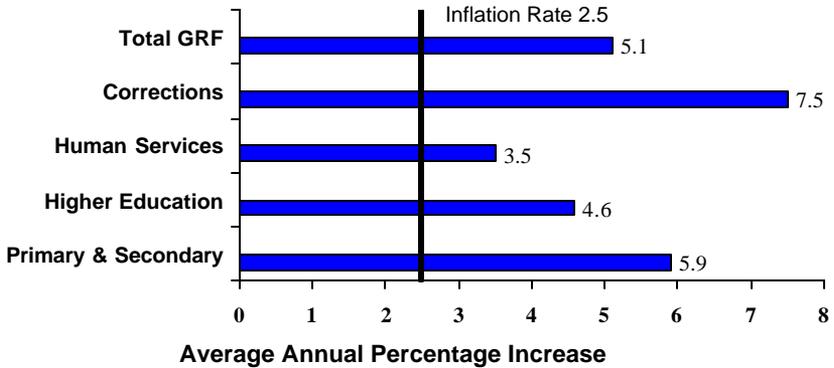


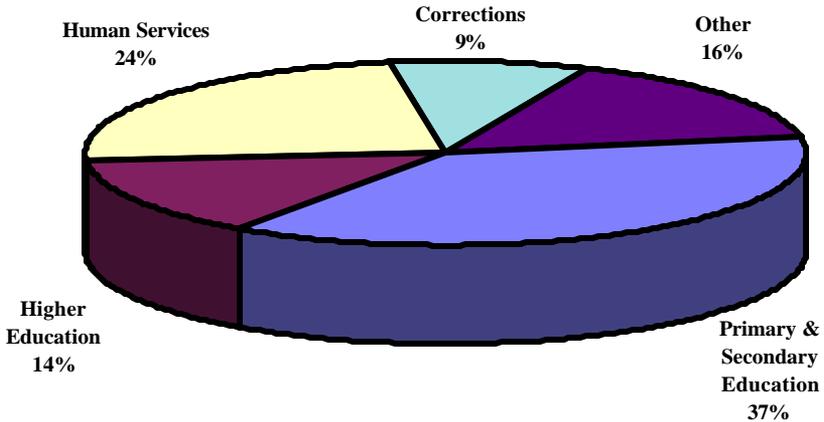
Spending Growth Varies Across Program Areas



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

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

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



State Spending in Millions

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

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

Although Taxes Have Increased Ohio is Still a Moderate Tax State

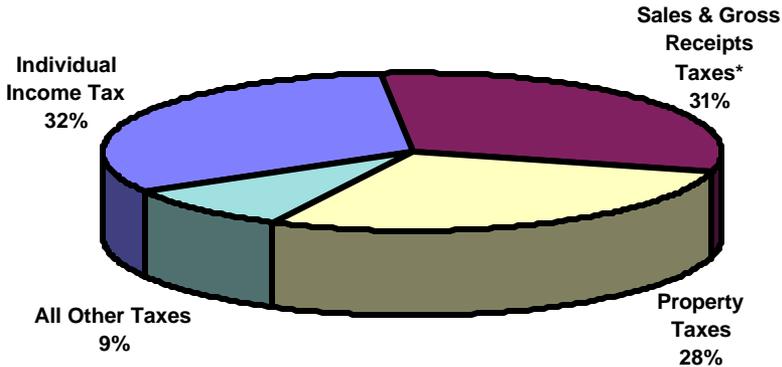
Comparative Tax Measures

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

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

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

Ohio State & Local Tax Revenues, FY 1996



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

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

Ohio Taxes Lower Than National Average But Greater Than Most Neighbors

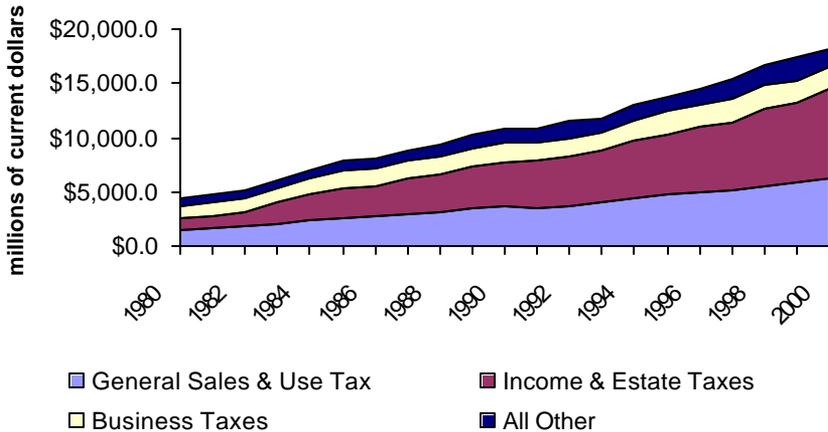
State and Local Taxes as a Percent of Income, FY1996

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

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

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

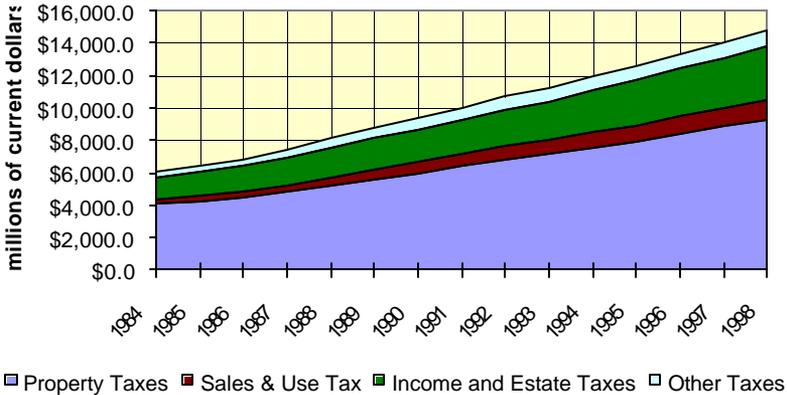
Ohio Own-Source Revenues, FY 1980-2000



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

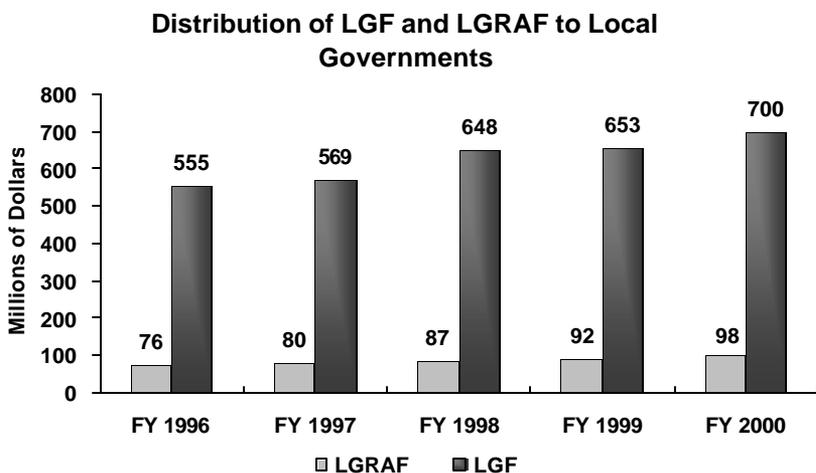
Local Property Taxes Are Still A Cash Cow

Ohio's Local Taxes, 1984-1998
No Adjustment for Inflation



- In 1998, \$14.8 billion in local taxes were collected. Property taxes yielded \$9.3 billion. Income and estate taxes generated \$3.3 billion. Sales and uses taxes yielded \$1.2 billion. Other taxes (alcohol, cigarette, lodging, motor vehicle fuel, and motor vehicle license) generated \$934 million.
- In 1998, property taxes accounted for 62.8 percent of local tax revenues. Income and estate taxes made up 22.6 percent. Sales and use taxes accounted for 8.3 percent. Other taxes yield the remaining 6.3 percent.
- Over the 10-year period from FY 1988 to FY 1998, there was a small shift away from reliance on the property tax and toward reliance on the permissive sales tax. However, the shift was very gradual: the property tax went from 64.1 percent of local revenue to 62.8 percent, and the sales tax grew from 6.6 percent of revenue to 8.3 percent.
- From 1988 to 1998, total local tax revenue grew at a compounded annual rate of 6.2 percent. Growth in property tax revenue was moderate, averaging 5.9 percent annually. Sales taxes revenues grew at a more rapid 8.6 percent annual rate. The income and estate taxes and all other taxes grew an average of 6.2 percent annually.

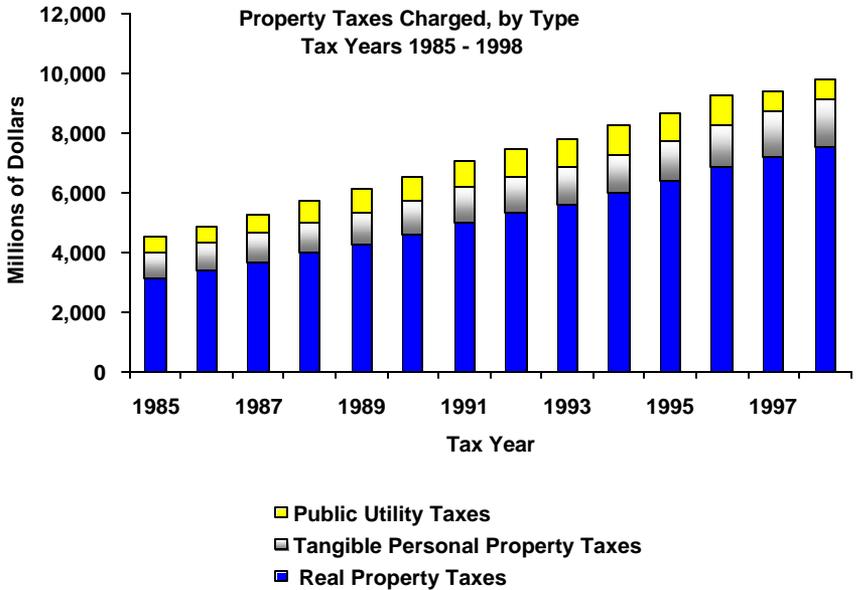
State-Shared Revenue Supports Local Governments



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

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

Historical Property Tax Collections



Percent Growth in Taxes, 1985-1998

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

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