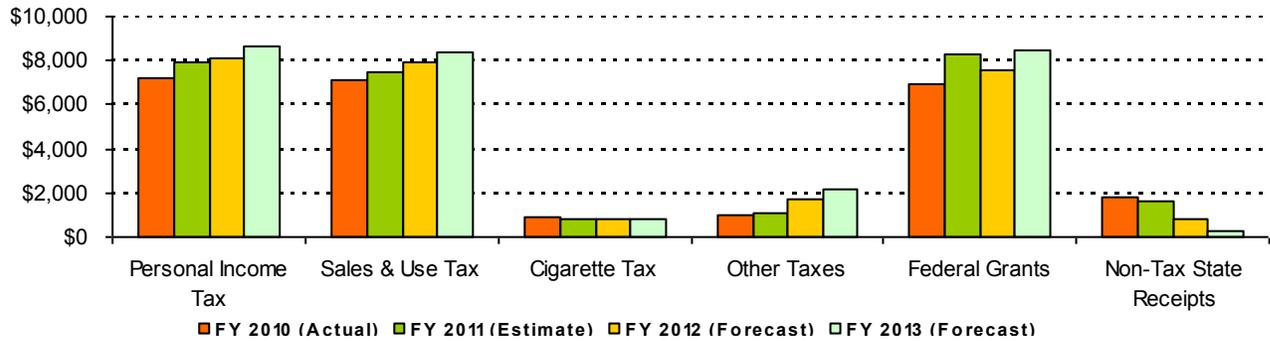


# Ohio Legislative Service Commission

## Budget In Brief

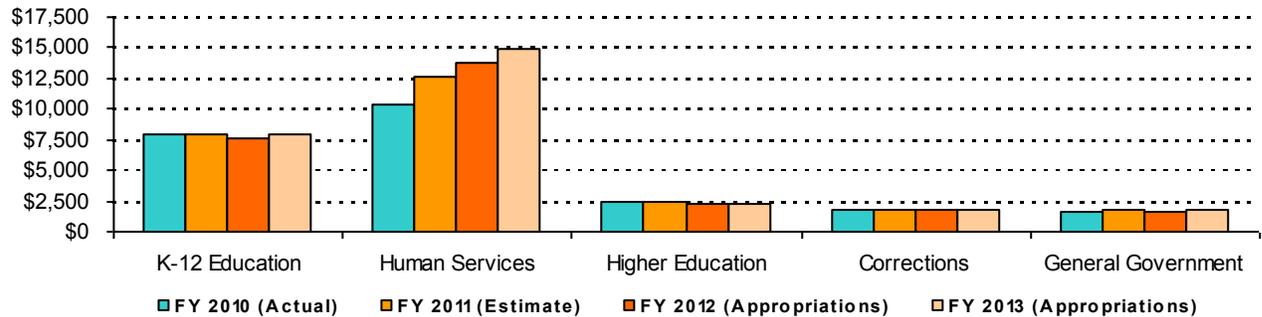
H.B. 153 - As Introduced (LSC 129 1066-2)

GRF Revenues by Source  
(\$ in millions)



Revenue Source	FY 2010 (Actual)	FY 2011 (Estimate)	FY 2012 (Forecast)	FY 2013 (Forecast)
Personal Income Tax	\$7,247.2	\$7,900.0	\$8,098.0	\$8,624.1
Sales & Use Tax	\$7,077.4	\$7,520.0	\$7,929.1	\$8,363.1
Cigarette Tax	\$886.9	\$842.5	\$817.0	\$790.0
Other Taxes	\$1,022.0	\$1,086.3	\$1,738.6	\$2,187.3
Federal Grants	\$6,898.8	\$8,312.8	\$7,547.5	\$8,494.2
Non-Tax State Receipts*	\$1,818.0	\$1,625.4	\$847.3	\$258.2
<b>Total</b>	<b>\$24,950.3</b>	<b>\$27,287.0</b>	<b>\$26,977.5</b>	<b>\$28,716.9</b>

Total (State and Federal) GRF Appropriations  
(\$ in millions)



Program Area	FY 2010 (Actual)	FY 2011 (Estimate)	FY 2012 (Appropriations)	FY 2013 (Appropriations)
K-12 Education	\$7,926.9	\$7,970.5	\$7,590.8	\$7,880.3
Human Services	\$10,406.3	\$12,582.2	\$13,808.5	\$14,978.8
Higher Education	\$2,495.5	\$2,508.4	\$2,223.5	\$2,306.3
Corrections	\$1,716.4	\$1,832.2	\$1,710.8	\$1,709.4
General Government	\$1,595.8	\$1,717.9	\$1,558.9	\$1,747.3
<b>Total</b>	<b>\$24,141.0</b>	<b>\$26,611.3</b>	<b>\$26,892.3</b>	<b>\$28,622.1</b>

\* Decreases in non-tax state receipts in FY 2012 and FY 2013 are related to the elimination of temporary transfers in. Revenues may not equal expenditures due to factors such as carryover balances, encumbrances, and transfers.

# Highlights

The executive budget proposes total state and federal GRF appropriations of \$26.89 billion in FY 2012 and \$28.62 billion in FY 2013, increases of 1.1% and 6.4%, respectively. Human Services and K-12 Education account for 51.9% and 27.9%, respectively, of the biennial total. State-source GRF appropriations total \$19.31 billion in FY 2012 and \$20.09 billion in FY 2013, increases of 6.0% and 4.0%. K-12 Education and Human Services represent 39.3% and 32.2%, respectively, of the state-source GRF biennial total. Across all funds, the proposed appropriations total \$55.63 billion in FY 2012 and \$56.32 billion in FY 2013, a decrease of 5.3% in FY 2012 and an increase of 1.2% in FY 2013.

## Medicaid and Other Human Services

- Across all funds, Medicaid funding totals \$18.84 billion in FY 2012, an increase of \$0.98 billion, and \$19.85 billion in FY 2013, an increase of \$1.01 billion. The majority of the Medicaid budget is funded by the state and federal GRF appropriations—\$12.36 billion in FY 2012 and \$13.51 billion in FY 2013. The state share of the GRF is \$4.81 billion in FY 2012 and \$5.01 billion in FY 2013.
- The Governor created the Office of Health Transformation to streamline the Medicaid Program and improve the overall quality of the health care system in Ohio. The executive budget moves into the Department of Job and Family Services \$587 million in FY 2012 and \$599 million in FY 2013 for the PASSPORT, Choices, and Assisted Living programs from the Department of Aging, and \$571 million in FY 2013 from the Departments of Alcohol and Drug Addiction Services and Mental Health.
- The executive budget extends the hospital assessment that was due to expire and increases it from 1.38% to about 2.5%. The assessment revenue is estimated to be \$436 million per year. The executive budget also adjusts the nursing facility franchise fee to \$11.38 per bed per day in FY 2012 and \$11.60 in FY 2013. The franchise fee revenue is estimated to be \$392.1 million in FY 2012 and \$392.9 million in FY 2013.
- The executive budget assumes that both the administrative portion of the capitation rate paid to managed care organizations and the medical inflation trend used to determine the medical services component of the rate will be reduced. The Medicaid pharmacy benefit that was carved out in the last two years will be included in managed care plans again. Under the executive budget, managed care plans will no longer pay hospitals more than the fee-for-service rates if the plans do not have contracts with the hospitals.
- The executive budget transfers the responsibility for the nonfederal share of Medicaid matching funds from local community behavioral health boards to the state. This change will allow local boards to use local behavioral health levy dollars exclusively to serve those who are not eligible for Medicaid.

## K-12 and Higher Education

- The executive budget repeals the formula (commonly called the evidence-based model) used in FY 2010 and FY 2011 for distributing state foundation funding for schools. The budget distributes funding for FY 2012 and FY 2013 based on each district's FY 2011 funding level adjusted to stay within the total foundation appropriation in each year. It provides \$6.18 billion in FY 2012 and \$6.24 billion in FY 2013 for school foundation funding. In FY 2011, school foundation funding totals \$6.51 billion, including \$457.4 million in federal stimulus money.
- The executive budget provides \$263.0 million per year to flat fund joint vocational schools in the next biennium.
- The executive budget establishes a new incentive payment program to pay stipends of \$50 per student to certain teachers for each student enrolled in a class that has achieved more than a standard year of value-added growth. The first stipends will be paid in FY 2013 based on school report cards issued in August 2012. The executive budget proposes to transfer 50% of the surplus GRF revenue in FY 2011 to fund the program.
- The executive budget accelerates the phase-out of fixed-rate tangible personal property (TPP) and public utility property tax reimbursements for most school districts, based on each district's "reliance" on the reimbursements. The reliance is measured by a district's FY 2010 TPP or public utility tax direct reimbursement as a percentage of the district's total state and local operating revenue. Beginning in FY 2012, reimbursements are phased out so that each district's reliance on the reimbursements falls by two percentage points per year. The executive budget provides \$722.0 million in FY 2012 and \$475.0 million in FY 2013 for TPP reimbursements; FY 2011 reimbursements are estimated at \$1.04 billion. It also provides \$34.0 million in FY 2012 and \$30.0 million in FY 2013 for public utility tax reimbursements; FY 2011 reimbursements are estimated to be \$74.3 million.
- The executive budget increases the maximum number of Educational Choice scholarships from 14,000 to 30,000 in FY 2012 and 60,000 in FY 2013 and thereafter. It reduces a district's state aid deduction amount for each scholarship from \$5,200 to the lesser of tuition or \$4,250 for grades K to 8 or \$5,000 for grades 9 to 12. In FY 2011, \$79.6 million will be deducted from district state aid to fund the 14,000 scholarships awarded.
- The executive budget eliminates some of the restrictions on the establishment of new community schools. Community schools are largely funded by a per-pupil deduction from each student's resident district's state foundation funding. The budget sets the base deduction amount at \$5,653 for FY 2012 and FY 2013, a decrease of \$50 per student from FY 2011. In FY 2011, over 99,000 students are enrolled in community schools; funding deductions total \$718.3 million.

# Highlights

- The executive budget caps the annual in-state undergraduate tuition increase at 3.5% for both public two-year and four-year campuses. The state share of instruction (SSI) totals \$1.74 billion in FY 2012 and \$1.75 billion in FY 2013. In FY 2011, SSI funding totals \$2.00 billion, including \$308.8 million in federal stimulus money.
- The executive budget requires state universities, as a condition of seeking program reauthorization from the Board of Regents, to issue a statement describing a method for earning a baccalaureate degree in three years. It requires statements for 10% of baccalaureate degrees by October 15, 2012 and 60% by June 30, 2014.

## Corrections

- The executive budget proposes various criminal sentencing changes intended to reduce the size of the Department of Rehabilitation and Correction's (DRC) inmate population by diverting low-level, nonviolent offenders from prison. It provides GRF funding for community correction programs totaling \$147.1 million in FY 2012 and \$146.9 million in FY 2013, approximately 4.7% above FY 2011 funding levels.
- The executive budget expands the authority of DRC, counties, and municipalities to contract for the private operation of correctional facilities. It also authorizes DRC to sell five state facilities: Lake Erie (Ashtabula), Grafton (Lorain), North Coast (Lorain), North Central (Marion), and the currently closed Marion juvenile facility. The proceeds will first be used to retire outstanding bonds on these facilities, with the remainder deposited into the GRF. The executive estimates \$200 million in sales proceeds, with \$50 million deposited into the GRF in FY 2012.

## Economic Development and Public Improvements

- The executive budget authorizes the state to transfer the liquor distribution system to JobsOhio, a private not-for-profit organization created in H.B. 1 of the 129th General Assembly. The executive envisions that the transfer will provide an ongoing revenue stream to fund the economic development activities of JobsOhio. It also estimates the transfer will generate \$1.2 billion in a lump-sum payment to the state, with \$500 million deposited into the GRF in FY 2012 and \$700 million used to pay off outstanding bonds supported by liquor profits.
- The executive budget increases the prevailing wage thresholds for construction and reconstruction on public improvements to \$5 million (with a biennial adjustment as under current law) for projects other than roads, sewers, ditches, and other related works. It prohibits state colleges and universities, school districts, and educational service centers (ESCs) from applying the prevailing wage requirements. The budget also eliminates the prevailing wage requirements for various economic development programs administered by the Department of Development.
- The executive budget authorizes public authorities, other than the Ohio Turnpike Commission, to use the alternative methods of construction delivery: manager-at-risk, design-build, design-assist, or general contractor. It also eliminates the requirement that the multiple-prime contracting method be used.

## Other State and Local Government Issues

- The executive budget authorizes the Director of Budget and Management and state agencies to enter into contracts with private entities or local or regional public entities for the provision of a public service to more "efficiently and effectively" provide public services, including by generating additional resources for public services.
- The executive budget requires the Department of Administrative Services (DAS) to develop and maintain a public notice web site for state agencies and political subdivisions to publish required public notices. An entity choosing this option is required to publish an abbreviated notice in a newspaper of general circulation.
- The executive budget requires DAS to develop health care plans to be used by school districts, ESCs, state colleges and universities, and political subdivisions. It provides DAS \$400,000 per year for this purpose.
- The executive budget authorizes political subdivisions to enter into shared service agreements upon approval of their respective legislative authorities. It allows boards of county commissioners to require other county offices to use centralized support services.
- In FY 2012 and FY 2013, the executive budget reduces Local Government Fund (LGF) distributions to 75% and 50% of FY 2011 levels, respectively, and Public Library Fund (PLF) distributions to 95% of FY 2011 levels. In FY 2011, LGF and PLF distributions are estimated to be about \$674 million and \$360 million, respectively. Distributions after FY 2013 will be based on a percentage that is calculated by dividing each fund's distributions in FY 2013 by the total GRF tax revenue in FY 2013.
- As with school districts, the executive budget also accelerates the phase-out of fixed-rate TPP and public utility property tax reimbursements for most local governments. Beginning in tax year (TY) 2011, reimbursements are phased out so that each taxing unit's TY 2010 "reliance" on the reimbursements falls by two percentage points per year. The executive budget provides \$307 million in FY 2012 and \$192 million in FY 2013 for these reimbursements; TY 2010 reimbursements are estimated to be \$551.9 million.
- The executive budget shifts two percentage points of retirement contribution rates from employers to employees for all five state public employee retirement systems. This will reduce payroll costs for state and local governments, including state colleges and universities. For example, if this provision were enacted in FY 2010, the state would have saved \$60.8 million across all funds.

# Total (State and Federal) GRF Appropriations by Agency

Agency	FY 2010 (Actual)	FY 2011 (Estimate)	FY 2012 (Appropriations)	FY 2013 (Appropriations)
<b>Education</b>				
Department of Education	\$7,750,812,844	\$7,771,795,021	\$7,412,207,676	\$7,510,381,894
School Facilities Commission	\$148,231,389	\$167,038,700	\$150,604,900	\$341,919,400
eTech Ohio Commission	\$12,825,882	\$15,699,487	\$11,949,490	\$11,953,394
School for the Deaf	\$8,096,487	\$8,727,657	\$8,727,657	\$8,727,657
School for the Blind	\$6,978,067	\$7,278,579	\$7,278,579	\$7,278,579
<b>Human Services</b>				
Job and Family Services	\$9,421,903,238	\$11,505,113,503	\$12,881,064,350	\$14,263,051,212
<i>Medicaid (Item 600525)</i>	\$8,437,417,808	\$10,480,554,867	\$11,814,893,179	\$13,171,301,005
<i>Other Job and Family Services</i>	\$984,485,430	\$1,024,558,636	\$1,066,171,171	\$1,091,750,208
Department of Mental Health	\$444,594,618	\$461,600,697	\$482,066,920	\$296,337,344
Department of Developmental Disabilities	\$294,563,102	\$331,236,595	\$303,965,155	\$305,672,581
Department of Health	\$87,109,467	\$90,040,091	\$79,804,070	\$80,362,250
Department of Alcohol and Drug Addiction Services	\$27,111,041	\$27,653,362	\$33,653,362	\$5,489,633
Department of Aging	\$116,759,493	\$152,269,693	\$14,694,242	\$14,694,369
Rehabilitation Services Commission	\$14,258,351	\$14,242,789	\$13,211,069	\$13,211,069
<b>Higher Education</b>				
Board of Regents	\$2,495,511,335	\$2,508,441,857	\$2,223,497,983	\$2,306,273,283
<b>Corrections</b>				
Department of Rehabilitation & Correction	\$1,482,645,418	\$1,580,483,394	\$1,492,079,838	\$1,480,691,448
Department of Youth Services	\$233,744,083	\$251,753,079	\$218,693,565	\$228,733,563
<b>General Government</b>				
Department of Taxation	\$714,160,944	\$682,687,338	\$685,047,389	\$690,170,329
Judiciary/Supreme Court	\$130,740,023	\$135,748,312	\$136,090,792	\$134,951,582
Public Works Commission	\$127,231,281	\$155,795,600	\$128,723,600	\$244,868,400
Department of Administrative Services	\$101,114,240	\$165,453,196	\$118,666,269	\$148,794,238
Department of Development	\$86,829,045	\$98,291,872	\$104,746,423	\$118,159,705
Department of Natural Resources	\$105,171,248	\$102,062,629	\$71,388,706	\$90,395,966
Attorney General	\$45,702,754	\$47,159,119	\$44,203,589	\$44,203,589
Department of Veterans Services	\$28,372,724	\$31,860,716	\$34,865,444	\$39,490,944
Treasurer of State	\$29,624,212	\$30,000,557	\$29,318,459	\$29,318,459
Auditor of State	\$30,058,884	\$29,979,031	\$28,234,452	\$28,234,452
Ohio Cultural Facilities Commission	\$26,423,133	\$28,400,236	\$27,903,536	\$28,563,636
Legislative Service Commission	\$18,166,325	\$21,450,530	\$21,450,530	\$21,450,530
House of Representatives	\$17,777,755	\$18,517,093	\$18,517,093	\$18,517,093
Department of Agriculture	\$13,968,803	\$15,405,814	\$14,054,229	\$14,054,229
Senate	\$10,035,077	\$10,911,095	\$10,911,095	\$10,911,095
Controlling Board	\$0	\$41,108,386	\$10,475,000	\$10,475,000
Department of Transportation	\$17,473,349	\$14,081,656	\$10,159,194	\$10,160,116
Adjutant General	\$8,447,105	\$9,310,893	\$8,602,900	\$8,604,883
Ohio Historical Society	\$7,932,431	\$7,932,431	\$7,371,521	\$7,371,521
State Library Board	\$5,781,878	\$6,188,398	\$5,764,218	\$5,764,270
Public Defender Commission	\$20,401,806	\$16,770,040	\$5,663,922	\$6,674,425
Ohio Arts Council	\$7,947,714	\$6,594,290	\$5,305,704	\$5,305,704
Ohio Civil Rights Commission	\$4,688,215	\$4,897,185	\$4,635,023	\$4,635,023
State Employment Relations Board	\$3,599,902	\$3,863,612	\$3,758,869	\$3,761,457
Office of the Governor	\$2,683,730	\$2,855,832	\$2,679,886	\$2,682,632
Office of Budget and Management	\$2,197,922	\$2,806,845	\$2,668,310	\$2,378,166
Court of Claims	\$3,758,780	\$2,780,350	\$2,573,508	\$2,501,052
Secretary of State	\$2,445,779	\$2,540,705	\$2,378,226	\$2,378,226
Capitol Square Review and Advisory Board	\$1,772,033	\$1,838,171	\$1,801,408	\$1,801,408
Veterans' Organizations	\$1,798,081	\$1,798,082	\$1,708,178	\$1,708,178
Board of Tax Appeals	\$1,162,896	\$1,149,715	\$1,600,000	\$1,700,000
Commission on Minority Health	\$1,815,983	\$1,670,463	\$1,595,235	\$1,580,637
Ethics Commission	\$1,470,954	\$1,513,908	\$1,409,751	\$1,409,751
Inspector General	\$1,102,156	\$1,214,218	\$1,124,663	\$1,125,598
Judicial Conference of Ohio	\$789,121	\$800,000	\$720,000	\$720,000
Environmental Review Appeals Commission	\$460,187	\$487,000	\$580,145	\$545,530
Joint Legislative Ethics Committee	\$475,410	\$550,000	\$550,000	\$550,000
Joint Committee on Agency Rule Review	\$356,172	\$435,168	\$435,168	\$435,168
Commission on Hispanic/Latino Affairs	\$343,754	\$355,332	\$346,952	\$347,189
Ohio Elections Commission	\$338,325	\$343,420	\$333,117	\$333,117
Legal Rights Service	\$233,737	\$246,619	\$239,258	\$60,064
Commission on Service and Volunteerism	\$0	\$0	\$129,998	\$126,664
Ohioana Library Association	\$125,000	\$125,000	\$120,000	\$120,000
Air Quality Development Authority	\$9,073,332	\$9,678,102	\$0	\$0
Dispute Resolution and Conflict Management	\$238,985	\$0	\$0	\$0
Department of Commerce	\$1,240,063	\$0	\$0	\$0
Department of Public Safety	\$49,264	\$0	\$0	\$0
Expositions Commission	\$249,580	\$252,000	\$0	\$0
<b>TOTAL GRF</b>	<b>\$24,140,974,906</b>	<b>\$26,611,285,463</b>	<b>\$26,892,349,616</b>	<b>\$28,622,117,702</b>