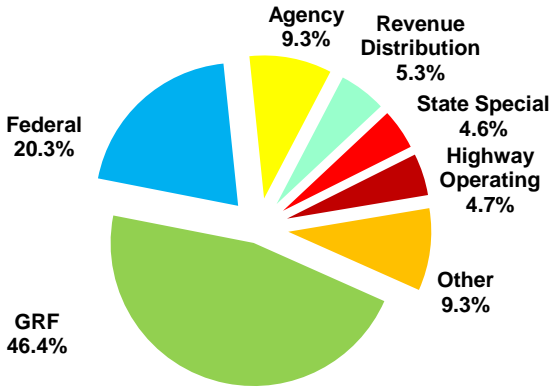


General Revenue Fund Accounted for 46.4% of State Operating Spending in FY 2012

State Operating Spending by Fund Group, FY 2012

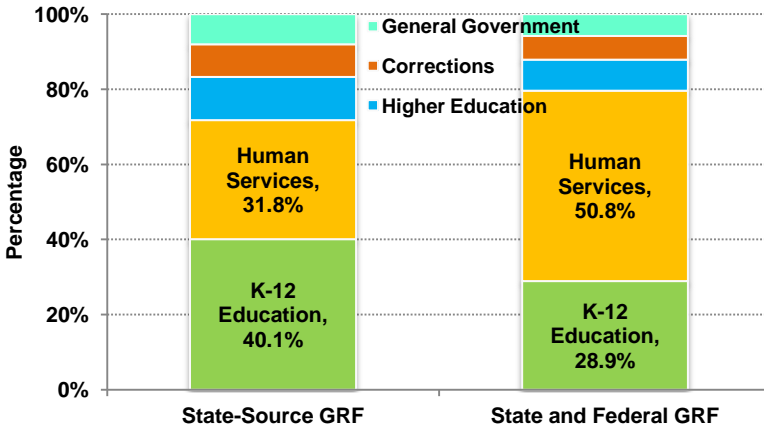


Source: Ohio Administrative Knowledge System

- In FY 2012 state operating spending totaled \$56.87 billion, of which \$26.39 billion (46.4%) was expended from the GRF. The GRF is mainly supported by state tax revenues but also receives federal reimbursements for Medicaid and certain other human service programs.
 - Medicaid comprised the largest share of total GRF spending at \$11.69 billion (44.3%) in FY 2012, followed by K-12 education (\$7.63 billion or 28.9%) and higher education (\$2.18 billion or 8.3%).
- The Federal Special Revenue Fund Group accounted for \$11.53 billion (20.3%) of overall operating spending in FY 2012. Moneys distributed under this fund group support various federal programs that are subject to the state appropriation process. Including the \$7.36 billion in federal funds that were deposited into the GRF increases the federal share of total operating spending to 33.2% in FY 2012.
- Main spending items from the Agency Fund Group (\$5.30 billion or 9.3%) and the Revenue Distribution Fund Group (\$3.04 billion or 5.3%) 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 Highway Operating Fund Group (\$2.70 billion or 4.7%) mainly supports the operations of the Ohio Department of Transportation while spending from the State Special Revenue Fund Group (\$2.61 billion or 4.6%) supports various programs with dedicated revenue sources.
- The remaining \$5.29 billion (9.3%) of FY 2012 total state operating spending was distributed from 26 other fund groups.

K-12 Education and Human Services Are the Two Biggest Spending Areas in State Budget

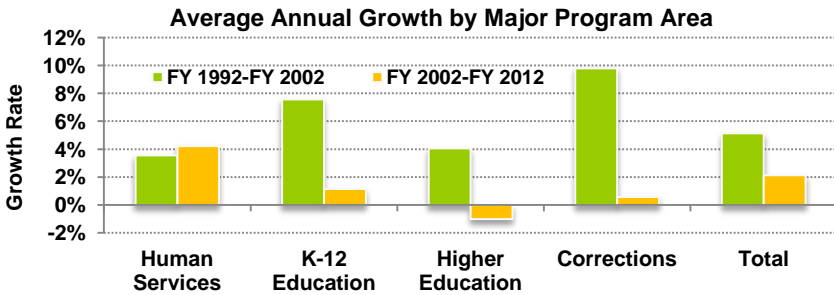
GRF Spending by Program Area, FY 2012



Sources: Ohio Administrative Knowledge System; Ohio Legislative Service Commission

- GRF spending supported by state sources totaled \$19.04 billion in FY 2012. Of this total, 40.1% (\$7.63 billion) went to K-12 Education. K-12 Education has traditionally comprised the largest share of state-source GRF spending, followed by Human Services, which comprised 31.8% (\$6.05 billion) in FY 2012.
- The remainder of the state-source GRF in FY 2012 went to Higher Education (\$2.18 billion, 11.5%), Corrections (\$1.67 billion, 8.7%), and General Government (\$1.52 billion, 8.0%).
- Spending for Human Services is also supported by federal reimbursements for Medicaid and certain other human service programs. In FY 2012, \$7.36 billion in federal reimbursements was deposited into the GRF, which brought total state and federal GRF spending to \$26.39 billion.
- Human Services accounted for 50.8% (\$13.40 billion) of total state and federal GRF spending in FY 2012, of which \$11.69 billion (87.2%) was expended for Medicaid services. Human Services has consistently ranked first in total state and federal GRF spending.
- While K-12 Education consumes the largest share of state-source GRF, it ranked second in total state and federal GRF spending, at 28.9% in FY 2012.
- The Higher Education, Corrections, and General Government shares of FY 2012 total state and federal GRF spending were 8.3%, 6.3%, and 5.8%, respectively.

Total State and Federal GRF Spending in Past Decade Grew at One-Third of the Rate for Prior Decade

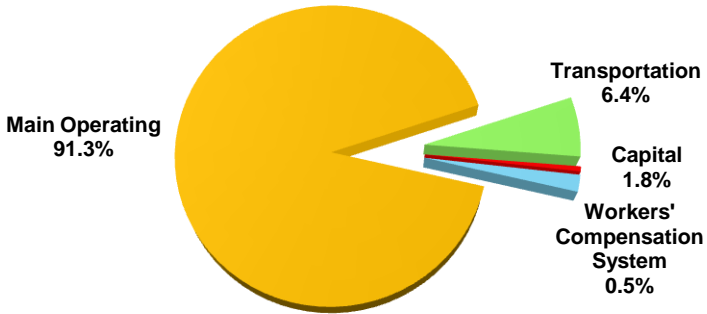


Sources: Ohio Administrative Knowledge System; Ohio Legislative Service Commission

- Total state and federal GRF spending increased by an average rate of 2.1% per year from FY 2002 to FY 2012 compared to 5.1% per year from FY 1992 to FY 2002. During this 20-year period, overall GRF spending increased by 101.3%, from \$13.12 billion in FY 1992 to \$26.39 billion in FY 2012.
- Slower growth in total GRF spending over the past decade was heavily influenced by the recent economic slowdown. Total GRF tax revenue decreased four years in a row from FY 2007 to FY 2010, including a 12.0% decrease in FY 2009 and a 5% decrease in FY 2010. Since FY 1975, FY 2002 is the only other year that saw a decrease in total GRF tax revenue (1.1%).
- Federal stimulus money provided under the American Recovery and Reinvestment Act of 2009 helped support a 4.1% increase in overall GRF spending in FY 2009. However, overall GRF spending decreased 9.9% in FY 2010, the only decline since FY 1975. The FY 2012 GRF spending level of \$26.39 billion was 1.5% below the FY 2009 spending level of \$26.78 billion.
- From FY 2002 to FY 2012, Human Services was the only category that grew faster than overall GRF spending; it averaged 4.2% per year. Spending in this area is heavily influenced by conditions in the overall economy and by Medicaid eligibility policy.
- K-12 Education spending increased by 1.1% per year on average over the past decade, much slower than the 7.6% annual growth rate for the prior decade. From FY 2010 to FY 2012, K-12 Education spending decreased 3.7%.
- Higher Education spending growth has been sensitive to changes in the overall state budget. Over the past decade, Higher Education spending decreased by an average of 1.0% per year due largely to a 12.5% decrease from FY 2010 to FY 2012.
- Due primarily to prison population growth, Corrections spending increased 9.8% per year from FY 1992 to FY 2002. Average growth in the past ten years slowed to 0.6% per year.

Main Operating Budget Authorized 91.3% of Total State Spending in FY 2012

State Spending by Budget, FY 2012
Total: \$57.92 billion



Source: Ohio Administrative Knowledge System

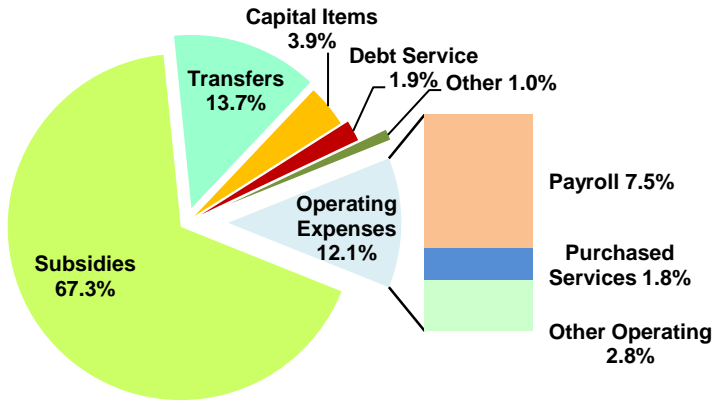
- In FY 2012, state spending totaled \$57.92 billion across all funds. Of this total, \$52.86 billion (91.3%) was authorized by the main operating budget act, \$3.70 billion (6.4%) by the transportation budget act, \$1.05 billion (1.8%) by the capital budget act, and \$310.1 million (0.5%) by the two budget acts for the workers' compensation system.
- The four noncapital budget acts are commonly referred to as the operating budget.¹ While capital appropriations are primarily funded by bonds, operating appropriations are supported by cash from sources such as taxes, fees, and federal grants. The Ohio Constitution requires a balanced operating budget.
- The main operating budget provides funding for all but four state agencies. These four agencies are the Department of Transportation (DOT), the Department of Public Safety (DPS), the Bureau of Workers' Compensation (BWC), and Ohio Industrial Commission (OIC). DOT and DPS are funded in the transportation budget while BWC and OIC each has its own budget.
- The departments of Job and Family Services and Education dominate state spending, comprising 38.8% (\$20.50 billion) and 21.3% (\$11.28 billion), respectively, of total operating spending in FY 2012.²

¹ See pages 19 and 22 for more information on state operating spending and page 41 for more information on capital spending.

² See pages 66 and 54 for additional information on these two agencies' operating spending.

State Payroll Amounted to 7.5% of the Total State Operating Budget in FY 2012

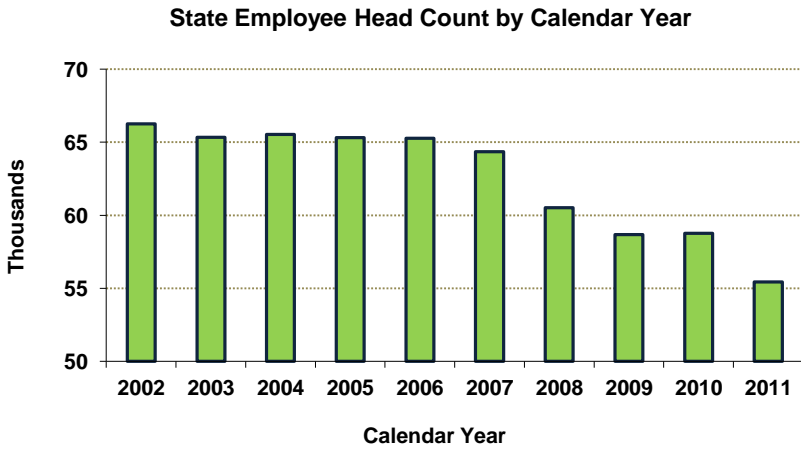
State Operating Budget by Category, FY 2012



Source: Ohio Administrative Knowledge System

- In FY 2012 state payroll totaled \$4.26 billion across all funds, representing 7.5% of the total state operating budget. Of this amount, \$1.82 billion (42.6%) came from the GRF and the other \$2.45 billion (57.4%) came from various non-GRF funds. As of June 2012, state employee head count totaled 54,681.
- In addition to payroll, the state spent \$1.02 billion for purchased services and \$1.61 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 \$6.90 billion across all funds, representing 12.1% of the total state operating budget in FY 2012.
- Earned wages, the largest share of payroll costs, totaled \$2.50 billion, or 4.4% of the total FY 2012 state operating budget. 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 \$1.14 billion in FY 2012.
- The state operating budget for FY 2012 was \$56.87 billion across all funds. Of this total, \$48.29 billion (84.9%) went to three categories: \$38.28 billion (67.3%) for subsidies for various state and local entities, \$7.76 billion (13.7%) for "transfers," including items such as tax refunds and distributions of local taxes collected by the state, and \$2.25 billion (3.9%) for capital items funded with appropriations made in the operating budget.

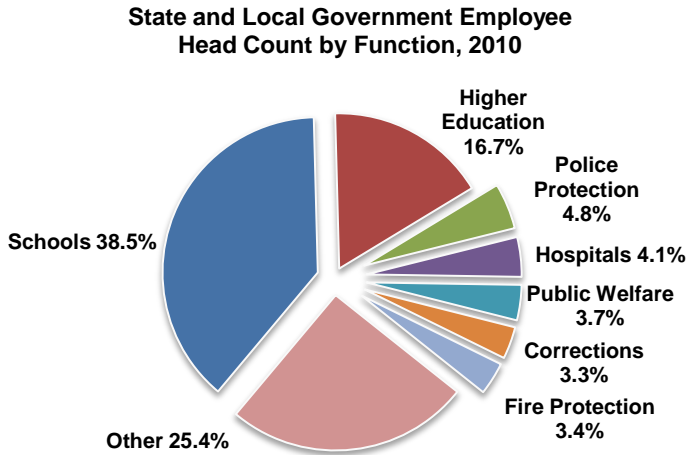
State Employee Head Count Fell to a Ten-Year Low in 2011



Source: Ohio Department of Administrative Services

- The number of state employees, including employees in the executive, legislative, and judicial branches, fell to a ten-year low of 55,442 in December 2011. This was a drop of 16.3% compared to the 66,266 employees in the state workforce in December 2002. Overall, the number of employees decreased every year during this span, except in 2004 and 2010.
- The largest annual decrease in state employees over the ten-year period occurred in 2008, when the number of state employees fell from 64,352 to 60,514, a 6.0% decline. The next largest decrease occurred between 2010 and 2011, when the number of employees dropped from 58,766 to 55,442, a 5.7% decline.
- Of the 55,442 employees on the state payroll in December 2011, 48,748 (87.9%) were employed in permanent full-time positions. Overall, 38,318 employees, or 69.1% of the total, were in bargaining unit positions.
- There were a total of 101 state employers in the executive, legislative, and judicial branches of government as of December 2011. Together, the ten largest employed 39,144 individuals, or 70.6% of all state employees. The Department of Rehabilitation and Correction was the largest state employer, with 12,509 (22.6%) of all state employees. In contrast, 41 of the 101 state employers had fewer than 20 employees.

Fifty-five Percent of Ohio Public Employees Worked for Schools and Institutions of Higher Education in 2010

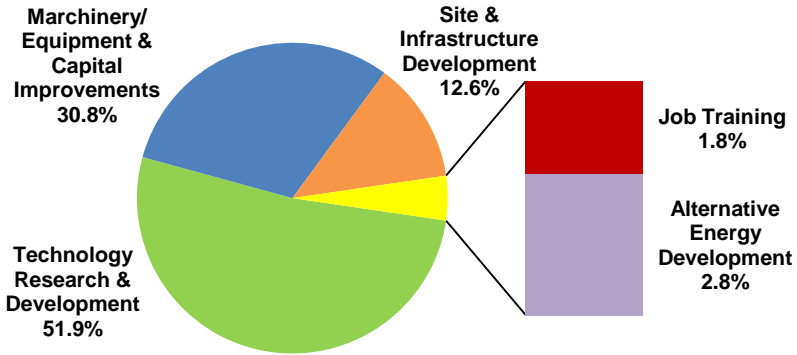


Source: U.S. Census Bureau

- Ohio's state and local government employee head count totaled 733,646 in 2010, of which 38.5% (282,247) worked for public schools and 16.7% (122,848) worked for public colleges and universities. Together, education accounted for 55.2% of the total state and local government employment.
- The other major public employee categories include police protection (4.8%, 35,149 employees), hospitals (4.1%, 30,306), public welfare (3.7%, 27,204), corrections (3.3%, 24,564), and fire protection (3.4%, 24,965). Together, these five sectors represented 19.3% (142,008) of the total state and local government employee head count in 2010.
- From 2000 to 2010, the number of public school employees increased by 6.6% (17,484) from 264,763 to 282,247. Public school enrollment decreased by 1.1% (21,114) from 1.84 million in FY 2000 to 1.82 million in FY 2010.
- Employment at public institutions of higher education increased by 13.1% (14,223) from 108,625 in 2000 to 122,848 in 2010. Meanwhile, higher education enrollment increased by 32.5% (98,735) from 304,257 in FY 2000 to 402,992 in FY 2010.
- Due primarily to increases in education employment, Ohio's public employee head count total increased by 1.2% (8,988) from 2000 to 2010. Most other categories experienced employment decreases in this period.
- In 2010, the public school employee head count consisted of 180,322 (63.9%) instructional employees and 101,925 (36.1%) other employees, while the higher education employee head count included 40,998 (33.4%) instructional employees and 81,850 (66.6%) other employees.

Over Half of Development Loan and Grant Spending in FY 2012 Was for Research and Development Assistance

Development Loan and Grant Expenditures by Category, FY 2012



Source: Ohio Administrative Knowledge System

- The Department of Development disbursed \$231.1 million in economic development and assistance loans and grants in FY 2012. Of this total, \$120.1 million (51.9%) was for programs providing support for research, development, and commercialization of new technologies, including \$72.9 million under the Third Frontier program.
- Grants and loans issued for machinery, equipment, and capital improvements accounted for \$71.3 million (30.8%) of the total. These awards, such as 166 Direct Loans, Rapid Outreach Grants, and Minority Business Enterprise Loans, assist business with machinery and equipment purchases, facility renovations, or real estate purchases.
- Site and infrastructure development grants that help businesses and local governments cover the capital costs involved with business placement or expansion amounted to \$29.1 million, representing 12.6% of the total. This included \$15.4 million for the Job Ready Sites Program and \$13.7 million for the Roadwork Development Grant Program.
- Alternative energy development spending totaled \$6.5 million (2.8%) in FY 2012. Of this amount, \$6.2 million was for grants under the Advanced Energy Fund and approximately \$250,000 was for grants under the Alternative Fuel Transportation Grant Program.
- Job training assistance grants under the Ohio Workforce Guarantee Program accounted for the remaining \$4.2 million (1.8%) of the total economic development assistance funding in FY 2012.

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 2009

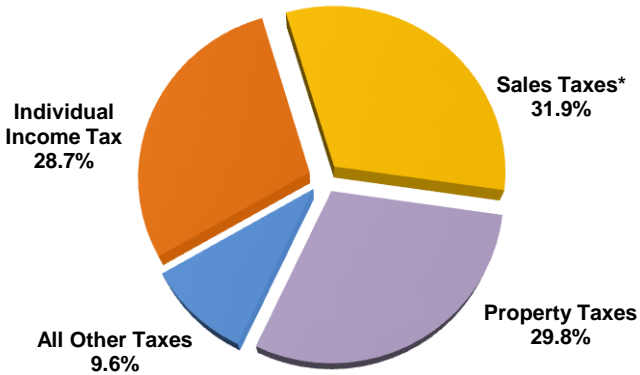
State	Taxes Per Capita	National Rank	Taxes as % of Personal Income	National Rank
National Average	\$4,141	--	10.4	--
Ohio	\$3,808	26	10.7	16
Neighboring States				
Indiana	\$3,717	29	10.9	12
Kentucky	\$3,213	40	10.0	28
Michigan	\$3,602	31	10.5	17
Pennsylvania	\$4,119	17	10.3	25
West Virginia	\$3,520	33	11.1	10

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

- Ohio's FY 2009 combined state and local tax burden, measured by taxes per capita (\$3,808), was lower than the national average but higher than that in all neighboring states except Pennsylvania.
- Measured relative to personal income, however, Ohio's tax burden was higher than the national average and the tax burdens in three of its five neighboring states. The other two, Indiana and West Virginia, both had higher taxes as a percentage of personal income.
- For FY 2009, Ohio's state taxes were \$2,075 per capita, below the national average of \$2,331. Local taxes were \$1,733 per capita, below the national average of \$1,811.
- For FY 2009, Ohio's state taxes were 5.8% of personal income, just below the U.S. average of 5.9%. Ohio's local taxes were 4.9% of personal income, above the national average of 4.6%.
- In FY 2009, Alaska had the highest per capita combined state and local tax burden at \$9,104, while Alabama had the lowest at \$2,835.
- Alaska in FY 2009 also had the highest level of combined state and local taxes as a percentage of personal income at 20.8%. South Dakota had the lowest at 8.1%.

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

Ohio Combined State & Local Tax Revenue by Source, FY 2009

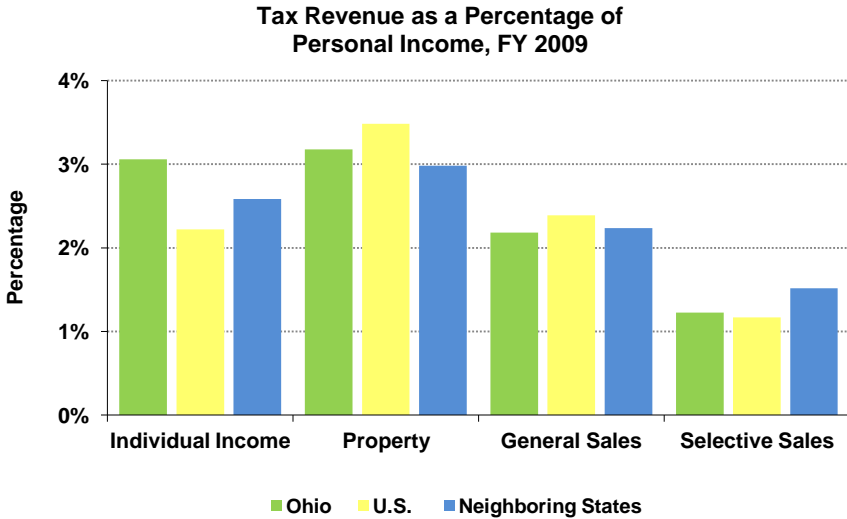


* Sales taxes include general state and local sales tax and gross receipts taxes on sales of specific products, including tobacco products, alcoholic beverages, motor fuels, and utility services.

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

- In FY 2009, taxes on individual income, sales, and property in Ohio accounted for 90.4% of state and local tax revenues. The contribution of each of these three tax categories was about even.
- State taxes accounted for 54.5% of Ohio's combined state and local tax revenue in FY 2009. For the U.S. as a whole, state taxes were 56.3% of combined state and local tax revenue.
- Of Ohio's state tax revenue, 50.7% came from sales and gross receipts taxes – of which 30.6% was from the general sales tax – and 34.8% came from the individual income tax. Nationwide, 48.2% of state taxes came from sales and gross receipts taxes – with 32.0% from general sales taxes – and 34.4% came from individual income taxes.
- Local taxes comprised 45.5% of Ohio's combined state and local tax revenue in FY 2009. For the U.S. as a whole, local taxes were 43.7% of combined state and local taxes.
- Of Ohio's local taxes, 65.4% came from property taxes, 21.4% from individual income taxes, and 9.4% from sales and gross receipts taxes. Nationwide, 73.9% of local taxes were derived from property taxes, 16.0% from sales and gross receipts taxes, and 4.4% from individual income taxes.

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

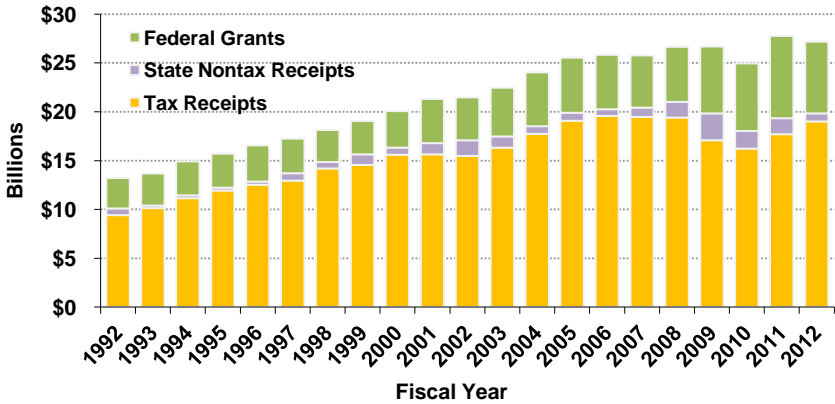


Sources: U.S. Census Bureau; Ohio Legislative Service Commission

- In FY 2009, Ohio's state and local individual income taxes were 3.1% of total personal income, which was higher than the national average (2.2%). Compared to the five neighboring states, Ohio's percentage was on par with that of Kentucky (3.1%), but higher than that of Pennsylvania (2.7%), West Virginia (2.7%), Indiana (2.6%), and Michigan (1.8%).
- Ohio's property taxes were 3.2% of total personal income, which was lower than the national average (3.5%). Ohio's percentage was lower than that of Michigan (4.2%) and Indiana (3.3%), but higher than that of Pennsylvania (3.1%), West Virginia (2.3%), and Kentucky (2.1%).
- Ohio's general sales tax receipts were 2.2% of total personal income, which was less than the national average (2.4%). Ohio's percentage was lower than that of Indiana (2.8%) and Michigan (2.6%), but higher than that of Kentucky (2.1%), West Virginia (1.9%), and Pennsylvania (1.7%).
- Ohio's selective sales tax receipts were 1.2% of total personal income, which was the same as the national average (1.2%). Ohio's percentage was higher than that of Michigan (1.1%), but lower than that of Indiana (1.3%), Pennsylvania (1.4%), Kentucky (1.7%), and West Virginia (2.1%). Selective sales taxes apply, for example, to motor fuel, alcoholic beverages, tobacco products, and public utilities.

GRF Tax Receipts in FY 2012 Remained Below the FY 2006 Peak

GRF Sources by Component, FY 1992-FY 2012

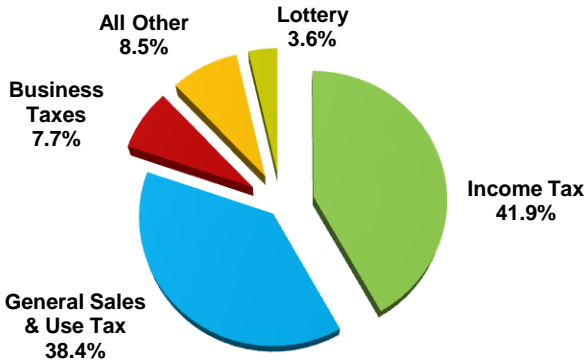


Source: Ohio Legislative Service Commission

- Tax receipts, the largest component of GRF sources, amounted to \$19.01 billion in FY 2012. These receipts were 2.9% (\$558.2 million) below the FY 2006 peak of \$19.56 billion. In fact, they were still 2.1% (\$414.3 million) lower than FY 2008, the beginning of the latest recession.
- GRF tax receipts decreased slightly in FY 2007 (0.5%) and FY 2008 (0.3%). They also decreased in FY 2009 (12.0%), and FY 2010 (5.0%) due primarily to the recent economic slowdown. However, GRF tax receipts increased in both FY 2011 (9.1% or \$1.47 billion) and FY 2012 (7.3% or \$1.30 billion).
- Over the last two decades, FY 2002 was the only other year that experienced a decrease in GRF tax receipts (1.1%).
- From FY 1992 to FY 2006, on average, tax receipts made up 74.8% of total GRF sources. This average dropped to 69.4% for the period from FY 2007 to FY 2010. In FY 2012, tax receipts represented 69.9% of total GRF sources.
- Federal grants and state nontax receipts are the other two components of GRF sources. Stimulus money provided under the American Recovery and Reinvestment Act of 2009 increased the federal grant share of GRF sources. From FY 2009 to FY 2011, federal grants made up an average of 27.9% of total GRF sources each year, compared to 21.3% for the period from FY 1992 to FY 2008. The federal grant share was 27.1% (\$7.36 billion) in FY 2012.
- State nontax receipts include fees, earnings on investments, and various transfers that are deposited into the GRF. In FY 2012, state nontax receipts represented 3.0% (\$0.82 billion) of total GRF sources.
- During the past two decades, total GRF sources increased by 105.9% from \$13.21 billion in FY 1992 to \$27.19 billion in FY 2012.

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

Composition of State-Source GRF and Lottery Profits Receipts, FY 2012

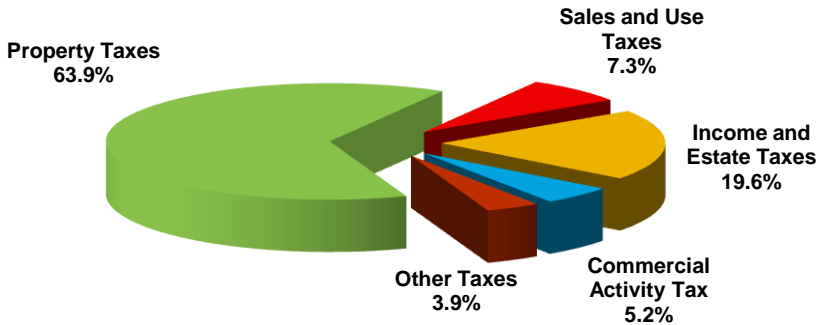


Source: Ohio Office of Budget and Management

- In FY 2012, total state-source GRF and lottery profits receipts amounted to \$21.5 billion. The personal income tax (\$9.0 billion) and the general sales and use tax (\$8.3 billion) were the two largest revenue sources. Together, they accounted for 80.3% of total receipts in FY 2012, up from 76.4% in FY 2002.
- From FY 2002 to FY 2008, state-source GRF and lottery profits receipts grew by an average of 3.1% per year. Total receipts decreased by 5.0% in FY 2009 and 8.7% in FY 2010 due to the economic slowdown, and then increased by 6.8% in FY 2011 and 2.1% in FY 2012.
- Personal income and general sales and use tax receipts followed a similar growth pattern over the last decade. From FY 2002 to FY 2012, personal income and general sales and use tax receipts increased by an average of 1.3% and 2.9% per year, respectively. These averages were influenced by the recent economic slowdown. Income tax receipts decreased by 15.4% in FY 2009 and 5.3% in FY 2010, while the comparable figures for general sales and use tax receipts were 6.9% in FY 2009 and 1.0% in FY 2010.
- In FY 2012, business taxes accounted for 7.7% of total state-source GRF and lottery profits receipts, up from 5.3% of the FY 2010 total due primarily to some commercial activity tax (CAT) receipts being deposited into the GRF beginning in FY 2012. CAT replaced the corporate franchise tax, which was phased out from 2006 to 2010, except for certain firms in the financial and insurance sectors.
- Lottery profits, totaling \$771.0 million in FY 2012, are used to help fund state education aid for schools.

Property Taxes Accounted for Almost 64% of Local Government Tax Revenue in 2009

Ohio's Local Tax Revenue by Source, 2009

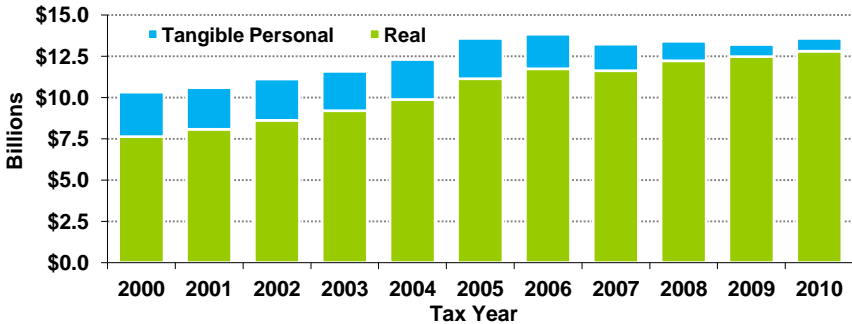


Sources: Ohio Department of Taxation; Ohio Office of Budget and Management

- In calendar year 2009, local tax revenue in Ohio totaled \$22.7 billion. Property taxes, the main source of local government funding, amounted to \$14.5 billion. Receipts from municipal and school district income taxes and the local share of the estate tax were \$4.5 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 63.9% in 2009, 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 1999 to 2009, total local tax revenue grew at an average of 3.9% per year. Growth rates were higher in the earlier years, then slowed to just 0.4% from 2007 to 2008. From 2008 to 2009, tax revenue fell by \$84 million (0.4%).
- From 1999 to 2009, average growth in property taxes was 3.6% per year. Income and estate taxes grew at an average of 2.3% annually. Local sales and use taxes grew 2.7% per year. Growth in the "Other Taxes" category was higher than total tax revenue growth, averaging 8.2% annually.
- The state distributes CAT receipts to local governments to replace lost tangible personal property tax revenue. CAT receipts accounted for 5.2% of total local tax revenue in 2009, up from 5.0% in 2008.

Property Tax Revenues Increased in Tax Year 2010

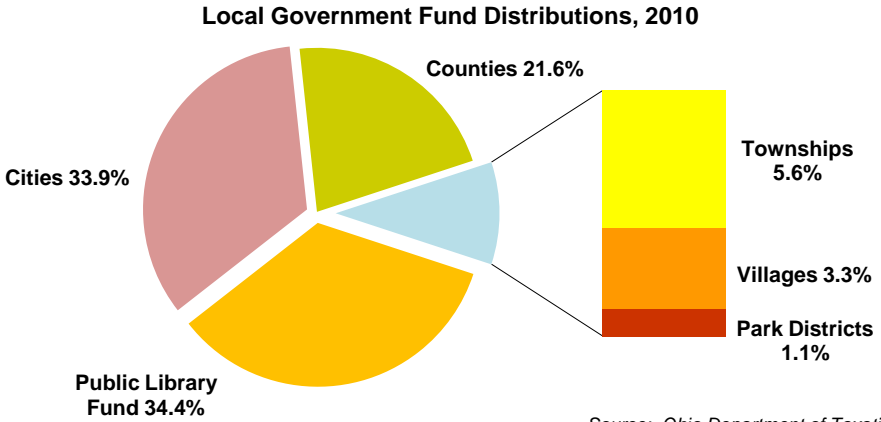
Net Property Taxes Collectible by Property Type



Sources: Ohio Department of Taxation; Ohio Legislative Service Commission

- Net property taxes collectible for tax year (TY) 2010 were \$13.6 billion, \$0.4 billion (2.8%) more than for TY 2009 as a result of higher taxes collectible on real property and on public utility tangible personal property. However, TY 2010 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 was 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 2000 to TY 2010, net taxes collectible on real property rose 68%, while taxes on tangible personal property fell 71%.
- 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.

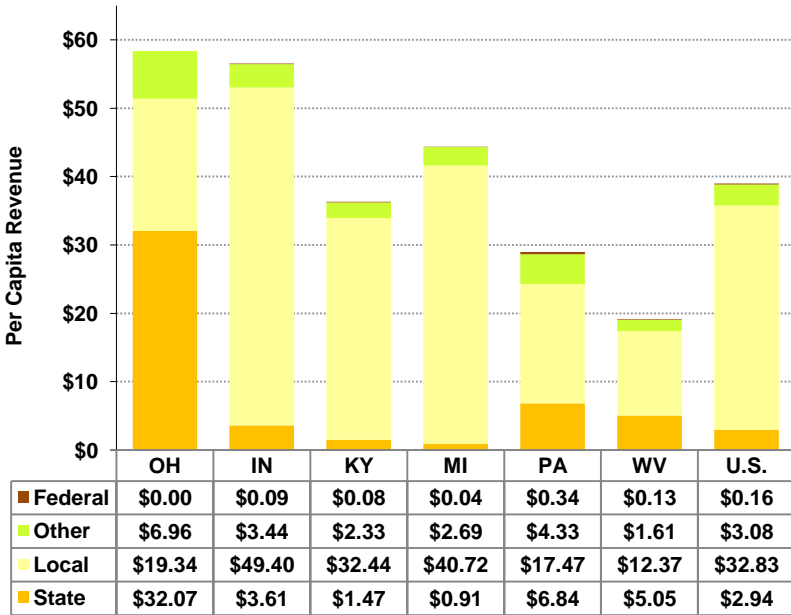
Libraries and Cities Receive the Largest Shares of Distributions From the Local Government Funds



- In 2010, a total of \$1.0 billion was distributed to subdivisions in Ohio from the two funds that support local governments using revenues from state taxes, the Local Government Fund (LGF) and the Public Library Fund (PLF).
- Of this total, \$348 million (34.4%) was distributed from the PLF, nearly all to public libraries, with a small amount to local governments. LGF distributions went to cities (\$342 million or 33.9% of total distributions from the two local government funds), counties (\$219 million or 21.6%), townships (\$57 million or 5.6%), villages (\$34 million or 3.3%), park districts (\$11 million or 1.1%), and, in two counties, public assistance (\$0.1 million).
- Counties distribute money from the local government funds to subdivisions, including county government itself, based on state-determined formulas and on rules set by each county budget commission. In addition, municipalities receive direct LGF distributions. To qualify, they must have received such distributions from the state in 2007, based on levying income taxes.
- Local government fund distributions were reduced beginning in August 2011. LGF distributions through June 2012 are 25% lower than in FY 2011, and in FY 2013, 50% lower, except that an additional \$50 million is distributed through the LGF statewide in FY 2012, including amounts to set a floor under distributions to smaller counties. PLF distributions are reduced 5%.
- From January 2008 through July 2011, fixed percentages of total GRF tax revenues were credited to the LGF and PLF each month. From July 2001 through December 2007, statutory formulas were suspended and local government fund amounts were set in the state operating budgets.

Ohio Leads Country in State Funding for Public Libraries

Per Capita Operating Revenue of Public Libraries, FY 2009

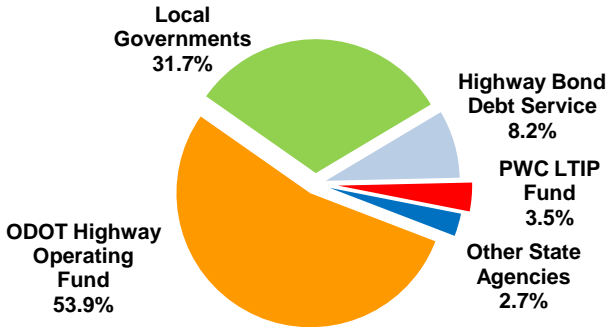


Source: Institute for Library and Museum Services

- Ohio leads the country in state per capita operating revenue of public libraries. In FY 2009, the state per capita operating revenue of public libraries in Ohio was \$32.07, over ten times higher than the U.S. average of \$2.94 and far exceeding that of neighboring states.
- Ohio's per capita state funding in FY 2009 remained the highest nationally in spite of being the lowest amount in any year since FY 2000. State funding per capita decreased \$11.52, or 26.4%, from FY 2000 to FY 2009.
- Overall, Ohio's total per capita operating revenue fell 9.1% from \$64.18 in FY 2006, when Ohio led all other states in total funding with its highest total funding in ten years, to \$58.37 in FY 2009, when Ohio was the fourth highest total in the country behind New York (\$65.70), Illinois (\$62.39), and New Jersey (\$60.28).
- Despite the decline in total per capita operating revenue, Ohio continued to be well above the U.S. average of \$39.01 in FY 2009.
- 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 in FY 2012



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 53.9% (\$925.7 million) of total MFT revenue in FY 2012, followed by local governments at 31.7% (\$544.8 million).
- Just over 8% (\$140.9 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 3.5% (\$59.4 million) of the total distributed in FY 2012, 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.
- The weak economic recovery is a factor that has restrained demand for motor fuel in recent years. Net MFT receipts in FY 2012 were \$1.70 billion, about 2.9% below the \$1.75 billion collected in FY 2011 and 0.6% below the \$1.71 billion collected in FY 2010.
- Ohio's motor fuel excise tax is 28¢ per gallon for both gasoline and diesel fuel. 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. As of July 2012, Ohio's total MFT rates rank 21st in the nation for each type of fuel.

Ohio's Motor Vehicle License Taxes Generated \$461 Million in 2011 for Local Transportation Infrastructure

Distributions to Local Governments for Roads and Bridges, 2011 (\$ in Millions)			
Local Government	State Motor Vehicle License Tax	Permissive Local Motor Vehicle License Taxes	Total
Counties	\$229.5	\$91.6	\$321.1
Municipalities	\$58.6	\$48.6	\$107.2
Townships	\$15.2	\$17.8	\$33.0
Total	\$303.3	\$158.0	\$461.3

Source: Ohio Department of Public Safety

- In 2011, a total of \$461.3 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 \$303.3 million in state motor vehicle tax license revenues and \$158.0 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 \$459.6 million per year, ranging from a low of \$449.5 million in 2009 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 2011, the state processed more than 11.7 million vehicle registrations, including over 8.1 million passenger cars.

Ohio Department of Transportation Maintains Over 80% of Ohio's State Highway System

State Highway System Lane Miles			
Highway Type	Lane Miles		
	ODOT Maintained	Locally Maintained	Total
Interstate Routes*	6,774	0	6,774
U.S. Routes	8,151	2,939	11,090
State Routes	24,874	6,512	31,386
Total	39,799	9,451	49,250

* Does not include the Ohio Turnpike, which is maintained by the Ohio Turnpike Commission.

Source: Ohio Department of Transportation

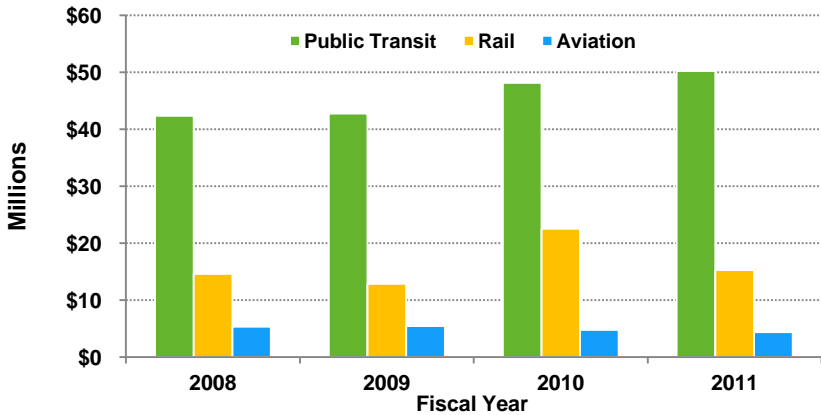
- The state highway system, consisting of numbered interstate routes, U.S. routes, and state routes, contains 49,250 lane miles¹ of roadway. The Ohio Department of Transportation (ODOT) is responsible for maintaining all interstate highways (excluding the Ohio Turnpike) and U.S. and state routes outside municipal boundaries. Municipal corporations (cities and villages) are responsible for U.S. and state routes within their borders.
- Of the 49,250 lane miles in the state highway system, ODOT is responsible for 39,799 lane miles (80.8%). Municipal corporations are responsible for maintaining 9,451 lane miles (19.2%).
- As of May 2011, there were an average of 183.7 million daily vehicle miles traveled on Ohio's state highway system. Of these, 160.1 million vehicle miles (87.2%) were traveled by passenger vehicles, and 23.6 million vehicle miles (12.8%) were traveled by trucks.
- Most of the capital spending on Ohio highways is devoted to the state-administered highway system. Total capital expenditures on Ohio highways in 2010 were approximately \$2.68 billion, of which \$1.71 billion (63.8%) was spent on state-administered roads.
- Overall, Ohio's highway transportation infrastructure system ranks 7th in the nation in the number of centerline miles² of public roadway with just over 123,000, and ranks 2nd in the number of bridges with about 28,000.

¹ Lane miles are the number of miles of linear traffic lanes in a road system. For example, a highway 100 miles long with four lanes, two in each direction, consists of 400 lane miles of road.

² Centerline miles are the number of two-way roads. A road with a lane in each direction and a divided freeway with four lanes in each direction may count equally in terms of centerline miles.

Public Transit Makes Up the Majority of Funding for Non-Highway Modes of Transportation

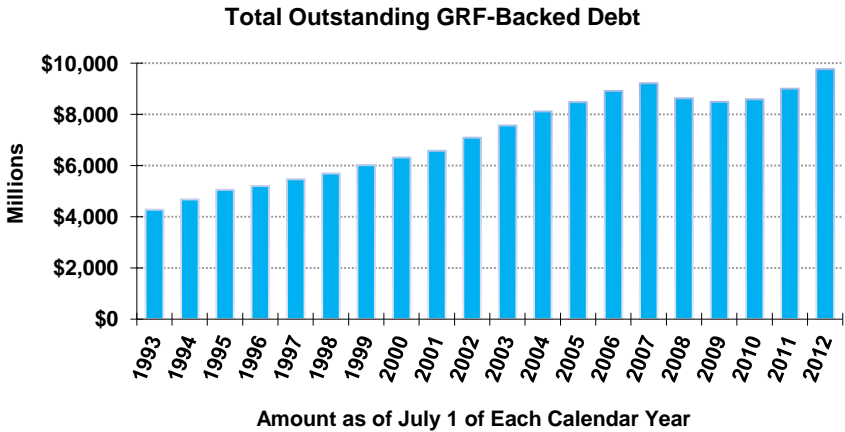
Non-Highway Transportation Spending, FY 2008-FY 2011



Source: Ohio Administrative Knowledge System

- In FY 2011, total expenditures on non-highway modes of transportation (public transit, rail, and aviation) by the Ohio Department of Transportation (ODOT) totaled \$69.9 million. Of this, the lion's share went toward public transit at \$50.2 million (71.8%), while \$15.3 million (21.9%) was spent on rail, and \$4.4 million (6.3%) was spent on aviation.
- Spending on both public transit and rail increased between FY 2008 and FY 2011. Public transit spending increased by 18.6%, from \$42.4 million to \$50.2 million. Rail spending grew by 4.7%, from \$14.6 million to \$15.3 million. On the other hand, aviation spending decreased by 17.9%, from \$5.4 million to \$4.4 million.
- Rail spending spiked in FY 2010, reaching approximately \$22.5 million due to an increase in spending on rail-highway grade crossings and studies for the cancelled 3C passenger rail project.
- Federal funds provide the majority of Ohio's spending on public transit and rail. Federal funds supported 81.8% of Ohio's public transit spending and 52.5% of Ohio's rail spending in FY 2011. Ohio did not spend any federal funds on aviation in FY 2011.
- Overall, spending on non-highway modes of transportation represented 2.5% of the total \$2.8 billion in transportation spending in FY 2011. Highway spending comprised 92.0% of the total, while the remainder consisted of spending on planning, administration, and other costs.

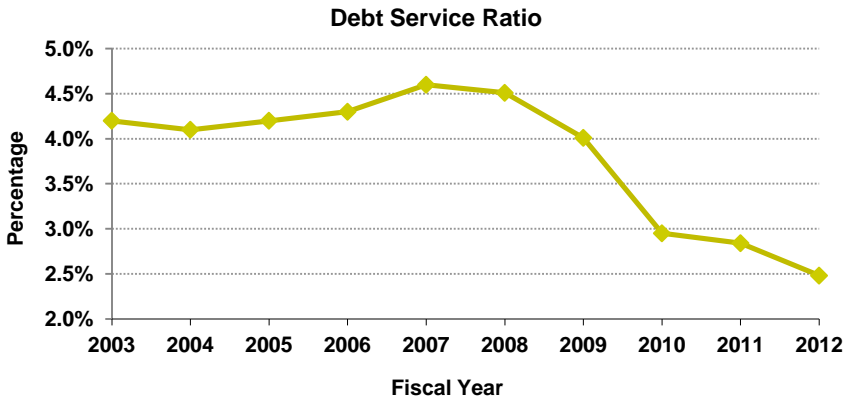
Outstanding GRF-Backed Debt Continues to Increase



Source: Ohio Office of Budget and Management

- Ohio's total outstanding debt payable from the GRF amounted to \$9.76 billion on July 1, 2012, an increase of 8.5% (\$764 million) from July 1, 2011. This was the largest increase since its pre-recession peak level of \$9.21 billion on July 1, 2007.
- Between 1993 and 2007, total GRF-backed debt increased consistently every year with an average growth rate of 5.7% per year. The overall growth rate during this period was 115%. Outstanding debt declined in 2008 and 2009 due to the use of cash for various capital projects. Since then, outstanding debt grew three years in a row with an average growth rate of 4.8% per year.
- The state's debt payable from the GRF is made up of general obligation (GO) and special obligation (SO) debt. The \$9.76 billion in outstanding GRF-backed debt as of July 1, 2012 includes \$7.76 billion of GO debt and \$2.00 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; the development of sites for industry, commerce, distribution, and research and development; and veterans compensation.
- On a per capita basis, Ohio's outstanding debt payable from the GRF has grown from \$620 in 2002 to \$845 in 2012, an increase of 36.4%.

Ohio's Debt Service Ratio Continues to Decrease

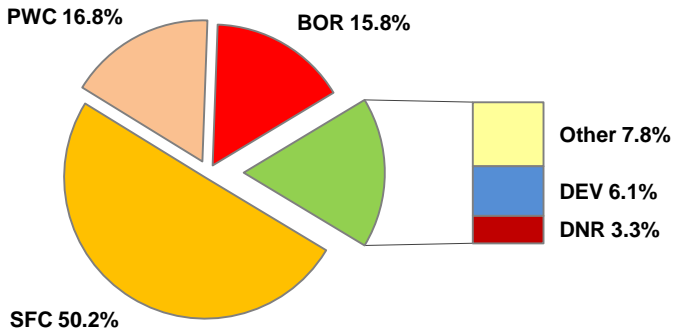


Source: Ohio Office of Budget and Management

- Ohio's debt service ratio was 2.48% at the end of FY 2012, having dropped for five 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 2012 were primarily due to debt restructuring and tobacco securitization. The debt restructuring plan reduced GRF debt service payments for FY 2009 through FY 2012. The 2007 tobacco securitization provided 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 a peak of 0.29% in FY 2008 to 0.16% in FY 2012.
- 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, 2012, 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 Just Over 50% of FY 2012 Expenditures Made From Capital Appropriations

Capital Appropriation Expenditures by Agency, FY 2012



Source: Ohio Administrative Knowledge System

- In FY 2012, expenditures made from capital appropriations totaled \$1.05 billion.¹ Of this total, \$527.2 million (50.2%) 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.²
- The Public Works Commission (PWC) distributed \$176.4 million (16.8%) for local infrastructure and conservation projects. These funds are largely distributed to the state's 18 PWC districts on a per capita basis.
- The Board of Regents (BOR) distributed \$166.2 million (15.8%) for the construction and renovation of academic facilities at Ohio's public colleges and universities.
- Other agencies with large capital expenditures include the Department of Development (DEV) at \$64.0 million (6.1%), mainly for brownfield cleanup and redevelopment projects, and the Department of Natural Resources (DNR) at \$35.1 million (3.3%), mainly for state and local parks.
- FY 2012 capital appropriation expenditures decreased \$554.4 million (34.5%) from FY 2011, mainly due to a decrease in SFC expenditures. From FY 2008 to FY 2011, SFC expended an average of \$987.1 million per year from capital appropriations.

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

² See page 57 for additional information on SFC's K-12 school facilities assistance program.

Retail and Wholesale Liquor Sales Increase in Recent Years



Source: Ohio Department of Commerce

- Total liquor sales amounted to \$824.5 million in FY 2012, an increase of \$53.8 million (7.0%) from total liquor sales of \$770.7 million in FY 2011.
- Retail dollar sales – those sales made by contract liquor agencies directly to consumers – reached \$572.7 million in FY 2012, 7.6% above FY 2011 sales of \$532.3 million. This was the highest rate of growth in the last ten years. Overall, retail dollar sales have increased every year from FY 2003 to FY 2012 with an average annual growth rate of 6.1%.
- Wholesale liquor dollar sales are sales made by contract liquor agencies to retailers, such as restaurants and bars. In FY 2012, wholesale liquor sales reached \$251.9 million, 5.6% above FY 2011 sales of \$238.5 million. This was the second consecutive year that wholesale sales increased after three years of decreases, and the second highest rate of growth in the last ten years.
- In FY 2012, retail sales accounted for 69.5% of total liquor sales in Ohio, up from 63.7% in FY 2003.
- The proceeds of liquor sales have been used to pay for the operating expenses of the Division of Liquor Control of the Department of Commerce, retire certain economic development and Clean Ohio revitalization bonds, and fund state liquor law enforcement and alcoholism treatment. After these expenses have been paid, the profits are transferred to the GRF. In FY 2012, transfers to the GRF from the Liquor Control Fund (Fund 7043) amounted to \$92.5 million.

Clean Ohio Awards Total \$711.7 Million Since FY 2003

Clean Ohio Awards, FY 2003-FY 2012		
Program	Number of Awards	Total Amount Awarded
Department of Development		
Clean Ohio Revitalization Fund	160	\$315,231,174
Clean Ohio Assistance Fund	226	\$77,586,333
Public Works Commission		
Green Space Conservation Program	708	\$228,569,155
Department of Natural Resources		
Recreational Trails Program	152	\$40,241,744
Department of Agriculture		
Agricultural Easement Purchase Program	246	\$50,041,012
Total	1,492	\$711,669,418

Sources: Ohio Department of Development; Ohio Public Works Commission; Ohio Department of Natural Resources; Ohio Department of Agriculture

- Since FY 2003, four state agencies have awarded nearly \$711.7 million in grant funding for 1,492 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 two Clean Ohio programs have collectively awarded \$392.8 million to local governments for brownfield clean-up and redevelopment projects. These awards comprise 55.2% of the total Clean Ohio funds awarded through FY 2012.
- Altogether, \$228.6 million in grants have been awarded under the Clean Ohio Green Space Conservation Program administered by the Public Works Commission. The funding has supported 708 projects, or almost half the total number of funded Clean Ohio projects. 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 \$40.2 million has been distributed among 152 projects sponsored by local governments and nonprofit community organizations to create or improve recreational trail networks.
- The Department of Agriculture has awarded \$50.0 million under the Clean Ohio Agricultural Easement Purchase Program, which provides funding to farm owners who place agricultural easements on their property. Through FY 2012, the 246 awards under this program have preserved over 44,800 acres of productive farmland in Ohio.