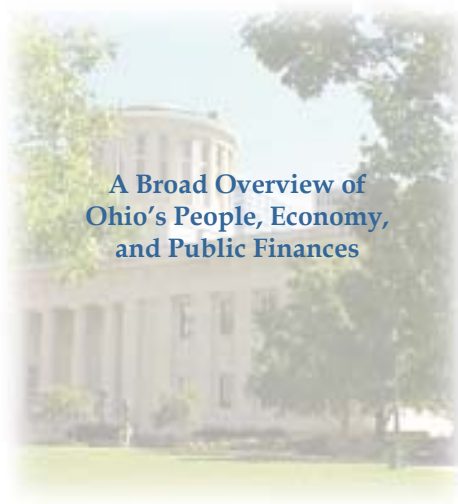


Ohio Facts 2006

Ohio Legislative Service Commission





**A Broad Overview of
Ohio's People, Economy,
and Public Finances**

Legislative Service Commission

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November 1, 2006

Dear Reader:

The Ohio Legislative Service Commission is pleased to present *Ohio Facts*. Now in its sixth 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,

James W. Burley
Director

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STAFF SUMMARY

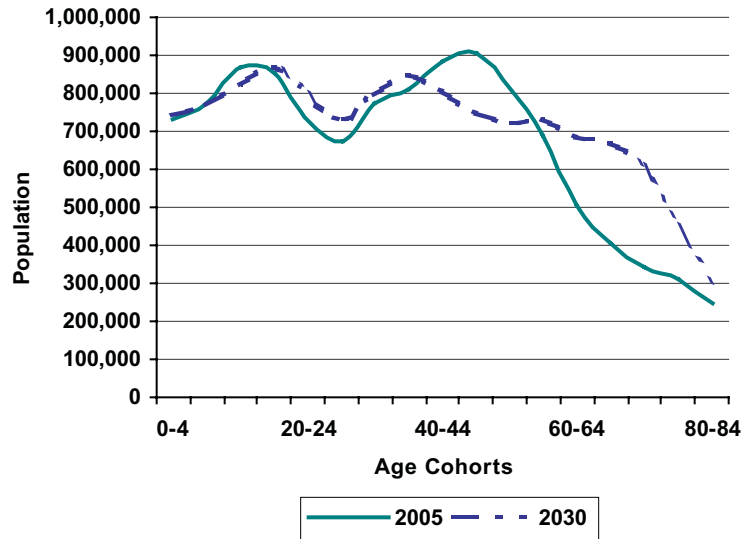
A Snapshot of Ohio's Population in 2005

Population and Age	Ohio	United States	Ohio's Rank
Total population	11,464,042	296,410,404	7
Household population	11,155,606	288,378,137	7
Female persons	51.4%	51.0%	13
Foreign born	3.5%	12.4%	39
Median age	37.6	36.4	18
Persons under 5 years old	6.6%	7.0%	32
Persons under 18 years old	24.7%	25.4%	24
Persons 65 years old or over	12.8%	12.1%	17
Race and National Origin (Selected Groups, Race Self-Identified)			
White	84.3%	74.7%	21
Black or African-American	11.5%	12.1%	17
American Indian or Alaska native	0.2%	0.8%	39
Asian	1.5%	4.3%	30
Hispanic or Latino (of any race)	2.3%	14.5%	40
Education (Persons 25 Years Old or Over)			
High school graduates	86.3%	84.2%	25
College graduates	23.3%	27.2%	37
Homes and Home Life			
Households	4,507,821	111,090,617	7
Persons per household	2.47	2.60	33
Households with persons under 18	33.6%	34.9%	35
Now married, not separated, persons 15 years old or over	49.4%	49.7%	36
Median household money income	\$43,493	\$46,242	29
Median family money income	\$54,086	\$55,832	26
Mean travel to work (minutes)	22.4	25.1	33
Language other than English spoken at home	6.1%	19.4%	37

Source: United States Census Bureau

Baby Boomers Impact Ohio Demographics

2005 Estimates and 2030 Projections of Population by Age Group



Source: Ohio Department of Development

- Most of Ohio's Baby Boom generation, those aged between 42 and 60 in 2006, are in their prime wage-earning years. They will reach retirement age between the years 2010 and 2030.
- In 2030, the vast majority of prime wage earners, those aged 35 to 55, will be from the Baby Boom Echo generation (children of Baby Boomers).
- It is estimated that the number of individuals aged 60 to 79 will increase by approximately 841,000, or 53%, between the years 2005 and 2030. Furthermore, the number of people in their prime wage-earning years will decrease by about 290,000, or 8%, during the same period. The shifting demographics suggest that there will be an increase in the number of elderly to care for in the future and a decrease in the number of prime wage earners.

Heart Disease and Cancer Leading Causes of Death

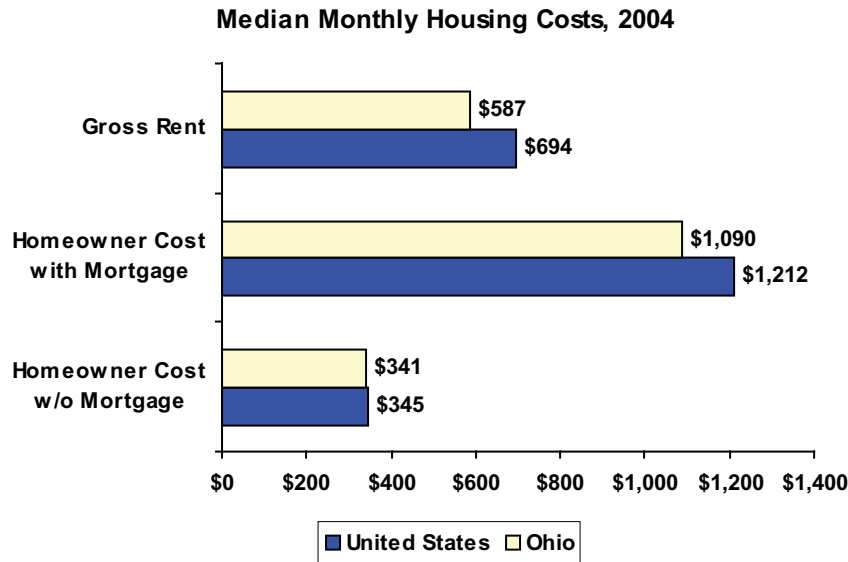
Ohio Health Status Indicators

	Ohio	United States
Infant mortality rate, 2002 (deaths per 1,000 live births)	7.9	7.0
Obesity: By Body Mass Index (%), 2002	23.0	22.1
Overweight: By Body Mass Index (%), 2002	35.8	37.0
No leisure-time physical activity (%), 2002	25.4	24.4
Not eating enough fruits and vegetables (%), 2002	79.5	77.3
Estimated childhood vaccination coverage, 2003 (% of children 19-35 months receiving 4:3:1:3:3 series)	82.3	79.4
Adult smokers (%), 2002 (U.S. median)	26.6	23.0
Top five leading causes of mortality in Ohio, 2000-2002 (age-adjusted per 100,000)		
Diseases of the Heart	267.1	232.3
Malignant Neoplasms (cancer)	208.0	190.1
Cerebrovascular Disease (stroke)	58.8	53.5
Chronic Lower Respiratory Diseases	49.5	43.3
Diabetes Mellitus	31.3	25.3
Average annual number of injury deaths, 2000-2002 (age-adjusted per 100,000)		
Unintentional injury (e.g., poisoning, auto accident)	31.5	37.3
Intentional injury – suicide	10.4	10.8
Intentional injury – homicide and legal intervention	4.5	6.0

Sources: Ohio Department of Health; Centers for Disease Control

- Obesity is defined as having a body mass index (BMI) of 30 or more. Being overweight is defined as having a BMI of between 25.0 and 29.9. BMI is calculated by dividing weight (kg) by height (m²) for all respondents over 18. Weight and height data used to calculate BMI were collected from the Behavioral Risk Factor Surveillance System (BRFSS).
- Data regarding the percentage of respondents that had no leisure-time physical activity and did not eat enough fruits and vegetables was obtained from the BRFSS. Respondents 18 years of age or older who had no leisure-time physical activity in the month previous were included in this category. Respondents 18 years of age or older who did not report eating five or more fruits and vegetables per day were included in this category.
- The 4:3:1:3:3 vaccination series includes four or more doses of DTP (diphtheria, tetanus, and pertussis), three or more doses of poliovirus, one or more doses of MMR (measles-mumps-rubella), three or more doses of Hib (Haemophilus influenzae type b), and three or more doses of Hepatitis B vaccine. In addition, the CDC also recommends one or more doses of varicella (chicken pox) vaccine at or after a child's first birthday.

Ohio Housing Costs Below National Average



Source: United States Census Bureau, 2004 American Community Survey

- In 2004, the median value of an owner-occupied house or condominium in Ohio was \$122,384; the U.S. median value was \$151,366.
- In 2004, 33.9% of Ohio renters had monthly rental payments that were at least 35% of their household income, less than the U.S. rate of 35.9%.
- For 2004, Ohio's homeownership rate of 69.8% surpassed the U.S. homeownership rate of 67.1%. Ohio's rental rate of 30.2% was lower than the national rate of 32.9%. Similarly, Ohio's vacancy rate of 9.1% for all uses was lower than the national rate of 10.4%.
- All of the above categories include utilities, fuel costs, and where appropriate, fire, hazard, and flood insurance and condominium or mobile home fees. Data from the 2004 American Community Survey are the latest authoritative data available and represent estimates based on a sample of the population.
- In 2004, Ohio had 2.47 persons per household; the U.S. had 2.60.

Where Do Ohioans Live?

Ohio's Population by Political Subdivision, 1990 and 2000
(population in thousands)

Subdivision	1990			2000			% Change 1990- 2000
	Units	Population	% of State Population	Units	Population	% of State Population	
Counties	88	10,847	100.0%	88	11,353	100.0%	4.7%
Cities	242	6,369	58.7%	243	6,621	58.3%	3.9%
Villages	689	858	7.9%	699	868	7.6%	1.2%
Townships	1,309	3,090	28.5%	1,309	3,341	29.4%	8.1%
CDPs ¹	111	530	4.9%	110	523	4.6%	-1.2%
<i>State</i>		<i>10,847</i>	<i>100.0%</i>		<i>11,353</i>	<i>100.0%</i>	<i>4.7%</i>

Notes:

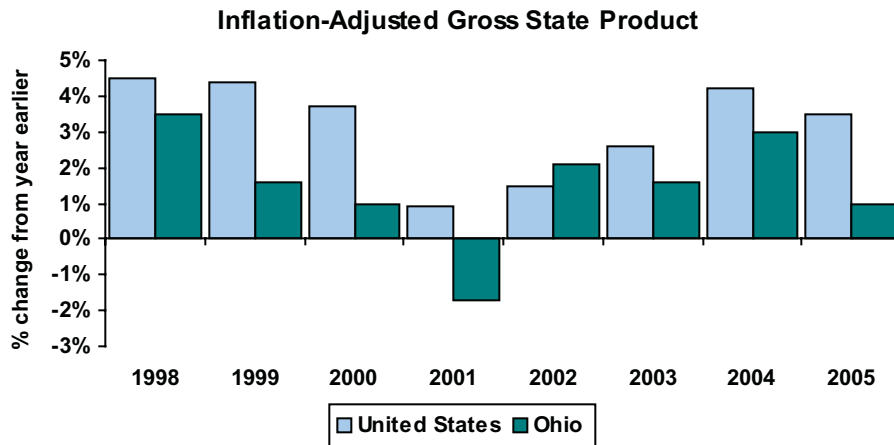
- (1) Township numbers reflect unincorporated areas outside municipal corporations.
- (2) Numbers may not add up due to rounding.
- (3) Population data are from the 1990 and 2000 decennial censuses.

Sources: Ohio Department of Development's Office of Strategic Research 2006;
United States Census Bureau 2000

- Ohio's population was 11,353,140 in 2000. The latest 2005 census data update from the Office of Strategic Research shows Ohio's population has grown to 11,464,042, an increase of 1.0%. The statewide population estimate for 2010 is 11,666,850.
- Townships experienced the biggest gain in population between census years among all political subdivisions. Ohioans living in townships increased by 8.1% in the 1990s. In 2000, 29.4% of Ohioans lived in townships compared with 28.5% in 1990. Cities had the second highest rate of growth (3.9%), followed by villages (1.2%). Ohioans living in CDPs decreased by 1.2%.
- Ohioans living in all *incorporated* areas of the state (cities and villages) totaled approximately 7.2 million or 66.6% of Ohio's 1990 population and 7.5 million or 66.0% of Ohio's 2000 population.

¹A census-designated place (CDP) is a densely populated, yet unincorporated place, as determined by the U.S. Census Bureau. A CDP is not a political subdivision. Ohio examples include Eaton Estates in Lorain County, Holiday Valley in Clark County, and Wright-Patterson Air Force Base near Dayton.

Ohio's Economy Has Grown More Slowly than That of the Nation for Many Years



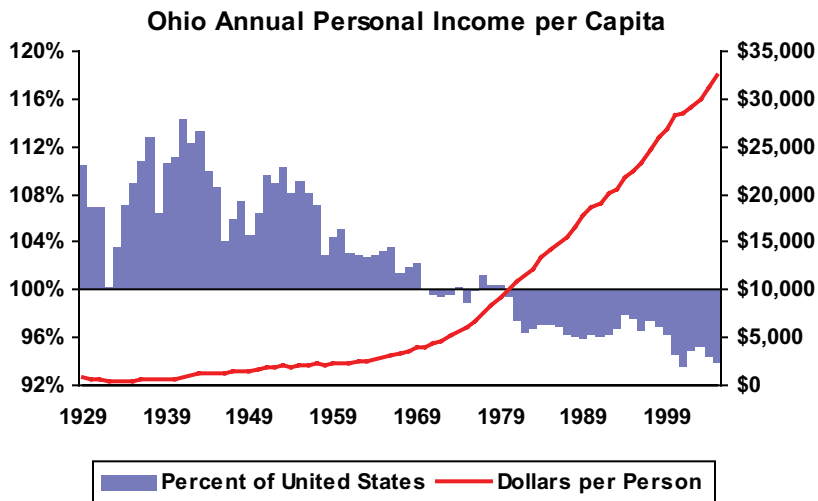
Source: United States Bureau of Economic Analysis

2005 Gross State Product

State	Billions of Current Dollars	National Rank
Illinois	\$560.2	5
Indiana	\$238.6	16
Kentucky	\$140.4	27
Michigan	\$377.9	9
Ohio	\$442.4	7
Pennsylvania	\$487.2	6
West Virginia	\$53.8	40
Wisconsin	\$217.5	19
50 States + District of Columbia	\$12,403.0	N/A

- Ohio's economy, measured by inflation-adjusted gross state product (GSP), grew more slowly than that of the nation ahead of the 2001 recession, turned down more sharply during the recession, and has expanded more slowly in most years since the recession.
- Ohio's 2005 GSP of \$442.4 billion, 3.6% of nationwide GSP, made it the 7th largest economy in the United States, just ahead of New Jersey, and 2nd largest in the Great Lakes region, behind Illinois. In comparison with the gross domestic product of the United States and other countries, Ohio's economy ranked 17th largest, behind Russia but bigger than Switzerland (based on *The Economist, Pocket World in Figures*, 2006 edition).

Ohio Income per Person Less than United States Average

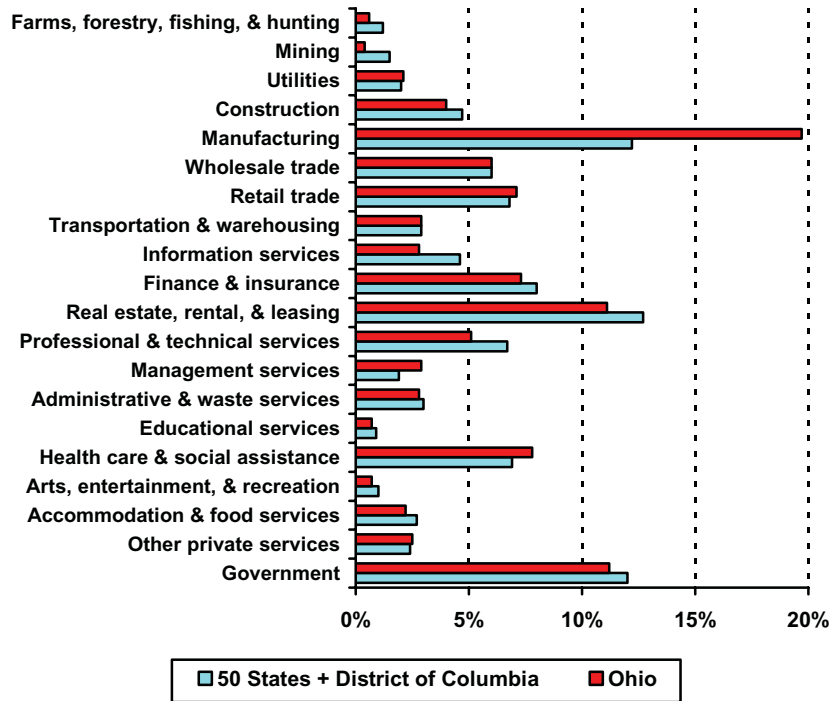


Source: United States Bureau of Economic Analysis

- Ohio personal income per capita was \$32,478 in 2005, 94% of that year's \$34,586 average for the United States.
- Ohio ranked 26th among the 50 states in personal income per capita in 2005. Connecticut's personal income per capita was highest at \$47,819, while Louisiana's was lowest at \$24,820.
- Per capita personal income in Ohio consistently exceeded the nationwide average prior to 1970, and has remained below that average since 1980.
- Much of the rise in personal income per capita shown in the chart is a result of higher prices. The general price level has risen nearly ten-fold since 1929. Net of increases attributable solely to inflation, personal income per capita in Ohio has doubled since 1968, tripled since 1950, and more than quadrupled during the entire period shown above.

Ohio's Economy Remains More Concentrated in Manufacturing than the Nation's Economy

Industry Shares of Gross State Product in 2004



Source: United States Bureau of Economic Analysis

- Manufacturing accounted for 19.7% of Ohio's gross state product in 2004. For the United States, manufacturing's share was 12.2%.
- Durable goods factories concentrated in Ohio include motor vehicles and parts, with 13.5% of nationwide output; primary metals, with 11.8%; electrical equipment and appliances, 9.7%; fabricated metal products, 8.5%; nonmetallic mineral products, 6.3%; machinery, 6.0%; transportation equipment other than motor vehicles, 5.9%; and furniture, 4.7%. Ohio nondurable goods makers include plastics and rubber products, 8.4%; printing, 5.4%; food products, 4.5%; chemicals, 4.2%; and paper, 4.1%.
- Among nonmanufacturing industries, Ohio accounted for relatively large shares of nationwide value added in management of companies and enterprises, 5.5%; truck and rail transport, 4.9% and 4.4% respectively; hospitals and nursing and residential care, 4.8%; warehousing and storage, 4.3%; and insurance carriers and related services, 4.1%.

Ohio Employment Shifts from Manufacturing toward Services

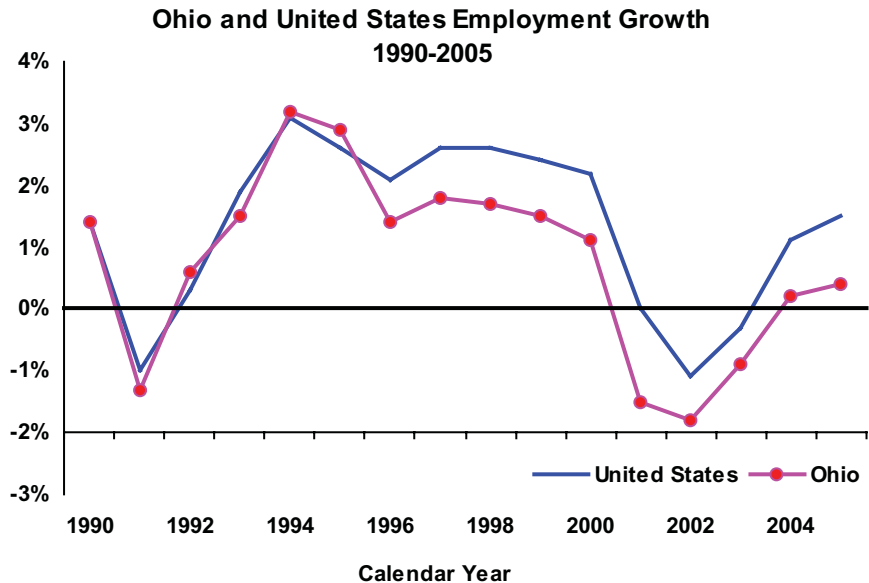
Ohio Employment by Sector (in thousands)

Sector	Calendar Year			Avg. Annual Rate of Change
	1990	2000	2005	1990-2005
Natural Resources & Mining	17.8	12.9	11.3	-3.0%
Construction	193.2	246.1	233.2	1.3%
Manufacturing	1,064.6	1,021.0	813.4	-1.8%
Trade	813.8	918.9	849.7	0.3%
Transportation & Utilities	154.4	196.3	194.0	1.5%
Information	101.7	107.2	90.0	-0.8%
Financial Activities	252.6	305.2	309.0	1.4%
Professional & Business Services	438.3	644.8	641.6	2.6%
Educational & Health Services	543.0	680.3	760.9	2.3%
Leisure, Hospitality, and Other Services	579.8	706.5	726.3	1.5%
Government	722.2	785.0	799.1	0.7%
Total	4,882.3	5,624.6	5,428.6	0.7%

Source: United States Bureau of Labor Statistics

- Between 1990 and 2005, manufacturing employment in Ohio fell from 21.8% of wage and salary employment to 15.0%. During this same period, employment in professional and business services and in educational and health services increased from 20.1% to 25.8%.
- Between 1990 and 2005, manufacturing employment in the U.S. as a whole fell from 16.2% of wage and salary employment to 10.7%.
- Local governments account for 69.2% of government employment in Ohio. Local governments and state universities account for all of the growth in government employment during the period shown.
- Among those industries for which the Bureau of Labor Statistics reports statistics, construction paid Ohio nonsupervisory workers the most in 2005: \$808.73 in average weekly earnings (AWE). Ohio manufacturers, by comparison, paid \$789.50 and firms in the transportation and utilities sector paid \$618.12. Retail trade paid the least among industries for which wages are reported: \$324.28 AWE in 2005.
- AWE increased between 2001 and 2005 in all the sectors for which AWE was reported. AWE increased the most, by 14.9%, in wholesale trade, with manufacturing close behind at 14.1%. During this period the Consumer Price Index-All Urban Consumers increased by 10.3%.

Ohio Employment Growth Lags National Pace

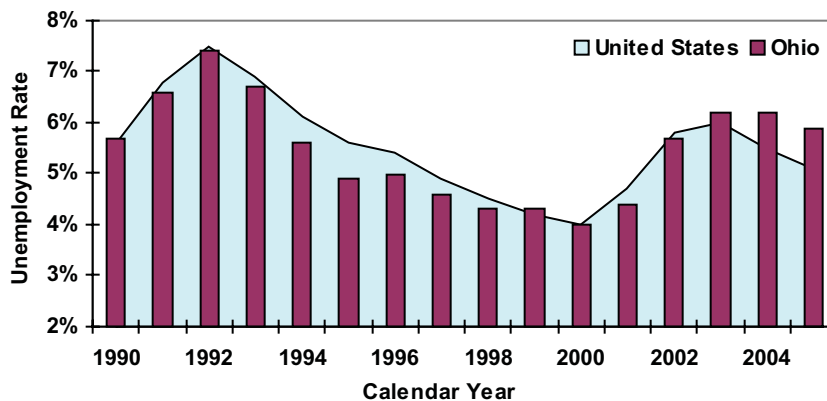


Source: United States Bureau of Labor Statistics

- Between 1990 and 2005, Ohio job growth averaged 0.7% per year compared to a U.S. average growth rate of 1.3%. Ohio's population grew more slowly than the country's as a whole over that decade (by 0.5% per year vs. 1.2% per year, respectively).
- Total nonfarm payroll employment in Ohio peaked in calendar year (CY) 2000 at 5.62 million, then fell to 5.40 million in CY 2003. For CY 2005, average payroll employment was approximately 5.43 million, about 196,000 below its CY 2000 peak, and about 30,900 higher than its CY 2003 low point.
- Ohio's strongest job growth between 1990 and 2005 was in professional and business services (2.6% average annual compounded growth), educational and health services (2.3%), other services (1.6%), and transportation and utilities (1.5%).
- In percentage terms the greatest employment loss occurred in mining, which lost jobs at a 3.0% average annual rate.
- Manufacturing lost jobs over this period at an average annual rate of 1.8%. After declining following the 1990 recession, manufacturing employment rose to a peak in 1995. From then through 2005, Ohio lost approximately 224,000 manufacturing jobs.

Ohio's Unemployment Rate Begins to Fall

Ohio vs. National Unemployment Rate
1990-2005



Sources: United States Bureau of Labor Statistics; Ohio Labor Market Information

- Ohio's annual average unemployment rate has exceeded the national average each year since 2003. This is in contrast to the decade of the 1990s, when Ohio's unemployment rate exceeded the national rate in only two years, 1990 and 1999.
- In 1990, Ohio's unemployment rate was 5.7%. In 2005, it was 5.9%. The U.S. unemployment rate was 5.6% in 1990 and 5.1% in 2005.
- Throughout 1990, a monthly average of 309,641 people were unemployed in Ohio. In 2005, the average was 349,877.
- During the period shown, both the unemployment rate and the average annual number of unemployed reached their highest levels in 1992, at 7.4% and 402,480. The lowest levels were reached in 2000 at 4.0% and 233,882.
- Although the state's average unemployment rate for 2005 was higher than Illinois' (5.7%), Indiana's (5.4%), Pennsylvania's (5.0%), and West Virginia's (5.0%), it was lower than Kentucky's (6.1%) and Michigan's (6.7%).
- Unemployment rates vary greatly by county within Ohio. In 2005, 49 counties had average unemployment rates that exceeded the statewide average and 39 counties were at or below the statewide average. The highest rate was 13.3% and the lowest rate was 3.8%.
- Among Ohio workers receiving unemployment compensation, the average duration of unemployment during the 12 months ending in December 2005 was 15.2 weeks, slightly lower than the average duration among all U.S. workers receiving unemployment compensation, which was 15.3 weeks.

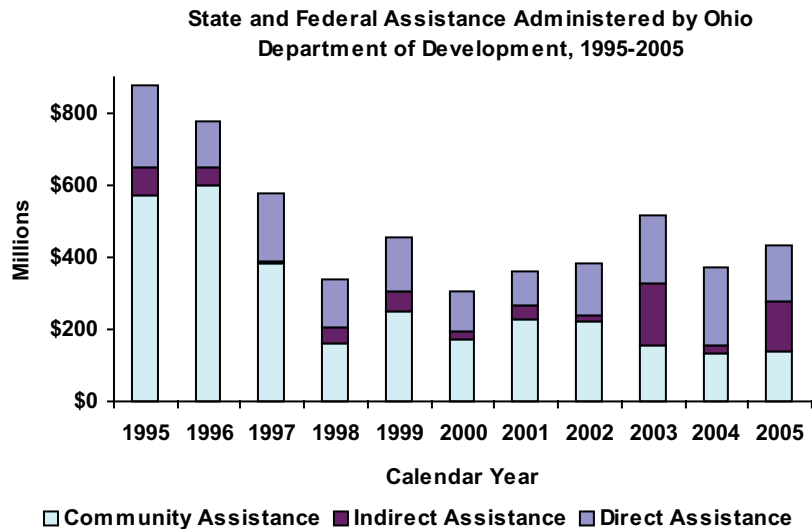
Ohio Ranks High in Exports

United States Exports				
2005 Rank	Description	CY 2004 (in millions)	CY 2005 (in millions)	% Change 2004-2005
	Total, All States	\$817,936	\$904,380	10.6%
1	Texas	\$117,245	\$128,761	9.8%
2	California	\$109,968	\$116,819	6.2%
3	New York	\$44,401	\$50,492	13.7%
4	Washington	\$33,793	\$37,948	12.3%
5	Michigan	\$35,625	\$37,584	5.5%
6	Illinois	\$30,214	\$35,868	18.7%
7	Ohio	\$31,208	\$34,801	11.5%
8	Florida	\$28,982	\$33,377	15.2%
9	Pennsylvania	\$18,487	\$22,271	20.5%
10	Massachusetts	\$21,837	\$22,043	0.9%

Source: Ohio Exports 2005, Origin of Movement Series, prepared by the Office of Strategic Research, Ohio Department of Development, March 2006

- From 2004 to 2005, the dollar value of Ohio's exports increased by 11.5%, compared to an overall U.S. increase of 10.6%. Among the top ten exporting states, Ohio ranked 6th in the percentage increase in exports in 2005.
- Ohio's state rank in value of exports deteriorated from 6th place in 2002, 2003, and 2004 to 7th place in 2005.
- In 2005, Ohio had five export markets where dollar volume exceeded \$1 billion: Canada, Mexico, United Kingdom, Japan, and Germany. Of these, Canada was by far the largest market, purchasing \$17 billion of Ohio's \$34.8 billion in exports, or about 49%. Mexico was Ohio's second largest export market at \$2.4 billion, or 6.9%. The state's largest overseas market was the United Kingdom, accounting for \$1.2 billion, or 3.4%.
- In 2005, Ohio's top exporting sectors were machinery (\$8.9 billion), vehicles/not railway (\$8.9 billion), electrical machinery (\$2.2 billion), plastics (\$1.7 billion), and optic/medical instruments (\$1.2 billion). Together these five manufacturing sectors accounted for \$22.9 billion, or about 66%, of all Ohio exports.

Community Assistance Making Up Smaller Portion of Economic Development Spending



Source: Ohio Department of Development

- State and federal funds spent for economic development by the Department of Development (DOD) include *direct assistance* (state assistance for business attraction and expansion projects that include job creation, retention, and workforce training), *indirect assistance* (funding for competitiveness improvements, such as research and development for priority technology initiatives and infrastructure improvements in rural areas that are not measurable in terms of employment increases), and *community assistance* (federally funded local quality-of-life enhancements administered by DOD).
- Included are programs administered by the following DOD divisions: Community Development, Minority Business Affairs, Economic Development, Technology, and the Ohio Housing Finance Agency.
- Total 2005 spending of \$431,648,005 on economic development reflects a 50.8% decrease from total 1995 spending of \$876,689,236; however, 2005 spending levels increased 16.0% from \$372,151,480 in 2004.
- Companies receiving direct assistance in 2005 projected that through the aid 22,856 jobs were created, 26,366 jobs were retained, and 50,219 workers were trained. Companies have three years from the time of receiving their assistance to fulfill these commitments.
- Community assistance, which consists primarily of federal funding, declined from \$572.2 million in 1995 to \$141.4 million in 2005, representing a 75.3% decrease.

Ohio among Nation's Leaders in Agriculture

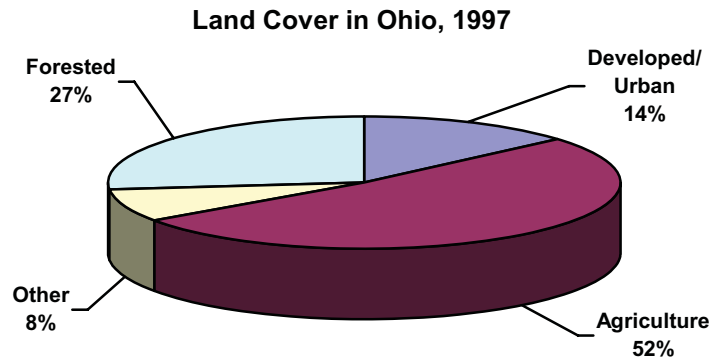
Ohio Rankings for Selected Commodities in 2004

Commodity	Ohio Rank	Unit	Production	State Ranked First	Production
Corn for grain	7	Bushels	491,380,000	Iowa	2,244,400,000
Corn for silage	11	Tons	3,230,000	Wisconsin	13,300,000
Oats	11	Bushels	3,150,000	North Dakota	14,080,000
Winter Wheat	9	Bushels	55,180,000	Kansas	314,500,000
Soybeans	7	Bushels	207,740,000	Illinois	499,950,000
Sugarbeets	12	Tons	34,000	Minnesota	9,823,000
Tobacco	7	Pounds	10,976,000	North Carolina	351,630,000
Egg Production	2	Number	7,355,000,000	Iowa	11,613,000,000
Swiss Cheese	1	Pounds	118,776,000	Ohio	118,776,000

Source: Ohio Department of Agriculture, 2004 Annual Report

- According to the 2002 U.S. Census of Agriculture, Ohio had approximately 10,000,000 acres of harvested cropland. Of this harvested cropland, 4,710,000 acres of land were devoted to soybeans, 2,870,000 acres were devoted to corn for grain, and 810,000 acres were devoted to winter wheat. The remaining 1,610,000 acres were devoted to other crops.
- According to the USDA's Economic Research Service, Ohio's 2005 net farm income, which is the return earned by farm operations, was \$1.45 billion, a decrease of 8% from 2004's record net farm income of \$1.58 billion. Contributing to the record net farm income in 2004 were crop yield records for corn and soybeans.
- The Ohio Department of Agriculture reported that in 2004 the average size of a farm in Ohio was 189 acres, while the average U.S. farm was 443 acres.
- The number of farms in Ohio has been decreasing over the past several decades, from 149,000 in 1960 to 77,300 in 2004. There were 2,112,970 farms in the U.S. in 2004. Families and individuals own approximately 91% of Ohio's farms.

Land Use in Ohio Mostly Agricultural, but Trend Indicates Loss of Farmland Overall



Source: The Ohio State University Exurban Change Program, 2003

- The latest comprehensive study of Ohio land use was published by The Ohio State University Exurban Change Program in 2003 and used 1997 data, which was the most recent, state-specific data from the U.S. National Resource Inventory survey.
- Of Ohio's 26.4 million acres, approximately 13.6 million acres (52%) are agricultural, 7.1 million acres (27%) are forested, and 3.6 million acres (14%) are developed or urban areas. Other categories of land use may include open waters or wetlands, grasslands, or barren land (mines, quarries, or areas of sparse vegetative cover).
- Of Ohio's 13.6 million acres of agricultural land, approximately 2.0 million are set aside for pasture and hay crops and 11.6 million are used to grow row crops such as corn and soybeans.
- According to the Division of Forestry in the Ohio Department of Natural Resources, wooded or forested land comprised approximately 15% of the state in 1940. By 1997, as noted above, total forested acreage had increased to 27% of the state.
- Ohio is among the most urban and fastest urbanizing states in the nation. In 1997, Ohio ranked 7th among all states in total acres of developed land and ranked among the top ten fastest urbanizing states between 1992 and 1997.
- Between 1982 and 1997, the percentage of urban land in Ohio increased from 10.5% to 13.7%. During the same period, the percentage of agricultural land decreased from 57.6% to 51.6%. In 1982, the ratio of agricultural land to urban land acreage was 5.47 to 1. By 1997 that ratio had decreased to 3.78 to 1.

Ohio Parks: Continued Demand for Services

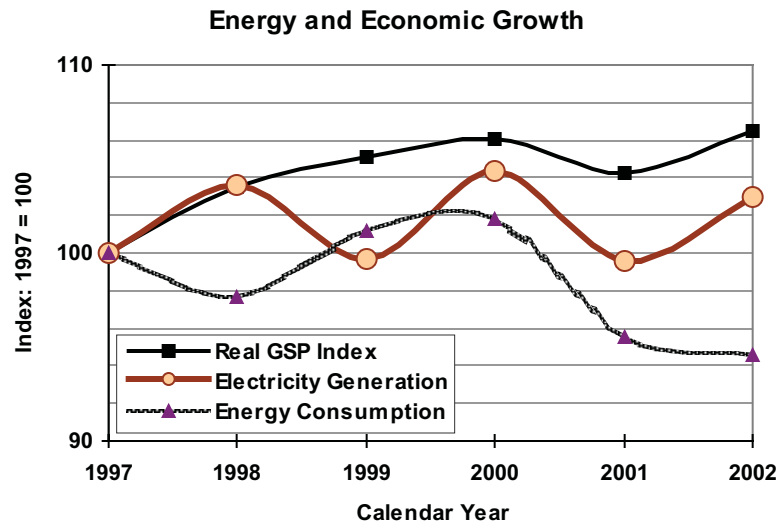
Top Five Visited State Parks in Ohio in 2005

State Park	County	Visitors in 2005	Land Acres
Cleveland Lake Front	Cuyahoga	7,816,966	419
Alum Creek	Delaware	2,995,906	4,630
Hueston Woods	Preble and Butler	2,824,870	2,936
Hocking Hills	Hocking	2,327,593	2,356
Headlands Beach	Lake	2,250,910	120

Source: Ohio Department of Natural Resources

- State park operations are funded at approximately \$72 million annually. These moneys come from the GRF, state park rotary, waterways safety fund, rent payments, concession bid bonds, and payments by Fraternal Order of Police members.
- In FY 2005, the Division of Parks completed approximately \$17.4 million in capital improvement projects from NatureWorks bond funds and other capital dollars. Projects include dam repair, utility upgrades, wastewater system rehabilitations, and lodge/cabin improvements.
- State parks generate roughly \$27 million in revenue annually. Of this amount the largest sources of revenue include camping fees, self-operated retail, concession agreements, cottage rentals, dock permits, and golf green fees.
- Over 42% of Ohio residents visit Ohio's state parks. According to the Department of Natural Resources, those visits contribute approximately \$1.1 billion in overall economic impact statewide.
- The Division of Parks offers an online centralized reservation system where campers can reserve a campsite or getaway rental for up to six months in advance or reserve a cottage or cabin up to a year in advance. Roughly 246,000 reservations were made in the second year of operation.
- Ohio is ranked 2nd in the nation in the number of state park resort lodges. Ohio's 9th and newest state park lodge is at Geneva State Park. Construction costs for the lodge were \$16.7 million.

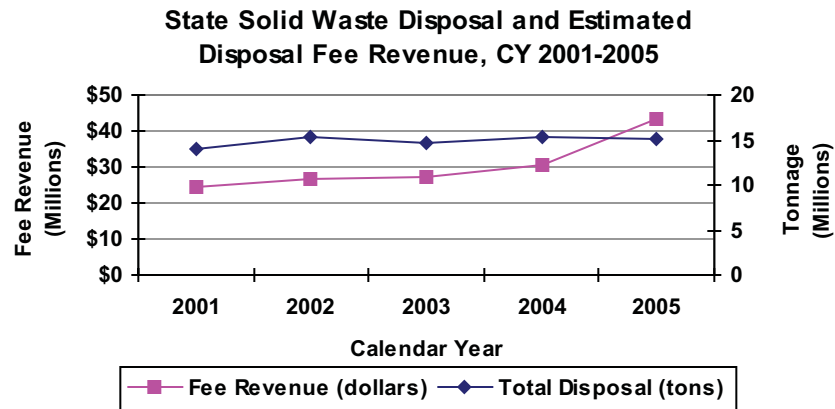
Economy Grows Faster than Energy Use



Sources: Bureau of Economic Analysis, United States Department of Commerce; Energy Information Administration, United States Department of Energy

- Ohio's real gross state product (GSP) increased by 6.5% from 1997 to 2002, while energy consumption in the state decreased by 5.4%.
- Ohio was 4th in the U.S. in both electricity and coal consumption in 2002 and was 7th in the nontransportation use of total petroleum and in natural gas consumption, but Ohio's rank in industrial retail electric sales dropped from 2nd place in 2000 to 5th place in 2002.
- Ohio ranked 12th in petroleum and 18th in natural gas prices to end-use sectors in 2002, and 26th in retail electricity prices in 2004. Ohio's average revenue for all customer classes—a retail price proxy—was 6.89¢ per kilowatt hour, which was 9.6% below the national average.
- As of March 2006, oil and gas were produced in 47 of Ohio's 88 counties, but out-of-state sources met most of the state's consumption. In 2005, Ohio crude ranked 17th in crude oil production. Ohio's crude oil production accounts for less than 1% of U.S. crude oil production.
- In 2004, 87% of the electricity generated in Ohio was derived from coal (about one-third of which was Ohio-mined), compared to a U.S. average of 60%. At 11%, the second most-used electricity fuel source in Ohio was nuclear, compared to a U.S. average of 20%. In 2004, the use of natural gas as a generation fuel in Ohio was at its lowest level in the last five years.

Increase in Solid Waste Disposal Fee Revenue Expected from New Environmental Protection Fee



Source: Ohio Environmental Protection Agency

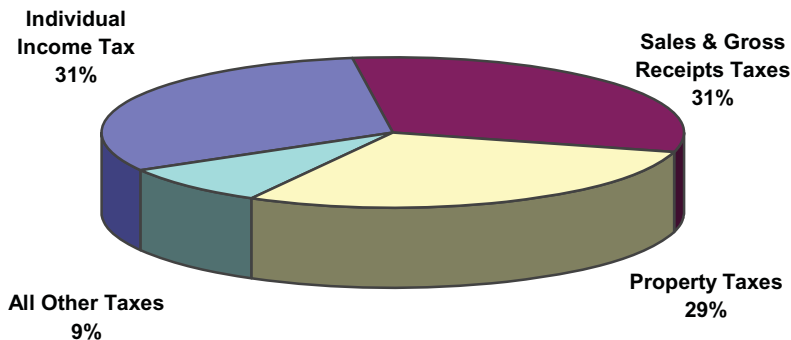
- State solid waste disposal fee revenue, used to carry out the hazardous and solid and infectious waste programs of the Ohio Environmental Protection Agency (Ohio EPA), increased from \$24.5 million in CY 2001 to \$43.5 million in CY 2005.
- In CY 2001, the total solid waste disposal fee was \$1.75 per ton of solid waste. In July 2003 the fee increased to \$2.00 per ton. Beginning in July 2005, the Ohio EPA began collecting the new \$1.50 solid waste disposal fee, referred to as the Environmental Protection Fee, for a total disposal fee of \$3.50 per ton.¹
- The FY 2006-2007 budget bill eliminated EPA's GRF funding. The Environmental Protection Fee is intended to replace Ohio EPA's GRF funding.
- From 2001 to 2005, the total tonnage of solid waste disposed of in Ohio increased from 14 to 15.2 million tons. In the same time span, the portion that was out-of-state waste increased from 1.9 million to 2.3 million tons.
- In 2005, out-of-state waste generated about \$8 million in disposal fee revenue, or 18% of the total disposal fee revenue of \$43.5 million.²
- In addition to state revenue, local solid waste management district disposal fees, which are used to carry out solid waste management district plans, generated a total of approximately \$25.7 million in 2005.

¹The Ohio EPA tracks disposal data on a calendar year rather than fiscal year basis. However, the agency tracks revenue on a fiscal year basis. All information is presented here in terms of calendar year. As a result, all revenue figures are estimates based on total actual tonnage collected and the fee levels applied to those tonnages. The agency indicates that the estimates presented correspond closely to the actual revenue amounts in each calendar year.

²The waste flow data are based on actuals from the calendar year but revenue data are based on when figures are put into the accounting system, which is often months later.

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

Ohio Combined State & Local Tax Revenues FY 2004



* 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.

Sources: United States Census Bureau; Ohio Legislative Service Commission

- Ohio, like most other states, relies on the “Big 3” of property taxes, income taxes, and consumption taxes. In comparison with other states, Ohio’s state and local tax system relies more heavily on the individual income tax, and somewhat less heavily on the property tax, on consumption taxes, and “other” taxes like the corporation franchise tax.
- State taxes accounted for 57.4% of combined state and local tax revenue in FY 2004. State taxes accounted for 71.5% of revenue from individual income taxes, 87.5% of revenue from sales and gross receipts taxes, and 86.2% of revenue from “other” taxes. Local taxes accounted for 99.6% of revenue from property taxes.
- For state taxes, 48.0% of tax revenue came from sales and gross receipts taxes, 38.7% from the individual income tax, 13.1% from “other” taxes, and 0.2% from taxes classified as property taxes.
- For local taxes, 67.1% of tax revenue came from property taxes, 20.9% from individual income taxes, 9.2% from sales and gross receipts taxes, and 2.8% from “other” taxes.

Ohio's Five-Year Tax Reform Plan

Am. Sub. H.B. 66 (126th General Assembly) made several changes to Ohio's tax structure. The most important changes in the five-year tax reform plan are described below.

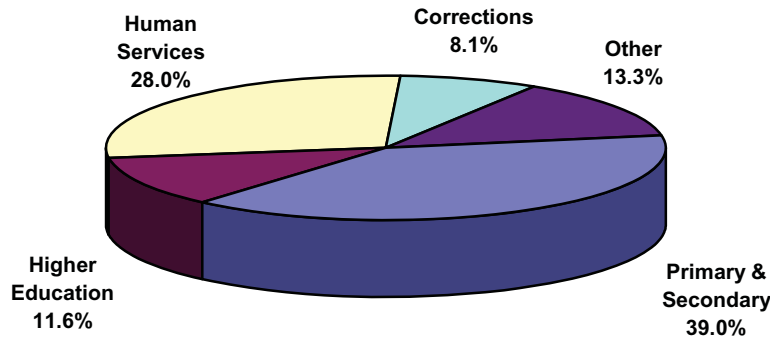
- Taxes on tangible property are phased out over four years for most businesses beginning in tax year (TY) 2006, and over five years for telephone and telecommunications companies. Tangible property of other utilities remains taxable. The state initially reimburses local governments for lost revenues.
- The 10% tax "rollback" on real property of business is eliminated in TY 2005, increasing business taxes and reducing state reimbursement to local governments by equal amounts.
- Phaseout of state reimbursement to local governments for revenue lost due to the exemption of the first \$10,000 of tangible property of each business, already under way, is accelerated, eliminating the payments after FY 2009 instead of FY 2012.
- The corporate franchise tax is phased out over five years for nonfinancial corporations, beginning in FY 2006. The tax will be reduced for general businesses in even per-year increments, and eliminated in FY 2010. Financial corporations, which have a different tax base than general corporations, will continue to pay the 13 mills franchise tax on their net worth base.
- The commercial activity tax, a new tax based on gross receipts, is phased in over five years, starting in FY 2006. The tax applies to any legal person with more than \$150,000 in annual taxable gross receipts in Ohio. Businesses with annual gross receipts between \$150,000 and \$1 million pay an annual fee of \$150. Those with receipts above \$1 million pay \$150 plus a tax rate of 0.26% on gross receipts in excess of \$1 million.
- Income tax rates are reduced over a five-year period. The marginal tax rates for each income bracket are reduced by a total of 21%, beginning with taxable year 2005, in nearly even per-year increments. The income tax on trusts is made permanent. A new tax credit for low-income taxpayers effectively exempts taxpayers with taxable income that does not exceed \$10,000.
- The sales and use tax rate is increased from 5.0% to 5.5%, starting July 1, 2005. The vendor discount is increased to 0.9%. Also, sales and use tax law is updated to substantially conform to the multi-state Streamlined Sales and Use Tax Agreement.
- The cigarette tax rate is increased from \$0.55 to \$1.25 per pack of 20 cigarettes, starting July 1, 2005. The tax on other tobacco products (cigars, snuff, chewing and smoking tobacco), at 17% of wholesale price, remains unchanged.

The Commercial Activity Tax (CAT)

- The commercial activity tax is the centerpiece of the five-year tax reform plan. Gross receipts from any business activity conducted for or resulting in gain, income, or profit are taxable. The tax applies to all legal persons with substantial nexus with Ohio. The CAT also applies to out-of-state businesses with taxable Ohio receipts. An out-of-state business is taxable if it has over \$50,000 in real or personal property, \$50,000 in payroll for work in Ohio, \$500,000 in taxable gross receipts in Ohio, or has 25% or more of its activity in the state.
- Unlike the corporate franchise tax (CFT), which applies only to corporations, the commercial activity tax applies to any legal person with more than \$150,000 in annual taxable gross receipts in Ohio regardless of the person's legal or organizational form, unless the business entity is specifically excluded. Public utilities, dealers in intangibles, insurance companies, and nonprofit institutions are exempt. These business entities will continue their current tax regimes. Financial institutions, banks' holding companies, financial holding companies, certain financial services companies, and majority-owned affiliates of all those companies and those of financial institutions and insurance companies are also exempt from the CAT. All of the exempted financial-type companies would be subject to the CFT if they are corporations and will continue to pay the 13 mills franchise tax on their net worth base.
- Revenues from the CAT are earmarked for the GRF and for reimbursing school districts and other local governments for the phaseout of local taxes on most tangible personal property. Revenues from the CAT are distributed to the School District Tangible Property Tax Replacement Fund (SDRF) and to the Local Government Tangible Property Tax Replacement Fund (LGRF). Percentages applied to the distribution of revenues from the CAT vary from year to year. No revenue will be distributed to the GRF from FY 2007 through FY 2011.
- A limited number of tax credits may be applied against the CAT. A taxpayer may apply against the CAT the credits for job creation, job retention, qualified research expenses, and qualified research and development loan payments. These credits are currently available for the CFT and the personal income tax.
- The CAT law includes a rate adjustment mechanism if revenues exceed or fall below certain thresholds during three specified "test" periods. If receipts from the CAT exceed the expected revenues for certain defined periods by more than 10%, the tax rate is adjusted downward. Excess revenue is credited to the Budget Stabilization Fund (BSF) and to the newly created CAT Refund Fund. Moneys credited to the CAT Refund Fund are returned to the CAT taxpayers. The tax rate may also be adjusted upward by the Tax Commissioner to meet revenue targets.

K-12 Education Largest Share of GRF, LPEF, & Local Government Fund Spending

Percentages of FY 2006-2007 GRF, LPEF, & Local Government Fund Spending



Source: Table 2: State GRF, LGF, and LPEF Expenditures, FYs 1975-2007, Ohio Legislative Service Commission

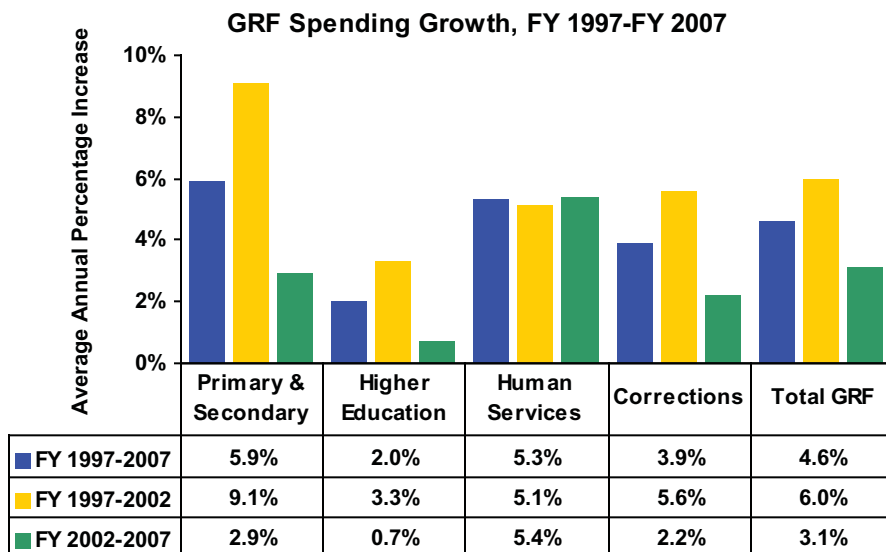
State Spending from GRF, LPEF, and Local Government Funds (in millions)

	1998-1999	2000-2001	2002-2003	2004-2005	2006-2007*
Primary & Secondary	\$11,654.4	\$13,300.1	\$15,147.5	\$16,201.0	\$16,803.4
Higher Education	\$4,510.3	\$4,951.5	\$4,867.1	\$4,852.3	\$5,010.2
Human Services	\$8,093.5	\$8,835.6	\$9,984.7	\$11,312.0	\$12,035.4
Corrections	\$2,670.6	\$3,085.7	\$3,176.5	\$3,293.4	\$3,466.3
Other	\$5,104.6	\$5,753.5	\$5,732.6	\$5,651.4	\$5,718.2

*2007 spending amounts approximated by appropriations as of August 2006

- State expenditures from the General Revenue Fund (GRF), the Lottery Profits Education Fund (LPEF), and the local government funds have grown 34.3% since the 1998-1999 biennium, from \$32,033.4 million in FY 1998-1999 to \$43,033.8 million in FY 2006-2007.
- Growth rates in expenditures for the major categories from the FY 2004-2005 biennium to the FY 2006-2007 biennium are Primary and Secondary (K-12) Education, 3.72%; Higher Education, 3.25%; Human Services, 6.40%; Corrections, 5.25%; and Other, 1.18%.
- The shares of the FY 2006-2007 biennial budget allocated to each of the major spending areas have changed since the FY 1998-1999 biennium by the following amounts: Primary and Secondary Education, 2.67% increase; Higher Education, 2.44% decrease; Human Services, 2.70% increase; Corrections, 0.28% decrease; and Other, 2.65% decrease.
- In the FY 2006-2007 biennium, K-12 Education and Higher Education together account for 50.7% of the entire state budget.

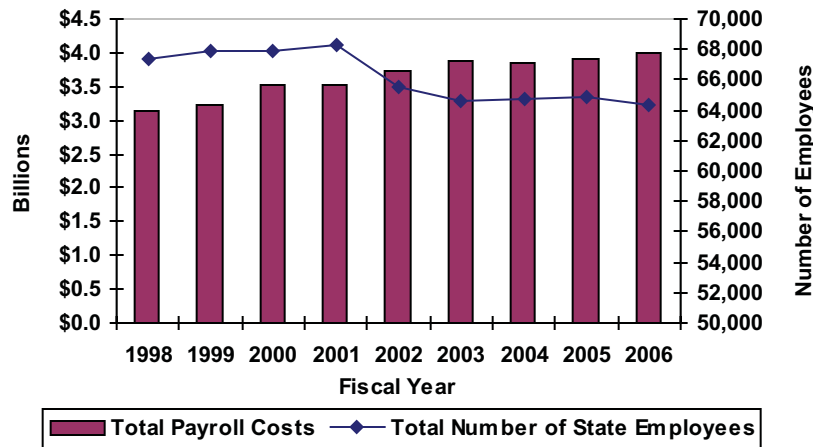
Spending Growth Varies across Program Areas and Years



Source: Table 2: State GRF, LGF, and LPEF Expenditures, FYs 1975-2007, Ohio Legislative Service Commission

- Over the ten years encompassing actual FY 1997 expenditures through FY 2007 appropriations, total General Revenue Fund (GRF) spending grew at an average annual rate of 4.6%.
- Rates of spending growth differed sharply between the FY 1997-2002 period and the FY 2002-2007 period. In the FY 1997-2002 period, annual spending growth averaged 6.0%. In the FY 2002-2007 period, annual spending growth averaged 3.1%.
- In the FY 1997-2002 period, the fastest growing spending areas were primary and secondary education and corrections. The growth in corrections spending reflected the cost of building and operating a relatively large prison system, in combination with a dramatic expansion in community corrections programs.
- In the FY 2002-2007 period, the fastest growing spending areas are human services and primary and secondary education. The growth in human services spending is primarily attributable to growth in Medicaid caseloads and increasing health care costs paid by Medicaid.

Payroll Costs Increase Modestly as State Employment Declines

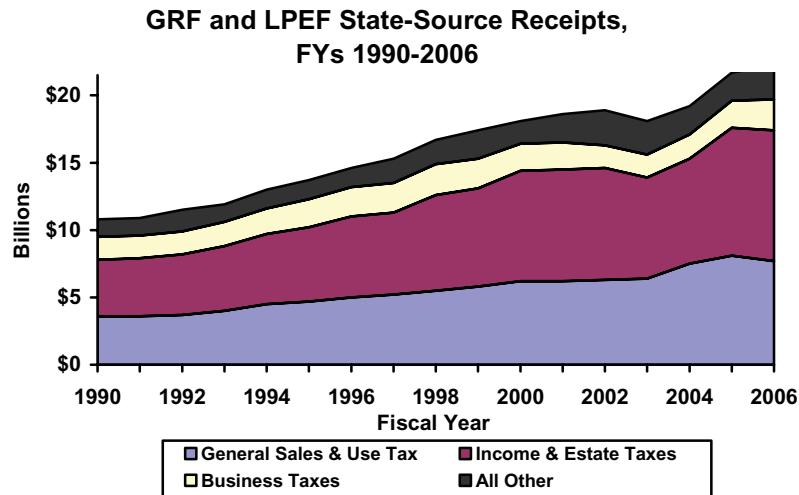


Source: Ohio Department of Administrative Services

- From June 1998 to June 2006, the number of employees on the state payroll declined from 67,371 to 64,298, a 3.7% decline.¹ Most of this decline occurred during FY 2002, especially among the rehabilitation and corrections, criminal justice services, natural resources, and mental health agencies.
- Total FY 2006 state payroll was \$3.98 billion for all state funds. Payroll covered by the General Revenue Fund (GRF) amounted to 46.7% of total state payroll, or \$1.86 billion. This proportion has remained fairly constant since FY 1998.
- Earned wages and overtime, which represent the largest share of payroll costs, totaled \$2.53 billion in FY 2006, compared to \$2.06 billion in FY 1998. This category includes wages for work performed, but not vacation and sick leave.
- The cost of employee benefits—such as retirement contributions, health, vision, and dental care, life insurance, and other fringe benefits—represents the second-largest portion of payroll costs, amounting to \$1.39 billion in FY 2006. In FY 1998, employee benefit costs totaled \$1.04 billion.

¹ These figures include full-time and part-time permanent employees of cabinet agencies, elected officials' offices, and employees of boards and commissions appointed by the Governor. Not included in this count are employees of colleges and universities and the Ohio Turnpike Commission.

GRF & LPEF State-Source Receipts Dominated by the Income Tax and the General Sales Tax



Sources: Ohio Office of Budget and Management; Ohio Legislative Service Commission

- In FY 2006, total state General Revenue Fund (GRF) receipts (excluding federal grants) and net profits from lottery ticket sales amounted to \$22.1 billion. The personal income tax (\$9.7 billion) and the general sales and use tax (\$7.7 billion) were the most important revenue sources in FY 2006, accounting for 78.4% of receipts.
- Over time, the largest contributors to the “All Other” category have been transfers to the Lottery Profits Education Fund (LPEF) and transfers from the Income Tax Reduction Fund (ITRF), the Budget Stabilization Fund (BSF), and the Tobacco Master Settlement Agreement Fund (TMSAF) to the state GRF. In FY 2005 and FY 2006, transfers to the LPEF were \$638.9 million and \$646.3 million, respectively. Transfers from the TMSAF were \$234.7 million in FY 2005, and \$5.0 million in FY 2006. There were no transfers from the ITRF or the BSF in the last two years.
- From FY 1990 to FY 2006, state-source GRF and LPEF receipts increased at a compounded annual growth rate of 4.6%. Ohio personal income grew at an annual compounded rate of 3.8% between FY 1990 and FY 2006.
- With the growth in the sales tax and the income tax, the relative importance of the “business taxes”—the corporation franchise tax, the public utility taxes, and the insurance taxes—has declined. These sources were over 16.1% of state-source GRF and LPEF receipts in FY 1990; they were only 10.2% of those receipts in FY 2006. The contribution of “All Other” was 11.7% of state-source GRF and LPEF receipts in FY 1990, and 11.3% in FY 2006.

Tax Burden Comparisons

Combined State and Local Taxes, FY 2004

	Taxes as % of Income	Rank*	Taxes Per Capita	Rank*
National Average	10.4		\$3,447	
Ohio	11.0	9	\$3,419	20
Neighboring States				
Indiana	9.9	34	\$2,999	29
Kentucky	10.1	24	\$2,767	39
Michigan	10.3	19	\$3,313	24
Pennsylvania	10.3	19	\$3,447	19
West Virginia	10.6	14	\$2,740	40

*Highest to lowest

Sources: United States Census Bureau; Ohio Legislative Service Commission

- Ohio's FY 2004 combined state and local tax burden, measured by taxes per capita (\$3,419) was lower than the national average and higher than those of its neighbors, except Pennsylvania. Taxes as a percentage of personal income (11.0%) were higher than both the national average and those of all its neighbors.
- Ohio's per capita tax burden from state taxes is below the national average and its tax burden from local taxes exceeds the national average.
- For FY 2004, Ohio's state taxes were \$1,963 per capita while local taxes were \$1,456 per capita. U.S. averages were \$2,014 for state taxes and \$1,432 for local taxes.
- As a percent of income, Ohio's tax burden exceeds the national average. As Ohio's income growth continues to lag the nation's average income growth, this measure of tax burden increases. For FY 2004, Ohio's state taxes were 6.3% of personal income and local taxes were 4.7% of personal income. The U.S. average was 6.1% for state taxes and 4.3% for local taxes.
- In FY 2004, New York had the highest per capita combined state and local tax burden at \$5,260, while Alabama had the lowest at \$2,328.
- New York had the highest level of combined state and local taxes as a percentage of personal income at 13.7%, and Alabama had the lowest at 8.4%.

Ohio Taxes Higher than National Average and Neighbors in FY 2004

Combined State and Local Taxes as a Percentage of Income, FY 2004

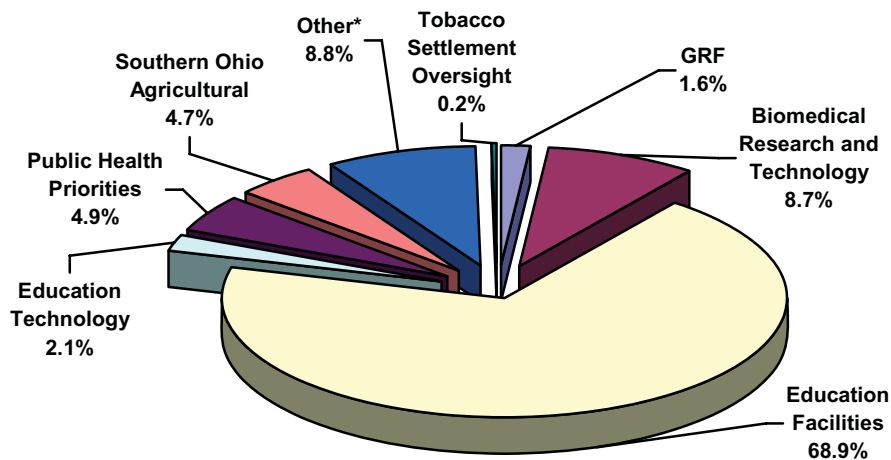
	Ohio	U.S.	WV	MI	PA	KY	IN
Total Taxes	11.0%	10.4%	10.6%	10.3%	10.3%	10.1%	9.9%
Individual Income	3.4%	2.2%	2.3%	2.0%	2.5%	3.2%	2.3%
Property Tax	3.1%	3.3%	2.1%	3.7%	3.0%	1.9%	3.2%
Sales & Gross Receipts	3.5%	3.7%	4.6%	3.4%	3.1%	3.8%	3.7%
General Sales	2.6%	2.5%	2.2%	2.4%	1.9%	2.2%	2.5%
Selective Sales	0.9%	1.2%	2.4%	1.0%	1.2%	1.6%	1.2%
Motor Fuel Sales	0.4%	0.4%	0.7%	0.3%	0.4%	0.4%	0.4%
Alcoholic Beverages	0.0%	0.1%	0.0%	0.0%	0.1%	0.1%	0.0%
Tobacco	0.2%	0.1%	0.2%	0.3%	0.2%	0.0%	0.2%
Public Utility	0.1%	0.2%	0.5%	0.0%	0.3%	0.2%	0.0%
Other Sales	0.2%	0.4%	1.0%	0.3%	0.2%	0.9%	0.5%
Corporate Income	0.3%	0.3%	0.4%	0.6%	0.4%	0.3%	0.3%
Motor Vehicle Licenses	0.2%	0.2%	0.2%	0.3%	0.2%	0.2%	0.1%
Other Taxes	0.4%	0.7%	1.1%	0.4%	1.1%	0.7%	0.3%

Sources: United States Census Bureau; Ohio Legislative Service Commission

- In FY 2004, Ohio's combined total state and local taxes as a percentage of income was higher than the U.S. average and those 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 the U.S. average and relative to all its neighbors.
- Personal income growth in Ohio has lagged that of the U.S. and its neighbors between 2000 and 2004, except for Michigan. This has tended to increase the tax burden for Ohio relative to the U.S. and its neighbors.
- Ohio's graduated income tax is more progressive (that is, the tax rate on higher incomes is greater than the tax rate on lower incomes) than in most other states. This helps make Ohio's system relatively evenly balanced between income, sales, and property taxes.

Ohio Continues to Receive Tobacco Master Settlement Dollars

Distribution of Tobacco Settlement Revenue in FY 2006



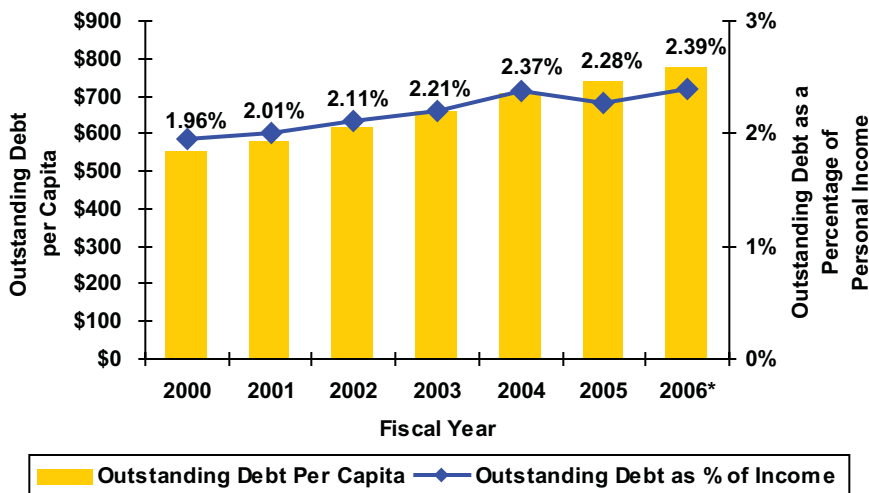
*Other includes: Children's Hospitals, Healthy Ohioans, Lung Cancer/ Disease Research, and Auto Emissions Testing

Source: Ohio Office of Budget and Management

- In November 1998, 46 states, five U.S. territories, and the District of Columbia signed the Tobacco Master Settlement Agreement (MSA) with the United States' largest tobacco manufacturers. Florida, Minnesota, Mississippi and Texas settled separately. Under the terms of the MSA, Ohio was originally projected to receive about \$10.1 billion through 2025.
- Through FY 2006, Ohio has received a total of \$2.395 billion in MSA revenue. The Office of Budget and Management estimates that Ohio will receive \$294.0 million in FY 2007.
- Distribution of tobacco revenue is specified in section 183.02 of the Revised Code. However, since 2002 the General Assembly has authorized the transfer of a total of \$837.5 million in tobacco settlement revenue to the General Revenue Fund. (Actual amount transferred was \$809.8 million.)
- Master Settlement dollars have been distributed to the following: the departments of Health, Alcohol and Drug Addiction Services, Public Safety, Development, Job and Family Services, and Taxation; Environmental Protection Agency; Commission on Minority Health; School Facilities Commission; eTech Ohio; Attorney General's Office; Controlling Board; the Southern Ohio Agricultural and Community Development Foundation; the Tobacco Use Prevention and Control Foundation; and the General Revenue Fund.

Ohio's Tax-Supported Debt

Ohio's Tax-Supported Debt, FY 2000-FY 2006

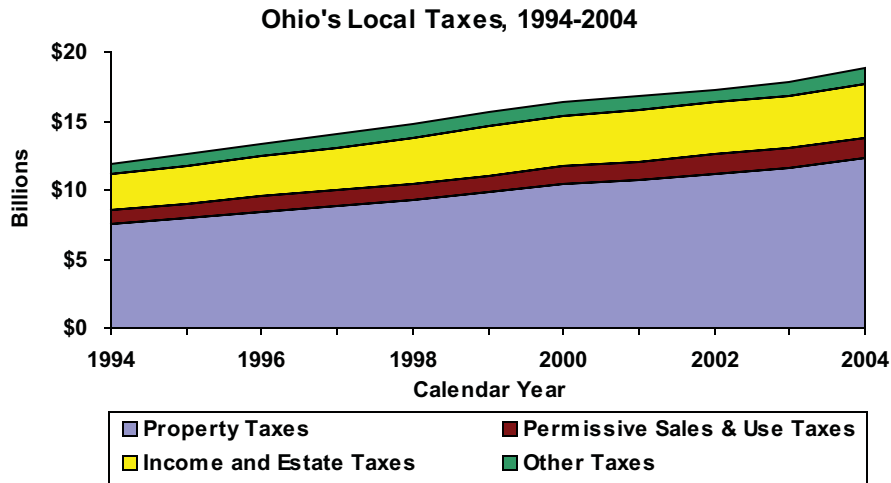


*Based on July 2005 population estimate and 2005 personal income.

Source: *Information Concerning the State of Ohio, Bonds and Debt Management, Ohio Office of Budget and Management, August 1, 2006*

- Ohio's tax-supported debt is made up of general obligation (GO) debt and special obligation (SO) debt. As of July 1, 2006, the outstanding GO and SO debt payable from the state's GRF totaled \$8.9 billion. GO debt outstanding totaled \$5.7 billion and SO debt outstanding totaled \$3.2 billion.
- Outstanding debt per capita has grown by 39.7% between FY 2000 and FY 2006. Overall, Ohio ranked 34th in debt per capita in 2004 (ranking is from highest debt per capita to lowest). As a percentage of personal income, outstanding debt has trended upward over this period.
- GO debt has been authorized by 18 constitutional amendments, mainly for the financing of capital facilities, and is backed by the state's full faith and credit. Debt service payments are guaranteed by the pledge of taxes or excises.
- SO debt is authorized for specified purposes by Section 2i of Article VIII of the Ohio Constitution, and debt service payments are subject to biennial appropriations by the General Assembly.
- As of December 1, 2005, Ohio GO bonds were rated AA+ by Fitch, Aa1 by Moody's, and AA+ by S & P—the three major rating agencies.

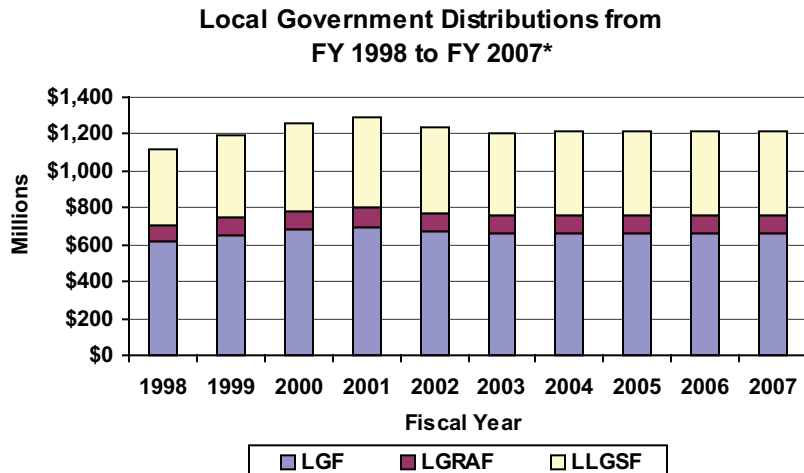
Local Property Taxes Continue to Be a Dependable Source of Revenue



Sources: Ohio Department of Taxation; Ohio Office of Budget and Management

- In 2004, \$18.8 billion in local taxes were collected in Ohio. Property taxes yielded \$12.3 billion. Combined income and estate taxes generated \$3.9 billion. Sales and use taxes provided \$1.5 billion. Other taxes (alcohol, cigarette, admission, lodging, motor vehicle fuel, and motor vehicle license) generated \$1.0 billion. Data are on a calendar year basis except for the estate tax, which is on a fiscal year basis.
- From 1994 to 2004, total local tax revenue grew at an average of 5.7% annually. Growth in property tax revenue was higher, averaging 6.3% annually. Sales and use tax revenues grew at a 6.4% annual rate. The income and estate taxes grew at a 5.1% annual rate and all other taxes grew an average of 2.2% annually.
- In the last two years, total local tax revenue grew at a slower rate, averaging 4.4% annually. Property taxes grew 5.2% annually, sales and use taxes grew 4.3%, and income and estate taxes grew 2.1%. Other taxes increased 3.0% per year.
- Over the ten-year period from 1994 to 2004, the relative importance of the property tax increased from 63.5% of local revenue to 65.7%. Sales and use taxes grew from 7.6% of revenue to 7.9%. The income and estate taxes decreased from 21.8% of revenue to 20.9%. Other taxes decreased in relative importance, from 7.1% to 5.5%.

State-Shared Revenue Supports Local Governments



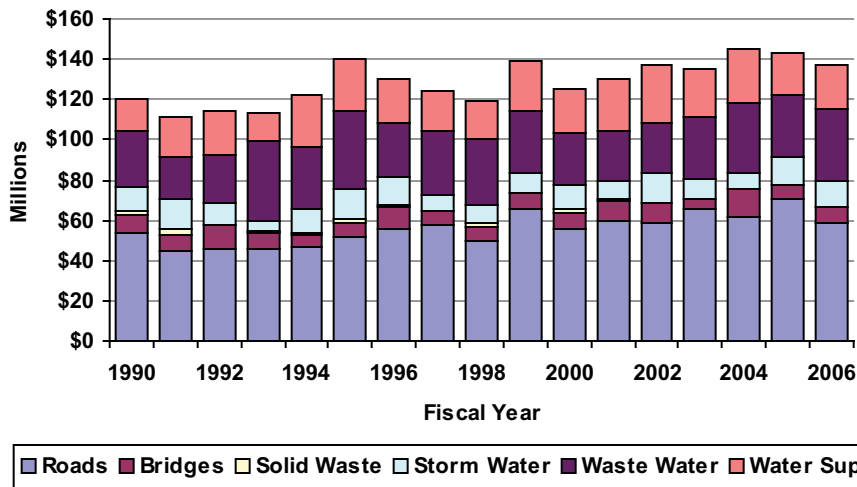
*Data do not include dealers in intangibles tax revenues. FY 2007 spending amounts are approximated by appropriations as of August 31, 2006.

Source: Ohio Office of Budget and Management monthly revenue reports

- Over the past five fiscal years, local governments and libraries have received more than \$6 billion in state-shared revenue: \$3.3 billion from the state Local Government Fund (LGF), \$475 million from the Local Government Revenue Assistance Fund (LGRAF), and \$2.3 billion from the Library and Local Government Support Fund (LLGSF).
- In CY 2004, approximately \$756.4 million was distributed to Ohio's local governments from the LGF and LGRAF. Of that total, \$257.9 million (34%) was distributed to counties, \$430.3 million (57%) went to municipalities, \$66.7 million (9%) went to townships, and the rest (less than 1%) went to certain park districts. Local libraries in 88 counties in Ohio received \$455.5 million from the LLGSF in CY 2004.
- The LGF and LGRAF receive their funding from the five major state tax sources: sales and use tax, personal income tax, corporate franchise tax, public utility and excise tax, and kilowatt-hour tax. Funding for the LLGSF comes from the personal income tax.
- Recent state operating budgets have included "temporary adjustments to local government distributions." Under these "freezes" tax receipts that would otherwise have been credited to the local funds are instead credited to the GRF. The effect of the freezes can be seen in the chart above. After growing through FY 2001, distributions were reduced in FYs 2002 and 2003 and have remained at the FY 2003 level for FYs 2004 through 2007.

State Capital Improvements Program Funding Authorized for Another Ten Years

Annual SCIP Disbursements, FYs 1990-2006

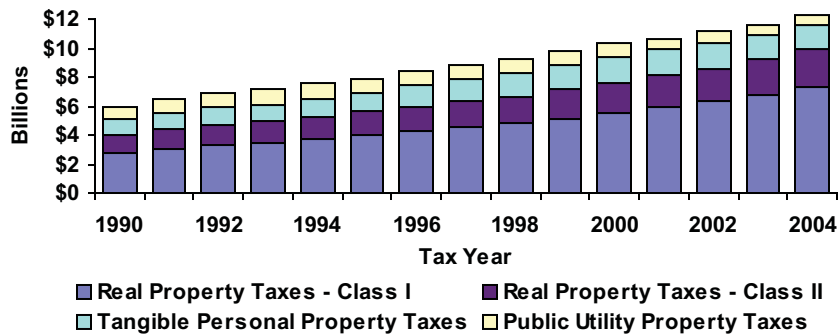


Source: Ohio Public Works Commission

- The State Capital Improvements Program (SCIP) supports local government infrastructure construction. It was created by constitutional amendment in 1987 and recently reauthorized by Am. Sub. H.J.R. 2 of the 125th General Assembly. The Public Works Commission (PWC) is the administrator of the program. After October 2006, \$120 million will remain to be spent from prior authorizations. The program is commonly referred to as “Issue 2” funding.
- The program has disbursed \$2.18 billion since 1990. The new authorization will allow for up to \$1.35 billion in general obligation bonds to be issued starting in December 2009 and continuing until 2018 or later.
- A total of \$137 million was disbursed in 2006. Almost half of the money went to cities (\$64 million), followed by counties (\$41 million), villages (\$19 million), townships (\$7 million), and water districts (\$5 million). In 2006, 60% of the program’s disbursements were grants.
- Projects are ranked and recommended locally by one of 19 district public works integrating committees. The PWC then determines which projects will receive funding and uses the SCIP funds to reimburse political subdivisions for project costs.

Taxes on Real Estate Have Grown Faster than Other Types of Property Taxes

Net Property Taxes Collectible by Type Tax Years 1990-2004



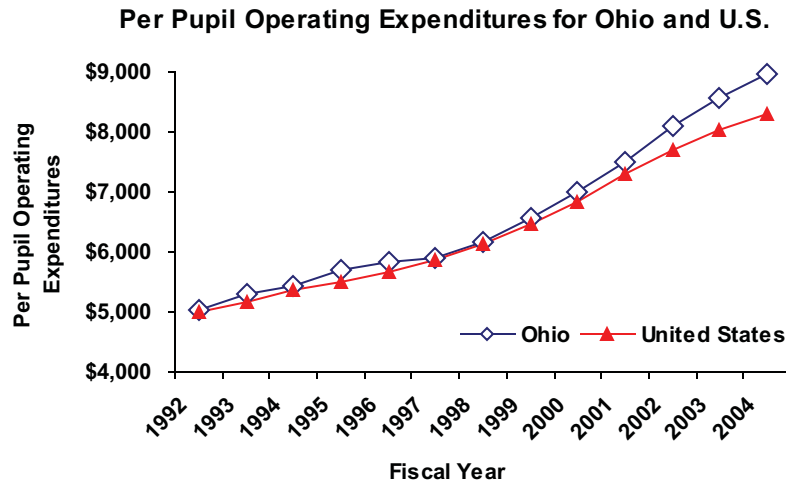
Sources: Ohio Department of Taxation; Ohio Legislative Service Commission

Percentage Change in Property Taxes Collectible, 1990-2004

	Real Property Class I	Real Property Class II	Tangible Personal Property	Public Utility Property	Total Property Taxes
Total Change	159.8	114.9	43.7	-3.0	106.5
Average Annual Change	7.1	5.6	2.6	-0.2	5.3

- Taxes on real property in Ohio increased 146%, 6.6% per year on average, from tax year 1990 to tax year 2004. Residential and agricultural (Class I) real property taxes rose faster than taxes on other (Class II) real property, as residential property values rose more rapidly. Taxes rose more slowly on tangible property of general business and fell on public utility tangible property.
- Approximately two-thirds of all property taxes go to local school districts.
- Taxes charged (levied) on residential and agricultural real property exceed net taxes collectible by a 10% rollback. In addition, homeowners are eligible for a 2.5% rollback on their residences, and low-income elderly or disabled homeowners are eligible for further tax reduction under the homestead exemption. The state reimburses local governments for revenues forgone due to these programs. The 10% rollback was eliminated for business taxpayers in tax year 2005, along with state reimbursement.
- The assessment rate for tangible personal property of business was 25% of true value in tax years 2004 and 2005, except for inventories, assessed at 23%. The first \$10,000 of business tangible property is exempt from tax. As part of the 2005 tax reform, assessment rates on all tangible property of general business fall to 0% in tax year 2009, and new manufacturing equipment was exempted from tax in 2006 and thereafter. Phaseout of state reimbursement to local governments for the \$10,000 exemption was accelerated.

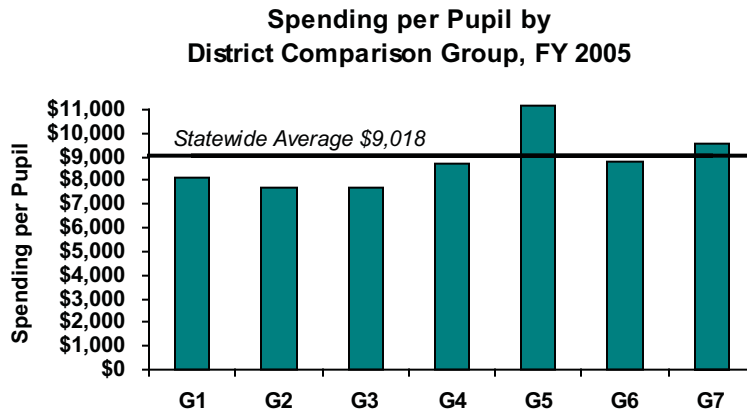
Ohio's per Pupil Operating Expenditures Exceed National Average



Source: United States Census Bureau

- From FY 1992 to FY 2004, Ohio's per pupil operating expenditures increased from \$5,045 to \$8,963, or 77.7%, while the national average increased from \$5,001 to \$8,287, or 65.7%. During this period, inflation, as measured by the consumer price index (CPI), was 34.7%.
- Ohio's per pupil operating expenditures increased from 0.9% (\$44) above the national average in FY 1992 to 8.2% (\$676) above the national average in FY 2004.
- From FY 1992 to FY 1998, Ohio's per pupil operating expenditures increased at an average rate of 3.4% per year, comparable to the national average. Since then, however, Ohio's per pupil operating expenditures have increased consistently faster than the national average. From FY 1999 to FY 2004, Ohio's per pupil operating expenditures increased on average by 6.4% per year, as compared to 5.1% nationally.
- In FY 2004, Ohio's per pupil operating expenditures of \$8,963 ranked 16th in the nation. Compared to other states in the region, Ohio's expenditure level and national ranking in FY 2004 were higher than in Illinois (\$8,656, 18th), Indiana (\$8,280, 22nd), Kentucky (\$6,888, 40th), Minnesota (\$8,359, 21st), Tennessee (\$6,504, 45th), and West Virginia (\$8,475, 20th) but lower than in Michigan (\$9,072, 15th), Pennsylvania (\$9,979, 9th), and Wisconsin (\$9,226, 13th).

Per Pupil Operating Spending Varies across Ohio



Comparison Group	Description	Number of Districts	Enrollment % FY 2005
G1 - Rural	Very low SES,* very high poverty	96	9.0%
G2 - Small Rural	Low SES, low poverty	161	12.4%
G3 - Rural Town	Average SES, average poverty	81	7.6%
G4 - Urban	Low SES, high poverty	102	15.9%
G5 - Major Urban	Very high poverty	15	17.7%
G6 - Suburban	High SES, moderate poverty	107	23.5%
G7 - Suburban	Very high SES, low poverty	46	13.9%

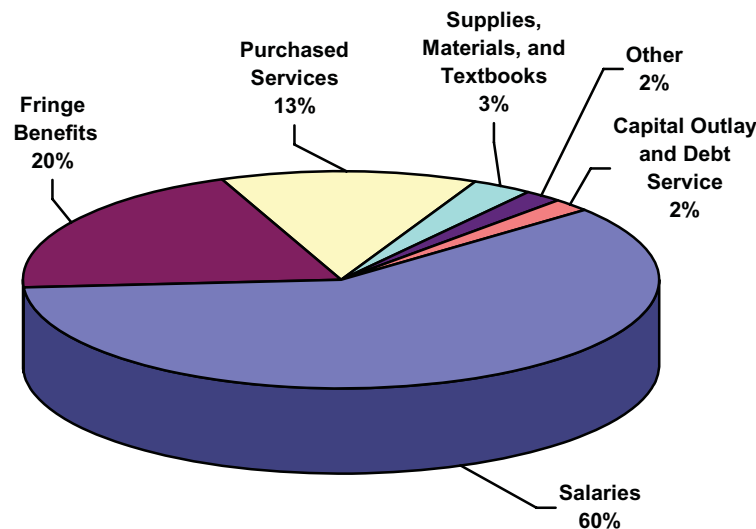
*Socioeconomic status

Source: Local Report Card Data, Ohio Department of Education

- The Department of Education clusters school districts throughout the state into seven groups as a means to compare districts with similar socioeconomic characteristics. In FY 2005, the average per pupil spending for each district comparison group varied from a low of \$7,684 to a high of \$11,166, with a state average of \$9,018. About 82% of the districts spent between 20% below (\$7,215) and 20% above (\$10,822) the state average.
- High poverty major urban (G5) districts and the wealthiest suburban (G7) districts had the highest spending per pupil among all district comparison groups in FY 2005, spending 23.8% (\$2,148) and 5.9% (\$531), respectively, above the state average.
- On average, school districts spent 56.0% on instruction, 18.9% on building operations, 11.8% on administration, 10.3% on pupil support, and 3.0% on staff support. This allocation varies only slightly across district comparison groups.

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

Breakdown of a Typical School District Budget

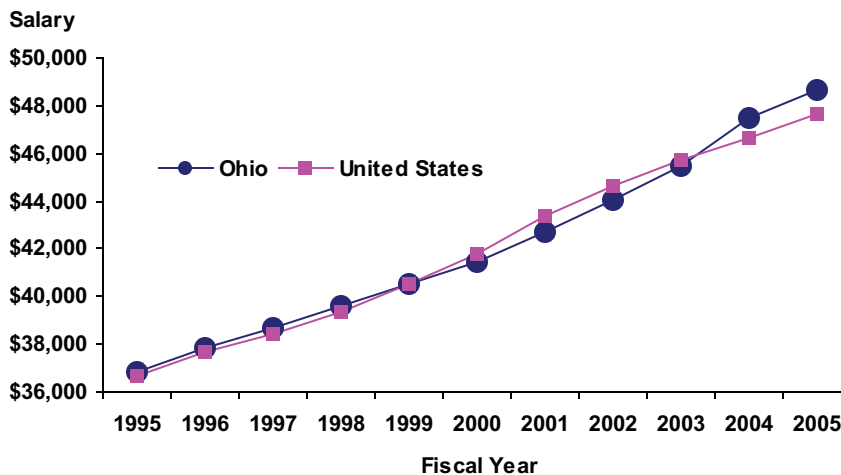


Source: School District Five-Year Forecast Data, Ohio Department of Education

- Salaries and fringe benefits account for approximately 80% of school district budgets statewide. This percentage has remained fairly steady in recent years, although the portion of school district budgets spent on fringe benefits has increased from 18% in FY 2001 to 19% in FY 2003 and to 20% in FY 2005, while the portion spent on salaries has decreased from 62% in FY 2001 and FY 2003 to 60% in FY 2005.
- In recent years, largely due to the rapid growth in health insurance premiums, the cost of fringe benefits has increased dramatically. This cost amounted to 34% of the cost of salaries in FY 2005, up from 31% in FY 2003 and 28% in FY 2001.
- The portion of school district budgets spent on purchased services has also increased, going from 10% in FY 2001 to 11% in FY 2003 and to 13% in FY 2005.
- State law requires each school district to set aside an amount equal to 3% of the previous year's base cost funding formula amount multiplied by the number of students for textbooks and instructional materials and another 3% for capital and maintenance needs. In FY 2007, the required set-aside amount is \$158.49 per pupil for each category.

Ohio's Average Teacher Salary Rises above U.S. Average

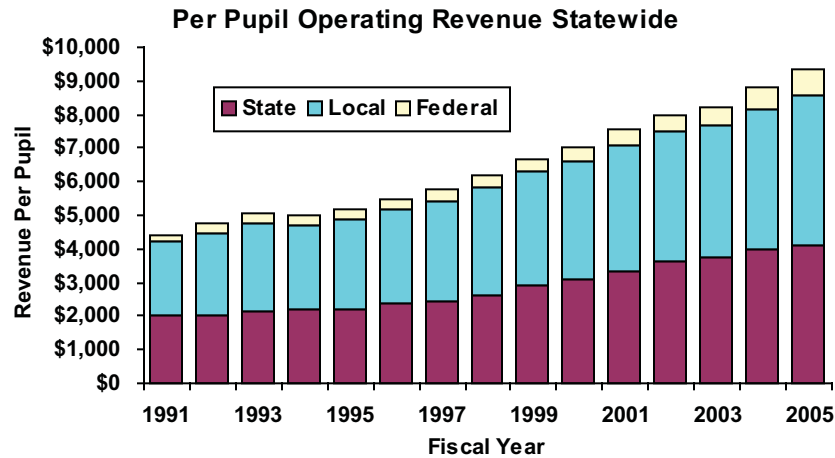
Average Teacher Salaries for Ohio and U.S.



Sources: National Education Association; Ohio Department of Education

- After being slightly above the national average from FY 1995 to FY 1999 and then falling below the national average from FY 2000 to FY 2003, Ohio's average teacher salaries have once again risen above the national average in FY 2004 and FY 2005.
- Ohio's average teacher salary for FY 2005 was 2.1% (\$1,024) higher than the national average.
- Ohio's average teacher salary increased by 32.3%, from \$36,802 in FY 1995 to \$48,692 in FY 2005. The national average increased by 30.0%, from \$36,675 in FY 1995 to \$47,668 in FY 2005. During the same period, inflation, as measured by the consumer price index (CPI), was 27.5%.
- In FY 2005, Ohio's average teacher salary of \$48,692 ranked 14th in the nation. Compared to other states in the region, Ohio's salary level and national ranking in FY 2005 were higher than in Indiana (\$46,591, 17th), Kentucky (\$40,522, 34th), Minnesota (\$46,906, 16th), Tennessee (\$42,076, 31st), West Virginia (\$38,360, 46th), and Wisconsin (\$44,299, 22nd) but lower than in Illinois (\$55,421, 7th), Michigan (\$56,973, 4th), and Pennsylvania (\$53,141, 10th).
- In FY 2005, the average beginning salary in Ohio was \$28,671 for teachers with bachelor's degrees and \$31,798 for those with master's degrees.

Per Pupil Operating Revenue for Schools More than Doubles since FY 1991



Source: Local Report Card Data, Ohio Department of Education

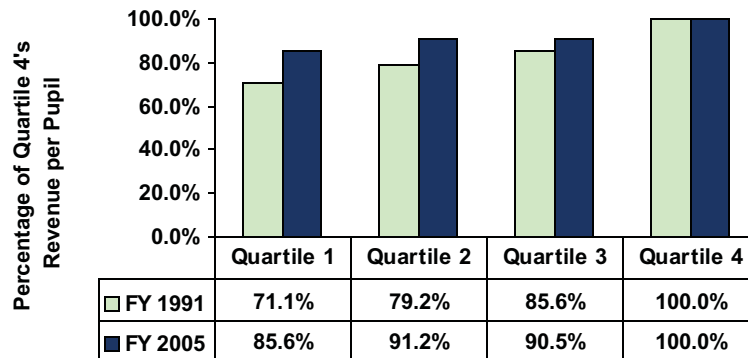
- Schools' per pupil operating revenue in Ohio from all sources increased 112% from \$4,402 in FY 1991 to \$9,334 in FY 2005.
- Local revenue per pupil increased 101% from \$2,205 in FY 1991 to \$4,425 in FY 2005. State revenue per pupil increased 102% from \$2,044 in FY 1991 to \$4,125 in FY 2005. Federal revenue per pupil increased 412% from \$153 in FY 1991 to \$784 in FY 2005.

Per Pupil Base Cost Formula Amounts, FY 1991-FY 2005					
Fiscal Year	Amount	Fiscal Year	Amount	Fiscal Year	Amount
1991	\$2,636	1996	\$3,315	2001	\$4,294
1992	\$2,710	1997	\$3,550	2002	\$4,814
1993	\$2,817	1998	\$3,663	2003	\$4,949
1994	\$2,871	1999	\$3,851	2004	\$5,058
1995	\$3,035	2000	\$4,052	2005	\$5,169

- The majority of state and local revenues are used to provide a uniform, minimum per pupil funding guarantee—the base cost formula amount, which is set by the General Assembly every two years. This amount increased 96% from \$2,636 per pupil in FY 1991 to \$5,169 per pupil in FY 2005.
- Am. Sub. H.B. 66 of the 126th General Assembly set the per pupil base cost formula amount for FY 2006 at \$5,283 and for FY 2007 at \$5,403. In addition, H.B. 66 added base funding supplements for school districts totaling \$40.00 per pupil in FY 2006 and \$47.99 per pupil in FY 2007.

Interdistrict Equity Improved Significantly since FY 1991

Revenue per Pupil Comparison

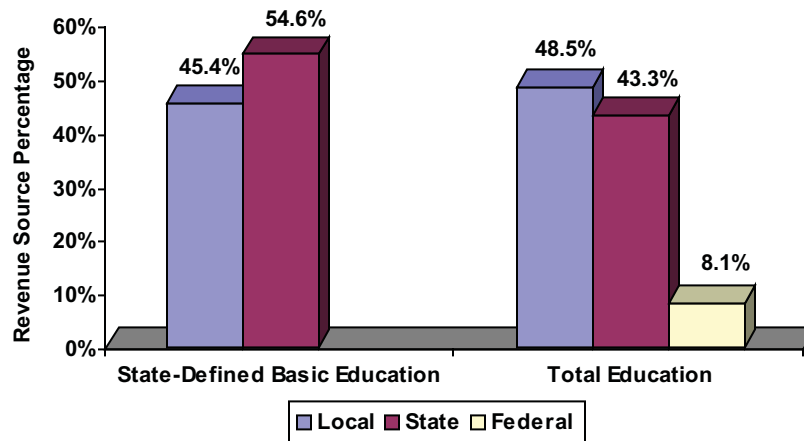


Source: School Foundation Payment Data, Ohio Department of Education

- A main goal of state education aid is to neutralize the effect of a school district's wealth on its total revenue per pupil. The state's equalization effort, complemented by federal funds, improved interdistrict revenue per pupil equity since FY 1991.
- To create district quartiles, school districts are first ranked from lowest to highest in property valuation per pupil. Districts are then divided into four groups, each of which includes approximately 25% of total students statewide. Quartile 1 has the lowest property valuation per pupil and quartile 4 has the highest property valuation per pupil.
- From FY 1991 to FY 2005, per pupil revenues grew on average by 127.0% (\$4,726) in quartile 1, 116.7% (\$4,844) in quartile 2, 99.3% (\$4,452) in quartile 3, and 88.4% (\$4,630) in quartile 4.
- In FY 2005, the average revenue per pupil for the bottom three quartiles (representing 75% of students) was about 89.2% of the average revenue per pupil for the highest wealth quartile compared to 78.6% in FY 1991.
- In FY 1991, approximately 76% of the variation in per pupil revenue across districts could be explained by the variation in per pupil valuation. In FY 2005, this percentage dropped to about 30%. This indicates a significant improvement in interdistrict equity and fiscal neutrality since FY 1991.
- The state and federal governments both target extra funds for students in poverty, which explains some of the variation in per pupil revenue between quartiles. The percentages of students in each quartile whose families participated in Ohio Works First (the poverty indicator used in state funding) in FY 2005 are 5.1%, 6.9%, 4.9%, and 3.0%, respectively.

School District Revenues—More State than Local in the State-Defined Basic Education Model

Composition of School District Revenues, FY 2005

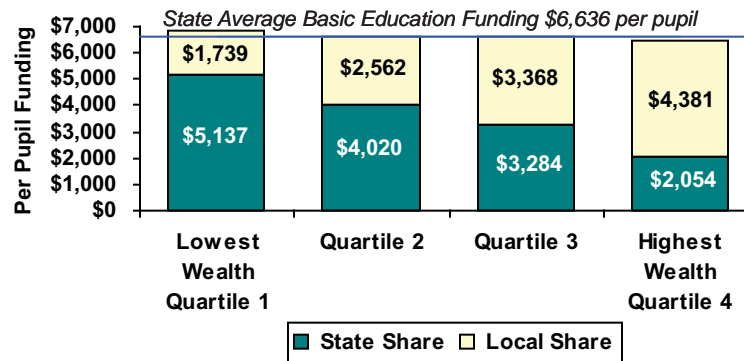


Source: School Foundation Payment and Local Report Card Data, Ohio Department of Education

- The model of the state-defined basic education consists of a uniform per pupil base cost and a series of adjustments that account for the unique challenges each individual school district faces in providing a similar education. The total cost of this model is shared between the state and local school districts through an equalized foundation formula, under which a lower wealth district receives more state aid than a higher wealth district. In addition, school districts receive revenues from the federal government and local taxpayers for services above the state-defined basic education level.
- In FY 2005, the state paid approximately 54.6% of the total state-defined basic education model cost and school districts paid the remaining 45.4%. The state share includes a portion of the school districts' formula-determined local share that is paid by the state under the property tax relief program.
- The foundation formula equalizes about 75% of local operating revenue; the other 25% (approximately \$2.0 billion in FY 2005) of local revenue is available for school districts to provide enhancements beyond the state-defined basic education level. The state does not limit the amount of local enhancement revenue taxpayers may approve for a school district.
- The existence of local enhancement revenues is the main reason for a lower state share percentage in total education spending (43.3%) than in state-defined basic education spending (54.6%). More than 75% of local enhancement revenues are not equalized.

Equalized State Aid Eliminates Wealth Disparities in Total Funding for the State-Defined Basic Education

Per Pupil State and Local Funding for State-Defined Basic Education by Wealth Quartile, FY 2006



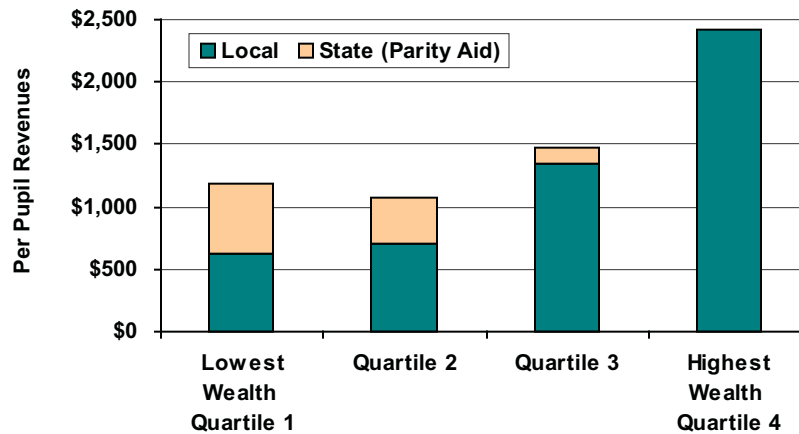
FY 2006	Valuation Per Pupil	Per Pupil Total Basic Education Funding	State Share	Local Share
Quartile 1	\$79,168	\$6,876	74.7%	25.3%
Quartile 2	\$109,664	\$6,581	61.1%	38.9%
Quartile 3	\$145,359	\$6,653	49.4%	50.6%
Quartile 4	\$205,788	\$6,435	31.9%	68.1%
State Average	\$134,969	\$6,636	54.6%	45.4%

Source: School Foundation Payment Data, Ohio Department of Education

- To create district quartiles, school districts are first ranked from lowest to highest in property valuation per pupil. Districts are then divided into four groups, each of which includes approximately 25% of total students statewide. Quartile 1 has the lowest property valuation per pupil and quartile 4 has the highest property valuation per pupil.
- Valuation per pupil is the most important indicator of each district's local capacity to provide its students with an education. Due to the uneven distribution of taxable property, valuation per pupil varies from \$79,168 for quartile 1 to \$205,788 for quartile 4. Districts contribute to their state-defined basic education cost based on this local capacity. As a result, the local share of the state-defined basic education increases as valuation per pupil increases.
- Equalized state aid ensures that total funding for the state-defined basic education does not depend on a district's wealth. The state share increases as valuation per pupil decreases. As a result, although valuations per pupil vary significantly, there is little difference among districts in their total funding for the state-defined basic education.

Parity Aid Reduces Disparities in Enhancement Revenue above the State-Defined Basic Education Level

Per Pupil Enhancement Revenue by Wealth Quartile, FY 2006

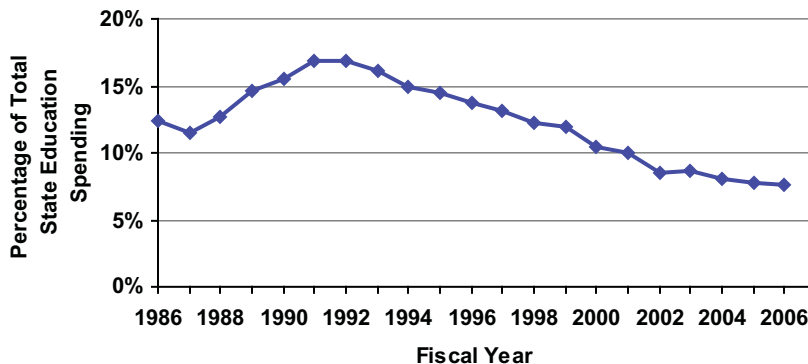


Source: School Foundation Payment Data, Ohio Department of Education

- To create district quartiles, school districts are first ranked from lowest to highest in property valuation per pupil. Districts are then divided into four groups, each of which includes approximately 25% of total students statewide. Quartile 1 has the lowest property valuation per pupil and quartile 4 has the highest property valuation per pupil.
- Equalized state aid eliminates disparities in total state and local funding for the state-defined basic education. Disparities occur in local enhancement revenue that is above the state-defined basic education level. In FY 2006, per pupil local enhancement revenue averaged \$620 for quartile 1, \$710 for quartile 2, \$1,353 for quartile 3, and \$2,416 for quartile 4.
- Parity aid is designed to reduce disparities in enhancement revenue. It equalizes an additional 7.5 mills (above the state-defined basic education level) for the poorest 80% of school districts.
- In FY 2006, parity aid totaled about \$457.2 million. Parity aid per pupil averaged \$572 for quartile 1, \$369 for quartile 2, \$122 for quartile 3, and \$6 for quartile 4. Adding parity aid to local enhancement revenue results in per pupil averages of \$1,192 for quartile 1, \$1,080 for quartile 2, \$1,474 for quartile 3, and \$2,422 for quartile 4.
- Although the very wealthy districts in quartile 4 still have substantially more enhancement revenue than other districts, parity aid has had a significant equalizing effect on enhancement revenue for districts in the bottom three quartiles (representing 75% of students).

Lottery Profits—a Small and Diminishing Percentage of State Spending on Primary and Secondary Education

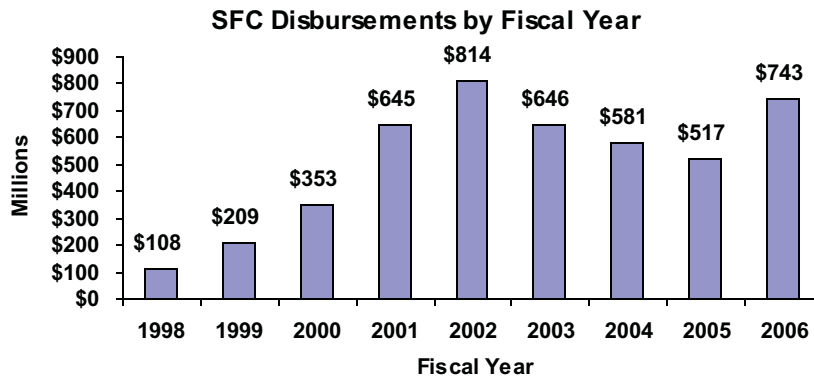
Lottery Profits as a Percentage of Total State GRF and Lottery Spending for K-12 Education



Sources: Ohio Lottery Commission, Ohio Legislative Service Commission

- In 1973, voters amended the Ohio Constitution to allow the creation of the Ohio lottery. In 1987, voters approved an additional constitutional amendment that permanently earmarked lottery profits for education.
- Generally, lottery profits are combined with General Revenue Fund (GRF) revenues to fund education in Ohio.
- Lottery profits in Ohio have always been a relatively small percentage of total state GRF and lottery spending on primary and secondary education. After reaching a peak of 16.9% in FY 1991, this percentage has decreased to 7.6% in FY 2006.
- The dollar amount of lottery profits has also fallen since the 1990s, from a high of \$718.7 million in FY 1999 to \$637.9 million in FY 2006, a decrease of 11.2%.
- From FY 1986 to FY 2006, total state GRF and lottery spending on primary and secondary education increased by \$5,369.1 million (180.2%). Of this growth, \$267.9 million (5.0%) was provided by the lottery.
- Lottery sales reached a peak of \$2.3 billion in FY 1996 before falling to \$1.9 billion in FY 2001. Sales have since increased each year to \$2.2 billion in FY 2005. In that year, Ohio's lottery ranked 17th in the nation in per capita sales.

State Spending for School Facilities Projects Totalled \$4.6 Billion since FY 1998



Source: School Facilities Commission

- Since its creation in 1997, the School Facilities Commission (SFC) has disbursed more than \$4.6 billion and provided assistance and support for 427 new or renovated buildings in 290 school districts.
- Disbursements peaked at \$814 million in FY 2002, then declined from FY 2003 through FY 2005 because the six major urban district projects (Akron, Cincinnati, Cleveland, Columbus, Dayton, and Toledo) were in planning and design phases in those years. Disbursements increased to \$743 million in FY 2006 as these projects are now well into their construction phases, and more districts have been provided with state funding.
- The main Classroom Facilities Assistance Program (CFAP) provides equalized state funding for the entire facilities needs of school districts. Under CFAP, a district's eligibility and state share are largely based on the district's ranking in valuation per pupil. Almost 85% (\$3.9 billion) of the total disbursed funds since FY 1998 have gone to 159 CFAP districts.
- The Exceptional Needs Program (ENP) addresses critical health and safety needs in specific buildings for districts ranked at or below the 75th percentile. Since its creation in FY 2000, 37 districts with such needs have received total state funding of \$393 million.
- The Expedited Local Partnership Program (ELPP) allows school districts to use local funds to begin portions of their facilities projects before becoming eligible for CFAP. Once eligible, the districts receive credits for the money they have spent against their required local shares. So far, 88 ELPP districts have earned a combined \$1.8 billion credit against state funds.
- The Vocational Facilities Assistance Program (VFAP) and VFAP ELPP provide similar services to joint vocational school districts (JVSDs). Since 2003, SFC has disbursed over \$5 million for four VFAP districts. Two other JVSDs have accumulated a combined ELPP credit of nearly \$8 million against state funds.

Ohio Ranks High in Student Access to Classroom Technology

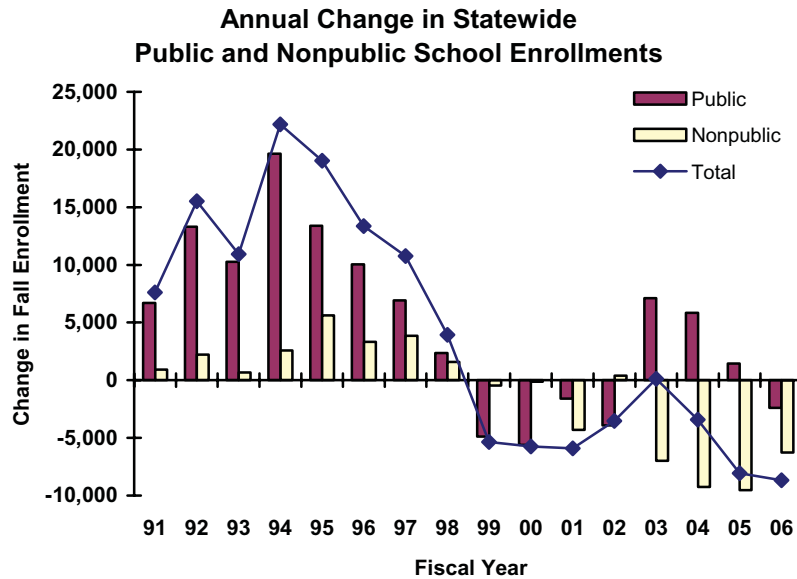
Student-Computer Ratio for Ohio and the United States 2006

Computer Type	Ohio Rank	Students per Computer	
		Ohio	United States
Instructional (classrooms only)	5th	5.8	7.6
Instructional (overall)	15th	3.5	3.8
Internet-connected (classrooms only)	5th	6.0	8.0
Internet-connected (overall)	17th	3.5	3.9

Sources: Technology Count 2006 (Education Week); GAO; eTech Ohio Commission

- The Ohio SchoolNet Commission was created in 1997 as an independent agency to expand student access to technology with a focus of placing computers directly into classrooms. In 2005, the eTech Ohio Commission was created to merge the educational technology functions and support provided by SchoolNet and the Ohio Educational Telecommunications Network Commission.
- Since 1997, student access to classroom technology in Ohio has improved significantly. In 2006, Ohio ranks 5th in the nation both in the number of students per instructional computer located in classrooms and in the number of students per Internet-connected computer located in classrooms. In 1996, Ohio ranked 46th in the nation in student access to technology.
- The SchoolNet program, created in FY 1994, received funding totaling \$95 million to provide telecommunications wiring for every public school classroom in the state and to purchase computer workstations for the 153 lowest wealth school districts. Under the program, over 92,000 public school classrooms were wired and more than 16,000 computers were purchased for low-wealth school districts.
- The SchoolNet Plus program was originally established in 1995 to expand the SchoolNet program by providing state subsidies to help all school districts achieve the goal of one computer workstation for every five K-4 students.
- Since 1995, approximately \$561.8 million in GRF and tobacco settlement money has been invested in SchoolNet Plus for grades K-4 and beyond. More than 233,000 computer workstations have been purchased under the program, resulting in a computer to student ratio of 1:5 for grades K-7. SchoolNet Plus is currently funding computer purchases for the eighth grade.

Total School Enrollment Continues to Decline Since FY 1998



Source: Ohio Department of Education

- The moderate growth in total school enrollment in Ohio ended in FY 1998. Since then total school enrollment has decreased every year, by an average of about 5,100 students (0.2%) per year.
- Total school enrollment decreased from its peak of 2.09 million students in FY 1998 to 2.05 million students in FY 2006, a decrease of 41,000 students (1.9%).
- Of the total enrollment decrease since FY 1998, 90% (37,000) occurred in nonpublic schools. This represents a 15% decline in nonpublic school enrollment over those eight years, compared to a 0.2% decline in public school enrollment.
- In FY 2006, nonpublic school enrollment represented approximately 10.1% of total public and nonpublic students in Ohio. Nonpublic school enrollment numbers include students in the Cleveland Scholarship Program.
- Although public school enrollment has declined slightly from FY 1998 to FY 2006, the number of public school students categorized as needing special education services has increased dramatically. Total special education students increased by 54,000 from about 202,000 (10.9% of total) in FY 1998 to 256,000 (13.9% of total) in FY 2006, an increase of 26.9%.

School Choice Enrollment Increases Significantly in Recent Years

Growth of Community Schools, FY 1999-FY 2006						
Fiscal Year	Community School Enrollment	Annual % Change	Number of Community Schools	Annual % Change	Total Funding (in millions)	Annual % Change
1999	2,245	N/A	15	N/A	\$11.0	N/A
2000	9,032	302.3%	48	220.0%	\$51.7	370.0%
2001	16,717	85.1%	68	41.7%	\$91.2	76.4%
2002	23,626	41.3%	93	36.8%	\$138.9	52.3%
2003	33,978	43.8%	134	44.1%	\$204.5	47.2%
2004	47,409	39.5%	179	33.6%	\$297.9	45.7%
2005	62,603	32.1%	269	50.3%	\$422.9	42.0%
2006	72,053	15.1%	293	8.9%	\$485.5	14.8%

Source: Community School Foundation Payment Data, Ohio Department of Education

- Community schools are public schools that are not part of a school district and are exempt from some state requirements. Since the establishment of community schools in FY 1999, community school enrollment has increased from 0.1% of public school enrollment in FY 1999 to 3.9% of public school enrollment in FY 2006.
- Unlike traditional public schools, community schools do not have taxing authority and are funded primarily through state foundation aid transfers. The amount of state foundation aid transfers has increased from \$11.0 million in FY 1999 to \$485.5 million in FY 2006.
- The Cleveland Scholarship and Tutoring Program (CSTP) provides state-funded scholarships for students in the Cleveland City School District to attend private and public schools. Since its establishment in FY 1997, the number of CSTP scholarship students has increased from 1,994 in FY 1997 to 5,813 in FY 2006, representing 0.8% and 2.8%, respectively, of total nonpublic school enrollment. State expenditures for CSTP have increased from approximately \$5.0 million in FY 1997 to approximately \$16.1 million in FY 2006.
- Beginning in FY 2007, the Educational Choice Scholarship Program provides scholarships to students (excluding students in the Cleveland City School District) who attend or would otherwise be entitled to attend a school that has been in academic emergency or academic watch for at least three consecutive years. The maximum scholarship amount for FY 2007 is \$4,250 for K-8 students and \$5,403 for grades 9-12 students. Scholarships are financed by state aid deductions from resident districts that are credited with state funds as a result of including scholarship students in their average daily membership counts. In FY 2007, approximately 3,100 students have been awarded scholarships.

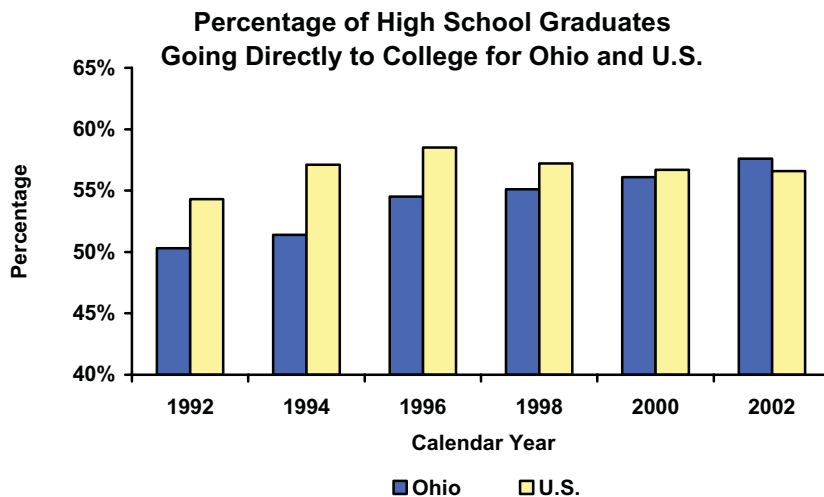
Ohio Schools Show Overall Improvement on Report Card Ratings

Number of Districts by Report Card Rating, FY 2003-FY 2006				
	2003	2004	2005	2006
Excellent	85	117	111	192
Effective	177	229	297	299
Continuous Improvement	278	224	175	112
Academic Watch	52	34	21	7
Academic Emergency	16	4	5	0

Source: Local Report Card Data, Ohio Department of Education

- In FY 2006, 491 districts (80.5%) and 3,576 buildings (70.1%) were rated excellent or effective, compared to 262 districts (43.1%) and 1,401 buildings (43.5%) in FY 2003.
- Ohio has realigned its school accountability system with the federal No Child Left Behind Act (NCLB). Ohio's measures of district and school achievement are 25 state standards, the performance index, and adequate yearly progress (AYP).
- Ohio's 25 state standards include minimum proficient rates on all 23 achievement tests, as well as minimum graduation and student attendance rates. In FY 2006, the state as a whole met the state standard on 17 of the 25 indicators.
- The performance index, ranging from 0 to 120, is a composite measure of achievement of all students (including both tested and untested) on all achievement tests. Over the last several years the performance index for the state as a whole has steadily improved from 73.7 in FY 2000, to 83.1 in FY 2003, and to 92.9 in FY 2006.
- AYP, a rating established by the NCLB, indicates whether districts and schools have gaps in achievement among specified subgroups of students. AYP requires districts and schools to meet annual performance goals for all student subgroups, with the intent that all students will reach proficient levels in reading and mathematics by FY 2014. In FY 2006, 193 districts (31.6%) and 2,167 schools (60.6%) met AYP.
- Starting with the class of 2007, students must attain the proficient level on each of the five subjects of the Ohio Graduation Test (OGT) in order to receive a high school diploma. As of March 2006, 77.6% of the students in the class of 2007 had passed all five subjects of the OGT.
- The NCLB requires that teachers of core academic subjects be "highly qualified," a term defined by the state. In FY 2006, 94.4% of the core academic courses in Ohio were taught by teachers who met the definition of a highly qualified teacher.

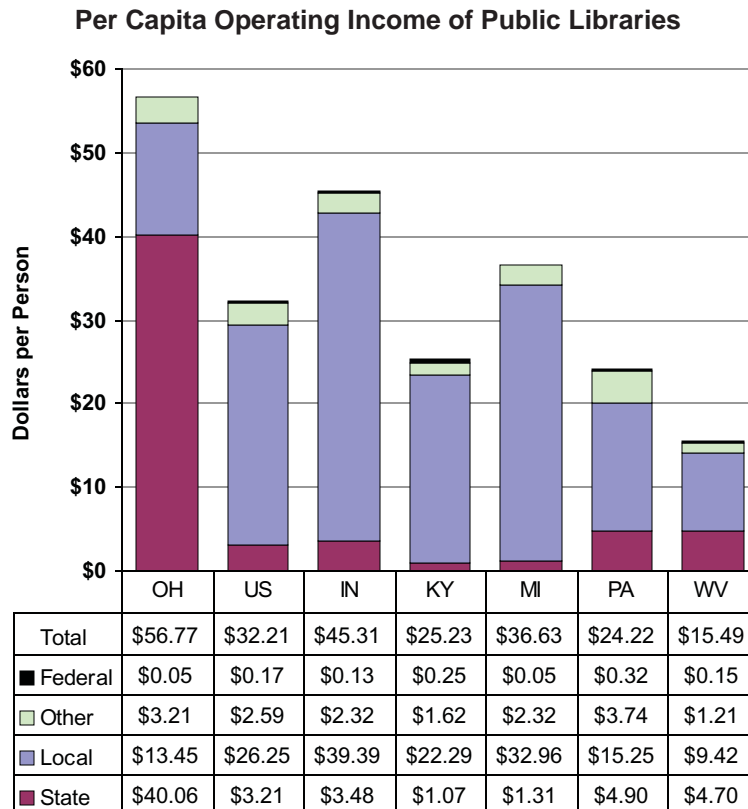
Percentage of Ohio High School Graduates Going Directly to College Surpassed the U.S. Average in 2002



Source: ACT, College Board, & High School Transition Report, Ohio Board of Regents

- After ten years of consistent growth, the percentage of Ohio high school graduates going directly to college surpassed the national average in 2002. Ohio was 1.8% above the national average in 2002 compared to 7.4% below the national average in 1992.
- The percentage of Ohio high school graduates going directly to college increased from 50.3% in 1992 to 57.6% in 2002, an increase of 14.5%. During the same period, the national average increased from 54.3% to 56.6%, an increase of 4.2%.
- Of fall 2004 first-time freshmen from Ohio, 66.4% were 2004 high school graduates and 33.6% were earlier high school graduates. About 79.2% of those 2004 high school graduates attended four-year institutions compared to 34.9% of earlier high school graduates.
- ACT and SAT scores are indicators that help predict how well students will perform in college. Since FY 1992, ACT and SAT scores for Ohio high school seniors have been consistently higher than the national average.
- The average Ohio ACT score was 21.5 in FY 2006, in comparison with the national average of 21.1. About 66% of Ohio high school seniors and 40% of high school seniors nationwide took the ACT test in FY 2006.
- In addition to critical reading and mathematics, writing became the third section of the SAT test in FY 2006. The average Ohio SAT score was 1,600 in FY 2006, in comparison with the national average of 1,528. About 28% of Ohio high school seniors and 48% of high school seniors nationwide took the SAT test in FY 2006.

Ohio Leads Nation in Funding Public Libraries

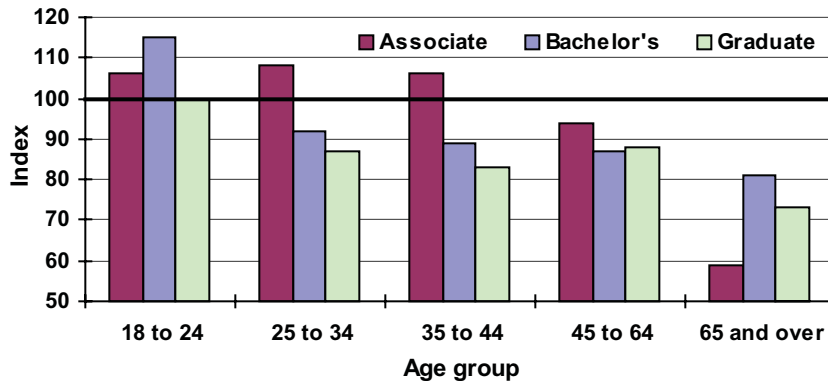


Source: National Center for Educational Statistics

- Per capita operating income of public libraries in Ohio was \$56.77 in fiscal year 2004. Ohio's public libraries ranked highest among the states in per capita operating income.
- State funding of Ohio's public libraries provided 71% of their operating income, or \$40.06 per capita. This amount of state support was also the highest among the states. However, funding through Ohio's Library and Local Government Support Fund, by far the largest source of the state's funding for public libraries, has declined since FY 2001.
- The Ohio Public Library Information Network (OPLIN), created by the 121st General Assembly, provides free network access to Ohio's 250 public libraries at over 700 locations in all 88 counties.
- Four regional library systems provide training programs, combined purchasing, and continuing education opportunities to Ohio's public libraries as well as some school, academic, and special libraries throughout the state.

Postsecondary Educational Attainment in Ohio Lags behind National Average

**Ohio's Educational Attainment Index
by Age and Degree Type for 2004**
(U.S. Average = 100)

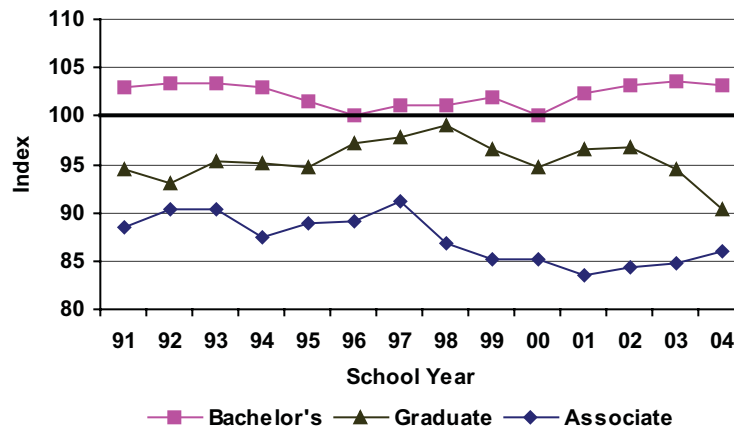


Source: United States Census Bureau

- This index compares Ohio's educational attainment to the national average. An index score of 105 indicates that Ohio is 5% above the national average; an index score of 95 indicates that Ohio is 5% below the national average.
- For each age/degree-type group, the index is calculated by dividing Ohio's average by the national average and then multiplying by 100. For example, 9.6% of Ohio's 18- to 24-year-olds have a bachelor's degree while the national average is 8.4%. Dividing Ohio's 9.6% by the national 8.4% and multiplying by 100 results in an index score of 115, indicating that Ohio is 15% above the national average in this age/degree-type group.
- Ohio's index is at or above the national average index in five out of the 15 age/degree-type groups. These include all three degree types in the 18 to 24 age group: associate degree holders (with an index score of 106), bachelor's degree holders (115), and graduate degree holders (100); also included are the associate degree holders aged 25 to 34 (108) and associate degree holders aged 35 to 44 (106).
- Aggregating all postsecondary degree holders, Ohio ranks 17th in the nation for those aged 18 to 24 (with an index score of 111), 31st for ages 25 to 34 (94), 39th for ages 45 to 64 (89), and 43rd for ages 65 and over (75).
- Ohio's highest ranked category is for bachelor's degree holders aged 18 to 24, in which the state's index score of 115 ranks 14th in the nation. Ohio's lowest ranked category is for associate degree holders aged 65 and over, in which the state's index score of 59 ranks 46th in the nation.

Ohio's Colleges and Universities Exceed the National Average in the Granting of Bachelor's Degrees

Index of Per Capita Degrees Granted, 1991-2004
(U.S. Average = 100)

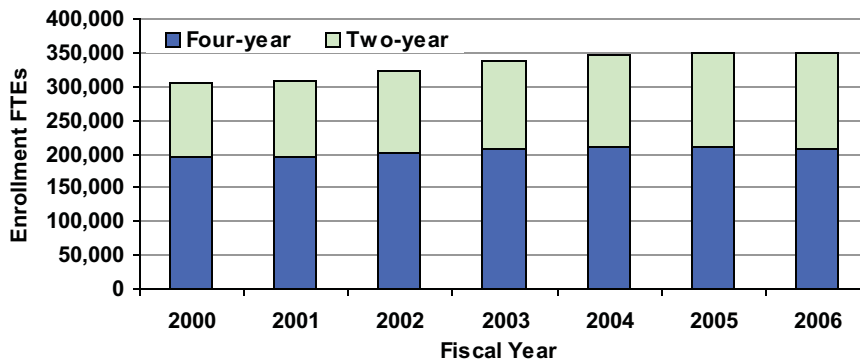


Source: United States Census Bureau

- This index compares degrees granted by Ohio's colleges and universities to the national average on a per capita basis. An index score of 105 indicates that Ohio is 5% above the national average; an index score of 95 indicates that Ohio is 5% below the national average.
- Per capita degrees granted is measured by the ratio of the number of granted degrees to the total population. For each degree category, the index is calculated by dividing Ohio's ratio by the national ratio and then multiplying by 100.
- For bachelor's degrees, Ohio was above the national average every year from 1991 to 2004; for associate and graduate degrees, Ohio was consistently below the national average.
- In 2004, Ohio ranked 34th in the nation for associate degrees granted (with an index score of 86), 24th for bachelor's degrees (103), and 21st for graduate degrees (90). Aggregating all postsecondary degrees granted, Ohio's index score of 96 ranked 19th in the nation.
- In 2004, Ohio granted 22,310 associate degrees, 56,256 bachelor's degrees, and 24,308 graduate degrees. Ohio's public institutions accounted for 76%, 64%, and 63%, respectively, of the degrees granted in Ohio.

Higher Education Enrollment Levels Off

**Total Subsidy-Eligible FTE Student* Enrollments,
FY 2000-FY 2006**



**Subsidy-Eligible FTE Student Enrollments,
FY 2000-FY 2006**

Campus Type	2000	2001	2002	2003	2004	2005	2006	Overall % Change
Four-year	196,460	195,595	201,925	206,377	209,876	210,151	208,693	6.2%
Two-year	107,991	111,198	121,464	131,085	138,059	139,781	139,734	29.4%
Total	304,451	306,793	323,389	337,462	347,935	349,932	348,427	14.4%
Change	1.5%	0.8%	5.4%	4.4%	3.1%	0.6%	-0.4%	

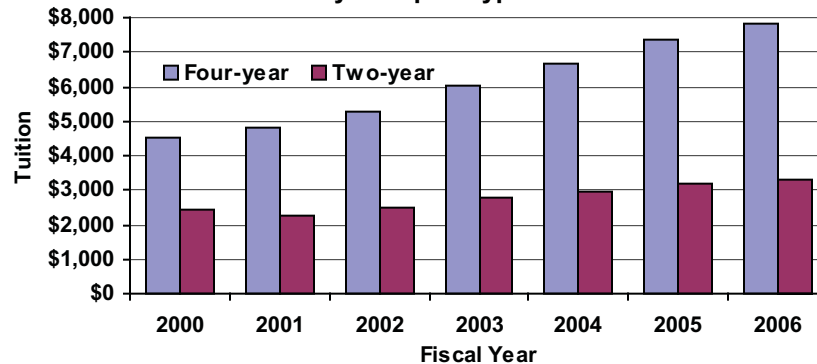
*An FTE (full-time equivalent) student is based on one student taking 15 credit hours per quarter or the equivalent. Subsidy-eligible FTEs include all but out-of-state undergraduate students.

Source: Ohio Board of Regents

- After experiencing strong growth in the early 2000s, total student enrollments at public four-year and two-year campuses have leveled off.
- From FY 2000 to FY 2006, total subsidy-eligible student enrollments increased by 43,976 FTEs, or 14.4%. Of this growth, 72.1% occurred at two-year campuses (49.0% at community colleges, 13.5% at university branches, and 9.6% at technical colleges).
- About 93.6% (41,142 FTEs) of the total enrollment growth from FY 2000 to FY 2006 occurred in FY 2002 through FY 2004, the majority of which (61.1%) occurred at two-year campuses.
- The significant enrollment growth at the two-year campuses from FY 2002 to FY 2004 can be attributed partly to the slowdown in the economy and partly to the Access Challenge program, under which additional state funds subsidized tuition restraints at these campuses.

Higher Education Tuitions Continue to Rise

Weighted-Average In-State Undergraduate Tuition by Campus Type



Rates of Change in Weighted-Average In-State Undergraduate Tuitions, FY 2000-FY 2006

Campus Type	Percentage Change in Fiscal Year						
	2000	2001	2002	2003	2004	2005	2006
Four-Year	5.4%	6.0%	9.5%	14.3%	10.4%	11.0%	6.1%
Two-Year	-0.1%	-5.8%	9.6%	11.7%	6.5%	6.8%	4.9%

Sources: Ohio Board of Regents; National Center for Education Statistics

- From FY 2000 to FY 2006, in-state undergraduate tuition increased by 73.0% at four-year campuses, from \$4,524 to \$7,828, and by 37.5% at two-year campuses, from \$2,422 to \$3,331. The largest tuition increase during this period occurred in FY 2003 for both four-year (14.3% or \$754) and two-year campuses (11.7% or \$307).
- With the exception of FY 2002 and FY 2003, the General Assembly has imposed limits (caps) on annual increases of in-state undergraduate tuition at Ohio's public colleges and universities. In FY 2006 and FY 2007, the tuition cap for all campuses is the lesser of 6% or \$500 for a full-time student.
- Tuition decreases at two-year campuses in FY 2000 and FY 2001 were due to the Access Challenge tuition subsidy program, which required two-year campuses (university branches, community colleges, and technical colleges) to reduce their tuitions by an average of 5% or more. Since then, the tuition restraint requirement has been eliminated from the program.
- In FY 2005 the average undergraduate tuitions at two-year and four-year campuses in Ohio exceeded the U.S. average tuitions by 62% (\$1,152) and 60% (\$3,003), respectively.

State Share of Instruction Appropriation per Student Ends Its Decline

State Share of Instruction Appropriation per Subsidy-Eligible FTE Student,* FY 2000-FY 2006							
Campus Type	Amount in Fiscal Year						
	2000	2001	2002	2003	2004	2005	2006
Four-year	\$6,301	\$6,397	\$5,910	\$5,639	\$5,542	\$5,455	\$5,454
Two-year	\$3,376	\$3,403	\$3,019	\$2,786	\$2,681	\$2,950	\$3,011
Average	\$5,263	\$5,323	\$4,824	\$4,531	\$4,408	\$4,455	\$4,475
Percent Change	2.5%	1.1%	-9.4%	-6.1%	-2.7%	1.1%	0.4%

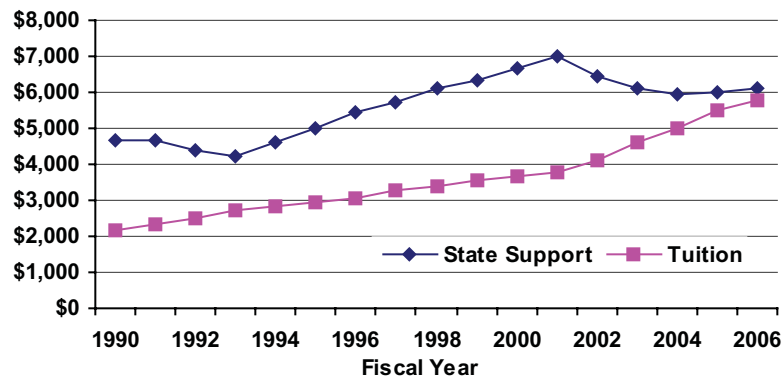
*An FTE (full-time equivalent) student is based on one student taking 15 credit hours per quarter or the equivalent. Subsidy-eligible FTEs include all but out-of-state undergraduate students.

Source: Ohio Board of Regents

- The State Share of Instruction (SSI), a state General Revenue Fund (GRF) appropriation distributed by the Board of Regents, provides the bulk of state subsidies to all public colleges and universities to help support their core academic activities. For the current biennium this one appropriation item constitutes 63% of Regents' total GRF budget.
- The decline in the SSI per subsidy-eligible FTE from FY 2002 through FY 2004 can be attributed to the state's flat or decreasing appropriation for the SSI during a period of significant increases in enrollments, especially at two-year campuses. Since then, the enrollment surge has subsided while the SSI appropriation has increased, resulting in small growth in the SSI per FTE.
- The SSI appropriation is allocated among campuses through a complex formula that is largely based on each campus' enrollment and courses offered. SSI allocations to four-year campuses are significantly higher than those to two-year campuses because four-year campuses offer higher cost baccalaureate, medical, and doctoral courses.
- The state provides an additional \$128.0 million of core academic activity subsidies in FY 2006 through the two main academic Challenge appropriations (Access and Success), as well as the Shawnee State University and Central State University supplements. These funds increased the state subsidy per FTE for FY 2006 by an average of \$413.

Undergraduate In-State Tuition Increases Faster than State Support in Recent Years

Undergraduate In-State Tuition and State Support per Full-Time Equivalent (FTE)* Student since FY 1990

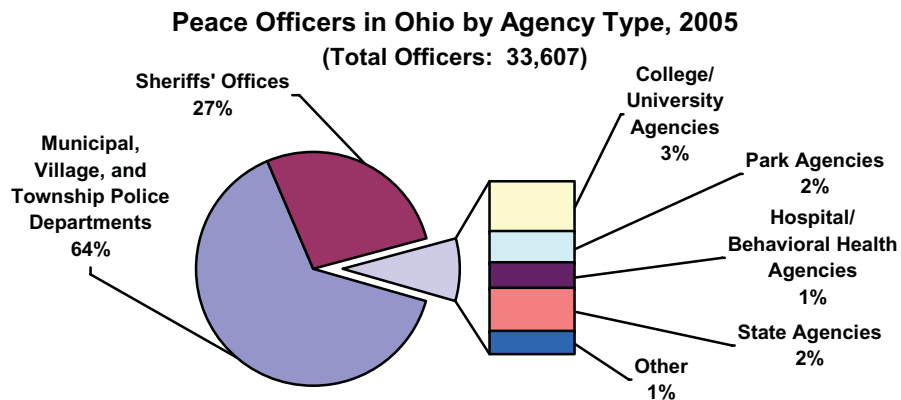


*An FTE is based on one student taking 15 credit hours per quarter or the equivalent.

Source: Ohio Board of Regents

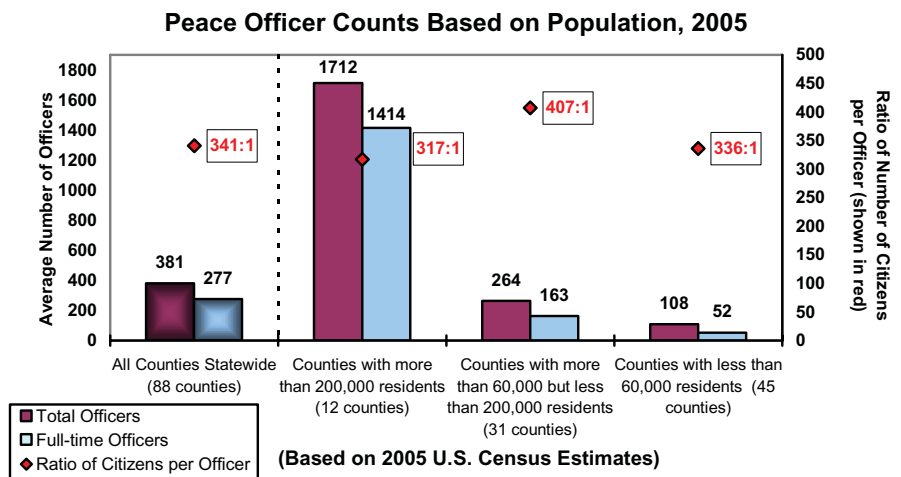
- State support per FTE is calculated by subtracting the capital-related item amounts from the Board of Regents' total General Revenue Fund (GRF) expenditures, and dividing by the total number of subsidy-eligible FTEs (which include all but out-of-state undergraduate students). Tuition represents the weighted average of the sticker price charged to full-time, in-state undergraduate students at each of Ohio's public colleges and universities.
- From FY 1990 to FY 2006, state support per FTE increased on average by 1.9% per year as compared to 6.3% for tuition. As a result, the difference between state support and tuition decreased from \$2,493 per FTE in FY 1990 to \$337 per FTE in FY 2006.
- Annual changes in state support for higher education coincide with the economic cycle. State support per FTE decreased in the early 1990s and early 2000s when the economy was in recession and increased in the mid- and late-1990s when the economy was strong. The average annual change in state support per FTE was a decrease of 3.2% (\$146) from FY 1990 to FY 1993, an increase of 6.5% (\$349) from FY 1994 to FY 2001, and a decrease of 2.6% (\$179) from FY 2002 to FY 2006.
- In-state undergraduate tuition has increased consistently since FY 1990 although the rates of increase tended to be higher during recession years, especially in the early 2000s. The average annual tuition increase was 7.3% (\$172) from FY 1990 to FY 1993, 4.3% (\$135) from FY 1994 to FY 2001, and 9.0% (\$403) from FY 2002 to FY 2006.

Statistical Profile of Ohio Law Enforcement Agencies



Source: Ohio Peace Officer Training Academy, Office of the Attorney General, A Statistical Profile of Ohio Peace Officers and Law Enforcement Agencies, 2005

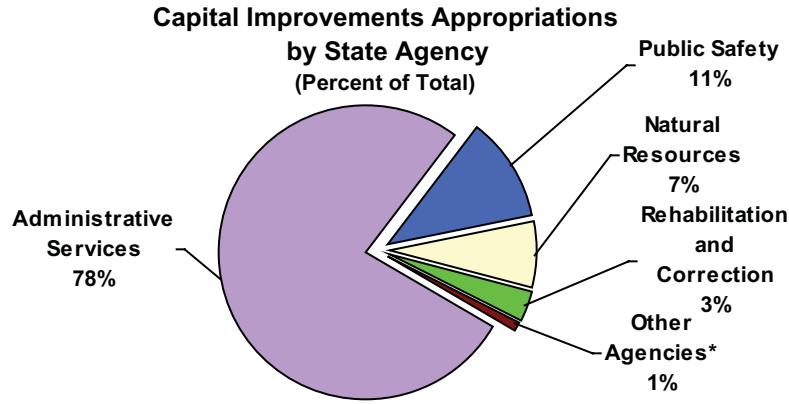
- In 2005, there were 987 public and private law enforcement agencies in Ohio, nearly 80% classified as municipal, village, or township agencies. Of the 33,607 peace officers serving in the state, 64% served municipal, village, and township police departments and 27% served in county sheriffs' offices.



Source: Ohio Peace Officer Training Academy, Office of the Attorney General, A Statistical Profile of Ohio Peace Officers and Law Enforcement Agencies, 2005

- Nationally, the citizen to full-time peace officer ratio is estimated to be roughly 370 citizens per officer (370:1), based on the 2005 U.S. Census estimate of 296 million U.S. citizens and approximately 800,000 sworn officers nationwide. In Ohio, the statewide ratio is slightly lower at 341:1.

Multi-Agency Radio Communications System (MARCS)



*Other Agencies includes Youth Services, Adjutant General, and Commerce

Sources: Ohio Department of Administrative Services;
Ohio Legislative Service Commission Capital Appropriations Analyses

- As the deficiencies in Ohio's existing communications systems became apparent during several disasters and emergency situations in the late 1980s and early 1990s, Ohio's Multi-Agency Radio Communications System (MARCS), a state-of-the-art radio communications system, was developed to enable voice and data communications to be shared statewide by various state, local, and federal agencies. The state's Department of Administrative Services assumed the role of managing/guiding the procurement process and administering the infrastructure as MARCS became operational.
- The MARCS program officially began on October 2, 1998; work on establishing the system began in 2000; the final communication tower was completed in December 2004; and the system became fully operational in April 2006.
- MARCS implementation, construction, and equipment costs have been funded primarily through capital appropriations totaling around \$300 million, of which approximately \$275 million has been disbursed to date.
- Currently, MARCS serves 14 state agencies, 138 local health departments, 172 hospitals, all 88 sheriff offices and county emergency management agencies, and more than 110 fire, police, and first responder agencies. MARCS supports voice and data services, utilizing a total of 203 radio sites and supporting approximately 19,370 total voice users and 2,251 data devices.
- The system is set up to run in a rotary capacity, which means that the subscriber base covers the operating expenses (technical support, network operations, and remote communications), estimated at approximately \$11 million annually. Subscribers are billed based on the number of mobile voice radios, wireless mobile data units, and computer-aided dispatch terminals utilized.

Ohio's Concealed Handgun Law

Select Statistics at a Glance				
County Sheriff's License Action	CY 2004*		CY 2005	
	Standard Licenses	Temporary Emergency Licenses	Standard Licenses	Temporary Emergency Licenses
Licenses Issued	45,497	65	22,487	76
Renewals**	0	N/A	0	N/A
Suspensions	78	0	219	1
Revocations	42	4	75	4
Applications Denied	436	5	427	3

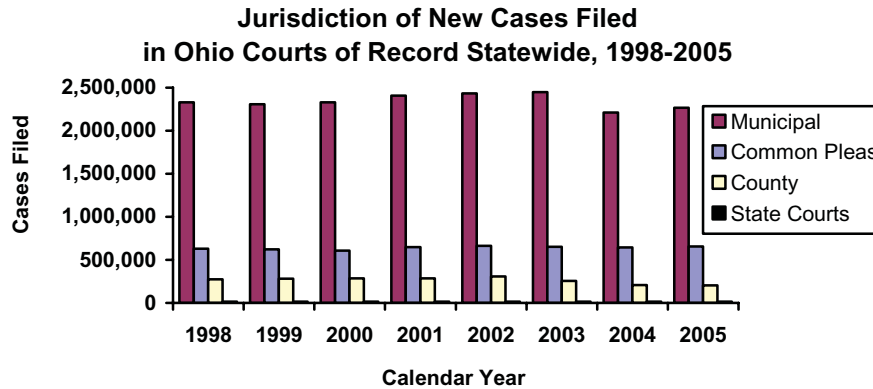
* The law was in effect for the last three quarters of calendar year (CY) 2004.

** The law has not been in effect long enough for standard licenses to require renewal.

Source: Ohio Concealed Handgun Law Annual Report

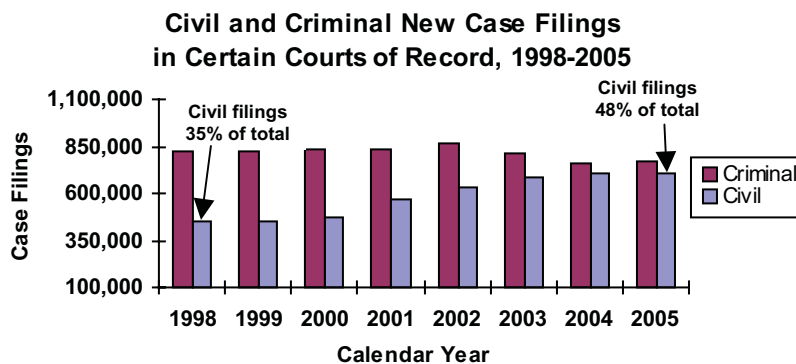
- Sub. H.B. 12 of the 125th General Assembly, effective April 8, 2004, amended Ohio law to allow qualified citizens to obtain licenses to carry concealed handguns.
- Ohio experienced an initial surge in the number of concealed carry licenses issued when the law took effect in April 2004, which accounts for twice the number of licenses issued in CY 2004 when compared to CY 2005.
- The standard license to carry a concealed handgun is valid for four years and may be renewed.
- A person who wishes to obtain a regular license to carry a concealed handgun must submit all of the following, either to the sheriff of the county in which the person resides or to the sheriff of any county adjacent to the county in which the person resides: (1) a completed application form as prescribed by the Ohio Peace Officer Training Commission (OPOTC), (2) a generally nonrefundable license fee up to \$45, (3) a color photograph taken within the preceding 30 days, (4) a firearms competency certification, (5) a certification that the person has read a firearms-related pamphlet prescribed by the Commission, and (6) a set of fingerprints provided in a specified manner.
- Temporary emergency licenses enable a person who submits evidence of imminent danger to receive an immediate nonrenewable 90-day license to carry a concealed handgun. A regular license can be obtained during the 90-day window.
- In CY 2005, the five counties issuing the most licenses were Montgomery (1,298), Clermont (1,163), Franklin (1,123), Lake (1,001), and Butler (969).
- In CY 2005, the five counties issuing the fewest licenses were Monroe (13), Noble (17), Putnam (19), Wyandot (20), and Hardin (22).

Ohio Court System: Case Filings



Sources: Ohio Courts Summary, Ohio Supreme Court (vols. 1998 through 2005)

- Since 1998, the total number of new cases filed in all Ohio courts of record annually statewide has remained relatively stable. In 2005, more than 3.1 million cases were filed in Ohio courts of record as follows: 2,265,931 in the municipal courts, 654,193 in the common pleas courts, 204,019 in the county courts, and 15,059 in state-level courts (2,444 in the Supreme Court, 11,477 in the appellate courts, and 1,138 in the Court of Claims). Around 70% of these new cases are typically filed in the municipal courts. Of the 2.3 million new cases filed in municipal courts statewide in 2005, roughly one-half (1.2 million) involved a misdemeanor traffic charge other than operating a vehicle under the influence (OVI).



Sources: Ohio Courts Summary, Ohio Supreme Court (vols. 1998 through 2005)

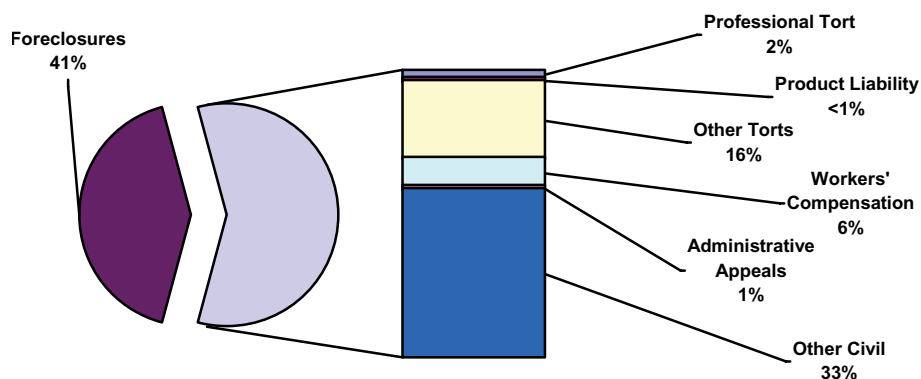
- From 1998-2005, the total number of new criminal cases (excluding traffic cases) filed in common pleas, municipal, and county courts annually statewide has remained relatively stable. However, the number of new civil case filings has steadily increased, rising nearly 59%. In 2005, civil filings accounted for approximately 48% of new criminal and civil filings combined.

Ohio Court System: Courts of Common Pleas

Jurisdictional Distribution and Judges of Courts of Common Pleas in 2005		
Division Structure and Judges of the 88 Courts of Common Pleas	Number of Counties	Number of Judges
General Only	27	156
Domestic Relations Only	19	30
Probate Only	16	17
Juvenile Only	10	19
General/Domestic Relations	54	73
Domestic Relations/Juvenile	7	16
General/Probate	1	1
Juvenile/Probate	63	63
Domestic Relations/Probate/Juvenile	3	5
General/Domestic Relations/Probate/Juvenile	5	5
General/Domestic/Probate	1	2
Total Number of Court of Common Pleas Judges		387

- Most courts of common pleas have specialized divisions to decide cases related to juveniles, probate, and domestic relations. Five counties have courts of common pleas with no specialized divisions: Adams, Morgan, Morrow, Noble, and Wyandot.

**Courts of Common Pleas - General Division
Distribution of Civil Case Filings Statewide in 2005**

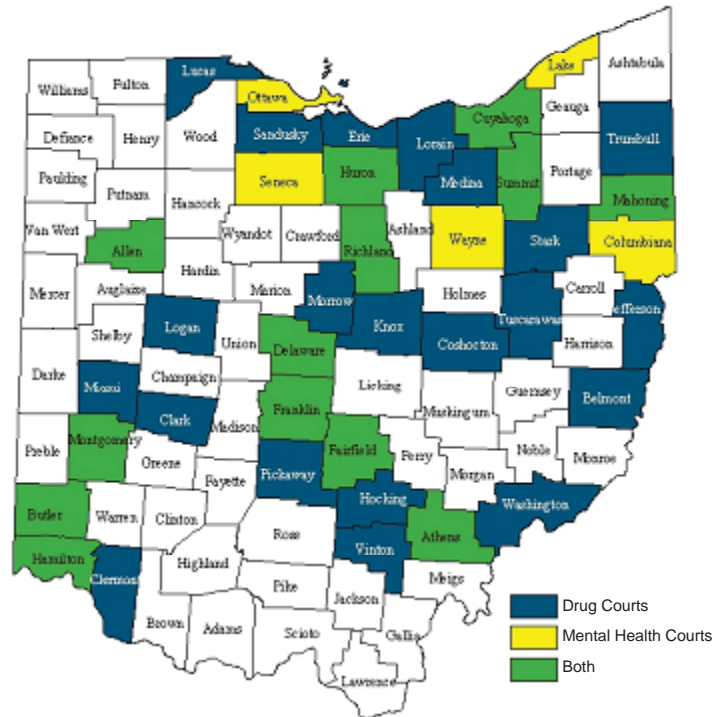


Sources: Ohio Courts Summary, Ohio Supreme Court (vols. 1998 through 2005)

- In courts of common pleas, new civil case filings have increased roughly 65% since 1998. Foreclosures are largely responsible for this increase, having risen from 25,862 filings in 1998 to 63,996 filings in 2005, an increase of 147%. In 2005, foreclosures accounted for 41% of all new civil case filings statewide.

Specialty Docket Courts in the Ohio Judiciary

Location of Drug and Mental Health Courts by County

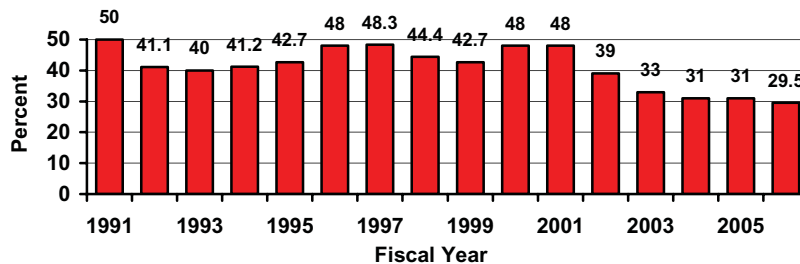


Source: Ohio Supreme Court

- The overall goal of any specialized docket program is to reduce recidivism by providing wrap-around treatment services, intensive monitoring of offender progress, and immediate sanctions when offenders fail to follow the terms of their probation or treatment. The first U.S. drug court opened in Broward County, Florida in 1989.
- As of May 2006, Ohio had 68 drug courts located in 34 counties (30 adult, 24 juvenile, and 14 family drug courts that deal with parents charged with abuse, neglect, and/or dependency).
- As of August 2006, Ohio had 27 mental health courts (4 common pleas courts, 7 juvenile courts, and 16 municipal courts) located in 18 counties.
- There are also three DUI (driving under the influence) courts (not shown in the illustration above), one each in the Athens County Municipal Court, the Clermont County Municipal Court, and the Richland County Court of Common Pleas.

Indigent Defense Services

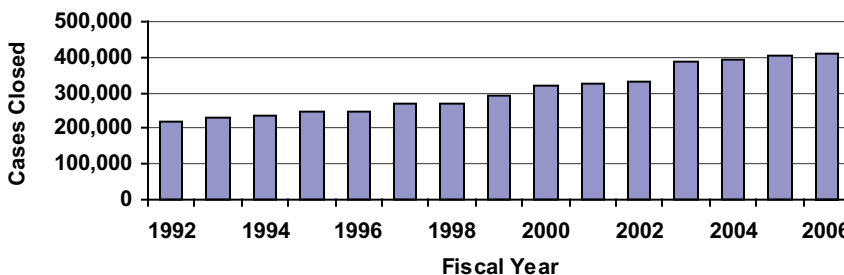
**County Reimbursement Rate
Annual Percentages, FYs 1991-2006**



Source: Office of the Ohio Public Defender

- In Ohio, counties are required to provide and pay for legal counsel for indigent persons, where a right to counsel exists, and are reimbursed, subject to available appropriations, up to 50% of allowable costs by the state. If the amount appropriated is insufficient, the amount paid is reduced proportionately; each county is paid an equal percentage of its total costs.
- FY 1991 was the last time that the state reimbursed counties for 50% of their indigent defense costs. The total system cost was \$37.2 million, which meant that counties received a statewide total of \$18.6 million in state financial assistance.
- In FY 2006, the total system cost was \$107.5 million, the state reimbursement rate was 29.5%, and counties received a total of \$31.7 million statewide in state support. If the state support had been 50%, counties would have received a total of \$53.75 million statewide, a difference of \$22.05 million.

Closed Cases Subject to State Reimbursement



Source: Office of the Ohio Public Defender

- Between FY 1992 and FY 2006, the total number of indigent defense cases closed annually by counties and the Office of the Public Defender Commission combined, and subject to the state's indigent defense reimbursement provisions, increased by almost 90%, from 216,530 to 410,597.

Snapshot of Selected Characteristics of the Ohio Department of Rehabilitation and Correction, July 2006

<p><u>Number of Institutions:</u> 32*</p> <p><u>Inmate Population Profile</u></p> <p>Total population: 46,807</p> <p>Male: 92.6%</p> <p>Female: 7.4%</p> <p>White: 49.5%</p> <p>Black: 47.2%</p> <p>Hispanic: 2.1%</p> <p>Other: 1.1%</p> <p>Average Inmate Age: 35.2 years</p> <p><u>Population by Custody Level</u></p> <p>Minimum Security: 31.8%</p> <p>Medium Security: 40.8%</p> <p>Close Security: 24.2 %</p> <p>Maximum Security: 2.7%</p> <p>Super Maximum Security: 0.1%</p> <p>Death Row: 0.4%</p> <p><u>Death Row</u></p> <p>Death Row Inmates: 196</p> <p>Executions Since February 1999: 21</p> <p><u>Total FY 2006 Budget:</u> \$1.7 billion</p> <p><u>Average Cost Per Inmate</u></p> <p>Total Daily: \$69.15</p> <p>Total Annual: \$25,240</p> <p>Daily Medical: \$8.41**</p> <p>Daily Mental Health: \$3.75**</p> <p>Daily Cost Per Meal: \$1.08**</p>	<p><u>Staff Profile</u></p> <p>Total Staff: 14,215</p> <p>Total Males/Females: 9,596/4,619</p> <p>Total White/Black: 11,289/2,639***</p> <p>Total Correction Officers (COs): 7,077</p> <p>Total Male/Female COs: 5,603/1,474</p> <p>Total Parole Officers: 495</p> <p>Inmate-to-CO Ratio: 6.6 to 1</p> <p>Annual Cost per Employee: \$60,226**</p> <hr/> <p><u>Inmates Committed</u></p> <p>Total: 24,985</p> <p>Drug Offenses: 7,906</p> <p>Violent Offenses: 5,848</p> <p>Sex Offenses: 1,477</p> <hr/> <p><u>Counties with Greatest Commitment</u></p> <p>Cuyahoga: 19.68% of total commitment</p> <p>Hamilton: 11.23%</p> <p>Franklin: 8.34%</p> <hr/> <p><u>Average Time Served (2004)</u></p> <p>All Offenses: 2.73 years</p> <p>Murder: 22.01 years</p> <p>Felony 1: 10.46 years</p> <p>Felony 2: 6.12 years</p> <p>Felony 3: 3.07 years</p> <p>Felony 4: 1.10 years</p> <p>Felony 5: 0.64 years</p> <p>Drug Offenses: 1.05 years</p>
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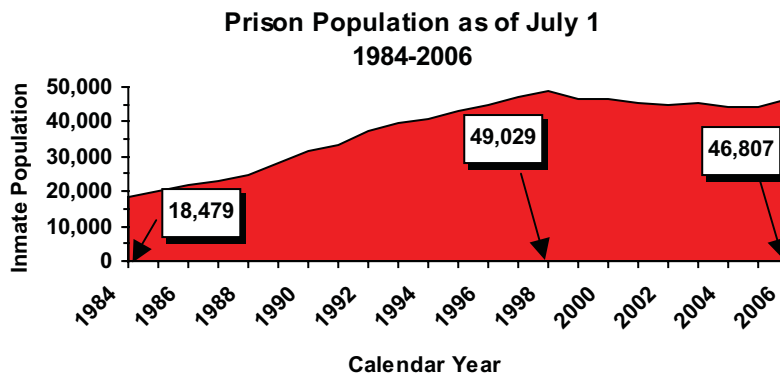
* Two of these state-owned institutions are operated under contract with a private vendor.

** Data are for fiscal year (FY) 2005.

*** Staff race profile figures do not include 204 Other Males and 83 Other Females.

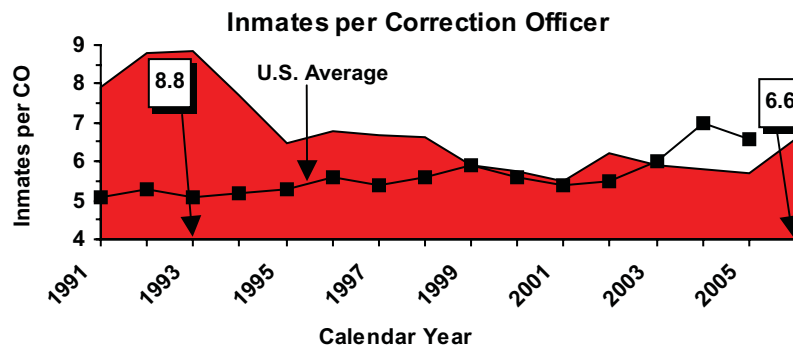
Source: Ohio Department of Rehabilitation and Correction

Prison Population and Security Staff



Source: Ohio Department of Rehabilitation and Correction

- After peaking at 49,029 in 1998, the size of Ohio's prison population, as measured on July 1 of each year, had decreased by around 4,900 inmates, or 10%, between 1999-2005.
- From 2002-2006, Ohio registered five consecutive all-time highs in annual prison intake, reaching an estimated 27,433 offenders in 2006. To date, offender release patterns have mitigated growth in the size of the prison population that would otherwise have occurred.
- The July 1, 2006, prison population totaled 46,807, an increase of more than 2,700 inmates, or around 6%, from the immediately preceding year.
- As of 2005, Ohio had the 7th largest state prison population in the U.S., behind Texas, California, Florida, New York, Michigan, and Georgia; Illinois and Pennsylvania ranked just below Ohio.

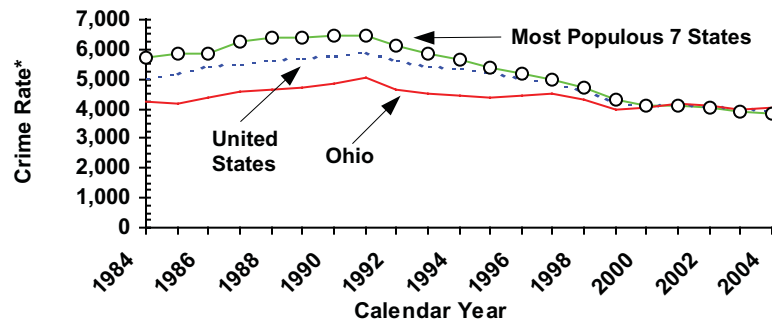


Source: Ohio Department of Rehabilitation and Correction

- In the early 1990s, during the period of the April 1993 inmate disturbance at the Southern Ohio Correctional Facility in Lucasville, the state had a ratio of nearly nine inmates per correction officer (CO). Subject to fiscal conditions and competing demands, the state has since sought to reduce the inmate-to-CO ratio as a means to improve prison safety and security.

Crime and Punishment

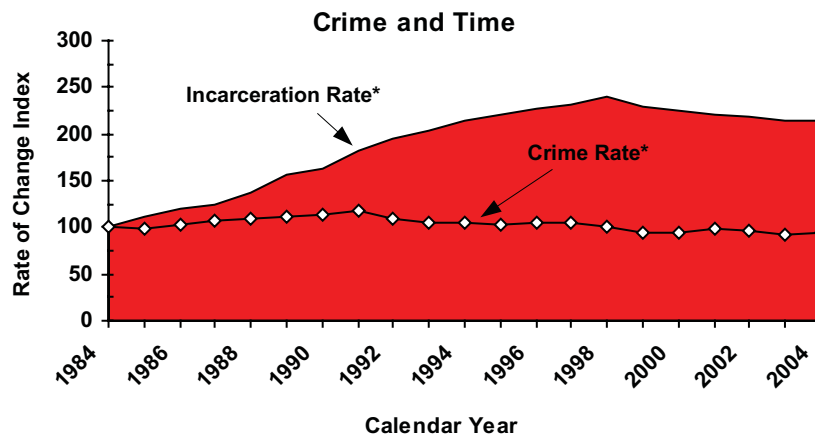
Comparative Crime Rates*



*UCR index crimes per 100,000 population, 1984-2004

Source: FBI, "Crime in the United States 2004"

- Ohio's crime rate has generally mirrored 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, and TX). Until recently, Ohio has also consistently exhibited a comparatively lower crime rate.

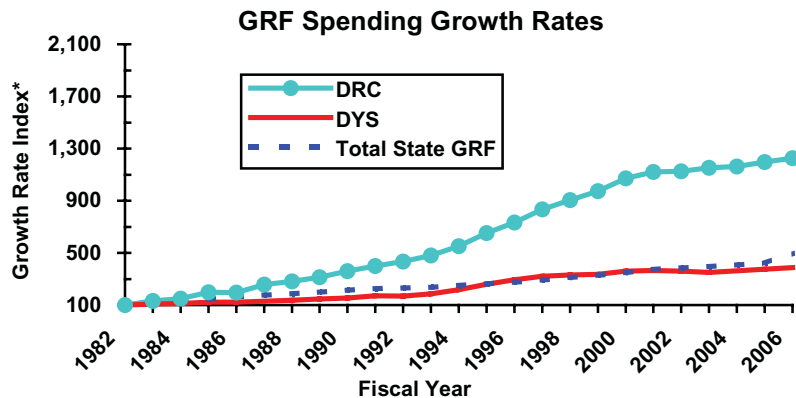


*Both crime and incarceration rates are expressed per 100,000 population; then, for comparative purposes, they are standardized to the baseline year 1984, which equals 100 for both rates.

Source: United States Department of Justice, Bureau of Justice Statistics

- Ohio's *Uniform Crime Report* (UCR) Crime Index, a measure of serious violent and property crime, has remained relatively stable over the past two decades. The state's incarceration rate, however, has more than doubled during this time.

Expenditure Growth in Corrections



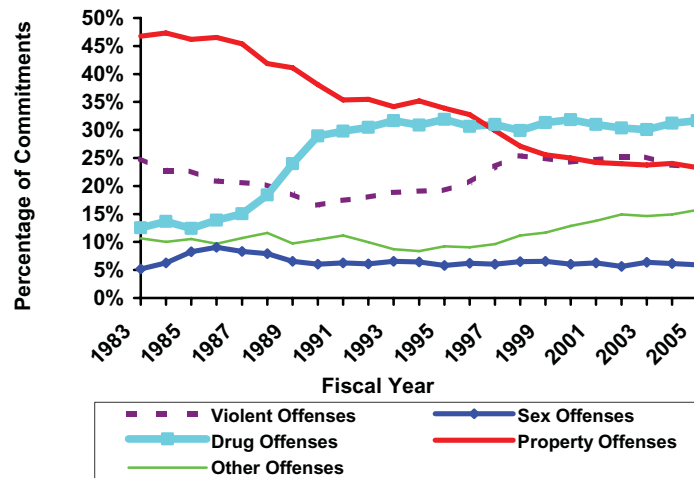
*The growth rate index measures actual changes in spending standardized to the baseline year 1982 and is not adjusted for inflation.

Source: Ohio Legislative Service Commission

- In FY 1982, the Department of Rehabilitation and Correction (DRC) consumed 65.6% of \$182.7 million in total state General Revenue Fund (GRF) corrections program spending, with the Department of Youth Services (DYS) accounting for the remainder. During FY 1998, DRC's annual GRF spending for the first time exceeded \$1 billion. DRC's FY 2006 expenditures totaled \$1.47 billion and its annual share of total state GRF corrections program spending reached just under 86%.
- In 1978, the state prison system consisted of eight correctional institutions, with approximately 13,200 inmates and roughly 3,260 employees. By the end of FY 2006, the system consisted of 32 correctional institutions with approximately 46,800 inmates and roughly 14,215 employees.
- Around 88% of DRC's annual budget is currently supported by the state's GRF, with three-quarters of that GRF amount being expended on day-to-day prison operations.
- Of the total number of state employees in FY 2006, nearly 25% (one in four) worked for DRC, and about half of these worked for DRC as correction officers.
- At the close of FY 2006, DYS was managing seven juvenile correctional facilities and one residential treatment center and had a total of 1,730 juveniles in its custody. The state's GRF has been the source of around 90% of the annual DYS budget.
- RECLAIM Ohio, a program providing counties with fiscal incentives to treat delinquent juveniles in the community, is the dominant DYS budgetary component. State RECLAIM dollars flowing annually to counties have increased from around \$8.7 million in FY 1995 to \$30 million in FY 2006.

Drug and Violent Crimes Influence Prison Intake

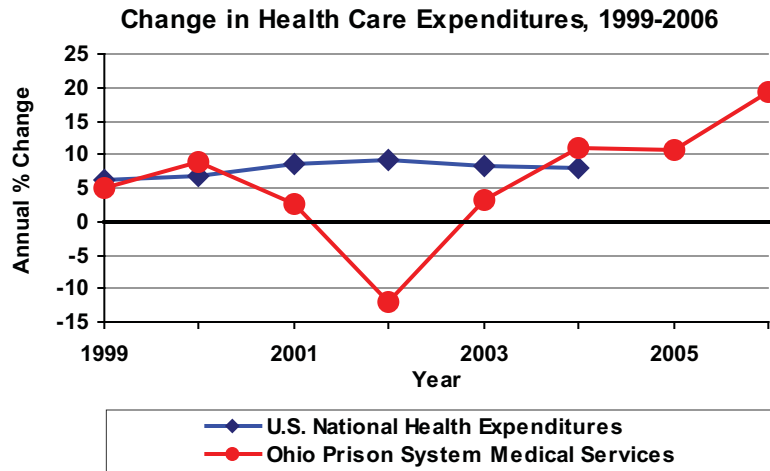
Prison Commitments by Most Serious Offense
1983-2005



Source: Ohio Department of Rehabilitation and Correction

- Number of Commitments.** In FY 1983, 10,529 offenders were committed to the state prison system. In the 1990s, that number ranged between 18,000 and 20,000 offenders annually. Since FY 2001, four consecutive record levels of annual intake have been recorded, reaching 24,985 in FY 2005.
- Drug Offenses.** In FY 1983, 1,319 offenders, or 12.5% of total prison commitments, were sentenced to prison for a drug crime. Drug offense commitments sharply accelerated in FY 1989 before leveling off at around 30% in the early 1990s. In FY 2005, 7,906 offenders, or 31.6% of total commitments, were sentenced to prison for a drug crime.
- Violent Offenses.** The number and percentage of offenders committed for violent crimes (offenses against persons, excluding sex offenses) declined through the 1980s, began to slowly increase in the 1990s, and then leveled off at around 25% of total commitments. In FY 2005, 5,848 offenders were committed to prison for a violent crime.
- Sex Offenses.** While sex offenders have historically accounted for around 6% of total annual commitments, the actual number of sex offenders has increased as total annual commitments have grown. As of 2005, the average time served for sex offenses, 5.9 years, is twice that of 1985, which was 2.9 years.
- Property Offenses.** In FY 1983, property crime offenders constituted about 47% of total commitments, a figure that continued to steadily decline before leveling off at around 25%, or one-quarter, of total annual commitments.

Prison Health Care Spending



Sources: United States Department of Health and Human Services Centers for Medicare and Medicaid Services; Ohio Department of Rehabilitation and Correction

- In 2004, the most recent year for which national health expenditure data is available, the U.S. spent \$1.9 trillion on health care, an increase of 7.9%, slower than the 9.1% and 8.2% in 2002 and 2003, respectively.
- In FYs 2001 and 2002, while national health expenditures continued to grow, Ohio's prison system expenditures on medical services noticeably declined, primarily due to (1) expenditure reductions instituted in the wake of sluggish economic conditions and state revenue collections, and (2) a shift in the funding mechanism for certain institutional medical services.
- Since FY 2002, there has been a strong increase in Ohio prison expenditures for medical services, which reflects a number of factors, including, but not limited to (1) general medical inflation, which is increasing national health expenditures by around 8% annually, (2) pharmaceutical spending that has increased by an annual average of about 24% over the past three years, (3) inpatient care, specialty clinics, and physician coverage provided to an increasing number of prison inmates by The Ohio State University Medical Center (accounts for nearly one-third of the prison system's annual medical budget), (4) five straight years of record prison intake that has led to a net institutional population gain of about 2,000 inmates by the end of FY 2006 (directly increases demand for health care services), and (5) phasing-in of the settlement agreement of the *Fussell v. Wilkinson* lawsuit alleging improper medical care (increased annual medical services expenditures by nearly \$7 million by the end of FY 2006).

Ohio's Juvenile Justice System

Institutional Commitments by Felony Offense by Fiscal Year*							
Felony Offense	2000	2001	2002	2003	2004	2005	2006
Homicide	8	9	14	11	11	10	16
Sex	253	222	208	209	218	178	181
Other Person	484	480	471	405	441	407	434
Property	1,054	866	850	794	733	642	568
Drug	272	205	156	149	166	125	149
Other	144	151	141	130	149	129	155
Total	2,215	1,933	1,840	1,698	1,718	1,491	1,503

*Technically, juveniles found to have committed an act that would have been a felony if they were adults are adjudicated delinquent. From most-to-least serious acts, felony offenses are ordered as follows: murder, felony 1, felony 2, felony 3, felony 4, felony 5.

Source: Ohio Department of Youth Services

- The majority of juveniles are adjudicated delinquent for felony 4 and 5 offenses.
- Juvenile courts transfer many of the most serious offenses to adult courts.

Statewide Adjudications by Felony Offense by Fiscal Year*							
Felony Offense	1999	2000	2001	2002	2003	2004	2005
Murder	2	0	1	1	0	0	3
Felony 1	499	478	471	547	465	388	394
Felony 2	1,526	1,317	1,161	1,176	1,009	945	908
Felony 3	1,590	1,423	1,374	1,413	1,385	1,441	1,403
Felony 4	3,186	3,027	2,764	2,900	2,740	2,643	2,562
Felony 5	4,853	4,250	4,115	4,032	3,896	3,647	3,482
Total	11,656	10,495	9,886	10,069	9,495	9,064	8,752

*Juveniles committed to a state institution operated by the Department of Youth Services (DYS) must be adjudicated of an offense that would be a felony if committed by an adult. Data include new commitments and recommitments; exclude parole revocations.

Source: Ohio Department of Youth Services

- In the course of protecting Ohio's public safety from juvenile offenders, judges commit male and female juveniles between the ages of 10 and 18 to DYS for various lengths of time, but no later than their 21st birthday.
- Under current law and practice, the following is the case: (1) for felonies of the 3rd, 4th, and 5th degree, the minimum stay is six months, (2) for the more serious felonies of the 1st and 2nd degree, the minimum stay is one year.
- For FY 2005, the average daily DYS population was 1,751, the average length of stay was 10.3 months, the average per diem cost was \$204, and six counties made up 58% of the total admissions: Cuyahoga, Franklin, Hamilton, Montgomery, Summit, and Stark.

Ohio Sex Offender Registry

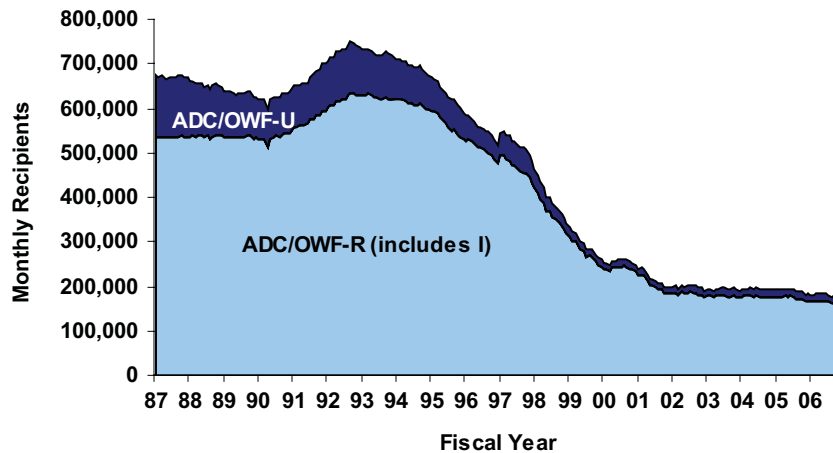
Select Statistics at a Glance*		
Offender Classification	Adults	Juveniles
Sexual Predator	2,226	30
Child-Victim Predator	11	0
Aggravated Sexually Oriented Offender	2	1
Habitual Sex Offender	640	27
Habitual Child-Victim Offender	6	1
Sexually Oriented Offender	12,308	515
Child-Victim Oriented Offender	81	16
Total Number of Registrants	15,274	590

*Data as of August 16, 2006

Source: Ohio Attorney General's Office

- Under Ohio's Sex Offender Registration and Notification (SORN) Law, with a limited exception for a few exempt offenses, an offender convicted of a sexually oriented offense or a child-victim oriented offense, and a juvenile adjudicated for committing such an offense whom a juvenile court subjects to the SORN law, must register, provide notice of any change in, and periodically verify the person's residence address with the sheriff of the county where the person resides. The SORN law imposes similar duties on an offender convicted of such an offense, with regard to the person's school and employment addresses.
- As of August 16, 2006, there were 15,274 adult and 590 juvenile sex offender registrants in Ohio.
- An offender or delinquent child with a duty to register must provide prior notice to the sheriff of an intent to reside in the sheriff's county if the person is a sexual or child-victim predator, a habitual sex or child-victim offender subjected to community notification, or an offender convicted of an aggravated sexually oriented offense.
- Sheriffs must provide victim and community notification of the registered address of an offender or delinquent child in any category described in the preceding dot point. Of the 674 adults and juveniles currently registered as either a habitual sex or child-victim offender, 274, or 40.7%, are subject to community notification.
- Certain offenders and delinquent children must verify their addresses every 90 days; others must verify annually. An offender's or delinquent child's duties under the SORN law last for life, 20 years, or 10 years, depending on the person's offender classification.
- Offenders convicted of a sexually oriented offense that is not registration-exempt or a child-victim oriented offense may not reside within 1,000 feet of any school premises.

Ohio's ADC/OWF Caseload Decline Stabilizes

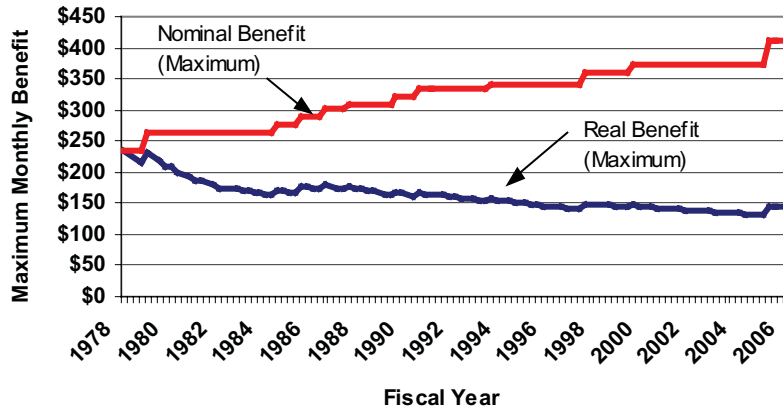


Source: Ohio Department of Job and Family Services

- 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), and (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 of the child caregiver to work. Child-only cases constitute about 49% of the total caseload, and OWF-I cases constitute about 4%.
- 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. The number of recipients declined sharply until June 2002, when the caseload stabilized; the last two years have exhibited a small decrease, with the average monthly caseload for FY 2006 just over 180,000 recipients. The decline can be attributed to both an improving economy and to reforms in the program. The average monthly cash benefit expenditure for the total caseload of 180,000 in FY 2006 was \$26.4 million. There was a 10% increase in the cash benefit levels that took effect October 1, 2005.

Purchasing Power of ADC/OWF Benefits

Real and Nominal Value of ADC/OWF Benefits for a Family of Three, FYs 1978-2006



Sources: Ohio Department of Job and Family Services, United States Department of Labor

- The maximum benefit for ADC/OWF families is set by state law and periodically has been increased. In 1978, the maximum monthly benefit for a family of three was \$235. In October 2005, the maximum monthly benefit for a family of three increased from \$373 to \$410. Benefit increases are reflected in the Nominal Benefit. In FY 2006, the average assistance group had 2.17 members.
- The purchasing power of the maximum monthly benefit (the Real Benefit) for a family of three has declined from \$235 in 1978 to \$144 in 2006 (in 1978 dollars), a decrease of 38.7%.

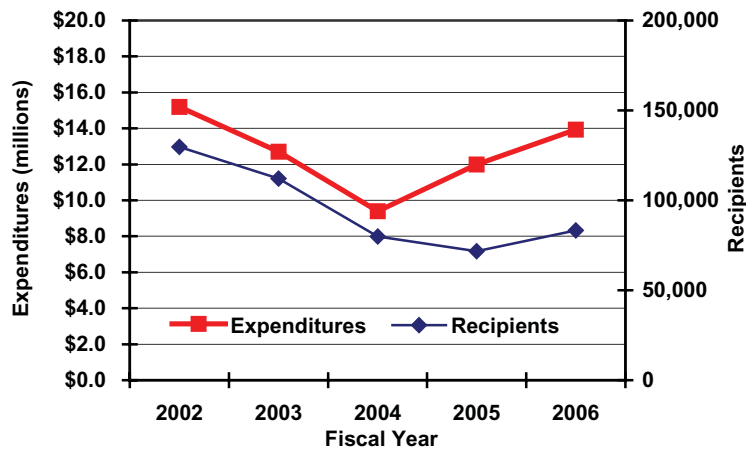
Maximum OWF Benefit Based on Assistance Group (AG) Size (current standard)

AG Size	Maximum Monthly Benefit	AG Size	Maximum Monthly Benefit
1	\$245	9	\$899
2	\$336	10	\$980
3	\$410	11	\$1,059
4	\$507	12	\$1,141
5	\$593	13	\$1,221
6	\$660	14	\$1,300
7	\$737	15	\$1,382
8	\$817	*	*

*Add \$102 for each person above 15

PRC Program Encourages Work and Provides Short-Term Assistance

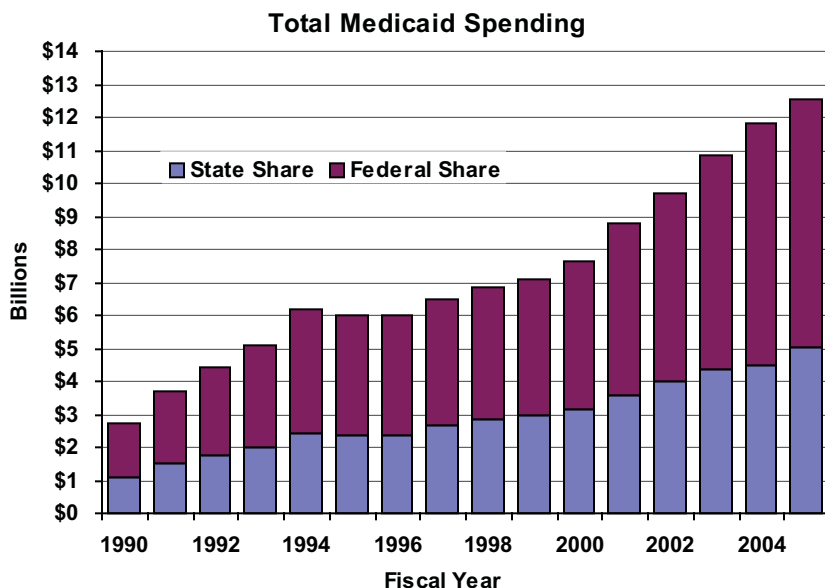
PRC Average Monthly Expenditures and Recipients



Source: Ohio Department of Job and Family Services

- As part of the Temporary Assistance for Needy Families (TANF) program in Ohio, the Prevention, Retention, and Contingency (PRC) program is designed to “divert” families from long-term public assistance by providing nonrecurrent short-term customized assistance.
- The largest service category in terms of expenditures—Training, Employment, and Work Support—includes such things as employment and placement services, education and training services, wage subsidies, and work-related expenses.
- The remaining categories provide a variety of types of assistance and services designed to stabilize families, provide for child development, and help communities.
- To participate in the PRC program, an assistance group must include at least one minor child. County governments establish additional eligibility criteria.
- Expenditures began a turnaround in FY 2005. This is most likely the result of the termination of the consolidated allocation system, which produced some unintended consequences in the use of TANF funds. After several years of decline in the number of recipients, FY 2006 has shown an increase.

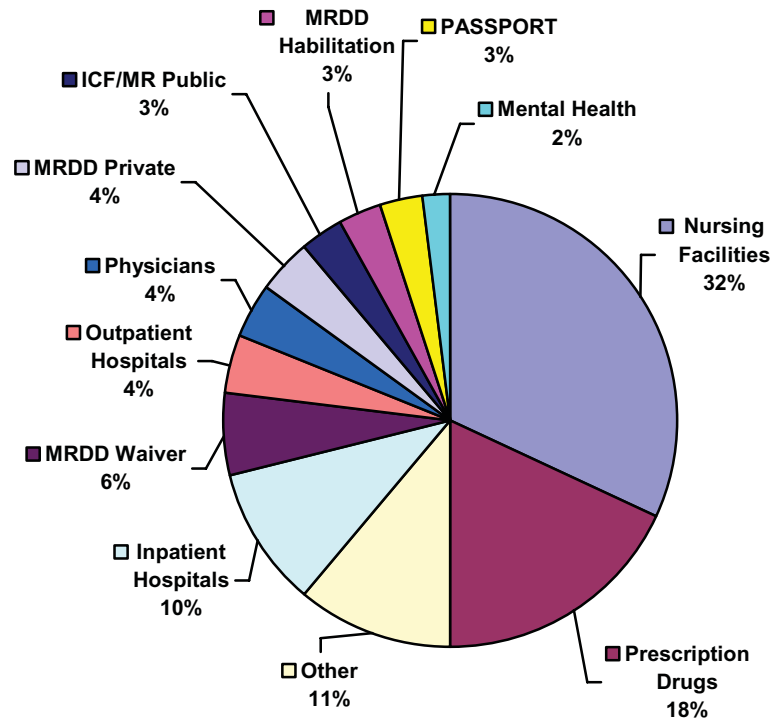
Medicaid Spending Shows Rapid Growth for Second Time since FY 1990



Source: CMS 64 Summary Report

- Since FY 1990, Medicaid spending has increased by an average of 10.4% each fiscal year. The rapid spending growth for the first half of the 1990s was driven by rapid health care cost increases generally, and specifically by increased caseloads associated with eligibility expansions.
- Spending decreased slightly in FY 1995 as a result of an improving economy.
- Medicaid spending growth started to rise dramatically again in the early 2000s. The growth in total Medicaid spending averaged 12.3% from FY 2000 to FY 2003. The spending growth slowed down for FY 2005 with 5.8% growth. Total spending for FY 2005 was \$12.5 billion.
- Increases in spending on long-term care and inpatient hospital services have been the driving force behind the Medicaid spending increases in the early 2000s. Also contributing significantly to total Medicaid spending is the growth in prescription drug expenditures, expanded coverage for children up to 200% of the federal poverty guideline, and the increase in caseloads due to the economic recession. Slower growth in long-term care and physician services have contributed to the slower growth for FY 2005.
- On average, approximately 4% of total Medicaid spending in Ohio goes toward the administration of the program.
- The federal government pays for about 59% of Medicaid spending, on average.

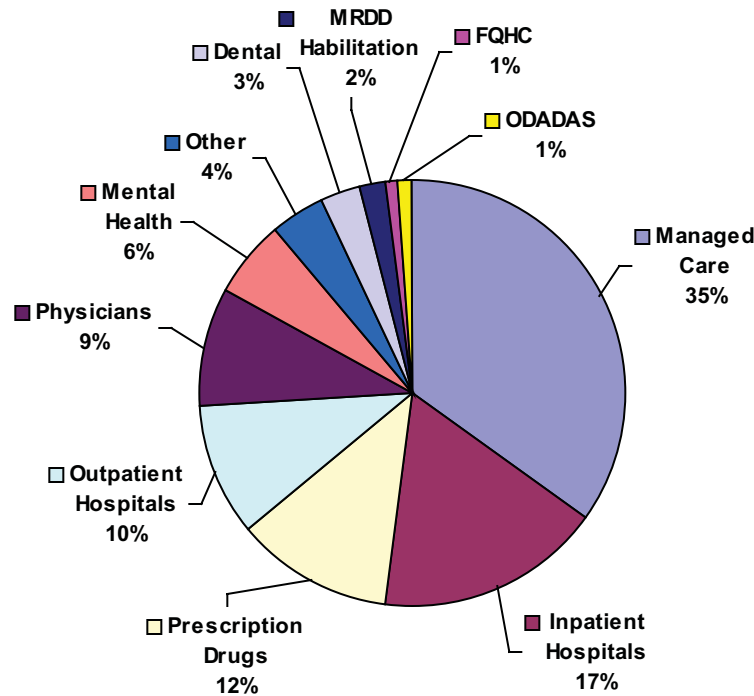
FY 2005 Medicaid Spending for Aged, Blind, and Disabled by Service Category



Sources: *Pharmacy and Dental Services Update, March 17, 2004, Medical Care Advisory Committee 2005 Medicaid Spending, May 3, 2006, Ohio Medicaid Administrative Study Council*

- Am. Sub. H.B. 66 of the 126th General Assembly (the FYs 2006-2007 operating budget act) requires ODJFS to implement in all counties the care management system for certain aged, blind, and disabled Medicaid recipients. The requirement does not apply to (1) persons under age 21, (2) institutionalized persons, (3) persons eligible for Medicaid by spend-down, (4) dual eligibles, and (5) Medicaid waiver recipients. Not later than December 31, 2006, ODJFS must ensure that designated participants are enrolled in Medicaid managed care.
- Between October 2002 and September 2003, Ohio Medicaid spent \$1.65 billion on prescription drugs. Of that amount, 81% was for the aged, blind, and disabled, and about 43% (over \$700 million) was for dual eligibles.

FY 2005 Medicaid Spending for Covered Families and Children by Service Category



Source: 2005 Medicaid Spending, May 3, 2006, Ohio Medicaid Administrative Study Council

- Ohio Medicaid has incorporated the use of managed care since 1978. The use of capitated rates was not given major emphasis in Ohio's program until the state received an 1115 demonstration waiver in January 1995.
- The Medicaid managed care program currently has three different enrollment categories: mandatory, voluntary, and preferred option. Am. Sub. H.B. 66 of the 126th General Assembly requires the care management system to be implemented in all counties and requires ODJFS to designate the Covered Families and Children for participation. Not later than December 31, 2006, ODJFS must ensure that all designated participants are enrolled in Medicaid managed care. ODJFS expects the completion to be on schedule.
- Effective July 1, 2006, the East Central Region became the first mandatory Medicaid managed care region. Ashland, Carroll, Holmes, Portage, Richland, Stark, Summit, Tuscarawas, and Wayne counties comprise the region. CareSource, Unison Health Plan of Ohio, and Buckeye Community Health Plan are the plans that serve the region.

Major Medicaid Spending by Service Category

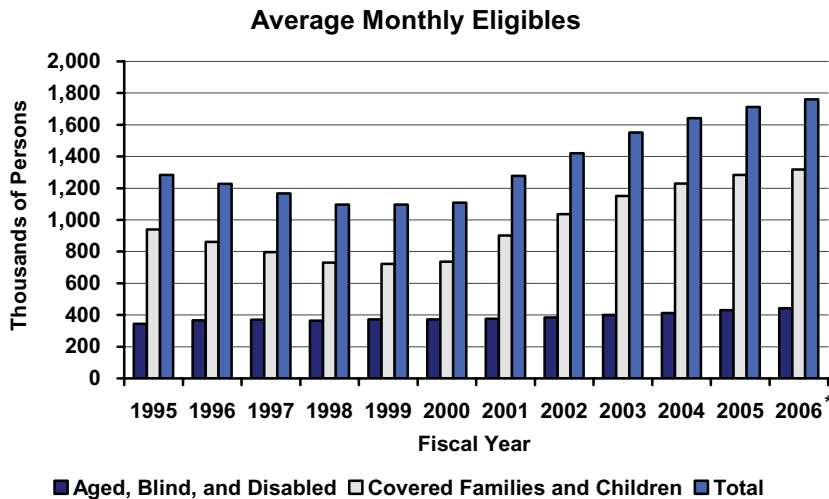
Medicaid Spending and Growth by Service Category						
Service Category	Spending in millions, By Fiscal Year			Average Annual Rate of Change		
	1996	2001	2006	1996-2001	2001-2006	1996-2006
Nursing Facilities	\$1,712	\$2,280	\$2,650	5.9%	3.1%	4.5%
ICFs/MR	\$332	\$399	\$517	3.7%	5.3%	4.5%
Inpatient Hospitals	\$1,014	\$1,079	\$1,489	1.3%	6.7%	3.9%
Outpatient Hospitals	\$309	\$416	\$679	6.1%	10.3%	8.2%
Physicians	\$327	\$423	\$641	5.3%	8.7%	7.0%
Prescription Drugs	\$515	\$1,057	\$1,636	15.5%	9.1%	12.3%
Managed Care	\$412	\$430	\$1,434	0.9%	27.2%	13.3%
Medicare Buy-In	\$119	\$120	\$236	0.2%	14.5%	7.1%
ODJFS Waiver	\$33	\$141	\$224	33.7%	9.7%	21.1%
All Other*	\$311	\$539	\$1,011	11.6%	13.4%	12.5%
Total	\$5,084	\$6,884	\$10,517	6.2%	8.8%	7.5%

*"All Other" includes services such as dental care, home health care, private duty nurse, and other practitioner services, and includes various contracts.

Sources: *Projected Medicaid Expenditures SFY 2004-2005, SFY 2006-2007, ODJFS; Quarterly Cost Management Report on Ohio's Medicaid Program, ODJFS*

- Between FY 2001 and FY 2006, payments for Managed Care increased by 27.2% annually, mainly due to the implementation of Preferred Option and the increase in the caseloads of Covered Families and Children (CFC). Under Preferred Option, Medicaid recipients are automatically enrolled in managed care if they fail to select the fee-for-service option.
- Prior to January 2006, prescription drug coverage was provided to dual eligibles, those who are eligible for both Medicare and Medicaid, through Medicaid; in Ohio, the federal government paid its financial share of about 59% (the FMAP), and the state paid the remaining 41% of the cost of this coverage. Beginning January 1996, prescription drug coverage is provided to dual eligibles through Medicare Part D. The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 gave people access to a private Medicare prescription drug plan and required state Medicaid programs to contribute to the cost of federal prescription drug coverage for dual eligibles. The mechanism through which the states help finance the new Medicare drug benefit is popularly known as the "clawback." The actual clawback is calculated using CY 2003 expenditures, inflated to 2006. States were required to pay the federal government 90% of their estimated state shares in 2006; over the following nine years, this proportion is reduced to 75%. Thereafter, the proportion remains at 75%.
- The "ODJFS Waiver" was developed and implemented during the FY 1997-1998 biennium and evolved from Medicaid waiver programs and nonwaiver home care services that existed before then. The waiver includes services such as home delivered meals, supplemental adaptive/assistive living devices, out-of-home respite care, and adult day health services.

Medicaid Caseloads Climb in 2000s



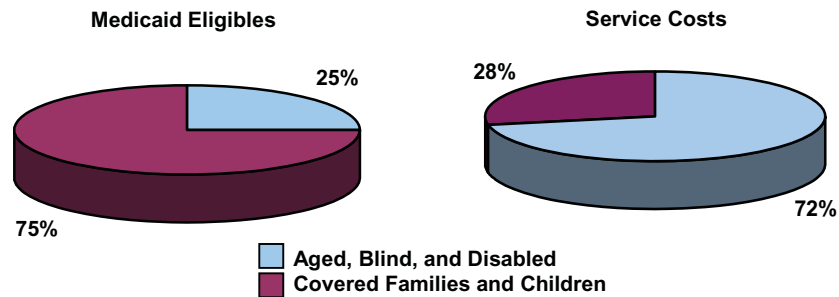
*Estimate

Source: Monthly caseload report, ODJFS

- In Ohio, Medicaid provides health insurance to Ohioans in the following two eligibility groups: (1) Covered Families and Children (CFC), which includes *Healthy Start* covering low-income pregnant women and children in families with incomes at or below 150% of the federal poverty guideline (FPG), *Healthy Families and Related* covering families at or below 90% of the FPG, and *CHIP II* covering children in families with incomes between 150% and 200% of the FPG, and (2) Aged, Blind, and Disabled (ABD) covering low-income elderly who are age 65 or older and persons with disabilities of all ages.
- The total number of persons eligible for Medicaid grew rapidly by 28.4% from FY 2001 to FY 2004 and moderately by 2.7% from FY 2005 to FY 2006, increasing from 1,278,082 in FY 2001 to 1,759,693 in FY 2006. The rapid growth for the first half of the 2000s can be explained by the recession and by several eligibility expansions under CFC. The improving economy has resulted in a slowing down in the caseload growth.
- CFC caseloads declined approximately 27% from the FY 1993 decade high to its lowest level in FY 1999 due primarily to the decline in the Ohio Works First cash assistance caseload.
- The ABD population experienced an average annual growth of 9.3% in the first half of the 1990s, with slow annual growth of 0.4% from FY 1996 to FY 2000, followed by annual growth of 2.9% from FY 2001 to FY 2006.

Aged, Blind, and Disabled Account for 72% of Medicaid Service Costs

Medicaid Service Costs vs. Caseloads, FY 2005

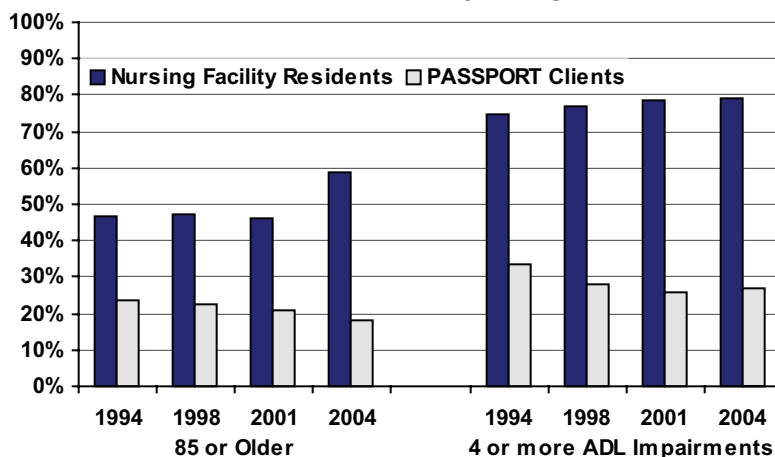


Sources: JFS Testimony, House Finance and Appropriations Committee, March 1, 2005; Introduction, Ohio Medicaid Administrative Study Council; Ohio Medicaid: Progress Report & Future Plans, July 19, 2006 Medical Care Advisory Committee

- The Covered Families and Children (CFC) population made up 75% of the Medicaid population but accounted for 28% of service costs in FY 2003. In comparison, the Aged, Blind, and Disabled (ABD) population made up 25% of the Medicaid population but accounted for 72% of service costs.
- Medicaid covers 45% of Ohio children under age five. It provides health care for one in every seven Ohioans. It also pays for one in every three births and 70% of all nursing home care.
- Ohio Medicaid provides comprehensive health care benefits to eligibles in two broad benefit packages: (1) primary and acute care services are available to everyone on the Medicaid plan, and (2) long-term care services are available to individuals with an institutional or nursing home level of care. Included in primary and acute care services are inpatient and outpatient hospital services, physician services, prescription drugs, dental services, and a variety of other health-related services. Long-term care services are delivered in community and institutional settings.
- The cost of long-term care is one of the reasons for the relative expense of the ABD population. To illustrate, expenditures on nursing facilities alone, which are almost entirely for the benefit of this population, accounted for 24% of the total Medicaid service expenditure in FY 2005. Moreover, the ABD population heavily utilizes some services that have the fastest growing costs, such as prescription drugs.
- In FY 2005, Ohio Medicaid paid approximately 65 million medical claims. The program has approximately 36,000 participating medical providers.

Comparison of Nursing Facility Residents and PASSPORT Clients

Age and Ability to Perform Activities of Daily Living

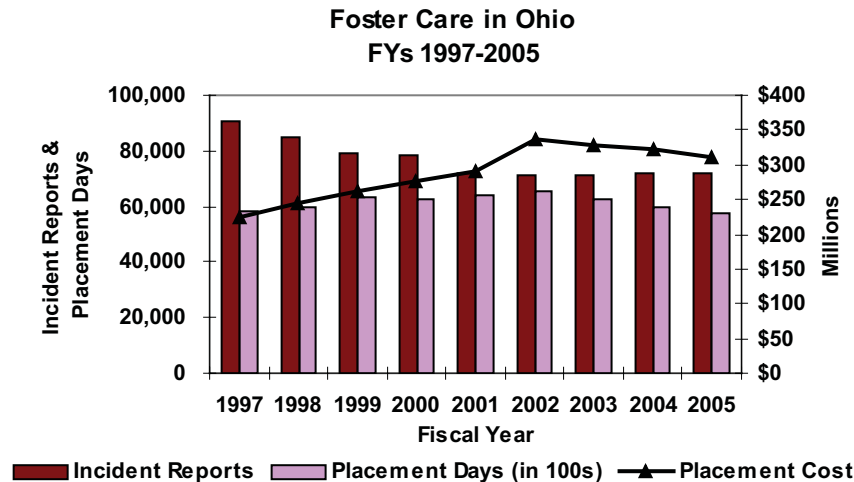


Note: December for 1994, 1998, 2001; June for 2004

Sources: *An Overview of Ohio's In-Home Service Program for Older People (PASSPORT)*; *A Review of Nursing Home Resident Characteristics In Ohio*, Scripps Gerontology Center

- The total number of people enrolled in the PASSPORT Medicaid waiver program has grown, while nursing facilities (NFs) have seen a decline in population since 1994. In 1994, there were 7,161 PASSPORT clients and 81,400 NF residents. In 2004, there were 22,650 PASSPORT clients and 73,900 NF residents.
- The NF population has a greater percentage of residents over the age of 85 than the population enrolled in the PASSPORT program, with those persons in NFs being three years older than those persons enrolled in PASSPORT (79.4 for NF residents vs. 76.4 for PASSPORT clients).
- From 1994 through 2001, nursing facilities realized an increase in the percentage of residents who require help with four or more activities of daily living (ADLs, e.g., bathing, dressing, transferring, toileting, eating, and grooming). In 2004, the percentage remained stable. PASSPORT clients saw a decrease in the percentage of residents who required help with four or more ADLs from 1994 through 2001. In 2004, the percentage has slightly increased.
- The per member per month (PMPM) Medicaid costs for NFs increased from \$2,538 in FY 1995 to \$4,600 in FY 2003. PASSPORT PMPM Medicaid costs have increased by a lesser amount, from \$1,139 in FY 1995 to \$1,479 in FY 2003. It should be noted that PMPM costs vary depending on the type of client served, where they are served, and the services provided.

Foster Care Costs Continue to Decline in FY 2005

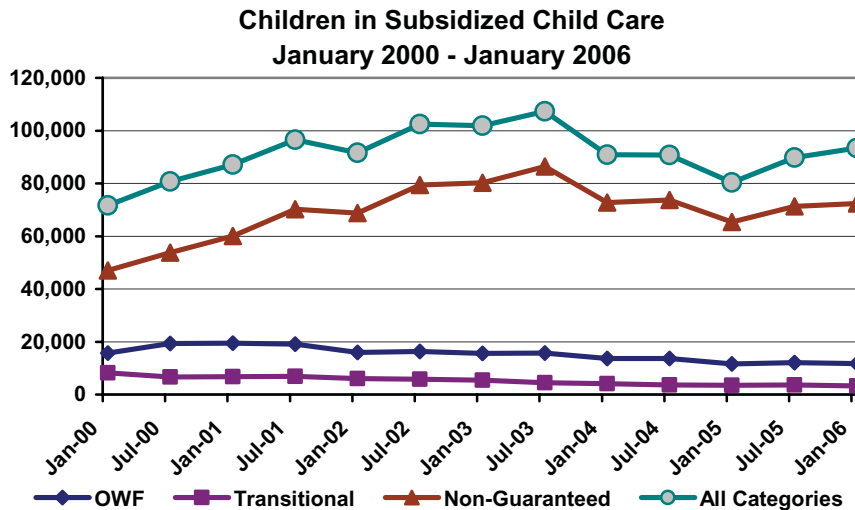


Source: Ohio Department of Job and Family Services

- The number of incidents of reported abuse and neglect has declined in recent years, from 95,188 in 1995 to 71,973 in 2005, a drop of 24.4%. County child welfare employees are required to investigate all incident reports. Some incident reports result in foster care placements.
- The number of foster care placement days (not including unlicensed/uncompensated relatives) was increasing over time and peaked in 2002 at 6,571,933. In 2005, the number of placement days decreased to 5,784,929.
- Between 1995 and 2002, total placement costs increased at an even faster pace than the rise in placement days. During that time period total placement costs grew by 75.3%, from \$192,056,052 to \$336,588,611. However, in 2005 placement costs had decreased to \$309,462,600.¹
- While residential and group foster home placement days represent only 17.0% of the total placement days, such placements account for 42.9% of total placement costs.
- 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 encompasses more than foster care placement costs, varies widely from county to county but has remained at around 10% of total expenditures since 1993.
- In addition to foster care, child welfare dollars are spent on adoption subsidies, child protection services, independent living services, training, and other administrative activities.

¹Due to missing data reports, the FY 2005 cost includes only partial cost estimates for several counties.

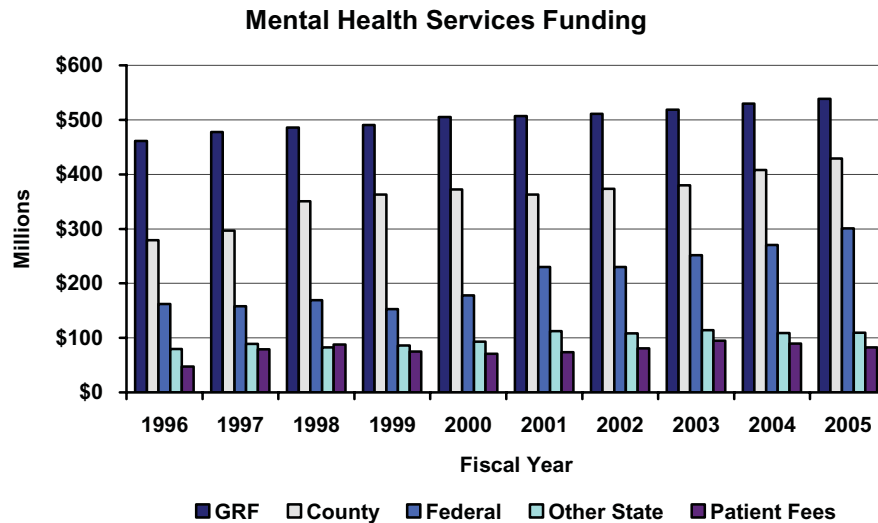
Child Care Subsidy Serves Working Poor



Source: Ohio Department of Job and Family Services

- The number of children receiving subsidized child care was increasing steadily through July 2003. Ohio's child care subsidy program registered a 50% increase from January 2000 (71,621 children enrolled) to July 2003 (107,281 children enrolled). Due to changes in eligibility and other cost containment measures implemented by the Department of Job and Family Services (ODJFS), the number of children receiving subsidized child care began to decrease in July 2003.
- As Ohio Works First (OWF) caseloads have continued to decline since welfare reform, the number of children from OWF families who receive subsidized care has continued to decline, decreasing by 25% from 15,707 to 11,707 between January 2000 and January 2006. Transitional child care, subsidized for up to 12 months for families leaving OWF, has continued to decline as well from 8,174 in January 2000 to 3,233 in January 2006, a 60% reduction.
- The majority of children receiving subsidized child care are from low-income working families. The category made up of families for whom the subsidy is "non-guaranteed" experienced an 84% increase, from 46,978 in January 2000 to 86,452 in July 2003. In an effort to control costs ODJFS reduced eligibility for this category of subsidized child care from 185% of the federal poverty guidelines (FPG) to 150% FPG. The number of children receiving this category of subsidized child care dropped to 65,429 in July 2005. The Department then increased eligibility back to 185% FPG. The downward trend reversed and has remained somewhat stable for the last year. Currently, the number of children from non-guaranteed working families receiving subsidized child care accounts for 77% of the total subsidized child care caseload.

Statewide Funding for Public Mental Health Services



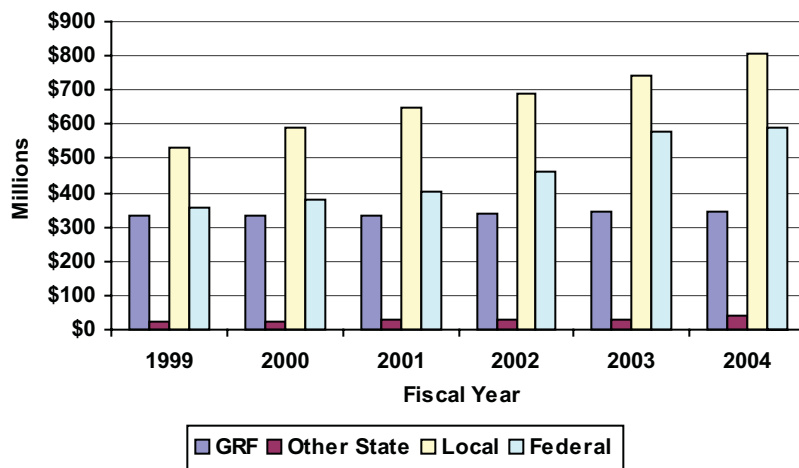
Note: County funding includes some nonmental health levy money (i.e., for alcohol and drug addiction services).

Source: Ohio Department of Mental Health

- Ohio has 43 community alcohol, drug addiction, and mental health services boards and seven community mental health services boards.
- Since the Mental Health Act was passed in 1988, the inpatient population of state hospitals has fallen from 4,000 to fewer than 1,200, and hospital staffing has been reduced from 6,200 employees to approximately 2,100. While the hospital population has dropped, community care has expanded. On average, the community care client population is around 290,000, of which approximately 140,000 are severely mentally disabled adults and 60,000 are severely emotionally disabled children. Savings in state hospitals, not new revenues, has financed the increased funding in community care, as the Ohio Department of Mental Health (ODMH) budget has not kept pace with inflation (as measured by the CPI).
- During the early 1990s, ODMH General Revenue Fund (GRF) funding increased at the same rate as inflation. Since 1997, increases in the Department's GRF budget have been below the rate of inflation.

County and Federal Expenditures on MR/DD Services Increase as GRF Remains Largely Unchanged

Statewide Expenditures for MR/DD Services by Funding Source
FY 1999 to FY 2004

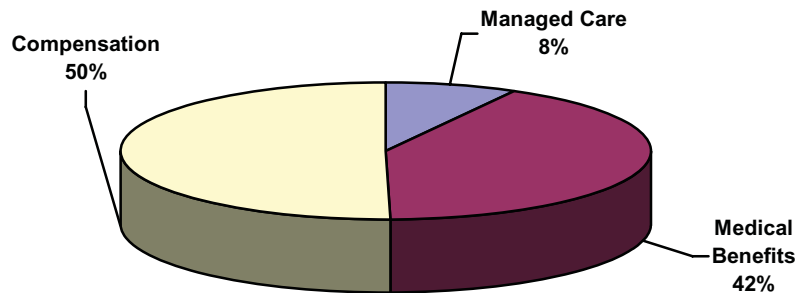


Source: Ohio Department of Mental Retardation and Developmental Disabilities

- Ohio has 88 county boards of mental retardation and developmental disabilities (MR/DD).
- The Department of MR/DD operates 10 developmental centers. Springview closed in FY 2005 and Apple Creek in FY 2006. The number of residents living at developmental centers dropped from 2,573 in FY 1990 to approximately 1,600 in FY 2006, about a 38% decrease. Individuals in developmental centers between the ages of 40 and 50 represent more than 50% of the developmental center population.
- Approximately 74,000 individuals with MR/DD receive county board services. The number of individuals served by county boards has increased by approximately 7,000 since FY 2002. Approximately 50% of individuals receiving county board services were under age 21 in FY 2005.
- In FY 2005, approximately 60,000 individuals with MR/DD lived in the community. These individuals represent approximately 80% of the MR/DD population in Ohio.
- In FY 2004, approximately \$804.6 million in county funds, \$588.8 million in federal funds, \$344.0 million from the General Revenue Fund, and \$38.8 million from other state funds were expended to provide services to individuals with MR/DD.

Benefits Paid by the Bureau of Workers' Compensation

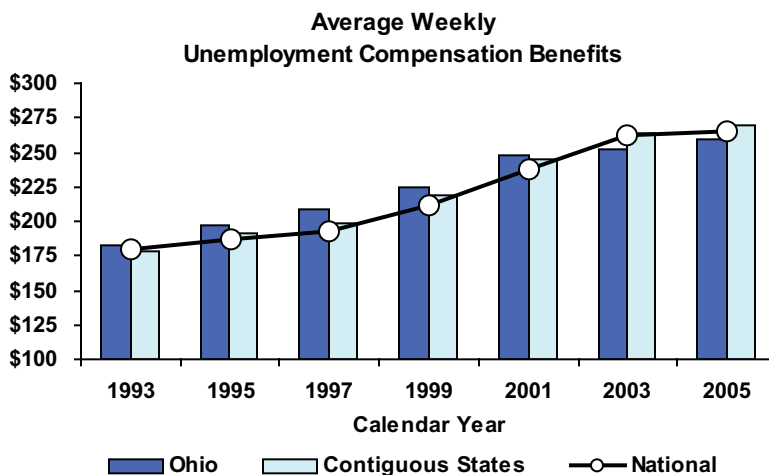
Distribution of Benefits, FY 2005



Source: Ohio Bureau of Workers' Compensation

- The Bureau of Workers' Compensation (BWC) paid \$2.15 billion in total benefits in FY 2005.
- During FY 2005, BWC paid out \$1.08 billion in compensation benefits alone. Compensation benefits are wage replacement payments granted to claimants who miss more than seven days of work as a result of their injuries, as well as payments for various levels of disability.
- Total medical costs for the period were \$898 million, about 42% 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 or fewer days from work are eligible for medical benefits only.
- BWC continued its managed care initiative. BWC paid some \$171 million in fees—about 8% of total claims costs—to participating managed care organizations.

Ohio Unemployment Benefits Remain below National Average



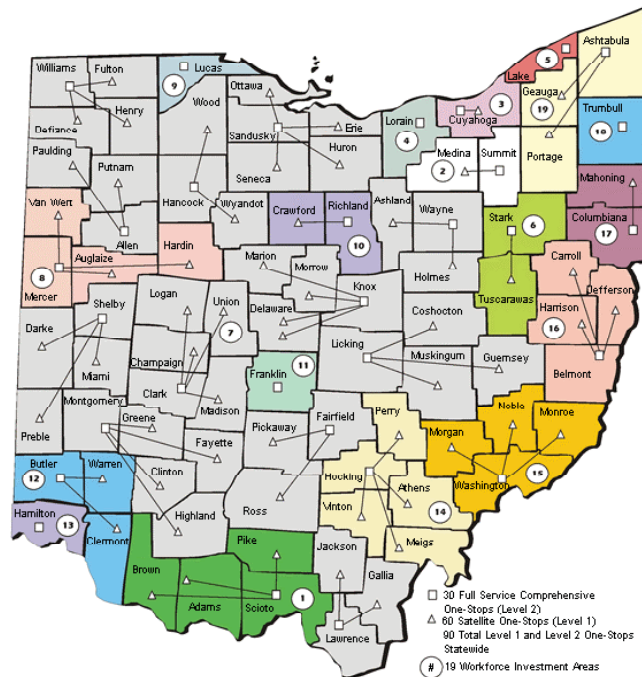
Source: United States Department of Labor

	1993	1995	1997	1999	2001	2003	2005
Ohio	\$183	\$197	\$208	\$224	\$248	\$252	\$260
Contiguous States	178	192	198	220	245	263	269
National	180	187	193	212	238	262	265
Indiana	142	179	186	210	244	263	278
Kentucky	156	167	176	201	234	250	260
Michigan	215	221	222	238	261	291	290
Pennsylvania	210	219	228	251	282	292	292
West Virginia	167	172	180	198	202	220	226

- Ohio's average unemployment benefits continued in 2005 to be below the national average and the average benefits paid by the contiguous states. Between 2003 and 2005, Ohio caught up somewhat; Ohio's average weekly unemployment compensation benefit rose 3.2%, while the national average increased 1.1% and the average in contiguous states rose 2.3%.

Ohio's Workforce Development System

WIA Local Areas and One-Stops

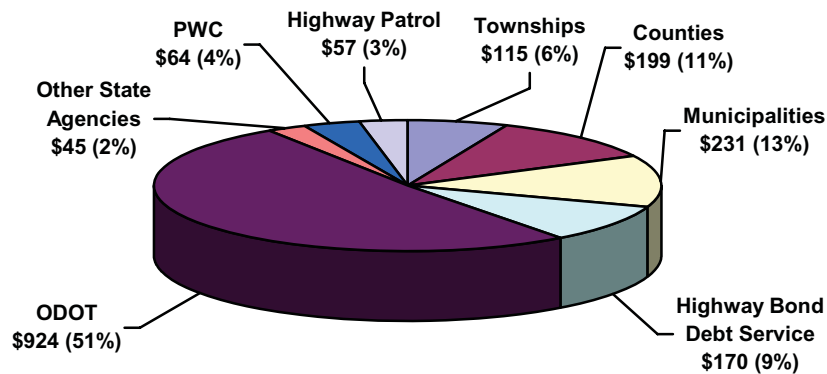


Source: Office of Workforce Development,
Department of Job and Family Services

- The Workforce Investment Act of 1998 (WIA) is the federal employment and training law that replaced the Job Training Partnership Act. Implemented in July 2000, WIA streamlines employment and training programs, helps job seekers find work, and helps employers find workers. In Ohio, WIA is administered by the Department of Job and Family Services.
- In September 1999, the Governor created the Governor's Workforce Policy Board. Members of the Board represent business, organized labor, legislators, education, social service agencies, and others. Among other responsibilities, the Board develops local area allocation formulas for distribution of WIA funds and develops comprehensive performance measures to evaluate the state's workforce development activities.
- Ohio now has 19 designated workforce investment areas. These areas, made up of counties functioning as single counties or contiguous counties functioning as a consortium, are subgrantees of WIA funds. Area 7 is the largest local area, encompassing 46 counties. Each local area selects an administrative entity and a fiscal agent for the local One-Stop System. There are 30 full-service One-Stops and 60 satellite One-Stops.

Motor Fuel Tax in Ohio

**FY 2006 State Motor Fuel Tax Revenue Distribution
(\$ millions)**



Source: Ohio Department of Transportation

- In FY 2006, the state collected approximately \$1.82 billion in motor fuel tax revenue. Revenue collections in FY 2006 increased 8.6% above FY 2005 collections of \$1.67 billion largely from the recent motor fuel tax increases.
- Am. Sub. H.B. 87 of the 125th General Assembly increased the former 22¢ per gallon motor fuel tax rate by 2¢ per gallon each year over three years, resulting in a total state tax rate of 24¢ per gallon in FY 2004, 26¢ per gallon in FY 2005, and 28¢ per gallon in FY 2006. The 28¢ per gallon tax rate applies to gasoline, diesel, and gasohol.
- As part of a plan to provide more revenue to local governments, Am. Sub. H.B. 87 also began to phase out the Highway Patrol's use of motor fuel tax revenue and offset the revenue reduction through increased motor vehicle fees. Starting in FY 2004 and continuing to FY 2008, the Patrol's former motor fuel tax allocation of approximately \$186 million will be reduced each fiscal year by 25%, 50%, 70%, 80%, and 100% and transferred to local governments for road and bridge projects.
- At 28¢ per gallon, Ohio's motor fuel tax rate for gasoline ranks 4th highest in the nation behind Pennsylvania, Rhode Island, and North Carolina.
- Motor fuel in Ohio is also taxed by the federal government at a rate of 18.4¢ per gallon. Coupled with the FY 2006 state tax rate of 28¢ per gallon, motor fuel purchased by motorists in Ohio includes total taxes of 46.4¢ per gallon.

Ohio's Motor Vehicle License Taxes

Distributions to Local Governments for Roads and Bridges, 2005 (Dollars in millions)

Local Government	State Motor Vehicle License Tax	Permissive Local Motor Vehicle License Taxes	Total
Counties	\$234.6	\$89.7	\$324.3
Municipalities	\$61.3	\$44.2	\$105.5
Townships	\$15.5	\$12.6	\$28.1
Total	\$311.4	\$146.5	\$457.9

Source: Ohio Department of Public Safety

- In Ohio, subject to certain exceptions, all motor vehicles must be registered annually and pay a state motor vehicle license tax. The total tax for a passenger car is \$34.50, with various rates for other vehicles. Commercial trucks and tractors are taxed according to weight.
- Approximately 12 million vehicles were registered in calendar year (CY) 2005, including 8,331,925 passenger cars.
- After bond retirement obligations (42.6% of collected revenues) and administrative expenses (5% of collected revenues, using a five-year average) are met, the remaining state motor vehicle tax revenues are distributed to local governments, to be used for the planning, construction, and maintenance of public highways and roads, and for other related purposes. In CY 2005, the amount of state motor vehicle tax revenues distributed to local governments totaled \$311.4 million.
- Counties have the authority to enact up to \$15 in motor vehicle license taxes in three separate increments of \$5 each. If the county has not enacted a motor vehicle license tax, then the municipality has the authority to enact up to \$20 in motor vehicle license taxes in four separate increments of \$5 each. Townships may levy an additional \$5 motor vehicle license tax, regardless of any action by the county. If all authorities are implemented by the county, municipality, or township, the maximum additional local permissive motor vehicle tax in any county is \$20.
- All of these permissive local motor vehicle taxes are collected and distributed by the state to be used for roads and bridges and associated purposes. In CY 2005, the amount of local permissive motor vehicle tax revenues distributed to local governments totaled \$146.5 million.
- The total amount paid annually in state and local permissive motor vehicle license taxes for a passenger car depends on the county in which the car is registered and ranges from \$34.50 to \$54.50.

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<p><i>Additional credits: Deborah Hoffman contributed to pages 68 and 71. Jonathan Lee contributed to page 58. Ronnie Romito contributed to pages 35, 45, 46, 47, and 48. Ann Braam and Zak Talarek, formerly with LSC, contributed to pages 18 and 50, and to pages 49, 51, 52, and 56, respectively.</i></p>		



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