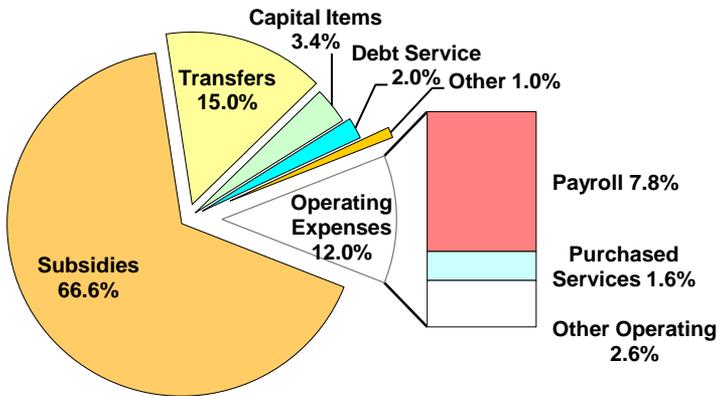




## State Payroll Amounted to 7.8% of the Total State Operating Budget in FY 2010

State Operating Budget by Category, FY 2010



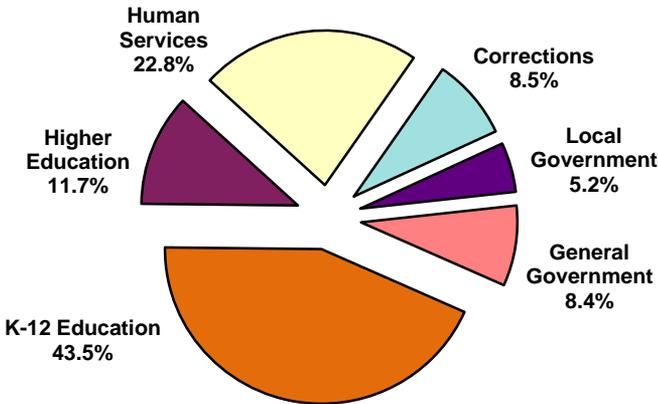
Sources: Ohio Administrative Knowledge System; Ohio Department of Administrative Services

- In FY 2010 state payroll totaled \$4.36 billion across all funds, representing 7.8% of the total state operating budget. Of this amount, \$1.85 billion (42.3%) came from the GRF and the other \$2.52 billion (57.7%) came from various non-GRF funds. As of June 2010, state employees totaled 59,045.
- In addition to payroll, the state spent \$0.91 billion for purchased services and \$1.44 billion for "other operating" (supplies, maintenance, and equipment) items. Combined with payroll, these three categories are commonly referred to as state government operating expenses, which totaled \$6.72 billion across all funds, representing 12.0% of the total state operating budget in FY 2010.
- Earned wages, the largest share of payroll costs, totaled \$2.47 billion, or 4.4% of the total state operating budget, in FY 2010. This category includes wages for work performed, excluding paid vacation and sick leave time.
- Employee benefits – such as retirement contributions as well as health, vision, dental, and life insurance – represent the second largest portion of payroll costs, amounting to \$0.88 billion in FY 2010.
- The state operating budget for FY 2010 was \$55.87 billion across all funds. Of this total, \$47.45 billion (84.9%) went to three categories: \$37.22 billion (66.6%) for subsidies for various local entities, \$8.36 billion (15.0%) for "transfers," including items such as tax refunds and distributions of local taxes collected by the state, and \$1.88 billion (3.4%) for capital items funded with appropriations made in the operating budget.



## K-12 Education Accounts For Largest Share of Spending from State Revenue Sources

State Spending by Program Area, FY 2010



For purposes of this page, state spending includes expenditures made from state sources credited to the GRF, the Lottery Profits Education Fund, and the two local government funds. It excludes all federal money deposited into the GRF, including Medicaid reimbursement and stimulus money.

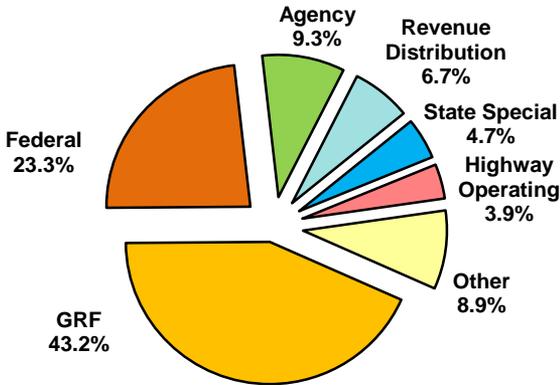
Source: Ohio Legislative Service Commission

- Spending supported by state sources totaled \$18.97 billion in FY 2010. Of this total, \$8.25 billion (43.5%) went to K-12 Education. The majority (\$6.80 billion or 82.4%) of this spending was distributed to schools through a formula based largely on a district's statutorily defined adequacy amount and property wealth.
- Human Services, the second largest spending area, accounted for \$4.32 billion (22.8%) of total spending in FY 2010, of which \$2.61 billion (60.5%) was for the state share of Medicaid expenditures.
- Higher Education spending amounted to \$2.21 billion (11.7%). Of this total, \$1.71 billion (77.1%) was distributed to colleges and universities through a formula based largely on enrollment and courses offered at an institution.
- Corrections spending totaled \$1.61 billion (8.5%), of which \$1.37 billion (85.4%) was incurred by the Department of Rehabilitation and Correction.
- Spending for the General Government category totaled \$1.60 billion (8.4%). Examples of the agencies included in this category are the Department of Natural Resources, the Department of Transportation, and the Governor's Office, as well as the legislative and judiciary branches of the government.
- The remaining \$0.98 billion (5.2%) in state spending in FY 2010 was distributed as subsidies to local governments.



## General Revenue Fund Accounts For Over 40% of State Operating Spending

State Operating Spending by Fund Group, FY 2010



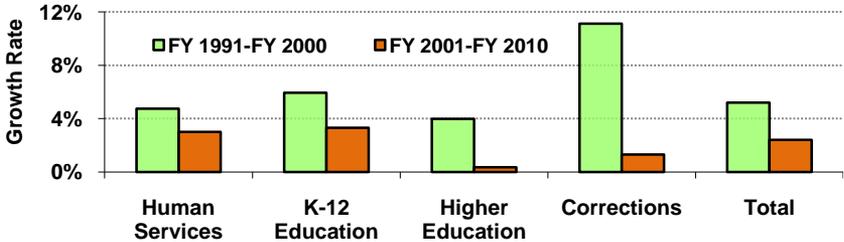
Source: Ohio Administrative Knowledge System

- In FY 2010, state operating spending totaled \$55.87 billion, of which \$24.14 billion (43.2%) was expended from the GRF. The GRF is mainly supported by state tax revenues but also receives federal reimbursements for some human service programs and certain federal stimulus money.
  - Human services comprised the largest share of total GRF spending at \$10.41 billion (43.1%) in FY 2010, followed by K-12 education (\$7.93 billion or 32.8%) and higher education (\$2.50 billion or 10.3%).
- The Federal Special Revenue Fund Group accounted for \$13.03 billion (23.3%) of overall operating spending in FY 2010. Moneys distributed under this fund group support various federal programs that are subject to the state appropriation process. Including \$6.90 billion in federal funds that were deposited into the GRF, the federal share of total operating spending increased to 35.7% in FY 2010.
- Main spending items from the Agency Fund Group (\$5.17 billion or 9.3%) and the Revenue Distribution Fund Group (\$3.73 billion or 6.7%) include tax refunds to individual Ohioans, state employee payroll and benefit deductions, payments to local governments for the phase-out of the tangible personal property tax, and tax revenue distributions to local governments.
- Spending from the State Special Revenue Fund Group (\$2.61 billion or 4.7%) supports various programs with dedicated revenue sources while spending from the Highway Operating Fund Group (\$2.20 billion or 3.9%) mainly supports the operations of the Ohio Department of Transportation.
- The remaining \$4.99 billion (8.9%) of FY 2010 total state operating spending was distributed from over 20 other fund groups.



## Total GRF Spending Increased More Slowly in the 2000s than in the 1990s

Average Annual Growth by Major Program Area

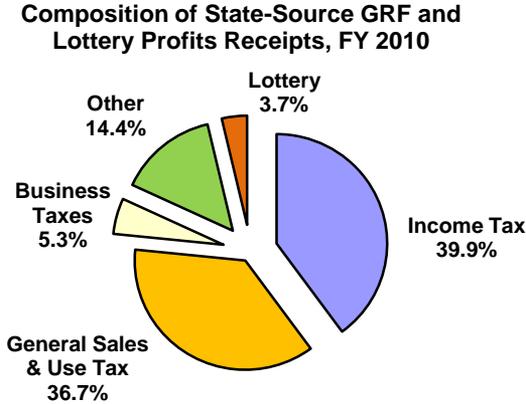


GRF figures used for this page include both state and federal moneys deposited into the GRF.

Source: Ohio Legislative Service Commission

- Total GRF spending increased by an average rate of 2.4% per year from FY 2001 to FY 2010 compared to 5.2% per year from FY 1991 to FY 2000. Over the last two decades, annual GRF spending increased 108.4%, from \$11.58 billion in FY 1990 to \$24.14 billion in FY 2010.
- Human Services has consistently been the largest spending area, accounting for an average of 45.2% of total GRF spending. It grew slower than overall spending in the 1990s, averaging 4.7% per year, but faster in the 2000s, averaging 3.0% per year. Spending in this area is heavily influenced by conditions in the overall economy and by Medicaid eligibility policy.
- While K-12 Education consumes the largest share of state tax revenues, its share of total GRF spending ranks 2nd when federal moneys credited to the GRF are taken into account. K-12 Education grew faster than overall GRF spending in both decades, averaging 5.9% in the 1990s and 3.3% in the 2000s. Its share of total GRF spending increased from an average of 27.2% in the 1990s to 31.0% in the 2000s.
- Higher Education spending growth has been sensitive to changes in the overall state budget. Although its average annual growth rates of 4.0% in the 1990s and 0.4% in the 2000s were lower than those of the overall GRF spending increases in both decades, Higher Education experienced the highest growth in FY 2008 at 6.3%. Its share of total GRF spending decreased from a high of 13.7% in FY 1991 to a low of 9.8% in FY 2005. The share increased to 10.3% in FY 2010.
- Due primarily to prison population growth, Corrections spending increased 11.3% per year in the 1990s, more than twice the overall GRF spending growth. Growth in the 2000s was slower than overall spending. Corrections' share of total GRF spending increased from 4.7% in FY 1991 to a peak of 7.9% in FY 2000. Since then, the share has decreased somewhat, to 7.1% in FY 2010.

## Income Tax and General Sales Tax Dominate State-Source GRF and Lottery Profits Receipts



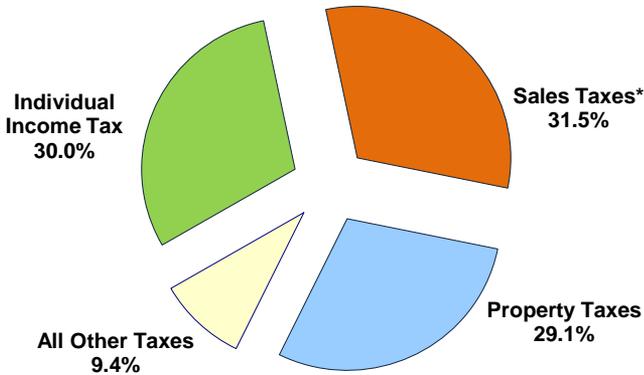
Source: Ohio Office of Budget and Management

- In FY 2010, total state-source GRF and lottery profits receipts amounted to \$19.8 billion. The personal income tax (\$7.9 billion) and the general sales and use tax (\$7.2 billion) were the two largest revenue sources, accounting for almost 77% of total receipts.
- From FY 2000 to FY 2008, state-source GRF and lottery profits receipts increased by an average of 2.8% per year. Due primarily to the recent economic slowdown, state-source GRF and lottery profits receipts decreased 5.0% in FY 2009 and 8.7% in FY 2010.
- Similarly, Ohio's personal income tax receipts increased by an average of 2.5% per year between FY 2000 and FY 2008 but declined 15.4% in FY 2009 and 5.3% in FY 2010. General sales and use tax receipts grew at an average of 3.2% per year between FY 2000 and FY 2008 but declined 6.9% in FY 2009 and 1.0% in FY 2010.
- Over the past decade, the relative importance of income and sales tax receipts remained fairly stable, changing from 78% of the total in FY 2000 to 77% in FY 2010.
- Slower growth in the "business taxes," including the corporate franchise tax, decreased the relative importance of these taxes from 11% of the total in FY 2000 to 5% in FY 2010. The corporate franchise tax is being phased out from 2006 to 2010, except for certain firms in the financial and insurance sectors. However, this tax is being replaced by the commercial activity tax, none of the receipts from which were deposited in the GRF in FY 2010.
- Lottery profits, totaling \$728.6 million in FY 2010, are used to help fund state education aid for schools.



## Ohio's State and Local Taxes Balance Among Income, Sales, and Property

Ohio Combined State & Local Tax Revenue by Source, FY 2008



\* Sales taxes include general state and local sales tax and gross receipts taxes on sales of specific products, including tobacco products, alcoholic beverages, motor fuels, and utility services.

Sources: U.S. Census Bureau; Ohio Legislative Service Commission

- In FY 2008, taxes on individual income, sales, and property in Ohio accounted for 90.6% of state and local tax revenues. The contribution of each of these three tax categories was about even.
- State taxes accounted for 56.0% of Ohio's combined state and local tax revenue in FY 2008. For the U.S. as a whole, state taxes were 58.8% of combined state and local tax revenue.
- Of Ohio's state tax revenue, 48.8% came from sales and gross receipts taxes – of which 30.1% was from the general sales tax – and 37.7% came from the individual income tax. Nationwide, 45.9% of state taxes came from sales and gross receipts taxes – with 30.8% from general sales taxes – and 35.6% came from individual income taxes.
- Local taxes comprised 44.0% of Ohio's combined state and local tax revenue in FY 2008. For the U.S. as a whole, local taxes were 41.2% of combined state and local taxes.
- Of Ohio's local taxes, 66.1% came from property taxes, 20.3% from individual income taxes, and 9.5% from sales and gross receipts taxes. Nationwide, 72.3% of local taxes were from property taxes, 16.4% from sales and gross receipts taxes, and 4.8% from individual income taxes.



## Ohio Taxes Were Lower than the National Average on a Per Capita Basis, Higher as a Share of Personal Income

### Combined State and Local Taxes, FY 2008

State	Taxes Per Capita	National Rank	Taxes as % of Personal Income	National Rank
National Average	\$4,391		11.0	
<b>Ohio</b>	<b>\$4,049</b>	<b>25</b>	<b>11.4</b>	<b>14</b>
<b>Neighboring States</b>				
Indiana	\$3,605	33	10.5	25
Kentucky	\$3,314	43	10.5	27
Michigan	\$3,755	31	10.8	21
Pennsylvania	\$4,313	18	11.0	19
West Virginia	\$3,545	37	11.5	13

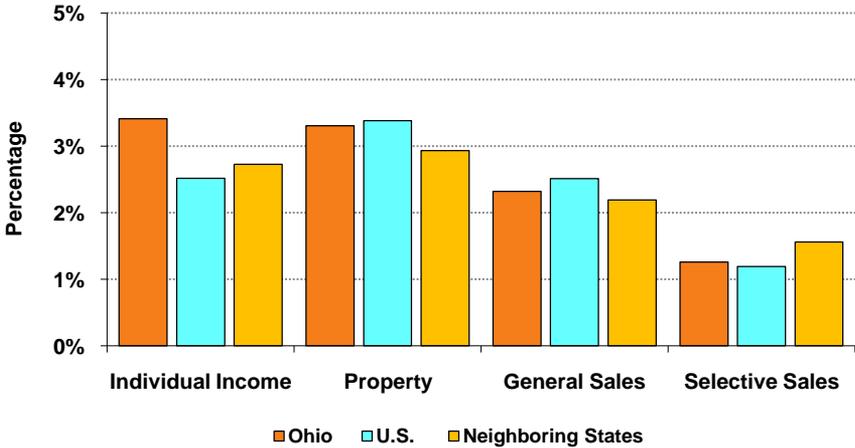
Sources: U.S. Census Bureau; Ohio Legislative Service Commission

- Ohio's FY 2008 combined state and local tax burden, measured by taxes per capita (\$4,049), was lower than the national average but higher than in all neighboring states except Pennsylvania. Measured relative to personal income, however, Ohio's tax burden was higher than both the national average and the tax burdens in neighboring states except West Virginia.
- For FY 2008, Ohio's state taxes were \$2,267 per capita, below the national average of \$2,580. Local taxes were \$1,782 per capita, below the national average of \$1,811.
- For FY 2008, Ohio's state taxes were 6.4% of personal income, just below the U.S. average of 6.5%. Ohio's local taxes were 5.0% of personal income, above the national average of 4.5%.
- In FY 2008, Alaska had the highest per capita combined state and local tax burden at \$14,207, while South Carolina had the lowest at \$2,949.
- Alaska in FY 2008 also had the highest level of combined state and local taxes as a percentage of personal income, 33.4%. South Dakota had the lowest, 8.2%.



## Government in Ohio Relies More on Income Taxes Compared to Other States

Tax Revenue as a Percentage of  
Personal Income, FY 2008

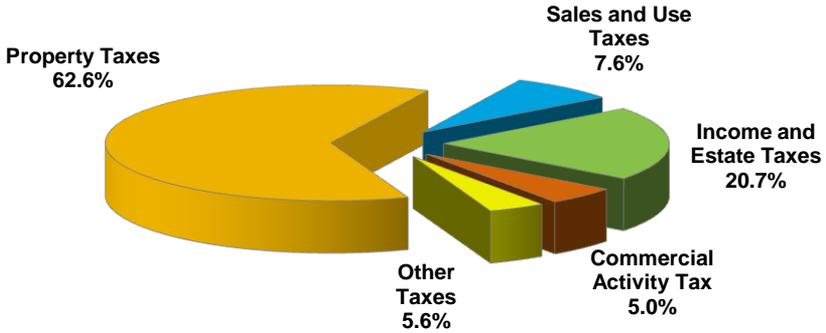


Sources: U.S. Census Bureau; Ohio Legislative Service Commission

- In FY 2008, Ohio's state and local individual income taxes were 3.4% of total personal income, which was higher than the national average (2.5%). Compared to the five neighboring states, Ohio's percentage was on par with that of Kentucky (3.4%), but higher than that of Pennsylvania (2.9%), West Virginia (2.7%), Indiana (2.5%), and Michigan (2.2%).
- Ohio's property taxes were 3.3% of total personal income, which was lower than the national average (3.4%) and Michigan (4.1%). Ohio's percentage was higher than that of Indiana (3.2%), Pennsylvania (3.1%), West Virginia (2.2%), and Kentucky (2.1%).
- Ohio's general sales tax receipts were 2.3% of total personal income, which was less than the national average (2.5%). Ohio's percentage was lower than that of Indiana (2.6%) and Michigan (2.4%), but higher than that of Kentucky (2.1%), West Virginia (2.0%), and Pennsylvania (1.9%).
- Ohio's selective sales tax receipts were 1.3% of total personal income, which was higher than the national average (1.2%) and Michigan (1.1%). Ohio's percentage was the same as that of Indiana, but lower than that of Kentucky (1.8%), Pennsylvania (1.4%), and West Virginia (2.3%). Selective sales taxes apply, for example, to motor fuel, alcoholic beverages, tobacco products, and public utilities.

## Property Taxes Account For Over 60% of Local Government Tax Revenue

### Ohio's Local Tax Revenue by Source, 2008



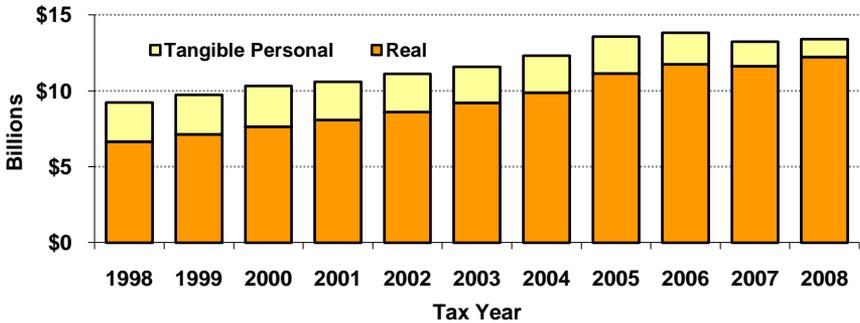
Sources: Ohio Department of Taxation; Ohio Office of Budget and Management

- In 2008, local tax revenue in Ohio totaled \$22.8 billion, an increase of \$0.9 billion (0.4%) from 2007. Property taxes, the main source of local government funding, amounted to \$14.3 billion. Receipts from municipal and school district income taxes and the local share of the estate tax were \$4.7 billion. Sales and use taxes provided \$1.7 billion. The commercial activity tax (CAT) added \$1.2 billion. Other taxes (admission, alcohol, cigarette, lodging, motor vehicle fuel, and motor vehicle license) generated the remaining \$0.9 billion.
- The share of property taxes in the mix of total local tax revenue was 62.6% in 2008, down from a high of 68.9% in 2005. The decrease is the result of the phase-out of taxes on business tangible personal property – equipment, inventories, furniture, and fixtures – for general business from 2006 to 2009 and for telephone and inter-exchange telecommunications companies from 2007 to 2011.
- From 1998 to 2008, total local tax revenue grew at an average of 4.5% per year. Growth in property taxes was lower than the average at 4.0% per year. Income and estate taxes grew at an average of 3.5% annually. Local sales and use taxes grew 3.6% per year. Growth in the "Other Taxes" category was higher than total tax revenue growth, averaging 10.5% annually.
- To replace lost tangible personal property tax receipts, CAT distributions to local governments are being phased in. CAT receipts accounted for 5.0% of total local tax revenue in 2008, up from 3.4% in 2007 and 0.4% in 2006.



## Property Tax Revenues Increased in Tax Year 2008

### Net Property Taxes Collectible by Property Type

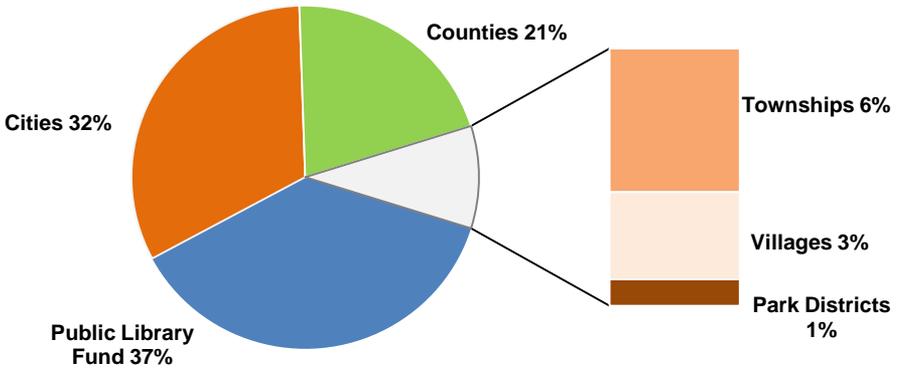


Sources: Ohio Department of Taxation; Ohio Legislative Service Commission

- Net property taxes collectible for tax year (TY) 2008 were \$13.4 billion, \$0.2 billion (1.3%) more than for TY 2007 as a result of higher taxes collectible on real property and on public utility tangible personal property. However, TY 2008 property tax revenues were less than the peak year, TY 2006, due to lower taxes collectible on tangible personal property.
- Taxation of tangible personal property of general business was phased out completely in TY 2009. Taxation of telephone and inter-exchange telecommunications companies will be phased out completely by TY 2011. Public utilities remain subject to the tax.
- Increases in property taxes in recent years came mainly from higher taxes on real property. From TY 1998 to TY 2008, net taxes collectible on real property rose 84%, while taxes on tangible personal property fell 54%.
- Property taxes in Ohio fund local governments, except for a small deduction retained by the state for costs of tax administration. About \$2 of every \$3 in property taxes collected go to school districts.
- Taxes owed on residential and agricultural real property are net of a 10% reduction, an additional 2.5% reduction on owner-occupied residences, and a homestead exemption for homeowners age 65 or older, or disabled. The state reimburses local governments for these tax reductions. Prior to TY 2005, taxes on business real property were also reduced 10%, which was also reimbursed by the state.
- In TY 2007, the homestead exemption was increased to \$25,000 of market value and an income test to qualify was eliminated.
- Real and public utility property taxes are payable one year in arrears. Tangible personal property taxes of general business were paid in the current tax year.

## Libraries Receive the Largest Share of Distributions from the Local Government Funds

Local Government Fund Distributions, 2008



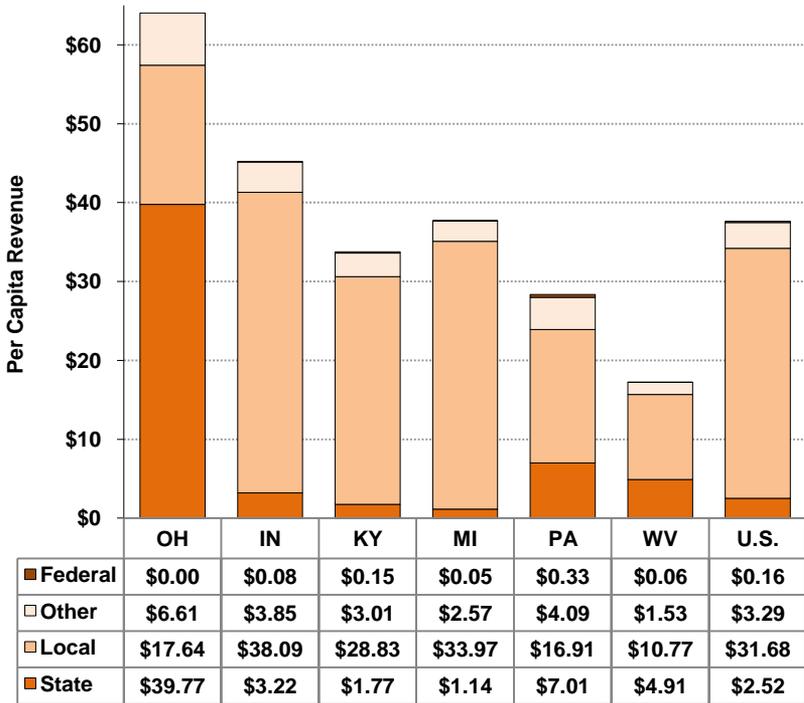
Source: Ohio Department of Taxation

- In 2008, a total of \$1.2 billion was distributed to subdivisions in Ohio, mainly from the two local government funds that receive revenues from state taxes, the Local Government Fund (LGF) and the Public Library Fund (PLF).
- Of this total, \$451 million (37%) was distributed from the PLF, mostly to public libraries. The remainder went to cities (\$390 million or 32%), counties (\$250 million or 21%), townships (\$65 million or 6%), villages (\$39 million or 3%), and park districts (\$12 million or 1%).
- Each county distributes money received from the local government funds to subdivisions within the county, including county government itself, based on state-determined formulas and on rules set by each county budget commission. In addition, each municipality that levies an income tax receives direct distributions from the LGF.
- Beginning in January 2008, 3.68% of total tax revenues credited to the GRF in the preceding month was deposited into the LGF each month, and 2.22% was deposited into the Library and Local Government Support Fund, renamed in June 2008 to the Public Library Fund. Funding for the PLF was reduced to 1.97% of GRF tax revenues for FYs 2010 and 2011 under a temporary law provision in H.B. 1 of the 128th General Assembly.
- From July 2001 through December 2007, previous statutory formulas specifying funding of the local government funds were suspended and the amounts deposited each year were specified in the state operating budgets.



## Ohio Leads States in Funding Public Libraries

Per Capita Operating Revenue of Public Libraries, FY 2007



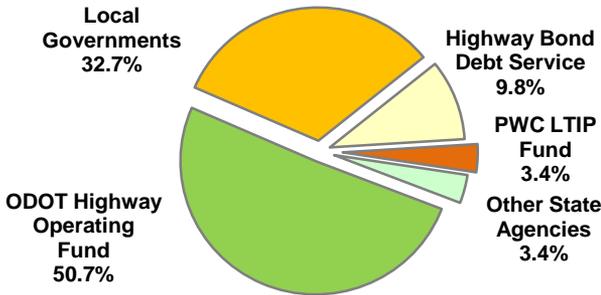
Source: Institute for Library and Museum Services

- Ohio ranks first among states in total per capita operating revenue of public libraries. In FY 2007, the total per capita operating revenue of public libraries in Ohio was \$64.02, 70.0% higher than the U.S. average of \$37.66.
- State funding accounted for \$39.77, or 62.1%, of the total per capita operating revenue of Ohio's public libraries, much higher than any other state. Per capita state funding for the second-ranked state, Hawaii, was \$21.37, just 53.7% of Ohio's state funding level.
- Ohio's per capita state funding in FY 2007 remained the highest nationally in spite of being the lowest amount in any year since FY 2000. State funding per capita decreased \$3.82, or 8.8%, from FY 2000 to FY 2007.
- Ohio has over 700 individual library locations in 251 public library systems.



## Motor Fuel Tax Revenue Supports State and Local Highways and Roads

Motor Fuel Tax Distribution, FY 2010



Sources: Ohio Administrative Knowledge System; American Petroleum Institute

- Revenue from the motor fuel tax (MFT) is distributed to various state agencies and local governments using a statutory formula. The Highway Operating Fund, which is used by the Ohio Department of Transportation (ODOT) to finance road and bridge construction and maintenance, received the largest share at 50.7% (\$878.3 million) of total MFT revenue in FY 2010, followed by local governments at 32.7% (\$566.0 million).
- Nearly 10% (\$169.4 million) of FY 2010 MFT revenue was used for debt service on highway capital improvement bonds issued to fund highway construction and pavement and bridge preservation projects.
- One cent per gallon of the MFT, amounting to 3.4% (\$58.7 million) of the total distributed in FY 2010, is directed toward the Public Works Commission's Local Transportation Improvement Program (LTIP), which provides additional funding to local governments for road and bridge projects.
- In FY 2010, the state collected \$1.71 billion in net MFT revenue, an amount nearly identical to FY 2009. FY 2009 net collections were 6.6% less than FY 2008 net collections of \$1.83 billion. The decrease between FY 2008 and FY 2009, and the meager growth in FY 2010, are partly driven by the national recession, which has suppressed demand for motor fuel.
- Including all state and local excise taxes on motor fuel as of July 2010, Ohio's MFT rate for gasoline and diesel (28¢ per gallon for each) ranks 17th and 19th highest in the nation, respectively.
- Coupled with the federal taxes on gasoline (18.4¢ per gallon) and diesel (24.4¢ per gallon), the price of motor fuel purchased in Ohio includes total taxes of 46.4¢ per gallon on gasoline and 52.4¢ per gallon on diesel.



## Ohio's Motor Vehicle License Taxes Generated \$450 Million in 2009 for Local Transportation Infrastructure

### Distributions to Local Governments for Roads and Bridges, 2009 (Dollars in Millions)

Local Government	State Motor Vehicle License Tax	Permissive Local Motor Vehicle License Taxes	Total
Counties	\$223.2	\$94.0	\$317.2
Municipalities	\$57.2	\$46.9	\$104.1
Townships	\$14.8	\$13.5	\$28.3
<b>Total</b>	<b>\$295.2</b>	<b>\$154.4</b>	<b>\$449.6</b>

Source: Ohio Department of Public Safety

- In 2009, a total of \$449.6 million in motor vehicle license tax revenues was distributed to counties, municipalities, and townships for the planning, construction, and maintenance of roads and bridges. This total consisted of \$295.2 million in state motor vehicle tax license revenues and \$154.4 million in local permissive motor vehicle tax license revenues.
- Over the past ten years, the state and local permissive motor vehicle license tax revenues distributed to local governments averaged \$458.1 million per year, ranging from a low of \$448.1 million in 2001 to a high of \$466.4 million in 2004.
- All motor vehicles generally must be registered annually, for which drivers pay a state motor vehicle license tax of \$34.50 for a passenger car. The tax for other vehicles varies, with commercial trucks and tractors taxed according to weight.
- Permissive motor vehicle license taxes are levied by local governments in \$5 increments. The total amount cannot exceed \$20 per vehicle.
  - Counties may levy up to \$15.
  - Municipalities may levy from \$5 to \$20, depending on the amount levied by the county.
  - Townships may levy \$5.
- The total amount of state and local permissive motor vehicle license taxes for a passenger car ranges from \$34.50 to \$54.50.
- In 2009, the state registered more than 11.7 million vehicles, including 8.1 million passenger cars.



## Local Governments Responsible for Most of Ohio's Highway Infrastructure

Roadways and Bridges by Owner				
Highway Category	Owner			Total
	Local	State	Other	
Public Roadway Centerline Miles (2008)	102,030	19,258	1,685	122,973
<i>Percentage of Total</i>	<i>83.0%</i>	<i>15.7%</i>	<i>1.3%</i>	<i>100.0%</i>
State Highway System Bridges (2009)	28,590	14,823	1,075	44,488
<i>Percentage of Total</i>	<i>64.3%</i>	<i>33.3%</i>	<i>2.4%</i>	<i>100.0%</i>

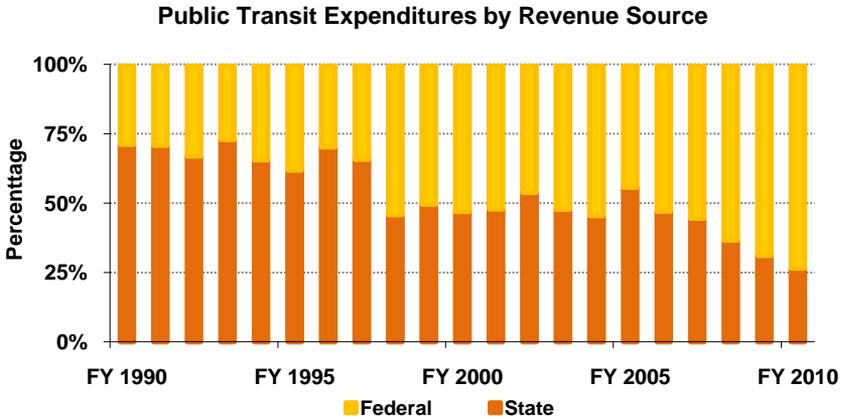
Sources: Federal Highway Administration; Ohio Department of Transportation

- Counties, municipalities, townships, and other local entities own and maintain 83.0% (102,030) of the public roadway centerline miles<sup>1</sup> and 64.3% (28,590) of bridges in Ohio. State agencies, primarily the Ohio Department of Transportation (ODOT), oversee 15.7% (19,258) of the state's centerline miles and 33.3% (14,823) of its bridges. The remaining roadways and bridges are maintained by the federal government, special districts, and private owners.
- Although local governments own and maintain most of the public roadway mileage in the state, 62.3% (186.4 million) of the total daily vehicle miles traveled in Ohio occur on the ODOT-maintained state highway system, which includes interstates, United States routes, and state routes.
- Most of the capital spending on Ohio highways is devoted to the state-administered highway system. Total capital expenditures on Ohio highways in 2007 were approximately \$2.75 billion, of which \$1.81 billion (65.9%) was spent on state-administered roads and \$0.94 billion (34.1%) was spent on locally administered roads.
- Overall, Ohio has one of the largest highway transportation infrastructure systems in the nation. Ohio ranks 7th in the nation in the number of centerline miles of public roadway with nearly 123,000, and ranks 2nd in the number of bridges with almost 44,500.

<sup>1</sup> Centerline miles are the number of miles of two-way roads. A road with a lane in each direction, a road with two lanes in each direction and a turn lane in the middle, and a divided freeway with three or four lanes in each direction all count equally in terms of centerline miles.



## Federal Sources Provided the Majority of Public Transit Funds Distributed by the State in the 2000s

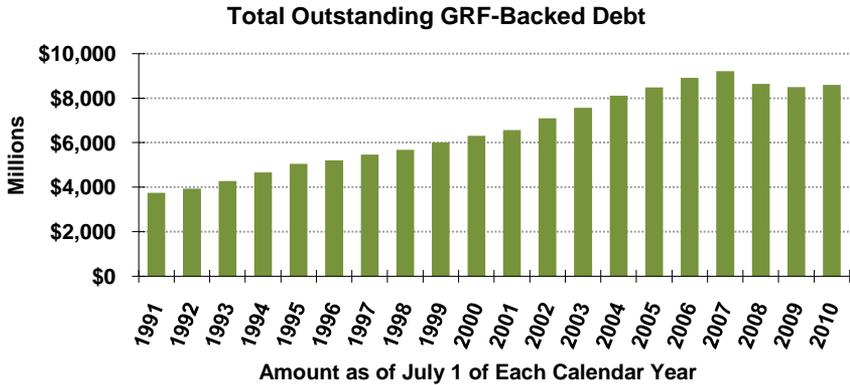


*Source: Ohio Legislative Service Commission*

- From FY 2000 to FY 2010, federal funding was the dominant source of public transit funds provided through the state in all but two years. In contrast, the state funded the majority of public transit expenditures in eight out of ten years in the 1990s. Over the last two decades, the federal share of public transit expenditures has grown steadily, from 28.8% in FY 1990 to 73.4% in FY 2010.
- In FY 2010, public transit expenditures totaled \$49.2 million, of which \$36.1 million came from federal sources, including \$6.7 million provided under the American Recovery and Reinvestment Act of 2009.
- Public transit expenditures peaked in FY 2002 at \$84.7 million, of which \$45.7 million (53.9%) came from the state GRF and \$39.1 million (46.1%) came from federal sources. After this peak, public transit expenditures declined until FY 2008, when spending rose to \$51.1 million. Since then, total spending has hovered around the \$50 million mark.
- State funds are used to subsidize operating and capital expenses of urban and rural transit systems, including offsetting revenue losses incurred by transit systems offering reduced fares for elderly and disabled passengers.
- Federal dollars distributed by the state subsidize operating and capital expenses of transit systems in rural and small urbanized areas and also fund vehicles and equipment for nonprofit agencies providing transportation services to the elderly and people with disabilities.
- Federal funding for large urban areas is not distributed by the state. It flows directly to the transit systems serving those areas.



## Ohio's Outstanding GRF-Backed Debt Increases in 2010

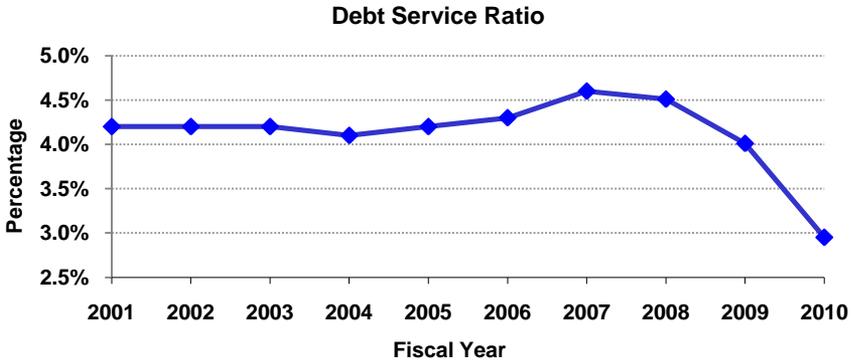


*Source: Ohio Office of Budget and Management*

- Ohio's total outstanding debt payable from the GRF amounted to \$8.59 billion on July 1, 2010, an increase of 1.2% from July 1, 2009. This was the first increase since its peak level of \$9.21 billion on July 1, 2007. Between 1991 and 2007, total GRF-backed debt increased consistently every year with an average growth rate of 5.8% per year. The overall growth rate during this period was 146.1%.
- The increase in 2010 was mainly a result of the state economic stimulus plan. Under the plan, bonds backed by the GRF were issued to stimulate the state economy through investments in advanced and renewable energy, local government infrastructure, and various other economic development programs.
- The state's debt payable from the GRF is made up of general obligation (GO) and special obligation (SO) debt. The \$8.59 billion in outstanding GRF-backed debt as of July 1, 2010, includes \$6.34 billion of GO debt and \$2.25 billion of SO debt.
- The issuance of both GO and SO bonds must be authorized by the Ohio Constitution. Whereas debt service payments for GO bonds are secured by the full faith, credit, and taxing power of the state, debt service payments for SO bonds are subject to appropriations of the General Assembly.
- GO bonds have been issued for the following purposes: primary and secondary education, higher education, natural resources, conservation, local infrastructure, coal development, Third Frontier research and development, and the development of sites for industry, commerce, distribution, and research and development.
- On a per capita basis, Ohio's outstanding debt payable from the GRF has grown from \$555 in 2000 to \$744 in 2010, an increase of 34.1%.



## Debt Restructuring and Tobacco Securitization Lead to Decreases in Ohio's Debt Service Ratio in Recent Years



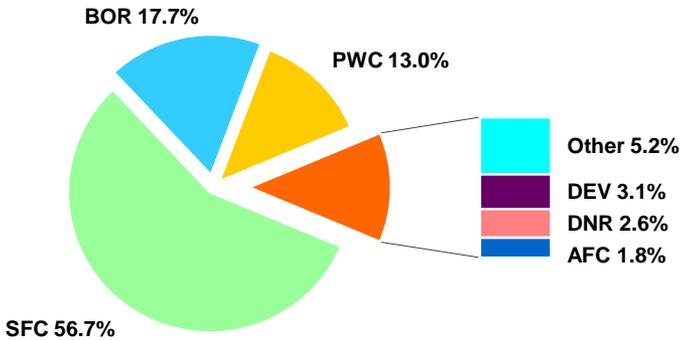
Source: Ohio Office of Budget and Management

- Ohio's debt service ratio was 2.95% at the end of FY 2010, having dropped for three consecutive years from a peak of 4.60% in FY 2007. This ratio is measured by calculating debt service payable from the GRF as a percentage of the total combined revenue from the GRF and net lottery profits.
- The debt service ratio decreases from FY 2008 to FY 2010 were primarily due to debt restructuring and tobacco securitization. The debt restructuring plan reduced GRF debt service payments by \$52.8 million in FY 2009 and \$416.8 million in FY 2010. The 2007 tobacco securitization provided \$2.84 billion cash for FY 2008 through FY 2010 for K-12 and higher education capital projects that would otherwise have been funded by GRF-backed debt.
- As a percentage of personal income, the state's total debt service payable from the GRF decreased from 0.30% in FY 2008 to 0.26% in FY 2009 and to 0.17% in FY 2010.
- In FY 2000, Ohio's Constitution established a 5% "cap" on the amount of GRF-backed debt that the state may incur in a given fiscal year. That is, the state cannot issue additional GRF-backed debt if total debt service payments in any future fiscal year exceed 5% of the total GRF and net lottery profits revenue in the year of issuance, unless the 5% cap is waived by voters or by a three-fifths vote of each house of the General Assembly.
- As of July 1, 2010, Ohio general obligation (GO) bonds received the second highest possible rating from all major rating agencies, AA+ by Standard & Poor's, AA+ by Fitch and Aa1 by Moody's. Bond ratings indicate a rating agency's opinion on an issuer's ability to manage its debt effectively and make the required payments on schedule.



## School Facilities Commission Comprised Almost 57% of FY 2010 Expenditures Made from Capital Appropriations

Capital Appropriation Expenditures by Agency, FY 2010



Source: Ohio Administrative Knowledge System

- In FY 2010, expenditures made from capital appropriations totaled \$1.77 billion.<sup>1</sup> Of this total, just over \$1.0 billion (56.7%) was spent by the School Facilities Commission (SFC). These funds support the construction and renovation of public K-12 schools. Lower wealth school districts generally receive a greater share of state assistance than higher wealth districts, and also generally receive state assistance sooner.<sup>2</sup>
- The Board of Regents (BOR) distributed \$313.5 million (17.7%) for the construction and renovation of academic facilities at Ohio's public colleges and universities. Capital funding for higher education is distributed largely based on the size and age of buildings and the student enrollment at each institution.
- The Public Works Commission (PWC) distributed \$229.5 million (13.0%) for local infrastructure and conservation projects. These funds are largely distributed to the state's 18 PWC districts on a per capita basis.
- Other agencies with large amounts of capital expenditures include the Department of Development (DEV) at \$55.5 million (3.1%), mainly for brownfield cleanup and redevelopment projects; the Department of Natural Resources (DNR) at \$45.5 million (2.6%), mainly for state and local parks; and the Ohio Cultural Facilities Commission (AFC) at \$32.1 million (1.8%), for various local community arts and cultural facilities projects.

<sup>1</sup> This number excludes capital expenditures made from operating appropriations, such as state and federal funding for highway construction and maintenance.

<sup>2</sup> See page 50 for additional information on SFC's K-12 school facilities assistance program.



## Over \$574 Million Awarded for Clean Ohio Since FY 2003

Clean Ohio Awards, FY 2003-FY 2010		
Program	Number of Awards	Total Amount Awarded
<b>Department of Development</b>		
Clean Ohio Revitalization Fund	99	\$223,656,750
Clean Ohio Assistance Fund	156	\$57,015,072
<b>Public Works Commission</b>		
Green Space Conservation Program	711	\$223,856,735
<b>Department of Natural Resources</b>		
Recreational Trails Program	122	\$31,950,000
<b>Department of Agriculture</b>		
Agricultural Easement Purchase Program	172	\$38,165,080
<b>Total</b>	<b>1,260</b>	<b>\$574,643,637</b>

Source: Ohio Department of Development

- Since FY 2003, four state agencies have awarded over \$574.6 million for 1,260 projects under the Clean Ohio initiative. The first \$400 million for the program was authorized by voters in 2000, with an additional \$400 million approved in 2008.
- The Department of Development's Clean Ohio Revitalization Fund and Clean Ohio Assistance Fund have collectively awarded nearly \$280.6 million to local governments for brownfield clean-up and redevelopment projects. These awards comprise 48.8% of the total Clean Ohio funds awarded through FY 2010.
- The Clean Ohio Green Space Conservation Program, administered by the Public Works Commission, has awarded funding (\$223.9 million) for more projects (711) than any other component of the Clean Ohio initiative. Local governments and nonprofit community organizations are eligible to compete for this funding to preserve natural areas, sensitive watersheds, and other green space.
- Under the Clean Ohio Recreational Trails Program administered by the Department of Natural Resources, nearly \$32.0 million has been distributed among 122 projects sponsored by local governments and nonprofit community organizations to create or improve recreational trail networks.
- The Department of Agriculture has awarded \$38.2 million under the Clean Ohio Agricultural Easement Purchase Program, which provides funding to farm owners who place agricultural easements on their property. Through FY 2010, the 172 awards under this program have preserved over 33,000 acres of productive farmland in Ohio.



## Nearly 53.8 Million Visits Made to Ohio State Parks in 2009

Ten Most Visited Ohio State Parks, 2009		
State Park	County	2009 Visits
Cleveland Lakefront	Cuyahoga	8,430,273
Headlands Beach	Lake	3,190,730
Hocking Hills	Hocking	2,928,184
Hueston Woods	Preble/Butler	2,911,659
Caesar Creek	Warren/Clinton/Greene	2,749,782
Alum Creek	Delaware	2,375,786
Mosquito Lake	Trumbull	1,855,466
Indian Lake	Logan	1,780,733
Cowan Lake	Clinton	1,753,262
East Harbor	Ottawa	1,471,570
<b>Total – Ten Most Visited State Parks</b>		<b>29,447,445</b>
<b>Total – All State Parks</b>		<b>53,767,676</b>

Source: Ohio Department of Natural Resources

- In 2009, there were approximately 53.8 million visits to the 74 state parks operated by the Ohio Department of Natural Resources (DNR), an increase of 6.1% over 2008. The ten most visited parks accounted for 54.8% (29.4 million) of the total visits.
- Located in 60 counties across the state and encompassing over 174,000 acres in land and water, Ohio's 74 state parks contain 9 resort lodges, 518 cottages, and 89 campgrounds with over 9,200 sites, as well as 78 beaches, 37 visitor and nature centers, 450 picnic areas, and 1,185 miles of trails.
- In 2009, the number of camping reservations in Ohio's state parks increased by 9.1% and the number of getaway rentals increased by 3.7%.
- In 2009, state parks generated \$27.6 million in revenue, an increase of 0.3% over 2008. The largest source of revenue was camping fees (43.2%), followed by self-operated retail (13.3%), cottage rentals (11.1%), dock permits (10.8%), and concession agreements (6.1%).
- In FY 2009, DNR's Division of Parks and Recreation spent \$68.0 million on state park operations. Of this amount, 50% was funded by the GRF and the remainder was funded by fees, charges, and other sources.
- During FY 2009, the Division of Parks and Recreation released just under \$14.8 million for capital improvement projects, including utility upgrades, wastewater system rehabilitations, lodge and cabin improvements, and other construction and renovation projects.



## Ohio's 4,938 Public Water Systems Serve Over 11 Million People Daily

Ohio's Public Water Systems by Category, 2010				
Category	Surface Water	Ground Water	Total Systems	Population Served Daily
Community	297	958	1,255	10,581,540
Nontransient Noncommunity	9	743	752	213,289
Transient Noncommunity	11	2,920	2,931	413,178
<b>Total</b>	<b>317</b>	<b>4,621</b>	<b>4,938</b>	<b>11,208,007</b>

Source: Ohio Environmental Protection Agency

- Ohio's 4,938 public water systems (PWSs) serve 11.2 million people daily.
- There are three types of PWSs in Ohio:
  - *Community systems* serve at least 15 water connections used by year-round residents or regularly serve at least 25 year-round residents. Examples include cities and mobile home parks.
  - *Nontransient noncommunity systems* serve at least 25 of the same persons over six months per year. Examples include schools and businesses.
  - *Transient noncommunity systems* serve at least 25 different persons over 60 days per year. Examples include parks and highway rest stops.
- Of the 4,938 PWSs in Ohio, 4,621 (94%) use ground water and the remaining 317 (6%) use surface water.
- In FY 2010, the Ohio Environmental Protection Agency (EPA) issued \$681.8 million in low-interest loans to local governments for maintaining PWSs. This included \$107.8 million in drinking water loans and \$574.0 million in water pollution control loans. These loans are supported by grants from the U.S. EPA and the required matching funds (20%) from the Ohio EPA.
- The American Recovery and Reinvestment Act of 2009 provided almost the entire amount (\$107.7 million) of the drinking water loans and \$206.0 million of the water pollution control loans made in FY 2010.
- In FY 2010, drinking water loans were granted for 63 projects to protect the quality and quantity of drinking water in 59 communities. Water pollution control and water quality restoration loans funded 306 new projects. In addition, seven previously awarded loans received supplemental funding. Overall, projects supported by these water pollution control and water quality restoration loans benefited 199 communities.