Introduction

This document is the LSC fiscal analysis of the FY 2008-2009 biennial budget legislation of the 127th General Assembly: Am. Sub. H.B. 119 (the Main Operating Budget), Am. Sub. H.B. 67 (the Transportation Budget), and Am. Sub. H.B. 100 (the Bureau of Workers' Compensation and Ohio Industrial Commission Budgets). Whereas LSC *Redbooks* provide an agency-by-agency analysis of the executive budget proposals, the *Final Fiscal Analyses* provide an agency-by-agency analysis of the budgets enacted by the General Assembly and signed by the Governor**.**

The first section of this document summarizes the total appropriations for the FY 2008-2009 biennium and highlights the major provisions of the budgets. The second section of this document consists of an agency-by-agency analysis of the budgets, arranged by subject area. Each analysis includes an overview that briefly describes the agency's duties and responsibilities, summarizes appropriations, and provides highlights of the budget provisions affecting the agency, including any provisions that were vetoed by the Governor. Following the overview is a detailed analysis of the agency budget by program or program series (a group of programs with similar purposes), including a description of and funding for each program or program series, as well as any major statutory changes that impact the program or program series. At the end of each agency analysis is a spreadsheet showing the agency's appropriations by line item.

The third, and final, section of this document analyzes the major statutory provisions that affect multiple state and local entities: new tax provisions, the tobacco securitization plan, various statutory changes affecting local governments, and changes to the revenue distribution funds, which are used to collect and distribute taxes and fees.

In addition to the print version, this document may be viewed online at: **http://www.lbo.state.oh.us/fiscal/budget/fiscalanalysis/127fiscalanalysis.cfm**. Because LSC cannot fulfill requests for multiple copies of its staff publications, persons or groups needing more than one copy of the *Final Fiscal Analyses* are encouraged to reproduce it as needed. LSC claims no copyright or other basis requiring consent to replicate any portion of this publication, but it is requested that the Director be informed of any republication involving public distribution and that the source be identified therein.

Other LSC fiscal documents that provide information on the budgets include *Redbooks* (the analysis of the executive budget proposal), the *Comparison Document* (a provision-by-provision comparison of the Executive, House, Senate, and Conference Committee recommendations), the *Budget in Detail* (a spreadsheet showing every agency's appropriations by line item), and the *Catalog of Budget Line Items* (a description of each line item's legal basis, revenue source, and purpose). These and other budget-related documents are available at: **http://www.lsc.state.oh.us/budgetdocuments.html**.

Summary of the Budgets

Allan Lundell, Fiscal Supervisor
Other LSC analysts

- Biennium operating budgets total $115.99 billion
- GRF + LPEF appropriations in the FY 2008-2009 biennium to rise 4.9%
- School funding accounts for the largest share of GRF budget, followed by human services

Appropriations by Budget

This section contains a summary of the three operating budget acts of the FY 2008 - 2009 biennium: Am. Sub. H.B. 119 (the Main Operating Budget), Am. Sub. H.B. 67 (the Transportation Budget), and Am. Sub. H.B. 100 (the Workers Compensation and Industrial Commission Budgets).[1] Table 1 shows the funding for each of the budgets. The column on the right, labeled "Share," shows the portion of total state operating appropriations funded through each of the budgets.

Table 1: Total FY 2008-2009 Appropriations by Budget

Budget	FY 2008	FY 2009	Biennium Total	Share
Main Operating (H.B. 119)	$52,624,233,164	$54,775,629,368	$107,399,862,532	92.6%
Transportation (H.B. 67)	3,971,654,591	3,833,131,082	7,804,785,673	6.7%
Workers Compensation (H.B. 100)	328,956,361	329,210,479	658,166,840	0.6%
Industrial Commission (H.B. 100)	61,799,365	61,799,365	123,598,730	0.1%
Total	$56,986,643,481	$58,999,770,294	$115,986,413,775	100.0%

Total appropriations for all operating budgets and all fund groups in FY 2008 exceed adjusted appropriations for FY 2007 by 1.4%, in part reflecting sharply lower Medicaid appropriations. However, a sizable portion of FY 2007 Medicaid spending authority was not used but was instead encumbered, and FY 2008 GRF Medicaid appropriations do not include resources in the new Medicaid Reserve Fund. Fiscal year 2009 appropriations exceed those in FY 2008 by 3.5%, with the largest increases in the GRF budgets for Medicaid and K-12 education. The Main Operating Budget, with over 92% of all appropriations, obviously dominates these rates of increase.

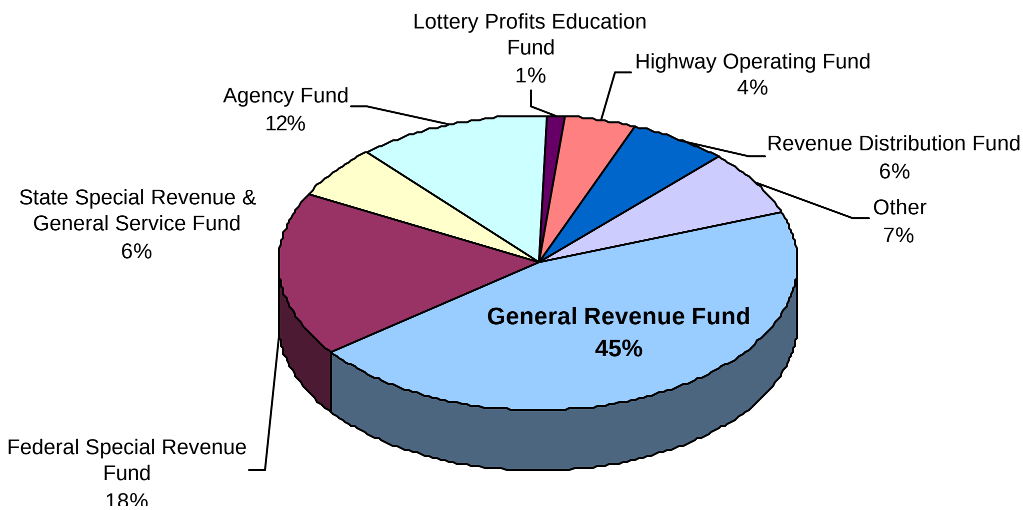
Appropriations by Fund Group

Chart 1 shows the portion of total appropriations funded by each of the state fund groups for the FY 2008 - 2009 biennium, for all operating budgets and all fund groups. See the *Budget in Detail* for information on funding by agency, by line item, and by fund group within each agency for FY 2007 through FY 2009.

[1] The Ohio Industrial Commission budget was introduced as H.B. 101, but was combined in committee with the Bureau of Workers' Compensation budget in H.B. 100.

The state General Revenue Fund (GRF) is the largest source for current appropriations. For the FY 2008 - 2009 biennium, GRF appropriations are $52.38 billion, 45% of total operating appropriations. In the previous biennium appropriations to the GRF were 47% of the total. The rest of this section provides an historical context to the current appropriation levels of state GRF, along with the Lottery Profits Education Fund (LPEF). Following this are sections that provide highlights of the operating budget acts.

Chart 1: FY 2008-2009 Appropriations by Fund Group



State GRF and LPEF Funding

This section places in historical context the funding levels of the state's General Revenue Fund (GRF) and Lottery Profits Education Fund (LPEF). The two are considered together since in most uses the state GRF is broadly defined to include the LPEF due to the fact that at one time lottery profits were deposited into the GRF and then transferred to the LPEF.

Total GRF plus LPEF funding, excluding those outlays for which the state receives federal reimbursement and excluding distributions to the local government funds, increases 4.9% for the biennium, compared with the FY 2006 - 2007 biennium, including actual disbursements in FY 2006 and adjusted appropriations in FY 2007. Fiscal year 2008 appropriations on this basis exceed FY 2007 adjusted appropriations by 0.5%, while FY 2009 appropriations exceed FY 2008 appropriations by 4.3%.

The purchasing power of total GRF plus LPEF appropriations for the biennium is expected to rise by 1.1% compared with that of actual expenditures in FY 2006 plus adjusted appropriations in FY 2007. **Chart 2** shows the state GRF and LPEF expenditures for FYs 1987 through 2006 and adjusted appropriations in FY 2007, along with the appropriations for FYs 2008 and 2009, in both nominal dollars and amounts adjusted for inflation using the Consumer Price Index. Between 1987 and 2007, expenditures grew by 150% in nominal dollars and by 43% after inflation is taken into account. During the same period, expenditures as a percent of Ohio's estimated gross state product (GSP) varied between 4.1% and 4.7%, and are expected to be about 4.3% during the FY 2008 - 2009 biennium (see **Chart 3**).[2]

[2] The charts reflect Global Insight forecasts for the consumer price index and for Ohio gross state product.

Chart 2: Total State GRF and LPEF Expenditures
(in millions)

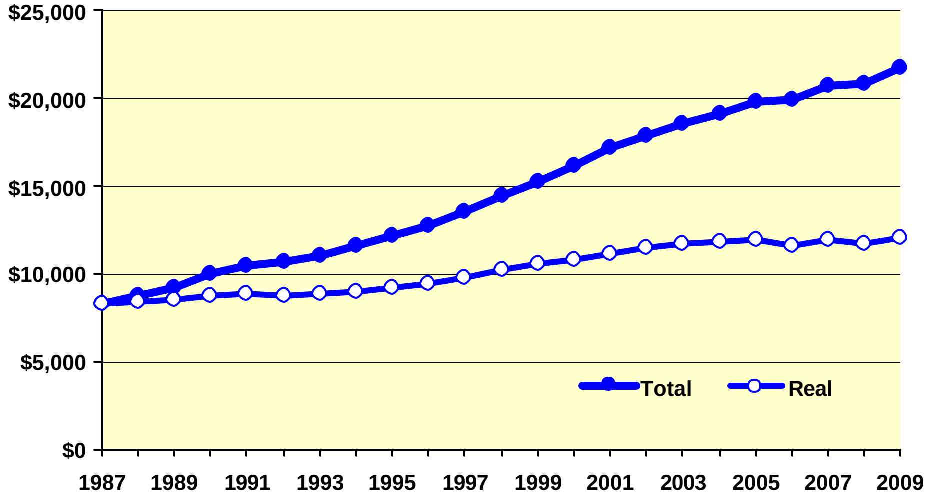
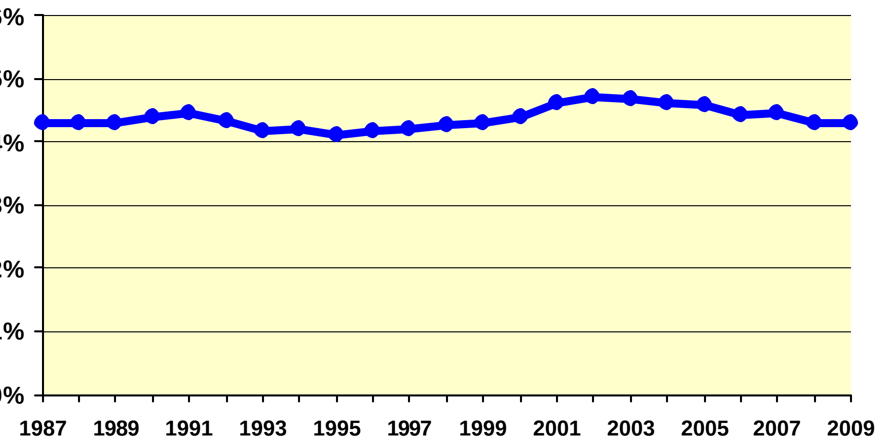


Chart 3: State GRF and LPEF Appropriations as a percentage of Ohio GSP



As depicted in **Charts 4 and 5**, Primary and Secondary Education continues to receive the largest share of total GRF plus LPEF appropriations ($17.91 billion over the biennium, or 42.0% of total state GRF plus LPEF funding, excluding outlays for which federal reimbursements are received and distributions to the local government funds), followed by Human Services ($11.87 billion, or 27.9%), Higher Education ($5.64 billion, or 13.2%), and Corrections ($3.65 billion, or 8.6%). Histories of expenditure amounts (and appropriation amounts for the FY 2008 - 2009 biennium) are included in the charts, below. **Chart 4** presents the history of spending in four of the state's major program categories, plus the "Other Government" category, while **Chart 5** presents the historical share of the four major program areas (here the "Other Government" category is included in the calculations, but omitted from the chart). Individual agency appropriations and policy changes along with a brief discussion of revenues and taxation and the tobacco securitization plan are presented in the highlights section, below.

Chart 4: Total State GRF and LPEF Expenditures by Major Category
(in millions)

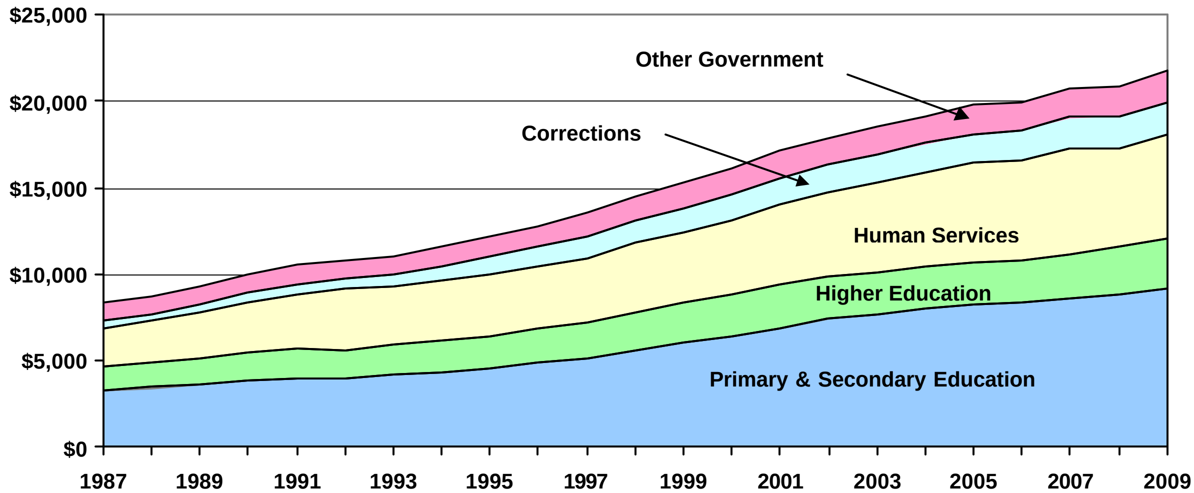
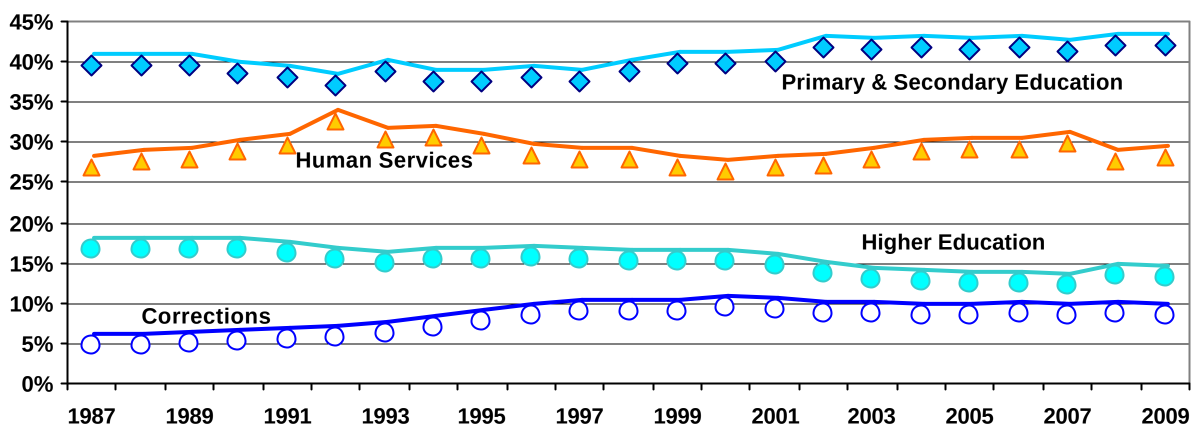


Chart 5: Major Program Spending as a Percentage of State GRF and LPEF Spending

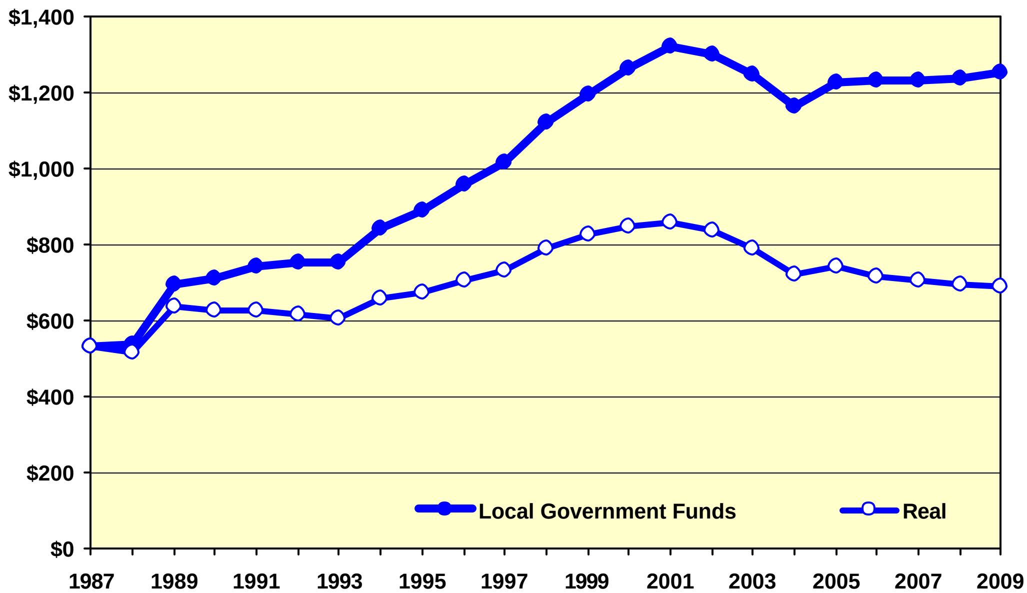


Highlights of the Main Appropriation Act (Am. Sub. H.B. 119)

Revenues and Taxation

The main operating budget act makes few changes to Ohio's tax structure. It generally preserves the tax reforms put in place two years ago in the main operating budget for the previous biennium. The principal tax change is expansion of the homestead exemption program of property tax reductions for the elderly and disabled. Also, the budget provides for issuance of debt that is to be repaid using future receipts from the Tobacco Master Settlement Agreement (see below). Proceeds from this borrowing are to be used for accelerated spending on schools, and GRF interest savings in the current biennium were projected to about equal the amount of state reimbursements in this biennium to school districts and other local governments for revenues forgone because of the expansion of the homestead exemption. The interest costs of the borrowing secured by the tobacco settlement payments would be non-GRF. The seven-year "freeze" on the local government funds (during which funding went down) is replaced by a new funding method which will allow for growth beginning in calendar year 2008 (see Chart 6).

Chart 6: Distributions to the Local Government Funds
(in millions)



Tobacco Securitization

The budget creates the Buckeye Tobacco Settlement Financing Authority, to be composed of the Governor, the Director of Budget and Management, and the Treasurer of State, for the securitization of up to 100% of Ohio payments to be received over the next 40 or more years under the Tobacco Master Settlement Agreement (MSA). The budget states that at least 75% of the aggregate net proceeds of the obligations issued with tobacco securitization moneys must be paid to the School Building Program Assistance Fund (Fund 032) and limits the use of net proceeds to the School Facilities Commission (SFC) and higher education capital facilities projects. It also provides that any net proceeds in excess of $5 billion must be deposited into Fund 032 to assist SFC with additional support for school facilities projects. When initially proposed last March, the tobacco payment securitization plan was projected to raise about $5 billion. The debt issuance is expected to take place this fall. Heightened risk aversion recently evident in financial markets, if it continues, could result in issuance of this debt on less favorable terms than might have been realized earlier. The obligations will not be general obligations of the state and will not be secured by the full faith and credit of the state.

As noted above, GRF money that would otherwise have been used for the finance costs of bonds issued for SFC and higher education projects in the next three years will, following the tobacco securitization, instead be used to expand the homestead exemption program. For selected programs, the budget replaces MSA funding with other resources in FY 2009. In many instances, the GRF has been utilized for this purpose. The executive budget proposal noted that those programs not related to school facilities will have two fiscal years to secure new funding sources or continue their phase-down of activities.

Economic Development

Department of Development

Overall funding for the Department of Development (ODOD) in FY 2008 is $1.20 billion, or 3.5% greater than the final adjusted appropriation for FY 2007. Appropriations for FY 2009 are $1.17 billion, or 2.9% below the FY 2008 level. A few changes were made in order to streamline funding sources for certain programs, including making all spending for central administrative services non-GRF and combining two line items for tax incentive administration into a single line item. The enacted budget also increased funding for Travel and Tourism programs over the biennium in a new line item (GRF 195-521, Discover Ohio!), and re-established the State Film Bureau in order to promote and facilitate media production in the state.

Some programs were cut, including the Rapid Outreach Grant program (formerly Business Development Grants, also known as 412 Grants), which was reduced by 8% to $10,750,000 in FY 2008, with a further 7% decrease to $10,000,000 in FY 2009. This could reduce the number and size of grants awarded for business development assistance over the new biennium. Additionally, appropriations to the Biomedical Research and Technology Transfer Trust Fund (BRTTF) will end after FY 2008 due to the plan to securitize tobacco settlement funds. In FY 2009, up to $19,400,000 in funds for the Biomedical Research and Commercialization Program, currently funded through the BRTTF, are appropriated in Fund 5AD, line item 195-677, Economic Development Contingency, until a more permanent funding source can be found.

To promote the Governor's workforce development goals, temporary law in the budget permits the directors of Development and Job and Family Services to enter into interagency agreements to share resources in an effort to integrate workforce development into a larger economic development strategy based on the recommendations of the Governor's Ohio Workforce Policy Board. While there is no specific funding attached to this permissive language, it is intended to leverage resources of both departments and provide a framework for the creation and retention of high-paying jobs.

Education

Primary and Secondary Education

The GRF and lottery appropriations for the Department of Education (ODE) total $8.44 billion in FY 2008, an increase of 1.7%, and $8.76 billion in FY 2009, an increase of 3.8%. The all-funds appropriations for ODE are $10.89 billion in FY 2008 and $11.27 billion in FY 2009, representing increases of 3.1% and 3.5%, respectively.

School funding formula. The budget increases the base cost formula amount per pupil by 3.0% in each fiscal year to $5,565 in FY 2008 and $5,732 in FY 2009. Base funding supplements per pupil are also increased by 3.0% in each fiscal year to $49.42 in FY 2008 and $50.90 in FY 2009. Combined, these amounts represent the amount the state guarantees in basic aid for each student, which is funded with both state-collected and school district-collected revenues. In addition, the budget eliminates the cost-of-doing-business factor adjustment, provides a new subsidy for closing the achievement gap through poverty-based assistance, adopts a more targeted distribution of parity aid, and simplifies the guarantees in the formula.

Early childhood education. The budget significantly expands the GRF-funded early childhood program. This program provides funding to school districts and educational service centers that furnish educational services for three and four-year-old children from families with incomes at or below 200% of the federal poverty level. The budget increases funding for these programs by $12.0 million (63.2%) in FY 2008 and by an additional $5.5 million (17.7%) in FY 2009.

STEM initiatives. STEM refers to the fields of science, technology, engineering, and mathematics. The budget establishes the STEM Subcommittee of the Partnership for Continued Learning and authorizes it to establish up to five STEM schools to open for instruction in FY 2009. Partnerships of public and private entities that include school districts, higher education entities, and business organizations may submit proposals for STEM schools to the Subcommittee. The schools may serve any of grades six to twelve. The STEM schools will be public schools that will receive operational funding through transfers of state aid from the schools' students' resident school districts much as community schools are funded. In addition, the budget authorizes the Subcommittee to award grants to the STEM schools and appropriates $3.0 million in each fiscal year for these grants. The budget also authorizes the STEM Subcommittee to award grants to STEM Programs of Excellence operated by school districts and educational service centers for any of grades K to 8 and appropriates about $3.3 million in each fiscal year for these grants.

Adult career-technical education programs. The budget requires the transfer of adult career-technical education programs from ODE to the Board of Regents by January 1, 2009.

School Facilities Commission. The budget authorizes the securitization of Ohio's payments to be received over the next 40 or more years under the Tobacco Master Settlement Agreement and specifies that most of the proceeds be used by SFC for construction of school buildings throughout the state. As a result, SFC offered 57 districts funding in July 2007 in addition to the 44 districts that were offered funding in May 2007 and plans to finance $4.1 billion in new construction projects over the next three years.

Higher Education

The GRF appropriations for the Board of Regents (BOR) total $2.77 billion in FY 2008, an increase of 8.7%, and $2.86 billion in FY 2009, an increase of 3.2%. The all-funds appropriations for BOR are $2.80 billion in FY 2008 and $2.89 billion in FY 2009, representing increases of 6.9% and 3.2%, respectively.

Tuition freeze. The budget freezes in-state undergraduate tuition in both FY 2008 and FY 2009. As a result, the in-state undergraduate tuition for each campus will remain at the FY 2007 level over the biennium. In FY 2007, four-year campuses charged an average of $8,427 for an Ohio resident undergraduate student and two-year campuses charged an average of $3,521. For all campuses the average in-state undergraduate tuition was $6,209 in FY 2007.

State Share of Instruction (SSI) and Challenges subsidies. To help freeze in-state undergraduate tuition, the budget funds GRF appropriation item 235-501, State Share of Instruction, at $1,678.9 million in FY 2008, an increase of 5.6%, and at $1,843.0 million in FY 2009, an increase of 9.8%. Of these amounts, the budget earmarks $58.0 million in FY 2008 and $60.0 million in FY 2009 to be distributed based on the proportional share of each campus in total in-state undergraduate tuition in FY 2007. The remaining funds are first used to guarantee that all campuses receive the same amount of SSI (excluding the earmarked funding) as they received in the prior year, and then to provide uniform increases (2% in FY 2008 and 10% in FY 2009) for the four-year universities and their branch campuses and varying increases for two-year community and technical colleges based on a formula developed by BOR that takes into account the enrollment growth. To receive these SSI subsidy increases, each campus must demonstrate, through increasing internal efficiencies, a 1.0% savings in FY 2008 and a 3.0% savings in FY 2009 as certified by BOR. While SSI provides unrestricted operating subsidies to campuses, the four Challenges (Jobs, Access, Success, and Economic Growth) provide additional subsidies to campuses for specific purposes. The total appropriations for these four items are $164.8 million per year, an increase of 11.0% over FY 2007.

Ohio Innovation Partnership. The budget provides $150.0 million over the biennium to fund the newly established Ohio Innovation Partnership, which consists of two competitive grant programs: the Choose Ohio First Scholarship Program and the Ohio Research Scholars Program. Funded at $50.0 million per year, the Choose Ohio First Scholarship Program provides scholarships to Ohio residents who attend selected four-year institutions of higher education in science, technology, engineering, mathematics, and medicine ($STEM^2$) fields or $STEM^2$ education. The Ohio Research Scholars Program, funded at $30.0 million in FY 2008 and $20.0 million in FY 2009, provides endowment grants to selected four-year institutions for initiatives that recruit scientists to their faculties.

James A. Rhodes scholarship. The budget provides $10.0 million in FY 2008 to match the funds raised by the James A. Rhodes Leadership Foundation for the purpose of providing scholarships to students attending community and technical colleges. The purpose of the scholarships is to establish a skilled workforce in the state.

Ohio College Opportunity Grant (OCOG). The budget appropriates $140.0 million in FY 2008, an increase of 140.7%, and $151.1 million in FY 2009, an increase of 8.0%, to continue the second and third years of the phase-in of OCOG, a new need-based student financial aid program. OCOG uses the federally determined "Expected Family Contribution" (EFC) as the basis for determining the students' grant awards. The EFC system is a more sophisticated measure of a family's ability to pay for higher education than family income alone (used in the Ohio Instructional Grants – the state's main need-based student financial aid program prior to FY 2007). Students from families with income levels less than $75,000 are eligible for OCOG ($39,000 for OIG). Compared to OIG, OCOG provides larger grants to more students, requiring approximately twice the amount of funding once it is fully implemented in order to meet intended grant levels for eligible students.

Environment and Natural Resources

Environmental Protection Agency

The total amount appropriated for the Environmental Protection Agency (EPA) is $410.23 million over the biennium. The lion's share of the agency's funding ($293.05 million over the biennium) comes from permitting and environmental protection and solid waste disposal fees. Federal funds ($74.27 million) and internal service charges ($42.55 million) make up the bulk of the remaining funding over the biennium. The budget allows for the continuation of the e-Check program through a GRF transfer of $14.82 million in FY 2008 and $15.06 million in FY 2009 to the Auto Emissions Testing Fund (Fund 5BY).

Department of Natural Resources

The Department of Natural Resources' budget of $677.93 million for the biennium will create no interruption in service or staffing levels. One major change is the increase to GRF appropriation item 725-401, Wildlife Central Support, by roughly $1.3 million in both FY 2008 and FY 2009. This line item is used to pay all of the Division of Wildlife's central support charges and a portion of other divisions' central support costs, resulting in operational savings to each division. The budget also provides funding to support the new administration's goal of greater emphasis on energy production. In addition, the budget supports research and development on optimal ways to offer energy production and seek new or underutilized energy resources. Soil and Water District funding will provide matching grants at match rates of 85% in FY 2008 and 81% in FY 2009.

General Government

Department of Administrative Services

The budget for the Department of Administrative Services (DAS) is $409.77 million in FY 2008 and $390.02 million in FY 2009, sufficient to maintain FY 2007 service and staffing levels in most program areas. Of these amounts, GRF payments to the Ohio Building Authority for various state office towers and debt service capital projects financed through bond proceeds in the Administrative Building Fund (Fund 026) account for $112.29 million in FY 2008 and $106.48 million in FY 2009. Operationally, the budget consolidates DAS printing services and mail and fulfillment functions of the Department of Job and Family Services (JFS) in an effort to streatmline and reduce duplication of services.

Department of Agriculture

The budget appropriates $50.40 million in FY 2008 and $50.39 million in FY 2009 to the Department of Agriculture. GRF funding is $19.46 million in each fiscal year or 38.6% of the agency's total budget. The budget sharply increased GRF funding for the Department's Plant Industry program by $300,000 each fiscal year to $350,000, which will enable the Department to conduct additional nursery stock inspections in the growing nursery stock and landscape services industry. The budget also reestablished a GRF line item that is used for cash assistance for facility rental costs and premium awards for livestock associations and increased funding for reimbursement of Junior Fair expenses to county agricultural societies.

Auditor of State

The Auditor will continue to emphasize the core function of conducting financial audits on state agencies and local governments. However, completing these audits has become increasingly difficult for the agency because of staffing cuts. Since 2003, the Auditor's staff has been reduced by approximately 130 full-time employees. The enacted budget contains increased GRF funding to fill 49 previously eliminated staff positions within the Auditor's office. The budget funding levels of approximately $79.57 million in FY 2008 and $81.87 million in FY 2009 allow for these positions to be restored.

Office of Budget and Management

The budget appropriates $17.66 million in FY 2008 and $21.28 million in FY 2009 for the Office of Budget and Management (OBM), of which GRF funding is $3.31 million in FY 2008 and $4.87 million in FY 2009. The budget adds accounting services to the responsibilities of OBM, including maintenance and periodic auditing of state agency financial records and vouchers as well as assistance in the analysis of the financial position of state agencies. In FY 2009, the budget appropriates $1.5 million each to two Medicaid Agency Transition line items. These funds will likely support the administrative structure of the Executive Medicaid Management Agency (EMMA).

Development and implementation of the OAKS system continues with additional capabilities scheduled to become operational throughout CY 2008. To assist with the funding of OAKS implementation, the budget authorizes transfers from the GRF to the OAKS Project Implementation Fund (Fund 5N4) of up to $4.29 million during the biennium. State payment card rebates, which had been diverted to Fund 5N4 to provide OAKS funding in FYs 2006 - 2007, have been redirected to the Accounting and Budgeting Fund (Fund 105). To provide continual funding for OAKS, the budget requires OBM to include recovery of OAKS financials administration costs in the Accounting and Budgeting Services payroll check-off. Those revenues are first deposited into the Accounting and

Budgeting Fund (Fund 105) and then transferred quarterly to the OAKS Support Organization Fund (Fund 5EB) within the Department of Administrative Services.

Department of Commerce

The budget appropriates $667.09 million in FY 2008 and $705.97 million in FY 2009 to the Department of Commerce. Of these amounts, the GRF portion in each fiscal year is only $2.13 million, representing 0.3% of the agency's total budget. The budget authorizes various transfers from Department of Commerce funds to the GRF and other agencies. Specifically, it authorizes the transfer of $58.55 million to the GRF and $34.4 million to the Department of Development from Unclaimed Funds over the course of the biennium. Also, the budget includes transfers from the State Fire Marshal Fund (Fund 546) of $5.7 million and $5.8 million in FY 2008 and FY 2009, respectively, to the GRF; $150,000 in each fiscal year to the Department of Health for poison control centers; and $125,000 in each fiscal year to the Department of Public Safety for the Southern Ohio Drug Task Force. In total, the budget provides for up to $105 million in transfers of unclaimed funds or cash. It also provides funding for two additional investigator positions in the Division of Labor and Worker Safety to address an increasing number of wage complaints, extends the moratorium on the issuance of fireworks wholesaler or manufacturer licenses from December 2008 to December 2011, and creates liquor permits allowing direct shipping of wine to consumers and retail liquor permit holders.

Controlling Board

Unlike other state agencies, the Controlling Board does not spend any of the funds appropriated to it. Instead, the appropriations are transferred to other state agencies, carried forward to the next fiscal year, or allowed to lapse. In general, Controlling Board appropriations are used to cover costs related to unexpected events such as natural disasters, and to reimburse political subdivisions for the cost of certain state mandates. The budget (1) contains temporary law specifying the circumstances under which up to $4.0 million in cash would be transferred each fiscal year from the Controlling Board's Disaster Services Fund (Fund 5E2) and appropriated to GRF line item 911-401, Emergency Purposes/Contingencies, for assistance in disasters and emergencies, and (2) appropriates nearly $1 million in GRF funding over the biennium to provide certain political subdivisions with funding related to the costs of statewide ballot initiative advertising, child abuse detection training, and certain felony prosecutions.

Office of the Inspector General

There were no substantial changes to funding levels for the Office of the Inspector General (IGO) in the operating budget. However, there were two notable changes with fiscal implications for the Office. The Bureau of Workers' Compensation (BWC) budget bill for FYs 2008 - 2009, Am. Sub. H.B. 100, creates the position of Deputy Inspector General for BWC. This position will be responsible for investigating all claims or cases of criminal violations, abuse of office, or misconduct on the part of employees of BWC or the Ohio Industrial Commission (OIC). While the Deputy Inspector General would be considered an employee of IGO, all the costs incurred by the Deputy Inspector General, including salaries of that position and any other additional positions deemed necessary, would be the responsibility of BWC.

Additionally, the Transportation budget bill for FYs 2008 - 2009, Am. Sub. H.B. 67 creates a position of Deputy Inspector General for ODOT. This position will be responsible for investigating all claims or cases of criminal violations, abuse of office, or misconduct on the part of employees of ODOT. While the Deputy Inspector General would be considered an employee of IGO, all the costs incurred by the Deputy Inspector General, including salaries of that position and any other additional positions deemed necessary, would be the responsibility of ODOT, paid by transfers from the Highway Operating Fund to the Inspector General for ODOT Fund.

Secretary of State

The budget appropriates $23.64 million in FY 2008 and $21.64 million in FY 2009. Overall, the budget will maintain FY 2007 service and staffing levels in all program areas. However, due to ongoing legal matters concerning elections issues from the last biennium, the Secretary of State may require an increase in the appropriation to Business Services Fund (Fund 599) to cover these anticipated expenses.

Health and Human Services

Department of Aging

The Department of Aging received appropriations of $634.11 million in FY 2008, which is an increase of 22.7% over FY 2007 adjusted appropriations. In FY 2009, the Department's appropriations total $673.86 million, which is an increase of 6.3% over FY 2008 appropriations. General Revenue Fund appropriations represent approximately 29.8% of the Department's total budget, with 73.4% of the GRF funding appropriated for PASSPORT. The GRF portion of the Department's budget increases by 11.7% in FY 2008 and by 18.1% in FY 2009.

Funding for PASSPORT in GRF line item 490-403, PASSPORT, increases by 6.1% in FY 2008 over FY 2007 adjusted appropriations and by 23.2% in FY 2009 over FY 2008 appropriations, with appropriations of $128.4 million in FY 2008 and $158.2 million in FY 2009. PASSPORT funding in federal line item 490-607, PASSPORT, increases by 38.3% in FY 2008 over FY 2007 adjusted appropriations but decreases by 0.2% in FY 2009 from FY 2008 appropriations, with appropriations of $301.8 million in FY 2008 and $301.3 million in FY 2009. On March 8, 2007, Governor Strickland issued a directive to the Department to increase the number of individuals receiving PASSPORT by 1,100, which would account for all individuals who were on the waiting list at that time. The Department estimated that by the end of July 2007, all individuals on the waiting list would be enrolled in the program. The enacted appropriation levels will fund an additional 5,600 PASSPORT waiver slots over the course of the biennium, which reflects the natural growth rate in the program over that time period. As such, this funding level will likely allow PASSPORT to operate without a waiting list through the biennium.

The budget increases the Medicaid reimbursement rate for PASSPORT services during FY 2008 by 3%. Additionally, the rate will be increased by another 3% in FY 2009. These rate increases also extend to services provided under the Choices program. The amount of the increase (both GRF and federal dollars) is approximately $11.0 million in FY 2008 and $23.6 million in FY 2009.

The budget increases by 3% the maximum monthly supplement amount for an eligible resident on the Residential State Supplement program. The Department estimates that this will increase expenditures by approximately $300,000 per fiscal year.

The budget provides for the creation of the Unified Long-Term Care Budget Workgroup and specifies the members of the Workgroup. The Director of Aging is to serve as the chairperson of the Workgroup. The Workgroup must develop a unified long-term care budget that facilitates the following: (1) provides a consumer a choice of services that meet the consumer's health care needs and improve the consumer's quality of life, (2) provides a continuum of services that meet the needs of a consumer throughout life, (3) consolidates policymaking authority and the associated budgets in a single entity to simplify the consumer's decision making and maximize the state's flexibility in meeting the consumer's needs, and (4) assures that the state has a system that is cost effective and links disparate services across agencies and jurisdictions. The Workgroup must submit an implementation plan by June 1, 2008. This plan must, among other things, outline how funds can be transferred among involved agencies in a fiscally neutral manner and identify the resources needed to implement the unified budget in a multiphase approach starting in FY 2009. The plan must consider the recommendations of the Medicaid Administrative Study Council and the Ohio Commission to Reform Medicaid.

Lastly, the budget bill creates GRF appropriation items in the departments of Aging, Job and Family Services, Mental Retardation and Developmental Disabilities, and Mental Health in support of the Unified Long-Term Care Budget Workgroup. Annually, the directors of Aging and Budget and Management must submit a written report that describes the progress toward establishing, or if already established, the effectiveness of the unified long-term care budget. The budget bill authorizes the Director of Budget and Management to do all of the following when the Governor creates an administration to manage Medicaid policies and functions:

(1) Transfer funds and appropriations currently appropriated to pay for Medicaid services to any appropriation item described above;

(2) Transfer funds between those appropriation items;

(3) Develop a reporting mechanism to transparently show how the funds are being transferred and expended.

The Director must obtain Controlling Board approval before transferring funds or appropriations.

Department of Alcohol and Drug Addiction Services

The budget will allow the Department of Alcohol and Drug Addiction Services to continue FY 2007 levels of service into the FY 2008 - 2009 biennium. The budget:

- Eliminates the Recovery Health Assistance program, zeroing out line item 038-622, Recovery Assistance. The Department plans to use approximately $400,000 in GRF line item 038-401, Treatment Services, to phase out the program during the FY 2008 - 2009 biennium.

- Requires the Auditor of State to complete a performance audit of the Department.

- Requires the Director of Alcohol and Drug Addiction Services to consult with the Director of Budget and Management and representatives of local and county alcohol and drug addiction services agencies to conduct an internal review of policies and procedures to increase efficiency and identify and eliminate duplicative practices. Any savings identified as a result of the internal review or the performance audit conducted by the Auditor of State shall be used for community-based care. The Director of Alcohol and Drug Addiction Services must seek Controlling Board approval before expending any funds identified as a result of the internal review or the performance audit.

Department of Health

The biennial funding for the Department of Health (ODH) is over $1.2 billion. Appropriations for ODH total $623.68 million in FY 2008, an increase of 7.1% over FY 2007 adjusted appropriations and total $614.41 million in FY 2009, a 1.5% decrease from FY 2008 appropriations. The Department's GRF appropriations are $79.80 million in FY 2008 and $87.87 million in FY 2009. This translates to a 4.6% increase in FY 2008 GRF appropriations from FY 2007 GRF adjusted appropriations. In FY 2009, GRF appropriations are 10.1% higher than GRF FY 2008 appropriations. Federal dollars represent 70% of the biennial appropriations for the Department. GRF appropriations account for 13.5% of total appropriations. The remainder of funding is state special revenue and general services funds.

ODH received $2.5 million in each fiscal year in GRF appropriation item 440-438, Breast and Cervical Cancer Screening. These funds are to be used for breast and cervical cancer screenings and services as permitted under the National Breast and Cervical Cancer Early Detection Project.

ODH received $3.5 million in FY 2009 in GRF appropriation item 440-511, Uncompensated Care and Emergency Medical Assistance. These moneys will be used to fund programs that provide health care to persons without the ability to pay. However, the budget bill specifies that this is not an entitlement program and services are offered only to the extent that funding is available.

The budget creates the Autism Diagnosis Education Pilot Program. The Program's mission is to educate health care professionals, educational personnel, childcare providers, parents, and community-based services providers about autism spectrum disorders. The program is also to promote appropriate autism diagnosis standards and to encourage regional coordination of information and autism-related services. ODH is required to contract with a statewide association representing pediatricians to conduct or administer the program. The program received funding of $500,000 in FY 2008 and $300,000 in FY 2009. These funds are earmarked from GRF appropriation item 440-459, Help Me Grow.

On January 1, 2007, ODH implemented new sewage treatment system rules as a result of Sub. H.B. 231 of the 125th General Assembly. These rules established standards and guidelines for new and replacement household septic and sewage treatment. The budget bill suspends the operation of specified provisions of Sub. H.B. 231 until July 1, 2009. The bill also restores the laws relating to the household sewage disposal systems that existed prior to the Household and Small Flow On-Site Sewage Treatment Systems Law's enactment until July 1, 2009. After July 1, 2009, the changes to the law made by Sub. H.B. 231 are restored. The budget bill further requires that by July 2, 2007, the Director of Health adopt rules related to household sewage disposal systems that were in place prior to January 1, 2007. The budget bill also levies an application fee of $25 for a sewage treatment system installation permit and requires the appropriate board of health to collect the fee on behalf of ODH. The budget bill revises the membership, duties, and appointment procedures pertaining to the Sewage Treatment System Technical Advisory Committee. The budget bill also creates the Household Sewage and Small Flow On-Site Sewage Treatment System Study Commission to recommend standards concerning household sewage treatment systems and small flow on-site sewage treatment systems.

Department of Job and Family Services

For FY 2008, the budget appropriates $16.8 billion in all funds (GRF plus non-GRF) for the Department. This is approximately $921.5 million or 5.2% less than adjusted appropriations for FY 2007. The budget also appropriates $17.7 billion in all funds for the Department in FY 2009. This is an increase of $901.8 million, or 5.4%, over the amount appropriated for FY 2008. An increase of 3.0% for FY 2008 in appropriations over the FY 2007 adjusted appropriation occurs in non-GRF federal funding. When looking solely at GRF appropriations, we see that the FY 2008 appropriation of $9.8 billion is a decrease of $1.1 billion, or 10.2%, from the FY 2007 adjusted appropriation. However, comparing the FY 2008 appropriation to the FY 2007 adjusted appropriation does not tell the whole story, because the adjusted appropriation includes approximately $644 million in encumbered moneys from FY 2007 that is to be spent in FY 2008.

On another note, the budget created the Medicaid Reserve Fund. The Director of Budget and Management is to transfer $120 million from the GRF to the Reserve Fund in FY 2008. The funds may be transferred back to the GRF and appropriated for the Medicaid program, along with the federal share, if needed. Similarly, $205 million is to be transferred to the Reserve Fund in FY 2009.

Medicaid. The budget appropriates $8.55 billion in combined federal and state GRF funds in FY 2008 and $9.34 billion in FY 2009 for the line item that funds most Medicaid programs (600-525). The enacted budget makes many changes to the Medicaid program. Medicaid eligibility expansions will begin January 2008. Major policy changes include but are not limited to the following:

- Expands Medicaid eligibility to include children in families with income 200% to 300% of the federal poverty guidelines (FPG) through a SCHIP III program. The act also requires premiums of $40 per month per child with a ceiling of $120 per month.

- Provides health care assistance to children in families with income over 300% of FPG. Children eligible for this coverage will not be enrolled into Ohio's Medicaid program, but will be able to buy medical coverage with premiums and copayments through the state.

- Expands Medicaid eligibility to include pregnant women with income up to 200% of FPG.

- Expands Medicaid eligibility to include young adults ages 19 and 20 who age-out of foster care.

- Expands eligibility to adults with disabilities through the Ticket to Work Medicaid Buy-In program.

- Implements the Money Follows the Person program that will assist individuals to transition from an institutional setting to a community-based setting of their choice.

- Creates the Medicaid Reserve Fund in the state treasury. Requires the Director of Budget and Management to transfer $120 million in FY 2008 and $205 million in FY 2009 from the GRF to the Medicaid Reserve Fund. If the Director of Budget and Management determines that additional appropriations are needed in GRF appropriation item 600-525, Health Care/Medicaid, to fund the Medicaid program, the Director may transfer cash from the Medicaid Reserve Fund to the GRF, increase the corresponding state share of appropriations in appropriation item 600-525, Health Care/Medicaid, and adjust the federal share accordingly. Requires, at the end of each fiscal year, the Director of Budget and Management to transfer from the Medicaid Reserve Fund all of the cash balance in excess of any transfers to the credit of the GRF.

- Restores chiropractic, psychological, and full dental benefits for adults.

- Requires ODJFS to cover occupational therapy services in a variety of clinical settings.

- Requires the Governor to create the Executive Medicaid Administration to manage all Medicaid policies and functions and promote the efficient and effective delivery of health care. The responsibilities of this body must include implementation of recommendations of the Ohio Medicaid Administrative Study Council, except its recommendation for the creation of a separate Medicaid department. In addition, the administration must set up a governance structure that includes information technology, strategy and planning, program integrity, resource organization, local government relations, and unified budgeting. The budget also requires the body to hire an executive director who reports directly to the Governor.

TANF Block Grant. The budget appropriates $1.0 billion for FY 2008 and $1.1 billion for FY 2009 to appropriation item 600-689, TANF Block Grant. These appropriations exceed the annual TANF Block Grant award by $309.8 million in FY 2008 and $357.9 million in FY 2009. TANF earmarks over the FY 2008 - 2009 biennium total more than $108.1 million. The TANF balance at the start of FY 2008 was over approximately $586.0 million. By the end of FY 2009, the year-end TANF balance is estimated to be $61.8 million.

Department of Mental Health

The most notable provisions for the Department of Mental Health are the increased appropriation amounts for Medicaid. The budget:

- Increases appropriation item 334-605, Medicaid/Medicare, by approximately $22.6 million over FY 2007 adjusted appropriations and by $38.6 million in FY 2009 over the FY 2008 appropriations. The increase will cover Medicaid service expansion during the biennium as more people are accessing mental health services.

- Allows the Department to utilize reserve funds in Fund 149, acquired in the past biennium through financial efficiencies and Medicare rate restructuring. Utilization of these moneys through line item 334-609, Hospital Operating Expenses, will allow the Department to maintain current levels of service in the hospital system.

- Increases appropriation authority in line items 333-635, Community Medicaid Expansion, and 335-635, Community Medicaid, by a total of $21.8 million in FY 2008 over the FY 2007 adjusted appropriations and by $38.9 million in FY 2009 over the FY 2008 appropriations. The increase represents the nonfederal share of Medicaid expenses the Department estimates local boards will expend during the biennium and the corresponding federal financial participation the Department will receive for Medicaid services provided.

- Requires the Auditor of State to complete a performance audit of the Department.

- Requires the Director of Mental Health to consult with the Director of Budget and Management and representatives of county mental health services agencies to conduct an internal review of policies and procedures to increase efficiency and identify and eliminate duplicative practices. Any savings identified as a result of the internal review or the performance audit conducted by the Auditor of State shall be used for community-based care. The Director of Mental Health must seek Controlling Board approval before expending any funds identified as a result of the internal review or the performance audit.

Department of Mental Retardation and Developmental Disabilities

In FY 2008, the enacted budget provides $1.17 billion for the Department of Mental Retardation and Developmental Disabilities (ODMR/DD), a 4.6% decrease from FY 2007 adjusted appropriations. In FY 2009, this figure increases to $1.25 billion, a 6.7% increase over FY 2008 appropriations. GRF appropriations for FY 2008 total $369.67 million. This represents a 4.2% increase from FY 2007 appropriations. For FY 2009, GRF appropriations increase to $389.28 million, a 5.3% increase from FY 2008 appropriations. In total, GRF funds make up approximately 31.3% of the Department's budget.

The budget creates the Gallipolis Developmental Center Pilot program, which is to be operated during CY 2009. Up to ten individual option waiver slots, which will be funded by the Martin Settlement, may be filled under the pilot program.

In addition, the budget includes a $150,000 appropriation for the Department to use for compliance with the Martin Consent Order. ODMR/DD will be responsible for allocating 1,500 additional waiver slots. Of these, 600 waiver slots will be for FY 2008 and 900 waiver slots are for FY 2009. In each fiscal year, at least 100 of the waiver slots will have to be made available to individuals residing in ICFs/MR and 40 of the waiver slots will be made available to individuals residing in nursing facilities. The remaining waiver slots will be allocated to county boards of mental retardation and developmental disabilities to serve individuals currently on waiting lists for waiver services.

Another provision is the creation of the MR/DD Futures Study Committee. Language in the bill requires the Committee, not later than March 30, 2008, to submit a report to the Governor and General Assembly on the Committee's findings and recommendations regarding the funding and design of services provided by county boards of mental retardation and developmental disabilities. The Committee will cease to exist after submission of the report.

The budget contains several provisions relating to Medicaid Redesign, a series of reforms designed to reduce the large residential services waiting lists, inequity among county board services, and high direct care staff turnover, as well as to increase consumer choice, to comply with Supreme Court decisions, and to bring Ohio's mental retardation and developmental disabilities services into compliance with federal Medicaid requirements.

Other highlights include:

- Consolidation of former GRF line items 322-417, Supported Living, and 322-452, Service and Support Administration, into line item 322-501, County Board Subsidies.

- An increase in GRF line item 320-412, Protective Services, in FY 2008 of 13.4% over FY 2007 appropriations, due to an increase in demand for services. The increase will help retain a professional workforce and allow for hiring additional staff to manage increasing caseloads.

- A $4.3 million appropriation for line item 322-650, CAFS Medicaid, in FY 2008. The Community Alternative Funding System (CAFS) program ended July 1, 2005, due to findings by the Centers for Medicare and Medicaid Services that the program was out of compliance with federal Medicaid requirements. Line item 322-650 includes an appropriation to pay final audit findings pertaining to the CAFS program.

Infrastructure and Transportation

Department of Transportation

The Department of Transportation will continue to operate public transportation, rail, and aviation grant programs with GRF dollars at a level of $47.77 million for the biennium. The Department's GRF dollars represent only a small fraction, less than 1%, of the Department's combined GRF and non-GRF total budget. ODOT's non-GRF budget is approximately $6.3 billion for the biennium funded by motor fuel taxes and bonds to pay for highway construction.

The GRF portion of the budget provides for a transfer of $5.0 million in each fiscal year from the Highway Operating Fund for the purchase of replacement buses for urban and rural transit systems. Also, funding for rail transportation was increased, providing additional dollars for rail spurs and short-line railroads in an effort to promote economic development. Funding for the Elderly and Disabled Fare assistance program will offset 60% to 70% of public transit farebox losses from reduced fares offered to the elderly and disabled. The budget also earmarks $4 million in FY 2008 from the Department's budget to make grants available for state highway improvements at public school entrances. Finally, the budget allows the Department to contract for a 12-month pilot project on energy price risk management in an effort to create operating efficiencies within the Department.

Public Safety, Justice and Corrections

Office of the Attorney General

The biennial budget for the Office of the Attorney General totals $402.8 million, $45.9 million or 12.9% higher than in the previous biennium. Of that increase, about 30% is appropriated from the GRF and 70% from non-GRF funds. The increased GRF funding will support the Attorney General's annual operating expenses as well as statutorily mandated pay supplements for county sheriffs and prosecutors. Increases in non-GRF appropriations reflect more realistic figures for cash flows. Over the past several years, the Attorney General has come before the Controlling Board on many occasions to request increases in non-GRF appropriation authority. As with all non-GRF funds, unless money has been received, a state agency cannot spend based solely on an appropriation. Temporary law in the enacted budget (1) transfers $350,000 in each of FYs 2008 and 2009 from the Attorney General's Reparations Fund (Fund 402) to the Department of Public Safety's newly created Disaster Preparedness Fund (Fund 5EX), and (2) transfers $800,000 in each of FYs 2008 and 2009 from the Attorney General's Charitable Foundations Fund (Fund 418) to the Department of Public Safety's newly created Drug Law Enforcement Fund (Fund 5ET).

Court of Claims

For the biennium, the enacted budget appropriates sufficient funding to maintain Court of Claims staffing and service levels, including cost-of-living salary adjustments and equipment purchases. The Court has no programmatic expansions planned.

Judicial Conference of Ohio

Under the enacted budget, the Judicial Conference of Ohio receives funding sufficient to maintain current service levels and 11 full-time permanent staff positions. Hiring of new staff appears unlikely at this time.

Public Defender Commission

Under the Indigent Defense Reimbursement Program, the Public Defender subsidizes counties for the cost of providing counsel to indigent persons in criminal and juvenile matters. The Revised Code stipulates that the Public Defender shall reimburse 50% of the counties' costs of indigent defense, unless the legislature appropriates less funding than needed. The enacted budget appropriates $29.8 million in FY 2008 and $29.6 million in FY 2009 for this program, a reimbursement rate of about 25% in FY 2008 and 24% in FY 2009. A temporary law provision in the enacted budget of The Judiciary/Supreme Court requires the transfer of the total FY 2008 unencumbered appropriations in GRF line item 005-321, Operating Expenses – Judiciary/Supreme Court, to FY 2009 and appropriates the transferred amount to the Public Defender's GRF line item 019-501, County Reimbursement.

Department of Public Safety

The Director of Budget and Management is required to transfer $800,000 in each of FYs 2008 and 2009 from the Attorney General's Charitable Foundations Fund (Fund 418) to the Department of Public Safety's newly created Drug Law Enforcement Fund (Fund 5ET). The Division of Criminal

Justice Services is to use the money for grants to local law enforcement agencies for enforcement of laws relating to illegal drug activity. The Director of Budget and Management is to transfer $350,000 in cash in each of FYs 2008 and 2009 from the Attorney General's Reparations Fund (Fund 402) to Public Safety's newly created Disaster Preparedness Fund (Fund 5EX). The Director of Budget and Management is to transfer $125,000 from the Department of Commerce's State Fire Marshal Fund (Fund 546) to the Department of Public Safety's Public Safety Services Fund (Fund 5CC), to be distributed directly to the Southern Ohio Drug Task Force by the Division of Criminal Justice Services. Temporary law earmarks $200,000 in GRF line item 763-403, Operating Expenses - EMA, in each fiscal year to fund the Ohio Task Force One – Urban Search and Rescue Unit and other urban search and rescue programs around the state to create a stronger search and rescue capability statewide.

Department of Rehabilitation and Correction

Though the Department of Rehabilitation and Correction began directing money into prison diversion and jail population reduction programs in FY 1994, much of the Department's capital and operating budgets are devoted to building and managing correctional institutions for the state's inmate population. The Department expects the enacted budget to provide funding sufficient to cover projected pay increases and to support the continuation of FY 2007 levels of services without layoffs. Given the growing inmate population and inflationary pressures, this will not be easy. The enacted budget will not provide any resources for emergencies, such as catastrophic inmate medical expenses. As of March 2007, the number of paid staff was 14,476, of whom 13,419 were paid from the GRF. Around 25% of all state employees work for the Department.

The Department projects inmate population growth to extend through the FY 2008 - 2009 biennium. Between July 2005 and August 2007, the inmate population grew by 11.8%, reaching 49,488. The Department has estimated that the total inmate population will reach 53,603 by the end of FY 2009. The basic dynamic driving this inmate population growth is five years of record intake. In response, the Department has reactivated all prison pods, wings, and dormitories that had been closed in previous years. This has made more than 1,700 beds available. Under the enacted level of funding for institutional operations, the Department has stated that it can handle this population pressure through FYs 2008 and 2009. Inmate crowding will be an ongoing problem. The Department currently does not plan any new construction or to reactivate either the Orient Correctional Institution, closed in 2002, or the Lima Correctional Institution, closed in 2004.

Supreme Court

The Judiciary/Supreme Court's enacted budget totals $287.4 million, of which 95% is from the GRF. The GRF budget for The Judiciary/Supreme Court includes (1) judicial salaries, which fund the state's share of salaries and benefits of judges of the courts of appeals, courts of common pleas, municipal courts, county courts, and county clerks of courts, (2) courts of appeals support staff, which funds the salaries for the support staff of the state's 12 courts of appeals, and (3) Supreme Court operations, which funds the salaries of the justices and staff, the operation and maintenance of the Ohio Courts Building, and programs that benefit the trial and appellate courts. Between 70% and 75% of the Court's expenditures pay the state share of salaries and benefits of judges and court personnel, and 18% to 20% pays for the operation of the Supreme Court. Non-GRF funds totaling $7.1 million in FY 2008 and $7.2 million in FY 2009 are appropriated for judicial education, continuing legal education, bar admissions, and attorney registration. These non-GRF appropriations also fund approximately 56 legal and support positions at the Supreme Court. The enacted budget appropriates a total of $4.0 million in FY 2008 and $6.5 million in FY 2009 for the Supreme Court's Ohio Courts Technology Initiative, to facilitate the exchange of information and warehousing of data by and between Ohio courts and other justice system partners. The project's total estimated cost is $25 million.

Department of Youth Services

GRF funding pays close to 90% of the Department of Youth Services' total annual operating budget. The enacted budget provides GRF funding of $259.2 million in FY 2008 and $263.9 million in FY 2009. The Department apparently anticipates largely maintaining its current staffing level in FY 2008, but will have trouble meeting the payroll expenses related to around 85 FTEs in FY 2009.

The Institutional Operations program encompasses all services that the Department provides to the delinquent children in its care and custody, including medical and behavioral health services, security, education, and food services. This program represents the core of the Department's day-to-day activities. Under the enacted budget, 51% of the Department's funding is allocated to institutional operations. The Department currently has three GRF-funded juvenile court subsidy programs: (1) the RECLAIM County Subsidy, (2) the Youth Services Block Grant, and (3) the Community Correctional Facilities (CCFs) program. Under the enacted budget, the total amount to be distributed through these juvenile court subsidy programs will be $68.37 million in FY 2008 and $68.75 million in FY 2009. The Department supervises and treats juveniles released from its institutions through the Division of Parole and Community Services, which operates six regional parole offices. Under the enacted budget, 5% of the Department's annual spending is allocated for parole operations, virtually all GRF. The Department is the state agency that administers all juvenile justice grants provided to Ohio through the federal Office of Juvenile Justice and Delinquency Prevention. The amount of these grants has fallen from $10.9 million in FY 2001 to around $4.0 million annually under the enacted budget.

Highlights of the Transportation Budget Act (Am. Sub. H.B. 67)

Am. Sub. H.B. 67 contains total funding of $3.97 billion in FY 2008 and $3.83 billion in FY 2009, a total of $7.8 billion for the biennium, representing an increase of 8.9% over FY 2006 - 2007 appropriations. The bill contains funding for the departments of Transportation, Public Safety, and Development, as well as the Public Works Commission. The appropriations in the bill represent non-GRF dollars, with funding largely from the state and federal motor fuel taxes, bond issuances, and motor vehicle fees. All of the agencies in the bill also receive GRF dollars provided in the main appropriations bill, Am. Sub. H.B. 119.

Department of Transportation

Of the total budget, the Ohio Department of Transportation's individual non-GRF budget is approximately $6.25 billion for the biennium, an increase of 9.2% above FY 2006 - 2007 appropriations. The Department's budget includes increases primarily in highway construction. These highway construction dollars are supported by new bond issuances. Some of the notable provisions affecting the Department include creation of the position of Deputy Inspector General for the Department, establishment of a separate $750 annual license tax on commercial cargo aircraft, transfer of responsibility for maintenance of all bridges on the state highway system (previously performed by counties) to ODOT, and creation of the Ohio Transportation Task Force to evaluate the safe and efficient movement of freight within the state.

Department of Public Safety

The Department of Public Safety's total budget is approximately $1.37 billion for the biennium, representing an increase of 7.8% over FY 2006 - 2007 appropriations. The budget includes a reduction in the shrinkage allowance on motor fuel and allocates the resulting increase in revenue primarily to the Highway Safety Fund (Fund 036) to help offset expenses of the Highway Patrol. Fund 036 is estimated to gain between $15 million to $19 million from this change. The budget also creates the State Highway

Patrol Funding Task Force to make recommendations by July 1, 2008, for a dedicated and stable long-term funding source for the State Highway Patrol. Temporary law directs the Director of Public Safety to request an extension of time to meet the requirements of the federal REAL ID Act of 2005.

Public Works Commission

The Public Works Commission's total budget is $137 million for the biennium, representing a 2.2% increase compared to FY 2006 - 2007 appropriations. The budget will allow the Commission to continue operating the State Capital Improvement Program (SCIP) and Local Transportation Improvement Program (LTIP). SCIP uses infrastructure bond proceeds to provide grants and loans to local governments for improvements to their infrastructure systems, such as wastewater and water supply systems. LTIP uses its one-cent allocation from the state motor fuel tax to provide direct grants to assist in the costs associated with local government road and bridge projects.

Department of Development

The budget also includes $18.69 million in each fiscal year for the Department of Development's Road Work Development Fund (Fund 4W0). This is the same level of funding the Department received in the previous transportation bill. The grants are available to businesses for road improvements intended to retain business in Ohio or to attract business to the state.

Highlights of the Bureau of Workers' Compensation and Industrial Commission Appropriations Act (Am. Sub. H.B. 100)

Total appropriations for the Bureau of Workers' Compensation (BWC) are $328.96 million in FY 2008 and $329.21 million in FY 2009. Changes to permanent law in Am. Sub. H.B. 100 abolish the Workers' Compensation Oversight Commission and create the Workers' Compensation Board of Directors to oversee the functions of the Bureau of Workers' Compensation. This is not expected to have a significant fiscal impact apart from slightly higher administrative costs to provide for the salaries of board members.

Am. Sub. H.B. 100 continues programs assigned to BWC from the Department of Commerce in the 126th General Assembly, including the Public Employment Risk Reduction Program (PERRP) and federally funded OSHA enforcement. In addition, the enacted bill now allows the Long Term Care Loan Fund Program to provide loans for no-lift equipment to hospitals in addition to nursing homes. Finally, Am. Sub. H.B. 100 requires BWC to stop using the Micro Insurance Reserve Analysis (MIRA) system to determine its reserves for the purpose of establishing premium rates by June 30, 2008, in order to allow for a system that is more transparent.