DAC Bond®

NEW ISSUE
(Book-Entry Only)

Ratings *(see "RATINGS")*
Standard & Poor's: *AAA*
Fitch: *AA+*
Moody's: *Aa1*

In the opinions of Co-Bond Counsel, under existing law (i) assuming continuing compliance with certain covenants, interest on the Series L Highway Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations under the Internal Revenue Code of 1986, as amended, and (ii) interest on the Series L Highway Bonds, and any profit made on their sale, exchange, transfer or other disposition are exempt from Ohio personal income tax, the Ohio commercial activity tax, the net income base of the Ohio corporate franchise tax and income taxes imposed by municipalities and school districts in Ohio. The interest on the Series L Highway Bonds may be subject to certain federal taxes imposed on certain corporations, including imposition of the corporate alternative minimum tax on a portion of that interest. (For a more complete discussion of tax aspects, see **TAX MATTERS***.)*

$140,000,000
STATE OF OHIO
General Obligation Highway Capital Improvements Bonds
Series L
(Full Faith and Credit/Highway User Receipts)
(Buckeye Savers Bond Program)

Dated: Date of Issuance **Due: On May 1, in the years shown on the inside cover**

Purpose: The $140,000,000 General Obligation Highway Capital Improvements Bonds, Series L (the "Series L Highway Bonds") are general obligations of the State of Ohio (the "State"), issued to pay (i) costs of highway capital improvements and (ii) certain costs incident to the issuance of the Series L Highway Bonds.

Security and Sources of Payment: The full faith and credit, revenue and taxing power (excluding net State lottery proceeds) of the State, including, specifically, fees, excises and license taxes relating to the registration, operation or use of vehicles on the public highways or to fuels used for propelling such vehicles, are pledged to the payment of the principal of and interest and any premium on the Series L Highway Bonds. See **THE SERIES L HIGHWAY BONDS - Security for the Series L Highway Bonds.**

Payment: Principal of and interest on the Series L Highway Bonds will be payable to the registered owner of Series L Highway Bonds (initially, The Depository Trust Company or its nominee ("DTC")). The principal is payable on presentation and surrender of a Series L Highway Bond to the principal office of the bond registrar, initially the Treasurer of State (the "Treasurer"). Interest will be transmitted on each interest payment date (May 1 and November 1, beginning November 1, 2008).

Prior Redemption: The Series L Highway Bonds are not subject to redemption prior to maturity.

Book-Entry: The Series L Highway Bonds will be initially issued as one fully registered bond for each interest rate within a maturity under a book entry system and registered initially in the name of DTC. There will be no distribution of Series L Highway Bonds to the ultimate purchasers.

This cover page is for reference only. It is not a summary of the Series L Highway Bonds. Prospective purchasers should read the entire Official Statement.

The Series L Highway Bonds are offered when, as and if issued by the State, acting by and through the Treasurer, and accepted by the Underwriters, subject to the approval of legality by Climaco, Lefkowitz, Peca, Wilcox & Garofoli Co., L.P.A. and LumpkinMcCrary, LLP, Co-Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Underwriters by their counsel, Carlile Patchen & Murphy LLP. George K. Baum & Company is serving as Financial Advisor to the Treasurer. The Series L Highway Bonds are expected to be available for delivery through DTC on or about May 1, 2008.

Merrill Lynch & Co. **Fifth Third Securities, Inc.**

Butler, Wick & Co., Inc. **Goldman, Sachs & Co.** **The Huntington Investment Company**

JPMorgan **Morgan Stanley** **NatCity Investments, Inc.**

The date of this Official Statement is April 24, 2008

$140,000,000

STATE OF OHIO

General Obligation Highway Capital Improvements Bonds
Series L
(Full Faith and Credit/Highway User Receipts)
(Buckeye Savers Bond Program)

PRINCIPAL MATURITY SCHEDULE

Maturity	Principal Amount	Interest Rate	Yield	CUSIP No.*	Maturity	Principal Amount	Interest Rate	Yield	CUSIP No.*
5/1/09	$1,185,000	3.500%	1.650%	677520A81	5/1/14	$6,925,000	5.000%	3,170%	677520C48
5/1/09	12,815,000	4.000%	1.650%	677520A99	5/1/15	4,815,000	3.500%	3.320%	677520C55
5/1/10	10,775,000	3.000%	2.300%	677520B23	5/1/15	2,060,000	4.000%	3.320%	677520C63
5/1/10	3,225,000	3.500%	2.300%	677520B31	5/1/15	7,125,000	5.000%	3.320%	677520C71
5/1/11	8,275,000	3.000%	2.610%	677520B49	5/1/16	1,185,000	3.500%	3.470%	677520C89
5/1/11	5,725,000	4.000%	2,610%	677520B56	5/1/16	1,370,000	4.250%	3.470%	677520C97
5/1/12	8,000,000	3.000%	2,850%	677520B64	5/1/16	11,445,000	5.000%	3.470%	677520D21
5/1/12	6,000,000	5.000%	2.850%	677520B72	5/1/17	6,175,000	3.500%	3.590%	677520D39
5/1/13	5,945,000	3.000%	3.010%	677520B80	5/1/17	7,825,000	4.000%	3.590%	677520D47
5/1/13	8,055,000	3.500%	3.010%	677520B98	5/1/18	7,000,000	3.750%	3.710%	677520D54
5/1/14	3,235,000	3.125%	3.170%	677520C22	5/1/18	7,000,000	5.000%	3.710%	677520D62
5/1/14	3,840,000	3.500%	3.170%	677520C30					

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REGARDING THE USE OF THIS OFFICIAL STATEMENT

This Official Statement does not constitute an offering of any security, other than the original offering of the Series L Highway Bonds identified on the cover. No dealer, broker, salesman or other person has been authorized by the State or the Underwriters to give any information or to make any representations other than those contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series L Highway Bonds, by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. Information set forth herein has been furnished by the State and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of, the Underwriters. References in this Official Statement to statutes, laws, rules, regulations, resolutions, agreements, reports and documents do not purport to be comprehensive or definitive, and all such references are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein.

This Official Statement is submitted in connection with the sale of the Series L Highway Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement has been approved by the State, acting by and through the Treasurer, and its use and distribution for the purpose set forth above have been authorized by the State and the Treasurer.

The information and expressions of opinion herein are subject to change without notice. Neither the delivery of this Official Statement nor any sale made hereunder, under any circumstances, shall create any implication that there has been no change in the affairs of the State since the date hereof.

The information approved and provided by the State in this Official Statement is the information relating to the particular subjects provided by the State or State agencies for the purpose of this Official Statement. Reliance for such purpose should not be placed on any other information publicly provided, in any format including electronic, by any State agency for other purposes, including general information provided to the public or to portions of the public.

Upon issuance, the Series L Highway Bonds will not be registered under the Securities Act of 1933, as amended, or any state securities law and will not be listed on any stock or other securities exchange. Neither the Securities and Exchange Commission nor any other federal, state, municipal or other governmental entity or agency, except the Treasurer, will have passed upon the accuracy or adequacy of this Official Statement or approved the Series L Highway Bonds for sale.

In connection with the offering of the Series L Highway Bonds, the Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Series L Highway Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

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OFFICIAL STATEMENT
$140,000,000
STATE OF OHIO
General Obligation Highway Capital Improvements Bonds
Series L
(Full Faith and Credit/Highway User Receipts)
(Buckeye Savers Bond Program)

SELECTED SUMMARY STATEMENT

The following summary supplements certain of the information on the cover page and summarizes selected other information in this Official Statement relating to the General Obligation Highway Capital Improvements Bonds, Series L (the "Series L Highway Bonds") of the State of Ohio (the "State"). It is not intended as a substitute for the more detailed discussions in this Official Statement, to which reference should be made.

ISSUER. The State, by the Treasurer of State (the "Treasurer").

AUTHORIZATION. The Series L Highway Bonds are authorized and issued on behalf of the State by the Treasurer pursuant to constitutional and statutory authorizations. The Series L Highway Bonds are the twelfth series of bonds (collectively, the "Highway Obligations") issued pursuant to Section 2m of Article VIII, Ohio Constitution, Ohio Revised Code Sections 151.01 and 151.06 (the "Act") and Ohio Revised Code Sections 5528.51-5528.54.

SECURITY AND SOURCES OF PAYMENT. The Series L Highway Bonds are general obligations of the State. The full faith and credit, revenue and taxing power (excluding net State lottery proceeds) of the State, including, specifically, 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, are pledged to the payment of the principal of and interest on the Series L Highway Bonds. So long as the Series L Highway Bonds are outstanding those pledged excises and taxes are to be levied and collected in amounts sufficient to pay the principal of and the interest on the Series L Highway Bonds and certain other bonds as described herein.

PURPOSE. The Series L Highway Bonds are issued to pay costs of highway capital improvements.

PRIOR REDEMPTION. The Series L Highway Bonds are not subject to redemption prior to maturity.

FORM AND MANNER OF MAKING PAYMENTS. The Series L Highway Bonds will be initially issued as one fully registered bond for each interest rate within a maturity, under a book entry system and registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"). There will be no distribution of Series L Highway Bonds to the ultimate purchasers. Series L Highway Bonds in certificated form as such will not be transferable or exchangeable, except for transfer to another nominee of DTC or as otherwise described in this Official Statement.

Principal and interest will be payable to the registered owner. The principal will be payable at maturity on presentation and surrender at the office of the Bond Registrar. Interest will be transmitted by the Bond Registrar on each interest payment date (May 1 and November 1, beginning November 1, 2008), to the registered owner (the "Holder") as of the 15th day of the month preceding the interest payment date.

TAX MATTERS. In the opinions of Co-Bond Counsel, under existing law (i) assuming continuing compliance with certain covenants and the accuracy of certain representations, interest on the Series L Highway Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations under the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest, and any profit made on the sale, exchange or other disposition of the Series L Highway Bonds, are exempt from the Ohio personal income tax, the Ohio commercial activity tax and the net income base of the Ohio corporate franchise tax, and income taxes imposed by municipalities and school districts in Ohio. Interest on the Series L Highway Bonds may be subject to certain federal taxes imposed on certain corporations, including the corporate alternative minimum tax on a portion of the interest. Certain of the Series L Highway Bonds may be offered and sold to the public at an original issue discount or premium.

BOND REGISTRAR. The Treasurer.

CO-BOND COUNSEL. Climaco, Lefkowitz, Peca, Wilcox & Garofoli Co. L.P.A. and LumpkinMcCrary LLP.

UNDERWRITERS. Merrill Lynch, Pierce, Fenner & Smith Incorporated, as Representative of the Underwriters shown on the cover (collectively, the "Underwriters"). The Series L Highway Bonds have been purchased by the Underwriters at a price of $144,763,999.38.

FINANCIAL ADVISOR. George K. Baum & Company.

Questions regarding this Official Statement or the Series L Highway Bonds should be directed to Jake Wozniak, Office of the Treasurer, 30 East Broad Street, Columbus, Ohio 43215-3461, telephone (614) 466-3930.

INTRODUCTION

This Official Statement has been prepared by the State acting by and through the Treasurer to provide certain information in connection with the original issuance and sale of the Series L Highway Bonds, to be issued for the purpose of paying (i) costs of highway capital improvements, and (ii) costs of the issuance of the Series L Highway Bonds.

All financial and other information presented in this Official Statement has been provided by the State from its official records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes and other sources, is intended to show recent historical information and 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 that financial and other information will necessarily continue in the future.

Reference to provisions of Ohio law, whether codified in the Ohio Revised Code or uncodified, or of the Ohio Constitution, are to those provisions as now in effect. Those provisions may from time to time be amended, repealed or supplemented.

As used in this Official Statement, "Fiscal Year" means the State's Fiscal Year, currently the twelve-month period from July1 through June 30.

THE SERIES L HIGHWAY BONDS

General

The Series L Highway Bonds will be issued pursuant to the Ohio Constitution, the Act, and the Bond Order issued by the Treasurer.

The Series L Highway Bonds will be initially issued as one fully registered bond for each interest rate within a maturity under a book-entry system (see **BOOK-ENTRY METHOD**), will be dated the date of their issuance, and will bear interest at the rates per annum and mature as set forth on the inside cover page of this Official Statement. Interest will be computed on the basis of a 360-day year consisting of twelve 30-day months.

The Treasurer will initially serve as the authenticating agent, bond registrar and paying agent for the Series L Highway Bonds (the "Bond Registrar"), and the Bond Order provides that the Treasurer may designate a successor Bond Registrar.

The principal of the Series L Highway Bonds will be payable to the Holder upon presentation and surrender at the principal office of the Bond Registrar.

Interest on the Series L Highway Bonds will be payable by the Bond Registrar by check or draft, mailed on each May 1 and November 1 (each an "Interest Payment Date"), beginning November 1, 2008, to the Holder of record on the Register as of the 15th day of the month next preceding the Interest Payment Date. So long as the Series L Highway Bonds are immobilized in the custody of a depository pursuant to a book-entry system, interest on the Series L Highway Bonds may be paid by wire transfer to the depository on each Interest Payment Date.

Prior Redemption

The Series L Highway Bonds are not subject to redemption prior to maturity.

Bond Registrar

The Bond Registrar will be responsible for the payment of the principal and interest on the Series L Highway Bonds (the "Bond Service Charges"). The Bond Registrar will maintain and keep at his principal office all books and records necessary for the registration, exchange, transfer and authentication of the Series L Highway Bonds.

Security for the Series L Highway Bonds

The Series L Highway Bonds are general obligations of the State. The full faith and credit, revenue, and taxing power of the State and the Highway User Receipts, all as described below, are pledged to the timely payment of Bond Service Charges. Payment of Bond Service Charges is not dependent on, or subject or related in any manner to, progress on or the completion or operation of projects financed by the Series L Highway Bonds.

Pledged Excises and Taxes; Covenant. Bond Service Charges are payable from and secured by (i) the pledge by the General Assembly of the full faith and credit, revenue and taxing power of the State (except for net State lottery proceeds), (ii) a pledge of all fees, excises, or license taxes relating to the registration, operation, or use of vehicles on the public highways or to fuels used for propelling those vehicles, but excluding statutory refunds and adjustments ("Highway User Receipts") and (iii) moneys deposited in the State Highway Capital Improvement Bond Service Fund (the "Bond Service Fund") and the Series L Costs of Issuance Fund (see **Purpose and Application of Proceeds** below), including all accounts in those funds and all moneys deposited therein and the investment earnings thereon (collectively, and subject to the stated exceptions, the "Pledged Excises and Taxes"). The Act covenants that so long as any of the Series L Highway Bonds are outstanding the State and applicable officers and governmental agencies of the State, including the General Assembly, shall maintain statutory authority for and cause to be levied, collected and applied sufficient pledged excises, taxes, and revenues of the State in amounts sufficient to pay the Bond Service Charges when due.

The Pledged Excises and Taxes exclude 50% of the State income, estate and inheritance tax receipts which, pursuant to Section 9 of Article XII of the Ohio Constitution, must be returned to the county, school district, city, village or township in which such taxes originate. Additionally, Section 2 of Article XII of the Ohio Constitution limits the amount of the aggregate levy for all State and local purposes of ad valorem property taxes, without a vote of the electors or municipal charter provision, to 1% of the property's true value in money, and Ohio Revised Code Section 5705.02 further limits the amount of such aggregate levy to 1% of the property's tax valuation (presently 35% of its true or "market" value). The State itself currently does not levy any ad valorem taxes on real or tangible personal property.

Otherwise, the Pledged Excises and Taxes are unlimited as to amount to the extent required to pay the Bond Service Charges.

Substitution of Fees, Excises and Taxes. The General Assembly may from time to time repeal or reduce any excise, tax, or other source of revenue pledged to the payment of Bond Service Charges, and may levy any new or increased excise, tax, or revenue source to meet the pledge of the State's full faith and credit, revenue, and taxing power to the payment of debt service on outstanding obligations. However, the General Assembly cannot impair the State's obligation to levy, charge, and collect sufficient pledged excises, taxes, and revenues to pay debt service on such obligations.

No Diversion of Highway User Receipts. Section 5a of Article XII, Ohio Constitution, prohibits the use of Highway User Receipts for other than the costs of: administration of the laws levying such taxes; statutory refunds and adjustments; payments of Highway Obligations; construction, reconstruction, maintenance and repair of public highways and bridges and other statutory highway purposes; traffic enforcement by the State; and hospitalization of indigent persons injured in motor vehicle accidents on the public highways. Highway User Receipts are not and cannot be used, or pledged to the payment of bonds or any other obligations issued, for any other purpose.

History of Highway User Receipts. The following table sets forth the amounts of the Highway User Receipts available in recent Fiscal Years for the payment of Bond Service Charges on the Series L Highway Bonds and the Highway Obligations previously issued.

Fiscal Year	Highway User Receipts Available for Debt Service Requirements*
1997	$2,008,000,009
1998	1,943,292,766
1999	2,018,460,794
2000	2,061,926,988
2001	1,985,599,456
2002	2,046,550,862
2003	2,123,591,241
2004	2,326,188,095
2005	2,483,833,507
2006	2,669,145,763
2007	2,576,989,814**

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

** The reduction in Fiscal Year 2007 Highway User Receipts is due in large part to the timing of motor fuel tax receipts that were received at the end of Fiscal Year 2007 but not recorded until the following fiscal year.

Based on the most recent annual data (FY2007), approximately 70% of Highway User Receipts are generated by Motor Fuel and Use Taxes while the remaining 30% is primarily from Registration and License fees.

The Ohio Building Authority, acting pursuant to Section 2i of Article VIII, Ohio Constitution and acts of the General Assembly, has issued, and may issue, special obligations for State highway transportation facilities the owners or Holders of which are not secured by a pledge of the full faith and credit, revenue and taxing power of the State (see STATE DEBT in APPENDIX A). These special obligations are paid from biennial appropriations of Highway User Receipts remaining after the payment of Bond Service Charges on the Highway Obligations, including, but not limited to the Series L Highway Bonds.

Highway Capital Improvement Bond Service Fund – Pledge. The Bond Service Fund has been established pursuant to Ohio Revised Code Section 151.06 as a trust fund in the State Treasury pledged to the payment of Bond Service Charges on all Highway Obligations. The Act provides that moneys in the Bond Service Fund are immediately subject to the lien of that pledge without further action.

The Act provides that moneys in the Bond Service Fund shall be disbursed on the order of the Treasurer; provided that no further order is required for the payment of Debt Service Charges on the Highway Obligations (including the Series L Highway Bonds) when due.

The Act further provides that a sufficient amount of moneys of the State is committed and, without necessity for further appropriation, shall be paid into the Bond Service Fund for the purpose of paying when due the Debt Service Charges on the Highway Obligations (including the Series L Highway Bonds). The Act requires the Treasurer, by July 15 of each Fiscal Year, to certify or cause to be certified to the Office of Budget and Management of the State ("OBM") the total amount of moneys required during that Fiscal Year to meet in full all Debt Service Charges on outstanding Highway Obligations that are not from the proceeds of refunding or renewal obligations. The Treasurer is also required to make supplemental certifications to OBM for each date Debt Service Charges are due and at such other times during each Fiscal Year as may be provided in the bond proceedings or requested by OBM. Moneys from Highway User Receipts are required to be deposited in the Bond Service Fund in September through February in monthly amounts equal to one-sixth of the certified annual amount of Debt Service Charges on Highway Obligations. If on the 10th calendar day prior to their due date, moneys to the credit of the Bond Service Fund are insufficient to meet in full all payments of Debt Service Charges on that due date, no fewer than eight days before that due date OBM is to transfer to that Bond Service Fund from the Pledged Excises and Taxes sufficient revenues to pay those Debt Service Charges when due.

Moneys to the credit of the Bond Service Fund may be invested in notes, bonds or other direct obligations of the United States or of any agency or instrumentality of the United States, or in no-front-end-load money market mutual funds consisting exclusively of those obligations, or in repurchase agreements (including those issued by any fiduciary) secured by those obligations, or in collective investment funds consisting exclusively of those obligations; obligations of the State or any political subdivision of the State; certificates of deposit of any national bank located in Ohio and any State bank subject to inspection by the State superintendent of financial institutions; or the Treasurer's pooled investment program. The income from those investments is to be credited to the Bond Service Fund.

Constitutional Authorization

Section 2m of Article VIII, Ohio Constitution, adopted by the electors on November 7, 1995, is the constitutional authority for the issuance of the Series L Highway Bonds. Section 2m provides that the General Assembly may provide by law for the issuance of tax-supported Highway Obligations the Holders of which are given the right to have excises and taxes levied by the General Assembly for the payment of the Debt Service Charges thereon. Section 2m further provides that such Highway Obligations shall be incurred for the purpose of financing or assisting in the financing of the cost of highway capital improvements of the State. Outstanding Series of Highway Obligations, the Series L Highway Bonds and any subsequently issued Highway Obligations have been, are and will be issued pursuant to this constitutional authorization and implementing legislation. Section 2m further provides that not more than $220,000,000 principal amount of Highway Obligations, plus the principal amount of Highway Obligations that in any prior Fiscal Years could have been but were not issued within the $220,000,000 fiscal year limit, may be issued in any Fiscal Year pursuant to Section 2m and that the total principal amount of Highway Obligations outstanding under Section 2m may not exceed $1,200,000,000; provided, however, that the principal amount of Highway Obligations issued to retire or refund Highway Obligations previously issued shall not be counted against the fiscal year or total issuance limitations to the extent that such principal amount does not exceed the principal amount of Highway Obligations to be refunded.

Section 2m further provides that each Series of Highway Obligations issued under Section 2m must mature in not more than 30 years from the date of issuance, or, if issued to retire or refund Highway Obligations previously issued under Section 2m, within 30 years from the date the Highway Obligations to be retired or refunded was originally contracted.

Statutory Authorization

The General Assembly implemented Section 2m of Article VIII, Ohio Constitution, by enacting the Act, and, from time to time, the General Assembly enacts laws authorizing the issuance of Highway Obligations and appropriating the proceeds for purposes for which those Highway Obligations may be issued. The Act authorizes the Treasurer, on behalf of the State, to issue the Highway Obligations authorized by the General Assembly.

The Act provides that the net proceeds of Highway Obligations (including the Series L Highway Bonds) are to be deposited in the Highway Capital Improvement Fund, created by Ohio Revised Code Section 5528.53 (the "Highway Capital Improvement Fund"). The Highway Capital Improvement Fund, and the moneys in it, are not pledged to the payment of Bond Service Charges on the Series L Highway Bonds.

The General Assembly has authorized the issuance of Highway Obligations pursuant to Section 2m of Article VIII in an aggregate principal amount not to exceed $290,000,000 in the 2008-2009 biennium, plus any carry-over from an unissued prior Fiscal Year authorization, the net proceeds of which are to be deposited in the Highway Capital Improvement Fund. In total, the General Assembly has authorized $2,420,000,000 of Highway Obligations, of which, excluding the Series L Highway Bonds, $1,805,000,000 has heretofore been issued and $862,500,000 is outstanding, leaving a remaining statutory authorization of $615,000,000 (so long as not more than $1,200,000,000 original principal amount of such obligations are outstanding at any one time.) The Treasurer has determined, based on a certification of the Director of Transportation of the State, that Series L Highway Bonds must be issued in an aggregate principal amount of approximately $140,000,000 in order to assure sufficient moneys to the credit of the Highway Capital Improvement Fund to pay expected costs of highway capital improvements. Finally, pursuant to the Bond Order, the Treasurer has authorized the issuance of the Series L Highway Bonds in the aggregate principal amount of $140,000,000 for the purpose of making a deposit in the Highway Capital Improvement Fund.

The Highway Capital Improvements Program

The proceeds of the Series L Highway Bonds and other moneys from time to time in the Highway Capital Improvement Fund (including proceeds of other Highway Obligations) will be used to pay costs of highway capital improvements authorized by the General Assembly.

Specifically, proceeds of Highway Obligations are issued for the purpose of paying costs of construction, reconstruction, or other improvements of highways, including those on the state highway system and urban extensions thereof, those within or leading to public parks or recreation areas and those within or leading to municipal corporations and shall include, without limitation, the cost of acquisition, construction, reconstruction, expansion, improvement, planning and equipping thereof.

The Series L Highway Bonds are the twelfth Series of Highway Obligations pursuant to Section 2m of Article VIII, Ohio Constitution. After the issuance of the Series L Highway Bonds, $1,945,000,000 of Highway Obligations will have been issued pursuant to Section 2m of Article VIII, Ohio Constitution. Additional Highway Obligations are expected to be issued from time to time.

Purpose and Application of Proceeds

The Series L Highway Bonds are to be issued for the purpose of (i) paying the cost of highway capital improvement projects, and (ii) paying certain other allowable costs related or incidental to the issuance of the Series L Highway Bonds.

The Bond Order provides that the proceeds from the sale of the Series L Highway Bonds shall be allocated as follows:

(a) A portion of the proceeds to the State of Ohio Highway Capital Improvements Bonds, Series L Cost of Issuance Fund (the "Series L Cost of Issuance Fund");

(b) A portion of the proceeds to the Bond Service Fund; and

(c) The balance of the proceeds to the Highway Capital Improvement Fund.

SOURCES AND USES OF FUNDS

The proceeds of the Series L Highway Bonds will be applied for the following uses and in the respective estimated amounts:

Sources of Funds:

Par Amount of Series L Highway Bonds	$140,000,000.00
Net Premium	5,465,858.60
Total Sources of Funds	$145,465,858.60

Uses of Funds:

Deposit to Highway Capital Improvement Fund	$140,000,000.00
Deposit to Bond Service Fund	4,512,039.39
Costs of Issuance (including Underwriters' Discount)	953,819.21
Total Uses of Funds	$145,465,858.60

BOND DEBT SERVICE

The following table sets forth for each Fiscal Year (July 1 through June 30) the amount scheduled to be paid for principal and interest on the Series L Highway Bonds.

Fiscal Year	Principal	Interest	Total
2009	$14,000,000	$5,470,218.76	$19,470,218.76
2010	$14,000,000	$4,916,143.76	$18,916,143.76
2011	$14,000,000	$4,480,018.76	$18,480,018.76
2012	$14,000,000	$4,002,768.76	$18,002,768.76
2013	$14,000,000	$3,462,768.76	$17,462,768.76
2014	$14,000,000	$3,002,493.76	$17,002,493.76
2015	$14,000,000	$2,420,750.00	$16,420,750.00
2016	$14,000,000	$1,813,575.00	$15,813,575.00
2017	$14,000,000	$1,141,625.00	$15,141,625.00
2018	$14,000,000	$ 612,500.00	$14,612,500.00

BOOK-ENTRY METHOD

General

The information in this Section concerning DTC and DTC's book-entry system has been obtained from sources that the State, the Treasurer and the Underwriters believe to be reliable. However, the State, the Treasurer and the Underwriters take no responsibility for the accuracy or completeness thereof.

The Depository Trust Company, New York, New York ("DTC") will act as securities depository for the Series L Highway Bonds. The Series L Highway Bonds will be initially issued and issuable only as one fully registered bond certificate for each interest rate within a maturity, in the name of Cede & Co. as nominee for DTC, as registered owner of all the Series L Highway Bonds. Those fully registered Series L Highway Bonds will be deposited with and retained in the custody of DTC or its agent. For ease of reference in this discussion, reference to "DTC" includes any nominee of DTC and, when applicable, any successor securities depository.

For all purposes under the bond proceedings (except the Continuing Disclosure Agreement under which others may be considered an owner or holder of the Series L Highway Bonds – See **CONTINUING DISCLOSURE AGREEMENT**), DTC will be and will be considered by the Treasurer to be the owner or Holder of the Series L Highway Bonds.

Owners of book-entry interests in the Series L Highway Bonds will neither receive nor have the right to receive physical delivery of bond certificates for the Series L Highway Bonds and will not be or be considered to be, and will not have any rights as, Holders of Series L Highway Bonds under the bond proceedings.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC").

DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Series L Highway Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series L Highway Bonds on DTC's records. The ownership interest of each actual purchaser of each Series L Highway Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records.

Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series L Highway Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series L Highway Bonds, except in the event that use of the book-entry system for the Series L Highway Bonds is discontinued. See **Revision of Book Entry System; Replacement Series L Highway Bonds** below.

To facilitate subsequent transfers, all Series L Highway Bonds deposited by Direct Participants with DTC are registered in the name of DTC. DTC has no knowledge of the actual Beneficial Owners of the Series L Highway Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series L Highway Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Beneficial Owners of Series L Highway Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Series L Highway Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Series L Highway Bonds may wish to ascertain that the nominee holding the Series L Highway Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners, in the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

DTC will not consent or vote with respect to the Series L Highway Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the State as soon as possible after the record date. The Omnibus Proxy assigns DTC's consenting or voting rights to those Direct Participants to whose accounts the Series L Highway Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments on the Series L Highway Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the State or the Treasurer on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not the responsibility of DTC nor the State or the Treasurer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments to DTC is the responsibility of the Treasurer or the Bond Registrar, disbursement or such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series L Highway Bonds at any time by giving reasonable notice to the Treasurer or Bond Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered. See **Revision of Book Entry System; Replacement Series L Highway Bonds.**

Direct Participants and Indirect Participants may impose service charges on book-entry interest owners in certain cases. Purchasers of book-entry interests should discuss that possibility with their brokers.

The State and the Treasurer:

- Have no role in the purchase, transfer or sale of book-entry interests. The rights of book-entry interest owners to transfer or pledge their interests, and the manner of transferring or pledging those interests, may be subject to applicable state law. Book-entry interest owners may want to discuss with their legal advisers the manner of transferring or pledging their book-entry interests.

- Have no responsibility or liability for any aspects of the records or notices relating to, or payments made on account of, book-entry interest ownership, or for maintaining, supervising or reviewing any records relating to that ownership.

- Cannot and do not give any assurances that DTC, Direct Participants, Indirect Participants or others will distribute payments to Beneficial Owners of Bond Service Charges on the Series L Highway Bonds paid to DTC, or will give any redemption or other notices to the Beneficial Owners, or that they will do so on a timely basis, or that DTC will serve and act in a manner described in this Official Statement.

Revision of Book Entry System; Replacement Series L Highway Bonds

The Bond Order provides for the issuance of fully registered Series L Highway Bond certificates ("Replacement Series L Highway Bonds") directly to Holders of Series L Highway Bonds other than DTC in the event that DTC determines not to continue to act as depository for the Series L Highway Bonds or the Treasurer determines to exit the Series L Highway Bonds from a depository. Upon occurrence of either of these events, the Treasurer may in his discretion attempt to have established a depository book-entry relationship with another securities depository. If the Treasurer does not do so, or is unable to do so, and after the Treasurer has made provisions for notification of the Beneficial Owners by appropriate notice to DTC, the Bond Registrar shall authenticate and deliver Replacement Series L Highway Bonds of any one maturity and interest rate in the denomination of $5,000 principal amount or any integral multiple thereof with respect to Series L Highway Bonds to or at the direction, and at the expense (including printing costs), if the event is not the result of the State's action or inaction, of those persons requesting authentication and delivery.

The Replacement Series L Highway Bonds will be exchangeable for Replacement Series L Highway Bonds of authorized denominations, and transferable, at the principal office of the Bond Registrar without charge (except taxes or governmental fees).

TAX MATTERS

General

In the opinions of Co-Bond Counsel, under existing law (i) interest on the Series L Highway Bonds is excludable from gross income for federal income tax purposes under Section 103(a) of the Internal Revenue Code of 1986, as amended, and is not an item of tax preference under Section 57 of the Code for purposes of the alternative minimum tax imposed on individuals and corporations; and (ii) interest on the Series L Highway Bonds, and any profit made on their sale, exchange, transfer or other disposition, are exempt from the Ohio personal income tax, the Ohio commercial activity tax, the net income base of the Ohio corporate franchise tax and income taxes imposed by municipalities and school districts in Ohio. Co-Bond Counsel will express no opinion as to any other tax consequences arising from the Series L Highway Bonds.

The opinions on tax matters will be based on and will assume the accuracy of certain representations and certifications, and continuing compliance with certain covenants, of the Treasurer to be contained in the transcript of proceedings and which are intended to evidence and assure the foregoing, including that the Series L Highway Bonds are and will remain obligations the interest on which is excluded from gross income for federal income tax purposes. Co-Bond Counsel will not independently verify the accuracy of the representations and certifications made by the Treasurer.

The Code prescribes a number of qualifications and conditions for the interest on state and local government obligations to be and to remain excluded from gross income for federal income tax purposes, some of which, including provisions for potential payments by the State to the federal government, require future or continued compliance after issuance in order for the interest to be and to remain so excluded from the date of issuance. Noncompliance with these requirements could cause the interest on the Series L Highway Bonds to be included in gross income for federal income tax purposes and to be subject to federal income tax retroactively to the date of their issuance. The Treasurer has covenanted to take all actions required for the interest on the Series L Highway Bonds to be and to remain excluded from gross income for federal income tax purposes, and not to take any actions that would adversely affect that exclusion.

Under Code provisions applicable only to corporations (as defined for federal income tax purposes), a portion of the excess of adjusted current earnings (which includes interest on all tax-exempt bonds, including the Series L Highway Bonds) over other alternative minimum taxable income, is included in alternative minimum taxable income which may be subject to a corporate alternative minimum tax. In addition, interest on the Series L Highway Bonds may also be subject to a branch profits tax imposed on certain foreign corporations doing business in the United States and to a tax imposed on excess net passive income of certain S corporations.

Under the Code, the exclusion of interest from gross income for federal income tax purposes can have certain adverse federal income tax consequences on items of income, deductions or credits for certain taxpayers, including financial institutions, certain insurance companies, recipients of Social Security and Railroad Retirement benefits, those that are deemed to incur or continue indebtedness to acquire or carry tax-exempt obligations and individuals otherwise eligible for the earned income credit. The applicability and extent of these or other tax consequences will depend upon the particular tax status or other tax items of the owner of the Series L Highway Bonds or of book-entry interests. Co-Bond Counsel will express no opinion regarding such consequences.

From time to time there are federal or state legislative proposals which, if enacted, could alter or amend the federal or state tax matters referred to or adversely affect the market value of the Series L Highway Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to obligations, such as the Series L Highway Bonds (and book-entry interests in those Series L Highway Bonds), issued prior to enactment.

The discussion of tax matters in this Official Statement applies only in the case of purchasers of Series L Highway Bonds at their original issuance. It does not address any other tax consequences, such as, among others, the consequence of the existence of any market discount to subsequent purchasers of the Series L Highway Bonds.

The foregoing is not intended as a detailed or comprehensive description of all possible tax consequences of purchasing or holding the Series L Highway Bonds. Persons considering the purchase of Series L Highway Bonds should consult with their tax advisors as to the consequences of buying or holding Series L Highway Bonds and their particular circumstances.

Original Issue Premium

Certain Series L Highway Bonds (the "Premium Bonds") are being sold to the public at a price greater than the principal amount payable at maturity or earlier call date. As a result, the Premium Bonds will be considered to be issued with amortizable bond premium (the "Bond Premium").

A taxpayer who acquires a book-entry interest in a Premium Bond in the initial public offering will be required to adjust his or her basis in the Premium Bond downward as a result of the amortization of the Bond Premium, pursuant to Section 1016(a)(5) of the Code. The amount of amortizable Bond Premium will be computed on the basis of the taxpayer's yield to maturity with compounding at the end of each accrual period. Rules for determining (i) the amount of amortizable Bond Premium and (ii) the amount amortizable in a particular year are set forth in Section 171(b) of the Code. No income tax deduction for the amount of amortizable Bond Premium will be allowed pursuant to Section 171(a)(2) of the Code. The amortization of Bond Premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining other tax consequences of owning the Premium Bonds.

PROSPECTIVE PURCHASERS OF A BOOK-ENTRY INTEREST IN THE PREMIUM BONDS SHOULD CONSULT THEIR TAX ADVISORS WITH RESPECT TO THE PRECISE

DETERMINATION FOR FEDERAL INCOME TAX PURPOSES OF THE TREATMENT OF BOND PREMIUM UPON SALE OR DISPOSITION OF SUCH PREMIUM BONDS AND WITH RESPECT TO THE STATE AND LOCAL TAX CONSEQUENCES OF OWNING AND DISPOSING OF THE PREMIUM BONDS.

Original Issue Discount

Certain Series L Highway Bonds (the "Discount Bonds") are being sold to the public at a price of less than 100% of their face amount.

Under present federal income tax law, original issue discount (i.e., the difference between the issue price, as hereinafter defined, of a Discount Bond and the stated redemption price at maturity of such Discount Bond) is treated as accruing ("accreted") over the term of such Discount Bond for purposes of determining the adjusted basis, for federal income tax purposes, of the owner of a book-entry interest in a Discount Bond but is not included in such owner's gross income for federal income tax purposes. Consequently, a purchaser of a book-entry interest in a Discount Bond in the initial offering at the offering price at which a substantial amount of the Discount Bonds were sold to the public (the "issue price") who holds such Discount Bond to its maturity would not realize any gain or loss for federal income tax purposes upon payment of the stated redemption price of that Discount Bond at maturity.

In general, the amount of original issue discount which is to be accreted in each "accretion period" will equal (i) the issue price of that Discount Bond, increased by the amount of original issue discount which has been accreted in all prior accretion periods, multiplied by (ii) the initial offering yield of that Discount Bond reflected on the cover page of this Official Statement (determined on the basis of compounding at the close of each accretion period and properly adjusted for the length of the accretion period) minus interest actually paid during such accretion period. For these purposes, "accretion period" means a six-month period (or shorter period from the date the Discount Bond was issued) which ends on a day in the calendar year corresponding to the maturity date of that Discount Bond or the date six months before such maturity date. The amount of original issue discount so accreted in a particular accretion period will be considered to accrete ratably on each day of the accretion period.

PROSPECTIVE PURCHASERS OF A BOOK-ENTRY INTEREST IN THE DISCOUNT BONDS SHOULD CONSULT THEIR TAX ADVISORS AS TO THE TAX CONSEQUENCES OF THE PURCHASE, SALE, TRANSFER, REDEMPTION, PAYMENT, OR OTHER DISPOSITION OF THE DISCOUNT BONDS, INCLUDING, WITHOUT LIMITATION, MODIFICATIONS TO THE METHOD FOR ACCRETING ORIGINAL ISSUE DISCOUNT FOR CERTAIN SUBSEQUENT PURCHASERS, AND INCLUDING THE EFFECT OF ANY APPLICABLE STATE OR LOCAL INCOME TAX LAWS.

LITIGATION

There is no litigation pending contesting the validity of the Series L Highway Bonds or the proceedings for their authorization, issuance, sale, execution and delivery. An opinion of the Attorney General of the State to the effect that to, the best of the knowledge of the Attorney General, no litigation is pending contesting the validity of the Series L Highway Bonds or the proceedings for the authorization, issuance, sale, execution and delivery thereof will be delivered to the Underwriters at the time of original delivery of the Series L Highway Bonds.

The State is a party to various legal proceedings seeking damages or injunctive or other relief and generally incidental to its operations, but unrelated to the Series L Highway Bonds or the security for the Series L Highway Bonds. The ultimate disposition of these proceedings is not now determinable, but in the opinion of the Attorney General will not have a material adverse effect on the Series L Highway Bonds or the security for the Series L Highway Bonds.

LEGAL OPINIONS

Legal matters incident to the issuance of the Series L Highway Bonds and with regard to their tax-exempt status (see **"TAX MATTERS"**) are subject to the legal opinions of Climaco, Lefkowitz, Peca, Wilcox & Garofoli Co., L.P.A. and LumpkinMcCrary, LLP, Co-Bond Counsel. Signed legal opinions dated as of, and premised on the transcript of proceedings examined and the law in effect on, the date of original delivery of the Series L Highway Bonds will be delivered to the Underwriters at the time of that original delivery.

The proposed text of the legal opinions is included as **EXHIBIT A** hereto. Each opinion will speak only as of its date, and subsequent distribution of such opinions by recirculation of this Official Statement or otherwise shall create no implication that Bond Counsel has reviewed or expresses any opinion concerning any of the matters referred to in its opinion subsequent to the date of such opinion.

Bond Counsel has reviewed those portions of this Official Statement under the captions "**THE SERIES L HIGHWAY BONDS**," "**TAX MATTERS**," "**ELIGIBILITY FOR INVESTMENT AND AS PUBLIC FUNDS SECURITY**" and "**CONTINUING DISCLOSURE AGREEMENT**," and will deliver to the Underwriters an opinion as to the fairness and accuracy of those portions.

Certain legal matters will be passed upon for the Underwriters by their counsel, Carlile Patchen & Murphy LLP.

RATINGS

As noted on the cover page of this Official Statement, Standard & Poor's Rating Services, a Division of The McGraw-Hill Corporation, Inc. ("Standard & Poor's"), Fitch Ratings ("Fitch") and Moody's Investors Service, Inc. ("Moody's") have assigned their ratings of AAA, AA+ and Aa1 respectively, to the Series L Highway Bonds. The ratings when assigned and in effect from time to time reflect only the views of the rating organizations. The explanation of its views and the meaning and significance of the rating may be obtained from the rating agency assigning it. The State furnished to each rating agency certain information and materials relating to the Series L Highway Bonds, the State and the Treasurer, some of which may not have been included in this Official Statement. Generally, rating agencies base their ratings on that information and materials, and on their own investigations, studies, and assumptions.

There can be no assurance that a rating when assigned will continue for any given time, or that a rating will not be lowered or withdrawn entirely by a rating agency if in its judgment circumstances so warrant. Any downward change in or withdrawal of a rating may have an adverse effect on the marketability or market price of the Series L Highway Bonds.

On February 16, 2007, Moody's announced that it had changed its "credit outlook" for the State from "stable" to "negative". According to Moody's, a change in "outlook" is not a rating change, but does convey that agency's assessment that there are developing trends or events that could result in a more intensive examination or rating review.

FINANCIAL ADVISOR

The Treasurer has retained George K. Baum & Company (the "Financial Advisor") in connection with the preparation of the State's issuance of the Series L Highway Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement.

UNDERWRITING

Merrill Lynch, Pierce, Fenner & Smith Incorporated, as representative of the Underwriters, has agreed in the Bond Purchase Agreement, subject to certain conditions, to purchase the Series L Highway Bonds from the State at a price of $144,763,999.38 (consisting of the par amount thereof, plus net premium of $5,465,858.60, less underwriting discount of $701,859.22). The Underwriters are obligated to purchase all the Series L Highway Bonds if any are purchased. The Series L Highway Bonds may be offered and sold by the Underwriters to certain dealers at prices lower than the public offering prices, and the public offering prices may be changed from time to time.

TRANSCRIPT AND CLOSING CERTIFICATES

A complete transcript of proceedings and no-litigation certificate (as described above) will be delivered by the Treasurer when Series L Highway Bonds are delivered to the original purchaser. At that time the Treasurer will furnish to the original purchaser a certificate relating to the accuracy and completeness of this Official Statement (including matters set forth in or contemplated by it).

CONTINUING DISCLOSURE AGREEMENT

The Treasurer has agreed, for the benefit of the Holders and Beneficial Owners, in accordance with SEC Rule 15c2-12 (the Rule), to provide or cause to be provided such financial information and operating data (Annual Information), audited financial statements and notices, in such manner, as may be required for purposes of paragraph (b)(5)(i) of the Rule (Continuing Disclosure Agreement), including specifically the following.

It will provide to each SEC-designated nationally recognized municipal securities information repository (NRMSIR) and to the Ohio state information depository (SID):

- Annual Information for each State Fiscal Year (beginning with Fiscal Year 2008) not later than the 120th day following the end of the Fiscal Year (or, if that is not a business day, the next business day), consisting of annual financial information and operating data of the type included under the heading **THE SERIES L BONDS – History of Highway User Receipts** and in **APPENDIX A** of this Official Statement under the captions **FISCAL MATTERS, STATE DEBT** and **TAX LEVELS AND TAX BASES**. The Treasurer expects that Annual Information will be provided directly by the State (specifically, by OBM) and may be provided in part by cross-reference to other documents, such as the State's Comprehensive Annual Financial Report, and subsequent final official statements.

- When and if available, audited general purpose financial statements of the State for each Fiscal Year. The Treasurer expects that those financial statements will be prepared, that they will be available separately from the Annual Information, and that the accounting principles to be applied in their preparation will, except as may otherwise then be stated, be as described under and by reference in **APPENDIX A** under **FISCAL MATTERS - Accounts and Controls**; **Financial Reports**.

It will provide to each NRMSIR (or to the Municipal Securities Rulemaking Board), and to the SID, in a timely manner, notice of:

- The occurrence of any of the following events, within the meaning of the Rule, with respect to the Bonds, if material:
    - principal and interest payment delinquencies
    - non-payment related defaults
    - unscheduled draws on any debt service reserves reflecting financial difficulties
    - unscheduled draws on credit enhancements reflecting financial difficulties
    - substitution of credit or liquidity providers, or their failure to perform
    - adverse tax opinions or events affecting the tax-exempt status of the Bonds
    - modifications to rights of Holders or Beneficial Owners
    - bond calls
    - defeasances
    - release, substitution, or sale of property securing repayment of the Bonds
    - rating changes
    - The failure to provide the Annual Information within the specified time.
    - Any change in the accounting principles applied in the preparation of the annual financial statements or in the Fiscal Year, any failure of the General Assembly to appropriate moneys for the purpose of paying costs to be incurred by the State in

performing the particular Continuing Disclosure Agreement for the applicable fiscal period (biennium), and termination of the Agreement.

There are no debt service reserves, or credit enhancements or credit or liquidity providers, for the Bonds, or any property (except the Bond Service Fund) securing their repayment.

The Treasurer reserves the right to amend the Continuing Disclosure Agreement, and to obtain the waiver of noncompliance with any provision of that Agreement, as may be necessary or appropriate:

- To achieve its compliance with any applicable federal securities law or rule.
- To cure any ambiguity, inconsistency or formal defect or omission.
- To address any change in circumstances arising from a change in legal requirements, change in law, or change in the identity, nature, or status of the Treasurer.

Any such amendment or waiver will not be effective unless the Continuing Disclosure Agreement (as amended or taking into account the waiver) would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any applicable amendments to or official interpretations of the Rule, as well as any change in circumstances, and until the Treasurer shall have received either:

- A written opinion of bond or other qualified independent special counsel selected by the Treasurer that the amendment or waiver would not materially impair the interest of Holders or Beneficial Owners, or
- The written consent to the amendment, or waiver, by the Holders of at least a majority of the aggregate outstanding principal amount of the Bonds.

The Continuing Disclosure Agreement, by provision in the bond proceedings, will be solely for the benefit of the Holders and Beneficial Owners. The right to enforce the provisions of the Continuing Disclosure Agreement may be limited to a right of the Holders or Beneficial Owners to enforce to the extent permitted by law (by mandamus, or other suit, action or proceedings at law or in equity) the obligations and duties under it.

In order to provide certain continuing disclosure with respect to the Series L Highway Bonds in accordance with the Rule, the State has entered into a Disclosure Dissemination Agent Agreement (Disclosure Dissemination Agreement) for the benefit of the Holders of the Series L Highway Bonds with Digital Assurance Certification, L.L.C. (DAC), under which the State has designated DAC as Disclosure Dissemination Agent (Disclosure Dissemination Agent).

The Disclosure Dissemination Agent has only the duties specified in the Disclosure Dissemination Agreement. The Agent's obligation to deliver the information at the times and with the contents described in the Agreement is limited to the extent the State has provided that information to the Agent as required by that Agreement. The Agent has no duty with respect to the content of any disclosures or notice made pursuant to the terms of the Agreement or duty or obligation to review or verify any information in the Annual Report, Audited Financial Statements, notice of Notice Event or Voluntary Report (as defined in the Agreement), or any other information, disclosure or notices provided to it by the State, and the Agent shall not be deemed to be acting in any fiduciary capacity for the State, the Holders of the Series L Highway Bonds or any other party. The Agent has no responsibility for any failure to report to the Agent a Notice Event or a duty to determine the materiality thereof, as to determine or liability for failing to determine whether the State has complied with the Agreement, and the Agent may conclusively rely upon certification of the State at all times.

The performance by the State, as the only obligated person with respect to the Bonds, of the Continuing Disclosure Agreement will be subject to the biennial appropriation by the General Assembly of moneys for that purpose.

The Continuing Disclosure Agreement will remain in effect only for such period that the Bonds are outstanding in accordance with their terms and the State remains an obligated person with respect to those Bonds within the meaning of the Rule.

The Treasurer is in compliance with all its prior continuing disclosure agreements and the Rule.

ELIGIBILITY FOR INVESTMENT AND AS PUBLIC FUNDS SECURITY

Provided that the matter as to a particular investor is governed by Ohio law, and subject to any applicable limitations under other provisions of Ohio law, the Series L Highway Bonds are lawful investments for banks, savings and loan associations, credit union share guaranty corporations, trust companies, trustees, fiduciaries, insurance companies, (including domestic for life and domestic not for life), trustees or other officers having charge of sinking and bond retirement or other special funds of the State and its political subdivisions and taxing districts, the Commissioners of the Sinking Fund, the administrator of workers' compensation subject to the approval of the workers' compensation board, and State retirement systems (Teachers, Public Employees, Public School Employees, and Police and Fire).

The Act also provides that the Series L Highway Bonds are acceptable under Ohio law as security for repayment of the deposit of public moneys.

Holders and Beneficial Owners should make their own determination as to such matters as the legality of investment in, or the ability to pledge, book-entry interests.

AVAILABLE STATE FINANCIAL INFORMATION

State financial reporting practices have been and are in accordance with generally accepted accounting principles (GAAP basis). The State's CAFR is published on an annual basis. Each CAFR includes the State's Basic Financial Statements ("GBFS") for that fiscal year as examined by the Auditor of State. The State has delivered the CAFR for Fiscal Year 2006 to each nationally recognized municipal securities information repository and to the Ohio State Information Depository The most recent CAFRs are accessible via OBM's home page on the Internet at http://www.obm.ohio.gov/finrep/, and copies may be obtained by contacting the State Debt Coordinator at OBM (30 E. Broad Street, 34th Floor, Columbus, Ohio 43215, phone (614)

466-4034). The 1991 through 2004 and 2006 CAFRs received the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting.

CONCLUDING STATEMENT

All quotations in this Official Statement from, and summaries and explanations of, the Ohio Constitution, the Ohio Revised Code, the Bond Order and any other documents or laws, do not purport to be complete. Reference is made to the pertinent provisions of the Constitution, Ohio Revised Code, the Bond Order and any other documents or laws for complete statements of their provisions. Copies of the Bond Order are available upon request from the Office of the Treasurer of State, 9th Floor, 30 East Broad Street, Columbus, Ohio 43266-0421 (telephone (614) 466-3930).

To the extent that any statements in this Official Statement involve matters of opinion or estimates, whether or not expressly stated to be such, those statements are made as such and not as representations of fact or certainty, and no representation is made that any of those statements will be realized. Information in this Official Statement has been derived by the Treasurer from official and other sources and is believed by the Treasurer to be reliable, but information other than that obtained from official records of the State has not been independently confirmed or verified by the Treasurer, and its accuracy is not guaranteed. This Official Statement is not to be construed as a contract or agreement between the State or the Treasurer and the Holders or Beneficial Owners of any of the Series L Highway Bonds.

This Official Statement has been prepared, approved, executed and delivered by the Treasurer in his official capacity for and on behalf of the State.

STATE OF OHIO

Dated: April 24, 2008

By: *_/s/Richard Cordray_*
Treasurer of State

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INFORMATION CONCERNING THE STATE OF OHIO

Appendix A

INFORMATION CONCERNING THE STATE OF OHIO

The following discusses certain matters relating to State finances, debt, population, employment, agriculture, resources, tax bases and related subjects. It has been provided by the State from its official records, except for information expressly attributed to other sources, to summarize and describe 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.

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; for example, the current fiscal biennium began July 1, 2007 and ends June 30, 2009. 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. See **Recent and Current Finances – Current Biennium** for discussion of the 2008-09 biennial appropriations.

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 GRF sources. The last complete fiscal year ended June 30, 2007 with a GRF fund balance of $215,534,000. The State also maintains a "rainy day" fund – the Budget Stabilization Fund (BSF) – which under current law and until used is intended to carry a balance of up to 5% of the GRF revenue for the preceding Fiscal Year. The current BSF balance is $1,012,289,000 which is 3.9% of Fiscal Year 2007 GRF revenue.

The Revised Code provides that if the Governor ascertains that the available revenue receipts and balances for the GRF or other funds for the then current Fiscal Year will in all probability be less than the appropriations for that Fiscal Year, he 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 recently implemented this directive for the current biennium as had been done several times in both the 2002-03 and 2004-05 biennia, and in prior fiscal years

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.

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

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

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 and estate 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 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' non-capital expenditures). The OBM Director's certification is required for all expenditure vouchers before the 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 the OBM when presented for payment by financial institutions and monitors the amounts and the timing of payments to determine the State's cash flow position for investment purposes.

State financial reporting practices have been and are in accordance with generally accepted accounting principles (GAAP basis). Each Comprehensive Annual Financial Report (CAFR) includes the State's Basic Financial Statements (BFS) for that Fiscal Year as examined by the Auditor of State. The State has delivered the CAFR for Fiscal Year 2006 to each nationally-recognized municipal securities information repository and to the Ohio State Information Depository. The most recent CAFRs are accessible via OBM's home page on the Internet at http://www.obm.ohio.gov/finrep/cafr, and copies may be obtained by contacting the State Debt Coordinator at OBM, 30 E. Broad Street, 34th Floor, Columbus, Ohio 43215, phone (614) 466-4034. The 1990 through 2004 and 2006 CAFRs 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.

OBM also has published *The Ohio Budgetary Financial Report* for Fiscal Year 2006. The most recent Budgetary Financial Reports are accessible via OBM's home page on the Internet at http://www.obm.ohio.gov/finrep, and copies are available upon request to OBM.

In accordance with State law, financial statements and analyses (with supporting schedules) of State agencies' transactions, based on official records maintained by OBM, are incorporated into the Governor's Executive Budget. That budget, along with other information, is the subject of extended hearings and reviews in the General Assembly during the biennial appropriation process. See **Recent and Current Finances – Current Biennium** regarding the 2008-09 biennial appropriations.

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Recent Receipts and Disbursements

The following summary statements, prepared by OBM and based on its records, include:

- governmental and proprietary appropriated funds, cash receipts and cash disbursements, and
- 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, enterprise and internal service fund types, all as defined and included in each BFS.

SUMMARY STATEMENT
GOVERNMENTAL AND PROPRIETARY APPROPRIATED FUNDS
($ in 000,000)

Cash Receipts

SOURCE OF RECEIPTS	Fiscal Year 2003	2004	2005	2006	2007
Taxes:					
Personal Income(a)	$8,256.5	$8,531.2	$9,434.5	$9,623.2	$9,722.9
Sales and Use(b)	6,715.6	7,849.5	8,146.4	7,689.0	7,747.4
Corporate Franchise(c)	808.3	870.6	1,111.6	1,105.9	1,125.7
Commercial Activity Tax(d)	0.0	0.0	0.0	273.4	594.9
Gasoline	1,456.2	1,541.2	1,671.9	1,792.5	1,719.8
Public Utilities(e)	878.6	877.7	753.9	813.5	800.3
Cigarette(f)	599.9	557.5	577.7	1,084.1	986.3
Foreign Insurance	233.8	252.9	264.0	269.0	278.0
Highway Use	71.4	72.3	70.5	54.9	47.6
Estate	100.8	64.2	60.4	54.1	72.1
Alcoholic Beverages	57.3	57.2	57.6	58.4	57.2
Liquor Gallonage	29.7	30.9	32.2	33.4	34.3
Domestic Insurance Franchise	160.3	166.1	171.4	170.4	169.6
Other	67.1	69.7	64.9	61.6	60.8
Total Taxes	19,435.5	20,941.0	22,417.0	23,083.4	23,416.9
Licenses, Permits and Fees	1,757.5	1,976.7	2,075.4	2,252.7	2,403.8
Sales, Services and Charges	1,466.5	1,655.5	1,660.5	2,025.7	1,697.5
Federal Government	12,975.6	14,202.6	14,815.0	15,405.8	15,432.7
Other(g)	3,230.6	3,015.4	3,395.1	3,879.8	4,080.3
Proceeds from Sale of Bonds and Notes	1,481.5	1,640.1	1,314.8	1,461.0	1,496.7
Total Cash Receipts	$40,347.2	$43,431.3	$45,677.8	$48,108.4	$48,527.9

(a) Beginning in calendar year 2005, the personal income tax rate is being reduced by 21% (4.2% per year over five years).
(b) Reflects a sales and use tax rate of 5.0% in Fiscal Year 2003, 6.0% in Fiscal Years 2004 and 2005, and 5.5% in Fiscal Years 2006 and 2007.
(c) Beginning in calendar year 2006, the State corporate franchise tax rate is being phased out at a rate of 20% per year over five years.
(d) See **TAX LEVELS AND TAX BASES** for a discussion of the commercial activity tax on gross receipts from doing business in Ohio – commenced in Fiscal Year 2006 at the initial rate of 0.06% to be increased by equal amounts of 0.05% each year until reaching a rate of 0.26% in Fiscal Year 2010. The rate is 0.16% for Fiscal Year 2008.
(e) Includes the kilowatt-hour excise tax imposed beginning in Fiscal Year 2001. Beginning in Fiscal Year 2005, local telephone service companies were moved out of the public utility tax and under the corporate franchise and sales and use taxes.
(f) Reflects a per-pack tax of $0.55 in Fiscal Years 2003 though 2005, and $1.25 in Fiscal Years 2006 and 2007.
(g) Includes investment income and tobacco settlement receipts and, in Fiscal Year 2003, transfers from the BSF to the GRF.

Cash Disbursements

FUND TYPE	2003	2004	2005	2006	2007
General Fund:					
General Revenue Fund	$22,653.3	$23,838.9	$24,830.9	$24,866.3	$25,147.5
General Services Fund(h)	1,186.1	1,295.2	1,404.7	1,720.2	1,288.8
Budget Stabilization Fund	131.8	0.0	0.0	0.0	0.0
Special Revenue Fund(i)	15,088.0	15,180.5	16,438.9	17,755.4	19,114.2
Capital Projects Fund(j)	491.4	443.5	428.8	361.2	346.4
Debt Service Fund(k)	486.0	557.5	661.4	704.2	819.5
Enterprise Fund	1,148.6	1,270.1	1,209.8	1,708.0	1,257.8
Total Cash Disbursements	$41,185.2	$42,585.7	$44,974.5	$47,115.3	$47,974.2

(h) Includes the Internal Service Fund.
(i) Includes local government support disbursements.
(j) Includes amounts disbursed from proceeds of general obligation bonds and of certain other State obligations.
(k) Includes the several bond retirement funds for bonds secured by a pledge of taxes and excises.

SUMMARY STATEMENT
GENERAL REVENUE FUND CASH BASIS ACTIVITY
($ in 000,000)

	Fiscal Year				
	2003	**2004**	**2005**	**2006**	**2007**
Beginning Cash Balance	$619.2	$396.5	$533.1	$1,209.2	$1,528.8
Cash Receipts:					
Taxes:					
Personal Income(a)	7,420.7	7,696.9	8,598.9	8,786.4	8,885.3
Sales and Use(b)	6,397.9	7,530.6	7,827.1	7,368.2	7,424.5
Corporate Franchise(c)	747.2	809.2	1,051.6	1,054.9	1,076.5
Commercial Activity Tax(d)	0.0	0.0	0.0	185.1	0.0
Public Utilities(e)	558.5	565.4	443.9	501.5	487.2
Cigarette	599.9	557.5	577.7	1,084.1	986.3
Foreign Insurance	216.4	230.5	242.9	248.8	256.2
Other	377.3	347.4	345.9	334.4	353.0
Total Taxes	16,317.8	17,737.5	19,088.0	19,563.4	19,469.0
Federal Government(f)	5,061.4	5,527.4	5,646.6	5,595.5	5,352.5
Licenses, Permits and Fees	33.7	50.2	70.6	73.9	77.7
Investment Income	14.3	18.0	35.0	107.3	176.2
Other(g)	504.8	176.9	158.5	190.7	143.5
Total Cash Receipts	21,932.0	23,510.0	24,998.7	25,530.8	25,218.9
Cash Disbursements:					
Primary, Secondary and Other Education(h)	6,236.1	6,446.9	6,619.4	6,696.7	6,816.9
Higher Education(i)	2,088.1	2,085.1	2,117.8	2,144.0	2,205.7
Public Assistance and Medicaid	8,848.9	9,733.2	10,269.9	10,166.4	10,174.0
Health and Human Services	1,065.4	1,096.2	1,137.1	1,186.9	1,214.9
Justice and Public Protection	1,673.9	1,714.1	1,753.1	1,806.9	1,876.8
Environmental Protection and Natural Resources	100.1	98.6	99.2	83.2	83.4
Transportation	31.7	26.6	30.6	25.7	22.0
General Government	247.5	240.6	241.1	246.9	247.1
Community and Economic Development	137.4	107.5	120.8	112.4	104.3
Tax Relief(j) and Other	1,315.6	1,341.9	1,408.8	1,334.0	1,230.0
Capital Outlay	0.0	0.0	0.0	0.2	0.1
Debt Service(k)	908.6	948.2	1,033.1	1,063.0	1,172.3
Total Cash Disbursements	22,653.3	23,838.9	24,830.9	24,866.3	25,147.5
Cash Transfers:					
Transfers-in(l)	517.5	520.9	551.8	315.2	559.5
Transfers-out(m)	(18.9)	(55.4)	(43.5)	(660.1)	(726.8)
Total Cash Transfers (net)	498.6	465.5	508.3	(344.9)	(167.3)
Ending Cash Balance	$396.5	$533.1	$1,209.2	$1,528.8	$1,432.9

(a) Beginning in calendar year 2005, the personal income tax rate is being reduced by 21% (4.2% per year over five years).

(b) Reflects a sales and use tax rate of 5.0% in Fiscal Year 2003, 6.0% in Fiscal Years 2004 and 2005, and 5.5% in Fiscal Years 2006 and 2007.

(c) Beginning in calendar year 2006, the State corporate franchise tax rate is being phased out at a rate of 20% per year over five years.

(d) See **TAX LEVELS AND TAX BASES** for a discussion of the commercial activity tax on gross receipts from doing business in Ohio – commenced in Fiscal Year 2006.at the initial rate of 0.06% to be increased by equal amounts of 0.05% each year until reaching a rate of 0.26% in Fiscal Year 2010. The rate is 0.16% for Fiscal year 2008.

(e) Includes the kilowatt-hour excise tax imposed beginning in Fiscal Year 2001. Beginning in Fiscal Year 2005, local telephone service companies were moved out of the public utility tax and under the corporate franchise and sales and use taxes.

(f) Includes $193.0 million in federal block grant fiscal relief monies in each of the Fiscal Years 2003 and 2004.

(g) Includes fines and penalties, rental receipts, refunds and certain intrastate transfers, and in Fiscal Year 2003 $131.8 million from the BSF and $165.0 million from tobacco settlement receipts.

(h) Mainly subsidies to local school districts.

(i) Mainly subsidies to colleges and universities. Higher education institutions maintain their own discrete funds and accounts.

(j) State reimbursements to taxing subdivisions for the 10% property tax rollback granted to owners of real property (12.5% to homeowners), for partial real property tax exemptions for the elderly and handicapped, and for a portion of revenue reductions resulting from exempted (or reduced tax value) tangible personal property. This program's cost to the State is determined by total property taxes levied on the local level.

(k) Debt service on general obligations, lease-rental obligations, and certain other State obligations paid from the GRF.

(l) In all fiscal years, includes transfers from the School District Property Tax Replacement Fund and from liquor profits; in Fiscal Year 2003 $115.4 million from the BSF and $115.5 million from tobacco settlement receipts; in Fiscal Year 2004 $234.7 million from tobacco settlement receipts and $18.6 million from federal fiscal relief monies; in Fiscal Year 2005 $316.8 million from federal fiscal relief monies; in Fiscal Year 2006 $5.0 million from tobacco settlement receipts; and in Fiscal Year 2007 $3.5 million from tobacco settlement receipts.

(m) Fiscal Year 2006 transfers include $60 million to the Public Assistance Reconciliation Fund (i.e., TANF), $50 million to the Public School Building Fund, $40 million to the Disaster Services Fund; and to the BSF $435.9 million in Fiscal Year 2006 and $394.0 million in Fiscal Year 2007.

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 is reduced during less favorable national economic periods and then increases during more favorable economic periods. The GRF ending fund balance for Fiscal Year 2007 was $215,534,000. Recent biennium-ending GRF balances were:

Biennium	Cash Balance	Fund Balance(a)	Fund Balance less Designated Transfers(b)
1996-97	$1,367,750,000	$834,933,000	$149,033,000
1998-99	1,512,528,000	976,778,000	221,519,000
2000-01	817,069,000	219,414,000	206,310,000
2002-03	396,539,000	52,338,000	52,338,000
2004-05	1,209,200,000	682,632,000	127,800,000
2006-07	1,432,925,000	215,534,000	215,534,000

(a) Reflects the ending cash balance less amounts encumbered to cover financial commitments made prior to the end of the fiscal year.
(b) Reflects the ending fund balance less any amounts designated for transfer to other funds, including the BSF.

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

The appropriations acts for the 2008-09 biennium include all necessary appropriations for debt service on State obligations and for lease payments relating to lease rental obligations issued by the Ohio Building Authority and the Treasurer of State, and previously by the Ohio Public Facilities Commission.

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

Recent Biennia

1996-97

From a higher than forecasted mid-biennium GRF fund balance, $100,000,000 was transferred for elementary and secondary school computer network purposes and $30,000,000 to a new State transportation infrastructure fund. Approximately $400,800,000 served as a basis for temporary 1996 personal income tax reductions aggregating that amount. Of the GRF biennium-ending fund balance, $250,000,000 was directed to school buildings, $94,400,000 to the school computer network, $44,200,000 to school textbooks and instructional materials and a distance learning program, $34,400,000 to the BSF, and $262,900,000 to the State Income Tax Reduction Fund (ITRF).

1998-99

GRF appropriations of approximately $36 billion provided for significant increases in funding for primary and secondary education. Of the first Fiscal Year (ended on June 30, 1998) ending fund balance of over $1.08 billion, approximately $701,400,000 was transferred to the ITRF, $200,000,000 into public school assistance programs, and $44,184,200 into the BSF. Of the GRF biennium-ending fund balance, $325,700,000 was transferred to school building assistance, $293,185,000 to the ITRF, $85,400,000 to SchoolNet (a program to supply computers for classrooms), $4,600,000 to interactive video distance learning, and $46,374,000 to the BSF.

2000-01

The State's financial situation varied substantially in the 2000-01 biennium. The first Fiscal Year of the biennium ended with a GRF cash balance of $1,506,211,000 and a fund balance of $855,845,000. A transfer of $49,200,000 from that balance increased the BSF to $1,002,491,000 (or 5% of GRF revenue for the preceding Fiscal Year). An additional $610,400,000 was transferred to the ITRF.

In the middle of the second year of the biennium, the State enacted supplemental appropriations of $645,300,000 to address shortfalls in its Medicaid and disability assistance programs. The State's share of this additional funding was $247,600,000, with $125,000,000 coming from Fiscal Year 2001 GRF spending reductions and the remainder from available GRF moneys. The reductions were implemented by OBM prior to March 1, 2001 applying a 1 to 2% cut to most State departments and agencies. Expressly excluded from the reductions were debt service and lease rental payments relating to State obligations, and elementary and secondary education.

In March 2001, new lowered revenue estimates for Fiscal Year 2001 and for Fiscal Years 2002 and 2003 were announced. Based on indications that the Ohio economy continued to be affected by the national economic downturn, GRF revenue estimates for Fiscal Year 2001 were reduced by $288,000,000. In addition, OBM projected higher than previously anticipated Medicaid expenditures. Among the more significant steps taken to ensure the positive GRF ending fund balance at June 30, 2001 were further spending reductions (with the same exceptions noted above for debt service and education) and authorization to transfer from the BSF to the GRF amounts necessary to ensure an ending GRF fund balance of $188,200,000. The State ended Fiscal Year 2001 with a GRF fund balance of $219,414,000, making that transfer unnecessary.

2002-03

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

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

The biennial GRF appropriations act passed in June 2001 provided for biennial GRF expenditures of approximately $45.1 billion without increases in any major State taxes. That Act and the separate appropriations acts for the biennium included all necessary debt service and lease rental payments related to State obligations. That original appropriations act also provided for transfers to the GRF of $160,000,000 from the BSF and $100,000,000 from the Family Services Stabilization Fund aimed at achieving Fiscal Year and biennium ending positive GRF fund balances, based on then current estimates and projections.

The Ohio economy continued to be negatively affected by the national economic downturn and by national and international events, and in October 2001 OBM lowered its GRF revenue estimates and projected GRF revenue shortfalls of $709,000,000 for Fiscal Year 2002 and $763,000,000 for Fiscal Year 2003. Executive and legislative actions taken to address those shortfalls included:

- Spending reductions and limits on hiring and major purchases. Governor ordered spending reductions were at the annual rate of 6% for most State agencies, with lesser reductions for correctional and other institutional agencies, and with exemptions for debt service related payments, primary and secondary education and the adjutant general.
- December 2001 legislation, the more significant aspects of which included authorizing the additional transfer of up to $248,000,000 from the BSF to the GRF during the current biennium thereby reducing the estimated BSF balance to $607,000,000; reallocating to the GRF a $260,000,000 portion of tobacco

settlement receipts in Fiscal Years 2002 and 2003; and authorizing Ohio's participation in a multi-state lottery game estimated to generate approximately $40,000,000 annually beginning in Fiscal Year 2003.

Continuing weak economic conditions and lower than anticipated personal income and corporate franchise tax receipts then led OBM in the spring of 2002 to project higher estimated GRF revenue shortfalls of approximately $763,000,000 in Fiscal Year 2002 and $1.15 billion in Fiscal Year 2003. Further executive and legislative actions were taken to ensure positive GRF fund balances for Fiscal Year 2002 and the biennium. In addition to further appropriation reductions for certain departments and other management steps, those actions included legislation providing for :additional transfers to the GRF of the then remaining BSF balance ($607,000,000) as needed in Fiscal Years 2002 and 2003, and of $50,800,000 of unclaimed funds; a $50,000,000 reduction in the Fiscal Year 2002 ending GRF balance to $100,000,000; increased cigarette tax by 31¢ per pack (to a total of 55¢ per pack) estimated by OBM to produce approximately $283,000,000 in Fiscal Year 2003; additional transfers to the GRF of $345,000,000 from tobacco settlement moneys received in Fiscal Years 2002 and 2003 previously earmarked for construction of elementary and secondary school facilities and replacing the moneys for that purpose with authorized general obligation bonds; and extension of the State income tax to Ohio-based trusts and "decoupling" certain Ohio business taxes from federal tax law economic stimulus changes affecting business equipment depreciation schedules to produce approximately $283,000,000 in Fiscal Year 2003.

Fiscal Year 2002 ended with positive GRF balances of $108,306,000 (fund) and $619,217,000 (cash) based on the remedial steps described above, including transfers of $289,600,000 from tobacco settlement moneys and $534,300,000 from the BSF (leaving a Fiscal Year 2002 ending BSF balance $427,904,000, with that entire balance appropriated for GRF use if needed in Fiscal Year 2003).

On July 1, 2002, the Governor issued an executive order directing a total of approximately $375,000,000 in GRF spending cutbacks for Fiscal Year 2003 reflecting prior budget balancing discussions with the General Assembly. Excluded from those department and agency cutbacks ranging up to 15% were elementary and secondary education, higher education, alcohol and drug addiction services, and the adjutant general. Also expressly excluded were debt service and lease rental payments relating to State obligations, and ad valorem property tax relief payments (made to local taxing entities).

Based on continuing reduced revenue collections (particularly, personal income taxes and sales tax receipts for the holidays) and projected additional Medicaid spending, OBM in late January 2003 announced an additional Fiscal Year 2003 GRF shortfall of $720,000,000. The Governor ordered immediate additional reductions in spending intended to generate an estimated $121,600,000 of GRF savings through the end of the Fiscal Year (expressly excepted were appropriations for or relating to debt service on State obligations).

The Governor also proposed and the General Assembly enacted by March 1, 2003, the following additional revenue enhancements, transfers and expenditure reductions for Fiscal Year 2003 to achieve a positive GRF fund balance at June 30, 2003 as then estimated by OBM: An additional 2.5% reduction in local government fund distributions to most subdivisions and local libraries, producing an estimated $30,000,000 savings; transfers of $56,400,000 to the GRF from unclaimed funds and various rotary funds and a one-month acceleration in sales tax collections by vendors filing electronically, to produce $286,000,000.

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

Based on the Administration's continuing monitoring of revenues, and as an anticipated step in the then ongoing 2004-05 biennial budget and appropriations process, OBM reported revised revenue estimates to the General Assembly on June 11, 2003. Those estimates revised Fiscal Year 2003 revenues downward by an additional $200,000,000 from OBM's January 2003 adjusted baseline, based primarily on updated income and sales tax receipts through May 31. The Governor and OBM addressed this additional Fiscal Year 2003 revenue shortfall through additional expenditure controls and by drawing upon $193,030,000 of federal block grant aid made available to the State prior to June 30 under a federal law effective on May 28, 2003.

The State ended the 2002-03 biennium with a GRF fund and cash balances of $52,338,000 and $396,539,000, respectively, and a balance in the BSF of $180,705,000.

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

2004-05

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

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

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

- A one-cent increase in the State sales tax (to six percent) for the biennium (expiring June 30, 2005), projected to generate approximately $1.25 billion in each Fiscal Year.
- Expansion of the sales tax base to include dry-cleaning/laundry services, towing, personal care and other services, and satellite television, projected in the aggregate to produce approximately $69,000,000 annually. (The inclusion of satellite television in the sales tax base, projected to produce approximately $36,000,000 annually, is subject to an ongoing legal challenge.)
- Moving local telephone companies from the public utility tax base to the corporate franchise and sales tax, projected to produce approximately $29,000,000 annually.
- Elimination of the sales tax exemption for WATS and 800 telecom services coupled with the enactment of a more limited exemption for call centers, projected to produce approximately $64,000,000 annually.
- Adjustments in the corporate franchise tax through the adoption of the Uniform Division of Income for Tax Purposes Act (UDITPA) for apportionment of business income among states, and an increase in the corporate alternative minimum tax, projected in the aggregate to produce approximately $35,000,000 annually.

The Act also authorized and OBM on June 30, 2004 transferred $234,700,000 of proceeds received from the national tobacco settlement into the GRF. In addition, the Act authorized the draw down during the biennium of federal block grant and Medicaid assistance aid made available to the State under a federal law effective May 28, 2003. OBM drew down $211,600,000 and $316,800,000 of those federal monies in Fiscal Years 2004 and 2005, respectively.

Based on regular monitoring of revenues and expenditures, OBM in March 2004 announced revised GRF revenue projections for Fiscal Years 2004 and 2005 based primarily on reduced revenue collections from personal income taxes. In response to OBM reducing its GRF revenue projection by $247,100,000 (1.02%) for Fiscal Year 2004 and by $372,700,000 (1.48%) for Fiscal Year 2005, the Governor ordered Fiscal Year 2004 expenditure reductions of approximately $100,000,000. On July 1, the Governor ordered additional Fiscal Year 2005 expenditure cuts of approximately $118,000,000 and a reduction of $50,000,000 in State spending on Medicaid reflecting an increased Federal share of certain Medicaid services. Expressly excluded from those reductions were debt service and lease rental payments relating to State obligations, State basic aid to elementary and secondary education, instructional subsidies and scholarships for public higher education, in-home care for seniors and certain job creation programs. The balance of those revenue reductions were offset by GRF expenditure lapses and, for Fiscal Year 2005, elimination of an anticipated $100,000,000 year-end transfer to the BSF while maintaining a one-half percent year-end GRF fund balance.

The State ended Fiscal Year 2004 with a GRF fund balance of $157,509,000. Improving economic conditions had a positive effect on revenue in Fiscal Year 2005. With GRF revenue receipts modestly outperforming estimates for much of the Fiscal Year, OBM in June 2005 increased its GRF revenue estimates by $470,700,000. Final Fiscal Year 2005 GRF revenue came in $67,400,000 above that revised estimate. With Fiscal Year 2005 spending close to original estimates, the State made the following Fiscal Year-end allocations and transfers: $60,000,000 to address a prior-year liability in the Temporary Assistance to Needy Families program; $40,000,000 to a disaster services contingency fund; $50,000,000 to the State's share of the school facilities construction program; and $394,200,000 to the BSF. After these and certain smaller transfers, the State ended Fiscal Year 2005 and the biennium with a GRF fund balance of $127,800,000 and a BSF balance of $574,205,000.

2006-07

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

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

- A 21% reduction in State personal income tax rates phased in at 4.2% per year over the 2005 through 2009 tax years.
- Phased elimination of the State corporate franchise tax at a rate of approximately 20% per year over the 2006 through 2010 tax years (except for its continuing application to financial institutions and certain affiliates of insurance companies and financial institutions).
- Implementation of a new commercial activity tax (CAT) on gross receipts from doing business in Ohio that phased in over the 2006 through 2010 fiscal years. When fully phased in, the CAT will be levied at a rate of 0.26% on gross receipts in excess of $1,000,000. (The permissibility of the inclusion in the tax base of wholesale and retail food sales for off-premise consumption, projected to produce approximately $188,000,000 annually once the CAT is fully-phased in, is subject to an ongoing legal challenge.)
- A 5.5% State sales and use tax (decreased from the 6.0% rate for the 2004-05 biennium).
- An increase in the cigarette tax from $0.55 per pack (of 20 cigarettes) to $1.25 per pack.

The then Governor signed into law on June 5, 2006 legislation enacted by the General Assembly imposing a limitation on most GRF appropriations commencing with the 2008-09 biennium. This statutory limitation initially uses Fiscal Year 2007 GRF appropriations as a baseline and then applies an annual growth factor of 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. GRF appropriations for State debt service payments are expressly excepted from this statutory limitation. This legislation was enacted as an alternative to a proposed "tax and expenditure limitation" (TEL) amendment to the Ohio Constitution that was withdrawn from the November 2006 general election ballot.

The State ended Fiscal Year 2006 with a GRF cash balance of $1,528,812,000 and a GRF fund balance of $1,025,967,000. Of that ending GRF fund balance, the State carried forward $631,933,000 to cover the expected and planned for variance of Fiscal Year 2007 GRF appropriations over estimated revenue, to offset the one-time cost of accelerating the phase-in of reductions in State personal income tax withholding rates, and to maintain 0.5% of Fiscal Year 2007 GRF revenue as an ending fund balance. The remaining $394,034,000 was deposited into the BSF increasing its balance to $1,012,289,000 (which includes $40,045,000 in receipts collected from a broad tax amnesty initiative and deposited in June 2006). The State ended Fiscal 2007 with a GRF cash balance of $1,432,925,000 and a GRF fund balance of $215,534,000.

Current Biennium

Consistent with State law, the Governor's Executive Budget for the 2008-09 biennium was released in March 2007 and introduced in the General Assembly. After extended hearings and review, the GRF appropriations Act for the biennium was passed by the General Assembly and signed (with selective vetoes) by the Governor on June 30, 2007. Reflecting the continued implementation of the restructuring of State taxes commenced in 2006-07, that Act was based upon then estimated total GRF biennial revenues of approximately $53.5 billion (a 3.9% increase over the 2006-07 biennial revenue) and total GRF biennial appropriations of approximately $52.4 billion (a 2.1% increase over the 2006-07 biennial expenditures). Spending increases for major program categories over the 2006-07 actual expenditures were: 2.2% for Medicaid (the Act also included a number of Medicaid reform and cost containment initiatives); 13.2% for higher education; 5.25% for elementary and secondary education; 4.92% for corrections and youth services; and 4.7% for mental health and mental retardation. The Executive Budget and the GRF appropriations Act complied with the law discussed above under **2006-07** limiting appropriations for the 2008-09 biennium. The Executive Budget, the GRF appropriations Act and the separate appropriations acts for the biennium included all necessary debt service and lease rental payments related to State obligations.

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

- Restructuring nonresident tax exemption for Ohio motor vehicle purchases projected to produce approximately $54.0 million for the biennium.
- Restoring local government fund support by committing a set percent of all tax revenues deposited into the GRF. Local governments will receive 3.7% of total GRF tax revenues annually and local libraries will receive 2.22% of total GRF tax revenues annually.
- Eliminating the $300 per month cigarette and tobacco product importation exemption projected to produce approximately $25.0 million annually.

The GRF appropriations Act also created the Buckeye Tobacco Settlement Financing Authority to securitize tobacco settlement receipts payable to the State under the November 1998 national tobacco settlement. On October 29, 2007, the Authority issued its $5.53 billion Tobacco Settlement Asset-Backed Bonds 2007 to fund capital expenditures for higher education ($938.0 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 is funding the expansion of the homestead exemption property tax relief program in the Act. The Act reprograms 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. Except for Fiscal Years 2002 through 2004, none of the receipts were applied to existing operating programs of the State. (See **Recent and Current Finances** for a discussion of a portion of those receipts used to offset a portion of GRF revenue shortfalls in Fiscal Years 2002 through 2004). Under those previously enacted allocations, the largest amount was to be applied to elementary and secondary school capital expenditures, with other amounts allocated for smoking cessation and other health-related purposes, biomedical research and technology transfer, and assistance to the tobacco growing areas in the State.

With the Ohio economy expected to be negatively affected by the national economic downturn, OBM has been closely monitoring the State's major revenue sources (particularly the sales, personal and corporate income taxes) and in January 2008 reduced its original GRF revenue projections by $172,600,000 for Fiscal Year 2008 and $385,100,000 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 current biennium of $733,000,000. In response, the Governor on January 31, 2008 issued an executive order directing expenditure reductions and spending controls totaling approximately $509,100,000 for the biennium as well as limitations on major purchases, hiring and travel. Allocation of those reductions has been determined by the OBM Director in consultation with the affected agencies and departments, with annual expenditure reductions ranging up to 10%. An employee reduction plan was also announced aimed at reducing the State's workforce by up to 2,700 through attrition, unfilled vacancies and an early retirement incentive program. Expressly excluded from the cutbacks are appropriations for or relating to debt service on State obligations, State higher education instructional support, foundation formula support for primary and secondary education, Medicaid entitlement programs, and ad valorem property tax relief payments.

Other measures identified for General Assembly consideration include:

- Various transfers totaling $183,000,000, including unspent agency appropriations totaling $53,000,000 in Fiscal Year 2008 and $50,000,000 in Fiscal Year 2009, transfers from rotary funds totaling $55,000,000, and the transfer of $25,000,000 in uncommitted interest earnings from proceeds of the State's Tobacco Settlement Asset-Backed Bonds.
- Cancelling cost of living adjustments for certain exempt State employees estimated to save $17,400,000 in Fiscal Year 2009.
- Authorizing expansion of the State-run lottery system to include "keno" games currently projected to generate $73,000,000 annually once fully implemented.

Based on the expenditure reductions, spending controls and other measures identified above, OBM is currently projecting a positive GRF fund balance at June 30, 2008 and at the end of the current biennium. As discussed above in this Official Statement, the State is effectively precluded by its Constitution from ending a Fiscal Year or a biennium in a "deficit" position. The Governor and OBM will continue to closely monitor revenues and expenditures and work with the General Assembly to ensure these positive GRF ending fund balances.

OBM prepares a financial report summarizing its analyses at the end of each month. The most recent Monthly Financial Reports are accessible via OBM's home page on the Internet at http://www.obm.ohio.gov/finrep, and copies are available upon request to OBM.

Cash Flow

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

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

The State has planned for and has encountered some monthly GRF cash flow deficiencies in all recent Fiscal Years. For example, GRF cash flow deficiencies have ranged from occurring in 11 months in Fiscal Years 2003 and 2004 to four months in Fiscal Years 1995, 1997 and 2000. In recent fiscal years, the highest GRF end-of-month cash flow deficiencies were $1,660,117,000 in Fiscal Year 2005, $1,677,488,600 in Fiscal Year 2006, and $601,237,400 in Fiscal Year 2007. GRF cash flow deficiencies have been and are expected by OBM to remain within the TOF limitations discussed above.

STATE DEBT

General

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

By 18 constitutional amendments approved from 1921 to present, Ohio voters have authorized the incurrence of State general obligation (GO) debt and the pledge of taxes or excises to its payment, all related to the financing of capital facilities, except for three that funded bonuses for veterans, one that funded coal technology research and development, and one for research and development activities. Currently, tax supported general obligation debt of the State is authorized to be incurred for the following purposes: highways, local infrastructure, coal development, natural resources, higher education, common schools, conservation, research and development, and site development. 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 specified purposes by Section 2i of Article VIII of the Constitution. Debt service payments are subject to biennial appropriations by the General Assembly pursuant to leases or agreements entered into by the State.

The Ohio Building Authority (OBA) issues special obligations 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 and others (DAS), the Department of Transportation (ODOT) and the Department of Public Safety (DPS); juvenile detention facilities for the Department of Youth Services (DYS); Department of Rehabilitation and Correction (DRC) prisons and correctional facilities including certain local and community-based facilities; office buildings for the Bureau of Workers' Compensation (BWC) and Department of Natural Resources (DNR); and school district technology and security facilities. The Treasurer also issues obligations for mental health, parks and recreation, and cultural facilities purposes and to refund certain bonds previously issued for higher education purposes, and has previously issued obligations for elementary and secondary school facilities. Debt service on obligations issued under Section 2i of Article VIII is paid from GRF appropriations, with the exception of debt issued for ODOT and DPS facilities (paid from highway user receipts) and for BWC facilities (paid from the BWC Administrative Cost Fund).

Federal Highway Grant Anticipation Revenue (GARVEE) Bonds. In addition to its issuance of highway bonds, the State has financed selected highway infrastructure projects by issuing bonds and entering into agreements that call for debt service payments to be made from federal transportation funds allocated to the State, subject to biennial appropriations by the General Assembly. The highest annual State payment under those agreements in the current or any future fiscal year is $114,535,618 in Fiscal Year 2009. In the event of any insufficiency in the anticipated federal allocations to make payments on State bonds, the payments are to be made from any lawfully available moneys appropriated to ODOT for the purpose.

Economic Development and Revitalization. A statewide economic development program assists the financing of facilities and equipment for industry, commerce, research and distribution, including technology innovation, by providing loans and loan guarantees. The law authorizes the issuance of State bonds and notes secured by a pledge of portions of the State profits from liquor sales. The General Assembly has authorized the issuance of these obligations with a general maximum of $500,000,000 to be outstanding at any one time. The aggregate amount from the liquor profits to be used in any Fiscal Year in connection with these bonds may not exceed $45,000,000. The total of unpaid guaranteed loan amounts and unpaid principal of direct loans may not exceed $800,000,000. Pursuant to a 2000 constitutional amendment discussed below under **Additional Authorizations**, the State has issued $150,000,000 of bonds for revitalization purposes that are also payable from State liquor profits. The maximum annual debt service on all state bonds payable from State liquor profits is $45,323,257 in Fiscal Year 2009.

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 payments. The maximum annual payment under those agreements from GRF appropriations is $20,400,206 in Fiscal Year 2017 and the total GRF-supported principal amount outstanding is $172,615,000. Payments by the State are subject to biennial appropriations by the General Assembly with the lease terms subject to renewal if appropriations are made. The OBM Director's approval of such agreements is required if COPs are to be publicly-offered in connection with those agreements.

Revenue Bonds. Certain State agencies issue revenue bonds that are payable from revenues from or relating to revenue producing facilities, such as those issued by the Ohio Turnpike Commission. By judicial interpretation, such revenue bonds do not constitute "debt" under the constitutional provisions described above. The Constitution authorizes State bonds for certain housing purposes (issued by the Ohio Housing Finance Agency) to which tax moneys may not be obligated or pledged. See the discussion of expanded housing finance authority, and permitted pledges to it, below under **Additional Authorizations**.

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Variable Rate Debt and Interest Rate Swaps

The State currently has $716,340,000 in outstanding general obligation variable rate debt as follows with liquidity provided by the State for all of these issues:

Dated Date	Outstanding	Purpose	Series	Rate Period	Final Maturity
11/29/01	$63,900,000	Infrastructure	2001B	Weekly	8/1/2021
2/26/03	104,315,000	Infrastructure	2003B	Weekly	8/1/2017
3/20/03	58,085,000	Infrastructure	2003D	Weekly	2/1/2019
12/15/03	67,000,000	Common Schools	2003D	Weekly	3/15/2024
3/3/04	55,990,000	Infrastructure	2004A	Weekly	2/1/2023
4/1/05	174,850,000	Common Schools	2005A/B	Weekly	3/15/2025
6/7/06	192,200,000	Common Schools	2006B/C	Weekly	6/15/2026

As part of its debt management, the State has also entered into the following interest rate swap agreements:

Type	Outstanding Notional Amount	Related Bond Series	State Pays	State Receives	Effective Date	Termination Date
Floating-to-Fixed	$63,900,000	Infrastructure 2001B	4.630%	SIFMA[1]	11/29/2001	8/1/2021
Floating-to-Fixed	104,315,000	Infrastructure 2003B	2.960%	Matched Rate[2]	2/26/2003	8/1/2008
Floating-to-Fixed	58,085,000	Infrastructure 2003D	3.035%	Matched Rate[2]	3/20/2003	2/1/2010
Fixed-to-Floating	10,490,000	Infrastructure 2003F	SIFMA[1]	2.540%	12/14/2003	2/1/2010
Floating-to-Fixed	67,000,000	Common Schools 2003D	3.414%	LIBOR[3]	9/14/2007	3/15/2024
Floating-to-Fixed	55,990,000	Infrastructure 2004A	3.510%	LIBOR[3]	3/3/2004	2/1/2023
Floating-to-Fixed	174,850,000	Common Schools 2005A/B	3.750%	LIBOR[3,4]	3/15/2007	3/15/2025
Floating-to-Fixed	192,200,000	Common Schools 2006B/C	3.202%	LIBOR[3]	6/15/2006	6/15/2026

[1] Securities Industry and Financial Markets Association (SIFMA) weekly variable rate index.
[2] The State receives the exact rate paid on its associated variable rate bonds.
[3] Variable interest rate based on a percentage of London Inter-Bank Offered Rate (LIBOR) plus a fixed increment.
[4] Variable interest rate based on 62% of 10-year LIBOR beginning March 15, 2010.

For all its swap agreements, the Commission 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.

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, and except for the additional $650,000,000 of general obligation debt approved by the voters at the November 8, 2005 election for research and development and the development of sites and facilities, new obligations may not be issued if future Fiscal Year debt service on those new and the then outstanding obligations of those categories would exceed 5% of the total estimated GRF revenues plus net State lottery proceeds during the Fiscal Year of issuance. Those direct obligations of the State include, for example, special obligation bonds that are paid from GRF appropriations, but exclude bonds such as highway bonds that are paid from highway user receipts. Pursuant to the amendment and implementing legislation, the Governor has designated the OBM Director as the State official to make the 5% determinations and certifications. Application of the cap may be waived in a particular instance by a three-fifths vote of each house of the General Assembly and may be changed by future constitutional amendments.

The following table presents a summary of State debt obligations, including the Series L Highway Bonds and $50,000,000 Revitalization Project Bonds, Series 2008A scheduled to close April 30, 2008. The General Assembly has appropriated sufficient moneys to meet debt service requirements for the current biennium (ending June 30, 2009) on all of the obligations included in this and the accompanying tables.

	Authorized by General Assembly	**Issued(a)**	**Outstanding(b)**
	Obligations Payable from the GRF		
General Obligations			
Coal Development(c)	$165,000,000	$158,000,000	$32,380,000
Infrastructure(d)	2,520,000,000	2,399,986,136	1,355,190,254(e)
Natural Resources(f)	322,000,000	295,000,000	160,425,000
Common School Facilities(g)	4,145,000,000	3,290,000,000	2,826,910,000(e)
Higher Education Facilities(g)	2,957,000,000	2,000,000,000	1,619,605,000
Conservation(f)	200,000,000	200,000,000	166,425,000
Research & Development(h)	350,000,000	80,720,000	70,720,000
Site Development(i)	90,000,000	30,000,000	27,000,000
Special Obligations			
DRC Prison Facilities	$1,881,000,000	$1,759,500,000	$678,405,000
DYS Facilities	285,000,000	267,000,000	154,760,000
DAS Facilities(j)	1,598,000,000	1,513,300,000	704,310,000
Cultural Facilities	470,000,000	398,690,000	153,190,000
DNR Facilities	12,160,000	12,160,000	1,045,000
Higher Education Facilities	4,817,590,000	4,817,590,000	501,165,000
Mental Health Facilities	1,389,000,000	1,322,085,000	220,005,000
Parks & Recreation Facilities	377,000,000	343,000,000	124,210,000
Elementary & Secondary Education	333,640,000	333,640,000	11,500,000
	Obligations Payable from Non-GRF Sources		
Highway User Receipts			
G.O. Highway(k)	$2,420,000,000	$1,945,000,000	$1,002,500,000
ODOT Facilities	155,800,000	155,800,000	8,400,000
DPS Facilities	143,000,000	138,600,000	57,055,000
Net Liquor Profits			
Economic Development(l)	n.a.	$368,740,000	$297,055,000
Revitalization Projects(m)	200,000,000	150,000,000	132,090,000
Other			
ODOT Highway Infrastructure(n)	n.a.	$987,250,000	$580,035,000
BWC Facilities(o)	214,255,000	214,255,000	94,805,000

(a) Excludes refunding bonds; includes bonds refunded.
(b) Excludes bonds refunded; includes refunding bonds.
(c) Not more than $100,000,000 may be outstanding at any time.
(d) Not more than $120,000,000 may be issued annually through Fiscal Year 2013, not more than $150 million may be issued annually in Fiscal Years 2014 through 2018, and the total issued may not exceed $3.75 billion.
(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.
(g) Amounts of general obligations authorized for common school and higher education facilities is being reduced by $800,000,000 and $950,000,000, respectively, to reflect a portion of the amount of obligations issued for those purposes by the Buckeye Tobacco Settlement Financing Authority described under **FISCAL MATTERS –Recent and Current Finances – Current Biennium**.
(h) Not more than $100,000,000 may be issued in each of the first three Fiscal Years and not more than $50,000,000 in any other Fiscal Year.
(i) Not more than $30,000,000 may be issued in each of the first three Fiscal Years and not more than $15,000,000 in any other Fiscal Year.
(j) Includes State office buildings in Columbus, Cleveland, Akron and Toledo, and a State computer center in Columbus. Debt service for the Akron and Toledo office buildings is paid in part by local government agencies using portions of those facilities.
(k) Not more than $220,000,000 may be issued in any year and not more than $1.2 billion may be outstanding at any time.
(l) Revenue obligations issued for economic development assistance programs established under Chapter 166 of the Ohio Revised Code, including the Innovation Ohio and research and development programs. Not more than $500,000,000 may be outstanding at any time.
(m) Net liquor profits are statutorily designated as the source of payment of debt service.
(n) Debt service on these "GARVEE" bonds is paid from federal transportation grants apportioned to the State (Title 23 of the U.S. Code).
(o) Debt service is paid from appropriations from the BWC Administrative Cost Fund.

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

Annual Debt Service Requirements on State Obligations Paid from the GRF

	General Obligations			Special Obligations		Total GRF Debt Service		
FY	**Education(a)**	**Infra-structure(b)**	**All Other(c)**	**Treasurer(d)**	**OBA(e)**	**Principal**	**Interest**	**Total**
2008	$424,673,792	$177,278,318	$60,868,340	$328,038,417	$241,254,487	$788,346,587	$443,766,766	$1,232,113,352
2009	422,318,739	184,283,779	67,132,830	221,648,985	231,458,136	704,324,042	422,518,427	1,126,842,469
2010	420,679,955	184,418,890	67,779,846	203,099,075	222,980,614	712,595,576	386,362,803	1,098,958,379
2011	418,529,263	174,163,845	64,361,845	178,362,360	206,684,411	685,457,787	356,643,936	1,042,101,724
2012	417,211,427	174,374,756	64,350,828	148,242,830	198,473,246	673,666,933	328,986,154	1,002,653,088
2013	415,772,444	162,986,563	56,011,028	114,637,263	178,013,624	625,227,649	302,193,272	927,420,922
2014	414,399,286	153,835,648	46,326,125	58,806,511	161,733,705	580,916,268	254,185,007	835,101,275
2015	397,828,609	134,070,033	43,527,935	49,404,098	151,451,290	555,393,397	220,888,568	776,281,965
2016	370,994,083	123,847,561	40,918,580	42,272,211	129,416,913	515,373,600	192,075,747	707,449,347
2017	370,250,209	114,542,994	34,199,980	28,294,911	112,012,819	493,705,000	165,595,913	659,300,913
2018	369,713,879	104,545,906	25,550,993	23,343,959	100,562,194	481,640,000	142,076,929	623,716,929
2019	368,811,087	85,387,356	16,258,178	14,997,447	79,387,088	445,370,000	119,471,155	564,841,155
2020	368,459,952	75,019,400	11,763,813	10,565,175	55,985,088	423,495,000	98,298,427	521,793,427
2021	353,264,228	65,252,266	4,593,688	0	56,254,275	401,260,000	78,104,456	479,364,456
2022	340,472,401	65,185,981	4,595,163	0	46,131,725	397,410,000	58,975,270	456,385,270
2023	310,765,926	55,616,183	4,601,756	0	36,254,938	366,330,000	40,908,803	407,238,803
2024	208,305,340	37,523,675	0	0	23,270,163	244,070,000	25,029,177	269,099,177
2025	141,359,081	28,091,800	0	0	12,762,750	168,605,000	13,608,631	182,213,631
2026	89,070,117	26,227,300	0	0	0	109,610,000	5,687,417	115,297,417
2027	29,702,250	9,437,663	0	0	0	37,875,000	1,264,913	39,139,913
2028	0	9,459,450	0	0	0	9,240,000	219,450	9,459,450
						$9,419,911,840	**$3,656,861,220**	**$13,076,773,061**

(a) Consists of common schools and higher education general obligation bonds and includes estimated debt service on adjustable rate bonds for common schools.
(b) Includes estimated debt service on adjustable rate bonds.
(c) Includes natural resources, coal development, conservation, research and development, and site development general obligation bonds.
(d) Includes lease-rental bonds issued by the Treasurer for mental health, parks and recreation, and cultural facilities. Also includes lease-rental bonds previously issued for elementary and secondary education and for higher education facilities.
(e) Includes lease-rental bonds issued by the Ohio Building Authority (OBA) for various state capital facilities.

The following table shows total Fiscal Year debt service on certain outstanding State obligations payable from the indicated non-GRF revenues, including the Series L Highway Bonds and $50,000,000 Revitalization Project Bonds, Series 2008A scheduled to close April 30, 2008.

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

	Highway User Receipts			Net Liquor Profits			Other	
FY	**Highway G.O.**	**ODOT/DPS Facilities(a)**	**Total**	**Economic Development(b)**	**Revitalization(c)**	**Total**	**BWC(d)**	**Federal Transportation Grants(e)**
2008	$205,977,409	$23,883,035	$229,860,444	$39,573,516	$9,474,613	$49,048,129	$20,361,525	$114,197,143
2009	197,451,814	16,903,266	214,355,080	45,323,257	15,233,332	60,556,589	20,611,445	114,535,618
2010	170,263,970	16,642,351	186,906,321	44,813,172	14,746,623	59,559,795	19,796,795	98,239,248
2011	141,414,146	13,019,775	154,433,921	43,806,427	13,749,314	57,555,741	18,974,395	77,825,964
2012	116,227,596	9,450,034	125,677,631	43,820,201	13,742,761	57,562,962	18,216,365	61,218,540
2013	111,698,839	2,442,503	114,141,342	43,811,573	13,736,033	57,547,606	17,458,370	59,460,903
2014	93,724,686	2,444,794	96,169,480	43,788,623	13,717,388	57,506,010	15,951,100	57,346,938
2015	73,798,463	2,443,281	76,241,744	43,796,118	13,714,498	57,510,615	0	55,857,938
2016	36,650,725	2,446,669	39,097,394	43,800,909	13,704,024	57,504,933	0	44,247,413
2017	35,049,975	2,444,713	37,494,688	43,782,072	13,682,695	57,464,767	0	21,982,550
2018	14,612,500	2,447,213	17,059,713	43,783,162	13,685,305	57,468,467	0	0
2019	0	2,448,650	2,448,650	39,067,903	8,972,463	48,040,365	0	0
2020	0	1,567,875	1,567,875	39,071,202	8,977,075	48,048,277	0	0
2021	0	1,568,250	1,568,250	39,066,077	8,975,400	48,041,477	0	0
2022	0	0	0	28,989,441	4,294,125	33,283,566	0	0
2023	0	0	0	22,822,101	4,294,750	27,116,851	0	0
2024	0	0	0	18,421,838	0	18,421,838	0	0
2025	0	0	0	9,580,624	0	9,580,624	0	0
2026		0		4,079,969		4,079,969	0	

(a) Lease rental payments are paid from highway user receipts for these Ohio Department of Transportation and Department of Public Safety facilities.
(b) Consists of debt service on revenue obligations issued for economic development programs under Chapter 166 of the Ohio Revised Code.
(c) Special obligation bonds for which net liquor profits have been statutorily designated as the source of payment of debt service.
(d) Debt service paid from appropriations from the BWC Administrative Cost Fund.
(e) Debt service paid from federal transportation grants apportioned to the State under Title 23 of the U.S. Code.

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:

	Obligations Payable from the GRF			Non-GRF Obligations	
Year	Education(a)	Other GO(b)	Special Obligations(c)	Highway User Receipts(d)	Net Liquor Profits(e)
2008	$4,568,920,000	$1,941,526,840	$2,909,465,000	$1,088,355,000	$395,625,000
2010	3,917,075,000	1,489,820,636	1,807,750,000	576,170,000	385,735,000
2015	2,661,540,000	777,383,600	655,060,000	91,300,000	262,335,000
2020	1,306,795,000	271,400,000	156,250,000	1,530,000	109,490,000
2025	114,115,000	42,610,000	-0-	-0-	3,970,000

(a) Includes obligations for common school and higher education capital facilities.
(b) Includes natural resources, coal development, infrastructure improvement, conservation, research and development, and site development 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/DPS facilities.
(e) Includes revenue obligations for economic development purposes and special obligations for revitalization purposes.

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.

Year	Principal Amount Outstanding (as of July 1)	Outstanding Debt Per Capita	Outstanding Debt as % of Personal Income
1980	$1,991,915,000	$184	1.83%
1990	3,707,054,994	341	1.82
2000	6,308,680,025	555	1.97
2003	7,559,386,132	661	2.22
2004	8,110,709,343	708	2.30
2005	8,476,432,135	740	2.32
2006	8,909,382,567	777	2.34
2007	9,211,911,840	803(a)	2.42(b)

Fiscal Year	Debt Service Payable	Total GRF Revenue and Net State Lottery Proceeds	Debt Service as % of GRF Revenue and Lottery Proceeds	Debt Service as % of Annual Personal Income
1980	$187,478,382	$4,835,670,223	3.88%	0.17%
1990	488,676,826	12,230,681,298	4.00	0.24
2000	871,313,814	20,711,678,217	4.21	0.27
2003	959,489,678	23,055,920,100	4.16	0.28
2004	1,013,222,412	24,678,909,000	4.11	0.29
2005	1,097,842,137	26,195,614,000	4.19	0.30
2006	1,128,591,711	26,492,277,500	4.26	0.30
2007	1,216,382,190	26,447,718,900	4.60	0.32(b)

(a) Based on July 2007 population estimate.
(b) Based on 2006 personal income data.

Additional Authorizations

Only a portion of State capital and other needs can be met by direct GRF appropriations, and so additional State borrowing for capital and other purposes has been and will continue to be required. State appropriations for the 2007-08 capital biennium provide for the following additional GRF-supported borrowings for various purposes, all of which are reflected in the preceding tables. See **FISCAL MATTERS –Recent and Current Finances – Current Biennium** regarding the funding of a portion of these appropriations from proceeds of the Tobacco Settlement Asset-Backed Bonds, Series 2007.

General Obligation

- $1,110,000,000 for capital improvements for elementary and secondary public schools.
- $630,000,000 for higher education capital facilities projects, including $100,000,000 for research and technology development facilities.
- $240,000,000 for local infrastructure projects.
- $21,000,000 for natural resources facilities.
- $50,000,000 for conservation purposes.
- $350,000,000 for research and development.

- $90,000,000 for site development.

Special Obligation

- $41,000,000 for prisons and local jails.
- $20,000,000 for youth services facilities.
- $72,000,000 for State administrative facilities.
- $50,000,000 for cultural facilities (including both arts and sports facilities).
- $54,000,000 for mental health facilities (including local projects).
- $42,000,000 for parks and recreation facilities.

Currently applicable constitutional authorizations are:

- 2005 – authorizes the issuance over ten years of an additional $500,000,000 of State general obligation debt in support of research and development, and an additional $150,000,000 of State general obligation debt for the development of sites for industry, commerce, distribution and research and development, with those obligations not subject to the 5% direct obligation debt service cap described above. Also authorizes an additional $1.35 billion of general obligation debt for government infrastructure as a ten-year extension of the existing local government infrastructure program, with an increase in the annual issuance amount in the last five-years from $120,000,000 to $150,000,000, 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 $50,000,000 in principal amount to be issued in any Fiscal Year and not more than $200,000,000 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 (currently a portion of the State's net liquor profits).

- 1999 – authorizes State general obligation debt to pay costs of facilities for a system of common schools throughout the state and for state-supported and state-assisted institutions of higher education. The amendment also provides for the 5% direct obligation debt service cap described above.

- 1995 – authorizes additional highway bonds and extended the local infrastructure bond program. For the latter, it authorized an additional $1.2 billion of State full faith and credit obligations to be issued over 10 years, with not more than $120,000,000 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 $220,000,000 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.

ECONOMY AND EMPLOYMENT

Although manufacturing (including auto-related manufacturing) in Ohio remains an integral part of the State's economy, the greatest growth in Ohio's economy in recent years has been in the non-manufacturing sectors. In 2005, Ohio's economic output as measured by gross state product (GSP) totaled $442 billion, 3.6% of the national GSP and seventh largest among the states. The State ranks third within the manufacturing sector as a whole ($85 billion) and third in durable goods ($57 billion). As a percent of Ohio's 2005 GSP, manufacturing was responsible for 19.3%, with 26.4% attributable to the goods-producing sectors and 32.5% to business services sectors, including finance, insurance and real estate. Ohio is the seventh largest exporting state with 2005 merchandise exports totaling $34.8 billion. The State's leading export products are machinery (including electrical machinery) and motor vehicles, which together accounted for nearly 57% of that total.

Payroll employment in Ohio, in a diversifying employment base, since 2000, has increased in 2001, decreased in 2002 and 2003, increased in 2004 through 2006, and has decreased in 2007. Growth in recent years has been concentrated among non-manufacturing industries, with manufacturing employment tapering off since its 1969 peak. The "non-manufacturing" sector employs approximately 86% of all nonfarm payroll workers in Ohio. The growth in employment and changing mix of employment sectors nationally and in Ohio are shown in the following tables.

Ohio Nonfarm Payroll Jobs by Industry Type
Not Seasonally Adjusted (in 000)

	1970	1980	1990*	2000*	2007*
Natural Resources & Mining	21	31	18	13	12
Construction	164	167	193	246	225
Manufacturing	1,410	1,264	1,064	1,021	773
Trade, Transportation & Public Utilities*	998	1,180	968	1,115	1,051
Information*	n.a.	n.a.	102	107	88
Financial Activities	154	204	253	305	301
Services	568	831	1,160	1,549	1,678
Leisure & Hospitality*	n.a.	n.a.	402	483	500
Government	566	690	722	785	798
TOTAL	3,881	4,367	4,882	5,625	5,424

Source: U.S. Department of Labor, Bureau of Labor Statistics, National and State Current Employment Statistics.

* Reflects a change in the basis for industry classification from the 1987 Standard Industrial Classification System (SIC) to the 2002 North American Industry Classification System. Data for 1990 and 2000 has been adjusted to reflect this change.

Distribution of Nonfarm Payroll Jobs by Industry Type (%)

	1970		1980		1990*		2000*		2007*	
	Ohio	U.S	Ohio	U.S.	Ohio	U.S.	Ohio	U.S.	Ohio	U.S.
Natural Resources & Mining	**0.5**	0.9	**0.7**	1.1	**0.4**	0.7	**0.2**	0.5	**0.2**	0.5
Construction	**4.2**	5.1	**3.8**	4.8	**4.0**	4.8	**4.4**	5.1	**4.1**	5.5
Manufacturing	**36.3**	27.3	**29.0**	22.4	**21.8**	16.2	**18.2**	13.1	**14.2**	10.1
Trade, Transportation & Public Utilities*	**25.7**	27.6	**27.0**	28.2	**19.8**	20.7	**19.8**	19.9	**19.4**	19.3
Information*	n.a.	n.a.	n.a.	n.a.	**2.1**	2.5	**1.9**	2.8	**1.6**	2.2
Financial Activities	**4.0**	5.1	**4.7**	5.7	**5.2**	6.0	**5.4**	5.8	**5.6**	6.0
Services	**14.6**	16.3	**19.0**	19.8	**23.8**	23.8	**27.5**	28.0	**30.9**	30.4
Leisure & Hospitality*	n.a.	n.a.	n.a.	n.a.	**8.2**	8.5	**8.6**	9.0	**9.2**	9.8
Government	**14.6**	17.7	**15.8**	18.0	**14.8**	16.8	**14.0**	15.8	**14.7**	16.1

Source: U.S. Department of Labor, Bureau of Labor Statistics, National and State Current Employment Statistics. The distribution percentages are as calculated by OBM.

* Reflects change in the bases for industry classification from the 1987 Standard Industrial Classification System (SIC) to the 2002 North American Industry Classification System (NAICS). Data for 1990 and 2000 has been adjusted to reflect this change.

Ohio and U.S. unemployment rates have been as follows:

Average Monthly Unemployment Rates (Seasonally Adjusted)

Year	Ohio	U.S.
1980	8.5%	7.1%
1985	8.9	7.2
1990	5.7	5.6
2000	4.0	4.0
2001	4.4	4.7
2002	5.7	5.8
2003	6.2	6.0
2004	6.1	5.5
2005	5.9	5.1
2006	5.5	4.6
2007	5.6	4.6
2008 January	5.5	4.9
February	5.3	4.8
March	5.7	5.1

Source: Ohio Department of Job and Family Services, Labor Market Information.

The following are the private sector employers that had the highest number of full-time equivalent employees (estimated and rounded) in Ohio in 2006:

OHIO'S TOP 25 PRIVATE SECTOR EMPLOYERS – 2006

Estimated Employment

Company	Headcount	Sector
Wal-Mart Stores, Inc.*	50,000	Retail General Merchandiser
Cleveland Clinic Health System*	34,800	Health
Kroger Company*	34,130	Retail Food Stores
University Hospitals Health System*	25,000	Health
Catholic Healthcare Partners	23,000	Health
General Motors Corporation	19,300	Motor Vehicles
General Electric Company	17,000	Aerospace/Electrical Equipment
JPMorgan Chase & Co.	17,000	Financial Services
Meijer, Inc.*	16,500	Retail General Merchandiser
Honda Motor Company	16,000	Motor Vehicles
Bob Evans Farms, Inc.*	15,000	Restaurants
Ohio Health*	15,000	Health
Sears Holding Corp*	15,000	Retail Department
Limited Brands, Inc.*	14,600	Retail Clothing
Nationwide Mutual Insurance Co.	13,850	Finance, Insurance
Ford Motor Company	13,700	Motor Vehicles
Procter & Gamble Company	13,500	Soaps and Cosmetics
United Parcel Service, Inc.*	13,300	Transportation Air Delivery
National City Corp.	13,100	Financial Services
Delphi Corp.	13,000	Motor Vehicles Parts
Federated Department Stores*	13,000	Retail Department Stores
Premier Health Partners*	12,300	Health
Cedar Fair, LP*	12,000	Hospitality Theme Parks
Home Depot, Inc.*	11,400	Retail Home Improvement
Health Alliance*	11,300	Health

* Indicates inclusion of part-time employees.
Boldface indicates headquartered in Ohio.
Source: Ohio Department of Development, Office of Strategic Research, September 2006.

POPULATION

Ohio's 2000 decennial census population of 11,353,100 indicated a 4.7% population growth over 1990 and ranked Ohio seventh among the states in population. The following tables show selected census figures.

Ohio Population — Total and by Age Group

Year	Total	Rank Among States	Decennial Growth Rate	1-19 Years	20-64 Years	65 and Over
1970	10,657,500	6	9.7%	4,124,400	5,539,600	993,500
1980	10,797,600	6	1.4	3,502,900	6,125,200	1,169,500
1990	10,847,100	7	0.5	3,141,000	6,299,100	1,407,000
2000	11,353,100*	7	4.7	3,216,000	6,629,400	1,507,800

* Census population estimate July 2007 is 11,466,917.

Source: U.S. Census Bureau Web Site, Population Estimates.

Population of Ohio Metropolitan Areas(a)

	1970	1980	1990	2000
Cleveland	2,063,729	1,898,825	2,202,069(b)	2,250,871
Cincinnati	1,106,821	1,100,983	1,526,092(c)	1,646,395
Columbus	1,017,847	1,093,316	1,345,450(d)	1,540,157
Dayton	852,531	830,070	951,270(e)	950,558
Akron	679,239	660,328	657,575	694,960
Toledo	643,443	656,940	614,128	618,203
Youngstown-Warren	537,124	531,350	600,895(f)	594,746
Canton	393,789	404,421	394,106	406,934
Lorain-Elyria	256,843	274,909	(b)	(b)
Hamilton-Middletown	226,207	258,787	291,479	332,807
Lima	210,074	218,244	154,340	155,084
Mansfield	129,997	131,205	174,007(f)	175,818
Steubenville	96,193	91,564	142,523(g)	132,008

(a) SMSAs in 1970 & 1980, MSAs in 1990 and 2000 (PMSA's for Cleveland, Cincinnati, Akron, and Hamilton-Middleton).
(b) Lorain-Elyria included with Cleveland.
(c) Includes 12 counties (two in Indiana and six in Kentucky).
(d) Newark added.
(e) Springfield added.
(f) Includes three counties.
(g) Weirton added; includes two counties in West Virginia.

Source: U.S. Census Bureau Web Site, Metropolitan Area Population Estimates.

AGRICULTURAL AND RESOURCES BASES

With 14.3 million acres (of a total land area of 26.4 million acres) in farmland and an estimated 76,200 individual farms, agriculture combined with related agricultural sectors is an important segment of Ohio's economy. Ohio's 2006 crop production value of $3.5 billion represented 3.0% of the U.S. total value. Ohio ranks in the top five states in the production of chicken and layer inventory, eggs, swiss cheese, and tomatoes. In 2006, Ohio's agricultural sector output (consisting of crops, livestock, poultry and dairy, and services and forestry) totaled $6.8 billion with agricultural exports (primarily soybeans, feed grains and wheat, and their related products) estimated at a value of $1.7 billion.

The availability of natural resources, such as water and energy, is of vital nationwide concern. Ohio has large quantities of these important natural resources. With Lake Erie and the Ohio River on its borders, and many lakes and streams throughout the State, water is readily available for all uses. Additionally, Ohio has sizable coal resources, ranking seventh among the states in coal reserves and fourteenth in coal production.

STATE EMPLOYEES AND RETIREMENT SYSTEMS

Since 1980, the average number of regular State employees, computed on an average Fiscal Year basis and excluding employees who are not paid by State warrant such as state university employees, has ranged from a low of 55,326 in Fiscal Year 1985 to a high of 63,693 in Fiscal Year 2001. In Fiscal Year 2007, the number of regular state employees averaged 60,063.

The State engages in collective bargaining with six employee unions representing 20 bargaining units, and generally operates under three-year agreements most of which were recently renegotiated and ratified, and expire February through June 2009.

The State has established five public retirement systems to provide retirement, disability retirement, and survivor benefits. The Public Employees Retirement System (PERS), the largest of the five, covers both State and local public employees. The State Teachers Retirement System (STRS) and School Employees Retirement System (SERS) primarily cover school district and public higher education employees. The Highway Patrol Retirement System (HPRS) covers State troopers, and the Ohio Police and Fire Pension Fund (OP&F) covers local safety forces.

These retirement systems were created by and operate pursuant to State law. The General Assembly has the power to amend the format and benefit levels, impose or revise contribution rates or amounts, or to make other changes. The systems are not currently subject to the funding and vesting requirements of the federal Employee Retirement Income Security Act (ERISA). Federal law requires new hires 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 retirement funds of public bodies and to other aspects of public employee retirement.

The State is required to make an employer contribution based on a percent of salary for each State employee that is an active member of a state retirement system. Currently, about 96% of State employees are members of PERS, about 2.5% are in HPRS and about 1.5% are in STRS. The State's employer contributions to those systems totaled $784,589,000 in the 2004-05 biennium, $839,575,000 in the 2006-07 biennium, and are estimated to be $915,300,000 in the 2008-09 biennium. The State also has funded and continues to fund subsidies to the systems (most for specific groups of retirants) to pay for new or additional benefits mandated by law and not otherwise funded. The aggregate subsidies were $54,137,000 in the 2004-05 biennium, $42,263,854 in the 2006-07 biennium, and are appropriated at $42,071,000 for the 2008-09 biennium.

The following table presents summary 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):

	PERS	**STRS**	**SERS**	**OP&F**	**HPRS**
Valuation as of:	**12/31/06**	**6/30/07**	**6/30/07**	**12/31/06**	**12/31/06**
Active Members	362,130	174,110	123,013	28,454	1,592
State Employees (Approx. % of Active Members)	17	1	0	0	100
Retirants and Beneficiaries	159,041	122,934	63,529	24,683	1,337
Employer/Employee Contributions (% of Salary)(a)	14.0/10.0(b)	14.0/10.0	14.0/10.0	(c)	25.5/10.0
Active Member Payroll	$12,175.0	$10,199.5	$2,603.3	$1,782.9	$85.9
Actuarial Accrued Liability (AAL)	$66,160.7	$81,126.6	$13,303.2	$12,987.5	$807.8
Value of Assets (d)	$61,295.6	$66,671.5	$10,640.4	$10,158.0	$653.5
Unfunded Actuarial Accrued Liability (UAAL)	$4,865.1	$14,455.1	$2,734.4	$2,829.5	$154.3
Funding Ratio (Assets to AAL %)	92.6	82.2	80.0	78.2	80.9

(a) For PERS, STRS, and SERS the maximum employer and employee contribution rates under law are 14% and 10%, respectively.

(b) PERS state is 14.0/10.0%, local is 14.0/10.0% and law enforcement is 17.4/10.1%. PERS state and local employer and employee contribution rates increased to their statutory maximum of 14% and 10%, respectively, in calendar year 2008.

(c) Police is 19.5/10% and fire 24/10%.

(d) Recognizes the cost of assets adjusted for realized and unrealized gains and losses amortized over a four-year period, except for OP&F which values assets under a five-year expected market value technique.

Sources: Retirement systems' comprehensive annual financial reports and annual actuarial valuations.

All of the State's public retirement systems are in the process of preparing for or have commenced financial reporting of their health care plans in compliance with GASB Statement 43 -- Financial Reporting for Post-Employment Benefit Plans Other than Pension Plans -- in any case required for their first full twelve-month period beginning after December 15, 2005. Unlike their retirement, disability retirement and survivor benefits, all these systems' health care programs are not vested and are subject to future adjustments of both benefits and contributions by their respective boards. In this regard, PERS has adopted two health care preservation plans, the first in September of 2004 and the second in June 2007, to adjust benefits and contributions by employers, employees, and retirees, with those changes phased in over up to six years.

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):

	PERS	STRS	SERS	OP&F	HPRS
Valuation as of:	12/31/06*	01/01/07	01/01/07	01/01/07	12/31/06
Value of Assets	$12,025.0	3,821.7	$339.5	$436.6	$104.8
Actuarial Accrued Liability (AAL)	$30,748.0	13,599.4	$4,307.4	$3,273.7	$294.0
Unfunded Actuarial Accrued Liability (UAAL)	$18,723.0	9,777.7	$3,967.9	$2,837.1	$189.2
Funding Ratio (Assets to AAL %)	39.1	28.1	7.9	13.3	35.6

* Preliminary data.

TAX LEVELS AND TAX BASES

The variety of taxes and excises levied by the State is indicated in several tables in this Official Statement. According to the Federation of Tax Administrators, citing the U.S. Census Bureau as its source, the State ranked 38th in state taxes per capita in 2007. Three major tax bases in the State, personal income (taxed by the State and municipalities and, with voter approval, by certain school districts), retail sales and use (taxed by the State and counties and transit authorities), and real and tangible personal property (taxed by local governments), are described below. In addition, effective July 1, 2005, the State commenced the phase-in over five years of a new commercial activity tax (CAT) on taxable gross receipts from doing business in Ohio, and the phase out over the same general period of its corporate franchise tax (except for its continuing application to financial institutions and certain affiliates of insurance companies and financial institutions). The initial rate for the CAT was 0.06% with the CAT to be increased in equal amounts (0.05%) each year until levied at a rate of 0.26% when fully implemented in Fiscal Year 2010. The CAT is levied at 0.16% for Fiscal Year 2008. As described further below, the receipts from the CAT are directed first and primarily to make compensating payments to school districts and other local taxing units in connection with the phase-out of the tangible personal property tax over three calendar years.

The State also imposes a tax on the use, distribution, or sale of motor vehicle fuel. This "gasoline" tax was raised two-cents per gallon effective July 1, 2005 to 28¢ 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 has been 5.5% since July 1, 2005. That rate was temporarily increased from 5.0% to 6.0% for the period July 1, 2003 through June 30, 2005 (see **Recent and Current Finances – Recent Biennia – 2004-05**). 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 personal care services.

Counties and transit authorities each are authorized to levy permissive sales and use taxes at rates of 0.25% to 1.5% in quarter-percent increments. The highest potential aggregate of State and permissive local sales taxes is currently 9% and the highest currently levied by 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 State legislation effective July 1, 2005, State personal income tax rates, applying generally to federal adjusted gross income, are being reduced 4.2% annually in each of the years 2005 through 2009, resulting in an aggregate 21% decrease from the 2004 rates which ranged from 0.743% on $5,000 or less with increasing bracketed base rates and percentages up to a maximum on incomes over $200,000 of $11,506 plus 7.5% on the amount over $200,000. The indexing of the State income tax brackets previously scheduled to begin July 1, 2005 is suspended until January 2010 when the rate reductions are fully phased.

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 may also levy certain income taxes. Any municipal rate (applying generally to wages and salaries and net business income) over 1%, and any school district income tax (applying generally to the State income tax base for individuals and estates), requires voter approval. Most cities and villages levy a municipal income tax. The highest municipal rate in 2002 was 2.85%. A school district income tax is currently approved in 145 districts. Effective July 1, 2005, there may also be proposed for voter approval municipal income taxes to be shared with school districts, but those taxes may not be levied on the income of nonresidents.

Since 1970 the ratio of Ohio to U.S. aggregate personal income has declined, with Ohio's ranking among the states moving from fifth in 1970 to seventh in 1990, moving between seventh and eighth in 1994 through 1999, 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.S.	Ohio	Ohio Percent of U.S.	State Rank
1970	Total	$ 832.4	$ 43.6	5.2%	5
	per capita	4,085	4,086	100.0	15
1980	Total	2,298.3	108.5	4.7	6
	per capita	10,114	10,046	99.3	21
1990	Total	4,861.9	203.6	4.2	7
	per capita	19,477	18,743	96.2	21
2000	Total	8,422.1	320.5	3.8	8
	per capita	29,843	28,205	94.5	24
2006	Total	10,966.8	381.2	3.5	8
	per capita	36,629	33,217	90.7	28
2007*	Total	11,645.9	399.9	3.4	8
	per capita	38,611	34,874	90.3	28

* Preliminary

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

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

Retail Sales ($ in Billions)

Fiscal Year	Ohio Retail Sales(a)	U.S. Retail Sales(b)	Ohio Percent of U.S.
1980	$39.01	$979.25	4.0%
1990	66.95	1,914.04	3.5
2000	118.39	3,335.07	3.7
2004	128.32	3,723.86	3.5
2005	133.63	3,958.07	3.4
2006	140.17	4,228.85	3.3
2007	144.22	4,415.62	3.3

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

Property Tax

The following table lists, for informational purposes only, the non-exempt real and tangible personal property tax base in the State and taxes levied on that base (on a calendar year basis). Only local taxing subdivisions, and not the State, currently tax the real and tangible personal property included in this table. Reported figures for 2006 show that these property taxes represent 3.92% of Ohio personal income.

		Assessed Value (a)	Percent of True Value (b)	Taxes Charged
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(f)	28.0	1,149,643,000(f)
	Public Utility(c)(g)	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(f)	25.0	1,720,740,378(f)
	Public Utility(c)(g)	13,635,709,860	67.0	967,674,709
2005	Real	222,488,359,822	35.0	12,276,786,818(e)
	Tangible(d)	21,330,431,000(f)	24.2	1,695,986,799(f)
	Public Utility(c)(g)	9,868,955,370(h)	49.4	755,171,101
2006	Real	234,133,166,000	35.0	12,956,795,000(e)
	Tangible(d)	16,666,716,199(f)	18.75	1,345,184,777(f)
	Public Utility(c)(g)	9,714,868,980(h)	41.4	745,800,863

(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) were scheduled until 25% was reached in 1993. The Constitution permits separate classes of land and improvements (one class being residential and agricultural, the second being all other uses) for certain taxation purposes.
(c) Excludes public utility real property.
(d) Includes machinery, inventories, fixtures; excludes public utility.
(e) Includes the statutory 10% rollback (12.5% for owner-occupied residences) and elderly/handicapped partial exemption amounts, paid by the State to local taxing entities to compensate for statutory reductions in local tax collections. Effective for tax year 2005 and thereafter, the 10% rollback is eliminated for real property used in business, with exceptions for certain property used in farming or for housing.
(f) An exemption of $10,000 took effect in 1984. State reimbursement of resulting local revenue losses is not included in "Taxes Charged".
(g) 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.
(h) Beginning in 2001, the statutory assessment rate for electric and gas utilities decreased from 88% to 25%.

Source: Ohio Department of Taxation.

Under State legislation effective July 1, 2005, the tangible personal property tax is being phased out in tax years 2006 through 2009, with that tax generally eliminated effective January 1, 2009. That legislation provides for the State to make distributions to school districts and other local taxing units from revenue generated by the recently enacted State commercial activity tax (CAT). Distributions are generally based on the taxable value of tangible personal property as reported in 2004 and property tax levies in effect for 2005. The State payments essentially hold school and local governments harmless to the calculated base values through 2010, with gradual reductions until the final distribution in May, 2018. Prior State legislation enacted reductions in the assessed (tax) valuation of certain categories of tangible personal property. Effective for collection year 2002, the assessed valuation of electric utility production equipment decreased from 100% and natural gas utility property from 88% of true value, both to 25%; makeup payments in varying and declining amounts are to be made through 2016 to taxing subdivisions by the State from State resources. In 2002, the assessment rate applied to personal property constituting "inventory" equaled 24%; in 2003-2005, the assessment rate on inventory property is 23% of true value. In 2006, the assessment rate on inventory property, and all other general business tangible personal property, is 18.75% of true value.

Property tax relief payments by the State to local subdivisions totaled $2.69 billion in the 2004-05 biennium, $2.52 billion in the 2006-07 biennium, and are estimated at $2.62 billion for the 2008-09 biennium.

SCHOOLS AND MUNICIPALITIES

Schools

Litigation was commenced in the Ohio courts in 1991 questioning the constitutionality of Ohio's system of school funding and compliance with the constitutional requirement that the State provide a "thorough and efficient system of common schools". On December 11, 2002, the Ohio Supreme Court, in a 4-3 decision on a motion to reconsider its own decision rendered in September 2001, concluded (as it had in its 1997 and 2000 opinions in that litigation) that the State did not comply with that requirement, even after again noting and crediting significant State steps in recent years.

In its prior decisions, the Ohio Supreme Court stated as general base threshold requirements that every school district have enough funds to operate, an ample number of teachers, sound and safe buildings, and equipment sufficient for all students to be afforded an educational opportunity.

With particular respect to funding sources, the Court concluded in 1997 and 2000 decisions that property taxes no longer may be the primary means of school funding in Ohio.

On March 4, 2003, the plaintiffs' filed with the original trial court a motion to schedule and conduct a conference to address compliance with the orders of the court in that case, the State petitioned the Ohio Supreme Court to issue a writ prohibiting that conference on compliance, and the trial court subsequently petitioned the Ohio Supreme Court for guidance as to the proper course to follow. On May 16, 2003, the Ohio Supreme Court granted that writ and ordered the dismissal of the motion before the trial court. On October 20, 2003 the United States Supreme Court declined to accept the plaintiffs' subsequent petition requesting further review of the case.

The General Assembly has taken several steps, including significantly increasing State funding for public schools, as discussed below. In addition, at the November 1999 election electors approved a constitutional amendment authorizing the issuance of State general obligation debt for school buildings and for higher education facilities (see discussion under **State Debt**). December 2000 legislation addressed certain mandated programs and reserves, characterized by the plaintiffs and the Court as "unfunded mandates."

Under the current financial structure, Ohio's 613 public school districts and 49 joint vocational school districts receive a major portion (but less than 50%) of their operating moneys from State subsidy appropriations (the primary portion of which is known as the Foundation Program) distributed in accordance with statutory formulae that take into account both local needs and local taxing capacity. The Foundation Program amounts have steadily increased in recent years, including small aggregate increases even in those Fiscal Years in which appropriations cutbacks were imposed.

School districts also rely upon receipts from locally voted taxes. In part because of provisions of some State laws, such as that partially limiting the increase (without further vote of the local electorate) in voted property tax collections that would otherwise result from increased assessed valuations, some school districts have expressed varying degrees of difficulty in meeting mandated and discretionary increased costs. Local electorates have largely determined the total moneys available for their schools. Locally elected boards of education and their school administrators are responsible for managing school programs and budgets within statutory requirements.

The State's present school subsidy formulas are structured to encourage both program quality and local taxing effort. Until the late 1970's, although there were some temporary school closings, most local financial difficulties that arose were successfully resolved by the local districts themselves by some combination of voter approval of additional property tax levies, adjustments in program offerings, or other measures. For more than 20 years, requirements of law and levels of State funding have sufficed to prevent school closings for financial reasons, which in any case are prohibited by current law.

To broaden the potential local tax revenue base, local school districts also may submit for voter approval income taxes on the district income of individuals and estates (and effective July 1, 2005, municipal income taxes that may be shared with school districts). Many districts have submitted the question, and income taxes are currently approved in 145 districts.

Original State basic aid appropriations for the 1992-93 biennium of $9.5 billion provided for 1.5% and 4.8% increases in the two Fiscal Years of the biennium over appropriations in the preceding biennium which were subject to State spending reductions for Fiscal Year 1992 of 2.5% of annual Foundation Program appropriations. There were no reductions for the 172 districts with the lowest per pupil tax valuations, and the reductions were in varying amounts with varying effects for the other districts. Foundation payments were excluded from the then Governor's spending reduction order for Fiscal Year 1993.

Biennial school funding State appropriations from the GRF and Lottery Profits Education Fund (but excluding federal and other special revenue funds) for recent biennia were:

- 1996-97 – $10.1 billion representing a 13.6% increase over the preceding biennium total.
- 1998-99 – $11.6 billion (18.3% over the previous biennium).
- 2000-01 – $13.3 billion (15% over the previous biennium).
- 2002-03 - $15.2 billion (17% over the previous biennium before the expenditure reductions discussed under **Fiscal Matters – Recent and Current Finances - 2002-03**).
- 2004-05 - $15.7 billion (3.3% over the previous biennium before the expenditure reductions discussed under **Fiscal Matters – Recent and Current Finances - 2004-05**).
- 2006-07 - $16.4 billion (4.5% over the previous biennium before the expenditure reductions discussed under **Fiscal Matters – Recent and Current Finances - 2006-07**).

State appropriations for the purpose made for the 2008-09 biennium are $17.2 billion (4.9% over the previous biennium), representing an increase of 1.7% in Fiscal Year 2008 over 2007 and 3.8% in Fiscal Year 2009 over 2008.

Those total State 2008-09 biennial appropriations exclude non-GRF and federal appropriations, but include appropriations from the GRF and the lottery profits education fund (LPEF). The amount of lottery profits transferred to the LPEF totaled $648,106,000 in Fiscal Year 2004, $645,137,000 in Fiscal Year 2005, $646,276,000 in Fiscal Year 2006 (which excludes $5,820,000 transferred to the Deferred Prize Trust Fund), and $669,327,000 in Fiscal Year 2007. Ohio participation in the multi-state lottery commenced in May 2002. A constitutional provision requires that net lottery profits be paid into LPEF to be used solely for the support of elementary, secondary, vocational and special education purposes, including application to debt service on general obligation bonds to finance common school facilities.

In response to the 1997 Ohio Supreme Court decision holding certain provisions for local school district borrowing unconstitutional, the General Assembly created the school district solvency assistance program. Beginning in Fiscal Year 1999, local school districts in fiscal emergency status as certified by the Auditor of State could apply for an advancement of future year Foundation Program distributions. The amount advanced was then deducted, interest free, from the district's foundation payments over the following two-year period. Six school districts received a total of approximately $12,100,000 in solvency assistance advancements during Fiscal Year 1999, with another six districts receiving a total of approximately $8,657,000 in Fiscal Year 2000. This solvency assistance program was held to be not in compliance with the Constitution by the Supreme Court. In Fiscal Year 2001 four districts received approximately $3,800,000 under a restructured solvency assistance program. The program was further modified in December 2000 to allow districts that experience an unforeseen catastrophic event to apply for a grant. In Fiscal Year 2006, no districts received catastrophic grants and one district received a solvency advance in the amount of $41,000. In Fiscal Year 2007, two districts received solvency advances in the amount of $16,937,000 and no districts received catastrophic grants.

Legislation was enacted in 1996 to address school districts in financial straits. It is similar to that for municipal "fiscal emergencies" and "fiscal watch" discussed below under **Municipalities**, but is particularly tailored to certain school districts and their then existing or potential fiscal problems. There are currently eight school districts in fiscal emergency status and ten in fiscal watch status. New legislation has created a third, more preliminary, category of "fiscal caution." A current listing of school districts in each status is on the Internet at http://www.auditor.state.oh.us.

Federal courts have ruled that the State shared joint liability with the local school districts for segregation in Cincinnati, Cleveland, Columbus, Dayton and Lorain. Subsequent trial court orders directed that some remedial costs be shared by the State and the respective local districts. For that purpose, recent appropriations, decreasing in each biennium, were $100,800,000 in 1998-99, $23,700,000 in 2000-01, and $1,000,000 in 2002-03. All cases were settled prior to the end of Fiscal Year 2003 and there is no further State liability.

Municipalities

Ohio has a mixture of urban and rural population, with approximately three-quarters urban. There are 943 incorporated cities and villages (municipalities with populations under 5,000) in the State. Five cities have populations of more than 100,000 and 16 cities exceed 50,000 in population.

A 1979 act established procedures for identifying and assisting those few cities and villages experiencing defined "fiscal emergencies." A commission composed of State and local officials, and private sector members experienced in business and finance appointed by the Governor, is to monitor the fiscal affairs of a municipality facing substantial financial problems. That act requires the municipality to develop, subject to approval and monitoring by its commission, a financial plan to eliminate deficits and cure any defaults and otherwise remedy fiscal emergency conditions and to take other actions required under its financial plan. It also provides enhanced protection for the municipality's bonds and notes and, subject to the act's stated standards and controls, permits the State to purchase limited amounts of the municipality's short-term obligations (used only once, in 1980).

As noted in the discussion above under **Fiscal Matters – 2002-03** and **2004-05**, the amount of distributions in those biennia to most local governments, including municipalities, from the several State local government revenue assistance funds were and are generally capped at the equivalent monthly amounts in Fiscal Years 2000 and 2001.

The fiscal emergency legislation has been amended to extend its potential application to counties (88 in the State) and townships. This extension is on an "if and as needed" basis and is not aimed at particularly identified existing fiscal problems of those subdivisions. There are currently 14 local governments in fiscal emergency status and seven in fiscal watch status. A current listing of governments in each status is on the Internet at http://www.auditor.state.oh.us.

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EXHIBIT A

TEXT OF LEGAL OPINION

[To Be Dated Date Of Issuance]

Merrill Lynch , Pierce, Fenner & Smith Incorporated
New York, New York

As Representative of the several Underwriters named in Annex A to the Bond Purchase Agreement dated April 24, 2008, with the State of Ohio, acting by and through the Treasurer of State.

Ladies and Gentlemen:

We have examined the transcript of proceedings relating to the authorization and issuance of $140,000,000 General Obligation Highway Capital Improvements Bonds, Series L (the "Bonds"), issued by the State of Ohio (the "State"), acting by and through the Treasurer of the State (the "Treasurer"), to pay (i) the cost of highway capital improvements, and (ii) the costs of issuance of the Bonds. We have also examined a conformed copy of a signed and authenticated Bond of the first maturity.

The Bonds are issued under and pursuant to Section 2m of Article VIII of the Ohio Constitution, Chapter 151 of the Ohio Revised Code, other authorizations by the Ohio General Assembly (collectively, the "Act"), and the order of the Treasurer adopted April 24, 2008 (the "Order").

Based on this examination, we are of the opinion that under the law in effect on the date of this opinion:

1. The Bonds are valid and legally binding general obligations of the State, and the full faith and credit, revenue and taxing power of the State (except for those fees, excises and taxes excluded under the Act, including net State lottery proceeds) are pledged to the payment of the principal of and interest and any premium (collectively, the "Debt Service") on the Bonds.

2. The Debt Service, together with the principal of and interest, and any premium on bonds or other obligations heretofore or hereinafter issued pursuant to Section 2m of Article VIII of the Ohio Constitution, Chapter 5528 and Chapter 151 of the Ohio Revised Code, as amended (collectively, the "Highway Obligations"), are payable from and secured by the pledge of all excises, taxes and other sources of revenue of the State, except "net state lottery proceeds," as defined in Section 151.03 of the Ohio Revised Code, but including the fees, excises or license taxes relating to the registration, operation or use of vehicles on the public highways or to fuels used for propelling such vehicles, all referred to in Section 5a of Article XII of the Ohio Constitution (such excises, taxes and other sources of revenue of the State, excluding the stated exception, collectively, the "Pledged Excises and Taxes").

3. The State covenants in the Act and in the Order that it will, so long as any Highway Obligations are outstanding in accordance with their terms, levy and collect Pledged Excises and Taxes sufficient to pay the Debt Service on the Bonds when due. Except for the ten mill limit on the levy of ad valorem taxes provided in Section 2 of Article XII of the Ohio Constitution, there is no limitation upon the amount or rate or Pledged Excises and Taxes which may be levied to pay Debt Service on the Bonds. Furthermore, the State is required each year to appropriate to, and set aside in the "highway capital improvement bond service fund" (as defined in Section 151.06 of the Ohio Revised Code) a sufficient amount of the Pledged Excises and Taxes, without other or further appropriation, to pay the Debt Service on the Bonds when due.

4. Interest on the Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is not treated as an item of tax preference under Section 57 of the Code for purposes of the alternative minimum tax imposed on individuals and corporations under Section 55 of the Code. The interest on the Bonds, and any profit made on the sale, exchange or other disposition of the Bonds, are exempt from the Ohio personal income tax, the Ohio commercial activity tax, the net income base of the Ohio corporate franchise tax and municipal and school district income taxes in Ohio.

We express no opinion as to any other tax consequences regarding the Bonds.

In giving the foregoing opinions with respect to the treatment of the interest on the Bonds and the status of the Bonds under the federal tax laws, we have assumed and relied upon continuing compliance with the covenants of the State and the Treasurer, and the accuracy of the representations and certifications of the State and the Treasurer contained in the transcript. The accuracy of those representations and certifications, which we have not independently verified, and the compliance of the Treasurer and the State with those covenants may be necessary for the interest on the Bonds to be and remain excludable from gross income for federal income tax purposes and for the other federal tax effects stated above.

Portions of interest on the Bonds earned by certain corporations (as defined for federal income tax purposes) may be subject to the corporate alternative minimum tax that is imposed under the Code on a portion of the excess of the corporation's adjusted current earnings over its other alternative minimum taxable income. In addition, interest on the Bonds may be subject to a branch profits tax imposed under Section 884 of the Code on certain foreign corporations doing business in the United States, and to a tax imposed on excess net passive income of certain S Corporations under Section 1375 of the Code.

Respectfully submitted,

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