OBM

Date: September 25, 2015

To: Digital Assurance Certification
(Electronic Municipal Market Access)

Subject: Fiscal Year 2015 Annual Information Pursuant to Continuing Disclosure Agreements Under SEC Rule 15c2-12 Relating to Certain Bonds of the State of Ohio and to Certain Certificates of Participation on which the State is an Obligated Party

Issuer CUSIP Numbers:	199098	677905	677587
	677518	769318	67760A
	677519	67755A	677524
	677520	67755E	67759X
	677521	67755N	67755C
	677522	67757A	67755L
	67759H		

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

Unless otherwise indicated, this annual information speaks as of June 30, 2015. OBM will subsequently provide when available audited general purpose financial statements of the State for the Fiscal Year ended June 30, 2015.

There were in Fiscal Year 2015 material events filings with or disclosure to the Municipal Securities Rulemaking Board (MSRB), through the MSRB's Electronic Municipal Market Access System (EMMA), relating to bond calls and defeasances. There has been no change in the applicable fiscal year or in the accounting principles applied in the preparation of pertinent annual financial statements, and there has been no amendment or waiver of any portion of any of the applicable continuing disclosure agreements.

Respectfully submitted,

/s/ Timothy S. Keen
Timothy S. Keen
Director
Ohio Office of Budget and Management

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

SCHEDULE A

Bond Issuance Summary

Initial Date of Bonds	Original Principal Amount	Title of Issue	Authorizing Agency*
Fiscal Year 2001			
Apr. 1, 2001	$120,000,000	State Facilities Bonds (Admin. Bldg. Fund Projects), 2001 Series A	OBA
Fiscal Year 2002			
Nov. 15, 2001	$63,900,000	G.O. Infrastructure Improvement Adjustable Rate Bonds, Series 2001B	TOS
Fiscal Year 2003			
Aug. 15, 2002	$59,920,000	G.O. Infrastructure Improvement Refunding Bonds, Series 2002A	TOS
Oct. 8, 2002	$90,560,000	State Facilities Refunding Bonds (Adult Correc. Bldg. Fund Project),2002 Series B	OBA
Feb. 26, 2003	$104,315,000	G.O. Infrastructure Improvement Refunding Bonds, Series 2003B	TOS
Mar. 20, 2003	$58,085,000	G.O. Infrastructure Improvement Refunding Bonds, Series 2003D	TOS
Fiscal Year 2004			
Dec.15, 2003	$67,000,000	G.O. Common Schools Adjustable Rate Bonds, Series 2003D	OPFC
Mar. 3, 2004	$58,725,000	G.O. Infrastructure Improvement Adjustable Rate Refunding Bonds, Series 2004A	TOS
Fiscal Year 2005			
Oct. 21, 2004	$130,750,000	State Facilities Refunding Bonds (Admin. Bldg. Fund Projects), 2004 Series B	OBA
Oct. 21, 2004	$225,350,000	State Facilities Refunding Bonds (Adult Correc. Bldg. Fund Projects) , 2004 Series C	OBA
Mar. 24, 2005	$150,000,000	G.O. Higher Education Bonds, Series 2005A	OPFC
Apr. 1, 2005	$100,000,000	G.O. Common Schools VRDO Bonds, Series 2005A	OPFC
Apr. 1, 2005	$100,000,000	G.O. Common Schools VRDO Bonds, Series 2005B	OPFC
Fiscal Year 2006			
Aug. 23, 2005	$71,900,000	G.O. Common Schools Refunding Bonds, Series 2005D	OPFC
Sep. 29, 2005	$150,000,000	G.O. Higher Education Bonds, Series 2005B	OPFC
Sep. 29, 2005	$49,495,000	G.O. Higher Education Refunding Bonds, Series 2005C	OPFC
Oct. 6, 2005	$15,000,000	State Facilities Bonds (Juvenile Correction Bldg. Fund Projects), Series 2005A	OBA
Oct. 6, 2005	$27,445,000	State Facilities Refunding Bonds (Juvenile Corr. Bldg. Fund Projects), Series 2005B	OBA
Apr. 27, 2006	$150,000,000	G.O. Higher Education Bonds, Series 2006A	OPFC
Jun. 7, 2006	$100,000,000	G.O. Common Schools Bonds, Series 2006B	OPFC
June 7, 2006	$100,000,000	G.O. Common Schools Bonds, Series 2006C	OPFC
Fiscal Year 2007			
Oct. 3, 2006	$40,000,000	State Facilities Bonds (Admin. Building Fund Project), Series 2006A	OBA
Oct. 3, 2006	$70,335,000	State Facilities Refunding Bonds (Admin. Building Fund Project), Series 2006B	OBA
Oct. 11, 2006	$250,000,000	G.O. Common Schools Bonds, Series 2006D	OPFC
Nov.16, 2006	$120,000,000	G.O. Infrastructure Improvement Bonds, Series 2006A	OPFC
Dec. 5, 2006	$30,000,000	G.O. Site Development Bonds, Series 2006A	OPFC
Dec. 14, 2006	$25,000,000	Cultural Facilities Capital Facilities Bonds, Series II-2006A	TOS

Initial Date of Bonds	Original Principal Amount	Title of Issue	Authorizing Agency*
Dec. 14, 2006	$28,295,000	Cultural Facilities Capital Facilities Refunding Bonds, Series II-2006B	TOS
Dec. 14, 2006	$26,775,000	Mental Health Capital Facilities Refunding Bonds, Series II-2006B	TOS
Dec. 14, 2006	$15,410,000	Parks & Recreation Capital Facilities Refunding Bonds, Series II-2006A	TOS
Dec. 19, 2006	$150,000,000	G.O. Higher Education Bonds, Series 2006B	OPFC
Mar. 8, 2007	$250,000,000	G.O. Common Schools Bonds, Series 2007A	OPFC
Apr. 11, 2007	$190,000,000	G.O. Highway Capital Improvement Bonds, Series K	TOS
May 2, 2007	$20,000,000	Sate Facilities Bonds (Juvenile Correctional Bldg. Fund Projects), Series 2007A	OBA
May 2, 2007	$16,410,000	Sate Facilities Refunding Bonds (Juvenile Correc. Bldg. Fund Proj.), Series 2007B	OBA
Jun. 5, 2007	$30,720,000	G.O. Third Frontier R&D Bonds, Series 2007A	OPFC
Jun. 21, 2007	$30,000,000	G.O. Natural Resources Bonds, Series L	OPFC
Jun. 21, 2007	$50,000,000	G.O. Conservation Projects Bonds, Series 2007A	OPFC
Fiscal Year 2008			
Sep. 20, 2007	$120,000,000	G.O. Infrastructure Improvement Bonds, Series 2007A	OPFC
Nov. 13, 2007	$30,000,000	Parks & Recreation Capital Facilities Bonds, Series II-2007A	TOS
Mar. 6, 2008	$25,000,000	State Facilities Bonds (Admin. Building Fund Projects), 2008 Series A	OBA
Mar. 6, 2008	$25,000,000	State Facilities Bonds (Adult Correctional Building Fund Projects), 2008 Series A	OBA
May 1, 2008	$140,000,000	G.O. Highway Capital Improvement Bonds, Series L	TOS
Fiscal Year 2009			
Aug. 12, 2008	$30,000,000	Mental Health Capital Facilities Bonds, Series II-2008A	TOS
Aug. 19, 2008	$39,980,000	G.O. Third Frontier R&D Bonds, Series 2008A	OPFC
Oct. 16, 2008	$240,000,000	G.O. Infrastructure Bonds, Series 2008A	OPFC
Dec. 3, 2008	$30,000,000	Cultural Facilities Capital Facilities Bonds, Series 2008B	TOS
Jan. 22, 2009	$60,000,000	State Facilities Bonds (Admin. Building Fund Projects), 2009 Series A	OBA
Jan. 22, 2009	$40,000,000	State Facilities Bonds (Adult Correctional Building Fund Projects), 2009 Series A	OBA
Jan. 27, 2009	$91,170,000	G.O. Common Schools Refunding Bonds, Series 2009A	OPFC
Jan. 27, 2009	$86,905,000	G.O. Higher Education Bonds, Series 2009A	OPFC
Mar. 5, 2009	$60,000,000	G.O. Third Frontier R&D Bonds, Series 2009A	OPFC
Mar. 12, 2009	$35,000,000	Parks & Recreation Capital Facilities Bonds, Series II-2009A	TOS
May 29, 2009	$102,970,000	G.O. Common Schools Refunding Bonds, Series 2009B	OPFC
May 29, 2009	$48,745,000	G.O. Higher Education Refunding Bonds, Series 2009B	OPFC
May 29, 2009	$81,990,000	G.O. Infrastructure Improvement Refunding Bonds, Series 2009B	OPFC
Fiscal Year 2010			
Sep. 4, 2009	$10,000,000	G.O. Coal Development Bonds, Series J	OPFC
Sep. 17, 2009	$86,590,000	State Facilities Refunding Bonds (Admin. Building Fund Projects), 2009 Series B	OBA
Sep. 17, 2009	$75,790,000	State Facilities Refunding Bonds (Adult Correc. Bldg. Fund Proj.), 2009 Series B	OBA
Sep. 17, 2009	$16,820,000	Sate Facilities Refunding Bonds (Juvenile Correc. Bldg. Fund Proj.), Series 2009B	OBA
Oct. 6, 2009	$240,830,000	G.O. Common Refunding Schools Bonds, Series 2009C	OPFC
Oct. 6, 2009	$262,430,000	G.O. Higher Education Refunding Bonds, Series 2009C	OPFC
Oct. 6, 2009	$34,040,000	G.O. Conservation Projects Refunding Bonds, Series 2009A	OPFC
Oct. 6, 2009	$5,285,000	G.O. Natural Resources Refunding Bonds, Series M	OPFC
Nov. 3, 2009	$75,000,000	G.O. Third Frontier R&D Bonds, Series 2009B	OPFC
Nov. 17, 2009	$26,115,000	G.O. Site Development Bonds (Federally Taxable - Build America Bonds – Direct Payment), Series 2009B	OPFC
Dec. 16, 2009	$16,765,000	G.O. Conservation Projects Bonds, Series 2009B	OPFC

Initial Date of Bonds	Original Principal Amount	Title of Issue	Authorizing Agency*
Dec. 16, 2009	$33,235,000	G.O. Conservation Projects Bonds (Federally Taxable - Build America Bonds – Direct Payment), Series 2009C	OPFC
Dec. 16, 2009	$9,835,000	G.O. Natural Resources Bonds, Series N	OPFC
Dec. 16, 2009	$20,165,000	G.O. Natural Resources Bond (Federally Taxable - Build America Bonds – Direct Payment), Series O	OPFC
Dec. 17, 2009	$40,000,000	Mental Health Capital Facilities Bonds, Series II-2009A	TOS
Jan. 21, 2010	$95,240,000	G.O. Higher Education Refunding Bonds, Series 2010A	OPFC
Jan. 21, 2010	$131,170,000	G.O. Common Schools Refunding Bonds, Series 2010A	OPFC
Jan. 21, 2010	$51,290,000	G.O. Infrastructure Improvement Refunding Bonds, Series 2010A	OPFC
Feb. 10, 2010	$30,000,000	Cultural Facilities Capital Facilities Bonds, Series 2010A	TOS
Mar. 5, 2010	$120,000,000	G.O. Infrastructure Bonds (Federally Taxable - Build America Bonds – Direct Payment), Series 2010B	OPFC
Mar. 5, 2010	$54,400,000	G.O. Infrastructure Refunding Bonds, Series 2010C	OPFC
Apr. 1, 2010	$9,005,000	State Facilities Bonds (Admin. Building Fund Projects), 2010 Series A	OBA
Apr. 1, 2010	$30,995,000	State Facilities Bonds (Admin. Building Fund Projects), (Federally Taxable – Build America Bonds – Direct Payment), 2010 Series B	OBA
Apr. 1, 2010	$5,445,000	State Facilities Bonds (Juvenile Correc. Bldg. Fund Proj.), 2010 Series A	OBA
Apr. 1, 2010	$9,555,000	State Facilities Bonds (Juvenile Correc. Bldg. Fund Proj.), (Federally Taxable – Build America Bonds – Direct Payment), 2010 Series C	OBA
Apr. 1, 2010	$11,450,000	State Facilities Rfdg. Bonds (Juvenile Correc. Bldg. Fund Proj.), 2010 Series B	OBA
Apr. 1, 2010	$10,860,000	State Facilities Refunding Bonds (Highway Safety), 2010 Series A	OBA
Apr. 27, 2010	$170,000,000	G.O. Highway Capital Improvement Bonds (Federally Taxable – Build America Bonds – Direct Payment), Series M	TOS
Fiscal Year 2011			
Aug. 12, 2010	$50,000,000	G.O. Veterans Compensation (Federally Taxable), Series 2010	OPFC
Aug. 31, 2010	$148,865,000	State Facilities Refunding Bonds (Admin. Building Fund Projects), 2010 Series C	OBA
Aug. 31, 2010	$79,325,000	State Facilities Refunding Bonds (Adult Correc. Bldg. Fund Proj.), 2010 Series A	OBA
Aug. 31, 2010	$15,005,000	Sate Facilities Refunding Bonds (Juvenile Correc. Bldg. Fund Proj.), 2010 Series D	OBA
Oct. 8, 2010	$129,340,000	G.O. Common Schools Refunding Bonds, Series 2010C	OPFC
Oct. 8, 2010	$98,560,000	G.O. Higher Education Refunding Bonds, Series 2010C	OPFC
Oct. 8, 2010	$14,950,000	G.O. Infrastructure Improvement Refunding Bonds, Series 2010D	OPFC
Oct. 8, 2010	$26,120,000	G.O. Conservation Projects Refunding Bonds, Series 2010A	OPFC
Oct. 20, 2010	$145,175,000	G.O. Highway Capital Improvement Bonds (Federally Taxable – Build America Bonds – Direct Payment), Series O	TOS
Oct. 29, 2010	$52,005,000	G.O. Third Frontier R&D Bonds (Federally Taxable - Build America Bonds – Direct Payment), Series 2010B	OPFC
Dec. 3, 2010	$295,465,000	G.O. Higher Education Bonds (Federally Taxable - Build America Bonds – Direct Payment), Series 2010E	OPFC
Feb. 1, 2011	$40,000,000	State Facilities Bonds (Adult Correc. Bldg. Fund Proj.), 2011 Series A	OBA
Feb. 17, 2011	$120,000,000	G.O. Infrastructure Improvement Bonds, Series 2011A	OPFC
Feb. 17, 2011	$50,000,000	G.O. Conservation Projects Bonds, Series 2011A	OPFC
Mar. 3, 2011	$28,000,000	Cultural Facilities Capital Facilities Bonds, Series 2011A	TOS
Mar. 3, 2011	$30,000,000	Parks & Recreation Capital Facilities Bonds, Series II-2011A	TOS
May 3, 2011	$15,000,000	State Facilities Bonds (Juvenile Correc. Bldg. Fund Proj.), 2011 Series A	OBA
June 16, 2011	$40,000,000	G.O. Site Development Bonds, Series 2011A	OPFC

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

Initial Date of Bonds	Original Principal Amount	Title of Issue	Authorizing Agency*
Feb. 6, 2013	$66,385,000	G.O. Infrastructure Improvement Refunding Bonds, Series 2013B	OPFC
Mar. 7, 2013	$25,000,000	Capital Facilities Lease-Appropriation Bonds (Mental Health Facilities Improvement Fund), Series 2013A	TOS
Mar. 7, 2013	$15,375,000	Capital Facilities Lease-Appropriation Refunding Bonds (Mental Health Facilities Improvement Fund), Series 2013B	TOS
Mar. 7, 2013	$18,000,000	Capital Facilities Lease-Appropriation Bonds (Cultural & Sports Facilities Building Fund Projects), Series 2013A	TOS
Mar. 7, 2013	$19,890,000	Capital Facilities Lease-Appropriation Refunding Bonds (Cultural & Sports Facilities Building Fund Projects), Series 2013B	TOS
Mar. 7, 2013	$47,320,000	Capital Facilities Refunding Bonds (Adult Correctional Building Fund Projects), Series 2013A	TOS
Mar. 15, 2013	$194,775,000	G.O. Common Schools Refunding Bonds, Series 2013A	OPFC
Mar. 15, 2013	$66,915,000	G.O. Higher Education Refunding Bonds, Series 2013A	OPFC
Apr. 11, 2013	$48,660,000	Capital Facilities Lease-Appropriation Refunding Bonds (Administrative Building Fund Projects), Series 2013A	TOS
Apr. 11, 2013	$11,200,000	Capital Facilities Lease-Appropriation Refunding Bonds (Parks and Recreation Improvement Fund Projects), Series 2013A	TOS
May 2, 2013	$100,300,000	G.O. Third Frontier R&D Bonds, Series 2013A	OPFC
May 2, 2013	$10,000,000	G.O. Higher Education Bonds (Federally Taxable), Series 2013B	OPFC
Fiscal Year 2014			
Jul. 31, 2013	$50,000,000	Capital Facilities Lease-Appropriation Bonds (Administrative Building Fund Projects), Series 2013B	TOS
Sep. 26, 2013	$300,000,000	G.O. Common Schools Bonds, Series 2013B	OPFC
Sep. 26, 2013	$100,000,000	G.O. Third Frontier R&D Bonds (Federally Taxable), Series 2013B	OPFC
Nov. 26, 2013	$50,000,000	G.O. Conservation Projects Bonds, Series 2013A	OPFC
Nov. 26, 2013	$35,000,000	G.O. Site Development Bonds, Series 2013A	OPFC
Dec. 19, 2013	$18,000,000	G.O. Veterans Compensation (Federally Taxable), Series 2013A	OPFC
Jan. 22, 2014	$150,000,000	G.O. Infrastructure Improvement Bonds, Series 2014A	OPFC
Jan. 30, 2014	$50,000,000	Capital Facilities Lease-Appropriation Bonds (Mental Health Facilities Improvement Fund), Series 2014A	TOS
Mar. 31, 2014	$300,000,000	G.O. Higher Education Bonds, Series 2014A	OPFC
May 7, 2014	$45,000,000	Capital Facilities Bonds (Adult Correctional Building Fund Projects), Series 2014A	TOS
May 7, 2014	$3,815,000	State Facilities Building Refunding Bonds (Highway Safety), Series 2014A	TOS
May 29, 2014	$162,415,000	G.O. Common Schools Refunding Bonds, Series 2014A	OPFC
May 29, 2014	$116,290,000	G.O. Higher Education Refunding Bonds, Series 2014B	OPFC
May 29, 2014	$59,870,000	G.O. Infrastructure Improvement Refunding Bonds, Series 2014B	OPFC
Jun. 11, 2014	$249,005,000	G.O. Highway Capital Improvement Bonds, Series R	TOS
Fiscal Year 2015			
Oct. 10, 2015	$150,000,000	G.O. Infrastructure Improvement Bonds, Series 2014C	OPFC
Oct. 10, 2015	$35,000,000	G.O. Natural Resources Bonds, Series S	OPFC
Oct. 10, 2015	$12,000,000	G.O. Coal Development Bonds, Series M	OPFC
Jan. 28, 2015	$61,930,000	Capital Facilities Lease-Appropriation Bonds (Administrative Building Fund Projects), Series 2015A	TOS
Jan. 28, 2015	$18,070,000	Capital Facilities Lease-Appropriation Bonds (Administrative Building Fund Projects) (Federally Taxable), Series 2015B	TOS

Initial Date of Bonds	Original Principal Amount	Title of Issue	Authorizing Agency*
Jan. 28, 2015	$84,300,000	Capital Facilities Lease-Appropriation Bonds (Transportation Building Fund Projects), Series 2015A	TOS
Jan. 29, 2015	$72,395,000	G.O. Common Schools Refunding Bonds, Series 2015A	OPFC
Jan. 29, 2015	$28,195,000	G.O. Higher Education Refunding Bonds, Series 2015A	OPFC
Jan. 29, 2015	$99,880,000	G.O. Infrastructure Improvement Refunding Bonds, Series 2015A	OPFC
Jan. 29, 2015	$11,805,000	G.O. Conservation Projects Refunding Bonds, Series 2015A	OPFC
Feb. 26, 2015	$11,185,000	Capital Facilities Lease-Appropriation Refunding Bonds (Administrative Building Fund Projects), Series 2015C	TOS
Feb. 26, 2015	$10,030,000	Capital Facilities Lease Appropriation Refunding Bonds (Adult Correctional Building Fund Projects), Series 2015A	TOS
Feb. 26, 2015	$11,180,000	Capital Facilities Lease-Appropriation Refunding Bonds (Juvenile Correctional Building Fund Projects) (Federally Taxable), Series 2015A	TOS
Feb. 26, 2015	$9,920,000	Capital Facilities Lease-Appropriation Refunding Bonds (Cultural & Sports Facilities Building Fund Projects) (Federally Taxable), Series 2015A	TOS
Mar. 5, 2015	$50,000,000	Capital Facilities Lease-Appropriation Bonds (Mental Health Facilities Improvement Fund), Series 2015A	TOS
Mar. 5, 2015	$40,000,000	Capital Facilities Lease-Appropriation Bonds (Parks and Recreation Improvement Fund Projects), Series 2015A	TOS
Mar. 5, 2015	$20,000,000	Capital Facilities Lease-Appropriation Bonds (Juvenile Correctional Building Fund Projects), Series 2015B	TOS
May 19, 2015	$300,000,000	G.O. Common Schools Bonds, Series 2015B	OPFC
May 19, 2015	$35,000,000	G.O. Natural Resources Bonds, Series T	OPFC
May 19, 2015	$10,000,000	G.O. Higher Education Bonds (Federally Taxable), Series 2015B	OPFC
Fiscal Year 2016			
Aug. 12, 2015	$30,000,000	Capital Facilities Lease-Appropriation Bonds (Cultural & Sports Facilities Building Fund Projects), Series 2015B	TOS

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

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

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

Date of COPs	Original Principal Amount	Title of Issue	State Agency Lessee*
Fiscal Year 1998			
Dec. 15, 1997	$16,455,000	Rickenbacker Port Authority Certificates of Participation (State of Ohio DAS Office Project)	DAS
Jun. 15, 1998	$6,615,000	Certificates of Participation (State of Ohio DAS – The Ohio Center Project) [Youngstown Central Area Community Improvement Corp., as lessor]	DAS
Fiscal Year 2008			
Jun. 30, 2008	$40,080,000	Certificates of Participation (State of Ohio DAS – State Taxation Accounting and Revenue System (STARS) Project, Series 2008A [State of Ohio Leasing Corporation, as lessor]	DAS
Fiscal Year 2013			
Sep. 14, 2012	$56,235,000	Certificates of Participation (State of Ohio DAS – Multi-Agency Radio Communications System (MARCS) Project, Series 2012 [State of Ohio Leasing Corporation, as lessor]	DAS
Fiscal Year 2014			
Jun. 4, 2014	$65,150,000	Certificates of Participation Refunding (State of Ohio DAS – Ohio Administrative Knowledge System (OAKS) Project, Series 2014A [State of Ohio Leasing Corporation, as lessor]	DAS
Fiscal Year 2015			
Oct. 2, 2014	$15,795,000	Certificates of Participation (State of Ohio DAS – Multi-Agency Radio Communications System (MARCS) Project, Series 2014 [State of Ohio Leasing Corporation, as lessor]	DAS
Oct. 2, 2014	$33,595,000	Certificates of Participation (State of Ohio DAS – Enterprise Data Center Solutions (EDCS) Project, Series 2014 [State of Ohio Leasing Corporation, as lessor]	DAS
Oct. 2, 2014	$8,775,000	Certificates of Participation (State of Ohio DAS – Treasury Management System (TMS) Project, Series 2014 [State of Ohio Leasing Corporation, as lessor]	TOS
May 28, 2015	$17,985,000	Certificates of Participation (State of Ohio DAS – State Taxation Accounting and Revenue System (STARS) Project, Series 2015 [State of Ohio Leasing Corporation, as lessor]	DAS

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

Date	Original Principal Amount	Title of Issue	State Agency Lessee*
Fiscal Year 2008			
Nov. 29, 2007	$16,500,000	The Riversouth Authority (Ohio) Lazarus Building Redevelopment Bonds, 2007 Series A	DAS
Fiscal Year 2010			
May 27, 2010	$157,940,000	Columbus-Franklin County Finance Authority – Taxable Research and Development Revenue Bonds, Series 2010A (Ohio Capital Fund Financing) (State of Ohio Refundable Tax Credit Collateralized)	CFCFA
Fiscal Year 2014			
Aug. 7, 2013	$81,865,000	Columbus-Franklin County Finance Authority – Taxable Research and Development Revenue Bonds, Series 2013A (Ohio Capital Fund Financing) (State of Ohio Refundable Tax Credit Collateralized)	CFCFA
Fiscal Year 2015			
Feb. 18, 2015	$31,785,000	Columbus-Franklin County Finance Authority – Taxable Research and Development Revenue Refunding Bonds, Series 2015A (Ohio Capital Fund Financing) (State of Ohio Refundable Tax Credit Collateralized)	CFCFA

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

[NOTE: This Annual Information speaks as of June 30, 2015 except as otherwise indicated.]

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, 2015 and ends June 30, 2017). Within a fiscal biennium, the State operates on the basis of a July 1 to June 30 Fiscal Year. The biennium for general capital appropriations purposes runs from July 1 in an even-numbered year to June 30 in the next even-numbered year. Consistent with the fiscal biennium for operating purposes, the Governor is generally required to submit the Executive Budget to the General Assembly in February of each odd-numbered year. Appropriations legislation reflecting that Executive Budget is then introduced for committee hearings and review first in the House and then in the Senate, with that appropriations legislation as approved by the General Assembly then presented to the Governor for his approval (with possible line item vetoes). See **FISCAL MATTERS – Recent and Current Finances – Current Biennium** for discussion of the 2016-17 biennial appropriations.

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

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

Most State operations are financed through the General Revenue Fund (GRF). Personal income and sales and use taxes are the major sources of GRF tax revenue. The last complete fiscal year ended June 30, 2015 with a GRF fund balance (after year-end transfers) of $550.4 million. The State has a "rainy day" fund (the Budget Stabilization Fund (BSF)) which for Fiscal Year 2016 and until used is intended to carry a balance of up to 8.5% of the GRF revenue for the preceding Fiscal Year (this amount was 5% for Fiscal Year 2015 and prior years). The current BSF balance is $2.005 billion, which equals 6.4% of Fiscal Year 2015 GRF revenue.

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

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

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

The Constitution directs or restricts the use of certain revenues. Highway fees and excises, including gasoline taxes, are limited in use to highway-related purposes. Not less than 50% of the receipts from State income taxes must be returned to the originating political subdivisions and school districts. State net lottery profits are allocated to elementary, secondary, vocational and special education program purposes, including application to debt service on obligations issued to finance capital facilities for a system of common schools.

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

Accounts and Controls; Financial Reports

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

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

State financial reporting practices have been and are in accordance with generally accepted accounting principles (GAAP basis). Each Comprehensive Annual Financial Report (CAFR) includes the State's Basic Financial Statements (BFS) for that Fiscal Year as examined by the Auditor of State. The most recent CAFRs are accessible via OBM's web page at http://obm.ohio.gov/stateaccounting/financialreporting/default.aspx, and copies may be obtained by contacting OBM, 30 E. Broad Street, 34th Floor, Columbus, Ohio 43215, phone (614) 466-4034. The Fiscal Year 2014 CAFR received the Government Finance Officers Association certificate of achievement for excellence in financial reporting.

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

In accordance with State law, financial statements and analyses (with supporting schedules) of State agencies' transactions, based on official records maintained by OBM, are incorporated into the Governor's Executive Budget. That budget, along with other information, is the subject of extended hearings and reviews in the General Assembly during the biennial appropriation process. See **FISCAL MATTERS – Recent and Current Finances – Current Biennium** regarding the 2016-17 biennial appropriations.

Recent Receipts and Disbursements

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

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

Cash Receipts

SOURCE OF RECEIPTS	Fiscal Year				
Taxes:	2011	2012	2013	2014	2015
Personal Income(a)	$8,820.1	$9,029.7	$9,869.8	$8,425.1	$8,883.2
Sales and Use(b)	7,769.0	8,293.6	8,851.5	9,549.9	10,417.8
Corporate Franchise(c)	237.2	117.4	262.2	(11.2)	2.6
Financial Institutions Tax(c)	0.0	0.0	0.0	197.8	182.1
Commercial Activity Tax	1,451.6	1,655.9	1,594.9	1,684.7	1,752.6
Gasoline	1,757.2	1,684.2	1,725.0	1,825.5	1,800.6
Public Utilities and Kilowatt Hour	728.0	712.0	702.0	742.5	809.8
Cigarette	855.6	843.2	827.4	814.0	808.2
Foreign Insurance	273.0	283.9	292.5	308.0	287.3
Highway Use	30.1	32.2	36.1	16.7	35.2
Estate(d)	72.1	66.5	105.2	39.4	3.1
Alcoholic Beverages	56.4	58.7	57.6	56.6	57.7
Liquor Gallonage	37.6	39.4	40.7	41.8	43.4
Domestic Insurance Franchise	194.3	194.1	211.6	202.3	257.2
Other	84.1	63.9	84.1	44.3	60.0
Total Taxes	22,366.3	23,074.8	24,660.6	23,937.5	25,400.7
Licenses, Permits and Fees	3,102.0	3,186.9	3,284.4	3,225.5	3,072.0
Sales, Services and Charges	1,958.9	1,968.0	1,682.7	1,262.9	1,392.1
Federal Government (including ARRA)	22,373.7	19,975.7	19,685.3	21,047.1	22,692.1
Other(e)	3,783.1	3,692.0	4,626.4	4,179.6	4,702.8
Proceeds from Sale of Bonds and Notes	1,345.1	1,406.6	732.2	1,468.6	1,103.8
Total Cash Receipts	$54,929.1	$53,304.1	$54,671.6	$55,121.1	$58,363.4

(a) The personal income tax rate was reduced by 8.5% in calendar year 2013 and 1.5% in calendar year 2014, and a deduction was allowed commencing in calendar year 2013 for small businesses of 50% (temporarily increased up to 75% for tax year 2014) of annual business net income up to $250,000 (see **FISCAL MATTERS – Recent and Current Finances – Recent Biennia - 2014-15**).
(b) Beginning September 1, 2013, the sales and use tax rate was increased one-quarter percent to 5.75% (see **FISCAL MATTERS – Recent and Current Finances – Recent Biennia - 2014-15**).
(c) Beginning in calendar year 2006, except for financial institutions, the State corporate franchise tax rate was phased out at a rate of 20% per year over five years. Beginning in tax year 2014, the financial institutions component was replaced with the new financial institutions tax; 2014 reflects refunds.
(d) Eliminated effective January 1, 2013.
(e) Largest components consist of various reimbursements, loan repayments, unclaimed funds, and investment income.

Cash Disbursements

FUND TYPE	Fiscal Year(f)				
General Fund:	2011	2012	2013	2014	2015
General Revenue Fund	$26,247.6	$26,394.8	$27,439.3	$28,901.8	$30,831.6
General Services Fund	6,106.4	5,090.2	4,557.1	4,591.6	4,758.1
Special Revenue Fund(g)	20,225.5	18,708.6	18,251.0	19,204.9	20,644.3
Capital Projects Fund(h)	440.0	346.9	273.5	318.0	412.0
Debt Service Fund(i)	633.3	557.0	996.3	1,064.8	1,116.7
Enterprise Fund(j)	1,395.8	1,341.1	1,115.9	699.7	825.0
Total Cash Disbursements	$55,048.6	$52,438.6	$52,633.1	$54,780.9	$58,587.8

(f) In all Fiscal Years reflects the reclassification of 161 individual funds from special revenue funds into the general services fund to be consistent with financial reporting changes made in GASB Statement No. 54 and effective for the Fiscal Year 2011 CAFR.
(g) Includes local government support disbursements.
(h) Includes amounts disbursed from proceeds of general obligation bonds and certain other State obligations.
(i) Includes the several bond retirement funds for bonds secured by a pledge of taxes and excises.
(j) Fiscal Year 2014 reduction reflects the transfer of the State's spirituous liquor system in February 2013 to JobsOhio (see **FISCAL MATTERS - Recent and Current Finances – Recent Biennia - 2012-13**).

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

	Fiscal Year				
	2011	**2012**	**2013**	**2014**	**2015**
Beginning Cash Balance	$510.3	$844.5	$973.4	$2,639.2	$1,700.1
Cash Receipts:					
Taxes:					
Personal Income(a)	8,120.3	8,432.9	9,507.8	8,064.9	8,506.7
Sales and Use(b)	7,578.2	8,087.0	8,444.9	9,165.8	9,960.2
Corporate Franchise(c)	236.6	117.1	261.9	(11.4)	2.5
Financial Institutions Tax(c)	0.0	0.0	0.0	197.8	182.1
Commercial Activity Tax(d)	0.0	417.1	790.0	794.2	854.0
Public Utilities and Kilowatt Hour	278.7	468.9	461.7	488.4	464.5
Cigarette	855.6	843.2	827.4	814.0	808.2
Foreign Insurance	256.3	266.5	274.6	286.5	266.6
Other	380.5	372.5	447.4	334.4	361.0
Total Taxes	17,706.1	19,005.2	21,015.7	20,134.7	21,405.8
Federal Government (including ARRA)	8,429.0	7,363.0	7,525.8	8,575.6	9,301.3
Licenses, Permits and Fees	59.0	65.3	70.2	57.3	57.5
Investment Income	7.1	5.4	10.5	17.3	23.1
Other(e)	169.8	164.3	534.5	42.2	43.7
Total Cash Receipts	26,371.1	26,603.2	29,156.7	28,827.1	30,831.4
Cash Disbursements:					
Primary, Secondary and Other Education(f)	6,740.0	6,457.8	6,574.2	6,813.2	7,299.5
Higher Education	2,411.0	2,102.7	2,044.3	2,085.0	2,139.6
Public Assistance and Medicaid(g)	11,425.8	12,465.7	0.0	0.0	0.0
Medicaid(g)	0.0	0.0	12,581.7	13,570.5	14,863.2
Health and Human Services	1,099.1	964.8	1,151.8	1,235.8	1,249.8
Justice and Public Protection	1,940.2	1,863.0	1,804.6	1,837.0	1,850.3
Environmental Protection and Natural Resources	72.4	70.1	64.8	63.1	62.6
Transportation(h)	13.4	10.3	9.0	12.5	9.4
General Government	275.5	273.0	222.0	219.6	225.8
Community and Economic Development	103.2	90.3	52.2	53.4	42.4
Tax Relief and Other(i)	1,691.0	1,728.5	1,746.5	1,785.2	1,801.5
Capital Outlay	0.2	0.1	0.1	0.0	0.0
Debt Service(j)	475.9	368.5	1,188.2	1,226.4	1,287.7
Total Cash Disbursements	26,247.5	26,394.8	27,439.3	28,901.8	30,831.6
Cash Transfers:					
Transfers-in(k)	1,392.1	582.3	402.0	405.7	641.6
Transfers-out(l)	(1,181.5)	(661.8)	(453.6)	(1,270.2)	(629.9)
Ending Cash Balance	$844.5	$973.4	$2,639.2	$1,700.1	$1,711.7

(a) The personal income tax rate was reduced by 8.5% in calendar year 2013 and 1.5% in calendar year 2014, and a deduction was allowed commencing in calendar year 2013 for small businesses of 50% (temporarily increased up to 75% for tax year 2014) of annual business net income up to $250,000 (see **FISCAL MATTERS – Recent and Current Finances – Recent Biennia - 2014-15**).

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

(c) Beginning in calendar year 2006, except for financial institutions, the corporate franchise tax rate was phased out 20% per year over five years. Beginning in tax year 2014, the financial institutions component was replaced with a new financial institutions tax; 2014 reflects refunds.

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

(e) Includes fines and penalties, rental receipts, refunds and certain intrastate transfers, including transfers from the Unclaimed Property Trust Fund.

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

(g) Beginning in Fiscal Year 2013, disbursements for Medicaid were consolidated into a separate program and the portion attributed to Public Assistance was moved into the Health and Human Services Program.

(h) These amounts are for non-highway transportation purposes, including mass transit, rail, and aviation.

(i) State reimbursements to taxing subdivisions for the 12.5% property tax rollback granted to homeowners of real property, for partial real property homestead tax exemptions for the elderly and handicapped (expanded commencing in July 2007), and for revenue reductions resulting from phase-out of local taxes on tangible personal property. (see **FISCAL MATTERS – Recent and Current Finances – Recent Biennia - 2014-15**).

(j) Beginning in Fiscal Year 2013, includes debt service on non-general obligation debt previously reflected in the applicable program. Reflects the restructuring of certain GRF debt service payments into later biennia resulting in net savings of $336.9 in Fiscal Year 2011 and $449.3 million in Fiscal Year 2012 (see **FISCAL MATTERS – Recent and Current Finances – Current Biennia - 2012-13**).

(k) Includes in all fiscal years transfers from the School District Property Tax Replacement Fund, in Fiscal Years 2010 through 2013 liquor profits, and in Fiscal Years 2010 through 2012 interest earnings on tobacco bond proceeds.

(l) Fiscal Years 2012, 2013 and 2014 transfers out include $246.9 million, $235.1 million, and $995.9 million to the BSF, respectively.

Recent and Current Finances

Introductory Information

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

Economic activity in Ohio, as in other industrially-developed states, tends to be somewhat more cyclical than in some other states and in the nation as a whole. The GRF ending (June 30) fund balance tends to be reduced during less favorable national economic periods and then increases during more favorable economic periods. The GRF ending cash and fund balances for Fiscal Year 2015 were approximately $1.71 billion and $1.29 billion, respectively, with $736.1 million of that ending fund balance transferred pursuant to statutory designations leaving a balance of $550.4 million (see **FISCAL MATTERS – Recent and Current Finances – Recent Biennia – 2014-15**). Recent biennium-ending GRF balances were:

Biennium	Cash Balance	Fund Balance(a)	Fund Balance less Designated Transfers(b)
2006-07	$1,432,925,000	$215,534,000	$215,534,000
2008-09	734,526,000	389,103,000	389,103,000
2010-11	844,467,000	430,707,000	138,816,000
2012-13	2,639,249,000	2,278,202,000	1,110,942,000
2014-15	1,711,679,000	1,286,469,000	550,369,000

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

The appropriations acts for the 2016-17 biennium included all necessary appropriations for debt service on State obligations and for lease payments relating to lease rental obligations issued by the Treasurer of State.

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

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 appropriations of approximately $51.3 billion (a 5.0% increase over 2004-05 biennial expenditures) based upon expected total GRF biennial revenue of approximately $51.5 billion (a 3.8% increase over 2004-05 biennial revenue). Spending increases for major program categories over the 2004-05 actual expenditures were: 5.8% for Medicaid (the Act also included a number of Medicaid reform and cost containment initiatives); 3.4% for higher education; 4.2% for elementary and secondary education; 5.5% for corrections and youth services; and 4.8% for mental health and mental retardation. The Executive Budget, the GRF appropriations Act and the separate appropriations acts for the biennium included all necessary debt service and lease rental payments related to State obligations.

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

- A 21% reduction in State personal income tax rates phased in at 4.2% per year over the 2005 through 2009 tax years. See **FISCAL MATTERS – Recent and Current Finances – Recent Biennia – 2010-11** and **2012-13** for discussion of postponement of the final installment of this personal income tax reduction until the end of tax year 2010.
- Phased elimination of the State corporate franchise tax at a rate of approximately 20% per year over the 2006 through 2010 tax years (except for its continuing application to financial institutions and certain affiliates of insurance companies and financial institutions). See **FISCAL MATTERS – Recent and Current Finances – Recent Biennia – 2012-13** and **2014-15** for discussion of the replacement of the corporate franchise tax with a new financial institutions tax effective tax year 2014.
- Implementation of a new commercial activity tax (CAT) on gross receipts from doing business in Ohio phased in over the 2006 through 2010 fiscal years. The CAT is being levied at its fully phased-in rate of 0.26% on gross receipts in excess of $1,000,000. (See **TAX LEVELS AND TAX BASES** for a discussion of the use of a portion of the CAT to make compensating payments to school districts and other taxing units in connection with the phase-out of the local tangible personal property tax.) The fully implemented CAT produces about $1.45 billion annually with $139 million of that amount attributable to its application to motor fuels. In September 2009, the Ohio Supreme Court ruled that food sales for off-premise consumption may be included in the CAT base. On December 7, 2012, the Ohio Supreme Court upheld the application of the CAT to gross receipts from the sales of motor fuels but ordered that the proceeds of the CAT derived from those gross receipts – estimated by OBM at approximately $100 million annually – could not in the future be applied to non-highway purposes. Under provisions enacted in the biennial appropriations Act for the 2014-15 biennium, the State is phasing out the CAT on the sale of motor vehicle fuel and replacing it with a “motor fuel receipts tax” (MFRT), computed on the basis of gross motor fuel receipts received by in-State suppliers. In accordance with the Ohio Supreme Court’s ruling, MFRT receipts are required to be used for highway purposes.
- A 5.5% State sales and use tax (decreased from the 6.0% rate for the 2004-05 biennium).
- An increase in the cigarette tax from $0.55 per pack (of 20 cigarettes) to $1.25 per pack.

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

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

2008-09

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

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

Consistent with State law, the Governor's Executive Budget for the 2008-09 biennium was released in March 2007 and introduced in the General Assembly. After extended hearings and review, the GRF appropriations Act for the biennium was passed by the General Assembly and signed (with selective vetoes) by the Governor on June 30, 2007. Reflecting the continued implementation of the restructuring of State taxes commenced in 2006-07, that Act was based upon then estimated total GRF biennial revenues of approximately $53.5 billion (a 3.9% increase over the 2006-07 biennial revenue) and total GRF biennial appropriations of approximately $52.4 billion (a 2.1% increase over the 2006-07 biennial expenditures). Spending increases for major program categories over the 2006-07 actual expenditures were: 2.2% for Medicaid (the Act also included a number of Medicaid reform and cost containment initiatives); 13.2% for higher education; 5.2% for elementary and secondary education; 4.9% for corrections and youth services; and 4.7% for mental health and mental retardation. The Executive Budget, the GRF appropriations Act and the separate appropriations acts for the biennium included all necessary debt service and lease rental payments related to State obligations.

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

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

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

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

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

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

- Transfer of unspent agency appropriations then expected to total $120 million in Fiscal Year 2008 and $78 million in Fiscal Year 2009.
- Authorizing expansion of the State-run lottery system to include "keno" games then projected to generate $65 million in Fiscal Year 2009 of which approximately $25 million was realized.

In June 2008, the General Assembly also passed legislation that provided for, among other things, transfers to the GRF (after a selective line-item veto) of up to $63.3 million from the BSF for the State's share of increased Medicaid costs, $55 million from rotary funds and $25 million in uncommitted interest earnings from proceeds of BTSFA's Tobacco Settlement Asset-Backed Bonds issued in October 2007.

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

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

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

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

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

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

Spring 2009. Based on the Administration's continuing monitoring of revenues, and as an anticipated step in the then ongoing 2010-11 biennial budget and appropriations process, OBM reported revised revenue estimates to the General Assembly on June 11, 2009. Those estimates revised Fiscal Year 2009 revenues downward by an additional $912 million over OBM's December 2008 adjusted baseline, based primarily on updated income and sales tax receipts through May 31. To address this additional Fiscal Year 2009 revenue shortfall, the Governor received General Assembly approval for and used the entire remaining BSF balance of

$949 million for Fiscal Year 2009. Additional measures taken to address this shortfall included the restructuring of $52.8 million of Fiscal Year 2009 general revenue fund debt service into Fiscal Years 2012 through 2021 and expenditure reductions of $98 million in addition to the expenditure controls previously ordered by the Governor.

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

2010-11

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

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

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

- $530 million from transfers to the GRF of unclaimed funds and from other non-GRF funds.

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

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

The appropriations Act for the 2010-2011 biennium created a six-member legislative Budget Planning and Management Commission (BPMC) to "study and make recommendations that are designed to provide relief to the State during the current difficult fiscal and economic period". The BPMC commenced meeting in June 2010, heard testimony, received suggestions and released two reports with both containing estimates of "non-recurring" revenues reflected in the 2010-11 budget as enacted ranging from $4.887 billion in the GRF to $8.339 billion for all GRF and non-GRF funds. These estimates included the effect of the postponement of the final installment of the personal income tax reduction**.**

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

2012-13

2012-13 Biennial Budget and Appropriations. Consistent with State law, the Governor's Executive Budget for the 2012-13 biennium was released in March 2011 and introduced in the General Assembly. After extended hearings and review, the 2012-13 biennial appropriations Act was passed by the General Assembly and signed (with selective vetoes) by the Governor on June 30, 2011. To address the use of non-recurring funding sources in the prior 2010-11 biennium including federal stimulus amounts received under ARRA, the Act included targeted spending cuts across most State agencies and major new Medicaid reform and cost containment measures. Reflecting the tax law changes described below and a conservative underlying economic forecast, that Act provided for total GRF biennial appropriations of approximately $55.8 billion ($27.1 billion in Fiscal Year 2012 and $28.7 billion in Fiscal Year 2013). This reflected 10.5% and 10.7% increases over the 2010-11 GRF biennial appropriations and expenditures, respectively, based on total expected GRF biennial revenue of approximately $56.07 billion (a 6% increase from 2010-11 GRF biennial revenues). Fiscal Year 2012 GRF appropriations increased 3.1% over Fiscal Year 2011 actual spending, and Fiscal Year 2013 GRF appropriations increased 6.1% over Fiscal Year 2012 appropriations. GRF appropriations for major program categories compared to 2010-11 actual GRF spending reflected increases of 30.2% for Medicaid (13.1% for Fiscal Year 2012 over Fiscal Year 2011, and 10.0% for Fiscal Year 2013 over Fiscal Year 2012) due in large part to the absence of ARRA funding in the 2012-13 biennium and the redirection of 2012-13 biennial spending from non-GRF to GRF sources); decreases of 3% for elementary and secondary education (a decrease of 3.5% in Fiscal Year 2012 over Fiscal Year 2011, followed by a 1.2% increase in Fiscal Year 2013 over Fiscal Year 2012), 9.1% for higher education (a decrease of 10.8% in Fiscal Year 2012 over Fiscal Year 2011, followed by a 3.8% increase in Fiscal Year 2013 over Fiscal Year 2012), and 8.1% for mental health and developmental disabilities (decreases of 0.3% in Fiscal Year 2012 over Fiscal Year 2011, and of 22.4% in Fiscal Year 2013 over Fiscal Year 2012) due to the transfer of community mental health Medicaid services to the Department of Job and Family Services); and flat funding for corrections and youth services. That Act also reflected the restructuring of $440 million of Fiscal Year 2012 general revenue fund debt service into Fiscal Years 2013 through 2025, approximately three-quarters of which was accomplished by the July 2011 issuance by the Ohio Public Facilities Commission of $488.8 million in refunding bonds, with the remainder accomplished by the September 2011 issuance by the Ohio Building Authority of $149.3 million in refunding bonds.

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

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

- Transfer of the State's spirituous liquor system to JobsOhio. On February 1, 2013, the State granted a 25-year franchise on its spirituous liquor system to JobsOhio Beverage System, a nonprofit corporation the sole member of which is JobsOhio, itself a nonprofit corporation created to promote economic development, job creation and retention, job training and the recruitment of business to the State. In exchange for the franchise, the State received a payment of $1.464 billion, $500 million of which was deposited in the GRF, $863.5 million was used to make provision for payment of all debt service on $725.0 million of outstanding State bonds and notes secured by a pledge of the State's profits from the sale of spirituous liquor, and $100 million for funding certain revitalization projects. With that transfer, the State is forgoing deposits to the GRF from net liquor profits (those deposits totaled $153.0 million in Fiscal Year 2011, $92.5 million in Fiscal Year 2012 and $88.0 million in Fiscal Year 2013 through the February 1 granting of the franchise to JobsOhio Beverage System). Litigation filed in April 2011 in the Ohio Supreme Court challenged, under various provisions of the Ohio Constitution, certain aspects of both JobsOhio and the General Assembly's February 2011 law that authorized its creation. Specifically, plaintiffs contested provisions in that law requiring that any challenges to that law or to the creation of JobsOhio be filed in the Ohio Supreme Court within sixty days after that law took effect. Plaintiffs also claimed that law was an improper special act conferring corporate powers, that the Governor could not serve on the JobsOhio board of directors, that the provisions for dissolution of JobsOhio violate limitations in the Ohio Constitution on State appropriations and assumption of corporate debt, and that the law created a joint venture under which the State is lending its aid and credit. On August 19, 2011, the Ohio Supreme Court dismissed this case for lack of subject matter jurisdiction. The 2012-13 appropriations Act also amended the February 2011 law to remove the Governor from the JobsOhio board of directors, require JobsOhio to comply with Ohio's nonprofit corporation law unless specifically exempted from a provision, and eliminate the exclusive original jurisdiction in the Ohio Supreme Court and relax the deadlines for filing claims. In August 2011, the plaintiffs filed a complaint in the Court of Common Pleas of Franklin County, Ohio, containing many of the same challenges to both JobsOhio and the law that authorized its creation. In December 2011, the trial court dismissed this suit for lack of standing, and in June 2012 the Ohio Tenth District Court of Appeals affirmed the lower court's decision. In July 2012, the plaintiffs requested that the Ohio Supreme Court review the Court of Appeals decision, and on January 23, 2013, the Ohio Supreme Court announced that it would hear the plaintiffs' appeal solely on the question of standing. After full briefing and oral argument in late 2013, on June 10, 2014, the Ohio Supreme Court issued its decision affirming the judgment of the lower courts and concluding that the plaintiffs lack standing to bring this suit. On October 27, 2014, a former attorney for the plaintiffs in the case described above filed a new action in the Franklin County Court of Appeals in an attempt to revive these challenges to JobsOhio and the laws authorizing its creation and the transfer of the State's spirituous liquor system. The State and JobsOhio have filed motions to dismiss this new lawsuit based on that attorney's lack of standing and other jurisdictional considerations. On August 4, 2015, the Franklin County Court of Appeals granted those motions to dismiss based on its finding that the attorney lacks standing to pursue this action and that attorney promptly filed a motion for reconsideration of the Court's decision. The State and JobsOhio have filed briefs in opposition and this motion now awaits decision by the Court.
- Sale of five State-owned prison facilities to private operators expected to result in a net payment to the GRF of $75 million. A case filed in August 2011 in the Court of Common Pleas of Franklin County,

Ohio, challenged the authorization in the 2012-13 appropriations Act to sell these prison facilities. Specifically, this litigation alleged that the provisions in that Act authorizing the sale of these prisons, as well as that entire Act, were enacted in violation of the "one subject rule" of the Ohio Constitution and violated the constitutional right to referendum, and that the sale of the prisons would create a joinder of private and public property interests violating the constitutional prohibition against the State entering into a joint venture. On August 31, 2011, that trial court rendered a non-appealable decision denying a temporary restraining order requested by the plaintiffs. In that decision, the trial court found that the provisions of the appropriations Act authorizing the sale of the prisons were not in violation of the one subject rule, did not violate the prohibition against the State entering into a joint venture, and do not fit within the exceptions to the right to referendum. The State announced on September 1, 2011 that, based on the proposals it received for five prisons, it was opting to sell only one of those facilities and that this would accomplish most of the desired financial result for the 2012-13 biennium. On December 21, 2011, the plaintiffs voluntarily dismissed their initial case without prejudice, and on July 9, 2012, the original and additional plaintiffs filed a new case in the Court of Common Pleas of Franklin County again raising the one subject rule and joinder of private and public property claims contained in the original case, but adding a claim for reinstatement and back pay of Department of Rehabilitation and Correction employees affected by prison sales. On November 20, 2012, the trial court granted defendants' motions to dismiss and ruled that plaintiffs failed to state a claim for which relief can be granted. On December 18, 2012, plaintiffs filed an appeal in the Tenth District Court of Appeals, and on October 10, 2013, the appellate court rendered a decision reversing only the trial court's dismissal of the one-subject-rule claim and ordering the case remanded to the Court of Common Pleas for further proceedings. After the court of appeals on January 15, 2014 denied the plaintiffs' motion for reconsideration, both the plaintiffs and defendants filed separate further appeals which the Ohio Supreme Court on June 25, 2014 accepted for review of the one subject rule and the joinder of private and public property claims, and ordered the parties to file their briefs in accordance with the Court's rules. Briefing by the parties is complete and the Court heard oral arguments in this case on May 20.

- Reduction of local government fund allocations by $111 million in Fiscal Year 2012 and $340 million in Fiscal Year 2013. Beginning in Fiscal Year 2014, allocations are made by committing to the local government fund a set percent of annual tax revenues deposited into the GRF (beginning with Fiscal Year 2013 GRF tax revenues).
- Reduction of public library fund allocations to 95% of Fiscal Year 2011 levels resulting in expenditure reductions of $52.3 million in Fiscal Year 2012 and $102.8 million in Fiscal Year 2013. Beginning in Fiscal Year 2014, allocations to public libraries are made by committing to the public library fund a set percent of annual tax revenues deposited into the GRF (beginning with Fiscal Year 2013 GRF tax revenues).
- Accelerated phase-out of reimbursement payments to local governments and school districts in connection with the elimination of the tangible personal property tax resulting in an increased share (estimated at $293.5 million in Fiscal Year 2012 and $597.7 million in Fiscal Year 2013) of the commercial activity tax being deposited into the GRF (see **TAX LEVELS AND TAX BASES – Property Tax**).
- Accelerated phase-out of reimbursement payments to local governments and school districts for electric power generation deregulation and natural gas deregulation resulting in a larger share (estimated at $141.6 million in Fiscal Year 2012 and $147.4 million in Fiscal Year 2013) of the kilowatt-hour tax and the entire (approximately $66.0 million in Fiscal Year 2012 and $66.0 million in Fiscal Year 2013) natural gas consumption tax being reallocated to the GRF.
- $235 million from transfers to the GRF of unclaimed funds and from other non-GRF funds, and $12 million from a tax amnesty program.

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

- Implementation of the previously postponed final 4.2% annual decrease in State personal income tax rates (see **FISCAL MATTERS – Recent and Current Finances – Recent Biennia – 2010-11**).

- Elimination of the estate tax beginning January 1, 2013, previously levied at a rate of 6% on estates over $338,333 and 7% on estates over $500,000. In Fiscal Year 2010, estate tax collections totaled $285.8 million of which $230.8 million was distributed to the local government jurisdictions from which it was collected and with $55.0 million retained by the State and deposited into the GRF.
- Establishment of the InvestOhio income tax credit program under which investors in small businesses based in Ohio who hold their investments for at least two years may receive 10% income tax credits limited to a maximum of $10 million per investor per biennium with no more than $100 million of those credits to be issued over two years.

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

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

2012 Mid-Biennium Review. On March 14, 2012, the Governor announced a series of policy proposals resulting from a "mid-biennium review" (2012 MBR), with a stated focus on job creation as a priority. The Governor's 2012 MBR included proposals for General Assembly consideration in the areas of: *energy* (including shale oil and gas production opportunities in the Marcellus and Utica fields in the State, and modernizing the State's oil and gas severance tax; electric generation and transmission; coal; cogeneration, alternative fuels and renewables; energy efficiency; and regulatory reform); *personal income tax reduction* (proposing that any new revenue from shale oil and gas production and the MBR proposal to modernize the State's oil and gas severance tax system be used to reduce personal income tax rates by a commensurate amount); *bank and financial institutions tax reform* (including a modernization, intended to be revenue-neutral, of Ohio's taxes on banks and financial institutions replacing the corporate franchise and dealers in intangibles tax with a new financial institutions tax more accurately reflecting modern banking practices, closing loopholes and reducing the overall tax burden on most banks); *education* (including proposals for strengthening Ohio's "third grade reading guarantee", career education, a new school performance measuring system, expansion of digital and online learning, flexibility for teacher evaluations, new standards for dropout recovery schools, assessments of all publicly funded early childhood programs, and supporting adoption of a school reform plan for the City of Cleveland schools); *workforce development* (creating job opportunities for the developmentally disabled; an improved workforce development program; allowing those undergoing training with an employer to continue collecting unemployment benefits; linking energy companies with trained workers; and matching skilled veterans to the most in demand jobs); and achieving more *management efficiency* with associated State and local government budgetary savings (including combining the separate Offices of the State Architect and Engineer and the Office of Energy Services into an Ohio Facilities Construction Commission (OFCC) to administer the design and construction of state public facilities, with the Ohio School Facilities Commission retained as an independent agency within the OFCC but sharing employees and facilities). Those 2012 MBR proposals were considered by the General Assembly commencing in March in twelve separate pieces of legislation, and the General Assembly in May and June passed seven pieces of legislation addressing the subjects of energy (not including the 2012 MBR proposed changes to the State's oil and gas severance tax), tax reform (not including the 2012 MBR personal income tax reduction proposal), education, workforce development, and management efficiency for both state and local governments.

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

Fiscal Year 2013 Results. The State ended Fiscal Year 2013 with GRF cash and fund balances of $2.64 billion and $2.28 billion, respectively. These ending balances reflect approximately $1.15 billion in Fiscal Year 2013 underspending due largely to actual Medicaid expenditures $883.0 million below the original Fiscal Year 2013 spending estimate. Of that ending GRF fund balance, the State deposited $995.9 million into the Budget Stabilization Fund (BSF) increasing its balance to $1.48 billion which was the then statutorily designated five percent of Fiscal Year 2013 GRF revenues; carried forward $963.2 million to offset the one-time cost of accelerating the phase-in of reductions in State personal income tax withholding rates (see **FISCAL MATTERS – Recent and Current Finances - Current Biennium**), and transferred $120 million into the Unemployment Compensation Contingency Fund to pay interest on federal advances to the State Unemployment Compensation Fund and $51.3 million into disaster services/emergency funds. The remaining $147.8 million was reserved in the GRF reflecting the one-half of one percent of Fiscal Year 2013 GRF revenues the State is required to maintain as an ending fund balance.

2014-15

2014-15 Biennial Budget and Appropriations. Consistent with State law, the Governor's Executive Budget for the 2014-15 biennium was released in February 2013 and introduced in the General Assembly. After extended hearings and review, the 2014-15 biennial appropriations Act was passed by the General Assembly and signed (with selective vetoes) by the Governor on June 30, 2013. With a stated focus on job creation and continued spending restraint, and based on a conservative economic forecast, that Act provided for total GRF biennial appropriations of approximately $62.0 billion ($30.3 billion in Fiscal Year 2014 and $31.7 billion in Fiscal Year 2015). This reflected 11.1% and 15.1% increases over the 2012-13 GRF biennial appropriations and expenditures, respectively, and was based on expected total GRF biennial revenue (not including the $963.2 million carried-forward from the 2012-13 biennium) of approximately $61.1 billion (a 7.7% increase from 2012-13 GRF biennial revenues). Fiscal Year 2014 GRF appropriations were increased 10.3% over Fiscal Year 2013 actual spending, and Fiscal Year 2015 GRF appropriations were increased 4.7% over Fiscal Year 2014 appropriations. GRF appropriations for major program categories compared to 2012-13 actual GRF spending reflected increases of 22.1% for Medicaid (16.8% for Fiscal Year 2014 over Fiscal Year 2013, and 6.2% for Fiscal Year 2015 over Fiscal Year 2014) attributable in large part to federal Affordable Care Act induced enrollment of previously eligible individuals and federally mandated physician rate increases; 8.9% for elementary and secondary education (5.0% for Fiscal Year 2014 over Fiscal Year 2013, and 5.8% for Fiscal Year 2015 over Fiscal Year 2014) due largely to enhancements in the K-12 school funding formula; 5.3% for higher education (1.8% for Fiscal Year 2014 over Fiscal Year 2013, and 2.1% for Fiscal Year 2015 over Fiscal Year 2014); 11.3% for mental health and developmental disabilities (8.9% for Fiscal Year 2014 over Fiscal Year 2013, and 0.3% for Fiscal Year 2015 over Fiscal Year 2014); and 2.1% for corrections and youth services (0.1% for Fiscal Year 2014 over Fiscal Year 2013, and 0.2% for Fiscal Year 2015 over Fiscal Year 2014). The Act also implemented a new school funding formula (see **SCHOOLS AND MUNICIPALITIES – Schools**), allocated a portion of State public higher education funding to institutions based on their graduation rates, and eliminated the Ohio Cultural Facilities Commission by moving the administration of cultural facilities projects to the Ohio Facilities Construction Commission to achieve efficiencies and budgetary savings.

The 2014-15 biennial appropriations Act reflected the following tax reductions and related adjustments of major State taxes (primarily the personal income and sales and use taxes), resulting in an estimated net reduction in GRF revenues of $1.16 billion in Fiscal Year 2014 and $771 million in Fiscal Year 2015, including:

- A 10% reduction in State personal income tax rates phased-in over three years (8.5% in calendar year 2013, 0.5% in calendar year 2014, and 1.0% in calendar year 2015), coupled with a freeze on the indexing of the State income tax brackets and the personal exemption for tax years 2013 through 2015 until these rate reductions are fully implemented (see 2014 MBR discussion below for information on the acceleration into calendar year 2014 of the 1% reduction initially scheduled to take effect for calendar year 2015).

- Creation of a non-refundable earned income tax credit equal to 5% of the federal earned income credit that is limited to 50% of liability for gross income that exceeds $20,000 (see 2014 MBR discussion below for information on the increase of the credit amount from 5% to 10%).
- A new deduction for small businesses of 50% of annual adjusted business net income up to $250,000 (see 2014 MBR discussion below for information on the temporary increase of this deduction to up to 75% for tax year 2014).
- Elimination of the $20 personal income tax exemption for filers with a gross income greater than $30,000 and of the gambling loss deduction.
- An increase in the State sales and use tax by one-quarter percent (from 5.5% to 5.75%) beginning September 1, 2013.
- Authorization of full membership for the State in the streamlined sales tax project for the collection of State sales taxes on out-of-state companies for catalog and internet purchases.
- Expansion of the State sales tax base to include digital goods such as e-books, music and video downloads and repeal of the exemption for magazine purchases.
- Elimination of the corporate franchise tax (and dealers in intangibles tax) and the initial implementation and collection of the new financial institutions tax in tax year 2014.
- Elimination of the 12.5% property tax roll back for owner-occupied residential property for new voter-approved local property tax levies.
- Reinstituting income requirements for eligibility for new applicants for the State's homestead tax exemption (this exemption was expanded in 2007 to include all senior citizens and disabled Ohioans regardless of income).
- Establishing a variable minimum for the commercial activity tax for businesses with gross receipts greater than $1 million and an exemption from the CAT for grain handlers.

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

2014 Mid-Biennium Review. On March 12, 2014, the Governor announced a series of initiatives across a range of topics resulting from a "mid-biennium review" for 2014-15 (2014 MBR), with the stated purpose of keeping Ohio moving forward. The Governor's 2014 MBR included a range of proposals in the areas of: *elementary and secondary education* (including proposals for dropout prevention and recovery and making technical and vocational education accessible by more students as early as the seventh grade); *higher education* (including proposals for reforming Ohio's dual credit programming to encourage more students to earn college credit while in high school; extending to two-year community colleges a funding formula tied to successful student outcomes; tying state funding for technical centers to the percentage of their students that find a job and other outcome-based benchmarks; increased use of technology and distance learning; increasing enrollment of international students and their retention in Ohio post-graduation; providing community colleges the option to offer a guaranteed tuition rate; and providing veterans college credit for their military training and experience); *income tax reductions and other tax adjustments* (including proposals to lower income tax rates across all income levels by 8.5% over the next three years; increasing the state's earned income tax credit for low-income Ohioans from 5% to 15% of the federal earned income tax credit; increasing the state income tax personal exemptions for those with annual incomes up to $80,000; raising the tax on cigarettes by 60 cents to $1.85 per pack with equivalent taxes on other tobacco products including e-cigarettes; increasing the oil and gas severance tax to 2.75% of producer gross receipts while eliminating that tax for small conventional gas producers and exempting from that tax up to $8 million of gross receipts per well during the first three years to help producers recoup their start-up drilling costs, with approximately 20% of severance tax revenue directed to local governments in shale oil and gas producing regions of the state; and updating the commercial activity tax rate from its initial 0.26% rate established in 2005 to 0.30%); *workforce* (aligning the three main federal workforce programs through a single, integrated plan to provide faster and improved training; and expediting professional licensing and certification for veterans and their spouses); and *human services* (including increased access to crisis intervention and safe places for those with mental illness and addictions; allocating $26.9 million of non-GRF funds to support tobacco prevention and cessation programs; and expanding drug and substance abuse prevention in schools and prioritizing statewide funding for prevention initiatives). The 2014 MBR also proposed increasing appropriations to the Department of Rehabilitation and Correction by $53.5 million to address a rise in the prison population, and reducing local property tax reimbursement and debt service appropriations for the biennium by $35 million and $92 million, respectively, due to lower than expected payments, while continuing all necessary appropriations for debt service and lease rental payments for State obligations.

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

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

The 2014 MBR legislation passed by the General Assembly also authorized the OBM Director to transfer to a Medicaid reserve fund up to $300 million from the GRF, if necessary, to provide for the payment of Medicaid costs above the enacted level of appropriations.

Fiscal Year 2015 Financial Results. The State ended Fiscal Year 2015 with GRF cash and fund balances of $1.71 billion and $1.29 billion, respectively. Of that ending GRF fund balance, the State reserved $157.4 million to satisfy the requirement to maintain one-half of one percent of State Fiscal Year 2015 GRF revenues as an ending fund balance, carried forward $393.0 million to cover the planned for and modest variance of Fiscal Year 2016 GRF appropriations over estimated revenue, transferred $425.5 million to the BSF, $50 million to the health and human services fund (see **Current Biennium** below for discussion on the creation of this fund), $42 million to the Straight A fund, $40 million to pay unemployment compensation loan interest and $20 million for disaster services. The State also made 16 other smaller transfers totaling $149.5 million with the remaining $9.1 million transferred to the income tax reduction fund. Of the $331.1 million Fiscal Year 2015 ending balance in the Medicaid reserve fund, the State transferred $72.0 million to a school district tangible personal property tax supplement fund, $101.1 million to the BSF (bringing its balance to $2.005 billion), and $158.0 million to the GRF.

Current Biennium

Consistent with State law, the Governor's Executive Budget for the 2016-17 biennium was released on February 2, 2015 and introduced in the General Assembly. After extended hearings and review, the 2016-17 biennial appropriations Act was passed by the General Assembly and signed (with selective vetoes) by the Governor on June 30, 2015. Reflecting a stated continuing focus on job creation, and based on a conservative economic forecast, that Act provides for GRF appropriations of approximately $34.9 billion in Fiscal Year 2016 (reflecting a 13.1% increase over Fiscal Year 2015 actual spending) and $36.3 billion in Fiscal Year 2017 (reflecting a 4.2% increase over Fiscal Year 2016 appropriations). Those total GRF appropriations of $71.2 billion for the 2016-17 biennium reflect a 14.9% increase over the 2014-15 GRF biennial appropriations and a 19.2% increase over the 2014-15 GRF actual expenditures. Those appropriations are based on expected GRF revenue of $34.9 billion in Fiscal Year 2016, which excludes the $393.0 million carried-forward from Fiscal Year 2015 (reflecting a 10.8% increase over Fiscal Year 2015 revenue), and $36.5 billion in Fiscal Year 2017 (reflecting a 4.6% increase over expected Fiscal Year 2016 revenues). Total GRF revenues across the 2016-17 biennium reflect a 17.5% increase from 2014-15 GRF biennial revenues.

GRF major program categories (excluding debt service) reflect the following increases: for Medicaid, 21.8% in Fiscal Year 2016 appropriations over Fiscal Year 2015 expenditures (driven in large part to the shift in funding to the GRF from non-GRF sources beginning in Fiscal Year 2016 for the Medicaid expansion population), and 5.1% for Fiscal Year 2017 appropriations over Fiscal Year 2016 appropriations (in total increasing 30.6% over 2014-15 actual spending); for elementary and secondary education, 5.0% for Fiscal Year 2016 appropriations over Fiscal Year 2015 expenditures, and 4.2% for Fiscal Year 2017 appropriations over Fiscal Year 2016 appropriations (in total increasing 10.9% over 2014-15 actual spending); for higher education, 4.5% for Fiscal Year 2016 appropriations over Fiscal Year 2015 expenditures, and 3.3% for Fiscal Year 2017 appropriations over Fiscal Year 2016 appropriations (in total increasing 7.5% over 2014-15 actual spending); for mental health and developmental disabilities, 9.1% for Fiscal Year 2016 appropriations over Fiscal Year 2015 expenditures, and 7.3% for Fiscal Year 2017 appropriations over Fiscal Year 2016 appropriations (in total increasing 13.1% over 2014-15 actual spending); for corrections and youth services, 4.8% for Fiscal Year 2016 appropriations over Fiscal Year 2015 expenditures, and 3.0% for Fiscal Year 2017 appropriations over Fiscal Year 2016 appropriations (in total increasing 6.6% over 2014-15 actual spending). The Act also modifies the school funding formula to distribute new resources to districts with less capacity to raise revenues locally (see **SCHOOLS AND MUNICIPALITIES – Schools**) and freezes tuition and fees for two- and four year higher education institutions.

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

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

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

The 2016-17 biennial appropriations Act also reflects:

- The resumption of the phase-out of reimbursements to local governments and school districts in connection with the elimination of the tangible personal property tax, resulting in an increased share (estimated at $428.7 million in Fiscal Year 2016 and $445.3 million in Fiscal Year 2017) of the commercial activity tax being deposited into the GRF (see **TAX LEVELS AND TAX BASES – Property Tax**); and
- The continuing phase-out of reimbursements to local governments and school districts for electric power generation deregulation and natural gas deregulation resulting in an increased share (estimated at $56.3 million in Fiscal Year 2016 and $56.0 million in Fiscal Year 2017) of the kilowatt-hour tax being reallocated to the GRF.

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

OBM is currently projecting a positive GRF fund balance at the end of Fiscal Year 2016. As discussed above, the State is effectively precluded by its Constitution from ending a Fiscal Year or a biennium in a "deficit" position. OBM continually monitors and analyzes revenues and expenditures and related developments (including pending litigation) and prepares at the end of each month a financial report, the most recent of which is accessible via OBM's home page at http://obm.ohio.gov with copies also available upon request to OBM.

Cash Flow

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

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

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

STATE DEBT

General

The incurrence or assumption of debt by the State without a popular vote is, with limited exceptions, prohibited by the State Constitution. The State 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 20 constitutional amendments approved from 1921 to present, Ohio voters have authorized the incurrence of State general obligation debt and the pledge of taxes or excises to its payment, all related to the financing of capital facilities, except for three that funded bonuses for veterans, one to fund coal technology research and development, and one to fund other research and development activities. Currently, tax supported general obligation debt of the State is authorized to be incurred for the following purposes: highways, local infrastructure, coal development, natural resources and parks, higher education, common schools, conservation, research and development, site development, and veterans compensation. Although supported by the general obligation pledge, highway debt is also backed by a pledge of and has always been paid from the State's motor fuel taxes and other highway user receipts that are constitutionally restricted in use to highway related purposes.

State special obligation debt, the owners or holders of which are not given the right to have excises or taxes levied by the General Assembly to pay principal and interest, is authorized for purposes specified by Section 2i of Article VIII of the Constitution. The Treasurer of State (Treasurer) currently issues the special obligations authorized under that Section 2i for parks and recreation and mental health facilities, and for facilities to house branches and agencies of State government and their functions, including: State office buildings and facilities for the Department of Administrative Services (DAS) and others, the Departments of Transportation (ODOT) and Public Safety (DPS); correctional and juvenile detention facilities for the Departments of Rehabilitation and Correction (DRC) and Youth Services (DYS), and various cultural facilities. Debt service on all these special obligations is paid from GRF appropriations, with the exception of debt issued for ODOT and DPS facilities which is paid from highway user receipts. All of those debt service payments are subject to biennial appropriations by the General Assembly pursuant to leases or other agreements entered into by the State.

Certificates of Participation (COPs). State agencies also have participated in buildings and equipment, information systems and non-highway transportation projects that have local as well as State use and benefit, in connection with which the State has entered into lease-purchase agreements with terms ranging from 7 to 20 years. Certificates of Participation (COPs) have been issued in connection with those agreements that represent fractionalized interests in and are payable from the State's anticipated lease payments. The maximum annual payment from GRF appropriations under those existing agreements is $44.3 million in Fiscal Year 2017 and the total GRF-supported principal amount outstanding is $208.6 million. Payments by the State are subject to biennial appropriations by the General Assembly with the lease terms subject to renewal if appropriations are made. The approval of the OBM Director and either the General Assembly or the State Controlling Board is required if COPs are to be publicly offered in connection with those agreements.

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

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

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

Obligations and Funding Commitments for Highway Projects Payable from Highway-Related Non-GRF Funds. As described above, the State's highway general obligations and special obligations for ODOT and DPS facilities have always been paid from the State's motor fuel tax and other highway user receipts that are constitutionally restricted in use to highway related purposes. In addition to its issuance of highway general obligation bonds, the State has and expects to continue financing selected highway infrastructure projects by issuing federal highway grant anticipation revenue (GARVEE) bonds and entering into agreements that call for debt service payments to be made from federal Title 23 transportation funds allocated to the State, subject to biennial appropriations by the General Assembly. The highest annual State payment under those agreements in the current or any future fiscal year is $179.3 million in Fiscal Year 2016. In the event of any insufficiency in the anticipated federal allocations to make payments on GARVEE bonds, the payments are to be made from any lawfully available moneys appropriated to ODOT for the purpose.

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

Variable Rate Debt

The State currently has $491,615,000 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	$50,000,000	Infrastructure, 2001B	Weekly	8/1/2021
2/26/03	46,135,000	Infrastructure Refunding, 2003B	Weekly	8/1/2017
3/20/03	37,940,000	Infrastructure Refunding, 2003D	Weekly	2/1/2019
12/15/03	67,000,000	Common Schools, 2003D	Weekly	3/15/2024
3/3/04	53,760,000	Infrastructure Refunding, 2004A	Weekly	2/1/2023
4/1/05	112,370,000	Common Schools, 2005A/B	Weekly	3/15/2025
6/7/06	124,410,000	Common Schools, 2006B/C	Weekly	6/15/2026

Interest Rate Swaps

As part of its debt management, the State is also party to the following floating-to-fixed interest rate swap agreements with a total notional amount currently outstanding of $407,540,000:

Outstanding Notional Amount	Related Bond Series	State Pays	State Receives	Counterparty	Effective Date	Termination Date
$50,000,000	Infrastructure 2001B	4.630%	SIFMA[1]	JP Morgan/ Wells Fargo	11/29/2001	8/1/2021
67,000,000	Common Schools 2003D	3.414%	LIBOR[2]	JP Morgan/ Wells Fargo	9/14/2007	3/15/2024
53,760,000	Infrastructure 2004A Refunding	3.510%	LIBOR[2]	Wells Fargo	3/3/2004	2/1/2023
112,370,000	Common Schools 2005A/B	3.750%	LIBOR[2,3]	JP Morgan	3/15/2007	3/15/2025
124,410,000	Common Schools 2006B/C	3.202%	LIBOR[2]	US Bank/ RBC	6/15/2006	6/15/2026

[1] Securities Industry and Financial Markets Association (SIFMA) weekly variable rate index.
[2] Variable interest rate based on a percentage of one-month London Inter-Bank Offered Rate (LIBOR) plus a fixed increment.
[3] Variable interest rate based on 62% of 10-year LIBOR beginning September 15, 2014.

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

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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.

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The following table presents a current summary of State debt authorizations and obligations. The General Assembly has appropriated sufficient moneys to meet debt service requirements for the current biennium (ending June 30, 2017) on all of the obligations included in this and the accompanying tables.

	Authorized by General Assembly	Issued(a)	Outstanding(b)
Obligations Payable from the GRF			
General Obligations			
Coal Development(c)	$251,000,000	$222,000,000	$27,150,000
Infrastructure(d,e)	3,750,000,000	3,599,986,136	1,819,660,000
Natural Resources(f)	443,000,000	418,000,000	166,980,000
Common School Facilities(e)	4,770,000,000	4,470,000,000	2,827,010,000
Higher Education Facilities	3,535,000,000	2,920,000,000	1,818,590,000
Conservation(g)	500,000,000	400,000,000	235,425,000
Research & Development(h)	1,200,000,000	661,000,000	413,430,000
Site Development	150,000,000	150,000,000	89,435,000
Veterans Compensation(i)	200,000,000	83,910,000	66,420,000
		Total:	$7,464,100,000
Special Obligations			
DAS Facilities	$1,835,700,000	$1,776,000,000	$675,510,000
DRC Prison Facilities	2,119,000,000	1,884,500,000	460,000,000
DYS Facilities	351,000,000	332,000,000	124,920,000
Cultural & Sports Facilities	593,000,000	534,690,000	134,700,000
Higher Education Facilities	4,817,590,000	4,817,590,000	-0-
Mental Health Facilities	1,582,000,000	1,517,085,000	186,925,000
Parks & Recreation Facilities	623,000,000	448,000,000	117,855,000
		Total:	$1,699,910,000
Obligations Payable from Non-GRF Sources(j)			
Highway User Receipts			
G.O. Highway(k)	$3,428,000,000	$2,693,410,000	$758,550,000
ODOT Facilities	255,800,000	240,100,000	84,300,000
DPS Facilities	143,000,000	140,285,000	11,335,000
		Total:	$854,185,000
Federal Transportation Grants			
ODOT GARVEE Highway(l)	n.a.	$1,988,170,000	$788,590,000

(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 $3,750,000,000 may be issued with the annual issuance currently limited to no more than $150,000,000 in any Fiscal Year plus any obligations unissued from previous Fiscal Years. See **Recent Debt Authorizations** below for additional $1,875,000,000 constitutional authorization for this purpose approved by the voters in May 2014.
(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) 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.
(h) Not more than $1,200,000,000 may be issued with the annual issuance now limited to no more than $175,000,000 in any Fiscal Year plus any obligations unissued from previous Fiscal Years.
(i) Constitutional authorization was self-implementing and did not require further General Assembly authorization. No more obligations may be issued under this authorization.
(j) See discussion above of "availability payments" under ODOTs first public-private agreement, which payments are expected to be made from biennial appropriations of non-GRF funds available to ODOT and remaining after the payment of debt service on highway general obligations, special obligations and GARVEE bonds shown below.
(k) Not more than $220,000,000 may be issued in any Fiscal Year plus any amount unissued from previous Fiscal Years, and not more than $1.2 billion may be outstanding at any time.
(l) Debt service on these "GARVEE" bonds is paid from federal transportation grants apportioned to the State (Title 23 of the U.S. Code).

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

Annual Debt Service Requirements on State Obligations Paid from the GRF

	General Obligations			Special Obligations			Total GRF Debt Service		
FY	Education(a)	Infra-structure(b)	All Other(c)	DAS Facilities	DRC Facilities	All Other(d)	Principal	Interest	Total
2016	$608,323,588	$231,539,692	$ 172,450,020	$97,478,700	$81,208,781	$118,941,428	$893,598,600	$416,343,608	$1,309,942,208
2017	593,467,649	230,960,032	183,718,647	92,779,298	74,055,838	100,840,966	892,150,000	383,672,430	1,275,822,430
2018	572,466,728	218,524,495	158,640,094	93,194,898	65,133,506	93,303,705	855,155,000	346,108,425	1,201,263,425
2019	582,731,849	200,912,994	142,299,800	82,478,883	56,729,613	78,477,786	834,855,000	308,775,924	1,143,630,924
2020	581,203,542	189,378,666	129,602,183	75,080,444	44,285,850	66,682,960	814,460,000	271,773,645	1,086,233,645
2021	573,834,608	178,416,261	105,354,427	74,845,847	44,423,975	51,919,134	794,110,000	234,684,252	1,028,794,252
2022	537,594,219	170,185,656	84,083,370	64,908,406	44,165,900	39,759,212	741,650,000	199,046,763	940,696,763
2023	474,021,613	162,373,607	72,553,076	59,182,694	40,104,888	39,765,076	681,695,000	166,305,954	848,000,954
2024	374,929,520	144,553,640	51,547,079	49,092,756	38,223,769	34,480,945	555,980,000	136,847,708	692,827,708
2025	312,561,156	136,209,685	30,717,479	43,556,933	33,657,800	27,775,076	472,785,000	111,693,130	584,478,130
2026	239,576,741	123,497,912	24,536,564	20,555,163	9,937,331	10,024,325	336,255,000	91,873,036	428,128,036
2027	183,444,073	108,784,727	19,788,159	20,554,496	9,939,431	7,047,675	271,990,000	77,568,562	349,558,562
2028	162,379,632	108,663,308	16,297,350	20,552,258	9,940,556	5,622,425	258,265,000	65,190,530	323,455,530
2029	162,614,218	99,929,556	11,438,000	20,557,775	9,947,181	5,622,875	256,975,000	53,134,605	310,109,605
2030	162,839,155	80,642,402	7,906,625	15,860,918	6,852,306	5,616,469	238,285,000	41,432,875	279,717,875
2031	163,114,877	80,471,191	4,520,250	12,480,831	6,855,338	-0-	237,365,000	30,077,486	267,442,486
2032	138,820,663	54,775,450	-0-	12,486,181	3,559,500	-0-	189,415,000	20,226,794	209,641,794
2033	71,606,725	45,799,625	-0-	10,048,344	3,555,750	-0-	118,880,000	12,130,444	131,010,444
2034	47,985,500	34,983,125	-0-	5,975,800	3,559,500	-0-	86,045,000	6,458,925	92,503,925
2035	24,155,250	11,379,000	-0-	5,974,800	-0-	-0-	39,310,000	2,199,050	41,509,050
2036	-0-	11,377,500	-0-	-0-	-0-	-0-	11,100,000	277,500	11,377,500
							$9,580,323,600	**$2,975,821,647**	**$12,556,145,247**

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

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

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

	Highway User Receipts			GARVEE Federal Transportation Grants(b)
FY	Highway G.O.	ODOT/DPS Facilities(a)	Total	
2016	$119,839,303	$10,552,410	$130,391,713	$179,290,346
2017	101,109,703	10,549,475	111,659,178	153,282,259
2018	86,307,480	10,554,100	96,861,580	127,084,997
2019	85,432,333	10,557,000	95,989,333	121,929,012
2020	84,126,862	9,708,200	93,835,062	117,387,296
2021	83,239,842	9,712,750	92,952,592	82,825,928
2022	81,500,702	8,144,500	89,645,202	38,041,625
2023	80,115,331	8,147,000	88,262,331	37,264,838
2024	78,687,152	8,146,250	86,833,402	36,521,650
2025	62,560,270	8,146,750	70,707,020	35,775,750
2026	34,964,550	8,142,750	43,107,300	-0-
2027	34,138,800	8,143,750	42,282,550	-0-
2028	33,305,300	8,143,750	41,449,050	-0-
2029	17,407,800	8,142,000	25,549,800	-0-
2030	-0-	8,142,750	8,142,750	-0-

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

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

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

	Obligations Payable from the GRF			Non-GRF Obligations
Year	**Education(a)**	**Other GO(b)**	**Special Obligations(c)**	**Highway User Receipts(d)**
2016	$4,542,685,000	$2,637,915,000	$1,484,465,000	$763,105,000
2020	2,933,800,000	1,562,035,000	772,610,000	487,055,000
2025	1,129,515,000	688,820,000	203,890,000	142,690,000
2030	404,965,000	197,425,000	58,065,000	-0-

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

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

Fiscal Year	Principal Amount Outstanding	Outstanding Debt Per Capita	Outstanding Debt as % of Annual Personal Income
1980	$1,991,915,000	$184	1.86%
1990	3,707,054,994	342	1.83
2000	6,308,680,025	556	1.94
2010	8,586,655,636	744	2.05
2011	8,996,752,848	779	2.02
2012	9,760,505,915	845	2.10
2013	9,263,358,266	801	1.95
2014	9,517,346,998	821	1.93(b)
2015	9,354,508,600	807(a)	1.90(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%	0.18%
1990	488,676,826	12,230,681,298	4.00	0.24
2000	871,313,814	20,711,678,217	4.21	0.27
2010	710,284,236*	24,108,466,000**	2.95	0.17
2011	755,023,015*	26,777,133,000**	2.82	0.17
2012	692,776,090*	27,956,513,000	2.48	0.15
2013	1,204,775,861	30,361,815,000	3.97	0.25
2014	1,237,701,225	30,137,140,000	4.11	0.25(b)
2015	1,278,258,664	32,463,100,000	3.94	0.26(b)

(a) Based on July 2014 population estimate.
(b) Based on preliminary 2014 personal income data.

* Reduction is due in large part to the restructuring of certain GRF debt service payments resulting in net savings of $416.8 million in Fiscal Year 2010, $336.9 million in Fiscal Year 2011, and $449.3 million in Fiscal Year 2012.
** Excludes federal funds from the American Recovery and Reinvestment Act of 2009.

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Recent Debt Authorizations

Only a portion of State capital needs can be met by direct GRF appropriations, so additional State borrowing for capital and other purposes has been and will continue to be required. For the 2015-16 capital biennium, the General Assembly approved $2.44 billion in new capital appropriations, with $2.11 billion of those new capital appropriations to be funded by GRF-supported debt authorizations, $100 million to be funded from non-GRF debt authorizations and the remaining $234 million to be funded from cash. All of the following additional GRF-supported borrowing authorizations to fund those appropriations are reflected in the preceding tables:

General Obligation

- $500,000,000 for capital improvements for elementary and secondary public schools.
- $300,000,000 for local infrastructure projects.
- $507,000,000 for higher education facilities.
- $40,000,000 for natural resources facilities.
- $100,000,000 for conservation purposes.
- $5,000,000 for coal development purposes.

Special Obligation

- $126,000,000 for prisons and local jails.
- $34,000,000 for youth services facilities.
- $124,700,000 for State administrative facilities.
- $75,000,000 for cultural facilities (including both arts and sports facilities).
- $41,000,000 for mental health facilities (including local projects).
- $190,000,000 for parks and recreation facilities.

In addition to the above $500 million general obligation debt authorization for elementary and secondary public school improvements, the General Assembly also appropriated $100 million for those elementary and secondary public school capital improvements from State lottery profits fees and revenues expected from the implementation of video lottery terminals (VLTs) at Ohio's seven horse racing tracks as authorized by legislation enacted by the General Assembly in 2009. (See **FISCAL MATTERS – Recent and Current Finances – Recent Biennia – 2010-11**.) On October 21, 2011, a complaint was filed in the Court of Common Pleas of Franklin County, Ohio, challenging the 2009 law authorizing those VLTs on a number of bases, including that its authorization of those VLTs as part of the State Lottery exceeds the authorization for a state lottery under the Ohio Constitution. The trial court on May 30, 2012 granted defendants' motions to dismiss the case after finding that the plaintiffs did not have standing to bring this action, and the plaintiffs appealed this trial court ruling to the Tenth District Court of Appeals of Franklin County, Ohio. Since the trial court dismissed the case based on plaintiffs' lack of standing, it did not address or decide the merits of the plaintiffs' challenges to the 2009 law. On March 14, 2013, the Court of Appeals upheld the trial court's dismissal of the case based on the plaintiffs' lack of standing, and on July 24, 2013, the Ohio Supreme Court announced that it was accepting plaintiffs' appeal of this case but holding it for review after it decided a separate case involving the question of an activist group's standing to challenge issues relating to JobsOhio in a separate case on appeal (see **FISCAL MATTERS – Recent and Current Finances – Recent Biennia – 2012-13**). The Supreme Court released its decision in that separate case on June 10, 2014, and on July 2 defendants filed a motion to dismiss the appeal as improvidently granted based on that June 10 decision. On September 3, the Supreme Court granted in part and denied in part the defendants' motion to dismiss, and ordered the parties to file merit briefs relating to the issues accepted for appeal. Those briefs have now been filed and oral argument was held by the Court on June 23, 2015, with the case now awaiting decision.

Recent constitutional authorizations are:

- 2014 - authorizes an additional $1.875 billion of general obligation debt for public infrastructure as a ten-year extension of the existing local government infrastructure program authorized in 2005, with an increase in the annual issuance amount from $150 million to $175 million in the first five Fiscal Years and $200 million in each Fiscal Year thereafter.

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

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

borrowing for the purpose by the issuance of obligations secured by a pledge of all or such portion of State revenues or receipts as it authorizes (but not by a pledge of the State's full faith and credit).

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

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STATE EMPLOYEES AND COLLECTIVE BARGAINING AGREEMENTS

Since 1985, the number of regular State employees (excluding employees who are not paid by State warrant such as state university employees) has ranged from a high of 68,573 in 1994 to low of 51,886 at the end of Fiscal Year 2015. The State engages in collective bargaining with five employee unions representing 14 bargaining units, and generally operates under three-year agreements. The current collective bargaining agreement with the Ohio Civil Service Employees Association (OCSEA), the largest State employee union representing eight bargaining units and approximately 28,000 employees, became effective on July 1, 2015 and runs through February 28, 2018. The collective bargaining agreements with the Service Employees International Union District 1199 (the second largest State employee union representing approximately 4,000 state employees) and the Ohio State Troopers Association (representing approximately 1,750 State employees) expired on June 30; for those two bargaining units, the State is maintaining the same terms and conditions until new three-year agreements have been negotiated. The collective bargaining agreements with the Ohio Education Association and Fraternal Order of Police of Ohio, the remaining two unions representing a combined approximate 900 State employees, also expired on June 30 and have been extended under the same terms and conditions until September 30 and November 30, respectively, while new three year agreements are being negotiated.

RETIREMENT SYSTEMS

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

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

The five retirement systems began reporting pensions in accordance with GASB Statement No. 67, Financial Reporting for Pension Plans, in Fiscal Year 2014, and the State is currently implementing GASB Statement No. 68, Accounting and Financial Reporting for Pensions, beginning in Fiscal Year 2015. The five retirement systems and the State are also preparing to implement GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, and GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

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

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

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

Under State law, each retirement system's board is required to establish a period of not more than thirty years to amortize its unfunded actuarial accrued pension liability (UAAL). If in any year the period required to amortize that UAAL exceeds thirty years, the board must prepare and submit to the ORSC and the applicable committees in the Ohio General Assembly, a plan to reduce that amortization period to not more than thirty years. For the most recent reporting period as shown in the summary table below, the number of years to fully amortize UAAL is twenty-one years for PERS, twenty-eight years for SERS, twenty-nine years for HPRS, thirty years for STRS, and thirty-three years for OP&F. Prior to the 2012 pension reform acts described below, the board of each of the five retirement systems had approved and submitted to the ORSC and the applicable Ohio General Assembly committees a plan to reduce or maintain its amortization period at not more than thirty years. Pursuant to this continuing requirement, the OP&F board increased (effective January 1, 2014) contributions to its pension fund by reducing from 2.85% to 0.5% the amount of employer contributions directed to health care and redirecting the 2.35% difference to pensions, and the STRS board increased (effective July 1, 2014) contributions to its pension fund by reducing from 1.0% to 0.0% the amount of employer contributions directed to healthcare and redirecting the 1.0% difference to pensions.

After extensive review, the General Assembly in September 2012 enacted, and the Governor signed into law effective January 7, 2013, five pension reform acts to implement with modifications plans previously submitted by the five retirement systems to reduce or maintain their UAAL periods to or at not more than thirty years. The reform act for PERS made changes including, among others, increasing the years of service and eligibility age necessary to retire with full benefits, increasing from three to five the number of years used in determining "final average salary" for purposes of calculating retirement benefits, reducing the post-retirement cost of living adjustment, and increasing the minimum salary threshold required to earn full-time service credit for public employee eligibility to participate in the system. The other reform acts made similar changes to STRS, SERS, OP&F and HPRS, and enacted phased increases in the employee contribution rate for STRS (from 10% to a maximum of 14% by July 2016) and OP&F (from 10% to a maximum of 12.25% by July 2015). The HPRS board was authorized to increase employee contributions up to a maximum of 14% from the current 10% beginning in July 2013, and it has implemented this authorization by increasing the employee contribution rate to 11.5% for 2014 and to 12.5% for 2015 and thereafter. With the exception of PERS, the reform acts also authorize each retirement system's board to adjust certain pension benefits levels within limits without General Assembly approval. As reflected above, these reform acts did not change the requirement that each system establish a period of not more than thirty years to amortize its pension UAAL and prepare and submit to the ORSC and the Ohio General Assembly a plan to reduce that amortization period if it exceeds thirty years.

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Retirement Contributions

The State makes its employer contributions based on a percent of salary for each State employee that is an active member of a state retirement system. Currently, nearly 96% of State employees are members of PERS, about 3.1% are in HPRS and about 1.3% are in STRS. The following table summarizes State employer and employee contributions to those retirement systems with State employee members ($ in millions):

State Fiscal Year	PERS Employer/Employee Amount	PERS Employer/Employee Pct. of Salary(a)	STRS Employer/Employee Amount	STRS Employer/Employee Pct. of Salary	HPRS Employer/Employee Amount	HPRS Employer/Employee Pct. of Salary	Total Contributions
2010	$406.5/$283.0	14.0%/10.0%	$7.4/$5.3	14.0%/10.0%	$24.4/$9.3	26.5%/10.0%	$735.8
2011(b)	414.4/289.0	14.0/10.0	7.2/5.1	14.0/10.0	25.2/9.5	26.5/10.0	750.3
2012(c)	392.3/273.8	14.0/10.0	6.6/4.7	14.0/10.0	25.0/9.4	26.5/10.0	711.8
2013(c)	385.8/269.1	14.0/10.0	6.2/4.4	14.0/10.0	26.1/9.8	26.5/10.0	701.3
2014	384.9/268.8	14.0/10.0	5.9/4.6	14.0/11.0	26.5/10.7	26.5/11.5(d)	701.4
2015	383.7/266.8	14.0/10.0	5.8/4.9	14.0/12.0	26.7/12.0	26.5/12.5(d)	699.9

(a) Reflects PERS state and local contribution rates only. PERS law enforcement employer/employee contribution rate was 17.87%/11.1% in Fiscal Year 2010, increasing gradually to 18.1%/13.0% in Fiscal Year 2014, and public safety was 17.87%/10.5% in Fiscal Year 2010, increasing gradually to 18.1%/12.0% in Fiscal Year 2013.

(b) Fiscal Year 2011 contributions include 27 pay periods.

(c) Decline in contributions for Fiscal Years 2012 through 2015 is due to a reduction in the State workforce over this period.

(d) HPRS employee percent of salary was 10.0% in calendar year 2013, 11.5% in calendar year 2014 and 12.5% in calendar year 2015.

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

The State also has funded and continues to fund a subsidy to the OP&F system to pay for survivor benefits provided in law and not otherwise funded. The aggregate subsidies were $41.1 million in the 2012-13 biennium and $40.9 million in the 2014-15 biennium, and are appropriated at $40.9 million in the 2016-17 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.

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Pension Benefits

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

Valuation as of:	**PERS** 12/31/14	**STRS** 07/01/14	**SERS(a)** 06/30/14	**OP&F** 01/01/14	**HPRS** 12/31/14
Active Members	329,773	169,295	121,251	27,451	1,622
State Employees as a Percent of Active Members	16	0.4	0	0	100
Retirees and Beneficiaries	208,553	152,208	72,605	27,561	1,558
Employer/Employee Contributions (% of Salary) (b)	14.0/10.0(c)	14.0/12.0	14.0/10.0	(d)	26.5/12.5
Active Member Payroll	$12,932.5	$10,725.3	$2,759.3	$1,942.3	$99.2
Market Value of Assets (MVA)	$77,263.2	$70,988.7	$12,820.9	$11,920.5	$740.7
Actuarial Value of Assets (AVA) (e)	$74,865.0	$66,657.2	$11,903.0	$11,063.2	$712.3
Actuarial Accrued Liability (AAL) (f)	$89,285.0	$96,167.1	$17,492.0	$16,577.8	$1,012.8
Funding Ratio (AVA to AAL %, (MVA to AAL %))	83.8 (86.5)	69.3 (73.8)	68.0 (73.3)	66.7 (71.9)	70.3 (73.1)
Unfunded Actuarial Accrued Liability (UAAL)	$14,420.0	$29,509.9	5,589.0	$5,514.6	$300.5
UAAL to Active Member Payroll %	111.5	275.1	202.6	283.9	302.9
UAAL Funding Period (years) (g)	21	30	28	33	29

(a) SERS information excludes Medicare Part B reimbursement which is considered a post-employment healthcare benefit reported in accordance with GASB Statement 43 for all data except MVA.
(b) For PERS and SERS, the maximum employer and employee contribution rates under law are 14.0% and 10.0%. For STRS and HPRS, the maximum employer and employee contributions rates are 14.0/14.0% and 26.5/14.0%, respectively. Each system's board annually determines the portion of the employer contribution, if any, that is directed to fund post-employment health care benefits.
(c) PERS state employer/employee contribution rate is 14.0/10.0%, local is 14.0/10.0%, law enforcement is 18.1/13.0%, and public safety is 18.1/12.0%. PERS state and local employer and employee contribution rates increased to their current statutory maximum of 14.0% and 10.0%, respectively, in calendar year 2008.
(d) Police is 19.5/11.13% and fire 24.0/11.13%. The employee rate of 11.13% is a blend of 10.75% from January 1 to July 1 and 11.50% from July 2 to December 31. The maximum employer and employee contribution rates under law are 19.5/12.25% for police and 24.0/12.25% for fire.
(e) Recognizes assumed long-term investment returns fully each year (8.25% for OP&F, 8.00% for PERS and HPRS, and 7.75% for STRS and SERS). Differences between actual and assumed investment returns, subject to each system's market corridor limitation, are phased-in over a closed four-year period.
(f) Reflects an individual entry age normal actuarial cost method.
(g) UAAL funding period for PERS, SERS and HPRS is calculated based on a closed period as a level percent of payroll, except for the portion of PERS members who participate in the member directed plan which uses a closed period as a level dollar of payroll. STRS and OP&F are calculated based on an open period as a level percent of payroll.

Note: Valuation results reflect all legislative changes described above enacted in September 2012.
Sources: Retirement systems' CAFRs and annual actuarial valuations.

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

Valuation as of:	**PERS** 12/31/14	**STRS** 07/01/14	**SERS** 06/30/14	**OP&F** 01/01/14	**HPRS** 12/31/14
Total Pension Liability (a)	$89,277.0	$96,167.1	$17,881.8	$18,633.9	$1,044.3
Plan Fiduciary Net Position (b)	$77,254.0	$71,843.6	$12,820.9	$13,453.4	$740.7
Net Pension Liability (NPL)	$12,023.0	$24,323.5	$5,060.9	$5,180.4	$303.7
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	86.5%	74.7%	71.7%	72.2%	70.9%
NPL Calculated With 1% Decrease in Discount Rate	$22,194.0	$34,821.7	$7,220.5	$7,165.3	$414.1
NPL Calculated With 1% Increase in Discount Rate	$3,458.0	$15,445.5	$3,244.6	$3,499.8	$211.2

(a) Reflects a single discount rate of 8.0% for PERS and HPRS, 7.75% for STRS and SERS, and 8.25% for OP&F. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions are made at the actuarially determined rates under State law. Based on those assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of project benefit payments to determine total pension liability. Also reflects an individual entry age actuarial cost method.
(b) Based on the market value of assets.

Sources: Retirement systems' CAFRs.

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

Retirement System Valuation Year-End	Actuarial Value of Assets (AVA)(a)	Actuarial Accrued Liability (AAL)(b)	Unfunded Actuarial Accrued Liability (UAAL)(c)	Funding Ratio (AVA to AAL)	Market Value of Assets (MVA)	Funding Ratio (MVA to AAL)	Active Member Payroll	UAAL Percent of Active Member Payroll
PERS								
12/31/13	$71,411.2	$86,644.6	$15,233.4	82.4%	$74,866.6	86.4%	$12,331.0	123.5%
12/31/12	$67,854.8	$83,878.1	$16,023.3	80.9%	$67,854.9	80.9%	$12,194.0	131.4%
12/31/11	$65,436.1	$84,529.7	$19,093.6	77.4%	$61,846.7	73.2%	$12,399.0	154.0%
12/31/10	$63,649.1	$80,485.0	$16,835.9	79.1%	$63,649.1	79.1%	$12,450.0	135.2%
12/31/09	$57,629.4	$76,555.0	$18,925.6	75.3%	$57,733.8	75.4%	$12,548.3	150.8%
STRS								
07/01/13	$62,590.8	$94,366.7	$31,775.9	66.3%	$64,706.0	68.6%	$10,765.6	295.2%
07/01/12	$59,489.5	$106,301.8	$46,812.3	56.0%	$60,693.6	57.1%	$10,879.1	430.3%
07/01/11	$58,110.5	$98,766.2	$40,655.7	58.8%	$63,116.7	63.9%	$11,097.6	366.3%
07/01/10	$55,946.3	$94,720.7	$38,774.4	59.1%	$54,140.4	57.2%	$11,057.3	350.7%
07/01/09	$54,902.9	$91,441.0	$36,538.1	60.0%	$50,095.7	54.8%	$10,800.8	338.3%
SERS(d)								
06/30/13	$11,007.0	$16,860.0	$5,853.0	65.3%	$11,300.5	67.0%	$2,746.8	213.1%
06/30/12	$10,284.0	$16,372.0	$6,088.0	62.8%	$10,331.7	63.1%	$2,788.2	218.3%
06/30/11	$10,397.0	$15,943.0	$5,546.0	65.2%	$10,619.2	66.6%	$2,852.4	194.4%
06/30/10	$10,787.0	$14,855.0	$4,068.0	72.6%	$9,071.9	61.1%	$2,842.7	143.1%
06/30/09	$9,723.0	$14,221.0	$4,498.0	68.4%	$8,134.1	57.2%	$2,787.4	161.4%
OP&F								
01/01/13	$10,278.0	$16,007.9	$5,729.9	64.2%	$10,602.8	66.2%	$1,913.4	299.5%
01/01/12	$10,309.0	$16,346.7	$6,037.7	63.1%	$9,688.4	59.3%	$1,897.4	318.2%
01/01/11	$10,681.0	$15,384.4	$4,703.4	69.4%	$10,075.5	65.5%	$1,868.5	251.7%
01/01/10	$10,794.1	$14,830.7	$4,036.7	72.8%	$9,056.8	61.1%	$1,895.2	213.0%
01/01/09	$9,309.2	$14,307.1	$4,998.0	65.1%	$7,757.6	54.2%	$1,900.9	262.9%
HPRS								
12/31/13	$690.6	$989.1	$298.5	69.8%	$729.0	73.7%	$98.5	303.0%
12/31/12	$658.4	$966.3	$307.9	68.1%	$642.6	66.5%	$98.1	313.8%
12/31/11	$623.4	$1,047.7	$424.3	59.5%	$603.4	57.6%	$93.1	455.7%
12/31/10	$631.0	$1,017.8	$386.8	62.0%	$647.1	63.6%	$94.8	408.2%
12/31/09	$620.4	$940.1	$319.7	66.0%	$595.0	63.3%	$94.8	337.2%

(a) Recognizes assumed long-term investment returns fully each year (8.25% for OP&F, 7.75% for SERS, and 8.0% for the remaining systems). Differences between actual and assumed investment returns, subject to each system's market corridor limitation, are phased-in over a closed four-year period, except for OP&F in 2010-2012 which phases-in over five-year period.

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

(c) UAAL is calculated based on an open period as a level percent of payroll, except for PERS in 2012-2013, HPRS in 2012-2013, and SERS for which UAAL is calculated based on a closed period of time and the portion of PERS members who participate in the member directed plan which uses a level dollar of payroll.

(d) Excludes Medicare Part B reimbursement which is considered a post-employment health care benefit reported in accordance with GASB 43 for all data except MVA.

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

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Other Post-Employment Benefits

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

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

	PERS	**STRS**	**SERS**	**OP&F**	**HPRS**
Valuation as of:	**12/31/13**	**01/01/15**	**06/30/14**	**01/01/14**	**12/31/14**
Value of Assets (a)	$12,031.4	$3,454.4	$413.9	$1,053.5	$103.8
Actuarial Accrued Liability (AAL) (b)	$19,784.1	4,676.2	$2,475.6	$5,244.6	$376.7
Unfunded Actuarial Accrued Liability (UAAL) (c)	$7,752.7	1,221.9	$2,061.8	$4,191.0	$272.9
Funding Ratio (Assets to AAL %)	60.8%	73.9%	16.7%	20.1%	27.6%
Employer Contribution (% of Salary) (d)	1.0%	0.0%	0.14%(e)	0.50%	4.3%

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

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

(c) UAAL is calculated based on an open period as a level percent of payroll.

(d) Each system's board annually determines the portion of the employer contribution, if any, that is directed to fund post-employment health care benefits. This amount has typically ranged from 1.0% to 7.0% of salary. For OP&F, reflects overall effective rate. See discussion above for recent adjustments by OP&F and STRS boards to employer contribution directed to fund health care benefits.

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

Sources: Retirement systems' annual actuarial valuations.

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

Retirement System Valuation Year-End	Value of Assets(a)	Actuarial Accrued Liability (AAL)(b)	Unfunded Actuarial Accrued Liability(c)	Funding Ratio (Assets to AAL)	Employer Contribution (% of Salary)(d)(e)
PERS					
12/31/12	$12,193.3	$19,182.3	$6,989.0	63.6%	4.0%
12/31/11	$12,115.3	$31,020.2	$18,904.9	39.1%	4.0%
12/31/10	$12,320.0	$30,531.0	$18,211.0	40.4%	5.1%
12/31/09	$10,936.4	$31,558.1	$20,621.7	34.7%	5.9%
STRS					
01/01/14	$3,471.9	$4,664.4	$1,192.6	74.4%	1.0%
01/01/13	$3,121.6	$4,254.1	$1,132.5	73.4%	1.0%
01/01/12	$2,968.2	$5,094.4	$2,126.3	58.3%	1.0%
01/01/11	$3,108.5	$8,631.3	$5,522.8	36.0%	1.0%
SERS					
06/30/13	$379.2	$2,918.3	$2,539.1	13.0%	0.16%
06/30/12	$355.1	$2,691.5	$2,336.4	13.2%	0.55%
06/30/11	$355.7	$2,410.1	$2,054.4	14.8%	1.43%
06/30/10	$325.0	$2,369.1	$2,044.1	13.7%	0.46%
OP&F					
01/01/13	$935.6	$4,234.8	$3,299.2	22.1%	3.62%
01/01/12	$780.1	$3,698.8	$2,918.6	21.1%	6.75%
01/01/11	$717.7	$3,295.3	$2,577.6	21.8%	6.75%
01/01/10	$573.4	$3,232.4	$2,659.0	17.7%	6.75%
HPRS					
12/31/13	$102.1	$438.6	$336.5	23.3%	3.65%
12/31/12	$99.8	$411.5	$311.7	24.3%	1.75%
12/31/11	$99.0	$424.1	$325.1	23.3%	1.75%
12/31/10	$104.7	$406.9	$302.2	25.7%	3.50%

(a) For PERS & HPRS, recognizes investment returns fully each year (PERS assumed at 6.5% in 2009-2010 and 5.0% in 2011-2012 and HPRS assumed at 5.0%) with the differences between actual and assumed investment returns, subject to each system's market corridor limitation, phased-in over a closed four-year period. For STRS, SERS and OP&F, reflects market value.

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

(c) UAAL is calculated based on an open period as a level percent of payroll.

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

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

Sources: Retirement systems' annual actuarial valuations.

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TAX LEVELS AND TAX BASES

The variety of taxes and excises levied by the State is indicated in several tables in this Appendix. According to the Federation of Tax Administrators, citing the U.S. Census Bureau as its source, the State ranked 33rd in state taxes per capita in 2013. Three major tax bases in the State, personal income (taxed by the State and municipalities and, with voter approval, by certain school districts), retail sales and use (taxed by the State and counties and transit authorities), and real and tangible personal property (taxed by local governments), are described below. In addition, the State completed the phase-in over fiscal years 2006 through 2010 of its commercial activity tax (CAT) on taxable gross receipts in excess of $1,000,000 from doing business in Ohio, and the phase out over the same general period of its corporate franchise tax (except for application to financial institutions and certain affiliates of insurance companies and financial institutions which was eliminated and replaced with a new financial institutions tax effective tax year 2014). The initial rate for the CAT was 0.06% effective July 1, 2005, with that rate increased annually in approximately equal amounts (about 0.05%) until levied at the current rate of 0.26%. Beginning calendar year 2014, the State established a variable minimum tax on the CAT for businesses with taxable gross receipts greater than $1 million (see **FISCAL MATTERS – Recent and Current Finances – Recent Biennia – 2014-15**). As described further below, the receipts from the CAT are directed in part to make compensating payments to school districts and other local taxing units in connection with the phase-out of the tangible personal property tax in 2006 through 2009.

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

Sales and Use Tax

The State sales and use tax rate was increased one-quarter percent from 5.5% to 5.75% beginning September 1, 2013 (see **FISCAL MATTERS – Recent and Current Finances – Recent Biennia – 2014-15**). Prior to this increase, the rate had been 5.5% since July 1, 2005. The sales and use tax is levied uniformly across counties on retail sales of tangible personal property that are not specifically exempt. Retail sales include the rental and storage of tangible personal property, the rental of hotel rooms, and certain specified services including, but not limited to, repair and installation services, data processing, computer, and electronic information services, telecommunication and certain personal care services.

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

Personal Income Tax

Under the State's current biennial appropriations Act and other recent legislation, State personal income tax rates, applying generally to federal adjusted gross income, were reduced by 8.5% in calendar year 2013, 1.5% in calendar year 2014, and 6.3% in calendar year 2015 (see **FISCAL MATTERS – Recent and Current Finances – Recent Biennia - 2014-15** and **Current Biennium**). The indexing of the State income tax brackets and the personal exemption are suspended while these rate reductions are implemented. Recent legislation also established a deduction for pass-through entities and sole proprietorships annual business net income of 75% in tax years 2014 and 2015, and 100% in tax year 2016 and beyond, up to $250,000 (see **FISCAL MATTERS – Recent and Current Finances – Recent Biennia – 2014-15** and **Current Biennium)**. The 2014 personal income tax rates ranged from 0.528% on incomes of $5,200 or less with increasing bracketed base rates and percentages up to a maximum on incomes over $208,500 of $8,529 plus 5.333% on the amount over $208,500. Previously, personal income tax rates were reduced 4.2% annually in each of the years 2005 through 2008 and, after the postponement discussed under **FISCAL MATTERS – Recent and Current Finances – Recent Biennia - 2010-11**, again in 2011, resulting in an aggregate 21% decrease through 2011 from the 2004 rates.

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

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

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

Personal Income ($ in Billions)

		U.S.	Ohio	Ohio Percent of U.S.	State Rank*
1970	Total	$855.1	$44.1	5.2%	5
	per capita	4,196	4,136	98.6	18
1980	Total	2,306.3	107.0	4.6	6
	per capita	10,150	9,907	97.6	25
1990	Total	4,888.5	202.8	4.1	7
	per capita	19,584	18,663	95.3	21
2000	Total	8,630.6	325.2	3.8	8
	per capita	30,587	28,620	93.6	27
2010	Total	12,417.7	417.9	3.4	8
	per capita	40,144	36,199	90.2	32
2011	Total	13,189.9	446.2	3.4	8
	per capita	42,332	38,631	91.3	30
2012	Total	13,873.2	464.8	3.4	8
	per capita	44,200	40,230	91.0	30
2013	Total	14,151.4	475.0	3.4	8
	per capita	44,765	41,049	91.7	30
2014**	Total	14,708.6	493.6	3.4	8
	per capita	46,129	42,571	92.3	29

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

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

Retail Sales ($ in Billions)

Fiscal Year	Ohio Retail Sales	U.S. Retail Sales	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
2010	128.59	4,173.57	3.1
2011	136.86	4,443.79	3.1
2012	145.59	4,723.49	3.1
2013	150.83	4,922.28	3.1
2014	156.52	5,095.27	3.1
2015	161.78	5,259.13	3.1

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

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 2014 show that these property taxes represent 3.35% 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
2010	Real	238,264,394,249	35.0	14,486,087,962(e)
	Tangible(d)	320,961,400	5.0(b)	18,432,832
	Public Utility(c)(f)	10,096,712,600(g)	52.9	747,237,219
2011	Real	231,189,983,505	35.0	14,602,588,295(e)
	Tangible(d)	-0-	-0-(b)	-0-
	Public Utility(c)(f)	10,526,028,040(g)	51.0	804,746,979
2012	Real	225,314,466,955	35.0	14,767,601,611(e)
	Tangible(d)	-0-	-0-(b)	-0-
	Public Utility(c)(f)(h)	11,105,363,530(g)	52.4	872,521,025
2013	Real	226,356,619,274	35.0	15,138,100,663(e)
	Tangible(d)	-0-	-0-(b)	-0-
	Public Utility(c)(f)(h)	11,899,256,920 (g)	53.1	948,094,817
2014	Real	230,378,310,115	35.0	15,465,341,626(e)
	Tangible(d)	-0-	-0-(b)	-0-
	Public Utility(c)(f)	12,880,528,010 (g)	55.3	1,045,187,750

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

Under State legislation effective July 1, 2005 and as reflected in the above table, the tangible personal property tax (TPPT) (including that tax on inventories) was phased out over tax years 2006 through 2009, with that tax generally eliminated beginning in tax year 2009. That legislation provided for the State to make replacement distributions to school districts and other local taxing units from revenue generated by the State commercial activity tax (CAT). Distributions were and are generally based on the taxable value of tangible personal property as reported in 2004 and property tax levies in effect for 2005. In Fiscal Year 2012, the State began phasing-out those TPPT replacement payments to schools and local governments with replacement payments to schools reduced by two percent of each district's total resources in each of Fiscal Years 2012 and 2013 for a total reduction of four percent; and replacement payments to local governments reduced by two percent of total resources for tax years 2011, 2012, and 2013 for a total reduction of six percent. Replacement payments were then frozen in Fiscal Years 2014 and 2015. The phasing out of these replacement payments resumed beginning in Fiscal Year 2016 and beyond, with payments to school districts to be reduced annually by between 1% and 2% of each district's total resource with the variance based on district wealth levels; and beginning in fiscal year 2016 and beyond replacement payments to local governments are reduced annually by two percent of their total resources (see **FISCAL MATTERS – Recent and Current Finances – Current Biennium**).

Beginning July 2007, the State's homestead exemption program, which takes the form of a credit on local residential real property tax bills, was expanded to allow all senior citizens and disabled Ohioans, regardless of income, to exempt from tax the first $25,000 of the market value of their home. Previously eligibility was restricted and benefits were tiered based on income. Beginning July 1, 2013, eligibility for new applicants is based on income (see **FISCAL MATTERS – Recent and Current Finances - Recent Biennia – 2014-15)**. The total cost of the homestead exemption program in Fiscal Year 2014 was $458.5 million and in Fiscal Year 2015 was $467.4 million.

Property tax relief payments by the State to local subdivisions totaled $3.41 billion for the 2012-13 biennium, $3.59 billion for the 2014-15 biennium, and are appropriated at $3.72 billion for the 2016-17 biennium.

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

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

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

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

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

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

Fiscal Biennium	GRF Appropriations (Excluding Rental Payments)	Percent Change	Lease Rental Payments To Commission
2002-03	$65,277,132(a)	-6.2%	$30,490,500
2004-05	$69,894,276(b)	7.1%	$32,776,000
2006-07	$77,749,682	11.2%	$39,661,900
2008-09	$72,036,488(c)	-2.9%	$37,905,600
2010-11	$64,500,709	-10.5%	$42,317,100
2012-13	$60,000,000	-7.0%	$40,303,300
2014-15	$60,000,000	0.0%	$45,566,300
2016-17	$60,000,000	0.0%	$47,895,200

(a) Reflects $8,346,792 in reductions in biennial appropriation spending ordered by the Governor.
(b) Reflects $1,399,422 in reductions in biennial appropriation spending ordered by the Governor.
(c) Reflects $7,713,194 in reductions in biennial appropriation spending ordered by the Governor.

An indication of the scope of DNR's operations is found in the operating appropriations to it in the current 2016-17 biennium of over $197.3 million from the GRF for all activities of DNR. Of this amount, $60.0 million is for parks and recreation facilities operating expenses, approximately $47.8 million is for rental payments to the Commission, and approximately $43.1 million is for debt service on outstanding Natural Resources general obligation bonds.

As shown above, the GRF operating appropriation (which excludes lease-rental and general obligation debt service payments) for the Division for the current 2015-16 biennium is exactly the same as the equivalent appropriations for the preceding 2014-15 biennium.

In the 2015-16 capital biennium approximately $137.7 million in new capital appropriations were made for Division of Parks and Recreation facilities, while new capital appropriations for those State facilities in the 2013-14 capital biennium totaled $6.0 million.

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

Division of Parks and Recreation
Full-time Employment

Fiscal Year	Full-time Employee
2011	418
2012	351
2013	343
2014	341
2015	340

DNR operates 75 State parks totaling 174,176 acres. The State park system includes 9,166 campsites, nine lodges with dining facilities and an aggregate of 818 sleeping rooms, 518 sleeping cottages, three additional dining lodges/restaurants, six golf courses, 78 swimming beaches and more than 1,343 miles of hiking trails.

Parks and Recreation Receipts

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

Parks and Recreation Receipts

Fiscal Year	Camping	Concessions	Cottage Rentals	Golf Course Green Fees	Other	Total Receipts
2011	$10,734,497	$1,260,340	$3,311,756	$1,197,601	$10,347,779	$26,851,974
2012	11,063,335	1,283,127	3,719,756	1,145,547	10,427,952	27,639,717
2013	10,564,030	1,174,632	3,874,782	1,173,030	9,767,310	26,553,784
2014	11,079,609	1,213,677	3,797,144	1,117,398	9,320,586	26,528,414
2015	11,586,068	1,292,848	4,119,289	1,036,513	9,012,972	27,047,689

Typically, concessionaires operating parks and recreation facilities for the public under agreements with DNR remit to the State varying percentages of the annual gross receipts from the facility operated. The concession agreements vary generally from four-year renewable terms up to 10-year terms. As reflected in the above table, receipts increased for the Division in Fiscal Year 2015 over Fiscal Year 2014 in all receipt categories except “Golf Course Green Fees” and “Other”. The transfer of Cleveland Lake Front State Park to the City of Cleveland in June 2013 decreased dock fee revenues for FY2014 included under “Other” in the above table.

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

Overnight Stays (campsites, cottages, getaways, day use)

Calendar Year	State Operated Overnight Stays	Lodge Nights	Cabin Nights
2011	542,008	101,942	64,962
2012	556,408	103,417	62,579
2013	570,680	106,798	76,310
2014	561,516	119,105	74,754
2015	407,914	65,126	46,151

MENTAL HEALTH CAPITAL FACILITIES BONDS

Department of Mental Health and Addiction Services and Department of Developmental Disabilities

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

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

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

Number of Employees

	Institutional Staff			Total Staff		
As of June 30	DMH/ MHA*	DODD	Both Departments	DMH/ MHA*	DODD	Both Departments
2000	3,068	3,805	6,873	3,404	4,050	7,454
2010	2,073	3,029	5,102	2,271	3,285	5,556
2011	2,016	2,814	4,830	2,317	3,081	5,398
2012	2,045	2,608	4,653	2,363	2,879	5,242
2013	2,094	2,445	4,539	2,403	2,720	5,123
2014	2,087	2,323	4,410	2,464	2,625	5,089
2015	2,081	2,236	4,317	2,446	2,543	4,989

* Prior to July 1, 2013, employee counts only include DMH employees.

Individuals Served

FY	By State Facilities	By Community Operated Facilities	Total
2000	9,031	323,320	332,351
2010	7,092	422,040	429,132
2011	7,958	438,981	446,939
2012	7,940	443,967	451,907
2013	8,395	458,239	466,634
2014	9,724	536,317	546,041
2015	8,208	92,440	100,648

By their Directors and through their offices and divisions, the Departments have primary authority and responsibility with respect to State facilities for persons who are mentally ill, mentally retarded and/or developmentally disabled, and for addiction services commencing July 1, 2013, and have an integral role in the financing plan for related capital facilities. Among their powers and responsibilities are: to file estimated Departmental Fiscal Year and fiscal biennium budgets with the OBM; and to manage institutions and programs maintained in whole or in part by the State for the treatment and care of persons who are mentally ill, in need of addiction services, and the mentally retarded and/or developmentally disabled.This includes control by the MHA of certain institutions and programs for persons under the jurisdiction of the Department of Rehabilitation and Corrections and the Department of Youth Services. The MHA is also the designated single State agency to administer and implement federal community mental health block grants.

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

Biennium	GRF Appropriations (Excluding Rental Payments)	Percent Change	Rental Payments To Commission
2002-03	$1,587,992,699(a)	1.0%	$102,060,400
2004-05	1,671,723,542(b)	5.2	98,284,800
2006-07	1,751,815,257	4.9	94,259,600
2008-09	1,714,633,856(c)	-2.1	88,543,800
2010-11	1,448,368,300	-15.5	86,570,600
2012-13	1,326,035,682	-8.5	76,604,300
2014-15	1,726,509,619(d)(e)	30.2	63,988,200
2016-17	1,934,251,244	12.2	81,440,200

(a) Reflects $63,696,667 in reductions in biennial appropriation spending ordered by the Governor.
(b) Reflects $16,886,094 in reductions in biennial appropriation spending ordered by the Governor.
(c) Reflects $114,462,299 in reductions in biennial appropriation spending ordered by the Governor.
(d) Reflects $2,348,200 in reductions in biennial appropriation spending ordered by the Governor.
(e) Increase is due to transfer of Medicaid services to DODD.

Functions of the Departments

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

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

Pursuant to a 1993 law that facilitates planning for this integrated system of care, the Director of the then DMH convened a State-wide committee to oversee a regional in-patient care planning process, and related regional planning groups. The committee's charge was to plan the role and amount of in-patient hospital services necessary in each area of the State and the development of adequate community services for patients who no longer require hospitalization. The final report was issued in 1994. Its recommendations did not establish deadlines, but regional recommendations included public hospital consolidations, public/private hospital affiliations, and shared management.

Since that 1994 final report, the MHA has: negotiated a merger with a private hospital of a small rural State facility as an acute care psychiatric unit; converted the MHA's previously remaining children's hospital to a community based state-operated service program; and consolidated three of its facilities (Western Reserve Psychiatric Hospital, the Cleveland Psychiatric Hospital, and Northwest Psychiatric Hospital) into Northcoast Behavioral Healthcare System – South, North, and West Campuses. Northwest Psychiatric Hospital (NBH West

Campus) was made separate again beginning in FY 2010 due to increased service area resulting from Dayton and Cambridge campus closures. Cleveland Psychiatric Hospital was the last MHA-operated acute care hospital. All hospitals now in operation are considered full-service hospitals. In 1996, the Cambridge Psychiatric Hospital and the Southeast Psychiatric Hospital merged operations to form the Appalachian Behavioral Healthcare System. Also, in 1997, Central Ohio Psychiatric Hospital and the Dayton Mental Health Center merged operations to form the Twin Valley Behavioral Healthcare. In 2008, the Dayton Campus of Twin Valley Behavioral Healthcare and Cambridge Campus of Appalachian Behavioral Healthcare closed as a result of State-wide expenditure reductions. The clinical services and administration of the Cleveland Psychiatric Hospital was consolidated into the Northfield hospital resulting in the closure of Cleveland hospital on June 30, 2011.

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

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

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

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

Institutions Under the Departments

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

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

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

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

Patient Support Receipts

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

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

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

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

	2010	2011	2012	2013	2014	2015
Full-Service Psychiatric Hospitals	$579.07	$602.06	$572.65	$584.90	$575.00	$588.84
Developmental Centers	$456.38	$476.25	$519.02	$523.60	$542.20	$599.95

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

Patient Support Receipts*

Fiscal Year	Medicare Payments	Medicaid Payments	Support Paid by Patients or Liable Relatives	Other Support Collections	Total
1990	$15,044,000	$ 92,623,426	$6,684,630	$11,210,530	$125,562,586
1995	13,611,824	111,037,053	4,024,422	8,540,554	137,213,853
2000	10,631,761	116,375,778	1,616,713	8,741,717	137,365,969
2010	15,367,907	154,459,764(a)	601,199	9,587,592	180,091,866
2011	17,393,495	145,325,064(a)	347,933	10,798,028	173,864,520
2012	16,767,122	64,957,920(b)	316,575	9,609,730	91,651,347
2013	18,067,763	197,322,313	331,279	10,577,994	226,299,349
2014	14,588,909	112,052,640	315,515	9,404,679	136,361,743
2015	18,552,872	107,923,223	364,780	8,701,852	135,542,727
2016**	15,060,000	99,284,604	264,872	7,334,357	121,943,833

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

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

(a) For fiscal years 2009, 2010 and 2011, includes enhanced Federal Medical Assistance Payments (FMAP) received by the DODD.
(b) Due to timing issues, significant portion of Fiscal Year 2012 Medicaid revenue was received in Fiscal Year 2013. Medicaid Payments in FY2012 also include FY 1999 and FY 2000 final settlement of $16,000,000.

(Mental Health Capital Facilities Bonds, cont.)

The following are the separate Department figures reflected in the preceding table:

Fiscal Year	Medicare Payments		Medicaid Payments		Support Paid by Patients or Liable Relatives		Other Support Collections	
	MHA	**DODD**	**MHA**	**DODD**	**MHA**	**DODD**	**MHA**	**DODD**
2000	$10,461,654	$170,107	$1,498,619	$114,877,159	$1,082,125	$534,588	$1,063,210	$7,678,507
2010	15,093,810	274,097	293,549	154,241,619(a)	452,342	148,857	658,531	8,929,061
2011	17,143,495	250,000	655,692	144,669,372(a)	197,933	150,000	2,298,028	8,500,000
2012	16,675,440	91,862	204,177	64,753,743(b)	174,889	141,686	1,234,824	8,374,906
2013	18,011,958	55,805	271,886	197,020,427	192,945	138,334	1,395,561	9,182,433
2014	14,588,161	748(c)	204,459	111,848,181	179,851	135,664	1,930,642	7,474,267
2015	18,542,304	10,568	287,574	107,635,649	233,602	131,178	1,778,587	6,923,265
2016*	15,000,000	60,000	300,000	98,984,604	134,872	130,000	1,090,396	6,243,961

* Projected, based on current plans of the Departments.

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

(b) Due to timing issues, significant portion of Fiscal Year 2012 Medicaid revenue was received in Fiscal Year 2013.

(c) For Fiscal Year 2014, there were billing issues with the Medicare contractor which are expected to be resolved in Fiscal year 2015 as reflected in the projection.

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

Number of Certified/Accredited Beds at Fiscal Year End

Fiscal Year	MHA	DODD
2008	1,058	1,517
2009	1,025	1,462
2010	1,025	1,398
2011	1,064	1,320
2012	1,066	1,184
2013	1,077	1,000
2014	1,077	942
2015	1,091	926
2016*	1,091	808

* Projected, based on current plans of the Departments.

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

The Departments believe that the projections for Fiscal Year 2016 in the above tables are reasonable based on facts now known, present and reasonably anticipated levels of State and federal funding and allowable reimbursement ceilings, current State and federal laws, regulations and interpretations, and current programs and policies. *However, actual receipts in any of the general categories for the Fiscal Year 2016 for which projections are included, or for future years, based on the variables involved and upon possible subsequent changes in State and federal policies and funding levels, may be less than or exceed the stated projections.*

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

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

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

	2009	2010	2011	2012	2013	2014	2015
Total number of Resident Clients	7,062	7,092	7,937	8,828	9,424	9,724	8,208
Average Daily Resident Population	2,473	2,285	2,205	2,195	2,006	1,963	1,952
Total Resident Client Days	903,190	833,875	804,743	802,361	732,588	705,706	712,704

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

The Departments anticipate, with the decreases in the number of certified or accredited beds and a declining population, that the combination of higher staff/patient ratios, stable insurance coverage and increases in reimbursable costs will, after the declines in Fiscal Year 2015 reflected on the tables on the previous two pages, result in decreased patient support receipts.

Capital Improvements

The capital plan of the Departments for facilities financed with the proceeds of Mental Health Capital Facilities Bonds is intended to permit needed renovation and modernization, and some replacement, of State owned and operated facilities, and to provide for additional and enhanced community facilities. The Fiscal Year 2015-16 biennium capital appropriations act appropriated $39,744,140 to the Departments for State and community projects.

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

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

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

HIGHWAY CAPITAL IMPROVEMENT BONDS AND PUBLIC SAFETY CAPITAL FACILITIES BONDS

History of Highway User Receipts and Debt Service Coverage. The following table sets forth revenues of the State of Ohio from fees, excises and license taxes levied by the State relating to registration, operation, or use of vehicles on public highways, or to fuels used for propelling such vehicles (collectively, the Highway User Receipts) available in recent State Fiscal Years pledged to and budgeted for the payment of debt service on general obligation Highway Capital Improvement Bonds (the General Obligation Highway Bonds), and applies historical and current program debt service against available Highway User Receipts to derive coverage ratios for State Fiscal Years 2006 through 2015.

Fiscal Year	Highway User Receipts Available for Debt Service Requirements*	Total Fiscal Year Debt Service	Coverage Ratio
2006	2,669,145,764	181,073,874	14.74
2007	2,576,989,814**	198,718,747	12.97
2008	2,703,698,759	205,977,409	13.13
2009	2,576,368,324**	197,451,814	13.05
2010	2,585,478,680	170,263,970	15.19
2011	2,642,695,324	149,309,580	17.70
2012	2,593,933,652**	140,859,293	18.42
2013	2,726,651,064***	135,452,052	20.13
2014	2,835,136,025***	132,542,874	21.39
2015	2,860,617,590***	140,205,176	20.40

*Reflects total Highway User Receipts minus permissible statutory deductions or refunds.
**The decreases in Highway User Receipts in Fiscal Years 2007, 2009 and 2012 were due in large part to the timing of motor fuel tax receipts that were received at the end of those Fiscal Years but not recorded until the following Fiscal Year.
***Fiscal Years 2013, 2014, and 2015 include $75.6 million, $81.1 million, and $94.8 million, respectively, of commercial activity tax receipts attributable to sales of motor fuel in the State of Ohio that beginning December 7, 2012 are required to be expended on public highways.

Based on the most recent annual data (Fiscal Year 2015), approximately 68% of Highway User Receipts are generated by motor fuel and use taxes while the remaining 32% is primarily from registration and license fees.

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

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

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

TAXES, TAX CREDITS AND STATE PAYMENTS

The Tax Credits are fully refundable and may be claimed by the Trustee for the Bonds against any or all of the Taxes levied and collected by the State under the following provisions of the Ohio Revised Code: (i) Section 5725.19 of the Ohio Revised Code as to the Tax on domestic insurance companies; (ii) Section 5726.53 of the Ohio Revised Code as to the Tax on financial institutions; (iii) Section 5727.241 of the Ohio Revised Code as to the Tax imposed on natural gas and combined companies; (iv) Section 5729.08 of the Ohio Revised Code as to the Tax imposed on foreign insurance companies; and (v) Section 5747.80 of the Ohio Revised Code as to the Tax imposed on income.

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

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

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

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

Taxes	2011	2012	2013	2014	2015
Intangibles Dealer Tax[1]	$26.0	$19.9	$38.4	$0.5	$0.1
Domestic Insurance Company Tax	194.3	194.1	211.6	202.3	257.2
Natural Gas / Combined Company Tax[2]	124.8	174.1	154.5	182.1	172.2
Foreign Insurance Company Tax	273.0	283.9	292.5	308.0	287.3
Corporate Franchise Tax[1,3]	237.2	117.4	262.2	(11.2)	2.6
Financial Institutions Tax[1,4]	-	-	-	197.8	182.1
Income Tax	8,820.1	9,029.7	9.869.8	8,425.1	8,883.2
Total	$9,675.4	$9,819.1	$10,829.0	$9,304.6	$9,784.7

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

[2] Beginning in Fiscal Year 2012, this includes the natural gas consumption tax.

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

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

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

Under current State law, in the event that current receipts of any Tax are insufficient to make the State Payments, the State Payments (as with any refund payable from the STRF) are required to be paid from current receipts of the State sales tax, which has increased from $7.2 billion in FY 2010 to over $10.1 billion in FY 2015. Solely in order to clarify the State's tax revenue accounting, the Ohio Department of Taxation (ODT) proposed and the General Assembly enacted in the biennial appropriations act effective July 1, 2013, an amendment to eliminate the statutory mandate to utilize such sales tax receipts. ODT has confirmed that this amendment was intended solely for accounting purposes and that this change in law will not affect the sources available to make any payments from appropriations made to the STRF, including the State Payments resulting from any Tax Credit claims. Thus, the amendment enacted in the Ohio Budget Bill (to the provisions governing payments of tax refunds payable from the STRF) does not affect the resources available to pay any tax refund, including the State Payments.

State Payments, as with all tax refunds and other payments by the State, may only be made upon an appropriation by the General Assembly, which appropriation cannot extend beyond two years. Each biennial budget contains a single appropriation that applies to all refunds of business or personal taxes. For the 2014-2015 biennium (ending June 30, 2015) the appropriated amount for each State Fiscal Year is $1,546,800,000, and for the 2016-2017 biennium (ending June 30, 2017) the appropriated amount for each State Fiscal Year is $1,546,800,000. These appropriations also include the following appropriation language: "If it is determined that additional appropriations are necessary for [paying tax refunds], such amounts are hereby appropriated." As a result of these appropriations provisions, in each of the last three State Fiscal Years, there were at least $18.6 billion in current State tax receipts available to pay tax refunds, including the State Payments. The current annual statutory limit on the amount of the Tax Credits is $20 million and bond service charges on the Bonds for each State Fiscal Year must always be less than this amount.