

# **Ohio's Budget: Steady Fiscal Control in Turbulent Times**

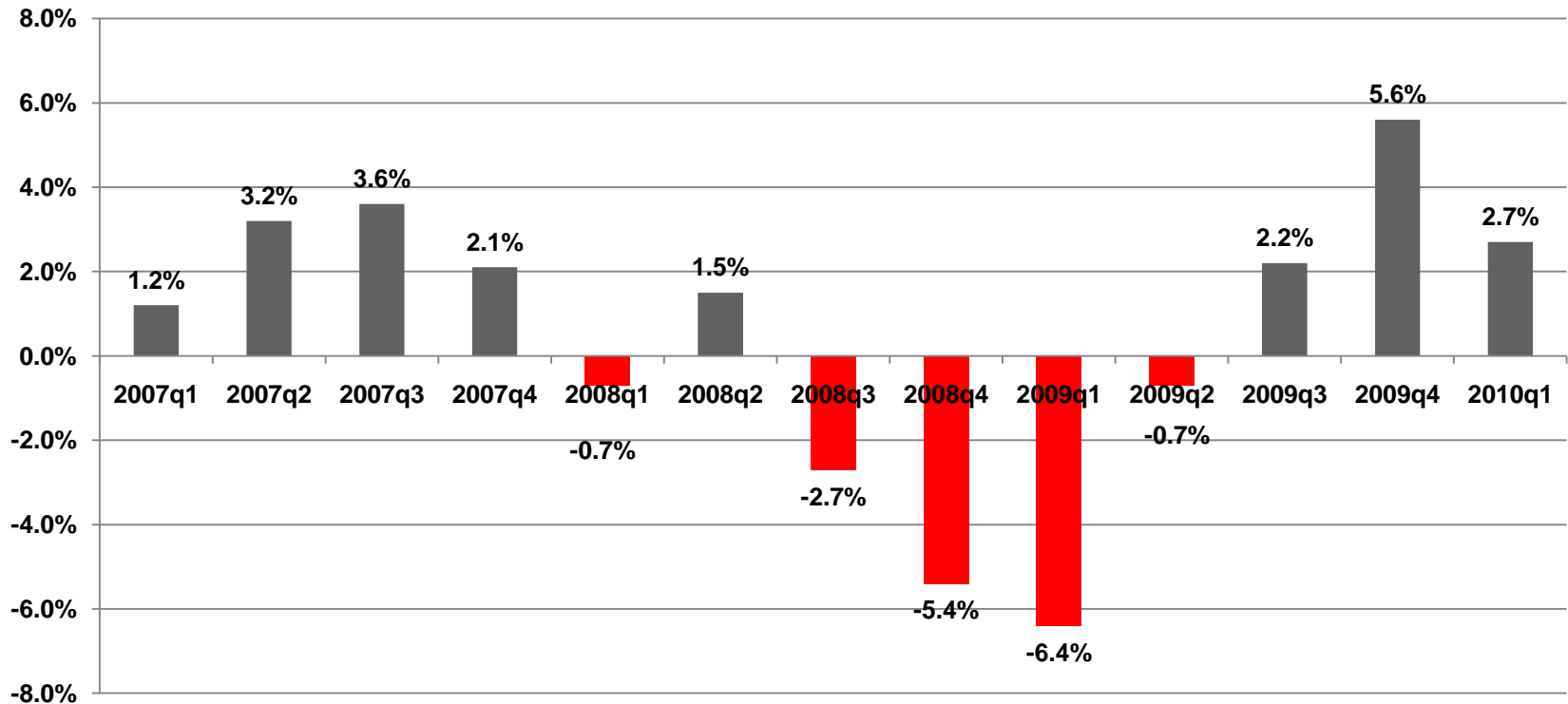
July 7, 2010



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# GDP Dropped for 4 Consecutive Quarters

## Real GDP Dropped for 4 Consecutive Quarters



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# Current Recession [red bars] Contains 6 of the 10 Largest U.S. Bankruptcies

	Company	Assets (In Billions)	Date
▶	<b>1. Lehman Brothers</b>	<b>\$691</b>	<b>Sept. 08</b>
▶	<b>2. Washington Mutual</b>	<b>\$328</b>	<b>Sept. 08</b>
	3. World Com	\$104	July 02
▶	<b>4. General Motors</b>	<b>\$91</b>	<b>June 09</b>
▶	<b>5. CIT Group</b>	<b>\$71</b>	<b>Nov. 09</b>
	6. Enron	\$66	Dec. 01
	7. Consec	\$61	Dec. 02
▶	<b>8. Chrysler</b>	<b>\$39</b>	<b>Apr. 09</b>
▶	<b>9. Thornburg Mortgage</b>	<b>\$37</b>	<b>May 09</b>
	10. Pacific Gas & Electric	\$36	Apr. 01



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Source: CNN Money.com

# Where are we today?

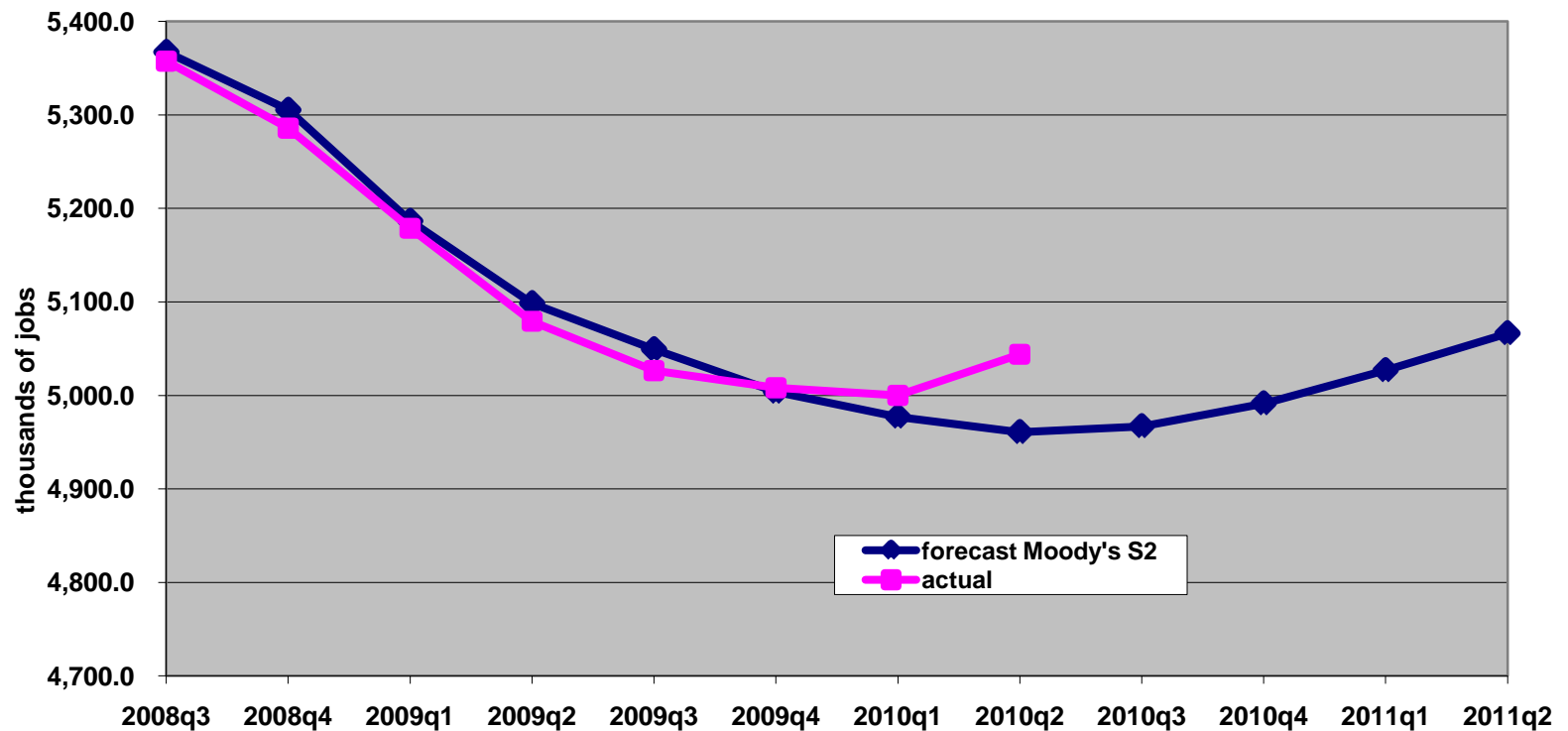
- Recovering from deepest recession in 50 years
- Began to turn in 4<sup>th</sup> quarter 2009
- No longer declining rapidly
- Manufacturing output increasing
- Consumer confidence at record lows, but moving up
- Job losses are mitigating



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# Ohio Employment Stabilizing

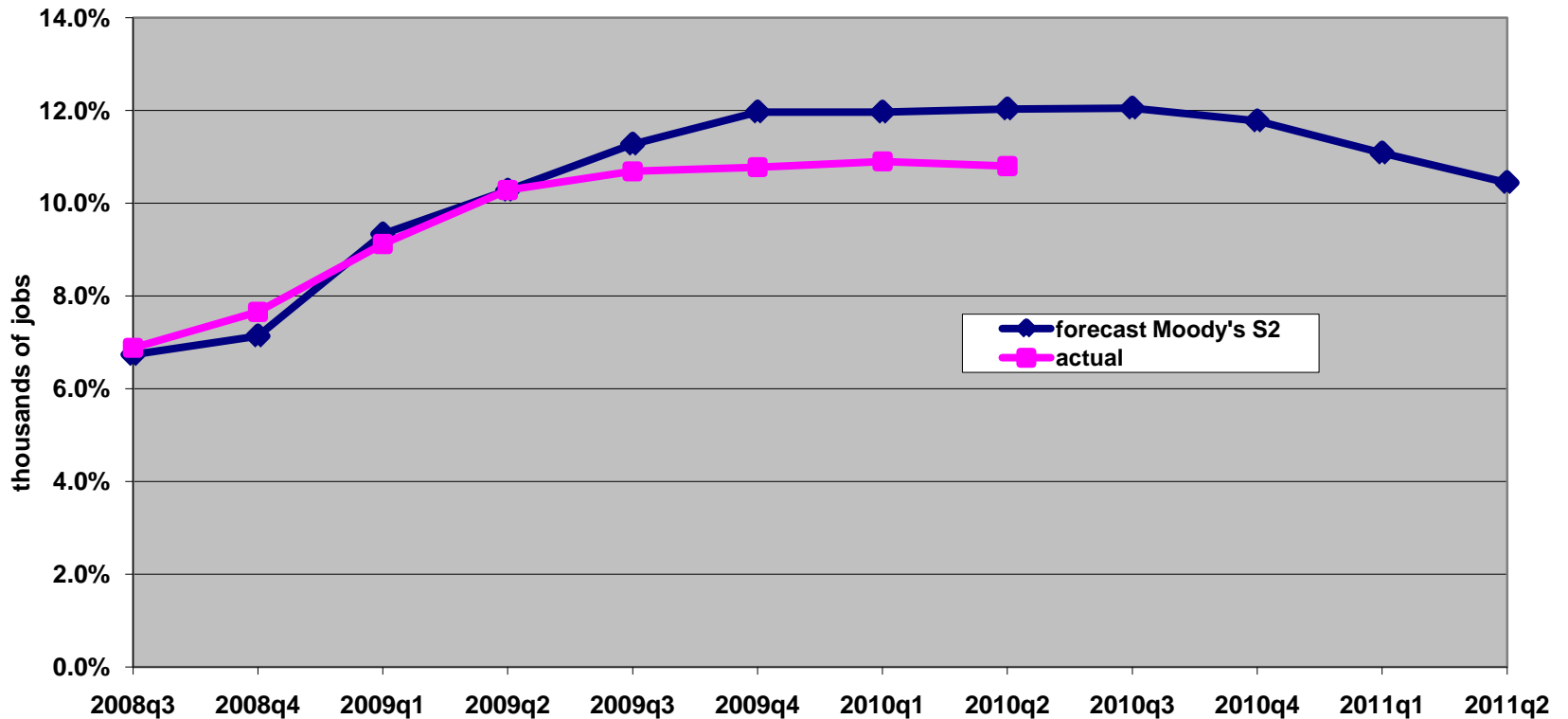
Ohio nonfarm employment, history and forecast FY09-11



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# Unemployment Is Peaking

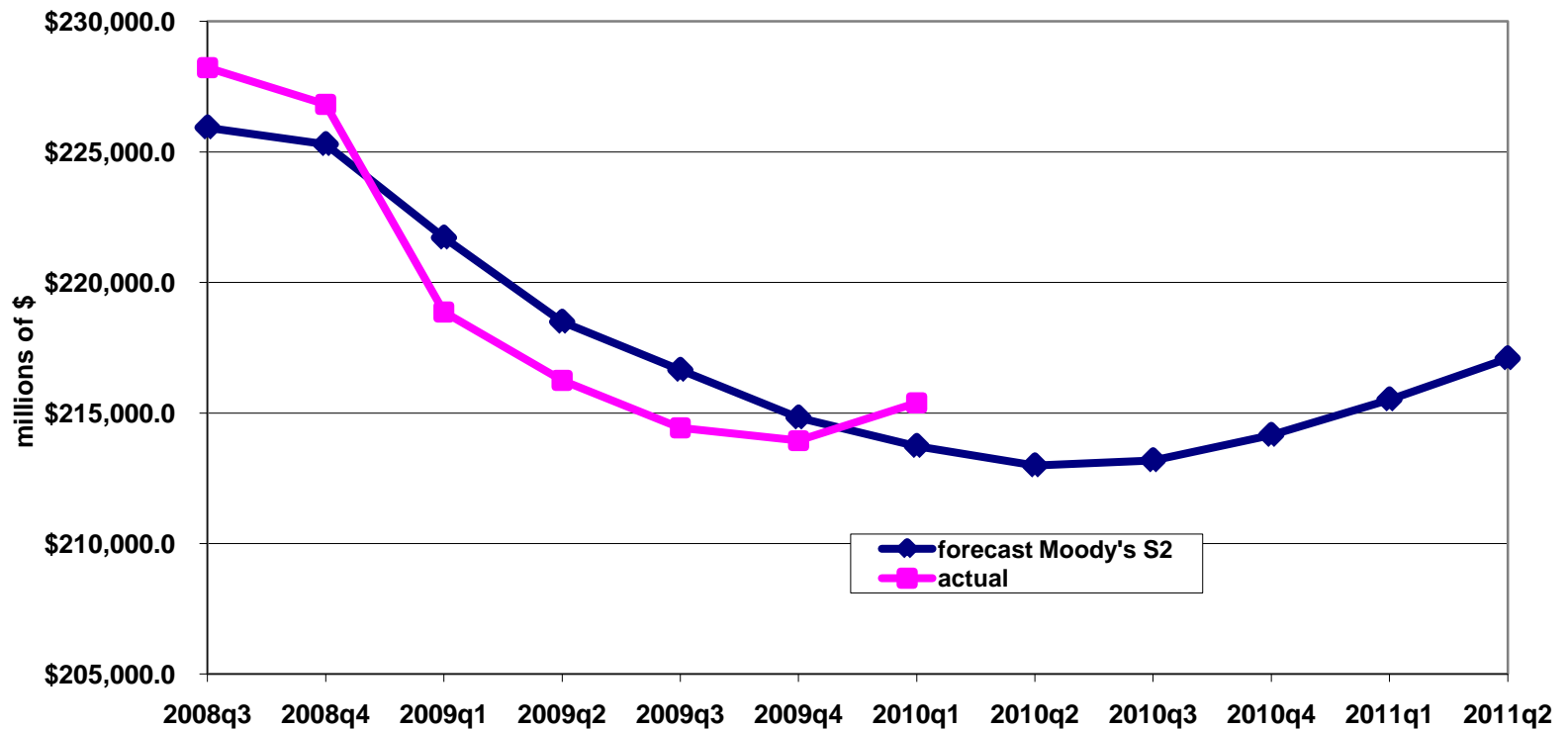
Ohio unemployment rate, history and forecast FY09-11



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# Sharp decline in Ohio wage and salary income abating

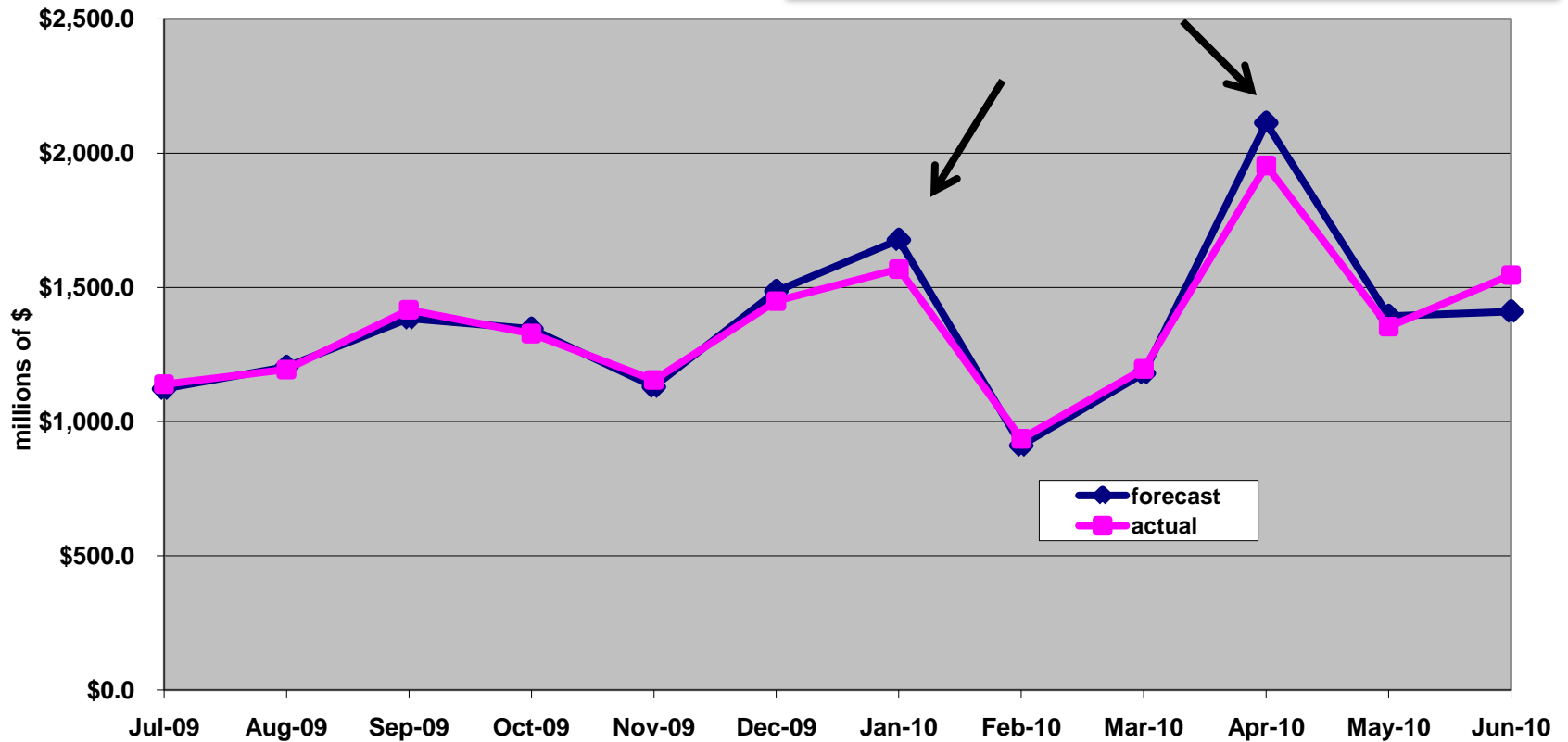
Ohio wage and salary income, history and forecast FY09-11



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# Forecasts are relatively stable for FY2010

Risks in the forecast were in January and April because of PIT timing and its importance to GRF



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Note: Forecasts for Second half of FY10 include HB 318 Impacts



# Future performance

- Economic recovery will be slow
- States and local governments will continue to need federal assistance and fiscal relief
- Current projections from Moody's show that key economic indicators will not recover to pre-2007 levels until 2013-2016.



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# Lowest level of government spending growth in 58 years

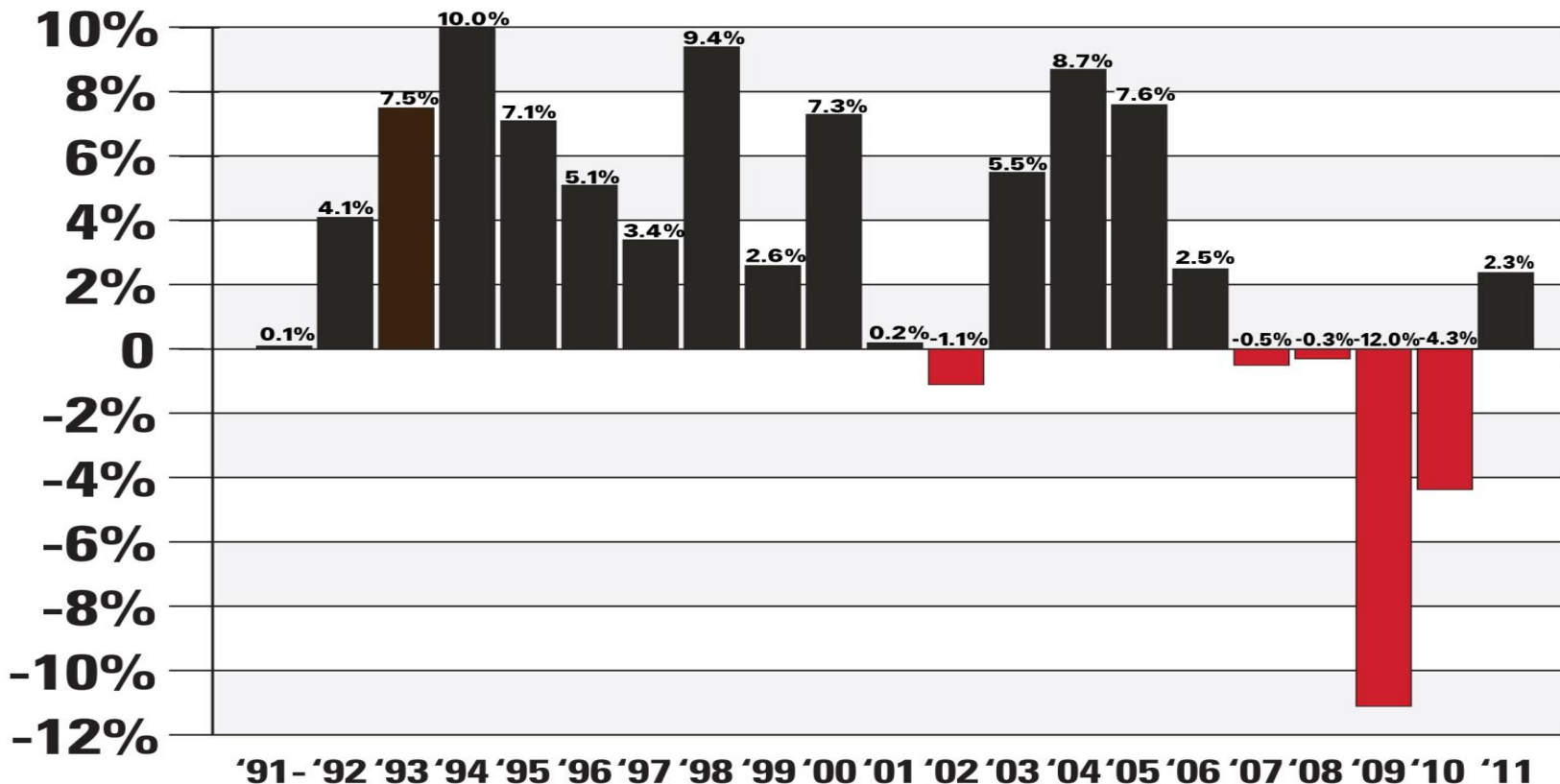
- Combination of national recession and Ohio's tax reform
  - National recession reduced tax revenue by 12%
  - Largest tax cut in 70 years



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# Recession & Ohio Tax Revenues

## Annual Change in Ohio GRF Tax Revenue



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Note: All figures are actual except for FY 10 and 11, which are official estimates.

# State agencies are refocusing on services

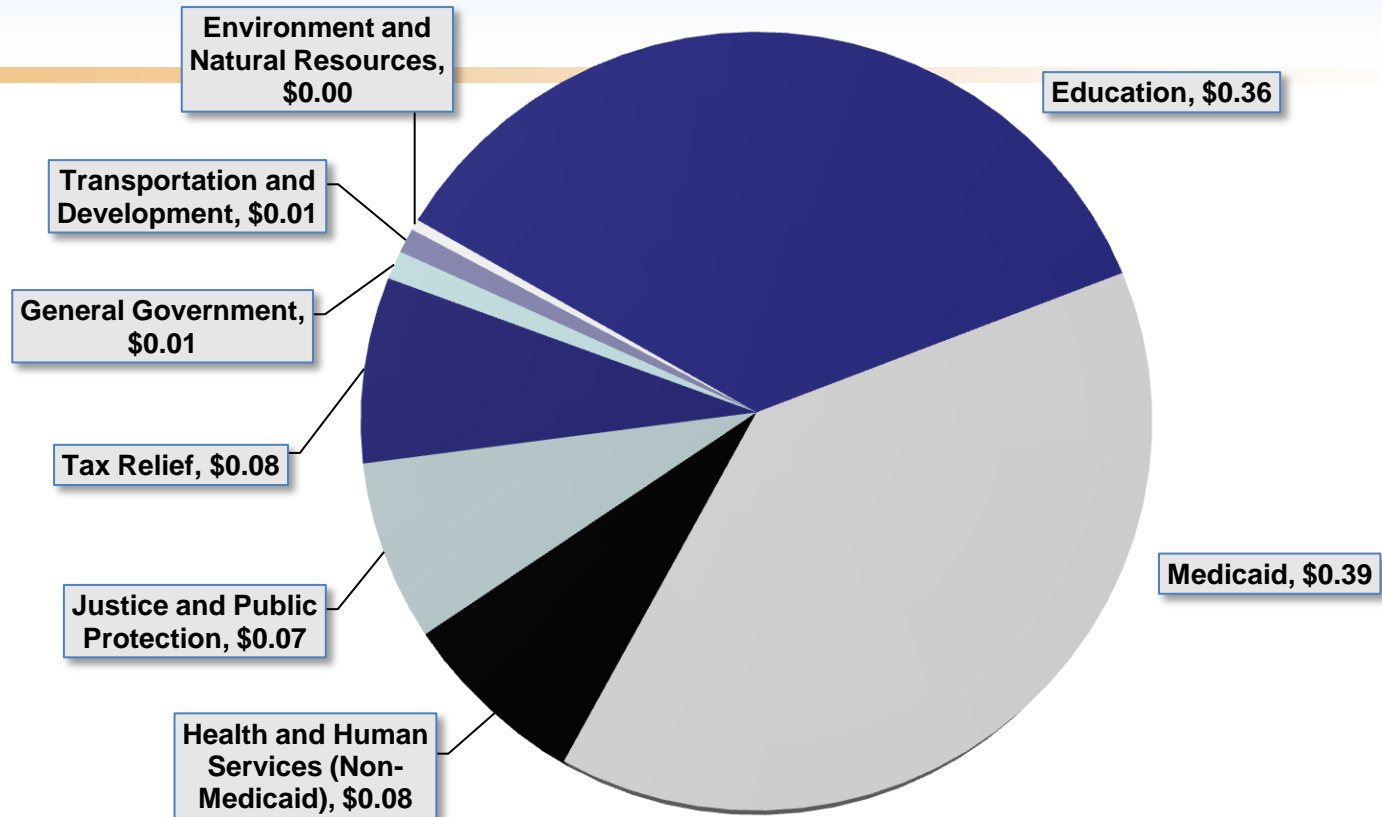
- About 4,500 fewer state employees
- Reduced administrative spending
  - In first 9 months of FY2010, agencies spent \$225.5 million (14.1%) less on contracts, maintenance and equipment than they did in the same period in FY2009
- Accelerated strategies to save money in the future
  - Procurement reform and strategic sourcing (\$39.2 M / 2012)
  - Construction Reform (\$50-\$100 M)
  - Medicaid Savings
    - 2009: \$800 million in cost avoidance through TPL program
    - 2010: \$994 million in HB1 cost containment and refinancing measures
  - Shared Services (\$14 M savings annually from finance + payroll)



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# Where Does Your Tax Dollar Go?

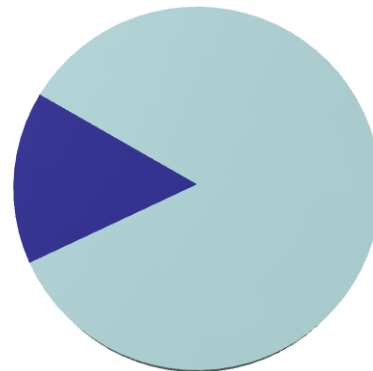
FY2010 and FY2011 Biennial Appropriations



# \$.85 of every dollar goes straight back to Ohio's communities

## Where Does Your Tax Dollar Go? Fiscal Year 2009 General Revenue Fund

State Agency  
Operating , \$0.15



Subsidy Payments,  
\$0.85

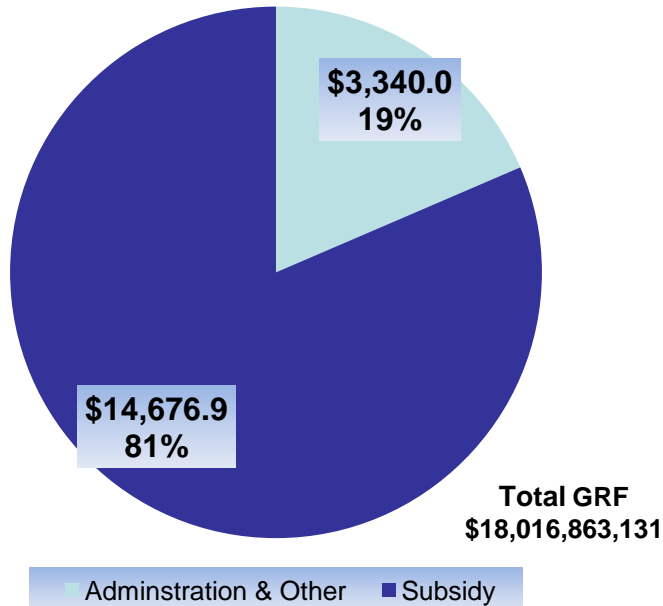
Category	FY 2009 Subsidy Spending	Amount of Dollar
Subsidy Payments	22,663,418,481.96	\$0.85
State Agency Operating	4,120,001,837.77	\$0.15
Total	26,783,420,319.73	\$1.00



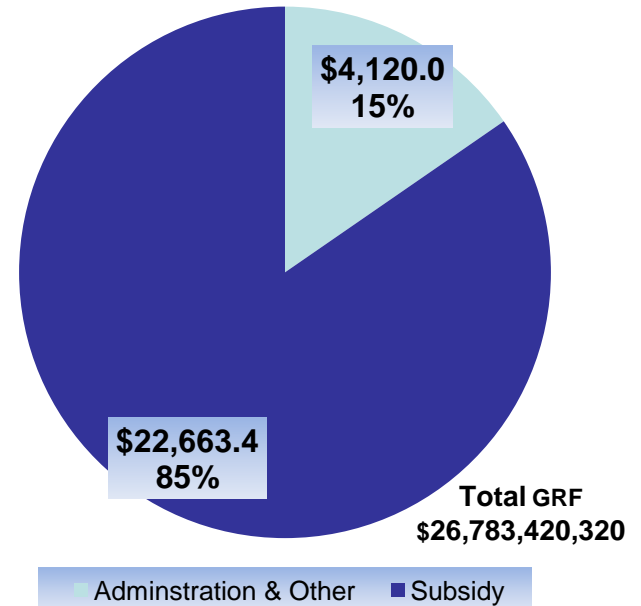
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# Amount provided in subsidies has grown faster than GRF

**Fiscal Year 1999**  
Administration & Other vs Subsidy  
\$ in millions



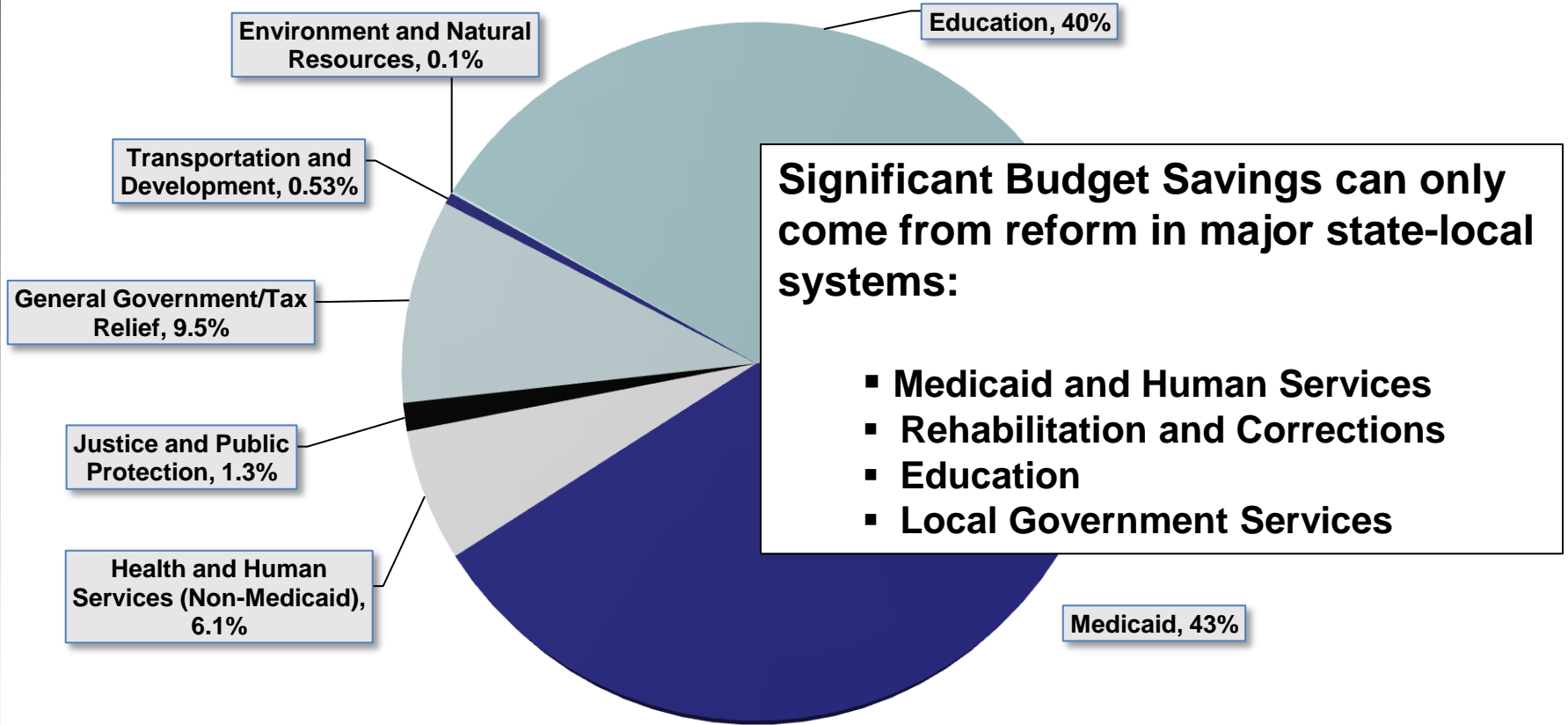
**Fiscal Year 2009**  
Administration & Other vs Subsidy  
\$ in millions



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# Fiscal Year 2009 Subsidy Spending

General Revenue Fund Only



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# Year End Closing FY2010

- Unobligated ending balance: \$139.0 million
- Ending cash balance: \$510.3 million
- Outstanding obligations: \$371.3 million
- Expected spending was \$500 million below estimates for FY2010



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# ...despite the worst recession in 50 years, HB1:

- Continues the **largest tax cut** in Ohio history
- **Reduces spending** by \$2 billion
- Provides **property tax relief** to 1 in 4 homeowners
- Continues **tuition limits** for higher education
- Implements a new **school funding** system
- Maintains **healthcare** coverage for 2 million Ohioans
- Invests in a more balanced **long-term care** system
- Maintains support for **local government** funds



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