



OBM

Date: September 27, 2017

To: Digital Assurance Certification
(Electronic Municipal Market Access)

Subject: Fiscal Year 2017 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	677905	677587
	677518	769318	67760A
	677519	67755A	677524
	677520	67755E	67759X
	677521	67755N	67755C
	677522	67757A	67755L
	67759H	67759Y	

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 (the Obligations).

Unless otherwise indicated, this annual information speaks as of June 30, 2017. OBM will subsequently provide when available audited general purpose financial statements of the State for the Fiscal Year ended June 30, 2017.

There were in Fiscal Year 2017 material events filings with or disclosure to the Municipal Securities Rulemaking Board (MSRB), through the MSRB's Electronic Municipal Market Access System (EMMA), only relating to bond calls. 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,

Timothy S. Keen
Director
Ohio Office of Budget and Management

Copy w/attachments:
Treasurer of State
Secretary, Ohio Public Facilities Commission
Squire Patton Boggs (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 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
Mar. 20, 2003	\$58,085,000	G.O. Infrastructure Improvement Refunding Bonds, Series 2003D	TOS
<u>Fiscal Year 2004</u>			
Dec.15, 2003	\$67,000,000	G.O. Common Schools Adjustable Rate Bonds, Series 2003D	OPFC
Mar. 3, 2004	\$58,725,000	G.O. Infrastructure Improvement Adjustable Rate Refunding Bonds, Series 2004A	TOS
<u>Fiscal Year 2005</u>			
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
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
<u>Fiscal Year 2006</u>			
Aug. 23, 2005	\$71,900,000	G.O. Common Schools Refunding Bonds, Series 2005D	OPFC
Jun. 7, 2006	\$100,000,000	G.O. Common Schools Bonds, Series 2006B.....	OPFC
Jun. 7, 2006	\$100,000,000	G.O. Common Schools Bonds, Series 2006C.....	OPFC
<u>Fiscal Year 2007</u>			
Oct. 3, 2006	\$70,335,000	State Facilities Refunding Bonds (Admin. Building Fund Project), Series 2006B	OBA
Jun. 21, 2007	\$30,000,000	G.O. Natural Resources Bonds, Series L	OPFC
<u>Fiscal Year 2008</u>			
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

<u>Initial Date of Bonds</u>	<u>Original Principal Amount</u>	<u>Title of Issue</u>	<u>Authorizing Agency*</u>
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. 27, 2009	\$91,170,000	G.O. Common Schools Refunding Bonds, Series 2009A.....	OPFC
Jan. 27, 2009	\$86,905,000	G.O. Higher Education 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	State Facilities Refunding Bonds (Juvenile Correc. Bldg. Fund Proj.), Series 2009 B	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
Nov. 3, 2009	\$75,000,000	G.O. Third Frontier R&D Bonds, Series 2009B.....	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	\$33,235,000	G.O. Conservation Projects Bonds (Federally Taxable - Build America Bonds – Direct Payment), Series 2009C.....	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
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
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	\$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	State 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

<u>Initial Date of Bonds</u>	<u>Original Principal Amount</u>	<u>Title of Issue</u>	<u>Authorizing Agency*</u>
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	\$145,175,000	G.O. Highway Capital Improvement Bonds (Federally Taxable – Build America Bonds – Direct Payment), Series O	TOS
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	\$4,535,000	G.O. Higher Education Bonds, Series 2010D (Federally Taxable)	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
May 3, 2011	\$15,000,000	State Facilities Bonds (Juvenile Correc. Bldg. Fund Proj.), 2011 Series A.....	OBA
Jun. 16, 2011	\$40,000,000	G.O. Site Development Bonds, Series 2011A	OPFC
Jun. 16, 2011	\$50,000,000	G.O. Third Frontier R&D Bonds (Federally Taxable), Series 2011A	OPFC
<u>Fiscal Year 2012</u>			
Jul. 28, 2011	\$211,530,000	G.O. Common Schools Refunding Bonds, Series 2011A.....	OPFC
Jul. 28, 2011	\$127,765,000	G.O. Higher Education Refunding Bonds, Series 2011A.....	OPFC
Jul. 28, 2011	\$114,285,000	G.O. Infrastructure Improvement Refunding Bonds, Series 2011B	OPFC
Jul. 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

<u>Initial Date of Bonds</u>	<u>Original Principal Amount</u>	<u>Title of Issue</u>	<u>Authorizing Agency*</u>
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
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>			
Jul. 31, 2013	\$50,000,000	Capital Facilities Lease-Appropriation Bonds (Administrative Building Fund Projects), Series 2013B	TOS
Sep. 26, 2013	\$300,000,000	G.O. Common Schools Bonds, Series 2013B	OPFC
Sep. 26, 2013	\$100,000,000	G.O. Third Frontier R&D Bonds (Federally Taxable), Series 2013B.....	OPFC
Nov. 26, 2013	\$50,000,000	G.O. Conservation Projects Bonds, Series 2013A	OPFC
Nov. 26, 2013	\$35,000,000	G.O. Site Development Bonds, Series 2013A	OPFC
Jan. 22, 2014	\$150,000,000	G.O. Infrastructure Improvement Bonds, Series 2014A.....	OPFC
Jan. 30, 2014	\$50,000,000	Capital Facilities Lease-Appropriation Bonds (Mental Health Facilities Improvement Fund), Series 2014A	TOS
Mar. 21, 2014	\$300,000,000	G.O. Higher Education Bonds, Series 2014A	OPFC
May 7, 2014	\$45,000,000	Capital Facilities Bonds (Adult Correctional Building Fund Projects), Series 2014A	TOS

<u>Initial Date of Bonds</u>	<u>Original Principal Amount</u>	<u>Title of Issue</u>	<u>Authorizing Agency*</u>
May 7, 2014	\$3,815,000	State Facilities Building Refunding Bonds (Highway Safety), Series 2014A.....	TOS
May 29, 2014	\$162,415,000	G.O. Common Schools Refunding Bonds, Series 2014A.....	OPFC
May 29, 2014	\$116,290,000	G.O. Higher Education Refunding Bonds, Series 2014B.....	OPFC
May 29, 2014	\$59,870,000	G.O. Infrastructure Improvement Refunding Bonds, Series 2014B.....	OPFC
Jun. 11, 2014	\$249,005,000	G.O. Highway Capital Improvement Bonds, Series R.....	TOS
<u>Fiscal Year 2015</u>			
Oct. 10, 2014	\$150,000,000	G.O. Infrastructure Improvement Bonds, Series 2014C.....	OPFC
Oct. 10, 2014	\$35,000,000	G.O. Natural Resources Bonds, Series S.....	OPFC
Oct. 10, 2014	\$12,000,000	G.O. Coal Development Bonds, Series M.....	OPFC
Jan. 28, 2015	\$61,930,000	Capital Facilities Lease-Appropriation Bonds (Administrative Building Fund Projects), Series 2015A.....	TOS
Jan. 28, 2015	\$18,070,000	Capital Facilities Lease-Appropriation Bonds (Administrative Building Fund Projects) (Federally Taxable), Series 2015B.....	TOS
Jan. 28, 2015	\$84,300,000	Capital Facilities Lease-Appropriation Bonds (Transportation Building Fund Projects), Series 2015A.....	TOS
Jan. 29, 2015	\$72,395,000	G.O. Common Schools Refunding Bonds, Series 2015A.....	OPFC
Jan. 29, 2015	\$28,195,000	G.O. Higher Education Refunding Bonds, Series 2015A.....	OPFC
Jan. 29, 2015	\$99,880,000	G.O. Infrastructure Improvement Refunding Bonds, Series 2015A.....	OPFC
Jan. 29, 2015	\$11,805,000	G.O. Conservation Projects Refunding Bonds, Series 2015A.....	OPFC
Feb. 26, 2015	\$11,185,000	Capital Facilities Lease-Appropriation Refunding Bonds (Administrative Building Fund Projects), Series 2015C.....	TOS
Feb. 26, 2015	\$10,030,000	Capital Facilities Lease Appropriation Refunding Bonds (Adult Correctional Building Fund Projects), Series 2015A.....	TOS
Feb. 26, 2015	\$11,180,000	Capital Facilities Lease-Appropriation Refunding Bonds (Juvenile Correctional Building Fund Projects) (Federally Taxable), Series 2015A.....	TOS
Feb. 26, 2015	\$9,920,000	Capital Facilities Lease-Appropriation Refunding Bonds (Cultural & Sports Facilities Building Fund Projects) (Federally Taxable), Series 2015A.....	TOS
Mar. 5, 2015	\$50,000,000	Capital Facilities Lease-Appropriation Bonds (Mental Health Facilities Improvement Fund), Series 2015A.....	TOS
Mar. 5, 2015	\$40,000,000	Capital Facilities Lease-Appropriation Bonds (Parks and Recreation Improvement Fund Projects), Series 2015A.....	TOS
Mar. 5, 2015	\$20,000,000	Capital Facilities Lease-Appropriation Bonds (Juvenile Correctional Building Fund Projects), Series 2015B.....	TOS
Apr. 9, 2015	\$227,355,000	Tax-Exempt Private Activity Bonds, Series 2015 (Portsmouth Gateway Group, LLC - Borrower)(Portsmouth Bypass Project).....	TOS
May 19, 2015	\$300,000,000	G.O. Common Schools Bonds, Series 2015B.....	OPFC
May 19, 2015	\$35,000,000	G.O. Natural Resources Bonds, Series T.....	OPFC
May 19, 2015	\$10,000,000	G.O. Higher Education Bonds (Federally Taxable), Series 2015B.....	OPFC
<u>Fiscal Year 2016</u>			
Aug. 12, 2015	\$30,000,000	Capital Facilities Lease-Appropriation Bonds (Cultural & Sports Facilities Building Fund Projects), Series 2015B.....	TOS
Sep. 29, 2015	\$150,000,000	G.O. Infrastructure Improvement Bonds, Series 2015B.....	OPFC
Sep. 29, 2015	\$50,000,000	G.O. Conservation Projects Bonds, Series 2015B.....	OPFC
Sep. 29, 2015	\$50,390,000	G.O. Infrastructure Improvement Refunding Bonds, Series 2015C.....	OPFC
Nov. 3, 2015	\$300,000,000	G.O. Higher Education Bonds, Series 2015C.....	OPFC
Nov. 19, 2015	\$70,000,000	Capital Facilities Lease Appropriation Bonds (Adult Correctional Building Fund Projects), Series 2015B.....	TOS

<u>Initial Date of Bonds</u>	<u>Original Principal Amount</u>	<u>Title of Issue</u>	<u>Authorizing Agency*</u>
Mar. 9, 2016	\$100,000,000	G.O. Third Frontier R&D Bonds (Federally Taxable), Series 2016A	OPFC
Mar. 9, 2016	\$12,000,000	G.O. Coal Development Bond, Series N	OPFC
Mar. 9, 2016	\$138,225,000	G.O. Common Schools Refunding Bonds, Series 2016A.....	OPFC
Mar. 9, 2016	\$96,430,000	G.O. Infrastructure Improvement Refunding Bonds, Series 2016A	OPFC
Mar. 9, 2016	\$20,930,000	G.O. Conservation Projects Refunding Bonds, Series 2016A.....	OPFC
Mar. 31, 2016	\$80,000,000	Capital Facilities Lease Appropriation Bonds (Parks and Recreation Improvement Fund Projects), Series 2016A	TOS
Apr. 21, 2016	\$228,000,000	G.O. Highway Capital Improvement Bonds, Series S.....	TOS
May 25, 2016	\$31,095,000	Capital Facilities Lease-Appropriation Refunding Bonds (Administrative Building Fund Projects), Series 2016A	TOS
May 25, 2016	\$20,565,000	Capital Facilities Lease Appropriation Refunding Bonds (Adult Correctional Building Fund Projects), Series 2016A	TOS
Jun. 2, 2016	\$69,400,000	G.O. Higher Education Refunding Bonds, Series 2016A.....	OPFC
Jun. 2, 2016	\$13,715,000	G.O. Natural Resources Refunding Bonds, Series U	OPFC
Jun. 2, 2016	\$22,105,000	G.O. Third Frontier R&D Refunding Bonds, Series 2016B	OPFC
Jun. 28, 2016	\$50,000,000	Capital Facilities Lease-Appropriation Bonds (Mental Health Facilities Improvement Fund), Series 2016A	TOS
Jun. 28, 2016	\$10,415,000	Capital Facilities Lease-Appropriation Refunding Bonds (Parks and Recreation Improvement Fund), Series 2016B.....	TOS
<u>Fiscal Year 2017</u>			
Aug. 25, 2016	\$40,000,000	Capital Facilities Lease-Appropriation Bonds (Cultural & Sports Facilities Building Fund Projects), Series 2016A	TOS
Oct. 6, 2016	\$100,000,000	Capital Facilities Lease-Appropriation Bonds (Parks and Recreation Improvement Fund), Series 2016C	TOS
Oct. 26, 2016	\$32,320,000	Capital Facilities Lease-Appropriation Variable Rate Bonds (Adult Correctional Building Fund Projects), Series 2016B.....	TOS
Oct. 26, 2016	\$32,300,000	Capital Facilities Lease-Appropriation Variable Rate Bonds (Adult Correctional Building Fund Projects), Series 2016C.....	TOS
Oct. 26, 2016	\$15,380,000	Capital Facilities Lease-Appropriation Bonds (Adult Correctional Building Fund Projects), Series 2016D	TOS
Nov. 15, 2016	\$150,000,000	G.O. Infrastructure Improvement Bonds, Series 2016B.....	OPFC
Jan. 25, 2017	\$300,000,000	G.O. Common Schools Bonds, Series 2017A	OPFC
Jan. 25, 2017	\$50,000,000	G.O. Conservation Projects Bonds, Series 2017A	OPFC
Apr. 19, 2017	\$70,000,000	Capital Facilities Lease-Appropriation Bonds (Administrative Building Fund Projects), Series 2017A	TOS
Apr. 25, 2017	\$300,000,000	G.O. Higher Education Bonds, Series 2017A	OPFC
Apr. 25, 2017	\$10,000,000	G.O. Higher Education Bonds (Federally Taxable), Series 2017B.....	OPFC

* OBA = Ohio Building Authority[†]
OPFC = Ohio Public Facilities Commission
TOS = Treasurer of State

[†]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/ Elected Official 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 2008</u>			
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 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
<u>Fiscal Year 2014</u>			
Jun. 4, 2014	\$65,150,000	Certificates of Participation Refunding (State of Ohio DAS – Ohio Administrative Knowledge System (OAKS) Project), Series 2014A [State of Ohio Leasing Corporation, as lessor].....	DAS
<u>Fiscal Year 2015</u>			
Oct. 2, 2014	\$15,795,000	Certificates of Participation (State of Ohio DAS – Multi-Agency Radio Communications System (MARCS) Project), Series 2014 [State of Ohio Leasing Corporation, as lessor].....	DAS
Oct. 2, 2014	\$33,595,000	Certificates of Participation (State of Ohio DAS – Enterprise Data Center Solutions (EDCS) Project), Series 2014 [State of Ohio Leasing Corporation, as lessor].....	DAS
Oct. 2, 2014	\$8,775,000	Certificates of Participation (Treasurer of State of the State of Ohio – Treasury Management System (TMS) Project), Series 2014 [State of Ohio Leasing Corporation, as lessor].....	TOS
May 28, 2015	\$17,985,000	Certificates of Participation (State of Ohio DAS – State Taxation Accounting and Revenue System (STARS) Project), Series 2015 [State of Ohio Leasing Corporation, as lessor].....	DAS
<u>Fiscal Year 2017</u>			
Nov. 2, 2016	\$26,035,000	Certificates of Participation (State of Ohio DAS – Enterprise Data Center Solutions (EDCS) Project), Series 2016 [State of Ohio Leasing Corporation, as lessor].....	DAS
Nov. 2, 2016	\$19,145,000	Certificates of Participation (State of Ohio DAS – Ohio Administrative Knowledge System (OAKS) Project), Series 2016 [State of Ohio Leasing Corporation, as lessor].....	DAS
Mar. 14, 2017	\$19,630,000	Certificates of Participation (Attorney General of the State of Ohio – Bureau of Criminal Investigation Records System (BCIRS) Project), Series 2017 [State of Ohio Leasing Corporation, as lessor].....	AG
Mar. 14, 2017	\$8,975,000	Certificates of Participation (State of Ohio DAS – State Taxation Accounting and Revenue System (STARS) Project), Series 2017 [State of Ohio Leasing Corporation, as lessor].....	DAS

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

<u>Date</u>	<u>Original Principal Amount</u>	<u>Title of Issue</u>	<u>State Agency/ Elected Official Lessee*</u>
<u>Fiscal Year 2008</u>			
Nov. 29, 2007	\$16,500,000	The Riversouth Authority (Ohio) Lazarus Building Redevelopment Bonds, 2007 Series A.....	DAS
<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
<u>Fiscal Year 2015</u>			
Feb. 18, 2015	\$31,785,000	Columbus-Franklin County Finance Authority – Taxable Research and Development Revenue Refunding Bonds, Series 2015A (Ohio Capital Fund Financing) (State of Ohio Refundable Tax Credit Collateralized)	CFCFA
<u>Fiscal Year 2016</u>			
Dec. 10, 2015	\$11,775,000	Columbus-Franklin County Finance Authority – Taxable Research and Development Revenue Refunding Bonds, Series 2015B (Ohio Capital Fund Financing) (State of Ohio Refundable Tax Credit Collateralized)	CFCFA

* DAS = Ohio Department of Administrative Services
CFCFA = Columbus-Franklin County Finance Authority
TOS = Treasurer of State of the State of Ohio
AG = Attorney General of the State of Ohio

The following discusses certain matters relating to general State finances and debt, and the State’s economy and employment, population, agriculture, resources, tax bases and related subjects. This information is from the State’s official records, except for information expressly attributed to other sources, and summarizes and describes current and recent historical information. It is not intended to indicate future or continuing trends in the financial or other positions of the State. No representation is made that past experience, as might be shown by this financial and other information, will necessarily continue in the future.

[NOTE: Except as otherwise indicated, this Annual Information speaks as of June 30, 2017.]

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 current fiscal biennium began July 1, 2017 and ends June 30, 2019). 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 extended 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 – Current Biennium** for discussion of the enacted budget the 2018-19 fiscal biennium.

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, 2017 with a GRF fund balance (after year-end transfers) of \$170.9 million. The State has a “rainy day” fund (the Budget Stabilization Fund (BSF)) which for Fiscal Year 2017 and until used is intended to carry a balance of up to 8.5% of the GRF revenue for the preceding Fiscal Year (this amount was 5% for Fiscal Year 2016 and prior years). The current BSF balance is \$2.034 billion, which equals 6.0% of Fiscal Year 2017 GRF revenue. Recent Fiscal Year-end BSF balances and their percent of GRF revenue for that Fiscal Year were:

Fiscal Year-Ending	BSF Balance(a)	% of GRF Revenue
2012	\$482,000,000	1.8%
2013	1,477,934,000	5.0
2014	1,477,934,000	5.1
2015	2,004,569,000	6.4
2016	2,034,051,000	6.0
2017	2,034,051,000	6.0

(a) Reflects balance after year-end transfer into BSF; actual cash transfers into the BSF occur early in the following Fiscal Year.

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 also 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. Ad valorem taxes on tangible personal property of public utilities and on real property are levied by political subdivisions and local taxing districts, and State law does not currently allow the imposition of a general ad valorem tax on tangible personal property. 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 timing and amount 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 web page at <http://obm.ohio.gov/stateaccounting/financialreporting/cafr.aspx>, and copies may be obtained by contacting OBM, 30 E. Broad Street, 34th Floor, Columbus, Ohio 43215, phone (614) 466-4034. The Fiscal Year 2016 CAFR received the Government Finance Officers Association certificate of achievement for excellence in financial reporting.

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.

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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.

SUMMARY STATEMENT GOVERNMENTAL AND PROPRIETARY APPROPRIATED FUNDS

(\$ in Millions)

Cash Receipts

SOURCE OF RECEIPTS	Fiscal Year				
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Taxes:					
Personal Income(a).....	\$9,869.8	\$8,425.1	\$8,883.2	\$8,169.4	\$7,981.1
Sales and Use(b).....	8,851.5	9,549.9	10,417.8	10,807.7	11,070.5
Corporate Franchise(c)	262.2	(11.2)	2.6	33.2	(1.2)
Financial Institutions Tax(c)	n.a.	197.8	182.1	213.5	187.3
Commercial Activity Tax(d)	1,594.9	1,684.7	1,752.6	1,689.1	1,750.8
Gasoline	1,725.0	1,825.5	1,800.6	1,740.4	1,817.4
Public Utilities and Kilowatt Hour.....	702.0	742.5	809.8	796.0	796.9
Cigarette(e)	827.4	814.0	808.2	1,007.6	980.5
Foreign Insurance	292.5	308.0	287.3	316.4	321.4
Highway Use	36.1	16.7	35.2	36.2	39.1
Estate(f)	105.2	39.4	3.1	2.2	0.8
Alcoholic Beverages	57.6	56.6	57.7	55.6	58.4
Liquor Gallonage.....	40.7	41.8	43.4	45.1	46.5
Domestic Insurance Franchise	211.6	202.3	257.2	263.5	273.9
Other	<u>84.1</u>	<u>44.3</u>	<u>60.0</u>	<u>75.7</u>	<u>83.7</u>
Total Taxes.....	24,660.6	23,937.5	25,400.7	25,251.6	25,407.1
Licenses, Permits and Fees.....	3,284.4	3,225.5	3,072.0	3,641.3	3,284.5
Sales, Services and Charges	1,682.7	1,262.9	1,392.1	1,749.2	1,512.1
Federal Government.....	19,685.3	21,047.1	22,692.1	22,953.9	22,911.5
Other(g)	4,626.4	4,179.6	4,702.8	5,655.3	5,889.9
Proceeds from Sale of Bonds and Notes.....	<u>732.2</u>	<u>1,468.6</u>	<u>1,103.8</u>	<u>1,214.9</u>	<u>1,507.8</u>
Total Cash Receipts	\$54,671.6	\$55,121.1	\$58,363.4	\$60,466.2	\$60,512.9

(a) The personal income tax rate was reduced by 8.5% in calendar year 2013, 1.5% in calendar year 2014 and 6.3% in calendar year 2015, and a deduction commenced in tax year 2013 for small businesses of 50%, increasing to 75% in tax years 2014 and 2015, and to 100% for tax years 2016 and beyond, of annual business net income up to \$250,000 (see **FISCAL MATTERS – Recent and Current Finances – Recent Biennia – 2014-15 and 2016-17**).

(b) Beginning September 1, 2013, the sales and use tax rate was increased one-quarter percent to 5.75% (see **FISCAL MATTERS – Recent and Current Finances – Recent Biennia - 2014-15**).

(c) Beginning in calendar year 2006, except for financial institutions, the corporate franchise tax was phased-out in even annual increments over five years; 2014 and 2017 reflects refunds. Beginning in tax year 2014, the financial institutions component was replaced with new financial institutions tax.

(d) See **TAX LEVELS AND TAX BASES – Commercial Activity Tax** for discussion of the commercial activity tax (CAT) on gross receipts from doing business in Ohio.

(e) Beginning July 1, 2015, the cigarette tax was increased from \$1.25 per pack (of 20 cigarettes) to \$1.60 per pack (see **FISCAL MATTERS – Recent and Current Finances – Recent Biennia - 2014-15**).

(f) Eliminated effective January 1, 2013.

(g) Largest components consist of various reimbursements, loan repayments, unclaimed funds, and investment income.

Cash Disbursements

FUND TYPE	Fiscal Year				
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
General Fund:					
General Revenue Fund.....	\$27,439.3	\$28,901.8	\$30,831.6	\$33,593.1	\$34,503.5
General Services Fund	4,557.1	4,591.6	4,758.6	4,712.1	4,809.3
Special Revenue Fund(h).....	18,251.0	19,204.9	20,644.3	19,356.1	19,005.7
Capital Projects Fund(i).....	273.5	318.0	412.0	607.0	601.2
Debt Service Fund(j)	996.3	1,064.8	1,116.7	1,136.0	1,168.2
Enterprise Fund(k)	<u>1,115.9</u>	<u>699.7</u>	<u>825.0</u>	<u>844.4</u>	<u>775.1</u>
Total Cash Disbursements.....	\$52,633.1	\$54,780.9	\$58,588.3	\$60,248.8	\$60,863.0

(h) Includes local government support disbursements.

(i) Includes amounts disbursed from proceeds of special obligation bonds and highway general obligation bonds.

(j) Includes the several bond retirement funds for bonds secured by a pledge of taxes and excises.

(k) Fiscal Year 2014 reduction reflects the transfer of the State's spirituous liquor system in February 2013 to JobsOhio (see **FISCAL MATTERS – Recent and Current Finances – Recent Biennia - 2012-13**).

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

	Fiscal Year				
	2013	2014	2015	2016	2017
Beginning Cash Balance	\$973.4	\$2,639.2	\$1,700.1	\$1,711.7	\$1,193.3
Cash Receipts:					
Taxes:					
Personal Income(a).....	9,507.8	8,064.9	8,506.7	7,799.3	7,606.5
Sales and Use(b).....	8,444.9	9,165.8	9,960.2	10,348.0	10,614.6
Corporate Franchise(c)	261.9	(11.4)	2.5	33.2	(1.2)
Financial Institutions Tax(c).....	n.a.	197.8	182.1	213.5	187.3
Commercial Activity Tax(d).....	790.0	794.2	854.0	1,255.3	1,301.5
Public Utilities and Kilowatt Hour.....	461.7	488.4	464.5	502.0	516.1
Cigarette(e).....	827.4	814.0	808.2	1,007.6	980.5
Domestic Insurance.....	206.4	196.9	251.6	258.3	268.6
Foreign Insurance	274.6	286.5	266.6	293.5	301.5
Other.....	<u>241.0</u>	<u>137.5</u>	<u>109.3</u>	<u>110.8</u>	<u>110.4</u>
Total Taxes.....	21,015.7	20,134.7	21,405.8	21,821.6	21,885.8
Federal Government.....	7,525.8	8,575.6	9,301.3	11,645.7	11,761.2
Licenses, Permits and Fees.....	70.2	57.3	57.5	56.0	57.4
Investment Income.....	10.5	17.3	23.1	35.1	48.7
Other	<u>534.5</u>	<u>42.2</u>	<u>43.7</u>	<u>49.8</u>	<u>69.1</u>
Total Cash Receipts	29,156.7	28,827.1	30,831.4	33,608.3	33,822.1
Cash Disbursements:					
Primary, Secondary and Other Education(f)	6,574.3	6,813.2	7,299.5	7,624.1	7,945.9
Higher Education.....	2,044.3	2,085.0	2,139.6	2,222.8	2,294.8
Public Assistance and Medicaid(g).....	12,581.7	13,570.5	14,863.2	16,995.9	17,437.4
Health and Human Services(g).....	1,151.8	1,235.8	1,249.8	1,283.6	1,289.6
Justice and Public Protection	1,804.6	1,837.0	1,850.3	1,983.8	2,052.8
Environmental Protection and Natural Resources.....	64.8	63.1	62.6	63.0	66.0
General Government and Transportation(h)	231.0	232.1	235.1	249.1	247.8
Community and Economic Development	52.2	53.4	42.4	50.2	56.4
Property Tax Reimbursements(i)	1,746.5	1,785.2	1,801.5	1,786.7	1,790.3
Debt Service.....	<u>1,188.2</u>	<u>1,226.4</u>	<u>1,287.7</u>	<u>1,333.9</u>	<u>1,322.7</u>
Total Cash Disbursements.....	27,439.3	28,901.8	30,831.6	33,593.1	34,503.5
Cash Transfers:					
Transfers-in(j).....	402.0	405.7	641.6	322.2	355.9
Transfers-out(k)	<u>(453.6)</u>	<u>(1,270.2)</u>	<u>(629.9)</u>	<u>(855.8)</u>	<u>(310.8)</u>
Ending Cash Balance	\$2,639.2	\$1,700.1	\$1,711.7	\$1,193.3	\$557.1

- (a) The personal income tax rate was reduced by 8.5% in calendar year 2013, 1.5% in calendar year 2014 and 6.3% in calendar year 2015, and a deduction commenced in tax year 2013 for small businesses of 50%, increasing to 75% in tax years 2014 and 2015, and to 100% for tax years 2016 and beyond, of annual business net income up to \$250,000 (see **FISCAL MATTERS – Recent and Current Finances – Recent Biennia – 2014-15 and 2016-17**).
- (b) Beginning September 1, 2013, the sales and use tax rate was increased one-quarter percent to 5.75% (see **FISCAL MATTERS – Recent and Current Finances – Recent Biennia - 2014-15**).
- (c) Beginning in calendar year 2006, except for financial institutions, the corporate franchise tax rate was phased out annually over five years; 2014 and 2017 reflects refunds. Beginning in tax year 2014, the financial institutions component was replaced with a new financial institutions tax.
- (d) See **TAX LEVELS AND TAX BASES – Commercial Activity Tax** for discussion of the commercial activity tax (CAT) on gross receipts from doing business in Ohio and on the increased share of CAT receipts being deposited into the GRF.
- (e) Beginning July 1, 2015, the cigarette tax was increased from \$1.25 to \$1.60 per pack (see **FISCAL MATTERS – Recent and Current Finances – Recent Biennia - 2014-15**).
- (f) Mainly subsidies to local school districts for primary and secondary education and to colleges and universities for higher education.
- (g) Beginning in Fiscal Year 2013, disbursements for Medicaid were consolidated into a separate program and the portion attributed to Public Assistance was moved into the Health and Human Services Program.
- (h) Transportation amounts are for non-highway transportation purposes, including mass transit, rail, and aviation.
- (i) 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. (see **FISCAL MATTERS – Recent and Current Finances – Recent Biennia - 2014-15**).
- (j) Includes in Fiscal Years 2013, 2014, 2015 and 2017 transfers from the School District Property Tax Replacement Fund, in Fiscal Year 2013 transfer from liquor profits, and in Fiscal Year 2015 transfer from the Small Business Augmentation Fund.
- (k) Fiscal Years 2013, 2014, 2016 and 2017 transfers out include \$235.1 million, \$995.9 million, \$526.6 million and \$29.5 million to the BSF, respectively. In Fiscal Year 2015, includes \$330.0 million transfer to the Medicaid reserve fund and \$229 million to the Small Business Augmentation Fund.

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. Recent biennium-ending GRF balances were:

Biennium	Cash Balance	Fund Balance(a)	Fund Balance less Designated Transfers(b)
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
2014-15	1,711,679,000	1,286,469,000	550,366,000
2016-17	557,089,900	170,872,600	170,872,600

(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 have been applied to appropriations or expenditures needed for debt service or lease payments relating to any State obligations.

The appropriations acts for the 2018-19 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 and certificates of participation (see **State Debt – General**).

The Revised Code imposes a limitation on most GRF appropriations commencing with the 2008-09 fiscal biennium. This statutory limitation initially used 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. All GRF appropriations since have complied with this limitation.

The following is a selective general discussion of State finances, particularly GRF receipts and expenditures, for recent and the current biennia. As evidenced by the 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

2008-09

2008-09 Biennial Budget and Appropriations. 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 that 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 contained total GRF biennial appropriations of approximately \$52.4 billion. 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 the 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 (BTSFA) 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:

- On January 31, 2008, the Governor 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 was 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 were 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 BTSFA’s Tobacco Settlement Asset-Backed Bonds issued in October 2007.

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 of 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 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 further 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, or 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 then 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, 2009. 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 previously ordered by the Governor.

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, the State reserved \$133.4 million to maintain the statutory target of one-half of one percent of Fiscal Year 2009 GRF revenues 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 fiscal 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 periods and under that final Act. Reflecting the final implementation of the restructuring of State taxes that commenced in 2006-07 and a conservative underlying economic forecast, that Act provided for total GRF biennial appropriations of approximately \$50.5 billion based on total GRF expected biennial revenue of approximately \$51.1 billion (a 4.2% decrease from 2008-09 fiscal biennium 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 reflected 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. In October 2011 a complaint was filed in the Court of Common Pleas of Franklin County, Ohio challenging that 2009 law authorizing the VLTs, with those challenges being asserted under various provisions of the Ohio Constitution, and also under the Equal Protection Clause of the Fourteenth Amendment to the United States Constitution for granting a monopoly to only the gaming operators approved in that 2009 law. The trial court on May 30, 2012 granted defendants' motions to dismiss the case after finding that the plaintiffs did not have legal standing to bring these challenges, and the plaintiffs appealed this trial court ruling to the Tenth District Court of Appeals of Franklin County, Ohio. Since the trial court dismissed the case based on plaintiffs' lack of standing, it did not address or decide the merits of the plaintiffs' challenges. On March 14, 2013, the Court of Appeals upheld the trial court's dismissal of the case based on the plaintiffs' lack of standing, and on July 24, 2013, the Ohio Supreme Court announced that it was accepting plaintiffs' appeal of this case but holding it for review after it decided a separate case involving the question of an activist group's standing to bring challenges relating to JobsOhio (see **FISCAL MATTERS – Recent and Current Finances – Recent Biennia – 2012-13**). After the Supreme Court released its decision in that separate case involving JobsOhio on June 10, 2014, the defendants on July 2 filed a motion to dismiss the appeal pending before the Supreme Court in the VLT case as improvidently granted based on that June 10 decision. On September 3, 2014, the Supreme Court ruled on that motion to dismiss and ordered the parties to file merit briefs relating to the standing issues the Court accepted for appeal. Those briefs were filed, and oral argument was held by the Court on June 23, 2015. On March 24, 2016, the Court affirmed the dismissal for lack of legal standing of all but one of the plaintiff-appellants' claims. With respect to the claim that the 2009 law granted a monopoly in violation of the Equal Protection Clause of the Fourteenth Amendment to the United States Constitution, the Court found the plaintiff had legal standing to bring this challenge, reversed the Tenth District's judgment affirming the dismissal of this claim, and remanded this claim to the Franklin County Court of Common Pleas for further proceedings. On September 27, 2016, the Court of Common Pleas ruled on motions for judgment on the pleadings filed by the parties addressing the remanded equal protection claim, upholding the constitutionality of the 2009 law authorizing the VLTs and dismissing that equal protection claim.

- \$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. After a trial court in August 2009 ordered these monies must remain in that endowment fund and be used for the purpose of reducing tobacco use, the State immediately appealed and in December 2009 the court of appeals ruled in favor of the State and reversed the trial court's order. The Ohio Supreme Court in December 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, \$250 million transferred from a cash account at the Ohio School Facilities Commission, \$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 federal 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 September 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 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 to maintain the statutory target of 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

2012-13 Biennial Budget and Appropriations. 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 fiscal biennium including federal stimulus 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 \$55.8 billion. This reflected a 10.5% increase over the 2010-11 GRF biennial appropriations, based on total expected 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 biennial spending reflected increases of 30.2% for Medicaid (due in large part to the absence of ARRA funding in the 2012-13 biennium and the redirection of 2012-13 biennial spending from non-GRF to GRF sources); decreases of 3% for elementary and secondary education, 9.1% for higher education, and 8.1% for mental health and developmental disabilities (due to the transfer of community mental health Medicaid services to the Department of Job and Family Services); 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 the 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, 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 \$725.0 million of then outstanding State bonds and notes secured by a pledge of the State's profits from the sale of spirituous liquor, and \$100 million for funding 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 \$167.0 million in Fiscal Year 2013 (\$88 million of which was generated through the February 1 granting of the franchise to JobsOhio Beverage System). Litigation commenced in April 2011 and August 2014 that 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 and the 2012-13 appropriations Act that amended various statutes applying to JobsOhio. In August 2011, the Ohio Supreme Court dismissed the first case, and in June 2014, the Ohio Supreme Court affirmed prior judgments of the lower courts relating to the second case and concluded that the plaintiffs lacked standing to bring this suit. Plaintiffs in the second case subsequently filed additional actions and appeals with the Court of Appeals and the Ohio Supreme Court in an attempt to revive these challenges to JobsOhio and the laws authorizing its creation and the transfer of the State's spirituous liquor system. The Supreme Court ultimately denied plaintiffs' motion for reconsideration in November 2016.
- Sale of five State-owned prison facilities to private operators expected to result in a net payment to the GRF of \$75 million. (Based on the proposals it received for the five prisons, the State opted to sell only one of those facilities that accomplished most of the desired financial result for the 2012-13 biennium.) Litigation commenced in August 2011, and then again in July 2012, challenging 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 and violated the constitutional right to referendum, and 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. In February 2016, the Supreme Court upheld the prison sale provisions of the Act, finding their enactment did not violate the "one subject rule" of the Ohio Constitution or its prohibition against the State entering into a joint venture with private enterprise.
- 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 to the local government fund a set percentage 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 to the public library fund a set percentage 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**).
- Elimination of the estate tax beginning January 1, 2013, previously 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.
- Establishment of 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.

2012 Mid-Biennium Review. On March 14, 2012, the Governor announced a series of policy proposals resulting from a “mid-biennium review” (2012 MBR), with a stated focus on job creation as a priority. The Governor’s 2012 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 be used to reduce personal income tax rates by a commensurate amount); *bank and financial institutions tax reform* (including a modernization, intended to be revenue-neutral, of Ohio’s taxes on banks and financial institutions replacing the corporate franchise and dealers in intangibles tax with a new financial institutions tax more accurately reflecting modern banking practices, closing loopholes and reducing the overall tax burden on most banks); *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 in demand jobs); and achieving more *management efficiency* with associated State and local government budgetary savings (including combining the separate Offices of the State Architect and Engineer and the Office of Energy Services into 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 but sharing employees and facilities). Those 2012 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 2012 MBR proposed changes to the State's oil and gas severance tax), tax reform (not including the 2012 MBR personal income tax reduction proposal), education, workforce development, and management efficiency for both state and local governments.

As further implementation of the 2012 MBR, the General Assembly enacted and the Governor signed into law on December 20, 2012, a new financial institutions tax that first applied to tax year 2014. This new tax applies to many companies that were previously 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 not classified as financial institutions) to the commercial activity tax. This new financial institutions tax replaced the prior corporate franchise tax on financial institutions and the prior dealers in intangibles tax. The proceeds from the new financial institutions tax are deposited in the GRF like the proceeds from the taxes it replaced. Based on revenue targets and mechanisms established in the legislation, OBM projected the effect of these tax changes to be revenue neutral to the GRF.

Fiscal Year 2013 Results. The State ended Fiscal Year 2013 with GRF cash and fund balances of \$2.64 billion and \$2.28 billion, respectively. These ending balances reflect approximately \$1.15 billion in Fiscal Year 2013 underspending due largely to actual Medicaid expenditures \$883.0 million below the original Fiscal Year 2013 spending estimate. 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 was the then statutorily 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 to maintain the statutory target of one-half of one percent of Fiscal Year 2013 GRF revenues as an ending fund balance.

2014-15

2014-15 Biennial Budget and Appropriations. 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. With a stated focus on job creation and continued spending restraint, and based on a conservative economic forecast, that Act provided for total GRF biennial appropriations of approximately \$62.0 billion. This reflected an 11.1% increase over 2012-13 GRF biennial appropriations, and was based on expected total GRF biennial revenue (not including the \$963.2 million carried-forward from the 2012-13 biennium) of approximately \$61.1 billion (a 7.7% increase from 2012-13 GRF biennial revenues).

GRF major program categories reflected the following changes in spending: for Medicaid, increases of 16.8% in Fiscal Year 2014 appropriations over Fiscal Year 2013 expenditures (attributable in part to federal Affordable Care Act induced enrollment of previously eligible individuals and federally mandated physician rate increases) and 6.2% for Fiscal Year 2015 appropriations over Fiscal Year 2014 appropriations; for elementary and secondary education, increases of 5.0% for Fiscal Year 2014 appropriations over Fiscal Year 2013 expenditures and 5.8% for Fiscal Year 2015 appropriations over Fiscal Year 2014 appropriations (due largely to enhancements in the K-12 school funding formula); for higher education, increases of 14.0% for Fiscal Year 2014 appropriations over Fiscal Year 2013 expenditures and 2.1% for Fiscal Year 2015 appropriations over Fiscal Year 2014 appropriations; for corrections and youth services, increases of 0.1% for Fiscal Year 2014 appropriations over Fiscal Year 2013 expenditures and 0.2% for Fiscal Year 2015 appropriations over Fiscal Year 2014 appropriations; and for mental health and developmental disabilities, a decrease of 3.3% for Fiscal Year 2014 appropriations over Fiscal Year 2013 expenditures and an increase of 13.0% for Fiscal Year 2015 appropriations over Fiscal Year 2014 appropriations.

The Act also implemented a new school funding formula (see **SCHOOLS AND MUNICIPALITIES – Schools**), allocated a portion of State public higher education funding to institutions based on their graduation rates, and eliminated the Ohio Cultural Facilities Commission by moving the administration of cultural facilities projects to the Ohio Facilities Construction Commission to achieve efficiencies and budgetary savings.

The Executive Budget, the 2014-15 appropriations Act and separate appropriations acts for the biennium included all necessary debt service and lease rental payments related to State debt obligations.

The 2014-15 biennial appropriations Act reflected the following 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 a non-refundable earned income tax credit equal to 5% 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 businesses of 50% of annual adjusted business net income up to \$250,000.
- Elimination of the \$20 personal income tax exemption for filers with a gross income greater than \$30,000 and of 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 corporate franchise tax (and dealers in intangibles tax) and the initial implementation and collection of the new financial institutions tax in tax year 2014.
- 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.

Medicaid Expansion. Subsequent to the passage of the GRF appropriations Act, the seven member State Controlling Board on October 21, 2013 voted 5 to 2 to increase federal Medicaid appropriations by approximately \$562 million in Fiscal Year 2014 and approximately \$2.0 billion in Fiscal Year 2015. These additional federal appropriations were to support the federally-authorized expansion of the Medicaid program to cover those with incomes up to 138% of the federal poverty level using 100% federal funds in fiscal years 2014 and 2015. On October 22, 2013, six State Representatives and two local right to life organizations filed an action in the Ohio Supreme Court against the Controlling Board and the Ohio Department of Medicaid requesting that Court vacate the Controlling Board's October 21 action. The Controlling Board and State Department of Medicaid filed their initial answer to the complaint on November 5 and, after all evidence and briefs of the parties were submitted on the expedited schedule set for this case, the Court on December 20, 2013 issued its decision upholding the Controlling Board's action.

2014 Mid-Biennium Review. On March 12, 2014, the Governor announced a series of initiatives across a range of topics resulting from a "mid-biennium review" for 2014-15 (2014 MBR). The Governor's 2014 MBR included a range of proposals in the areas of: *elementary and secondary education* (including proposals for dropout prevention and recovery and making technical and vocational education accessible by more students as early as the seventh grade); *higher education* (including proposals for reforming Ohio's dual credit programming to encourage more students to earn college credit while in high school; extending to two-year community colleges a funding formula tied to successful student outcomes; tying state funding for technical centers to the percentage of their students that find a job and other outcome-based benchmarks; increased use of technology and distance learning; increasing enrollment of international students and their retention in Ohio post-graduation; providing community colleges the option to offer a guaranteed tuition rate; and providing veterans college credit for their military training and experience); *income tax reductions and other tax adjustments* (including proposals to lower income tax rates across all income levels by 8.5% over the next three years; increasing the state's earned income

tax credit for low-income Ohioans from 5% to 15% of the federal earned income tax credit; increasing the state income tax personal exemptions for those with annual incomes up to \$80,000; raising the tax on cigarettes by 60 cents to \$1.85 per pack with equivalent taxes on other tobacco products including e-cigarettes; increasing the oil and gas severance tax to 2.75% of producer gross receipts while eliminating that tax for small conventional gas producers and exempting from that tax up to \$8 million of gross receipts per well during the first three years to help producers recoup their start-up drilling costs, with approximately 20% of severance tax revenue directed to local governments in shale oil and gas producing regions of the state; and updating the commercial activity tax rate from its initial 0.26% rate established in 2005 to 0.30%); *workforce* (aligning the three main federal workforce programs through a single, integrated plan to provide faster and improved training; and expediting professional licensing and certification for veterans and their spouses); and *human services* (including increased access to crisis intervention and safe places for those with mental illness and addictions; allocating \$26.9 million of non-GRF funds to support tobacco prevention and cessation programs; and expanding drug and substance abuse prevention in schools and prioritizing statewide funding for prevention initiatives). The 2014 MBR also proposed increasing appropriations to the Department of Rehabilitation and Correction by \$53.5 million to address a rise in the prison population, and reducing local property tax reimbursement and debt service appropriations for the biennium by \$35 million and \$92 million, respectively, due to lower than expected payments, while continuing all necessary appropriations for debt service and lease rental payments for State obligations.

Those 2014 MBR proposals were introduced in the General Assembly in March as fourteen separate pieces of legislation, seven of which were enacted by the General Assembly in May and June addressing the subjects of elementary and secondary education (including \$5 million for alternative education programs), higher education (including \$3.1 million for the State share of instruction), workforce and human services (including \$16 million for early education and child care, \$16.8 million for adult and child protection services, and \$3.2 million for Family and Children Services). As further implementation of the biennial appropriations Act and due to positive Fiscal Year 2014 financial results, the 2014 MBR legislation passed by the General Assembly also included the following additional reductions and adjustments to the State personal income tax resulting in an estimated net reduction in GRF revenues of \$402 million in Fiscal Year 2015:

- Acceleration into calendar year 2014 of the remaining 1% reduction in State personal income tax rates previously scheduled to be effective in calendar year 2015.
- An increase in the non-refundable earned income tax credit from 5% to 10% of the federal earned income credit that is limited to 50% of liability for gross income that exceeds \$20,000.
- A temporary increase in the deduction for small businesses from 50% up to 75% of annual business net income up to \$250,000 for tax year 2014.
- An increase in the State income tax personal exemption from \$1,700 to \$2,200 for gross income less than \$40,000, and from \$1,700 to \$1,950 for gross income between \$40,000 and \$80,000.

The 2014 MBR legislation passed by the General Assembly also authorized the OBM Director to transfer to a Medicaid reserve fund up to \$300 million from the GRF, if necessary, to provide for the payment of Medicaid costs above the enacted level of appropriations. The full amount of this transfer was made at the end of Fiscal Year 2014 (see next paragraph for further transfers out of the Medicaid reserve fund at the end of Fiscal Year 2015).

Fiscal Year 2015 Financial Results. The State ended Fiscal Year 2015 with GRF cash and fund balances of \$1.71 billion and \$1.29 billion, respectively. Of that ending GRF fund balance, the State reserved \$157.4 million to maintain the statutory target of one-half of one percent of State Fiscal Year 2015 GRF revenues as an ending fund balance, carried-forward \$393.0 million to cover the planned for and modest variance of Fiscal Year 2016 GRF appropriations over estimated revenue, transferred \$425.5 million to the BSF, \$50 million to the health and human services fund (see **2016-17** below for discussion on the creation of this fund), \$42 million to the Straight A fund, \$40 million to pay unemployment compensation loan interest and \$20 million for disaster services. The State also made 14 other smaller transfers totaling \$149.3 million with the remaining \$9.1 million transferred to the income tax reduction fund. Of the \$331.1 million Fiscal Year 2015 ending balance in the Medicaid reserve fund, the State transferred \$72.0 million to a school district tangible personal property tax supplement fund, \$101.1 million to the BSF (bringing its balance to \$2.005 billion), and \$158.0 million to the GRF.

2016-17

Consistent with State law, the Governor's Executive Budget for the 2016-17 biennium was released on February 2, 2015 and introduced in the General Assembly. After extended hearings and review, the 2016-17 biennial appropriations Act was passed by the General Assembly and signed (with selective vetoes) by the Governor on June 30, 2015. Reflecting a stated continuing focus on job creation, and based on a conservative economic forecast, that Act provided for total GRF biennial appropriations of approximately \$71.2 billion reflecting a 14.9% increase over the 2014-15 GRF biennial appropriations. Those appropriations were based upon then estimated total expected GRF revenue of \$34.9 billion in Fiscal Year 2016, which excluded the \$393.0 million carried-forward from Fiscal Year 2015 (reflecting a 10.8% increase over Fiscal Year 2015 revenue), and \$36.5 billion in Fiscal Year 2017 (reflecting a 4.6% increase over expected Fiscal Year 2016 revenues) (see discussion below of Fiscal Year 2017 GRF revenue revisions in July 2016 and January 2017). Total estimated GRF revenues across the 2016-17 biennium reflected a 17.5% increase from 2014-15 GRF biennial revenues.

GRF major program categories (excluding debt service) reflected the following increases: for Medicaid, 21.8% in Fiscal Year 2016 appropriations over Fiscal Year 2015 expenditures (driven in large part to the shift in funding to the GRF from non-GRF sources beginning in Fiscal Year 2016 for the Medicaid expansion population), and 5.1% for Fiscal Year 2017 appropriations over Fiscal Year 2016 appropriations; for elementary and secondary education, 5.0% for Fiscal Year 2016 appropriations over Fiscal Year 2015 expenditures, and 4.2% for Fiscal Year 2017 appropriations over Fiscal Year 2016 appropriations; for higher education, 4.5% for Fiscal Year 2016 appropriations over Fiscal Year 2015 expenditures, and 3.3% for Fiscal Year 2017 appropriations over Fiscal Year 2016 appropriations; for mental health and developmental disabilities, 9.1% for Fiscal Year 2016 appropriations over Fiscal Year 2015 expenditures, and 7.3% for Fiscal Year 2017 appropriations over Fiscal Year 2016 appropriations; for corrections and youth services, 4.8% for Fiscal Year 2016 appropriations over Fiscal Year 2015 expenditures, and 3.0% for Fiscal Year 2017 appropriations over Fiscal Year 2016 appropriations. The Act also modified the school funding formula to distribute new resources to districts with less capacity to raise revenues locally (see **SCHOOLS AND MUNICIPALITIES – Schools**) and froze tuition and fees for two- and four year higher education institutions.

The Executive Budget, the 2016-17 biennial appropriations Act and separate appropriations acts for the biennium included all necessary debt service and lease rental payment appropriation authority related to State debt obligations.

The 2016-17 biennial appropriations Act reflected the following tax reductions and related adjustments, resulting in an estimated net reduction in GRF revenues relative to prior law of \$869.0 million in Fiscal Year 2016 and \$952.0 million in Fiscal Year 2017, including:

- An across-the-board 6.3% reduction in State personal income tax rates in calendar year 2015.
- Continuation of the 75% exemption on the first \$250,000 of business net income for small businesses in tax year 2015 (previously increased on a temporary basis for tax year 2014 (see **FISCAL MATTERS – Recent and Current Finances – Recent Biennia - 2014-15**)) and completely exempting the first \$250,000 of business net income in tax year 2016 and beyond.
- Beginning in tax year 2015, replaced the multi-bracket tax system for small businesses with a low flat rate of 3% on the amount of business net income. Legislation subsequently passed by the General Assembly clarifying this provision was estimated by OBM to reduce GRF revenues in Fiscal Year 2016 by up to \$81 million.
- Beginning in tax year 2015, limited certain retirement income credits to taxpayers whose individual or joint adjusted gross income is less than \$100,000 (this exemption was previously available to all taxpayers aged 65 years and older).
- Increased the cigarette tax from \$1.25 per pack (of 20 cigarettes) to \$1.60 pack, effective July 1, 2015.

The 2016-17 biennial appropriations Act also reflected:

- The resumption of the phase-out of reimbursements to local governments and school districts in connection with the elimination of the tangible personal property tax, resulting in an increased share (estimated at \$428.7 million in Fiscal Year 2016 and \$445.3 million in Fiscal Year 2017) of the commercial activity tax being deposited into the GRF (see **TAX LEVELS AND TAX BASES – Property Tax**).

- The continuing phase-out of reimbursements to local governments and school districts for electric power generation deregulation and natural gas deregulation resulting in an increased share (estimated at \$56.3 million in Fiscal Year 2016 and \$56.0 million in Fiscal Year 2017) of the kilowatt-hour tax being reallocated to the GRF.

The 2016-17 biennial appropriations Act also created a health and human services fund to pay for public health programs or services and authorized the OBM Director to transfer from the GRF \$150 million in Fiscal Year 2017 into the fund, which amount is in addition to the \$50 million transferred from the GRF at the end of Fiscal Year 2015 into the fund.

As is customary at the beginning of the second year of a fiscal biennium, OBM in July 2016 revised its Fiscal Year 2017 GRF revenue forecast to reflect updated economic assumptions, actual Fiscal Year 2016 revenue performance, and tax law adjustments enacted by General Assembly after adoption of the 2016-17 biennial appropriations Act. As part of this revision, OBM reduced its estimated Fiscal Year 2017 GRF tax revenue forecast by \$282.0 million, a 1.2% reduction compared to the original Fiscal Year 2017 tax revenue forecast. This reduction in forecasted tax revenues was largely within the personal income and commercial activity taxes. As part of the Governor’s Executive Budget proposal for the 2018-19 fiscal biennium (see **Current Biennium** below), and based on tax revenue underperformance, in January 2017 OBM further reduced its estimated Fiscal Year 2017 GRF tax revenue forecast by \$592.2 million, a 2.7% reduction compared to the July 2016 revision. The largest variances (compared to the July 2016 revision) were in the personal income tax (reduced by \$333.9 million or 4.0%), the sales and use tax (reduced by \$259.3 million or 2.4%), and the commercial activity tax (reduced by \$32.0 million or 2.5%).

Fiscal Year 2017 Financial Results. The State ended Fiscal Year 2017 with a GRF cash balance of \$557.1 million and an ending fund balance of \$170.9 million that was reserved to maintain the statutory target of one-half of one percent of State Fiscal Year 2017 GRF revenues as an ending fund balance.

Current Biennium

Consistent with State law, the Governor’s Executive Budget for the 2018-19 fiscal biennium was released on January 30, 2017, and introduced in the General Assembly. After extended hearings and review, the 2018-19 biennial appropriations Act was passed by the General Assembly and signed by the Governor (with selective vetoes) on June 30, 2017. To date, the General Assembly has overridden six gubernatorial vetoes including vetoes of provisions relating to the legislative approval of new Medicaid optional eligibility groups, Medicaid rates for neonatal and newborn services, Medicaid rates for skilled nursing facilities, the delay by six months of the State’s behavioral health Medicaid redesign, a limitation on the amount of additional appropriations that may be approved by the Controlling Board, and authorization by the Controlling Board of certain Medicaid appropriations in the 2018-19 fiscal biennium. None of the veto overrides has a material impact on the GRF in the 2018-19 fiscal biennium. The General Assembly may consider additional veto overrides.

To address lower GRF revenue estimates for the 2018-19 fiscal biennium, the Act included both across-the-board and targeted spending cuts across most State agencies and programs. Reflecting a stated continuing focus on job creation, and based on a conservative economic forecast, that Act provides for the following GRF appropriations:

GRF Appropriations 2018-19 Biennium (\$ in billions)

Fiscal Year 2017 Expenditures	Fiscal Year 2018 Appropriations	% Change Over Fiscal Year 2017 Expenditures	Fiscal Year 2019 Appropriations	% Change Over Fiscal Year 2018 Appropriations	2018-19 Biennium Total	% Change Over 2016-17 Biennial Appropriations
\$34.5	\$32.2	-6.7%	\$33.3	3.5%	\$65.5	-8.1%

GRF major program categories (excluding debt service) reflect the following appropriation changes:

- Medicaid - Fiscal Year 2018 appropriations decrease 15.0% over Fiscal Year 2017 expenditures (as discussed below, driven largely by the replacement of the Medicaid managed care organization sales tax, the receipts of which were being deposited into the GRF, by a new health insuring corporation provider assessment, the receipts of which are being deposited into a dedicated non-GRF fund), and Fiscal Year 2019 appropriations increase 5.7% over Fiscal Year 2018 appropriations.

- Elementary and secondary education - Fiscal Year 2018 appropriations increase 1.5% over Fiscal Year 2017 expenditures, and Fiscal Year 2019 appropriations increase 1.6% over Fiscal Year 2018 appropriations.
- Higher education – Fiscal Year 2018 appropriations increase 0.8% over Fiscal Year 2017 expenditures, and Fiscal Year 2019 appropriations increase 1.4% over Fiscal Year 2018 appropriations.
- Mental health and developmental disabilities – Fiscal Year 2018 appropriations decrease 0.9% over Fiscal Year 2017 expenditures (driven by the shift in funding of certain Medicaid expenditures to the Medicaid program category), and Fiscal Year 2019 appropriations increase 2.1% over Fiscal Year 2018 appropriations.
- Corrections and youth services – Fiscal Year 2018 appropriations increase 4.2% increase over Fiscal Year 2017 expenditures, and Fiscal Year 2019 appropriations increase 1.6% over Fiscal Year 2018 appropriations.

The Act also modifies the certain components of the school funding formula to better distribute resources to districts with less capacity to raise revenues locally (see **SCHOOLS AND MUNICIPALITIES – Schools**) and limits increases in tuition and fees for two- and four year higher education institutions.

The Executive Budget, the 2018-19 biennial appropriations Act and separate appropriations acts for the biennium include all necessary debt service and lease rental payment appropriation authority related to State debt obligations.

The forgoing appropriations are based upon estimated total expected GRF revenue as follows:

Estimated GRF Revenue 2018-19 Biennium (\$ in billions)

Fiscal Year 2017 Actual Revenue	Fiscal Year 2018 Est. Revenue	% Change Over Fiscal Year 2017 Actual Revenue	Fiscal Year 2019 Est. Revenue	% Change Over Fiscal Year 2018 Est. Revenue	2018-19 Biennium Total	% Change Over 2016-17 Biennium Actual Revenue
\$34.2	\$32.3	-5.5%	\$33.3	3.2%	\$65.6	-3.7%

Potentially non-recurring sources of revenues reflected in the 2018-19 biennial appropriations Act include \$84.5 million in transfers to the GRF from non-GRF funds, \$200 million from unclaimed funds, \$31 million from the sale of prison farmland, and \$20 million from a tax amnesty program.

The 2018-19 biennial appropriations Act reflects certain tax law changes, resulting in an estimated net GRF revenue increase of \$12.8 million in Fiscal Year 2018 and an estimated net GRF revenue decrease of \$30.8 million in Fiscal Year 2019, including, among others:

- Reduces the number of personal income tax brackets from nine to seven in tax year 2017 and for certain low income taxpayers completely exempts the first \$10,500 of taxable income, with the new brackets ranging from \$77.96 plus 1.98% on taxable incomes more than \$10,500 but less than \$15,800, with increasing bracketed base rates and percentages up to a maximum on incomes over \$210,600 of \$8,072.59 plus 4.997% on the amount over \$210,600. (See **TAX LEVELS AND TAX BASES – Personal Income Tax.**)
- Increases on a temporary basis the percent of GRF tax revenues deposited into the public library fund to 1.68% from 1.66% in each of Fiscal Years 2018 and 2019.
- Increases the State personal income tax deduction from \$2,000 to \$4,000 for contributions to accounts for college savings and care for disabled individuals.
- Authorizes a one-time sales tax holiday on the purchase of clothing and school supplies in August 2018 (separate legislation enacted by the General Assembly authorized a sales tax holiday in August 2017).

The 2018-19 biennial appropriations Act also reflects:

- The creation of a new health insuring corporation provider assessment, the revenues of which are deposited into a non-GRF dedicated purpose fund, to fully replace the forgone GRF sales tax revenue resulting from the federal policy ruling by the Centers for Medicare and Medicaid Services (CMS) that Ohio’s sales tax on Medicaid managed care organizations was impermissible as a means of generating revenues to draw federal matching dollars. The GRF revenue loss is estimated to be approximately \$600 million in each of Fiscal Years 2018 and 2019.

- Increases the portion of the commercial activity tax deposited into the GRF (estimated at \$175 million in Fiscal Year 2018 and \$179 million in Fiscal Year 2019) from 75% to 85% to more closely match the amounts needed to make compensating payments to school districts and local governments in connection with the phase-out of the tangible personal property tax. The requirement to transfer funds in excess of the compensating payments formula to the GRF at the end of each Fiscal Year remains unchanged. (See **TAX LEVELS AND TAX BASES – Property Tax.**)

OBM is currently projecting a positive GRF fund balance at the end of Fiscal Year 2018. 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> 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 of cash flow 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 is authorized to incur debt limited in amount to \$750,000 to cover casual deficits or to address failures in revenues or to meet expenses not otherwise provided for. 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 20 constitutional amendments approved from 1921 to present, Ohio voters have authorized the incurrence of State general obligation debt and the pledge of taxes or excises to its payment, all related to the financing of capital facilities, except for three that funded bonuses for veterans, one to fund coal technology research and development, and one to fund specified 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 and parks, 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. The Treasurer of State 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 Transportation (ODOT), correctional and juvenile detention facilities for the Departments of Rehabilitation and Correction (DRC) and Youth Services (DYS),

various cultural facilities, and formerly for the Department of Public Safety (DPS). Debt service on all these special obligations is paid from GRF appropriations, with the exception of debt issued for ODOT and DPS facilities which is paid from highway user receipts. All of those debt service payments are subject to biennial appropriations by the General Assembly pursuant to leases or other agreements entered into by the State.

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 \$45.4 million in Fiscal Year 2019 and the total GRF-supported principal amount outstanding is \$217.1 million. Payments by the State are subject to biennial appropriations by the General Assembly with the lease terms subject to automatic renewal for each biennium for which those 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 and Infrastructure Commission. As confirmed by judicial interpretation, such revenue bonds do not constitute "debt" under the constitutional provisions described above. The Constitution authorizes State bonds for certain economic development and housing purposes (the latter 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 its required balance is 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. The bond trustee has made claims for tax credits totaling \$7.47 million in Fiscal Year 2017 and \$7.43 million in Fiscal Year 2018. The highest annual payment for outstanding credit-collateralized bonds is \$19.6 million in Fiscal Year 2022 and the total principal amount outstanding for those bonds is \$164.0 million. 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 (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.

Obligations and Funding Commitments for Highway Projects Payable from Highway-Related Non-GRF Funds. As described above, the State's highway general obligations and special obligations for ODOT and DPS facilities have always been paid from the State's motor fuel tax and other highway user receipts that are constitutionally restricted in use to highway related purposes. In addition to its issuance of highway general obligation bonds, the State has and expects to continue financing selected highway infrastructure projects by issuing federal highway grant anticipation revenue (GARVEE) bonds and entering into agreements that call for debt service payments to be made from federal Title 23 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 \$151.2 million in Fiscal Year 2018. In the event of any insufficiency in the

anticipated federal allocations to make payments on GARVEE bonds, the payments are to be made from any lawfully available moneys appropriated to ODOT for the purpose.

In December 2014, ODOT also entered into its first public-private agreement to provide “availability payments” in support of the development and operation of a State highway improvement project. Those availability payments are expected to be paid from non-GRF funds available to ODOT remaining after the payment of debt service on highway general obligations, ODOT special obligations and GARVEE bonds. That public-private agreement provides for availability payments in a base annual amount of \$25.8 million beginning no earlier than Fiscal Year 2019, increasing to a projected maximum payment of \$40.6 million in Fiscal Year 2053. Availability payments are subject to biennial appropriation by the General Assembly with the public-private agreement subject to automatic renewal for each biennium if and when those availability payments are appropriated for that biennium.

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Variable Rate Debt

The State currently has \$430,655,000 in outstanding 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/Series</u>	<u>Rate Period</u>	<u>Final Maturity</u>
11/29/01	\$34,800,000	Infrastructure, 2001B	Weekly	8/1/2021
2/26/03	-0-	Infrastructure Refunding, 2003B	Weekly	8/1/2017
3/20/03	19,560,000	Infrastructure Refunding, 2003D	Weekly	2/1/2019
12/15/03	67,000,000	Common Schools, 2003D	Weekly	3/15/2024
3/3/04	46,755,000	Infrastructure Refunding, 2004A	Weekly	2/1/2023
4/1/05	92,650,000	Common Schools, 2005A/B	Weekly	3/15/2025
6/7/06	105,270,000	Common Schools, 2006B/C	Weekly	6/15/2026
10/26/16	64,620,000	DRC Prison Facilities, 2016B/C	Weekly	10/1/2036

Interest Rate Swaps

As part of its debt management, the State is also party to the following floating-to-fixed interest rate swap agreements with a total notional amount currently outstanding of \$346,475,000:

<u>Outstanding Notional Amount</u>	<u>Related Bond Series</u>	<u>State Pays</u>	<u>State Receives</u>	<u>Counterparty</u>	<u>Effective Date</u>	<u>Termination Date</u>
\$34,800,000	Infrastructure 2001B	4.630%	SIFMA ¹	JP Morgan/ Wells Fargo	11/29/2001	8/1/2021
67,000,000	Common Schools 2003D	3.414%	LIBOR ²	JP Morgan/ Wells Fargo	9/14/2007	3/15/2024
46,755,000	Infrastructure 2004A Refunding	3.510%	LIBOR ²	Wells Fargo	3/3/2004	2/1/2023
92,650,000	Common Schools 2005A/B	3.750%	LIBOR ^{2,3}	JP Morgan	3/15/2007	3/15/2025
105,270,000	Common Schools 2006B/C	3.202%	LIBOR ²	US Bank/ RBC	6/15/2006	6/15/2026

¹ Securities Industry and Financial Markets Association (SIFMA) weekly variable rate index.

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

³ 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 obligations 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 obligations and special obligations 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 authorizations and the principal that has been issued and is outstanding against those authorizations. The General Assembly has appropriated sufficient moneys to meet debt service requirements for the current biennium (ending June 30, 2019) on all of the obligations included in this and the accompanying tables.

	Authorized by General Assembly	Issued(a)	Outstanding(b)
<i>Obligations Payable from the GRF</i>			
<u>General Obligations</u>			
Coal Development(c)	\$258,000,000	\$234,000,000	\$30,445,000
Infrastructure(d,e)	4,100,000,000	3,749,986,136	1,656,120,000
Natural Resources(f)	458,000,000	418,130,000	115,475,000
Common School Facilities(e)	5,170,000,000	4,770,000,000	2,640,895,000
Higher Education Facilities	4,016,000,000	3,530,000,000	2,102,690,000
Conservation(g)	600,000,000	450,000,000	231,410,000
Research & Development(h)	1,200,000,000	761,000,000	375,815,000
Site Development	150,000,000	150,000,000	60,055,000
Veterans Compensation(i)	200,000,000	83,910,000	<u>35,970,000</u>
		Total:	\$7,248,875,000
<u>Special Obligations</u>			
DAS Facilities	\$1,939,200,000	\$1,846,000,000	\$549,400,000
DRC Prison Facilities	2,262,000,000	2,034,500,000	441,270,000
DYS Facilities	379,000,000	332,000,000	77,110,000
Cultural & Sports Facilities	641,000,000	574,690,000	114,635,000
Mental Health Facilities	1,657,000,000	1,567,085,000	173,555,000
Parks & Recreation Facilities	841,000,000	628,000,000	<u>258,455,000</u>
		Total:	\$1,614,425,000
<i>Obligations Payable from Non-GRF Sources(j)</i>			
<u>Highway User Receipts</u>			
G.O. Highway(k)	\$3,683,000,000	\$2,921,410,000	\$815,350,000
ODOT Facilities	341,000,000	240,100,000	76,635,000
DPS Facilities	140,285,000	140,285,000	<u>5,980,000</u>
		Total:	\$897,965,000
<u>Federal Transportation Grants</u>			
ODOT GARVEE Highway(l)	n.a.	\$2,205,735,000	\$738,200,000

(a) Excludes refunding bonds; includes bonds refunded.

(b) Excludes bonds refunded; includes refunding bonds as of October 1, 2017.

(c) Not more than \$100,000,000 may be outstanding at any time.

(d) Not more than \$5,625,000,000 may be issued with the annual issuance currently limited to no more than \$175,000,000 in each Fiscal year beginning in Fiscal Year 2018 through Fiscal Year 2022 and \$200,000,000 in each Fiscal Year beginning in Fiscal Year 2023 through Fiscal Year 2022, plus any obligations unissued from previous Fiscal Years.

(e) Includes adjustable rate bonds.

(f) 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. Issued amount includes \$130,000 in refunding bonds in excess of the principal amount of the bonds refunded.

(g) Not more than \$50,000,000 may be issued in any Fiscal Year plus any obligations unissued from previous Fiscal Years and not more than \$400,000,000 may be outstanding at any time.

(h) Not more than \$1,200,000,000 may be issued with the annual issuance now limited to no more than \$175,000,000 in any Fiscal Year plus any obligations unissued from previous Fiscal Years.

(i) Constitutional authorization was self-implementing and did not require further General Assembly authorization. No more new obligations may be issued under this authorization.

(j) See discussion above of "availability payments" under ODOT's first public-private agreement, which payments are expected to be made from biennial appropriations of non-GRF funds available to ODOT and remaining after the payment of debt service on highway general obligations, special obligations and GARVEE bonds shown above.

(k) Not more than \$220,000,000 may be issued in any Fiscal Year plus any amount unissued from previous Fiscal Years, and not more than \$1,200,000,000 may be outstanding at any time.

(l) Debt service on these "GARVEE" bonds is paid from federal transportation grants apportioned to the State (Title 23 of the U.S. Code).

The following table shows total Fiscal Year debt service on outstanding State obligations currently 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,b)	Infra-structure(b)	All Other(c)	DAS Facilities	DRC Facilities(b)	All Other(d)	Principal	Interest	Total
2018	\$643,538,787	\$227,386,993	\$175,700,152	\$97,916,189	\$75,904,914	\$122,105,448	\$921,930,000	\$420,622,483	\$1,342,552,483
2019	652,280,949	211,392,762	159,348,955	87,197,874	67,503,675	107,282,830	905,175,000	379,832,046	1,285,007,046
2020	654,130,092	199,883,734	146,669,174	80,673,636	55,055,528	95,479,829	891,265,000	340,626,993	1,231,891,993
2021	646,813,333	188,981,730	122,443,814	80,117,338	55,029,372	80,716,253	873,275,000	300,826,839	1,174,101,839
2022	609,975,444	180,776,675	100,729,065	70,183,222	54,767,988	68,559,131	823,460,000	261,531,524	1,084,991,524
2023	543,114,988	171,362,714	88,732,190	64,454,638	50,704,754	68,472,545	762,425,000	224,416,829	986,841,829
2024	443,890,270	153,508,896	68,246,288	54,366,597	48,849,247	63,179,629	641,290,000	190,750,927	832,040,927
2025	381,507,281	145,096,629	47,476,527	48,830,900	44,229,849	56,477,751	561,680,000	161,938,937	723,618,937
2026	311,790,991	132,309,056	41,407,049	25,829,573	20,547,012	38,735,675	430,825,000	139,794,356	570,619,356
2027	256,190,948	117,519,446	24,452,159	25,824,069	20,586,968	29,210,300	352,545,000	121,238,890	473,783,890
2028	235,101,382	117,360,446	20,962,350	25,827,313	20,537,252	22,748,300	337,360,000	105,177,044	442,537,044
2029	235,321,593	108,620,560	16,105,250	25,828,668	20,578,432	22,745,875	339,780,000	89,420,378	429,200,378
2030	235,527,030	91,563,027	12,571,875	21,541,918	17,711,331	22,736,219	327,910,000	73,741,400	401,651,400
2031	235,782,377	91,390,766	9,184,000	18,159,581	17,724,793	17,119,125	331,255,000	58,105,642	389,360,642
2032	211,461,163	65,691,700	4,667,250	18,168,181	14,460,895	9,394,125	280,075,000	43,768,314	323,843,314
2033	144,227,225	56,623,625	-0-	15,728,344	14,394,854	-0-	199,470,000	31,504,048	230,974,048
2034	120,581,125	45,798,750	-0-	11,658,300	14,420,497	-0-	170,605,000	21,853,672	192,458,672
2035	96,729,250	22,184,000	-0-	11,658,550	10,889,230	-0-	128,045,000	13,416,030	141,461,030
2036	72,538,250	22,168,625	-0-	5,683,250	10,914,660	-0-	104,195,000	7,109,785	111,304,785
2037	49,418,250	10,777,875	-0-	5,680,500	5,313,525	-0-	<u>68,225,000</u>	<u>2,965,150</u>	<u>71,190,150</u>
							\$9,450,790,000	\$2,9889,641,287	\$12,439,431,287

- (a) Consists of common schools and higher education general obligation bonds.
- (b) Includes estimated debt service on adjustable rate bonds at an assumed rate of 3%.
- (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 and sports facilities, and facilities for the Department of Youth Services.

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

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

FY	Highway User Receipts			GARVEE Federal Transportation Grants(b)
	Highway G.O.	ODOT/DPS Facilities(a)	Total	
2018	\$111,840,730	\$10,554,100	\$122,394,830	\$151,184,347
2019	110,367,583	10,557,000	120,924,583	146,029,262
2020	108,302,112	9,708,200	118,010,312	141,486,296
2021	106,655,092	9,712,750	116,367,842	106,926,178
2022	104,300,702	8,144,500	112,445,202	62,138,750
2023	102,155,331	8,147,000	110,302,331	61,362,463
2024	99,967,152	8,146,250	108,113,402	60,621,150
2025	83,080,270	8,146,750	91,227,020	59,876,250
2026	54,724,550	8,142,750	62,867,300	24,098,375
2027	53,138,800	8,143,750	61,282,550	24,100,625
2028	51,545,300	8,143,750	59,689,050	24,099,625
2029	34,887,800	8,142,000	43,029,800	24,097,750
2030	16,720,000	8,142,750	24,862,750	-0-
2031	15,960,000	-0-	15,960,000	-0-

(a) Lease rental payments are paid from highway user receipts for these Ohio Department of Transportation and Department of Public Safety facilities.

(b) Debt service paid from federal transportation grants apportioned to the State under Title 23 of the U.S. Code.

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

<u>Year</u>	Obligations Payable from the GRF			Non-GRF Obligations
	<u>Education(a)</u>	<u>Other GO(b)</u>	<u>Special Obligations(c)</u>	<u>Highway User Receipts(d)</u>
2018	\$4,640,785,000	\$2,348,065,000	\$1,540,010,000	\$819,050,000
2020	3,740,825,000	1,815,495,000	1,176,100,000	654,255,000
2025	1,763,760,000	843,460,000	463,070,000	233,890,000
2030	811,155,000	292,120,000	178,595,000	15,200,000

- (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 ODOT and 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	1.86%
1990	3,707,054,994	342	1.83
2000	6,308,680,025	556	1.95
2010	8,586,655,636	744	2.05
2011	8,996,752,848	779	2.01
2012	9,760,505,915	845	2.10
2013	9,263,358,266	801	1.97
2014	9,517,346,998	821	1.95
2015	9,354,508,600	806	1.84
2016	9,271,400,000	798	1.79
2017	9,450,790,000	814(a)	1.82(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%	0.18%
1990	488,676,826	12,230,681,298	4.00	0.24
2000	871,313,814	20,711,678,217	4.21	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
2013	1,204,775,861	30,361,815,000	3.97	0.26
2014	1,237,701,225	30,137,140,000	4.11	0.25
2015	1,278,258,664	32,463,100,000	3.94	0.25
2016	1,314,513,346	34,997,651,000	3.76	0.25(b)
2017	1,328,277,201	35,218,700,000	3.77	0.25(b)

- (a) Based on July 2016 population estimate.
- (b) Based on 2016 personal income data.

* Reduction is due in large part to the restructuring of certain GRF debt service payments resulting in net savings of \$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.

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 spring 2016, the General Assembly approved \$2.62 billion in new capital appropriations for the 2017-18 capital biennium, with \$2.184 billion of those new capital appropriations to be funded by GRF-supported debt authorizations, \$100 million to be funded from non-GRF debt authorizations (for Ohio Department of Transportation maintenance facilities) and the remaining \$338 million to be funded from cash. The General Assembly approved an additional \$46.7 million in new capital appropriations for the 2017-18 capital biennium, with \$26.8 million to be funded by GRF-supported debt authorizations and the remaining \$19.9 million to be funded from cash. The following additional GRF-supported debt authorizations reflect all of the new 2017-18 capital appropriations:

General Obligation

- \$400,000,000 for capital improvements for elementary and secondary public schools.
- \$350,000,000 for local infrastructure projects.
- \$481,000,000 for higher education facilities.
- \$15,000,000 for natural resources facilities.
- \$100,000,000 for conservation purposes.
- \$7,000,000 for coal development purposes.

Special Obligation

- \$143,000,000 for prisons and local jails.
- \$28,000,000 for youth services facilities.
- \$103,500,000 for State administrative facilities.
- \$48,000,000 for cultural facilities (including both arts and sports facilities).
- \$75,000,000 for mental health facilities (including local projects).
- \$218,000,000 for parks and recreation facilities (including local projects).

In addition to the above \$400 million general obligation debt authorization for elementary and secondary public school improvements, the General Assembly also appropriated \$100 million to be funded from a GRF cash transfer and \$50 million from State lottery profits for elementary and secondary public school capital improvements.

Recent constitutional authorizations are:

- 2014 – authorizes an additional \$1.875 billion of general obligation debt for public infrastructure as a ten-year extension of the existing local government infrastructure program authorized in 2005, with an increase in the annual issuance amount from \$150 million to \$175 million in the first five Fiscal Years and \$200 million in each Fiscal Year thereafter.
- 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% 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 – authorized 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 in obligations could have been issued no 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 plus any amount unissued from previous Fiscal Years 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% debt service cap described above. Also authorizes an additional \$1.35 billion of general obligation debt for public infrastructure as a ten-year extension of the existing local government infrastructure program, with an increase in the annual issuance amount from \$120 million to \$150 million in the last five Fiscal Years, 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 plus any amount unissued from previous Fiscal Years 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 extends 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.

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STATE EMPLOYEES AND COLLECTIVE BARGAINING AGREEMENTS

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 low of 51,886 in Fiscal Year 2015 to a high of 68,573 in 1994. At the end of Fiscal Year 2017, the number of regular State employees was 52,379. The State engages in collective bargaining with five employee unions representing 14 bargaining units, and generally operates under three-year agreements. The State's current collective bargaining agreements expire in February through June 2018.

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. None of these benefits are guaranteed under the Ohio Constitution or under State law, 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 and non-teaching employees at public higher education institutions. The State Teachers Retirement System (STRS) covers teaching employees at school districts and public higher education institutions. The School Employees Retirement System (SERS) covers non-teaching employees at school districts and community colleges. 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 five retirement systems began reporting pensions in accordance with GASB Statement No. 67, Financial Reporting for Pension Plans, in Fiscal Year 2014, and the State began reporting pensions in accordance with GASB Statement No. 68, Accounting and Financial Reporting for Pensions, in Fiscal Year 2015. The five retirement systems and the State are also preparing to implement GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, and GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

The retirement systems were created by and operate pursuant to State law. As reflected in the 2012 pension reform acts 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 employees contributions for HPRS and PERS law enforcement and public safety personnel, the current contribution percentages for each system (set forth in the following table under **Pension Benefits**) reflect the maximums permitted under State law.

In 1968, the Ohio General Assembly created the Ohio Retirement Study Council (ORSC) to advise and inform the legislature on all matters relating to the benefits, funding, investment, and administration of the five statewide retirement systems. The ORSC consists 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 (UAAL). If in any year the period required to amortize that UAAL 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. Based on their most recent reporting years reflected in the following table under **Pension Benefits**, all of

the retirement systems meet the 30-year funding requirement, with the number of years to fully amortize UAAL at nineteen years for PERS, twenty-seven years for STRS, twenty-eight years for SERS, and twenty-nine years for OP&F and HPRS. Prior to the 2012 pension reform acts described below, 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. Pursuant to this continuing requirement, the OP&F board increased (effective January 1, 2014) contributions to its pension fund by reducing from 2.85% to 0.5% the amount of employer contributions directed to health care and redirecting the 2.35% difference to pensions, and the STRS board increased (effective July 1, 2014) contributions to its pension fund by redirecting to pensions the 1.0% of employer contributions previously directed to healthcare. The HPRS board also increased (effective January 1, 2015) contributions to its pension fund by reducing from 4.30% to 4.0% the amount of employer contributions directed to health care and redirecting the 0.3% difference to pensions.

After extensive review, the General Assembly in September 2012 enacted, and the Governor signed into law effective January 7, 2013, five pension reform acts to implement with modifications plans previously submitted by the five retirement systems to reduce or maintain their UAAL periods to or at not more than thirty years. The reform act for PERS made 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 other reform acts made similar changes to STRS, SERS, OP&F and HPRS, and enacted phased increases in the employee contribution rate for STRS (from 10% to a maximum of 14% in July 2016) and OP&F (from 10% to a maximum of 12.25% in July 2015). The HPRS board was authorized to increase employee contributions up to a maximum of 14% from 10% beginning in July 2013, and it has implemented this authorization by increasing the employee contribution rate to 11.5% for 2014 and to 12.5% for 2015 and thereafter. With the exception of PERS, the reform acts also authorize each retirement system’s board to adjust certain pension benefits levels within limits without General Assembly approval. As reflected above, these reform acts did not change the requirement that each system establish a period of not more than thirty years to amortize its pension UAAL and prepare and submit to the ORSC and the Ohio General Assembly a plan to reduce that amortization period if it exceeds thirty years.

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Retirement Contributions

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, nearly 95% of State employees are members of PERS, about 3.3% are in HPRS and about 1.3% 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	
2012	\$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(b)	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
2014	384.9/268.8	14.0/10.0	5.9/4.6	14.0/11.0	26.5/10.7	26.5/11.5	701.4
2015	383.7/266.8	14.0/10.0	5.8/4.9	14.0/12.0	26.7/12.0	26.5/12.5	699.9
2016	395.9/278.4	14.0/10.0	5.7/4.8	14.0/13.0	27.2/12.8	26.5/12.5	724.8
2017	411.5/289.5	14.0/10.0	5.9/5.4	14.0/14.0	31.1/14.6	26.5/12.5	758.0

(a) Reflects PERS state and local contribution rates only. PERS law enforcement employer/employee contribution rate was 18.1%/12.1% in Fiscal Year 2012, increasing in increment to 18.1%/13.0% in Fiscal Year 2014, and public safety was 18.1%/11.5% in Fiscal Year 2012, increasing to 18.1%/12.0% in Fiscal Year 2013.

(b) Declines in contributions for Fiscal Year 2013 due to a reduction in the State workforce over this period.

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

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 \$40.9 million in the 2014-15 biennium, \$40.8 million in the 2016-17 biennium, and are appropriated at \$40.7 million in the 2018-19 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.

Pension Benefits

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):

Valuation as of:	<u>PERS</u>	<u>STRS</u>	<u>SERS(a)</u>	<u>OP&F(b)</u>	<u>HPRS</u>
	<u>12/31/16</u>	<u>07/01/16</u>	<u>06/30/16</u>	<u>01/01/16</u>	<u>12/31/16</u>
Active Members	330,982	169,212	124,540	27,446	1,670
Retirees and Beneficiaries	213,948	157,938	76,280	28,402	1,580
Employer/Employee Contributions (% of Salary) (c)...	14.0/10.0(d)	14.0/14.0	14.0/10.0	(e)	26.5/12.5
Active Member Payroll	\$13,717.6	\$11,099.6	\$2,932.2	\$2,060.9	\$108.8
Market Value of Assets (MVA) (f)	\$77,514.2	\$67,283.4	\$12,451.6	\$12,923.9	\$721.7
Actuarial Value of Assets (AVA) (g)	\$80,279.7	\$70,114.6	\$13,037.0	\$13,653.0	\$763.7
Actuarial Accrued Liability (AAL) (h)	\$100,167.1	\$100,756.4	\$19,368.6	\$19,135.9	\$1,127.9
Funding Ratio (AVA to AAL %, (MVA to AAL %))..	80.1 (77.4)	69.6 (66.8)	67.3 (64.3)	71.3 (67.5)	67.7 (64.0)
Unfunded Actuarial Accrued Liability (UAAL)	\$19,887.4	\$30,641.8	6,331.4	\$5,482.9	\$364.3
UAAL to Active Member Payroll %	145.0	276.1	215.9	266.1	334.8
UAAL Funding Period (years) (i)	19	27	28	29	29

(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) OP&F deferred retirement option plan balances are included in MVA, AVA, and AAL.

(c) 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 contribution rates are 14.0/14.0% and 26.5/14.0%, respectively. Each system's board annually determines the portion of the employer contribution, if any, that is directed to fund post-employment health care benefits.

(d) PERS state employer/employee contribution rate is 14.0/10.0%, local is 14.0/10.0%, law enforcement is 18.1/13.0%, and public safety is 18.1/12.0%. 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.

(e) OP&F employer and employee contribution rates increased to their current statutory maximum of 19.5/12.25% for police and 24.0/12.25% for fire in July 2015.

(f) Defined contribution plan assets are excluded for PERS and included for STRS.

(g) Recognizes assumed long-term investment returns fully each year (7.5% for PERS and SERS, 7.75% for STRS and HPRS, and 8.25% for OP&F). Differences between actual and assumed investment returns, subject to each system's market corridor limitation, are phased-in over a closed four-year period.

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

(i) UAAL funding period is calculated based on a closed period as a level percent of payroll, except for the portion of PERS members who participate in the member directed plan which uses a closed period as a level dollar of payroll.

Sources: Retirement systems' CAFRs and annual actuarial valuations.

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)(d)	Funding Ratio (MVA to AAL)	Active Member Payroll	UAAL Percent of Active Member Payroll
<u>PERS</u>								
12/31/15*	\$78,061.0	\$97,177.0	\$19,116.0	80.3%	\$74,560.1	76.7%	\$13,177.0	145.1%
12/31/15	\$78,061.0	\$91,832.0	\$13,771.0	85.0%	\$74,560.1	81.2%	\$13,177.0	104.5%
12/31/14	\$74,865.0	\$89,285.0	\$14,420.0	83.8%	\$77,263.2	86.5%	\$12,932.5	111.5%
12/31/13	\$71,411.2	\$86,644.6	\$15,233.4	82.4%	\$74,866.6	86.4%	\$12,331.0	123.5%
12/31/12	\$67,854.8	\$83,878.1	\$16,023.3	80.9%	\$67,854.9	80.9%	\$12,194.0	131.4%
12/31/11	\$65,436.1	\$84,529.7	\$19,093.6	77.4%	\$61,846.7	73.2%	\$12,399.0	154.0%
<u>STRS</u>								
07/01/15	\$68,656.0	\$99,014.7	\$30,358.7	69.3%	\$71,377.6	72.1%	\$10,948.6	277.3%
07/01/14	\$66,657.2	\$96,167.1	\$29,509.9	69.3%	\$71,843.6	74.7%	\$10,725.3	275.1%
07/01/13	\$62,590.8	\$94,366.7	\$31,775.9	66.3%	\$65,392.5	69.3%	\$10,765.6	295.2%
07/01/12	\$59,489.5	\$106,301.8	\$46,812.3	56.0%	\$61,261.3	57.6%	\$10,879.1	430.3%
07/01/11	\$58,110.5	\$98,766.2	\$40,655.7	58.8%	\$63,635.9	64.4%	\$11,097.6	366.3%
<u>SERS(e)</u>								
06/30/15	\$12,467.0	\$18,122.0	\$5,655.0	68.8%	\$12,797.2	70.6%	\$2,845.4	198.7%
06/30/14	\$11,903.0	\$17,492.0	\$5,589.0	68.0%	\$12,820.9	73.3%	\$2,759.3	202.6%
06/30/13	\$11,007.0	\$16,860.0	\$5,853.0	65.3%	\$11,300.5	67.0%	\$2,746.8	213.1%
06/30/12	\$10,284.0	\$16,372.0	\$6,088.0	62.8%	\$10,331.7	63.1%	\$2,788.2	218.3%
06/30/11	\$10,397.0	\$15,943.0	\$5,546.0	65.2%	\$10,619.2	66.6%	\$2,852.4	194.4%
<u>OP&F(f)</u>								
01/01/15	\$13,029.3	\$18,395.6	\$5,366.3	70.8%	\$13,453.4	73.1%	\$1,986.6	270.1%
01/01/14	\$11,063.2	\$16,577.8	\$5,514.6	66.7%	\$11,920.5	71.9%	\$1,942.3	283.9%
01/01/13	\$10,278.0	\$16,007.9	\$5,729.9	64.2%	\$10,602.8	66.2%	\$1,913.4	299.5%
01/01/12	\$10,309.0	\$16,346.7	\$6,037.7	63.1%	\$9,688.4	59.3%	\$1,897.4	318.2%
01/01/11	\$10,681.0	\$15,384.4	\$4,703.4	69.4%	\$10,075.5	65.5%	\$1,868.5	251.7%
<u>HPRS</u>								
12/31/15	\$739.8	\$1,079.0	\$339.1	68.6%	\$704.2	65.3%	\$100.0	339.2%
12/31/14	\$712.3	\$1,012.8	\$300.5	70.3%	\$740.7	73.1%	\$99.2	302.9%
12/31/13	\$690.6	\$989.1	\$298.5	69.8%	\$729.0	73.7%	\$98.5	303.0%
12/31/12	\$658.4	\$966.3	\$307.9	68.1%	\$642.6	66.5%	\$98.1	313.8%
12/31/11	\$623.4	\$1,047.7	\$424.3	59.5%	\$603.4	57.6%	\$93.1	455.7%

(a) Recognizes assumed long-term investment returns fully each year (8.25% for OP&F, 7.75% for SERS and HPRS in 2015, 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 in 2011-2012 which phases-in over a five-year period.

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

(c) UAAL is calculated based on a closed period as a level percent of payroll, except for PERS in 2011, STRS and OP&F in 2011-2014, and HPRS in 2011 for which UAAL is calculated based on an open period of time and the portion of PERS members who participate in the member directed plan which uses a level dollar of payroll.

(d) Defined contribution plan assets are excluded for PERS and included for STRS.

(e) 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.

(f) Effective with the January 1, 2015 valuation, OP&F deferred retirement option plan balances are included in AVA, AAL, and MVA.

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

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

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GASB Statements No. 67 & 68. GASB Statement No. 67 replaced prior accounting standards for reporting pension plan information beginning in Fiscal Year 2014. Under this new accounting standard, the reporting of unfunded actuarial accrued liability (UAAL) has been replaced by the net pension liability (NPL). The NPL represents the excess of the total pension liability over fiduciary net position. The components of the NPL and the sensitivity of the NPL to changes in the single discount rate for each of the retirement systems for the most recent year are as follows (\$ in millions):

	<u>PERS*</u> <u>12/31/16</u>	<u>STRS</u> <u>07/01/16</u>	<u>SERS</u> <u>06/30/16</u>	<u>OP&F</u> <u>01/01/16</u>	<u>HPRS</u> <u>12/31/16</u>
Valuation as of:					
Total Pension Liability (a).....	\$100,154.0	\$100,756.4	\$19,770.7	\$20,016.3	\$1,137.3(c)
Fiduciary Net Position (b).....	\$77,502.0	\$67,283.4	\$12,451.6	\$13,682.4	\$721.7
Net Pension Liability (NPL).....	\$22,652.0	\$33,473.0	\$7,319.1	\$6,333.9	\$415.6
Fiduciary Net Position as a Percentage of					
Total Pension Liability.....	77.4%	66.8%	63.0%	68.4%	63.5%
NPL Calculated With 1% Decrease in Discount Rate	\$34,696.0	\$44,482.9	\$9,690.0	\$8,436.0	\$540.8
NPL Calculated With 1% Increase in Discount Rate.....	\$12,620.0	\$24,185.5	\$5,334.5	\$4,552.3	\$311.9

(a) Reflects a single discount rate of 7.5% for PERS and SERS, 7.75% for STRS and HPRS, and 8.25% for OP&F. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions are made at the actuarially determined rates under State law. Based on those assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of project benefit payments to determine total pension liability. Also reflects an individual entry age actuarial cost method.

(b) Based on the market value of assets.

(c) Total pension liability was determined by an actuarial valuation as of 12/31/15, and updated with roll-forward procedures to 12/31/16.

*Reflects results from original PERS actuarial valuation prior to re-statement after completion of five-year experience study.

Sources: Retirement systems' CAFRs and annual actuarial valuations.

GASB Statement No. 68 replaced prior accounting standards for state and local governments reporting of pension plan information beginning in Fiscal Year 2015. This new accounting standard requires employers and non-employer contributing entities to report a proportionate share of their NPL in their financial statements. Employers determine their proportionate share of NPL by comparing their current year contributions to the plan to current year contributions to the plan made by all employers and non-employer entities, based on information provided to them by their retirement system(s). The State's proportionate share of the NPL and the sensitivity of the NPL to changes in the single discount rate for PERS, STRS and HPRS for the most recent year are as follows (\$ in millions):

	<u>PERS(a)</u> <u>12/31/15</u>	<u>STRS</u> <u>07/01/15</u>	<u>HPRS</u> <u>12/31/16</u>
Valuation as of:			
Total Pension Liability (b).....	\$91,822.5	\$99,014.7	\$1,137.3(d)
Fiduciary Net Position (c).....	\$74,549.9	\$71,377.6	\$721.7
Net Pension Liability (NPL).....	\$17,272.6	\$27,637.1	\$415.6
State Proportionate Share of			
Net Pension Liability (PSL).....	\$3,552.1	\$107.5	\$415.6
PSL as a Percentage of NPL	20.6%	0.4%	100.0%
PSL Calculated With 1% Decrease in Discount Rate.....	\$5,674.1	\$149.4	\$540.8
PSL Calculated With 1% Increase in Discount Rate.....	\$1,762.8	\$72.1	\$311.9

(a) For PERS, figures reflect the traditional plan and the defined benefit portion of the combined plan as presented in the State's CAFR.

(b) Reflects a single discount rate of 8.0% for PERS and 7.75% for STRS and HPRS.

(c) Based on the market value of assets.

(d) Total pension liability was determined by an actuarial valuation as of 12/31/15, and updated with roll-forward procedures to 12/31/16.

Sources: State of Ohio Fiscal Year 2016 CAFR, Retirement systems' CAFRs and annual actuarial valuations.

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Other Post-Employment Benefits

Each of the State's public retirement systems also offers post-employment health care benefits to its members. Contributions to and benefits under these health care programs are not vested and, as reflected by the recent actions of the OP&F and STRS boards described above, are subject to future adjustment 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> 12/31/15	<u>STRS</u> 01/01/17	<u>SERS</u> 06/30/16	<u>OP&F</u> 01/01/16	<u>HPRS</u> 12/31/16
Value of Assets (a).....	\$11,933.1	\$3,222.1	\$370.2	\$929.4	\$108.3
Actuarial Accrued Liability (AAL) (b)	\$18,514.6	\$5,886.2	\$2,407.3	\$5,166.6	\$403.7
Unfunded Actuarial Accrued Liability (UAAL) (c)	\$6,581.5	\$2,664.1	\$2,037.1	\$4,237.2	\$295.4
Funding Ratio (Assets to AAL %)	64.5%	54.7%	15.4%	18.0%	26.8%
Employer Contribution (% of Salary) (d).....	2.0%	0.0%	0.0%(e)	0.50%	4.0%

(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) UAAL is calculated based on an 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. See discussion above for recent adjustments by OP&F, STRS and HPRS boards to employer contribution directed to fund health care benefits.

(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 results from original PERS actuarial valuation prior to re-statement after completion of five-year experience study.

Sources: Retirement systems' annual actuarial valuations.

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The following table presents a summary of assets and actuarial accrued liabilities for post-employment healthcare benefits for the four 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)
<u>PERS</u>					
12/31/14	\$12,062.4	\$19,404.9	\$7,342.5	62.2%	2.0%
12/31/13	\$12,031.4	\$19,784.1	\$7,752.7	60.8%	1.0%
12/31/12	\$12,193.3	\$19,182.3	\$6,989.0	63.6%	4.0%
12/31/11	\$12,115.3	\$31,020.2	\$18,904.9	39.1%	4.0%
<u>STRS</u>					
01/01/16	\$3,258.2	\$5,154.2	\$1,896.0	63.2%	0.0%
01/01/15	\$3,454.4	\$4,676.2	\$1,221.9	73.9%	0.0%
01/01/14	\$3,471.9	\$4,664.4	\$1,192.6	74.4%	1.0%
01/01/13	\$3,121.6	\$4,254.1	\$1,132.5	73.4%	1.0%
<u>SERS</u>					
06/30/15	\$408.4	\$2,424.5	\$2,016.2	16.8%	0.82%
06/30/14	\$413.9	\$2,475.6	\$2,061.8	16.7%	0.14%
06/30/13	\$379.2	\$2,918.3	\$2,539.1	13.0%	0.16%
06/30/12	\$355.1	\$2,691.5	\$2,336.4	13.2%	0.55%
<u>OP&F</u>					
01/01/15	\$1,031.9	\$5,399.6	\$4,367.6	19.1%	0.50%
01/01/14	\$1,053.5	\$5,244.6	\$4,191.0	20.1%	0.50%
01/01/13	\$935.6	\$4,234.8	\$3,299.2	22.1%	3.62%
01/01/12	\$780.1	\$3,698.8	\$2,918.6	21.1%	6.75%
<u>HPRS</u>					
12/31/15	\$106.6	\$412.4	\$305.8	25.8%	4.00%
12/31/14	\$103.8	\$376.7	\$272.9	27.6%	4.30%
12/31/13	\$102.1	\$438.6	\$336.5	23.3%	3.65%
12/31/12	\$99.8	\$411.5	\$311.7	24.3%	1.75%

- (a) For PERS & HPRS, recognizes investment returns fully each year (assumed at 5%) with the differences between actual and assumed investment returns, 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) UAAL is calculated based on an 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.

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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, Ohio ranked 36th in state taxes per capita in 2016. 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 and school districts), are described below. The State also levies a commercial activity tax on business activities as described below.

The State also imposes a tax on the use, distribution, or sale of motor vehicle fuel. This “gasoline” tax was last raised by 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

The State sales and use tax rate was increased one-quarter percent from 5.5% to 5.75% beginning September 1, 2013 (see **FISCAL MATTERS – Recent and Current Finances – Recent Biennia – 2014-15**). 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 and beginning in Fiscal Year 2019 in one-tenth percent increments. The highest potential aggregate of State and permissive local sales taxes is 8.75% and the highest currently levied in any county is 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 recent legislation, State personal income tax rates, applying generally to federal adjusted gross income minus (or plus) adjustments and personal exemptions, were reduced by 8.5% in calendar year 2013, 1.5% in calendar year 2014, and 6.3% in calendar year 2015 (see **FISCAL MATTERS – Recent and Current Finances – Recent Biennia - 2014-15** and **2016-17**). Recent legislation also established a deduction for pass-through entities and sole proprietorships annual business net income of 75% in tax years 2014 and 2015, and 100% in tax year 2016 and beyond, up to \$250,000 per taxpayer (see **FISCAL MATTERS – Recent and Current Finances – Recent Biennia – 2014-15** and **2016-17**). 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** resulted in an aggregate 21% decrease through 2011 from the 2004 rates.

The 2016 personal income tax rates ranged from 0.495% on incomes of \$5,200 or less with increasing bracketed base rates and percentages up to a maximum on incomes over \$210,600 of \$8,072 plus 4.997% on the amount over \$210,600.

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 and school districts, and joint economic development districts and zones, may also levy certain income taxes. Any municipal rate (applying generally to wages and salaries and business net 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 or zone may also levy an income tax (which like municipal income taxes applies generally to wages and salaries and business net income) with the rate of that tax limited to the highest income tax rate of a municipal member of the district or zone). 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, and eighth since 2000. 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.....	\$855.1	\$44.1	5.2%	5
	per capita.....	4,196	4,136	98.6	18
1980	Total.....	2,307.0	107.0	4.6	6
	per capita.....	10,153	9,909	97.6	25
1990	Total.....	4,890.5	202.8	4.1	7
	per capita.....	19,591	18,669	95.3	21
2000	Total.....	8,634.8	324.0	3.8	8
	per capita.....	30,602	28,509	93.2	27
2010	Total.....	12,459.6	419.6	3.4	8
	per capita.....	40,277	36,355	90.3	32
2013	Total.....	14,069.0	470.7	3.3	8
	per capita.....	40,687	44,493	91.4	29
2014	Total.....	14,811.4	489.3	3.3	8
	per capita.....	46,494	42,197	90.8	29
2015	Total.....	15,547.7	508.4	3.3	8
	per capita.....	48,451	43,807	90.4	30
2016	Total.....	15,912.8	517.9	3.3	8
	per capita.....	49,246	44,593	90.6	29

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

* Excludes District of Columbia.

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</u>	<u>U.S. Retail Sales</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
2010	132.53	4,171.40	3.2
2011	142.81	4,440.32	3.2
2012	153.44	4,719.87	3.3
2013	159.93	4,912.64	3.3
2014	165.97	5,092.77	3.3
2015	169.49	5,270.78	3.2
2016	171.58	5,397.68	3.2

Source: Calculated by Global Insight based on data from the U.S. Department of Commerce, Bureau of the Census.

Commercial Activity Tax

The State implemented a new commercial activity tax (CAT) on taxable gross receipts in excess of \$1,000,000 from doing business in Ohio phased-in over Fiscal Years 2006 through 2010 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 – Recent and Current Finances – Recent Biennia – 2014-15**). The State phased-out over the same general period its corporate franchise tax in equal annual increments over the 2006 through 2010 tax years, except for application to financial institutions and certain affiliates of insurance companies and financial institutions which was replaced with a new financial institutions tax effective tax year 2014 (see **FISCAL MATTERS – Recent and Current Finances – Recent Biennia – 2012-13 and 2014-15**). 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 – estimated by OBM at approximately \$100 million annually – could not in the future be applied to non-highway purposes. Under provisions enacted in the biennial appropriations Act for the 2014-15 biennium, the State phased-out the CAT on the sale of motor vehicle fuel and replaced 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.

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. Beginning in Fiscal Year 2012, the State accelerated the phase-out of compensating payments to school districts and local governments resulting in an increased share of the CAT being deposited into the GRF (see **Property Tax** below and **FISCAL MATTERS – Recent and Current Finances – Recent Biennia – 2014-15 and 2016-17, and Current Biennium**).

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 2016 show that these property taxes represent 3.37% 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
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
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	872,521,025
2013	Real	226,356,619,274	35.0	15,138,100,663(e)
	Tangible(d)	-0-	-0-(b)	-0-
	Public Utility(c)(f)(h)	11,899,256,920 (g)	53.1	948,094,817
2014	Real	230,378,310,115	35.0	15,465,341,626(e)
	Tangible(d)	-0-	-0-(b)	-0-
	Public Utility(c)(f)	12,880,528,010 (g)	55.3	1,045,187,750
2015	Real	234,225,079,130	35.0	15,676,144,409(e)
	Tangible(d)	-0-	-0-(b)	-0-
	Public Utility(c)(f)	14,111,055,940 (g)	52.9	1,120,681,300
2016	Real	238,100,197,518	35.0	16,170,309,495(e)
	Tangible(d)	-0-	-0-(b)	-0-
	Public Utility(c)(f)	15,962,565,444	56.8(g)	1,271,855,503

- (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 was 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 was 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 and as reflected in the above table, the tangible personal property tax (TPPT) (including that tax on inventories) was 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 replacement distributions to school districts and other local taxing units from revenue generated by the State

commercial activity tax (CAT). Distributions were and 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 those TPPT replacement payments to schools and local governments with replacement payments to schools reduced by two percent of each district's total resources in each of Fiscal Years 2012 and 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. Replacement payments were then frozen in Fiscal Years 2014 and 2015. The phasing out of these replacement payments resumed beginning in Fiscal Year 2016, with payments to school districts to be reduced in Fiscal Years 2016 and 2017 by between 1% and 2% of each district's total resources with the variance based on district wealth levels, with guarantees in both Fiscal Year 2016 and Fiscal Year 2017 that no district will fall below 100% and 96%, respectively, of its Fiscal Year 2015 total funding level. Fiscal Year 2016 and thereafter replacement payments to other local governments are reduced annually by two percent of their total resources (see **FISCAL MATTERS – Recent and Current Finances – Recent Biennia - 2016-17**).

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. Beginning July 1, 2013, eligibility for new applicants is based on income (see **FISCAL MATTERS – Recent and Current Finances - Recent Biennia – 2014-15**). The total cost of the homestead exemption program in Fiscal Year 2016 was \$454.1 million and in Fiscal Year 2017 was \$446.3 million.

Property tax relief payments by the State to local subdivisions totaled \$3.59 billion for the 2014-15 biennium, \$3.58 billion for the 2016-17 biennium, and are appropriated at \$3.67 billion for the 2018-19 biennium.

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 herein have been provided by DNR.

Through its Division of Parks and Watercraft (the “Division”), DNR plans, constructs, equips and furnishes public service facilities in State parks. Those facilities include inns, lodges, cabins, 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, Wildlife, Natural Areas and Preserves, Mineral Resources Management, Oil & Gas 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 2000 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 and, separately, GRF appropriations for lease-rental payments to the Commission for the payment of debt service on the Bonds, are as follows:

<u>Fiscal</u> <u>Biennium</u>	<u>GRF Appropriations</u> <u>(Excluding Rental Payments)</u>	<u>Percent</u> <u>Change</u>	<u>Lease Rental Payments</u> <u>To Commission</u>
2006-07	\$77,749,682	11.2%	\$39,661,900
2008-09	72,036,488(a)	-7.3%	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
2016-17	60,931,933	1.6%	47,980,700
2018-19	61,175,681	0.4%	82,257,000

(a) 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 2018-19 biennium of over \$216.8 million from the GRF for all activities of DNR. Of this amount, \$61.2 million is for parks and recreation facilities operating expenses, approximately \$82.3 million is for rental payments to the Commission, and approximately \$44.8 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 2018-19 biennium is 0.4% higher than the equivalent appropriations for the preceding 2016-17 biennium.

In the 2017-18 capital biennium approximately \$232.7 million in new capital appropriations were made for Division of Parks and Recreation facilities, while new capital appropriations for those State facilities in the 2015-16 capital biennium totaled \$188.7 million.

(Parks and Recreation Capital Facilities Bonds, cont.)

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 Watercraft (a)
Full-time Employment**

<u>Fiscal Year</u>	<u>Full-time Employee</u>
2013	498
2014	489
2015	486
2016	485
2017	492

(a) The Division of Parks and Recreation merged with the Division of Watercraft beginning in Fiscal Year 2017. Full-time employees shown above include both divisions in Fiscal Years 2013 through Fiscal Year 2016 and the newly merged Division of Parks and Watercraft in Fiscal Year 2017.

DNR operates 75 State parks totaling 174,176 acres. The State park system includes 9,166 campsites, nine lodges with dining facilities and an aggregate of 818 sleeping rooms, 518 sleeping cottages, three 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. Costs of dredging activities are paid from the State Waterway Safety Fund. The table below summarizes Parks and Recreation Receipts for the last five Fiscal Years.

Parks and Recreation Receipts

<u>Fiscal Year</u>	<u>Camping</u>	<u>Concessions</u>	<u>Cottage Rentals</u>	<u>Golf Course Green Fees</u>	<u>Other</u>	<u>Total Receipts</u>
2013	10,564,030	1,174,632	3,874,782	1,173,030	9,767,310	26,553,784
2014	11,079,609	1,213,677	3,797,144	1,117,398	9,320,586	26,528,414
2015	11,586,068	1,292,848	4,119,289	1,036,513	9,012,972	27,047,689
2016	12,315,515	1,421,775	3,985,318	984,442	9,122,427	27,829,477
2017	13,913,529	1,491,215	3,920,430	901,923	10,934,449	31,161,548

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 operated facility. The concession agreements vary generally from four-year renewable terms up to 10-year terms. As reflected in the above table, receipts increased for the Division in Fiscal Year 2017 over Fiscal Year 2016 in all receipt categories except "Cottage Rentals" and "Golf Course Green Fees." The transfer of Cleveland Lake Front State Park to the City of Cleveland in June 2013 decreased dock fee revenues for Fiscal Year 2014 included under "Other" in the above table.

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

**Overnight Stays
(Campsites, Cottages, Getaways, Day Use)**

<u>Calendar Year</u>	<u>State Operated Overnight Stays</u>	<u>Lodge Nights</u>	<u>Cabin Nights</u>
2013	570,680	106,798	76,310
2014	561,516	119,105	74,754
2015	606,788	116,734	75,249
2016	654,764	109,362	75,220
2017	458,744*	59,741**	44,561**

*Year-to-date through August 21, 2017.

**Year-to-date through July 31, 2017.

**HIGHWAY CAPITAL IMPROVEMENT BONDS AND DEPARTMENTS OF
TRANSPORTATION AND PUBLIC SAFETY CAPITAL FACILITIES 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 and pledged to and budgeted for the payment of debt service on general obligation Highway Capital Improvement Bonds (the General Obligation Highway Bonds), and applies historical and current program debt service against available Highway User Receipts to derive coverage ratios for State Fiscal Years 2008 through 2017.

<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>
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
2014	2,835,136,025***	132,542,874	21.39
2015	2,860,617,590***	140,205,176	20.40
2016	2,857,781,052***	119,839,303	23.85
2017	2,904,212,443***	127,398,654	22.80

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

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

***Fiscal Years 2013, 2014, 2015 2016 and 2017 include \$75.6 million, \$81.1 million, \$94.8 million, \$72.2 million and \$56.3 million, respectively, of commercial activity and/or petroleum 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 2017), approximately 66% of Highway User Receipts are generated by motor fuel and use taxes while the remaining 34% is primarily from registration and license fees.

The State, acting pursuant to Section 2i of Article VIII of the Ohio Constitution and acts of the General Assembly, has issued and may issue in the future, special obligations for State Department of Transportation and Department of Public Safety facilities. The State has also issued special obligations and committed to provide “availability payments” in support of certain State highway improvement projects, and may in the future issue additional special obligations and enter into commitments to provide additional availability payments for other State highway improvement projects. Annual bond service charges on these special obligations and those availability payments may be paid from biennial appropriations of Highway User Receipts remaining *after* payment of bond service charges on the General Obligation Highway Bonds, but these special obligations or payments are not and will not be secured by a pledge of the full faith and credit, revenue or taxing power of the State, and their owners or recipients will have no right to have taxes or excises levied by the General Assembly for their payment.

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

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

State payments of Tax Credits, when 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.

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 the form agreed to by the Trustee and the Ohio Tax Commissioner, solely for the purpose of claiming the Tax Credits. The Ohio Venture Capital Authority (“OVCA”) has covenanted, on behalf of the State, that the State will honor all Tax Credits issued and claimed and make all required State Payments in full within 90 days of receipt of the Trustee’s Tax Credit claim. Once State Payments are received, the Trustee is required to 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.

The Trustee has filed Tax Credit claims in connection with the payment of bond service charges on February 15, 2017 and August 15, 2017, and has received State Payments totaling \$7.47 million in March 2017 and \$7.44 million in September 2017.

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(Taxable Research and Development Revenue Bonds (Columbus-Franklin County Finance Authority), cont.)

Annual Fiscal Year receipts for each of the Taxes (net of refunds) are as follows (\$ in millions):

<u>Taxes</u>	<u>FY13</u>	<u>FY14</u>	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>
Intangibles Dealer Tax ¹	\$38.4	\$0.5	\$0.1	\$0.1	(\$0.7)
Domestic Insurance Company Tax	211.6	202.3	257.2	263.5	273.9
Natural Gas / Combined Company Tax	91.7	100.3	92.3	99.6	101.2
Foreign Insurance Company Tax	292.5	308.0	287.3	316.4	321.4
Corporate Franchise Tax ^{1,2}	262.2	(11.2)	2.6	33.2	(1.2)
Financial Institutions Tax ^{1,3}	n.a.	197.8	182.1	213.5	187.3
Income Tax	<u>9,869.8</u>	<u>8,425.1</u>	<u>8,883.2</u>	<u>8,169.4</u>	<u>7,981.1</u>
Total ²	\$10,766.2	\$9,222.8	\$9,704.8	\$9,095.7	\$8,863.0

¹ The corporate franchise and intangibles dealer taxes were effectively repealed beginning with tax year or calendar year 2013 and replaced with a new financial institutions tax, which took effect that same year and was added to the Taxes to allow the Trustee to claim refundable Tax Credits against the financial institutions tax. That change in the Taxes is not expected to materially alter the taxes against which Tax Credits may be claimed.

² After the State's adoption of its commercial activity tax, the corporate franchise tax was phased out for most Ohio corporations beginning in 2010, but it remained in effect for financial institutions until replaced by the financial institutions tax in 2013. Negative FY 2014 and FY 2017 corporate franchise tax collections reflect tax refunds paid from other sources. Positive FY 2015 and FY 2016 corporate franchise tax collections reflect late payments, settlements and amended tax returns that generated receipts in excess of refunds in those years.

³ The financial institutions tax took effect for taxpayer taxable years beginning on or after January 1, 2013.

The identified Taxes are those against which the Tax Credits are statutorily authorized to be issued for the Bonds. Under Bond-related agreements, the OVCA may issue and the Trustee may claim Tax Credits with respect to any of the Taxes except the now-terminated corporate franchise tax and intangibles dealer tax. 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 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) have historically been required to be paid from current receipts of the State sales tax, which has increased from \$8.6 billion in FY 2013 to \$10.8 billion in FY 2017.* Solely in order to clarify the State's tax revenue accounting, the Ohio Department of Taxation (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 each Fiscal Year in the biennia ending June 30, 2015 and 2017 the initial identified appropriation amount has been \$1,546,800,000, with the following language included in the appropriation: "If it is determined that additional appropriations are necessary for [paying required tax refunds], such amounts are hereby appropriated." In each of the completed Fiscal Years in such biennia aggregate tax refunds by the State have exceeded the initial appropriation amount and they may exceed the appropriated amount in future Fiscal Years. In each such completed year, the ODT has determined, and advised the Director of the Office of Management and Budget ("OBM"), that additional appropriations were necessary for paying required tax refunds and the Director of OBM has administratively increased the budget authorization to the amount determined by the ODT to be necessary to pay all tax refunds payable by the State for the appropriate Fiscal Year and transferred such additional amounts into the STRF. ODT and OBM expect to take the same actions when required in future Fiscal Year in order to pay all required tax refunds. No legislative or other administrative approval is necessary as the appropriation in the biennial budget act contains the appropriation of all amounts determined to be necessary for all such tax refunds (including any State Payments) and OBM must transfer the necessary amounts into the STRF to pay required tax refunds.

As a result of these appropriations provisions, in each of the last five State Fiscal Years, there were at least \$18.0 billion in current State tax receipts available to pay tax refunds, including the State Payments. The current annual statutory limit on the amount of the Tax Credits is \$20 million and bond service charges on the Bonds for each State Fiscal Year must always be less than this amount.

** For purposes of State Payments of Tax Credits authorized by the OVCA, casino tax receipts are not included as State sales tax receipts.*

\$227,355,000
TAX-EXEMPT PRIVATE ACTIVITY BONDS, SERIES 2015
(PORTSMOUTH GATEWAY GROUP, LLC – BORROWER)
(PORTSMOUTH BYPASS PROJECT)

Source of Funds for Availability Payments and Other Payments

General. The source of funds for “Availability Payments” and other payments (excluding Milestone Payments*) to be made by the State of Ohio, acting by and through the Ohio Department of Transportation (the Contracting Authority), under the Public-Private Agreement between the Contracting Authority and Portsmouth Gateway Group, LLC (the Borrower) for the captioned Portsmouth Bypass Project (the Project) is subject to the availability of such funds appropriated every two years by the General Assembly. “Availability Payments” include any amounts to be paid by the Contracting Authority to the Borrower following the substantial completion date for the project under that Public-Private Agreement.

The Contracting Authority anticipates that Availability Payments in each two year Renewal Term will be made from biennial appropriations by the General Assembly from State highway and federal highway funds available to the Contracting Authority. The following table sets forth the amount of State highway and federal highway appropriations approved for the Contracting Authority and which would have been eligible for appropriation to make Availability Payments for immediately prior five Fiscal Years of the State.

**State Highway and Federal Highway Appropriations
to the Contracting Authority (\$ in millions)**

State Fiscal Year	State Highway Appropriations¹	Federal Highway Appropriations	Restricted Appropriations²	Debt Service on Debt Obligations^{1,3}	Total Available
2013	\$1,148	\$1,368	\$(255)	\$(168)	\$2,093
2014	1,209	1,244	(264)	(177)	2,012
2015	1,226	1,244	(285)	(175)	2,010
2016	1,258	1,301	(267)	(187)	2,105
2017	1,258	1,354	(340)	(170)	2,102

¹ Excludes debt service on General Obligation Highway Capital Improvement Bonds for which pledged highway user receipts are first applied without need for an appropriation.

² Estimated by the Contracting Authority.

³ Reflects total debt service payments for Capital Facilities Lease-Appropriation Bonds (Transportation Building Fund Projects) and Major New State Infrastructure Project Revenue (GARVEE) Bonds, including payments from highway appropriations, capitalized interest, and other funds on hand.

The State Transportation Budget Act for the State Fiscal Biennium commencing July 1, 2017 and ending June 30, 2019 includes State highway appropriations of approximately \$1.232 billion for Fiscal Year 2018 and \$1.230 billion for Fiscal Year 2019. The Act also provides Federal highway appropriations of approximately \$1.385 billion for Fiscal Year 2018 and \$1.422 billion for Fiscal Year 2019. There can be no assurances that these levels of State highway and federal highway funds will be available to the Contracting Authority in the future.

* “Milestone Payment” means each of the three payments to the Borrower based on the achievement of certain construction milestones pursuant to the Public-Private Agreement for the Project.