

# Ohio Facts



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The Ohio Legislative Service Commission  
December 2004



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

Legislative Service Commission  
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December 2004



# Ohio Legislative Service Commission

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Dear Reader:

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

In all instances, researchers have used the most up-to-date data available. Readers who would like to review the original data sources used will find them listed at the end of publication. Our hope is that *Ohio Facts* will serve as a quick and valuable reference tool for legislators, agencies, and all persons interested in the financial state of Ohio.

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

Sincerely,

A handwritten signature in cursive script that reads "James W. Burley".

James W. Burley  
Director

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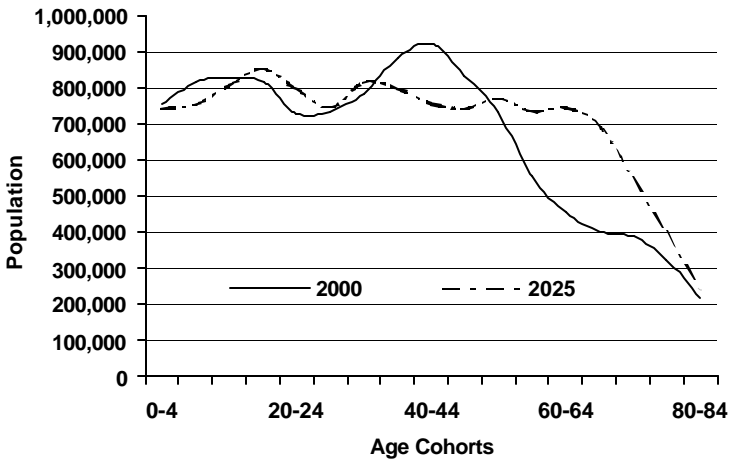
*Data Sources*

## A Snapshot of Ohio's People Census 2000

Population and Age	Ohio	U.S.
Population	11,353,140	281,421,906
Female persons	51.4%	50.9%
Population, percent change, 1990 to 2000	4.7%	13.1%
Native to state of residence	74.7%	60.0%
Persons under 5 years old	6.6%	6.8%
Persons under 18 years old	25.4%	25.7%
Persons 65 years old or over	13.3%	12.4%
Race (Self-Identification)		
Persons who identify themselves as white	85.0%	75.1%
Persons who identify themselves as Black or African-American	11.5%	12.3%
Persons who identify themselves as American Indian or Alaska Native	0.2%	0.9%
Persons who identify themselves as Asian	1.2%	3.6%
Persons who identify themselves as Hispanic or Latino	1.9%	12.5%
Education (Persons 25 Years old or over)		
High school graduates	83.0%	80.4%
College graduates	21.1%	24.4%
Homes and Homelife		
Households	4,445,773	105,480,101
Persons per household	2.49	2.59
Households with persons under 18	34.5%	36.0%
Now married, not separated, persons 15 years old or over	54.5%	54.4%
Median household money income	\$40,956	\$41,994
Mean travel to work (minutes)	22.9	25.5
Language other than English spoken at home	6.1%	17.9%

## Baby Boomers Impact Ohio Demographics

### 2000 Census and 2025 Projections of Population by Age Group



- Ohio's Baby Boom generation, those aged between 40 and 58 in 2004, are currently in their prime wage-earning years. They will reach retirement age between the years 2010 and 2030.
- In 2025, the prime wage earners, those aged 35 to 55, will be composed of two different generations: the Baby Boom Echo (children of Baby Boomers) and Generation X (between the Echo and the Boomers). The Baby Boom Echo will be aged 30 to 48 and will be a large proportion of the prime wage earners. Generation X is a significantly smaller demographic segment. They will be nearing retirement age and be between 49 and 60 years old.
- It is estimated that the number of individuals aged 60 to 79 will increase by approximately 818,000, or 52%, between the years 2000 and 2025. Furthermore, the number of people in their prime wage-earning years will decrease by about 303,000, or 9%, during the same period. The shifting demographics suggest that there will be an increase in the number of elderly to care for in the future and a decrease in the number of prime wage earners.

## Heart Disease and Cancer Leading Causes of Death

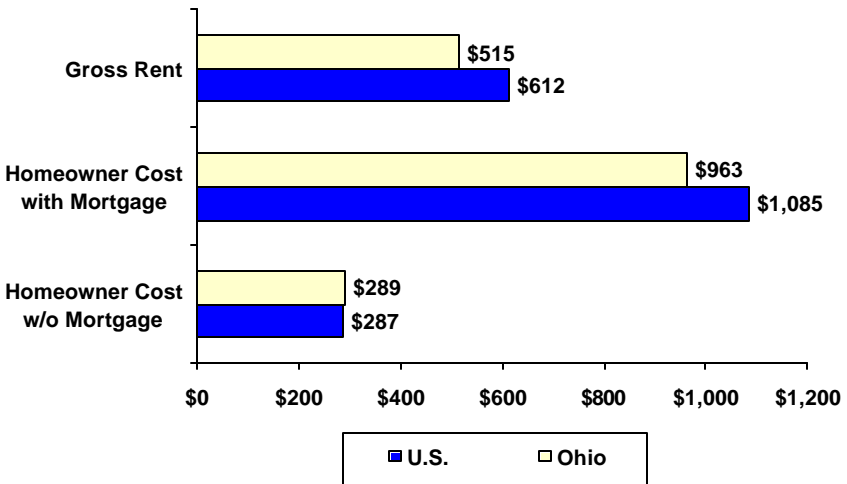
### Ohio Health Status Indicators

	Ohio	U.S.
Infant mortality rate, 2001 (deaths per 1,000 live births)	7.6	6.8
Annual AIDS rates for cases reported in 2002		
Male adult/adolescent (per 100,000)	13.8	27.5
Female adult/adolescent (per 100,000)	3.2	9.0
Prevalence of obesity (%), 2001	21.8	20.9
Estimated childhood vaccination coverage, 2003		
(% of children 19-35 months receiving 4:3:1:3:3 series)	82.3	79.4
Adult smokers (%), 2002 (U.S. median)	26.6	23.1
Top four leading causes of mortality in Ohio, 2001 (age-adjusted per 100,000)		
Diseases of the heart	271.0	247.8
Malignant neoplasms (cancer)	207.8	196.0
Cerebrovascular disease (stroke)	57.4	57.9
Chronic lower respiratory diseases	49.0	43.7
Average annual number of injury deaths, 1999-2001 (age-adjusted per 100,000)		
Unintentional injury (e.g.: poisoning, auto accident)	30.6	35.7
Intentional injury – suicide	10.1	10.7
Intentional injury – homicide and legal intervention	4.3	7.3

- Obesity is defined as having a body mass index (BMI) of 30 or more. BMI is calculated by dividing weight (kg) by height (m<sup>2</sup>). Weight and height data used to calculate BMI were collected from the Behavioral Risk Factor Surveillance System.
- The 4:3:1:3:3 vaccination series includes four or more doses of DTP (diphtheria, tetanus, and pertussis), three or more doses of poliovirus, one or more doses of MMR (measles-mumps-rubella), three or more doses of Hib (*Haemophilus influenzae* type b), and three or more doses of Hepatitis B vaccine. In addition, the CDC also recommends one or more doses of varicella (chicken pox) vaccine at or after a child's first birthday.

## Ohio Housing Costs below National Average

Median Monthly Housing Costs, CY 2000



- All of the above categories include utilities, fuel costs, and where appropriate, fire, hazard, and flood insurance and condominium or mobile home fees. Data from the 2000 Census are the latest authoritative data available.
- In Ohio, 27.4% of the renters had monthly rental payments that were at least 35% of their household income.
- In 2000, the Ohio median value of an owner-occupied unit (e.g., a house or condominium) was \$103,700; the U.S. median value was \$120,496.
- For 2000, Ohio's homeownership rate of 69.1% surpassed the U.S. homeownership rate of 66.2%. Ohio's rental rate of 23.8% was lower than the national rate of 24.8%. Similarly, Ohio's vacancy rate of 7.1% was lower than the national rate of 9.0%.
- Persons per household: 2.49 for Ohio; 2.59 for U.S.



## Where Do Ohioans Live?

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

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

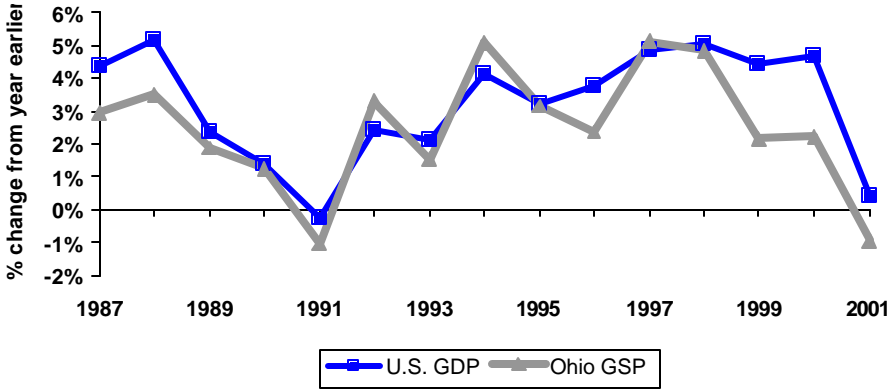
## Notes:

1. Township numbers reflect unincorporated areas outside municipal corporations.
2. The exact number of townships in Ohio in 1990 is unavailable but was at least 1,309.
3. Numbers may not add up due to rounding.
4. Population data was gathered from the 2000 decennial census.

- Ohio's population increased by 506,025 (4.7%) in the 1990s. It grew from 10,847,115 in 1990 to 11,353,140 in 2000.
- A census-designated place (CDP) is a densely populated, yet unincorporated place, as determined by the U.S. Census Bureau. A CDP is not a political subdivision. Examples of CDPs in Ohio include Eaton Estates in Lorain County, Holiday Valley in Clark County, and Wright-Patterson Air Force Base near Dayton.
- Townships experienced the biggest gain in population among all political subdivisions. Ohioans living in townships increased by 8.1% in the 1990s. In 2000, 29.4% of Ohioans lived in townships compared with 28.5% in 1990. Cities had the second highest rate of growth (3.9%), followed by villages (1.2%). Ohioans living in CDPs decreased by 1.2%.
- Ohioans living in all *incorporated* areas of the state (cities and villages) totaled approximately 7.2 million or 66.6% of Ohio's 1990 population and 7.5 million or 66.0% of Ohio's 2000 population.
- Ohioans living in all *unincorporated* areas of the state (unincorporated township areas and CDPs) totaled approximately 3.6 million or 33.4% of Ohio's 1990 population and 3.9 million or 34.0% of Ohio's 2000 population.

## Economy of Ohio Grew More Slowly Than That of the United States during 1987-2001

Inflation-Adjusted Gross State Product

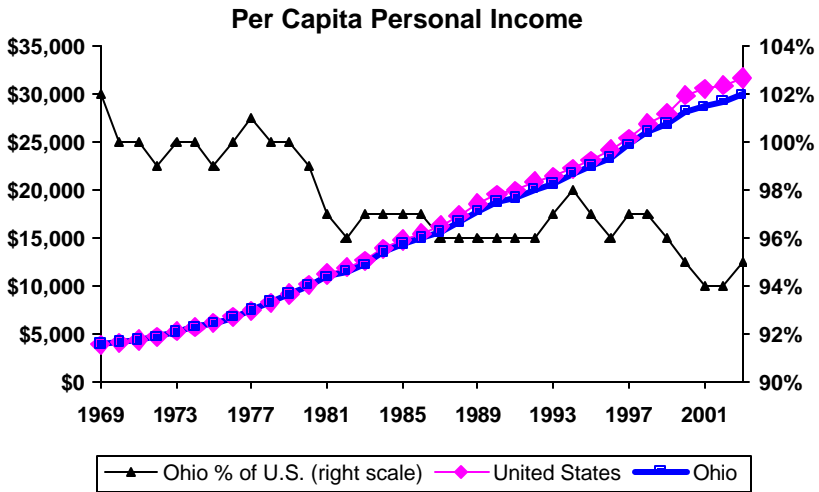


Great Lakes States 2001 Gross State Product (GSP)

State	Billions of Current Dollars	National Rank
Illinois	\$475.5	5
Ohio	\$373.7	7
Michigan	\$320.5	9
Indiana	\$189.9	16
Wisconsin	\$177.4	20

- Ohio's 2001 gross state product (latest available) of \$373.7 billion made it the 2nd largest economy in the Great Lakes region, behind Illinois, and 7th largest in the United States. In comparison with the gross domestic product of the United States and other countries, Ohio's economy ranked 15th largest.
- During the period from 1986 through 2001, Ohio's nominal GSP grew by 103%, or 4.8% annually (average annual compounded growth rate). U.S. nominal GDP grew by 133%, or 5.8% annually. Ohio's share of national economic activity fell to 3.7% in 2001 from 4.2% 15 years earlier. The Great Lakes region's GSP grew by 111%, or 5.1% annually.
- Over the 1986-2001 period, Ohio's real (inflation-adjusted) GSP grew by 44%, or 2.5% annually. U.S. real GDP grew by 60%, or 3.2% annually. The Great Lakes region's GSP grew by 50%, or 2.7% annually.

## Ohio Income Per Person Less Than U.S. Average



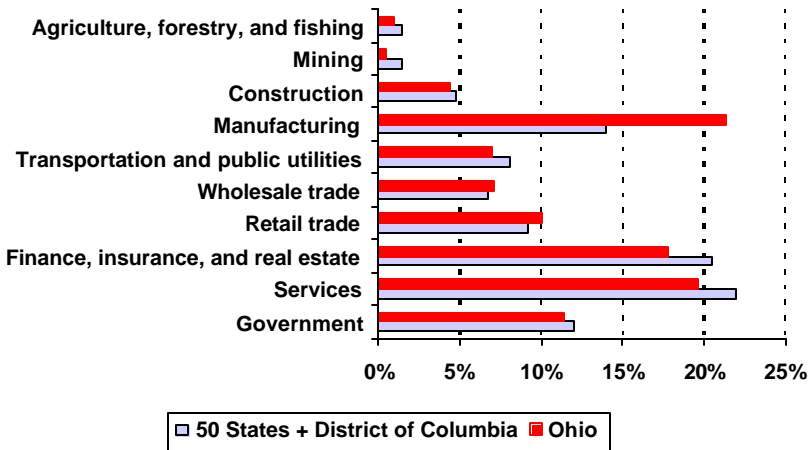
## Great Lakes States 2003 Per Capita Income

State	Per Capita Income	Percentage of U.S.	Rank
Illinois	\$33,690	107%	10
Wisconsin	\$30,898	98%	20
Michigan	\$30,439	96%	24
Ohio	\$29,944	95%	25
Indiana	\$28,783	91%	35

- United States and Ohio per capita personal incomes have risen approximately eightfold during the past 34 years, reflecting roughly a doubling of real purchasing power and a quadrupling of the general price level.
- Ohio per capita personal income, measured in current dollars, fell below the average for the United States in 1980 and has remained lower since then.
- In 2003, Ohio per capita personal income of \$29,944 was 5% less than the United States average of \$31,632.
- Personal income growth in the United States and Ohio slowed prior to and during the 2001 recession. Ohio income growth slowed ahead of U.S. income growth. Both have rebounded in recent quarters.

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

Industry Shares of Gross State Product in 2001



- Manufacturing accounted for 21.3% of Ohio's gross state product in 2001. For the United States, manufacturing's share was 14.0%.
- Durable goods manufacturing industries concentrated in Ohio include motor vehicles and equipment, with 13.1% of nationwide output, measured by 2001 gross state product, located in the state; primary metals, with 10.7%; fabricated metal products, 8.9%; stone, clay, and glass products, 6.7%; and industrial machinery and equipment, 6.0%.
- Nondurable goods manufacturing industries concentrated in Ohio include rubber and plastics products, 8.4% of United States output; food and kindred products, 5.2%; and chemicals and allied products, 5.1%.
- Among nonmanufacturing industries, Ohio accounted for relatively large shares of nationwide value added in the following industries: coal production, 5.0%; depository institutions, 5.0%; trucking and warehousing, 4.7%; health services, 4.3%; and insurance carriers, 4.2%.

## Ohio Employment Shifts from Manufacturing Toward Services

### Ohio Employment by Sector (in thousands)

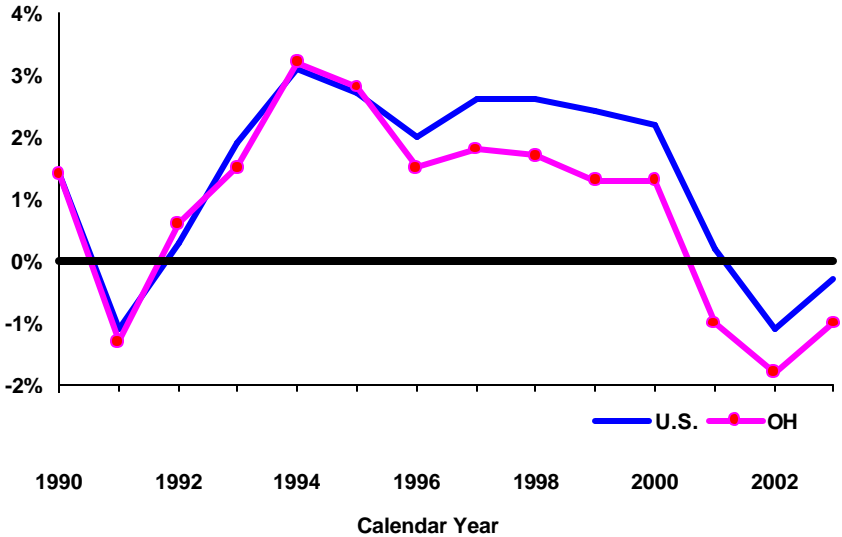
Sector*	Calendar Year			Avg. Annual Rate of Change
	1990	2000	2003	1990-2003
Natural Resources & Mining	17.9	12.9	11.7	-3.2%
Construction	193.3	246.1	229.8	1.3%
Manufacturing	1,064.6	1,021.0	844.2	-1.8%
Trade	814.0	919.0	862.7	0.5%
Transportation & Utilities	154.5	196.3	182.4	1.3%
Information	101.8	107.2	97.3	-0.4%
Financial Activities	252.7	305.2	312.0	1.6%
Professional & Business Svcs.	438.4	644.9	607.2	2.5%
Educational & Health Svcs.	543.1	680.3	727.1	2.3%
Leisure, Hospitality, and Other Svcs.	580.0	706.6	715.1	1.6%
Government	722.2	785.1	801.5	0.8%
<b>Total</b>	<b>4,882.3</b>	<b>5,624.6</b>	<b>5,391.0</b>	<b>0.8%</b>

\* The figures in the table are based on the North American Industrial Classification System (NAICS), which the U.S. Bureau of Labor Statistics (BLS) adopted in 2003. Prior to 2003, BLS reported employment based on an employer's Standard Industrial Classification (SIC). The NAICS system was intended to provide better information about the structure of today's economy, but much historical data is not available on the NAICS basis.

- Between 1990 and 2003, manufacturing employment in Ohio fell from 21.8% of wage and salary employment to 15.7%. During this same period, employment in professional and business services and in educational and health services increased from 20.1% to 24.8%.
- Local governments account for 69.5% of government employment in Ohio. Local governments and state universities account for all of the growth in government employment during the period shown.
- Among those industries for which BLS reports statistics, construction paid Ohio nonsupervisory workers the most in 2003: \$783.58 in average weekly earnings (AWE). Ohio manufacturers, by comparison, paid \$738.00 and firms in the transportation and utilities sector paid \$583.13. Retail trade paid the least among industries for which wages are reported: \$334.95 AWE in 2003.
- Although it is the highest paying sector, construction decreased in AWE from \$796.80 in 2001 to \$783.58 in 2003, a fall of 1.7%. AWE increased in all other sectors reported except transportation and utilities. AWE increased the most, by 6.7%, in manufacturing.

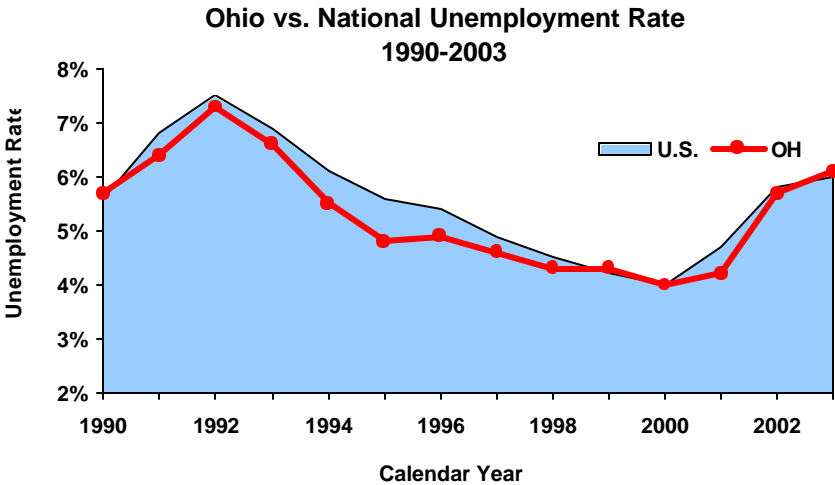
## Ohio Employment Growth Lags National Pace

Ohio and U.S. Employment Growth, 1990-2003



- Between 1990 and 2003, Ohio job growth averaged 0.8% per year compared to a U.S. average growth rate of 1.3%. This may have been due in part to a relative scarcity of workers in Ohio, since Ohio's unemployment rate was below the national rate through most of this period. Moreover, Ohio's population grew more slowly than the country's as a whole over the decade of the 1990s (by 0.5% per year vs. 1.2% per year, respectively).
- Total nonfarm payroll employment in Ohio peaked in CY 2000 at 5.62 million. For CY 2003, average payroll employment had fallen by approximately 234,000 to 5.39 million, a decrease of 4.2%.
- Ohio's strongest job growth between 1990 and 2003 was in professional and business services (2.5% average annual compounded growth), educational and health services (2.3%), other services (1.9%), and financial activities (1.6%).
- The greatest employment loss occurred in mining, which lost jobs at a 3.2% average annual rate.
- Manufacturing lost jobs over this period at an average annual rate of 1.8%. Following the 1990 recession, manufacturing employment peaked in mid-1995. From then until the end of 2003, Ohio lost approximately 214,000 manufacturing jobs.

## Unemployment Rates for Ohio, U.S. Rise



- For most of the period between 1990 and 2003, Ohio's annual average unemployment rate was below the national average. Ohio's unemployment rate exceeded the national rate in 2003, the second year since 1990 that that has happened.
- In 1990, Ohio's unemployment rate was 5.7%. In 2003, it was 6.1%. The U.S. unemployment rate was 5.6% in 1990 and 6.0% in 2003.
- Throughout 1990 an average of 309,674 people were unemployed in Ohio. In 2003, the average was 363,385.
- During the period shown, both the unemployment rate and the average annual number of unemployed reached their highest levels in 1992, at 7.3% and 401,562. The lowest levels were reached in 2000 at 4.0% and 233,060.
- Although the state's average unemployment rate for 2003 was higher than Indiana's (5.1%) and Pennsylvania's (5.6%), it was lower than Kentucky's (6.2%), Michigan's (7.3%), and Illinois' (6.7%). West Virginia's rate (6.1%) was the same as Ohio's.
- Unemployment rates vary greatly by county within Ohio. In 2003, 51 counties had average unemployment rates that exceeded the statewide average and 37 counties were at or below the statewide average. The highest rate was 16.4% and the lowest rate was 3.4%.
- Among Ohio workers receiving unemployment compensation, the average duration of unemployment during the 12 months ending in December 2003 was 15.6 weeks. Among all U.S. workers receiving unemployment compensation, the comparable figure was 16.4 weeks.

## Ohio Ranks High in Exports

## 2003 Exports and Percentage Change

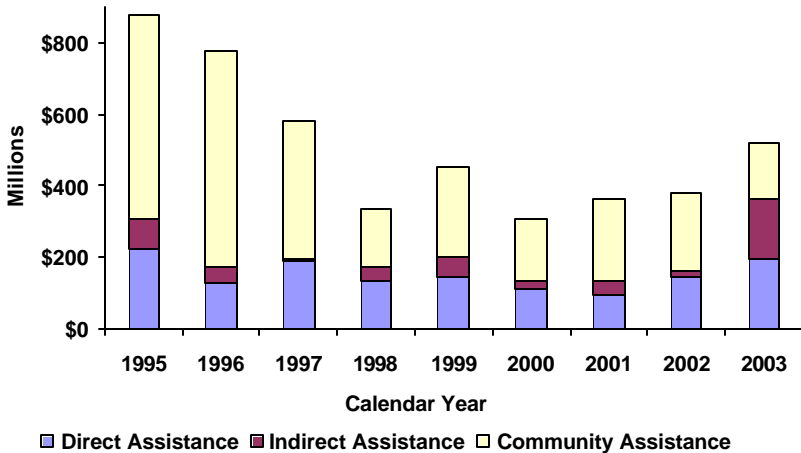
Rank	Description	CY 2002 (millions)	CY 2003 (millions)	% Change 2002- 2003
	<b>Total All States</b>	<b>\$693,257</b>	<b>\$723,743</b>	<b>4.4%</b>
1	Texas	\$95,396	\$98,846	3.6%
2	California	\$92,214	\$93,995	1.9%
3	New York	\$36,977	\$39,181	6.0%
4	Washington	\$34,627	\$34,173	-1.3%
5	Michigan	\$33,775	\$32,941	-2.5%
<b>6</b>	<b>Ohio</b>	<b>\$27,723</b>	<b>\$29,764</b>	<b>7.4%</b>
7	Illinois	\$25,686	\$26,473	3.1%
8	Florida	\$24,544	\$24,953	1.7%
9	Massachusetts	\$16,708	\$18,663	11.7%
10	Louisiana	\$17,567	\$18,390	4.7%

- From 2002 to 2003, the dollar value of Ohio's exports increased by 7.4%, compared to an overall U.S. increase of 4.4%. Among the top ten exporting states, Ohio ranked second in the percentage increase in exports in 2003.
- Ohio's state rank in value of exports rose from 11th place in 1987 to 7th place in 1999. It fell back to 8th place in 2000 and 2001 before rising to 6th place in 2002 and 2003.
- In 2003, Ohio had five export markets where dollar volume exceeded \$1 billion: Canada, Mexico, United Kingdom, Japan, and France. Of these, Canada was by far the largest market, purchasing over \$16.9 billion of Ohio's \$29.8 billion in exports, or about 57%. Mexico was Ohio's second largest export market at \$2.1 billion, or 7.1%. The state's largest overseas market was the United Kingdom, accounting for \$1.2 billion, or 4.2%.
- In 2003, Ohio's top exporting sectors were vehicles/not railway (\$8.5 billion), machinery (\$7.6 billion), electrical machinery (\$1.8 billion), plastics (\$1.3 billion), and optic/medical instruments (\$0.9 billion). Together these five manufacturing sectors accounted for \$20.1 billion, or about 67%, of all Ohio exports.



## Economic Development Spending Increases after Years on the Decline

State and Federal Assistance Administered by Ohio Department of Development, 1995-2003



- State and federal funds include *direct assistance* (state assistance for business attraction and expansion projects that include job creation, retention, and workforce training), *indirect assistance* (funding for competitiveness improvements, such as research and development for priority technology initiatives and infrastructure improvements in rural areas that are not measurable in terms of employment increases), and *community assistance* (federally funded local quality-of-life enhancements administered by the Ohio Department of Development (ODOD)).
- Included are programs administered by the following ODOD divisions: Community Development, Minority Business Affairs, Economic Development, Technology, and the Ohio Housing Finance Agency.
- Total 2003 spending of \$519,207,827 on economic development reflects a 40.8% decrease from total 1995 spending of \$876,689,236; however, 2003 spending levels increased 35.7% from \$382,660,974 in 2002.
- Reported as projections by companies: 16,727 jobs were created, 39,680 jobs were retained, and 61,651 workers were trained through 2003 direct assistance. Companies have three years from the time of receiving their assistance to fulfill these commitments.
- Community assistance, which consists primarily of federal funding, declined from \$572,209,029 in 1995 to \$154,590,927 in 2003, representing a 73.0% decrease.

## Ohio among Nation's Leaders in Agriculture

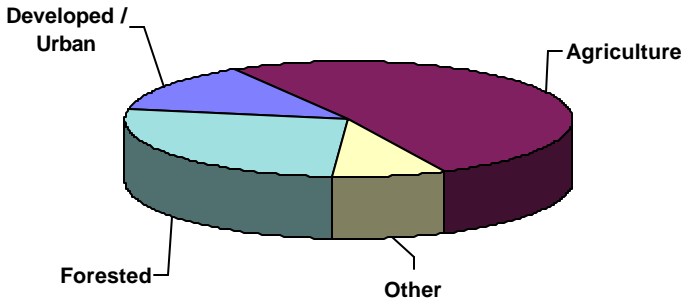
### Ohio Rankings for Selected Field Crops in 2002

Commodity	U.S. Rank	Unit	Production	State Ranked First	Production
Corn for grain	10	Bushels	252,560,000	Iowa	1,963,500,000
Corn for silage	13	Tons	2,565,000	Wisconsin	11,680,000
Oats	9	Bushels	3,720,000	Minnesota	15,960,000
Winter Wheat	6	Bushels	50,220,000	Kansas	267,300,000
Soybeans	7	Bushels	141,300,000	Iowa	494,880,000
Hay (baled)	16	Tons	3,750,000	Texas	13,850,000
Sugarbeets	12	Tons	37,000	Minnesota	8,854,000
Tobacco	8	Pounds	9,625,000	North Carolina	347,920,000

- According to the 2002 U.S. Census of Agriculture, Ohio had approximately 10 million acres of harvested cropland. Of this harvested cropland, 4,710,000 acres of land were devoted to soybeans; 2,870,000 acres were devoted to corn for grain; and 810,000 acres were devoted to winter wheat. Approximately 85% of Ohio's harvested cropland is used for these three crops.
- According to the Ohio Department of Agriculture's *Annual Report and Statistics*, the 2002 crop was affected by excess rain during the planting and harvesting seasons, as well as drought conditions during the growing season. This resulted in some of the poorest yields for corn and soybeans since 1988.
- In 2002, the average size of a farm in Ohio was 187 acres, while the average U.S. farm was 441 acres.
- The number of farms in Ohio has been decreasing over the past several decades. The number of farms in 1960 was 149,000, compared to 78,000 farms in 2002. There were 2,129,000 farms in the U.S. in 2002.
- Of the 78,000 farms in Ohio, 71,000 are owned by a family or individual.
- In 2002, Ohio led the nation in the production of Swiss cheese (94,390,000 pounds) and was ranked second in the number of eggs produced (7.9 billion collected).
- Ohio ranked third in the nation in the number of livestock slaughter plants. There were 160 plants in January of 2003.

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

Land Cover in Ohio, 1997



- Of Ohio's 26.4 million acres, approximately 13.6 million acres (52%) are agricultural, 7.1 million acres (27%) are forested, and 3.6 million acres (14%) are developed or urban areas. Other categories of land use may include open waters or wetlands, grasslands, or barren land (mines, quarries, or areas of sparse vegetative cover).
- Of Ohio's 13.6 million acres of agricultural land, approximately 2.0 million grow pasture and hay crops and 11.6 million grow row crops such as corn and soybeans.
- In 1940, total acres of wooded or forested land in Ohio comprised approximately 15% of the state. By 1997, total forested acreage had nearly doubled to 27% of the state.
- Ohio is among the most urban and fastest urbanizing states in the nation. In 1997, Ohio ranked seventh among all states in total acres of developed land and ranked among the top ten fastest urbanizing states between 1992 and 1997.
- Between 1982 and 1997, the percentage of urban land in Ohio increased from 10.5% to 13.7%. During the same period, the percentage of agricultural land decreased from 57.6% to 51.6%. With respect to the ratio of agricultural land to urban land, in 1982 there were approximately 5.47 acres of agricultural land to every one acre of urban land. By 1997 that ratio had decreased to 3.78 acres of agricultural land to every one acre of urban land.

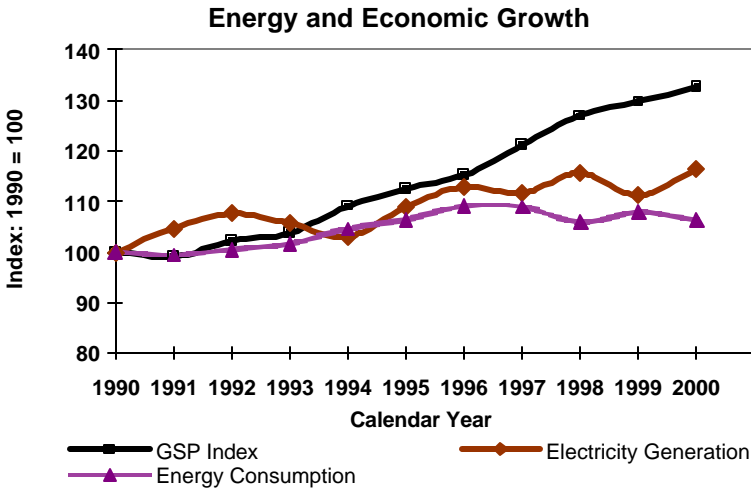
## **Ohio Parks: Second Most Visited in the Nation**

### **Top Five Visited State Parks in Ohio in 2003**

<b>State Park</b>	<b>County</b>	<b>Visitors in 2003</b>	<b>Land Acres</b>
Cleveland Lake Front	Cuyahoga	9,068,786	476
Alum Creek	Delaware	3,663,291	5,213
Hueston Woods	Preble and Butler	2,810,325	3,596
Headlands Beach	Lake	2,150,904	120
Hocking Hills	Hocking	2,067,494	2,331

- Among the 50 states, Ohio ranks second in the nation in terms of state park visitation, with 55 million guests per year. Ohio ranks sixth in the total number of state parks.
- Ohio is second in the nation in the number of recreational trails and ninth in terms of total park acreage.
- Currently, there are 74 state parks in 65 counties. Middle Bass Island became the 74th state park in March 2001.
- Ohio ranks seventh in terms of revenues generated from its state parks. Total revenues in 2003 were \$27,075,200, of which 37% were from camping fees.
- Ohio's state park system is one of only eight in the nation that does not charge an entrance fee.
- An online centralized reservation system for camping and state-operated cottages went live in the winter of FY 2004. From January 1, 2003 through the middle of August 2004, 88,058 reservations were made on the system.
- Ohio is ranked second in the nation in the number of state park resort lodges. Ohio's ninth and newest state park lodge is at Geneva State Park. This lodge is unique in that the \$16.7 million facility is situated on state-owned parkland but was constructed and will be managed entirely with local funds.
- In FY 2004, 589 acres of land on North Bass Island was purchased by the Department of Natural Resources for approximately \$17.4 million (federal and state funds). The land purchased includes 2.5 miles of undeveloped shoreline and 58 acres of natural coastal wetlands and unique geologic features.
- There are 5,818 state park volunteers. In 2003, these volunteers contributed approximately 325,000 service hours, which is an all-time record for the Volunteer-In-Parks program.

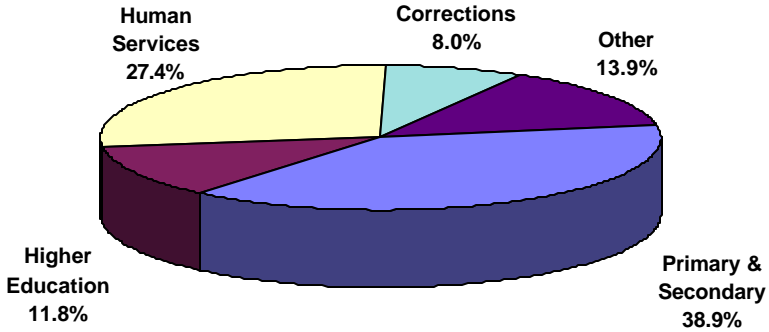
## Economy Grows Faster than Energy Use



- Ohio's gross state product (GSP) increased by 32.6% from 1990 to 2000, while energy consumption increased by 6.3%.
- Ohio was 4th in the U.S. in both electricity and coal consumption in 2000 and was 7th in the nontransportation use of oil and in natural gas consumption. Ohio ranked 2nd (to Texas) in industrial retail electric sales.
- Ohio ranked 18th nationally in petroleum and natural gas prices in 2000, and 22nd in electricity prices in 2002 (Ohio's average revenue for all customer classes – a retail price proxy – was 6.66 cents per kilowatt hour, which was 7.6% below the national average).
- In 2003 oil and gas were produced in 44 of Ohio's 88 counties, but out-of-state sources met most of the state's consumption. Ohio production levels have remained generally steady since 2000, but in 2003 were at the lowest level in ten years.
- In 2002 90% of the electricity generated in Ohio was derived from coal (about one-third of which was Ohio-mined), compared to a U.S. average of 50%. At 7%, the second most-used electricity fuel source in Ohio was nuclear, compared to a U.S. average of 20%. Natural gas increased in use as a generation fuel in Ohio in 2002, mostly for peaking capacity.
- Between 1993 and 2003, 2000 was the peak year for proposals submitted to the Power Siting Board to construct large electric generating and transmission and natural gas transmission facilities in Ohio. More facilities were completed each year from 2001 to 2003 than the average number completed annually from 1993 to 2000.

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

### Percentages of FY 2004-2005 GRF, LPEF, & Local Government Fund Spending



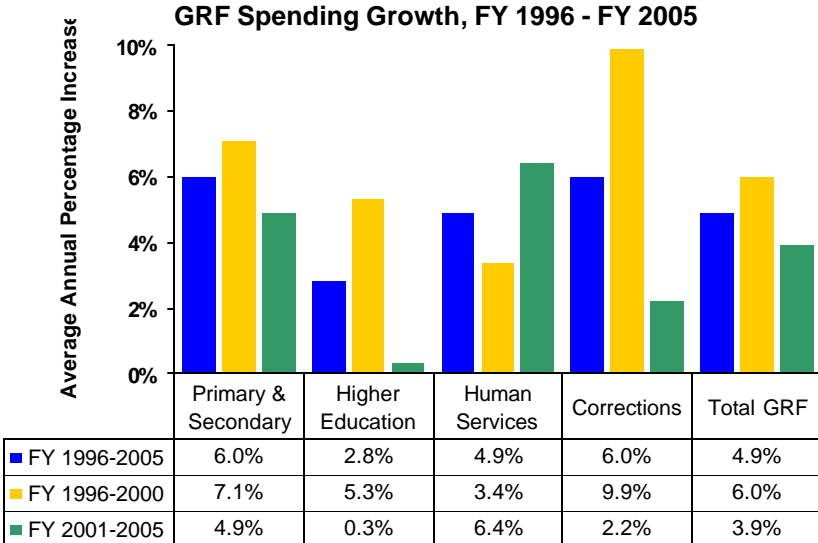
### State Spending from GRF, LPEF, and Local Government Funds (in millions)

	1996-1997	1998-1999	2000-2001	2002-2003	2004-2005*
<b>Primary &amp; Secondary</b>	\$9,947.0	\$11,654.4	\$13,300.1	\$15,147.5	\$16,104.5
<b>Higher Education</b>	\$4,087.7	\$4,510.3	\$4,951.5	\$4,867.1	\$4,881.4
<b>Human Services</b>	\$7,361.5	\$8,093.5	\$8,835.6	\$9,984.7	\$11,321.2
<b>Corrections</b>	\$2,265.6	\$2,670.6	\$3,085.7	\$3,176.5	\$3,303.2
<b>Other</b>	\$4,592.8	\$5,104.6	\$5,836.5	\$5,732.6	\$5,752.9

\* 2005 spending amounts approximated by appropriations as of August 31, 2004

- State expenditures from the General Revenue Fund (GRF), the Lottery Profits Education Fund (LPEF), and the local government funds have grown 46.4% since the 1996-1997 biennium, from \$28,254.6 million in FY 1996-1997 to \$41,363.4 million in FY 2004-2005.
- Growth rates in expenditures for the major categories from the FY 2002-2003 biennium to the FY 2004-2005 biennium are: Primary and Secondary (K-12) Education, 6.3%; Higher Education, 0.3%; Human Services, 13.4%; Corrections, 4.0%; and Other, 0.4%.
- The shares of the FY 2004-2005 biennial budget allocated to each of the major spending areas have changed since the FY 1996-1997 biennium by the following amounts: Primary and Secondary Education, 3.73% increase; Higher Education, 2.67% decrease; Human Services, 1.32% increase; Corrections, 0.03% decrease; and Other, 2.35% decrease.
- In the FY 2004-2005 biennium, K-12 Education and Higher Education together account for 51% of the entire state budget.

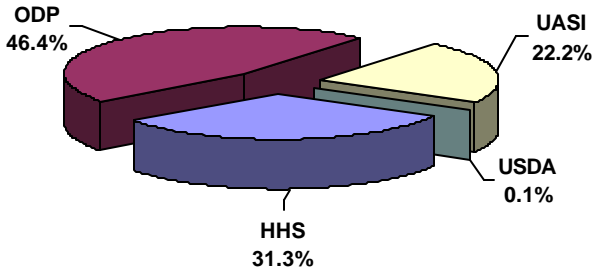
## Spending Growth Varies across Program Areas and Years



- Over the ten years encompassing actual FY 1996 expenditures through FY 2005 appropriations, total General Revenue Fund (GRF) spending grew at an average annual rate of 4.9%.
- Rates of spending growth differed sharply between the FY 1996-2000 period (the last five years of the 1990's economic expansion) and the FY 2001-2005 period (the recession and subsequent recovery). In the FY 1996-2000 period, annual spending growth averaged 6.0%. In the FY 2001-2005 period, annual spending growth averaged 3.9%.
- In the FY 1996-2000 period, the fastest growing spending areas were corrections and primary and secondary education. The growth in corrections spending reflects the cost of building and operating a relatively large prison system, in combination with a dramatic expansion in community corrections programs.
- In the FY 2001-2005 period, the fastest growing spending areas were human services and primary and secondary education. The growth in human services spending is primarily attributable to growth in Medicaid caseloads and increasing health care costs paid by Medicaid.

## Federal Government Awards \$147 Million in Homeland Security Grants

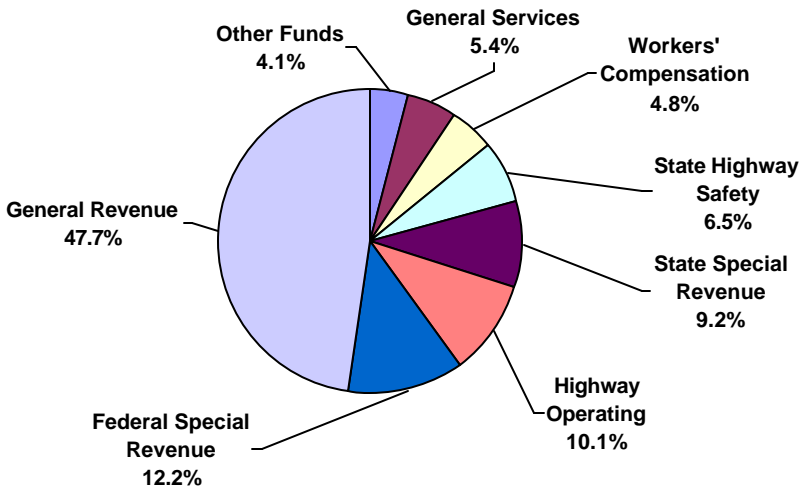
FY 2004 Federal Homeland Security Funding,  
by Funding Source



- In federal FY 2004, the federal government awarded \$147.1 million in Homeland Security grants for the state of Ohio. The grants have been awarded by the Office of Domestic Preparedness (ODP) of the U.S. Department of Homeland Security (DHS), the U.S. Department of Health and Human Services (HHS), and the U.S. Department of Agriculture (USDA).
- \$46 million has been awarded from HHS to help fight bioterrorism. This grant will focus on preparedness and planning, surveillance and epidemiology, biological laboratory capacity, the Health Alert Network, risk communication and health information dissemination, and education and training. Money will also be used to help hospitals coordinate mass care response in the event of a biologic event.
- \$68.2 million has been awarded by the ODP as part of the Homeland Security Grant Program. This grant is comprised of three individual grants: the State Homeland Security Program, the Law Enforcement Terrorism Prevention Program, and the Citizen Corps Program. All three of these programs enhance state and local preparedness and prevention activities.
- \$32.7 million has been awarded by the ODP as part of the Urban Area Security Initiative (UASI) Grant Program. These funds go to the three largest urban areas in Ohio (Hamilton, Franklin, and Cuyahoga counties) to enhance the overall security and preparedness efforts in those areas.
- \$156,900 has been awarded by the USDA to establish a network of diagnostic labs to strengthen state capabilities to respond to animal disease emergencies, to provide surveillance for animal disease, and to improve capabilities to detect animal and plant diseases.



## FY 2004 Funding Sources for State Payroll Costs

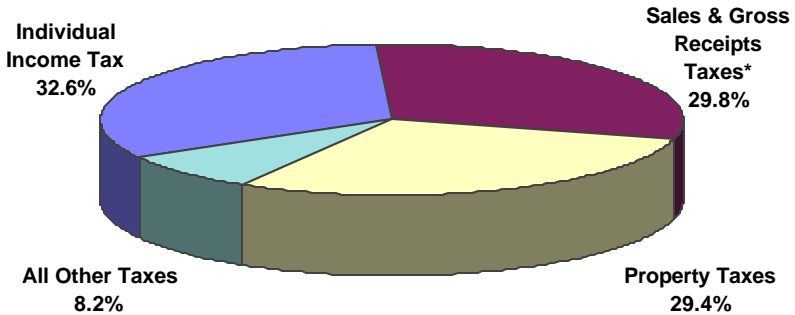


## GRF Accounts for Nearly Half of State Payroll Costs

- Total FY 2004 state payroll was \$3.84 billion for all state funds. Payroll covered by the General Revenue Fund (GRF) amounted to 47.7% of total state payroll, or \$1.83 billion. This proportion has remained fairly constant since FY 1998.
- Earned wages and overtime, which represent the largest share of payroll costs, totaled \$2.43 billion in FY 2004. This category includes wages for work performed, but not vacation and sick leave.
- The cost of employee benefits — such as retirement contributions, health, vision, and dental care, life insurance, and other fringe benefits — represents the second-largest portion of payroll costs, amounting to \$884.6 million in FY 2004.
- From June 1998 to June 2004, the number of employees on the state payroll declined from 61,795 to 59,937, a 3.0% decline. Most of this decline occurred during FY 2002, especially among the corrections agencies.
- These figures include full-time and part-time permanent employees of cabinet agencies, elected officials' offices, and employees of boards and commissions appointed by the Governor. Not included in this count are employees of colleges and universities and the Ohio Turnpike.

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

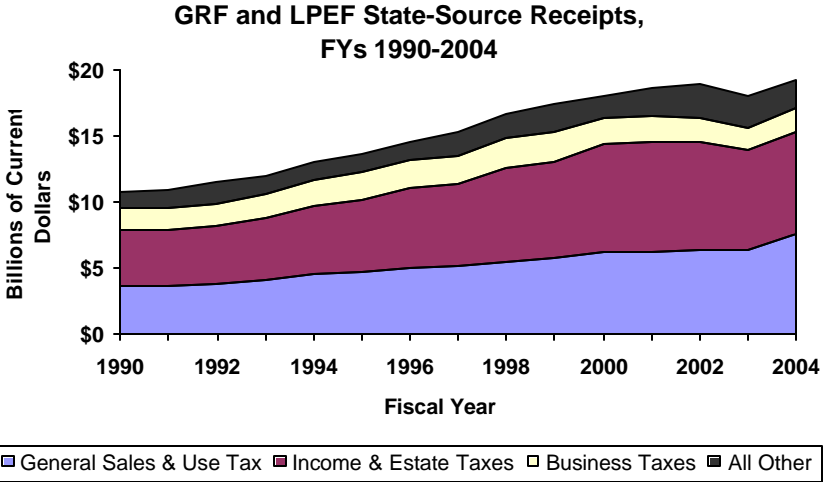
Ohio Combined State & Local Tax Revenues  
FY 2002



\* 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, like most other states, relies on 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 corporation franchise tax).
- State taxes accounted for 55.7% of combined state and local tax revenue in FY 2002. State taxes accounted for 70.7% of revenue from individual income taxes, 86.6% of revenue from sales and gross receipts taxes, and 82.6% of revenue from “other” taxes. Local taxes accounted for 99.8% of revenue from property taxes.
- For state taxes, 46.3% of tax revenue came from sales and gross receipts taxes, 41.4% from the individual income tax, 12.2% from “other” taxes, and 0.1% from taxes classified as property taxes.
- For local taxes, 66.3% of tax revenue came from property taxes, 21.6% from individual income taxes, 9.0% from sales and gross receipts taxes, and 3.2% from “other” taxes.

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



- In FY 2004, total state General Revenue Fund (GRF) receipts (excluding federal grants) and net profits from lottery ticket sales amounted to \$19.2 billion. The personal income tax (\$7.8 billion) and the general sales and use tax (\$7.5 billion) were the most important revenue sources in FY 2004, accounting for 79.8% of receipts.
- Over time, the largest contributors to the “other” category have been transfers to the Lottery Profits Education Fund (LPEF) and transfers from the Income Tax Reduction Fund (ITRF), the Budget Stabilization Fund (BSF), and the Tobacco Master Settlement Agreement Fund (TMSAF) to the state GRF. In FY 2003 and FY 2004, transfers to the LPEF were \$673.5 million and \$648.1 million, respectively. There were no transfers from the ITRF in the last two years. Transfers from the TMSAF were \$279.3 million in FY 2003 and \$236.1 million in FY 2004. Transfers made from the BSF to the GRF were \$115.4 million in FY 2003 and \$0 in FY 2004.
- From FY 1990 to FY 2004, state-source GRF and LPEF receipts increased at a compounded annual growth rate of 4.2%. Inflation-adjusted growth over the period was 1.5% compounded annually. Ohio personal income grew at an annual compounded rate of 4.1% between 1990 and 2003.
- With the growth in the sales tax and the income tax, the relative importance of the “business taxes” – the corporation franchise tax, the public utility taxes, and the insurance taxes – has declined. These sources were over 16.1% of state-source GRF and LPEF receipts in FY 1990; they were only 9.4% in FY 2004.

## Tax Burden Comparisons

### Combined State and Local Taxes

FY 2002	Taxes as % Of Income	Rank*	Taxes Per Capita	Rank*
National Average	10.2		\$3,149	
<b>Ohio</b>	<b>10.9</b>	<b>8</b>	<b>3,170</b>	<b>18</b>
<b>Neighboring States</b>				
Indiana	9.8	30	2,759	29
Kentucky	10.3	17	2,636	37
Michigan	10.2	19	3,051	22
Pennsylvania	9.8	32	3,052	21
West Virginia	10.8	9	2,571	40

\*Highest to lowest.

- Ohio's FY 2002 combined state and local tax burden, measured by taxes per capita (\$3,170) and taxes as a percentage of personal income (10.9%), was higher than both the national average and those of its neighbors.
- Ohio's burden from state taxes is at or below the national average and its burden from local taxes exceeds the national average.
- For FY 2002, Ohio's state taxes were \$1,764 per capita while local taxes were \$1,405 per capita. U.S. averages were \$1,862 for state taxes and \$1,286 for local taxes.
- For FY 2002, Ohio's state taxes were 6.0% of personal income and local taxes were 4.8% of personal income. U.S. averages were 6.0% for state taxes and 4.2% for local taxes.
- In FY 2002, New York had the highest per capita combined state and local tax burden at \$4,645, while Alabama had the lowest at \$2,170.
- New York had the highest level of taxes as a percentage of personal income at 13.0%, and Tennessee had the lowest at 8.1%.

## Ohio Taxes Higher than National Average And Neighbors in FY 2002

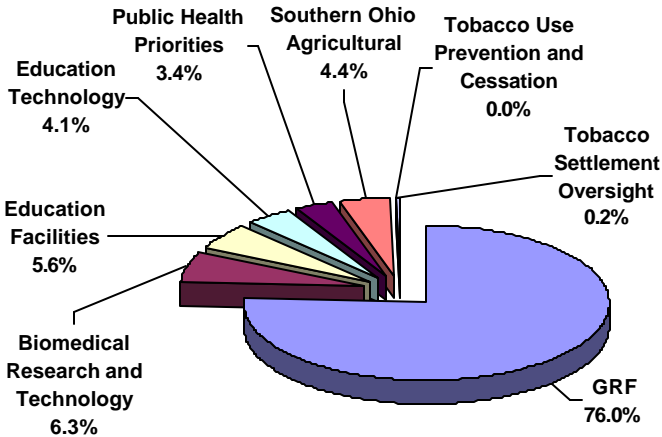
### Combined State and Local Taxes As a Percentage of Income, FY 2002

	OH	U.S.	IN	PA	MI	KY	WV
<b>Total Taxes</b>	<b>10.9%</b>	<b>10.2%</b>	<b>9.8%</b>	<b>9.8%</b>	<b>10.2%</b>	<b>10.3%</b>	<b>10.8%</b>
Individual Income	3.5%	2.3%	2.4%	2.5%	2.2%	3.4%	2.4%
Property Tax	3.2%	3.1%	3.5%	2.8%	3.3%	1.9%	2.1%
Sales & Gross Receipts	3.2%	3.6%	3.2%	2.9%	3.4%	3.8%	4.6%
General Sales	2.3%	2.5%	2.2%	2.0%	2.6%	2.2%	2.2%
Selective Sales	0.9%	1.1%	1.0%	1.0%	0.8%	1.6%	2.4%
Motor Fuel Sales	0.4%	0.4%	0.4%	0.5%	0.4%	0.4%	0.7%
Alcoholic Beverages	0.0%	0.1%	0.0%	0.1%	0.0%	0.1%	0.0%
Tobacco	0.1%	0.1%	0.1%	0.1%	0.2%	0.0%	0.1%
Public Utility	0.2%	0.2%	0.0%	0.2%	0.0%	0.2%	0.5%
Other Sales	0.1%	0.4%	0.5%	0.2%	0.2%	0.9%	1.1%
Corporate Income	0.2%	0.3%	0.4%	0.3%	0.7%	0.3%	0.5%
Licenses	0.5%	0.4%	0.2%	0.5%	0.4%	0.5%	0.4%
Other Taxes	0.2%	0.4%	0.2%	0.7%	0.2%	0.5%	0.8%

- Ohio's combined state and local taxes as a percentage of income are higher than the U.S. average and those of its five neighbors.
- Ohio has low to average sales taxes and property taxes. However, Ohio's individual income tax stands out as being high relative to the U.S. average and relative to all its neighbors.
- Personal income growth in Ohio has lagged that of the U.S. and its neighbors, except for Michigan, between 1999 and 2002. This has increased this measure of tax burden for Ohio relative to the U.S. and its neighbors.
- Ohio's graduated income tax is more progressive (that is, the tax rate on higher incomes is greater than the tax rate on lower incomes) than in most other states. This makes Ohio's system relatively evenly balanced between income, sales, and property taxes.

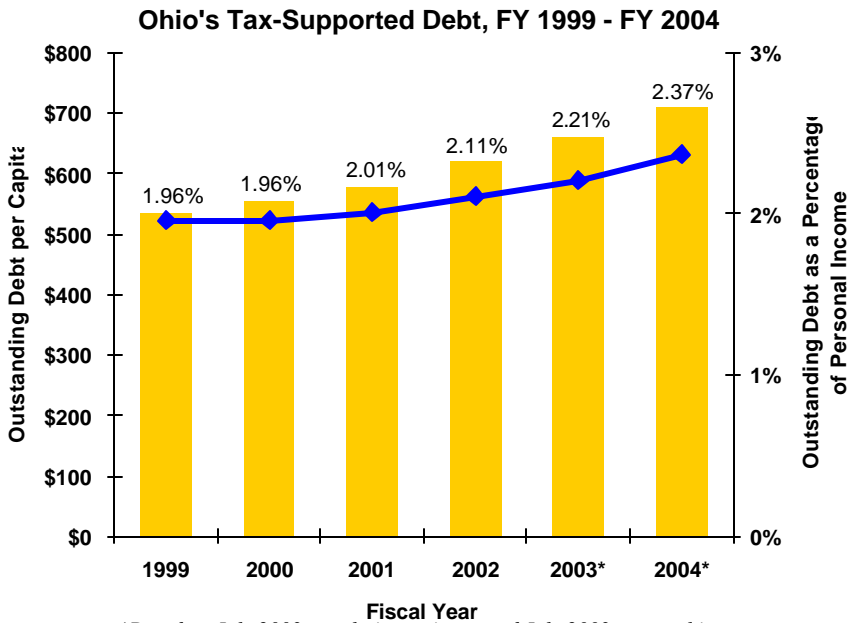
## Most Tobacco Settlement Revenue Transferred to General Revenue Fund in FY 2004

Distribution of Tobacco Revenue in FY 2004



- In November 1998, 46 states, five U.S. territories, and the District of Columbia signed the Tobacco Master Settlement Agreement (MSA) with the United States' largest tobacco manufacturers. Florida, Minnesota, Mississippi and Texas settled separately. Under the terms of the MSA, Ohio was originally projected to receive approximately \$10.1 billion through 2025.
- Through FY 2004, Ohio has received a total of \$1.786 billion in MSA revenue. The Office of Budget and Management estimates that Ohio will receive \$290.9 million in FY 2005.
- Distribution of tobacco revenue is specified in section 183.02 of the Revised Code. However, over the past few years the General Assembly has authorized the transfer of a total of \$806.1 million in tobacco settlement revenue to the General Revenue Fund.
- The following state agencies and foundations receive MSA dollars: Departments of Health, Alcohol and Drug Addiction Services, Public Safety, Development, and Taxation; Commission on Minority Health; School Facilities Commission; Ohio SchoolNet Commission; Attorney General's Office; the Southern Ohio Agricultural and Community Development Foundation; and the Tobacco Use Prevention and Control Foundation.

## Ohio's Tax-Supported Debt

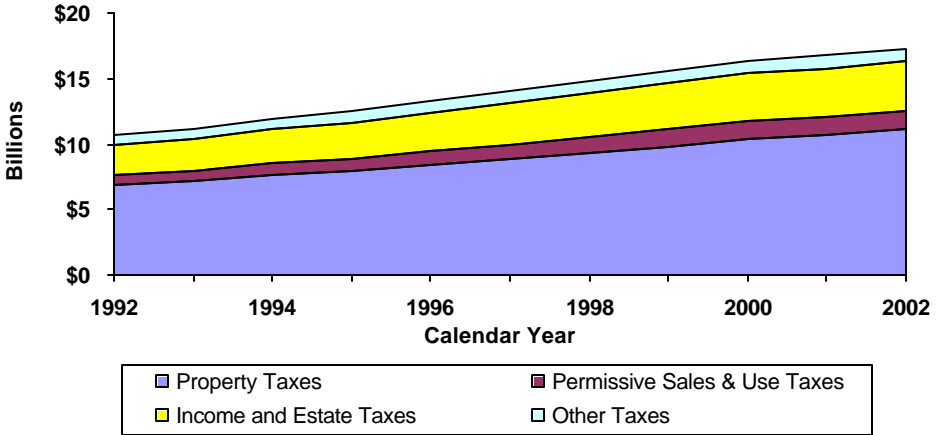


\*Based on July 2003 population estimate and July 2003 personal income.

- Ohio's tax-supported debt is made up of general obligation (GO) debt and special obligation (SO) debt. As of July 1, 2004, the outstanding GO and SO debt payable from the state's GRF totaled \$8.1 billion. GO debt outstanding totaled \$4.4 billion and SO debt outstanding totaled \$3.7 billion.
- Outstanding debt per capita has grown by 33% between FY 1999 and FY 2004. Overall, Ohio ranked 33rd in debt per capita in 2001 (ranking is from highest debt per capita to lowest). As a percentage of personal income, though, outstanding debt has barely changed over this period.
- GO debt has been authorized by 17 constitutional amendments, mainly for the financing of capital facilities, and is backed by the state's full faith and credit. Debt service payments are guaranteed by the pledge of taxes or excises.
- SO debt is authorized for specified purposes by Section 2i of Article VIII of the Ohio Constitution, and debt service payments are subject to biennial appropriations by the General Assembly.
- At the end of FY 2004, Ohio GO bonds were rated AA+ by Fitch, Aa1 by Moody's, and AA+ by S & P — the three major rating agencies.

## Local Property Taxes Continue To Be a Dependable Source of Revenue

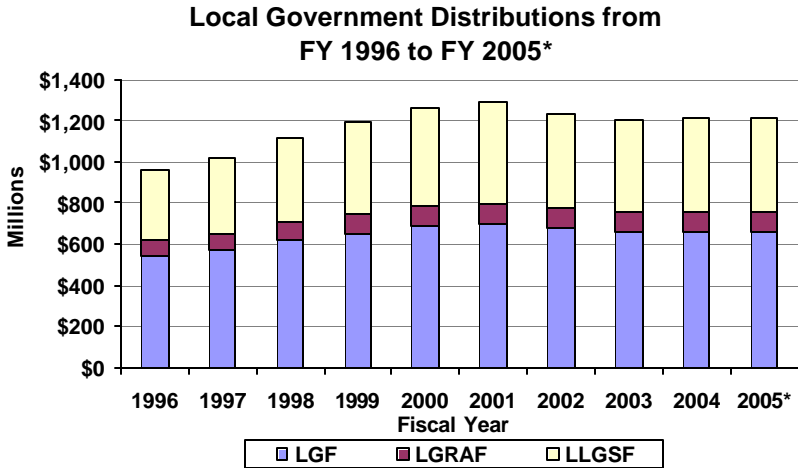
Ohio's Local Taxes, 1992-2002



- In 2002, \$17.3 billion in local taxes were collected in Ohio. Property taxes yielded \$11.2 billion. Combined income and estate taxes generated \$3.8 billion. Sales and use taxes yielded \$1.4 billion. Other taxes (alcohol, cigarette, lodging, motor vehicle fuel, and motor vehicle license) generated \$979 million.
- From FY 1992 to FY 2002, total local tax revenue grew at an average of 6.2% annually. Growth in property tax revenue was moderate, averaging 6.3% annually. Sales tax revenues grew at a more rapid 8.5% annual rate. The income and estate taxes grew at 6.6% and all other taxes grew an average of 2.2% annually.
- In the last two years, local tax revenue grew at a slower rate, averaging 2.7% annually. Property taxes grew 3.9% annually, sales taxes grew 1.4%, and income taxes grew 0.6%. Other taxes were flat.
- Over the ten-year period from FY 1992 to FY 2002, the relative importance of the property tax increased slightly from 64.3% of local revenue to 64.7%. Sales and use taxes grew from 6.9% of revenue to 7.9%. The income tax grew from 21.3% of revenue to 21.8%. Other taxes decreased in relative importance, from 7.5% to 5.7%.



## State-Shared Revenue Supports Local Governments

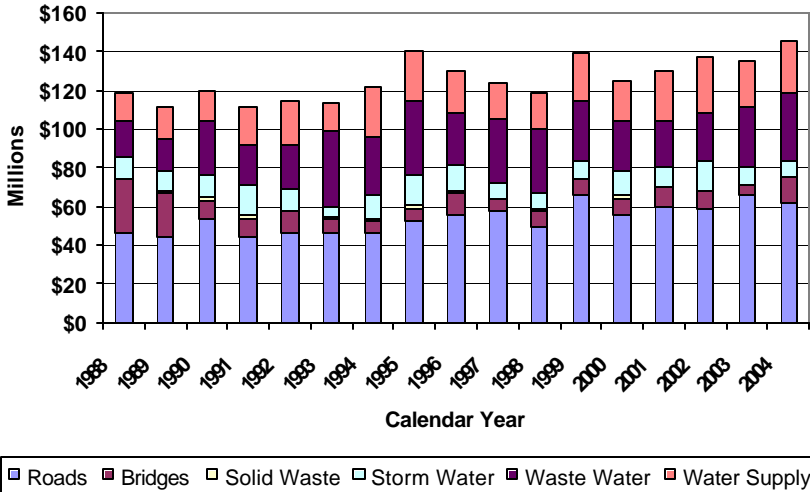


\* 2005 spending amounts approximated by appropriations as of August 31, 2004

- Over the past five fiscal years, local governments and libraries have received more than \$6 billion in state-shared revenue: \$3.3 billion from the state Local Government Fund (LGF), \$480 million from the Local Government Revenue Assistance Fund (LGRAF), and \$2.3 billion from the Library and Local Government Support Fund (LLGSF).
- In CY 2002, approximately \$719.4 million was distributed to Ohio's local governments from the LGF and LGRAF. Of that total, \$378.6 million was distributed to municipalities, over \$261 million went to counties, over \$66 million went to townships, and the remaining went to certain park districts. Local libraries in 88 counties in Ohio received \$457.7 million from the LLGSF in CY 2002.
- The ultimate disposition of LGF and LGRAF money for CY 2002 resulted in Ohio's municipalities receiving about 53% of total money disbursed, counties receiving 36%, townships receiving 9%, and park districts receiving about 2%.
- Recent state operating budgets have included "temporary adjustments to local government distributions." Under these "freezes" tax receipts that would otherwise have been credited to the local funds are instead credited to the GRF. The effect of the freezes can be seen in the chart above. After growing through FY 2001, distributions were reduced in FYs 2002 and 2003 and have remained at the FY 2003 level for FYs 2004 and 2005.

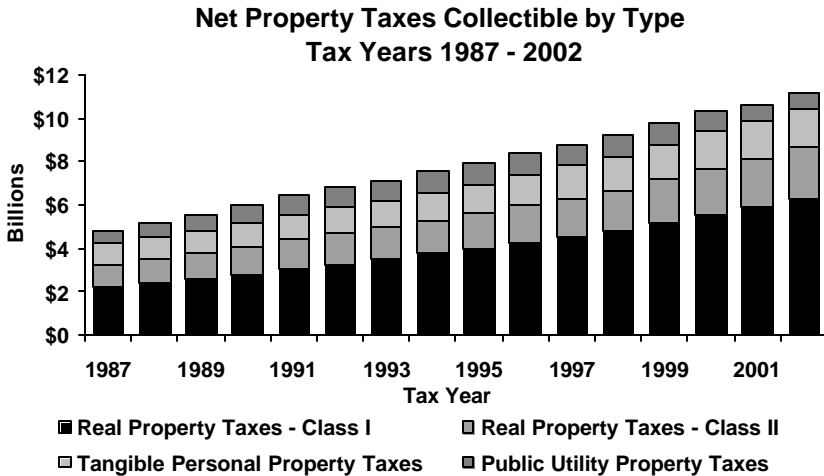
## State Capital Improvements Program – “Issue 2”

### Annual SCIP Disbursements from 1988 to 2004



- A total of \$145 million was disbursed to support local government infrastructure construction under the State Capital Improvements Program in 2004. More than half of the money went to cities (\$79 million), followed by counties (\$33 million), villages (\$20 million), townships (\$9 million), and water districts (\$3 million). In 2004, 67% of the program's disbursements were grants.
- From 1988 to 2004 SCIP disbursed a total of \$2.1 billion in program funds.
- The state can incur a total debt of \$2.4 billion over the life of the program. This equates to \$120 million in bonds being issued each year over 20 years. If the full \$120 million in bonding authority is not used in a particular year the unused authority can be added to a bond sale in a later year. The General Revenue Fund (GRF) is used to pay the debt service on these bonds. Bonding authority under SCIP will expire in FY 2007 under current law.
- SCIP was created by a constitutional amendment in 1987 that allows the state to issue bonds to provide grants, loans, and credit enhancements for various infrastructure projects. Such projects may involve roadways, bridges, solid waste, storm water, and wastewater systems. The Ohio Public Works Commission (PWC) administers the program.
- Projects are ranked and recommended locally by one of 19 district public works integrating committees. The PWC then determines which projects will receive funding and uses the SCIP funds to reimburse political subdivisions for project costs.

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



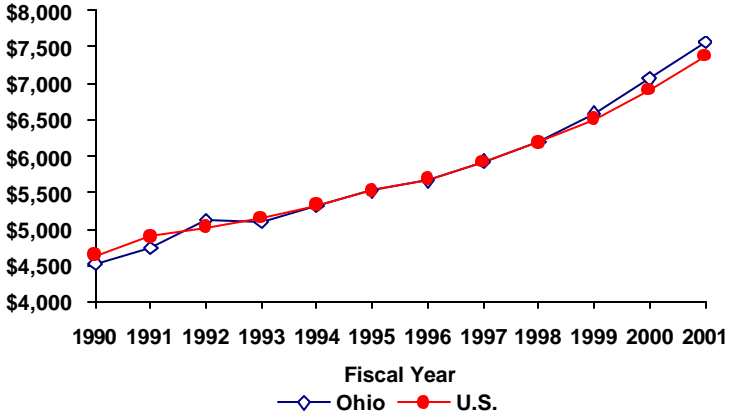
### Percentage Growth in Property Taxes Levied, 1987-2002

	Real Property Class I	Real Property Class II	Tangible Personal Property	Public Utility Property	Total Property Taxes
Overall	181.3	136.7	83.3	21.6	132.0
Average Annual Increase	7.1	5.9	4.1	1.3	5.8

- Taxes on real property in Ohio increased 168% or 6.8% per year on average from 1987 to 2002, more than on other classes of property. Increases in taxes have averaged 7.1% per year on residential and agricultural (Class I) real property and 5.9% per year on all other (Class II) real property.
- Approximately two-thirds of all property taxes go to Ohio's local school districts, with the rest going to other political subdivisions.
- The assessment rate for tangible personal property used in Ohio businesses was 25% of true value in tax year 2002, except for inventories which were assessed at 24% in that year and at 23% in tax years 2003 and 2004. Under current law, the tax on inventories will be phased out no later than 2018.
- Taxes charged (levied) on real property exceed net taxes collectible by a 10% rollback for all taxpayers, a 2.5% rollback on owner-occupied homes, and a homestead exemption for elderly and disabled homeowners. The state GRF reimburses local governments for these amounts. The first \$10,000 of business tangible property is exempt from tax, and reimbursement of these forgone taxes to local governments from the state GRF is being phased out over ten years.

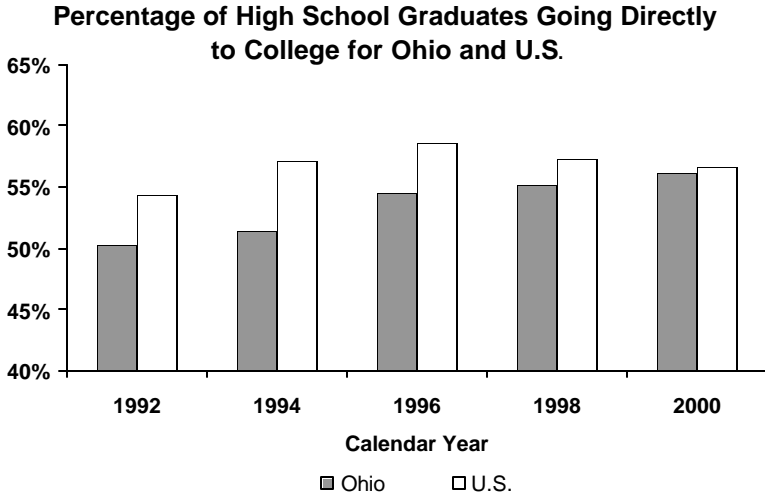
## Ohio's per Pupil Current Expenditures Increase along with National Average

Per Pupil Current Expenditures for Ohio and U.S.



- Ohio's per pupil current expenditures increased from 2.0% below the national average in FY 1990 to 2.5% above the national average in FY 2001.
- In the period from FY 1990 to FY 2001, Ohio's per pupil current expenditures increased from \$4,531 to \$7,571, or 67.1%. The national average increased from \$4,643 in FY 1990 to \$7,376 in FY 2001, or 58.9%. Inflation, as measured by the consumer price index, was 37.9% during the same period.
- Ohio's per pupil current expenditures ranked 19th in the nation in FY 2001.
- In FY 2001, Ohio's per pupil current expenditures and ranking in the nation (\$7,571, 19th) were higher than in Kentucky (\$6,079, 41st), Tennessee (\$5,687, 47th), and West Virginia (\$7,534, 20th) but lower than in Illinois (\$7,643, 17th), Indiana (\$7,630, 18th), Michigan (\$8,278, 10th), Minnesota (\$7,645, 16th), Pennsylvania (\$8,210, 14th), and Wisconsin (\$8,243, 12th).

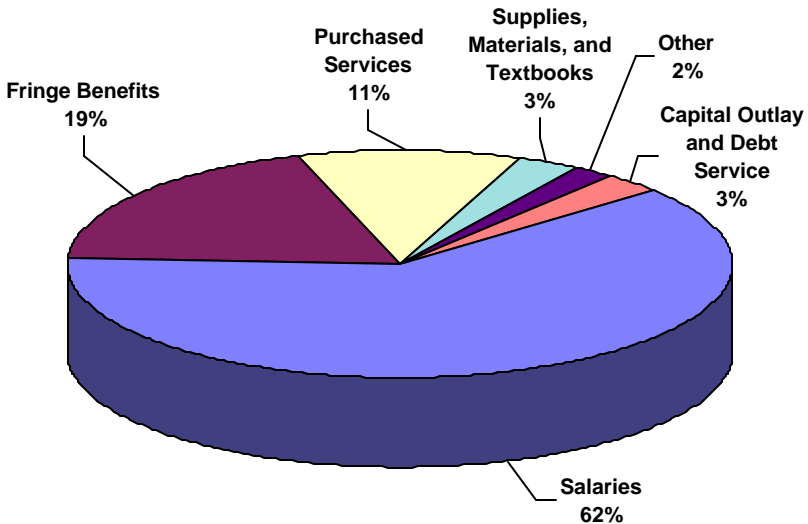
## Percentage of Ohio High School Graduates Going Directly to College Increased Faster than U.S. Average



- The percentage of Ohio high school graduates going directly to college increased from 50.3% in fall 1992 to 56.1% in fall 2000, an increase of 11.5%. During the same period, the national average increased from 54.3% to 56.7%, an increase of 4.4%.
- In fall 1992, the percentage of Ohio high school graduates going directly to college was 7.4% below the national average. In fall 2000, Ohio was just 1.1% below the national average.
- Of fall 2002 first-time freshmen from Ohio, 70% were 2002 high school graduates and 30% earlier high school graduates. About 80% of those 2002 high school graduates attended four-year institutions, while only 30% of earlier high school graduates attended four-year institutions.
- ACT and SAT scores are indicators that help predict how well students will perform in college. ACT and SAT scores for Ohio high school seniors have been consistently higher than the national average since FY 1992.
- The average Ohio ACT score was 21.4 in FY 2004, in comparison with the national average of 20.9. About 66% of Ohio high school seniors and 40% of high school seniors nationwide took the ACT test in FY 2004.
- The average Ohio SAT score was 1,080 in FY 2004, in comparison with the national average of 1,026. About 28% of Ohio high school seniors and 48% of high school seniors nationwide took the SAT test in FY 2004.

## 81% of a Typical School Budget

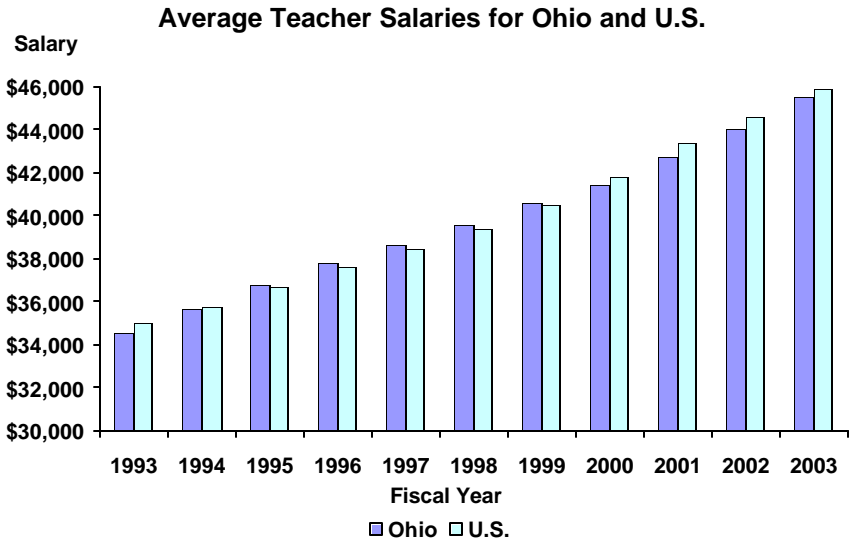
### Breakdown of a Typical School District Budget



### Spent on Salaries and Fringe Benefits

- Salaries and fringe benefits account for approximately 81% of school budgets statewide.
- The cost of fringe benefits has increased dramatically in recent years largely due to the rapid growth in health insurance premiums. It amounted to 31% of the cost of salaries in FY 2003, in comparison with 28% of the cost of salaries in FY 2001.
- Under Sub. H.B. 412 of the 122nd General Assembly (as modified by Am. Sub. S.B. 345 of the 123rd General Assembly), each school district is required to set aside an amount equal to 3% of the previous year's base cost funding formula amount multiplied by the number of students for textbooks and instructional materials and another 3% for capital and maintenance needs. In FY 2005, the required set-aside amount is \$151.7 per pupil for textbooks and instructional materials and another \$151.7 per pupil for capital and maintenance needs.

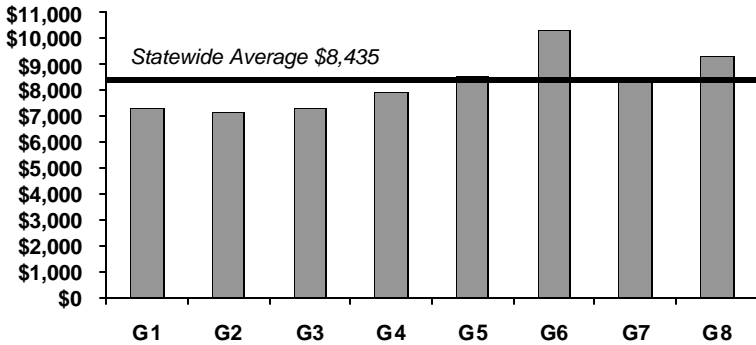
## Teacher Salary Increase in Ohio Matched U.S. Average



- The average salary for an Ohio teacher increased by 31.8% over the past ten years, from \$34,519 in FY 1993 to \$45,490 in FY 2003. The national average increased by 31.0%, from \$35,029 in FY 1993 to \$45,891 in FY 2003. Inflation, as measured by the consumer price index, was 27.8% during this ten-year period.
- Ohio's average teacher salary ranked 16th in the nation in FY 2003.
- In FY 2003, Ohio's average teacher salary and ranking in the nation (\$45,490, 16th) were higher than in Indiana (\$44,966, 17th), Kentucky (\$38,981, 35th), Minnesota (\$44,745, 19th), Tennessee (\$39,677, 33rd), West Virginia (\$38,481, 38th), and Wisconsin (\$42,775, 23rd) but lower than in Illinois (\$51,475, 6th), Michigan (\$53,563, 4th), and Pennsylvania (\$51,428, 7th).
- In FY 2003, the average beginning teacher salary in Ohio was \$27,688 for teachers with bachelor's degrees and \$30,043 for those with master's degrees. These salaries were 11.2% and 8.7% higher, respectively, than in FY 2001. This is compared to an inflation rate of 4.0% during that time.

## Per Pupil Operating Spending Varies across Ohio

Spending per Pupil by  
District Comparison Group, FY 2003



Group Type	Description	ADM** % FY 2003	No. of Districts
G1 - Rural	Very low SES*, very high poverty	7.0	78
G2 - Small Rural	Low SES, low poverty	10.8	157
G3 - Rural Town	Average SES, average poverty	13.7	123
G4 - Urban	Low SES, high poverty	9.0	67
G5 - Large Urban	Average SES, high poverty	11.0	44
G6 - Major Urban	Very high poverty	18.3	14
G7 - Suburban	High SES, moderate poverty	21.2	90
G8 - Suburban	Very high SES, low poverty	8.9	35

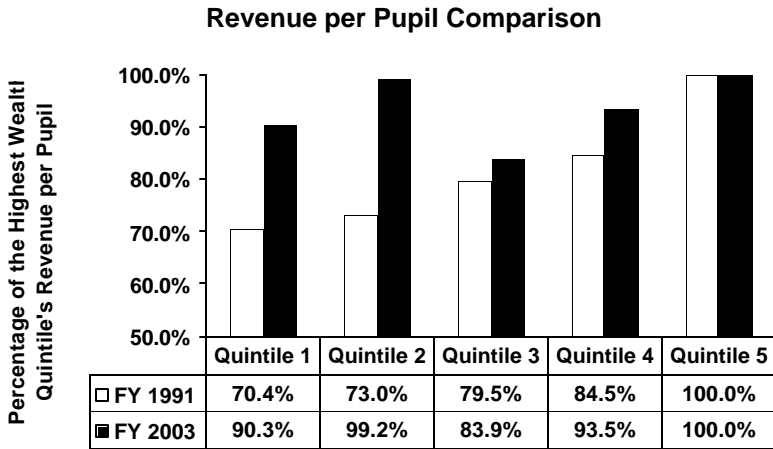
\*Socioeconomic status

\*\*Average daily membership

- The Department of Education clusters school districts throughout the state as a means to compare districts with similar socioeconomic characteristics. In FY 2003, the state average per pupil spending was \$8,435. About 83% of districts spent within a band of between 20% below the state average (\$6,748) and 20% above the state average (\$10,122).
- High poverty major urban (G6) districts and the wealthiest suburban (G8) districts had the highest spending per pupil among all district groups, spending 22% and 10%, respectively, above the state average in FY 2003.
- While per pupil spending varies across school districts, the pattern of allocation in all groups of districts is similar. On average, school districts spent 55.8% on instruction, 19.3% on building operations, 11.9% on administration, 10.3% on pupil support, and 2.7% on staff support.



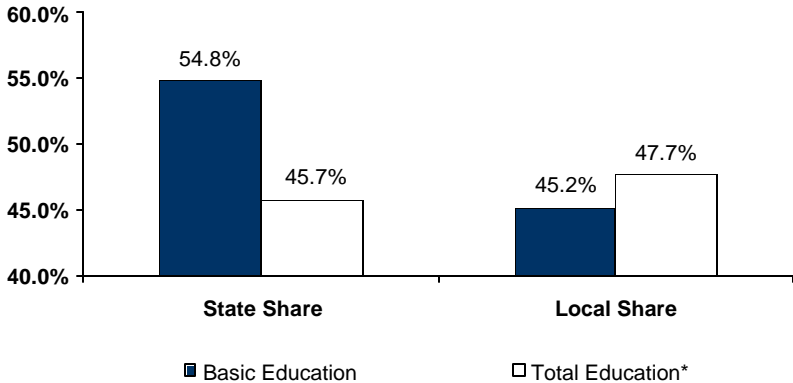
## Interdistrict Equity Improved Significantly since FY 1991



- The main goal of state aid for school districts is to neutralize the effect of a school district's wealth on its total revenue per pupil. The state's equalization effort, complemented by federal funds, significantly improved interdistrict revenue per pupil equity since FY 1991.
- School districts are first ranked from the lowest to the highest in valuation per pupil in each year. Districts are then grouped so that each quintile contains a roughly equal number of school districts. Quintile 1 has the lowest valuation per pupil and quintile 5 has the highest valuation per pupil.
- In the period from FY 1991 to FY 2003, districts in quintiles 1 and 2 registered the highest percentage and the biggest dollar increases in per pupil revenue. This occurred even though these districts experienced the smallest increase in per pupil valuation.
- In FY 2003, the average revenue per pupil for 80% of school districts (quintiles 1, 2, 3, and 4) was approximately 92% of the average revenue per pupil for quintile 5 (the highest wealth quintile).
- In FY 1991, approximately 76% of the variation in per pupil revenue could be explained by the variation in per pupil valuation. In FY 2003, the per pupil valuation explained about 31% of the variation in per pupil revenue. This indicates a significant improvement in interdistrict equity and fiscal neutrality since FY 1991.
- The state and federal governments both target extra funds for students in poverty. The percentages of students in each quintile whose families participated in Ohio Works First in FY 2003 are 7.8%, 10.8%, 3.4%, 5.5%, and 1.7%, respectively.

## School District Revenues More State than Local in Basic Education

Composition of School District Revenues, FY 2003  
(Basic Education vs. Total Education)

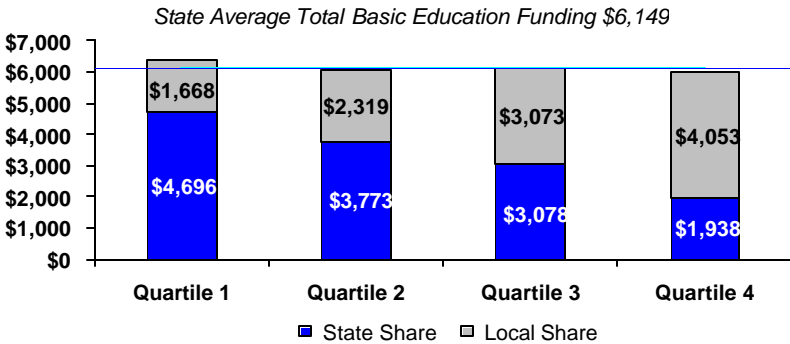


\*Federal funds account for the remaining 6.6% of total education spending.

- The state of Ohio primarily uses a performance-based model to determine the cost of a basic education. The model includes a uniform per pupil base cost and a series of adjustments to account for unique challenges each individual school district faces in providing a similar basic education. Total modeled basic education cost is shared between the state and local school districts through an equalized SF-3 foundation formula. The state pays approximately 54.8% of total basic education cost under the formula. Local school districts pay the remaining 45.2% of the basic education cost. The state share includes the portion of the local property tax charge-off paid by the state under the property tax relief program.
- The SF-3 foundation formula equalizes three-fourths of local operating tax revenue; the other one-fourth (approximately \$1.8 billion in FY 2003) of local revenue is available for school districts to provide education services beyond the basic education level. Local revenue above the basic education level is largely unequalized. The existence of local revenues beyond the basic education level is the main reason for a lower state share percentage (45.7%) in total education spending.

## Equalized State Aid Eliminates Disparities in Total State and Local Funding for Basic Education

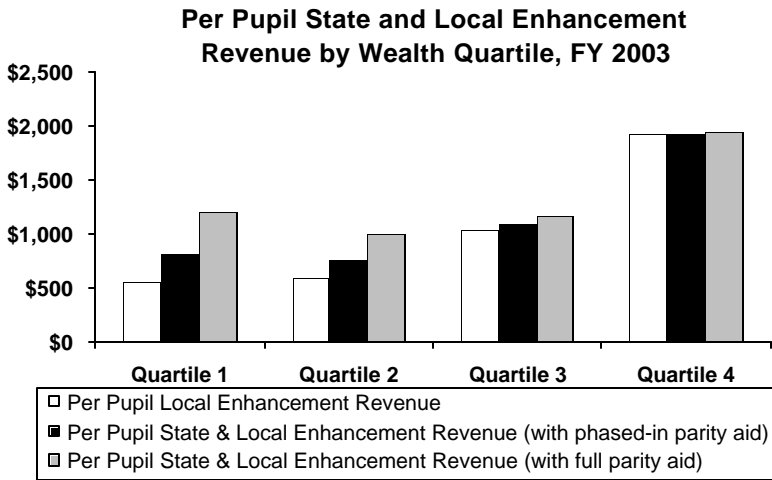
### Per Pupil State and Local Funding for Basic Education by Wealth Quartile, FY 2003



FY 2003	Charge-Off Valuation Per Pupil	Per Pupil Total Basic Education Funding	Per Pupil State Share %	Per Pupil Local Share %
Quartile 1	\$69,156	\$6,364	73.8%	26.2%
Quartile 2	\$95,082	\$6,092	61.9%	38.1%
Quartile 3	\$126,886	\$6,151	50.0%	50.0%
Quartile 4	\$182,666	\$5,991	32.3%	67.7%

- To create wealth quartiles, school districts are first ranked from lowest to highest in valuation per pupil. Districts are then divided into four groups, each of which includes approximately 25% of total statewide average daily membership. Funding amounts are then calculated under the state-defined basic education model. Other funding is excluded. Total basic education funding for an individual district takes into account unique challenges facing the district and does not depend on the district's wealth.
- 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 \$69,156 for quartile 1 to \$182,666 for quartile 4. The state shares of total basic education funding for quartiles 1 to 4 are 73.8%, 61.9%, 50.0%, and 32.3%, respectively.
- Equalized state aid has ensured the same basic education funding for every student in every district regardless of the district's wealth. The funding is equalized at 23 mills of local share. While valuation per pupil varies significantly, there is little difference in the total amount of per pupil state and local funding for basic education among the district quartiles.

## Parity Aid Reduces Disparities in Local Enhancement Revenue That Is Above the Basic Education Level



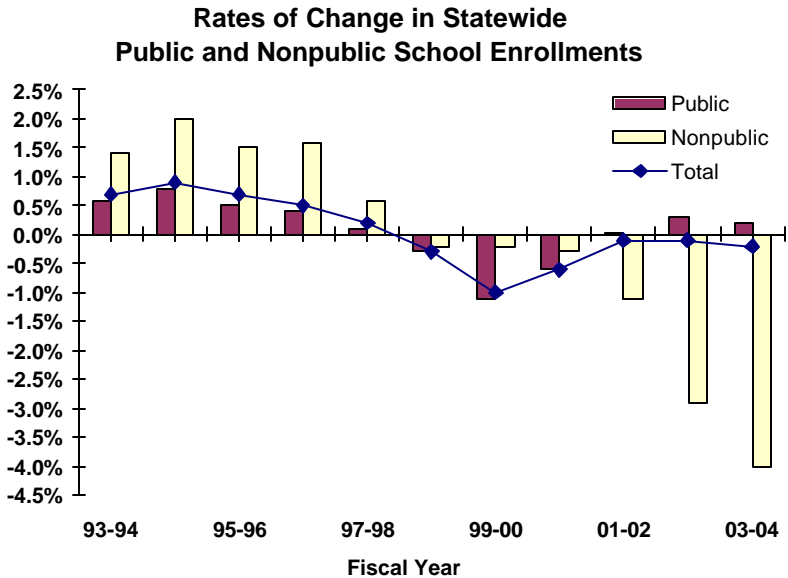
- To create wealth quartiles, school districts are first ranked from lowest to highest in valuation per pupil. Districts are then divided into four groups, each of which includes approximately 25% of total statewide average daily membership. Quartile 1 has the lowest valuation per pupil and quartile 4 has the highest valuation per pupil.
- Equalized state aid eliminates disparities in total state and local funding for basic education. Disparities occur in unequalized local enhancement revenue that is above the basic education level. In FY 2003, per pupil local enhancement revenue ranged from \$546 for quartile 1 to \$591 for quartile 2, \$1,027 for quartile 3, and up to \$1,932 for quartile 4.
- Parity aid is designed to systematically reduce disparities in local enhancement revenue that is above the basic education level. It equalizes an additional 9.5 mills (above the basic education level) to the 80th percentile district's wealth level. Parity aid is currently being phased in and funded at the 76% level in FY 2005.
- In FY 2003, parity aid was funded at the 40% level. With phased-in parity aid, per pupil state and local enhancement revenues for quartiles 1 to 4 were \$806, \$755, \$1,082, and \$1,935, respectively, in FY 2003. Fully implemented parity aid would have substantially reduced disparities in local enhancement revenue. If parity aid had been fully implemented in FY 2003, a total of \$308.7 million in additional state aid would have been provided and per pupil state and local enhancement revenue would have been \$1,196 for quartile 1, \$1,002 for quartile 2, \$1,159 for quartile 3, and \$1,940 for quartile 4. There would then have been little difference among the first three quartiles.

## Ohio has Realigned Its School Accountability System with the Federal No Child Left Behind Act

<b>District and School Report Card Ratings, FY 2003-FY 2004</b>				
	Districts		Buildings	
	2003	2004	2003	2004
Excellent	85	117	630	920
Effective	177	229	771	906
Continuous Improvement	278	224	1,242	1,211
Academic Watch	52	34	237	125
Academic Emergency	16	4	338	222

- The federal No Child Left Behind Act (NCLB) requires that districts be rated according to whether they have made "adequate yearly progress" (AYP). AYP has been set for each year by the Ohio Department of Education. It requires certain levels of proficiency on state mandated tests for all students, as well as certain subgroups of students and it will ultimately require 100% proficiency by the year 2014.
- Ohio has realigned its school accountability system with NCLB. District and building report card ratings now take into account the number of state standards met, as well as performance index scores, improvement in performance index scores, and whether AYP has been achieved. In FY 2004, 38 districts (6%) and 347 buildings (11%) had one of the lowest two ratings, compared to 68 districts (11%) and 575 buildings (17%) in FY 2003.
- The ninth-grade proficiency tests, the current high school graduation requirement, will be replaced by the Ohio Graduation Test (OGT), a series of tests that measure achievement at the tenth grade level. Starting with the graduating class of 2007, students in both public and chartered nonpublic schools are required to attain the proficient level on the OGT in order to receive a high school diploma. In FY 2003, 64% of public school students passed all five ninth-grade proficiency tests by the end of the ninth grade.
- All other proficiency tests are in the process of being phased out in favor of new achievement tests that are aligned with the requirements of NCLB. When completely phased in, students in Ohio will take, in addition to the OGT, achievement tests in reading and mathematics in grades three through eight, in writing in grades four and seven, and in science and social studies in grades five and eight.

## Public School Enrollment Increases while Nonpublic School Enrollment Decreases from FY 2001 to FY 2004



- The moderate growth in total school enrollment in the 1990s reached its peak in FY 1998. It has decreased consistently since then at an average rate of 0.4% per year.
- Although total enrollment continues to decrease, public school enrollment began to increase in FY 2002. Nonpublic enrollment continues to fall. From FY 2001 to FY 2004, total public school enrollment grew by 0.6%, from 1,810,514 students to 1,821,534 students, an increase of 11,020 students. In the same span of time, total nonpublic school enrollment fell by 7.9%, from 241,908 students to 222,842 students, a decrease of 19,066 students; and total school enrollment fell by 0.4%, from 2,052,422 students to 2,044,376 students, a decrease of 8,046 students
- In FY 2004, nonpublic school enrollment represented approximately 10.9% of total public and nonpublic students in Ohio. Nonpublic school enrollment numbers include the Cleveland Scholarship Program students.
- The number of public school students categorized as needing special education services has increased much faster than total public school enrollment. Total special education students increased from 212,274 in FY 2002 to 227,795 in FY 2004, an increase of 7.3%, in comparison with an increase of 0.6% for total public school enrollment.

## Community School Enrollment Increases Significantly since its Beginning in FY 1999

<b>Growth of Community Schools, FY 1999-FY 2004</b>				
	<b>Number of Community Schools</b>	<b>Annual % Change</b>	<b>Community School Enrollment</b>	<b>Annual % Change</b>
FY 1999	15	N/A	2,245	N/A
FY 2000	48	220.0%	9,032	302.3%
FY 2001	68	41.7%	16,717	85.1%
FY 2002	93	36.8%	23,626	41.3%
FY 2003	134	44.1%	33,978	43.8%
FY 2004	179	33.6%	47,409	39.5%

- Community schools are public schools that are not part of a school district and are exempt from some state requirements. Since the establishment of community schools in FY1999, community school enrollment has increased from 0.1% of public school enrollment (2,245 students) in FY 1999 to 2.6% of public school enrollment (47,409 students) in FY 2004.
- Of the 179 community schools operating in FY 2004, 95 were sponsored by the State Board of Education, 45 by school districts, 28 by educational service centers, 10 by the Ohio Council of Community Schools, and 1 by a joint vocational school district. Sub. H.B. 364 of the 124th General Assembly eliminated the authority of the State Board to sponsor new community schools and instead required the Department of Education to be responsible for the oversight of and for providing technical assistance to community schools.
- Unlike traditional public schools, community schools do not have taxing authority and are funded primarily through state foundation aid transfers. These transfers totaled \$11.0 million in FY 1999, \$51.7 million in FY 2000, \$91.2 million in FY 2001, \$138.9 million in FY 2002, \$204.5 million in FY 2003, and \$297.9 million in FY 2004.
- The Cleveland Scholarship and Tutoring Program (CSTP) provides state-funded scholarships to parents in the Cleveland Municipal School District that can be used to fund their children's education at participating private and public schools. Since the establishment of the CSTP in FY 1997, scholarship students have increased from 0.8% of nonpublic school enrollment (1,994 students) in FY 1997 to 2.6% of nonpublic school enrollment (5,796 students) in FY 2004. State expenditures for CSTP have increased from approximately \$5.0 million in FY 1997 to approximately \$16.3 million in FY 2004.

## Ohio Ranks High in Student Access to Technology

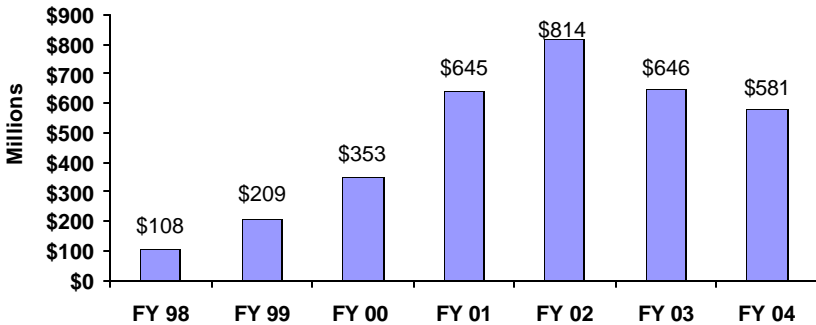
Student-Computer Ratio for Ohio and U.S.			
Computer Type	Ohio Rank	Students per Computer	
		Ohio	U.S.
Instructional (in classrooms only)	2nd	5.4	7.9
Instructional (overall)	9th	3.6	4.0
Instructional Multimedia (overall)	8th	4.1	4.8
Internet-connected (in classrooms only)	4th	6.3	8.4
Internet-connected (overall)	9th	3.8	4.3

- The Ohio SchoolNet Commission was created in 1997 as an independent agency to expand student access to technology. Since then student access to technology in Ohio has improved significantly. In 1996 Ohio ranked 46th in the nation in student access to technology. According to *Technology Counts 2004 (Education Week)*, Ohio now ranks 2nd in the number of students per instructional computer located in classrooms, 4th in the number of students per Internet-connected computers located in classrooms, 8th in the number of students per instructional multimedia computer overall, and 9th in the number of students per instructional computer and per Internet-connected computer overall.
- SchoolNet, funded at \$95 million, was created in 1994 to provide telecommunications wiring for every public school classroom in the state and to purchase computer workstations for the 153 low-wealth school districts. Under the program, over 93,000 public school classrooms were wired and more than 16,000 computers were purchased for low-wealth school districts.
- SchoolNet Plus was originally established in 1995 to expand the impact of SchoolNet in grades K-4 by providing state subsidies to help achieve the goal of one computer workstation for every five K-4 students. Since 1995, approximately \$553 million in GRF and tobacco settlement money has been invested in SchoolNet Plus for grades K-4 and beyond.
- More than 217,000 computer workstations have been purchased under SchoolNet Plus, resulting in a student to computer ratio of 5:1 for grades K-6. SchoolNet Plus is currently completing the seventh grade and will be expanding into the eighth grade.



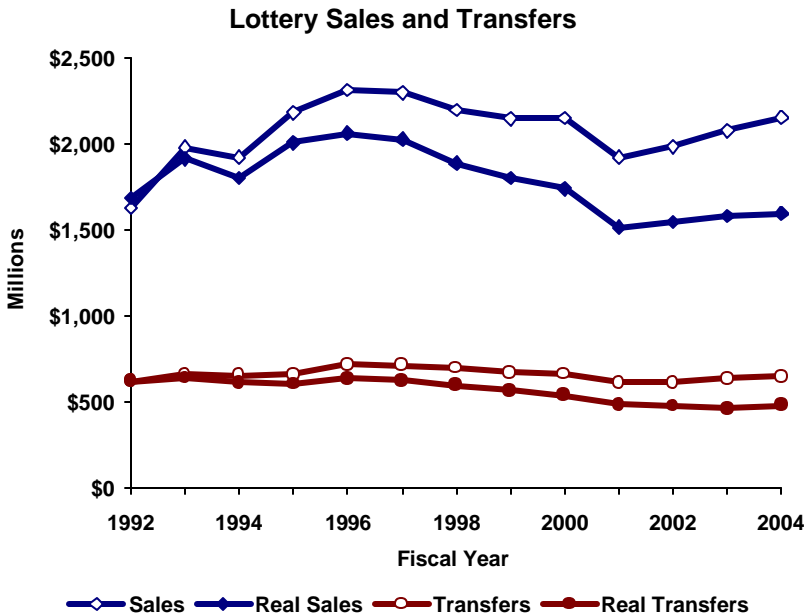
## State Spending for School Facilities Projects Reached \$3.4 Billion in Seven Years

### SFC Disbursements by Fiscal Year



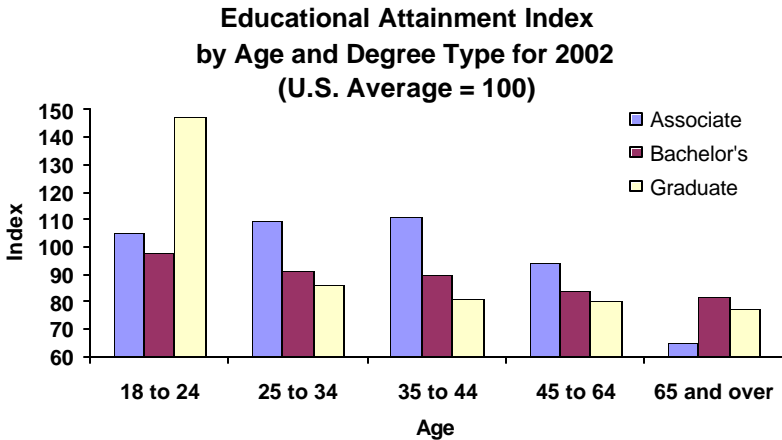
- Since its creation in 1997, the School Facilities Commission (SFC) has disbursed almost \$3.4 billion and provided assistance to 274 school districts. So far, over 200 new or renovated buildings have opened across Ohio school districts.
- SFC disbursements increased from \$108 million in FY 1998 to a peak of \$814 million in FY 2002. Disbursements declined in FYs 2003 and 2004 due to the size and complexity of the six major urban district projects (Akron, Cincinnati, Cleveland, Columbus, Dayton, and Toledo). Disbursements are expected to increase again in FY 2005 as these projects move from the design stage to construction.
- The Classroom Facilities Assistance Program (CFAP) provides equalized state funding for the entire facility needs of school districts. Low-wealth districts are generally first to receive assistance under CFAP. About \$2.8 billion of the total disbursed funds since FY 1998 have gone to 129 CFAP districts. On average, the state pays about 84% of their basic project costs.
- The Exceptional Needs Program (ENP) addresses health and safety needs in specific buildings within a district and disburses money on a grant application basis. Since its inception in 2000, ENP has disbursed approximately \$294 million for 23 participating school districts, with an average state share of approximately 65%.
- The Expedited Local Partnership Program (ELPP) allows school districts to use local funds to begin portions of their facilities projects before becoming eligible for assistance under CFAP. The district will receive a credit for the money it has spent against its required local contribution once it becomes eligible under CFAP. Thus far, 125 ELPP districts have earned a combined state-funding credit of \$2.8 billion. The average state share for these ELPP districts is approximately 48%.

## Lottery Sales Improving, but Still below 1996 Peak



- Lottery sales grew from \$1.68 billion in FY 1992 to a peak of \$2.31 billion in FY 1996 before falling to \$1.92 billion in FY 2001. Sales have since increased each year to \$2.15 billion in FY 2004. Although sales grew by 27.9% between FY 1992 and FY 2004, in real terms (adjusted for inflation) sales have declined by 5.4%, from \$1.68 billion to \$1.59 billion in 1992 dollars.
- Transfers to education grew from \$618 million in FY 1992 to a peak of \$714 million in FY 1996 before falling to \$610 million in FY 2002. Transfers have increased in the last two fiscal years to \$648 million in FY 2004. Although transfers have increased 4.8% between FY 1992 and FY 2004, in real terms transfers have fallen by 22.4%, from \$618 million to \$479 million in 1992 dollars.
- Competition in the gaming industry comes from riverboats in Indiana and Kentucky, casinos in Michigan, New York, and Canada, enhanced racetracks in West Virginia, the Powerball multi-state lottery, and Internet gaming. New York and Pennsylvania recently approved the installation of thousands of video lottery terminals.
- In May 2002, the Ohio Lottery entered the multi-state game Mega Millions. The new game is largely responsible for the increase in sales in FY 2003 and FY 2004.

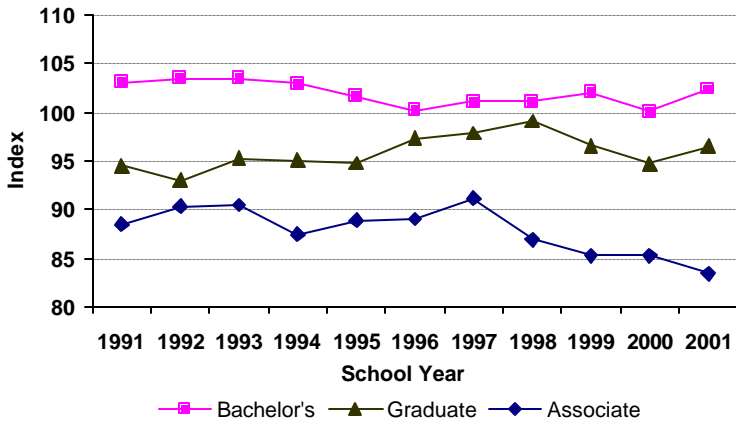
## Postsecondary Educational Attainment in Ohio Lags behind National Average



- To create the index used above, the percentage of Ohioans of an age group with a given degree was divided by the corresponding national average. This result was then multiplied by 100. For example, 4.6% of Ohio's 18 to 24-year-olds have an associate degree, while the national average is 4.4%. Dividing the first percentage by the latter and multiplying by 100 results in an index of 105. Thus, the percentage of associate degree holders aged 18 to 24 in Ohio is 5% above the national average.
- The indexes compare the educational attainment of age groups in Ohio by various degree types with their respective national averages.
- Ohio is above the national average (i.e., above 100 in the index) in only 4 out of 15 cases. These are associate degree holders aged 18 to 24 (with an index of 105, or 5% above the national average), graduate degree holders aged 18 to 24 (147), associate degree holders aged 25 to 34 (109), and associate degree holders aged 35 to 44 (111).
- Aggregating all postsecondary degree holders, Ohio's index score ranks 22nd in the nation for those aged 18 to 24 (with an index of 102), 32nd for those aged 25 to 34 (94), 35th for those aged 35 to 44 (92), 41st for those aged 45 to 64 (85), and 40th for those aged 65 and over (78).
- Ohio's highest-ranked category is for graduate degree holders aged 18 to 24, in which the state's index score of 147 ranks 11th in the nation. Ohio's lowest-ranked category is for associate degree holders aged 65 and over, in which the state's index score of 65 ranks 46th in the nation.

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

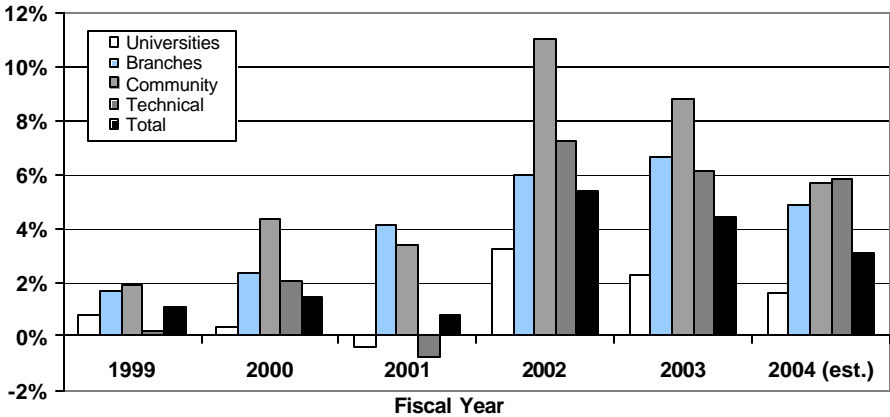
**Degrees Granted by Ohio's Colleges and Universities  
(U.S. Average = 100)**



- To create the index used above, the ratio of the number of the specified degrees granted by Ohio's colleges and universities to Ohio's population was divided by the corresponding ratio for the nation. This result was then multiplied by 100. The graph shows annual data for degrees granted in Ohio from 1991 to 2001.
- Ohio was above the national average with respect to bachelor's degrees granted every year from 1991 to 2001. During the same period, Ohio was consistently below the national average with respect to the granting of associate and graduate degrees.
- In 2001, Ohio's index score for associate degrees ranked 34th in the nation (with an index score of 83), 27th for bachelor's degrees (102), and 20th for graduate degrees (96). Aggregating all postsecondary degrees granted, Ohio's index score of 96 ranked 29th in the nation.
- Within the graduate degree category, there was substantial variation by the type of degree granted. Ohio's index score in 2001 ranked 13th for doctoral degrees (with an index of 113), 16th for first professional degrees (101), and 21st for master's degrees (94).
- In 2001, Ohio granted 19,289 associate degrees, 50,856 bachelor's degrees, and 22,856 graduate degrees. Ohio's public institutions accounted for 81%, 63%, and 64%, respectively, of the degrees granted in Ohio.

## Enrollments Surge, Led by Two-Year Colleges

### Subsidy-Eligible FTE\* Student Enrollments: Annual Changes for Each Type of Campus



### Subsidy-Eligible FTE\* Student Enrollments, FY 1999 – FY 2004

Campus Type	1999	2000	2001	2002	2003	2004 (est.)	% change, FY 1999 to FY 2004
<b>University</b>	195,562	196,266	195,498	201,827	206,454	209,705	7.2%
<b>Branch</b>	25,722	26,321	27,414	29,047	30,976	32,471	26.2%
<b>Community</b>	62,999	65,739	67,959	75,450	82,100	86,760	37.7%
<b>Technical</b>	15,588	15,904	15,786	16,932	17,970	19,022	22.0%
<b>Total</b>	299,871	304,230	306,657	323,256	337,500	347,958	16.0%
<b>Change</b>	1.1%	1.5%	0.8%	5.4%	4.4%	3.1%	

\*An FTE (full-time equivalent) student is based on one student's taking 15 credit hours per quarter or the equivalent.

- Total subsidy-eligible FTE student enrollments in Ohio's public colleges and universities began to surge in FY 2002, after having seen moderate growth for three fiscal years following a slight downturn in FY 1998.
- Over the five-year period from FY 1999 to FY 2004, total FTE student enrollments increased by 48,087, or 16.0%. Almost half of the FTE growth in FY 2004 occurred at community colleges; less than one-third occurred at university main campuses.
- The higher recent growth rates in the branches' and community colleges' enrollments are partly attributable to the Regents' Access Challenge program, under which additional state funds have subsidized restraints on tuitions and fees at the state's public two-year campuses, and partly attributable to the slowdown in the economy.

## Higher Education Tuitions and Fees Rise

### Annual Average Full-Time In-State Undergraduate Tuition and Fees,<sup>1</sup> FY 2002 – FY 2005

Campus Type	Amount in Fiscal Year				Percentage Change		
	2002	2003	2004	2005 <sup>2</sup>	2003	2004	2005 <sup>2</sup>
University	\$5,267	\$6,019	\$6,693	\$7,330	14.3%	11.2%	9.5%
Branch	\$3,337	\$3,806	\$4,126	\$4,480	14.0%	8.4%	8.6%
Community	\$2,152	\$2,362	\$2,491	\$2,654	9.7%	5.5%	6.5%
Technical	\$2,667	\$3,056	\$3,244	\$3,451	14.6%	6.2%	6.4%
<b>National Average:<sup>3</sup></b>							
Four-Year	\$3,735	\$4,059			8.7%		
Two-Year	\$1,380	\$1,479			7.2%		
<b>Consumer Price Index: Percentage Change</b>					2.2%	2.2%	2.5%

1 FTE-weighted average tuitions for all campuses of each campus type

2 Projected

3 For public institutions

- For the FY 2004-FY 2005 biennium, the General Assembly imposed limits (caps) on in-state undergraduate instructional and general fee increases after having eliminated them for the previous biennium. For all four types of campuses, the limit on increases of tuitions and fees is 6% for an academic year. Further, The Ohio State University may authorize an additional increase of 3% in each year. Finally, all campuses may increase tuitions and fees by another 3.9% as long as these funds are used to provide scholarships to low-income students or to provide additional or improved technology services to students.
- The Access Challenge tuition subsidy program required university branches, community colleges, and technical colleges, as well as Central, Cleveland, and Shawnee state universities, to reduce their tuitions and fees by an average 5% or more in FY 2001, as mandated by the FY 2000-FY 2001 biennial budget. In the subsequent two biennial budgets, for fiscal years 2002 through 2005, however, such tuition and fee restraints were eliminated.
- Ohio's FY 2003 weighted-average in-state tuition and fee levels for public institutions were \$6,019 for four-year (university) campuses and \$2,793 for two-year campuses (university branches and community and technical colleges). On a comparable basis, these tuition and fee levels exceeded the preliminary national averages (\$4,059 and \$1,479) provided by the National Center for Education Statistics by \$1,960 and \$1,314 for four-year and two-year public campuses, respectively.

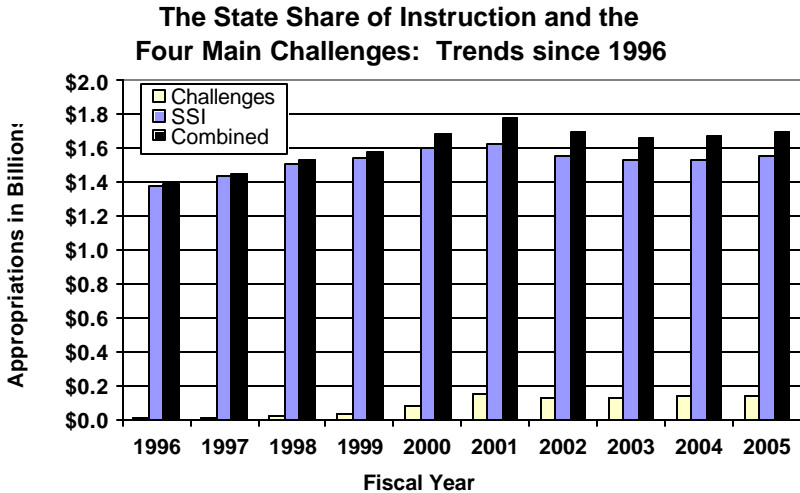
## State Share of Instruction Appropriation per FTE Student Continues To Decline

<b>State Share of Instruction per FTE Student* to Campuses, FY 2000 – FY 2004</b>					
<b>Campus Type</b>	<b>Amount in Fiscal Year</b>				
	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
University	\$6,301	\$6,397	\$5,910	\$5,639	\$5,550
Branch	\$3,332	\$3,337	\$3,143	\$2,939	\$2,800
Community	\$3,296	\$3,304	\$2,875	\$2,647	\$2,553
Technical	\$3,783	\$3,942	\$3,451	\$3,154	\$3,027
Average	\$5,263	\$5,323	\$4,824	\$4,531	\$4,409
Percentage Change	2.5%	1.1%	-9.4%	-6.1%	-2.7%
<i>CPI: Percentage Change</i>	2.9%	3.4%	1.8%	2.2%	2.2%

\* This is the amount of the Board of Regents' budgeted line item 235-501, State Share of Instruction, per subsidy-eligible FTE (full-time equivalent) student as distributed among the campuses. An FTE is based on one student's taking 15 credit hours per quarter or the equivalent.

- Several factors have contributed to the recent decline in the State Share of Instruction (SSI) per FTE student: budget constraints, significant enrollment increases, and the current practice of providing more subsidy funds through alternative appropriation items, mainly the Challenge grants.
- Besides the SSI appropriation, the four main Challenge appropriations in FY 2004 provided additional subsidies in the amount of \$140.6 million. These funds increased the state subsidy per FTE student by an average of \$404. By comparison, these Challenges in FY 2000 provided an average subsidy increase of \$275 per FTE student based on a total appropriation of \$83.6 million.
- State instructional subsidy allocations to the university main campuses are significantly higher than those to the two-year campuses because they include the higher-cost baccalaureate, medical, and doctoral curriculum models. The state also subsidizes resident and nonresident master's and professional-degree students at the university main campuses.

## Total State Subsidies for Higher Education Experience Small Increases in Recent Years

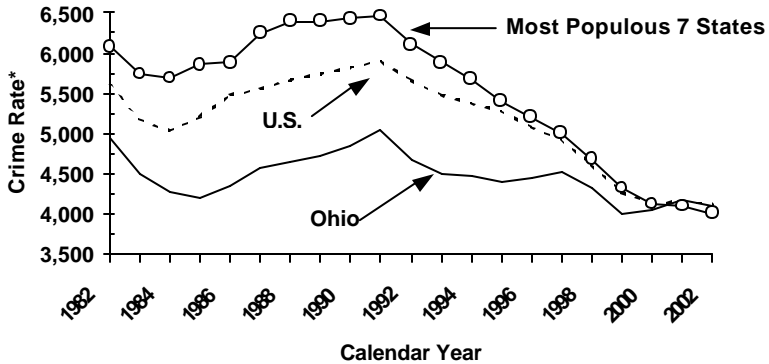


- Besides the State Share of Instruction (SSI), which is distributed to campuses according to enrollments, student activities, and space utilizations, state support for higher education is provided by the four main Challenge line items (Access, Success, Jobs, and Research). The Challenge subsidies are distributed to the campuses according to their performances in such areas as financial accessibility to students, degree completions, noncredit job training revenues, and outside research funding.
- Executive budget reductions announced in early 2004 reduced the budgeted FY 2004 and FY 2005 appropriations for the four Challenges by 4.0% and 5.1%, respectively. SSI funding was exempted from both fiscal years' reductions. Total funding for SSI and the four Challenges amounts to \$1,701.6 million in FY 2005, an increase of \$26.8 million or 1.6% over FY 2004.
- The four Challenge appropriations have increased from \$5.9 million in FY 1996 (0.4% of the combined spending for the five appropriation items) to \$142.5 million in FY 2005 (8.4% of combined spending).
- Ohio's FY 2004 appropriations of state tax funds per capita for higher education operations placed it 36th-highest in the nation according to a recent Grapevine survey by the Center for the Study of Education Policy. Ohio's appropriations of \$182 per capita were \$26 (12%) below the national average of \$208.



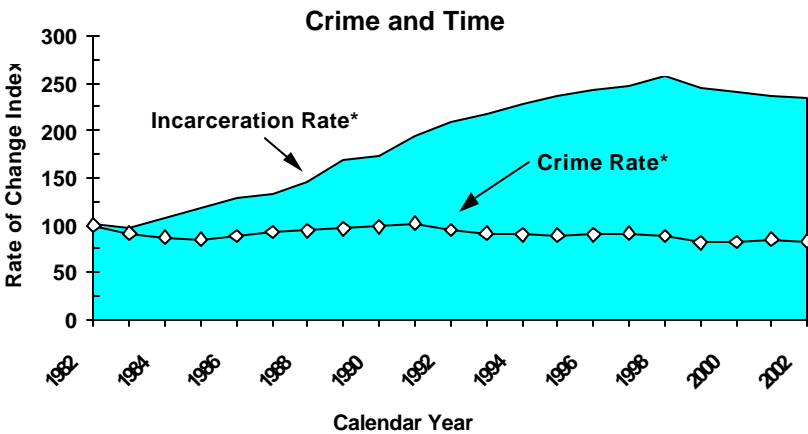
## Crime and Punishment

### Comparative Crime Rates\*



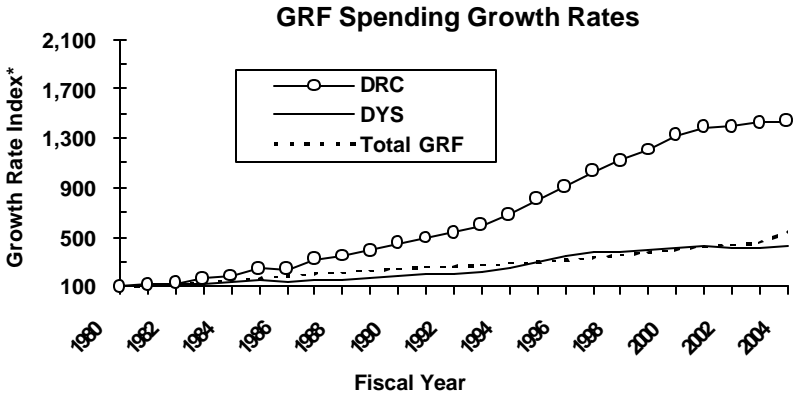
\*UCR index crimes per 100,000 population, 1982-2002.

- Until recently, Ohio's crime rate generally mirrored the cyclical pattern of the nation as a whole, as well as the average for the seven other most populous states (CA, FL, IL, MI, NY, PA, and TX), and also consistently exhibited a comparatively lower crime rate.



\*Both crime and incarceration rates are expressed per 100,000 population; then, for comparative purposes, they are standardized to the baseline year 1982.

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

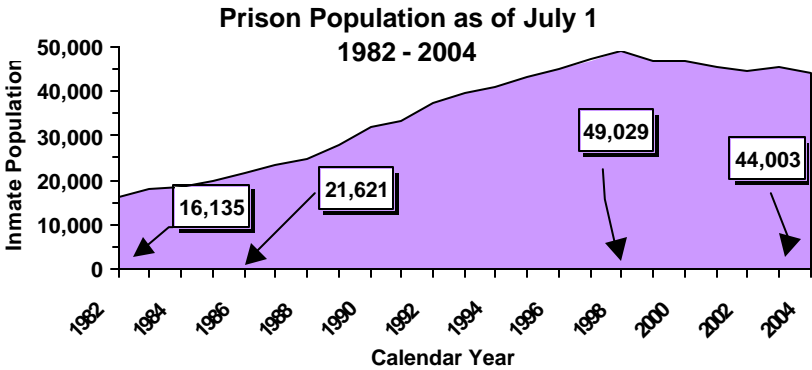


### Prison Expenditure Growth Slowing

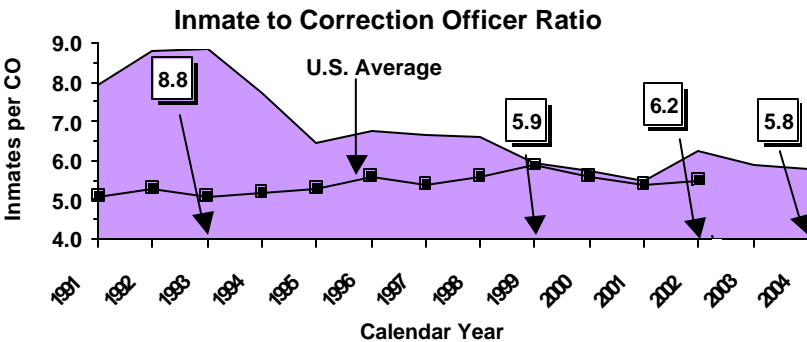
\*The growth rate index measures actual changes in spending standardized to the baseline year 1980 and is not adjusted for inflation.

- In FY 1980, the Department of Rehabilitation and Correction (DRC) consumed 64.2% of \$150.8 million in total state General Revenue Fund (GRF) corrections program spending, with the Department of Youth Services (DYS) accounting for the remainder. During FY 1998, DRC's annual GRF spending for the first time exceeded \$1 billion. By the close of FY 2004, DRC's expenditures totaled \$1.39 billion and its annual share of total state GRF corrections program spending reached just under 86%.
- In 1978, the state prison system consisted of eight correctional institutions, with approximately 13,200 inmates and roughly 3,260 employees. By the end of FY 2004, the system consisted of 32 correctional institutions, with approximately 44,000 inmates and roughly 14,086 employees.
- Around 90% of DRC's annual budget is fueled by the state's GRF, with three-quarters of that GRF expended on day-to-day prison operations.
- Of the total number of state employees in FY 2004, around 25% (one in four) worked for DRC, and roughly 13% (one in six) worked for DRC as correction officers.
- At the close of FY 2004, DYS was managing seven juvenile correctional facilities and one residential treatment center, and had a total of 1,840 juveniles in its custody. The state's GRF has been covering around 90% of the annual DYS budget.
- RECLAIM Ohio, a program providing counties with fiscal incentives to treat delinquent juveniles in the community, is the dominant DYS budgetary component. State RECLAIM dollars flowing to counties have increased from approximately \$8.7 million in FY 1995 to \$30 million in FY 2004.

## Prison Population Roughly Doubled since 1986



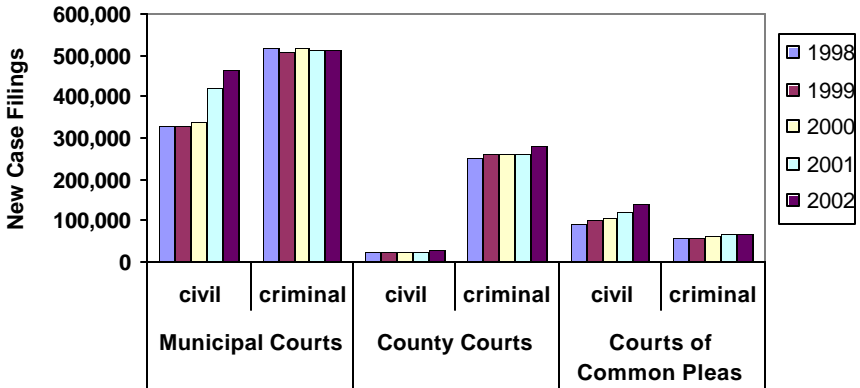
- Between 1986 and 1998, Ohio's prison population more than doubled, with stricter sentencing laws, tougher sanctioning by judges, and declining parole rates among the contributing factors. Since that time, the prison population has dropped 10%, with enhanced community corrections funding and a decline in the volume and rate of violent and property crime among the contributing factors.
- As of 2003, Ohio had the seventh largest state prison population in the U.S., behind Texas, California, Florida, New York, Michigan, and Georgia; Illinois and Pennsylvania ranked just below Ohio.



- The ratio of nearly nine inmates per correction officer (CO) corresponds to the period of the April 1993 inmate disturbance at the Southern Ohio Correctional Facility in Lucasville. The state has since sought to reduce the inmate to CO ratio as a means to improve prison safety and security. By the end of the 1990s, the inmate to CO ratio was less than six.
- Recent operating budget reductions resulted in a 2002 widening of the inmate to CO ratio to 6.2, as more than 900 paid CO positions were eliminated. A smaller inmate population, as of 2004, narrowed the ratio to 5.8. As of 2002, the national inmate to CO ratio average was 5.5.

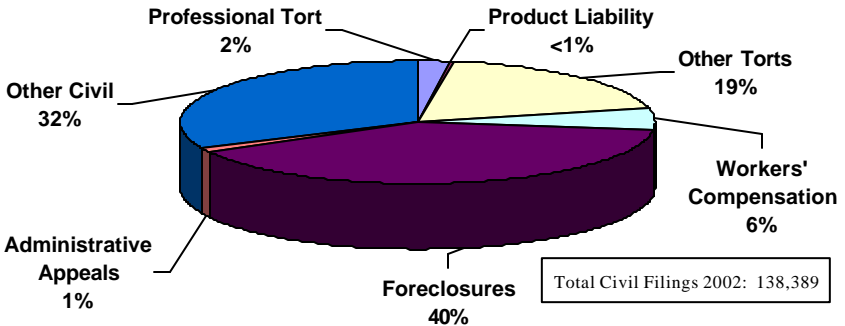
## Ohio Court System: Civil and Criminal Case Filings

**Civil & Criminal New Case Filings in Municipal Courts, County Courts, and Courts of Common Pleas from 1998 to 2002**



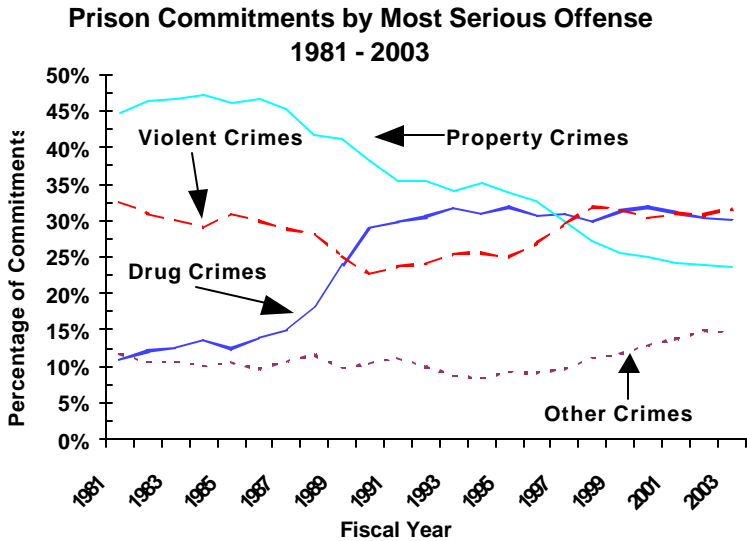
- As shown in the chart above, municipal courts handle the majority of criminal cases in Ohio. The municipal court criminal case filings do not include those cases classified as traffic-related misdemeanors, which have averaged around 1.4 million since 1998.

**Courts of Common Pleas - General Division  
Distribution of Civil Case Filings in 2002**



- New civil case filings have increased roughly 50% since 1998. Foreclosures are largely responsible for this increase, having risen from 25,862 filings in 1998 to 55,274 filings in 2002, an increase of nearly 114%.

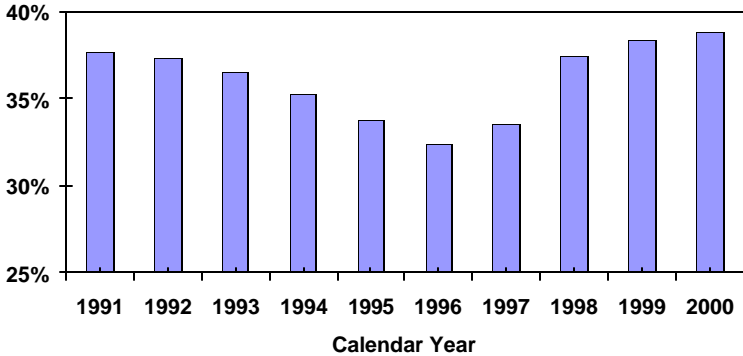
# Drug and Violent Crimes Driving Prison Intake



- The number of offenders committed to the state prison system in FY 2003 totaled 22,649, while the comparable number for FY 1981 was a considerably smaller 9,086. This translates into an increase of 149% over that 23-year period. A notable factor in the rise of the number of offenders committed annually to the state prison system, in particular during the late 1980s and early 1990s, has been drug crime-related arrests and convictions.
- In FY 1981, 987 offenders, or 11% of total prison commitments, were sentenced to prison for a drug crime. Drug offense commitments sharply accelerated in FY 1989 (up from 18% in FY 1988 to 24% in FY 1989) before leveling off at around 30% in the early 1990s. In FY 2003, 6,804 offenders, or 30% of total commitments, were sentenced to prison for a drug crime, nearly triple the comparable figure of 11% for FY 1981.
- The percentage of offenders committed to the state prison system annually for violent crimes more or less steadily declined throughout the 1980s before leveling off at around 25% during the first half of the 1990s. In FY 1997, the percentage of offenders committed to the state prison system annually for violent crimes started to rise and now stands at around 32%. For the past five years, of DRC's total annual commitments, about 6%, or in the range of roughly 1,200 to 1,450 offenders, were incarcerated for having committed a sex offense as their most serious commitment offense.
- Starting with FY 1989, the percentage of property crime offenders dropped below 40% and has continued a relatively steady decline where it now stands at around 24%.

## Recidivism of Adult Offenders

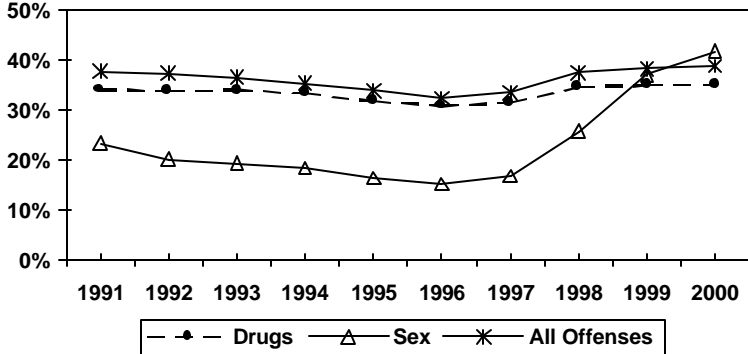
### Rate of Reincarceration, CY 1991-2000\*



\*Within three years of release from the Department of Rehabilitation and Correction.

- Between 1991 and 2000, 33% to 40% of the adult offenders released annually from Ohio's state prison system were reincarcerated within three years of their release.

### Rate of Reincarceration by Selected Offenses\*

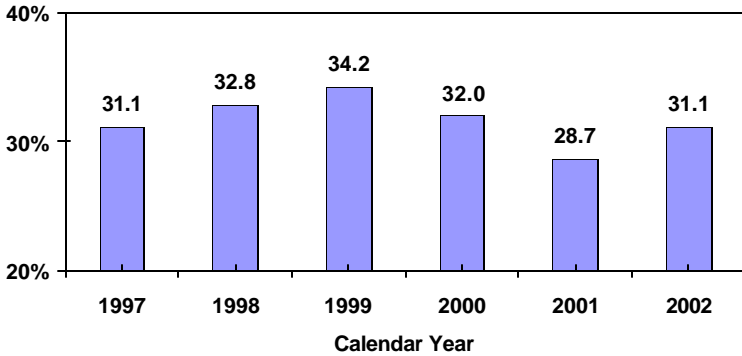


\*Within three years of release from the Department of Rehabilitation and Correction.

- The reincarceration rate of drug, person, and property offenders is very similar to the general trend displayed by the all offenses category. Using 1991 as a baseline, the reincarceration rate of sex offenders in Ohio has noticeably changed in comparison to the reincarceration rates of other types of offenders. In 1996, sex offenders were the least likely type of offender to be reincarcerated; but, as of 2000, sex offenders were as likely, if not more, to be reincarcerated than other categories of offenders.

## Recidivism of Delinquent Youth

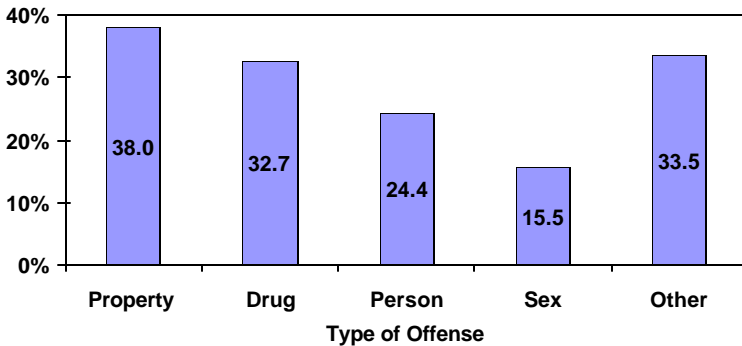
Rate of Youth Reincarceration, CY 1997-2002\*



\*Within one year of release from the Department of Youth Services.

- Between calendar years 1997 and 2002, roughly one-third of delinquent youth released or discharged annually from Department of Youth Services (DYS) institutions were reincarcerated within one year of their release date.
- The majority of the youth in the 2002 release cohort who were eventually reincarcerated did so by DYS parole revocation (55.7%), followed by committing a new felony and returning to DYS (23.1%) and committing a new felony and being sentenced to state prison (21.1%).

Rate of Youth Reincarcerated by Offense Type\*

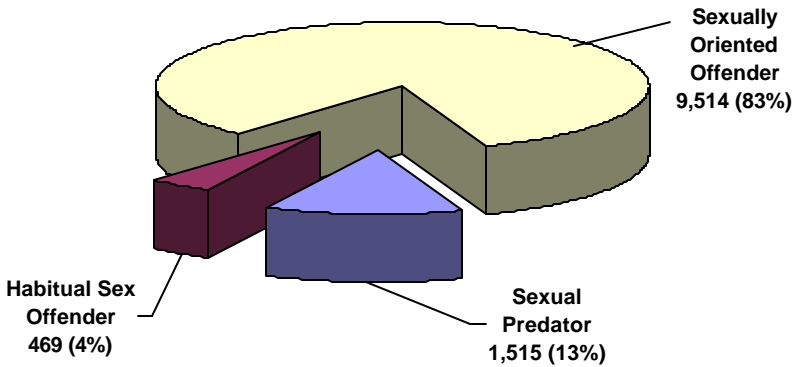


\*DYS 2002 youth release cohort reincarcerated within one year of release.

- Of the 2002 DYS youth release cohort, property offenders had the highest rate of reincarceration (38.0%) among offense types, followed by Other (33.5%), Drug (32.7%), Person (24.4%), and Sex (15.5%).

## Ohio Sex Offender Registry

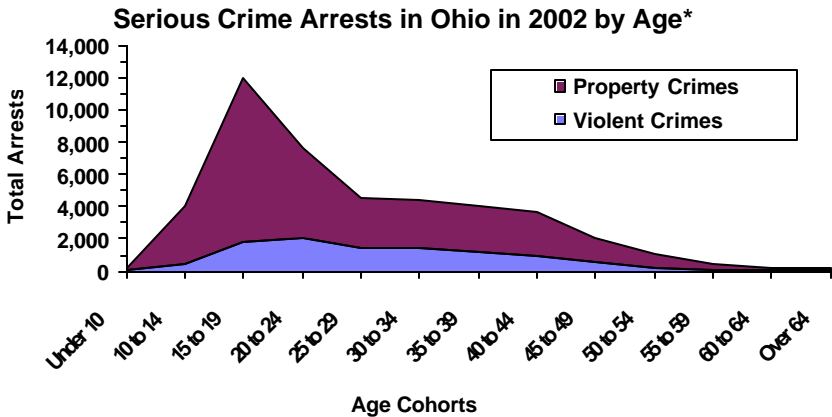
### Selective Breakdown of Adult Sex Offenders Registered in Ohio\*



- Under Ohio's Sex Offender Registration and Notification (SORN) Law, a person who commits a sexually oriented offense, or more recently a child-victim oriented offense, is required to register and periodically verify the person's address with the sheriff of the county in which the offender resides. Effective July 31, 2003, Am. Sub. S.B. 5 of the 125th General Assembly enacted changes that directly impact the classification and adjudication of such offenders.
- As of July 1, 2004, there were 11,498 registered sex offenders in Ohio, including 1,515 sexual predators, 469 habitual sex offenders, and 9,514 sexually oriented offenders.
- Persons subject to community notification by a county sheriff are a sexual or child-victim predator, an offender who has committed an aggravated sexually oriented offense, and certain offenders adjudicated as a habitual sex or child-victim offender. Of the currently registered habitual sex offenders, 184, or 39.2%, are subject to community notification.
- Certain offenders have to verify their current addresses (of residence, school, and employment) every 90 days; others verify their addresses annually. The duration of the duty to register runs for life, 20 years, or 10 years.
- Effective January 1, 2002, Am. Sub. S.B. 3 of the 124th General Assembly generally extended the SORN Law to apply to juveniles adjudicated delinquent for committing a sexually oriented offense. As of July 1, 2004, there were approximately 204 registered juvenile sexually oriented offenders.



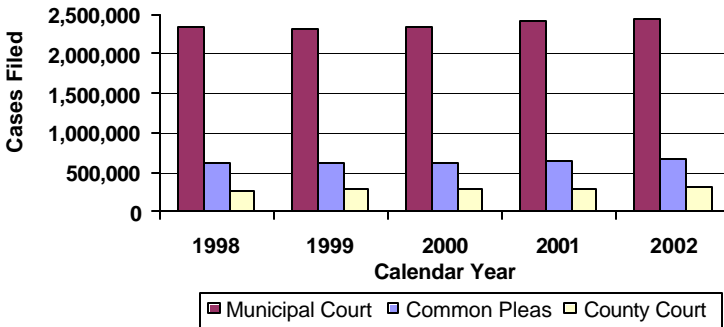
## Age and Crime



- In 2002, Ohio law enforcement agencies reported 287,053 arrests for all criminal infractions, excluding traffic violations. Serious violent and property crimes, expressed as a measure of serious crime known as the Crime Index, together accounted for 44,307, or 15%, of the overall arrests.
- In 2002, Ohio law enforcement agencies reported 10,422 serious violent crime arrests. The peak individual age for a serious violent crime arrest was 19 (442 arrests). The 15 to 19-year-old and 20 to 24-year-old age groups collectively accounted for 3,929, or 38%, of serious violent crime arrestees. Serious violent crime includes the offenses of murder, rape, robbery, and aggravated assault.
- In 2002, Ohio law enforcement agencies reported 33,885 serious property crime arrests. The peak individual age for a serious property crime arrest was 18 (2,260 arrests). The 15 to 19-year-old age group accounted for 10,168, or 30%, of serious property crime arrestees. Serious property crime includes the offenses of burglary, larceny-theft, motor vehicle theft, and arson.
- Ohio law enforcement agencies arrested juveniles (persons under the age of 18) for larceny-theft and simple assault more often than any other offense in 2002, whereas adults were most often arrested for driving under the influence, drug abuse violations, simple assaults, and larceny-theft.
- Juveniles comprised just under 15% of those arrested by Ohio law enforcement agencies for serious violent crimes in 2002. This percentage, however, obscures the facts that juveniles accounted for a larger percentage of all rape and robbery arrests (22% and 20%, respectively) but a smaller percentage of all murder arrests (8%).

## Ohio Court System: A Selective Statistical Summary

### Distribution of New Cases Filed in Ohio Courts Statewide, 1998 to 2002



- In 2002, a total of 3,418,981 new cases were filed in Ohio courts as follows: 2,249 in the Supreme Court, 10,404 in the courts of appeals, 664,637 in the courts of common pleas, 2,432,465 in the municipal courts, 308,175 in the county courts, and 1,051 in the Court of Claims.
- The total number of new cases filed annually statewide has gradually risen, led by municipal courts with an increase in excess of 100,000 cases.

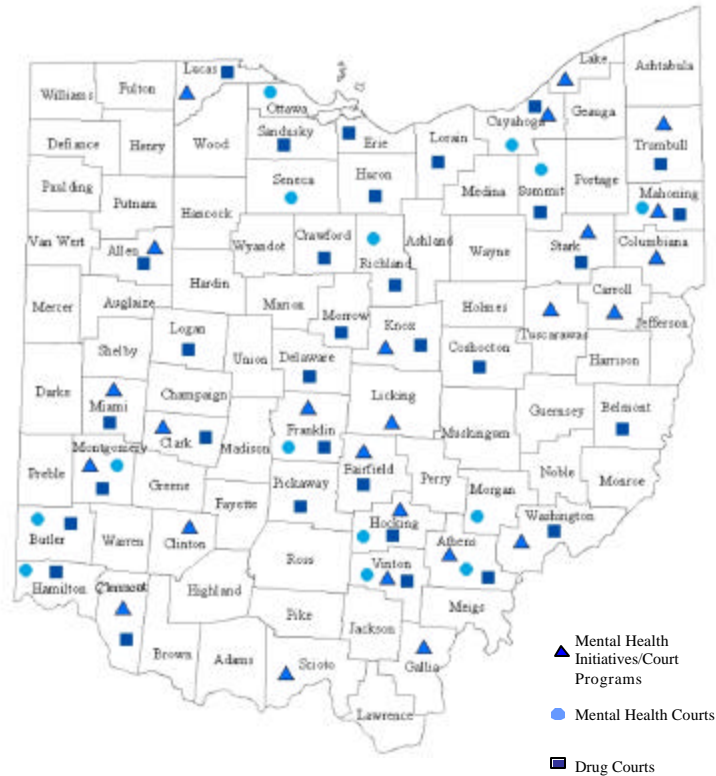
### Jurisdiction and Judges of Courts of Common Pleas in 2002

Jurisdiction	Number of Counties	Number of Judges
General Only	25	149
Domestic Relations Only	17	27
Probate Only	16	17
Juvenile Only	9	17
General and Domestic Relations	56	77
Domestic Relations and Juvenile	7	17
Domestic Relations, Probate, and Juvenile	1	1
Juvenile and Probate	64	64
General, Domestic Relations, Probate, and Juvenile	7	7
<b>Total Court of Common Pleas Judges</b>		<b>376</b>

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

## Specialty Docket Programs in Ohio Trial Courts

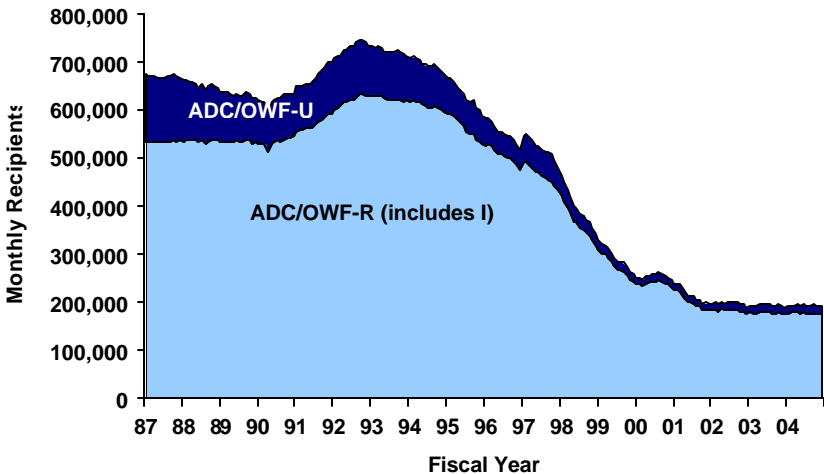
### Location of Specialty Courts, Programs, and Initiatives by County



- The overall goal of any specialized docket program is to reduce recidivism by providing wrap-around treatment services, intensive monitoring of offender progress, and immediate sanctions when offenders fail to follow the terms of their probation or treatment.
- As of May 2004, Ohio had 56 drug courts (27 adult, 18 juvenile, and 11 family) located in 32 counties, one DUI court in Richland County, and six drug courts in the planning or implementation stages.
- As of July 2004, Ohio had 22 mental health courts (2 common pleas courts, 2 juvenile courts, and 18 municipal courts) located in 14 counties and 20 mental health court programs (14 jail diversion projects and 6 criminal justice programs) in various local jurisdictions. Mental health planning initiatives were also underway in 14 local jurisdictions.

## Ohio's ADC/OWF Caseload Decline Stabilizes

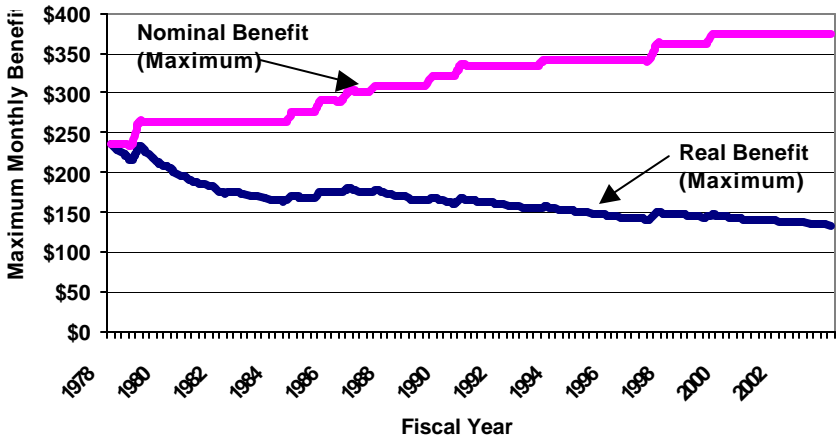
### ADC/OWF Caseload



- There are three primary categories of recipients in the Ohio Works First (OWF) program (formerly known as Aid to Dependent Children, or ADC): (1) OWF-Regular (OWF-R), (2) OWF-Unemployed (OWF-U), and (3) OWF-Incapacitated (OWF-I).
- Typically OWF-R cases are households with a single parent, or “child-only” cases where no adult in the household is receiving OWF benefits. OWF-U cases are typically households with two parents where economic deprivation results from unemployment. OWF-I indicates some incapacity of the child caregiver to work. Child-only cases constitute about 46% of the total caseload, and OWF-I cases constitute about 3%.
- Ohio’s ADC/OWF caseload peaked in March 1992 at nearly 749,000 recipients, with the average monthly cash benefit expenditure in FY 1992 at \$81.1 million. The number of recipients declined sharply until June 2002, when the caseload stabilized; the last two years have averaged approximately 194,000 recipients. The average monthly cash benefit expenditure for the total caseload of 193,000 in FY 2004 was \$26.4 million.

## Purchasing Power of ADC/OWF Benefits Declines

Real and Nominal Value of ADC/OWF Benefits  
for a Family of Three, FYs 1978-2004



- The maximum benefit for ADC/OWF families is set by state law and periodically has been increased. In 1978, the maximum monthly benefit for a family of three was \$235. Since 2000, the maximum monthly benefit for a family of three has been \$373. These increases are reflected in the Nominal Benefit. In FY 2004, the average assistance group had 2.2 members.
- The purchasing power of the maximum monthly benefit (the Real Benefit) for a family of three has declined from \$235 in 1978 to \$134 in 2004 (in 1978 dollars), a decrease of 43%.

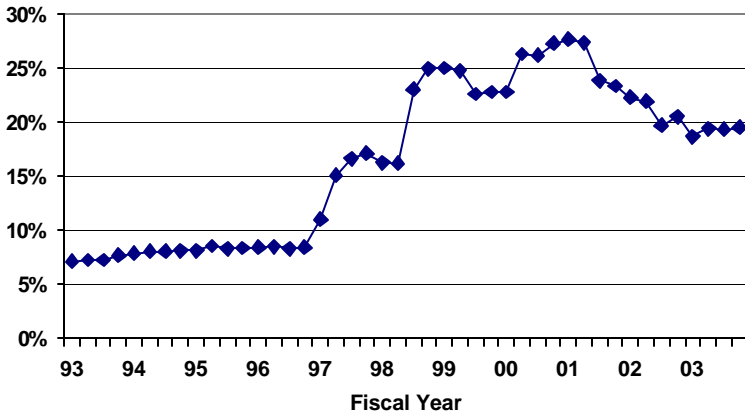
### Maximum OWF Benefit Based on Assistance Group (AG) Size (current standard)

AG Size	Maximum Monthly Benefit	AG Size	Maximum Monthly Benefit
1	\$223	9	\$817
2	\$305	10	\$891
3	\$373	11	\$963
4	\$461	12	\$1,037
5	\$539	13	\$1,110
6	\$600	14	\$1,182
7	\$670	15	\$1,256
8	\$743	*	*

\*Add \$93 for each person above 15.

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

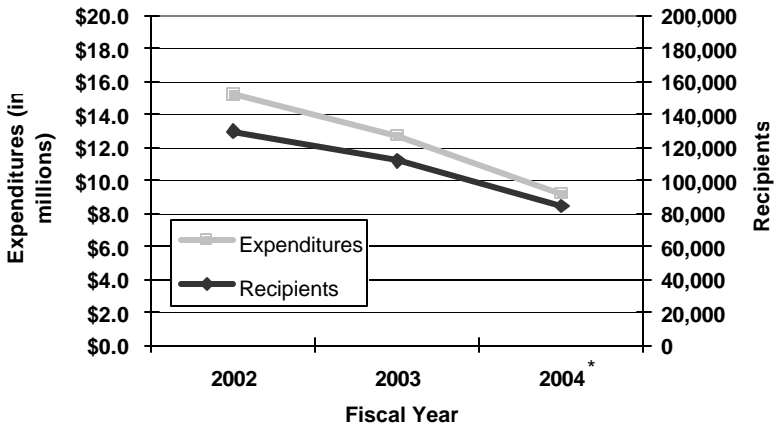
Percentage of ADC/OWF Adults with Earned Income



- 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 one-third of remaining income for four months.
- Ohio Am. Sub. H.B. 167, implemented July 1996, increased the disregard to the first \$250 and one-half of the remaining income for 12 months.
- Ohio Am. Sub. H.B. 408, implemented October 1997, extended the \$250 and one-half disregard from 12 to 18 months.
- Ohio Am. Sub. H.B. 283, implemented October 1999, eliminated any time limit for the earned income disregard.
- These changes, along with OWF work requirements, have increased the percentage of adult recipients employed from 8.4% in 1996 to 19.5% in the last quarter of 2003.

## PRC Program Encourages Work and Provides Short-Term Assistance

### PRC Average Monthly Expenditures and Recipients

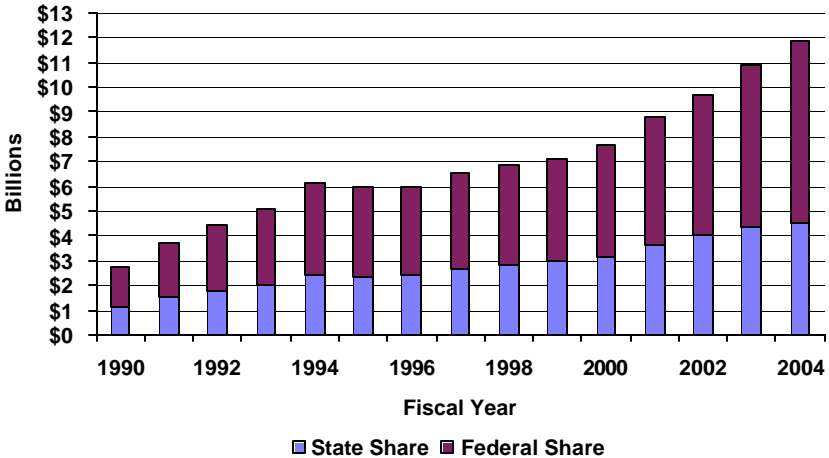


\*Through first three quarters.

- As part of the Temporary Assistance for Needy Families (TANF) program in Ohio, the Prevention, Retention, and Contingency (PRC) program is designed to “divert” families from long-term public assistance by providing nonrecurrent short-term customized assistance.
- The largest service category in terms of expenditures — Training, Employment, and Work Support — includes such things as employment and placement services, education and training services, transportation, wage subsidies, and work-related expenses.
- The remaining categories provide a variety of types of assistance and services designed to stabilize families, provide for child development, and help communities.
- To participate in the PRC program, an assistance group must include at least one minor child. County governments establish additional eligibility criteria.
- During the first three quarters of FY 2004, the average number of individuals served per month was about 85,000 at a cost of about \$9.2 million. This is a sharp decline from FY 2002, when about 130,000 recipients utilized the program at a cost of about \$15.2 million.

## Medicaid Spending Shows Rapid Growth for Second Time since FY 1990

### Total Medicaid Spending



- Since FY 1990, Medicaid spending has increased by an average of 10.8% each fiscal year. The rapid spending growth for the first half of the 1990s was driven by rapid health care cost increases generally, and specifically by increased caseloads associated with eligibility expansions.
- Spending decreased slightly in FY 1995 as a result of an improving economy and savings from a prospective reimbursement system for long-term care, which was introduced in FY 1993.
- Medicaid spending growth started to rise dramatically again in the early 2000s. The growth in total Medicaid spending averaged 10.8% from FY 2000 to FY 2004. Total spending for FY 2004 was \$11.88 billion.
- Increases in spending on long-term care and inpatient hospital services have been the driving force behind the Medicaid spending increases in the early 2000s. Also contributing significantly to total Medicaid spending is the growth in prescription drug expenditures, expanded coverage for children up to 200% of the federal poverty guideline, and the increase in caseloads due to the economic recession.
- On average, approximately 4% of total Medicaid spending in Ohio goes toward the administration of the program.
- The federal government pays for about 59 cents of every dollar of Medicaid spending, on average.



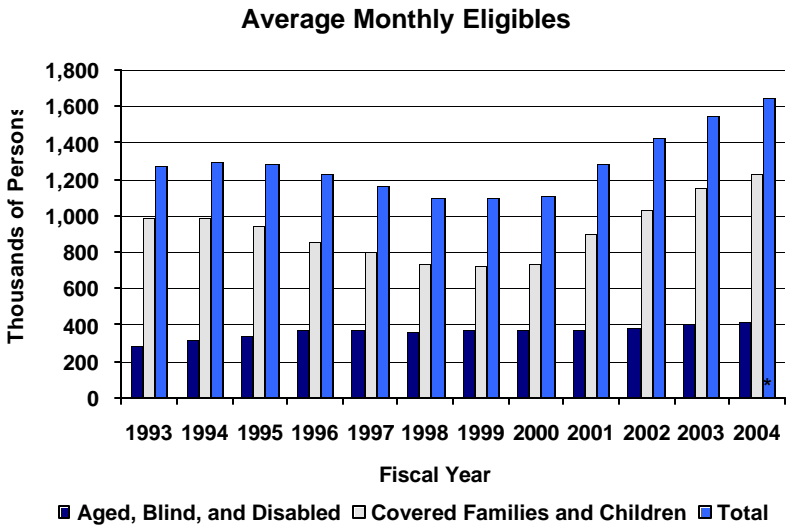
## Nursing Facilities and Prescription Drugs Account for Nearly Half of Increase in Medicaid Spending from FY 1994 to FY 2004

Service Category	Spending in Millions, by Fiscal Year			Average Annual Rate of Change		
	1994	1999	2004	1994-1999	1999-2004	1994-2004
Nursing Facilities	\$1,595	\$1,985	\$2,709	4.5%	6.4%	5.4%
ICFs/MR	\$310	\$362	\$442	3.2%	4.1%	3.6%
Inpatient Hospitals	\$1,049	\$913	\$1,344	-2.7%	8.0%	2.5%
Outpatient Hospitals	\$320	\$291	\$605	-1.9%	15.8%	6.6%
Physicians	\$304	\$296	\$597	-0.5%	15.1%	7.0%
Prescription Drugs	\$411	\$742	\$1,795	12.5%	19.3%	15.9%
Managed Care	\$281	\$402	\$1,021	7.4%	20.5%	13.8%
Medicare Buy-In	\$87	\$122	\$162	7.0%	5.8%	6.4%
ODJFS Waiver	\$13	\$72	\$198	40.8%	22.4%	31.3%
All Other*	\$262	\$358	\$868	6.4%	19.4%	12.7%
<b>Total</b>	<b>\$4,632</b>	<b>\$5,543</b>	<b>\$9,741</b>	<b>3.7%</b>	<b>11.9%</b>	<b>7.7%</b>

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

- Between FY 1994 and FY 1999, payments to inpatient hospitals and outpatient hospitals fell annually by 2.7% and 1.9%, respectively. Similarly, payments to physicians fell by 0.5% annually. These decreases were primarily due to falling caseloads under Covered Families and Children (CFC) and some shifting of caseloads to managed care.
- The "ODJFS Waiver" was developed and implemented during the FY 1997-1998 biennium and evolved from Medicaid waiver programs and nonwaiver home care services that existed before then. The waiver includes services such as home delivered meals, supplemental adaptive/assistive living devices, out-of-home respite care, and adult day health services. The Ohio Department of Job and Family Services (ODJFS) is in the process of redesigning the waiver.
- Between FY 1999 and FY 2004, payments for Managed Care increased by 20.5% annually, mainly due to the implementation of Preferred Option and the increase in the caseloads of CFC. Under Preferred Option, Medicaid recipients are automatically enrolled in managed care if they fail to select the fee-for-service option. Economic recession and several eligibility expansions, such as coverage for parents up to 100% of the federal poverty guideline (FPG) and coverage for uninsured children to 200% of the FPG (CHIP II), contributed to the increase in CFC caseloads.
- The combined effects of increased drug utilization and increased costs per drug resulted in an average 19.3% annual increase in prescription drug expenditures between FY 1999 and FY 2004.

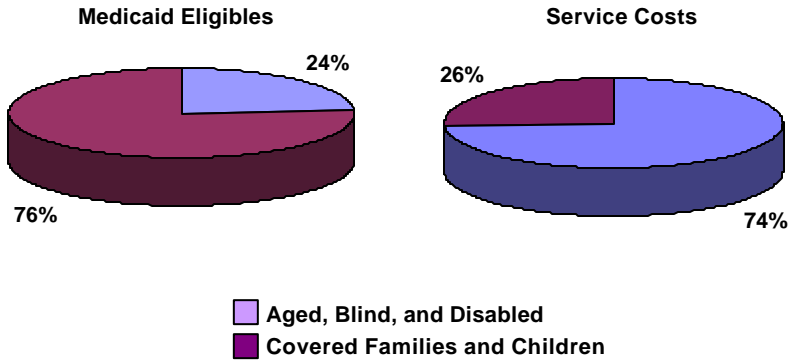
## Medicaid Caseloads Climb in Early 2000s



- In Ohio, Medicaid provides health insurance to Ohioans in the following two eligibility groups: (1) Covered Families and Children (CFC), which includes *Healthy Start* covering low-income pregnant women and children in families with incomes at or below 150% of the federal poverty guideline (FPG); *Healthy Families and Related* covering families at or below 100% of the FPG; and *CHIP II* covering children in families with incomes between 150% and 200% of the FPG; and (2) Aged, Blind, and Disabled (ABD) covering low-income elderly who are age 65 or older and persons with disabilities of all ages.
- The total number of persons eligible for Medicaid grew by 28.4% from FY 2001 to FY 2004, increasing from 1,278,082 to 1,641,326. The consistent increase in the number of families enrolled in Medicaid by way of *Healthy Families and Related*, and children enrolled in Medicaid by way of *CHIP II* has been the primary force behind this growth. The *CHIP II* population grew by 114.6% from FY 2001 to FY 2004, while the *Healthy Families and Related* population increased by 40.8% from FY 2001 to FY 2004. CFC caseloads declined approximately 27% from the FY 1993 decade high to its lowest level in FY 1999 due primarily to the decline in the OWF cash assistance caseload.
- The ABD population experienced an average growth of 9.3% in the first half of the 1990s, with slow growth of 0.4% from FY 1996 to FY 2000, followed by growth of 2.6% from FY 2001 to FY 2004.

## Aged, Blind, and Disabled Account for 74% of Medicaid Service Costs

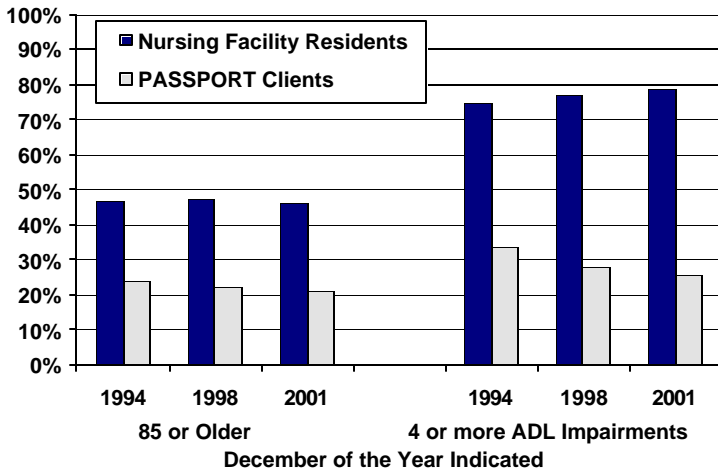
### Medicaid Service Costs vs. Caseloads, FY 2003



- The Covered Families and Children (CFC) population made up 76% of the Medicaid population but accounted for 26% of service costs in FY 2003. In comparison, the Aged, Blind, and Disabled (ABD) population made up 24% of the Medicaid population but accounted for 74% of service costs.
- Medicaid covers 42% of Ohio children under age four. It provides health care for one in every seven Ohioans. It also pays for one in every three births and 70% of all nursing home care.
- Ohio Medicaid provides comprehensive health care benefits to eligibles in two broad benefit packages: (1) primary and acute care services are available to everyone on the Medicaid plan, and (2) long-term care services are available to individuals with an institutional or nursing home level of care. Included in primary and acute care services are inpatient and outpatient hospital services, physician services, prescription drugs, dental services, and a variety of other health-related services. Long-term care services are delivered in community and institutional settings.
- The cost of long-term care is one of the reasons for the relative expense of the ABD population. To illustrate, expenditures on nursing facilities alone, which are almost entirely for the benefit of this population, accounted for almost 30% of the total Medicaid service expenditure in FY 2003. Moreover, the ABD population heavily utilizes some services that have the fastest growing costs, such as prescription drugs.
- In FY 2003, Ohio Medicaid paid approximately 60 million medical claims. The program has approximately 36,000 participating medical providers.

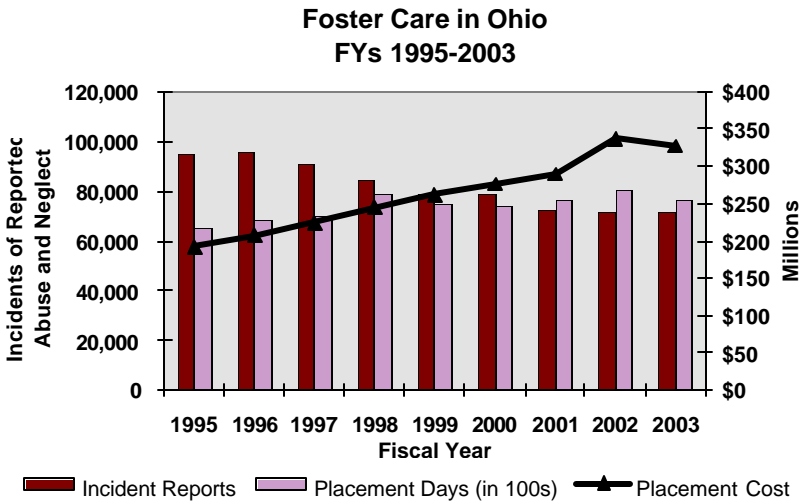
## Comparison of Nursing Facility Residents and PASSPORT Clients

### Age and Ability To Perform Activities of Daily Living



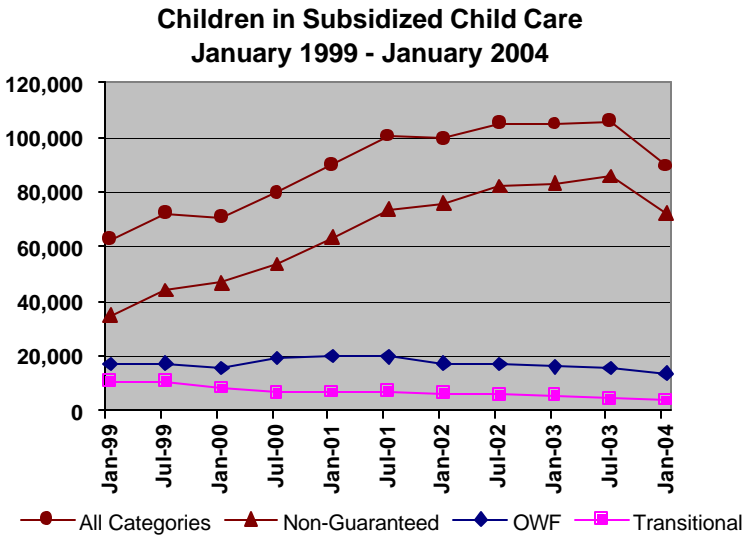
- The total number of people enrolled in the PASSPORT Medicaid waiver program has grown by about 56% since 1994. Nursing facilities (NFs) have seen a decline in population since 1994. In 2001, there were 24,488 PASSPORT clients and 77,939 NF residents.
- The NF population has a greater percentage of residents over the age of 85 than the population enrolled in the PASSPORT program. However, the average age differs slightly, with those persons in NFs being about three to three and a half years older than those persons enrolled in PASSPORT.
- Nursing facilities have seen an increase in the percentage of residents who require help with four or more activities of daily living (ADLs, e.g., bathing, dressing, transferring, toileting, eating, and grooming), suggesting that a larger share of their residents require more help with ADLs than in 1994. PASSPORT clients have shown the opposite trend, with a decrease in the percentage of residents who require help with four or more ADLs.
- The per member per month (PMPM) Medicaid costs for NFs increased from \$2,538 in FY 1995 to \$4,247 in FY 2002. PASSPORT PMPM Medicaid costs have increased by a lesser amount, from \$1,139 in FY 1995 to \$1,380 in FY 2002. It should be noted that PMPM costs vary depending on the type of client served, where they are served, and the services provided.

## Foster Care Placement Costs Decline in FY 2003



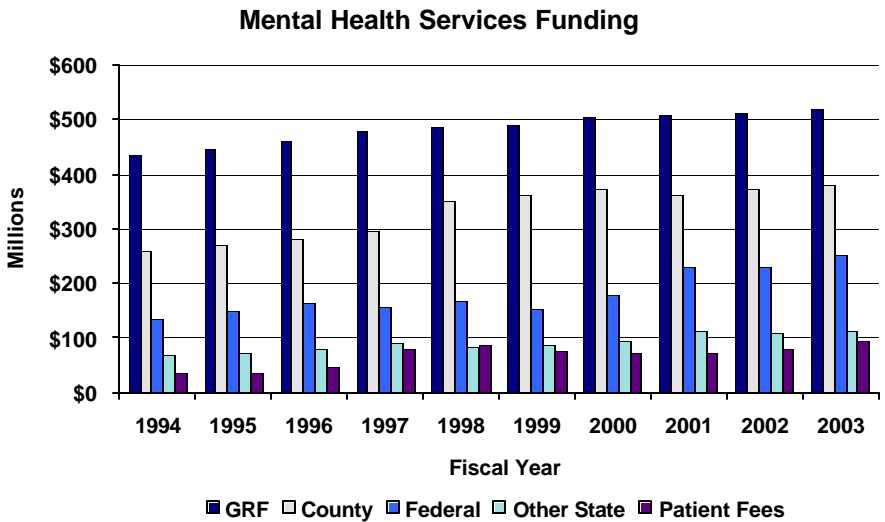
- The number of incidents of reported abuse and neglect has declined in recent years, from 95,188 in 1995 to 71,414 in 2003, a drop of 25%. County child welfare employees are required to investigate all incident reports. Some incident reports result in foster care placements.
- The number of placement days — a measure of the total number of child-days in foster care each year — was increasing over time and peaked in 2002 at 8,015,166. In 2003, the number of placement days decreased to 7,612,269.
- Between 1995 and 2002, total placement costs increased at an even faster pace than the rise in placement days. During that time period total placement costs grew by 75.3%, from \$192,056,052 to \$336,588,611. However, in 2003 placement costs decreased to \$327,608,642.
- One constant in Ohio's foster care picture is the relative mix of local, state, and federal funding. The state share of child welfare expenditures, which encompasses more than foster care placement costs, varies widely from county to county but has remained at around 10% of total expenditures since 1993.
- In addition to foster care, child welfare dollars are spent on adoption subsidies, child protection services, independent living services, training, and other administrative activities.

## Child Care Subsidy Serves Working Poor



- The number of children receiving subsidized child care was increasing steadily through July 2003. Ohio's child care subsidy program registered a 69% increase from January 1999 (62,654 children enrolled) to July 2003 (105,993 children enrolled). Due to changes in eligibility and other cost containment measures implemented by the Department of Job and Family Services (ODJFS), the number of children receiving subsidized child care began to decrease in July 2003. In January 2004, 89,634 children were enrolled.
- As Ohio Works First (OWF) caseloads have continued to decline since welfare reform, the number of children from OWF families who receive subsidized care has declined over the last few years, decreasing by 20% from 17,065 to 13,641 between January 1999 and January 2004. Transitional child care, subsidized for up to 12 months for families leaving OWF, has continued to decline from 10,754 in January 1999 to 3,867 in January 2004, a 64% reduction.
- The majority of children receiving subsidized child care are from low-income working families. Those families for whom the subsidy is "non-guaranteed," experienced a 147% increase in the number of children whose care is subsidized (from 34,835 in January 1999 to 85,891 in July 2003). However, in an effort to control costs ODJFS reduced eligibility for this category of subsidized child care. As of January 2004, the number of children from non-guaranteed working families receiving subsidized child care was 72,126, which is 79% of the total subsidized child care caseload.

## Statewide Funding for Public Mental Health Services

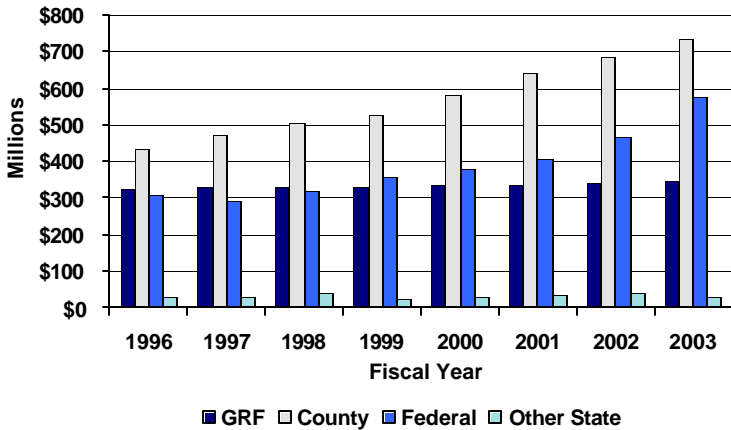


Note: County funding includes some non-mental health levy money (i.e., for alcohol and drug addiction services).

- Ohio has 43 community alcohol, drug addiction, and mental health services boards and seven community mental health services boards.
- Since the Mental Health Act was passed in 1988, the inpatient population of state hospitals has fallen from 4,000 to fewer than 1,200, and hospital staffing has been reduced from 6,200 employees to 2,300. While the hospital population has dropped, community care has expanded. On average, the community care client population is around 266,000, of which approximately 75,000 are severely mentally disabled adults and 52,000 are severely emotionally disabled children. Savings in state hospitals, not new revenues, has financed the increased funding in community care, as the Ohio Department of Mental Health (ODMH) budget has not kept pace with inflation.
- During the early 1990s, ODMH General Revenue Fund (GRF) funding increased at the same rate as inflation. Since 1997, increases in the Department's GRF budget have been below the rate of inflation.

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

### Statewide Expenditures for MR/DD Services by Funding Source FY 1996 to FY 2003

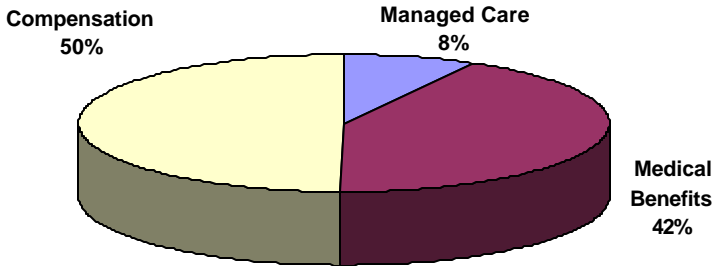


- Ohio has 88 county boards of mental retardation and developmental disabilities (MR/DD).
- The Department of MR/DD operates 12 developmental centers, two of which are to be closed by FY 2006. The number of residents living at developmental centers has dropped from 2,573 in FY 1990 to approximately 1,800 in FY 2005. Over 50% of the population in Ohio's developmental centers is between the ages of 40 and 50.
- Approximately 68,000 individuals with MR/DD receive county board services. The number of individuals served by county boards has increased by approximately 18,000 since FY 1997. Over 40% of individuals receiving county board services are under the age of 21.
- In FY 2003, approximately \$732.9 million in county funds, \$576.5 million in federal funds, \$346.3 million from the General Revenue Fund, and \$27.0 million from other state funds were expended to provide services to individuals with MR/DD.



## Benefits Paid by the Bureau of Workers' Compensation

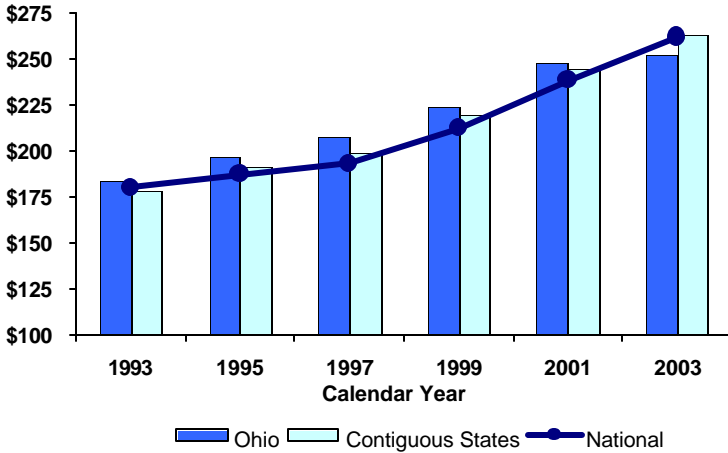
### Distribution of Benefits, FY 2003



- The Bureau of Workers' Compensation (BWC) paid \$2.08 billion in total benefits in FY 2003.
- During FY 2003, BWC paid out \$1.04 billion in compensation benefits alone. Compensation benefits are wage replacement payments granted to claimants who miss more than seven days of work as a result of their injuries, as well as payments for various levels of disability.
- Total medical costs for the period were \$876 million, about 42% of the total cost of claims on BWC's State Insurance Fund. Many workers' compensation awards include lost time and medical expenses; however, injured workers who miss seven or fewer days from work are eligible for medical benefits only.
- BWC continued its managed care initiative. BWC paid some \$168 million in fees — about 8% of total claims costs — to participating managed care organizations.
- From July 1996 to June 2003 (with the exception of one period in 2000), BWC returned some \$9.3 billion in surplus funds to private and public employers in the form of one-time dividends. These dividends were often as high as 75% of normal premium rates. In July 2003, however, citing a lackluster economy and soaring medical costs, BWC approved a 9% premium rate increase for policy year 2003 and did not grant employers a one-time dividend (requiring instead that employers pay 100% of their premiums). By January 2004, better-than-expected investment growth prompted BWC to grant employers another one-time dividend, this time reducing premium rates by 20%. The 20% dividend was granted again for the six-month period beginning July 2004.

## Ohio Unemployment Benefits Fall below National Average

**Average Weekly  
Unemployment Compensation Benefits**



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

- For the first time in more than ten years, Ohio's average unemployment benefits have fallen below the national average and were lower than the average benefits paid by its contiguous states in 2003. Between 2001 and 2003, Ohio's average weekly unemployment compensation benefit rose less than 2%, while the national average increased 10% and the average in contiguous states rose almost 8%.

## Ohio's Workforce Development System

### New Local Area Designations

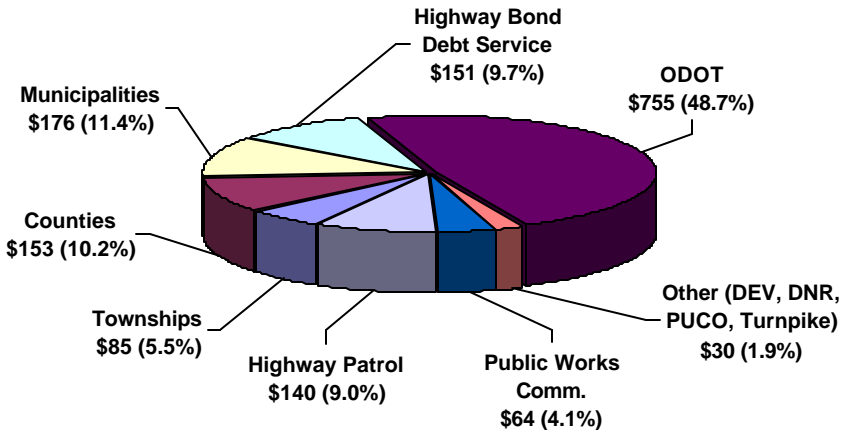


- The Workforce Investment Act of 1998 (WIA) is the federal employment and training law that replaced the Job Training Partnership Act (JTPA). Implemented on July 1, 2000, WIA is designed to streamline employment and training programs, help job seekers find work, and help employers find workers. In Ohio, WIA is administered by the Ohio Department of Job and Family Services.
- In September 1999, the Governor created the Governor's Workforce Policy Board, as required by WIA. Members of the Board represent business, organized labor, legislators, education, social service agencies, and others. Among other responsibilities, the Board develops local area allocation formulas for distribution of WIA funds and develops comprehensive performance measures to evaluate the state's workforce development activities.
- In July 2004, Ohio's local workforce areas were realigned. Twenty local areas, made up of counties functioning as single counties or contiguous counties opting to function as a consortium, are subgrantees for WIA funds. Area 7, the Ohio Option, is the largest local area, encompassing 47 counties. Each local area selects an administrative entity and a fiscal agent to administer a local one-stop system.
- Since the initiation of WIA, Ohio has received \$683.8 million in federal WIA funds to support WIA Youth, WIA Adult, and WIA Dislocated Workers program activities.

## Motor Fuel Tax in Ohio

### FY 2004 State Motor Fuel Tax Revenues Distribution

Dollar amounts in millions



- In FY 2004, the state collected approximately \$1.6 billion in motor fuel tax revenue. After deducting \$52 million for refunds and transfers, roughly \$1.55 billion was distributed to the state and local governments.
- Am. Sub. H.B. 87, the FY 2004-2005 transportation appropriations act, increased the former 22¢ per gallon motor fuel tax rate by 2¢ per gallon each year over three years, resulting in a total tax rate of 24¢ per gallon in FY 2004; 26¢ per gallon in FY 2005; and a conditional 28¢ per gallon in FY 2006, depending on changes in the distribution of the federal motor fuel tax.
- As part of a plan to provide more revenue to local governments, Am. Sub. H.B. 87 began to phase out the Highway Patrol's use of motor fuel tax revenue and offset the revenue reduction through increased motor vehicle fees. Starting in FY 2004 and continuing to FY 2008, the Patrol's former motor fuel tax allocation of approximately \$186 million will be reduced each fiscal year by 25%, 50%, 70%, 80%, and 100%.
- Before FY 2004, the last motor fuel tax rate increase occurred in FY 1993, when it was increased 1¢ from 21¢ per gallon to 22¢ per gallon.
- At 24¢ per gallon, Ohio's motor fuel tax rate ranks 13th in the nation. This comparison includes each state's motor fuel excise tax rate plus similar additional sales taxes or fees.
- Motor fuel in Ohio is also taxed by the federal government, at 18.4¢ per gallon. Coupled with the FY 2005 state tax rate of 26¢ per gallon, motor fuel purchased by motorists in Ohio includes total taxes of 44.4¢ per gallon.

## Motor Vehicle License Taxes Raised \$459 Million for Local Roads in 2003

### 2003 Motor Vehicle License Taxes (in millions)

Local Government Unit	State Motor Vehicle License Tax	Permissive Local Motor Vehicle License Tax	Total
Counties	\$235.4	\$89.8	\$325.2
Municipalities	\$63.3	\$43.4	\$106.7
Townships	\$15.7	\$11.6	\$27.3
<b>Total</b>	<b>\$314.4</b>	<b>\$144.8</b>	<b>\$459.2</b>

- In Ohio there were approximately 12.1 million vehicles registered in 2003. This total is composed of 8,429,300 passenger cars, 1,705,400 noncommercial trucks, 911,700 commercial vehicles, 557,900 noncommercial trailers, 300,300 motorcycles, 113,800 house vehicles, 59,700 motor homes, and 5,300 mopeds.
- For calendar year 2003, the state tax was \$20 per passenger car but varied for other vehicle classifications. Effective October 1, 2003, the state tax was increased by \$11 for all vehicle registration types. Before distribution to local governments, money is first used for bond obligations (42.6% of collected revenues) and administrative expenses (5% of collected revenues, using a five-year average).
- The maximum local permissive tax is \$20, based on \$5 levies. County levies have precedence over municipal levies. Not all local governments have enacted levies. Of those that have, most have not enacted the full amount authorized. For example, of the 88 Ohio counties, 25 have enacted one county levy (for a total of \$5), 13 have enacted two county levies (for a total of \$10), and 21 have enacted three county levies (for a total of \$15). Authorized maximum amounts by governmental unit are as follows:

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

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\* Allison Thomas, former LSC Budget Analyst, contributed to the composition of pages 4 and 13.

<b>Page Numbers</b>	<b>Data Sources</b>
1	U.S. Census Bureau
2	Ohio Dept. of Development
3	Ohio Dept. of Health; U.S. Centers for Disease Control and Prevention
4	Ohio Dept. of Development; U.S. Census Bureau
5	U.S. Census Bureau
6	U.S. Bureau of Economic Analysis; <i>The Economist Pocket World in Figures, 2004</i>
7, 8	U.S. Bureau of Economic Analysis
9	U.S. Bureau of Labor Statistics
10	U.S. Bureau of Labor Statistics; U.S. Bureau of Economic Analysis
11	U.S. Bureau of Labor Statistics
12	U.S. Census Bureau; Ohio Dept. of Development
13	Ohio Dept. of Development
14	U.S. Dept. of Agriculture
15	Ohio Dept. of Natural Resources; Ohio State University Exurban Exchange Program
16	Ohio Dept. of Natural Resources
17	U.S. Energy Information Administration; Ohio Dept. of Natural Resources; U.S. Bureau of Economic Analysis; Public Utilities Commission of Ohio
18, 19	Ohio Office of Budget and Management
20	Ohio Dept. of Public Safety; Federal Funds Information for States
21	Ohio Dept. of Administrative Services
22, 23	Ohio Office of Budget and Management
24, 25	U.S. Census Bureau
26	Ohio Office of Budget and Management
27	Ohio Treasurer of State; U.S. Census Bureau
28	Ohio Dept. of Taxation
29	Ohio Office of Budget and Management
30	Ohio Public Works Commission
31	Ohio Dept. of Taxation
32	U.S. Dept. of Education

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33	ACT, Inc.; College Board; Ohio Board of Regents; National Center for Higher Education Management Systems
34	Ohio Dept. of Education
35	Ohio Dept. of Education; National Education Association
36 - 43	Ohio Dept. of Education
44	Ohio SchoolNet Commission; Education Week, <i>Technology Counts 2004</i>
45	Ohio School Facilities Commission
46	Ohio State Lottery Commission
47	U.S. Census Bureau
48	National Center for Education Statistics; U.S. Census Bureau
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51	Ohio Board of Regents; U.S. Bureau of Labor Statistics
52	Ohio Board of Regents; Center for the Study of Education Policy
53	Federal Bureau of Investigation; U.S. Census Bureau
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55	Ohio Dept. of Rehabilitation and Correction
56	Ohio Supreme Court
57, 58	Ohio Dept. of Rehabilitation and Correction
59	Ohio Dept. of Youth Services
60	Ohio Office of the Attorney General
61	Federal Bureau of Investigation
62	Ohio Supreme Court
63	Ohio Judicial Conference
64	Ohio Dept. of Job and Family Services
65	TANF State Plan and historical documents; U.S. Bureau of Labor Statistics
66, 67	Ohio Dept. of Job and Family Services
68	Ohio Office of Budget and Management
69 - 71	Ohio Dept. of Job and Family Services



**Data Sources**

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<b>Page Numbers</b>	<b>Data Sources</b>
72	Shahla Mehdizadeh and Robert Applebaum, "A Ten-Year Retrospective Look at Ohio's Long-Term Care System" (Unpublished manuscript, Scripps Gerontology Center)
73, 74	Ohio Dept. of Job and Family Services
75	Ohio Dept. of Mental Health
76	Ohio Dept. of Mental Retardation and Developmental Disabilities
77	Ohio Bureau of Workers' Compensation
78	U.S. Bureau of Labor Statistics
79	Ohio Dept. of Job and Family Services
80	Ohio Dept. of Transportation
81	Ohio Dept. of Public Safety