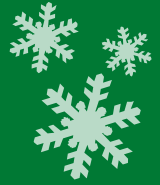


# Facts & Figures



a publication of the Education Tax Policy Institute

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**ETPI** 

8050 N. High St.,  
Suite 100  
Columbus, OH  
43235

614-540-4000  
614-540-4100 (fax)

[www.etpi-ohio.org](http://www.etpi-ohio.org)

## ETPI Membership — More Important Than Ever!

After more than a decade of research and analysis, ETPI is still a viable and important resource for public education leaders in Ohio. Constantly reinventing itself to meet the needs of the day, ETPI is the major source of information on public policy that affects Ohio's public school districts.

What does ETPI mean to your district? In districts like yours, we have analyzed and researched a number of important issues over the past year. We have a favorable, credible reputation among lawmakers, business leaders and the media. And

district leaders are also appreciative of the information we provide.

Without the kind of data and analysis available through ETPI, school districts and the education organizations would not have the kind of objective ammunition we need to advocate for schools and students. Instead, other think tanks and public policy organizations would have the upper hand. The vacuum created by the lack of available resources would be filled with opinions and research provided by political parties and anti-tax groups.

ETPI's work has become more meaningful to more and more districts over the past decade. No longer is the data and research battle fixed on utility personal property tax. The State's tax policy, the school funding formula and the Governor's school funding plan are all important issues that ETPI is working on and providing valuable data and analysis.

The following list contains just a few examples of the many projects completed in 2008.

*(Continued on page 5)*

## ETPI Gets New Look: New Website Coming Soon!

ETPI has been widely recognized for its work in areas such as Ohio's tax status compared to other states and its in-depth look at Ohio's HB 920 phenomenon. So what image do we project when it comes to being a resource for information on the Internet? If you have looked at our website recently, you may have seen

some improvements, but it is still not such a friendly place to be. **That's about to change!**

Soon, you will see a whole new look and a website that is user friendly and easily navigated. We think it's an improvement that ETPI members will be proud of. Our goal was to modernize the site to better reflect the work we do and the

reputation we've earned for sound research that is relevant to today and the needs of our members.

And, when visitors from other states and other interests come calling, they'll find a new source for good information about Ohio and about education public policy. See you on the Net!  
[www.etpi-ohio.org](http://www.etpi-ohio.org) ■

## State Versus Local Share of Revenue:

### *Does a larger state share result in more money?*

ETPI recently examined how percentage share of education funding changed over the period from FY05 through FY08. The analysis categorized school district revenues into three types: State SF3 Revenue, State Reimbursement Revenue, and Local Revenue.

Often, sources of school dollars appear in two categories: State and local. The combination of the State percentage of total funds and the local percentage yields the total dollars for education. (Sometimes a presentation also will include federal dollars, but, since the State has little control over federal revenues, the State and local percentages are more meaningful for State policy purposes.)

The ETPI analysis showed that school funding is more complicated. When new State dollars simply substitute for local dollars, the overall funding level does not change. A more nuanced view of funding should divide school district revenues into three categories: State Aid, State reimbursement revenue, and local revenue.

#### **State SF3 Revenue**

State SF3 Revenue includes all revenue paid to a school district under the various line items associated with the SF3 computations. The amount shown equals the SF3 total minus the deductions for ESCs, Community Schools, Open Enrollment, and the "Other" deductions line on the SF3. Thus,

the amount shown here equals the amount of SF3 revenue actually retained by school districts.

#### **State Reimbursement Revenue**

State Reimbursement Revenue includes State money paid to school districts under the following programs:

- Replacement of electric company personal property taxes as provided in the electric deregulation legislation;
- Replacement of gas company personal property taxes as provided in the natural gas utility deregulation legislation;
- Replacement of real property taxes reduced under the 10% rollback program;
- Replacement of real property taxes on owner occupied residential property under the 2½% rollback program;
- Replacement of real property taxes on homes qualified for the homestead exemption by virtue of the age or disability of the owner occupant, including the expanded homestead exemption as enacted in H.B. 119 (2007);
- Replacement of general tangible personal property taxes as provided in the comprehensive business tax restructuring in H.B. 66 (2005).

#### **Local Revenue**

Local Revenue includes:

- 1) School district income tax revenue;
- 2) School district property taxes levied for current operating expenses;
- 3) A deduction equal to the amount of State Reimbursement Revenue related to the rollbacks and homestead exemption to avoid double-counting of property taxes.



The third point requires a little more explanation. The raw property tax data show the amount charged for operating expenses in each school district. This amount was determined before any reduction for the 10% and 2 ½% rollbacks and before the reduction for the homestead exemption.

The deduction of the rollback reimbursement amounts approximately offset the inclusion of the full amount of taxes charged in the property tax category.

Due to timing issues related to the collection of the real property tax, the difference between State fiscal years and real property tax years, and the reimbursement payment schedule, the deduction did not capture perfectly the actual revenue effects for school districts.

However, without examining the details of each district's actual cash flow, the formula here provided the best approximation of net revenue amounts.

## Results

Table 1 summarizes the sources of revenue for school districts from FY05 through FY08. It shows the source according to the three categories described above. It also shows the amount of increase in each source over the period.

Table 1 shows that the SF3 increased by a total of \$81 million. State reimbursements increased by \$589 million, and local revenue increased by over \$1 billion.

Table 2 turns the revenue amounts shown in Table 1 into percentages. In FY05, the SF3 accounted for 42.5% of school district revenues. State reimbursements accounted for 6.9% of revenue that year. Local revenue

accounted for just over half of all revenue (50.6%). By FY08, the stagnation in the SF3 amounts, as shown in Table 1, translated into a declining percentage share of total revenue. Compared to FY05, the FY08 SF3 accounted for 4.4% less of total revenue (42.5% vs. 38.1%).

The State reimbursement amount shows a sharp increase in FY08. This increase occurred for two reasons. First, the expanded homestead exemption first affected rollback reimbursement payments in February 2008.

FY08 only reflected one-half of the full effect that the expanded homestead exemption reimbursement will cause. Second, FY08 registered the first reimbursements for the repeal of the general personal property tax. The State reimbursement revenue increased by 4.3 percentage points from FY07 to

FY08. An increase of at least that magnitude will occur from FY08 to FY09.

All other things equal, the Local Revenue percentage should continue to fall in FY09 and subsequent years. In fact, it seems likely that the percentage accounted for by Local Revenue in FY09 will fall below 50%.

Current circumstances caused by the State's fiscal crisis and economic recession make the prospects for FY10 and beyond less certain. However, even as the local share percentage falls, the greater amounts of State revenue will not translate necessarily into higher overall funding levels. As Table 1 shows, local revenue growth exceeded State revenue growth in total dollars over the four year period. ■

**Table 1: Increases in Statewide School District Revenue by Source of Revenue – FY05 – FY08 (In Millions of Dollars)**

|      | State SF3 Revenue | State Reimbursement Revenue | Local Revenue | Total Revenue |
|------|-------------------|-----------------------------|---------------|---------------|
| FY05 | \$5,534.9         | \$904.2                     | \$6,585.4     | \$13,024.5    |
| FY06 | \$5,606.4         | \$874.0                     | \$7,087.6     | \$13,568.0    |
| FY07 | \$5,617.7         | \$817.9                     | \$7,601.5     | \$14,037.1    |
| FY08 | \$5,616.1         | \$1,493.6                   | \$7,643.7     | \$14,753.4    |
| In-  | \$81.2            | \$589.4                     | \$1,058.3     | \$1,728.9     |

**Table 2: Percentage of School District Revenue by Source – FY05 – FY08**

|      | State SF3 Revenue | State Reimbursement Revenue | Local Revenue |
|------|-------------------|-----------------------------|---------------|
| FY05 | 42.5%             | 6.9%                        | 50.6%         |
| FY06 | 41.3%             | 6.4%                        | 52.2%         |
| FY07 | 40.0%             | 5.8%                        | 54.2%         |
| FY08 | 38.1%             | 10.1%                       | 51.8%         |

# What about the Governor's School Funding Proposal?

## *ETPI lends expertise*

It has been a relatively short time since the governor released his plan for education and school funding reform in early February within the context of his proposed biennial budget. Yet we are all desperately trying to evaluate its details in order to provide an appropriate response. School boards want to know what it would mean to their districts and school administrators struggle with the right advice to give them.

The consultants for ETPI, Bill Driscoll and Howard Fleeter (Driscoll & Fleeter), have been hard at work evaluating, simulating and examining the details of the plan. They are expected to provide the education community with the information necessary to understand and decide the right position to take on the proposal.

Meanwhile, the press and other critics have weighed-in to point out possible flaws or negative consequences if the plan were to be adopted. There is no lack of interest in what the governor has presented!

The governor's office has reached out to the education community to help with understanding the provisions laid out in the proposed budget. They've explained their intent and answered numerous questions about the new Ohio Evidence Based Model (OEBM) and its phase-in. Not to mention the new "Conversion Levy" option

for eliminating reappraisal phantom revenue.

As the consultants sort through the details and begin simulating how the components of the OEBM work together, there will likely be discoveries about changes that may be necessary.

For instance, one of the early criticisms of the governor's plan has been how long it takes in the governor's simulations before many low-wealth districts would benefit from the overhaul of the system. ETPI will likely analyze alternatives for the treatment of those districts in the early years of implementation.

The work done by the ETPI consultants will likely be useful to state leaders as they work to improve on the initial proposal. There is clearly a willingness by the governor and the leaders in the Ohio House of Representatives to work on making the plan even better. It is possible that improvements will be made before the House Finance Committee has to make a decision about the budget bill and the school funding plan.

This issue of the ETPI *Facts & Figures* publication will not focus on the OEBM or the education reforms that are in the plan. Evaluation of those concepts and components will need more time. However, there is one provision of the plan that seems much more straightforward in its meaning and explanation.

This issue that has piqued the interest of many school leaders

and the public is known as the "Conversion Levy" concept. While one form of phantom revenue would be eliminated by the proposal's movement from 23 mills to 20 mills for the local "charge-off" calculation, the inability for districts to realize growth in tax revenue when property values go up still means they may experience reappraisal phantom revenue if nothing is done.

The Conversion Levy is meant to solve that problem for approximately 225 school districts if they choose to take advantage of the option.

Only about 225 school districts in Ohio are not currently at what we call the "20-mill floor." The Conversion Levy option is not meant for those 20-mill floor districts. It is a tool that would effectively give those 225 districts the advantage of being on the 20-mill floor without having to get there by traditional methods. The measure would take voter approval and the school district would need to take action within the first four years after the option becomes law.

Districts would take all their levies above 20 mills and "convert" them to a new kind of levy that operates similar to an Emergency Levy. This would allow the 20 mills that are not converted to always be intact giving the district a "floor" that they would not go below. The Conversion Levy millage would still be subject to HB 920 reduction factors but the 20 mills would not.

*(Continued from page 4)*

There are incentives for districts to pass the Conversion Levy. The obvious incentive is that they would achieve growth in tax revenue when property values go up. This allows for the charge-off to remain in-sync with what the State formula assumes. Second is the additional replacement money the district would receive for the loss of Tangible Personal Property (TPP) Tax revenue. The Conversion Levy would be treated like an Emergency Levy for purposes of the TPP replacement payment calculation. The direct payments would not phase down over the phase-out period as before, but would continue in full until 2018.

Another incentive is a result of the State's role in allowing for the Conversion. In order to legally convert the mills above 20 in this new way (separating them from the first 20 mills), all classes of property will need to be treated uniformly. Therefore, the millage rates above the 20 mills will need to be the same for all. Since some classes may currently have a higher millage rate than others in a given school district, the result of unifying the rates could have meant less revenue for the district. To avoid this financial loss for schools, the State will hold the districts harmless for a period of time if their voters approve a Conversion Levy.

The Ohio Department of Taxation has developed a simulation tool for districts to use to evaluate the effects a Conversion Levy would have on their district. It takes all the components of the Levy into account so that the district has the information they need to decide whether or not to ask their

voters to approve the move. The tool is available on the ETPI website.

This issue in addition to the effects of the OEBM are all part of the current research agenda for ETPI. Members can expect to see more information about their findings in the coming months! ■

## ETPI Membership – More Important Than Ever!

*(Continued from page 1)*

- ◆ School funding study (Guthrie project)
  - ◇ Utilized national school funding expert to prepare for Governor Strickland's school funding process: Final work product: An incremental approach to a school funding "fix"
- ◆ Energy project – energy consultant helped to develop proposals for input in SB 221 legislative process and PUCO deliberations
- ◆ ETPI collaborated with the KnowledgeWorks Foundation at OSBA's Capital Conference to present a session by two of the state's premier school funding experts, Howard Fleeter and Andy Benson
- ◆ Website redesign – roll-out expected soon!
- ◆ Other reports:
  - ◇ A Look at the Tax Foundation 2008 Business Tax 'Climate' Index. Why the Findings Don't Add Up
  - ◇ Friedman Foundation Voucher Analysis "Critique"
  - ◇ Why Districts are on the Guarantee
  - ◇ Review of State Board School Funding Subcommittee report

What can you do to make sure projects like this can continue?

Enclosed with this publication is an annual membership application form. Make sure your school district becomes a member (or renews if you've been a member in the past). Dues rates are very reasonable, especially considering the benefits to school districts.

Governor Strickland has introduced his plan for changing the way we fund schools. As the proposal moves through the legislative process, the most reliable source for data and analysis on its effects on school districts is ETPI. Come join us! ■

# Batten Down the Hatches!

## Ohio's FY10-11 state budget outlook



In the wake of a holiday retail season that proved even worse than expectations and unemployment levels at a 16 year high, it should come as no surprise that Ohio's Office of Budget and Management (OBM) is currently projecting budget shortfalls of at least \$4.7 billion dollars in the upcoming FY10-11 biennium.

It is important to understand, however, that Ohio's current budget crisis has been influenced by the Tax Reforms undertaken in H.B. 66 (June 2005) as well as by the ever-worsening state and national economy.

*This chart shows that in 3 of the 5 years of the HB 66 Tax Reform Phase-out period GRF tax revenues were expected to decrease, even assuming a moderate growing economy.*

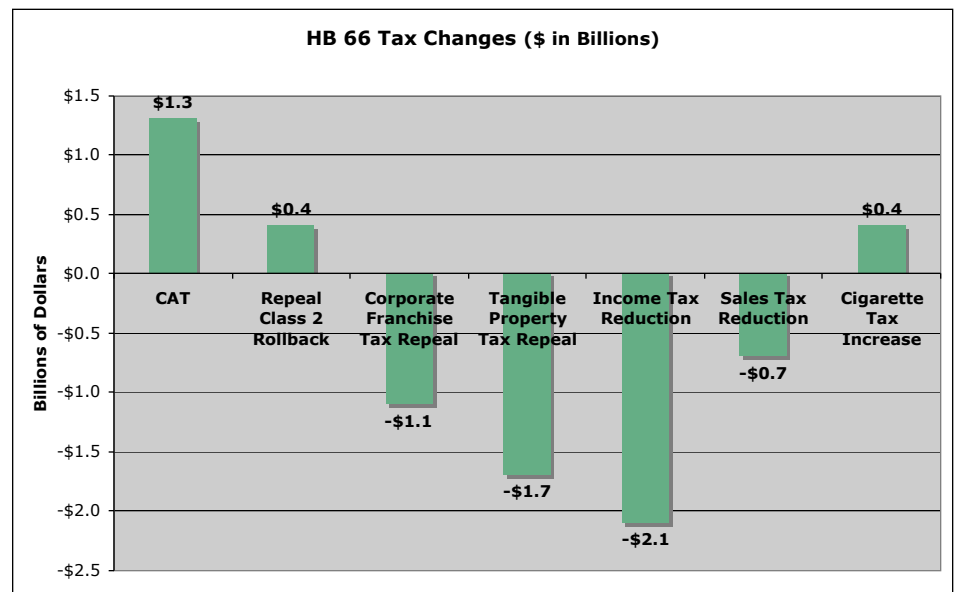
*The net effect of this pattern is that the even without an economic slowdown, FY10 revenues (\$19.348 billion) were estimated to be less than FY06 revenues (\$19.562 billion).*

### Impact of Tax Reform

The following major changes to Ohio's tax system were made in H.B. 66 in 2005.

- Eliminate State Corporate Franchise Tax (phase-out over five years)
- Eliminate Local Tangible Personal Property Tax (phase-out over four years)
- Enact State Commercial Activity Tax (CAT), phase-in over four years
- Repeal 10% Rollback on commercial & industrial real estate
- Reduce State Personal Income Tax by 21% over five years
- Reduce State Sales Tax from temporary (FY04 and FY05) rate of 6.0% to new permanent rate of 5.5%
- Increase Cigarette Tax rate from 55 cents per pack to \$1.25 per pack

The chart below shows the expected revenue impact by FY10 once all tax changes are phased in. Because the tax decreases far outweigh the tax increases, the net effect is a \$3.5 billion reduction in tax revenue.



## Ohio's FY10-11 State Budget Outlook con't.



### The Impact of the Economic Downturn

During the FY08-09 budget process in the first half of calendar year 2007, the State assumed that the economy would improve in the first half of calendar year 2008, with even better performance in 2009. However, by the end of calendar year 2008, it was becoming clear that this projection was optimistic. Since that time, OBM has revised its economic forecast 3 times.

On January 23, 2008 OBM released an updated economic forecast that presented three alternative economic scenarios. The likelihood of a recession at this juncture was raised to 50%. These 3 alternative economic scenarios were:

- **Low growth** in which Ohio Gross Domestic Product (GDP) would grow by 1.5% to 2.3% over the remainder of the FY08-09 biennium. This scenario would create a **\$733 million budget shortfall** over the biennium;
- **Zero growth** in which GDP growth ranges from 0% to 1.5%. This scenario would create a **\$1.3 billion budget shortfall** over the FY08-09 biennium;
- **Recession** in which GDP does not grow at all for the rest of the biennium. This scenario would create a **\$1.9 billion budget shortfall** over the FY08-09 biennium.

In March 2008 the Governor authorized \$733 million in budget reductions for the FY08-09 biennium, consistent with the "Low Growth" economic scenario. Actual revenues for FY08 ended the fiscal year midway between the low growth and zero growth projections.

On Sept. 11, 2008, OBM released a second revision to the revenue estimates for FY09, placing expected revenues for the year midway between the zero

growth and recessionary scenario figures. Based upon this revised July 2008 forecast, further reductions in spending of \$540 million were authorized.

On December 1, 2008, OBM released yet another revised forecast for FY09, also including estimates for FY10 and FY11. These estimates are the "official" projections currently in effect. Therefore, at this point in time, the economy is officially in recession and FY09 revenues are now forecast at a level even lower than the recessionary estimate from January 2008. On December 19, the Governor ordered an additional \$640 million in spending cuts for FY09, bringing the total for FY08 and FY09 to \$1.9 billion. At this time, OBM also projected at least a \$4.7 billion budget deficit for the FY10-11 biennium.

The table on the next page shows FY09 GRF Tax Revenues under a variety of OBM Economic Scenarios (\$ are in millions). \* Percent Change for all FY09 scenarios computed relative to actual FY08 revenues.

The December 2008 revised revenue estimate for FY09 shows a 7.1% decrease from FY08 actual revenues. In addition, the cumulative total of the 3 revenue revisions for FY09 shows a reduction of more than \$1.5 billion from the revenue level initially expected for FY09 when the FY08-09 budget was enacted in June 2007. This is a reduction of 7.8%.

*(Continued on page 8)*

## Ohio's FY10-11 State Budget Outlook con't.

### Outlook for FY10 and FY11

The graph below shows actual GRF Tax Revenues from FY03-08 and the most recent OBM estimates of revenues for F09-FY11. The revenue estimates for FY09, FY10 and FY11 are based on an OBM scenario of an extended consumer led recession extending through most of 2010. (Source: OBM Annual Financial Reports and December 1, 2008 OBM Revenue Estimates)

The OBM revenue estimates for FY10 and FY11 shown above are \$722 million and \$1.3 billion, respectively, less than the OBM estimates for FY10 and FY11 from September 2008. Combined with the \$640 million reduction in the FY09 revenue estimate from September to December, this is an aggregate loss of expected state revenue of more than \$2.6 billion as result of the national economic downturn in the fall of 2008.

The estimated revenue levels for FY10 and FY11 are less than the GRF revenue received by the state in FY04. These revenue levels are also \$2.3 billion less per year than the revenue level for FY10 forecast based on the impact of the HB 66 tax changes under an assumption of moderate economic Growth.

Finally, a more severe and prolonged recession characterized by a severe manufacturing and financial sector contraction would further reduce revenues by roughly \$600-\$700 million over the FY10-11 biennium (exact figures not provided by OBM). These revenue levels would approach the GRF tax revenue received by the state in FY03. ■

|                  | FY08 Actual   | OBM As Enacted | Low Growth (Feb 2008 Revision) | Zero Growth (Feb 08) | July 2008 Revision | Recession (Feb 08) | Dec 2008 Revision |
|------------------|---------------|----------------|--------------------------------|----------------------|--------------------|--------------------|-------------------|
| GRF Taxes        | FY08          | FY09           | FY09                           | FY09                 | FY09               | FY09               | FY09              |
| Sales            | 7,614         | 7,948          | 7,792                          | 7,715                | 7,635              | 7,610              |                   |
| Income           | 9,115         | 9,201          | 9,096                          | 8,825                | 8,718              | 8,450              |                   |
| Corporate        | 753           | 522            | 470                            | 430                  | 495                | 400                |                   |
| KWH/PU           | 389           | 306            | 297                            | 297                  | 307                | 297                |                   |
| Cigarette        | 951           | 942            | 942                            | 942                  | 917                | 942                |                   |
| Other            | 597           | 645            | 628                            | 628                  | 613                | 628                |                   |
| <b>Total</b>     | <b>19,419</b> | <b>19,564</b>  | <b>19,226</b>                  | <b>18,837</b>        | <b>18,685</b>      | <b>18,327</b>      | <b>18,044.5</b>   |
| <b>% Change*</b> |               | <b>0.75%</b>   | <b>-1.0%</b>                   | <b>-3.0%</b>         | <b>-3.8%</b>       | <b>-5.6%</b>       | <b>-7.1%</b>      |



## ETPI Assists with Energy Issues

Early in 2008, the Ohio School Boards Association, (OSBA) the Buckeye Association of School Administrators (BASA) and the Ohio Association of School Business Officials (OASBO) asked ETPI to lend resources to help with a legislative proposal that took the organization back to its roots. Utility deregulation (SB 3) in the late 90's was the impetus for forming ETPI as a research arm for education. With the final phase-in of the SB 3 provisions looming, the governor and the legislature had concerns about electric rates after full implementation of this deregulation legislation passed a decade ago. ETPI would once again be called upon to gauge the effects on schools and to suggest options.

SB 221 was to be the State's new direction for energy purchasing and policy — some called it the Electric Re-regulation Bill. Because many believed that deregulation had not worked, SB 221 would effectively return utility companies back to an environment where rates were controlled instead of being guided by the market. The education organizations feared that the school districts that were purchasing electric generation from a third party under SB 3 would no longer be able to manage costs for power — particularly if the law didn't give them the flexibility for multiple purchasing options.

ETPI hired Mark Frye from Palmer Energy to do research and put together possible scenarios for electricity generation purchasing by school districts. The results of Frye's study gave the groups the information they needed to make specific proposals during SB 221 deliberations. Once the bill passed, Frye continued to help with participation in the Public Utilities Commission of Ohio (PUCO) rule making process for the implementation of the new law. Today with Frye's help and the help of legal expertise provided by Direct Energy (the organization's program facilitator for *SchoolPool* — an energy purchasing pool for schools) OSBA, BASA and OASBO are highly involved in the PUCO process as decisions are made about how the various utility companies will operate in the future.

Because of support from ETPI, there is hope that schools will have multiple options for saving money on the cost of electric generation under the new law. It has been a long, complicated process and it is not over yet. ETPI will continue to play a role as the rules for utility companies are determined over the coming months.

In the meantime, school district leaders should watch for news about the final decisions by the PUCO before choosing options for electricity purchases in the future. ■

**Where can  
you find the  
real facts?**



**ETPI** continues to be the *only* organization in Ohio dedicated to research and analysis of education public policy issues.

Become a member of ETPI and help make future research possible. Visit our website at:

**[www.etpi-ohio.org](http://www.etpi-ohio.org)**

## How Did Governor Strickland Balance the FY10-11 Budget?

On Monday February 2, 2009, Governor Strickland released a proposed FY10-11 budget that balanced revenues and expenditures, completed the phase-in of tax reforms begun in HB 66 (June 2005), did not increase taxes, and exhibited a 6.3% increase in spending from the current FY08-09 budget. In light of the state's bleak prospects for the General Revenue Fund (see previous article), how was the Governor able to accomplish these seemingly contradictory goals?

Including all federally funded GRF expenditures (Medicaid, education, etc...), total GRF spending for the biennium is proposed to be \$54.7 billion (\$26.1 billion in FY10 and \$28.6 billion in FY11). In contrast, GRF tax revenues are projected by OBM to be \$34.5 billion in FY10-11, a \$3.0 billion drop from the \$37.5 billion in GRF tax revenues projected in the current FY08-09 budget. In order to balance the budget (as required by the state Constitution), the Governor took the following steps:

1. Many agencies, programs and line items are funded below FY09 levels and at 80%-95% of FY10 planning levels.
2. Proposed state employee pay reductions from 0-6% and reduced state benefit contributions is expected to save up to \$200 million per year (these proposals cannot be finalized until approved in contract negotiations with state employee unions, however).
3. Increases in 120 state agency user fees, most paid by businesses, have been proposed. These fee changes will generate an estimated \$236 million in revenue and shift another \$54 million off of the GRF.
4. Restructure Medicaid funding by creating or increasing fees on hospitals, nursing homes, and other institutional care providers to generate \$892 million over the biennium.
5. \$5 billion in "one-time" funding from both the state and federal government has been employed.

**Clearly, the use of one-time money plays a pivotal role in the proposed FY10-11 executive budget.** One point five billion dollars of the one-time money is from state sources, with the largest source \$948 million in funds to be transferred from the Budget Stabilization Fund (a.k.a. the Rainy Day Fund) in FY11. This transfer will largely deplete the rainy day fund. Other sources are \$200 million to be borrowed from the Ohio School Facilities Commission (this is money that was not going to be spent during this biennium because money transferred from the Tobacco Use and Prevention Fund in 2008 must be spent first) and \$320 million from other sources.

An additional \$3.5 billion in one-time money is from the Federal Economic Stimulus Bill. At the time the budget was released, the only available federal funding figures for Ohio were from the House version of the stimulus bill. This version included \$283 million in additional GRF Medicaid funding, \$821 million for special education, \$2.274 billion for state fiscal stabilization, 60% of which (\$1.353 billion) must be spent on education. Subsequent modifications of the stimulus bill have changed these figures. At the time of this writing, final figures from the enacted version of the bill were not yet available. However, the latest estimates indicate that initial fears that the revised version of the bill could result in \$400-\$600 million in reductions of federal funds for Ohio appear to be unfounded. This is because of last minute changes that resulted in a \$413 million increase in Medicaid funding and an additional \$226 million for education for Ohio.

Questions have been raised about whether or not reliance on so much one-time money is prudent. In response to these questions, state Budget Director Pari Sabety has echoed the feelings of the vast majority of economists in saying that the point of the federal stimulus bill is to increase spending and that failure to do so will only deepen and prolong the current recession, making the FY12-13 budget even more difficult. ■



**William Driscoll & Dr. Howard Fleeter, Driscoll & Fleeter**

**CONSULTANTS:**

**Michelle Francis, Treasurer**

**Marcella Gonzalez, Secretary**

**Jennifer Economus, 2<sup>nd</sup> Vice President**

**Tom Ash, 1<sup>st</sup> Vice President**

**Barbara Shaner, President**

**OFFICERS:**

*Ohio's Resource for Reliable Data & Analysis*



8050 North High Street  
Suite 100  
Columbus, OH 43235