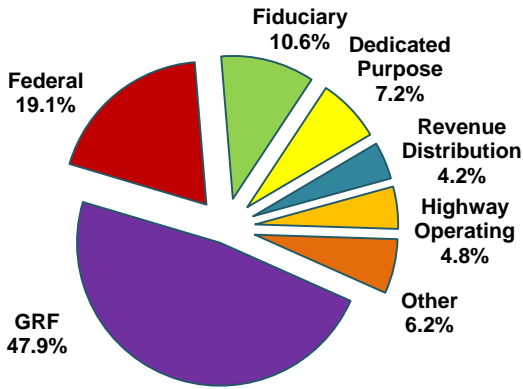


General Revenue Fund Accounted for Just Under 48% of State Operating Spending in FY 2014

State Operating Spending by Fund Group, FY 2014

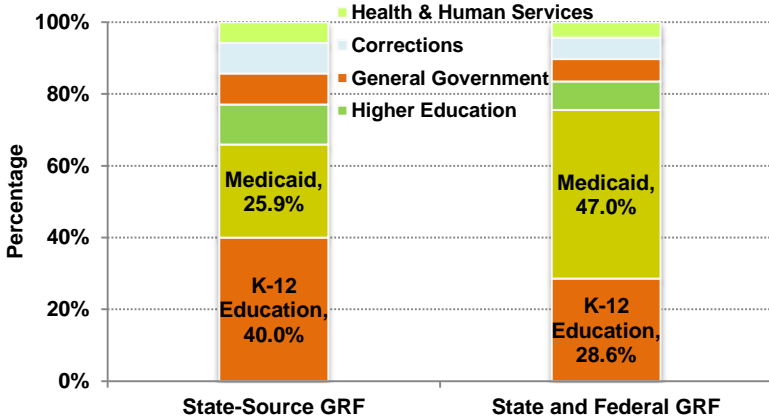


Source: Ohio Administrative Knowledge System

- In FY 2014 state operating spending totaled \$60.30 billion, of which \$28.90 billion (47.9%) 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 \$13.57 billion (47.0%) in FY 2014, followed by K-12 education (\$8.26 billion or 28.6%) and higher education (\$2.09 billion or 7.2%).
- The Federal Fund Group accounted for \$11.52 billion (19.1%) of overall operating spending in FY 2014. Moneys distributed under this fund group support various federal programs that are subject to the state appropriation process. Including the \$8.26 billion in federal reimbursements that were deposited into the GRF increases the federal share of total operating spending to 32.8% in FY 2014.
- Main spending items from the Fiduciary Fund Group (\$6.39 billion or 10.6%) and the Revenue Distribution Fund Group (\$2.54 billion or 4.2%) 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 Dedicated Purpose Fund Group (\$4.36 billion or 7.2%) supports various programs with specific revenue sources while spending from the Highway Operating Fund Group (\$2.88 billion or 4.8%) mainly supports the operations of the Ohio Department of Transportation.
- The remaining \$3.72 billion (6.2%) of FY 2014 total state operating spending was distributed from eight other smaller fund groups.

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

GRF Spending by Program Area, FY 2014

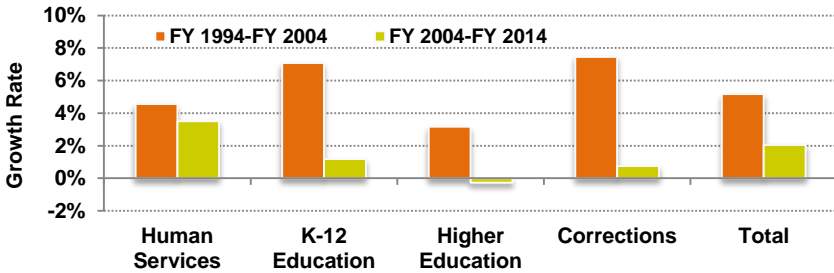


Sources: Ohio Administrative Knowledge System; Ohio Legislative Service Commission

- GRF spending supported by state sources totaled \$20.65 billion in FY 2014. Of this total, 40.0% (\$8.26 billion) went to K-12 Education. K-12 Education has traditionally comprised the largest share of state-source GRF spending, followed by Medicaid, which comprised 25.9% (\$5.35 billion) in FY 2014.
- The remainder of the state-source GRF in FY 2014 went to Higher Education (\$2.30 billion, 11.2%), General Government (\$1.80 billion, 8.7%), Corrections (\$1.74 billion, 8.4%), and Health and Human Services (\$1.20 billion, 5.8%).
- Spending for Medicaid and adoption services is also supported by federal reimbursements. In FY 2014, \$8.26 billion in federal reimbursements was deposited into the GRF, which brought total state and federal GRF spending to \$28.90 billion.
- Medicaid accounted for 47.0% (\$13.57 billion) of total state and federal GRF spending in FY 2014. Medicaid has consistently ranked first in total state and federal GRF spending. Federal reimbursements represented 60.6% (\$8.22 billion) of total GRF Medicaid spending in FY 2014 with the remaining 39.4% (\$4.43 billion) being paid by the state.
- While K-12 Education consumes the largest share of state-source GRF, it ranked second in total state and federal GRF spending, at 28.6% in FY 2014.
- The Higher Education, General Government, Corrections, and Health and Human Services shares of FY 2014 total state and federal GRF spending were 8.0%, 6.2%, 6.0%, and 4.3%, respectively.

Total State and Federal GRF Spending in Past Decade Grew Slower Compared to Prior Decade

Average Annual Growth by Major Program Area

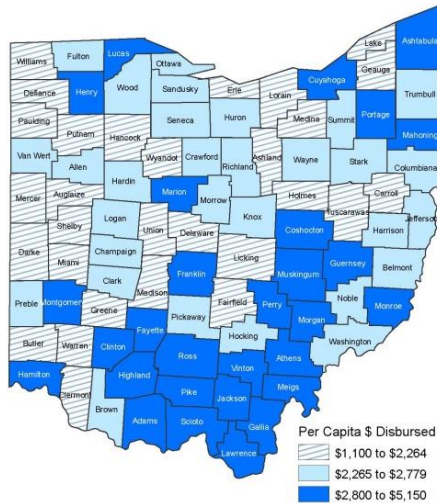


Sources: Ohio Administrative Knowledge System; Ohio Legislative Service Commission

- Total state and federal GRF spending increased by an average rate of 2.1% per year from FY 2004 to FY 2014 compared to 5.2% per year from FY 1994 to FY 2004. During this period, overall GRF spending increased by 100.4%, from \$14.42 billion in FY 1994 to \$28.90 billion in FY 2014.
- Slower growth in total GRF spending over the past decade was heavily influenced by the overall economy and tax policy changes. The Great Recession led to decreases in total GRF tax revenue of 12.0% in FY 2009 and 5.0% in FY 2010. The 4.2% decrease in FY 2014 was due entirely to tax policy changes, mainly an 8.5% reduction in income tax rates for tax year 2013.
- Federal stimulus money provided under the American Recovery and Reinvestment Act of 2009 helped support a 4.1% increase in total GRF spending in FY 2009. However, overall GRF spending decreased 9.9% in FY 2010, the only decline since FY 1975.
- From FY 2004 to FY 2014, Human Services was the only category that grew faster than overall GRF spending; it averaged 3.5% per year. Spending in this area is heavily influenced by conditions in the overall economy and by Medicaid eligibility policy changes.
- K-12 Education spending increased by 1.2% per year on average over the past decade, much slower than the 7.1% annual growth rate for the prior decade. From FY 2009 to FY 2014, K-12 Education spending increased 1.6%.
- 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 0.3% per year due largely to decreases of 10.6% in FY 2010 and 12.5% in FY 2012. FY 2014 spending for Higher Education was 17.4% below the FY 2009 level.
- Due partly to prison population growth, Corrections spending increased 7.5% per year from FY 1994 to FY 2004. Average growth in the past ten years slowed to 0.8% per year.

State Spends More Total Dollars in Urban Counties, but More Dollars Per Capita in Rural Counties

FY 2013 Per Capita State Spending by County

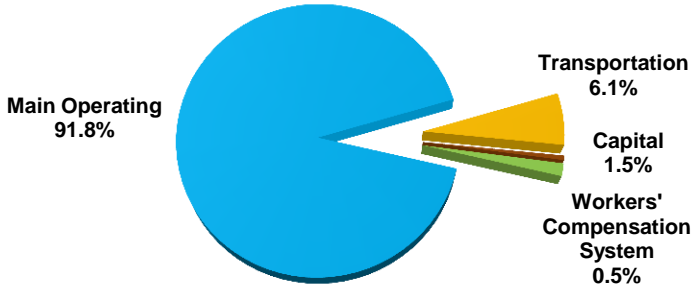


Source: Annual survey of state agencies by LSC

- In FY 2013, the five counties in which the state spent the most total money were Cuyahoga (\$3.72 billion), Franklin (\$3.66 billion), Hamilton (\$2.28 billion), Montgomery (\$1.58 billion), and Lucas (\$1.51 billion).
- That same year, the five counties in which the state spent the most money per capita were Athens (\$5,150 per capita), Pike (\$4,168), Vinton (\$3,960), Gallia (\$3,913), and Lawrence (\$3,839).
- A total of \$30.23 billion was spent on programs and projects in Ohio's 88 counties in FY 2013. Of this total, \$28.76 billion (95.2%) is categorized as subsidies that support Medicaid and public assistance programs, K-12 schools and higher education, distributions to political subdivisions to offset or supplement the costs of certain public services, and loans and grants for economic development.
- The remaining \$1.46 billion (4.8%) was for capital projects to acquire, construct, or improve physical assets such as land, buildings, and infrastructure.
- The largest portion of state subsidy and capital expenditures went toward health and human services (47.8%), followed by education (37.4%), transportation and infrastructure (6.0%), revenue distribution (4.4%), general government (3.0%), and justice and corrections (1.4%).

Main Operating Budget Authorized 91.8% of Total State Spending in FY 2014

State Spending by Budget, FY 2014
Total: \$61.22 billion



Source: Ohio Administrative Knowledge System

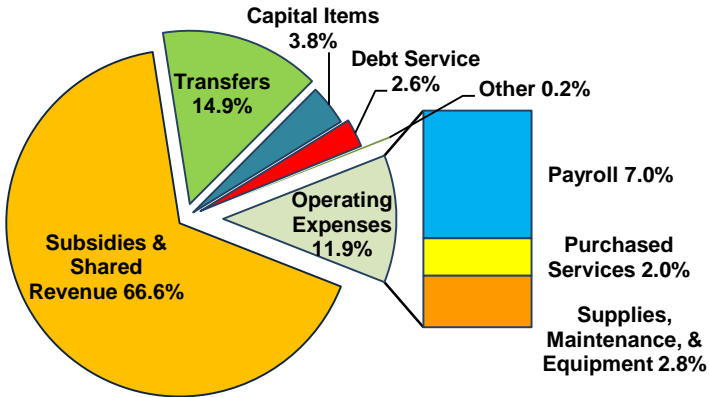
- In FY 2014, state spending totaled \$61.22 billion across all funds. Of this total, \$56.23 billion (91.8%) was authorized by the main operating budget act, \$3.74 billion (6.1%) by the transportation budget act, \$919.7 million (1.5%) by the capital budget act, and \$324.9 million (0.5%) by the two 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 state agencies except the Bureau of Workers' Compensation (BWC) and Ohio Industrial Commission (OIC). BWC and OIC each has its own budget. While the departments of Transportation (DOT) and Public Safety (DPS) receive some funding from the main operating budget, the transportation budget provides the vast majority of funding for DOT and DPS.
- The departments of Medicaid and Education dominate state spending, comprising 32.2% (\$19.45 billion) and 18.6% (\$11.23 billion), respectively, of total operating spending in FY 2014.²

¹ See pages 19 and 23 for more information on state operating spending and page 47 for more information on capital spending.

² See pages 58 and 70 for additional information on these two agencies' operating spending.

State Payroll Amounted to 7.0% of the Total State Operating Budget in FY 2014

State Operating Budget by Category, FY 2014

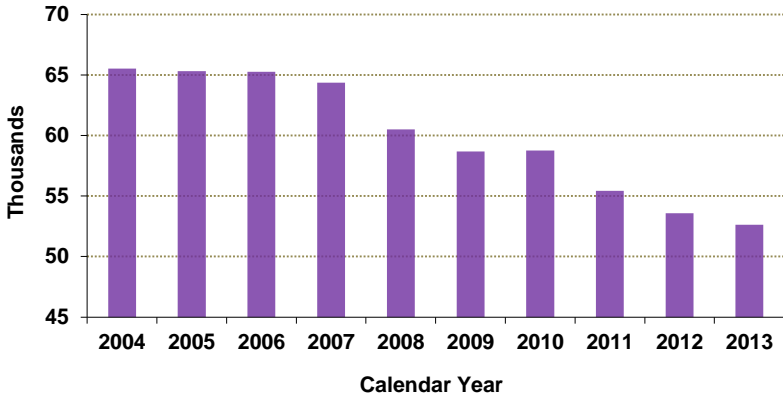


Source: Ohio Administrative Knowledge System

- In FY 2014 state payroll totaled \$4.23 billion across all funds, representing 7.0% of the total state operating budget. Of this amount, \$1.79 billion (42.2%) came from the GRF and the other \$2.45 billion (57.8%) came from various non-GRF funds.
- In addition to payroll, the state spent \$1.24 billion for purchased services and \$1.71 billion for supplies, maintenance, and equipment items. Combined with payroll, these three categories are commonly referred to as state government operating expenses, which totaled \$7.18 billion across all funds, representing 11.9% of the total state operating budget in FY 2014.
- Earned wages, the largest share of payroll costs, totaled \$2.47 billion, or 4.1% of the total FY 2014 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 \$1.20 billion in FY 2014.
- The state operating budget for FY 2014 was \$60.30 billion across all funds. Of this total, \$51.43 billion (85.3%) went to three categories: \$40.14 billion (66.6%) for subsidies and shared revenue for various state and local entities, \$9.01 billion (14.9%) for "transfers," including items such as tax refunds and distributions of local taxes collected by the state, and \$2.28 billion (3.8%) for capital items funded with appropriations made in the operating budget, mainly in the transportation budget.

The Number of State Employees Fell to a New Ten-Year Low in 2013

State Employee Head Count by Calendar Year

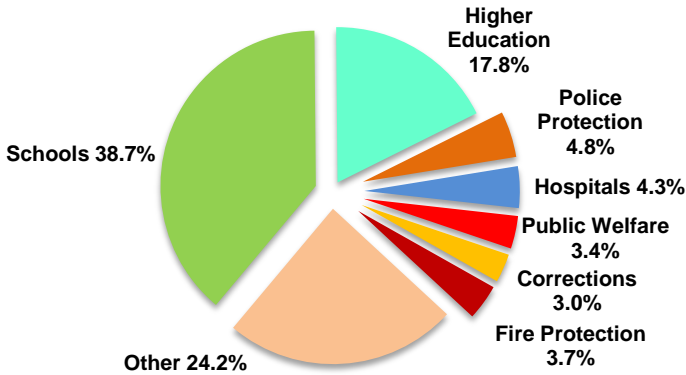


Source: Ohio Department of Administrative Services

- The number of state employees, including employees in the executive, legislative, and judicial branches, continues to drop, falling to a ten-year low of 52,618 in December 2013. This was 19.7% lower than the 65,527 employees in the state workforce in December 2004. Overall, the number of employees has decreased every year during this span, except for 2010.
- The largest annual decrease in state employees over this ten-year period occurred in 2008, when the number of state employees fell by 6.0%, from 64,352 in 2007 to 60,514 in 2008. The next largest decrease occurred between 2010 and 2011, when the number of state employees dropped from 58,766 to 55,442, a 5.7% decline.
- Of the 52,618 employees on the state payroll in December 2013, 46,885 (89.1%) were employed in permanent full-time positions. Overall, 36,301 employees, or 69.0% of the total, were in bargaining unit positions.
- There were a total of 98 state employers in the executive, legislative, and judicial branches of government as of December 2013. Together, the ten largest employed 36,612 individuals, or 69.6% of all state employees.
- Two state agencies employed one-third of the state workforce in 2013. The Department of Rehabilitation and Correction was the largest state employer, with 11,841 (22.5%) of the total, followed by the Department of Transportation, with 5,501 (10.5%) state employees. In contrast, 38 of the 98 state employers had 20 or fewer employees.

Over Half of Ohio Public Employees Worked for Schools and Institutions of Higher Education in 2012

State and Local Government Employee Head Count by Function, 2012

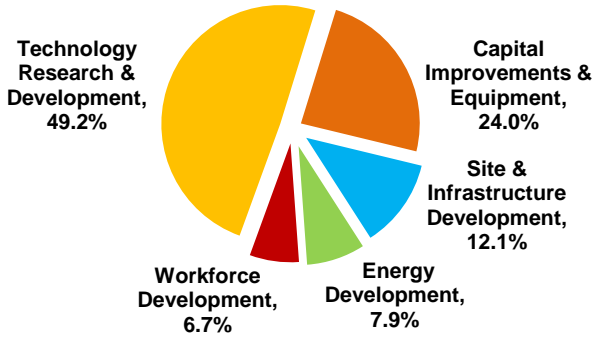


Source: U.S. Census Bureau

- Ohio's state and local government employee head count totaled 712,255 in 2012, of which 38.7% (275,976) worked for public schools and 17.8% (126,708) worked for public colleges and universities. Together, education accounted for 56.5% of total state and local government employment.
- The other major public employee categories include police protection (4.8%, 34,114 employees), hospitals (4.3%, 30,867), fire protection (3.7%, 26,440), public welfare (3.4%, 24,315), and corrections (3.0%, 21,243). Together, these five sectors represented 19.2% (136,979) of the total state and local government employee head count in 2012.
- From 2002 to 2012, the number of public school employees decreased by 3.0% (8,672) from 284,648 to 275,976. Public school enrollment decreased by 2.5% (44,261) from 1.81 million in FY 2002 to 1.76 million in FY 2012.
- Employment at public institutions of higher education increased by 11.6% (13,175) from 113,533 in 2002 to 126,708 in 2012. Meanwhile, higher education enrollment increased by 26.9% (86,996) from 323,390 in FY 2002 to 410,386 in FY 2012.
- In 2012, the public school employee head count consisted of 178,134 (64.5%) instructional employees and 97,842 (35.5%) other employees, while the higher education employee head count included 43,405 (34.3%) instructional employees and 83,303 (65.7%) other employees.
- Ohio's public employee head count total decreased by 3.2% (23,582) from 2002 to 2012. Increases in higher education and hospitals were more than offset by decreases in almost all other categories.

Almost Half of State Economic Development Assistance in FY 2014 Was for Technology R&D Projects

Development Loan and Grant Expenditures by Category, FY 2014



Source: Ohio Administrative Knowledge System

- The Development Services Agency disbursed \$178.2 million in state loans and grants for economic development assistance in FY 2014. Of this total, \$87.7 million (49.2%) was for programs to support research, development, and commercialization of new technologies, including \$60.9 million under the Third Frontier Program.
- Grants and loans issued to support private-sector capital improvements accounted for \$42.8 million (24.0%) of the total. These awards, such as 166 Direct Loans and various business incentive grants, aim to assist businesses in undertaking large capital projects involving 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 location or expansion amounted to \$21.6 million, representing 12.1% of the total. This included \$11.1 million in Roadwork Development Grant disbursements and \$10.5 million for the now expired Job Ready Sites Program.
- Energy development spending totaled \$14.2 million (7.9%) in FY 2014. Of this amount, \$11.0 million was for assistance under the Advanced Energy Fund and \$3.2 million was for grants under the Coal Research and Development Program.
- Job training grants accounted for the remaining \$11.9 million (6.7%) of the total economic development assistance funding in FY 2014. Of that amount, \$7.2 million was spending from the Incumbent Workforce Training Voucher Program, while the Ohio Workforce Guarantee Program, which is now defunct, accounted for \$4.8 million in expenditures.

Ohio Taxes Were Lower Than the National Average on a Per Capita Basis and About the Same as a Share of Personal Income

Combined State and Local Taxes, FY 2011

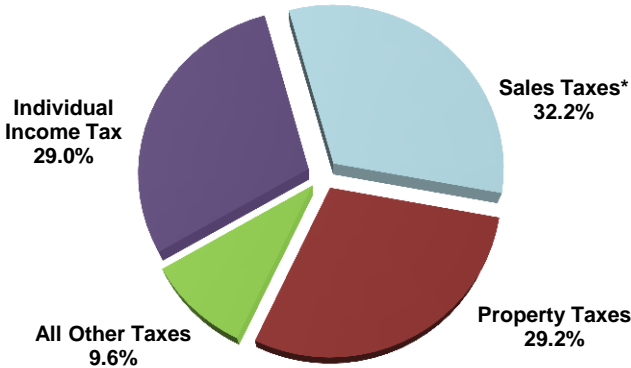
State	Taxes Per Capita	National Rank	Taxes as % of Personal Income	National Rank
National Average	\$4,311	--	10.43	--
Ohio	\$3,908	26	10.42	17
Neighboring States				
Indiana	\$3,560	33	10.06	27
Kentucky	\$3,341	40	9.90	31
Michigan	\$3,656	30	10.11	26
Pennsylvania	\$4,382	18	10.21	21
West Virginia	\$3,761	28	11.46	8

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

- Ohio's combined state and local tax burden, measured by taxes per capita, was \$3,908 in FY 2011. This was lower than the national average of \$4,311 but higher than that of all neighboring states except Pennsylvania.
- Measured relative to personal income, Ohio's tax burden of 10.42% was about equal to the national average. Compared to its neighboring states, Ohio had higher taxes as a percentage of personal income than all except West Virginia.
- For FY 2011, Ohio's state taxes were \$2,167 per capita, below the national average of \$2,449. Local taxes in Ohio averaged \$1,741 per capita, also below the national average of \$1,862.
- For FY 2011, Ohio's state taxes were 5.8% of personal income, below the national average of 5.9%. Ohio's local taxes were 4.6% of personal income, above the national average of 4.5%.
- In FY 2011, Alaska had the highest per capita combined state and local tax burden at \$10,147, while Alabama had the lowest at \$2,895.
- Alaska also had the highest level of combined state and local taxes as a percentage of personal income at 21.64% in FY 2011. South Dakota had the lowest at 7.69%.

Ohio's State and Local Taxes Distributed Fairly Equally Among Income, Sales, and Property

Ohio Combined State & Local Tax Revenue by Source, FY 2011

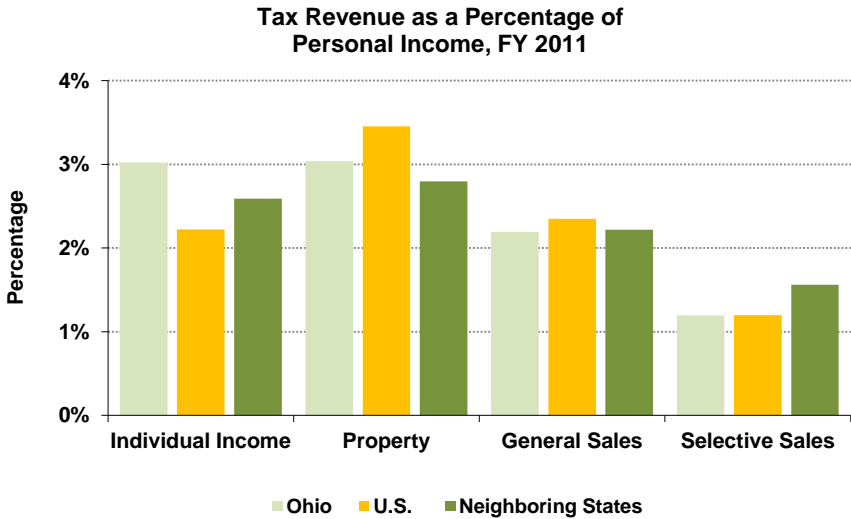


*Sales taxes include general state and local sales tax and gross receipts taxes on sales of specific products, including tobacco products, alcoholic beverages, motor fuels, and utility services.

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

- In FY 2011, state and local taxes on individual income, sales, and property in Ohio raised 90.4% of tax revenues, of which each of the three taxes accounted for about one-third.
- State taxes accounted for 55.4% of Ohio's combined state and local tax revenue in FY 2011. For the U.S. as a whole, state taxes were 56.8% of combined state and local tax revenue.
- Of Ohio's state tax revenue, 50.3% came from sales and gross receipts taxes – of which 31.0% was from the general sales tax – and 35.3% came from the individual income tax. Nationwide, 48.4% of state taxes came from sales and gross receipts taxes – with 31.0% from general sales taxes – and 34.1% of state taxes came from individual income taxes.
- Local taxes comprised 44.6% of Ohio's combined state and local tax revenue in FY 2011. For the U.S. as a whole, local taxes were 43.2% of combined state and local taxes.
- Of Ohio's local taxes, 65.4% came from property taxes, 21.3% from individual income taxes, and 9.6% from sales and gross receipts taxes. Nationwide, 74.2% of local taxes were derived from property taxes, 4.4% from individual income taxes, and 16.1% from sales and gross receipts taxes.

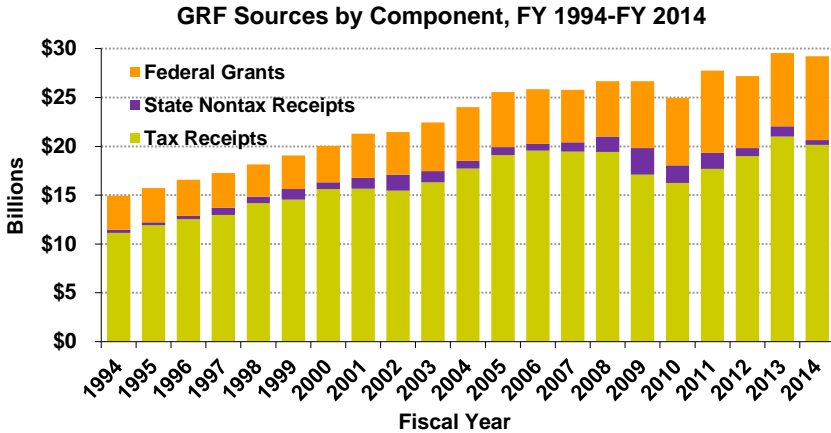
Government in Ohio Relies More on Income Taxes Compared to Other States



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

- In FY 2011, Ohio's state and local individual income taxes were 3.0% of total personal income, which was higher than the national average (2.2%). Compared to the five neighboring states, Ohio's percentage was lower than that of Kentucky (3.1%), but higher than that of Indiana (2.7%), West Virginia (2.7%), Pennsylvania (2.6%), and Michigan (1.9%). Ohio's percentage was 3.7% in FY 2006, but has been decreasing in recent years.
- Ohio's property taxes were also 3.0% of total personal income, which was less than the national average (3.5%). Ohio's percentage was on par with that of Pennsylvania (3.0%), but higher than that of Indiana (2.7%), West Virginia (2.3%), and Kentucky (2.0%). Michigan (3.8%) had the highest level of property taxes as a percentage of personal income among neighboring states.
- Ohio's general sales tax receipts were 2.2% of total personal income, which was lower than the national average (2.3%). Ohio's percentage was lower than that of Indiana (2.7%) and Michigan (2.7%), but higher than that of Kentucky (2.0%), West Virginia (2.0%), and Pennsylvania (1.8%).
- Ohio's selective sales tax receipts were 1.2% of total personal income, which was the same as the national average and that of Indiana. Ohio's percentage was higher than Michigan's (1.0%), but lower than that of West Virginia (2.3%), Kentucky (1.7%), and Pennsylvania (1.5%). Selective sales taxes apply, for example, to motor fuel, alcoholic beverages, tobacco products, and public utilities.

GRF Tax Receipts Peaked in FY 2013

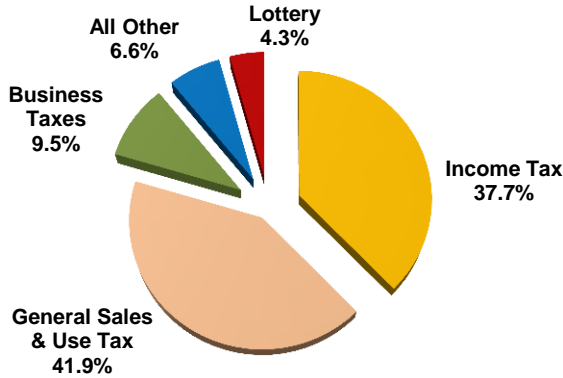


Sources: Ohio Administrative Knowledge System; Ohio Legislative Service Commission

- Tax receipts, the largest component of GRF sources, reached an all-time high of \$21.02 billion in FY 2013. These receipts were 7.4% (\$1.45 billion) above the previous peak of \$19.56 billion in FY 2006, and 10.6% (\$2.01 billion) higher than FY 2012. The continuing economic recovery accounted for about 69% of the increase from FY 2012 to FY 2013. The other 31% was due to policy changes that increased the GRF share of tax receipts.
- GRF tax receipts decreased by \$881.1 million (4.2%) from FY 2013 to FY 2014. This decrease was due entirely to tax policy changes, mainly an across the board income tax rate reduction of 8.5% in tax year (TY) 2013. GRF tax receipts also decreased in FY 2009 (12.0%) and FY 2010 (5.0%) due primarily to the Great Recession.
- From FY 1994 to FY 2006, on average, tax receipts made up 75.1% of total GRF sources. This average dropped to 69.4% for the period from FY 2007 to FY 2010. In FY 2014, tax receipts represented 68.9% of total 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 21.0% for the period from FY 1994 to FY 2008. The federal grant share was 29.3% (\$8.58 billion) in FY 2014.
- State nontax receipts include fees, earnings on investments, and various transfers that are deposited into the GRF. In FY 2014, state nontax receipts represented 1.8% (\$520.2 million) of total GRF sources.
- During the past two decades, total GRF sources increased by 95.8% from \$14.93 billion in FY 1994 to \$29.23 billion in FY 2014.

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

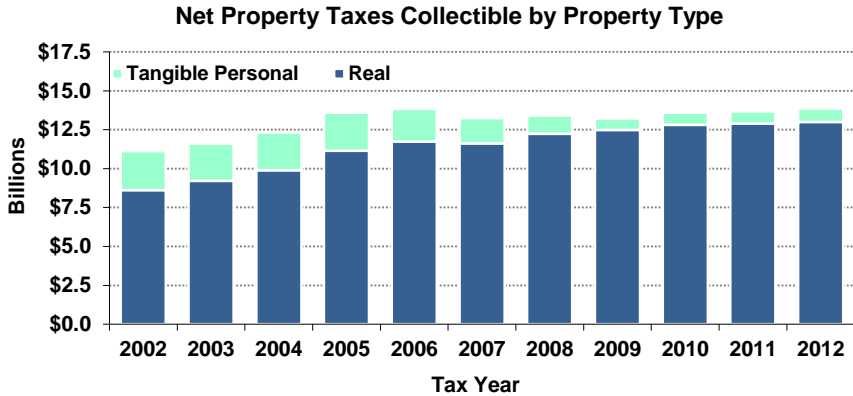
Composition of State-Source GRF and Lottery Profits Receipts, FY 2014



Source: Ohio Office of Budget and Management

- In FY 2014, total state-source GRF and lottery profits receipts amounted to \$22.31 billion. The general sales and use tax (\$9.34 billion) and the personal income tax (\$8.41 billion) were the two largest revenue sources. Together, they accounted for 79.6% of total receipts in FY 2014, down from 80.2% in FY 2004.
- In FY 2014, revenue from the general sales and use tax exceeded personal income tax revenue for the first time since FY 1986. This change was the result of a state sales tax rate increase from 5.5% to 5.75% beginning September 1, 2013 and an 8.5% reduction in income tax rates in tax year 2013.
- State-source GRF and lottery profits receipts decreased by 5.2% from FY 2013 to FY 2014, primarily due to tax policy changes. Revenue grew by an average of 1.1% per year from FY 2004 to FY 2014, but growth varied greatly from year to year, from an 8.7% decline in FY 2010 to a 9.3% increase in FY 2013.
- In FY 2014, business taxes – the commercial activity tax, corporation franchise tax (CFT), financial institution tax (FIT), public utility taxes, and insurance taxes – accounted for 9.5% of total state-source GRF and lottery profits receipts, up from 7.7% of the FY 2012 total, also due to tax policy changes.
- Starting in tax year 2014, the FIT is a new business tax on each financial institution conducting business or having nexus in Ohio that was previously subjected to the CFT or the dealers in intangibles tax.
- Lottery profits, which totaled \$958.6 million in FY 2014, are used to help fund state education aid for schools.

Property Tax Revenues Reached a New High in Tax Year 2012

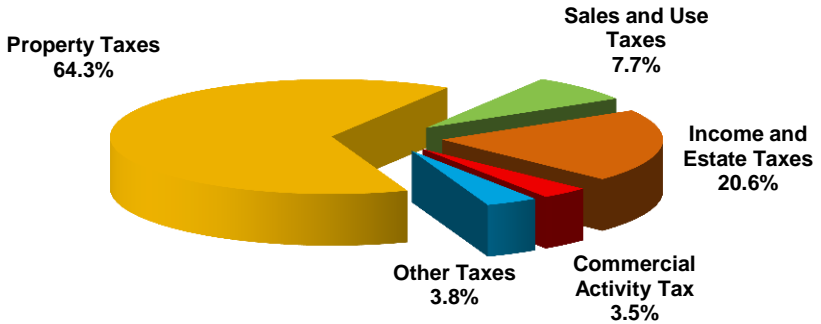


Sources: Ohio Department of Taxation; Ohio Legislative Service Commission

- Net property taxes collectible for tax year (TY) 2012 reached an all-time high of \$13.87 billion. This was an increase of 1.5% (\$0.2 billion) from TY 2011, and was 0.2% (\$31.2 million) above the amount collected in the previous peak year of 2006.
- The tangible personal property tax on general business was phased out completely in TY 2009. The tax on telephone and inter-exchange telecommunications companies was phased out completely in 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 2002 to TY 2012, net taxes collectible on real property rose 51%, while taxes on tangible personal property fell 66%.
- 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.
- Generally, 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 certain homeowners who are age 65 or older or disabled. The state reimburses local governments for these tax rollbacks. H.B. 59 of the 130th General Assembly eliminated the rollbacks for levies approved after the November 2013 election.
- In TY 2007, the homestead exemption was increased to \$25,000 of market value and an income test to qualify was eliminated. A new income test was enacted by H.B. 59 for all new applicants who become eligible on the basis of age or disability status after 2013.

Property Taxes Accounted for Over 64% of Local Government Tax Revenue in 2011

Ohio's Local Tax Revenue by Source, 2011

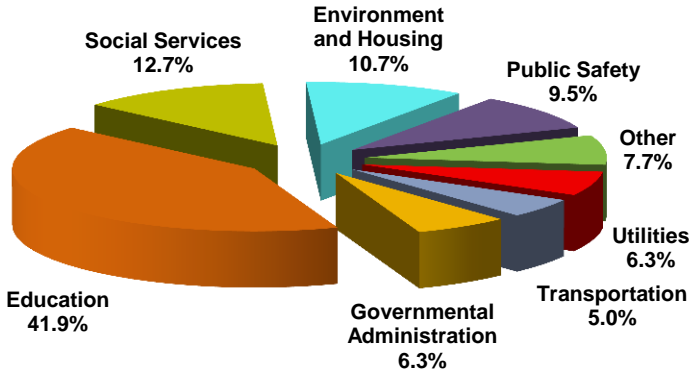


Sources: Ohio Department of Taxation; Ohio Office of Budget and Management

- In calendar year 2011, local tax revenue in Ohio totaled \$23.70 billion. Property taxes amounted to \$15.24 billion. Receipts from municipal and school district income taxes and the local share of the estate tax were \$4.89 billion. Sales and use taxes provided \$1.83 billion. The commercial activity tax (CAT) added \$0.84 billion. Other taxes (admission, alcohol, cigarette, lodging, motor vehicle fuel, and motor vehicle license) generated the remaining \$0.94 billion.
- Property taxes accounted for 64.3% of total local tax revenue in 2011, down from a high of 67.9% in 2005. The decrease is primarily 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.
- Over the ten years from 2001 to 2011, total local tax revenue grew at an average of 3.3% per year. Growth rates were higher in the earlier years, but slowed in 2008, and revenue decreased by 0.4% in 2009. Tax revenue increased by 3.7% and 0.5% in 2010 and 2011, respectively.
- From 2001 to 2011, growth in the "Other Taxes" category was the fastest of all local taxes, averaging 4.3% annually. Local sales and use taxes followed at an average of 3.2% per year. Property tax growth was 2.9% per year. Income and estate taxes grew at an average of 2.7% annually.
- The state distributes CAT receipts to local governments to replace lost tangible personal property tax revenue. CAT receipts accounted for 3.5% of total local tax revenue in 2011, down from 6.5% in 2010.

Local Government Expenditures in Ohio Totalled \$55.44 Billion in FY 2011

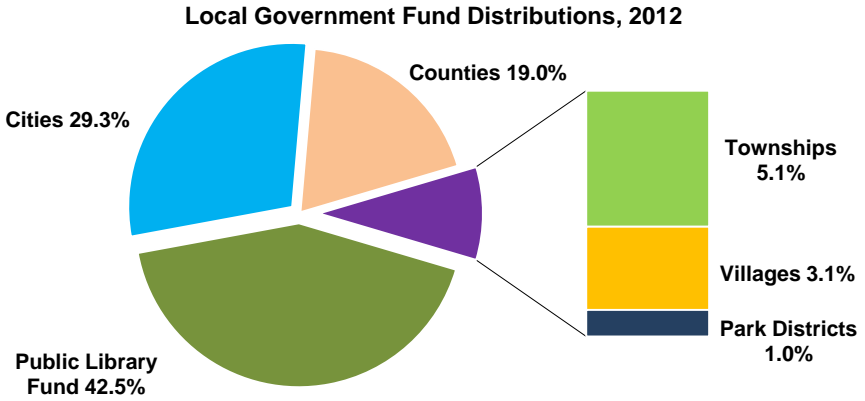
Ohio's Local Government Spending by Category, FY 2011



Source: U.S. Census Bureau

- Operating and capital expenditures made by local governments across Ohio totaled \$55.44 billion in FY 2011, of which \$7.19 billion (13.0%) was for capital outlays.
- Almost three-quarters of local government spending in FY 2011 went to the following four categories: Education (\$23.23 billion, 41.9%), Social Services (\$7.03 billion, 12.7%), Environment and Housing (\$5.91 billion, 10.7%), and Public Safety (\$5.26 billion, 9.5%).
- Salaries and wages amounted to \$20.84 billion in FY 2011, representing 37.6% of the total.
- The \$55.44 billion expenditures in FY 2011 encompass spending by Ohio's 88 counties, 937 municipalities, 1,308 townships, 668 public school systems, and 841 special districts. As of June 30, 2012, Ohio ranked 5th among the 50 states in number of local governments.
- Local government revenue totaled \$55.42 billion in Ohio for FY 2011, of which \$52.48 billion was general revenue.
- In FY 2011, local governments generated \$29.94 billion (57.0%) of general revenue from their own sources, including \$13.16 billion from property taxes, \$6.95 billion from income, sales, and other taxes, and \$9.83 billion from charges and other earnings.
- Transfers from the state or the federal government accounted for 38.2% (\$20.07 billion) and 4.7% (\$2.47 billion), respectively, of the local government general revenue total in FY 2011.

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

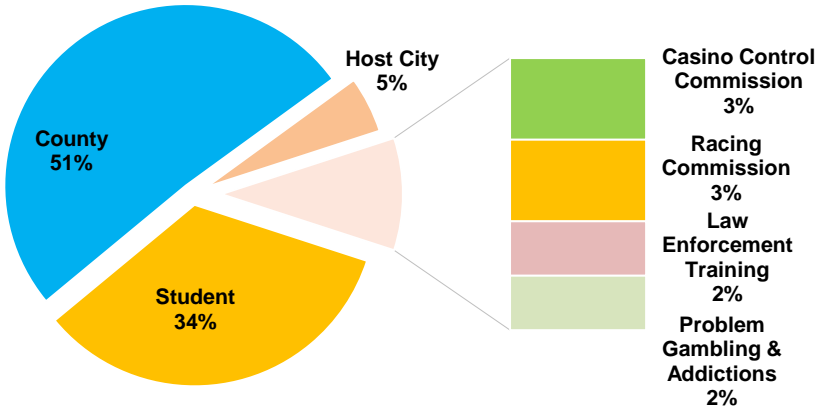


Source: Ohio Department of Taxation

- In 2012, a total of \$809 million 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, \$344 million (42.5%) was distributed from the PLF, nearly all to public libraries, with a small amount to local governments. LGF distributions went to cities (\$237 million or 29.3% of total distributions from the two local government funds), counties (\$154 million or 19.0%), townships (\$41 million or 5.1%), villages (\$25 million or 3.1%), and park districts (\$8 million or 1.0%).
- 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.
- Beginning in FY 2014, the LGF and PLF each receive 1.66% of GRF tax revenues. H.B. 153 of the 129th General Assembly reduced revenue sharing to both funds gradually during FY 2012 and FY 2013.
- Due in part to provisions of H.B. 153 and in part to other factors (i.e., decreased GRF tax revenue during the Great Recession, and a provision of H.B. 1 of the 128th General Assembly affecting the PLF), the total distributions from the two funds decreased from \$1.2 billion in 2008, to \$1.0 billion in 2010, and to \$0.8 billion in 2012. Most of the funding reduction, \$292 million of the \$399 million reduction from 2008, was made to the LGF.

Casino Tax Revenue Totaled \$256.2 Million in 2013

Casino Tax Revenue by Fund, 2013

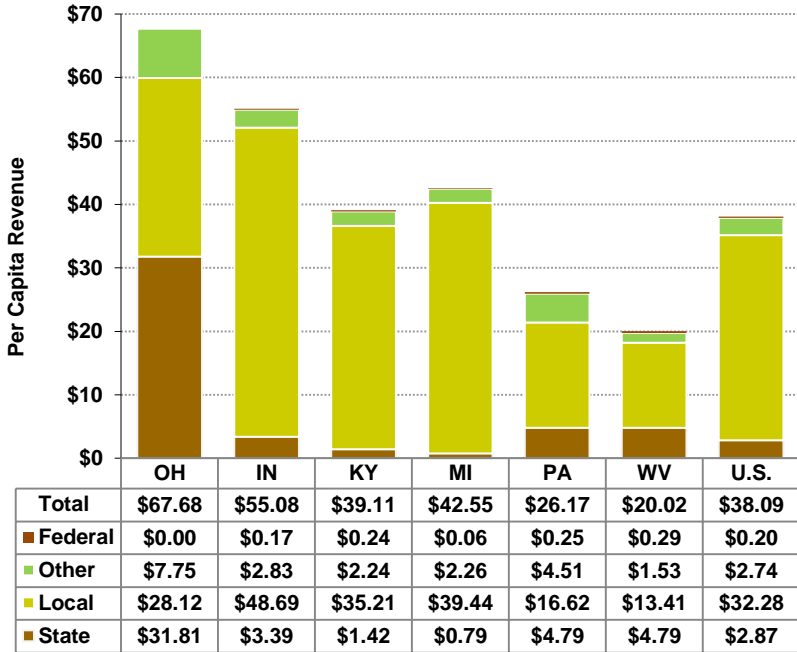


Source: Ohio Department of Taxation

- In 2013, casino tax revenue totaled \$256.2 million. Of this total, \$130.7 million (51%) was deposited into the County Fund, \$87.1 million (34%) to the Student Fund, \$12.8 million (5%) to the Host City Fund, \$7.7 million (3%) each to the Casino Control Commission and Racing Commission funds, and \$5.1 million (2%) each to the Law Enforcement Training and Problem Gambling and Addictions funds.
- Gross casino revenue is subject to the tax at a rate of 33%.
- Moneys from the County Fund are distributed to all 88 counties, on a quarterly basis, based on each county's share of Ohio population. The cities of Akron, Canton, Cincinnati, Cleveland, Columbus, Dayton, Toledo, and Youngstown each receive 50% of their respective county's allocation.
- Moneys from the Student Fund are distributed to all school districts, in January and August, based on each school district's student population.
- As host cities, Cincinnati, Cleveland, Columbus, and Toledo receive 5% of the tax revenue generated from the casino located within their territory.
- In November 2009, Ohio voters approved a constitutional amendment to authorize casino gambling in Cincinnati, Cleveland, Columbus, and Toledo. H.B. 519 of the 128th General Assembly implemented the amendment and established the Casino Control Commission to oversee casino gambling.
- The casinos in Cleveland and Toledo opened in May 2012. The casino in Columbus opened in October 2012 while the casino in Cincinnati opened in March 2013.

Ohio Leads Country in State Funding for Public Libraries

Per Capita Operating Revenue of Public Libraries, FY 2011

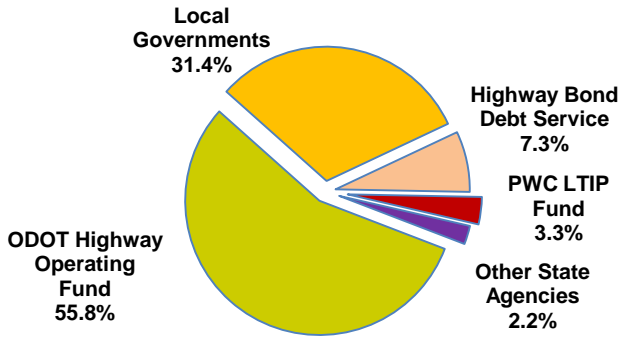


Source: Institute for Library and Museum Services

- Ohio leads the country in state per capita operating revenue of public libraries. In FY 2011, the state per capita operating revenue of public libraries in Ohio was \$31.81, over 11 times higher than the U.S. average of \$2.87 and far exceeding that of neighboring states.
- Ohio's per capita state funding increased 5.8% from its FY 2010 level of \$30.08, but is lower than ten years ago in FY 2001 when it was \$43.96.
- As state funding per capita decreased in Ohio, local funding per capita increased from \$11.14 in FY 2001 to \$28.12 in FY 2011. However, local funding per capita remains below the U.S. average of \$32.28 in FY 2011.
- In addition to having the highest state funding per capita, Ohio has the highest total funding per capita in the U.S. Ohio's total of \$67.68 is 77.7% higher than the U.S. average of \$38.09 and 3.9% higher than the second highest state, Illinois (\$65.15).
- 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 2014



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 55.8% (\$1.01 billion) of total MFT revenue in FY 2014, followed by local governments at 31.4% (\$569.8 million).
- In FY 2014, 7.3% (\$132.5 million) of MFT revenue was used to cover 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 3.3% (\$59.7 million) of the total distributed in FY 2014, 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.
- Net MFT receipts in FY 2014 were \$1.79 billion, about 4.8% above the \$1.71 billion collected in FY 2013. After a modest decline in FY 2012, revenue from the MFT has rebounded somewhat as the economy continues to recover.
- 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 2014, Ohio's total MFT rates rank 22nd in the nation for gasoline and 24th in the nation for diesel.

Ohio's Motor Vehicle License Taxes Generated \$467 Million in 2013 for Local Transportation Infrastructure

Distributions to Local Governments for Roads and Bridges, 2013 (\$ in Millions)			
Local Government	State Motor Vehicle License Tax	Permissive Local Motor Vehicle License Taxes	Total
Counties	\$229.6	\$94.5	\$324.1
Municipalities	\$58.6	\$50.2	\$108.8
Townships	\$15.2	\$18.8	\$34.0
Total	\$303.4	\$163.5	\$466.8

Note: Totals may not add due to rounding.

Source: Ohio Department of Public Safety

- In 2013, a total of \$466.8 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 \$303.4 million in state motor vehicle tax license revenues and \$163.5 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 \$461.4 million per year, ranging from a low of \$449.5 million in 2009 to a high of \$466.9 million in 2012.
- 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 2013, the state processed more than 11.9 million vehicle registrations, including over 8.3 million passenger cars.

Local Governments Are Responsible for Most of Ohio's Roadways

Centerline Miles by Roadway Type			
Roadway Type	ODOT Maintained	Locally Maintained	Total
Interstate Routes*	1,332	0	1,332
U.S. Routes	3,026	887	3,913
State Routes	11,669	2,311	13,980
Local Public Roadways	0	102,166	102,166
Total	16,027	105,364	121,391

*Excludes the Ohio Turnpike, which is maintained by the Ohio Turnpike and Infrastructure Commission.

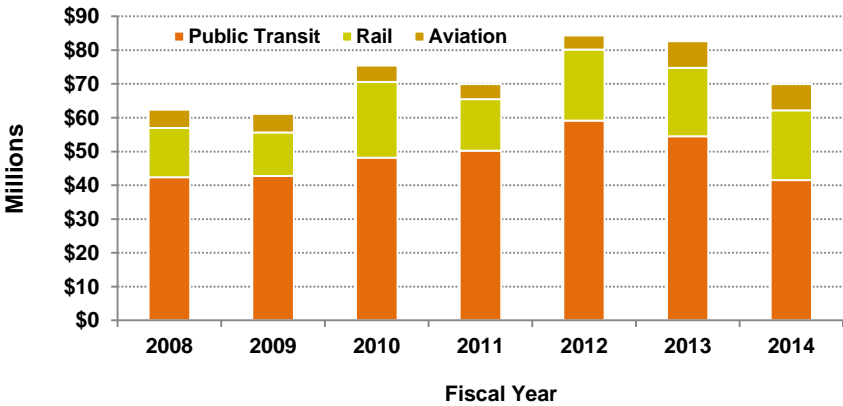
Source: Ohio Department of Transportation

- Ohio's public roadway system, consisting of numbered interstate routes, U.S. routes, state routes, and local public roadways, contains 121,391 centerline miles¹ of roadway. Of this total, local governments are responsible for maintaining 86.8% or 105,364 centerline miles while the Ohio Department of Transportation (ODOT) is responsible for maintaining the other 13.2% or 16,027 centerline miles.
- 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. Local governments are also responsible for all local public roadways.
- As of May 2013, there were 184.1 million daily vehicle miles traveled on Ohio's state highway system, on average. Of these, 161.6 million vehicle miles (87.8%) were traveled by passenger vehicles, and 22.5 million vehicle miles (12.2%) were traveled by trucks.
- Most of the capital spending on Ohio highways is devoted to the state-administered highway system. Ohio's highway capital expenditures in 2012 totaled \$2.44 billion, of which \$2.14 billion (88.0%) was spent on state-administered roads.
- Overall, Ohio's highway transportation infrastructure system ranks 8th in the nation in the number of centerline miles of public roadway with just over 120,000, and ranks 2nd in the number of bridges with about 28,000.

¹ Centerline miles are used to measure the total linear mileage of a roadway, regardless of the number of lanes. A one-mile road with a lane in each direction and one mile of a divided freeway with four lanes in each direction count equally in terms of centerline miles.

Non-Highway Transportation Spending Decreased in FY 2014

Non-Highway Transportation Spending, FY 2008-FY 2014

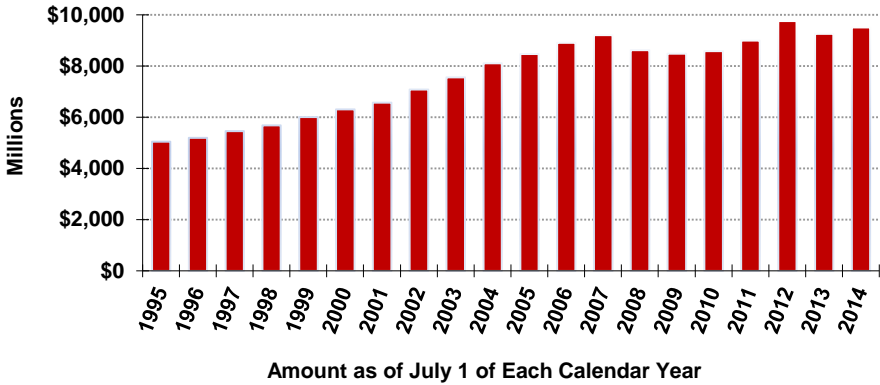


Source: Ohio Administrative Knowledge System

- Total expenditures on non-highway modes of transportation (public transit, rail, and aviation) made by the Ohio Department of Transportation (ODOT) decreased by 17.0% between FY 2012 and FY 2014, from \$84.3 million to just under \$70.0 million. This decrease comes after non-highway spending grew by 35.2% between FY 2008 to FY 2012.
- Of ODOT's total non-highway transportation spending in FY 2014, 59.3% was for public transit, the lowest percentage since FY 2008. Transit's share of non-highway expenditures peaked at 71.8% in FY 2011. ODOT spent \$41.5 million on public transit in FY 2014, 29.9% below the FY 2012 peak of \$59.2 million.
- Rail comprised 29.5% of ODOT's non-highway transportation spending in FY 2014, its highest share since FY 2010. Rail spending grew by 41.2% between FY 2008 and FY 2014, from \$14.6 million to \$20.6 million, peaking at \$22.5 million in FY 2010.
- Aviation made up 11.2% of ODOT's FY 2014 non-highway transportation spending, up from a low of 4.9% in FY 2012. Total aviation spending in FY 2014 was \$7.8 million, up 45.6% since FY 2008.
- Federal funds provided 67.0% of all non-highway transportation spending in FY 2014, including 72.9% of public transit spending, 75.6% of rail spending, and 13.3% of aviation spending.
- Overall, spending on non-highway modes comprised 2.3% of the \$3.10 billion in total ODOT spending in FY 2014. Highway spending comprised 92.2% of the total, while the remaining 5.5% consisted of spending on planning, administration, and other costs.

Outstanding GRF-Backed Debt Peaked in 2012

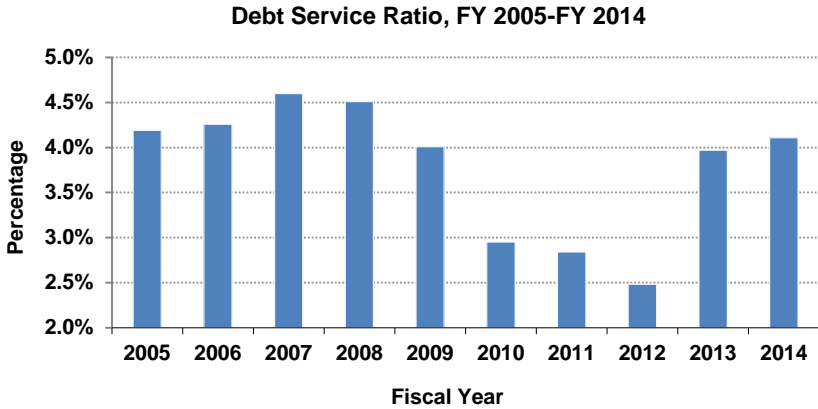
Total Outstanding GRF-Backed Debt



Source: Ohio Office of Budget and Management

- Ohio's outstanding debt payable from the GRF peaked at \$9.76 billion as of July 1, 2012. This is 6.0% (\$549 million) more than the previous high of \$9.21 billion as of July 1, 2007.
- Ohio's outstanding debt payable from the GRF totaled \$9.52 billion as of July 1, 2014. This is an increase of 2.7% (\$254 million) from 2013 but remains 2.5% (\$243 million) below the 2012 peak.
- From 1995 to 2014, total GRF-backed debt grew by 88.5%, with an average growth rate of 3.5% per year.
- Total GRF-backed debt declined in 2008 and 2009 due to the use of cash for various capital projects. After that, outstanding debt grew three years in a row and reached its peak level in 2012.
- Of the total debt on July 1, 2014, \$7.80 billion was general obligation (GO) debt and \$1.71 billion was special obligation (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 \$709 in 2004 to \$822 in 2014, an increase of 16.0%.

Ohio's Debt Service Ratio Returns to Historically Typical Levels in Recent Years



Source: Ohio Office of Budget and Management

- Ohio's debt service ratio was 3.97% at the end of FY 2013 and 4.11% at the end of FY 2014. These ratios represent a return to more typical levels following a period of decreases. The debt service ratio decreases from FY 2008 to FY 2012 were primarily due to debt restructuring and tobacco securitization, which reduced GRF debt service payments.
- The debt service 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.
- As a percentage of personal income, the state's total debt service payable from the GRF decreased from a peak of 0.30% in FY 2007 to 0.25% in FY 2014.
- 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 would 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, 2014, Ohio general obligation (GO) bonds received the second highest possible rating from all three 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.

Spirituos Liquor Sales Continue to Rise



Source: Ohio Department of Commerce

- Total dollar sales of spirituous liquor (liquor containing more than 21% alcohol by volume) amounted to \$898.2 million in calendar year (CY) 2013, an increase of 5.8% (\$49.2 million) over sales of \$849.0 million in CY 2012. This growth rate was lower than the 7.0% increase in CY 2012 but higher than the average annual growth of 4.6% in liquor dollar sales over the six-year period from CY 2008 to CY 2013.
- In CY 2013, retail dollar sales – made by contract liquor agencies directly to consumers – were \$634.6 million, a 7.4% increase from CY 2012. Wholesale dollar sales, which are sales made by the agencies to retailers such as bars and restaurants, amounted to \$263.6 million in CY 2013, a 2.3% rise. Retail sales generally comprise around 65% to 70% of total liquor dollar sales in Ohio.
- While the number of gallons of spirituous liquor sold continues to rise annually, the increase in total dollar sales is largely attributable to consumers opting for higher-priced liquors in place of lower-shelf products. Total liquor sold was 12.3 million gallons in CY 2013, a 3.0% increase over CY 2012.
- Effective February 1, 2013, JobsOhio, the state's nonprofit economic development corporation created by H.B. 1 of the 129th General Assembly, leased the rights to Ohio's spirituous liquor distribution and sales system for 25 years. The net liquor profits are to be used by JobsOhio to fund job creation and business investment incentives in the state.
- Prior to the lease, the proceeds of liquor sales were used to retire certain state bonds issued for economic development and environmental purposes, and to fund liquor regulatory duties, liquor law enforcement, and alcoholism treatment. After these expenses, liquor profits were transferred to the GRF.

Clean Ohio Awards \$806.9 Million Since FY 2003

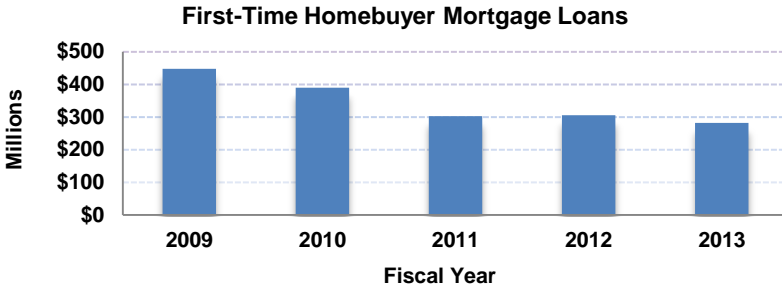
Clean Ohio Awards, FY 2003-FY 2014		
Program	Number of Awards	Total Amount Awarded
Development Services Agency		
Clean Ohio Revitalization Fund	164	\$331,816,031
Clean Ohio Assistance Fund	244	\$82,055,347
Public Works Commission		
Green Space Conservation Program	880	\$290,866,298
Department of Natural Resources		
Recreational Trails Program	184	\$50,491,744
Department of Agriculture		
Agricultural Easement Purchase Program	268	\$51,664,434
Total	1,740	\$806,893,854

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

- Since FY 2003, four state agencies have awarded \$806.9 million in grant funding¹ for 1,740 projects under the Clean Ohio initiative. The first \$400 million in bond funding for the initiative was approved by voters in 2000, with an additional \$400 million authorized in 2008.
- The Development Services Agency's two Clean Ohio programs have collectively awarded \$413.9 million to local governments for brownfield clean-up and redevelopment projects. These awards comprise 51.3% of the total Clean Ohio funds awarded through FY 2014.
- Altogether, \$290.9 million in grants have been awarded under the Clean Ohio Green Space Conservation Program administered by the Public Works Commission. Local governments and nonprofit organizations compete for this funding to preserve natural areas, watersheds, and other green space.
- Under the Clean Ohio Recreational Trails Program, administered by the Department of Natural Resources, \$50.5 million has been distributed among 184 projects sponsored by local governments and nonprofit community organizations to create or improve recreational trail networks.
- The Department of Agriculture has awarded \$51.7 million under the Clean Ohio Agricultural Easement Purchase Program, enabling 268 easements to preserve over 48,500 acres of productive farmland in Ohio.

¹ Some recipients did not spend 100% of their awards. Unused funds were subsequently reallocated for other projects. As a result, the total grant award of \$806.9 million exceeded the \$800.0 million in total Clean Ohio bond funds authorized by voters.

OHFA's First-Time Homebuyer Mortgage Loans Totalled Almost \$282 Million in FY 2013

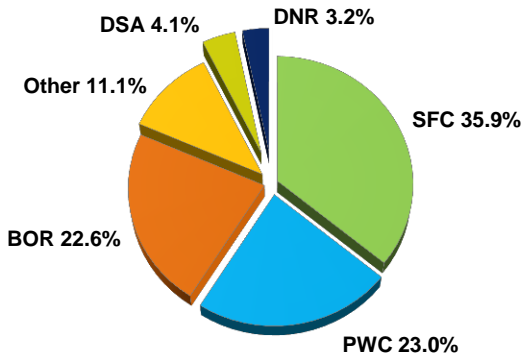


Source: Ohio Housing Finance Agency

- In FY 2013, the Ohio Housing Finance Agency (OHFA) assisted 2,902 households in 72 counties to obtain \$281.9 million in reduced-rate mortgage loans from private lenders through the First-Time Homebuyer Program. This included \$50.1 million in mortgage loans to 451 military members, emergency responders, health care professionals, law enforcement officers, and teachers under the Ohio Heroes Program, which provides an additional interest rate reduction of up to 0.25 percentage points.
- FY 2013 saw the lowest number of households assisted and the lowest mortgage loan volume under the program in five years, reflecting the weaker housing market and overall economy as well as tightening credit standards after the Great Recession.
- In FY 2013, the average household income for First-Time Homebuyer Program participants was \$45,084 while the average price for homes purchased under the program was \$98,825.
- OHFA provided \$5.3 million in down payment assistance (up to 2.5% of the purchase price) to 2,099 eligible homebuyers in FY 2013, including just over \$1.0 million provided to 337 homebuyers under the Grants for Grads Program. This program targets first-time homebuyers with post-secondary degrees who promise to reside in Ohio for at least five years.
- OHFA's homebuyer assistance programs are funded through the sale of tax-exempt mortgage revenue bonds. The proceeds are used to buy down the interest rate on mortgages offered by private lenders to qualified first-time homebuyers and to provide down payment assistance.
- In FY 2011, Ohio was allocated \$570.4 million in federal funding for foreclosure assistance under the U.S. Treasury's Hardest Hit Fund. By March 2014, OHFA had provided just over 18,000 homeowners with \$256.3 million in rescue payments, lien cancellations, and other foreclosure avoidance help under the program.

School Facilities Commission Comprised Over One-Third of FY 2014 Spending From Capital Appropriations

Capital Appropriation Expenditures by Agency, FY 2014



Source: Ohio Administrative Knowledge System

- In FY 2014, expenditures made from capital appropriations totaled \$919.7 million.¹ Of this total, \$330.2 million (35.9%) was expended by the School Facilities Commission (SFC), an independent agency within the Ohio Facilities Construction Commission, to support K-12 school facilities assistance programs. 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 \$211.9 million (23.0%) 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 \$207.9 million (22.6%) for the construction and renovation of academic facilities at Ohio's public colleges and universities.
- Other agencies with large capital expenditures include the Development Services Agency (DSA) at \$37.5 million (4.1%), mainly for brownfield cleanup and redevelopment projects, and the Department of Natural Resources (DNR) at \$29.7 million (3.2%), mainly for state and local parks.
- As the K-12 school facilities programs start serving higher wealth districts, the state share decreases. From FY 2008 to FY 2011, the state expended an average of \$987.1 million per year for K-12 school facilities, compared to an average of \$391.1 million for the period from FY 2012 to FY 2014.

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

² See page 61 for additional information on the K-12 school facilities assistance program.