



# OBM

Date: September 26, 2013

To: Digital Assurance Certification  
(Electronic Municipal Market Access)

Subject: Fiscal Year 2013 Annual Information Pursuant to Continuing Disclosure Agreements Under SEC Rule 15c2-12 Relating to Certain Bonds of the State of Ohio and to Certain Certificates of Participation on which the State is an Obligated Party

Issuer CUSIP Numbers:	199098	769318	67755N
	677518	67755A	677587
	677519	67755C	67760A
	677520	67755E	677524
	677521	67755L	

The State of Ohio, by its Office of Budget and Management (OBM), provides the attached annual information consisting of annual financial information and data of appropriate types, pursuant to the continuing disclosure agreements under SEC Rule 15c2-12 entered into by the authorizing agencies and relating to the obligations of the State listed on attached Schedule A.

Unless otherwise indicated, this annual information speaks as of June 30, 2013. OBM will subsequently provide when available audited general purpose financial statements of the State and the Bureau of Workers' Compensation for the Fiscal Year ended June 30, 2013.

There were in Fiscal Year 2013 material events filings with or disclosure to the Municipal Securities Rulemaking Board (MSRB), through the MSRB's Electronic Municipal Market Access System (EMMA) relating to bond calls and defeasances, and rating agency downgrades and upgrades on the bond insurance companies for certain of the obligations of the State identified above. There has been no change in the applicable fiscal year or in the accounting principles applied in the preparation of pertinent annual financial statements, and there has been no amendment or waiver of any portion of any of the applicable continuing disclosure agreements.

Respectfully submitted,

/s/ Timothy S. Keen

Timothy S. Keen

Director

Ohio Office of Budget and Management

Copy w/attachments:  
Treasurer of State  
Secretary, Ohio Public Facilities Commission  
Squire Sanders (US) LLP

**SCHEDULE A**

**Bond Issuance Summary**

<u>Initial Date of Bonds</u>	<u>Original Principal Amount</u>	<u>Title of Issue</u>	<u>Authorizing Agency*</u>
<u>Fiscal Year 1996</u>			
Jan. 1, 1996	\$120,000,000	G.O. Infrastructure Improvement Bonds, Series 1996.....	TOS
<u>Fiscal Year 1997</u>			
Feb. 1, 1997	\$120,000,000	G.O. Infrastructure Improvement Bonds, Series 1997.....	TOS
<u>Fiscal Year 1998</u>			
Jan. 21, 1998	\$120,000,000	G.O. Infrastructure Improvement Bonds, Series 1998B .....	TOS
<u>Fiscal Year 2001</u>			
Apr. 1, 2001	\$120,000,000	State Facilities Bonds (Admin. Bldg. Fund Projects), 2001 Series A .....	OBA
<u>Fiscal Year 2002</u>			
Nov. 15, 2001	\$63,900,000	G.O. Infrastructure Improvement Adjustable Rate Bonds, Series 2001B .....	TOS
<u>Fiscal Year 2003</u>			
Aug. 15, 2002	\$59,920,000	G.O. Infrastructure Improvement Refunding Bonds, Series 2002A.....	TOS
Oct. 8, 2002	\$90,560,000	State Facilities Refunding Bonds (Adult Correc. Bldg. Fund Project),2002 Series B .....	OBA
Nov. 21, 2002	\$54,975,000	G.O. Higher Education Capital Facilities Bonds, Series 2002C.....	OPFC
Feb. 1, 2003	\$233,585,000	G.O. Infrastructure Improvement Refunding Bonds, Series 2003A.....	TOS
Feb. 26, 2003	\$104,315,000	G.O. Infrastructure Improvement Refunding Bonds, Series 2003B.....	TOS
Mar. 20, 2003	\$58,085,000	G.O. Infrastructure Improvement Refunding Bonds, Series 2003D.....	TOS
Apr. 22, 2003	\$142,500,000	State Facilities Refunding Bonds (BWC Bldg. Fund Projects), 2003 Series A .....	OBA
Jun. 5, 2003	\$150,000,000	G.O. Higher Education Capital Facilities Bonds, Series 2003A .....	OPFC
<u>Fiscal Year 2004</u>			
Dec.15, 2003	\$67,000,000	G.O. Common Schools Adjustable Rate Bonds, Series 2003D.....	OPFC
Jan. 27, 2004	\$50,000,000	G.O. Conservation Projects Bonds, Series 2004A .....	OPFC
Mar. 3, 2004	\$58,725,000	G.O. Infrastructure Improvement Adjustable Rate Refunding Bonds, Series 2004A .....	TOS
Mar. 11, 2004	\$25,000,000	Parks and Recreation Capital Facilities Bonds, Series II - 2004A.....	TOS
Mar. 23, 2004	\$10,400,000	State Facilities Building Bonds (Highway Safety), 2004 Series A .....	OBA
Mar. 23, 2004	\$57,400,000	State Facilities Bonds (Adult Correctional Building Fund Projects), 2004 Series A.....	OBA
Apr. 1, 2004	\$150,000,000	G.O. Higher Education Bonds, Series 2004A .....	OPFC
Apr. 13, 2004	\$200,000,000	G.O. Common Schools Bonds, Series 2004A.....	OPFC
May 11, 2004	\$75,000,000	State Facilities Bonds (Admin. Bldg. Fund Projects), 2004 Series A .....	OBA
<u>Fiscal Year 2005</u>			
Sep. 23, 2004	\$150,000,000	G.O. Higher Education Bonds, Series 2004B .....	OPFC
Sep. 28, 2004	\$200,000,000	G.O. Common Schools Bonds, Series 2004B.....	OPFC
Sep. 28, 2004	\$18,880,000	G.O. Common Schools Refunding Bonds, Series 2004C.....	OPFC

<u>Initial Date of Bonds</u>	<u>Original Principal Amount</u>	<u>Title of Issue</u>	<u>Authorizing Agency*</u>
Sep. 28, 2004	\$47,425,000	G.O. Natural Resources Refunding Bonds, Series J .....	OPFC
Oct. 5, 2004	\$39,530,000	G.O. Infrastructure Improvement Refunding Bonds, Series 2004C .....	TOS
Oct. 5, 2004	\$11,740,000	Parks & Recreation Capital Facilities Refunding Bonds, Series II-2004B .....	TOS
Oct. 21, 2004	\$20,000,000	State Facilities Bonds (Arts & Sports Facilities Bldg. Fund Projects), 2004 Series A .....	OBA
Oct. 21, 2004	\$130,750,000	State Facilities Refunding Bonds (Admin. Bldg. Fund Projects), 2004 Series B .....	OBA
Oct. 21, 2004	\$225,350,000	State Facilities Refunding Bonds (Adult Correc. Bldg. Fund Projects) , 2004 Series C .....	OBA
Dec. 1, 2004	\$120,000,000	G.O. Infrastructure Improvement Bonds, Series 2004D .....	TOS
Dec. 29, 2004	\$25,000,000	Mental Health Capital Facilities Bonds, Series II-2004B .....	TOS
Mar. 1, 2005	\$25,000,000	G.O. Natural Resources Bonds, Series K .....	OPFC
Mar. 9, 2005	\$23,100,000	Parks & Recreation Capital Facilities Bonds, Series II-2005A .....	TOS
Mar. 24, 2005	\$150,000,000	G.O. Higher Education Bonds, Series 2005A .....	OPFC
Mar. 30, 2005	\$85,000,000	State Facilities Bonds (Admin. Bldg. Fund Projects), 2005 Series A .....	TOS
Apr. 1, 2005	\$100,000,000	G.O. Common Schools VRDO Bonds, Series 2005A .....	OPFC
Apr. 1, 2005	\$100,000,000	G.O. Common Schools VRDO Bonds, Series 2005B .....	OPFC
May 18, 2005	\$140,000,000	G.O. Highway Capital Improvement Bonds, Series I .....	TOS
Jun. 1, 2005	\$75,000,000	State Facilities Bonds (Adult Correctional Building Fund Projects), 2005 Series A .....	TOS
<u>Fiscal Year 2006</u>			
Aug. 23, 2005	\$200,000,000	G.O. Common Schools Bonds, Series 2005C .....	OPFC
Aug. 23, 2005	\$71,900,000	G.O. Common Schools Refunding Bonds, Series 2005D .....	OPFC
Aug. 31, 2005	\$30,000,000	Mental Health Capital Facilities Bonds, Series II-2005A .....	TOS
Aug. 31, 2005	\$30,000,000	Cultural Facilities Capital Facilities Bonds, Series 2005A .....	TOS
Sep. 29, 2005	\$150,000,000	G.O. Higher Education Bonds, Series 2005B .....	OPFC
Sep. 29, 2005	\$49,495,000	G.O. Higher Education Refunding Bonds, Series 2005C .....	OPFC
Oct. 6, 2005	\$15,000,000	State Facilities Bonds (Juvenile Correction Bldg. Fund Projects), Series 2005A .....	OBA
Oct. 6, 2005	\$27,445,000	State Facilities Bonds (Juvenile Correction Bldg. Fund Projects), Series 2005B .....	OBA
Dec. 1, 2005	\$120,000,000	G.O. Infrastructure Improvement Bonds, Series 2005A .....	OPFC
Feb. 1, 2006	\$200,000,000	G.O. Common Schools Bonds, Series 2006A .....	OPFC
Mar. 8, 2006	\$180,000,000	G.O. Highway Capital Improvement Bonds, Series J .....	TOS
Apr. 27, 2006	\$150,000,000	G.O. Higher Education Bonds, Series 2006A .....	OPFC
Jun. 7, 2006	\$100,000,000	G.O. Common Schools Bonds, Series 2006B .....	OPFC
June 7, 2006	\$100,000,000	G.O. Common Schools Bonds, Series 2006C .....	OPFC
<u>Fiscal Year 2007</u>			
Aug. 10, 2006	\$30,000,000	Mental Health Capital Facilities Bonds, Series II-2006A .....	TOS
Oct. 3, 2006	\$40,000,000	State Facilities Bonds (Admin. Building Fund Project), Series 2006A .....	OBA
Oct. 3, 2006	\$70,335,000	State Facilities Refunding Bonds (Admin. Building Fund Project), Series 2006B .....	OBA
Oct. 11, 2006	\$250,000,000	G.O. Common Schools Bonds, Series 2006D .....	OPFC
Nov.16, 2006	\$120,000,000	G.O. Infrastructure Improvement Bonds, Series 2006A .....	OPFC
Dec. 5, 2006	\$30,000,000	G.O. Site Development Bonds, Series 2006A .....	OPFC
Dec.14, 2006	\$25,000,000	Cultural Facilities Capital Facilities Bonds, Series II-2006A .....	TOS
Dec.14, 2006	\$28,295,000	Cultural Facilities Capital Facilities Refunding Bonds, Series II-2006B .....	TOS
Dec. 14, 2006	\$26,775,000	Mental Health Capital Facilities Refunding Bonds, Series II-2006B .....	TOS
Dec. 14, 2006	\$15,410,000	Parks & Recreation Capital Facilities Refunding Bonds, Series II-2006A .....	TOS
Dec. 19, 2006	\$150,000,000	G.O. Higher Education Bonds, Series 2006B .....	OPFC
Mar. 8, 2007	\$250,000,000	G.O. Common Schools Bonds, Series 2007A .....	OPFC

<u>Initial Date of Bonds</u>	<u>Original Principal Amount</u>	<u>Title of Issue</u>	<u>Authorizing Agency*</u>
Apr. 11, 2007	\$190,000,000	G.O. Highway Capital Improvement Bonds, Series K .....	TOS
May 2, 2007	\$20,000,000	Sate Facilities Bonds (Juvenile Correctional Bldg. Fund Projects), Series 2007A .....	OBA
May 2, 2007	\$16,410,000	Sate Facilities Refunding Bonds (Juvenile Correc. Bldg. Fund Proj.), Series 2007B .....	OBA
Jun. 5, 2007	\$30,720,000	G.O. Third Frontier R&D Bonds, Series 2007A.....	OPFC
Jun. 21, 2007	\$30,000,000	G.O. Natural Resources Bonds, Series L .....	OPFC
Jun. 21, 2007	\$50,000,000	G.O. Conservation Projects Bonds, Series 2007A .....	OPFC
<u>Fiscal Year 2008</u>			
Sep. 20, 2007	\$120,000,000	G.O. Infrastructure Improvement Bonds, Series 2007A.....	OPFC
Sep. 20, 2007	\$8,000,000	G.O. Coal Development Bonds, Series I.....	OPFC
Nov. 13, 2007	\$30,000,000	Parks & Recreation Capital Facilities Bonds, Series II-2007A .....	TOS
Mar. 6, 2008	\$25,000,000	State Facilities Bonds (Admin. Building Fund Projects), 2008 Series A .....	OBA
Mar. 6, 2008	\$25,000,000	State Facilities Bonds (Adult Correctional Building Fund Projects), 2008 Series A.....	OBA
May 1, 2008	\$140,000,000	G.O. Highway Capital Improvement Bonds, Series L.....	TOS
<u>Fiscal Year 2009</u>			
Aug. 12, 2008	\$30,000,000	Mental Health Capital Facilities Bonds, Series II-2008A.....	TOS
Aug. 19, 2008	\$39,980,000	G.O. Third Frontier R&D Bonds, Series 2008A.....	OPFC
Oct. 16, 2008	\$240,000,000	G.O. Infrastructure Bonds, Series 2008A.....	OPFC
Dec. 3, 2008	\$30,000,000	Cultural Facilities Capital Facilities Bonds, Series 2008B .....	TOS
Jan. 22, 2009	\$60,000,000	State Facilities Bonds (Admin. Building Fund Projects), 2009 Series A .....	OBA
Jan. 22, 2009	\$40,000,000	State Facilities Bonds (Adult Correctional Building Fund Projects), 2009 Series A.....	OBA
Jan. 22, 2009	\$37,825,000	State Facilities Refunding Bonds (Juvenile Correc. Bldg. Fund Proj.), 2009 Series A.....	OBA
Jan. 27, 2009	\$91,170,000	G.O. Common Schools Refunding Bonds, Series 2009A .....	OPFC
Jan. 27, 2009	\$86,905,000	G.O. Higher Education Bonds, Series 2009A.....	OPFC
Jan. 27, 2009	\$49,995,000	G.O. Infrastructure Improvement Refunding Bonds, Series 2009A.....	OPFC
Mar. 5, 2009	\$60,000,000	G.O. Third Frontier R&D Bonds, Series 2009A.....	OPFC
Mar. 12, 2009	\$35,000,000	Parks & Recreation Capital Facilities Bonds, Series II-2009A .....	TOS
May 29, 2009	\$102,970,000	G.O. Common Schools Refunding Bonds, Series 2009B.....	OPFC
May 29, 2009	\$48,745,000	G.O. Higher Education Refunding Bonds, Series 2009B .....	OPFC
May 29, 2009	\$81,990,000	G.O. Infrastructure Improvement Refunding Bonds, Series 2009B.....	OPFC
<u>Fiscal Year 2010</u>			
Sep. 4, 2009	\$10,000,000	G.O. Coal Development Bonds, Series J.....	OPFC
Sep. 17, 2009	\$86,590,000	State Facilities Refunding Bonds (Admin. Building Fund Projects), 2009 Series B .....	OBA
Sep. 17, 2009	\$75,790,000	State Facilities Refunding Bonds (Adult Correc. Bldg. Fund Proj.), 2009 Series B.....	OBA
Sep. 17, 2009	\$16,820,000	Sate Facilities Refunding Bonds (Juvenile Correc. Bldg. Fund Proj.), Series 2009B .....	OBA
Oct. 6, 2009	\$240,830,000	G.O. Common Refunding Schools Bonds, Series 2009C.....	OPFC
Oct. 6, 2009	\$262,430,000	G.O. Higher Education Refunding Bonds, Series 2009C .....	OPFC
Oct. 6, 2009	\$34,040,000	G.O. Conservation Projects Refunding Bonds, Series 2009A.....	OPFC
Oct. 6, 2009	\$5,285,000	G.O. Natural Resources Refunding Bonds, Series M .....	OPFC
Nov. 3, 2009	\$75,000,000	G.O. Third Frontier R&D Bonds, Series 2009B .....	OPFC
Nov. 17, 2009	\$18,885,000	G.O. Site Development Bonds, Series 2009A.....	OPFC
Nov. 17, 2009	\$26,115,000	G.O. Site Development Bonds (Federally Taxable - Build America Bonds – Direct Payment), Series 2009B.....	OPFC
Dec. 16, 2009	\$16,765,000	G.O. Conservation Projects Bonds, Series 2009B .....	OPFC
Dec. 16, 2009	\$33,235,000	G.O. Conservation Projects Bonds (Federally Taxable - Build America Bonds –	

<u>Initial Date of Bonds</u>	<u>Original Principal Amount</u>	<u>Title of Issue</u>	<u>Authorizing Agency*</u>
		Direct Payment), Series 2009C.....	OPFC
Dec. 16, 2009	\$9,835,000	G.O. Natural Resources Bonds, Series N.....	OPFC
Dec. 16, 2009	\$20,165,000	G.O. Natural Resources Bond (Federally Taxable - Build America Bonds – Direct Payment), Series O.....	OPFC
Dec. 17, 2009	\$40,000,000	Mental Health Capital Facilities Bonds, Series II-2009A.....	TOS
Jan. 21, 2010	\$95,240,000	G.O. Higher Education Refunding Bonds, Series 2010A.....	OPFC
Jan. 21, 2010	\$131,170,000	G.O. Common Schools Refunding Bonds, Series 2010A .....	OPFC
Jan. 21, 2010	\$51,290,000	G.O. Infrastructure Improvement Refunding Bonds, Series 2010A.....	OPFC
Jan. 21, 2010	\$24,360,000	G.O. Higher Education Refunding Bonds, Series 2010B .....	OPFC
Jan. 21, 2010	\$53,685,000	G.O. Common Schools Refunding Bonds, Series 2010B.....	OPFC
Feb. 10, 2010	\$30,000,000	Cultural Facilities Capital Facilities Bonds, Series 2010A.....	TOS
Mar. 5, 2010	\$120,000,000	G.O. Infrastructure Bonds (Federally Taxable - Build America Bonds – Direct Payment), Series 2010B.....	OPFC
Mar. 5, 2010	\$54,400,000	G.O. Infrastructure Refunding Bonds, Series 2010C.....	OPFC
Apr. 1, 2010	\$9,005,000	State Facilities Bonds (Admin. Building Fund Projects), 2010 Series A .....	OBA
Apr. 1, 2010	\$30,995,000	State Facilities Bonds (Admin. Building Fund Projects), (Federally Taxable – Build America Bonds – Direct Payment), 2010 Series B .....	OBA
Apr. 1, 2010	\$5,445,000	State Facilities Bonds (Juvenile Correc. Bldg. Fund Proj.), 2010 Series A.....	OBA
Apr. 1, 2010	\$9,555,000	State Facilities Bonds (Juvenile Correc. Bldg. Fund Proj.), (Federally Taxable – Build America Bonds – Direct Payment), 2010 Series C .....	OBA
Apr. 1, 2010	\$11,450,000	State Facilities Rfdg. Bonds (Juvenile Correc. Bldg. Fund Proj.), 2010 Series B .....	OBA
Apr. 1, 2010	\$10,860,000	State Facilities Refunding Bonds (Highway Safety), 2010 Series A.....	OBA
Apr. 27, 2010	\$170,000,000	G.O. Highway Capital Improvement Bonds (Federally Taxable – Build America Bonds – Direct Payment), Series M .....	TOS
<u>Fiscal Year 2011</u>			
Aug. 12, 2010	\$50,000,000	G.O. Veterans Compensation (Federally Taxable), Series 2010.....	OPFC
Aug. 31, 2010	\$148,865,000	State Facilities Refunding Bonds (Admin. Building Fund Projects), 2010 Series C .....	OBA
Aug. 31, 2010	\$79,325,000	State Facilities Refunding Bonds (Adult Correc. Bldg. Fund Proj.), 2010 Series A .....	OBA
Aug. 31, 2010	\$15,005,000	Sate Facilities Refunding Bonds (Juvenile Correc. Bldg. Fund Proj.), 2010 Series D.....	OBA
Oct. 8, 2010	\$129,340,000	G.O. Common Schools Refunding Bonds, Series 2010C.....	OPFC
Oct. 8, 2010	\$98,560,000	G.O. Higher Education Refunding Bonds, Series 2010C .....	OPFC
Oct. 8, 2010	\$14,950,000	G.O. Infrastructure Improvement Refunding Bonds, Series 2010D.....	OPFC
Oct. 8, 2010	\$26,120,000	G.O. Conservation Projects Refunding Bonds, Series 2010A.....	OPFC
Oct. 20, 2010	\$29,825,000	G.O. Highway Capital Improvement Bonds, Series N .....	TOS
Oct. 20, 2010	\$145,175,000	G.O. Highway Capital Improvement Bonds (Federally Taxable – Build America Bonds – Direct Payment), Series O .....	TOS
Oct. 20, 2010	\$32,610,000	G.O. Highway Capital Improvement Refunding Bonds, Series P.....	TOS
Oct. 29, 2010	\$22,995,000	G.O. Third Frontier R&D Bonds, Series 2010A.....	OPFC
Oct. 29, 2010	\$52,005,000	G.O. Third Frontier R&D Bonds (Federally Taxable - Build America Bonds – Direct Payment), Series 2010B.....	OPFC
Dec. 3, 2010	\$295,465,000	G.O. Higher Education Bonds (Federally Taxable - Build America Bonds – Direct Payment), Series 2010E.....	OPFC
Feb. 1, 2011	\$40,000,000	State Facilities Bonds (Adult Correc. Bldg. Fund Proj.), 2011 Series A.....	OBA
Feb. 17, 2011	\$120,000,000	G.O. Infrastructure Improvement Bonds, Series 2011A.....	OPFC
Feb. 17, 2011	\$50,000,000	G.O. Conservation Projects Bonds, Series 2011A .....	OPFC
Mar. 3, 2011	\$28,000,000	Cultural Facilities Capital Facilities Bonds, Series 2011A.....	TOS
Mar. 3, 2011	\$30,000,000	Parks & Recreation Capital Facilities Bonds, Series II-2011A .....	TOS

<u>Initial Date of Bonds</u>	<u>Original Principal Amount</u>	<u>Title of Issue</u>	<u>Authorizing Agency*</u>
May 3, 2011	\$15,000,000	State Facilities Bonds (Juvenile Correc. Bldg. Fund Proj.), 2011 Series A .....	OBA
June 16, 2011	\$40,000,000	G.O. Site Development Bonds, Series 2011A.....	OPFC
June 16, 2011	\$50,000,000	G.O. Third Frontier R&D Bonds (Federally Taxable), Series 2011A.....	OPFC
<u>Fiscal Year 2012</u>			
July 28, 2011	\$211,530,000	G.O. Common Schools Refunding Bonds, Series 2011A .....	OPFC
July 28, 2011	\$127,765,000	G.O. Higher Education Refunding Bonds, Series 2011A.....	OPFC
July 28, 2011	\$114,285,000	G.O. Infrastructure Improvement Refunding Bonds, Series 2011B.....	OPFC
July 28, 2011	\$35,195,000	G.O. Natural Resources Refunding Bonds, Series P .....	OPFC
Aug. 23, 2011	\$15,910,000	G.O. Veterans Compensation (Federally Taxable), Series 2011 .....	OPFC
Sep. 15, 2011	\$38,595,000	State Facilities Refunding Bonds (Administrative Building Fund Projects), 2011 Series A.....	OBA
Sep. 15, 2011	\$101,530,000	State Facilities Refunding Bonds (Adult Correctional Building Fund Projects), 2011 Series B .....	OBA
Sep. 15, 2011	\$9,215,000	State Facilities Refunding Bonds (Juvenile Correctional Building Fund Projects), 2011 Series B.....	OBA
Sep. 30, 2011	\$300,000,000	G.O. Common Schools Bonds, Series 2011B.....	OPFC
Nov. 30, 2011	\$63,000,000	G.O. Common Schools Refunding Bonds, Series 2011C.....	OPFC
Nov. 30, 2011	\$28,765,000	G.O. Higher Education Refunding Bonds, Series 2011B .....	OPFC
Nov. 30, 2011	\$18,320,000	G.O. Infrastructure Improvement Refunding Bonds, Series 2011C.....	OPFC
Jan. 24, 2012	\$80,000,000	G.O. Third Frontier R&D Bonds, Series 2012A.....	OPFC
Jan. 24, 2012	\$12,000,000	G.O. Coal Development Bonds, Series L.....	OPFC
Jan. 24, 2012	\$117,420,000	G.O. Common Schools Refunding Bonds, Series 2012A .....	OPFC
Mar. 1, 2012	\$120,000,000	G.O. Infrastructure Improvement Bonds, Series 2012A.....	OPFC
Mar. 8, 2012	\$32,700,000	Capital Facilities Lease-Appropriation Bonds (Administrative Building Fund Projects), Series 2012A .....	TOS
Mar. 8, 2012	\$28,055,000	Capital Facilities Lease-Appropriation Refunding Bonds (Administrative Building Fund Projects), Series 2012B.....	TOS
Apr. 3, 2012	\$300,000,000	G.O. Higher Education Bonds, Series 2012A .....	OPFC
Apr. 3, 2012	\$102,615,000	G.O. Higher Education Refunding Bonds, Series 2012B .....	OPFC
Apr. 3, 2012	\$40,150,000	G.O. Infrastructure Improvement Refunding Bonds, Series 2012B.....	OPFC
May 17, 2012	\$24,175,000	Capital Facilities Lease-Appropriation Refunding Bonds (Mental Health Facilities Improvement Fund Projects), Series 2012A.....	TOS
May 17, 2012	\$7,570,000	Capital Facilities Lease-Appropriation Refunding Bonds (Parks and Recreation Improvement Fund Projects), Series 2012A.....	TOS
May 17, 2012	\$17,360,000	Capital Facilities Lease-Appropriation Refunding Bonds (Adult Correctional Building Fund Projects), Series 2012A.....	TOS
Jun. 5, 2012	\$280,000,000	G.O. Common Schools Bonds, Series 2012B .....	OPFC
Jun. 5, 2012	\$23,000,000	G.O. Natural Resources Bonds, Series Q .....	OPFC
Jun. 22, 2012	\$139,135,000	G.O. Common Schools Refunding Bonds, Series 2012C.....	OPFC
Jun. 22, 2012	\$103,650,000	G.O. Higher Education Refunding Bonds, Series 2012C .....	OPFC
Jun. 22, 2012	\$15,505,000	G.O. Infrastructure Improvement Refunding Bonds, Series 2012C.....	OPFC
Jun. 22, 2012	\$15,070,000	G.O. Conservation Projects Refunding Bonds, Series 2012A.....	OPFC
Jun. 22, 2012	\$15,755,000	G.O. Natural Resources Refunding Bonds, Series R .....	OPFC
<u>Fiscal Year 2013</u>			
Oct. 24, 2012	\$154,405,000	G.O. Highway Capital Improvement Refunding Bonds, Series Q .....	TOS
Jan. 18, 2013	\$150,000,000	G.O. Infrastructure Improvement Bonds, Series 2013A.....	OPFC

<u>Initial Date of Bonds</u>	<u>Original Principal Amount</u>	<u>Title of Issue</u>	<u>Authorizing Agency*</u>
Jan. 30, 2013	\$15,000,000	Capital Facilities Lease-Appropriation Refunding Bonds (Juvenile Correctional Building Fund Projects), Series 2013A.....	TOS
Feb. 6, 2013	\$66,385,000	G.O. Infrastructure Improvement Refunding Bonds, Series 2013B.....	OPFC
Mar. 7, 2013	\$25,000,000	Capital Facilities Lease-Appropriation Bonds (Mental Health Facilities Improvement Fund), Series 2013A.....	TOS
Mar. 7, 2013	\$15,375,000	Capital Facilities Lease-Appropriation Refunding Bonds (Mental Health Facilities Improvement Fund), Series 2013B.....	TOS
Mar. 7, 2013	\$18,000,000	Capital Facilities Lease-Appropriation Bonds (Cultural & Sports Facilities Building Fund Projects), Series 2013A.....	TOS
Mar. 7, 2013	\$19,890,000	Capital Facilities Lease-Appropriation Refunding Bonds (Cultural & Sports Facilities Building Fund Projects), Series 2013B.....	TOS
Mar. 7, 2013	\$47,320,000	Capital Facilities Refunding Bonds (Adult Correctional Building Fund Projects), Series 2013A.....	TOS
Mar. 15, 2013	\$194,775,000	G.O. Common Schools Refunding Bonds, Series 2013A.....	OPFC
Mar. 15, 2013	\$66,915,000	G.O. Higher Education Refunding Bonds, Series 2013A.....	OPFC
Apr. 11, 2013	\$48,660,000	Capital Facilities Lease-Appropriation Refunding Bonds (Administrative Building Fund Projects), Series 2013A.....	TOS
Apr. 11, 2013	\$11,200,000	Capital Facilities Lease-Appropriation Refunding Bonds (Parks and Recreation Improvement Fund Projects), Series 2013A.....	TOS
May 2, 2013	\$100,300,000	G.O. Third Frontier R&D Bonds, Series 2013A.....	OPFC
May 2, 2013	\$10,000,000	G.O. Higher Education Bonds (Federally Taxable), Series 2013B.....	OPFC
<u>Fiscal Year 2014</u>			
July 31, 2013	\$50,000,000	Capital Facilities Lease-Appropriation Bonds (Administrative Building Fund Projects), Series 2013B.....	TOS

- \* OBA = Ohio Building Authority<sup>†</sup>
- OPFC = Ohio Public Facilities Commission
- TOS = Treasurer of State

<sup>†</sup>Effective January 1, 2012, the Treasurer of State replaced the Ohio Building Authority as issuing authority for all series of bonds previously issued by the OBA.

**Certificates of Participation in Certain Lease Purchase Agreements on Which the State is an Obligated Party**

<u>Date of COPs</u>	<u>Original Principal Amount</u>	<u>Title of Issue</u>	<u>State Agency Lessee*</u>
<u>Fiscal Year 1998</u>			
Dec. 15, 1997	\$16,455,000	Rickenbacker Port Authority Certificates of Participation (State of Ohio DAS Office Project) .....	DAS
Jun. 15, 1998	\$6,615,000	Certificates of Participation (State of Ohio DAS – The Ohio Center Project) [Youngstown Central Area Community Improvement Corp., as lessor] .....	DAS
<u>Fiscal Year 2005</u>			
Jun. 9, 2005	\$79,185,000	Certificates of Participation (State of Ohio DAS – Ohio Administrative Knowledge System (OAKS) Project, Series 2005A [State of Ohio Leasing Corporation, as lessor] .....	DAS
<u>Fiscal Year 2007</u>			
Dec. 20, 2006	\$31,860,000	Certificates of Participation (State of Ohio DAS – Ohio Administrative Knowledge System (OAKS) Project, Series 2006A [State of Ohio Leasing Corporation, as lessor] .....	DAS
<u>Fiscal Year 2008</u>			
Mar. 13, 2008	\$35,025,000	Certificates of Participation (State of Ohio DAS – Ohio Administrative Knowledge System (OAKS) Project, Series 2008A [State of Ohio Leasing Corporation, as lessor] .....	DAS
Jun. 30, 2008	\$40,080,000	Certificates of Participation (State of Ohio DAS – State Taxation Accounting and Revenue System (STARS) Project, Series 2008A [State of Ohio Leasing Corporation, as lessor] .....	DAS
<u>Fiscal Year 2009</u>			
Jan. 30, 2009	\$39,105,000	Certificates of Participation (State of Ohio DAS – Ohio Administrative Knowledge System (OAKS) Project, Series 2009A [State of Ohio Leasing Corporation, as lessor] .....	DAS
<u>Fiscal Year 2013</u>			
Sep. 14, 2012	\$56,235,000	Certificates of Participation (State of Ohio DAS – Multi-Agency Radio Communications System (MARCS) Project, Series 2012 [State of Ohio Leasing Corporation, as lessor] .....	DAS

**New Community and Port Authority Revenue Bonds on Which the State is an Obligated Party**

<u>Fiscal Year 2008</u>			
Nov. 29, 2007	\$16,500,000	The Riversouth Authority (Ohio) Lazarus Building Redevelopment Bonds, 2007 Series A .....	DAS



<u>Date of COPS</u>	<u>Original Principal Amount</u>	<u>Title of Issue</u>	<u>State Agency Lessee*</u>
<u>Fiscal Year 2010</u>			
May 27, 2010	\$157,940,000	Columbus-Franklin County Finance Authority – Taxable Research and Development Revenue Bonds, Series 2010A (Ohio Capital Fund Financing) (State of Ohio Refundable Tax Credit Collateralized) .....	CFCFA
<u>Fiscal Year 2014</u>			
Aug. 7, 2013	\$81,865,000	Columbus-Franklin County Finance Authority – Taxable Research and Development Revenue Bonds, Series 2013A (Ohio Capital Fund Financing) (State of Ohio Refundable Tax Credit Collateralized) .....	CFCFA

\* DAS = Ohio Department of Administrative Services  
CFCFA = Columbus-Franklin County Finance Authority

## FISCAL MATTERS

### General

Consistent with the constitutional provision that no appropriation may be made for a period longer than two years, the State operates on the basis of a fiscal biennium for its appropriations and expenditures. Under current law that biennium for operating purposes runs from July 1 in an odd-numbered year to June 30 in the next odd-numbered year (e.g., the most recently completed fiscal biennium began July 1, 2011 and ended June 30, 2013). Within a fiscal biennium, the State operates on the basis of a July 1 to June 30 Fiscal Year. The biennium for general capital appropriations purposes runs from July 1 in an even-numbered year to June 30 in the next even-numbered year. Consistent with the fiscal biennium for operating purposes, the Governor is generally required to submit the Executive Budget to the General Assembly in February of each odd-numbered year. Appropriations legislation reflecting that Executive Budget is then introduced for committee hearings and review first in the House and then in the Senate, with that appropriations legislation as approved by the General Assembly then presented to the Governor for his approval (with possible line item vetoes). See **FISCAL MATTERS – Recent and Current Finances – Recent Biennia – 2012-13** and **Current Biennium** for discussion of Fiscal Year 2013 and the 2014-15 biennial appropriations.

Authority for appropriating State moneys subject to appropriation rests in the bicameral General Assembly, which consists of a 99-member House of Representatives (elected to two-year terms) and a 33-member Senate (elected to overlapping four-year terms). Members of both houses are subject to term limits, with a maximum of eight consecutive years in either. The Governor has veto power, including the power to make line-item vetoes in bills making appropriations. Vetoes may be overridden by a three-fifths vote of each house.

The Constitution requires the General Assembly to “provide for raising revenue, sufficient to defray the expenses of the state, for each year, and also a sufficient sum to pay the principal and interest as they become due on the state debt.” The State is effectively precluded by law from ending a Fiscal Year or a biennium in a “deficit” position. State borrowing to meet casual deficits or failures in revenues or to meet expenses not otherwise provided for is limited by the Constitution to \$750,000.

Most State operations are financed through the General Revenue Fund (GRF). Personal income and sales and use taxes are the major sources of GRF tax revenue. The last complete fiscal year ended June 30, 2013 with a GRF fund balance (after year-end transfers) of \$1.11 billion. The State has a “rainy day” fund (the Budget Stabilization Fund (BSF)) which under current law and until used may carry a balance of up to 5% of the GRF revenue for the preceding Fiscal Year. The current BSF balance is \$1.48 billion, which equals 5% of Fiscal Year 2013 GRF revenue.

The Revised Code provides that if the Governor ascertains that the available revenue receipts and balances for the GRF or other funds for the then current Fiscal Year will in all probability be less than the appropriations for that Fiscal Year, the Governor shall issue such orders to State agencies as will prevent their expenditures and incurred obligations from exceeding those revenue receipts and balances. As discussed under **Recent and Current Finances**, the Governor implemented this directive in the 2008-09 biennium as had been done several times in prior fiscal biennia.

Listed in the tables below under **Recent Receipts and Disbursements** are the major categories of State revenue sources, including taxes and excises, and the amounts received from those categories. There is no present constitutional limit on the rates of those State levied taxes and excises (except for taxes on intangible property which the State does not currently levy).

At present the State itself does not levy ad valorem taxes on real or tangible personal property. Those taxes are levied by political subdivisions and local taxing districts. The Constitution has since 1934 limited the amount of the aggregate levy of ad valorem property taxes on particular property, without a vote of the electors or municipal charter provision, to 1% of true value in money, and statutes limit the amount of that aggregate levy without a vote or charter provision to 10 mills per \$1 of assessed valuation -- commonly referred to in the context of Ohio local government finance as the “ten-mill limitation.” See **TAX LEVELS AND TAX BASES** for a discussion of the phase-out of local tangible personal property taxes in 2006 through 2009.

The Constitution directs or restricts the use of certain revenues. Highway fees and excises, including gasoline taxes, are limited in use to highway-related purposes. Not less than 50% of the receipts from State income taxes must be returned to the originating political subdivisions and school districts. State net lottery

profits are allocated to elementary, secondary, vocational and special education program purposes, including application to debt service on obligations issued to finance capital facilities for a system of common schools.

Constitutional amendments relating to taxation, revenues, expenditures, debt or other subjects may be proposed by action of three-fifths of the members elected to each house of the General Assembly or by initiative petition signed by electors numbering at least 10% of the total number of votes last cast for the office of governor. Adoption of a proposed amendment requires approval by a majority of electors voting on it at a statewide election. The Ohio Constitution expressly provides that the General Assembly has no power to pass laws impairing the obligation of contracts.

### **Accounts and Controls; Financial Reports**

With each office performing specific functions relating to State expenditures, the Office of Budget and Management (OBM) and the Treasurer of State account for and report on the State's fiscal affairs.

OBM maintains records of the appropriations made by the General Assembly, and its Director, appointed by the Governor, certifies the availability of unencumbered appropriations as a condition of contract validity. OBM fiscal functions include the development and oversight of operating and capital budgets as well as the review, processing, and reporting of financial transactions for most State departments and agencies (excluding, among others, higher education institutions). The OBM Director's certification is required for all expenditure vouchers before OBM may issue State warrants. Upon certification, OBM updates its accounting records to reflect the level of vouchered expenditures. The Treasurer of State maintains the cash and investments that comprise the State treasury and invests State funds. The Treasurer redeems the warrants issued by OBM when presented for payment by financial institutions and monitors the amounts and the timing of payments to determine the State's cash flow position for investment purposes.

State financial reporting practices have been and are in accordance with generally accepted accounting principles (GAAP basis). Each Comprehensive Annual Financial Report (CAFR) includes the State's Basic Financial Statements (BFS) for that Fiscal Year as examined by the Auditor of State. The most recent CAFRs are accessible via OBM's home page on the Internet at <http://obm.ohio.gov/SectionPages/FinancialReporting/>, and copies may be obtained by contacting OBM, 30 E. Broad Street, 34<sup>th</sup> Floor, Columbus, Ohio 43215, phone (614) 466-4034. The Fiscal Year 2011 CAFR received the Government Finance Officers Association certificate of achievement for excellence in financial reporting, and the Fiscal Year 2012 CAFR has been submitted for this certification.

The BFS are presented in accordance with a fund classification system prescribed by the Governmental Accounting Standards Board. The GAAP basis financial statement presentation is comprehensive in scope and includes organizations and activities defined within Ohio's reporting entity that are not subject to the State's appropriation process. The "General Fund" as reported in the BFS includes more than just the GRF; it also encompasses the Budget Stabilization Fund and those reimbursement-supported funds that account for activities administered by State agencies and departments and for which special revenue or proprietary fund classifications are considered inappropriate.

In accordance with State law, financial statements and analyses (with supporting schedules) of State agencies' transactions, based on official records maintained by OBM, are incorporated into the Governor's Executive Budget. That budget, along with other information, is the subject of extended hearings and reviews in the General Assembly during the biennial appropriation process. See **FISCAL MATTERS – Recent and Current Finances – Recent Biennia – 2012-13 and Current Biennium** regarding the 2012-13 and 2014-15 biennial appropriations.

**(THIS SPACE INTENTIONALLY LEFT BLANK)**

## Recent Receipts and Disbursements

The following summary statements, prepared by OBM based on its accounting records, include (i) governmental and proprietary appropriated funds, cash receipts and cash disbursements, and (ii) GRF cash basis activity. The governmental and proprietary appropriated funds encompass the General Fund (which includes the GRF and BSF), as well as special revenue, debt service, capital projects, and enterprise fund types, all as defined and included in each BFS.

### SUMMARY STATEMENT GOVERNMENTAL AND PROPRIETARY APPROPRIATED FUNDS (\$ in Millions)

#### Cash Receipts

#### SOURCE OF RECEIPTS

	Fiscal Year				
	2009	2010	2011	2012	2013
Taxes:					
Personal Income(a) .....	\$8,322.2	\$7,886.8	\$8,820.1	\$9,029.7	\$9,869.8
Sales and Use(b) .....	7,325.8	7,254.3	7,769.0	8,293.6	8,851.5
Corporate Franchise(c) .....	521.4	142.3	237.2	117.4	262.2
Commercial Activity Tax(d) .....	1,179.1	1,342.1	1,451.6	1,655.9	1,594.9
Gasoline.....	1,726.7	1,727.2	1,757.2	1,684.2	1,725.0
Public Utilities and Kilowatt Hour .....	799.9	721.5	728.0	712.0	702.0
Cigarette .....	924.8	886.9	855.6	843.2	827.4
Foreign Insurance .....	265.0	266.4	273.0	283.9	292.5
Highway Use .....	30.5	29.4	30.1	32.2	36.1
Estate(e) .....	64.4	55.0	72.1	66.5	105.2
Alcoholic Beverages.....	58.0	57.1	56.4	58.7	57.6
Liquor Gallonage.....	35.8	36.5	37.6	39.4	40.7
Domestic Insurance Franchise .....	160.1	166.5	194.3	194.1	211.6
Other .....	<u>84.0</u>	<u>83.9</u>	<u>84.1</u>	<u>63.9</u>	<u>84.1</u>
Total Taxes .....	21,497.7	20,655.9	22,366.3	23,074.8	24,660.6
Licenses, Permits and Fees .....	2,592.4	3,076.2	3,102.0	3,186.9	3,284.4
Sales, Services and Charges .....	1,921.2	1,758.2	1,958.9	1,968.0	1,682.7
Federal Government (including ARRA) .....	18,040.4	21,105.3	22,373.7	19,975.7	19,685.3
Other(f) ..	3,604.1	3,327.6	3,783.1	3,692.0	4,626.4
Proceeds from Sale of Bonds and Notes .....	<u>966.1</u>	<u>1,015.2</u>	<u>1,345.1</u>	<u>1,406.6</u>	<u>732.2</u>
Total Cash Receipts .....	\$48,621.8	\$50,938.6	\$54,929.1	\$53,304.1	\$54,671.6

- (a) Beginning in calendar year 2013 the personal income tax is being reduced by 10% over a three-year period and a deduction allowed for business income of 50% of annual adjusted gross income up to \$250,000 (see FISCAL MATTERS – Recent and Current Finances – Current Biennium). Beginning in calendar year 2005 the personal income tax rate was reduced by 21% (4.2% per year over five years, with the last reduction delayed from tax year 2009 to tax year 2011) (see FISCAL MATTERS - Recent and Current Finances - Recent Biennia - 2010-11).
- (b) Reflects a sales and use tax rate of 5.5%. Beginning September 1, 2013, the sales and use tax rate is being increased one-quarter percent to 5.75% (see FISCAL MATTERS – Recent and Current Finances – Current Biennium).
- (c) Beginning in calendar year 2006, except for financial institutions, the State corporate franchise tax rate was phased out at a rate of 20% per year over five years. Beginning in tax year 2014, the financial institutions component is replaced with the new financial institutions tax.
- (d) See TAX LEVELS AND TAX BASES for a discussion of the commercial activity tax on gross receipts from doing business in Ohio – commenced in Fiscal Year 2006 at the initial rate of 0.06% and increased each year until reaching the current rate of 0.26% in Fiscal Year 2010.
- (e) Eliminated effective January 1, 2013.
- (f) Largest components consist of various reimbursements, loan repayments, unclaimed funds, and investment income.

#### Cash Disbursements

FUND TYPE	Fiscal Year				
	2009	2010	2011(h)	2012(h)	2013(h)
General Fund:					
General Revenue Fund .....	\$26,783.4	\$24,141.4	\$26,247.6	\$26,394.8	\$27,439.3
General Services Fund(i) .....	1,442.9	1,331.2	6,106.4	5,090.2	4,556.8
Special Revenue Fund(j) .....	21,144.2	24,597.1	20,225.5	18,708.6	18,251.2
Capital Projects Fund(k).....	514.6	472.9	440.0	346.9	273.5
Debt Service Fund(l).....	819.3	578.2	633.3	557.0	996.3
Enterprise Fund.....	<u>1,459.4</u>	<u>1,208.1</u>	<u>1,395.8</u>	<u>1,341.1</u>	<u>1,115.9</u>
Total Cash Disbursements .....	\$52,163.8	\$52,328.9	\$55,048.6	\$52,438.6	\$52,633.1

- (h) Fiscal Years 2011 through 2013 reflect the reclassification of 161 individual funds from special revenue funds into the general services fund to be consistent with financial reporting changes made in GASB Statement No. 54 and effective for the Fiscal Year 2011 CAFR.
- (i) Includes the Internal Service Fund.
- (j) Includes local government support disbursements.
- (k) Includes amounts disbursed from proceeds of general obligation bonds and certain other State obligations.
- (l) Includes the several bond retirement funds for bonds secured by a pledge of taxes and excises.

**SUMMARY STATEMENT  
GENERAL REVENUE FUND CASH BASIS ACTIVITY  
(\$ in Millions)**

	Fiscal Year				
	2009	2010	2011	2012	2013
Beginning Cash Balance .....	\$1,682.0	\$734.5	\$510.3	\$844.5	\$973.4
Cash Receipts:					
Taxes:					
Personal Income(a) .....	7,628.0	7,247.2	8,120.3	8,432.9	9,507.8
Sales and Use(b) .....	7,112.8	7,077.4	7,578.2	8,087.0	8,444.9
Corporate Franchise(c).....	520.8	141.8	236.6	117.1	261.9
Commercial Activity Tax(d).....	0.0	0.0	0.0	417.1	790.0
Public Utilities and Kilowatt Hour .....	320.5	293.0	278.7	468.9	461.7
Cigarette .....	924.8	886.9	855.6	843.2	827.4
Foreign Insurance .....	249.2	250.8	256.3	266.5	274.6
Other.....	<u>337.6</u>	<u>336.6</u>	<u>380.5</u>	<u>372.5</u>	<u>447.4</u>
Total Taxes .....	17,093.7	16,233.6	17,706.1	19,005.2	21,015.7
Federal Government (including ARRA).....	6,850.7	6,898.8	8,429.0	7,363.0	7,525.8
Licenses, Permits and Fees .....	65.8	66.2	59.0	65.3	70.2
Investment Income .....	137.1	28.7	7.1	5.4	10.5
Other(e).....	<u>104.4</u>	<u>300.8</u>	<u>169.8</u>	<u>164.3</u>	<u>534.5</u>
Total Cash Receipts.....	24,251.7	23,528.1	26,371.1	26,603.2	29,156.7
Cash Disbursements:					
Primary, Secondary and Other Education(f) .....	7,005.0	6,743.4	6,740.0	6,457.8	6,574.2
Higher Education.....	2,632.6	2,424.1	2,411.0	2,102.7	2,101.9
Public Assistance and Medicaid .....	11,108.5	9,421.9	11,425.8	12,465.7	12,794.8
Health and Human Services .....	1,194.6	1,017.0	1,099.1	964.8	969.8
Justice and Public Protection .....	2,088.1	1,933.6	1,940.2	1,863.0	1,930.1
Environmental Protection and Natural Resources .....	89.6	80.3	72.4	70.1	83.5
Transportation .....	21.4	17.5	13.4	10.3	9.0
General Government .....	354.4	283.2	275.5	273.0	310.3
Community and Economic Development.....	146.3	108.3	103.2	90.3	78.2
Tax Relief(g) and Other .....	1,526.2	1,711.4	1,691.0	1,728.5	1,767.1
Capital Outlay.....	0.3	0.4	0.2	0.1	0.1
Debt Service(h) .....	<u>616.3</u>	<u>400.5</u>	<u>475.9</u>	<u>368.5</u>	<u>820.3</u>
Total Cash Disbursements.....	26,783.4	24,141.4	26,247.5	26,394.8	27,439.3
Cash Transfers:					
Transfers-in(i) .....	2,432.8	1,422.2	1,392.1	582.3	402.0
Transfers-out(j) .....	<u>(848.6)</u>	<u>(1,033.0)</u>	<u>(1,181.5)</u>	<u>(661.8)</u>	<u>(453.6)</u>
Total Cash Transfers (net).....	1,584.2	389.2	210.6	(79.5)	(51.6)
Ending Cash Balance .....	\$734.5	\$510.3	\$844.5	\$973.4	\$2,639.2

- (a) Beginning in calendar year 2013 the personal income tax is being reduced by 10% over a three-year period and a deduction allowed for on business income of 50% of annual adjusted gross income up to \$250,000 (see FISCAL MATTERS – Recent and Current Finances - Current Biennium). Beginning in calendar year 2005 the personal income tax rate was reduced by 21% (4.2% per year over five years, with the last reduction delayed from tax year 2009 to tax year 2011) (see Recent and Current Finances - Recent Biennia - 2010-11).
- (b) Reflects a sales and use tax rate of 5.5%. Beginning September 1, 2013, the sales and use tax rate is being increased one-quarter percent to 5.75% (see FISCAL MATTERS – Recent and Current Finances - Current Biennium).
- (c) Beginning in calendar year 2006, except for financial institutions, the corporate franchise tax rate was phased out 20% per year over five years. Beginning in tax year 2014, the financial institutions component is eliminated and replaced with a new financial institutions tax.
- (d) See TAX LEVELS AND TAX BASES for a discussion of the commercial activity tax (CAT) on gross receipts from doing business in Ohio – commenced in Fiscal Year 2006 at the initial rate of 0.06% and increased each year until reaching the current rate of 0.26% in Fiscal Year 2010. CAT receipts have been directed primarily to make compensating payments to school districts and other local taxing units in connection with the phase-out of the tangible personal property tax in 2006 through 2010, though the acceleration of the phase out of those reimbursements included in the Fiscal Year 2012-13 budget results in a portion of the CAT receipts being deposited into the GRF beginning in Fiscal Year 2012.
- (e) Includes fines and penalties, rental receipts, refunds and certain intrastate transfers, including transfers from the Unclaimed Property Trust Fund.
- (f) Mainly subsidies to local school districts for primary and secondary education and to colleges and universities for higher education.
- (g) State reimbursements to taxing subdivisions for the 12.5% property tax rollback granted to homeowners of real property, for partial real property homestead tax exemptions for the elderly and handicapped (expanded commencing in July 2007), and for revenue reductions resulting from phase-out of local taxes on tangible personal property. The 12.5% property tax roll back is being eliminated for new voter approved local tax levies and eligibility for the homestead tax exemption for new applicants is based on income (see FISCAL MATTERS – Recent and Current Finances – Current Biennium).
- (h) Includes debt service on general obligations with debt service on other obligations reflected in the applicable program. Reflects the restructuring of certain GRF debt service payments into later biennia resulting in net savings of \$52.8 million in Fiscal Year 2009, \$416.8 million in Fiscal Year 2010, \$336.9 million in Fiscal Year 2011, and \$449.3 million in Fiscal Year 2012 (see FISCAL MATTERS – Recent and Current Finances – Recent Biennia – 2012-13).
- (i) Includes in all fiscal years transfers from the School District Property Tax Replacement Fund, from liquor profits, interest earnings on tobacco bond proceeds, and in Fiscal Year 2009 \$1.01 billion from the BSF.
- (j) Fiscal Years 2012 and 2013 transfers out include \$246.9 million and \$235.1 million to the BSF, respectively.

## Recent and Current Finances

### Introductory Information

The summary statements above identify receipts from specific taxes and excises that are sources of significant amounts of revenue to the State, and particularly to the GRF. As noted, there are constitutional limitations on the use of some taxes and excises, and mandated allocations of portions of some others. As the statements portray, a substantial amount of total State-level revenue is distributed to local governments and school districts under ongoing programs, including local property tax relief.

Economic activity in Ohio, as in other industrially-developed states, tends to be somewhat more cyclical than in some other states and in the nation as a whole. The GRF ending (June 30) fund balance tends to be reduced during less favorable national economic periods and then increases during more favorable economic periods. The GRF ending cash and fund balances for Fiscal Year 2013 were approximately \$2.64 billion and \$2.28 billion, respectively, with \$995.9 million of that ending fund balance transferred to the BSF. Recent biennium-ending GRF balances were:

<b>Biennium</b>	<b>Cash Balance</b>	<b>Fund Balance(a)</b>	<b>Fund Balance less Designated Transfers(b)</b>
2004-05	\$1,209,200,000	\$682,632,000	\$127,800,000
2006-07	1,432,925,000	215,534,000	215,534,000
2008-09	734,526,000	389,103,000	389,103,000
2010-11	844,467,000	430,707,000	138,816,000
2012-13	2,639,249,000	2,278,202,000	1,110,942,000

(a) Reflects the ending cash balance less amounts encumbered to cover financial commitments made prior to the end of the fiscal year.

(b) Reflects the ending fund balance less any amounts designated for transfer to other funds, including the BSF.

Actions have been and may be taken by the State during less favorable economic periods to ensure resource/expenditure balance (particularly in the GRF), some of which are described below. None of those actions were or are being applied to appropriations or expenditures needed for debt service or lease payments relating to any State obligations.

The appropriations acts for the 2014-15 biennium included all necessary appropriations for debt service on State obligations and for lease payments relating to lease rental obligations issued by the Treasurer of State.

The following is a selective general discussion of State finances, particularly GRF receipts and expenditures, for recent and the current bienniums. As evidenced by actions discussed, the State administrations and both houses of the General Assembly have been and are committed to and have taken and are taking actions that ensure a balance of GRF resources and expenditures.

### Recent Biennia

#### 2002-03

Ongoing and rigorous consideration was given by the Governor and the General Assembly to revenues and expenditures throughout Fiscal Years 2002-03, primarily as a result of continuing weak economic conditions, with budgetary pressures during this period primarily due to lower than anticipated levels of receipts from certain major revenue sources.

Consideration came in four general time frames – the June 2001 biennial appropriation Act, late fall/early winter 2001, late spring and summer 2002, and late winter/spring 2003. Significant remedial steps included authorization to draw down and use the entire BSF balance, increased cigarette taxes, and use of tobacco settlement moneys previously earmarked for other purposes.

The biennial GRF appropriations Act passed in June 2001 provided for biennial GRF expenditures of approximately \$45.1 billion without increases in any major State taxes. That Act and the separate appropriations acts for the biennium included all necessary debt service and lease rental payments related to State obligations. That original appropriations act also provided for transfers to the GRF of \$160 million from the BSF and \$100

million from the Family Services Stabilization Fund aimed at achieving Fiscal Year and biennium ending positive GRF fund balances, based on then current estimates and projections.

The Ohio economy continued to be negatively affected by the national economic downturn and by national and international events, and in October 2001 OBM lowered its GRF revenue estimates and projected GRF revenue shortfalls of \$709 million for Fiscal Year 2002 and \$763 million for Fiscal Year 2003. Executive and legislative actions taken to address those shortfalls included:

- Spending reductions and limits on hiring and major purchases. The Governor ordered spending reductions were at the annual rate of 6% for most State agencies, with lesser reductions for correctional and other institutional agencies, and with exemptions for debt service related payments, primary and secondary education and the adjutant general.
- December 2001 legislation, the more significant aspects of which included authorizing the additional transfer of up to \$248 million from the BSF to the GRF during the current biennium thereby reducing the estimated BSF balance to \$607 million; reallocating to the GRF a \$260 million portion of tobacco settlement receipts in Fiscal Years 2002 and 2003; and authorizing Ohio's participation in a multi-state lottery game estimated to generate approximately \$40 million annually beginning in Fiscal Year 2003.

Continuing weak economic conditions and lower than anticipated personal income and corporate franchise tax receipts then led OBM in the spring of 2002 to project higher estimated GRF revenue shortfalls of approximately \$763 million in Fiscal Year 2002 and \$1.15 billion in Fiscal Year 2003. Further executive and legislative actions were taken to ensure positive GRF fund balances for Fiscal Year 2002 and the biennium. In addition to further appropriation reductions for certain departments and other management steps, those actions included legislation providing for: additional transfers to the GRF of the then remaining BSF balance (\$607 million) as needed in Fiscal Years 2002 and 2003, and of \$50.8 million of unclaimed funds; a \$50 million reduction in the Fiscal Year 2002 ending GRF balance to \$100 million; increasing the cigarette tax by 31¢ per pack (to a total of 55¢ per pack) estimated by OBM to produce approximately \$283 million in Fiscal Year 2003; additional transfers to the GRF of \$345 million from tobacco settlement moneys received in Fiscal Years 2002 and 2003 previously earmarked for construction of elementary and secondary school facilities and replacing the moneys for that purpose with authorized general obligation bonds; and extension of the State income tax to Ohio-based trusts and "decoupling" certain Ohio business taxes from federal tax law economic stimulus changes affecting business equipment depreciation schedules to produce approximately \$283 million in Fiscal Year 2003.

Fiscal Year 2002 ended with positive GRF balances of \$108.3 million (fund) and \$619.2 million (cash) based on the remedial steps described above, including transfers of \$289.6 million from tobacco settlement moneys and \$534.3 million from the BSF (leaving a Fiscal Year 2002 ending BSF balance of \$427.9 million, with that entire balance appropriated for GRF use if needed in Fiscal Year 2003).

On July 1, 2002, the Governor issued an executive order directing a total of approximately \$375 million in GRF spending cutbacks for Fiscal Year 2003 reflecting prior budget balancing discussions with the General Assembly. Excluded from those department and agency cutbacks ranging up to 15% were elementary and secondary education, higher education, alcohol and drug addiction services, and the adjutant general. Also expressly excluded were debt service and lease rental payments relating to State obligations, and ad valorem property tax relief payments (made to local taxing entities).

Based on continuing reduced revenue collections (particularly, personal income taxes and sales tax receipts) and projected additional Medicaid spending, OBM in late January 2003 announced an additional Fiscal Year 2003 GRF shortfall of \$720 million. The Governor ordered immediate additional reductions in spending intended to generate an estimated \$121.6 million of GRF savings through the end of the Fiscal Year (expressly exempted were appropriations for or relating to debt service on State obligations).

The Governor also proposed and the General Assembly enacted by March 1, 2003, the following additional revenue enhancements, transfers and expenditure reductions for Fiscal Year 2003 to achieve a positive GRF fund balance at June 30, 2003 as then estimated by OBM: An additional 2.5% reduction in local government fund distributions to most subdivisions and local libraries, producing an estimated \$30 million savings; transfers of \$56.4 million to the GRF from unclaimed funds and various rotary funds; and a one-month acceleration in sales tax collections by vendors filing electronically to produce \$286 million.

To offset the General Assembly's enactment of legislation that did not include proposed additional taxes on cigarettes and liquor, beer and wine, the Governor on March 25, 2003 ordered additional reductions in GRF appropriations spending aggregating \$142.5 million for the balance of Fiscal Year 2003. Included were reductions (generally at an annualized rate of 2.5%) of \$90.6 million in State foundation and parity aid to school districts and an additional \$9.3 million in Department of Education administration spending, \$39.2 million in instructional support to higher education institutions, and other selected reductions totaling \$3.4 million. The Governor also identified approximately \$20 million in excess food stamp administration funds available to offset the need for further expenditure reductions. Expressly excepted from those reductions were appropriations for or relating to debt service on State obligations.

Based on the Administration's continuing monitoring of revenues, and as an anticipated step in the then ongoing 2004-05 biennial budget and appropriations process, OBM reported revised revenue estimates to the General Assembly on June 11, 2003. Those estimates revised Fiscal Year 2003 revenues downward by an additional \$200 million from OBM's January 2003 adjusted baseline, based primarily on updated income and sales tax receipts through May 31. The Governor and OBM addressed this additional Fiscal Year 2003 revenue shortfall through additional expenditure controls and by drawing upon \$193 million of federal block grant aid made available to the State prior to June 30 under a federal law effective on May 28, 2003.

The State ended the 2002-03 biennium with a GRF cash and fund balances of \$396.5 million and \$52.3 million, respectively, and a balance in the BSF of \$180.7 million.

Additional appropriations actions during the 2002-03 biennium, affecting most subdivisions and local libraries in the State, related to the various local government assistance funds. The original appropriations act capped the amount to be distributed in Fiscal Years 2002 and 2003 to essentially the equivalent monthly payment amounts in Fiscal Years 2000 and 2001. Subsequent legislation amended the level to the lesser of those prior Fiscal Year amounts or the amount that would have been distributed under the standard formula.

#### **2004-05**

The GRF appropriations Act for the 2004-05 biennium was passed by the General Assembly and signed (with selective vetoes) by the Governor in June 2003. The Act provided for total GRF biennial revenue of approximately \$48.95 billion and total GRF biennial expenditures of approximately \$48.79 billion. That Act and the separate appropriations acts for the biennium included all necessary debt service and lease-rental payments related to State obligations.

Among other expenditure controls, the Act included Medicaid cost containment measures including pharmacy cost management initiatives, limited expenditure growth for institutional services and implementation of managed care for higher-cost populations; continued phase-out of certain tangible personal property tax relief payments to local governments; the closing by consolidation of three institutional facilities during the biennium; adjustments in eligibility guidelines for subsidized child care from 185% to 150% of the federal poverty level and freezing certain reimbursement rates; no compensation increases for most State employees in Fiscal Year 2004 and limited one-time increases in Fiscal Year 2005; and continued the limitation on local government assistance fund distributions to most subdivisions and local libraries to the lesser of the equivalent monthly payments in Fiscal Year 2003 or the amount that would have been distributed under the standard formula.

The GRF expenditure authorizations for the 2004-05 biennium reflected and were supported by revenue enhancement actions contained in the Act including:

- A one-cent increase in the State sales tax (to six percent) for the biennium (expiring June 30, 2005), projected to generate approximately \$1.25 billion in each Fiscal Year.
- Expansion of the sales tax base to include dry-cleaning/laundry services, towing, personal care and other services, and satellite television, producing in aggregate approximately \$102 million annually. On February 12, 2009, an Ohio appeals court overruled a 2007 trial court decision and upheld the inclusion of satellite television in the sales tax base, which produces approximately \$54 million annually. The Ohio Supreme Court on December 27, 2010, affirmed the court of appeals decision in favor of the State, and on June 25, 2012 the United States Supreme Court declined to hear this case.
- Moving local telephone companies from the public utility tax base to the corporate franchise and sales tax, projected at the time to produce approximately \$29 million annually.



- Elimination of the sales tax exemption for wide area telephone service (WATS) and 800 telecom services coupled with the enactment of a more limited exemption for call centers, projected at the time to produce approximately \$64 million annually.
- Adjustments in the corporate franchise tax through the adoption of the Uniform Division of Income for Tax Purposes Act (UDITPA) for apportionment of business income among states, and an increase in the corporate alternative minimum tax, projected at the time to produce in aggregate approximately \$35 million annually.

The Act also authorized and OBM on June 30, 2004 transferred \$234.7 million of proceeds received from the national tobacco settlement into the GRF. In addition, the Act authorized the draw down during the biennium of federal block grant and Medicaid assistance aid made available to the State under a federal law effective May 28, 2003. OBM drew down \$211.6 million and \$316.8 million of those federal monies in Fiscal Years 2004 and 2005, respectively.

Based on regular monitoring of revenues and expenditures, OBM in March 2004 announced revised GRF revenue projections for Fiscal Years 2004 and 2005 based primarily on reduced revenue collections from personal income taxes. In response to OBM reducing its GRF revenue projection by \$247.1 million (1.02%) for Fiscal Year 2004 and by \$372.7 million (1.48%) for Fiscal Year 2005, the Governor ordered Fiscal Year 2004 expenditure reductions of approximately \$100 million. On July 1, 2004 the Governor ordered additional Fiscal Year 2005 expenditure cuts of approximately \$118 million and a reduction of \$50 million in State spending on Medicaid reflecting an increased Federal share of certain Medicaid services. Expressly excluded from those reductions were debt service and lease rental payments relating to State obligations, State basic aid to elementary and secondary education, instructional subsidies and scholarships for public higher education, in-home care for seniors and certain job creation programs. The balance of those revenue reductions were offset by GRF expenditure lapses and, for Fiscal Year 2005, elimination of an anticipated \$100 million year-end transfer to the BSF while maintaining a one-half percent year-end GRF fund balance.

The State ended Fiscal Year 2004 with a GRF fund balance of \$157.5 million. Improving economic conditions had a positive effect on revenue in Fiscal Year 2005. With GRF revenue receipts modestly outperforming estimates for much of the Fiscal Year, OBM in June 2005 increased its GRF revenue estimates by \$470.7 million. Final Fiscal Year 2005 GRF revenue came in \$67.4 million above that revised estimate. With Fiscal Year 2005 spending close to original estimates, the State made the following Fiscal Year-end allocations and transfers: \$60 million to address a prior-year liability in the Temporary Assistance to Needy Families (TANF) program; \$40 million to a disaster services contingency fund; \$50 million to the State's share of the school facilities construction program; and \$394.2 million to the BSF. After these and certain smaller transfers, the State ended Fiscal Year 2005 and the biennium with a GRF fund balance of \$127.8 million and a BSF balance of \$574.2 million.

## 2006-07

Consistent with State law, the Governor's Executive Budget for the 2006-07 biennium was released in February 2005 and introduced in the General Assembly. After extended hearings and review, the GRF appropriations Act for the 2006-07 biennium was passed by the General Assembly and signed (with selective vetoes) by the then Governor on June 30, 2005. That Act provided for total GRF biennial revenue of approximately \$51.5 billion (a 3.8% increase over 2004-05 biennial revenue) and total GRF biennial appropriations of approximately \$51.3 billion (a 5.0% increase over 2004-05 biennial expenditures). Spending increases for major program categories over the 2004-05 actual expenditures were: 5.8% for Medicaid (the Act also included a number of Medicaid reform and cost containment initiatives); 3.4% for higher education; 4.2% for elementary and secondary education; 5.5% for corrections and youth services; and 4.8% for mental health and mental retardation. The Executive Budget, the GRF appropriations Act and the separate appropriations acts for the biennium included all necessary debt service and lease rental payments related to State obligations.

The GRF expenditure authorizations for the 2006-07 biennium reflected and were supported by a significant restructuring of major State taxes, including:

- A 21% reduction in State personal income tax rates phased in at 4.2% per year over the 2005 through 2009 tax years. See **FISCAL MATTERS – Recent and Current Finances – Recent Biennia – 2010-11 and 2012-13** for discussion of postponement of the final installment of this personal income tax reduction until the end of tax year 2010.

- Phased elimination of the State corporate franchise tax at a rate of approximately 20% per year over the 2006 through 2010 tax years (except for its continuing application to financial institutions and certain affiliates of insurance companies and financial institutions).
- Implementation of a new commercial activity tax (CAT) on gross receipts from doing business in Ohio phased in over the 2006 through 2010 fiscal years. The CAT is being levied at its fully phased-in rate of 0.26% on gross receipts in excess of \$1,000,000. (See **TAX LEVELS AND TAX BASES** for a discussion of the use of a portion of the CAT to make compensating payments to school districts and other taxing units in connection with the phase-out of the local tangible personal property tax.) The fully implemented CAT produces about \$1.45 billion annually with \$139 million of that amount attributable to its application to motor fuels. In September 2009, the Ohio Supreme Court ruled that food sales for off-premise consumption may be included in the CAT base. On December 7, 2012, the Ohio Supreme Court upheld the application of the CAT to gross receipts from the sales of motor fuels but ordered that the proceeds of the CAT derived from those gross receipts – currently estimated by OBM at approximately \$140 million annually -- could not in the future be applied to nonhighway purposes. Under provisions enacted in the biennial appropriations Act for the current biennium (see **FISCAL MATTERS – Recent and Current Finances – Current Biennium**), the State is phasing out the CAT on the sale of motor vehicle fuel and replacing it with a “motor fuel receipts tax” (MFRT), computed on the basis of gross motor fuel receipts received by in-State suppliers. In accordance with the Ohio Supreme Court’s ruling, MFRT receipts are required to be used for highway purposes.
- A 5.5% State sales and use tax (decreased from the 6.0% rate for the 2004-05 biennium).
- An increase in the cigarette tax from \$0.55 per pack (of 20 cigarettes) to \$1.25 per pack.

The Governor signed into law on June 5, 2006 legislation enacted by the General Assembly imposing a limitation on most GRF appropriations commencing with the 2008-09 biennium. This statutory limitation initially uses Fiscal Year 2007 GRF appropriations as a baseline (excluding appropriations for debt service, tax relief and refunds, and certain appropriations reflecting moneys received from the federal government) and then applies an annual growth factor equal to the greater of 3.5% or the sum of the inflation rates and rate of State population change. Every fourth fiscal year thereafter becomes a new base year. This legislation was enacted as an alternative to a proposed “tax and expenditure limitation” (TEL) amendment to the Ohio Constitution that was withdrawn from the November 2006 general election ballot. All GRF appropriations since have complied with this limitation.

The State ended Fiscal Year 2006 with a GRF cash balance of \$1.529 billion and a GRF fund balance of \$1.026 billion. Of that ending GRF fund balance, the State carried forward \$631.9 million to cover the expected and planned for variance of Fiscal Year 2007 GRF appropriations over estimated revenue, to offset the one-time cost of accelerating the phase-in of reductions in State personal income tax withholding rates, and to maintain the required 0.5% of Fiscal Year 2007 GRF revenue as an ending fund balance. The remaining approximately \$394 million was deposited into the BSF increasing its balance to \$1.012 billion (which includes \$40 million in receipts collected from a broad tax amnesty initiative and deposited in June 2006). The State ended Fiscal 2007 with a GRF cash balance of \$1.433 billion and a GRF fund balance of \$215.5 million.

### 2008-09

Ongoing and rigorous consideration was given by the Governor and the General Assembly to revenues and expenditures throughout Fiscal Years 2008-09, primarily as a result of the Ohio economy being negatively affected by the national economic downturn. Budgetary pressures during this period were primarily due to continuing lower than previously estimated levels of receipts from certain major revenue sources.

Consideration came in three general time frames – winter 2007, fall/winter 2008, and spring 2009. Significant measures were taken including use of the entire Budget Stabilization Fund (BSF) balance and expenditure reductions and spending controls on State agencies and departments.

Consistent with State law, the Governor’s Executive Budget for the 2008-09 biennium was released in March 2007 and introduced in the General Assembly. After extended hearings and review, the GRF appropriations Act for the biennium was passed by the General Assembly and signed (with selective vetoes) by the Governor on June 30, 2007. Reflecting the continued implementation of the restructuring of State taxes commenced in 2006-07, that Act was based upon then estimated total GRF biennial revenues of approximately \$53.5 billion (a 3.9% increase over the 2006-07 biennial revenue) and total GRF biennial appropriations of

approximately \$52.4 billion (a 2.1% increase over the 2006-07 biennial expenditures). Spending increases for major program categories over the 2006-07 actual expenditures were: 2.2% for Medicaid (the Act also included a number of Medicaid reform and cost containment initiatives); 13.2% for higher education; 5.2% for elementary and secondary education; 4.9% for corrections and youth services; and 4.7% for mental health and mental retardation. The Executive Budget, the GRF appropriations Act and the separate appropriations acts for the biennium included all necessary debt service and lease rental payments related to State obligations.

The original GRF expenditure authorizations for the 2008-09 biennium reflected and were supported by tax law changes contained in the Act, including:

- Restructuring nonresident tax exemption for Ohio motor vehicle purchases projected to produce approximately \$54.0 million for the biennium.
- Restoring local government fund support by committing a specified percentage of all tax revenues deposited into the GRF, with local governments to receive 3.7% of total GRF tax revenues annually and local libraries to receive 2.22% of total GRF tax revenues annually (see **FISCAL MATTERS – Recent and Current Finances – Recent Biennia - 2012-13** below for discussion of changes to these allocations).
- Eliminating the \$300 per month cigarette and tobacco product importation exemption projected to produce approximately \$25.0 million annually.

The GRF appropriations Act also created the Buckeye Tobacco Settlement Financing Authority to securitize tobacco settlement receipts payable to the State under the November 1998 national tobacco settlement. On October 29, 2007, the Authority issued \$5.53 billion of tobacco settlement asset-backed bonds to fund capital expenditures for higher education (\$938 million) and common school (\$4.112 billion) purposes over three years in lieu of the State issuing GRF-backed general obligation bonds to fund those capital expenditures. The resulting debt service savings to the GRF partially funded the expansion of the homestead exemption property tax relief program in the Act. The Act reprogrammed all prior General Assembly allocations of anticipated tobacco settlement receipts to enable the pledge of 100% of those receipts to the payment of debt service on the Authority's obligations. The State had previously enacted legislation allocating its anticipated share of those receipts through Fiscal Year 2012 and making a partial allocation thereafter through Fiscal Year 2025, with the largest allocations to elementary and secondary school capital expenditures, and with other amounts allocated for smoking cessation and health-related purposes, biomedical research and technology transfer, and assistance to the tobacco growing areas in the State.

*Winter 2007.* With the Ohio economy expected to be negatively affected by the national economic downturn, in January 2008 OBM reduced its original GRF revenue projections by \$172.6 million for Fiscal Year 2008 and \$385.1 million for Fiscal Year 2009. Based on those lower GRF revenue estimates and increased costs associated with rising Medicaid caseloads, OBM projected a budgetary shortfall for the 2008-09 biennium of \$733 million.

Executive and legislative actions taken in response to those OBM estimates, included:

- The Governor, on January 31, 2008, issued an executive order directing expenditure reductions and spending controls totaling approximately \$509 million (of which about \$402 million was realized) for the 2008-09 biennium, as well as limitations on major purchases, hiring and travel, based primarily on the transfers of unspent agency appropriations and the June 2008 action described below. Allocation of those reductions has been determined by the OBM Director in consultation with the affected agencies and departments, with annual expenditure reductions ranging up to 10%. An employee reduction plan was also announced aimed at reducing the State's workforce by up to 2,700 through selective elimination of positions, attrition, unfilled vacancies and an early retirement incentive program. Expressly excluded from the cutbacks are appropriations for or relating to debt service on State obligations, State higher education instructional support, foundation formula support for primary and secondary education, Medicaid entitlement programs, and ad valorem property tax relief payments.
- Transfer of unspent agency appropriations then expected to total \$120 million in Fiscal Year 2008 and \$78 million in Fiscal Year 2009.
- Authorizing expansion of the State-run lottery system to include "keno" games then projected to generate \$65 million in Fiscal Year 2009 of which approximately \$25 million was realized.

In June 2008, the General Assembly also passed legislation that provided for, among other things, transfers to the GRF (after a selective line-item veto) of up to \$63.3 million from the BSF for the State's share of increased Medicaid costs, \$55 million from rotary funds and \$25 million in uncommitted interest earnings from proceeds of the State's Tobacco Settlement Asset-Backed Bonds.

*Fall/Winter 2008.* With the Ohio economy continuing to be negatively affected by the national economic downturn, OBM on September 10, 2008 announced a \$540 million further reduction in its GRF revenue projections for Fiscal Year 2009 and a projected Fiscal Year budgetary shortfall of the same amount. Executive actions announced to offset the projected shortfall included:

- Use of additional planned Fiscal Year-end lapses and GRF carry forward totaling \$126.4 million.
- Use of balances in various non-GRF "rotary funds" totaling \$112 million.
- Transfer to the GRF an additional \$40 million of interest earnings on the proceeds of the tobacco securitization referred to above.
- As authorized by June 2008 legislation referred to above, a transfer to the GRF of \$63.3 million to pay for previously authorized Medicaid cost expenditures.

The \$198.3 million remainder of the projected shortfall was offset by a 4.75% reduction in most agency appropriations, which did not apply to appropriations for debt service or tax relief, Medicaid and disability financial assistance, Department of Education aid to local school districts, the Departments of Rehabilitation and Corrections and Youth Services and selected others.

On December 1, 2008, OBM announced a further \$640.4 million reduction in GRF revenue projections for Fiscal Year 2009 expected to result in a projected Fiscal Year shortfall of the same amount. Executive actions announced to offset much of that projected shortfall included:

- Reducing total GRF Medicaid spending by \$311.1 million by using cash from non-GRF Medicaid accounts and the corresponding federal share previously planned for use in Fiscal Year 2010.
- Reducing total Medicaid program spending by \$21.3 million by enhanced focus on use of other third party liability sources and other program savings exceeding original estimates.
- Reducing other GRF expenditures by \$180.5 million through a further 5.75% reduction in most agency appropriations, which did not apply to appropriations for debt service or tax relief, Medicaid and disability financial assistance, Department of Education aid to local school districts, the Departments of Rehabilitation and Corrections and Youth Services among others. These reductions were in addition to the approximately \$1.27 billion of 2008-09 biennium budget adjustments previously undertaken.

The \$131.9 million remainder of the shortfall was offset by additional Federal Medical Assistance Payments (FMAP) received under the American Recovery and Reinvestment Act of 2009 (ARRA), which increased federal Medicaid match to the GRF by that amount (after taking into account loss of federal match from the two Medicaid related actions outlined above). Based on these expenditure reductions, spending controls and other measures – and before the revised revenue estimates referred to below – OBM was projecting a positive GRF fund balance at June 30, 2009.

*Spring 2009.* Based on the Administration's continuing monitoring of revenues, and as an anticipated step in the then ongoing 2010-11 biennial budget and appropriations process, OBM reported revised revenue estimates to the General Assembly on June 11, 2009. Those estimates revised Fiscal Year 2009 revenues downward by an additional \$912 million over OBM's December 2008 adjusted baseline, based primarily on updated income and sales tax receipts through May 31. To address this additional Fiscal Year 2009 revenue shortfall, the Governor received General Assembly approval for and used the entire remaining BSF balance of \$949 million for Fiscal Year 2009. Additional measures taken to address this shortfall included the restructuring of \$52.8 million of Fiscal Year 2009 general revenue fund debt service into Fiscal Years 2012 through 2021 and expenditure reductions of \$98 million in addition to the expenditure controls ordered by the Governor on April 22.

The State ended Fiscal Year 2009 with GRF cash and fund balances of \$734.5 million and \$389.1 million respectively, and a \$-0- balance in the BSF. Of the ending GRF fund balance, \$133.4 million represents the one-half of one percent of Fiscal Year 2009 GRF revenues the State is required to maintain as an ending fund balance.

## 2010-11

Rigorous consideration was given by the General Assembly to the Governor's Executive Budget proposed for the 2010-11 biennium in light of the difficult economic and fiscal conditions resulting from the national recession. The final GRF appropriations Act for the 2010-11 biennium, which was preceded by three seven-day interim appropriations acts, was passed by the General Assembly and signed (with selective vetoes) by the Governor on July 17, 2009. All necessary debt service and lease-rental payments related to State obligations for the entire 2010-11 biennium were fully appropriated for the three-week interim appropriations period and under that final Act. Reflecting the final implementation of the restructuring of State taxes commenced in 2006-07 and a conservative underlying economic forecast, that Act provided for total GRF biennial appropriations of approximately \$50.5 billion (a 3.8% decrease from 2008-09 biennial expenditures) and total GRF biennial revenue of approximately \$51.1 billion (a 4.2% decrease from 2008-09 biennial revenues). GRF appropriations for major program categories compared to 2008-09 actual GRF spending reflected increases of 3.4% for Medicaid (excluding ARRA funding referred to below) and 0.7% for corrections and youth services; and decreases of 13.8% for mental health and developmental disabilities, 8.3% for higher education, and 5.15% for elementary and secondary education. Among other expenditure controls, the act included a number of Medicaid reform and cost containment initiatives and also included the restructuring of \$736 million of Fiscal Years 2010 and 2011 general revenue fund debt service into Fiscal Years 2012 through 2025.

Major new sources of revenues or savings reflected in the 2010-11 appropriations act included:

- \$2.4 billion of "Federal Stimulus" funding received under the ARRA, including \$1.464 billion for elementary and secondary education, \$628 million for Federal Medical Assistance Payments (FMAP), and \$326 million for other purposes.
- \$933 million in gaming and license revenues from the Ohio Lottery Commission's implementation of video lottery terminals (VLTs) at the seven horse racing tracks in the State. OBM estimated the VLTs would result in an approximate \$851 million net increase in revenues for the biennium (\$285 million in Fiscal Year 2010 and \$566 million in Fiscal Year 2011) after taking into account offsetting effects of the VLTs on other lottery revenues. On September 21, 2009, the Ohio Supreme Court ruled that the statutory provisions in the biennial appropriations Act for the implementation of VLTs were subject to voter referendum and granted petitioners in that case until December 20, 2009 to submit referendum petitions with the required number of signatures. The Ohio Secretary of State on March 26, 2010 confirmed those petitions contained a sufficient number of valid signatures to place the referendum on the November 2, 2010 ballot, but on July 1, 2010 the committee for the petitioners withdrew the referendum from the ballot.
- \$259 million from the Ohio Tobacco Use Prevention and Control Foundation Endowment Fund (TUPAC) to be deposited into a special State fund (non-GRF) and then intended to be used for various health care initiatives. On August 11, 2009, a trial court ordered these monies must remain in that endowment fund and be used for the purpose of reducing tobacco use. The State immediately appealed this trial court ruling and on December 31, 2009, the court of appeals ruled in favor of the State and reversed the trial court's order. The Ohio Supreme Court on December 22, 2010, affirmed the court of appeals decision in favor of the State.
- \$1.036 billion of "one-time" revenues or savings (\$640 million in Fiscal Year 2010 and \$396 million in Fiscal Year 2011), including \$364 million from the spend-down of carry-forward balances (that required temporary suspension of the one-half of one percent ending fund balance requirement for the 2010-11 biennium), \$250 million transferred from a cash account at the Ohio School Facilities Commission funds, \$272 million savings from subjecting State employees to a two-week unpaid "furlough" during each year of the biennium, \$84 million from a reduction in State funding to public libraries, and \$65 million from the transfer to the GRF of interest on the proceeds of the State's 2007 tobacco securitization.
- \$530 million from transfers to the GRF of unclaimed funds and from other non-GRF funds.

In September 2010 the State also received from the federal government an award of \$518.6 million of enhanced Federal Medical Assistance Payments funding ("eFMAP"), and \$361.2 million of funding was also received by Ohio school districts for teacher salaries and personnel costs for primary and secondary education ("Ed Jobs").

In response to the above-referenced September 21, 2009 decision of the Ohio Supreme Court declaring the VLT provisions in the biennial appropriations Act subject to referendum, the Governor proposed for General Assembly consideration postponing for two years the final installment of the personal income tax reduction then scheduled to take effect in tax year 2009 (for returns filed in 2010). After extended hearings and review, the General Assembly approved, and the Governor signed into law on December 22, 2009, legislation keeping personal income tax rates at 2008 levels through tax year 2010 (see **FISCAL MATTERS – Recent and Current Finances – Recent Biennia - 2012-13** for discussion of implementation of the final phase of that personal income tax reduction).

The appropriations act for the 2010-2011 biennium created a six-member legislative Budget Planning and Management Commission (BPMC) to “study and make recommendations that are designed to provide relief to the State during the current difficult fiscal and economic period”. The BPMC commenced meeting in June 2010, heard testimony, received suggestions and released two reports – one from its three Republican members dated November 30, 2010 and one from its three Democratic members dated December 8, 2010. Both reports contained estimates of “non-recurring” revenues reflected in the 2010-11 budget as enacted ranging from \$4.887 billion in the GRF to \$8.339 billion for all GRF and non-GRF funds. These estimates included the effect of the postponement of the final installment of the personal income tax reduction.

The State ended Fiscal Year 2011 with GRF cash and fund balances of \$844.5 million and \$430.7 million, respectively. Of that ending GRF fund balance, the State reserved \$138.8 million in the GRF reflecting the one-half of one percent of Fiscal Year 2011 GRF revenues the State is required to maintain as an ending fund balance and transferred \$45.0 million into disaster services/emergency funds. The remaining \$246.9 million was deposited into the BSF. These ending balances reflect the use of approximately \$680 million in Fiscal Year 2011 GRF revenue to make payments for Medicaid managed care, the State’s share of instruction for higher education, payroll and other commitments that were previously scheduled to be deferred into Fiscal Year 2012.

### 2012-13

Consistent with State law, the Governor’s Executive Budget for the 2012-13 biennium was released in March 2011 and introduced in the General Assembly. After extended hearings and review, the 2012-13 biennial appropriations Act was passed by the General Assembly and signed (with selective vetoes) by the Governor on June 30, 2011. To address the use of non-recurring funding sources in the prior 2010-11 biennium including amounts received under ARRA, the Act included targeted spending cuts across most State agencies and major new Medicaid reform and cost containment measures. Reflecting the tax law changes described below and a conservative underlying economic forecast, that Act provided for total GRF biennial appropriations of approximately \$55.78 billion (an 11% increase from the 2010-11 GRF biennial expenditures) and total GRF biennial revenue of approximately \$56.07 billion (a 6% increase from 2010-11 GRF biennial revenues). GRF appropriations for major program categories compared to 2010-11 actual GRF spending reflected increases of 30% for Medicaid (increase due in part to absence of ARRA funding in the 2012-13 biennium) and 3% for elementary and secondary education; decreases of 9% for higher education and 8% for mental health and developmental disabilities; and flat funding for corrections and youth services. That Act also reflected the restructuring of \$440 million of Fiscal Year 2012 general revenue fund debt service into Fiscal Years 2013 through 2025, approximately three-quarters of which was accomplished by the July 2011 issuance by Ohio Public Facilities Commission of \$488.8 million in refunding bonds, with the remainder accomplished by the September 2011 issuance by the Ohio Building Authority of \$149.3 million in refunding bonds.

The Executive Budget, the GRF appropriations Act and the separate appropriations acts for the biennium included all necessary debt service and lease rental payments related to State obligations (after the restructuring of Fiscal Year 2012 GRF debt service payments).

Major new sources of revenues or expenditure savings reflected in the 2012-13 appropriations Act included:

- Transfer of the State’s spirituous liquor system to JobsOhio. On February 1, 2013, the State granted a 25-year franchise on its spirituous liquor system to JobsOhio Beverage System, a nonprofit corporation the sole member of which is JobsOhio, which is itself a nonprofit corporation created to promote economic development, job creation and retention, job training and the recruitment of business to the State. In exchange for the franchise, the State received a payment of \$1.464 billion, \$500 million of which was deposited in the GRF, \$863.5 million was used to make provision for payment of all debt service on the outstanding State bonds referred to under **STATE DEBT – General – Prior Economic**

*Development and Revitalization Obligations*, and \$100 million will be used to fund certain revitalization projects. With that transfer, the State is forgoing deposits to the GRF from net liquor profits (those deposits totaled \$153.0 million in Fiscal Year 2011, \$92.5 million in Fiscal Year 2012 and \$88.0 million in Fiscal Year 2013 through the February 1 granting of the franchise to JobsOhio Beverage System). Litigation filed on April 18, 2011, in the Ohio Supreme Court challenged, under various provisions of the Ohio Constitution, certain aspects of both JobsOhio and the General Assembly's February 2011 law that authorized its creation. Specifically, plaintiffs contested provisions in that law requiring that any challenges to it or to the creation of JobsOhio be filed in the Ohio Supreme Court within sixty days after that law took effect. Plaintiffs also claimed that law is an improper special act conferring corporate powers, that the Governor could not serve on the JobsOhio board of directors, that the provisions for dissolution of JobsOhio violate limitations in the Ohio Constitution on State appropriations and assumption of corporate debt, and that the law created a joint venture under which the State is lending its aid and credit. On August 19, 2011, the Court dismissed the case for lack of subject matter jurisdiction. The 2012-13 Appropriations Act also amended the February 2011 law to remove the Governor from the JobsOhio board of directors, require JobsOhio to comply with Ohio's nonprofit corporation law unless specifically exempted from a provision, and eliminate the exclusive original jurisdiction in the Ohio Supreme Court and relax the deadlines for filing claims. On August 30, 2011, the plaintiffs filed a complaint in the Court of Common Pleas of Franklin County, Ohio, raising those same claims. In December 2011, the trial court dismissed the suit for lack of standing, and in June 2012, the Ohio Tenth District Court of Appeals affirmed the lower court's decision. In July 2012, the plaintiffs requested that the Ohio Supreme Court review the Court of Appeals decision, and on January 23, 2013, the Ohio Supreme Court announced that it would hear the plaintiffs' appeal solely on the question of standing. Additionally, in August 2012, JobsOhio filed a separate action directly in the Ohio Supreme Court, asking the Court to issue a writ of mandamus approving the transfer of the liquor enterprise, but the Supreme Court dismissed the action for lack of jurisdiction. Thus, the only JobsOhio litigation matter currently pending is the plaintiffs' appeal to the Ohio Supreme Court of the Tenth District Court of Appeals June 14, 2012, decision on standing. All briefs have now been filed by the parties in that appeal and the Supreme Court has scheduled oral argument in that case for November 6, 2013.

- Sale of five State-owned prison facilities to private operators expected to result in a net payment to the GRF of \$75 million. A case filed on August 25, 2011 in the Court of Common Pleas of Franklin County, Ohio, challenged the authorization in the 2012-13 appropriations Act to sell these prison facilities. Specifically, this litigation alleged that the provisions in that Act authorizing the sale of these prisons, as well as that entire Act, were enacted in violation of the "one subject rule" of the Ohio Constitution, that the sale of the prisons would create a joinder of private and public property interests violating the constitutional prohibition against the State entering into a joint venture, and that they violate the constitutional right to referendum on certain laws. On August 31, 2011 the Court rendered a non-appealable decision denying a temporary restraining order requested by the plaintiffs. In that August 31, 2011 decision, the Court found that the provisions of the appropriations Act authorizing the sale of the prisons were not in violation of the one subject rule, did not violate the prohibition against the State entering into a joint venture, and do not fit within the exceptions to the right to referendum. The State announced on September 1, 2011 that, based on the proposals it received for five prisons, it opted to sell only one of those facilities and that this would accomplish most of the desired financial result for the 2012-13 biennium. On December 21, 2011, the plaintiffs voluntarily dismissed their case without prejudice, and on July 9, 2012, the original and additional plaintiffs filed a new case in the Court of Common Pleas of Franklin County again raising the one subject rule and joinder of private and public property claims contained in the original case, but adding a claim for reinstatement and back pay of Department of Corrections employees affected by the prison sales. On November 20, 2012, the trial court granted defendants' motions to dismiss and ruled that plaintiffs failed to state a claim for which relief can be granted. On December 18, 2012, plaintiffs filed an appeal in the Tenth District Court of Appeals. Oral arguments took place on May 30, 2013, and the parties are awaiting a decision from the Court.
- Reduction of local government fund allocations by \$111 million in Fiscal Year 2012 and \$340 million in Fiscal Year 2013. Beginning in Fiscal Year 2014, allocations are made by committing a set percent of annual tax revenues deposited into the GRF (beginning with Fiscal Year 2013 GRF tax revenues).

- Reduction of public library fund allocations to 95% of Fiscal Year 2011 levels resulting in expenditure reductions of \$52.3 million in Fiscal Year 2012 and \$102.8 million in Fiscal Year 2013. Beginning in Fiscal Year 2014, allocations to public libraries are made by committing a set percent of annual tax revenues deposited into the GRF (beginning with Fiscal Year 2013 GRF tax revenues).
- Accelerated phase-out of reimbursement payments to local governments and school districts in connection with the elimination of the tangible personal property tax resulting in an increased share (estimated at \$293.5 million in Fiscal Year 2012 and \$597.7 million in Fiscal Year 2013) of the Commercial Activity Tax being deposited into the GRF (see **TAX LEVELS AND TAX BASES – Property Tax**).
- Accelerated phase-out of reimbursement payments to local governments and school districts for electric power generation deregulation and natural gas deregulation resulting in a larger share (estimated at \$141.6 million in Fiscal Year 2012 and \$147.4 million in Fiscal Year 2013) of the kilowatt-hour tax and the entire (approximately \$66.0 million in Fiscal Year 2012 and \$66.0 million in Fiscal Year 2013) natural gas consumption tax being reallocated to the GRF.
- \$235 million from transfers to the GRF of unclaimed funds and from other non-GRF funds and \$12 million from a tax amnesty program.

The 2012-13 appropriations Act also reflected the following tax law changes:

- Implementation of the previously postponed final 4.2% annual decrease in State personal income tax rates (see **FISCAL MATTERS – Recent and Current Finances – Recent Biennia – 2010-11**).
- Eliminated the estate tax beginning January 1, 2013, currently levied at a rate of 6% on estates over \$338,333 and 7% on estates over \$500,000. In Fiscal Year 2010, estate tax collections totaled \$285.8 million of which \$230.8 million was distributed to the local government jurisdictions from which it was collected and with \$55.0 million retained by the State and deposited into the GRF.
- Established the InvestOhio income tax credit program under which investors in small businesses based in Ohio who hold their investments for at least two years may receive 10% income tax credits limited to a maximum of \$10 million per investor per biennium with no more than \$100 million of those credits to be issued over two years.

The 2012-13 biennial appropriations Act created a Medicaid reserve fund and authorized the OBM Director to transfer up to \$130 million from the GRF, if necessary, to provide for the payment of Medicaid costs above the enacted level of appropriations. That Act also created a \$104 million Unemployment Compensation Contingency Fund to pay interest on federal advances to the State Unemployment Compensation Fund, \$70.7 million of which was used to make the interest payment due in September 2011, with the remaining amount applied to the September 2012 interest payment of \$65.8 million. The September 2012 interest payment was also funded by a \$25 million GRF supplemental appropriation and a contribution from the State's Unemployment Compensation administration fund. The Act also made changes to State construction bidding procedures and includes additional authorizations for joint purchasing by and cooperation among local governments, all designed to create opportunities for cost savings.

Separate legislation passed by the General Assembly and signed by the Governor on June 29, 2011, is expected to reduce the State prison population by, among other changes, directing some low-level offenders to community-based programs.

On March 14, 2012, the Governor announced a series of policy proposals resulting from a "mid-biennium review" (MBR), with a stated focus on job creation as a priority. The Governor's MBR included proposals for General Assembly consideration in the areas of: *energy* (including shale oil and gas production opportunities in the Marcellus and Utica fields in the State, and modernizing the State's oil and gas severance tax; electric generation and transmission; coal; cogeneration, alternative fuels and renewables; energy efficiency; and regulatory reform); *personal income tax reduction* (proposing that any new revenue from shale oil and gas production and the MBR proposal to modernize the State's oil and gas severance tax system will be deposited into an income tax reduction fund and be used to reduce personal income tax rates by a commensurate amount); *bank and financial institutions tax reform* (to modernize Ohio's taxes on banks and financial institutions by replacing the corporate franchise and dealers in intangibles tax with a new financial institutions tax that more accurately reflects modern banking practices, closes loopholes and reduces the overall tax burden on most banks



but is revenue neutral to the State); *education* (including proposals for strengthening Ohio’s “third grade reading guarantee”, career education, a new school performance measuring system, expansion of digital and online learning, flexibility for teacher evaluations, new standards for dropout recovery schools, assessments of all publicly funded early childhood programs, and supporting adoption of a school reform plan for the City of Cleveland schools); *workforce development* (creating job opportunities for the developmentally disabled; an improved workforce development program; allowing those undergoing training with an employer to continue collecting unemployment benefits; linking energy companies with trained workers; and matching skilled veterans to the most in demand jobs); and achieving more *management efficiency* with associated State and local government budgetary savings (including replacing the separate Offices of the State Architect and Engineer and the Office of Energy Services with an Ohio Facilities Construction Commission (OFCC) to administer the design and construction of state public facilities, with the Ohio School Facilities Commission retained as an independent agency within the OFCC and sharing employees and facilities). Those MBR proposals were considered by the General Assembly commencing in March in twelve separate pieces of legislation, and the General Assembly in May and June passed seven pieces of legislation addressing the subjects of energy (not including the MBR proposed changes to the State’s oil and gas severance tax), tax reform (not including the MBR personal income tax reduction proposal), education, workforce development, and management efficiency for both state and local governments.

As further implementation of the MBR, the General Assembly enacted and the Governor signed into law on December 20, 2012, a new financial institutions tax that will first apply to tax year 2014. This new tax will apply to many companies that are currently subject to Ohio’s corporate franchise tax (primarily banks and other corporations classified as financial institutions) and also generally subjects “dealers in intangibles” (e.g., mortgage brokers, stockbrokers, finance and loan companies that are not classified as financial institutions) to the commercial activity tax. This new financial institutions tax will replace the current corporate franchise tax on financial institutions and the current dealers in intangibles tax. The proceeds of those current taxes are, and the proceeds from the new financial institutions tax will be, deposited in the GRF. Based on revenue targets and mechanisms established in this legislation, OBM projects the effect of these tax changes to be revenue neutral to the GRF.

The State ended Fiscal Year 2013 with GRF cash and fund balances of \$2.64 billion and \$2.28 billion, respectively. Of that ending GRF fund balance, the State deposited \$995.9 million into the Budget Stabilization Fund (BSF) increasing its balance to \$1.48 billion which is the statutory designated five percent of Fiscal Year 2013 GRF revenues; carried forward \$963.2 million to offset the one-time cost of accelerating the phase-in of reductions in State personal income tax withholding rates (see **FISCAL MATTERS – Recent and Current Finances - Current Biennium**), and transferred \$120 million into the Unemployment Compensation Contingency Fund to pay interest on federal advances to the State Unemployment Compensation Fund and \$51.3 million into disaster services/emergency funds. The remaining \$147.8 million was reserved in the GRF reflecting the one-half of one percent of Fiscal Year 2013 GRF revenues the State is required to maintain as an ending fund balance.

### **Current Biennium (2014-15)**

Consistent with State law, the Governor’s Executive Budget for the 2014-15 biennium was released in February 2013 and introduced in the General Assembly. After extended hearings and review, the 2014-15 biennial appropriations Act was passed by the General Assembly and signed (with selective vetoes) by the Governor on June 30, 2013. Reflecting a stated focus on job creation and continued spending restraint, and based on a conservative economic forecast, that Act provides for total GRF biennial appropriations of approximately \$62.0 billion (a 15.1% increase from the 2012-13 GRF biennial expenditures) and total GRF biennial revenue (not including \$963.2 million carry-forward from the 2012-13 biennium) of approximately \$61.1 billion (a 7.7% increase from 2012-13 GRF biennial revenues). GRF appropriations for major program categories compared to 2012-13 actual GRF spending reflect increases of 22.1% for Medicaid, 8.9% for elementary and secondary education and 5.3% for higher education; 5.1% for mental health and developmental disabilities (due in part to merger of the Departments of Mental Health and Alcohol and Drug Addiction Services); and 2.1% for corrections and youth services. The Act also implemented a new school funding formula (see **SCHOOLS AND MUNICIPALITIES – Schools**) and allocates a portion of State public higher education funding to institutions based on their graduation rates. The Act also moved the administration of cultural facilities projects from the Ohio Cultural Facilities Commission into the Ohio Facilities Construction Commission to achieve efficiencies and budgetary savings.

The Executive Budget, the GRF appropriations Act and the separate appropriations acts for the biennium included all necessary debt service and lease rental payments related to State obligations.

The biennial appropriations Act also reflects the following tax reductions and related adjustments of major State taxes (primarily the personal income and sales and use taxes), resulting in an estimated net reduction in GRF revenues of \$1.16 billion in Fiscal Year 2014 and \$771 million in Fiscal Year 2015, including:

- A 10% reduction in State personal income tax rates phased-in over three years (8.5% in calendar year 2013, 0.5% in calendar year 2014, and 1.0% in calendar year 2015), coupled with a freeze on the indexing of the State income tax brackets and the personal exemption for tax years 2013 through 2015 until these rate reductions are fully implemented.
- Creation of an earned income tax credit equal to 5 percent of the federal earned income credit that is limited to 50% of liability for gross income that exceeds \$20,000.
- A new deduction for small business income of 50% of annual adjusted gross income up to \$250,000.
- Elimination of the \$20 personal income tax exemption for filers with a gross income greater than \$30,000 and the gambling loss deduction.
- An increase in the State sales and use tax by one-quarter percent (from 5.5% to 5.75%) beginning September 1, 2013.
- Authorization of full membership for the State in the streamlined sales tax project for the collection of State sales taxes on out-of-state companies for catalog and internet purchases.
- Expansion of the State sales tax base to include digital goods such as e-books, music and video downloads and repeal of the exemption for magazine purchases.
- Elimination of the 12.5% property tax roll back for owner-occupied residential property for new voter-approved local property tax levies.
- Reinstating income requirements for eligibility for new applicants for the State's homestead tax exemption (this exemption was expanded in 2007 to include all senior citizens and disabled Ohioans regardless of income).
- Establishing a variable minimum for the commercial activity tax for businesses with gross receipts greater than \$1 million and an exemption from the CAT for grain handlers.

OBM is currently projecting a positive GRF fund balance at the end of Fiscal Year 2014. As discussed above, the State is effectively precluded by its Constitution from ending a Fiscal Year or a biennium in a "deficit" position. OBM continually monitors and analyzes revenues and expenditures and related developments (including pending litigation) and prepares at the end of each month a financial report, the most recent of which is accessible via OBM's home page at <http://obm.ohio.gov/MiscPages/MonthlyFinancialReports/> with copies also available upon request to OBM.

### **Cash Flow**

Because GRF cash receipts and disbursements do not precisely coincide, temporary GRF cash flow deficiencies often occur in some months, particularly the middle months, of a Fiscal Year. Statutory provisions provide for effective management by permitting the adjustment of payment schedules (as was done during some prior Fiscal Years) and the use of the Total Operating Fund (TOF). The State has not done and does not do external revenue anticipation borrowing.

The TOF includes the total consolidated cash balances, revenues, disbursements and transfers of the GRF and several other specified funds (including the BSF). The TOF cash balances are consolidated only for the purpose of meeting cash flow requirements, and, except for the GRF, a positive cash balance must be maintained for each discrete fund included in the TOF. The GRF is permitted to incur a temporary cash deficiency by drawing upon the available consolidated cash balance in the TOF. The amount of that permitted GRF cash deficiency at any time is limited by statute to 10% of GRF revenues for the then preceding Fiscal Year.

The State plans for and manages monthly GRF cash flow deficiencies within each Fiscal Year. GRF cash flow deficiencies have been within the TOF limitations discussed above.

## STATE DEBT

### General

The incurrence or assumption of debt by the State without a popular vote is, with limited exceptions, prohibited by the State Constitution. The State may incur debt to cover casual deficits or to address failures in revenues or to meet expenses not otherwise provided for, but limited in amount to \$750,000. The Constitution expressly precludes the State from assuming the debts of any county, city, town or township, or of any corporation. (An exception in both cases is for debts incurred to repel invasion, suppress insurrection, or defend the State in war.) The Constitution provides that “Except the debts above specified . . . no debt whatever shall hereafter be created by, or on behalf of the state.”

By 19 constitutional amendments approved from 1921 to present, Ohio voters have authorized the incurrence of State general obligation (GO) debt and the pledge of taxes or excises to its payment, all related to the financing of capital facilities, except for four that funded bonuses for veterans, one that funded coal technology research and development, and one for research and development activities. Currently, tax supported general obligation debt of the State is authorized to be incurred for the following purposes: highways, local infrastructure, coal development, natural resources, higher education, common schools, conservation, research and development, site development and veterans compensation. Although supported by the general obligation pledge, highway debt is also backed by a pledge of and has always been paid from the State’s motor fuel taxes and other highway user receipts that are constitutionally restricted in use to highway related purposes.

State special obligation debt, the owners or holders of which are not given the right to have excises or taxes levied by the General Assembly to pay principal and interest, is authorized for purposes specified by Section 2i of Article VIII of the Constitution. Debt service payments are subject to biennial appropriations by the General Assembly pursuant to leases or agreements entered into by the State.

The Treasurer of State (Treasurer) currently issues the special obligations authorized under that Section 2i for parks and recreation and mental health facilities, and for facilities to house branches and agencies of State government and their functions, including: State office buildings and facilities for the Department of Administrative Services (DAS) and others, the Department of Public Safety (DPS) and the Bureau of Workers’ Compensation (BWC); correctional and juvenile detention facilities for the Departments of Rehabilitation and Correction (DRC) and Youth Services (DYS), and various cultural facilities. Debt service on all these special obligations is paid from GRF appropriations, with the exception of debt issued for DPS facilities (paid from highway user receipts) and for BWC facilities (paid from the BWC Administrative Cost Fund).

*Federal Highway Grant Anticipation Revenue (GARVEE) Bonds.* In addition to its issuance of highway bonds, the State has financed selected highway infrastructure projects by issuing bonds and entering into agreements that call for debt service payments to be made from federal transportation funds allocated to the State, subject to biennial appropriations by the General Assembly. The highest annual State payment under those agreements in the current or any future fiscal year is \$177.4 million in Fiscal Year 2014. In the event of any insufficiency in the anticipated federal allocations to make payments on State bonds, the payments are to be made from any lawfully available moneys appropriated to ODOT for the purpose.

*Certificates of Participation (COPs).* State agencies also have participated in buildings and equipment, information systems and non-highway transportation projects that have local as well as State use and benefit, in connection with which the State has entered into lease-purchase agreements with terms ranging from 7 to 20 years. Certificates of Participation (COPs) have been issued in connection with those agreements that represent fractionalized interests in and are payable from the State’s anticipated lease payments. The maximum annual payment from GRF appropriations under those existing agreements is \$35.6 million in Fiscal Year 2014 and the total GRF-supported principal amount outstanding is \$194.5 million. Payments by the State are subject to biennial appropriations by the General Assembly with the lease terms subject to renewal if appropriations are made. The approval of the OBM Director and either the General Assembly or the state controlling board is required if COPs are to be publicly-offered in connection with those agreements.

*Revenue Bonds.* Certain State agencies issue revenue bonds that are payable from revenues from or relating to revenue producing facilities, such as those issued by the Ohio Turnpike Commission. By judicial interpretation, such revenue bonds do not constitute “debt” under the constitutional provisions described above. The Constitution authorizes State bonds for certain housing purposes (issued by the Ohio Housing Finance

Agency) to which tax moneys may not be obligated or pledged. See the discussion of expanded housing finance authority, and permitted pledges to it, below under **Additional Authorizations**.

*Tax Credits in Support of Other Long Term Obligations.* The State has authorized the issuance of fully refundable tax credits in support of “credit-collateralized bonds” issued from time to time by the Columbus-Franklin County Finance Authority to provide funding for the Ohio Capital Fund (OCF) to promote venture capital investment in Ohio and any additional bonds that may be issued to refinance those outstanding bonds or provide additional funding for that purpose. Those tax credits may be claimed by the bond trustee for the purpose of restoring the bond reserve fund for those credit-collateralized bonds in the event it is drawn upon and not restored from other sources. Those credits may not be claimed after June 30, 2036, and the maximum amount of tax credits that may be claimed is \$20 million in any fiscal year and \$380 million in total. Proceeds of the OCF bonds fund investments in venture capital funds to promote investment in seed and early-stage Ohio-based business enterprises.

*Prior Economic Development and Revitalization Obligations.* Prior to the February 1, 2013 granting of a 25-year franchise on the State’s spirituous liquor system to JobsOhio, there were outstanding \$725.0 million of State bonds and notes secured by a pledge of the State’s profits from the sale of spirituous liquor. In connection with the granting of that franchise, provision was made for the payment of all the debt service on those bonds and notes which are defeased and no longer outstanding obligations of the State under the terms of the trust indentures under which they were issued (see **FISCAL MATTERS – Recent and Current Finances – Recent Biennia - 2012-13**). Those bonds and notes were originally issued to fund a statewide economic development program that assisted in the financing of facilities and equipment for industry, commerce, research and distribution, including technology innovation, by providing loans and loan guarantees. Under its franchise agreement with JobsOhio, the State may not issue additional obligations secured by a pledge of profits from the sale of spirituous liquor during the 25-year term of that franchise.

**(THIS SPACE INTENTIONALLY LEFT BLANK)**

### Variable Rate Debt and Interest Rate Swaps

The State currently has \$604,360,000 in outstanding general obligation variable rate debt as follows with liquidity provided by the State for all of these issues:

<u>Dated Date</u>	<u>Outstanding</u>	<u>Purpose</u>	<u>Series</u>	<u>Rate Period</u>	<u>Final Maturity</u>
11/29/01	\$63,900,000	Infrastructure	2001B	Weekly	8/1/2021
2/26/03	90,145,000	Infrastructure	2003B	Weekly	8/1/2017
3/20/03	55,200,000	Infrastructure	2003D	Weekly	2/1/2019
12/15/03	67,000,000	Common Schools	2003D	Weekly	3/15/2024
3/3/04	54,555,000	Infrastructure	2004A	Weekly	2/1/2023
4/1/05	131,100,000	Common Schools	2005A/B	Weekly	3/15/2025
6/7/06	142,460,000	Common Schools	2006B/C	Weekly	6/15/2026

As part of its debt management, the State is also party to the following interest rate swap agreements with a total notional amount of \$459,015,000:

<u>Type</u>	<u>Outstanding Notional Amount</u>	<u>Related Bond Series</u>	<u>State Pays</u>	<u>State Receives</u>	<u>Effective Date</u>	<u>Termination Date</u>
Floating-to-Fixed	\$63,900,000	Infrastructure 2001B	4.630%	SIFMA <sup>1</sup>	11/29/2001	8/1/2021
Floating-to-Fixed	67,000,000	Common Schools 2003D	3.414%	LIBOR <sup>2</sup>	9/14/2007	3/15/2024
Floating-to-Fixed	54,555,000	Infrastructure 2004A	3.510%	LIBOR <sup>2</sup>	3/3/2004	2/1/2023
Floating-to-Fixed	131,100,000	Common Schools 2005A/B	3.750%	LIBOR <sup>2,3</sup>	3/15/2007	3/15/2025
Floating-to-Fixed	142,460,000	Common Schools 2006B/C	3.202%	LIBOR <sup>2</sup>	6/15/2006	6/15/2026

<sup>1</sup> Securities Industry and Financial Markets Association (SIFMA) weekly variable rate index.

<sup>2</sup> Variable interest rate based on a percentage of one-month London Inter-Bank Offered Rate (LIBOR) plus a fixed increment.

<sup>3</sup> Variable interest rate based on 62% of 10-year LIBOR beginning September 15, 2014.

For all its swap agreements, the State has established minimum uncollateralized counterparty rating thresholds of AA-/Aa3. Under each of these agreements, the counterparty is required to progressively post collateral securing the State's position if the counterparty's credit ratings fall below these minimum thresholds.

### Constitutional Limitation on Annual Debt Service

A 1999 constitutional amendment provides an annual debt service "cap" applicable to most future issuances of State general obligations and other State direct obligations payable from the GRF or net State lottery proceeds. Generally, new obligations may not be issued if debt service for any future Fiscal Year on those new and the then outstanding bonds of those categories would exceed 5% of the total of estimated GRF revenues (excluding GRF receipts from the American Recovery and Reinvestment Act of 2009) plus net State lottery proceeds for the Fiscal Year of issuance. Those direct obligations of the State include general obligation and special obligation bonds that are paid from the State's GRF, but exclude (i) general obligation debt for third frontier research and development, development of sites and facilities, and veterans compensation, and (ii) general obligation debt payable from non-GRF funds (such as highway bonds that are paid from highway user receipts). Pursuant to the implementing legislation, the Governor has designated the OBM Director as the State official responsible for making the 5% determinations and certifications. Application of the 5% cap may be waived in a particular instance by a three-fifths vote of each house of the Ohio General Assembly and may be changed by future constitutional amendments.

The following table presents a current summary of State debt obligations. The General Assembly has appropriated sufficient moneys to meet debt service requirements for the current biennium (ending June 30, 2015) on all of the obligations included in this and the accompanying tables.

	<b>Authorized by General Assembly(a)</b>	<b>Issued(b)</b>	<b>Outstanding(c)</b>
<b><i>Obligations Payable from the GRF</i></b>			
<b><u>General Obligations</u></b>			
Coal Development(d)	\$246,000,000	\$210,000,000	\$21,130,000
Infrastructure(e)	3,450,000,000	3,149,986,136	1,684,056,998(f)
Natural Resources(g)	403,000,000	348,000,000	135,170,000
Common School Facilities(h)	4,270,000,000	4,170,000,000	3,023,845,000(f)
Higher Education Facilities(h)	3,028,000,000	2,610,000,000	1,844,610,000
Conservation(i)	400,000,000	300,000,000	185,380,000
Research & Development(j)	1,200,000,000	661,000,000	524,750,000
Site Development(k)	150,000,000	115,000,000	81,615,000
Veterans Compensation(l)	200,000,000	65,910,000	<u>60,475,000</u>
		Total:	\$7,561,031,998
<b><u>Special Obligations</u></b>			
DRC Prison Facilities	\$1,993,000,000	\$1,839,500,000	\$566,710,000
DYS Facilities	317,000,000	312,000,000	146,705,000
DAS Facilities	1,711,000,000	1,696,000,000	709,745,000
Cultural & Sports Facilities	518,000,000	504,690,000	152,945,000
Higher Education Facilities	4,817,590,000	4,817,590,000	-
Mental Health Facilities	1,541,000,000	1,417,085,000	142,815,000
Parks & Recreation Facilities	433,000,000	408,000,000	<u>112,595,000</u>
		Total:	\$1,831,515,000
<b><i>Obligations Payable from Non-GRF Sources</i></b>			
<b><u>Highway User Receipts</u></b>			
G.O. Highway(m)	\$3,115,000,000	\$2,444,405,000	\$710,430,000
DPS Facilities	143,000,000	140,285,000	15,215,000
<b><u>Net Liquor Profits</u></b>			
Economic Development(n)	n.a.	\$629,740,000	\$-0-
Revitalization Projects(n)	400,000,000	315,000,000	-0-
<b><u>Other</u></b>			
ODOT Highway Infrastructure(o)	n.a.	\$1,832,295,000	\$905,990,000
BWC Facilities(p)	214,255,000	214,255,000	15,200,000

- (a) Authorized amounts do not include an additional up to \$50 million of GRF-supported debt authority to fund emergency capital needs.
- (b) Excludes refunding bonds; includes bonds refunded.
- (c) Excludes bonds refunded; includes refunding bonds.
- (d) Not more than \$100,000,000 may be outstanding at any time.
- (e) Not more than \$3,750,000,000 may be issued with the annual issuance limited to \$120,000,000 beginning with Fiscal Year 2008 and \$150,000,000 beginning in Fiscal Year 2013, plus any obligations unissued from previous fiscal years.
- (f) Includes adjustable rate bonds.
- (g) Not more than \$50,000,000 may be issued in any Fiscal Year and not more than \$200,000,000 may be outstanding at any time.
- (h) Amounts of general obligations authorized for common school and higher education facilities were reduced by \$800,000,000 and \$950,000,000, respectively, to reflect a portion of the amount of obligations issued for those purposes by the Buckeye Tobacco Settlement Financing Authority (see **FISCAL MATTERS – Recent and Current Finances – Recent Biennia - 2008-09**).
- (i) Not more than \$50,000,000 may be issued in any Fiscal Year and not more than \$400,000,000 may be outstanding at any time.
- (j) Not more than \$1,200,000,000 may be issued and the amount of obligations that may be issued is limited to no more than \$450,000,000 total for the period including Fiscal Years 2006 through 2011, no more than \$225,000,000 in Fiscal Year 2012 and no more than \$175,000,000 in any Fiscal Year thereafter, plus any obligations unissued from previous fiscal years.
- (k) Not more than \$30,000,000 may be issued in each of the first three Fiscal Years beginning with Fiscal Year 2006 and not more than \$15,000,000 in any other Fiscal Year.
- (l) Constitutional authorization is self-implementing and does not require further General Assembly authorization. Not more than \$200,000,000 may be issued and no obligations may be issued later than December 31, 2013.
- (m) Not more than \$220,000,000 may be issued in any year and not more than \$1.2 billion may be outstanding at any time.
- (n) These revenue obligations issued to fund economic development and revitalization projects under Chapters 166 and 151 of the Ohio Revised Code have been defeased and are no longer outstanding obligations of the State since provision for payment of all debt service was made in connection with the granting of the franchise on the State’s spirituous liquor system (see **FISCAL MATTERS – Recent and Current Finances – Recent Biennia - 2012-13**).
- (o) Debt service on these “GARVEE” bonds is paid from federal transportation grants apportioned to the State (Title 23 of the U.S. Code).
- (p) Debt service is paid from appropriations from the BWC Administrative Cost Fund.

The following table shows total Fiscal Year debt service on currently outstanding State obligations payable from the GRF:

## Annual Debt Service Requirements on State Obligations Paid from the GRF

FY	General Obligations			Special Obligations			Total GRF Debt Service		
	Education(a)	Infra-structure(b)	All Other(c)	DAS Facilities	DRC Facilities	All Other(d)	Principal	Interest	Total
2014	\$568,579,932	\$223,570,732	\$144,118,732	\$86,106,947	\$102,992,246	\$116,911,837	\$813,266,268	\$429,014,159	\$1,242,280,427
2015	572,785,652	215,097,359	153,821,863	91,951,248	96,061,794	108,900,470	842,668,397	395,949,989	1,238,618,387
2016	561,206,095	209,863,916	152,692,277	91,596,842	77,685,138	97,754,384	834,173,600	356,625,050	1,190,798,650
2017	545,125,764	197,371,001	145,117,542	86,902,155	70,532,994	78,202,771	804,965,000	318,287,226	1,123,252,226
2018	524,041,742	184,858,514	136,099,369	87,319,911	61,612,763	70,677,540	781,530,000	283,079,838	1,064,609,838
2019	538,798,363	167,913,937	119,768,162	76,595,198	53,288,719	55,844,270	763,055,000	249,153,650	1,012,208,650
2020	537,496,109	157,188,412	107,101,458	69,196,567	40,844,969	43,988,422	740,740,000	215,075,938	955,815,938
2021	530,253,209	147,690,246	83,194,677	68,961,844	40,986,856	29,153,059	719,210,000	181,029,892	900,239,892
2022	494,138,162	139,460,012	61,924,020	59,027,731	40,728,044	16,988,537	663,570,000	148,696,506	812,266,506
2023	430,457,266	130,785,551	50,403,970	53,304,107	36,663,019	16,998,151	599,200,000	119,412,064	718,612,064
2024	331,234,156	113,025,262	33,635,116	43,114,623	34,666,519	11,712,770	473,770,000	93,618,446	567,388,446
2025	271,336,633	104,691,682	14,505,017	37,582,732	30,099,800	11,733,151	397,610,000	72,339,016	469,949,016
2026	200,074,821	91,079,347	8,278,351	14,577,663	6,378,831	4,402,150	268,750,000	56,041,163	324,791,163
2027	143,943,698	75,014,965	3,503,353	14,579,496	6,379,431	1,424,750	200,810,000	44,035,693	244,845,693
2028	114,394,382	74,790,633	0	14,574,258	6,381,056	0	174,980,000	35,160,330	210,140,330
2029	114,633,218	65,067,506	0	14,582,025	6,389,181	0	173,780,000	26,891,930	200,671,930
2030	114,855,405	45,699,177	0	9,882,918	3,292,056	0	154,560,000	19,169,556	173,729,556
2031	115,130,877	45,492,816	0	6,506,831	3,299,588	0	158,530,000	11,900,111	170,430,111
2032	90,833,163	19,791,200	0	6,508,581	0	0	111,290,000	5,842,944	117,132,944
2033	23,622,225	10,816,000	0	4,075,144	0	0	<u>36,900,000</u>	<u>1,613,369</u>	<u>38,513,369</u>
							<b>\$9,713,358,266</b>	<b>\$3,062,936,870</b>	<b>\$12,776,295,136</b>

- (a) Consists of common schools and higher education general obligation bonds and includes estimated debt service on adjustable rate bonds for common schools.
- (b) Includes estimated debt service on adjustable rate bonds.
- (c) Includes natural resources, coal development, conservation, research and development, site development and veteran's compensation general obligation bonds.
- (d) Includes lease-rental bonds for mental health, parks and recreation, cultural & sports facilities and Department of Youth Services. Also includes lease-rental bonds previously issued for higher education facilities.

The following table shows total Fiscal Year debt service on certain currently outstanding State obligations payable from the indicated non-GRF revenues:

## Annual Debt Service Requirements on State Obligations Paid from Non-GRF Revenues

FY	Highway User Receipts			BWC Facilities(b)	GARVEE Federal Transportation Grants(c)
	Highway G.O.	DPS Facilities(a)	Total		
2014	\$132,542,874	\$2,442,269	\$134,985,142	\$15,951,100	\$177,397,396
2015	113,101,776	2,443,019	115,544,795	0	172,314,021
2016	92,092,803	2,444,219	94,537,021	0	157,408,471
2017	74,027,203	2,440,650	76,467,853	0	131,790,134
2018	60,054,980	2,442,125	62,497,105	0	106,211,472
2019	59,816,933	2,447,500	62,264,433	0	102,528,412
2020	59,341,462	1,565,700	60,907,162	0	98,766,846
2021	59,219,342	1,568,250	60,787,592	0	63,802,253
2022	58,310,202	0	58,310,202	0	19,797,200
2023	57,746,031	0	57,746,031	0	19,799,663
2024	57,147,852	0	57,147,852	0	19,801,750
2025	41,832,470	0	41,832,470	0	19,801,125
2026	15,066,750	0	15,066,750	0	0
2027	15,071,000	0	15,071,000	0	0
2028	15,067,500	0	15,067,500	0	0

- (a) Lease rental payments are paid from highway user receipts for these Department of Public Safety facilities.  
(b) Debt service paid from appropriations from the BWC Administrative Cost Fund.  
(c) Debt service paid from federal transportation grants apportioned to the State under Title 23 of the U.S. Code.

(THIS SPACE INTENTIONALLY LEFT BLANK)



The following table shows the principal amount of certain obligations that are currently scheduled to be outstanding as of July 1 of the indicated years:

<u>Year</u>	<b>Obligations Payable from the GRF</b>			<b>Non-GRF Obligations</b>
	<u>Education(a)</u>	<u>Other GO(b)</u>	<u>Special Obligations(c)</u>	<u>Highway User Receipts(d)</u>
2014	\$4,727,265,000	\$2,554,701,998	\$1,618,125,000	\$626,020,000
2015	4,370,070,000	2,294,338,600	1,393,015,000	537,635,000
2020	2,480,775,000	1,093,285,000	558,900,000	274,765,000
2025	789,515,000	384,045,000	106,040,000	41,035,000

- (a) Includes obligations for common school and higher education capital facilities.
- (b) Includes natural resources, coal development, infrastructure improvement, conservation, research and development, site development and veterans compensation general obligation bonds.
- (c) Includes lease-rental obligations for various state capital facilities.
- (d) Includes general obligations for highways and lease-rental obligations for DPS facilities.

The following tables show certain historical debt information and comparisons. These tables include only outstanding obligations of the State for which debt service is paid from the GRF.

<u>Fiscal Year</u>	<u>Principal Amount Outstanding</u>	<u>Outstanding Debt Per Capita</u>	<u>Outstanding Debt as % of Annual Personal Income</u>
1980	\$1,991,915,000	\$184	1.84%
1990	3,707,054,994	342	1.83
2000	6,308,680,025	556	1.93
2009	8,486,621,212	735	2.10
2010	8,586,655,636	744	2.07
2011	8,996,752,848	780	2.06
2012	9,760,505,915	845	2.15(b)
2013	9,263,358,266	802(a)	2.04(b)

<u>Fiscal Year</u>	<u>Debt Service Payable</u>	<u>Total GRF Revenue and Net State Lottery Proceeds</u>	<u>Debt Service as % of GRF Revenue and Lottery Proceeds</u>	<u>Debt Service as % of Annual Personal Income</u>
1980	\$187,478,382	\$4,835,670,223	3.88%	0.17%
1990	488,676,826	12,230,681,298	4.00	0.24
2000	871,313,814	20,711,678,217	4.21	0.27
2009	1,075,937,540*	26,809,692,000**	4.01	0.27
2010	710,284,236*	24,108,466,000**	2.95	0.17
2011	755,023,015*	26,777,133,000**	2.82	0.17
2012	692,776,090*	27,956,513,000	2.48	0.15(b)
2013	1,204,775,861	30,361,815,000	3.97	0.27(b)

(a) Based on July 2012 population estimate.

(b) Based on preliminary 2012 personal income data.

\* Reduction is due in large part to the restructuring of certain GRF debt service payments resulting in net savings of \$52.8 million in Fiscal Year 2009, \$416.8 million in Fiscal Year 2010, \$336.9 million in Fiscal Year 2011, and \$449.3 million in Fiscal Year 2012.

\*\* Excludes federal funds from the American Recovery and Reinvestment Act of 2009.

(THIS SPACE INTENTIONALLY LEFT BLANK)

## Recent Debt Authorizations

Only a portion of State capital needs can be met by direct GRF appropriations, so additional State borrowing for capital and other purposes has been and will continue to be required. In March and June 2012, the General Assembly enacted \$1.78 billion in new capital appropriations for the 2013-14 capital biennium, with \$1.40 billion of those new capital appropriations to be funded by GRF-supported debt authorizations. Additional GRF-supported debt authorization totaling \$432 million was enacted in March and June 2013. Total GRF-debt supported capital appropriations and related borrowing authorizations for the 2013-14 capital biennium are summarized below:

### General Obligation

- \$400,000,000 for capital improvements for elementary and secondary public schools.
- \$300,000,000 for local infrastructure projects.
- \$415,000,000 for higher education facilities.
- \$350,000,000 for third frontier research and development.
- \$53,000,000 for natural resources facilities.
- \$100,000,000 for conservation purposes.
- \$15,000,000 for coal development purposes.

### Special Obligation

- \$50,000,000 for prisons and local jails.
- \$13,000,000 for youth services facilities.
- \$65,000,000 for State administrative facilities.
- \$6,000,000 for cultural facilities (including both arts and sports facilities).
- \$24,000,000 for mental health facilities (including local projects).
- \$13,000,000 for parks and recreation facilities.

All of the above additional GRF-supported debt authorizations are also reflected in the preceding tables. Not reflected above or in the preceding tables is up to \$50 million of additional GRF-supported debt authorization for funding emergency capital needs that arise in the current biennium of which \$12.7 million has been appropriated for those emergency capital needs.

In addition to the above \$400 million additional general obligation debt authorization for elementary and secondary public school improvements, the General Assembly also appropriated \$250 million for those elementary and secondary public school capital improvements from State lottery profits fees and revenues expected from the implementation of video lottery terminals (VLTs) at Ohio's seven horse racing tracks as authorized by legislation enacted by the General Assembly in 2009. (See **FISCAL MATTERS – Recent and Current Finances – Recent Biennia – 2010-11.**) On October 21, 2011, a complaint was filed in the Court of Common Pleas of Franklin County, Ohio, challenging the 2009 law authorizing those VLTs on a number of bases, including that its authorization of those VLTs as part of the State Lottery exceeds the authorization for a state lottery under the Ohio Constitution. The trial court on May 30, 2012 granted defendants' motions to dismiss the case after finding that the plaintiffs did not have standing to bring this action, and the plaintiffs appealed this trial court ruling to the Tenth District Court of Appeals of Franklin County, Ohio. Since the court dismissed the case based on plaintiffs' lack of standing, it did not decide the plaintiffs' challenges to the 2009 law, and the Appeals Court upheld that dismissal. On July 24, 2013 the Ohio Supreme Court accepted the plaintiffs request to review the appeals court's decision.

Currently applicable constitutional authorizations are:

- 2010 - authorizes the issuance of \$700 million of State general obligation debt to renew and continue programs for research and development in support of Ohio industry, commerce, and business, with those obligations not subject to the 5% direct obligation debt service cap described above. The authorization is in addition to the below-referenced 2005 constitutional amendment for the same purpose. The amount of all State general obligations that may be issued for, and the amounts of proceeds from those State general obligations that may be committed to, those research and development purposes, are limited to no more than \$450 million total for the period including State fiscal years 2006 through 2011, no more than \$225 million in fiscal year 2012 and no more than \$175

million in any fiscal year thereafter, plus any amounts that in any prior fiscal year could have been but were not issued.

- 2009 – authorizes the issuance of State general obligation debt to provide compensation to persons who have served in active duty in the United States armed forces at any time during the Persian Gulf, Afghanistan, and Iraq conflicts, with those obligations not subject to the 5% direct obligation debt service cap described above. Not more than \$200 million may be issued and no obligations may be issued later than December 31, 2013.
- 2008 – authorizes the issuance of State bonds for land conservation and revitalization purposes (including statewide brownfields clean-up). For each of the two purposes, the authorization is for not more than \$50 million in principal amount to be issued in any Fiscal Year and not more than \$200 million to be outstanding at any time. The bonds for conservation purposes are general obligations, and those for revitalization purposes are special obligations payable from revenues and receipts designated by the General Assembly (previously a portion of the State's net liquor profits; see **FISCAL MATTERS – Recent and Current Finances – Recent Biennia - 2012-13**). The authorization is in addition to the 2000 constitutional amendment for the same purposes.
- 2005 – authorizes the issuance over ten years of \$500 million of State general obligation debt in support of research and development, and \$150 million of State general obligation debt for the development of sites for industry, commerce, distribution and research and development, with those obligations not subject to the 5% direct obligation debt service cap described above. Also authorizes an additional \$1.35 billion of general obligation debt for government infrastructure as a ten-year extension of the existing local government infrastructure program, with an increase in the annual issuance amount in the last five-years from \$120 million to \$150 million, which continues to be subject to that 5% debt service cap.
- 2000 – authorizes the issuance of State bonds for land conservation and revitalization purposes (including statewide brownfields clean-up). For each of the two purposes, the amendment authorizes not more than \$50 million in principal amount to be issued in any Fiscal Year and not more than \$200 million to be outstanding at any time. The bonds for conservation purposes are general obligations, and those for revitalization purposes are special obligations payable from revenues and receipts designated by the General Assembly (previously a portion of the State's net liquor profits; see **FISCAL MATTERS – Recent and Current Finances – Recent Biennia - 2012-13**).
- 1999 – authorizes State general obligation debt to pay costs of facilities for a system of common schools throughout the state and for state-supported and state-assisted institutions of higher education. The amendment also provides for the 5% direct obligation debt service cap described above.
- 1995 – authorizes additional highway bonds and extended the local infrastructure bond program. For the latter, it authorized an additional \$1.2 billion of State full faith and credit obligations to be issued over 10 years, with not more than \$120 million to be issued in any Fiscal Year. The highway finance portion authorizes not more than \$1.2 billion to be outstanding at any time and not more than \$220 million to be issued in any Fiscal Year.
- 1994 – pledges the State's full faith and credit and taxing power to meet certain guarantees under the State's tuition credit program, a program that provides for the purchase of tuition credits which are guaranteed to cover a specified amount when applied to tuition and other eligible higher education costs. Under the amendment, to secure the tuition guarantees, the General Assembly shall appropriate money sufficient to offset any deficiency that occurs in the trust fund, at any time necessary to make payment of the full amount of any tuition payment or refund required by a tuition payment contract.
- 1990 – authorizes greater State and political subdivision participation in the provision of individual and family housing. This supplements the previous constitutionally authorized loans-for-lenders and other housing assistance programs, financed in part with State revenue bonds. The amendment authorizes the General Assembly to provide for State assistance for housing in a variety of ways, including State borrowing for the purpose by the issuance of obligations secured by a pledge of all or such portion of State revenues or receipts as it authorizes (but not by a pledge of the State's full faith and credit).

- 1985 – authorizes the issuance of general obligation debt to finance grants or make or guarantee loans for research and development of coal technology that will encourage the use of Ohio coal. Those grants or loans are available to any individual, association, or corporation doing business in the State or to any educational or scientific institution located in the State. Not more than \$100 million may be outstanding at any time.

**(THIS SPACE INTENTIONALLY LEFT BLANK)**

## STATE EMPLOYEES AND RETIREMENT SYSTEMS

### State Employees

Since 1985, the number of regular State employees (excluding employees who are not paid by State warrant such as state university employees) has ranged from a high of 68,573 in 1994 to low of 53,159 at the end of Fiscal Year 2013. The State engages in collective bargaining with five employee unions representing 20 bargaining units, and generally operates under three-year agreements. The State's current collective bargaining agreements expire in April through June 2015.

### Retirement Systems

The State has established five public retirement systems to provide retirement, disability retirement and survivor benefits, and other post-employment benefits such as retiree health care benefits. None of these benefits are guaranteed by the State or subject to bargaining under the State's current public employee collective bargaining law.

The Public Employees Retirement System (PERS), the largest of the five, covers both State and local public employees. The State Teachers Retirement System (STRS) and School Employees Retirement System (SERS) primarily cover school district and public higher education employees. The Highway Patrol Retirement System (HPRS) covers State troopers, and the Ohio Police and Fire Pension Fund (OP&F) covers local safety forces. Full financial information for each retirement system can be found on its website in that system's Comprehensive Annual Financial Report (CAFR).

The retirement systems were created by and operate pursuant to State law. As reflected in the 2012 legislative amendments discussed below, the General Assembly has the power to amend the structure and benefit levels, impose or revise contribution rates or amounts, and to make other changes. The systems have never been subject to the funding and vesting requirements of the federal Employee Retirement Income Security Act (ERISA). Federal law requires employees hired on or after April 1, 1986 to participate in the Medicare program, with matching employer and employee contributions, each now 1.45% of the wage base. Otherwise, State employees covered by a State retirement system are not currently covered under the federal Social Security Act. Congress has from time to time considered legislation relating to public sector retirement funds and to other aspects of public employee retirement.

Funding for the retirement systems is provided by a combination of public employer and employee contributions based on percentages of each employee's compensation, with the employees' contributions being deducted from their paychecks. Those contribution percentages are either established in State law or by the retirement system board subject to a maximum contribution amount established in State law. With the exception of contributions for PERS law enforcement and public safety personnel, and the increased employee contributions for STRS, OP&F and HPRS included in the September 2012 legislation described below, the current contribution percentages for each system (set forth in the table on the next page) reflect the maximums permitted under State law.

In 1968, the State created the Ohio Retirement Study Commission (ORSC) to advise and inform the General Assembly on all matters relating to the benefits, funding, investment, and administration of the five statewide retirement systems. The ORSC is composed of nine voting members: three members of the House appointed by the Speaker; three members of the Senate appointed by the President; and three members appointed by the Governor (one representing the State, one representing local governments, and the third representing public education institutions). The five executive directors of the retirement systems also serve as nonvoting members of the ORSC.

Under State law, each retirement system's board is required to establish a period of not more than thirty years to amortize its unfunded actuarial accrued pension liability. If in any year the period required to amortize that unfunded liability exceeds thirty years, the board must prepare and submit to the ORSC and the applicable committees in the Ohio General Assembly, a plan to reduce that amortization period to not more than thirty years. For the most recent reporting periods shown in the summary table below, the number of years to fully amortize actuarial accrued liability is twenty-six years for PERS, thirty years for SERS and HPRS, and exceeds thirty years for STRS and OP&F. Prior to the September 2012 reform legislation, the board of each of the five retirement systems had approved and submitted to the ORSC and the applicable Ohio General Assembly committees a plan to reduce or maintain its amortization period at not more than thirty years.

After extensive review, the General Assembly in September 2012 enacted, and the Governor signed into law to take effect on January 7, 2013, five bills to implement with modifications those plans submitted by the five retirement systems. For PERS, that legislation makes changes including, among others, increasing the years of service and eligibility age necessary to retire with full benefits, increasing from three to five the number of years used in determining “final average salary” for purposes of calculating retirement benefits, reducing the post-retirement cost of living adjustment, and increasing the minimum salary threshold required to earn full-time service credit for public employee eligibility to participate in the system. The legislation makes similar changes to STRS, SERS, OP&F and HPRS, and also provides for phased increases in the employee contribution rate for STRS (from 10% to a maximum of 14% by July 2016) and OP&F (from 10% to a maximum of 12.25% by July 2015), and authorizes the HPRS board to increase employee contributions to a maximum of 14% from the current 10% beginning in July 2013. With the exception of PERS, the legislation also authorizes each retirement system’s board to adjust certain pension benefits levels within limits without General Assembly approval. This legislation does not change the requirement that each system establish a period of not more than thirty years to amortize its unfunded actuarial accrued pension liability and prepare and submit to the ORSC and the Ohio General Assembly a plan to reduce that amortization period if it exceeds thirty years.

The State makes its employer contributions based on a percent of salary for each State employee that is an active member of a state retirement system. Currently, about 95% of State employees are members of PERS, about 3.1% are in HPRS and about 1.4% are in STRS. The following table summarizes State employer and employee contributions to those retirement systems with State employee members (\$ in millions):

State Fiscal Year	<u>PERS</u>		<u>STRS</u>		<u>HPRS</u>		Total Contributions
	Employer/Employee Amount	Pct. of Salary(a)	Employer/Employee Amount	Pct. of Salary	Employer/Employee Amount	Pct. of Salary	
2008	\$422.5/\$289.4	14.0%/10.0%	\$8.3/\$5.9	14.0%/10.0%	\$23.3/\$9.5	25.5%/10.0%	\$759.0
2009	430.0/300.4	14.0/10.0	8.2/5.8	14.0/10.0	24.6/9.7	25.5/10.0	778.8
2010(b)	406.5/283.0	14.0/10.0	7.4/5.3	14.0/10.0	24.4/9.3	26.5/10.0	735.8
2011(b)	414.4/289.0	14.0/10.0	7.2/5.1	14.0/10.0	25.2/9.5	26.5/10.0	750.3
2012(c)	392.3/273.8	14.0/10.0	6.6/4.7	14.0/10.0	25.0/9.4	26.5/10.0	711.8
2013(c)	385.8/269.1	14.0/10.0	6.2/4.4	14.0/10.0	26.1/9.8	26.5/10.0	701.3

(a) Reflects PERS state and local contribution rates only. PERS law enforcement employer/employee contribution rate was 16.7%/10.1% in Fiscal Year 2006, increasing gradually to 17.87%/11.1% in Fiscal Year 2010, and public safety was 16.7%/9.0% in Fiscal Year 2006, increasing gradually to 17.87%/10.5% in Fiscal Year 2010.

(b) Decline in contributions for Fiscal Years 2010 and 2011 over Fiscal Year 2009 is attributed primarily to a two week unpaid “furlough” on State employees in each of those years (see **FISCAL MATTERS - Recent and Current Finances – Recent Biennia - 2010-11**). Fiscal Year 2011 contributions include 27 pay periods.

(c) Decline in contributions for Fiscal Years 2012 and 2013 is attributed to a reduction in the State workforce.

Source: Contributions based on percent of payroll expenses from State of Ohio accounting system records.

**(THIS SPACE INTENTIONALLY LEFT BLANK)**

The State also has funded and continues to fund a subsidy to the OP&F system to pay for survivor benefits provided in law and not otherwise funded. The aggregate subsidies were \$41.3 million in the 2010-11 biennium, \$41.1 million in the 2012-13 biennium, and are appropriated at \$41.0 million in the 2014-15 biennium. All State employer contributions are subject to appropriation in each State budget and are included in the appropriations for each department or agency's personnel costs.

The following table summarizes State and local membership and financial data for each of the retirement systems for the most recent year reported by the particular system (\$ in millions):

	<u>PERS</u>	<u>STRS</u>	<u>SERS(a)</u>	<u>OP&amp;F</u>	<u>HPRS</u>
Valuation as of:	<b>12/31/12*</b>	<b>07/01/12</b>	<b>06/30/12</b>	<b>01/01/12</b>	<b>12/31/12*</b>
Active Members.....	333,175	173,044	121,811	27,463	1,645
State Employees as a Percent of Active Members .....	15	1	0	0	100
Retirants and Beneficiaries .....	195,779	143,256	69,038	27,078	1,497
Employer/Employee Contributions (% of Salary) (b)...	14.0/10.0(c)	14.0/10.0	14.0/10.0	(d)	26.5/10.0
Active Member Payroll .....	\$12,194.0	\$10,879.1	\$2,788.2	\$1,897.4	\$98.1
Market Value of Assets (MVA).....	\$67,854.9	\$60,693.6	\$10,331.7	\$9,688.4	\$642.6
Actuarial Value of Assets (AVA) (e).....	\$67,854.8	\$59,489.5	\$10,284.0	\$10,309.0	\$658.4
Actuarial Accrued Liability (AAL) (f).....	\$83,878.1	\$106,301.8	\$16,372.0	\$16,346.7	\$966.3
Funding Ratio (AVA to AAL %, (MVA to AAL %)) ..	80.9 (80.9)	56.0 (57.1)	62.8 (63.1)	63.1 (59.3)	68.1(66.5)
Unfunded Actuarial Accrued Liability (UAAL) (g) .....	\$16,023.3	\$46,812.3	\$6,088.0	\$6,037.7	\$307.9
UAAL to Active Member Payroll % .....	131.4	430.3	218.4	318.2	313.8

(a) SERS information excludes Medicare Part B reimbursement which is considered a post-employment healthcare benefit reported in accordance with GASB Statement 43 for all data except MVA.

(b) For PERS and SERS, the maximum employer and employee contribution rates under law are 14.0% and 10.0%. For STRS and HPRS, the maximum employer and employee contributions rates are 14.0/14.0% and 27.5/14.0%, respectively. For HPRS, the board has authorized an increase in member contribution rates to 11.5% in 2014 and 12.5% thereafter. Each system's board annually determines the portion of the employer contribution, if any, that is directed to fund post-employment health care benefits.

(c) PERS state employer/employee contribution rate is 14.0/10.0%, local is 14.0/10.0%, law enforcement is 18.1/12.1%, and public safety is 18.1/11.5%. PERS state and local employer and employee contribution rates increased to their current statutory maximum of 14.0% and 10.0%, respectively, in calendar year 2008.

(d) Police is 19.5/10.0% and fire 24.0/10.0%. The maximum employer and employee contribution rates under law are 19.5/12.25% for police and 24.0/12.25% for fire.

(e) Recognizes assumed long-term investment returns fully each year (8.25% for OP&F, 8.00% for PERS and HPRS, and 7.75% for STRS and SERS). Differences between actual and assumed investment returns, subject to each system's market corridor limitation, are phased-in over a closed four-year period, except for OP&F which phases-in over five-year period.

(f) Reflects an individual entry age normal actuarial cost method.

(g) Amortized over a 30-year open period as a level percent of payroll, except for the portion of PERS members who participate in the member directed plan which uses a level dollar of payroll and SERS which is amortized over a 30-year closed period as a level percent of payroll.

\* Reflects changes in legislation described above enacted in September 2012.

Sources: Retirement systems' CAFRs and annual actuarial valuations.

**(THIS SPACE INTENTIONALLY LEFT BLANK)**

The following table summarizes financial and funding information for each of the retirement systems for the five years previous to the current year information provided above as reported by the particular system (\$ in millions):

Retirement System Valuation Year-End	Actuarial Value of Assets (AVA)(a)	Actuarial Accrued Liability (AAL)(b)	Unfunded Actuarial Accrued Liability (UAAL)(c)	Funding Ratio (AVA to AAL)	Market Value of Assets (MVA)	Funding Ratio (MVA to AAL)	Active Member Payroll	UAAL Percent of Active Member Payroll
<b><u>PERS</u></b>								
12/31/11	\$65,436.1	\$84,529.7	\$19,093.6	77.4%	\$61,846.7	73.2%	\$12,399.0	154.0%
12/31/10	\$63,649.1	\$80,485.0	\$16,836.0	79.1%	\$63,649.1	79.1%	\$12,450.0	135.2%
12/31/09	\$57,629.4	\$76,555.0	\$18,925.6	75.3%	\$57,733.8	75.4%	\$12,548.3	150.8%
12/31/08	\$55,315.2	\$73,465.7	\$18,150.5	75.3%	\$49,388.6	67.2%	\$12,801.1	141.8%
12/31/07	\$67,151.3	\$69,733.6	\$2,582.2	96.3%	\$70,043.6	100.4%	\$12,583.4	20.5%
<b><u>STRS</u></b>								
07/01/11	\$58,110.5	\$98,766.2	\$40,655.7	58.8%	\$63,116.7	63.9%	\$11,097.6	366.3%
07/01/10	\$55,946.3	\$94,720.7	\$38,774.4	59.1%	\$54,140.4	57.2%	\$11,057.3	350.7%
07/01/09	\$54,902.9	\$91,441.0	\$36,538.1	60.0%	\$50,095.7	54.8%	\$10,800.8	338.3%
07/01/08	\$69,198.0	\$87,432.4	\$18,234.3	79.1%	\$66,837.4	76.4%	\$10,460.5	174.3%
07/01/07	\$66,671.5	\$81,126.6	\$14,445.1	82.2%	\$72,935.4	89.9%	\$10,199.5	141.6%
<b><u>SERS(d)</u></b>								
06/30/11	\$10,397.0	\$15,943.0	\$5,546.0	65.2%	\$10,619.2	66.6%	\$2,852.4	194.4%
06/30/10	\$10,787.0	\$14,855.0	\$4,068.0	72.6%	\$9,071.9	61.1%	\$2,842.7	143.1%
06/30/09	\$9,723.0	\$14,221.0	\$4,498.0	68.4%	\$8,134.1	57.2%	\$2,787.4	161.4%
06/30/08	\$11,241.0	\$13,704.0	\$2,463.0	82.0%	\$10,793.5	78.8%	\$2,651.8	92.9%
06/30/07	\$10,513.0	\$13,004.0	\$2,562.0	80.8%	\$11,711.2	90.1%	\$2,603.3	98.4%
<b><u>OP&amp;F</u></b>								
01/01/11	\$10,681.0	\$15,384.4	\$4,703.4	69.4%	\$10,075.5	65.5%	\$1,868.5	251.7%
01/01/10	\$10,794.1	\$14,830.7	\$4,036.7	72.8%	\$9,056.8	61.1%	\$1,895.2	213.0%
01/01/09	\$9,309.2	\$14,307.1	\$4,998.0	65.1%	\$7,757.6	54.2%	\$1,900.9	262.9%
01/01/08	\$11,212.9	\$13,727.8	\$2,514.9	81.7%	\$11,895.5	86.7%	\$1,831.4	137.3%
01/01/07	\$10,158.0	\$12,987.5	\$2,829.5	78.2%	\$11,175.8	86.1%	\$1,782.9	158.7%
<b><u>HPRS</u></b>								
12/31/11	\$623.4	\$1,047.7	\$424.3	59.5%	\$603.4	57.6%	\$93.1	455.7%
12/31/10	\$631.0	\$981.4	\$350.4	64.3%	\$647.1	65.9%	\$94.8	369.7%
12/31/09	\$620.4	\$940.1	\$319.7	66.0%	\$595.0	63.3%	\$94.8	337.2%
12/31/08	\$603.3	\$904.5	\$301.3	66.7%	\$502.7	55.6%	\$94.3	319.5%
12/31/07	\$700.9	\$866.3	\$165.4	80.9%	\$719.6	83.1%	\$93.8	176.3%

- (a) Recognizes assumed long-term investment returns fully each year (8.25% for OP&F, 7.75% for SERS, and 8.0% for the remaining systems). Differences between actual and assumed investment returns, subject to each system's market corridor limitation, are phased-in over a closed four-year period, except for OP&F which phases-in over five-year period.
- (b) Reflects an individual entry age actuarial cost method.
- (c) Amortized over a 30-year open period as a level percent of payroll, except for SERS for which UAAL was amortized over a closed period of time of 30-years in Fiscal Year 2009, 29-years in Fiscal Years 2007 and 2010, and 28-years in Fiscal Years 2008 and 2011.
- (d) Excludes Medicare Part B reimbursement which is considered a post-employment health care benefit reported in accordance with GASB 43 for all data except MVA.

Sources: Retirement systems' CAFR's and annual actuarial valuations.



Each of the State's public retirement systems also offers post-employment health care benefits to its members. Benefits under these health care programs are not vested and are subject to future adjustments of both benefits and contributions by their respective boards. In this regard, PERS adopted, beginning in 2004, a series of health care preservation plans to adjust benefits and contributions by employers, employees, and retirees. Financial reporting of their health care plans is in compliance with GASB Statement 43 -- Financial Reporting for Post-Employment Benefit Plans Other than Pension Plans.

The following table presents a summary of assets and actuarial accrued liabilities for post-employment healthcare benefits for each of the State's public retirement systems (\$ in millions):

Valuation as of:	<u>PERS*</u> <b>12/31/11</b>	<u>STRS</u> <b>01/01/13</b>	<u>SERS</u> <b>06/30/12</b>	<u>OP&amp;F</u> <b>01/01/12</b>	<u>HPRS</u> <b>12/31/12</b>
Value of Assets (a).....	\$12,115.0	\$3,121.6	\$355.1	\$780.1	\$99.8
Actuarial Accrued Liability (AAL) (b).....	\$31,020.2	4,254.1	\$2,691.5	\$3,698.8	\$411.5
Unfunded Actuarial Accrued Liability (UAAL) (c).....	\$18,905.0	1,132.5	\$2,336.4	\$2,918.6	\$311.7
Funding Ratio (Assets to AAL %) .....	39.1%	73.4%	13.2%	21.1%	24.3%
Employer Contribution (% of Salary) (d) .....	4.0%	1.0%	0.2%(e)	6.75%	3.65%

(a) For PERS and HPRS, investment returns are recognized fully each year with the differences between actual and assumed investment returns (assumed at 5%), subject to each system's market corridor limitation, phased-in over a closed four-year period. For STRS, SERS and OP&F, reflects market value.

(b) Reflects an individual entry age normal actuarial cost method.

(c) Amortized over a 30-year open period as a level percent of payroll.

(d) Each system's board annually determines the portion of the employer contribution, if any, that is directed to fund post-employment health care benefits. This amount has typically ranged from 1.0% to 7.0% of salary.

(e) SERS also collects a health care surcharge from employers for employees who earn less than an actuarially determined minimum compensation amount. This amount is in addition to the amount allocated to health care from the employer contributions.

\* Reflects revised actuarial assumptions based on completion of a five-year experience study.

Sources: Retirement systems' annual actuarial valuations.

The following table presents a summary of assets and actuarial accrued liabilities for post-employment healthcare benefits for the three years previous to the current year information provided above for each of the State's public retirement systems (\$ in millions):

Retirement System Valuation Year-End	Value of Assets(a)	Actuarial Accrued Liability (AAL)(b)	Unfunded Actuarial Accrued Liability(c)	Funding Ratio (Assets to AAL)	Employer Contribution (% of Salary)(d)(e)
<b><u>PERS</u></b>					
12/31/10	\$11,267.5	\$26,928.8	\$15,661.3	41.8%	5.0%
12/31/09	\$10,936.0	\$31,558.0	\$20,622.0	34.7%	5.5%
12/31/08	\$10,748.0	\$29,623.1	\$18,875.0	36.3%	7.0%
<b><u>STRS</u></b>					
01/01/12	\$2,968.2	\$5,094.4	\$2,126.3	58.3%	1.0%
01/01/11	\$3,108.5	\$8,631.3	\$5,522.8	36.0%	1.0%
01/01/10	\$2,967.5	\$11,355.0	\$8,387.5	26.1%	1.0%
<b><u>SERS</u></b>					
06/30/11	\$355.7	\$2,410.1	\$2,054.4	14.8%	0.6%
06/30/10	\$325.0	\$2,369.1	\$2,044.1	13.7%	0.5%
06/30/09	\$376.5	\$4,280.3	\$3,903.8	8.8%	4.2%
<b><u>OP&amp;F</u></b>					
01/01/11	\$717.7	\$3,295.3	\$2,577.6	21.8%	6.75%
01/01/10	\$573.4	\$3,232.4	\$2,659.0	17.7%	6.75%
01/01/09	\$438.7	\$3,163.6	\$2,725.0	13.9%	6.75%
<b><u>HPRS</u></b>					
12/31/11	\$99.0	\$424.1	\$325.1	23.3%	1.75%
12/31/10	\$104.7	\$406.9	\$302.2	25.7%	1.75%
12/31/09	\$100.8	\$287.6	\$186.8	35.0%	3.5%

(a) For PERS & HPRS, recognizes investment returns fully each year (PERS assumed at 6.5% and HPRS assumed at 6.5% in 2008-2009 and 5.0% in 2010) with the differences between actual and assumed investment returns, subject to each system's market corridor limitation, are phased-in over a closed four-year period. For STRS, SERS and OP&F, reflects market value.

(b) Reflects an individual entry age normal actuarial cost method.

(c) Amortized over a 30-year open period as a level percent of payroll.

(d) Each system's board annually determines the portion of the employer contribution, if any, that is directed to fund post-employment health care benefits. This amount has typically ranged from 1.0% to 7.0% of salary. For PERS, reflects overall effective rate.

(e) SERS also collects a health care surcharge from employers for employees who earn less than an actuarially determined minimum compensation amount. This amount is in addition to the amount allocated to health care from the employer contributions.

Sources: Retirement systems' annual actuarial valuations.

## TAX LEVELS AND TAX BASES

The variety of taxes and excises levied by the State is indicated in several tables in this Appendix. According to the Federation of Tax Administrators, citing the U.S. Census Bureau as its source, the State ranked 34th in state taxes per capita in 2010. Three major tax bases in the State, personal income (taxed by the State and municipalities and, with voter approval, by certain school districts), retail sales and use (taxed by the State and counties and transit authorities), and real and tangible personal property (taxed by local governments), are described below. In addition, the State completed the phase-in over fiscal years 2006 through 2010 of its commercial activity tax (CAT) on taxable gross receipts in excess of \$1,000,000 from doing business in Ohio, and the phase out over the same general period of its corporate franchise tax (except for application to financial institutions and certain affiliates of insurance companies and financial institutions which was eliminated and replaced with a new financial institutions tax effective tax year 2014). The initial rate for the CAT was 0.06% effective July 1, 2005, with that rate increased annually in approximately equal amounts (about 0.05%) until levied at the current rate of 0.26%. Beginning calendar year 2014, the State established a variable minimum tax on the CAT for businesses with taxable gross receipts greater than \$1 million (see **FISCAL MATTERS – Current Biennium**). As described further below, the receipts from the CAT are directed in part to make compensating payments to school districts and other local taxing units in connection with the phase-out of the tangible personal property tax in 2006 through 2009.

The State also imposes a tax on the use, distribution, or sale of motor vehicle fuel. This “gasoline” tax was raised two-cents per gallon effective July 1, 2005 to 28 cents per gallon (one cent of this tax is specifically directed to local highway-related infrastructure projects).

### Sales and Use Tax

Under the State’s current biennial appropriations Act, the State sales and use tax rate is increased one-quarter percent from 5.5% to 5.75% beginning September 1, 2013 (see **FISCAL MATTERS – Recent and Current Finances --Current Biennium**). Prior to this increase, the rate had been 5.5% since July 1, 2005. The sales and use tax is levied uniformly across counties on retail sales of tangible personal property that are not specifically exempt. Retail sales include the rental and storage of tangible personal property, the rental of hotel rooms, and certain specified services including, but not limited to, repair and installation services, data processing, computer, and electronic information services, telecommunication and certain personal care services.

Counties and transit authorities each are authorized to levy permissive sales and use taxes at rates of 0.25% to 1.5% in quarter-percent increments. The highest potential aggregate of State and permissive local sales taxes will be 8.75% after the State rate increase described above and the highest currently levied by any county will be 8%. The State collects the combined state and local tax and returns the local share directly to the counties and transit authorities.

### Personal Income Tax

Under the State’s current biennial appropriations Act, State personal income tax rates, applying generally to federal adjusted gross income, are being reduced 10% over a three-year period (8.5% in calendar year 2013, an additional 0.5% in calendar year 2014, and an additional 1.0% in calendar year 2015). The indexing of the State income tax brackets and the personal exemption are suspended for tax years 2013 through 2015 until these rate reductions are fully implemented. That legislation also established a deduction for pass-through entity business income of 50% of annual adjusted gross income up to \$250,000 (see **FISCAL MATTERS – Recent and Current Finances -- Current Biennium**). The 2012 personal income tax rates ranged from 0.587% on incomes of \$5,200 or less with increasing bracketed base rates and percentages up to a maximum on incomes over \$208,500 of \$9,476 plus 5.925% on the amount over \$208,500. Previously, personal income tax rates were reduced 4.2% annually in each of the years 2005 through 2008 and, after the postponement discussed under **FISCAL MATTERS – Recent and Current Finances – Recent Biennia - 2010-11**, again in 2011, resulting in an aggregate 21% decrease from the 2004 rates.

The Constitution requires 50% of State income tax receipts to be returned to the political subdivisions or school districts in which those receipts originate. There is no present constitutional limit on income tax rates.

Municipalities, school districts and joint economic development districts may also levy certain income taxes. Any municipal rate (applying generally to wages and salaries and net business income) over 1%, and

any school district income tax (applying generally to the State income tax base for individuals and estates), requires voter approval. Most cities and villages levy a municipal income tax. The highest municipal rate in 2011 was 3%. A school district income tax is currently approved in 184 districts. Each joint economic development district (there were approximately 35 of them in 2009) may also levy an income tax (which like municipal income taxes applies generally to wages and salaries and net business income) with the rate of that tax limited to the highest income tax rate of a municipal member of the district). Effective July 1, 2005, there may also be proposed for voter approval municipal income taxes to be shared with school districts, but those taxes may not be levied on the income of nonresidents.

Since 1970 the ratio of Ohio to U.S. aggregate personal income has declined, with Ohio's ranking among the states moving from fifth in 1970 to seventh in 1990, moving between seventh and eighth in 1994 through 2003, and eighth since 2004. This movement, portrayed below, in significant measure reflects "catching up" by several other states and a trend in Ohio toward more service sector employment.

**Personal Income (\$ in Billions)**

		<u>U.S.</u>	<u>Ohio</u>	<u>Ohio Percent of U.S.</u>	<u>State Rank*</u>
1970	Total.....	\$832.2	\$43.6	5.2%	5
	per capita.....	4,084	4,088	100.1	15
1980	Total.....	2,292.9	108.2	4.7	6
	per capita.....	10,091	10,022	99.3	21
1990	Total.....	4,831.3	202.5	4.2	7
	per capita.....	19,354	18,638	96.3	21
2000	Total.....	8,554.9	326.1	3.8	7
	per capita.....	30,319	28,695	94.6	24
2008	Total.....	12,451.7	419.2	3.4	8
	per capita.....	40,947	36,401	88.9	34
2009	Total.....	11,852.7	403.5	3.4	8
	per capita.....	38,637	35,001	90.6	33
2010	Total.....	12,308.5	414.6	3.4	8
	per capita.....	39,791	35,777	89.9	31
2011	Total.....	12,949.9	436.8	3.4	8
	per capita.....	41,560	37,527	90.3	31
2012**	Total.....	13,401.9	453.6	3.4	8
	per capita.....	42,693	39,289	92.0	30

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

\*Excludes District of Columbia.

\*\*Preliminary data.

In addition to personal income, the retail sales base is an important indicator of sales and use tax receipts.

**Retail Sales (\$ in Billions)**

<u>Fiscal Year</u>	<u>Ohio Retail Sales(a)</u>	<u>U.S. Retail Sales(b)</u>	<u>Ohio Percent of U.S.</u>
1980	\$39.01	\$979.25	4.0%
1990	66.95	1,914.04	3.5
2000	117.72	3,213.82	3.6
2009	128.66	4,160.21	3.1
2010	129.81	4,190.84	3.1
2011	137.52	4,465.99	3.1
2012	147.55	4,760.59	3.1
2013	154.11	4,978.46	3.1

(a) Calculated by Global Insight based on data from the U.S. Department of Commerce, Bureau of the Census.

(b) U.S. Census Bureau Web Site.

## Property Tax

The following table lists, for informational purposes only, the non-exempt real and tangible personal property tax base in the State and taxes levied on that base (on a calendar year basis). Only local taxing subdivisions, and not the State, currently tax the real and tangible personal property included in this table. Reported figures for 2012 show that these property taxes represent 3.45% of Ohio personal income.

		<u>Assessed Value (a)</u>	<u>Percent of True Value (b)</u>	<u>Taxes Charged</u>
1980	Real(c).....	\$56,457,842,607	27.1%	\$2,343,384,488(e)
	Tangible(d).....	15,649,200,844	39.2	765,047,826
	Public Utility(c).....	8,670,052,613	83.3	411,321,235
1990	Real.....	93,857,482,000	35.0	4,593,147,000(e)
	Tangible(d).....	18,473,055,000	28.0	1,149,643,000
	Public Utility(c)(f).....	12,934,191,000	88.6	799,396,000
2000	Real.....	167,857,657,350	35.0	8,697,809,112(e)
	Tangible(d).....	23,298,302,564	25.0	1,720,740,378
	Public Utility(c)(f).....	13,635,709,860	67.0	967,674,709
2009	Real.....	238,138,880,215	35.0	14,119,235,738 (e)
	Tangible(d).....	628,787,160	10.0(b)	55,498,628
	Public Utility(c)(f).....	8,906,002,394(g)	51.7	687,462,082
2010	Real.....	238,264,394,249	35.0	14,486,087,962(e)
	Tangible(d).....	320,961,400	5.0(b)	18,432,832
	Public Utility(c)(f).....	10,096,712,600(g)	52.9	747,237,219
2011	Real.....	231,189,983,505	35.0	14,602,588,295(e)
	Tangible(d).....	-0-	-0-(b)	-0-
	Public Utility(c)(f).....	10,526,028,040(g)	51.0	804,746,979
2012	Real.....	225,314,466,955	35.0	14,767,601,611(e)
	Tangible(d).....	-0-	-0-(b)	-0-
	Public Utility(c)(f)(h).....	11,105,363,530(g)	52.4	572,521,025

- (a) Increases in assessed value of "Real" are in part products of reappraisals.
  - (b) Regular annual reductions for "Tangible" (except for most public utility tangible) reached 0% in 2009; only telecommunication and telephone personal property was taxable in 2009 and 2010.
  - (c) Includes public utility personal property owned and located within Ohio and railroad real property; excludes public utility real property.
  - (d) Includes machinery, inventories, fixtures; effective tax year 2007 includes telephone company property. Excludes public utility tangible property. Effective tax year 2009 includes only telephone company property.
  - (e) Includes the statutory 10% rollback (12.5% for owner-occupied residences) and elderly/handicapped partial exemption amounts, paid by the State to local taxing entities to compensate for statutory reductions in local tax collections. Effective for tax year 2005 and thereafter, the 10% rollback is eliminated for real property used in business, with exceptions for certain property used in farming or for housing. The 12.5% rollback for owner-occupied residences is being eliminated for new voter-approved tax levies (see **FISCAL MATTERS – Recent and Current Finances – Current Biennium**).
  - (f) Beginning in 1990, the true value of most public utility property is based on annual composite allowances that vary according to the type and age of property.
  - (g) Beginning in 2001, the statutory assessment rate for electric and gas utilities decreased from 88% to 25%.
  - (h) Calculated using 2011 assessment rates on the breakdown of electrical property.
- Source: Ohio Department of Taxation.

Under State legislation effective July 1, 2005, the tangible personal property tax (including inventories) has been phased out over tax years 2006 through 2009, with that tax generally eliminated beginning in tax year 2009. That legislation provided for the State to make distributions to school districts and other local taxing units from revenue generated by the State commercial activity tax (CAT). Distributions are generally based on the taxable value of tangible personal property as reported in 2004 and property tax levies in effect for 2005. In Fiscal Year 2012, the State began phasing-out tangible personal property tax replacement payments to schools and local governments with replacement payments to schools reduced by two percent of each district's total resources in Fiscal Year 2012 and Fiscal Year 2013 for a total reduction of four percent; and replacement payments to local governments reduced by two percent of total resources for tax years 2011, 2012, and 2013 for a total reduction of six percent. Under current law, replacement payments will then continue thereafter at the 2013 amounts.

Beginning July 2007, the State's homestead exemption program, which takes the form of a credit on local residential real property tax bills, was expanded to allow all senior citizens and disabled Ohioans, regardless of income, to exempt from tax the first \$25,000 of the market value of their home. Previously eligibility was restricted and benefits were tiered based on income. Under the State's current biennial appropriations Act, eligibility for new applicants is to be based on income (see **FISCAL MATTERS – Recent and Current**

**Finances -- Current Biennium).** The total cost of the homestead exemption program in Fiscal Year 2012 was \$406.7 million and in Fiscal Year 2013 was \$431.9 million.

Property tax relief payments by the State to local subdivisions totaled \$3.36 billion for the 2010-11 biennium, \$3.41 billion for the 2012-13 biennium, and are appropriated at \$3.68 billion for the 2014-15 biennium.

**(THIS SPACE INTENTIONALLY LEFT BLANK)**

**PARKS AND RECREATION CAPITAL FACILITIES BONDS**  
**(Department of Natural Resources)**

The Department of Natural Resources (“DNR”) is one of many administrative departments of the State. Among other duties, DNR has the responsibility of providing, operating and maintaining a system of state parks and promoting their use by the public. The Director of DNR is appointed by the Governor with the advice and consent of the Senate and serves at the pleasure of the Governor. The present Director of DNR, Jim Zehringer, was appointed by the Governor on November 16, 2011. All statements and figures under this caption have been provided by DNR.

Through its Division of Parks and Recreation (the “Division”), DNR plans, constructs, equips and furnishes public service facilities in State parks. Those facilities include inns, resort lodges, cottages, camping sites, restaurants, golf courses, and boating and swimming facilities. DNR either operates those facilities itself or, as it has done with many of those facilities, enters into operating contracts or lease concession agreements with qualified private operators.

Other DNR divisions include Forestry, Geological Survey, Engineering, Soil and Water Resources and Recycling and Litter Prevention, Watercraft, Wildlife, Natural Areas and Preserves, Mineral Resources Management, and Office of Coastal Management. Various administrative services are provided by DNR Administration, Office of Budget and Finance, Office of Information Technology, Office of Law Enforcement, Office of Human Resources, and Office of Communications.

DNR has an integral role in the overall plan of financing the parks and recreation facilities under its jurisdiction from the parks and recreation improvement fund. The Ohio Public Facilities Commission (the “Commission”) leases to DNR those parks and recreational facilities financed with Parks and Recreation Bonds (the “Bonds”) issued since 1999 by the Treasurer of State. Among DNR’s related powers and responsibilities are those of filing estimated departmental budgets with OBM, and of establishing fees, charges and rentals for the use of parks and public service facilities under its jurisdiction. In the exercise of these functions, DNR is bound by the covenants in the General Bond Resolution and the related lease agreements with the Commission.

Recent General Assembly GRF appropriations to the Division, excluding GRF appropriations for lease-rental payments to the Commission for the payment of debt service on the Bonds, are as follows:

<b><u>Fiscal</u></b> <b><u>Biennium</u></b>	<b><u>GRF Appropriations</u></b> <b><u>(Excluding Rental Payments)</u></b>	<b><u>Percent Change</u></b>	<b><u>Lease Rental Payments</u></b> <b><u>To Commission</u></b>
2002-03	\$65,277,132(a)	-6.2%	\$30,490,500
2004-05	\$69,894,276(b)	7.1%	\$32,776,000
2006-07	\$77,749,682	11.2%	\$39,661,900
2008-09	\$72,036,488(c)	-2.9%	\$37,905,600
2010-11	\$64,500,709	-10.5%	\$42,317,100
2012-13	\$60,000,000	-7.0%	\$40,303,300
2014-15	\$60,000,000	0.0%	\$45,566,300

(a) Reflects \$8,346,792 in reductions in biennial appropriation spending ordered by the Governor.

(b) Reflects \$1,399,422 in reductions in biennial appropriation spending ordered by the Governor.

(c) Reflects \$7,713,194 in reductions in biennial appropriation spending ordered by the Governor.

An indication of the scope of DNR’s operations is found in the operating appropriations to it in the current 2014-15 biennium of over \$198.2 million from the GRF for all activities of DNR. Of this amount, approximately \$60.0 million is for parks and recreation facilities operating expenses, \$45.6 million is for rental payments to the Commission, and \$49.8 million is for debt service on outstanding Natural Resources general obligation bonds.

As shown above, the GRF operating appropriation (which excludes lease-rental and general obligation debt service payments) for the Division for the current 2014-15 biennium is exactly the same as the equivalent appropriations for the preceding 2012-13 biennium.

In the 2013-14 capital biennium approximately \$6.0 million in new capital appropriations were made for Division of Parks and Recreation facilities, while new capital appropriations for those State facilities in the 2011-12 capital biennium totaled \$2.0 million.

The number of full-time DNR employees assigned to the Division during each of the last five Fiscal Years is as follows:

**Division of Parks and Recreation  
Full-time Employment**

<u>Fiscal Year</u>	<u>Full-time Employee</u>
2009	431
2010	426
2011	418
2012	351
2013	343

DNR operates 75 State parks totaling 174,176 acres. The State park system includes 9,182 campsites, nine lodges with dining facilities and an aggregate of 818 sleeping rooms, 518 sleeping cottages, two additional dining lodges/restaurants, six golf courses, 78 swimming beaches and more than 1,343 miles of hiking trails.

**Parks and Recreation Receipts**

State park system revenues are generated from various sources, including camping fees, concessions, rentals from State-operated cabins, golf course green fees, non commercial dock permits at State facilities and swimming pool fees. Dredging activities are financed by the Waterway Safety Fund. The table below summarizes Parks and Recreation Receipts for the last five Fiscal Years.

**Parks and Recreation Receipts**

<b>Fiscal Year</b>	<b>Camping</b>	<b>Concessions</b>	<b>Cottage Rentals</b>	<b>Golf Course Green Fees</b>	<b>Other</b>	<b>Total Receipts</b>
2009	11,874,128	5,916,182	3,201,121	1,436,653	11,387,234 <sup>(a)</sup>	33,815,317
2010	11,213,330	1,553,137	3,160,254	1,321,043	10,020,667	27,268,431
2011	10,734,497	1,260,340	3,311,756	1,197,601	10,347,779	26,851,974
2012	11,063,335	1,283,127	3,719,756	1,145,547	10,427,952	27,639,717
2013	10,564,030	1,174,632	3,874,782	1,173,030	9,767,310	26,553,784

(a) Reflects \$5,000,000 deposit for Lake Hope Dining Lodge insurance settlement.

Typically, concessionaires operating parks and recreation facilities for the public under agreements with DNR remit to the State varying percentages of the annual gross receipts from the facility operated. The concession contracts vary generally from four-year renewable terms up to 10-year terms. The last two lodge contracts resulted in decreased percentages being paid to the State. As reflected in the above table, receipts decreased for the Division in Fiscal Year 2013 over Fiscal Year 2012 in all receipt categories except cottage rentals and golf course greens fees.

The table below summarizes visitor activity at State parks and recreation facilities during the last five calendar years.

**Visitors to Parks and Recreation Facilities**

<u>Calendar Year</u>	<u>Visitors</u>
2009	53,767,676
2010	46,509,040
2011	49,769,395
2012*	49,500,000
2013*	49,500,000

\* Beginning in 2012, the annual number of visitors will be estimated as opposed to an exact count.

**MENTAL HEALTH CAPITAL FACILITIES BONDS**

**Department of Mental Health and Department of  
Developmental Disabilities**

The Departments are administrative departments of the State. The Directors of the Departments are appointed by the Governor with the advice and consent of the Senate and serve at the pleasure of the Governor. All duties of the divisions of each of the Departments are performed under rules prescribed by its respective Director and are under that Director’s control. Effective July 1, 2013 the Department of Addiction Services was merged into the Department of Mental Health (the “DMH”) to form the Department of Mental Health and Addiction Services (the “MHA”). The Director of the DMH since January 2011, Tracy Plouck, was appointed in July 2013 as the Director of DMH. The Director of the Department of Developmental Disabilities (the “DODD”), John Martin, was originally appointed in 2007 and reappointed by the current Governor in January 2011. Separate appropriations for rental payments to the Ohio Public Facilities Commission (the “Commission”) are made by the General Assembly to each Department.

All statements and figures under this caption have been provided by the Departments.

Indicative of the size and scope of the operations of the Departments, the following tables show recent and current numbers of employees and of individuals served (many by community owned and operated facilities) by the Departments:

**Number of Employees**

As of June 30	Institutional Staff			Total Staff		
	<u>MHA</u>	<u>DODD</u>	<u>Both Departments</u>	<u>MHA</u>	<u>DODD</u>	<u>Both Departments</u>
2000	3,068	3,805	6,873	3,404	4,050	7,454
2008	2,366	3,350	5,580	2,727	3,635	6,201
2009	2,087	3,158	5,245	2,395	3,412	5,807
2010	2,073	3,029	5,102	2,271	3,285	5,556
2011	2,016	2,814	4,830	2,317	3,081	5,398
2012	2,045	2,608	4,653	2,363	2,879	5,242
2013	2,094	2,445	4,539	2,403	2,720	5,123

**Individuals Served**

<u>FY</u>	<u>By State Facilities</u>	<u>By Community Operated Facilities</u>	<u>Total</u>
2000	9,031	323,320	332,351
2008	7,376	400,512	407,888
2009	7,062	405,279	412,341
2010	7,092	422,040	429,132
2011	7,958	438,981	446,939
2012	7,940	443,967	451,907
2013	8,395	458,239	466,634

By their Directors and through their offices and divisions, the Departments have primary authority and responsibility with respect to State facilities for persons who are mentally ill, mentally retarded and/or developmentally disabled, and have an integral role in the financing plan for related capital facilities. Among their powers and responsibilities are: to file estimated Departmental Fiscal Year and fiscal biennium budgets with the OBM; and to manage institutions and programs maintained in whole or in part by the State for the treatment and care of persons who are mentally ill, mentally retarded and/or developmentally disabled, including control by the MHA of certain institutions and programs for persons under the jurisdiction of the Department of Rehabilitation and



(Mental Health Capital Facilities Bonds, cont.)

Corrections and the Department of Youth Services. The MHA is the designated single State agency to administer and implement the federal community mental health block grants.

Recent General Assembly GRF appropriations to the Departments for operations (including subsidies for community services) and excluding GRF appropriations for lease-rental payments to the Commission for the payment of debt service on Mental Health Capital Facilities Bonds are as follows:

<u>Biennium</u>	<u>GRF Appropriations (Excluding Rental Payments)</u>	<u>Percent Change</u>	<u>Rental Payments To Commission</u>
2002-03	\$1,587,992,699(a)	1.0%	\$102,060,400
2004-05	1,671,723,542(b)	5.2	98,284,800
2006-07	1,751,815,257	4.9	94,259,600
2008-09	1,714,633,856(c)	-2.1	88,543,800
2010-11	1,448,368,300	-15.5	86,570,600
2012-13	1,326,035,682	-8.5	76,604,300
2014-15	1,726,509,619(d)	30.2	63,840,000

- (a) Reflects \$63,696,667 in reductions in biennial appropriation spending ordered by the Governor.
- (b) Reflects \$16,886,094 in reductions in biennial appropriation spending ordered by the Governor.
- (c) Reflects \$114,462,299 in reductions in biennial appropriation spending ordered by the Governor.
- (d) Increase is due to transfer of Medicaid services to DODD.

### Functions of the Departments

The MHA is responsible for the care, treatment and rehabilitation of persons who are mentally ill and who enter or are committed to State hospitals. In addition, the MHA is responsible for monitoring mental health care and treatment and for psychiatric examinations of criminal defendants when requested by State trial courts. The MHA also has the responsibility to plan, monitor, fund and provide leadership in the development of community-based mental health services. For purposes of its functions relating to persons who are mentally ill, the MHA currently has under its jurisdiction, as State owned and operated facilities, a system of six Regional Psychiatric Hospitals (RPH's); has affiliation agreements with teaching hospitals; and coordinates the activities of local community mental health agencies. The current primary forensic and psychiatric functions of the MHA include operation of forensic units (from which only a small amount of pledged patient support receipts are received) and working with various adult correctional facilities. The emphasis of the MHA forensic and psychiatric functions is on developing standards for and monitoring the delivery and quality of mental health service in adult correctional facilities, developing programs for inpatient psychiatric treatment of persons committed to the MHA by criminal courts, developing locally managed community programs for forensic persons, and promoting and providing continuity of care community linkages for mentally ill persons involved in criminal justice. As noted above, commencing July 1, 2013, MHA is also responsible for addiction services previously provided by the Department of Addiction Services.

County or multi-county mental health boards ("community MH boards") are legally responsible for appropriate civil commitments of persons with mental illness to State hospitals. Each community MH board must determine whether a person needs hospital care or could be more appropriately treated in a community setting.

Pursuant to a 1993 law that facilitates planning for this integrated system of care, the Director of the DMH convened a State-wide committee to oversee a regional in-patient care planning process, and related regional planning groups. The committee's charge was to plan the role and amount of in-patient hospital services necessary in each area of the State and the development of adequate community services for patients who no longer require hospitalization.

The final report was issued in 1994. Its recommendations did not establish deadlines, but regional recommendations included public hospital consolidations, public/private hospital affiliations, and shared management. Since that 1994 final report, the MHA has: negotiated a merger with a private hospital of a small rural State facility as an acute care psychiatric unit; converted the MHA's previously remaining children's hospital to a community based state-operated service program; and consolidated three of its facilities (Western Reserve Psychiatric Hospital, the Cleveland Psychiatric Hospital, and Northwest Psychiatric Hospital) into Northcoast Behavioral Healthcare System – South, North, and West Campuses. Northwest Psychiatric Hospital (NBH West Campus) was made separate again beginning in FY 2010 due to increased service area resulting from Dayton and Cambridge campus closures. Cleveland Psychiatric Hospital was the last MHA-operated acute care hospital. All hospitals now in operation are considered full-service hospitals. In 1996, the Cambridge Psychiatric Hospital and

(Mental Health Capital Facilities Bonds, cont.)

the Southeast Psychiatric Hospital merged operations to form the Appalachian Behavioral Healthcare System. Also, in 1997, Central Ohio Psychiatric Hospital and the Dayton Mental Health Center merged operations to form the Twin Valley Behavioral Healthcare. In 2008, the Dayton Campus of Twin Valley Behavioral Healthcare and Cambridge Campus of Appalachian Behavioral Healthcare closed as a result of State-wide expenditure reductions. The clinical services and administration of the Cleveland Psychiatric Hospital was consolidated into the Northfield hospital resulting in the closure of Cleveland hospital on June 30, 2011.

The DODD is responsible for coordinating and monitoring three major interrelated service delivery systems: 10 State developmental centers; community residential services; and county board of Developmental Disabilities (“county MRDD boards”) programs. For community mental retardation services (education and training, and residential), the DODD establishes rules governing county MRDD board minimum service standards programs for preschool children and for adults, initiates minimum standards for school-age programs (subject to approval by the Ohio Department of Education), establishes rules regarding overall administration of programs and requirements for receiving State subsidies for operation of county MRDD board programs (including related transportation), and purchases residential placements for clients. The DODD certifies qualifications of administrators, teachers and other employees of county MRDD boards. County MRDD boards and non-public (both nonprofit and for-profit) operators under contract with the DODD, deliver services to mentally retarded and other substantially handicapped developmentally disabled individuals in each of the State’s 88 counties.

The operations and management in each Department are divided among the Office of the Director and various institution and administrative/State-wide offices and divisions.

Administrative/State-wide responsibilities include providing management services and information to institutional and central office management personnel relating to facilities planning, systems of development, program planning and community support development, research and training, personnel, fiscal administration, labor relations, security and legal matters, and providing supportive and ancillary services, including clinical laboratory, pharmaceutical, dietary, laundry, transportation and mail.

Offices in each Department provide basic fiscal service, including budgeting, financial accounting, management reports, processing of purchase orders and vouchers, auditing, and consultation to Departmental and institution staff concerning financial management practices. Those offices also administer the statutory provisions for charges for services provided by the respective Department, including those charges that make up the pledged patient support receipts. They maintain accounts, investigate the financial conditions of liable parties, prepare billings (to patients, liable relatives and third-party payers such as insurance carriers and federal reimbursement programs), and collect payments. The offices also recommend funding policies and coordinate planning efforts relating to, and policies for the monitoring of, federal reimbursement programs.

### **Institutions Under the Departments**

The MHA has under its jurisdiction the following State owned and operated full service institutions for persons with mental illness:

- Appalachian Behavioral Healthcare – Athens Campus
- Heartland Behavioral Healthcare (formerly Massillon Psychiatric Center)
- Northcoast Behavioral Healthcare System – Northfield
- Summit Behavioral Healthcare System (formerly Pauline Warfield Lewis Center (Cincinnati))
- Twin Valley Behavioral Healthcare – Columbus Campuses
- Northwestern Ohio Psychiatric Hospital (Toledo)

The DODD has under its jurisdiction the following State owned and operated developmental centers:

- |                          |              |                            |
|--------------------------|--------------|----------------------------|
| Cambridge                | Columbus     | Gallipolis                 |
| Montgomery (Dayton)      | Mount Vernon | Northwestern Ohio (Toledo) |
| Southwest Ohio (Batavia) | Tiffin       | Warrensville               |
| Youngstown               |              |                            |

### Patient Support Receipts

Under current State law, responsibility and liability to the State for a portion of the costs of supporting a patient in a State institution generally lie jointly and severally with the patient's estate, the patient's spouse and, if a minor, the patient's parents. The amount to be paid, and the necessity to pay any amount to the State by liable relatives, is determined by statutory formulas which are based generally on ability to pay, the patient's age and the extent of prior support payments to the State.

The Departments investigate the financial conditions of the patient and of the liable relatives to determine their respective abilities to pay, taking into consideration adjusted gross annual income (the law requires furnishing the serving Department a copy of the relevant federal income tax return) and assets, and having due regard for others who may be dependent for support upon the liable person or estate. In addition, charges may be made for the actual cost of services received on an outpatient basis. Statutory provisions are made for enforcement and collection of those charges.

Reimbursement to the State under third-party arrangements (including federal programs) for charges for treatment or care by State institutions are included in the pledged patient support receipts. As shown by the second table below, these reimbursements (closely tied to costs) have become and are projected to continue to be in substantially higher aggregate amounts than the aggregate of charges (representing only a small portion of costs) paid directly by patients and liable relatives.

The Departments currently base and adjust their charges on prospective institution or direct program rates rather than on historical division-wide average rates. The effect of using this basis provides a more equitable base for determining support charges related more closely to the current costs of services provided. As an example, the average daily costs per resident patient (usually exceeding the amounts actually charged and/or collected) by categories of State institutions in recent Fiscal Years were:

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Full-Service Psychiatric Hospitals	\$632.32	\$589.03	\$579.07	\$602.06	\$572.65	\$584.90*
Developmental Centers	\$419.24	\$432.07	\$456.38	\$476.25	\$519.02	\$523.60

\*Estimated

Patient support receipts to the two Departments for recent Fiscal Years, and as estimated for the current Fiscal Year, are as follows:

#### Patient Support Receipts

Fiscal Year	Medicare Payments	Medicaid Payments	Support Paid by Patients or Liable Relatives	Other Support Collections	Total
1990	\$15,044,000	\$ 92,623,426	\$6,684,630	\$11,210,530	\$125,562,586
1995	13,611,824	111,037,053	4,024,422	8,540,554	137,213,853
2000	10,631,761	116,375,778	1,616,713	8,741,717	137,365,969
2009	17,345,658	137,920,545(a)	686,241	10,108,120	166,333,306
2010	15,367,907	154,459,764(a)	601,199	9,587,592	180,091,866
2011	17,393,495	145,325,064(a)	347,933	10,798,028	173,864,520
2012	16,767,122	64,957,920(b)	316,575	9,609,730	91,651,347
2013	18,067,763	197,322,313	331,279	10,577,994	226,299,349
2014*	15,359,972	112,934,668	279,763	8,243,014	136,817,417

\* Projected, based on current plans of the Departments.

(a) For fiscal years 2009, 2010 and 2011, includes enhanced Federal Medical Assistance Payments (FMAP) received by the DODD.

(b) Medicaid Payments include FY 1999 and FY 2000 final settlement of \$16M.

(Mental Health Capital Facilities Bonds, cont.)

NOTE: Above amounts include rotary credits and Attorney General net collections on delinquent claims. "Other Support Collections" include private insurance, workers' compensation and Veterans Administration payments.

The following are the separate Department projections reflected in the previous table:

Fiscal Year	Medicare Payments		Medicaid Payments		Support Paid by Patients or Liable Relatives		Other Support Collections	
	MHA	DODD	MHA	DODD	MHA	DODD	MHA	DODD
2000	\$10,461,654	\$170,107	\$1,498,619	\$114,877,159	\$1,082,125	\$534,588	\$1,063,210	\$7,678,507
2009	17,239,551	106,107	272,742	137,920,545(a)	523,262	162,979	1,273,760	8,834,360
2010	15,093,810	274,097	293,549	154,241,619(a)	452,342	148,857	658,531	8,929,061
2011	17,143,495	250,000	655,692	144,669,372(a)	197,933	150,000	2,298,028	8,500,000
2012	16,675,440	91,862	204,177	64,753,743	174,889	141,686	1,234,824	8,374,906
2013	18,011,958	55,805	271,886	197,020,427	192,945	138,334	1,395,561	9,182,433
2014*	15,214,927	145,000	728,869	112,205,799	147,763	132,000	1,042,642	7,200,372

\* Projected, based on current plans of the Departments.

(a) For fiscal years 2009, 2010 and 2011, includes enhanced FMAP received by the DODD.

The following table shows the historic and projected figures for certified/accredited beds:

**Number of Certified/Accredited Beds at Fiscal Year End**

Fiscal Year	MHA	DODD
2007	1,058	1,603
2008	1,058	1,517
2009	1,025	1,462
2010	1,025	1,398
2011	1,064	1,320
2012	1,066	1,184
2013	1,077	1,000
2014*	1,077	900

\* Projected, based on current plans of the Departments.

The DODD Medicaid revenues for direct service costs at developmental centers have had federal ceilings imposed. Once all developmental centers have reached their rate ceilings, all future Medicaid increases will be limited by an inflation index.

The Departments believe that the projections for Fiscal Year 2014 in the above tables are reasonable based on facts now known, present and reasonably anticipated levels of State and federal funding and allowable reimbursement ceilings, current State and federal laws, regulations and interpretations, and current programs and policies. *However, actual receipts in any of the general categories for the Fiscal Year 2014 for which projections are included, or for future years, based on the variables involved and upon possible subsequent changes in State and federal policies and funding levels, may be less than or exceed the stated projections.*

Portions of local agency collections may be included in Pledged Receipts under agreements with the Departments. The MHA has pursued such agreements, and amounts that might be available under them and constituting additional patient support receipts are not included in the figures above. The MHA estimates that the annual locally-collected patient fees, insurance payments and Title XX reimbursements, and not including any Medicare and Medicaid payments that might be included, are in the range of \$85,000,000-\$90,000,000.

The State's programs for mental health and retardation treatment and care are, as in many other states, in a process of ongoing and continuing development. For example, the State has made efforts to reduce resident patient population while at the same time providing upgraded State and community operated residential facilities. The latter increases the level of institutional compliance with federal requirements, which in turn has the potential effect of enhancing the State's eligibility for financial assistance under existing federal programs.

(Mental Health Capital Facilities Bonds, cont.)

Population in State operated facilities for recent Fiscal Years evidence the intended resident patient trend:

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Total number of Resident Clients	7,241	7,062	7,092	7,937	8,828	9,424
Average Daily Resident Population	2,529	2,473	2,285	2,205	2,195	2,006
Total Resident Client Days	933,035	903,190	833,875	804,743	802,361	732,588

Current State law prohibits health insurance providers from declining to pay the same benefits for the treatment of mental illness in accredited or certified public hospitals as are paid under their policies for that treatment in other hospitals.

The Departments anticipate (as shown in their Fiscal Year 2014 projections above), despite decreases in the number of certified or accredited beds and a declining population, that the combination of higher staff/patient ratios, stable insurance coverage and increases in reimbursable costs will, after the temporary decline reflected in certain figures above, result in stable or increased patient support receipts.

### **Capital Improvements**

The capital plan of the Departments for facilities financed with the proceeds of Mental Health Capital Facilities Bonds is intended to permit needed renovation and modernization, and some replacement, of State owned and operated facilities, and to provide for additional and enhanced community facilities. The fiscal year 2013-14 biennium capital appropriations act appropriated \$24,635,000 to the Departments for State and community projects.

State facility projects (some of which are in progress) included in the plans of the Departments are expected to increase facility operations efficiency and space utilization. The plans also contemplate continued State financial participation (generally in the range of 50 percent to 75 percent for the MHA and 50 percent to 100 percent for the DODD with any variance based upon financial conditions in individual counties) in community facility projects. These participation levels reflect the State's ongoing efforts to provide alternatives within the local communities and to support local level rehabilitation and treatment programs, thereby reducing or avoiding the need for State facility inpatient care. The Departments' state-level capital projects are primarily those necessary to maintain or improve the conditions or efficiency of operations of the physical plant at State-operated facilities, those for the enhancement of patient care, and those desirable from a safety standpoint or that are in Departmental judgment required to maintain certification/accreditation of beds in State facilities, and construction of additional patient care units at the Northfield hospital due to its consolidation with the former Cleveland Hospital.

For purposes, among others, of maximizing opportunities for third-party reimbursements, State law required the MHA to meet or exceed the Joint Commission on Accreditation of Healthcare Organizations ("JCAHO") standards or Social Security Act Title XIX standards with regard to physical facilities by July 1, 1990. The MHA currently meets the staffing and facilities standards. Under existing law, failure to meet these standards could result in some decrease in patient and liable relative charges billed and received or in some third party reimbursements. The MHA currently has six totally accredited facilities, with capital projects in development to maintain JCAHO accreditation.

The Departments receive in excess of 90 percent of all current patient support receipts from third-party funding sources such as Medicaid, Medicare and insurance. Loss of accredited/certified beds for any cause, including inability to fund new construction or renovation projects or to fund the operations of current facilities and projects, would negatively impact receipts from these sources.

## HIGHWAY CAPITAL IMPROVEMENT BONDS

**History of Highway User Receipts and Debt Service Coverage.** The following table sets forth revenues of the State of Ohio from fees, excises and license taxes levied by the State relating to registration, operation, or use of vehicles on public highways, or to fuels used for propelling such vehicles (collectively, the Highway User Receipts) available in recent State Fiscal Years pledged to and budgeted for the payment of debt service on general obligation Highway Capital Improvement Bonds, and applies historical and current program debt service against available Highway User Receipts to derive coverage ratios for State Fiscal Years 2004 through 2013.

<u>Fiscal Year</u>	<u>Highway User Receipts Available for Debt Service Requirements*</u>	<u>Total Fiscal Year Debt Service</u>	<u>Coverage Ratio</u>
2004	2,326,188,095	184,970,821	12.58
2005	2,483,833,507	178,797,263	13.89
2006	2,669,145,764	181,073,874	14.74
2007	2,576,989,814**	198,718,747	12.97
2008	2,703,698,759	205,977,409	13.13
2009	2,576,368,324**	197,451,814	13.05
2010	2,585,478,680	170,263,970	15.19
2011	2,642,695,324	149,309,580	17.70
2012	2,593,933,652**	140,859,293	18.42
2013	2,726,651,064***	135,452,052	20.13

\* Reflects total Highway User Receipts minus permissible statutory deductions or refunds.

\*\* The decreases in Highway User Receipts in Fiscal Years 2007, 2009 and 2012 were due in large part to the timing of motor fuel tax receipts that were received at the end of those fiscal years but not recorded until the following Fiscal Year.

\*\*\* Increase is due in part to \$75.6 million of commercial activity tax receipts attributable to sales of motor fuel in the State of Ohio that beginning December 7, 2012 are required to be expended on public highways.

Based on the most recent annual data (Fiscal Year 2013), approximately 68% of Highway User Receipts are generated by Motor Fuel and Use Taxes while the remaining 32% is primarily from Registration and License fees.

The Ohio Building Authority, acting pursuant to Section 2i of Article VIII, Ohio Constitution and acts of the General Assembly, has previously issued special obligations for office buildings for the Ohio Department of Transportation (DOT) and the Ohio Department of Public Safety (DPS) which are not secured by a pledge of the full faith and credit, revenue and taxing power of the State. There are currently no DOT obligations outstanding and the State has no plans to issue new DOT obligations. Payment of debt service on DPS special obligations is subject to biennial appropriation by the General Assembly. Annual debt service payments on those special obligations are appropriated and paid from Highway User Receipts remaining *after* the payment of debt service on Highway Capital Improvement Bonds.

**COLUMBUS-FRANKLIN COUNTY FINANCE AUTHORITY  
TAXABLE RESEARCH AND DEVELOPMENT REVENUE BONDS**

The following is in connection with the Columbus-Franklin County Finance Authority Taxable Research and Development Revenue Bonds (Ohio Capital Fund Financing)(State of Ohio Refundable Tax Credit Collateralized)(the “Bonds”) collateralized by certain tax credits (the “Tax Credits”) against certain State of Ohio taxes described below (the “Taxes” and each individual a “Tax”).

**TAXES, TAX CREDITS AND STATE PAYMENTS**

The Tax Credits are fully refundable and may be claimed by the Trustee for the Bonds against any or all of the Taxes levied and collected by the State under the following provisions of the Ohio Revised Code: (i) Section 5725.19 of the Ohio Revised Code as to the Tax on domestic insurance companies; (ii) Section 5726.53 of the Ohio Revised Code as to the Tax on financial institutions; (iii) Section 5727.241 of the Ohio Revised Code as to the Tax imposed on natural gas and combined companies; (iv) Section 5729.08 of the Ohio Revised Code as to the Tax imposed on foreign insurance companies; and (v) Section 5747.80 of the Ohio Revised Code as to the Tax imposed on income. To the extent applicable to Taxes collected in respect of taxable years or accounting periods ending before January 1, 2013, the term Taxes also includes taxes levied and collected by the State under Section 5707.03 and Chapter 5725 of the Ohio Revised Code (tax on intangibles dealers) and under Chapter 5733 of the Ohio Revised Code (corporate franchise tax), and certain historical information is included herein regarding such taxes. However, for all taxable periods ending on or after January 1, 2013, that tax on intangibles dealers and the corporate franchise tax are no longer collected by the State, (having been replaced for financial institutions for periods beginning on or after January 1, 2013 by the financial institutions Tax referred to above), and will no longer be treated as Taxes available for Tax Credit claims.

State Payments of Tax Credits, if issued to and claimed by the Trustee, are required under State law to be paid from money subject to biennial appropriation by the State to the State Tax Refund Fund (Section 5703.052 of the Ohio Revised Code), from which Ohio tax refunds are paid on business and personal taxes. The Trustee has applied for and received a separate taxpayer identification number in its capacity as Trustee for the Bonds. In such capacity, the Trustee has no activity that is subject to or that would create any liability of the Trustee for any of the Taxes. The Tax Credits are fully refundable, and the Trustee (in its capacity as Trustee) will have no tax payment liabilities against which the Tax Credits can be offset, so the Trustee will be entitled to State Payments in the full amount of the Tax Credits issued and claimed.

In order to make a Tax Credit claim and receive payments on that claim from the State (the “State Payments”), the Trustee will file a tax return, in form agreed to by the Trustee and the Ohio Tax Commissioner, solely for the purpose of claiming the Tax Credits. The OVCA has covenanted, on behalf of the State, that the State will honor Tax Credits and make State Payments in full within 90 days of receipt of the Trustee’s Tax Credit claim. Once State Payments are received, the Trustee will use money received to restore amounts in the reserve fund for the Bonds (or reinstate any credit facility for that reserve fund) or, if bond service charges then due have not been paid on any Bonds, to pay such bond service charges.

State Payments with respect to the Tax Credits are payable from the same sources as any other taxpayer’s claim for a refund against any of the Taxes. Refunds of Taxes (including the State Payments) are payable from the State Tax Refund Fund (“STRF”) upon certification of the Ohio Tax Commissioner (which certification occurs upon presentation of the Tax Credit claim) from receipts of the Tax from which the refund arose.

Annual State fiscal year receipts for each of the Taxes (net of refunds) are as follows (\$ in millions):

<u>Taxes</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Intangibles Dealer Tax <sup>1</sup>	\$38.4	\$27.2	\$26.0	\$19.9	\$38.4
Domestic Insurance Company Tax	160.1	166.5	194.3	194.1	211.6
Natural Gas / Combined Company Tax <sup>2</sup>	184.5	136.7	124.8	174.1	154.5
Foreign Insurance Company Tax	265.0	266.4	273.0	283.9	292.5
Corporate Franchise Tax <sup>1,3</sup>	521.4	142.3	237.2	117.4	262.2
Financial Institutions Tax <sup>1,4</sup>	-	-	-	-	-
Income Tax	<u>8,322.2</u>	<u>7,886.8</u>	<u>8,820.1</u>	<u>9,029.7</u>	<u>9,869.8</u>
Total	\$9,491.6	\$8,625.9	\$9,675.4	\$9,819.1	\$10,829.0

<sup>1</sup> House Bill No. 510 (“HB 510”), which took effect March 27, 2013, effectively repealed the corporate franchise and intangibles dealer taxes beginning with tax or return year 2014 (calendar year 2013). HB 510 also created a new financial institutions tax, which takes effect that same year, and updated Ohio law to allow the Trustee to claim refundable Tax Credits against the financial institutions tax. As a result, HB 510 is not expected to materially reduce the taxes against which Tax Credits may be claimed.

<sup>2</sup> Beginning in Fiscal Year 2012, this includes the natural gas consumption tax.

<sup>3</sup> In connection with the State’s adoption of the commercial activity tax, collections from the corporate franchise tax were phased out for most Ohio corporations beginning tax year 2010, though it remained in effect for financial institutions until 2013 (see footnote 1 above).

<sup>4</sup> The financial institutions tax takes effect for taxpayer taxable years beginning on or after January 1, 2013.

The identified Taxes are those against which the Tax Credits are specifically authorized to be issued for the Bonds. Additional revenues are expected to be available to make the State Payments, including receipts from the other Taxes and from the State sales tax to the extent not encumbered for other specific purposes.

Under current State law, in the event that current receipts of any Tax are insufficient to make the State Payments, the State Payments (as with any refund payable from the STRF) are required to be paid from current receipts of the State sales tax, which have been at least \$6.2 billion in each of the last four years. Solely in order to clarify the State’s tax revenue accounting, the Ohio Department of Taxation or “ODT” proposed and the General Assembly enacted in the biennial appropriations act effective July 1, 2013 an amendment to eliminate the statutory mandate to utilize such sales tax receipts. ODT has confirmed that this amendment was intended solely for accounting purposes and that this change in law will not affect the sources available to make any payments from appropriations made to the STRF, including the State Payments resulting from any Tax Credit claims. Thus, the amendment enacted in the Ohio Budget Bill (to the provisions governing payments of tax refunds payable from the STRF) does not affect the resources available to pay any tax refund, including the State Payments.

State Payments, as with all tax refunds and other payments by the State, may only be made upon an appropriation by the General Assembly, which appropriation cannot extend beyond two years. Each biennial budget contains a single appropriation that applies to all refunds of business or personal taxes. For the 2012-2013 biennium (ended June 30, 2013) the appropriated amount for each State fiscal year is \$1,546,800,000, and for the 2014-2015 biennium (ending June 30, 2015), the appropriated amount for each State fiscal year is \$1,546,800,000. These appropriations also include the following appropriation language: “If it is determined that additional appropriations are necessary for [paying tax refunds], such amounts are hereby appropriated.” As a result of these appropriations provisions, in each of the last three State fiscal years, there were at least \$14.8 billion in current State tax receipts available to pay tax refunds, including the State Payments. The annual statutory limit on the amount of the Tax Credits is



(Columbus-Franklin County Finance Authority, cont.)

currently \$20 million and bond service charges on the Bonds for each State fiscal year must always be less than this amount.

[Remainder of Page Intentionally Left Blank]