NEW ISSUES (THREE) **Ratings: [See Cover Page for Each Issue]**

OFFICIAL STATEMENT

STATE OF OHIO

(Treasurer of State)

$29,825,000
GENERAL OBLIGATION HIGHWAY CAPITAL IMPROVEMENTS BONDS
SERIES N
(FULL FAITH AND CREDIT/HIGHWAY USER RECEIPTS)
(TAX-EXEMPT)

and

$145,175,000
GENERAL OBLIGATION HIGHWAY CAPITAL IMPROVEMENTS BONDS
SERIES O
(FULL FAITH AND CREDIT/HIGHWAY USER RECEIPTS)
(FEDERALLY TAXABLE – BUILD AMERICA BONDS – DIRECT PAYMENT)

and

$32,610,000
GENERAL OBLIGATION HIGHWAY CAPITAL IMPROVEMENTS REFUNDING BONDS
SERIES P
(FULL FAITH AND CREDIT/HIGHWAY USER RECEIPTS)
(TAX-EXEMPT)

Reference is made to the cover pages for the respective three issues of Highway Bonds immediately following this page.

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 N, Series O and Series P Highway Bonds (collectively, the "Highway Bonds") identified on the covers. 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 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 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 Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

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 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 Highway Bonds for sale.

In connection with the offering of the Highway Bonds, the Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the 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.

NEW ISSUE
(Book-Entry Only)

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

In the opinion of Climaco, Wilcox, Peca, Tarantino & Garofoli Co., L.P.A., Bond Counsel, under existing law (i) assuming continuing compliance with certain covenants and the accuracy of certain representations, interest on the Series N Highway Bonds is excluded from gross income for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations under the Internal Revenue Code of 1986, as amended; and (ii) interest on the Series N Highway Bonds, the transfer thereof, and any profit made on the sale, exchange, transfer, or other disposition of the Series N Highway Bonds are exempt from the Ohio personal income tax, the Ohio commercial activity tax, the Ohio corporate franchise tax (to the extent calculated on the net income basis), and income taxes imposed by municipalities, school districts and joint economic development districts in Ohio. Interest on the Series N Highway Bonds may be subject to certain federal taxes imposed only on certain corporations, and certain taxpayers may have other federal income tax consequences as a result of owning the Series N Highway Bonds. For a more complete discussion of the tax aspects, see "TAX MATTERS FOR TAX-EXEMPT BONDS" herein.

$29,825,000

STATE OF OHIO
General Obligation Highway Capital Improvements Bonds
Series N
(Full Faith and Credit/Highway User Receipts)
(Tax-Exempt)

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

Purpose: The $29,825,000 General Obligation Highway Capital Improvements Bonds, Series N (the "Series N 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 of issuance of the Series N 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 N Highway Bonds. See **THE HIGHWAY BONDS – Security for the Highway Bonds**.

Payment: Principal of and interest on the Series N Highway Bonds will be payable to the registered owner of Series N Highway Bonds (initially, The Depository Trust Company or its nominee ("DTC")). The principal is payable on presentation and surrender of a Series N 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, 2011).

No Prior Redemption: The Series N Highway Bonds are *not* subject to redemption prior to maturity.

Book-Entry: The Series N 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 N Highway Bonds to the ultimate purchasers.

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

The Series N 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, Wilcox, Peca, Tarantino & Garofoli Co., L.P.A., Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Underwriters by their counsel, Squire, Sanders & Dempsey L.L.P. and Forbes, Fields & Associates Co., L.P.A. Scott Balice Strategies LLC is serving as Financial Advisor to the Treasurer. The Series N Highway Bonds are expected to be available for delivery through DTC on or about October 20, 2010.

Rice Financial Products Company **Fifth Third Securities, Inc.**

The Huntington Investment Company **J.P. Morgan** **KeyBanc Capital Markets Inc.**

PNC Capital Markets LLC **Stifel, Nicolaus & Co.**

The date of this Official Statement is October 5, 2010.

$29,825,000

STATE OF OHIO

General Obligation Highway Capital Improvements Bonds
Series N
(Full Faith and Credit/Highway User Receipts)
(Tax-Exempt)

PRINCIPAL MATURITY SCHEDULE

Maturity (May 1)	Principal Amount	Interest Rate	Yield	CUSIP No.* 677521
2012	$ 8,270,000	3.00%	0.61%	FQ4
2013	10,620,000	3.00%	1.03%	FR2
2014	10,935,000	3.00%	1.23%	FS0

NEW ISSUE
(Book-Entry Only)

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

In the opinion of Climaco, Wilcox, Peca, Tarantino & Garofoli Co., L.P.A., Bond Counsel, under existing law, interest on the Series O Highway Bonds, the transfer thereof, and any profit made on the sale, exchange, transfer or other disposition on the Series O Highway Bonds are exempt from the Ohio personal income tax, the Ohio commercial activity tax, the Ohio corporate franchise tax (to the extent calculated on the net income basis), and income taxes imposed by municipalities, school districts and joint economic development districts in Ohio. INTEREST ON THE SERIES O HIGHWAY BONDS IS NOT EXCLUDED FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES. OWNERS OF THE SERIES O HIGHWAY BONDS SHOULD CONSULT WITH THEIR OWN TAX ADVISORS AS TO THE FEDERAL, STATE AND LOCAL, AND FOREIGN TAX CONSEQUENCES OF THEIR ACQUISITION, OWNERSHIP AND DISPOSITION OF THE SERIES O HIGHWAY BONDS. The owners of the Series O Highway Bonds are not entitled to a tax credit as a result of ownership of the Series O Highway Bonds. For a more complete discussion of the tax aspects, see "TAX MATTERS FOR TAXABLE BONDS" herein.

$145,175,000

STATE OF OHIO
General Obligation Highway Capital Improvements Bonds
Series O
(Full Faith and Credit/Highway User Receipts)
(Federally Taxable – Build America Bonds – Direct Payment)

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

Purpose: The $145,175,000 General Obligation Highway Capital Improvements Bonds, Series O (the "Series O 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 of issuance of the Series O 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 O Highway Bonds. See **THE HIGHWAY BONDS – Security for the Highway Bonds**.

Payment: Principal of and interest on the Series O Highway Bonds will be payable to the registered owner of Series O Highway Bonds (initially, The Depository Trust Company or its nominee ("DTC")). The principal is payable on presentation and surrender of a Series O 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, 2011).

Prior Redemption: The Series O Highway Bonds are subject to make-whole optional and extraordinary optional redemption prior to maturity as described herein under **THE HIGHWAY BONDS – Redemption of Series O Highway Bonds**.

Build America Bonds: The State has irrevocably elected to designate the Series O Highway Bonds as "Build America Bonds" under the Internal Revenue Code of 1986, as amended (the "Code"), and will irrevocably elect to receive directly from the U.S. Treasury any cash subsidy payments allowed with respect to the Series O Highway Bonds as provided in Section 6431 of the Code. See **THE HIGHWAY BONDS – Designation of Series O Highway Bonds as Build America Bonds**.

Book-Entry: The Series O 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 O Highway Bonds to the ultimate purchasers.

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

The Series O 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, Wilcox, Peca, Tarantino & Garofoli Co., L.P.A., Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Underwriters by their counsel, Squire, Sanders & Dempsey L.L.P. and Forbes, Fields & Associates Co., L.P.A. Scott Balice Strategies LLC is serving as Financial Advisor to the Treasurer. The Series O Highway Bonds are expected to be available for delivery through DTC on or about October 20, 2010.

Rice Financial Products Company **Fifth Third Securities, Inc.**

The Huntington Investment Company **J.P. Morgan** **KeyBanc Capital Markets Inc.**

PNC Capital Markets LLC **Stifel, Nicolaus & Co.**

The date of this Official Statement is October 5, 2010.

$145,175,000

STATE OF OHIO

General Obligation Highway Capital Improvements Bonds
Series O
(Full Faith and Credit/Highway User Receipts)
(Federally Taxable – Build America Bonds – Direct Payment)

PRINCIPAL MATURITY SCHEDULE

Maturity (May 1)	Principal Amount	Interest Rate	Yield	CUSIP No.* 677521
2015	$11,630,000	1.97%	1.97%	GA8
2016	28,000,000	2.47%	2.47%	GB6
2017	12,225,000	2.91%	2.91%	GC4
2018	12,460,000	3.11%	3.11%	FT8
2019	12,710,000	3.42%	3.42%	FU5
2020	12,990,000	3.54%	3.54%	FV3
2021	13,290,000	3.70%	3.70%	FW1
2022	13,610,000	3.85%	3.85%	FX9
2023	13,950,000	3.97%	3.97%	FY7
2024	14,310,000	4.09%	4.09%	FZ4

* Copyright Standard & Poors. CUSIP data herein are assigned by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc., an independent company not affiliated with the State or the Treasurer. Neither the State nor the Treasurer are responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness. These CUSIP numbers may also be subject to change after the issuance of the Series O Highway Bonds.

NEW ISSUE
(Book-Entry Only)

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

In the opinion of Climaco, Wilcox, Peca, Tarantino & Garofoli Co., L.P.A., Bond Counsel, under existing law (i) assuming continuing compliance with certain covenants and the accuracy of certain representations, interest on the Series P Highway Bonds is excluded from gross income for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations under the Internal Revenue Code of 1986, as amended; and (ii) interest on the Series P Highway Bonds, the transfer thereof, and any profit made on the sale, exchange, transfer, or other disposition of the Series P Highway Bonds are exempt from the Ohio personal income tax, the Ohio commercial activity tax, the Ohio corporate franchise tax (to the extent calculated on the net income basis), and income taxes imposed by municipalities, school districts and joint economic development districts in Ohio. Interest on the Series P Highway Bonds may be subject to certain federal taxes imposed only on certain corporations, and certain taxpayers may have other federal income tax consequences as a result of owning the Series P Highway Bonds. For a more complete discussion of the tax aspects, see "TAX MATTERS FOR TAX-EXEMPT BONDS" herein.

$32,610,000

STATE OF OHIO
General Obligation Highway Capital Improvements Refunding Bonds
Series P
(Full Faith and Credit/Highway User Receipts)
(Tax-Exempt)

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

Purpose: The $32,610,000 General Obligation Highway Capital Improvements Refunding Bonds, Series P (the "Series P Highway Bonds") are general obligations of the State of Ohio (the "State"), issued to (i) refund bonds previously issued to pay costs of highway capital improvements and (ii) pay certain costs of issuance of the Series P 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 P Highway Bonds. See **THE HIGHWAY BONDS – Security for the Highway Bonds**.

Payment: Principal of and interest on the Series P Highway Bonds will be payable to the registered owner of Series P Highway Bonds (initially, The Depository Trust Company or its nominee ("DTC")). The principal is payable on presentation and surrender of a Series P 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 May 1, 2011).

No Prior Redemption: The Series P Highway Bonds are *not* subject to redemption prior to maturity.

Book-Entry: The Series P 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 P Highway Bonds to the ultimate purchasers.

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

The Series P 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, Wilcox, Peca, Tarantino & Garofoli Co., L.P.A., Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Underwriters by their counsel, Squire, Sanders & Dempsey L.L.P. and Forbes, Fields & Associates Co., L.P.A. Scott Balice Strategies LLC is serving as Financial Advisor to the Treasurer. The Series P Highway Bonds are expected to be available for delivery through DTC on or about October 20, 2010.

Rice Financial Products Company **Fifth Third Securities, Inc.**

The Huntington Investment Company **J.P. Morgan** **KeyBanc Capital Markets Inc.**

PNC Capital Markets LLC **Stifel, Nicolaus & Co.**

The date of this Official Statement is October 5, 2010.

$32,610,000

STATE OF OHIO

General Obligation Highway Capital Improvements Refunding Bonds
Series P
(Full Faith and Credit/Highway User Receipts)
(Tax-Exempt)

PRINCIPAL MATURITY SCHEDULE

Maturity (May 1)	Principal Amount	Interest Rate	Yield	CUSIP No.* 677521
2011	$ 700,000	2.00%	0.50%	GD2
2013	4,655,000	3.00%	1.03%	GE0
2013	11,340,000	5.00%	1.03%	GG5
2014	2,915,000	3.00%	1.23%	GH3
2014	13,000,000	5.00%	1.23%	GF7

CONTENTS

SELECTED SUMMARY STATEMENT FOR $29,825,000 SERIES N BONDS

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 N (the "Series N Highway Bonds" or "Series N 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 N Bonds are authorized and issued on behalf of the State by the Treasurer pursuant to constitutional and statutory authorizations. The Series N Bonds are the fourteenth series of bonds (collectively, the "Highway Obligations") issued pursuant to Section 2m of Article VIII, Ohio Constitution, and are being issued under Ohio Revised Code Sections 151.01 and 151.06.

SECURITY AND SOURCES OF PAYMENT. The Series N Bonds are general obligations of the State. Principal of and interest on the Series N Bonds are payable from and secured by a pledge of the full faith and credit, revenue and taxing power (excluding net State lottery proceeds) of the State, and 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. So long as the Series N 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 N Bonds and certain other bonds as described herein.

PURPOSE. The Series N Bonds are issued to pay costs of highway capital improvements and costs of issuing the Series N Bonds.

NO PRIOR REDEMPTION. The Series N Bonds are *not* subject to redemption prior to maturity.

FORM AND MANNER OF MAKING PAYMENTS. The Series N 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 N Bonds to the ultimate purchasers. Series N 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 on May 1 of each year listed on the inside cover for the Series N Bonds upon 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, 2011) to the registered owner as of the 15th day of the month preceding the interest payment date.

TAX MATTERS. In the opinion of Bond Counsel, under existing law (i) assuming continuing compliance with certain covenants and the accuracy of certain representations, interest on the Series N 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, and (ii) interest, and any profit made on the sale, exchange or other disposition of the Series N 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, school districts and joint economic development districts in Ohio. Interest on the Series N 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 N Bonds may be offered and sold to the public at an original issue discount or premium.

BOND REGISTRAR. The Treasurer.

BOND COUNSEL. Climaco, Wilcox, Peca, Tarantino & Garofoli Co., L.P.A.

UNDERWRITERS. Rice Financial Products Company, as Representative of the Underwriters shown on the cover (collectively, the "Underwriters"). The Series N Bonds have been purchased by the Underwriters at a price of $31,192,129.41.

FINANCIAL ADVISOR. Scott Balice Strategies LLC.

Questions regarding this Official Statement or the Series N Bonds should be directed to the Office of Debt Management, 30 East Broad Street, 9th Floor, Columbus, Ohio 43215-3461 (telephone 614-466-3930).

SELECTED SUMMARY STATEMENT FOR $145,175,000 SERIES O BONDS

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 O (the "Series O Highway Bonds" or "Series O 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 O Bonds are authorized and issued on behalf of the State by the Treasurer pursuant to constitutional and statutory authorizations. The Series O Bonds are the fifteenth series of bonds issued pursuant to Section 2m of Article VIII, Ohio Constitution, and are being issued under Ohio Revised Code Sections 151.01 and 151.06.

SECURITY AND SOURCES OF PAYMENT. The Series O Bonds are general obligations of the State. Principal of and interest on the Series O Bonds are payable from and secured by a pledge of the full faith and credit, revenue and taxing power (excluding net State lottery proceeds) of the State, and the 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. So long as the Series O 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 O Bonds and certain other bonds as described herein.

PURPOSE. The Series O Bonds are issued to pay costs of highway capital improvements and costs of issuing the Series O Bonds.

PRIOR REDEMPTION. The Series O Bonds are subject to make-whole optional and extraordinary optional redemption prior to maturity as described herein under **THE HIGHWAY BONDS – Redemption of Series O Highway Bonds.**

FORM AND MANNER OF MAKING PAYMENTS. The Series O 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 O Bonds to the ultimate purchasers. Series O 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 on May 1 of each year listed on the inside cover for the Series O Bonds upon 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, 2011) to the registered owner as of the 15th day of the month preceding the interest payment date.

TAX MATTERS. In the opinion of Bond Counsel, under existing law, interest and any profit made on the sale, exchange or other disposition of the Series O 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, school districts and joint economic development districts in Ohio. INTEREST ON THE SERIES O BONDS IS NOT EXCLUDED FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES. The owners of the Series O Bonds are not entitled to a tax credit as a result of ownership of the Series O Bonds.

BOND REGISTRAR. The Treasurer.

BOND COUNSEL. Climaco, Wilcox, Peca, Tarantino & Garofoli Co., L.P.A.

UNDERWRITERS. Rice Financial Products Company, as Representative of the Underwriters shown on the cover (collectively, the "Underwriters"). The Series O Bonds have been purchased by the Underwriters at a price of $144,386,310.15.

FINANCIAL ADVISOR. Scott Balice Strategies LLC.

Questions regarding this Official Statement or the Series O Bonds should be directed to the Office of Debt Management, 30 East Broad Street, 9th Floor, Columbus, Ohio 43215-3461 (telephone 614-466-3930).

SELECTED SUMMARY STATEMENT FOR $32,610,000 SERIES P BONDS

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 Refunding Bonds, Series P (the "Series P Highway Bonds" or "Series P 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 P Bonds are authorized and issued on behalf of the State by the Treasurer pursuant to constitutional and statutory authorizations. The Series P Bonds are the sixteenth series of bonds issued pursuant to Section 2m of Article VIII, Ohio Constitution, and are being issued under Ohio Revised Code Sections 151.01 and 151.06.

SECURITY AND SOURCES OF PAYMENT. The Series P Bonds are general obligations of the State. Principal of and interest on the Series P Bonds are payable from and secured by a pledge of the full faith and credit, revenue and taxing power (excluding net State lottery proceeds) of the State, and 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. So long as the Series P 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 P Bonds and certain other bonds as described herein.

PURPOSE. The Series P Bonds are issued to refund certain bonds previously issued to pay costs of highway capital improvements and to pay costs of issuing the Series P Bonds.

NO PRIOR REDEMPTION. The Series P Bonds are *not* subject to redemption prior to maturity.

FORM AND MANNER OF MAKING PAYMENTS. The Series P 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 P Bonds to the ultimate purchasers. Series P 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 on May 1 of each year listed on the inside cover for the Series P Bonds upon 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 May 1, 2011) to the registered owner as of the 15th day of the month preceding the interest payment date.

TAX MATTERS. In the opinion of Bond Counsel, under existing law (i) assuming continuing compliance with certain covenants and the accuracy of certain representations, interest on the Series P 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, and (ii) interest, and any profit made on the sale, exchange or other disposition of the Series P 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, school districts and joint economic development districts in Ohio. Interest on the Series P 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 P Bonds may be offered and sold to the public at an original issue discount or premium.

BOND REGISTRAR. The Treasurer.

ESCROW TRUSTEE. The Bank of New York Mellon Trust Company, N.A.

VERIFICATION AGENT. The Arbitrage Group, Inc.

BOND COUNSEL. Climaco, Wilcox, Peca, Tarantino & Garofoli Co., L.P.A.

UNDERWRITERS. Rice Financial Products Company, as Representative of the Underwriters shown on the cover (collectively, the "Underwriters"). The Series P Bonds have been purchased by the Underwriters at a price of $35,689,933.76.

FINANCIAL ADVISOR. Scott Balice Strategies LLC.

Questions regarding this Official Statement or the Series P Bonds should be directed to the Office of Debt Management, 30 East Broad Street, 9th Floor, 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 N, Series O and Series P Highway Bonds (collectively, the "Highway Bonds"). The Highway Bonds are to be issued for the purpose of (i) paying or refunding obligations previously issued to pay costs of highway capital improvements, and (ii) paying costs of the issuance of the 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 July 1 through June 30.

THE HIGHWAY BONDS

General

The Highway Bonds will be issued pursuant to the Ohio Constitution, Ohio Revised Code Sections 151.01 and 151.06 (the "Act"), and the Bond Orders issued by the Treasurer.

The 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 Highway Bonds (the "Bond Registrar"), and the Bond Orders provide that the Treasurer may designate a successor Bond Registrar.

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

Interest on the 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, 2011 with respect to the Series N and Series O Highway Bonds, and beginning

May 1, 2011 with respect to the Series P Highway Bonds, 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 Highway Bonds are immobilized in the custody of a depository pursuant to a book-entry system, interest on the Highway Bonds may be paid by wire transfer to the depository on each Interest Payment Date.

The Treasurer of State as Bond Registrar will be responsible for the payment of the principal and interest on the 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 Highway Bonds.

Designation of Series O Highway Bonds as "Build America Bonds". The Treasurer has irrevocably designated the Series O Highway Bonds as "Build America Bonds – Direct Payment" under Sections 54AA and 6431 of the Internal Revenue Code of 1986, as amended (the "Code"), and irrevocably elected under Code Section 54AA(g) to receive a direct payment of an interest credit (the "Direct Payment") from the United States Treasury equal to 35% of the stated interest paid on the Series O Highway Bonds as provided in Code Section 6431. Payments are expected to be paid to the Treasurer within 45 days of receipt by the IRS of IRS Form 8038CP with respect to each interest payment date identifying the amount of interest to be paid. Each such Form may not be filed more than 90 nor less than 45 days prior to the relevant interest payment date. The Treasurer has covenanted to comply with all requirements of the Code necessary to assure that the Series O Highway Bonds will be and will remain "Build America Bonds" within the meaning of Section 54AA(d) of the Code and qualified under Section 54AA(g)(2) of the Code ("Qualified Build America Bonds") so that the Treasurer will be eligible to receive the Direct Payment. The Direct Payments will be deposited in the State's General Revenue Fund and therefore are not pledged as security for the payment of Bond Service Charges (defined below).

Prior Redemption

No Prior Redemption of Series N or Series P Highway Bonds

The Series N and Series P Highway Bonds are *not* subject to redemption prior to maturity.

Prior Redemption of Series O Highway Bonds

Make-Whole Optional Redemption. The Series O Highway Bonds are subject to redemption at any time prior to their maturity at the option of the Treasurer, in whole or in part, on any Business Day, at the Make-Whole Redemption Price. The "Make-Whole Redemption Price" is the greater of:

(i) 100% of the principal amount of the Series O Highway Bonds to be redeemed; or

(ii) the sum of the present value of the remaining scheduled payments of principal and interest on the Series O Highway Bonds to be redeemed (taking into account any mandatory sinking fund redemptions), not including any portion of those payments of interest accrued and unpaid as of the date on which the Series O Highway Bonds are to be redeemed, discounted to the date on which the Series O Highway Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate (defined below) plus 30 basis points,

plus, in each case, accrued and unpaid interest on the Series O Highway Bonds to be redeemed on the redemption date.

"Treasury Rate" means, with respect to any redemption date for a particular Series O Highway Bond, the greater of:

(A) the yield to maturity as of such redemption date of the United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two business days prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to maturity; provided, however, that if the period from the redemption date to maturity is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used; all as will be determined by an independent accounting firm, investment banking firm or financial advisor retained by the State at the State's expense, and such determination shall be conclusive and binding on the owners of the Series O Highway Bonds; or

(B) the rate per annum, expressed as a percentage of the principal amount, equal to the semiannual equivalent yield to maturity or interpolated maturity of the Comparable Treasury Issue (defined below), assuming that the Comparable Treasury Issue is purchased on the redemption date for a price equal to the Comparable Treasury Price (defined below), as calculated by the Designated Investment Banker (defined below).

"Comparable Treasury Issue" means, with respect to any redemption date for a particular Series O Highway Bond, the United States Treasury security or securities selected by the Designated Investment Banker that has an actual or interpolated maturity comparable to the remaining average life of the Series O Highway Bond to be redeemed, and that would be utilized in accordance with customary financial practice in pricing new issues of debt securities of comparable maturity to the remaining average life of the Series O Highway Bonds to be redeemed.

"Comparable Treasury Price" means, with respect to any redemption date for a particular Series O Highway Bond, (i) if the Designated Investment Banker receives at least four Reference Treasury Dealer Quotations (defined below), the average of such quotations for such redemption date, after excluding the highest and lowest Reference Treasury Dealer Quotations, or (ii) if the Designated Investment Banker obtains fewer than four Reference Treasury Dealer Quotations, the average of all such quotations.

"Designated Investment Banker" means one of the Reference Treasury Dealers appointed by the Treasurer.

"Reference Treasury Dealer" means each of the four firms, specified by the Treasurer from time to time, that are primary United States government securities dealers in The City of

New York (each a “Primary Treasury Dealer”); provided, however, that if any of them ceases to be a Primary Treasury Dealer, the Treasurer will substitute another Primary Treasury Dealer.

“Reference Treasury Dealer Quotations” means, with respect to each Reference Treasury Dealer and any redemption date for a particular Series O Highway Bond, the average, as determined by the Designated Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Designated Investment Banker by such Reference Treasury Dealer at 3:30 P.M., New York City time, on the second Business Day preceding such redemption date.

“Business Day” means any day, other than a Saturday or Sunday, and other than a day on which the Trustee or a Paying Agent (other than the Trustee), as applicable, is required, or authorized or not prohibited, by law (including without limitation, executive orders) to close and is closed.

Extraordinary Optional Redemption. The Series O Highway Bonds (which are being issued as “Build America Bonds – Direct Payment” – see below) are subject to redemption prior to maturity at the option of the State in whole or in part on any date during the period from the date of issuance of the Series O Highway Bonds in the event that the government of the United States of America evidences, in the sole judgment of the Treasurer, by action or failure to act that it will not provide for direct payments to be made to the State in an amount equal to or greater than thirty-five percent (35%) of the interest payable on the Series O Highway Bonds on any Interest Payment Date. The redemption price (the “Extraordinary Redemption Price”) will be equal to the greater of:

(i) 100% of the principal amount of the Series O Highway Bonds to be redeemed; or

(ii) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of such Series O Highway Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such Series O Highway Bonds are to be redeemed, discounted to the date on which such Series O Highway Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate (described below) plus 100 basis points; plus, in each case, accrued interest on such Series O Highway Bonds to be redeemed to the redemption date.

“Treasury Rate” means, as of the redemption date, the yield to maturity as of such redemption date of the United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two business days prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to maturity; provided, however, that if the period from the redemption date to maturity is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used. The redemption price will be determined by an independent accounting firm, investment banking firm or financial advisor retained by the State at the State’s expense and such redemption price shall be conclusive and binding on the owners of the Series O Highway Bonds.

Selection of Series O Highway Bonds to be Redeemed. If fewer than all outstanding Series O Highway Bonds are called for optional redemption at any time, the maturity or maturities of those Series O Highway Bonds to be called will be selected in a manner determined by the Treasurer.

For so long as the Series O Highway Bonds are registered in book-entry only form and DTC or its nominee is the sole registered owner of the Series O Highway Bonds, the Bond Registrar will give notice of redemption only to DTC as registered owner with instructions that any redemption of less than all of the outstanding Series O Highway Bonds shall be allocated as nearly as practical among all the owners of book entry interests in the Series O Highway Bonds called for redemption (in the amounts of $5,000 or any whole multiple) in proportion to the total principal amount of each owner's book entry interests in the Series O Highway Bonds. That allocation and the selection of the book entry interests of Series O Highway Bonds to be redeemed will be and is the sole responsibility of DTC and its Participants and those working through those Participants. It is the Treasurer's intent that redemption allocations made with respect to the Series O Highway Bonds in book-entry only form be made in accordance with the proportional provisions set forth below. However, the Treasurer can provide no assurance that DTC, the DTC Participants or any other intermediaries will allocate redemptions among beneficial owners on such a proportional basis for the Series O Highway Bonds in book-entry only form.

If the Series O Highway Bonds are not registered in book-entry only form, any redemption of less than all of the outstanding Series O Highway Bonds shall be allocated by the Treasurer (in the amounts of $5,000 or any whole multiple) among the registered owners of the Series O Highway Bonds called for redemption as nearly as practical in proportion to the principal amounts of the then outstanding Series O Highway Bonds owned by each registered owner. This will be calculated based on the following formula:

$$\frac{\text{(principal to be redeemed) x (principal amount owned by owner)}}{\text{(principal amount outstanding)}}$$

Notice of Call for Redemption; Effect. The Bond Registrar is to cause notice of the call for redemption, identifying the Series O Highway Bonds or portions of Series O Highway Bonds to be redeemed, to be sent by first class mail, at least 30 days prior to the redemption date, to the registered owner (initially, DTC) of each Series O Highway Bond to be redeemed at the address shown on the Register on the 15th day preceding that mailing. Any defect in the notice or any failure to receive notice by mailing will not affect the validity of any proceedings for the redemption of Series O Highway Bonds.

On the date designated for redemption, Series O Highway Bonds or portions of Series O Highway Bonds called for redemption shall become due and payable. If the Bond Registrar then holds sufficient moneys for payment of debt charges payable on that redemption date, interest on each Series O Highway Bond (or portion of a Series O Highway Bond) so called for redemption will cease to accrue on that date.

So long as all Series O Highway Bonds are held under a book-entry system by a securities depository (such as DTC), call notice is sent by the Bond Registrar only to the depository or its nominee. Selection of book-entry interests in the Series O Highway Bonds called, and giving notice of the call to the owners of those interests called, is the sole responsibility of the depository and of its Direct and Indirect Participants. Any failure of the depository to advise any participant, or of any participant or any Indirect Participant to notify the book entry interest owners, of any such notice and in its content or effect will not affect the validity of any proceedings for the redemption of any Series O Highway Bonds or portions of Series O Highway Bonds. See **Book-Entry Method**.

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 Highway Bonds. The 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 Highway Bonds. Those fully registered 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 Highway Bonds – see **CONTINUING DISCLOSURE AGREEMENT**), DTC will be and will be considered by the Treasurer to be the owner or Holder of the Highway Bonds.

Owners of book-entry interests in the Highway Bonds will neither receive nor have the right to receive physical delivery of bond certificates for the Highway Bonds and will not be or be considered to be, and will not have any rights as, Holders of 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 Highway Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Highway Bonds on DTC's records. The ownership interest of each actual purchaser of each 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 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 Highway Bonds, except in the event that use of the book-entry system for the Highway Bonds is discontinued. See **Revision of Book Entry System; Replacement Highway Bonds** below.

To facilitate subsequent transfers, all 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 Highway Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 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 Highway Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Highway Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Highway Bonds may wish to ascertain that the nominee holding the 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 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 Highway Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments on the 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 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 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 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 Highway Bonds

The Bond Orders provide for the issuance of fully registered Highway Bond certificates ("Replacement Highway Bonds") directly to Holders of Highway Bonds other than DTC in the event that DTC determines not to continue to act as depository for the Highway Bonds or the Treasurer determines to exit the 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 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 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 Highway Bonds will be exchangeable for Replacement Highway Bonds of authorized denominations, and transferable, at the principal office of the Bond Registrar without charge (except taxes or governmental fees).

PURPOSE AND APPLICATION OF PROCEEDS AND PLAN OF REFUNDING

Series N and Series O Highway Bonds

The Series N Highway Bonds and the Series O Highway Bonds are to be issued for the purpose of (i) paying the cost of highway capital improvement projects, and (ii) paying certain costs of issuance of the Series N and Series O Highway Bonds.

The Series N and Series O Bond Orders provide that the proceeds from the sale of the Series N and Series O Highway Bonds shall be allocated as follows:

(a) A portion of the proceeds of the Series N and Series O Bonds to their respective Cost of Issuance Funds;

(b) A portion of the proceeds of the Series N Bonds representing premium to the Bond Service Fund; and

(c) The balance of the proceeds of both the Series N and Series O Bonds to the Highway Capital Improvement Fund.

Series P Highway Bonds

The Series P Highway Bonds are to be issued for the purpose of (i) refunding certain bonds previously issued for the purpose of paying the cost of highway capital improvement projects, and (ii) paying certain costs of issuance of the Series P Highway Bonds.

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

(a) A portion of the proceeds to the Cost of Issuance Fund; and

(b) The balance of the proceeds to the Escrow Fund.

Refunded Bonds

The following outstanding General Obligation Highway Capital Improvements Bonds (the "Refunded Bonds") are being refunded using the proceeds of the Series P Highway Bonds:

Series	**Dated Date**	**Bonds Maturing in the years**	**Interest Rate**	**Earliest Permitted Redemption Date**	**Redemption Price**
Series H	March 4, 2004	2013	3.30%	May 1, 2012	100.00%
Series H	March 4, 2004	2013	5.00	May 1, 2012	101.75
Series H	March 4, 2004	2014	3.45	May 1, 2012	100.00
Series H	March 4, 2004	2014	5.00	May 1, 2012	103.00

Defeasance Obligations and Mathematical Verification

On the date of delivery of the Series P Highway Bonds, proceeds of the Series P Highway Bonds will be used to purchase non-callable direct obligations of the United States of America (the "Defeasance Obligations") to be held in trust by The Bank of New York Mellon Trust Company, N.A. (the Treasurer's agent for the purpose) to provide for payment of principal of and interest on the Refunded Bonds until the redemption date. The arithmetical accuracy of certain computations included in the schedules provided by or on behalf of the Treasurer relating to (a) computation of anticipated receipts of principal of and interest on the Defeasance Obligations to pay the regularly scheduled debt service on the Refunded Bonds until the redemption date and to redeem the Refunded Bonds on the redemption date, and (b) computation of yields on the Series P Highway Bonds, will be verified by The Arbitrage Group, Inc. Such computations are based solely upon assumptions and information supplied by or on behalf of the Treasurer. The Arbitrage Group, Inc. has restricted its procedures to verifying the arithmetical accuracy of certain computations and has not made any study or evolution of the assumptions and information upon which the computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of assumptions, or the achievability of future events.

Upon the purchase and deposit of the Defeasance Obligations and receipt of the verification described above, the Refunded Bonds will be deemed to have been paid and discharged and no longer outstanding.

Sources and Uses of Funds

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

	Series N Bonds	Series O Bonds
Sources of Funds:		
Par Amount of Series N and O Highway Bonds	$29,825,000.00	$145,175,000.00
Net Original Issue Premium (Discount)	1,488,441.70	0.00
Total Sources of Funds	$31,313,441.70	$145,175,000.00
Uses of Funds:		
Deposit to Highway Capital Improvement Fund	$30,804,221.67	$144,195,778.33
Deposit to Bond Service Fund	348,764.56	0.00
Costs of Issuance*	160,455.47	979,221.67
Total Uses of Funds	$31,313,441.70	$145,175,000.00

*Includes Underwriters' discount, financial advisor fees, certain legal fees, printing costs and other costs of issuance of the Series N and Series O Highway Bonds.

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

	Series P Bonds
Sources of Funds:	
Par Amount of Series P Highway Bonds	$32,610,000.00
Net Original Issue Premium (Discount)	3,221,406.20
Total Sources of Funds	$35,831,406.20
Uses of Funds:	
Cash Deposit to Escrow Fund	$778,013.24
SLGS Purchases	34,859,131.00
Costs of Issuance*	194,261.96
Total Uses of Funds	$35,831,406.20

*Includes Underwriters' discount, financial advisor fees, certain legal fees, fees of the verification agent, printing costs and other costs of issuance of the Series P Highway Bonds.

THE BONDS GENERALLY

Constitutional and Statutory Authorization

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 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 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 N, Series O and Series P 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"). See **PURPOSE AND APPLICATION OF PROCEEDS**. The Highway Capital Improvement Fund, and the moneys in it, are not pledged to the payment of Bond Service Charges on the 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 $352,000,000 in the 2010-2011 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 $2,772,000,000 of Highway Obligations, of which, excluding the Series N, Series O and Series P Highway Bonds, $2,115,000,000 has heretofore been issued and $709,500,000 is outstanding, leaving a remaining statutory authorization of $657,000,000 (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 the Series N and Series O Highway Bonds must be issued in an aggregate principal amount of approximately $175,000,000 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 Orders, the Treasurer has authorized the issuance of the Series N and Series O Highway Bonds in the aggregate principal amount of $175,000,000 for the purpose of making a deposit in the Highway Capital Improvement Fund. Upon issuance of the Series N, Series O and Series P Highway Bonds, $852,500,000 of Highway Obligations will be outstanding.

The Highway Capital Improvements Program

The proceeds of the 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 N Highway Bonds, the Series O Highway Bonds and the Series P Highway Bonds are the fourteenth, fifteenth and sixteenth Series, respectively, of Highway Obligations pursuant to Section 2m of Article VIII, Ohio Constitution. After the issuance of the Highway Bonds, $2,290,000,000 of new money 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.

Sources of Payment

The 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 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 Cost of Issuance Fund (see **PURPOSE AND APPLICATION OF PROCEEDS**), 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 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.

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History of Highway User Receipts and Debt Service Coverage. 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 Highway Bonds and the Highway Obligations previously issued and applies historical and current program debt service against available Highway User Receipts to derive coverage ratios for State Fiscal Years 2001 through and including 2010.

Fiscal Year	Highway User Receipts Available for Debt Service Requirements*	Total Fiscal Year Debt Service***	Coverage Ratio
2001	$1,985,599,456	$165,354,594	12.01
2002	2,046,550,862	190,872,288	10.72
2003	2,123,591,241	184,453,546	11.51
2004	2,326,188,095	184,970,821	12.58
2005	2,483,833,507	178,797,263	13.89
2006	2,669,145,764	181,073,874	14.74
2007	2,576,989,814**	198,718,747	12.97
2008	2,703,698,759	205,977,409	13.13
2009	2,576,368,324**	197,451,814	13.05
2010	2,585,478,680	170,263,970	15.19

Source: State of Ohio

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

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

*** Excludes debt service on the Series N, Series O and Series P Highway Bonds. Debt service presented is gross, without taking into account any Direct Payments received on Build America Bonds.

Based on the most recent annual data (FY2010), approximately 69% of Highway User Receipts are generated by Motor Fuel and Use Taxes while the remaining 31% 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). Payment of debt service on those special obligations is subject to biennial appropriation by the General Assembly. Annual debt service payments on those special obligations are appropriated and paid from Highway User Receipts remaining *after* the payment of Bond Service Charges on the Highway Obligations, including, but not limited to the 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 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 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.

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Bond Debt Service Requirements

The following table sets forth the annual debt requirements for the Series N, Series O and Series P Highway Bonds along with outstanding program debt service as of the date of this Official Statement and Total Program Debt Service upon sale of the Series N, Series O and Series P Highway Bonds.

	Series N Highway Bonds Debt Service			Series O Highway Bonds Debt Service*			Series P Highway Bonds Debt Service				
Fiscal Year	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Total Debt Service On Outstanding Highway Bonds*	Total Highway Bonds Debt Service*
2011	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 700,000.00	$ 773,603.06	$ 1,473,603.06	$147,835,977.00	$149,309,580.06
2012	8,270,000.00	1,369,464.58	9,639,464.58	0.00	7,213,969.80	7,213,969.80	0.00	1,444,100.00	1,444,100.00	122,561,758.26	140,859,292.64
2013	10,620,000.00	646,650.00	11,266,650.00	0.00	4,713,301.50	4,713,301.50	15,995,000.00	1,444,100.00	17,439,100.00	102,033,001.76	135,452,052.26
2014	10,935,000.00	328,050.00	11,263,050.00	0.00	4,713,301.50	4,713,301.50	15,915,000.00	737,450.00	16,652,450.00	84,846,183.26	117,474,984.76
2015	0.00	0.00	0.00	11,630,000.00	4,713,301.50	16,343,301.50	0.00	0.00	0.00	81,688,650.50	98,031,951.00
2016	0.00	0.00	0.00	28,000,000.00	4,484,190.50	32,484,190.50	0.00	0.00	0.00	44,540,912.00	77,025,102.50
2017	0.00	0.00	0.00	12,225,000.00	3,792,590.50	16,017,590.50	0.00	0.00	0.00	42,940,162.00	58,957,752.50
2018	0.00	0.00	0.00	12,460,000.00	3,436,843.00	15,896,843.00	0.00	0.00	0.00	29,087,687.00	44,984,530.00
2019	0.00	0.00	0.00	12,710,000.00	3,049,337.00	15,759,337.00	0.00	0.00	0.00	28,986,646.10	44,745,983.10
2020	0.00	0.00	0.00	12,990,000.00	2,614,655.00	15,604,655.00	0.00	0.00	0.00	28,667,607.30	44,272,262.30
2021	0.00	0.00	0.00	13,290,000.00	2,154,809.00	15,444,809.00	0.00	0.00	0.00	28,325,433.30	43,770,242.30
2022	0.00	0.00	0.00	13,610,000.00	1,663,079.00	15,273,079.00	0.00	0.00	0.00	27,965,523.60	43,238,601.60
2023	0.00	0.00	0.00	13,950,000.00	1,139,094.00	15,089,094.00	0.00	0.00	0.00	27,587,537.80	42,676,630.80
2024	0.00	0.00	0.00	14,310,000.00	585,279.00	14,895,279.00	0.00	0.00	0.00	27,185,573.80	42,080,851.80
2025	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	26,760,720.00	26,760,720.00
Total	$29,825,000.00	$2,344,164.58	$32,169,164.58	$145,175,000.00	$44,273,751.30	$189,448,751.30	$32,610,000.00	$4,399,253.06	$37,009,253.06	$851,013,368.68	$1,109,640,537.62

* Does not reflect any Direct Payments received on Build America Bonds as provided in Section 6431 of the Code.

Defeasance

The Highway Bonds will be deemed to have been paid or caused to be paid (including particular Highway Bonds being refunded) and no longer deemed outstanding if there is held in trust, by the Bond Register or the Bond Register's agent, for and irrevocably committed to the purpose either or a combination of the following: moneys or direct obligations of the United States, verified by an independent public accounting firm of national reputation (or equivalent expert) to be of such maturities and interest payment dates and to bear such interest or other investment income as will be, without further investment or reinvestment of either the principal or the investment earnings (likewise to be held in trust and committed, except as described below) sufficient for the payment at and to maturity of all applicable Debt Service.

Any moneys held in cash may be invested only in direct obligations of the United States, the maturities or redemption (at the holder's option) dates of which will coincide as nearly as practicable with, but will not be later than, the times at which those moneys will be required for those payment purposes.

Any income or interest earned by, or increment to, those investments, to the extent not required for those payment purposes, may be transferred to the applicable bond service fund or the State's General Revenue Fund.

TAX MATTERS FOR TAX-EXEMPT BONDS

In the opinion of Climaco, Wilcox, Peca, Tarantino & Garofoli Co., L.P.A., Bond Counsel, under existing law, (i) interest on the Series N and Series P Highway Bonds (collectively referred to herein as the "Tax-Exempt Bonds") is excluded from gross income for federal income tax purposes under Section 103(a) of the Code, 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, and (ii) interest on the Tax-Exempt Bonds, the transfer thereof, and any profit made on the sale, exchange, transfer, or other disposition on the Tax-Exempt Bonds are exempt from the Ohio personal income tax, the Ohio commercial activity tax, the Ohio corporate franchise tax (to the extent calculated on the net income basis), and income taxes imposed by municipalities, school districts and joint economic development districts in Ohio.

Bond Counsel will express no opinions as to any other tax consequences regarding the Tax-Exempt Bonds.

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

The Code prescribes a number of qualifications and conditions for the interest on state and local government obligations to be and remain excluded from gross income for federal income tax purposes, some of which require future or continued compliance after issuance of the obligations. Noncompliance with these requirements may cause the interest on the Tax-Exempt Bonds to be included in gross income for federal income tax purposes retroactively to the date of their issuance. The Treasurer has covenanted to take such actions required for the interest on the Tax-Exempt Bonds to be and to remain excludable from gross income for federal income tax purposes, and not to take any actions which would adversely affect that exclusion.

Under the Code, interest on the Tax-Exempt Bonds may be subject to certain federal taxes imposed on certain corporations, including the corporate alternative minimum tax on a portion of the interest, and interest on the Tax-Exempt Bonds may be subject to a branch profits tax imposed on certain foreign corporations doing business in the United States of America and 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 federal income tax consequences with respect to items of income, deductions, or credits for certain taxpayers, including among them 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 and other tax consequences will depend upon the particular tax status or other items of income and expenses of the owners of the Tax-Exempt Bonds. Bond Counsel will express no opinions regarding those consequences.

Payments of interest on tax-exempt obligations, including the Tax-Exempt Bonds, are generally subject to IRS Form 1099-INT information reporting requirements. If a Tax-Exempt Bond owner is subject to backup withholding under those requirements, then payments of interest will also be subject to backup withholding. Those requirements do not affect the exclusion of such interest from gross income for federal income tax purposes.

From time to time legislative proposals are pending in Congress or the Ohio legislature that would, if enacted, alter or amend one or more of the federal or state tax matters discussed herein in certain respects or that would adversely affect the market value of the Tax-Exempt Bonds. In addition, federal or state judicial decisions may be rendered, or administrative actions taken by taxing authorities, which could also impact the federal or state tax matters discussed herein or that would adversely affect the market value of the Tax-Exempt Bonds. Neither the form nor enactment of any of such proposals can be predicted, and there can be no assurance that any such proposals or any judicial decisions or administrative actions, will not apply, either retroactively or prospectively, to the Tax-Exempt Bonds.

Prospective purchasers of the Tax-Exempt Bonds should consult their own tax advisors regarding pending or proposed federal and state tax legislation and other court proceedings, and prospective purchasers of the Tax-Exempt Bonds at other than their original issuance at the respective prices on the cover page of this Official Statement relating to the Tax-Exempt Bonds should also consult their own tax advisers regarding other tax considerations such as the consequences of market discount, as to all of which Bond Counsel expresses no opinions.

Original Issue Premium

All of the Tax-Exempt Bonds were sold at a price in excess of their stated redemption price at maturity ("Premium Tax-Exempt Bonds"). That excess constitutes "bond premium". For federal income tax purposes, bond premium is amortized over the period to maturity of a Premium Tax-Exempt Bond, based on the yield to maturity of that Premium Tax-Exempt Bond, compounded semiannually. No portion of that bond premium is deductible by the owner of a Premium Tax-Exempt Bond. For purposes of determining the owner's gain or loss on the sale, redemption (including redemption at maturity) or other disposition of a Premium Tax-Exempt Bond, the owner's tax basis in the Premium Tax-Exempt Bonds is reduced by the amount of bond premium that accrues during the period of ownership. As a result, an owner may realize taxable gain for federal income tax purposes from the sale or other disposition of a Premium Tax-Exempt Bond for an amount equal to or less than the amount paid by that owner for that Premium Tax-Exempt Bond. A purchaser of a Premium Tax-Exempt Bond at its issue price in the initial offering who holds that Premium Tax-Exempt Bond to maturity will realize no gain or loss upon the retirement of that Premium Tax-Exempt Bond.

Owners of Premium Tax-Exempt Bonds (or book entry interests in them) should consult their own tax advisers as to the determination for federal income tax purposes of the bond premium properly accruable in any period with respect to the Premium Tax-Exempt Bonds and as to other federal tax consequences and the treatment of bond premium for purposes of state and local taxes on (or based on) income.

TAX MATTERS FOR TAXABLE BONDS

In the opinion of Climaco, Wilcox, Peca, Tarantino & Garofoli Co., L.P.A., Bond Counsel, under existing law, interest on the Series O Highway Bonds (referred to herein as the "Taxable Bonds"), the transfer thereof, and any profit made on the sale, exchange, transfer or other disposition on the Taxable Bonds are exempt from the Ohio personal income tax, the Ohio commercial activity tax, the Ohio corporate franchise tax (to the extent calculated on the net income basis), and income taxes imposed by municipalities, school districts and joint economic development districts in Ohio. Opinions to those effects will be included in the legal opinion. Bond Counsel will express no opinions as to any other tax consequences regarding the Taxable Bonds. INTEREST ON THE TAXABLE BONDS IS NOT EXCLUDED FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES. OWNERS OF THE TAXABLE BONDS SHOULD CONSULT WITH THEIR OWN TAX ADVISORS AS TO THE FEDERAL, STATE AND LOCAL, AND FOREIGN TAX CONSEQUENCES OF THEIR ACQUISITION, OWNERSHIP AND DISPOSITION OF THE TAXABLE BONDS. The owners of the Taxable Bonds are not entitled to a tax credit as a result of ownership of the Taxable Bonds. The legal defeasance of the Taxable Bonds (if undertaken by the Treasurer) may result in a deemed sale or exchange of the Taxable Bonds under certain circumstances; owners of the Taxable Bonds should consult their tax advisors as to the federal income tax consequences of such an event.

Backup Withholding

General information reporting requirements will apply to payments of principal and interest made on a Taxable Bond and the proceeds of the sale of a Taxable Bond to non-corporate holders of the Taxable Bonds, and "backup withholding" at a rate of 28% will apply to such payments if the owner fails to provide an accurate taxpayer identification number in the manner required or fails to report all interest required to be shown on its federal income tax returns. A beneficial owner of a Taxable Bond that is a U.S. owner can obtain complete exemption from backup withholding by providing a properly completed IRS Form W-9 (Request for Taxpayer Identification Number and Certification).

Nonresident Owners

Under the Code, interest and Original Issue Discount ("OID") on any Taxable Bond whose beneficial owner is a nonresident alien, foreign corporation or other non-United States person (Nonresident) are generally not subject to United States income tax or withholding tax (including backup withholding) if the Nonresident provides the payor of interest on the Taxable Bonds with an appropriate statement as to its status as a Nonresident. This statement can be made on IRS Form W-8BEN or a successor form. If, however, the Nonresident conducts a trade or business in the United States and the interest or OID on the Taxable Bonds held by the Nonresident is effectively connected with such trade or business, that interest or OID will be subject to United States income tax but will generally not be subject to United States withholding tax (including backup withholding).

Circular 230

THE FOREGOING DISCUSSION OF TAX MATTERS FOR TAXABLE BONDS WAS NOT INTENDED OR WRITTEN BY BOND COUNSEL TO BE USED, AND IT CANNOT BE USED, FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON AN OWNER OF THE TAXABLE BONDS. THE FOREGOING DISCUSSION OF TAX MATTERS FOR TAXABLE BONDS WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TAXABLE BONDS. EACH PROSPECTIVE OWNER OF THE TAXABLE BONDS SHOULD SEEK ADVICE BASED ON THE PROSPECTIVE OWNER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

LITIGATION

There is no litigation pending contesting the validity of the 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 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 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 Highway Bonds or the security for the 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 Highway Bonds or the security for the Highway Bonds.

LEGAL OPINIONS

Legal matters incident to the issuance of the Highway Bonds and with regard to their tax-exempt status (see **TAX MATTERS FOR TAX-EXEMPT BONDS** and **TAX MATTERS FOR TAXABLE BONDS**) are subject to the legal opinions of Climaco, Wilcox, Peca, Tarantino & Garofoli Co., L.P.A., 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 Highway Bonds will be delivered to the Underwriters at the time of that original delivery.

The proposed text of the legal opinions for the Series N, Series O and Series P Highway Bonds is included as **EXHIBIT A**, **EXHIBIT B** and **EXHIBIT C**, respectively, 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.

Certain legal matters will be passed upon for the Underwriters by their counsel, Squire, Sanders & Dempsey L.L.P. and Forbes, Fields & Associates Co, L.P.A.

RATINGS

The Highway Bonds have been rated AAA by Standard & Poor's Ratings Services ("Standard & Poor's"), AA+ by Fitch Ratings ("Fitch") and Aa1 by Moody's Investors Service ("Moody's").

The ratings in effect from time to time reflect only the views of the rating organization. The explanation of its views of its rating's meaning and significance may be obtained from the respective rating agency. The State furnished to each rating agency certain information and materials relating to the Highway Bonds, the State and the Treasurer, some of which may not be included in this Official Statement. Generally, rating agencies base their ratings on that information and materials, and on their own investigations, studies, and assumptions.

The respective ratings assigned to the Highway Bonds by Moody's and Fitch reflect those agencies' recent recalibrations of their municipal rating scales. According to those rating agencies, their recalibrations are to provide a greater degree of comparability of ratings among all issuers and obligations rated by each agency. Moody's and Fitch have each announced that market participants should not view their recalibrations of municipal ratings as rating upgrades or as an improvement in the credit quality of the underlying securities, but rather as recalibrations of their ratings to different rating scales, denoting a comparable level of credit risk as ratings for other sectors. Further information regarding the recalibrations may be obtained directly from Moody's or Fitch.

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 by a rating agency if in its judgment circumstances so warrant. Any downward change in or withdrawal of a rating, or change in rating outlook or other actions of a rating agency, may have an adverse effect on the marketability and market price of the Highway Bonds.

Standard & Poor's maintains a stable rating outlook associated with the Highway Bonds. On August 24, 2009, Moody's revised to negative from stable its rating outlook associated with its general obligation credit rating of the State. On June 10, 2009, Fitch revised to stable from negative its credit outlook associated with its general obligation credit rating of the State. The ratings outlooks in effect from time to time reflect only the views of the particular rating organization. An explanation of its view of the meaning and significance of its rating outlook may be obtained from the respective rating agency.

FINANCIAL ADVISOR

The Treasurer has retained Scott Balice Strategies LLC (the "Financial Advisor") in connection with the preparation of the State's issuance of the 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

Rice Financial Products Company, as representative of the Underwriters, has agreed in the Bond Purchase Agreement, subject to certain conditions, to purchase the Highway Bonds from the State at the following price:

The Series N Highway Bonds at a price of $31,192,129.41 (consisting of the par amount thereof, plus net premium of $1,488,441.70, less underwriting discount of $121,312.29).

The Series O Highway Bonds at a price of $144,386,310.15 (consisting of the par amount thereof, less underwriting discount of $788,689.85).

The Series P Highway Bonds at a price of $35,689,933.76 (consisting of the par amount thereof, plus net premium of $3,221,406.20, less underwriting discount of $141,472.44).

The Underwriters are obligated to purchase all the Highway Bonds if any are purchased. The 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.

J.P. Morgan Securities LLC ("JPMS"), one of the Underwriters of the Highway Bonds, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of UBS Financial Services Inc. ("UBSFS") and Charles Schwab & Co., Inc. ("CS&Co.") for the retail distribution of certain securities offerings, including the Highway Bonds, at the original issue prices. Pursuant to each Dealer Agreement (if applicable to this transaction), each of UBSFS and CS&Co. will purchase Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that such firm sells.

TRANSCRIPT AND CLOSING CERTIFICATES

A complete transcript of proceedings and no-litigation certificate (as described above) will be delivered by the Treasurer when 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 State, acting by and through the Treasurer and Director of OBM, 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 the Municipal Securities Rulemaking Board ("MSRB"), through MSRB's Electronic Municipal Market Access System ("EMMA"):

- Annual Information for each State Fiscal Year (beginning with Fiscal Year 2011) 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 HIGHWAY BONDS – History of Highway User Receipts and Debt Service Coverage** and in **APPENDIX A** of this Official Statement under the captions **FISCAL MATTERS, STATE DEBT, STATE EMPLOYEES AND RETIREMENT SYSTEMS** 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 EMMA, 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 Continuing Disclosure Agreement may be amended, and the State may obtain a 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 OBM shall have received either:

- A written opinion of bond or other qualified independent special counsel selected by OBM 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 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 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 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.

OBM 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 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 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.

CONCLUDING STATEMENT

All quotations in this Official Statement from, and summaries and explanations of, the Ohio Constitution, the Ohio Revised Code, the Bond Orders 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 Orders and any other documents or laws for complete statements of their provisions. Copies of the Bond Orders are available upon request from the Office of Debt Management, 30 East Broad Street, 9th Floor, Columbus, Ohio 43215-3461 (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 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: October 5, 2010

By: /s/ Kevin L. Boyce
Treasurer of State, State of Ohio

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APPENDIX A

INFORMATION CONCERNING THE STATE OF OHIO

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Appendix A

INFORMATION CONCERNING THE STATE OF OHIO

The following discusses certain matters relating to State finances, debt, economy and employment, population, 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 (e.g., the current fiscal biennium began July 1, 2009 and ends June 30, 2011). 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 2010-11 biennial appropriations.

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

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

Under State law, the Governor is generally required to submit the Executive Budget to the General Assembly in February of each odd-numbered year. Appropriations legislation reflecting that Executive Budget is then introduced for committee hearings and review in first the House and then the Senate, with that appropriations legislation as approved by the General Assembly then presented to the Governor for his approval (with possible line item vetoes). The biennial appropriations Act for the current 2010-2011 biennium created a six member (three from each of the House and Senate) Budget Planning and Management Commission (BPMC) to "study and make recommendations that are designed to provide relief to the state during the current difficult fiscal and economic period". That Commission commenced meeting in June 2010 with its written report to be submitted not later than November 30. In a June 29, 2010 presentation to the BPMC, the non-partisan Ohio Legislative Service Commission (LSC) included information prepared by OBM in August 2009 identifying approximately $4.887 billion of "non-recurring" revenues reflected in the 2010-11 GRF budget as initially enacted by the General Assembly. That presentation to the BPMC also included an LSC estimate of approximately $8.339 billion of "non-recurring" revenues for 2010-11 for all GRF and non-GRF Funds, including the effect of the postponement, approved on December 22, 2009, of the final installment of the personal income tax reduction (see **Recent and Current Finances – Current Biennium).** The Commission has also solicited and is receiving suggestions for reducing expenditures in the next biennium.

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, 2010 with a GRF fund balance of $139.1 million. The State has a "rainy day" fund – the Budget Stabilization Fund (BSF) – which under current law and until used may carry a balance of up to 5% of the GRF revenue for the preceding Fiscal Year. The current BSF balance is $-0-. See **Recent and Current Finances – 2008-2009** for discussion of the use of the entire BSF balance in Fiscal Year 2009.

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 implemented this directive in the 2008-09 biennium as had been done several times in prior fiscal years.

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

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

The Constitution directs or restricts the use of certain revenues. Highway fees and excises, including gasoline taxes, are limited in use to highway-related purposes. Not less than 50% of the receipts from State income taxes 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, appointed by the Governor, certifies the availability of unencumbered appropriations as a condition of contract validity. OBM fiscal functions include the development and oversight of operating and capital budgets as well as the review, processing, and reporting of financial transactions for most state departments and agencies (excluding, among others, higher education institutions). The OBM Director's certification is required for all expenditure vouchers before OBM may issue State warrants. Upon certification, OBM updates its accounting records to reflect the level of vouchered expenditures. The Treasurer of State maintains the cash and investments that comprise the State treasury, and invests State funds. The Treasurer redeems the warrants issued by OBM when presented for payment by financial institutions and monitors the amounts and the timing of payments to determine the State's cash flow position for investment purposes.

State financial reporting practices have been and are in accordance with generally accepted accounting principles (GAAP basis). Each Comprehensive Annual Financial Report (CAFR) includes the State's Basic Financial Statements (BFS) for that Fiscal Year as examined by the Auditor of State. The State has delivered the CAFR for Fiscal Year 2009 to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system and to the Ohio State Information Depository. The most recent CAFRs are accessible via OBM's home page on the Internet at http://obm.ohio.gov/Archives/FinancialReporting.aspx, and copies may be obtained by contacting OBM, 30 E. Broad Street, 34th Floor, Columbus, Ohio 43215, phone (614) 466-4034. The 2006 and 2007 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.

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 2010-11 biennial appropriations.

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Recent Receipts and Disbursements

The following summary statements, prepared by OBM and based on its records, include (i) governmental and proprietary appropriated funds, cash receipts and cash disbursements, and (ii) GRF cash basis activity.

The governmental and proprietary appropriated funds encompass the General Fund (which includes the GRF and BSF), as well as special revenue, debt service, capital projects, and enterprise fund types, all as defined and included in each BFS.

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

Cash Receipts

SOURCE OF RECEIPTS	Fiscal Year				
	2006	2007	2008	2009	2010
Taxes:					
Personal Income(a)	$9,623.2	$9,722.9	$9,848.2	$8,322.2	$7,886.8
Sales and Use(b)	7,689.0	7,747.4	7,866.3	7,325.8	7,254.3
Corporate Franchise(c)	1,105.9	1,125.7	754.6	521.4	142.3
Commercial Activity Tax(d)	273.4	594.9	961.4	1,179.1	1,342.1
Gasoline	1,792.5	1,719.8	1,848.4	1,726.7	1,727.2
Public Utilities and Kilowatt Hour	813.5	800.3	801.1	799.9	721.5
Cigarette(e)	1,084.1	986.3	950.9	924.8	886.9
Foreign Insurance	269.0	278.0	284.6	265.0	266.4
Highway Use	54.9	47.6	41.3	30.5	29.4
Estate	54.1	72.1	61.4	64.4	55.0
Alcoholic Beverages	58.4	57.2	57.7	58.0	57.1
Liquor Gallonage	33.4	34.3	35.0	35.8	36.5
Domestic Insurance Franchise	170.4	169.6	159.3	160.1	166.5
Other	61.6	60.8	80.6	84.0	83.9
Total Taxes	23,083.4	23,416.9	23,750.8	21,497.7	20,655.9
Licenses, Permits and Fees	2,252.7	2,403.8	2,524.7	2,592.4	3,076.2
Sales, Services and Charges	2,025.7	1,697.5	1,771.7	1,921.2	1,758.2
Federal Government (including ARRA)	15,405.8	15,432.7	15,951.9	18,040.4	21,104.5
Other(f)...	3,879.8	4,080.3	3,962.4	3,604.1	3,328.4
Proceeds from Sale of Bonds and Notes(g)	1,461.0	1,496.7	5,782.4	966.1	1,015.2
Total Cash Receipts	$48,108.4	$48,527.9	$53,743.9	$48,621.8	$50,938.6

(a) Beginning in calendar year 2005 the personal income tax rate was being reduced by 21% (4.2% per year over five years, with the last reduction delayed from tax year 2009 to tax year 2011 as described in FISCAL MATTERS – Recent and Current Finances – Current Biennium).
(b) Reflects a sales and use tax rate of 5.5%.
(c) Beginning in calendar year 2006, except for financial institutions, the State corporate franchise tax rate was phased out at a rate of 20% per year over five years.
(d) See TAX LEVELS AND TAX BASES for a discussion of the commercial activity tax on gross receipts from doing business in Ohio – commenced in Fiscal Year 2006 at the initial rate of 0.06% and increased each year until reaching a rate of 0.26% in Fiscal Year 2010.
(e) Reflects a per-pack tax of $1.25 in Fiscal Years 2006 and thereafter.
(f) Includes investment income and tobacco settlement receipts.
(g) In Fiscal Year 2008, includes $5.05 billion in proceeds resulting from the securitization of tobacco settlement receipts.

Cash Disbursements

FUND TYPE	2006	2007	2008	2009	2010
General Fund:					
General Revenue Fund	$24,866.3	$25,147.5	$25,725.0	$26,783.4	$24,141.4
General Services Fund(h)	1,720.2	1,288.8	1,316.8	1,442.9	1,331.2
Special Revenue Fund(i)	17,755.4	19,114.2	19,559.8	21,144.2	24,597.1
Capital Projects Fund(j)	361.2	346.4	510.0	514.6	472.9
Debt Service Fund(k)	704.2	819.5	867.6	819.3	578.2
Enterprise Fund	1,708.0	1,257.8	1,238.1	1,459.4	1,208.1
Total Cash Disbursements	$47,115.3	$47,974.2	$49,218.0	$52,163.8	$52,328.9

(h) Includes the Internal Service Fund.
(i) Includes local government support disbursements.
(j) Includes amounts disbursed from proceeds of general obligation bonds and 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 Millions)

	Fiscal Year 2006	2007	2008	2009	2010
Beginning Cash Balance	$1,209.2	$1,528.8	$1,432.9	$1,682.0	$734.5
Cash Receipts:					
Taxes:					
Personal Income(a)	8,786.4	8,885.3	9,114.7	7,628.0	7,247.2
Sales and Use(b)	7,368.2	7,424.5	7,614.1	7,112.8	7,077.4
Corporate Franchise(c)	1,054.9	1,076.5	753.5	520.8	141.8
Commercial Activity Tax(d)	185.1	0.0	0.0	0.0	0.0
Public Utilities and Kilowatt Hour	501.5	487.2	388.9	320.5	293.0
Cigarette	1,084.1	986.3	950.9	924.8	886.9
Foreign Insurance	248.8	256.2	267.3	249.2	250.8
Other	334.4	353.0	330.1	337.6	336.6
Total Taxes	19,563.4	19,469.0	19,419.5	17,093.7	16,233.6
Federal Government (including ARRA)	5,595.2	5,352.5	5,644.0	6,850.7	6,898.8
Licenses, Permits and Fees	3.9	77.7	67.7	65.8	66.2
Investment Income	107.3	176.2	169.6	137.1	28.7
Other(e)	190.7	143.5	123.4	104.4	300.8
Total Cash Receipts	25,530.8	25,218.9	25,424.2	24,251.7	23,528.1
Cash Disbursements:					
Primary, Secondary and Other Education(f)	6,696.7	6,816.9	6,876.9	7,005.0	6,743.4
Higher Education	2,144.0	2,205.7	2,543.6	2,632.6	2,424.1
Public Assistance and Medicaid	10,166.4	10,174.0	10,274.8	11,108.5	9,421.9
Health and Human Services	1,186.9	1,214.9	1,283.6	1,194.6	1,017.0
Justice and Public Protection	1,806.9	1,876.8	2,084.5	2,088.1	1,933.6
Environmental Protection and Natural Resources	83.2	83.4	101.6	89.6	80.3
Transportation	25.7	22.0	22.6	21.4	17.5
General Government	246.9	247.1	357.7	354.4	283.2
Community and Economic Development	112.4	104.3	133.8	146.3	108.3
Tax Relief(g) and Other	1,334.0	1,230.0	1,386.0	1,526.2	1,711.4
Capital Outlay	0.2	0.1	0.1	0.3	0.4
Debt Service(h)	1,063.0	1,172.3	656.5	616.3	400.5
Total Cash Disbursements	24,866.3	25,147.5	25,721.8	26,783.4	24,141.4
Cash Transfers:					
Transfers-in(i)	315.2	559.5	1,235.0	2,432.8	1,422.2
Transfers-out(j)	(660.1)	(726.8)	(688.4)	(848.6)	(1,033.0)
Total Cash Transfers (net)	(344.9)	(167.3)	546.6	1,584.2	389.2
Ending Cash Balance	$1,528.8	$1,432.9	$1,682.0	$734.5	$510.4

(a) Beginning in calendar year 2005 the personal income tax rate was reduced by 21% (4.2% per year over five years, with the last reduction delayed from tax year 2009 to tax year 2011 as described in FISCAL MATTERS – Recent and Current Finances – Current Biennium).

(b) Reflects a sales and use tax rate of 5.5%.

(c) Beginning in calendar year 2006, except for financial institutions, the corporate franchise tax rate was phased out 20% per year over five years.

(d) See TAX LEVELS AND TAX BASES for a discussion of the commercial activity tax (CAT) on gross receipts from doing business in Ohio – commenced in Fiscal Year 2006 at the initial rate of 0.06% and increased each year until reaching a rate of 0.26% in Fiscal Year 2010. CAT receipts were only deposited in the GRF in Fiscal Year 2006 and 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 in 2006 through 2009.

(e) Includes fines and penalties, rental receipts, refunds and certain intrastate transfers including in Fiscal Year 2010 $250.0 million from the Unclaimed Property Trust Fund.

(f) Mainly subsidies to local school districts for primary and secondary education and to colleges and universities for higher education.

(g) State reimbursements to taxing subdivisions for the 12.5% property tax rollback granted to homeowners of real property (10% for commercial and industrial property until 2006), for partial real property homestead tax exemptions for the elderly and handicapped (expanded commencing in July 2007), and for revenue reductions resulting from phase-out of local taxes on tangible personal property.

(h) In Fiscal Years 2006 and 2007, includes debt service on general obligations, lease-rental obligations and certain other State obligations paid from the GRF. Beginning in Fiscal Year 2008, includes only debt service on general obligations with debt service on other obligations reflected in the applicable program area. Reflects the restructuring of certain GRF debt service payments into later biennia resulting in net savings of $52.8 million in Fiscal Year 2009 and $416.8 million in Fiscal Year 2010 (see FISCAL MATTERS – Recent and Current Finances – Current Biennium).

(i) Includes transfers in all fiscal years from the School District Property Tax Replacement Fund and from liquor profits; in Fiscal Years 2008 through 2010 interest earnings on tobacco securitization proceeds totaling $95.8 million, $176.2 million and $61.7 million, respectively; and in Fiscal Year 2009 $1.01 billion from the BSF.

(j) 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 $395.6 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 tends to be reduced during less favorable national economic periods and then increases during more favorable economic periods. The GRF ending fund balance for Fiscal Year 2010 was $139.1 million. Recent biennium-ending GRF balances were:

Biennium	Cash Balance	Fund Balance(a)	Fund Balance less Designated Transfers(b)
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
2008-09	734,526,000	389,103,000	389,103,000

(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 interim and final appropriations acts for the 2010-11 biennium included 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.

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

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 billion and a fund balance of $855.8 million. A transfer of $49.2 million from that balance increased the BSF to $1.002 billion (or 5% of GRF revenue for the preceding Fiscal Year). An additional $610.4 million was transferred to the ITRF.

In the middle of the second year of the biennium, the State enacted supplemental appropriations of $645.3 million to address shortfalls in its Medicaid and disability assistance programs. The State's share of this additional funding was $247.6 million, with $125 million 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 million. 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 $188.2 million. The State ended Fiscal Year 2001 with a GRF fund balance of $219.4 million, 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 million from the BSF and $100 million from the Family Services Stabilization Fund aimed at achieving Fiscal Year and biennium ending positive GRF fund balances, based on then current estimates and projections.

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

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

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

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

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

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

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

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

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

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

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

2004-05

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

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

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

- A one-cent increase in the State sales tax (to six percent) for the biennium (expiring June 30, 2005), projected to generate approximately $1.25 billion in each Fiscal Year.
- Expansion of the sales tax base to include dry-cleaning/laundry services, towing, personal care and other services, and satellite television, projected in the aggregate to produce approximately $69 million annually. On February 12, 2009, an Ohio appeals court overruled a 2007 trial court decision and upheld the inclusion of satellite television in the sales tax base, which produces approximately $36 million annually. The Ohio Supreme Court has accepted jurisdiction over an appeal.
- Moving local telephone companies from the public utility tax base to the corporate franchise and sales tax, projected to produce approximately $29 million 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 million annually.
- Adjustments in the corporate franchise tax through the adoption of the Uniform Division of Income for Tax Purposes Act (UDITPA) for apportionment of business income among states, and an increase in the corporate alternative minimum tax, projected in the aggregate to produce approximately $35 million annually.

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

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

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

2006-07

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

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

- A 21% reduction in State personal income tax rates phased in at 4.2% per year over the 2005 through 2009 tax years. See **FISCAL MATTERS – Recent and Current Finances – Current Biennium** for discussion of postponement of the final installment of this personal income tax reduction until the end of tax year 2010.
- Phased elimination of the State corporate franchise tax at a rate of approximately 20% per year over the 2006 through 2010 tax years (except for its continuing application to financial institutions and certain affiliates of insurance companies and financial institutions).
- Implementation of a new commercial activity tax (CAT) on gross receipts from doing business in Ohio phased in over the 2006 through 2010 fiscal years. In fiscal year 2010, the CAT is being levied at its fully phased-in rate of 0.26% on gross receipts in excess of $1,000,000. (See **Tax Bases and Tax Levels** for a discussion of the use of a portion of the CAT to make compensating payments to school districts and other taxing units in connection with the phase-out of the local tangible personal property tax.) The fully implemented CAT is projected to produce $1.68 billion annually with $139 million of that amount attributable to its application to motor fuels. Litigation filed in March 2008 is currently pending before a trial court challenging the application of the CAT to motor fuels and requesting an order enjoining the collection of that tax and such other relief as the court deems appropriate. On September 17, 2009, the Ohio Supreme Court ruled in litigation initiated in 2006 that food sales for off-premise consumption may be included in the CAT base.
- 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 (excluding appropriations for debt service, tax relief and refunds, and certain appropriations reflecting moneys received from the federal government) and then applies an annual growth factor equal to the greater of 3.5% or the sum of the inflation rates and rate of State population change. Every fourth fiscal year thereafter becomes a new base year. This legislation was enacted as an alternative to a proposed "tax and expenditure limitation" (TEL) amendment to the Ohio Constitution that was withdrawn from the November 2006 general election ballot.

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

2008-09

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

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

Consistent with State law, the Governor's Executive Budget for the 2008-09 biennium was released in March 2007 and introduced in the General Assembly. After extended hearings and review, the GRF appropriations Act for the biennium was passed by the General Assembly and signed (with selective vetoes) by the Governor on June 30, 2007. Reflecting the continued implementation of the restructuring of State taxes commenced in 2006-07, that Act was based upon then estimated total GRF biennial revenues of approximately $53.5 billion (a 3.9% increase over the 2006-07 biennial revenue) and total GRF biennial appropriations of approximately $52.4 billion (a 2.1% increase over the 2006-07 biennial expenditures). Spending increases for major program categories over the 2006-07 actual expenditures were: 2.2% for Medicaid (the Act also included a number of Medicaid reform and cost containment initiatives); 13.2% for higher education; 5.2% for elementary and secondary education; 4.9% for corrections and youth services; and 4.7% for mental health and mental retardation. The Executive Budget 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 $5.53 billion in Tobacco Settlement Asset-Backed Bonds, Series 2007 to fund capital expenditures for higher education ($938 million) and common school ($4.112 billion) purposes over three years in lieu of the State issuing GRF-backed general obligation bonds to fund those capital expenditures. The resulting debt service savings to the GRF 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. 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 health-related purposes, biomedical research and technology transfer, and assistance to the tobacco growing areas in the State.

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

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

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

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

In March 2008, in response to the national economic downturn, the Governor proposed a $1.7 billion economic stimulus plan to stimulate the Ohio economy through investments in logistics and distribution, bio-products and bio-medical research, advanced and renewable energy, local government infrastructure, conservation projects and brownfield revitalization projects. These investments were to be funded primarily through new GRF bond-backed capital appropriations. After extensive hearings and review, the General Assembly in June passed a $1.57 billion economic stimulus package that mirrored the purposes proposed by the Governor and added funding for higher education workforce programs and expanded the State's historic preservation tax credits. The sources of funding for the stimulus plan include, in addition to GRF-backed bonds, $230 million of cash from the Ohio Tobacco Prevention Foundation (this transfer is subject to a pending legal challenge described below under **Current Biennium**), $370 million in GRF operating appropriations to have been made over the next five fiscal years, $184 million in bonds backed by net profit from the State's liquor enterprise, and $200 million in bonds backed by highway user receipts.

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

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

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

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

- Reducing total GRF Medicaid spending by $311.1 million by using cash from non-GRF Medicaid accounts and the corresponding federal share previously planned for use in Fiscal Year 2010.

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

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

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

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

Current Biennium

Consistent with State law, the Governor's Executive Budget for the 2010-11 biennium was released in February 2009 and introduced in the General Assembly. After extended hearings and review, and after passage by the General Assembly and signing by the Governor of three seven-day interim budgets, the 2010-11 biennial appropriations Act was passed by the General Assembly and signed (with selective vetoes) by the Governor on July 17, 2009. All necessary debt service and lease-rental payments related to State obligations for the entire 2010-11 biennium were fully appropriated for the three week interim period and under the final Act. Reflecting the final implementation of the restructuring of State taxes commenced in 2006-07 and a conservative underlying economic forecast, that Act makes total GRF biennial appropriations of approximately $50.5 billion (a 3.8% decrease from the 2008-09 biennial expenditures) based on GRF biennial estimated revenues of approximately $51.1 billion (a 4.2% decrease from the 2008-09 biennial revenues). Appropriations for major program categories compared to 2008-09 actual spending reflect increases of 3.4% for Medicaid (that Act also included a number of Medicaid reform and cost containment initiatives) and 0.7% for corrections and youth services; and decreases of 13.8% for mental health and developmental disabilities, 8.3% for higher education, and 5.15% for elementary and secondary education. That Act also includes the restructuring of $736 million of Fiscal Years 2010 and 2011 general revenue fund debt service into Fiscal Years 2012 through 2025. Both the Executive Budget and the GRF appropriations Act complied with the law discussed above under **2006-07** limiting most GRF appropriations.

Major new sources of revenues reflected in the 2010-11 appropriations Act include:

- $2.4 billion of "Federal Stimulus" funding received under the American Recovery and Reinvestment Act of 2009, including $1.464 billion for elementary and secondary education, $628 million for Federal Medical Assistance Payments, and $326 million for other purposes.
- $933 million in gaming and license revenues ($296 million in Fiscal Year 2010 and $637 million in Fiscal Year 2011) from the Ohio Lottery Commission's implementation of video lottery terminals

(VLTs) at the seven horse racing tracks in the State. OBM estimated the VLTs would result in an approximately $851 million net increase in revenues for the biennium ($285 million in Fiscal Year 2010 and $566 million in Fiscal Year 2011) after taking into account offsetting effects of the VLTs on other lottery revenues. On September 21, 2009, the Ohio Supreme Court ruled that the statutory provisions enacted in the biennial appropriations Act in support of implementation of those VLTs are subject to voter referendum and granted petitioners in that case until December 20, 2009 to submit referendum petitions. Under the referendum provisions of the Ohio Constitution, if referendum petitions are submitted containing at least 241,366 valid signatures (six per cent of the electors of the State) with at least half of those signatures from 44 of the State's 88 counties, those statutory provisions for VLTs will not take effect "unless and until approved by a majority of those [electors] voting upon the same" at an election held on November 2, 2010. After review of the signatures on the timely submitted petitions and supplemental petitions, the Ohio Secretary of State, on March 26, notified the committee for the petitioners those petitions contained a sufficient number of valid signatures and the referendum will be placed on the November 2, 2010 ballot. On June 28, 2010, the committee for the petitioners notified the Ohio Secretary of State that it was withdrawing the ballot issue.

- $259 million from the Ohio Tobacco Use Prevention and Control Foundation Endowment Fund (TUPAC) to be deposited into a special State fund (non-GRF) to be used for various health care initiatives. On August 11, 2009, a trial court ruled in favor of the plaintiffs and ordered these monies must remain in that endowment fund and be used for the purpose of reducing tobacco use. The State immediately appealed this trial court ruling and on December 31, 2009, the Court of Appeals ruled in favor of the State and reversed the trial court's order. Plaintiffs appealed the Court of Appeals decision to the Ohio Supreme Court which was accepted on March 10, 2010. After the case was fully briefed the Supreme Court heard oral arguments on July 6 and the case now awaits its decision.
- $1.036 billion of "one-time" revenues or savings ($640 million in Fiscal Year 2010 and $396 million in Fiscal Year 2011), including $364 million from the spend-down of carry-forward balances (that required temporary suspension of the one-half of one percent ending fund balance requirement for the 2010-11 biennium), $250 million transferred from a cash account at the Ohio School Facilities Commission funds (anticipated to be replaced with bond funding of school facilities in future biennia), $272 million savings from subjecting State employees to a two week unpaid "furlough" during each year of the biennium, $84.3 million from a reduction in State funding to public libraries funding, and $65 million from the transfer to the GRF of interest on the proceeds of the State's 2007 tobacco securitization.
- $530 million from transfers to the GRF of unclaimed funds and from other non-GRF funds.

To the extent these items reflect non-recurring revenues, the budget and general appropriations for the 2012-13 biennium will need to reflect alternative revenue sources or off-setting expenditure reductions **(see Fiscal Matters – General)**.

In response to the above-referenced September 21 decision of the Ohio Supreme Court declaring the VLT provisions in the biennial appropriations Act subject to referendum, the Governor proposed for General Assembly consideration postponing for two years the final installment of the personal income tax reduction currently scheduled to take effect for tax year 2009 (for returns filed in 2010). See **TAX LEVELS AND TAX BASES – Personal Income Tax.** After extended hearings and review, the General Assembly approved, and the Governor signed into law on December 22, 2009, legislation keeping personal income tax rates at 2008 levels through tax year 2010. The Ohio Department of Taxation estimates the postponement will result in $844 million of additional State GRF tax revenues in the current biennium ($418 million in Fiscal Year 2010 and $426 million in Fiscal Year 2011).

The State ended Fiscal Year 2010 with GRF cash and fund balances of $510.4 million and $139.1 million respectively. OBM is currently projecting, and managing expenditures in support of, a positive GRF fund balance at the end of Fiscal Year 2011. As discussed above, the State is effectively precluded by its Constitution from ending a Fiscal Year or a biennium in a "deficit" position. OBM continually monitors and analyzes revenues and expenditures developments (including pending litigation) and 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 at http://obm.ohio.gov/MiscPages/MonthlyFinancialReports/, 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, but that limitation has been suspended for 2010-11 biennium.

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

STATE DEBT

General

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

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

State special obligation debt, the owners or holders of which are not given the right to have excises or taxes levied by the General Assembly to pay principal and interest, is authorized for 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 (DAS) and others, 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 of State 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 $153.9 million in Fiscal Year 2011. 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 maximum of $630 million to be outstanding at any one time, of which not more than $84 million may be issued for eligible advanced energy projects and not more than $100 million may be issued for eligible logistics and distribution projects. The aggregate amount of net liquor profit to be used in any Fiscal Year to pay debt service on these economic development bonds may not exceed $63 million and the current maximum annual debt service is $40.6 million in Fiscal Year 2016. Pursuant to constitutional authority discussed below under **Additional Authorizations**, the State has issued $200 million of bonds for revitalization purposes that are also payable from a separate, subordinate pledge of State net liquor profits. The maximum annual debt service on the revitalization bonds is $18.6 million in Fiscal Year 2012.

Certificates of Participation (COPs). State agencies also have participated in buildings and equipment, information systems and non-highway transportation projects that have local as well as State use and benefit, in connection with which the State has entered into lease-purchase agreements with terms ranging from 7 to 20 years. Certificates of Participation (COPs) have been issued in connection with those agreements that represent fractionalized interests in and are payable from the State's anticipated lease payments. The maximum annual payment from GRF appropriations under those existing agreements is $30.5 million in Fiscal Year 2013 and the total GRF-supported principal amount outstanding is $208.1 million. Payments by the State are subject to biennial appropriations by the General Assembly with the lease terms subject to renewal if appropriations are made. The 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**.

Tax Credits in Support of Other Long Term Obligations. The State has authorized the issuance of fully refundable tax credits in support of the $157,940,000 Ohio Capital Fund (OCF) financing bonds issued in May 2010 by the Columbus-Franklin County Finance Authority. Those tax credits may be claimed by the bond trustee for the purpose of restoring the bond reserve fund for those bonds in the event it is drawn upon and not restored from other sources. Those credits may not be claimed before July 1, 2012 or after June 30, 2036, and the maximum amount of tax credits that may be claimed is $20 million in any fiscal year and $380 million total. Proceeds of the OCF bonds fund investments in venture capital funds to promote investment in seed and early-stage Ohio-based business enterprises.

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Variable Rate Debt and Interest Rate Swaps

The State currently has $669,215,000 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	99,145,000	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	55,295,000	Infrastructure	2004A	Weekly	2/1/2023
4/1/05	157,750,000	Common Schools	2005A/B	Weekly	3/15/2025
6/7/06	168,040,000	Common Schools	2006B/C	Weekly	6/15/2026

As part of its debt management, the State is also party to the following interest rate swap agreements with a total notional amount of $511,985,000:

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	67,000,000	Common Schools 2003D	3.414%	LIBOR[2]	9/14/2007	3/15/2024
Floating-to-Fixed	55,295,000	Infrastructure 2004A	3.510%	LIBOR[2]	3/3/2004	2/1/2023
Floating-to-Fixed	157,750,000	Common Schools 2005A/B	3.750%	LIBOR[3]	3/15/2007	3/15/2025
Floating-to-Fixed	168,040,000	Common Schools 2006B/C	3.202%	LIBOR[2]	6/15/2006	6/15/2026

[1] Securities Industry and Financial Markets Association (SIFMA) weekly variable rate index.
[2] Variable interest rate based on a percentage of one-month London Inter-Bank Offered Rate (LIBOR) plus a fixed increment.
[3] Variable interest rate based on 62% of 10-year LIBOR.

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

Constitutional Limitation on Annual Debt Service

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

The following table presents a summary of current State debt obligations, including the Highway Bonds and the $268,970,000 General Obligation Various Purpose Refunding Bonds, Series 2010 scheduled to close October 8, 2010. The General Assembly has appropriated sufficient moneys to meet debt service requirements for the current biennium (ending June 30, 2011) on all of the obligations included in this and the accompanying tables.

Obligations Payable from the GRF	**Authorized by General Assembly**	**Issued(a)**	**Outstanding(b)**
General Obligations			
Coal Development(c)	$231,000,000	$198,000,000	$24,010,000
Infrastructure(d)	3,000,000,000	2,759,986,136	1,523,489,722(e)
Natural Resources(f)	350,000,000	325,000,000	137,870,000
Common School Facilities(g)	3,870,000,000	3,290,000,000	2,594,545,000(e)
Higher Education Facilities(g)	2,613,000,000	2,000,000,000	1,473,720,000
Conservation(h)	300,000,000	250,000,000	187,410,000
Research & Development(i)	450,000,000	255,700,000	211,845,000
Site Development(j)	150,000,000	75,000,000	63,965,000
Veterans Compensation(k)	200,000,000	50,000,000	50,000,000
		Total:	$6,266,854,722
Special Obligations			
DRC Prison Facilities	$1,943,000,000	$1,799,500,000	$628,105,000
DYS Facilities	304,000,000	282,000,000	150,940,000
DAS Facilities	1,646,000,000	1,613,300,000	707,180,000
Cultural & Sports Facilities	512,000,000	458,690,000	158,715,000
Higher Education Facilities	4,817,590,000	4,817,590,000	198,560,000
Mental Health Facilities	1,517,000,000	1,392,085,000	200,765,000
Parks & Recreation Facilities	418,000,000	378,000,000	128,225,000
		Total:	$2,172,490,000
Obligations Payable from Non-GRF Sources			
Highway User Receipts			
G.O. Highway(l)	$2,772,000,000	$2,290,000,000	$885,110,000
ODOT Facilities	155,800,000	155,800,000	-0-
DPS Facilities	143,000,000	140,285,000	26,515,000
Net Liquor Profits			
Economic Development(m)	n.a.	$506,740,000	$397,515,000
Revitalization Projects(n)	400,000,000	200,000,000	157,210,000
Other			
ODOT Highway Infrastructure(o)	n.a.	$1,577,250,000	$852,645,000
BWC Facilities(p)	214,255,000	214,255,000	62,870,000

(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 in each of the first five fiscal years beginning with Fiscal Year 2008 and not more than $150,000,000 may be issued in each of the five fiscal years thereafter, plus any obligations unissued from previous fiscal years.
(e) Includes adjustable rate bonds.
(f) Not more than $50,000,000 may be issued in any Fiscal Year and not more than $200,000,000 may be outstanding at any time.
(g) Amounts of general obligations authorized for common school and higher education facilities have been 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 – 2008-09.**
(h) Not more than $50,000,000 may be issued in any Fiscal Year and not more than $400,000,000 may be outstanding at any time.
(i) Not more than $1,200,000,000 may be issued and the amount of obligations that may be issued is limited to no more than $450 million total for the period including Fiscal Years 2006 through 2011, no more than $225 million in Fiscal Year 2012 and no more than $175 million in any Fiscal Year thereafter, plus any obligations unissued from previous fiscal years.
(j) 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.
(k) Constitutional authorization is self-implementing and does not require further General Assembly authorization. Not more than $200,000,000 may be issued and no obligations may be issued later than December 31, 2013.
(l) 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.
(m) 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 $630,000,000 may be outstanding at any time.
(n) Net liquor profits are statutorily designated as the source of payment of debt service.
(o) Debt service on these "GARVEE" bonds is paid from federal transportation grants apportioned to the State (Title 23 of the U.S. Code).
(p) Debt service is paid from appropriations from the BWC Administrative Cost Fund.

The following table shows total Fiscal Year debt service on currently outstanding State obligations payable from the GRF, including the $268,970,000 General Obligation Various Purpose Refunding Bonds, Series 2010 scheduled to close October 8, 2010:

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**
2011	$248,849,203	$ 148,479,624	$90,769,786	$195,076,436	$77,578,834	$358,842,787	$401,911,096	$760,753,883
2012	428,803,667	204,476,188	100,839,690	166,507,183	222,083,852	723,261,933	399,448,647	1,122,710,580
2013	434,739,770	196,710,827	98,088,608	134,749,326	201,702,199	695,687,649	370,303,081	1,065,990,730
2014	447,464,985	193,595,590	88,779,002	78,919,098	200,489,681	690,366,268	318,882,088	1,009,248,356
2015	438,346,613	175,717,502	85,999,610	69,513,273	191,379,316	679,848,397	281,107,916	960,956,313
2016	427,246,559	170,153,406	84,948,944	62,376,474	169,409,844	667,273,600	246,861,626	914,135,226
2017	420,547,634	158,881,226	78,163,738	48,407,649	152,007,663	642,490,000	215,517,909	858,007,909
2018	402,229,218	145,769,155	69,381,382	43,458,271	140,990,607	615,125,000	186,703,634	801,828,634
2019	417,962,430	128,716,525	55,034,968	31,370,934	119,825,180	593,305,000	159,605,038	752,910,038
2020	416,787,742	118,346,675	42,156,975	23,212,388	96,238,614	564,130,000	132,612,394	696,742,394
2021	409,851,425	108,838,584	17,679,077	7,917,106	96,200,222	534,095,000	106,391,415	640,486,415
2022	376,305,351	100,608,237	17,565,234	0	86,014,893	498,400,000	82,093,715	580,493,715
2023	310,723,324	92,365,064	17,455,546	0	76,253,380	436,560,000	60,237,314	496,797,314
2024	208,296,449	74,079,924	12,729,919	0	63,678,708	317,685,000	41,100,000	358,785,000
2025	141,359,081	64,443,232	4,962,196	0	53,171,540	238,010,000	25,926,049	263,936,049
2026	89,070,117	62,360,397	0	0	11,173,663	147,440,000	15,164,178	162,604,178
2027	29,702,250	45,333,290	0	0	11,169,246	77,495,000	8,709,786	86,204,786
2028	0	45,113,058	0	0	11,171,714	50,785,000	5,499,773	56,284,773
2029	0	35,389,481	0	0	11,172,243	43,560,000	3,001,725	46,561,725
2030	0	15,948,077	0	0	3,374,937	17,990,000	1,333,014	19,323,014
2031		15,661,341	0	0	0	15,245,000	416,341	15,661,341
						$8,607,595,636	**$3,062,826,736**	**$11,670,422,371**

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

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)
2011	$149,309,580	$13,519,556	$162,829,136	$39,550,467	$16,265,025	$55,815,492	$18,974,395	$153,965,299
2012	140,859,293	9,948,241	150,807,533	42,255,193	18,573,947	60,829,140	18,216,365	134,974,171
2013	135,452,052	2,285,644	137,737,696	42,250,872	18,569,468	60,820,339	17,458,370	130,763,684
2014	117,474,985	2,442,269	119,917,254	42,235,375	18,553,148	60,788,523	15,951,100	126,252,106
2015	98,031,951	2,443,019	100,474,970	42,253,565	18,549,533	60,803,098	0	122,225,456
2016	77,025,103	2,444,219	79,469,321	42,281,402	18,538,359	60,819,761	0	108,407,506
2017	58,957,753	2,440,650	61,398,403	42,277,570	18,517,655	60,795,225	0	83,868,119
2018	44,984,530	2,442,125	47,426,655	42,282,103	18,518,890	60,800,993	0	59,424,732
2019	44,745,983	2,447,500	47,193,483	42,272,745	13,804,423	56,077,168	0	56,891,347
2020	44,272,262	1,565,700	45,837,962	42,275,692	13,777,074	56,052,766	0	54,260,291
2021	43,770,242	1,568,250	45,338,492	42,266,557	13,712,971	55,979,528	0	20,428,043
2022	43,238,602	0	43,238,602	36,875,248	8,963,170	45,838,418	0	0
2023	42,676,631	0	42,676,631	30,677,892	8,894,169	39,572,061	0	0
2024	42,080,852	0	42,080,852	30,502,381	4,523,185	35,025,567	0	0
2025	26,760,720	0	26,760,720	21,584,764	4,439,966	26,024,731	0	0
2026	0	0	0	13,370,407	4,358,895	17,729,302	0	0
2027	0	0	0	9,211,211	0	9,211,211	0	0
2028	0	0	0	9,104,553	0	9,104,553	0	0
2029	0	0	0	9,016,530	0	9,016,530	0	0
2030	0	0	0	5,080,395	0	5,080,395	0	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, including the Highway Bonds and the $268,970,000 General Obligation Various Purpose Refunding Bonds, Series 2010 scheduled to close October 8, 2010:

	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)
2011	$4,033,275,000	$2,156,652,848	$2,058,825,000	$793,765,000	$549,025,000
2015	2,953,865,000	1,415,768,600	1,089,955,000	$395,030,000	414,305,000
2020	1,396,415,000	605,405,000	375,445,000	$176,760,000	211,895,000
2025	114,115,000	195,545,000	42,855,000	-0-	44,495,000

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

Fiscal Year	Principal Amount Outstanding	Outstanding Debt Per Capita	Outstanding Debt as % of Personal Income
1980	$1,991,915,000	$184	1.84%
1990	3,707,054,994	341	1.83
2000	6,308,680,025	555	1.93
2006	8,909,382,567	778	2.28
2007	9,211,911,840	803	2.27
2008	8,631,565,254	749	2.09
2009	8,486,621,212	735	2.08(b)
2010	8,586,655,636	744(a)	2.29(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
2006	1,128,591,711	26,492,277,500	4.26	0.29
2007	1,216,382,190	26,447,718,900	4.60	0.30
2008	1,231,640,023	27,331,442,000	4.51	0.30
2009	1,075,937,540*	26,809,692,000**	4.01	0.26(b)
2010	710,284,236*	24,108,466,000**	2.95	0.17(b)

(a) Based on July 2009 population estimate.
(b) Based on preliminary 2009 personal income data.

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

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

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. The following State capital appropriations and related borrowing authorizations were passed by the General Assembly or authorized by Constitutional amendment for the 2011-12 capital biennium:

General Obligation

- $525,000,000 for capital improvements for elementary and secondary public schools.
- $120,000,000 for local infrastructure projects.
- $30,000,000 for site development.
- $200,000,000 for veteran's compensation (Article VIII, Section 2r Ohio Constitution).

Special Obligation

- $100,000,000 for revitalization purposes.

The following State capital appropriations and related borrowing authorizations were made for the 2009-10 capital biennium:

General Obligation

- $360,000,000 for local infrastructure projects.
- $100,000,000 for third frontier research and development projects.
- $28,000,000 for natural resources facilities.
- $100,000,000 for conservation purposes.
- $66,000,000 for coal development.
- $30,000,000 for site development.

Special Obligation

- $62,000,000 for prisons and local jails.
- $19,000,000 for youth services facilities.
- $48,000,000 for State administrative facilities.
- $42,000,000 for cultural facilities (including both arts and sports facilities).
- $128,000,000 for mental health facilities (including local projects).
- $41,000,000 for parks and recreation facilities.
- $100,000,000 for revitalization purposes.

All of the above additional GRF-supported borrowing authorizations are also reflected in the preceding tables.

Currently applicable constitutional authorizations are:

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

- 2009 – authorizes the issuance of State general obligation debt to provide compensation to persons who have served in active duty in the United States armed forces at any time during the Persian Gulf, Afghanistan, and Iraq conflicts, with those obligations not subject to the 5% direct obligation debt service cap described above. Not more than $200 million may be issued and no obligations may be issued later than December 31, 2013.

- 2008 – authorizes the issuance of State bonds for land conservation and revitalization purposes (including statewide brownfields clean-up). For each of the two purposes, the authorization is for not more than $50 million in principal amount to be issued in any Fiscal Year and not more than $200 million to be outstanding at any time. The bonds for conservation purposes are general obligations, and those for revitalization purposes are special obligations payable from revenues and receipts designated by the General Assembly (currently a portion of the State's net liquor profits). The authorization is in addition to the 2000 constitutional amendment for the same purposes.

- 2005 – authorizes the issuance over ten years of $500 million of State general obligation debt in support of research and development, and $150 million of State general obligation debt for the development of sites for industry, commerce, distribution and research and development, with those obligations not subject to the 5% direct obligation debt service cap described above. Also authorizes an additional $1.35 billion of general obligation debt for government infrastructure as a ten-year extension of the existing local government infrastructure program, with an increase in the annual issuance amount in the last five-years from $120 million to $150 million, which continues to be subject to that 5% debt service cap.

- 2000 – authorizes the issuance of State bonds for land conservation and revitalization purposes (including statewide brownfields clean-up). For each of the two purposes, the amendment authorizes not more than $50 million in principal amount to be issued in any Fiscal Year and not more than $200 million to be outstanding at any time. The bonds for conservation purposes are general obligations, and those for revitalization purposes are special obligations payable from revenues and receipts designated by the General Assembly (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 million to be issued in any Fiscal Year. The highway finance portion authorizes not more than $1.2 billion to be outstanding at any time and not more than $220 million to be issued in any Fiscal Year.
- 1994 – pledges the State's full faith and credit and taxing power to meet certain guarantees under the State's tuition credit program, a program that provides for the purchase of tuition credits which are guaranteed to cover a specified amount when applied to tuition and other eligible higher education costs. Under the amendment, to secure the tuition guarantees, the General Assembly shall appropriate money sufficient to offset any deficiency that occurs in the trust fund, at any time necessary to make payment of the full amount of any tuition payment or refund required by a tuition payment contract.
- 1990 – authorizes greater State and political subdivision participation in the provision of individual and family housing. This supplements the previous constitutionally authorized loans-for-lenders and other housing assistance programs, financed in part with State revenue bonds. The amendment authorizes the General Assembly to provide for State assistance for housing in a variety of ways, including State borrowing for the purpose by the issuance of obligations secured by a pledge of all or such portion of State revenues or receipts as it authorizes (but not by a pledge of the State's full faith and credit).
- 1985 – authorizes the issuance of general obligation debt to finance grants or make or guarantee loans for research and development of coal technology that will encourage the use of Ohio coal. Those grants or loans are available to any individual, association, or corporation doing business in the State or to any educational or scientific institution located in the State. Not more than $100 million may be outstanding at any time.

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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 2008, Ohio's economic output as measured by gross state product (GSP) totaled $471.5 billion, 3.33% of the national GSP and eight largest among the states. The State ranks third within the manufacturing sector as a whole ($84 billion) and third in durable goods ($55 billion). As a percent of Ohio's 2008 GSP, manufacturing was responsible for 17.8%, with 22.5% attributable to the goods-producing sectors and 32.63% to business services sectors, including finance, insurance and real estate. Ohio is the seventh largest exporting state with 2008 merchandise exports totaling $45.5 billion. The State's leading export products are machinery (including electrical machinery) and motor vehicles, which together accounted for 52.4% of that total.

Payroll employment in Ohio, in a diversifying employment base, decreased in 2001 through 2003, increased in 2004 through 2006, and decreased in 2007 through 2009. In recent years, there has been a shift toward the services industry, with manufacturing employment decreasing since its 1969 peak. The "non-manufacturing" sector employs approximately 88% of all non-farm payroll workers in Ohio. The 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*	2009*
Mining & Logging*	21	31	18	13	12
Construction	164	167	193	246	181
Manufacturing	1,410	1,264	1,064	1,021	629
Trade, Transportation & Public Utilities*	998	1,180	968	1,115	968
Information*	n.a.	n.a.	102	107	81
Financial Activities	154	204	253	305	279
Services	568	831	1,160	1,549	1,656
Leisure & Hospitality*	n.a.	n.a.	402	483	478
Government	566	690	722	785	790
TOTAL	3,881	4,367	4,882	5,625	5,074

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

* 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.

Distribution of Nonfarm Payroll Jobs by Industry Type (%)

	1970		1980		1990*		2000*		2009*	
	Ohio	U.S	Ohio	U.S.	Ohio	U.S.	Ohio	U.S.	Ohio	U.S.
Mining & Logging*	**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	**3.6**	4.6
Manufacturing	**36.3**	27.3	**29.0**	22.4	**21.8**	16.2	**18.2**	13.1	**12.4**	9.1
Trade, Transportation & Public Utilities*	**25.7**	27.6	**27.0**	28.2	**19.8**	20.7	**19.8**	19.9	**19.1**	19.1
Information*	n.a.	n.a.	n.a.	n.a.	**2.1**	2.5	**1.9**	2.8	**1.6**	2.1
Financial Activities	**4.0**	5.1	**4.7**	5.7	**5.2**	6.0	**5.4**	5.8	**5.5**	5.9
Services	**14.6**	16.3	**19.0**	19.8	**23.8**	23.8	**27.5**	28.0	**32.6**	31.4
Leisure & Hospitality*	n.a.	n.a.	n.a.	n.a.	**8.2**	8.5	**8.6**	9.0	**9.4**	10.0
Government	**14.6**	17.7	**15.8**	18.0	**14.8**	16.8	**14.0**	15.8	**15.6**	17.2

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%
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	6.6	5.8
2009	10.2	9.3
2010 January	10.8	9.7
February	10.9	9.7
March	11.0	9.7
April	10.9	9.9
May	10.7	9.7
June	10.5	9.5
July	10.3	9.5
August	10.1	9.6

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 2009:

OHIO'S TOP 25 PRIVATE SECTOR EMPLOYERS – 2009

Company	Estimated Employment Headcount	Sector
Wal-Mart Stores, Inc.	51,780	Retail General Merchandiser
Cleveland Clinic Health System	40,000	Health Care
Kroger Company	39,000	Retail Food Stores
Catholic Healthcare Partners	29,650	Health Care
University Hospitals Health System	24,000	Health Care
JPMorgan Chase & Co.	18,500	Financial Services
Giant Eagle, Inc	15,600	Retail Food Stores
Ohio Health	15,000	Health Care
Premier Health Partners	14,350	Health Care
Honda Motor Company	14,000	Motor Vehicles
Meijer, Inc.	14,000	Retail General Merchandiser
PNC Financial Services Group	14,000	Financial Services
Sears Holding Corp	14,000	Retail Department
Procter & Gamble Company	13,800	Soaps and Cosmetics
United Parcel Service, Inc.	13,800	Transportation Air Delivery
Nationwide Mutual Insurance Co.	13,600	Finance, Insurance
Bob Evans Farms, Inc.	13,000	Restaurants
General Electric Company	13,000	Aerospace/Electrical Equipment
Target Corp	12,000	Retail Department
Cincinnati Children's Hospital	11,400	Health Care
ProMedica Health System	10,450	Health Care
Health Aliance of Greater Cincinnati Inc.	10,000	Health Care
TriHealth, Inc	9,900	Health Care
Limited Brands, Inc	9,700	Retail: Clothing
Cedar Fair, LP	9,600	Theme Parks

Boldface indicates headquartered in Ohio.
Source: Ohio Department of Development, Office of Strategic Research, September 2010.

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

* July 2009 Census population estimate is 11,542,645.

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(b)
Cincinnati	1,106,821	1,100,983	1,526,092(c)	1,646,395(c)
Columbus	1,017,847	1,093,316	1,345,450(d)	1,540,157(d)
Dayton	852,531	830,070	951,270(e)	950,558(e)
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(f)
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(f)
Steubenville	96,193	91,564	142,523(g)	132,008(g)

(a) SMSAs in 1970 & 1980, MSAs in 1990 and 2000 (PMSA's for Cleveland, Cincinnati, Akron, and Hamilton-Middletown).
(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 13.9 million acres (of a total land area of 26.4 million acres) in farmland and an estimated 75,000 individual farms, agriculture combined with related agricultural sectors is an important segment of Ohio's economy. Ohio's 2008 crop production value of $5.2 billion represented 2.9% of the U.S. total value. Ohio ranks in the top seven states in the production of chicken eggs, tomatoes, soybeans, apples, and corn. In 2008, Ohio's agricultural sector output (consisting of crops, livestock, poultry and dairy, and services and forestry) totaled $8.8 billion with agricultural exports (primarily soybeans, feed grains and wheat, and their related products) estimated at a value of $2.9 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 eleventh in coal production in 2008.

STATE EMPLOYEES AND RETIREMENT SYSTEMS

State Employees

Since 1985, the number of regular State employees (excluding employees who are not paid by State warrant such as state university employees) has ranged from a high of 68,573 in 1994 to low of 58,538 at the end of 2009. The number of regular State employees at the end of Fiscal Year 2010 was 59,593. The State engages in collective bargaining with six employee unions representing 20 bargaining units, and generally operates under three-year agreements. The State's current collective bargaining agreements expire in April through June 2012.

Retirement Systems

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

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

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

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

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

Under State law, each retirement system's board is required to establish a period of not more than thirty years to amortize its unfunded actuarial accrued pension liability (UAAL). If in any year the period required to amortize that unfunded liability exceeds thirty years, the board must prepare and submit to the ORSC and the applicable committees in the Ohio General Assembly, a plan to reduce that amortization period to not more than thirty years. For the reporting periods in the summary table below, the number of years to fully amortize actuarial accrued liability is thirty years for PERS and SERS, and exceeds thirty years for STRS, OP&F and HPRS. The board of each of the five systems has approved and submitted to ORSC and the applicable Ohio General Assembly committees a plan to reduce or maintain its amortization period at not more than thirty years. An ORSC-prepared summary of all retirement system funding plans submitted to it can be found on the ORSC website at www.orsc.org/reports.cfm. Legislation would need to be passed by the General Assembly to implement any funding plan that proposes modifications in retirement benefits or contribution levels.

Under current law, the State makes its employer contributions based on a percent of salary for each State employee that is an active member of a state retirement system. Currently, about 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 $839.6 million in the 2006-07 biennium, $917.0 million in the 2008-09 biennium and are estimated to be $888.0 million in the 2010-11 biennium. The State also has funded and continues to fund a subsidy to the OP&F system to pay for survivor benefits provided in law and not otherwise funded. The aggregate subsidies were $42.3 million in the 2006-07 biennium, $41.8 million in the 2008-09 biennium, and are appropriated at $41.6 million for the 2010-11 biennium. All State employer contributions are subject to appropriation in each State budget and are included in the appropriations for each department or agency's personnel costs.

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

	PERS	**STRS**	**SERS**	**OP&F**	**HPRS**
Valuation as of:	**12/31/09**	**06/30/09**	**06/30/09**	**01/01/09**	**12/31/09**
Active Members	348,112	174,807	125,465	28,927	1,547
State Employees as a Percent of Active Members	16	1	0	0	100
Retirants and Beneficiaries	174,659	129,659	65,757	25,317	1,385
Employer/Employee Contributions (% of Salary) (a)	14.0/10.0(b)	14.0/10.0	14.0/10.0	(c)	26.5/10.0
Active Member Payroll	$12,548.3	$10,800.8	$2,787.4	$1,900.9	$94.8
Market Value of Assets (MVA)	$57,733.8	$50,392.7	$8,134.1	$7,757.6	$595.0
Actuarial Value of Assets (AVA) (d)	$57,629.4	$54,902.9	$9,723.0	$9,309.2	$620.4
Actuarial Accrued Liability (AAL) (e)	$76,555.0	$91,441.0	$14,221.0	$14,307.1	$940.1
Funding Ratio (AVA to AAL %, (MVA to AAL %))	75.3 (75.4)	60.0 (55.1)	68.4 (57.2)	65.1 (54.2)	66.0 (63.3)
Unfunded Actuarial Accrued Liability (UAAL) (f)	$18,925.6	$36,538.1	$4,498.0	$4,998.0	$319.7
UAAL to Active Member Payroll %	150.8	338.3	161.4	262.9	337.2

(a) For PERS, STRS, and SERS the maximum employer and employee contribution rates under law are 14% and 10%, respectively. Each system's board annually determines the portion of the employer contribution, if any, that is directed to fund post-employment health care benefits. The STRS, OP&F and HPRS boards have voted to pursue legislation enabling member contribution rate increases.

(b) PERS state is 14.0/10.0%, local is 14.0/10.0% and law enforcement is 17.9/11.1%. PERS state and local employer and employee contribution rates increased to their current statutory maximum of 14% and 10%, respectively, in calendar year 2008.

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

(d) Recognizes assumed long-term investment returns fully each year (8.25% for OP&F and 8.0% for all other systems). Differences between actual and assumed investment returns are phased-in over a closed four-year period, except for OP&F which phases-in over five-year period.

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

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

Sources: Retirement systems' CAFRs and annual actuarial valuations.

The following table summarizes financial and funding information for each of the retirement systems over the past five years as reported by the particular system ($ in millions):

Retirement System and Valuation Year-End	Actuarial Value of Assets (AVA)(a)	Actuarial Accrued Liability (AAL)(b)	Unfunded Actuarial Accrued Liability (UAAL)(c)	Funding Ratio (AVA to AAL)	Market Value of Assets (MVA)	Funding Ratio (MVA to AAL)	Active Member Payroll	UAAL Percent of Active Member Payroll
PERS								
12/31/08	$55,315.2	$73,465.7	$18,150.5	75.3%	$49,388.6	67.2%	$12.801.1	141.8%
12/31/07	$67,151.3	$69,733.6	$2,582.2	96.3%	$70,043.6	100.4%	$12,583.4	20.5%
12/31/06	$61,295.6	$66,160.7	$4,865.1	92.6%	$65,357.9	98.8%	$12,175.2	40.0%
12/31/05	$54,473.4	$62,498.0	$8,025.0	87.2%	$57,702.4	92.3%	$11,806.8	68.0%
12/31/04	$50,452.3	$57,604.0	$7,151.6	87.6%	$53,576.4	93.0%	$11,454.3	62.4%
STRS								
06/30/08	$69,198.0	$87,432.4	$18,234.3	79.1%	$67,144.6	76.8%	$10,460.5	174.3%
06/30/07	$66,671.5	$81,126.6	$14,445.1	82.2%	$72,232.3	89.0%	$10,199.5	141.6%
06/30/06	$58,008.0	$77,371.0	$19,363.0	75.0%	$62,350.1	80.6%	$9,974.1	194.1%
06/30/05	$53,765.6	$73,817.1	$20,051.5	72.8%	$56,340.7	76.3%	$9,775.2	205.1%
06/30/04	$52,253.8	$69,867.4	$17,613.6	74.8%	$51,516.5	73.7%	$9,566.0	184.1%
SERS								
06/30/08	$11,241.0	$13,704.0	$2,463.0	82.0%	$10,793.5	78.8%	2,873.0	85.7%
06/30/07	$10,513.0	$13,004.0	$2,562.0	80.8%	$11,711.2	90.1%	2,603.3	98.4%
06/30/06	$9,423.0	$12,327.0	$2,974.0	76.4%	$9,980.2	81.0%	2,553.3	116.5%
06/30/05	$8,780.0	$11,659.0	$2,948.0	75.3%	$9,269.1	79.5%	2,452.5	120.2%
06/30/04	$8,550.0	$10,953.0	$2,403.0	78.1%	$8,565.4	78.2%	2,394.1	100.4%

OP&F								
01/01/08	$11,212.9	$13,727.8	$2,514.9	81.7%	$11,895.5	86.7%	$1,831.4	137.3%
01/01/07	$10,158.0	$12,987.5	$2,829.5	78.2%	$11,175.8	86.1%	$1,782.9	158.7%
01/01/06	$9,550.6	$12,190.4	$2,639.8	78.3%	$9,994.4	82.0%	$1,756.2	150.3%
01/01/05	$9,337.5	$11,545.1	$2,207.6	80.9%	$9,514.2	82.4%	$1,683.6	131.1%
01/01/04	$9,337.1	$10,798.4	$1,461.3	86.5%	$8,691.6	80.5%	$1,644.4	88.9%
HPRS								
12/31/08	$603.3	$904.5	$301.3	66.7%	$502.7	55.6%	$94.3	319.5%
12/31/07	$700.9	$866.3	$165.4	80.9%	$719.6	83.1%	$93.8	176.3%
12/31/06	$653.5	$807.8	$154.3	80.9%	$684.6	84.7%	$85.9	179.6%
12/31/05	$591.9	$773.9	$181.9	76.5%	$612.5	79.1%	$83.4	218.1%
12/31/04	$569.9	$734.5	$164.6	77.6%	$587.9	80.0%	$81.8	201.2%

(a) Recognizes assumed long-term investment returns fully each year (8.25% for OP&F and 8.0% for all other systems). Differences between actual and assumed investment returns are phased-in over a closed four-year period, except for OP&F which phases-in over five-year period.
(b) Reflects an individual entry age actuarial cost method.
(c) Amortized over a 30-year open period as a level percent of payroll.
Sources: Retirement systems' CAFR's and annual actuarial valuations.

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

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

	PERS	**STRS**	**SERS**	**OP&F**	**HPRS**
Valuation as of:	**12/31/09**	**01/01/09**	**06/30/09**	**01/01/09**	**12/31/09**
Value of Assets (a)	$10,936.0	$2,693.7	$376.5	$438.7	$100.8
Actuarial Accrued Liability (AAL) (b)	$31,558.0	13,413.7	$4,280.3	$3,163.6	$287.6
Unfunded Actuarial Accrued Liability (UAAL) (c)	$20,622.0	10,720.0	$3,903.8	$2,725.0	$186.8
Funding Ratio (Assets to AAL %)	34.7	20.1	8.8	13.9	35.0
Employer Contribution (% of Salary) (d)	5.5%	1.0%	1.0%	6.75%	3.5%

(a) For PERS & HPRS, recognizes investment returns fully each year (assumed at 6.5%) with the differences between actual and assumed investment returns phased-in over a closed four-year period. For STRS, SERS and OP&F, reflects market value.
(b) Reflects an individual entry age actuarial cost method.
(c) Amortized over a 30-year open period as a level percent of payroll.
(d) Each system's board annually determines the portion of the employer contribution, if any, that is directed to fund post-employment health care benefits. This amount has typically ranged from 1.0% to 7.0% of salary.
Sources: Retirement systems' annual actuarial valuations.

TAX LEVELS AND TAX BASES

The variety of taxes and excises levied by the State is indicated in several tables in this Appendix. According to the Federation of Tax Administrators, citing the U.S. Census Bureau as its source, the State ranked 35th in state taxes per capita in 2009. Three major tax bases in the State, personal income (taxed by the State and municipalities and, with voter approval, by certain school districts), retail sales and use (taxed by the State and counties and transit authorities), and real and tangible personal property (taxed by local governments), are described below. In addition, the State has completed the phase-in over fiscal years 2006 through 2010 of its 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% effective July 1, 2005, with that rate increased annually in approximately equal amounts (about 0.05%) until levied at the current rate of 0.26% when fully implemented in Fiscal Year 2010. 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 in 2006 through 2009.

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

Sales and Use Tax

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, were reduced 4.2% annually in each of the years 2005 through 2009, resulting in an aggregate 21% decrease from the 2004 rates. The 2004 rates ranged from 0.743% on incomes of $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. See **FISCAL MATTERS – Recent and Current Finances – Current Biennium** for discussion of postponement of the final installment of this personal income tax reduction until tax year 2011. Under that postponement the indexing of the State income tax brackets previously scheduled to begin July 1, 2005 remains suspended until tax year 2010.

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

Municipalities, school districts and joint economic development districts may also levy certain income taxes. Any municipal rate (applying generally to wages and salaries and net business income) over 1%, and any school district income tax (applying generally to the State income tax base for individuals and estates), requires voter approval. Most cities and villages levy a municipal income tax. The highest municipal rate in 2002 was 2.85%. A school district income tax is currently approved in 145 districts. Each joint economic development district (there were approximately 35 of them in 2009) may also levy an income tax (which like municipal income taxes applies generally to wages and salaries and net business income) with the rate of that tax limited to the highest income tax rate of a municipal member of the district). Effective July 1, 2005, there may also be proposed for voter approval municipal income taxes to be shared with school districts, but those taxes may not be levied on the income of nonresidents.

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

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Personal Income ($ in Billions)

		U.S.	Ohio	Ohio Percent of U.S.	State Rank*
1970	Total	$832.2	$43.6	5.2%	5
	per capita	4,084	4,088	100.1	15
1980	Total	2,292.9	108.2	4.7	6
	per capita	10,091	10,022	99.3	21
1990	Total	4,831.3	202.5	4.2	7
	per capita	19,354	18,638	96.3	21
2000	Total	8,554.9	326.1	3.8	7
	per capita	30,318	28,694	94.6	24
2007	Total	11,899.9	405.3	3.4	8
	per capita	39,458	35,180	89.2	33
2008	Total	12,379.8	416.3	3.4	8
	per capita	40,673	36,113	88.8	34
2009	Total	12,165.5	410.8	3.4	8
	per capita	39,626	35,590	89.8	34

Source: U.S. Department of Commerce, Bureau of Economic Analysis.
*Excludes District of Columbia.

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

Retail Sales ($ in Billions)

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	117.72	3,213.82	3.6
2005	133.31	3,956.49	3.4
2006	138.07	4,206.21	3.3
2007	140.90	4,354.32	3.2
2008	143.44	4,490.91	3.2
2009	133.60	4,196.74	3.2

(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 2009 show that these property taxes represent 3.62% 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	28.0	1,149,643,000
	Public Utility(c)(f)	12,934,191,000	88.6	799,396,000
2000	Real	167,857,657,350	35.0	8,697,809,112(e)
	Tangible(d)	23,298,302,564	25.0	1,720,740,378
	Public Utility(c)(f)	13,635,709,860	67.0	967,674,709
2008	Real	240,673,472,605	35.0	13,807,996,674(e)
	Tangible(d)	6,592,078,011	6.8(b)	539,847,674
	Public Utility(c)(f)	8,596,715,120(g)	47.3	646,437,973
2009	Real	238,138,880,215	35.0	14,119,235,738 (e)
	Tangible(d)	628,787,160	10.0(b)	55,498,628
	Public Utility(c)(f)	8,906,002,394 (g)	51.7	687,462,082

(a) Increases in assessed value of "Real" are in part products of reappraisals.
(b) Regular annual reductions for "Tangible" (except for most public utility tangible) reached 0% in 2009, only telecommunication and telephone personal property is taxable in 2009.
(c) Includes machinery, inventories, fixtures; effective tax year 2007 and thereafter includes telephone company property. Excludes public utility tangible property. Effective tax year 2009 includes only telephone company property.
(d) Includes machinery, inventories, fixtures; effective tax year 2007 and thereafter includes telephone company property. Excludes public utility tangible property.

(e) Includes the statutory 10% rollback (12.5% for owner-occupied residences) and elderly/handicapped partial exemption amounts, paid by the State to local taxing entities to compensate for statutory reductions in local tax collections. Effective for tax year 2005 and thereafter, the 10% rollback is eliminated for real property used in business, with exceptions for certain property used in farming or for housing.
(f) Beginning in 1990, the true value of most public utility property is based on annual composite allowances that vary according to the type and age of property.
(g) Beginning in 2001, the statutory assessment rate for electric and gas utilities decreased from 88% to 25%.
Source: Ohio Department of Taxation.

Under State legislation effective July 1, 2005, the tangible personal property tax (including inventories) has been phased out over tax years 2006 through 2009, with that tax generally eliminated beginning in tax year 2009. That legislation 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 districts harmless through Fiscal Year 2013 and other local governments harmless through Fiscal Year 2011 to the calculated base values, with gradual reductions thereafter until the final distribution in May 2018. Prior State legislation enacted reductions in the assessed (tax) valuation of certain categories of tangible personal property. Beginning in tax year 2007, telecommunications and telephone company tangible personal property were combined into one category with applicable tax rates phased down through 2010 and eliminated beginning in tax year 2011.

Beginning July 2007, the State's homestead exemption program, which takes the form of a credit on local residential real property tax bills, was expanded to allow all senior citizens and disabled Ohioans, regardless of income, to exempt from tax the first $25,000 of the market value of their home. Previously eligibility was restricted and benefits were tiered based on income. The total cost of the homestead exemption program in Fiscal Year 2009 was $347.9 million and in Fiscal Year 2010 was $371.6 million.

Property tax relief payments by the State to local subdivisions totaled $2.52 billion in the 2006-07 biennium, $2.89 billion in the 2008-09 biennium and are estimated at $3.29 billion for the 2010-11 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.

In the years following this litigation, the General Assembly took 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 financial structure in place before the current biennium, 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 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 experienced 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 school subsidy formulas that were used until the current biennium were 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. Many districts have submitted the question, and income taxes are currently approved in 145 districts.

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:

- 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**).
- 2008-09 - $17.2 billion (5.1% over the previous biennium before the expenditure reductions discussed under **Fiscal Matters – Recent and Current Finances - 2008-09**).

State appropriations for school funding for the 2010-11 biennium are $17.0 billion (a 1.6% decrease from those appropriations in the previous biennium), representing a decrease of 3.4% in Fiscal Year 2010 over Fiscal Year 2009 and of 0.5% in Fiscal Year 2011 over Fiscal Year 2010. These amounts are exclusive of the $1.463 billion of appropriations to school districts for the 2010-11 biennium of "Federal Stimulus" funding received under the American Recovery and Reinvestment Act of 2009.

The amount of lottery profits transferred to the Lottery Profits Education Fund (LPEF) totaled $672.2 million in Fiscal Year 2008, $702.3 million in Fiscal Year 2009, $728.6 million in Fiscal Year 2010 and is appropriated at $711.0 million in Fiscal Year 2011. The 2010-11 biennial appropriations Act authorized the implementation of video lottery terminals (VLTs) at Ohio seven horse racing tracks. See **Current Biennium** for discussion of litigation concluded in the Ohio Supreme Court declaring that the authorization of those VLTs is subject to voter referendum and subsequent withdrawal of that referendum by the committee for the petitioners. Ohio participation in the multi-state lottery commenced in May 2002. A constitutional provision requires that net lottery profits be paid into LPEF 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.

The 2010-11 biennial appropriations Act also enacted an "Evidenced Based Model" for the distribution of State funding to local school districts, with different elements of the new funding model to be phased in over the next ten years. Elements of that new model emphasize funding educational components that are linked with student academic success, such as decreased class sizes and all day kindergarten, and modification of teacher tenure and termination provisions.

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 24 local governments in fiscal emergency status and five 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

PROPOSED TEXT OF LEGAL OPINION
FOR SERIES N HIGHWAY BONDS

[To Be Dated Date Of Issuance]

Rice Financial Products Company
New York, New York

As the representative of itself and Fifth Third Securities, Inc., The Huntington Investment Company, Stifel, Nicolaus & Co., J.P. Morgan Securities LLC, KeyBanc Capital Markets Inc. and PNC Capital Markets LLC as the Underwriters referred to in the Bond Purchase Agreement dated October 5, 2010 with the Treasurer of State of the State of Ohio.

Ladies and Gentlemen:

We have examined the transcript of proceedings relating to the authorization and issuance of $29,825,000 General Obligation Highway Capital Improvements Bonds, Series N (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 executed October 5, 2010 (the "Order").

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

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.

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").

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.

Under existing law, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103(a) of the Internal Revenue Code of 1986, as amended (the “Code”), 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. Interest on, any transfer of, 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 Ohio corporation franchise tax (to the extent computed on the net income basis), and from income taxes imposed by municipalities, school districts and joint economic development districts in Ohio. We express no opinion regarding other tax consequences caused by the receipt or accrual of interest on the Bonds. Under the Code, portions of the interest on the Bonds may be subject to the branch profits tax imposed on certain foreign corporations doing business in the United States and to the tax imposed on the excess net passive income of certain S corporations.

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.

The opinions expressed herein are limited to the laws of the State of Ohio and United States federal law. We express no opinion as to the effect or applicability under the laws of Ohio of the laws of any other jurisdiction.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

This opinion is limited to the matters expressly stated herein. No implied opinion may be inferred to extend this opinion beyond the matters expressly stated herein. We bring to your attention the fact that our legal opinions are an expression of our professional judgment and are not a guarantee of a result.

The opinions expressed herein are expressed solely to you and, without the express written consent of the undersigned, may not be relied upon by any other persons (except the Holders of the Bonds) for any reason.

Respectfully submitted,

EXHIBIT B

PROPOSED TEXT OF LEGAL OPINION
FOR SERIES O HIGHWAY BONDS

[To Be Dated Date Of Issuance]

Rice Financial Products Company
New York, New York

> As the representative of itself and Fifth Third Securities, Inc., The Huntington Investment Company, Stifel, Nicolaus & Co., J.P. Morgan Securities LLC, KeyBanc Capital Markets Inc. and PNC Capital Markets LLC as the Underwriters referred to in the Bond Purchase Agreement dated October 5, 2010 with the Treasurer of State of the State of Ohio.

Ladies and Gentlemen:

We have examined the transcript of proceedings relating to the authorization and issuance of $145,175,000 General Obligation Highway Capital Improvements Bonds, Series O (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 executed October 5, 2010 (the "Order").

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

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.

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").

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.

Under existing law, interest on the Bonds is not excluded from gross income for federal income tax purposes. Interest on, any transfer of, and any profit made on the sale, exchange or other disposition of the Bonds are exempt from the Ohio corporation franchise tax (to the extent computed on the net income basis), the Ohio commercial activity tax, the Ohio personal income tax, and income taxes imposed by municipalities, school districts and joint economic development districts in Ohio. We express no opinion regarding other tax consequences caused by the receipt or accrual of interest on 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.

The opinions expressed herein are limited to the laws of the State of Ohio and United States federal law. We express no opinion as to the effect or applicability under the laws of Ohio of the laws of any other jurisdiction.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

This opinion is limited to the matters expressly stated herein. No implied opinion may be inferred to extend this opinion beyond the matters expressly stated herein. We bring to your attention the fact that our legal opinions are an expression of our professional judgment and are not a guarantee of a result.

The opinions expressed herein are expressed solely to you and, without the express written consent of the undersigned, may not be relied upon by any other persons (except the Holders of the Bonds) for any reason.

Respectfully submitted,

EXHIBIT C

PROPOSED TEXT OF LEGAL OPINION FOR SERIES P HIGHWAY BONDS

[To Be Dated Date Of Issuance]

Rice Financial Products Company
New York, New York

As the representative of itself and Fifth Third Securities, Inc., The Huntington Investment Company, Stifel, Nicolaus & Co., J.P. Morgan Securities LLC, KeyBanc Capital Markets Inc. and PNC Capital Markets LLC as the Underwriters referred to in the Bond Purchase Agreement dated October 5, 2010 with the Treasurer of State of the State of Ohio.

Ladies and Gentlemen:

We have examined the transcript of proceedings relating to the authorization and issuance of $32,610,000 General Obligation Highway Capital Improvements Refunding Bonds, Series P (the "Bonds"), issued by the State of Ohio (the "State"), acting by and through the Treasurer of the State (the "Treasurer"), to (i) refund certain bonds previously issued to pay the cost of highway capital improvements, and (ii) pay 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 executed October 5, 2010 (the "Order").

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

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.

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").

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.

Under existing law, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103(a) of the Internal Revenue Code of 1986, as amended (the "Code"), 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. Interest on, any transfer of, 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 Ohio corporation franchise tax (to the extent computed on the net income basis), and from income taxes imposed by municipalities, school districts and joint economic development districts in Ohio. We express no opinion regarding other tax consequences caused by the receipt or accrual of interest on the Bonds. Under the Code, portions of the interest on the Bonds may be subject to the branch profits tax imposed on certain foreign corporations doing business in the United States and to the tax imposed on the excess net passive income of certain S corporations.

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.

The opinions expressed herein are limited to the laws of the State of Ohio and United States federal law. We express no opinion as to the effect or applicability under the laws of Ohio of the laws of any other jurisdiction.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

This opinion is limited to the matters expressly stated herein. No implied opinion may be inferred to extend this opinion beyond the matters expressly stated herein. We bring to your attention the fact that our legal opinions are an expression of our professional judgment and are not a guarantee of a result.

The opinions expressed herein are expressed solely to you and, without the express written consent of the undersigned, may not be relied upon by any other persons (except the Holders of the Bonds) for any reason.

Respectfully submitted,

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From responsible sources
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