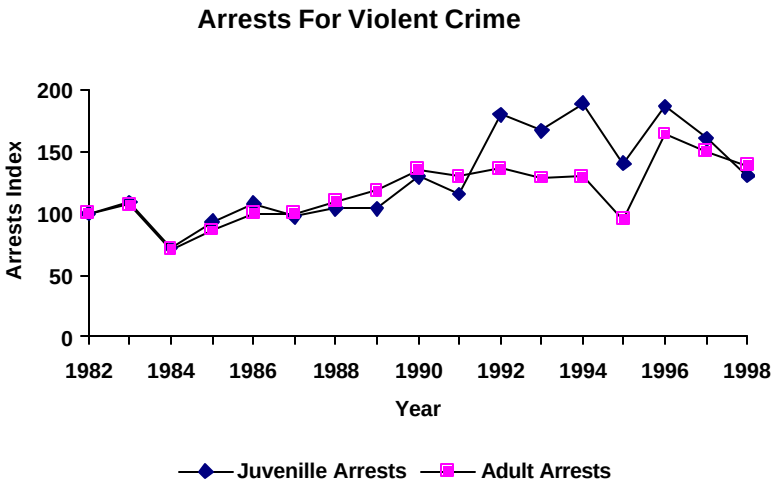
- Stricter sentencing laws, tougher sentencing by judges, and declining parole rates have contributed to Ohio's prison population quadrupling since 1978, and to its more than doubling in the last ten years alone.
- As of July 1, 2000, Ohio had the 5th largest prison population (46,537) in the U.S, behind California, Texas, New York, and Florida. Michigan, Illinois, Georgia, Pennsylvania, and Louisiana rounded out the top ten highest prison populations for that year.
- Although Ohio has the 5th largest prison population overall, when expressed in terms of a standard density measure – prisoners per 100,000 population – we rank 14th. As of 1998, Ohio incarcerates 436 adults per 100,000 people. The state with the highest incarceration rate in terms of density is Louisiana with 736 per 100,000, followed by Texas (724), Oklahoma (622), Mississippi (574) and South Carolina (550).
- Preliminary evidence suggests that when compared to pre-S.B. 2 conditions, annual prison intake has dropped and a larger proportion of that intake population is composed of offenders who have been convicted of more serious felonies requiring longer lengths of stay. The latter situation creates what is known as a "stacking effect," which means that although annual prison intake may drop somewhat, total prison population may continue to rise as offenders are incarcerated for longer periods of time than would have been the case under preexisting law.

Drug Crimes Are the Most Dramatic Accelerator in the Historic Rise of Commitments to Prison



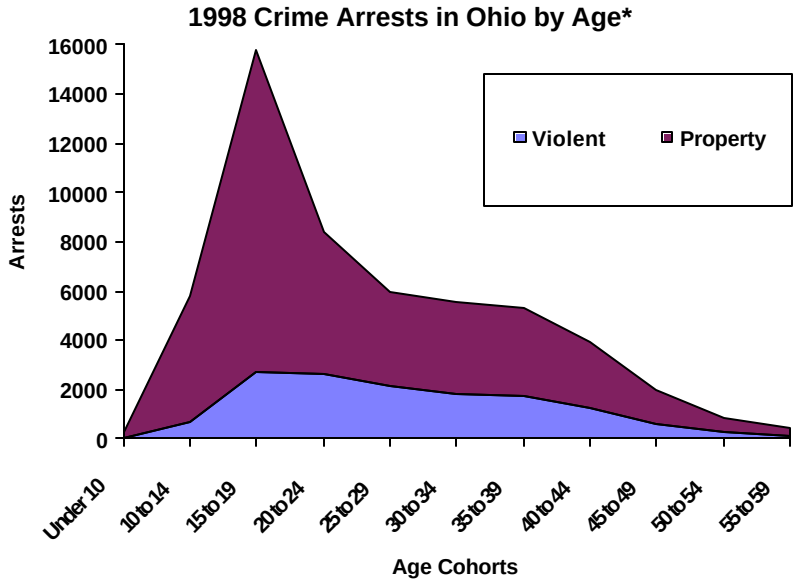
- The number of offenders committed to the state's prison system in 1999 totaled 18,165, while the comparable number for 1977 was a considerably smaller 6,867. This translates into an increase of approximately 164 percent over that 23-year period.
- The most dramatic factor in the rise of the number of offenders committed to the state's prison system is related to drug crimes. In 1977, 456 offenders, or 6.6 percent of total prison intake, were sentenced to prison for a drug crime. In 1999, the number of offenders sentenced to prison for a drug crime registered 5,688. This represented 31.3 percent of total prison intake, and nearly a fivefold increase over 1977's percentage.
- In 1999, offenders committed to the state's prison system for property crimes made up a much smaller percentage of total annual prison intake (25.5 percent) than in 1977 (43.0 percent). As a percentage of total annual prison commitments, offenders committed to the state's prison system for violent crimes have also declined, though not as steeply, from 38.6 percent in 1977 to 31.5 percent in 1999.
- Over time, the percentage of female offenders committed to the state's prison system has slowly increased. In 1975, females represented only 5.7 percent of total annual prison intake and by 1999 that number had grown to 12.2 percent.

Juvenile Arrests For Violent Crime Outpace Adult Arrests



- When arrest data for adults and juveniles are accurately compared, they reveal a remarkably similar growth pattern up to 1991. After 1991, the rate of juvenile arrests clearly begins to surpass the adult rate, until 1997-98 when they converge momentarily, and the adult arrest rate begins to exceed the juvenile rate.
- The large increase in the number of juvenile arrests, mentioned above, is likely contributed to a 68 percent increase in the number of new delinquency cases filed in Ohio's courts of common pleas from 1984 to 1996. During this twelve-year span, there was also a 44 percent increase in the number of unruly cases filed in courts of common pleas.
- From 1989 to 1996, delinquency cases increased by nearly 24 percent, compared to a 5 percent increase in the number of unruly cases.
- The number of persons arrested for index crimes (violent crime + property crime) has remained relatively stable in recent years, primarily due to a modest decrease in the number of persons arrested for index crimes. Accompanying the modest decrease in property crime however, had been a steady increase in violent crime, through 1996 (at which time violent crime arrests also began to decline).

Age and Crime

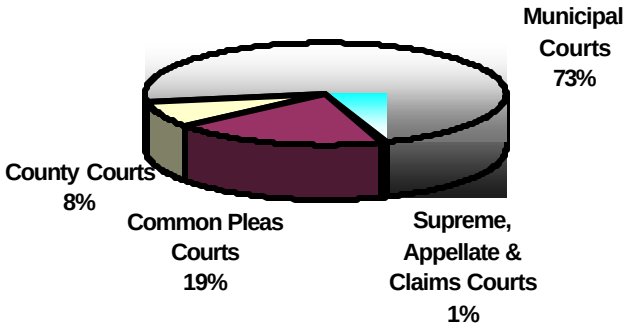


*Uniform Crime Report, Ohio Data tables, FBI, 1998

- In 1998, the peak individual age for violent crime arrests in Ohio was 20. In 1992 the peak age was 17. However, 15 to 19-year-olds had more combined arrests for violent crime (2,722 arrests) than the 20 to 24-year-old cohort group (2,620 arrests).
- In 1998, the peak individual age for property crime arrests in Ohio was 18. In 1992 the peak age was 17. In terms of cohort groups, 15 to 19-year-olds clearly had the most arrests at 13,098. The 20 to 24-year-old age group had only 5,767 arrests, or just 44 percent of the previous group.

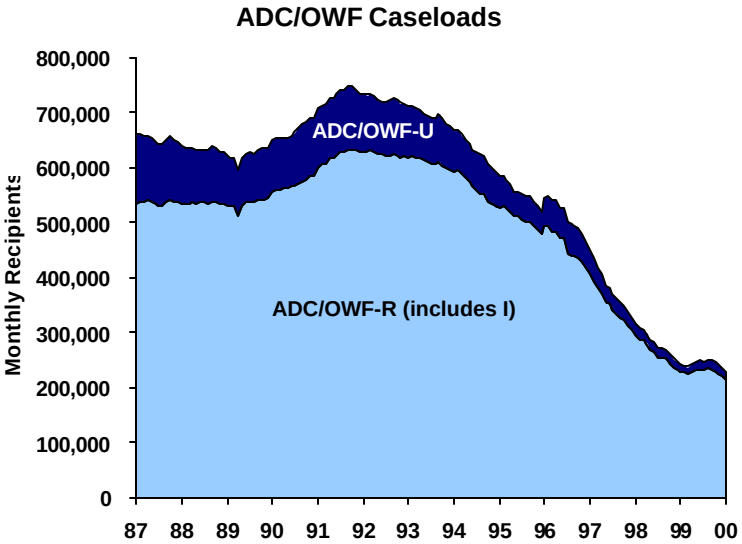
Ohio's Court System

Distribution of New Cases Filed Statewide
CY 1998



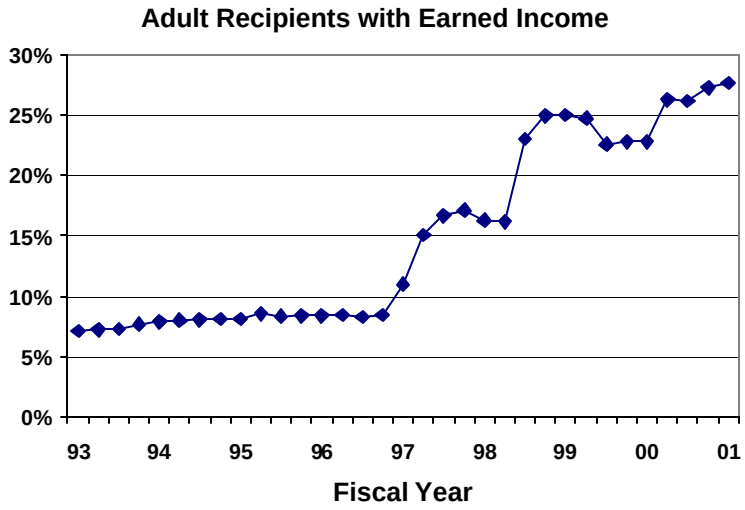
- In CY 1998, a record of 3,247,183 new cases were filed in Ohio's state courts: 2,728 in the Supreme Court; 11,713 in the twelve appellate districts; 627,821 in the common pleas courts; 2,329,763 in municipal courts; 274,064 in county courts; 1,094 in the Court of Claims.
- Salaries for judges have been adjusted to increase each January 1st until the year 2001. In CY 2000, fulltime judicial salaries were: Chief Justice, $124,900; Justice, $117,250; Court of Appeals, $109,250; Common Pleas, $100,500; Municipal, $94,400; County, $54,300.
- The FY 2000 state budget for the Judiciary/Supreme Court and the Court of Claims totaled of $122,873,363. In FY 2001 it will be $125,327,780.
- The primary function of the Judicial Branch is to settle disputes, fairly and impartially, according to the law. To do this, a number of courts have been established in the state by the Constitution and by acts of the General Assembly. A diagram of Ohio's court structure may be found at http://www.sconet.state.oh.us/Court_Structure.

Ohio's ADC/OWF Caseload Reaches Historic Low



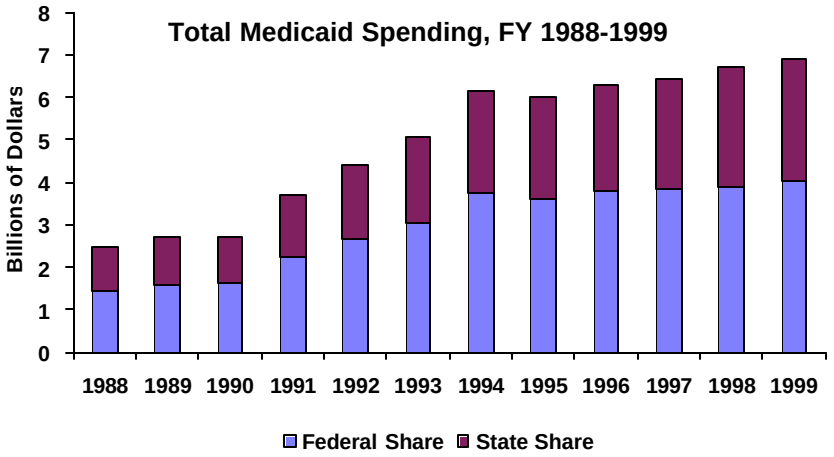
- There are three primary categories of recipients in the Ohio Works First (OWF) program (formerly known as Aid to Dependent Children, or ADC): 1) OWF-Regular (OWF-R); 2) OWF-Unemployed (OWF-U); 3) OWF-Incapacitated (OWF-I).
- Typically OWF-R cases are households with a single parent, or "child only" cases where no adult in the household is receiving OWF benefits. OWF-U cases are typically households with two parents where economic deprivation results from unemployment. OWF-I indicates some incapacity to work for the child caregiver.
- Ohio's ADC/OWF caseload peaked in March 1992 at nearly 749,000 recipients, with the average monthly cash benefit expenditure in FY 1992 at $81.1 million. In July 2000, the number of recipients declined to about 240,000. The average monthly cash benefit expenditure in FY 2000 declined to $31.4 million.
- OWF-U cases declined as a proportion of the overall caseload from 13.5 percent in July 1987 to 3.3 percent in July 2000.

Percentage of ADC/OWF Adults with Earned Income Reflects Policy Changes in Welfare Reform



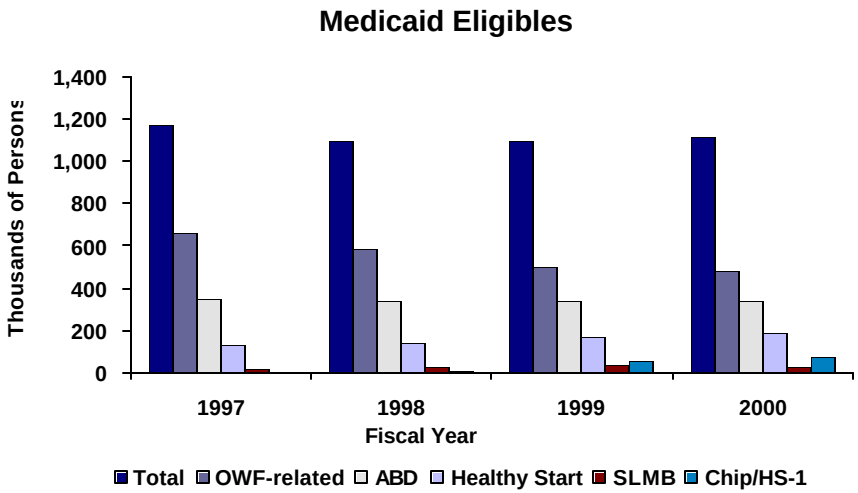
- Earned income disregards, which allow recipients to keep part of their earned income without losing a corresponding amount of the welfare benefit, have been expanded as part of welfare reform.
- The federal Family Support Act of 1988 provided for a disregard of $90 a month for work expenses, the first $30 of income for 12 months, and 1/3 of remaining income for 4 months.
- Ohio H.B. 167, implemented July 1996, increased the disregard to the first $250 and 1/2 of the remaining income for 12 months.
- Ohio H.B. 408, implemented October 1997, extended the $250 and 1/2 disregard from 12 to 18 months.
- Ohio Am. Sub. H.B. 283, implemented October 1999, eliminated any time limit for the earned income disregard.
- These changes, along with OWF work requirements, have resulted in a much greater percentage of employed OWF recipients.

Total Medicaid Spending Growth Slows in the Second Half of the 1990s



- Since FY 1988, Medicaid spending has increased by an average of 10.3 percent each fiscal year. However, since the high spending growth years of the early 1990s (driven by rapid health care cost increases generally, and specifically by increased caseloads associated with eligibility expansions), Medicaid spending growth averaged only 6.9 percent between FY 1994 and FY 1999.
- Increases in spending on long-term care and inpatient hospital services for the Aged, Blind, and Disabled (ABD) Medicaid population have been the driving force behind the GRF spending increases. Also contributing significantly to total Medicaid spending (although non-GRF) is the growth of the disproportionate share payment program for hospitals, and recent coverage expansions for children under 150 percent of FPL.
- Spending decreased slightly in FY 1995 as a result of an improving economy and savings from a prospective reimbursement system for long-term care, which was introduced in FY 1993.
- The reduced rate of medical inflation between 1991 and 1997 (which fell from an 8.7 percent rate of increase in 1991 to 2.8 percent in 1997) contributed to slow growth in Medicaid spending during that time. Between 1998 and 2000, the rate has risen an annual average rate of 3.6 percent, and is currently aiding increased Medicaid expenditures.
- On average, only 3 percent of all Medicaid spending in Ohio goes toward the administration of the program. Thus, Ohio has one of the lowest administration-to-total-spending ratios in the country.

Medicaid Eligibility Decreases End

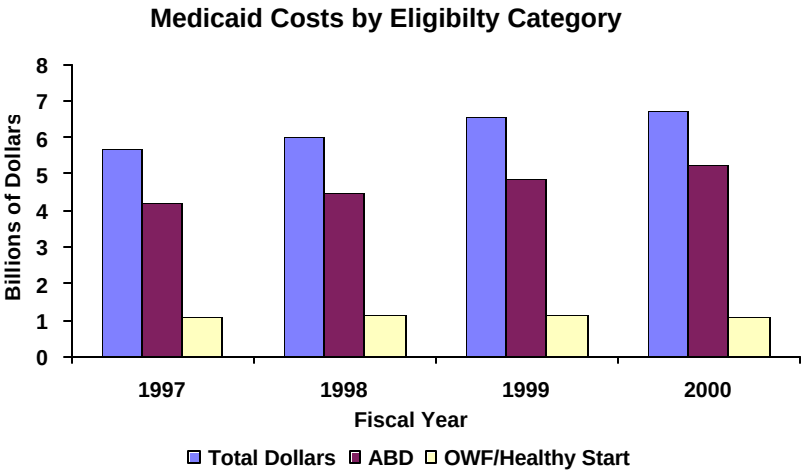


- Although OWF-related Medicaid eligibility has declined in recent years, due primarily to the decline in the OWF cash assistance caseload, it remains the largest Medicaid eligibility group and represents nearly 43.3 percent of all eligibles in FY 2000. OWF-related includes OWF Cash Assistance and Transition & Low-income Medicaid Eligibles. This group is also known as Covered Families & Children, or CFC.

- OWF-related caseloads declined 37.9 percent from the FY 1992 decade high to its lowest level in FY 2000. However, the Aged, Blind, and Disabled (ABD) population experienced an average growth of 5.9 percent in the 1990s, with a decrease of 2.4 percent between FY 1997 and FY 1999 followed by an increase of 1.2 percent between FY 1999 and FY 2000.

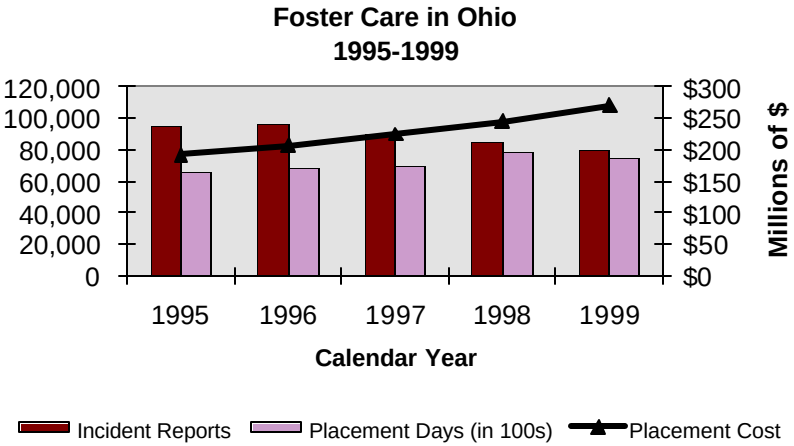
- The total number of persons eligible for Medicaid grew by 1.24 percent between FY 1999 and FY 2000, increasing from 1,095,717 to 1,109,384. The consistent increase in the number of children enrolled in Medicaid by way of Healthy Start and CHIP-1 (labeled CHIP/HS-1 in the chart above) has been the primary force behind this growth. The Healthy Start population grew by 9.4 percent from FY 1999 to FY 2000 (following a 22.7 percent increase from FY 1998 to FY 1999), while the CHIP-1 population increased by 34.6 percent from FY 1999 to FY 2000. Continued growth is expected in the CHIP/HS-1 population, as the FY 2001 move to the 200 percent FPL expansion attracts more eligible children into the program.

Medicaid Caseload Composition Shifts Toward the Aged, Blind & Disabled



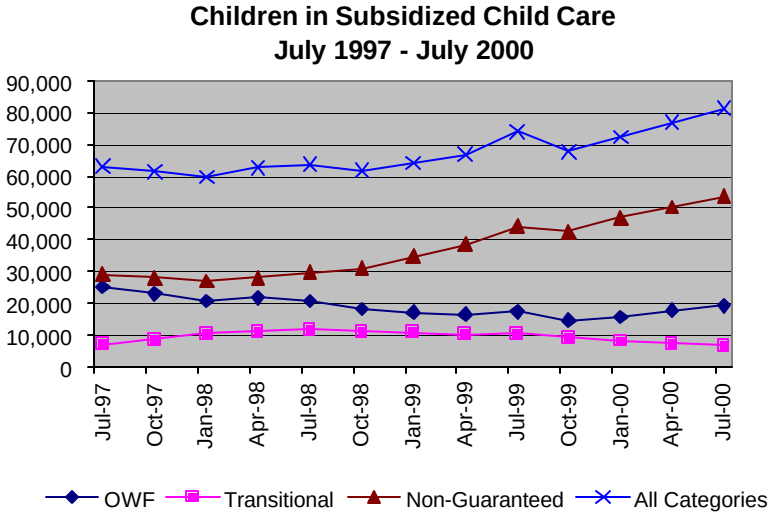
- The decline in cash assistance eligible consumers in Ohio Works First (OWF)-related has caused a change in the Medicaid caseload composition. Healthy Start (HS) and OWF eligibles have similar cost attributes.
- Aged, Blind, and Disabled (ABD) eligibles comprised less than 28 percent of the more than 1.2 million Medicaid eligibles in FY 1996, yet generated over 70 percent of all care-related Medicaid costs. By FY 2000 however, the ABD population comprised 31 percent of the 1.1 million Medicaid eligibles and generated about 78 percent of Medicaid spending. The cost of long-term care is the primary reason for the relative expense of the ABD population. This composition increase by the ABD population is a result of a natural shift and not the result of any policy changes.
- In addition, the ABD population heavily utilizes some services that have the fastest growing costs, such as prescription drugs. Thus, while we have experienced a slow in expenditure growth in recent years, the change in caseload composition and increased average costs for the remaining OWF population appear to be triggering bigger spending increases.

A Puzzling Picture in Foster Care



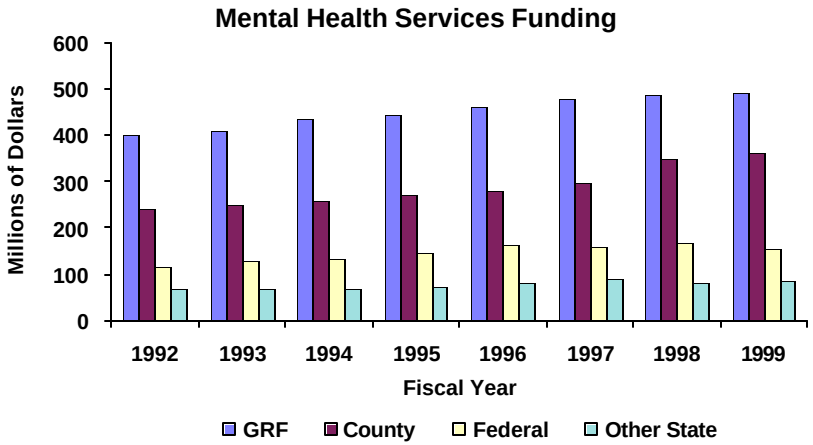
- According to the Ohio Department of Job and Family Services, the number of incidents of reported abuse and neglect have declined in recent years, from 95,188 in 1995 to 79,870 in 1999, a drop of 16.1 percent.
- At the same time the number of placement days – a measure of the total number of child-days in foster care each month – has increased from an annual total of 6,528,089 to 7,471,731, a gain of 14.5 percent. Using the more traditional, if static, measure of the number of children in foster care – measured as a monthly average and without regard to number of days in care – the rise in foster care is muted and the picture more puzzling. The average monthly number of children in foster care in Ohio fell 10.9 percent from 8,948 in 1995 to 7,977 in 1999.
- Despite the drop, both in incidents of reported abuse and in average monthly headcounts of children in foster care, total placement costs have increased at an even faster pace than the rise in placement days. Between 1995 and 1999, total placement costs grew by 41.1 percent, from $192,056,052 to $271,030,468.
- One constant in Ohio's foster care picture is the relative mix of local, state, and federal funding. The state share of child welfare expenditures, which encompass more than foster care placement costs, varies widely from county to county, but has remained constant at around 10 percent of total expenditures since 1993. For example, in 1999 $72 million (11 percent) of Ohio's $680 million in child welfare expenditures came from state funds, $307 million (45 percent) from the counties, and the federal government picked up the $301 million balance (44 percent).

Child Care Subsidy Serves Working Poor



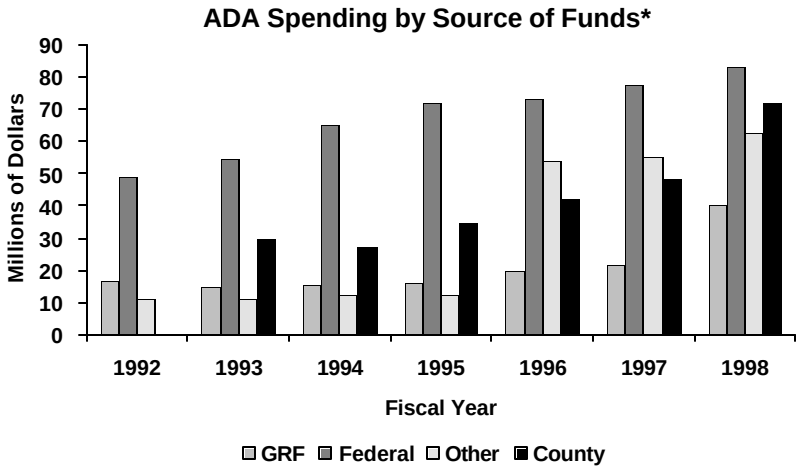
- The number of children receiving subsidized child care has steadily increased in the years following welfare reform. Ohio's child care subsidy program registered a 28.7 percent increase from July 1997 (63,168 children enrolled) to July 2000 (81,303 children enrolled).
- As Ohio Works First (OWF) caseloads have declined in recent years, the number of children from OWF families who received subsidized care also declined from 25,120 in July 1997 to 19,343 in July 2000, a 22 percent drop. Transitional child care, subsidized for up to twelve months for those families leaving OWF, dipped only slightly from 7,114 to 6,661, a 6.4 percent decline, during the same period.
- Increasingly children receiving subsidized child care are from low-income working families. This sub-population, for whom the subsidy is "non-guaranteed," experienced an 84 percent increase in the number of children whose care is subsidized (from 29,126 in July 1997 to 53,728 in July 2000). Because OWF is employment-driven, children from non-guaranteed working families in July 2000 accounted for 66.0 percent of the total, compared to 46.1 percent in July 1997.

Statewide Funding for Public Mental Health Services



- Mental health services are provided at six psychiatric hospitals (nine sites) operated by the Department of Mental Health (DMH), 43 community Alcohol, Drug Addiction, and Mental Health Services Boards, and seven community Mental Health Services Boards.
- The average daily resident population at state psychiatric hospitals decreased from 3,147 in FY 1990 to 1,707 in FY 1995, and to 1,187 in FY 1999.
- Forensic patients made up approximately one-third of the daily DMH hospital population in FY 1995 and more than one-half of the population in FY 1999.
- The Departments of Rehabilitation and Correction (DRC) and Youth Services (DYS) provide mental health services to adult offenders and juvenile offenders, respectively. The Rehabilitation Services Commission (RSC) provides job training to individuals disabled by a mental illness.
- Spending for direct and indirect mental health related services in FY 1999 was $55.6 million for DRC, $13.4 million for DYS, and $24.8 million for RSC.

Substance Abuse Services: Federal Dollars Make Up Majority of Spending

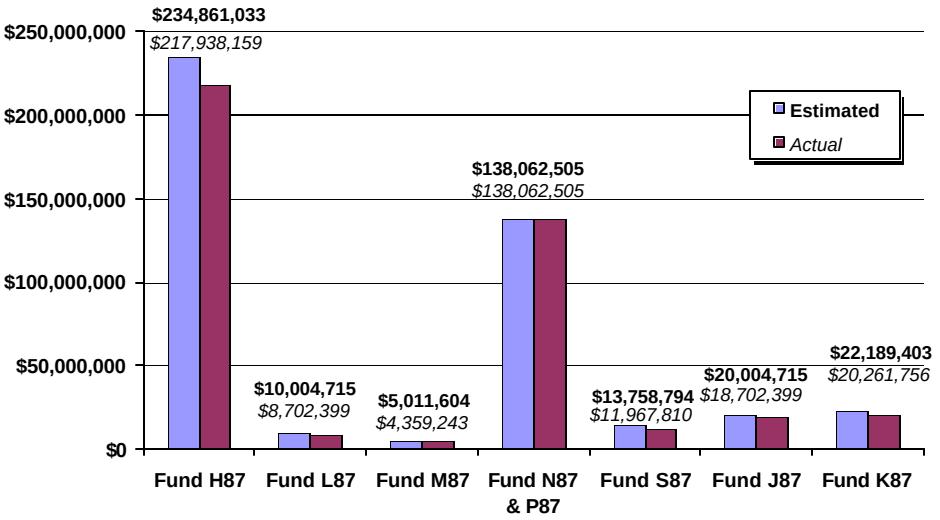


* County spending data not collected in FY 1992.

- A total of 97,007 individuals were admitted to a publicly funded treatment program in FY 1999. Alcohol was the primary drug of choice for 53 percent, 20.4 percent preferred marijuana, 19 percent preferred crack cocaine, and 4.4 percent preferred heroin.
- Most services are provided at the local level, either through 43 community Alcohol, Drug Addiction, and Mental Health Services Boards, or seven community Alcohol and Drug Addiction Services Boards.
- The Departments of Rehabilitation and Correction (DRC) and Youth Services (DYS) provide substance abuse services for adult offenders and juvenile offenders, respectively. The Rehabilitation Services Commission (RSC) provides job training services for persons disabled by a substance abuse problem.
- Spending for direct substance abuse services in FY 1999 was $9.6 million for DRC, $4 million for DYS, and $3.5 million for RSC. Both state and federal dollars were used by each agency.

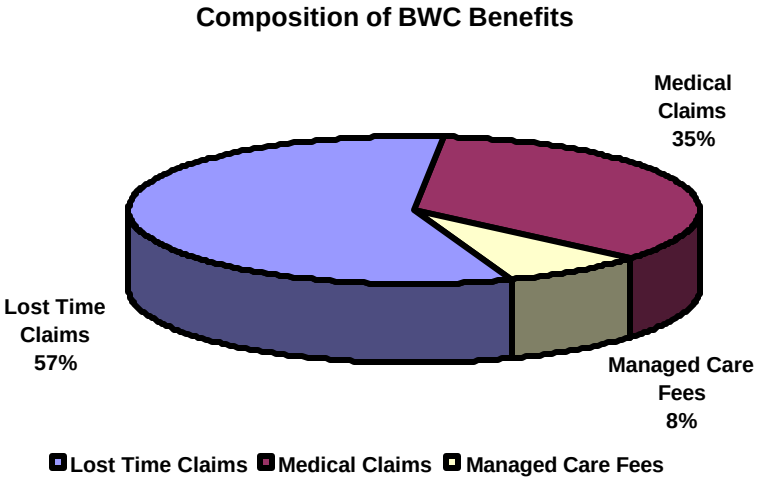
FY 2000 Tobacco Settlement Revenue

(Actual vs. Estimate)



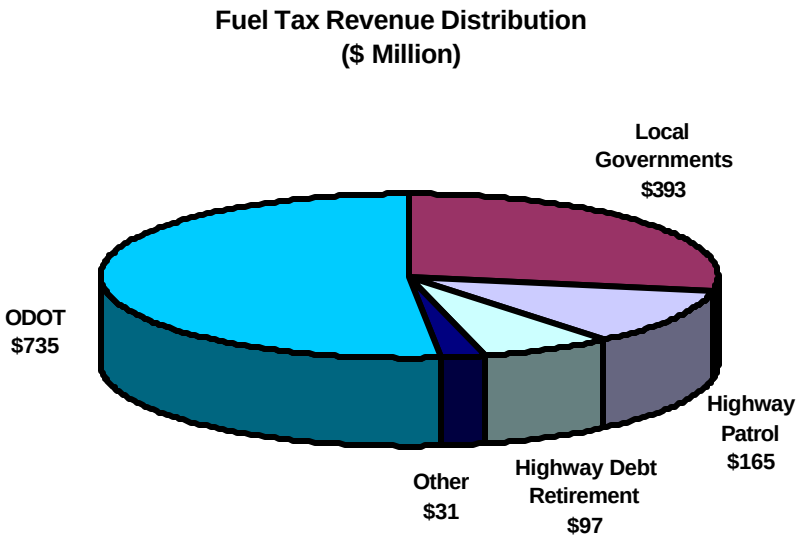
- Total estimated FY 2000 tobacco settlement revenue exceeded the actual payments by approximately $23.9 million, a reduction of 5.4 percent. During FY 2000, Fund 087 collected over $7.7 million in investment earnings.
- Under Am. Sub. S.B. 192 of the 123rd General Assembly, the funding allocated to the Primary and Secondary Education School Facilities Trust Fund (Fund N87) was not affected by the reduction in tobacco revenue.
- Actual FY 2000 revenue to the Tobacco Use Prevention and Cessation Trust Fund (Fund H87) was $16.9 million below initial estimates, a reduction of 7.2 percent.
- Since the Law Enforcements Improvements Trust Fund (Fund J87) and the Southern Ohio Agricultural and Community Development Trust Fund (Fund K87) received a specific dollar amount transfer from the initial FY 2000 settlement revenue, these two trust funds have a reduction of 6.5 percent and 8.7 percent, respectively.
- Actual revenue allocated to the remaining three trust funds – Ohio's Public Health Priorities Trust Fund (Fund L87), Biomedical Research and Technology Transfer Trust Fund (Fund M87), and the Education Technologies Trust Fund (Fund S87) – is 13.0 percent below estimates in all three cases.

$1.7 Billion in Benefits Paid by the Bureau of Workers' Compensation



- BWC paid $1.76 billion in total benefits in Calendar Year 1998.
- During Calendar Year 1998, BWC paid out $1 billion in Lost Time benefits alone. Lost Time benefits are wage replacement payments granted to claimants who miss more than seven days of work as a result of their injuries.
- Total medical costs for the period were $608 million, about 35 percent of the total cost of claims on BWC's State Insurance Fund. Many workers' compensation awards include lost time and medical expenses; however, injured workers who miss seven days or fewer from work are eligible for medical benefits only.
- BWC continued its Health Partnership Program (HPP), the agency's managed care initiative, over the calendar year. BWC paid some $143 million in fees – about 8 percent of total claims costs – to participating Managed Care Organizations (MCOs).

$1.4 Billion "Pumped" into State and Local Transportation by State Fuel Tax



- The state fuel tax is 22¢ per gallon consisting of five levies, each with a different purpose. 22¢ is currently the maximum amount allowed by law.
- State and local governments use the state fuel tax for roads, streets, and bridges. Over half of the money is used by the Ohio Department of Transportation (ODOT).
- Local governments receive about 5.25¢ per gallon ($330 million), which is distributed as follows: 1.95¢ to counties, 2.25¢ to municipalities, and 1.05¢ to townships. In addition, another 1.0¢ ($63 million) is distributed through the Local Transportation Improvement Program.
- "Other" consists of allocations as follows: $13 million to Development, $10.5 million to the Waterways Safety Fund, $3.4 million to Taxation, $2.5 to the Turnpike Commission, and $1.2 million to the Public Utilities Commission.

Motor Vehicle License Taxes Raised $442 Million for Local Roads in 1999

Mandated State Portion Distribution CY 1999	*Millions of Dollars*
34% to County or Municipal Corporation of registration	$103.4
5% to Counties in equal proportions	15.2
47% to County of vehicle owners' residence	143.0
9% to County roads	27.4
5% to Township roads	15.2
Total State Portion	$304.2
Permissive Local Portion Distribution CY 1999	
Counties	$82.7
Municipalities	42.5
Townships	12.9
Total Local Portion	$138.1
Total Motor Vehicle License Tax Distribution	**$442.3**

- The state tax is $20 per passenger car (8.2 million cars), but varies for other vehicle classifications (3.4 million vehicles). Before distribution to local governments, moneys are first used for bond obligations (42.6% of collected revenues) and administrative expenses.

- The maximum local permissive tax is $20, based on $5 levies. County levies have precedence over municipal levies. Not all local governments have enacted levies. Of those that have, most have not enacted the full amount authorized. For example, of the 88 Ohio counties, 24 have enacted one county levy, 15 have enacted two county levies, and 20 have enacted three county levies. Authorized maximum amounts by governmental unit are as follows:

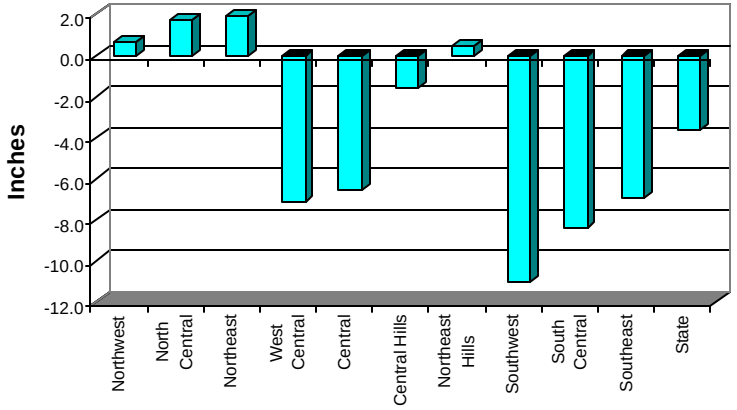
  Counties..... $15

  Municipalities ..... $5 – $20 (depending on county levies)

  Townships..... $5

Ohio's Water Levels

Precipitation: Variation from Normal by Location in State
(July 1998- July 2000)



- According to the Department of Natural Resources (DNR), Division of Water, every Ohioan uses approximately 75 gallons of water for household and other domestic uses per day. Total daily household usage, when combined with industrial, manufacturing, and agriculture usage, equates to an average of over 11.7 billion gallons per day.

- State hydrologists monitor and report water levels and compare them over a two-year period. These reports include assessments and data on levels of precipitation, streamflow, reservoir storage, and ground water.

- Precipitation reports have shown overall drought conditions for the state since July of 1998. Average precipitation for the state as a whole has been four inches below normal. Severe drought conditions during the summer of 1999 greatly contributed to overall drought levels, and affected portions of central to western and southern Ohio most significantly. Other parts of the state have experienced close to normal levels over the past two years. The graph reflects drought conditions, but also the heavy rains that occurred during the spring and early summer of CY 2000. Precipitation levels are important in monitoring water supplies, floods and droughts. DNR uses precipitation data to evaluate designs for dams and levees, define floodplains, compare water supply alternatives, and determine hydraulic operations for canal systems.

- Like precipitation levels, streamflow, reservoir storage, and ground water levels have been lower than average over the last two years, but have increased because of wet weather during the spring and summer of 2000.

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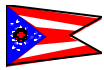

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