



Ohio Facts

**Legislative Budget Office
December, 1998**



A Broad Overview of
Public Finance in Ohio

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Budget
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... a nonpartisan agency providing fiscal research for the Ohio General Assembly

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Dear Reader:

We are pleased to present *Ohio Facts*. The Legislative Budget Office has developed this booklet to address frequently asked questions and to provide a broad overview of public finance in Ohio. *Ohio Facts* highlights and draws attention to areas of importance. As such, the document is a starting point, not a comprehensive analysis.

In all instances, we have used the most up-to-date information available. In some areas we were able to use data from 1997 or 1998, but in others the most recent data was from 1994.

The Legislative Budget Office hopes that *Ohio Facts* will prove to be a valuable reference tool. If you have questions about any of the information displayed in this report, please contact our office at 614-466-8734.

Sincerely,

A handwritten signature in cursive script that reads "Dennis M. Morgan".

Dennis M. Morgan
Legislative Budget Officer

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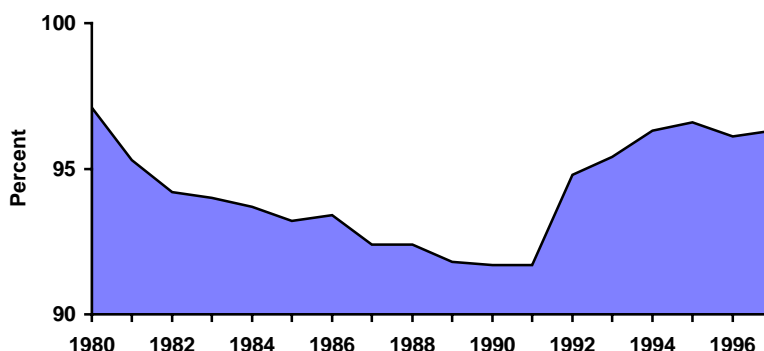
Ohio's Economy 2nd Largest in Midwest, 7th Largest in Nation

<i>Great Lakes States, 1996 Gross State Product</i>		
State	GSP in billions	National Rank
Illinois	\$370.8	4
Ohio	\$304.4	7
Michigan	\$263.3	9
Indiana	\$155.8	15
Wisconsin	\$139.2	20

- Ohio's 1996 Gross State Product (GSP) of \$304.4 billion made it the second largest economy in the Midwest (behind Illinois), the 7th largest in the United States, and the 18th largest in the world. Ohio's economy is bigger than Switzerland's but slightly smaller than Argentina's. Ohio's economy is more than half the size of that of its major trading partner, Canada.
- Over the 1986-1996 period, Ohio's real (inflation-adjusted) GSP grew by 25.5 percent, or 2.3 percent annually (average annual compounded growth rate). In contrast, U.S. real GDP grew by 28.5 percent, or 2.5 percent annually. Great Lakes region GSP grew by 28.8 percent, or 2.6 percent annually.
- Ohio's 1996 real GSP was 4.1 percent of the national total, down slightly from 4.2 percent in 1986. Ohio's manufacturing GSP was 6.1 percent of the national total, and its share of durable goods manufacturing was 7.0 percent.

Ohio Income Bounces Back, Holds Steady Against U.S. Average

**Ohio Per-Capita Income as a Percent of U.S.
1980-1997**



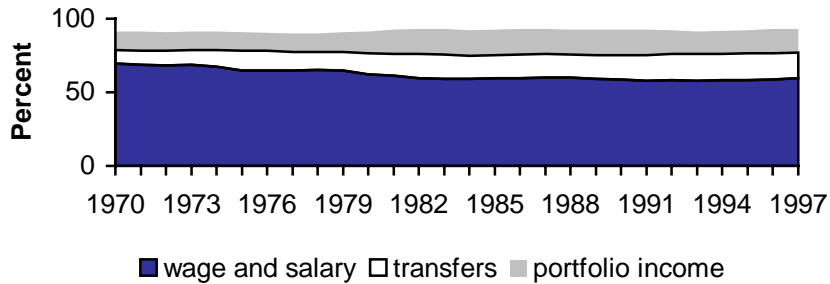
Great Lakes States, 1997 Per-Capita Income

State	GSP in Billions	National Rank
Illinois	28,202	8
Michigan	25,560	19
Ohio	24,661	22
Wisconsin	24,475	23
Indiana	23,604	30

- Ohio's per-capita income increased from \$9,738 in 1980 to \$24,661 in 1997. During that same period, U.S. per-capita income increased from \$10,030 to \$25,598.
- Ohio's per-capita income was 22nd in the nation in 1997. For the last few years, Ohio's per-capita income has held steady between 96 percent and 97 percent of the national average.
- Over the 1984-1996 period, median income grew from \$23,123 to \$34,070 in Ohio. U.S. median income grew from \$22,415 to \$35,492. Adjusted for inflation, U.S. median income rose by 4.9 percent, while Ohio median income fell by 2.4 percent.
- While Ohio's overall median income in 1996 was below the U.S. figure, median income for a family of four was \$51,835. The U.S. median is \$51,518.

The Changing Composition of Ohio Income

Ohio Personal Income, 1970-1997: Changes in Share by Component



- Over the long run, wages and salaries have been a declining portion of total income in Ohio. However, that trend has reversed in recent years with the improving economy. The wage and salary share of income reached its low point in 1993 (57.8 percent), at the same time that the transfer payment share hit its maximum. Since then, the wage and salary share has increased, hitting 59.4 percent in 1997, and the transfer share has decreased slightly.
- Transfer payments (income maintenance, retirement, disability, unemployment insurance, veterans' benefits, and medical insurance) increased from 8.8 percent of Ohio personal income in 1970 to 18.1 percent in 1993, before falling back to 17.7 percent in 1997.
- The composition of transfer payments has changed. Unemployment insurance, veterans' benefits, and income maintenance (welfare) have declined as a share of total income, while government medical insurance payments to individuals have increased sharply.
- Retirement and disability payments are still the majority of transfers, at roughly 53 percent. This figure has fallen from almost 60 percent in 1970. Government medical payments have increased from 11.5 percent of transfer payments in 1970, to 31.9 percent in 1997.
- Ohio transfer payments used to be a lower percentage of income than for the U.S. The recession that began in 1980 changed that, and Ohio's share of income from transfer payments has exceeded the U.S. share since then. Ohio's share of income from wages and salaries still exceeds the U.S. share, although the difference has shrunk over time.

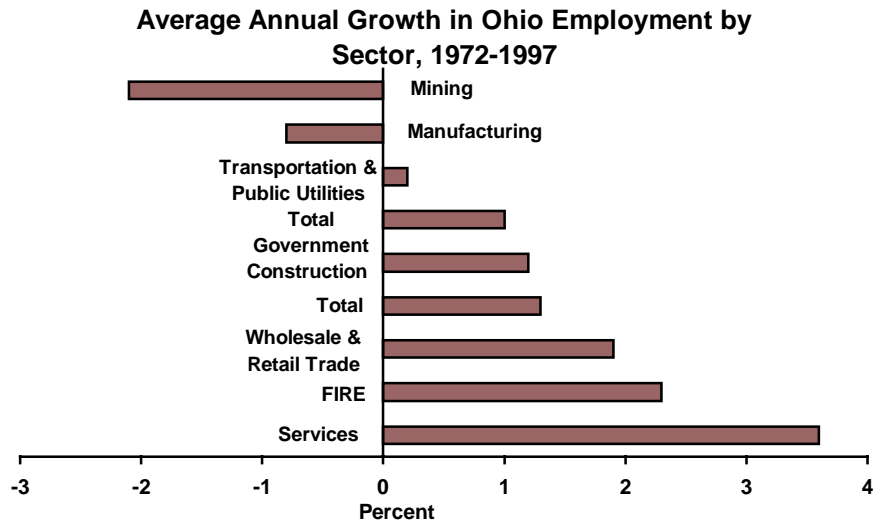
Manufacturing Still Heavy in Great Lakes

Manufacturing Output as a Share of Gross State Product

	1977 Share	Rank	1996 Share	Rank
Indiana	36.73%	2	31.67%	1
Kentucky	29.99	8	28.12	2
Wisconsin	33.05	6	27.74	3
Michigan	38.95	1	27.22	4
Ohio	35.60	4	27.16	5
North Carolina	33.74	5	26.97	6
South Carolina	30.81	7	26.56	7
Arkansas	25.70	16	24.63	8
Iowa	25.13	19	23.97	9
Mississippi	24.79	22	23.42	10
U.S. Average	23.35	----	17.46	----

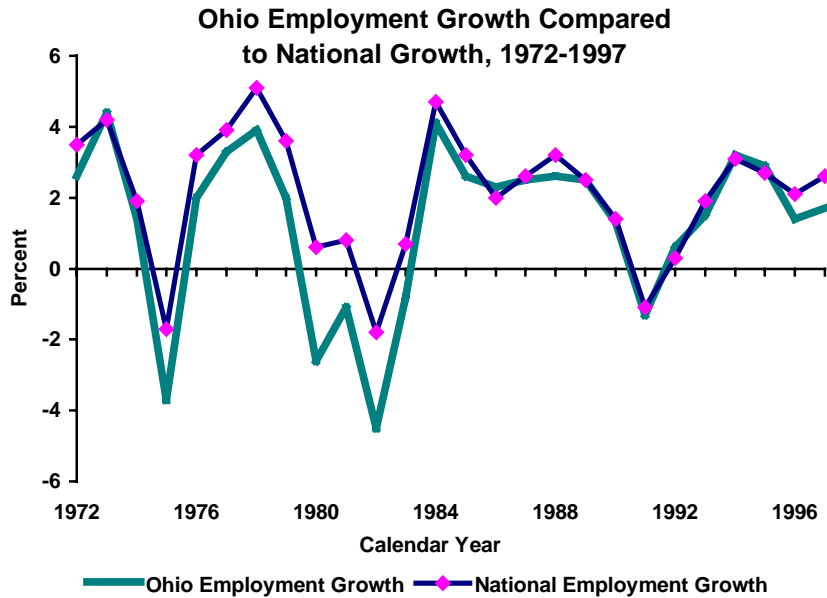
- The output of Ohio and the other Great Lakes states is still heavily concentrated in manufacturing, although services and trade now account for greater employment.
- The biggest contributors to Ohio GSP in 1996 were: manufacturing (27.2 percent); services (17.7 percent), finance, insurance, and real estate (15.3 percent); government (10.5 percent); and retail trade (9.2 percent).
- Ohio is not only concentrated in manufacturing, it is concentrated in durable goods manufacturing. In 1996, 66 percent of Ohio's manufacturing GSP came from durable goods. For the nation as a whole, the figure was 56 percent.
- Over the 1977-1996 period, while Ohio went from ranking 4th to 5th among the states in manufacturing concentration, it went from 33rd to 30th in terms of concentration in services. The share of Ohio's GSP coming from services rose from 11.0 percent to 17.7 percent.

Ohio Employment Moves Away From Manufacturing, Toward Services and Trade



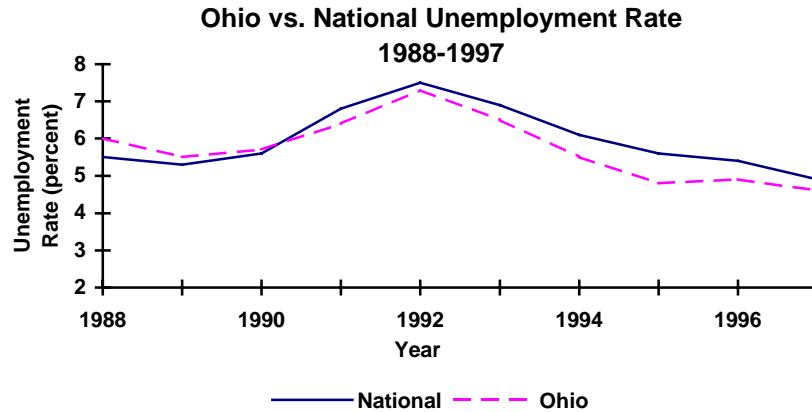
- Between 1972 and 1997, manufacturing employment in Ohio fell from 34.2 percent of wage and salary employment to 20.2 percent. During the same period, service jobs increased from 15.5 percent to 27.3 percent of wage and salary employment.
- Wholesale and retail trade also account for more Ohio employment than manufacturing, comprising 24.3 percent of wage and salary jobs in 1997.
- Ohio's four fastest growing sectors are quite different in their wage profiles. The fastest growing sector, services, has relatively low average pay, as does retail trade. Construction and Finance, Insurance, and Real Estate (FIRE), on the other hand, are relatively well-paid, although not as well as manufacturing. In 1996, average annual pay for Ohioans in the sectors with the most employment were: manufacturing, \$38,356; wholesale trade, \$36,423; services, \$24,238; and retail trade, \$14,126.
- Ohio's overall average annual pay in 1996 was less than the U.S. average; however, construction and manufacturing pay were higher than the U.S. average.
- Three sectors have reduced their share of Ohio employment since 1972: government, transportation and public utilities, and mining.

After Lagging the Nation, Ohio Employment Growth Catches Up Some in the 1990s



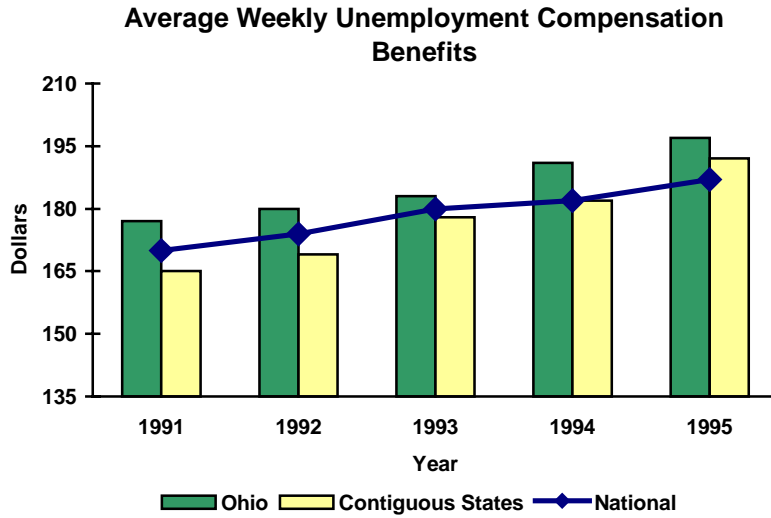
- From 1972 through 1991, Ohio had greater percentage growth in nonfarm payroll employment than the U.S. only twice: 1973 and 1986.
- From 1992 through 1995, Ohio employment growth topped the national figure three times. However, Ohio employment growth once again fell below national growth in 1996 and 1997.
- Over the last 6 years, Ohio's strongest growth has been in construction (average annual compounded growth of 3.8 percent), services (3.4 percent), and retail trade (2.2 percent). Although manufacturing has lost jobs over the long run, over the last 6 years jobs have grown by 0.4 percent annually.

Ohio's Unemployment Better Than National Rate



- Since 1991, Ohio's annual average unemployment rate has remained below the national average.
- A year later the average "stay" or length of unemployment in Ohio fell below the national average. This pattern continued for the following five years.
- At the end of 1997, Ohio's annual average unemployment rate was 4.6 percent compared to 4.9 percent at the national level. The average annual number of unemployed people in 1997 in Ohio totaled 262,280.
- Although the state's annual average unemployment rates have compared favorably to those of the nation, unemployment rates vary greatly among counties within the state. In 1997, 49 counties had average annual unemployment rates higher than the nation's; 38 counties were below national levels; and one county's rate matched the nation's.

Ohio Unemployment Benefits Exceed National Average



**Average Weekly Unemployment Compensation Benefits
1991-1995**

	1991	1992	1993	1994	1995
Ohio	\$177	\$180	\$183	\$191	\$197
Contiguous States	165	169	178	182	192
National	170	174	180	182	187
Indiana	112	126	142	158	179
Kentucky	145	144	156	159	167
Pennsylvania	197	201	210	212	219
West Virginia	160	163	167	167	172
Michigan	212	211	215	213	221

- Ohio's average unemployment benefits have exceeded the national average and were greater than the median benefits paid by its contiguous states for the period 1991-1995.

Ohio Ranks High in Exports

1997 Exports and Exports Per Capita

1997	Exports (millions of \$)	Rank	Exports Per Capita	Rank
U.S. Total	687,598	na	\$2,569	na
California	103,802	1	3,217	7
Texas	56,293	2	2,896	11
New York	48,885	3	2,695	14
Michigan	37,920	4	3,880	6
Illinois	34,225	5	2,877	12
Washington	31,746	6	5,658	3
Ohio	25,106	7	2,244	17
Florida	22,889	8	1,562	29
New Jersey	20,815	9	2,585	15
Pennsylvania	19,298	10	1,606	26

- Ohio's exports grew by almost 1.6 times the U.S. growth rate over the 1987-1997 period (288.1 percent vs. 181.3 percent). Ohio increased its share of total U.S. exports from 2.6 percent to 3.7 percent.
- Ohio's state rank in total export volume jumped from 11th in 1987 to 7th in 1997. Its per-capita export ranking improved from 26th to 17th.
- In 1997, Ohio had five export markets where dollar volume exceeded \$1 billion: Canada, France, Mexico, Japan, and the United Kingdom. Of these, Canada was by far the largest market, purchasing \$10.47 billion of Ohio's \$25.1 billion in exports, or almost 42 percent. Overall, Ohio exported to 192 countries in 1997.
- In 1996, 5 Ohio Metropolitan Statistical Areas (MSAs) were ranked in the top 70 MSAs nationally in export volume: Cleveland-Lorain-Elyria (23rd), Cincinnati (25th), Akron (51st), Dayton-Springfield (52nd), Columbus (69th).

International Trade Offices Now Cover Five Continents

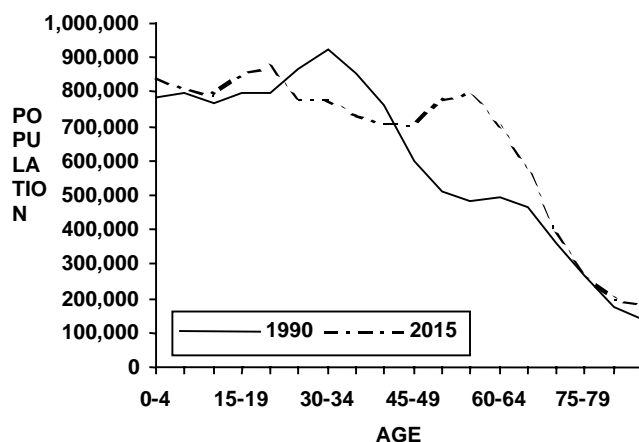
Location	Date Office Opened	Proposed FY 1999	% Change 1995-1999
Columbus, Ohio	Before July, 1975	\$2,895,727	56.3
Brussels, Belgium	July, 1976	366,904	-7.4
Hong Kong	May, 1990	405,563	53.8
Johannesburg, S. Africa*	July, 1998	149,321	n/a
Mexico, Distrito Federal	September, 1995	417,861	n/a
Sao Paolo, Brazil	July, 1997	50,000	n/a
Tel Aviv, Israel	September, 1995	343,655	n/a
Tokyo, Japan	July, 1976	421,815	-21.5
Toronto, Canada	October, 1990	187,154	30.7
Total – All Offices		\$5,238,000	63.3

*Previously, operations were located in Lagos, Nigeria, 1987-1992.

- Actual general revenue fund spending for Ohio's Department of Development International Trade activities totaled over \$5.2 million in FY 1998, a 63 percent increase from FY 1995 expenditures of \$3.2 million.
- In FY 1998, 2 new offices – Sao Paolo, Brazil and Johannesburg, South Africa—were opened, increasing the number of Ohio's off-shore trade office locations to eight. The "trade presence" office in Sao Paolo is a joint effort with three other Great Lakes States: Indiana, Pennsylvania and Wisconsin. The creation of the office in Johannesburg, which re-establishes Ohio's trade presence in Africa, is a joint effort with The Ohio State University.
- Since FY 1996, the establishment of offices in Mexico, Tel Aviv, Sao Paolo and Johannesburg has doubled Ohio's off-shore trade locations.
- In FY 1998, major Ohio trade missions have included trips to Canada and the A-B-C's of South America: Argentina (Buenos Aires), Brazil (Sao Paolo) and Chile (Santiago).

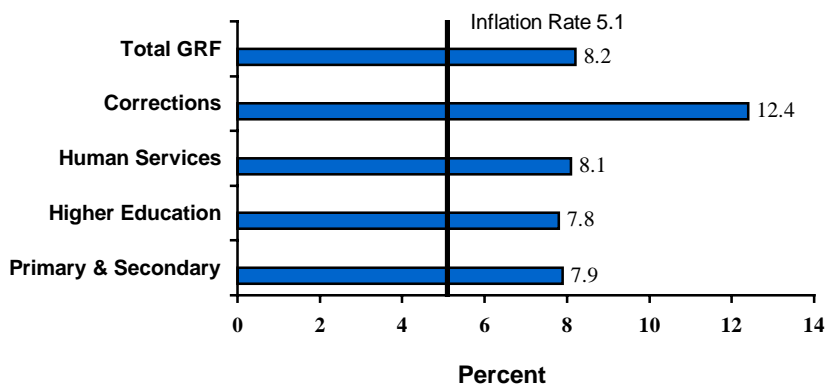
“Baby Boomers” Impact Ohio Demographics

1990 Census & 2015 Projections of Population by Age Group



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

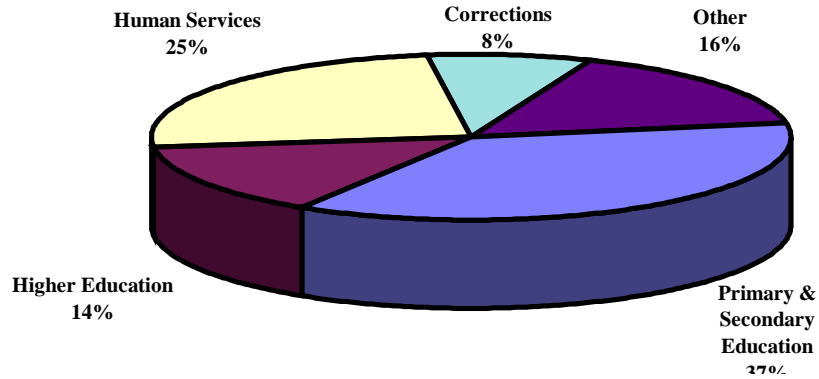
Spending Growth Varies Across Program Areas



- Over the period encompassing actual fiscal year 1975 expenditures through 1999 appropriations; GRF corrections spending, dominated by the Department of Rehabilitation and Correction, will have experienced a meteoric growth rate relative to most other areas of state spending. This growth is largely due to the combined effects of a steadily increasing inmate population and an aggressive prison construction program.
- From a fiscal perspective, the trade-off accompanying the higher annual growth rate associated with corrections spending are fairly obvious — more for some necessarily means less for others.
- These historical patterns are shifting as evidenced by the average growth rate for each program area during fiscal years 1998 and 1999: Corrections - 7.2 percent; Human Services - 3.6 percent; Higher Education 5.0 percent; and Primary and Secondary Education - 8.3 percent.

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

Spending as a Percent of the FY 1998 - 99 State Budget



State Spending in Millions

	1990-1991	1992-1993	1994-1995	1996-1997	1998-1999*
Primary & Secondary	7,936.6	8,331.2	9,015.9	10,067.4	11,715.5
Higher Education	3,361.4	3,300.0	3,649.2	4,087.8	4,520.2
Human Services	5,983.5	6,839.0	7,126.2	7,361.5	7,925.2
Corrections	1,116.4	1,319.5	1,744.5	2,265.6	2,668.6
Other	3,546.6	3,452.3	3,920.5	4,472.3	5,187.2

*FY 1998 appropriations are from the main appropriation acts of the 122nd General Assembly. FY 1999 appropriations include subsequent legislative actions, which provided additional funding for primary and secondary education and reduced appropriations in other categories.

- Total spending has grown 46 percent during the 1990's.
- Growth rates in spending for major categories are: Corrections, 139 percent; Human Services, 32.5 percent; Primary and Secondary Education, 47.6 percent; and Higher Education, 34.5 percent.
- The share of the biennial budget allocated to each of the major spending areas has changed in the 1990's by the following amounts: Primary and Secondary Education .4 percent increase; Higher Education 1.2 percent decline; Human Services 2.5 percent decline; Corrections 3.2 percent increase.

Although Taxes Have Increased Ohio is Still a Moderate Tax State

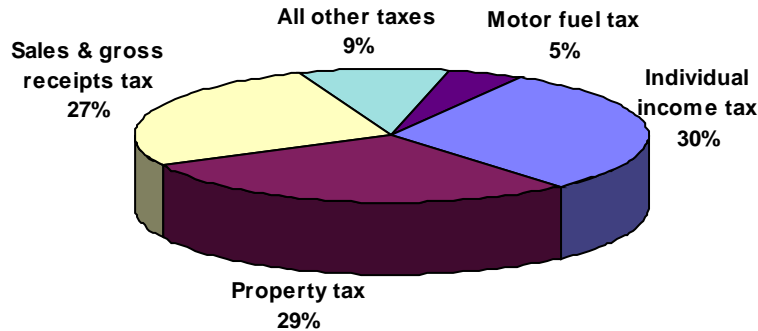
Comparative Tax Measures

FY 1995	Tax/Income Percentage	Rank	Taxes Per-Capita	Rank
National Average	11.7	na	\$2,514	na
Ohio	11.6	24	2,405	22
Neighboring States				
Indiana	11.0	39	2,201	34
Kentucky	11.9	16	2,101	38
Michigan	11.1	37	2,454	21
Pennsylvania	11.2	35	2,477	17
West Virginia	11.5	29	\$1,955	43

- Ohio is still below the national average in state and local taxes as a percentage of income, or in taxes per-capita. However, Ohio's rankings among the states increased substantially since FY 1993.
- Two years prior, Michigan had much higher taxes as a percentage of income than Ohio. This changed after Michigan scaled back its property taxes as part of its school finance reform.
- Although Ohio ranked 24th in taxes as a percentage of income, it ranked only 38th in total own-source revenue as a percentage of income. Ohio own-source state and local revenue was 15.8 percent of personal income in 1995, vs. 16.7 percent nationally. This indicates that Ohio collects relatively little non-tax revenue, through fees, charges, and assessments.
- Own-source revenues include taxes, governmental charges, and fees for services, as well as investment income and revenue from utility sales, but excludes federal grant money.

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

Ohio State & Local Tax Revenues, FY 1995



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

- Ohio state and local taxes are very evenly 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).
- Ohio’s per-capita state and local taxes were 4.3 percent below the national average in FY 1995. Ohio’s per-capita property taxes were 10.5 percent below the national average, and its sales and gross receipts taxes were 16.5 percent below. On the other hand, Ohio’s per-capita individual income tax collections were 39.5 percent above the national average, and its motor fuel taxes were 12.6 percent above.
- Taxes accounted for \$26.82 billion of Ohio’s own-source government revenues in FY 1995, while fees and other non-tax sources accounted for another \$10.03 billion, or 27.2 percent of the own-source total of \$36.85 billion. Fees and charges account for \$6.21 billion of the non-tax revenue. Educational institutions collect about 41 percent of the fee and charge revenue (about 4/5 through higher education). Hospitals collect another 21 percent, and about 18 percent comes from waste disposal charges.
- Besides fees and charges, the main sources of non-tax revenue to Ohio’s state and local governments are investment income (\$1.47 billion) and utility revenues (\$1.67 billion). Utility revenues, which are completely local, grew by 36.1 percent over the three years from FY 1992 to FY 1995.

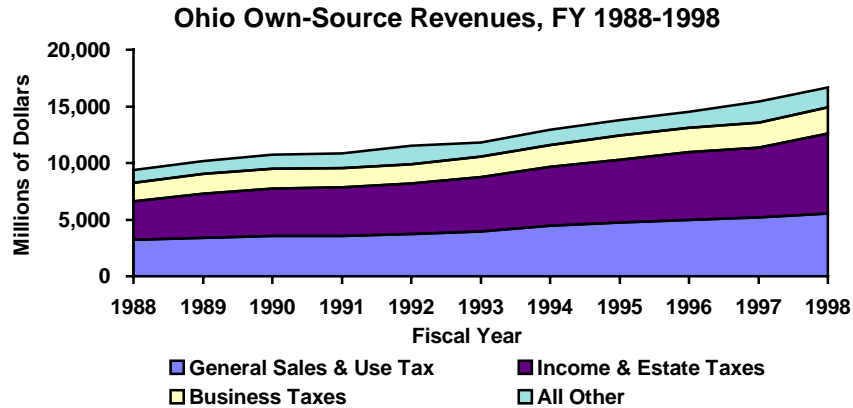
Ohio State and Local Taxes, by Type, Compared to Neighboring States (FY 1995)

State and Local Taxes as a Percent of Income

	U.S.	IN	KY	MI	OH	PA	WV
Total Taxes	11.7	11.0	11.9	11.1	11.6	11.2	11.5
Property tax	3.6	3.6	1.9	3.1	3.3	3.2	2.2
Sales & gross receipts	4.2	3.1	4.5	3.7	3.6	3.3	4.8
General sales	2.8	2.3	2.5	2.8	2.4	2.1	2.5
Selective sales taxes	1.4	0.8	2.0	0.9	1.2	1.2	2.2
Individual income	2.4	3.1	3.6	2.8	3.5	2.6	2.3
Corporate income	0.6	0.8	0.5	1.0	0.3	0.7	0.7
Other taxes	0.7	0.2	1.2	0.3	0.5	1.2	1.2

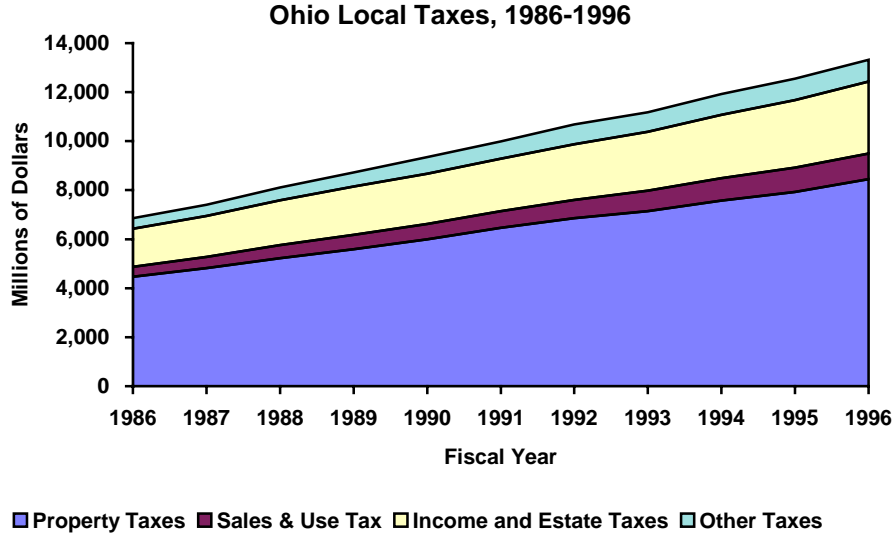
- Ohio's state and local taxes as a percentage of income were lower than all its neighboring states except Indiana in FY 1993. By FY 1995, Ohio was slightly higher than all its neighboring states except Kentucky. However, Ohio remained below the U.S. average.
- Ohio has low to average sales taxes and property taxes. The place where its taxes stand out as being high relative to its neighbors, and to the U.S. average, is in the individual income tax.
- Ohio's graduated income tax allows it to score well relative to other states in terms of the progressivity of its tax system (burden on rich taxpayers relative to poor ones). It also makes its system relatively well balanced between income, sales, and property. However, it may act as a negative factor in economic development.

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



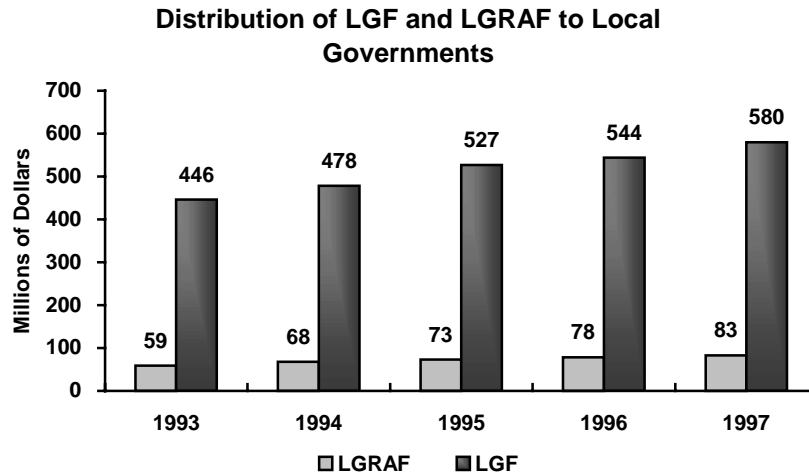
- In FY 1998, total state revenue was \$16.7 billion. This figure includes tax and non-tax revenue. The personal income tax (\$6.9 billion + \$235 million in ITRF transfers) and the general sales and use tax (\$5.5 billion) were the most important revenue sources, accounting for 76 percent of state revenue. Lottery profits were the biggest source of non-tax revenue, at \$723.9 million.
- From FY 1988 to FY 1998, state own-source revenues increased at a compounded annual growth rate of 5.9 percent. Inflation-adjusted growth over the period was 2.4 percent compounded annually.
- Most of the growth in state revenue since 1971 is from the personal income tax, which was adopted in 1971 and first collected in FY 1972. Ohio's corporate franchise tax was changed to include a net income basis at the same time.
- After the adoption of the income tax, several changes to the base and the rates were made. The largest changes were made in 1982-83, when rates were increased and new tax brackets were added. For the first 9 full years of the income tax, annual revenues increased by \$0.9 billion. After the rate increases, annual collections grew by \$3.0 billion over the next 9 years.
- 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 26 percent of total state revenue in FY 1979; they were less than 14 percent in FY 1998.

Local Property Taxes Are Still A Cash Cow



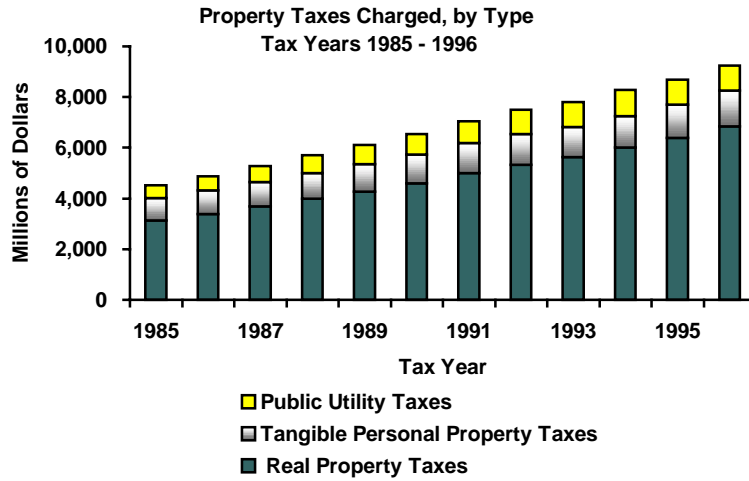
- In 1996, \$13.3 billion in local taxes were collected. Property taxes yielded \$8.4 billion. Income and estate taxes generated \$2.9 billion. Sales and uses taxes yielded \$1.1 billion. Other taxes (alcohol, cigarette, lodging, motor vehicle fuel, and motor vehicle license) generated \$885 million.
- In 1996, property taxes accounted for 63.4 percent of local tax revenues. Income and estate taxes made up 22.1 percent. Sales and use taxes accounted for 7.9 percent. Other taxes yield the remaining 6.6 percent.
- Over the 10 year period from FY 1986 to FY 1996, 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 65.1 percent of local revenue to 63.4 percent, and the sales tax grew from 6.0 percent of revenue to 7.9 percent.
- From 1986 to 1996, total local tax revenue grew at a compounded annual rate of 6.9 percent. Growth in property tax and income and estate tax revenue was moderate, both averaging 6.6 percent annually. As more counties adopted or increased sales taxes, those revenues grew at 10.0 percent annually. Finally, all other taxes grew an average of 7.3 percent.

State-Shared Revenue Supports Local Governments



- Over the past five years local governments have received more than \$2.5 billion dollars from the state through the Local Government Fund (LGF) and more than \$360 million dollars from the Local Government Revenue Assistance fund (LGRAF).
- In 1995, approximately \$600 million dollars combined from the LGF and LGRAF was distributed to Ohio's local governments. Of that total, almost \$336 million ultimately went to municipalities, over \$206 million went to counties, nearly \$47 million went to townships, and about \$11 million was provided to certain county park districts.
- On average in 1995, each county in Ohio received more than \$2.3 million, each municipality received almost \$358,000, and each township received approximately \$36,000.
- The ultimate disposition of LGF and LGRAF moneys in 1995 resulted in Ohio's municipalities receiving about 56 percent of the total disbursed, counties receiving 34 percent, townships receiving 8 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

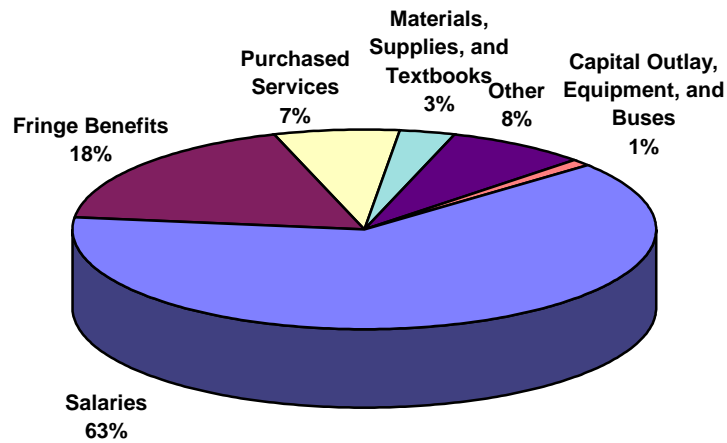


Percent Growth in Taxes, 1985-1996

	Real Property Taxes	Tangible Personal Property Taxes	Public Utility Taxes	Total
Overall	118.0	63.8	96.6	105.1
Annualized	7.3	4.6	6.5	6.8

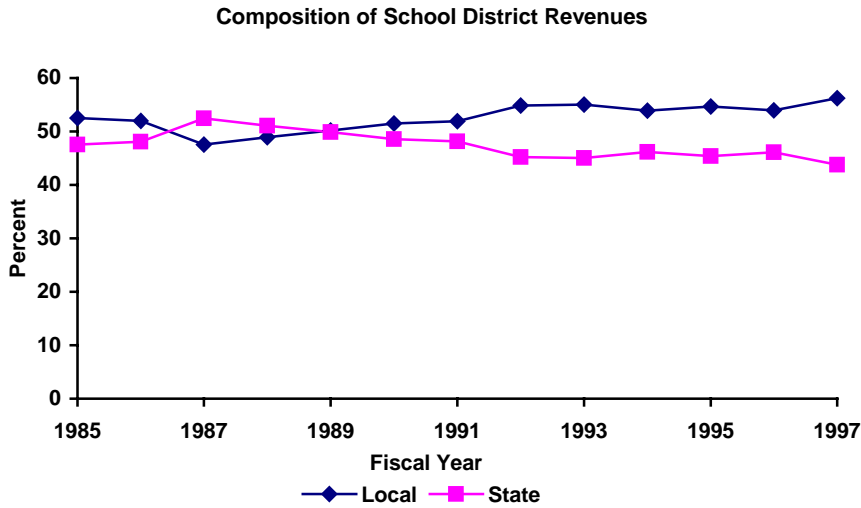
- Despite the restrictions in real property tax growth, taxes charged have increased by 118 percent since 1985, larger than any other class of property tax.
- Tangible personal property assessment rates have fallen from 33 percent of value in 1985 to 25 percent of value in 1998, reducing the growth rate 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.

81% of a Typical School Budget is Spent on Salaries and Fringe Benefits



- Salaries and fringe benefits account for approximately 81 percent of school district budgets statewide.
- The percent of school budgets devoted to fringe benefits has increased dramatically in recent years, and amounts to 28.5 percent of the cost of salaries.
- On average, joint vocational school districts devote a smaller percent of their budgets (56.1 percent) for salaries than city, local and exempted village school districts (63 percent), and commit a higher percentage for capital outlay, equipment and buses, and materials, supplies and textbooks.
- The “other “ category includes expenditures for the redemption of notes, transfers out, auditor and treasurers’ fees, and liability insurance.
- Under Sub. H.B. 412 of the 122nd General Assembly, school districts are required to set aside four percent of their operating revenues for textbooks and instructional materials. The legislation also requires districts to set aside 4 percent of their general fund revenues for capital and maintenance needs.

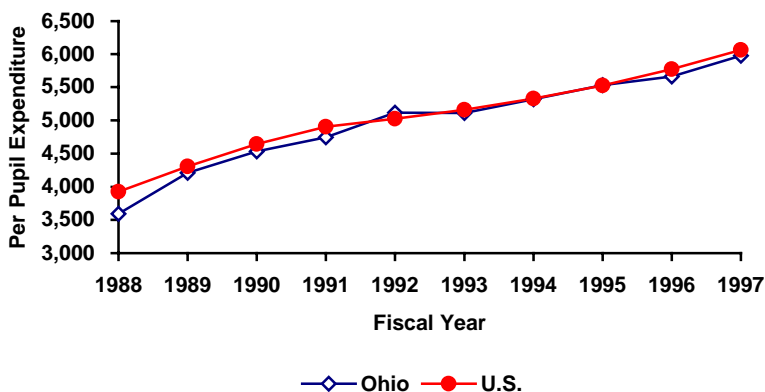
School Districts' Revenues: More Local Than State



- During the past decade, Ohio's school districts have obtained an increasing proportion of their revenues from local sources than from state sources.
- In FY 1997, of the combined state and local revenues to the districts, the proportions were approximately 56.2% local (chiefly property taxes and local income taxes) and 43.8% state.
- In FY 1997 the total amount of local, state and federal funds expended on education was just above \$10 billion. It was the state's first \$10 billion year in education funding.
- In recent years, the proportion of school district revenues from federal sources has remained approximately level at about 6% of the overall total.

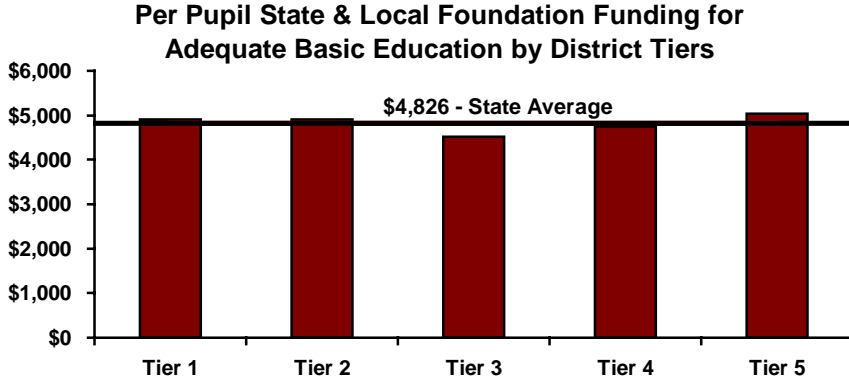
Ohio's Per Pupil Expenditures Increasing Along With National Average

Per Pupil Expenditure for Ohio and U.S.



- Ohio's per pupil expenditures increased from 8 percent below the national average in FY 1988 to 2 percent above the national average in FY 1992, then changed to the national average level in FY 1995, and fell to estimated 1 percent below the national average in FY 1997.
- Ohio's per pupil expenditure ranking in the nation accordingly changed from 30th in FY 1988 to 18th in FY 1992, to 23rd in FY 1995, and to 24th in FY 1997.
- In FY 1997, Ohio's per pupil expenditures were higher than Indiana, Kentucky, Minnesota, and Tennessee, but lower than Illinois, Michigan, Pennsylvania, West Virginia, and Wisconsin.

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

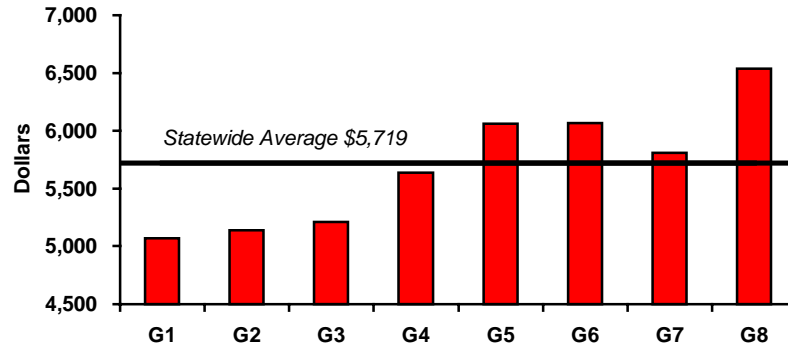


FY 1999 (estimate)	Adjusted Recognized Valuation Per Pupil	Per Pupil State & Local Foundation Funding	ADC/TANF Students %
Tier 1	\$51,459	\$4,916	20.7
Tier 2	70,019	4,905	25.2
Tier 3	89,636	4,521	7.9
Tier 4	111,512	4,752	15.9
Tier 5	164,863	5,037	4.2
State Average	\$97,086	\$4,826	14.9

- To create the tiers, school districts are first ranked from the lowest to the highest in adjusted recognized valuation per pupil. Districts are then grouped into five tiers and each tier includes approximately 20 percent of total statewide ADM. Funding amounts are then calculated under the state foundation program. Other funding is excluded.
- Valuation per pupil is the most important indicator of each district's ability to provide education. Due to the uneven distribution of taxable property, valuation per pupil varies from \$51,459 for tier 1 to \$164,863 for tier 5.
- The state shares of total foundation funding for district tiers 1 to 5 are 74 percent, 65 percent, 52 percent, 43 percent, and 21 percent respectively. Equalized state aid has ensured the same basic education funding for every student in every district regardless the district's property wealth. The funding is equalized at 23 mills of local share. While valuations per pupil vary significantly, there is little difference in the total amount of per pupil state and local foundation funding among the five district tiers.

Per Pupil Operating Expenditure Varies Across Ohio

Adjusted Expenditures Per Pupil by District Comparison Groups, FY 1997

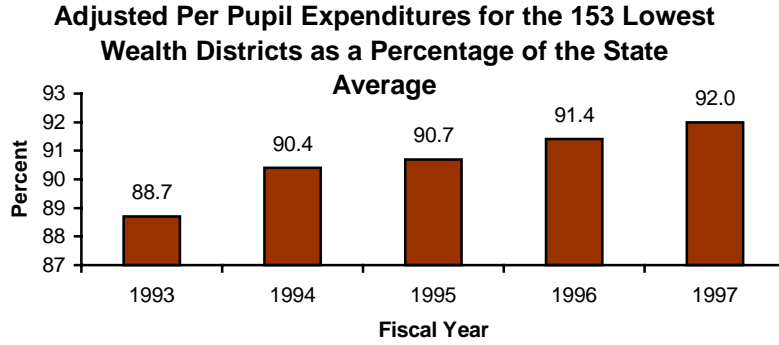


Group Type	Description	ADM % FY97	No. of Districts
G1 - Rural	Very low SES*, very high poverty	7.2	78
G2 - Small Rural	Low SES, low poverty	10.9	157
G3 - Rural Town	Average SES, average poverty	13.7	123
G4 - Urban	Low SES, high poverty	9.5	67
G5 - Large Urban	Average SES, high poverty	11.1	44
G6 - Major Urban	Very high poverty	19.7	14
G7 - Suburban	High SES, moderate poverty	20.0	89
G8 - Suburban	Very high SES, low poverty	7.8	35

*Socio-economic status

- The Ohio Department of Education clusters school districts throughout the state as a means to compare districts with similar socio-economic characteristics. While per pupil expenditures vary significantly, the pattern of allocation in all types of districts is similar. Instruction costs represent approximately 57 percent of total adjusted operating expenditures in all districts in Ohio.
- In FY 1997, the statewide weighted average per pupil expenditures was \$5,719. Approximately 87 percent of districts spent within a band of between 20 percent below the average (\$4,575) and 20 percent above the average (\$6,863) per pupil.

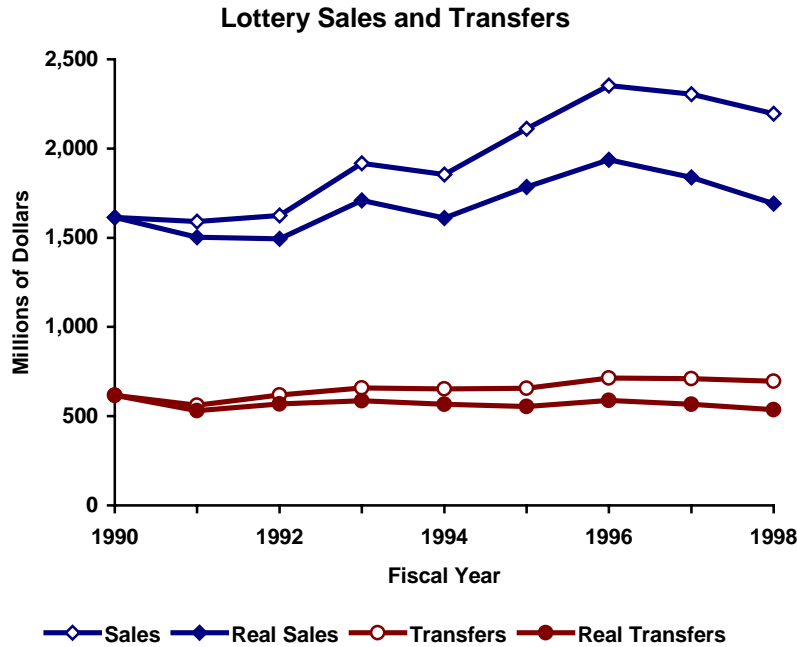
Equity Aid Brings Up Low Wealth School Districts'



	FY93	FY94	FY95	FY96	FY97
Per Pupil Equity Aid					
The 153 Lowest Wealth SDs	\$159	\$211	\$245	\$269	\$286
Per Pupil Expenditures					
The 153 Lowest Wealth SDs	4,417	4,681	4,837	5,032	5,295
State	4,978	5,177	5,333	5,506	5,755
Annual % Change					
The 153 Lowest Wealth SDs	-	6.0	3.3	4.0	5.2
State	-	4.0	3.0	3.2	4.5

- School districts were first ranked from the lowest to the highest in valuations per pupil every year. The weighted average per pupil expenditures for the 153 lowest wealth school districts and the state average were then calculated. The analysis includes 600 school districts.
- Equity aid was established in FY 1993 as an interim mechanism to target more state moneys for the low wealth districts. Equity aid has clearly increased low wealth school districts' expenditures per pupil. The average per pupil expenditures for the 153 lowest wealth districts as a percentage of the state average increased from 88.7 percent in FY 1993 to 92.0 percent in FY 1997.
- The 122nd General Assembly has established an adequate education base cost per pupil by using a rational outcome base methodology. The General Assembly intends to bring every district up to the adequate education level with the 23 mill equalized local share. With this change the necessity of equity aid no longer exists. Therefore, equity aid will be fully phased out in FY 2002 when the adequate education base cost per pupil is fully phased in.

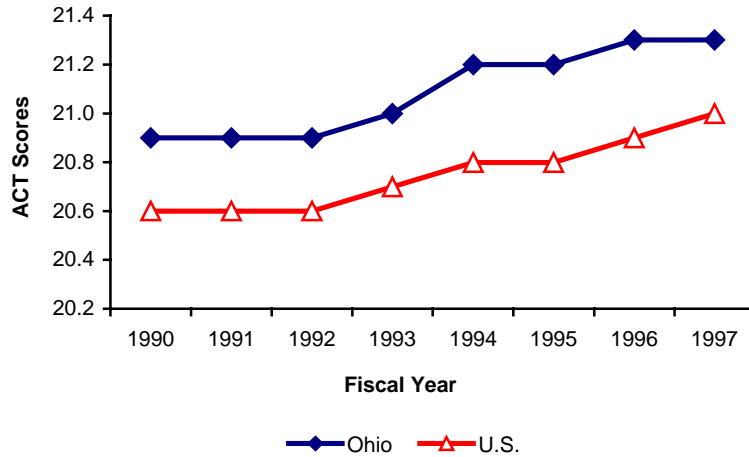
Lottery Sales Decline From 1996 Peak



- During the 1990's, lottery sales grew from \$1.6 billion in FY 1990 to a peak of \$2.4 billion in FY 1996 before falling to \$2.2 billion in FY 1998.
- Although sales grew by 36 percent between FY 1990 and FY 1998, in real terms (adjusted for inflation) sales have grown by just 6 percent, from \$1.6 billion to \$1.7 billion in 1990 dollars.
- Transfers to education grew from \$616 million in FY 1990 to a peak of \$714 million in FY 1996 before falling to \$695 million in FY 1998.
- Although transfers grew by 13 percent between FY 1990 and FY 1998, in real terms transfers have fallen by 13 percent, from \$616 million to \$536 million in 1990 dollars.
- Sales have decreased 8 percent from their peak in FY 1996. This decline is attributed to increased competition in the gaming industry. This competition comes from riverboats in Indiana and Kentucky, casinos in Michigan and Canada, and enhanced racetracks in West Virginia.

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

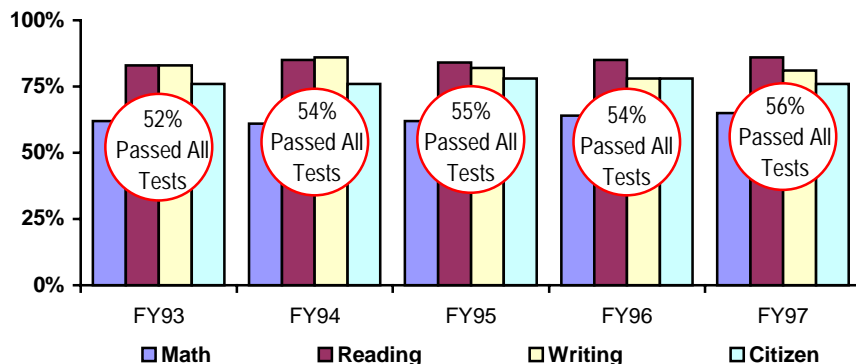
ACT Scores for Ohio and the U.S.



- ACT and SAT scores are indicators to help predict how well students will perform in college. ACT and SAT scores for Ohio high school graduates have been consistently higher than the national average since FY 1990.
- From FY 1990 to FY 1997, approximately 60 percent of Ohio high school graduates took the ACT test each year and 24 percent of high school graduates took the SAT test each year.
- Ohio SAT scores increased from 1,048 in FY 1990 to 1,071 in FY 1997.
- SAT scores nationwide increased from 1,001 in FY 1990 to 1,016 in FY 1997.
- School districts in Ohio were required to offer the post-secondary enrollment options program beginning in FY 1992. The program provides an opportunity for 11th and 12th graders to enroll in post-secondary courses for high school and/or college credits. The post-secondary enrollment participation rates increased from 0.8 percent of 11th and 12th graders in FY 1993 to 1.8 percent in FY 1997. Beginning in FY 1999, the post-secondary enrollment options program will also be available to 9th and 10th graders.

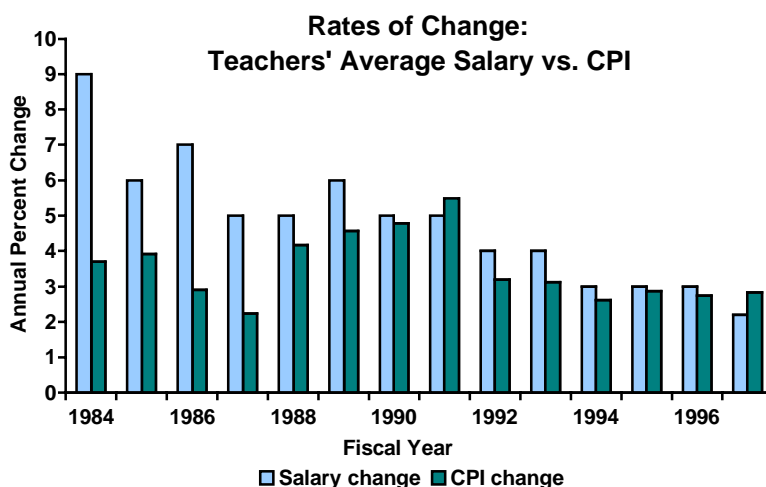
Ninth Grade Proficiency Test Results Show Improvements

Public School 9th Graders' Cumulative Passage Rates for the Ohio 9th Grade Proficiency Tests



- The percentage of Ohio public school 9th graders passing all four 9th grade proficiency tests by the end of the 9th grade increased from 52 percent in FY 1993 to 56 percent in FY 1997. Public school students have to attain the 9th grade level on the tests in order to receive a high school diploma. Beginning in FY 1999, this graduation requirement will apply to chartered nonpublic school students. Beginning in FY 2001, students in public and chartered nonpublic school will also be required to attain a 9th grade level on the science test in order to receive a high school diploma.
- Public school 9th graders have made improvements in the mathematics and reading test areas. The percentages of 9th graders passing the mathematics and reading tests increased from 62 percent in FY 1993 to 65 percent in FY 1997 and from 83 percent in FY 1993 to 86 percent in FY 1997 respectively. However, the percentage of 9th graders passing the citizenship test remained steady and the writing test passage rate declined from 83 percent in FY 1993 to 81 percent in FY 1997.
- Am. Sub. S.B. 55 of the 122nd General Assembly phases out the 9th grade proficiency tests and replaces with the 10th grade proficiency tests. The 10th grade proficiency tests will be given beginning in FY 2001. Until FY 2004, passing all five 9th grade proficiency tests will continue to be a high school graduation requirement. Beginning in FY 2005, passage of all five 10th grade proficiency tests will be a requirement for a high school diploma.

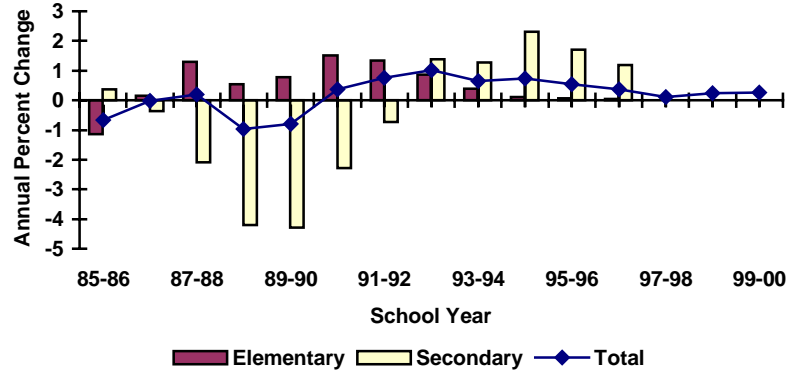
Teachers' Salary Increases: Moderating To Match Inflation



- The increases in Ohio teachers' average salary have moderated during the past fourteen fiscal years. For most of that time, teachers' average salary had increased at rates exceeding inflation. However, in the past few years the salary rates have more closely approximated the rates of inflation.
- In fiscal year 1997, for the first time since 1991, the rate of increase in the average salary for Ohio teachers fell below the rate of inflation.
- The average salary was approximately \$21,900 in fiscal year 1984 and \$38,900 in 1997; it is estimated to be \$39,800 for fiscal year 1998.
- In 1995 the Ohio teachers' average salary surpassed the average for all U.S. teachers. The Ohio average rose further in the next two years to exceed the U.S. average by 0.8 percent in 1997. Historically the Ohio average has been at least 95 percent of the U.S. average; since 1992 it has been at least 98.5 percent of the U.S. average.
- The average salary for beginning teachers in 1998 was \$22,500 for teachers with bachelor's degrees and \$24,910 for those with master's degrees. These salaries were, respectively, 1.8 percent and 1.5 percent higher than in 1997, as compared to the inflation rate of 1.8 percent.

K-12 Enrollment: The Increases Have Moderated

Rates of Change in Statewide School District Enrollments



- Total enrollment in Ohio schools will increase only moderately through the 1999-2000 school year. The annual rate of increase will be less than 0.5 percent.
- From 1985-86 to 1996-97, total public school enrollment grew by only 1.3 percent, from 1,793,900 students (1,206,200 elementary and 587,800 secondary) to 1,817,200 students (1,273,600 and 543,500).
- In recent years enrollment in secondary schools (grades 9-12) has grown faster than that in elementary schools (K-8), although this trend is moderating.
- The ethnic composition of K-12 enrollment has remained essentially the same for the past decade. In 1996-97 the enrollment was 81.4 percent white, 15.4 percent black, 1.4 percent Hispanic and 1.7 percent other (Asian, Indian, multiracial, et al.).
- A one percent increase in enrollment would require an increase of approximately \$100 million in total school district expenditures in order to maintain the 1996-97 average rate of expenditure (approximately \$5,700 per pupil).

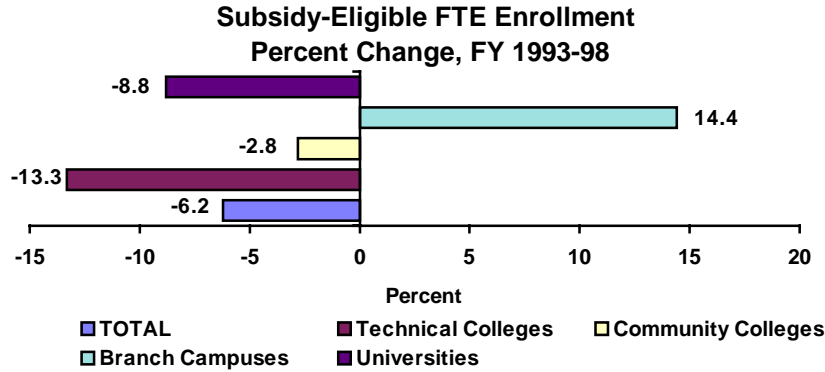
Recent Fee Increases Outpace Inflation in Most Sectors

**Annual, Full-time
Undergraduate Fees
FY 1996 - FY 1998**

	Percent Change				
	1995-96	1996-97	1997-98	96-97	97-98
Universities	\$3,556	\$3,767	\$3,943	5.9	4.7
Branch Campuses	3,007	3,133	3,194	4.2	1.9
Community Colleges	2,098	2,179	2,234	3.9	2.5
Technical Colleges	2,250	2,342	2,410	4.1	2.9
CPI				2.8	1.8

- In the FY 1997-1998 biennium, fee increases are again capped at 6 percent in each fiscal year, as they were in the previous biennium.
- Generally, recent fee increases have exceeded Consumer Price Index (CPI) changes which are under 3 percent in fiscal years 1997 and 1998. The exception is that Branch Campus tuition increases were only 1/10th of one per cent above the CPI in academic year 1997-98. The rate of growth in in-state and in-district fees has slowed markedly from 1997 to 1998 as compared to 1996 to 1997.
- According to the College Board Annual Survey of Colleges, the 1996-97 national average tuition and fees for four-year public institutions was \$2,966. Ohio's average for the same year was approximately 27 percent higher or \$3,767.
- The average tuition charged by Ohio's public community colleges is high by national standards. According to the College Board Annual Survey of Colleges, the 1996-97 national average tuition and fees for two-year public institutions was \$1,394. Ohio's average for its community and technical colleges for the same year was approximately 62 percent higher or \$2,261.

Higher Education Enrollments Continue to Decline



Subsidy-Eligible FTE Enrollment by Sector

	1993	1994	1995	1996	1997	1998	
Universities	221,843	217,144	212,855	207,094	204,888	202,378	
% Change		-1.7	-2.1	-2.0	-2.7	-1.1	-1.2
Branch Campuses	23,246	23,306	22,990	25,053	26,209	26,584	
% Change		1.8	0.3	-1.4	9.0	4.6	1.4
Community Colleges	66,867	66,192	65,464	64,153	63,149	64,982	
% Change		6.9	-1.0	-1.1	-2.0	-1.6	2.9
Technical Colleges	19,335	19,718	18,064	17,512	16,586	16,757	
% Change		4.6	2.0	-8.4	-3.1	-5.3	1.0
TOTAL	331,291	326,360	319,373	313,812	310,832	310,701	
% Change		0.5	-1.5	-2.1	-1.7	-0.9	0.0

- System-wide, public institution enrollments have declined by about 20,590 subsidy eligible full-time equivalent (FTE) since fiscal year 1993.
- The declines have been due to several factors including the waning size of high school classes, demographic shifts, and the impact of an improving economy.
- Community college enrollment increased from 56,754 in 1991 to 66,867 in 1993. From 1993 through 1998 this sector's enrollment has declined by 1,885 subsidy eligible FTE or 2.8 percent.
- Branch campus enrollments were the only sector to grow over the period. They had 14.4 percent growth from 1993 to 1998.

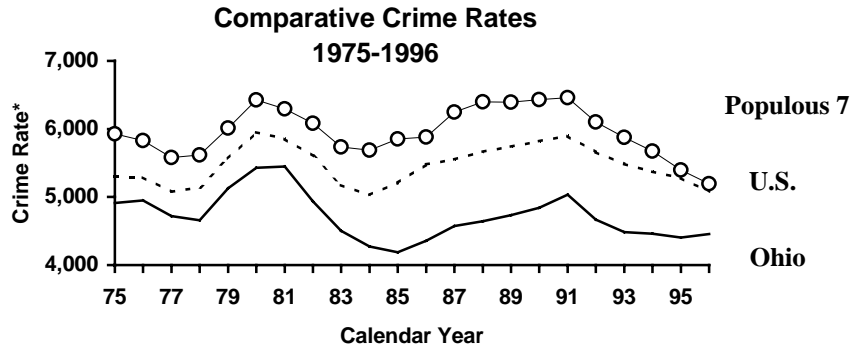
Recovery of State Support Continues After Budget Cuts in Early 1990s

	Instructional Subsidy/FTE					
	(Inflation Adjusted Dollars)					
	1993	1994	1995	1996	1997	1998
Universities	\$3,934	\$4,116	\$4,312	\$4,528	\$4,620	\$4,807
Community Colleges	1,944	2,107	2,227	2,390	2,470	2,459
Technical Colleges	2,026	2,268	2,410	2,607	2,782	2,798
Branch Campuses	1,967	2,002	2,118	2,346	2,359	2,425
Average	3,283	3,445	3,602	3,810	3,895	4,004
% Change	-6.6	4.9	4.5	5.8	2.2	2.8

* Base Year for inflation adjustment is FY 1991, when cuts began

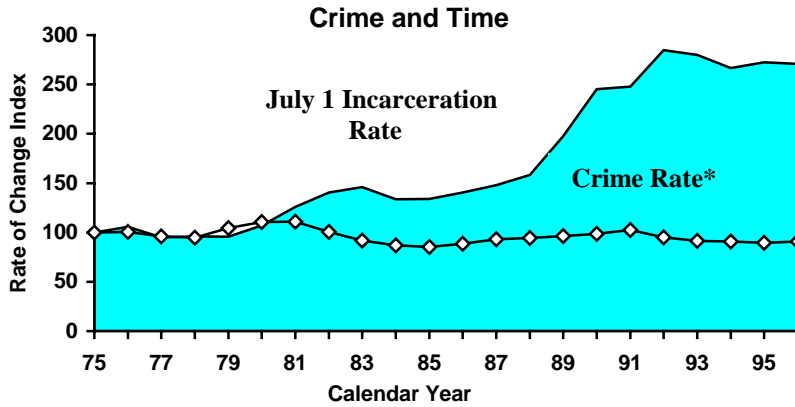
- The universities' state subsidy is significantly higher than for the two-year sector. This subsidy includes the higher cost Baccalaureate, Doctoral and Medical models. The state also subsidizes resident and non-resident masters, professional and doctoral students.
- The state subsidizes a higher percentage of costs for the Technical and Baccalaureate models than for the lower cost General Studies models. In FY 1997, the student share of costs was 58.7 percent for the General Studies models as compared to 39.8 percent for the Baccalaureate models.
- From fiscal year 1991 to 1993, the inflation-adjusted subsidy per FTE fell by 13.9 percent on average. State support began rising in fiscal year 1994, and has increased continually since then. In FY 1998, the overall average subsidy finally recovered its pre-recession peak, although that is not the case for the two-year campus averages.

Crime and Punishment



*UCR Index Crimes per 100,000 population

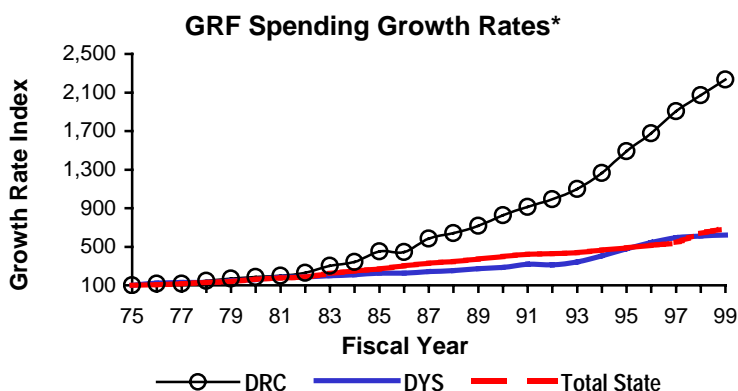
- Although Ohio's crime rate generally mirrors the cyclical pattern of the nation as a whole, as well as the average for the seven other most populous states (CA, FL, IL, MI, NY, PA, TX), it also consistently exhibits a relatively lower crime rate.



*UCR Index Crimes per 100,000 population

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

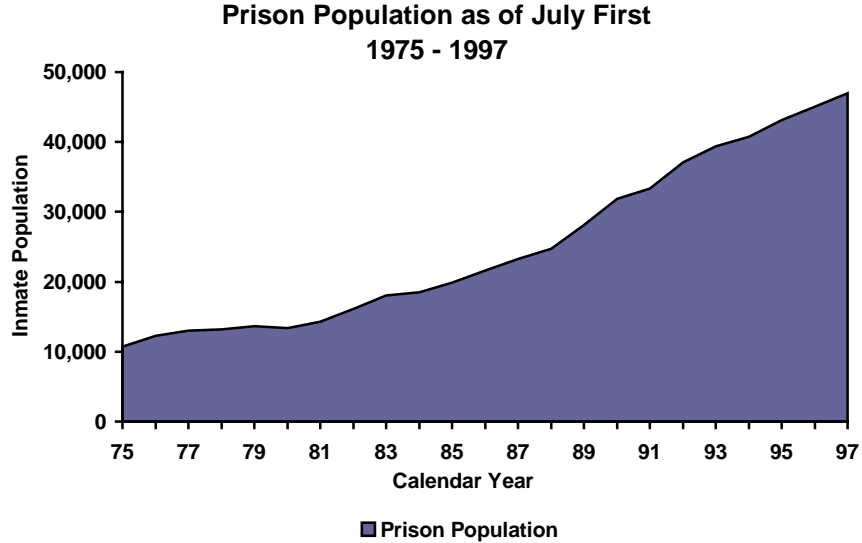
Corrections Spending Continues To Grow Rapidly



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

- In FY 1975, DRC consumed 61 percent of \$86.4 million in total state GRF spending for corrections, with DYS accounting for the remainder. During FY 1998 DRC expenditures for the first time exceeded the \$1 billion mark. By the close of FY 1999, DRC's expected take of total state GRF corrections spending could surpass 87 percent and exceed \$1.2 billion.
- By the end of FY 1999, the state's prison system will have sprouted from eight correctional institutions inhabited by around 11,000 inmates and 3,000 employees in FY 1975 into a geographically far-flung empire with thirty correctional institutions, somewhere in the neighborhood of 50,000 inmates, and roughly 14,900 employees.
- Close to 85 percent of DRC's annual budget is fueled by the state's GRF, of which slightly more than two-thirds is expended on day-to-day operations of correctional institutions.
- DYS currently oversees ten institutions holding some 2,100 youth, with an eleventh institution under construction and expected to be completed in the fall of 1999. During FY 1998, nearly 91 percent of the DYS budget came from the state GRF, with nearly 24 percent going as subsidy dollars for the counties.
- Rapid growth in the DYS GRF budget since FY 1993 is directly related to the Reclaim Ohio initiative that provides fiscal incentives to treat delinquent youth in the community. Subsidy dollars flowing to counties have increased by more than 89 percent, expanding from approximately \$28 million in FY 1992 to over \$53 million in FY 1998.

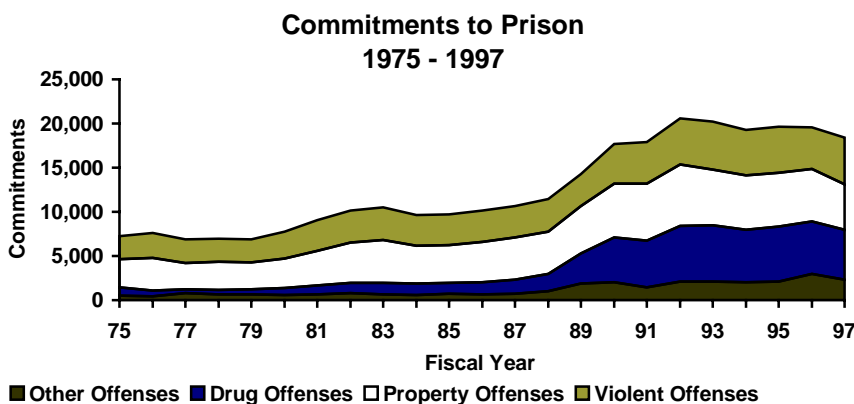
Prison Population Has Doubled Since 1987



Stricter sentencing laws, tougher sentencing by judges, and declining parole rates have contributed to a quadrupling of Ohio's prison population and a more than doubling in the last ten years alone. As of July 1, 1997, Ohio's prison population had reached 46,995.

- At year's end 1997, Ohio had the fifth largest prison population in the U.S, behind California, Texas, New York, and Florida, respectively. Michigan, Illinois, Georgia, Pennsylvania, and Louisiana, respectively, rounded out the top ten highest prison populations for that year.
- The degree to which Am. Sub. S.B. 2, an act of the 121st General Assembly which wrought fundamental changes in the state's felony sentencing structure effective July 1, 1996, will alter the size and composition of Ohio's prison system remains somewhat unclear.
- Preliminary evidence suggests that when compared to pre-S.B. 2 conditions, annual prison intake has dropped and that a larger proportion of that intake population is composed of offenders who have been convicted of more serious felonies requiring longer lengths of stay. This latter reality creates what is known as a "stacking effect," which means that, although annual prison intake may drop somewhat, total prison population will continue to rise as offenders are incarcerated for longer periods of time than would have been the case under preexisting law.

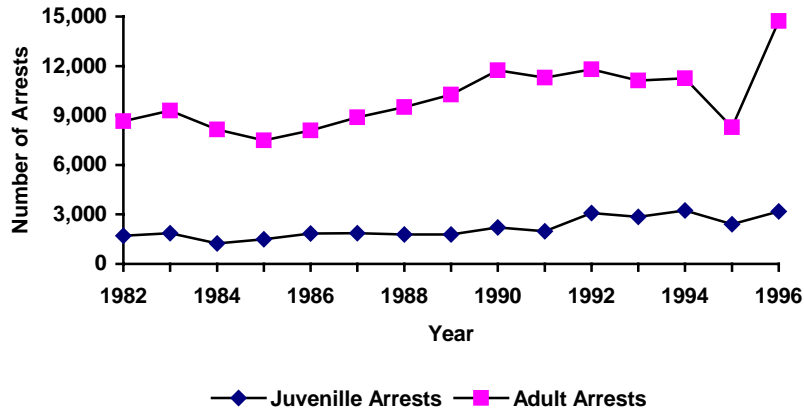
Drug Crimes Are the Most Dramatic Accelerator in the Historic Rise of Commitments to Prison



- The number of offenders committed to the state's prison system in 1997 totaled 18,404, while the comparable number for 1975 was a considerably smaller 7,219, which translates into an increase over that 23 year period of slightly over 150 percent.
- The most dramatic factor in the rise of the number of offenders committed to the state's prison system is related to drug crimes. In 1975, 906 offenders, or 12.6 percent of total prison intake, were sentenced to prison for a drug crime. In 1997, the number of offenders sentenced to prison registered 5,697, or 31.0 percent of total prison intake. The increase from 1975 to 1997 in the number of offenders sentenced to prison for drug crimes was in excess of 500 percent.
- In 1997, offenders committed to the state's prison system for property crimes were a much smaller percentage of total annual prison intake (28.0 percent) than they were back in 1975 (44.5 percent). As a percentage of total annual prison intake, offenders committed to the state's prison system for violent crimes have also declined, though not as steeply, from 35.7 percent in 1975 to 28.7 percent in 1997.
- Over time, the percentage of the offenders committed to the state's prison system that are female has slowly increased. In 1975, females represented only 5.7 percent of total annual prison intake and by 1997 that number had grown to 12.9 percent.

Juvenile Arrests For Violent Crime Outpacing Adult Arrests

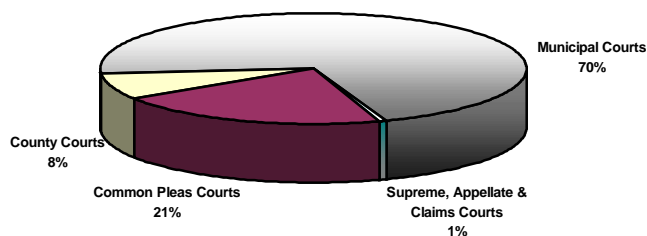
Arrests For Violent Crime



- The average number of persons under the age of eighteen arrested in Ohio for violent crime between 1989 and 1996 is 53 percent higher than the average number arrested for an equal period of time during the 1980's. The increase in the average number of adults arrested from 1989 through 1996 was approximately 29 percent higher than for an equal period of time during the 1980's.
- The large increase in the number of juveniles arrested likely contributed to the 68 percent increase in the number of new delinquency cases filed in Ohio's courts of common pleas from 1984 to 1996. During the same twelve-year span, there was also a 44 percent increase in the number of new unruly cases filed in courts of common pleas.
- The increase in the number of delinquency and unruly filings includes a trend during the period 1989 to 1996, in which delinquency cases increased by nearly 24 percent, compared to only a 5 percent increase in the number of unruly cases.
- The number of persons arrested for index crimes (violent crime + property crime) has remained relatively stable in recent years, primarily due to modest decreases in the number of persons arrested for index crimes. Accompanying the modest decreases in property crime however, has been a steady increase in violent crime.

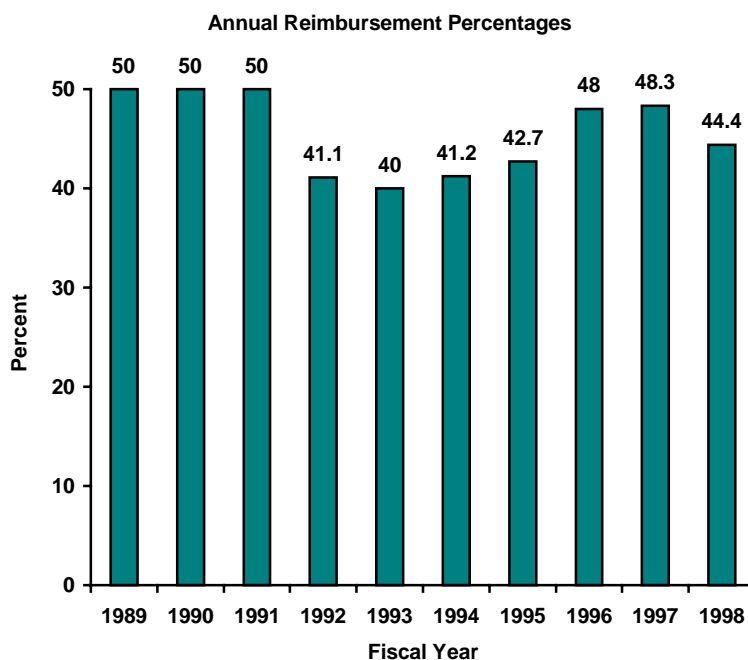
Ohio's Court System

Distribution of New Cases Filed Statewide



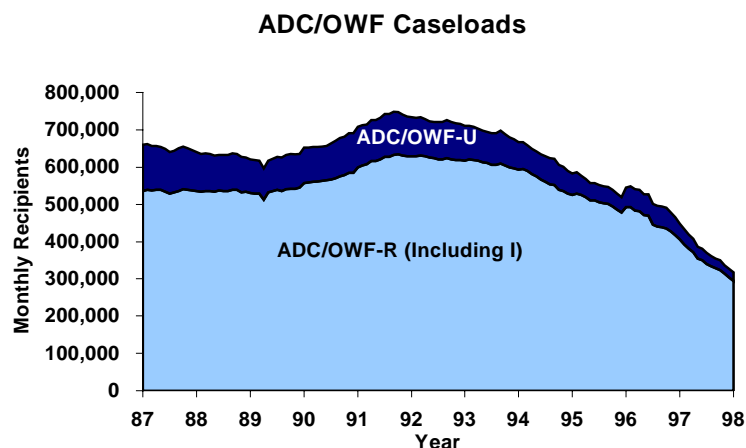
- In CY 1997, a record of 3,127,675 new cases were filed in Ohio's state courts: 2,730 in the Supreme Court; 12,488 in the twelve appellate districts; 649,943 in the common pleas courts; 2,218,041 in municipal courts; 243,217 in county courts and 1,255 in the Court of Claims.
- During the 122nd General Assembly, four new judgeships were created and a part-time judgeship was expanded to full-time. Three judges will be added to the Courts of Common Pleas, two in Lorain County and one in Marion County. In the Franklin County Municipal Court, a new municipal judge was added. In Jackson County Municipal Court, the part-time municipal judge was changed to full-time.
- Salaries for judges have been adjusted to increase each January 1st until the year 2001. In CY 1998, full-time judicial salaries were: Chief Justice, \$117,700; Justice, \$110,550; Court of Appeals, \$102,950; Common Pleas, \$94,700; Municipal, \$89,000 and County, \$51,150.
- For the 1998-1999 biennium, the state budget for the Supreme Court, the Court of Claims and the Judiciary was a total of \$231,016,520.
- The primary function of the Judicial Branch is to fairly and impartially settle disputes according to the law. To do this, a number of courts have been established in the state by the Constitution and by acts of the General Assembly. A diagram of this structure may be found at http://www.sconet.ohio.gov/Court_Structure.

Ohio Public Defender County Reimbursement Rates



- Since Fiscal Year 1992, state expenditures for reimbursing counties for providing indigent defense services have increased by 47.3 percent to a record high of \$26,865,000 in Fiscal Year 1998, while the percentage of annual reimbursement has varied between 40 percent and 48.3 percent.
- In Fiscal Year 1997, Ohio's indigent defense system completed 287,126 cases. These numbers reflect not only cases handled by either the Offices of the Ohio Public Defender or by County Public Defenders, but also those handled by appointed counsels as well.
- Since the enactment of the Ohio Public Defender Law in 1976, the state has attempted to provide the counties with a reimbursement of 50 percent of the costs associated with the provision of legal counsel to indigents. However, Am. Sub. H.B. 204 of the 113th General Assembly has allowed the state to provide a proportionally reduced amount if the state is unable to fulfill the 50 percent goal.

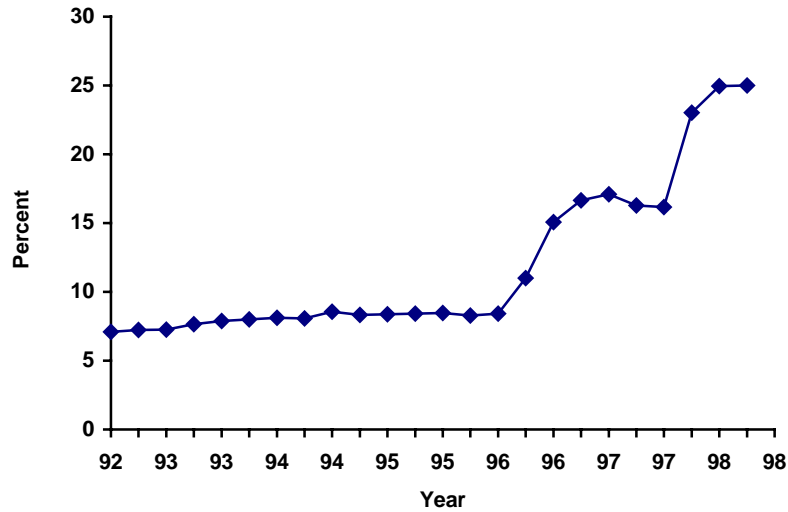
Ohio Works First Caseload Reaches Historic Low



- There are three primary categories of recipients in the Ohio Works First (OWF) program (formerly known as Aid to Dependent Children, or ADC): 1) OWF-Regular (OWF-R); 2) OWF-Unemployed (OWF-U); 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 to work for the child caregiver.
- Ohio’s ADC/OWF caseload peaked in March 1992 at nearly 749,000 recipients, with an average monthly cash benefit expenditure in FY 1992 of \$81.1 million. In June, 1998 the number of recipients declined to about 342,000. The average monthly cash benefit expenditure in FY 1998 declined to \$46.0 million.
- OWF-U cases declined as a proportion of the overall caseload from 13.5 percent in July 1987 to 3.9 percent in July 1998. During the recession of the early 1990s, OWF-U cases as a proportion of the total unemployment in Ohio peaked at 8.1 percent. By June 1998 this proportion had declined to 2.0 percent.

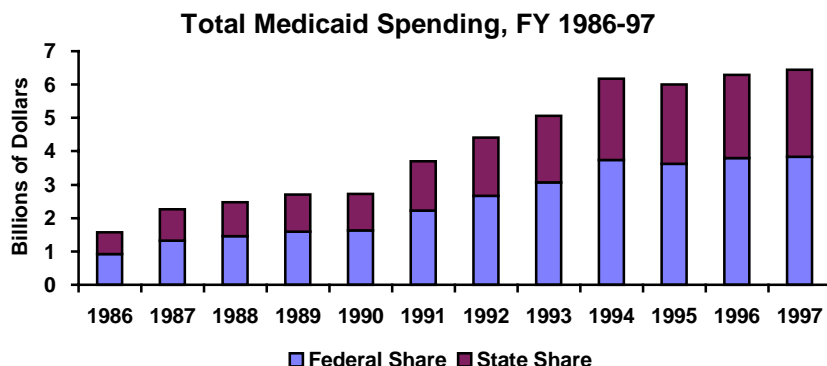
Percentage of ADC/OWF Adults with Earned Income Reflects Policy Changes in Welfare Reform

Adult Recipients with Earned Income



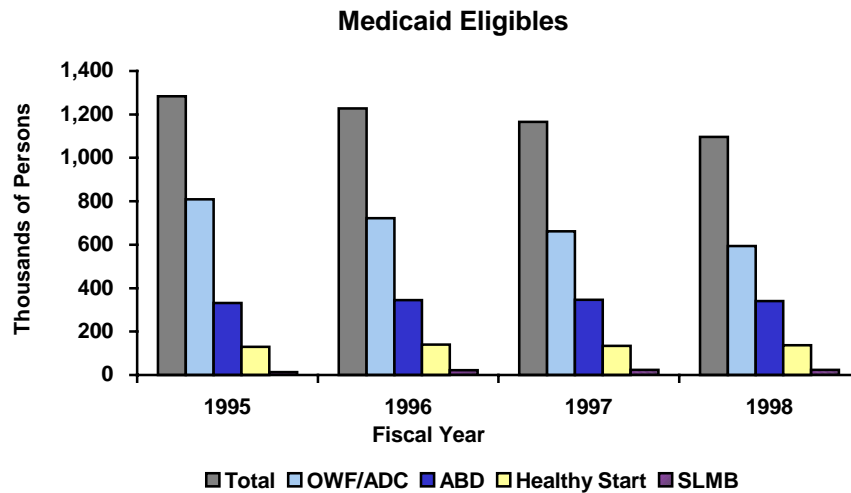
- Earned income disregards, which allow recipients to keep part of their earned income without losing a corresponding amount of the welfare benefit, have been expanded as part of welfare reform.
- The federal Family Support Act of 1988 provided for a disregard of \$90 a month for work expenses, the first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

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



- Since FY 1986, Medicaid spending has increased by an average of 14.6 percent each fiscal year. However, since the high spending growth years of the early 1990s (driven by rapid health care cost increases generally, and specifically by increased caseloads associated with eligibility expansions) Medicaid spending growth has averaged only 6.6 percent between 1994 and 1997.
- Federal and state shares have remained relatively stable at roughly a 60 percent/40 percent split. The ratio is based on a formula that compares Ohio's average per capita income (over a three-year period) to the average per capita income of the entire nation (over the same time period).
- Increases in spending on long-term care and inpatient hospital services for the Aged, Blind, and Disabled (ABD) Medicaid population have been the driving force behind the GRF spending increases. Also contributing significantly to total Medicaid spending (although non-GRF) is the growth of the disproportionate share payment program for hospitals.
- Spending decreased slightly in FY 1995 as the result of an improving economy and savings from a prospective reimbursement system for long-term care, which was introduced in FY 1993.
- On average, only 3 percent of all Medicaid spending in Ohio goes toward the administration of the program. Thus, Ohio has one of the lowest administration to total spending ratios in the country.

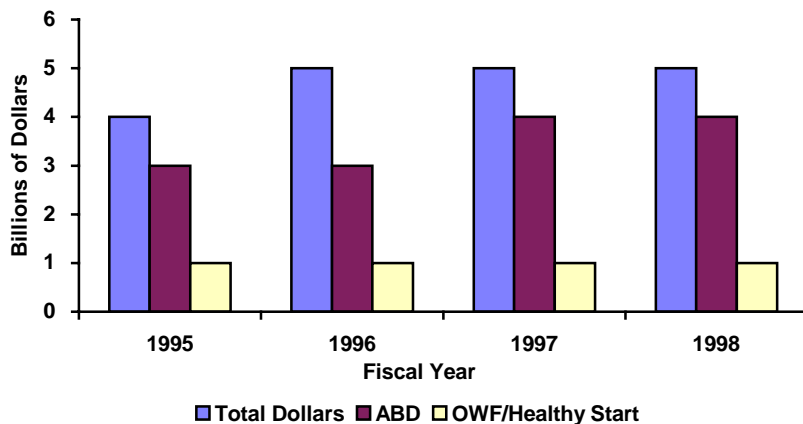
Medicaid Eligibility Decreases Due to OWF/ADC Decline



- Although OWF/ADC Medicaid eligibility has declined in recent years, due primarily to the decline in the OWF/ADC cash assistance caseload, it remains the largest Medicaid eligibility group, representing nearly 55 percent of all eligibles in FY 1998.
- OWF/ADC caseloads declined 33.5 percent from the FY 1992 decade high to its lowest level in FY 1998. Until recently, the other major components of the Medicaid caseload had been increasing; however, that appears to be changing, with the Aged, Blind, and Disabled (ABD) population which had average growth of 5.9 percent in the 1990s, declining by 1.9 percent from FY 1997 to FY 1998.
- Yearly expansions of the Healthy Start eligibility category have resulted in a steady increase in the number of low-income children covered by Medicaid. The expansion is the result of OBRA 90, which required states to expand Healthy Start coverage to include children ages 6 through 18 in families with incomes up to 100 percent of the federal poverty line by phasing in one age group each federal fiscal year (14 year-olds were added in 10/97). The Healthy Start population dropped by 4.2 percent in 1997, but is growing by 2 percent in FY 1998 due to the age expansion. The Healthy Start population is expected to grow at a faster rate, as the FY 1998 move to the 150 percent FPL expansion attracts more eligible children into the program.

Medicaid Caseload Composition Shifts Toward the Aged, Blind & Disabled

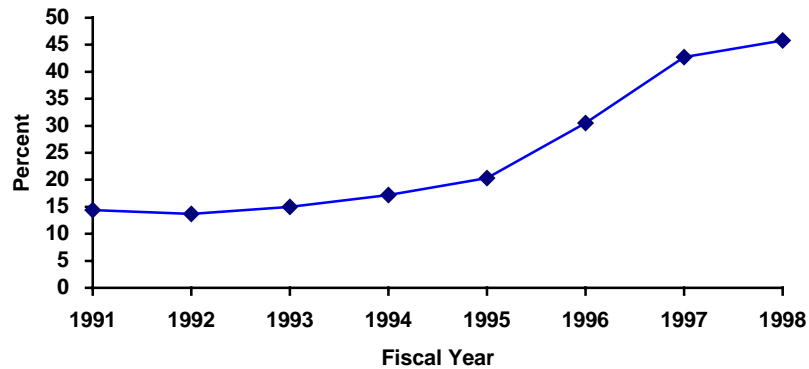
Medicaid Costs by Eligibility Category



- The decline in cash assistance eligible consumers in Ohio Works First (OWF) has caused a change in the Medicaid caseload composition. Healthy Start (HS) and OWF eligibles have similar cost attributes.
- Aged, Blind, and Disabled (ABD) eligibles comprised less than 28 percent of the more than 1.2 million Medicaid eligibles in FY 1996, yet generated over 70 percent of all care-related Medicaid costs. By 1998 however, the ABD population comprised 32 percent of the nearly 1.1 million Medicaid eligibles and generated about 76 percent of Medicaid spending. The cost of long-term care is the primary reason for the relative expense of the ABD population. This increase in the ABD population is a result of a natural shift and not the result of any policy changes.
- In addition, the ABD population heavily utilizes some of the services with fastest growing costs, such as prescription drugs. Thus, while we have experienced a slowing down in expenditure growth, the change in caseload composition could trigger bigger increases in the near future.
- Ohio's Medicaid program has paid the Part B Medicare premiums for Specified Low-Income Medicare Beneficiaries (SLMBs) since FY 1993. Growth in the SLMB population, which averaged 86.5 percent between 1995 and 1996, has now slowed to 3.9 percent since 1996.

Medicaid Moves Towards Managed Care

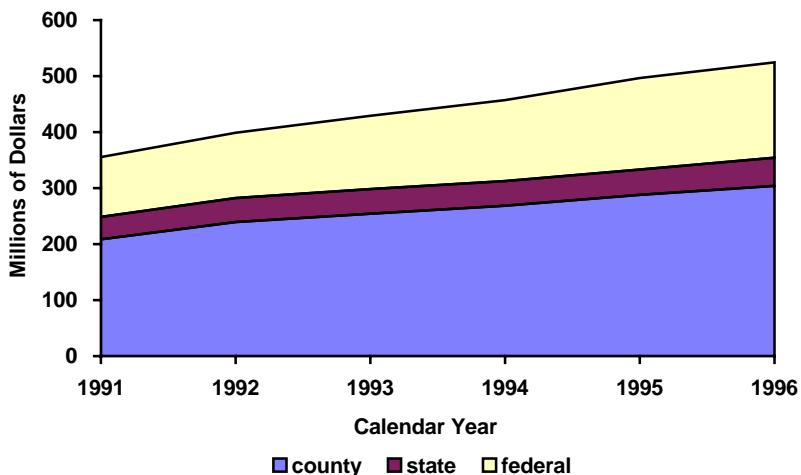
Percent of OWF/ADC and Healthy Start Eligibles Enrolled in HMOs



- In January 1995, Ohio received a federal waiver permitting mandatory enrollment of ADC and Healthy Start Medicaid eligibles in HMOs. Ohio's Medicaid program has utilized managed care in a few counties on a voluntary basis since 1978 as a means to ensure access to care, cost predictability and improve forecast reliability.
- By the end of FY 1997, the Ohio Department of Human Services had 55 percent of all OWF/ADC and Healthy Start Medicaid eligibles enrolled in HMOs. The rapid drop in OWF/ADC caseloads has forced HMO enrollment down to about 51 percent in March 1998.
- Enrolling in an HMO up until December 1, 1998 is optional for OWF/ADC and Healthy Start Medicaid eligibles in 9 counties, and mandatory in another 7 counties. Effective December 1, 1998, enrollment is expected to be mandatory in those 16 counties.
- Of the 16 counties either offering or requiring HMO enrollment, Cuyahoga County Medicaid eligibles have the most HMOs from which to choose. There are currently 5 HMOs serving Medicaid eligibles in the Cleveland metropolitan area.

Child Welfare Spending on the Rise Shares Remain Constant

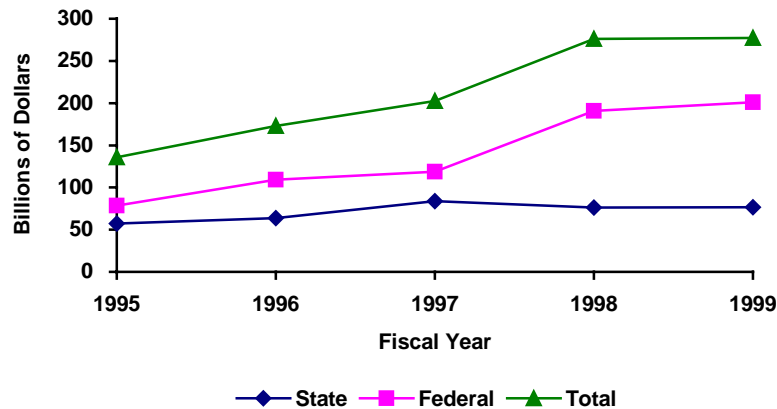
Expenditures for Child Welfare



- From CY 1991 to CY 1996, the total expenditures for child welfare (of which foster care and adoption are significant portions) increased from approximately \$355.6 million to \$524.8 million, an increase of 47.5 percent.
- Historically, the largest contributors for financing the child welfare system has been the county governments. The county share of these expenditures has averaged nearly 60 percent for years.
- Historically, the state share amounted to no more than 10 percent and the federal share amounted to nearly 30 percent.

Federal Share of Day Care Funding Increases

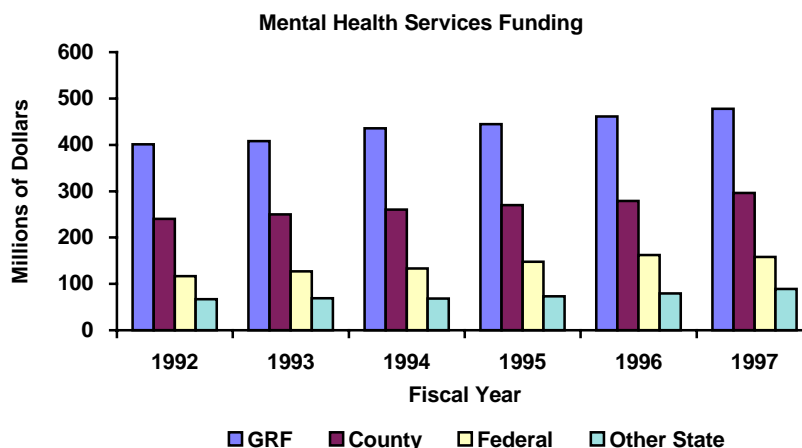
State and Federal Day Care Funding



**Funding for fiscal years 1995 through 1997 reflect actual expenditures; while funding for fiscal years 1998 and 1999 reflect estimated expenditures.*

- From FY 1995 through FY 1999 total state and federal funding for the delivery of child day care services has increased from \$135.7 million to \$277.4 million, thus reflecting a 104.3 percent increase over the five-year period.
- The state share of child day care funding has remained relatively flat over this five-year period.
- Over this five-year period, the federal share of child day care funding has increased by 156.4 percent. The Federal Personal Responsibility and Work Act of 1997 provided the states with the flexibility to use several federal funding sources for the provision of child day care services.
- Funding for Ohio's two distinctly separate day care programs, one for welfare recipients and the other for the working poor, are now funded by the same revenue streams.

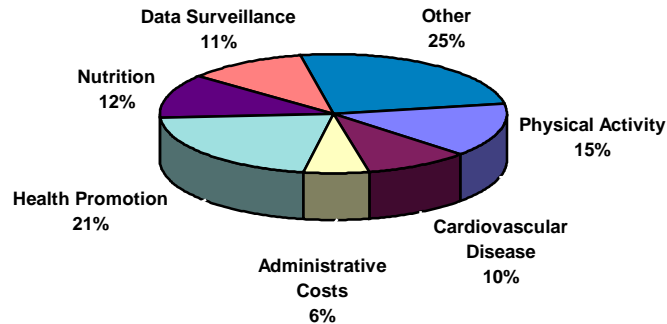
Statewide Funding for Mental Health Services



- Mental health services are provided at six psychiatric hospitals (nine sites) operated by the Department of Mental Health (DMH), 43 community Alcohol, Drug Addiction, and Mental Health Services Boards, and seven community Mental Health Services Boards.
- The average daily resident population at state psychiatric hospitals decreased from 3,147 in FY 1990 to 1,707 in FY 1995, and to 1,281 in FY 1997.
- Forensic patients made up approximately one-third of the daily hospital population in FY 1995 and approximately one-half of the population in FY 1997.
- The Departments of Rehabilitation and Correction (DRC) and Youth Services (DYS) provide mental health services to adult offenders and juvenile offenders, respectively. The Rehabilitation Services Commission (RSC) provides job training to individuals disabled by a mental illness.
- Spending for mental health related services in FY 1997 was \$45.5 million for DRC, \$1.5 million for DYS, and \$22.9 million for RSC.

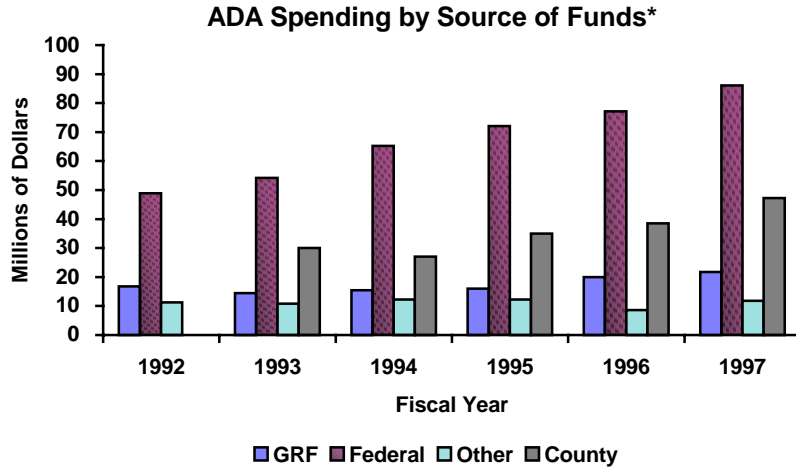
FFY 1999 Preventive Health & Health Services Block Grant

Proposed FFY 1999 Program Budgets



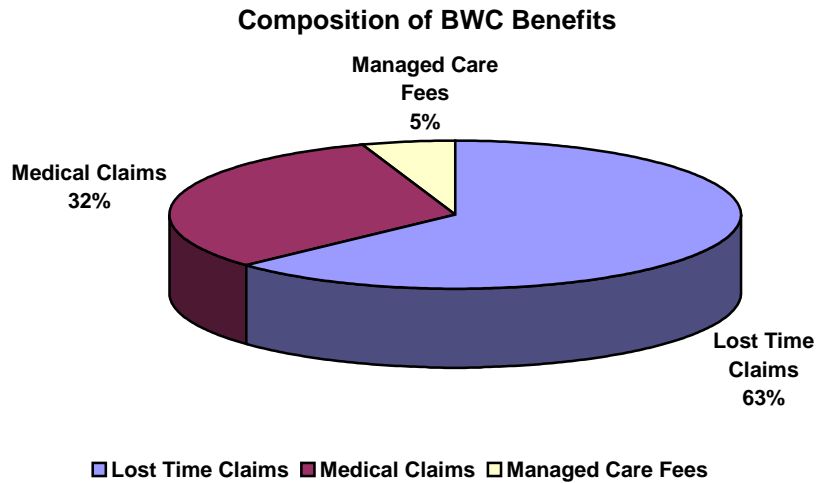
- DOH expects to award grants to 168 local agencies in Federal Fiscal Year (FFY) 1999 to cover projects addressing good nutrition, increasing physical activity, decreasing tobacco use, and preventing rape, among others.
- The Department of Health (DOH) estimates the basic FFY 1999 block grant award to be \$6.5 million. DOH estimates an additional \$2 million for rape prevention education programs. Each award is made for a 24 month period. Unspent funds from one fiscal year may be used in the following fiscal year.
- Other includes: Intentional Injury (2 percent), Unintentional Injury (8 percent), ElderHealth (2 percent), Environmental Health (2 percent), Tobacco (6 percent), and Emerging Infections (6 percent).
- Ohio's FFY 1999 State Plan is structured to address the goals and objectives set out in Healthy People 2000, as well as the unique health priorities within the state.
- Administrative costs may total no more than 10 percent of the grant award.
- The rape prevention portion of the block grant has increased from \$1.5 million in FFY 1997 to \$1.8 million in FFY 1998. The main portion of the block grant award has decreased from \$6.8 million in FFY 1997 to \$6.5 million in FFY 1998.
- The funds in the FFY 1999 block grant will fund year three of a three-year project period for these agencies.

Substance Abuse Services: Federal Dollars Make Up Majority of Spending



- A total of 93,522 individuals were admitted to a publicly funded treatment program in FY 1997. Alcohol was the primary drug of choice for 56.4 percent, 19.2 percent preferred crack cocaine, and 17.8 percent preferred marijuana.
- Most service provision takes place at the local level through the 43 community Alcohol, Drug Addiction, and Mental Health Services Boards or seven community Alcohol and Drug Addiction Services Boards.
- Substance abuse services to adult offenders and juvenile delinquents are provided by the Department of Rehabilitation and Correction (DRC) and the Department of Youth Services (DYS), respectively. The Rehabilitation Services Commission (RSC) provides job training services for persons disabled by a substance abuse problem.
- Spending for substance abuse services in FY 1997 was \$5.7 million for DRC, \$2.6 million for DHS, and \$3.4 million for RSC (FFY 1997). Both state and federal dollars were used by each agency.

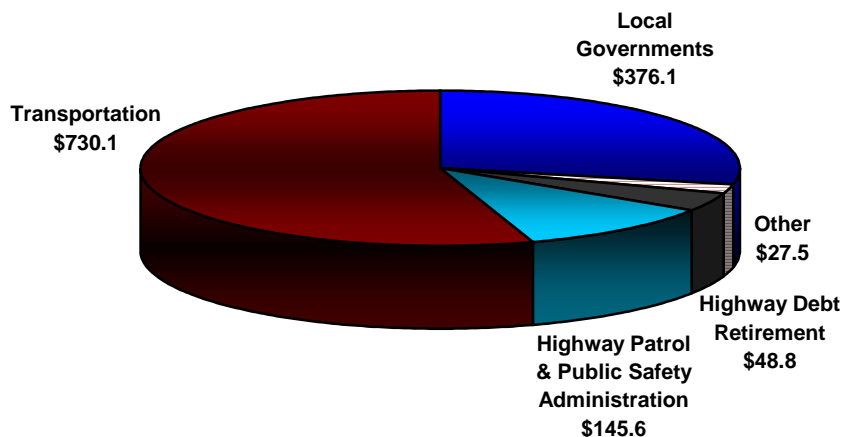
\$1.7 Billion in Benefits Paid by the Bureau of Workers' Compensation



- BWC paid \$1.7 billion in total benefits in Calendar Year 1997.
- During Calendar Year 1997, BWC paid out \$1.1 billion in Lost Time benefits alone. Lost Time benefits are wage replacement payments granted to claimants who miss more than seven days of work as a result of their injuries.
- Total medical costs for the period were \$614 million, about 37 percent of the total cost of claims on BWC's State Insurance Fund. Many workers' comp awards include lost time and medical expenses; however, injured workers who miss seven days or fewer from work are eligible for medical benefits only.
- BWC began to phase in the Health Partnership Program (HPP), the agency's managed care initiative over the calendar year. BWC paid some \$88 million in fees—about 5 percent of total claims costs—to the 57 participating Managed Care Organizations (MCOs).

State Fuel Tax Generated \$1.3 Billion in FY 1998

Fuel Tax Revenue Distribution
(Millions of Dollars)



- The state fuel tax is 22¢/gallon consisting of five levies, each with a different purpose. 22¢ is currently the maximum amount allowed by law.
- The portion to ODOT (excluding debt retirement) is approximately 48 percent of its total budget (balance from the federal gas tax and GRF).
- The portion to the Highway Patrol is \$137.2 million and the portion to Public Safety Administration is \$8.4 million.
- Local governments receive about 5.25¢/gallon (\$316.2 million) which is distributed as follows: 1.95¢ to counties, 2.25¢ to municipalities, and 1.05¢ to townships. In addition, another cent (\$60 million) is distributed through the Local Transportation Improvement Program.
- The “Other” category is as follows: \$13 million to Development, \$6.6 million to the Waterways Safety Fund, \$4.3 million to Taxation, \$2.3 million to the Turnpike Commission, and \$1.2 million to the Public Utilities Commission.

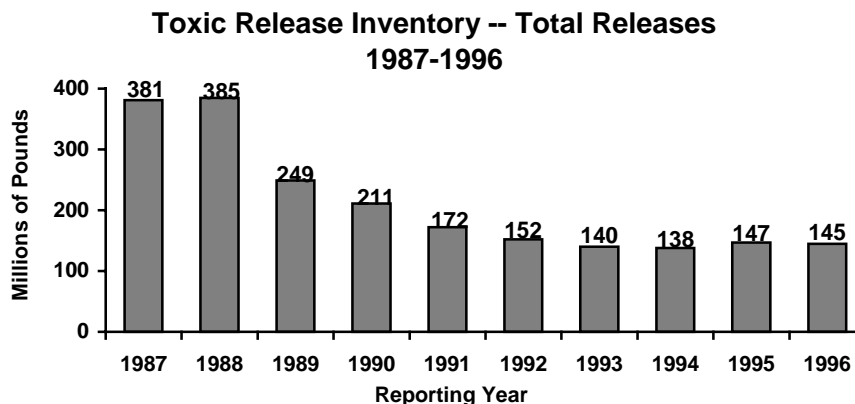
Motor Vehicle License Taxes Raised \$415 Million for Local Roads in 1997

<i>Mandated State Portion Distribution</i> <i>CY 1997</i>	<i>Millions of Dollars</i>
34% to Taxing Districts as follows:	
Incorporated	\$58.7
Unincorporated	37.3
5% to Counties in equal proportions	14.1
47% to County of vehicle owners' residence	132.8
9% to County roads	25.4
5% to Township roads	14.1
Total State Portion	\$282.4
<hr/>	
<i>Permissive Local Portion Distribution</i> <i>CY 1997</i>	
Counties	\$79.6
Municipalities	40.7
Townships	12.2
Total Local Portion	\$132.5
Total Motor Vehicle License Tax Distribution	\$414.9

- The state tax is \$20 per passenger car (8.0 million cars), but varies for other vehicle classifications (3.2 million vehicles). Before distribution to local governments, moneys are first used for bond obligations and administrative expenses.
- The maximum local permissive tax is \$20, based on \$5 levies. County levies take precedence over municipal levies. Not all local governments have enacted levies. Of those that have, most have not enacted the full amount authorized. For example, of the counties, 24 have \$5 levies, 16 have \$10 levies, and 18 have \$15 levies. Authorized amounts by governmental unit are as follows:

Counties	\$15
Municipalities	\$5 – 20 (depending on county levies)
Townships	\$5

Ohio's Toxic Release Report Card Improving but Remaining Among the Nation's Top 5 Polluters



TOP FIVE STATES 1996 TOTAL RELEASES		
State	Total Release (in pounds)	National Rank
Texas	267,440,786	1
Louisiana	184,537,787	2
Ohio	145,139,835	3
Pennsylvania	122,423,185	4
Indiana	108,988,034	5

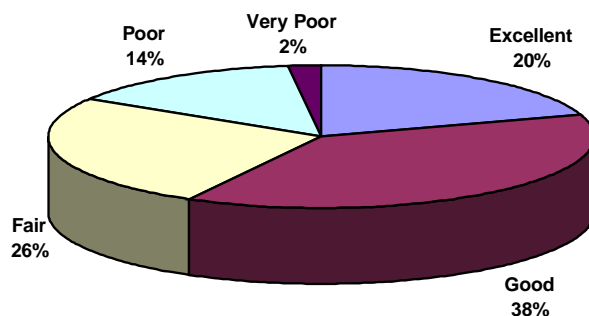
MIDWEST STATES 1996 TOTAL RELEASES		
State	Total Release (in pounds)	National Rank
Ohio	145,139,835	3
Indiana	108,988,034	5
Illinois	107,663,656	6
Michigan	90,158,602	9
Kentucky	47,366,863	21

* Total Release shown in the tables are on-site releases only, while the graph includes all releases and transfers for treatment and disposal.

- Toxic Release Inventory (TRI) is a database that contains specific toxic chemical releases (to air, water, deepwell injection and land), transfers off-site for disposal and treatment, waste management and pollution prevention activities in each state of the U.S.
- Section 313 of the Emergency Planning and Community Right-to-Know Act requires the collection and public release of an annual TRI report.
- The top ten chemicals reported in Ohio include manganese compounds, zinc compounds, ammonia, acetonitrile, xylene (mixed isomers), methanol, certain glycol ethers, carbonyl sulfide, nitrate compounds, and toluene.

Ohio's Ability to Sustain Aquatic Life

Water Quality Distribution



- Ohio is a water-rich state, with more than 25,000 miles of designated streams and rivers.
- The suitability of these waters to support human uses (swimming, fishing, recreation and drinking water uses) and to maintain healthy ecological conditions or “biological integrity” is critical to the sustainable future of Ohio’s economy and standard of living.
- Ohio EPA assesses the quality of Ohio’s waters by examining a combination of ecological (biological), chemical, physical, and toxicological data.
- Ohio pioneered the process of using the fish and invertebrate communities that inhabit streams (ecological data) to assess the health and well-being of Ohio’s flowing waters. Aquatic animals are generally the most sensitive indicators of pollution because they inhabit the water all of the time and because of the direct contact of their gills with the water.
- One important conclusion based on the results of the 1998 Ohio Water Resource Inventory, 305b Report, is the very small proportion of streams categorized as poor or very poor (16 percent combined).
- 58 percent of the waters are at least in good condition, and of these 20 percent are in excellent condition.

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