APPENDIX:

TABLE A: SFY 2012-13 Ohio budget by major fund areas for state agencies in this report (millions of dollars)

Key Terms and Definitions: Debt, Deficit, Interest, Sequestration

Historical trends in major federal revenues and expenditures

FIGURE A: Historical debt of the United States and other OECD nations
FIGURE B: Federal surplus or deficit as a percent of GDP, 1940 – 2016
FIGURE C: Trends in federal receipts and outlays as a percent of GDP, 1940-2016
FIGURE D: Trends in major federal outlays as a percent of GDP, 1948 – 2010
FIGURE E: Trends in federal outlays by major function (not adjusted for inflation)
FIGURE F: Trends in major federal tax sources as a percent of GDP, 1934-present

TABLE A: SFY 2012-13 Ohio Budget by Major Fund Areas for State Agencies in this Report (*Millions of Dollars*)

	General revenue fund	General services fund	Federal	State Special Revenue	Other	TOTAL
Aging	$29	$1	$162	$6	$0	$199
Agriculture	$28	$11	$19	$37	$0	$95
Alcohol & Drug Addiction	$44	$1	$225	$36	$0	$306
Department of Development	$220	$70	$833	$725	$584	$2,432
Developmental Disabilities	$609	$7	$2,309	$813	$0	$3,738
Department of Health	$167	$89	$1,022	$127	$2	$1,407
Job & Family Services	$11,027	$932	$30,860	$2,402	$300	$45,521
Department of Mental Health	$793	$323	$497	$26	$0	$1,640
EPA	$0	$22	$69	$279	$1	$371
Education	$15,168	$83	$4,322	$110	$2,659	$22,342
Rehabilitation & Corrections	$2,973	$146	$3,137	$0	$0	$6,257
Rehabilitation Services Commission	$26	$3	$420	$52	$0	$501
TOTAL	$31,085	$1,688	$43,876	$4,615	$3,547	$84,810
% of Total	**36.7%**	**2.0%**	**51.7%**	**5.4%**	**4.2%**	**100.0%**

Source: Policy Matters Ohio, based on Ohio Legislative Service Commission Budget in Detail for HB 153 (2011 actual expenditures

Notes:

General Revenue Fund (GRF): The GRF is the primary operating fund of the state. This fund receives the unrestricted revenues of the state, primarily from such revenue sources as the personal income tax, the sales and use tax, the corporate franchise tax, and the public utilities excise tax. The fund also receives significant federal revenues that primarily support human services programs.

General Services Fund Group (GSF): This fund group consists of funds not easily classified into or appropriately accounted for in another fund group. Many of the funds in this group receive payments from other funds for services provided, or they receive interagency grants.

Federal Special Revenue Fund Group (FED): A group of funds whose revenues are federal grants or entitlements. Expenditures for these funds are made in accordance with state and federal law.

State Special Revenue Fund Group (SSR): This fund group consists of funds that receive special revenues for specified activities that are required by law.

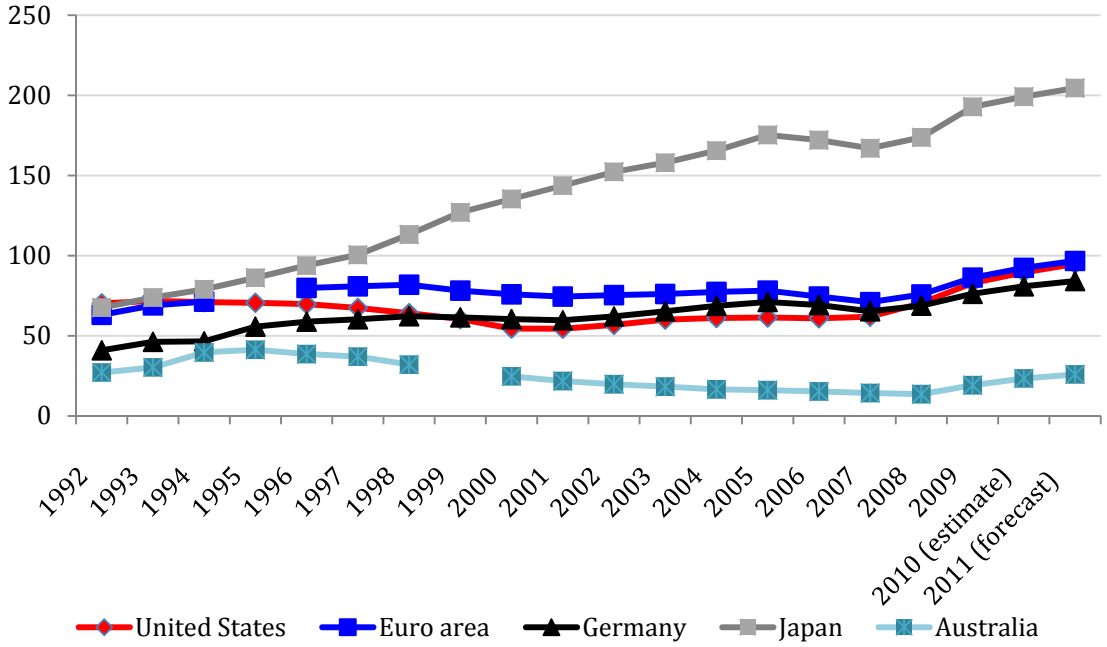
Key Terms and Definitions Related to the Debt Reduction Talks

Debt: The national debt is the cumulative amount of money the government has had to borrow throughout our nation's history. Each time the government runs a deficit, it increases the national debt; each time the government runs a surplus, it shrinks the debt. There are two common measures of the national debt:

- **Net debt**, also called debt held by the public, "National debt" or "Public Debt," measures the government's borrowing from the private sector (including banks and investors) and foreign governments.
- **Gross debt** is net debt plus the debts the Treasury owes to U.S. government trust funds. For example, each year Social Security takes in more money in payroll taxes than it distributes in benefits; the amounts not needed to pay current benefits are invested in Treasury bonds and the Treasury uses the proceeds to help pay for government operations. As a result, the Treasury owes money to the Social Security trust fund that will be repaid when Social Security needs it to pay future benefits. This type of debt is counted in the gross national debt but not in the net debt.

Net debt is the best measure of the effect of debt on the economy because it reflects the interaction between the government as a whole and the private sector. Figure A, taken from a graphic of the on-line Global Finance magazine, illustrates the size of the debt in the United States since 1992, and compares it with nations within the OECD: Germany, Japan, Australia, and all European nations combined.

Figure A: Historical Debt of the United States and Other OECD Countries



Source: Policy Matters Ohio, based on Global Finance; Data is from the OECD Economic Outlook 87 database, June 2010

Deficits: For any given year, the federal budget deficit is the amount of money the federal government spends (also known as outlays) minus the amount of money it takes in (also known as revenues). If the government takes in more money than it spends in a given year, the result is a surplus rather than a deficit. When the economy is weak, people's incomes decline, so the government collects less in tax revenues. This is one reason why the deficit often grows during recessions. Conversely, when the economy is strong and tax revenues increase, the budget deficit shrinks. The best way to look at the deficit is to judge it as a percent of Gross Domestic Product, which eliminates the impact of inflation and puts it in perspective of a growing or shrinking national economy.

Government deficit is the difference between government receipts and government spending in a single year. A budget deficit occurs when the expenditures of a government exceed the revenues collected by the government.

A portion of taxes assessed and received by governments is used in paying off the public debt. This can have a damaging impact on the long-term growth of a country with high debt, as the government has to commit a significant portion of its resources to paying the interests on debt, instead of investing in R&D, schools, healthcare, infrastructure and other areas that could facilitate longer-term growth.

Interest: Interest, the fee a lender charges a borrower for the use of the lender's money, is the true cost of government borrowing. This cost is considerable. In 2008 the federal government paid roughly $250 billion in interest payments, or roughly the amount that it spent on education, transportation, and veterans' programs combined. Interest costs reflect both the amount of money borrowed (also known as the principal) and the interest rate. When interest rates go up or down, interest costs do too, making the national debt a bigger or smaller drain on the budget.

Every dollar the government spends on interest payments is a dollar that is unavailable for programs that currently benefit taxpayers. Rather, interest is what we pay now for benefits received in the past.

Sequestration: Sequestration is defined as the automatic, across-the-board cancellation of budgetary resources. The BCA included such automatic spending reductions to achieve a deficit reduction agreement. Specifically, Congress and the president must enact at least $1.2 trillion in deficit reduction by January 15, 2012 (assuming a Balanced Budget Amendment does not pass Congress), to avoid this trigger.

Historical Trends in Federal Outlays and Receipts

Figure B illustrates that the deficit in since 2007, while not the largest America has seen, is larger than what we are used to. In the late 1990s, we had a surplus.

Figure B: Federal Surplus or Deficit as a Percent of GDP

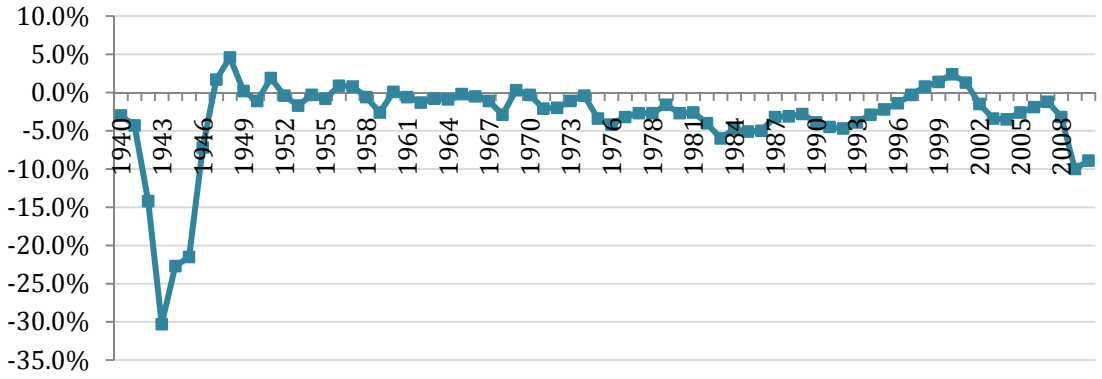
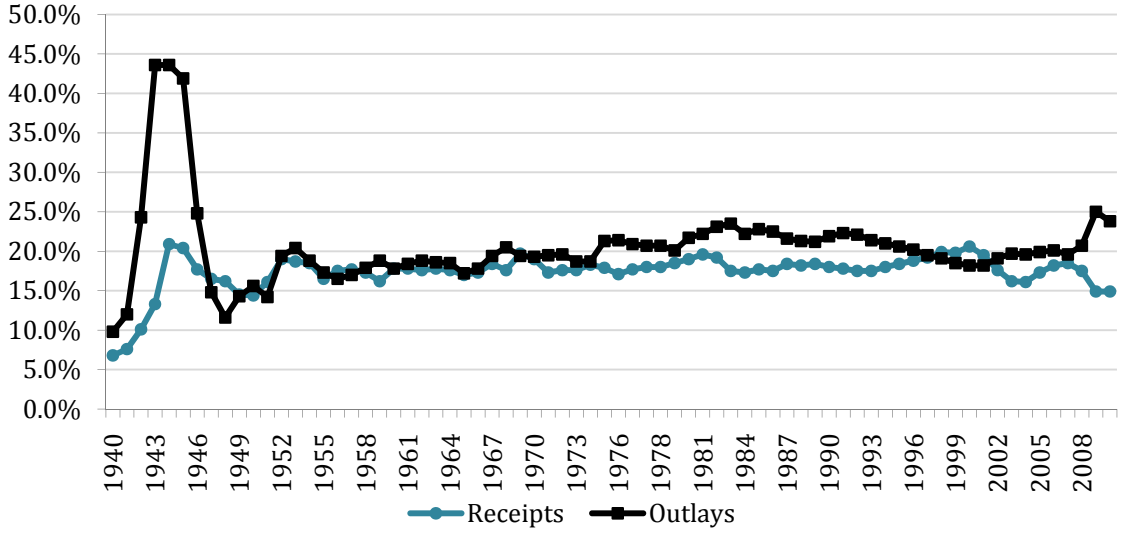


Figure C illustrates federal receipts and outlays in constant dollars since 1940. The recent deficit shows up clearly; the federal government predicts a narrowing of the gap by 2016. Outlays have moved up to slightly over the level they hit in the 1980s, at 25 percent of GDP.

Figure C: Trends in Federal Receipts and Outlays as a Percent of GDP

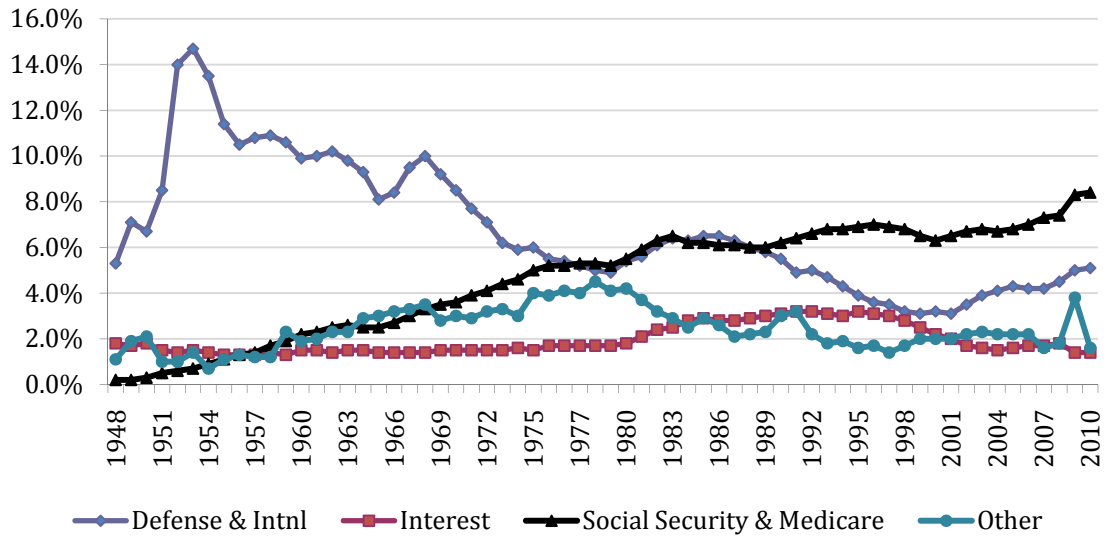


Source for both tables: Policy Matters Ohio, based on Office of the Budget Historical Tables, Table 1.3—Summary of Receipts, Outlays, and Surpluses or Deficits (-) in Current Dollars, Constant (FY 2005) Dollars, and as Percentages of GDP: 1940–2016

Figure D illustrates trends in federal expenditures. Defense has declined from a high of around 14 percent during World War II to just under 4 percent in the late 1990s, with a

climb during the past decade back to just below 6 percent. Social Security and Medicare have topped 8 percent of GDP. Interest has hovered around 2 percent over time. The category "all other government expenditures as a percent of GDP" has swung between 2 and 5 percent.

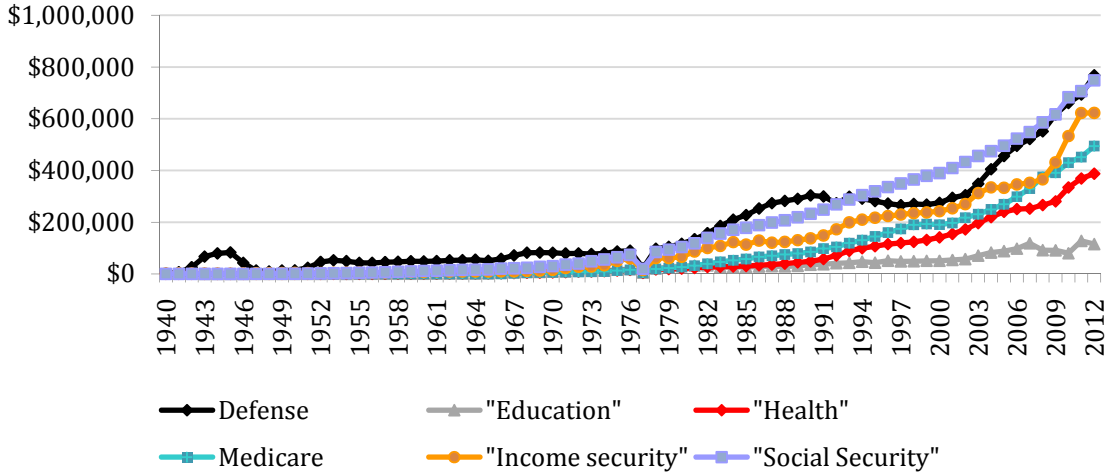
Figure D: Trends in Major Federal Outlays as a Percent of GDP, 1948 - 2010



Source: Policy Matters Ohio, based on United States Office of Budget Historical tables, Table 15.5. Total Government Expenditure by Major Category of Expenditure as a percentage of GDP

An examination of outlays by functional area highlights war spending and spending related to the recession and the aging of the American population.

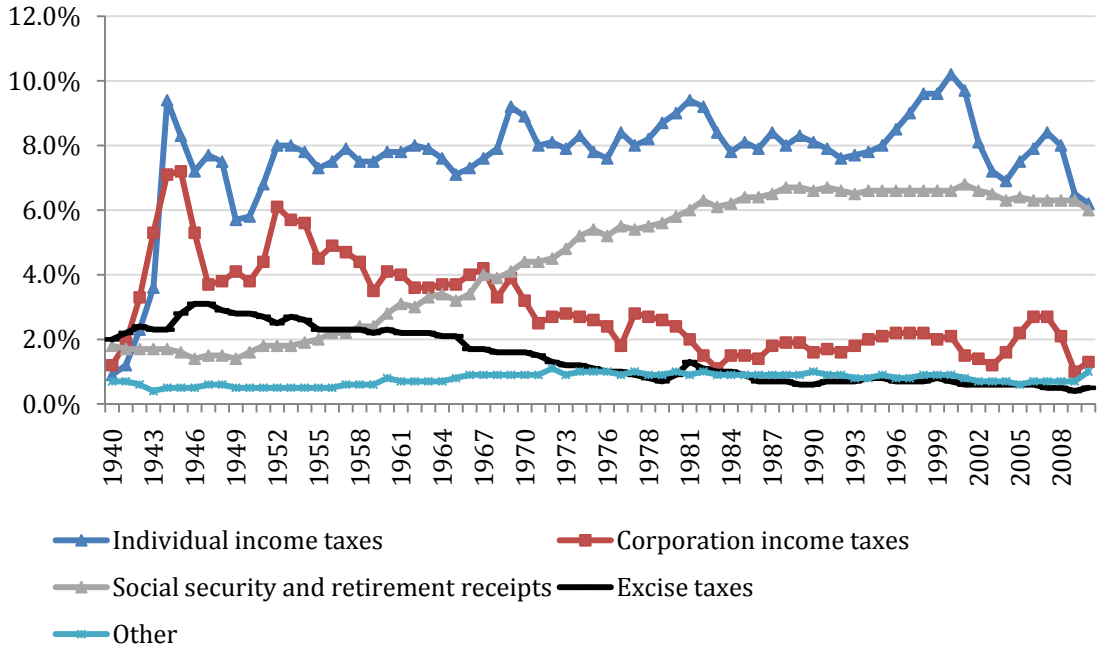
FIGURE E: Trends in Federal Outlays by Major Function (Not Adjusted for Inflation)



Source: Policy Matters Ohio, based on United States Office of the Budget Historical Tables, Table 3.1—Outlays by Superfunction and Function: 1940–2016

Figure F illustrates major revenues sources for the federal government over time. Income taxes have remained at around 8 percent of the economy since the 1950s, although since the 1980s, with growing inequality in income and increasing financial instability, albeit with dramatic swings in the past 20 years. Payroll taxes have risen to around 6 percent. Other sources of revenue have fallen. Corporate taxes have fallen from just under 8 percent in the 1940s to just over 2 percent.

Figure F: Trends in Sources of Federal Receipts as a Percent of GDP, 1940-2010



Source: Policy Matters Ohio, based on United States Office of the Budget Historical Tables, Table 2.3—Receipts by Source as Percentages of GDP