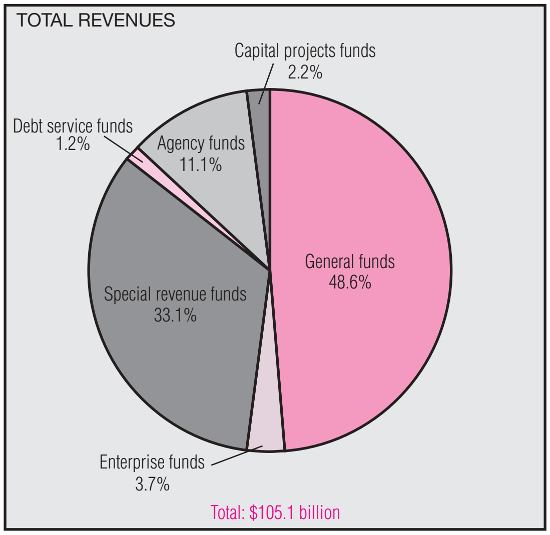
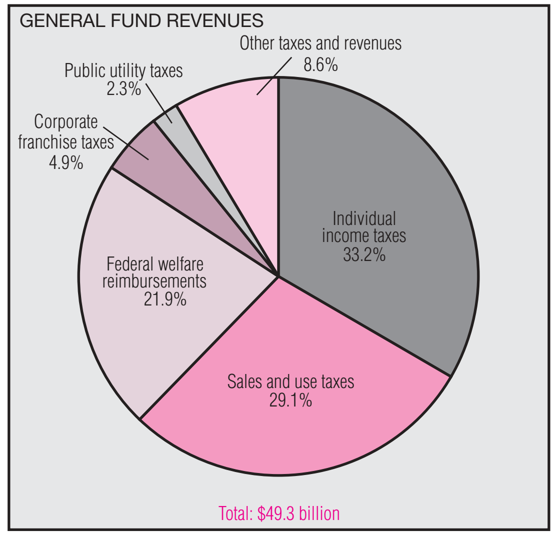
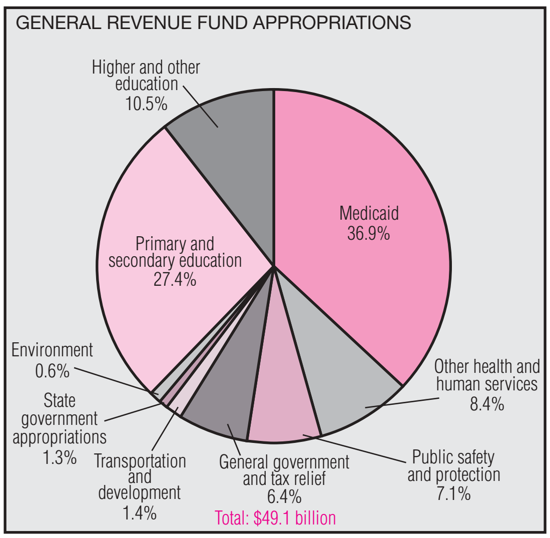
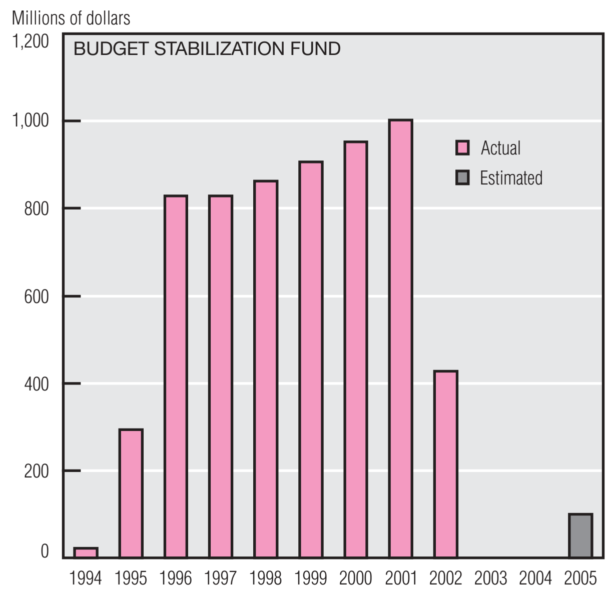
The Ohio Budget









SOURCE: State of Ohio, Executive Budget, fiscal years 2004 and 2005.

In January 2003, Governor Taft presented his biennial budget for the State of Ohio's fiscal years 2004 and 2005, which reflects the state's economic difficulties over the last two years. Budget changes include elimination of five state programs, reductions in state employees, a zero pay increase for state workers over the next two years, and an implied increase in their costs for health care insurance.

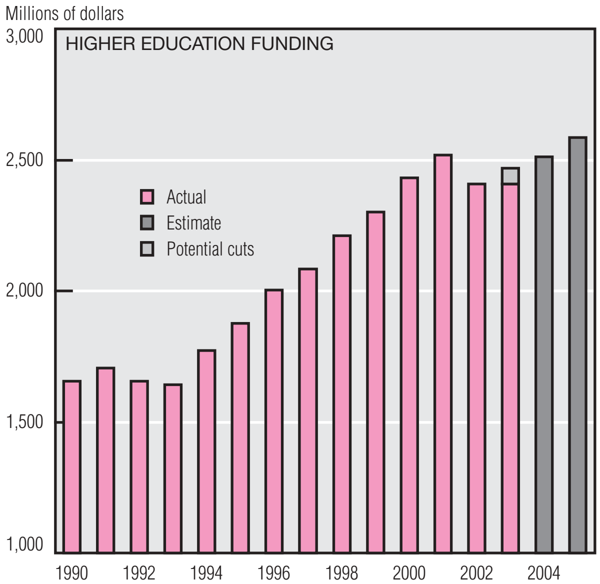
Roughly half of Ohio's collected revenues have restrictions on the way they are spent; these funds usually are authorized by the state legislature for special projects. In Ohio, transfers from the federal government for social welfare projects are part of the general fund, since the state has some discretion in distributing welfare dollars. The rest of the general fund typically is collected from income, sales, and property taxes. The governor has proposed substantial tax code changes that would reduce income tax rates for most individuals (and consequently would cut tax revenues), but he has also proposed widening the scope of other taxes to accommodate this change.

General fund appropriations offer a glimpse into the executive branch's political priorities. Governor Taft highlighted the importance of education in presenting his budget, which directs nearly 40% of the state's general fund toward education programs. The budget also reflects the rising cost of health care: Medicaid and other health and human services will comprise more than 45% of state spending in 2004–05, compared with 42% in 2002–03.

Since his tenure began, Governor Taft has tried to build a budget

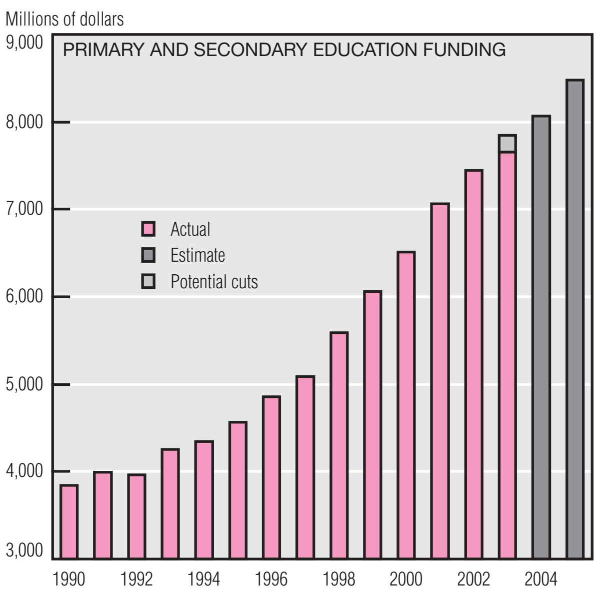
(continued on next page)

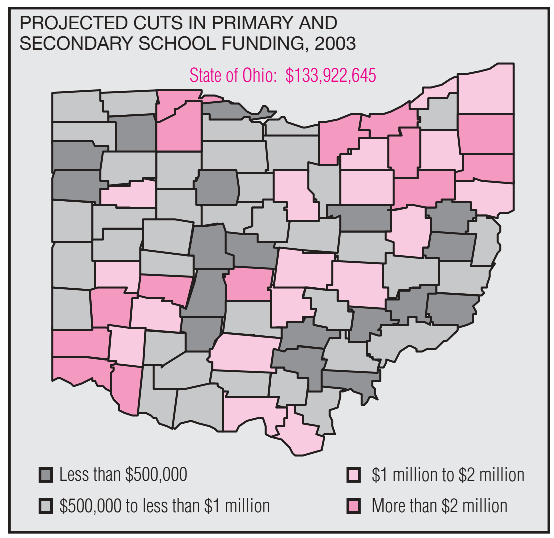
The Ohio Budget *(cont.)*



Tuition and Fee Increases in Ohio's Public Universities[a]

	Percent change from previous year Fall 2001	Fall 2002
Bowling Green State University	8.1	20.3
Central State University	4.2	8.6
Cleveland State University	8.6	23.1
Kent State University	5.9	13.9
Miami University	8.0	9.9
Ohio State University	9.2	18.9
Ohio University	8.0	15.4
Shawnee State University	7.6	27.8
University of Akron	9.7	23.7
University of Cincinnati	9.1	19.1
University of Toledo	9.0	14.6
Wright State University	6.0	16.6
Youngstown State University	5.3	18.8





a. These figures are for new, full-time, in-state students at main campuses only.
SOURCES: Ohio Legislative Service Commission; and Ohio Board of Regents.

stabilization fund (commonly called the "rainy day fund") equal to roughly 5% the of state's general fund in any fiscal year. The stabilization fund's purpose is to allow the state to avoid cutting services to Ohio citizens despite any revenue shortfall caused by poor economic circumstances. Although the 2002–03 budget originally called for maintaining the fund near 5% of general revenues in 2003, the state was forced to use the balance of the fund to respond to its budget deficit. The governor did not budget any dollars for the fund in 2004 but planned to resume contributions in 2005.

In 2003, Ohio's government faces a budget deficit of between $651 million and $720 million. So far, the government has eliminated 3,000 jobs plus $121 million in departmental spending and state employee pay raises, but this year the state legislature refused to authorize the revenue-generating taxes that the governor suggested to address the remaining deficit (somewhere between $120 million and $189 million).

This shortfall could have an immediate effect on secondary and higher education: The governor has suggested that it will be necessary to cut funding to balance the budget for fiscal year 2003. This would compound Ohio's fiscal crises in higher education; state funding was cut severely in 2002 and remained below 2001 funding levels in 2003, resulting in large year-over-year tuition increases at state schools in both 2002 and 2003. Primary education funding could face cuts equal to 2.5% of each school district's state dollars this year. In several counties, this would mean losing more than $2 million.