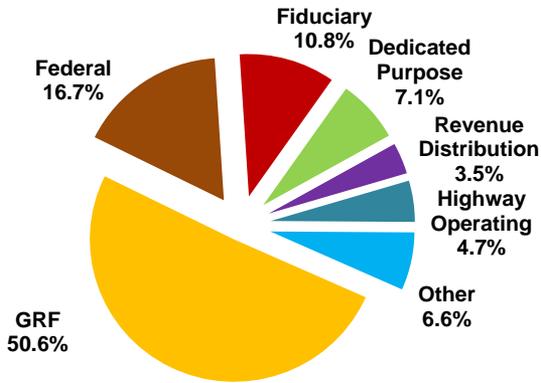


General Revenue Fund Accounted for Almost 51% of State Operating Spending in FY 2016

State Operating Spending by Fund Group, FY 2016

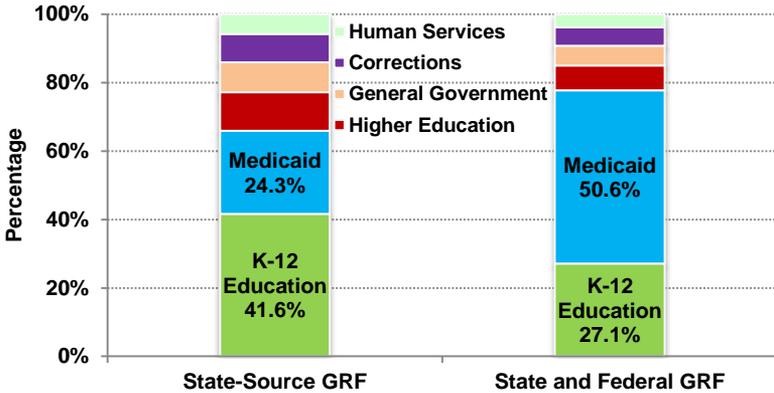


Source: Ohio Administrative Knowledge System

- In FY 2016, state operating spending totaled \$66.33 billion, of which \$33.59 billion (50.6%) 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 \$17.00 billion (50.6%) in FY 2016, followed by K-12 education (\$7.56 billion or 22.5%) and higher education (\$2.22 billion or 6.6%).
- The Federal Fund Group accounted for \$11.05 billion (16.7%) of overall operating spending in FY 2016. Moneys distributed under this fund group support various federal programs that are subject to the state appropriation process. The federal share of total operating spending increases to 34.3% for FY 2016 when the \$11.70 billion in federal reimbursements that was deposited into the GRF is included in the calculation.
- Main spending items from the Fiduciary Fund Group (\$7.15 billion or 10.8%) and the Revenue Distribution Fund Group (\$2.35 billion or 3.5%) 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 (\$4.73 billion or 7.1%) supports various programs with specific revenue sources while spending from the Highway Operating Fund Group (\$3.10 billion or 4.7%) mainly supports the operations of the Ohio Department of Transportation.
- The remaining \$4.36 billion (6.6%) of FY 2016 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

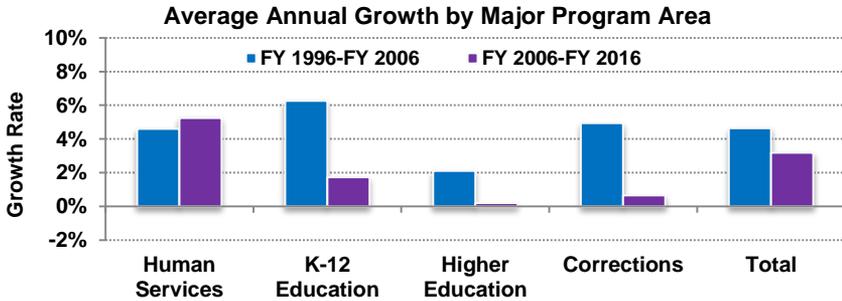
GRF Spending by Program Area, FY 2016



Sources: Ohio Administrative Knowledge System; Ohio Legislative Service Commission

- GRF spending supported by state sources totaled \$21.90 billion in FY 2016. Of this total, 41.6% (\$9.12 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 24.3% (\$5.33 billion) in FY 2016.
- The remainder of the state-source GRF in FY 2016 went to Higher Education (\$2.46 billion, 11.3%), General Government (\$1.91 billion, 8.7%), Corrections (\$1.82 billion, 8.3%), and non-Medicaid Human Services (\$1.26 billion, 5.8%).
- GRF spending for Medicaid and adoption services is supported by federal reimbursements in addition to state revenue sources. In FY 2016, \$11.70 billion in federal reimbursements was deposited into the GRF, which brought total state and federal GRF spending to \$33.60 billion.
- Medicaid accounted for just over half (50.6%, \$17.00 billion) of total state and federal GRF spending in FY 2016. Medicaid has consistently made up the largest share of total GRF spending. Federal reimbursements comprised 68.6% (\$11.67 billion) of total GRF Medicaid spending in FY 2016 with the remaining 31.4% (\$5.33 billion) paid by the state.
- While K-12 Education consumed the largest share of state-source GRF, it ranked second in total state and federal GRF spending, at 27.1% in FY 2016.
- The Higher Education, General Government, Corrections, and non-Medicaid Human Services shares of FY 2016 total state and federal GRF spending were 7.3%, 5.7%, 5.4%, and 3.8%, respectively.

Total State and Federal GRF Spending in Past Decade Grew More Slowly Than in Prior Decade

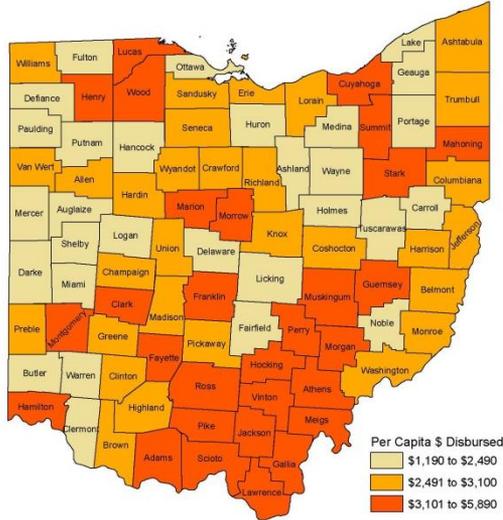


Sources: Ohio Administrative Knowledge System; Ohio Legislative Service Commission

- Total state and federal GRF spending increased by an average rate of 3.2% per year from FY 2006 to FY 2016 compared to 4.7% per year from FY 1996 to FY 2006. Overall GRF spending increased by 112.4%, from \$15.81 billion in FY 1996 to \$33.60 billion in FY 2016.
- 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. A 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 during the Great Recession 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.
- In the past decade, Human Services, including Medicaid, was the only category that grew faster than overall GRF spending; it averaged 5.3% per year, which was also faster than its growth in the prior decade (4.6%). Spending in this area is heavily influenced by conditions in the overall economy, and by Medicaid eligibility policy and accounting practice changes. Medicaid receives funding from both the GRF and non-GRF funds.
- K-12 Education spending increased by 1.7% per year on average over the past decade, much slower than the 6.3% annual growth rate for the prior decade. From FY 2009 to FY 2016, K-12 Education spending increased 12.2%.
- Higher Education spending growth has been sensitive to changes in the overall state budget. It increased by 0.2% per year on average over the past decade due largely to decreases of 10.6% in FY 2010 and 12.5% in FY 2012. FY 2016 spending for Higher Education was 11.7% below the FY 2009 level.
- Due partly to prison population growth, Corrections spending increased 4.9% per year from FY 1996 to FY 2006. Average growth in the past ten years slowed to 0.7% per year.

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

FY 2015 Per Capita State Spending by County

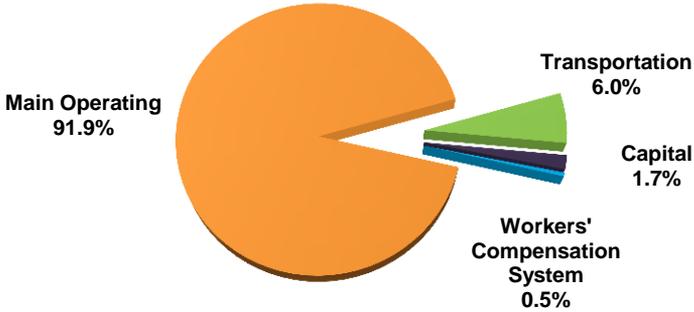


Source: Annual survey of state agencies by LSC

- In FY 2015, the five counties in which the state spent the most total money were Cuyahoga (\$4.32 billion), Franklin (\$4.28 billion), Hamilton (\$2.59 billion), Summit (\$1.77 billion), and Montgomery (\$1.72 billion).
- That same year, the five counties in which the state spent the most money per capita were Athens (\$5,882 per capita), Pike (\$4,493), Vinton (\$4,414), Scioto (\$4,354), and Gallia (\$4,143).
- A total of \$34.43 billion was spent on programs and projects in Ohio's 88 counties in FY 2015.
- Of this total, \$32.28 billion (93.8%) 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 \$2.15 billion (6.2%) 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 (48.8%), followed by education (36.7%), transportation and infrastructure (6.4%), revenue distribution (4.0%), general government (2.5%), and justice and corrections (1.6%).

Main Operating Budget Authorized 91.9% of Total State Spending in FY 2016

State Spending by Budget, FY 2016
Total: \$67.45 billion



Source: Ohio Administrative Knowledge System

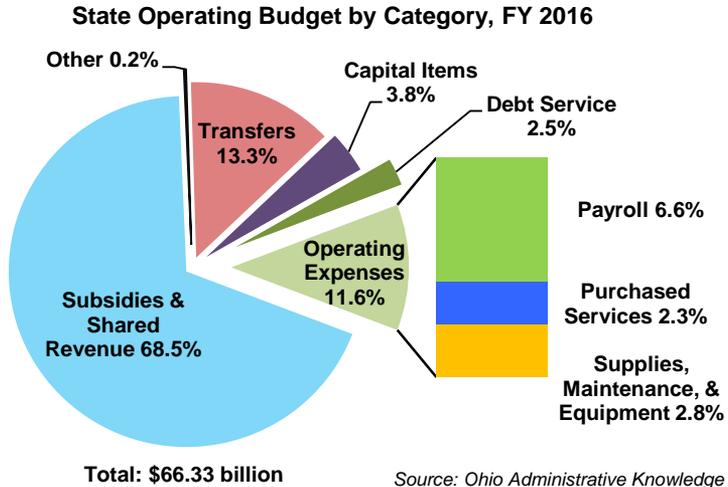
- In FY 2016, state spending totaled \$67.45 billion across all funds. Of this total, \$62.01 billion (91.9%) was authorized by the main operating budget act, \$4.02 billion (6.0%) by the transportation budget act, \$1.12 billion (1.7%) by the capital budget act, and \$310.7 million (0.5%) by the two 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 34.4% (\$22.80 billion) and 18.2% (\$12.06 billion), respectively, of total operating spending in FY 2016.²

¹ See pages 21 and 25 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.

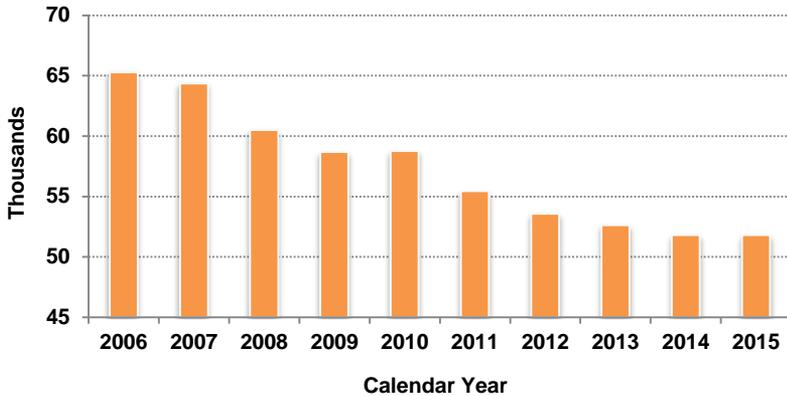
State Payroll Amounted to 6.6% of the Total State Operating Budget in FY 2016



- In FY 2016, state payroll totaled \$4.35 billion across all funds, representing 6.6% of the total state operating budget. Of this amount, \$1.89 billion (43.4%) came from the GRF and the other \$2.46 billion (56.6%) came from various non-GRF funds.
- In addition to payroll, the state spent \$1.51 billion for purchased services and \$1.84 billion for supplies, maintenance, and equipment items. Combined with payroll, these three categories are commonly referred to as state government operating expenses, which totaled \$7.70 billion across all funds, representing 11.6% of the total state operating budget in FY 2016.
- Earned wages, the largest share of payroll costs, totaled \$2.55 billion, or 3.8% of the total FY 2016 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 \$1.19 billion in FY 2016.
- The state operating budget for FY 2016 was \$66.33 billion across all funds. Of this total, \$56.85 billion (85.7%) went to three categories: \$45.46 billion (68.5%) for subsidies and shared revenue for various local and state entities, \$8.85 billion (13.3%) for "transfers," including items such as tax refunds and distributions of local taxes collected by the state, and \$2.54 billion (3.8%) for capital items funded with appropriations made in the operating budget, mainly in the transportation budget.

The 2015 State Employee Headcount Remained Near a Ten-Year Low

State Employee Head Count by Calendar Year

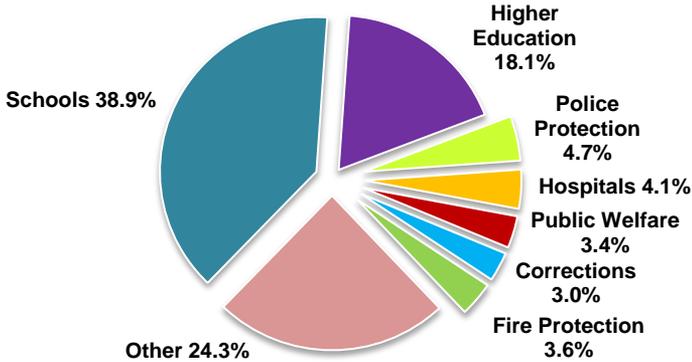


Source: Ohio Department of Administrative Services

- The number of state employees, including employees in the executive, legislative, and judicial branches, fell to a ten-year low of 51,792 in December 2014, but nudged up by fewer than 20 to 51,806 in December 2015. The 2015 count was 20.6% lower than the 65,271 employees in the state workforce in December 2006.
- The largest annual declines in state employees over this ten-year period occurred between 2007 and 2008, when the roster was pared from 64,352 to 60,514 (6.0%), and between 2010 and 2011, when the number of state employees fell from 58,766 to 55,442 (5.7%).
- Of the 51,806 employees on the state payroll in December 2015, 46,348 (89.5%) were employed in permanent full-time positions. Overall, 35,537 (68.6%) employees were in bargaining unit positions.
- There were a total of 99 state employers in the executive, legislative, and judicial branches of government as of December 2015. Together, the ten largest employed 36,125 individuals, or 69.7% of all state employees.
- Two state agencies employed one-third of the state workforce in 2015. The Department of Rehabilitation and Correction was the largest state employer, with 12,012 (23.2%) of the total, followed by the Department of Transportation, with 5,430 (10.5%) state employees. In contrast, half of the 99 state employers had 40 or fewer employees.

Over Half of Ohio Public Employees Worked for Schools and Institutions of Higher Education in 2014

State and Local Government Employee Head Count by Function, 2014

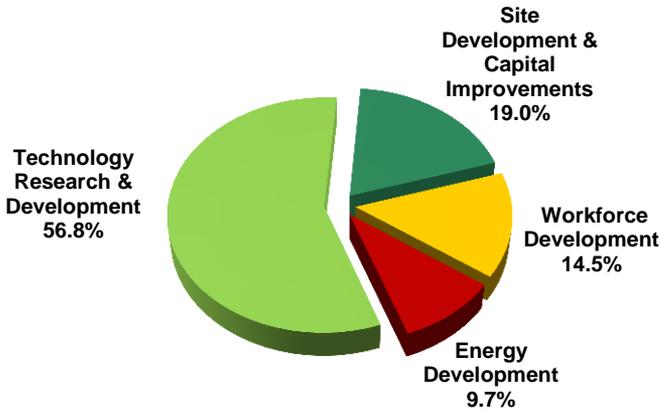


Source: U.S. Census Bureau

- Ohio's state and local government employee head count totaled 713,526 in 2014, of which 38.9% (277,490) worked for public schools and 18.1% (128,936) worked for public colleges and universities. Together, education accounted for 57.0% of total state and local government employment.
- The next largest public employee categories include police protection (4.7%, 33,473 employees), hospitals (4.1%, 29,081), fire protection (3.6%, 25,757), public welfare (3.4%, 23,917), and corrections (3.0%, 21,741). Together, these five sectors represented 18.8% (133,969) of the total state and local government employee head count in 2014.
- From 2004 to 2014, the number of public school employees decreased by 9.5% (28,988) from 306,478 to 277,490. Public school enrollment decreased by 3.8% (68,353) from 1.82 million in FY 2004 to 1.75 million in FY 2014.
- Employment at public institutions of higher education increased by 13.1% (14,922) from 114,014 in 2004 to 128,936 in 2014. Meanwhile, higher education enrollment increased by 7.1% (24,652) from 348,017 in FY 2004 to 372,669 in FY 2014.
- In 2014, the public school employee head count consisted of 183,009 (66.0%) instructional employees and 94,481 (34.0%) other employees, while the higher education employee head count included 42,788 (33.2%) instructional employees and 86,148 (66.8%) other employees.
- Ohio's public employee head count total decreased by 6.5% (49,606) from 2004 to 2014. Increases in higher education and hospitals were more than offset by decreases in almost all other categories.

Over Half of State Economic Development Assistance in FY 2016 Was for Technology R&D Projects

Development Loan and Grant Expenditures by Category, FY 2016



Source: Ohio Administrative Knowledge System

- In FY 2016, the Development Services Agency disbursed a total of \$140.7 million in state loans and grants for economic development assistance. Of this total, \$79.9 million (56.8%) was for programs to support research, development, and commercialization of new technologies, including \$58.9 million under the Third Frontier Program. This program aims to expand high-tech research and promote innovation to foster economic development in the state.
- Grants and loans issued to support private-sector site development and other capital improvements accounted for \$26.7 million (19.0%) of the total. These awards, such as Roadwork Development Grants and 166 Direct Loans, are intended to help businesses and local governments cover the capital costs involved with business location or expansion.
- Workforce development assistance totaled \$20.4 million (14.5%) in FY 2016. The majority of this funding, \$16.5 million, was expended from the Incumbent Workforce Training Voucher Program, a program that provides vouchers of up to \$4,000 per eligible employee to employers in targeted industries to train their existing workers.
- Energy development accounted for the remaining \$13.7 million (9.7%) of the total economic development assistance funding in FY 2016. Of this amount, \$8.6 million was for grants under the Coal Research and Development Program and \$5.1 million was for loans through the Advanced Energy Fund.

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

Combined State and Local Taxes, FY 2013

State	Taxes Per Capita	National Rank	Taxes as % of Personal Income	National Rank
National Average	\$4,617	--	10.4	--
Ohio	\$4,278	24	10.5	16
Neighboring States				
Indiana	\$3,802	33	9.9	28
Kentucky	\$3,515	40	9.8	30
Michigan	\$3,752	34	9.6	33
Pennsylvania	\$4,628	19	10.1	25
West Virginia	\$3,896	29	11.0	15

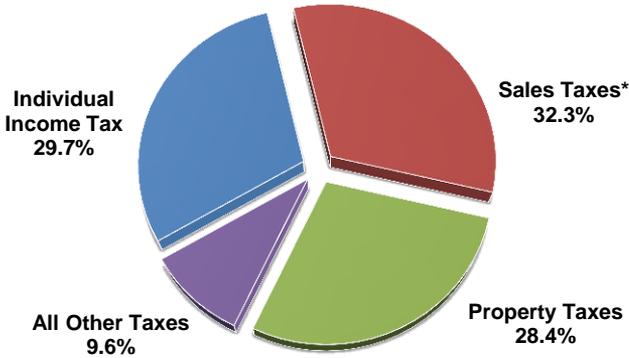
Sources: U.S. Census Bureau; Ohio Legislative Service Commission

- Ohio's combined state and local tax burden, measured by taxes per capita, was \$4,278 in FY 2013. This was lower than the national average of \$4,617 but higher than that of all neighboring states except Pennsylvania.
- Measured relative to personal income, Ohio's tax burden of 10.5% was slightly above 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 2013, Ohio's state taxes were \$2,380 per capita, below the national average of \$2,688. Local taxes in Ohio averaged \$1,898 per capita, also below the national average of \$1,929.
- For FY 2013, Ohio's state taxes were 5.9% of personal income, below the national average of 6.0%. Ohio's local taxes were 4.7% of personal income, above the national average of 4.3%.
- In FY 2013, Alaska had the highest per capita combined state and local tax burden among the 50 states at \$9,250.¹ Taxes per capita in the District of Columbia were higher at \$9,619. Alabama had the lowest burden at \$3,053.
- Alaska also had the highest level of taxation as a percentage of personal income at 17.9% in FY 2013. South Dakota had the lowest at 7.9%.

¹ The burden of Alaska's taxes historically has fallen heavily on the oil and gas industry. Alaska does not have personal income taxes and has only local sales taxes.

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

Ohio Combined State & Local Tax Revenue by Source, FY 2013

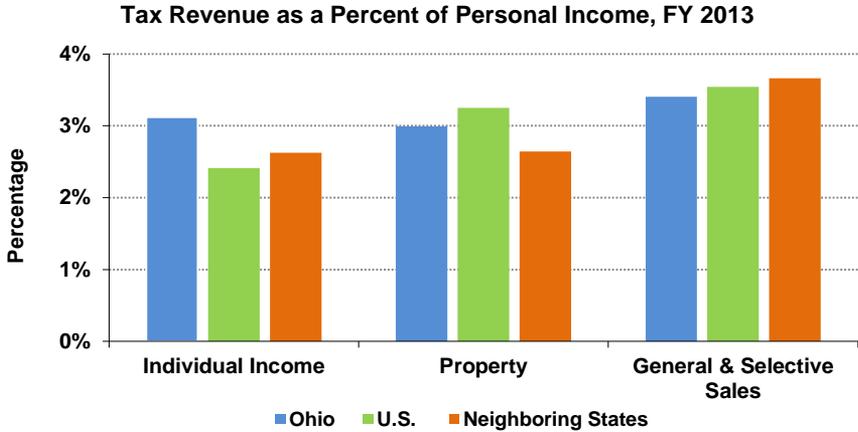


*Sales taxes include general state and local sales tax and gross receipts taxes on sales of specific products, including tobacco products, alcoholic beverages, motor fuels, and utility services.

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

- In FY 2013, 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 55.6% of Ohio's combined state and local tax revenue in FY 2013. For the U.S. as a whole, state taxes were 58.2% of combined state and local tax revenue.
- Of Ohio's state tax revenue, 50.2% came from sales and gross receipts taxes – of which 31.3% was from the general sales tax – and 35.9% came from the individual income tax. Nationwide, 46.5% of state taxes came from sales and gross receipts taxes – with 30.0% from general sales taxes – and 36.5% of state taxes came from individual income taxes.
- Local taxes comprised 44.4% of Ohio's combined state and local tax revenue in FY 2013. For the U.S. as a whole, local taxes were 41.8% of combined state and local taxes.
- Of Ohio's local taxes, 64.1% came from property taxes, 21.9% from individual income taxes, and 9.9% from sales and gross receipts taxes. Nationwide, 72.8% of local taxes were derived from property taxes, 4.8% from individual income taxes, and 16.8% from sales and gross receipts taxes.

State and Local Governments in Ohio Rely More on Income Taxes Than Other States



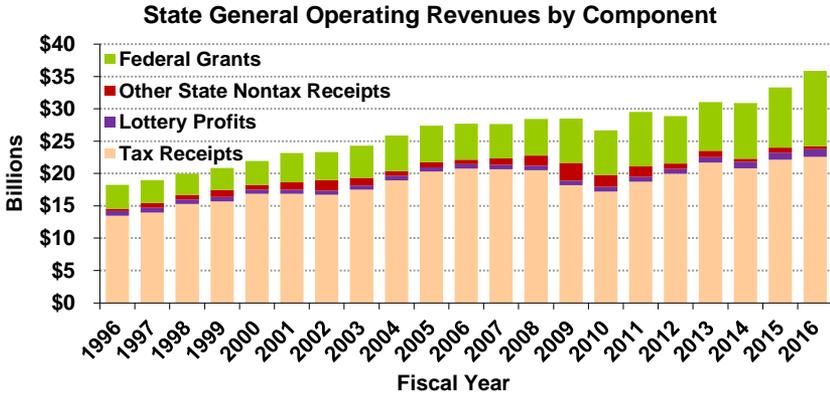
Sources: U.S. Census Bureau; Bureau of Economic Analysis

- In FY 2013, Ohio's state and local individual income taxes as a percentage of total personal income were 3.1%, higher than the U.S. average of 2.4% and the average of its five neighboring states (2.6%). Ohio's percentage was 3.7% in FY 2006, but has been decreasing in recent years due primarily to income tax policy changes.
- Ohio's property taxes were 3.0% of total personal income, which was less than the national average (3.2%), but higher than the average of its five neighboring states (2.6%).
- Ohio's general and selective sales tax receipts were 3.4% of total personal income, which was just below the national average of 3.5% and was also lower than the average of its five neighboring states (3.7%). Selective sales taxes apply to specific products, including motor fuel, alcoholic beverages, tobacco products, and public utilities.

Tax Revenue as a Percent of Personal Income for Ohio and Neighboring States, FY 2013

State	Individual Income	Property	General & Selective Sales
Indiana	2.5%	2.5%	4.2%
Kentucky	3.1%	2.0%	3.6%
Michigan	2.2%	3.4%	3.3%
Ohio	3.1%	3.0%	3.4%
Pennsylvania	2.6%	3.0%	3.1%
West Virginia	2.7%	2.3%	4.1%

State General Operating Revenues Increase

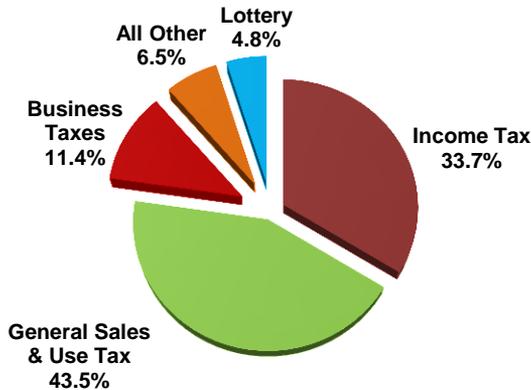


Sources: Ohio Administrative Knowledge System; Ohio Legislative Service Commission

- During the past 20 years, overall state general operating revenues increased by 96.5% from \$18.25 billion in FY 1996 to \$35.85 billion in FY 2016.
- Tax receipts, the largest component of state general operating revenues, reached an all-time high of \$22.57 billion in FY 2016, an increase of 2.0% from FY 2015. Tax receipts grew 6.3% in FY 2015 due to continuing improvement in the economy and a 25¢ increase in the sales tax rate in September 2013.
- In the past two decades, overall tax receipts registered three notable annual decreases: decreases of 11.3% in FY 2009 and 5.4% in FY 2010 due primarily to the Great Recession and a decrease of 4.1% in FY 2014 due mainly to an 8.5% across-the-board income tax rate reduction in tax year 2013. From FY 1996 to FY 2008, on average tax receipts grew 3.6% per year.
- The GRF receives the majority of tax receipts. In FY 2016, \$21.82 billion (96.7%) of total tax receipts went to the GRF and \$748.2 million (3.3%) was distributed to local governments and public libraries.
- The tax receipt share of state general operating revenues has decreased in recent years while the federal grant share has increased due partly to federal stimulus moneys provided during the Great Recession and the Medicaid expansion through the federal Affordable Care Act. From FY 2009 to FY 2016, the average annual share was 66.0% for tax receipts and 27.0% for federal grants compared to 74.0% and 19.0%, respectively, for the period from FY 1996 to FY 2008. In FY 2016, tax receipts and federal grants (\$11.65 billion) comprised 62.9% and 32.5%, respectively, of the total.
- In FY 2016, lottery profits and other state nontax receipts comprised 3.3% (\$1.17 billion) and 1.3% (\$466.3 million), respectively, of the state general operating revenue total. Lottery profits are constitutionally earmarked for primary and secondary education.

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

Composition of State-Source GRF and Lottery Profits Receipts, FY 2016



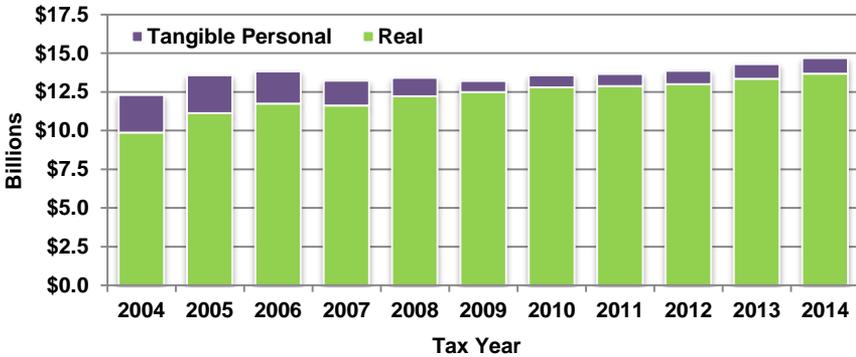
Source: Ohio Administrative Knowledge System

- In FY 2016, total state-source GRF and lottery profits receipts amounted to \$24.21 billion. The general sales and use tax (\$10.54 billion) and the personal income tax (\$8.17 billion) were the two largest revenue sources. Together, they accounted for 77.3% of total receipts in FY 2016.
- General sales and use tax exceeded personal income tax (PIT) as the largest state-source revenue stream the last three years. Prior to FY 2014, the PIT had been the largest revenue source each year since FY 1986. The switch was largely due to policy changes made to each respective tax rate in 2013.
- State-source GRF and lottery profits receipts increased 0.9% from FY 2015 to FY 2016 after growing 7.6% the previous year. Revenue has increased by an average of 3.6% per year since FY 2010.
- In FY 2016, business taxes¹ comprised 11.4% of total state-source GRF and lottery profits receipts, up from a low of 5.3% in FY 2010. The share of revenue from business taxes in FY 2016 was the highest since FY 1999. Other than predominantly recession related decreases in FY 2008 through FY 2012, business taxes generally comprised around 9% to 10% of total state-source GRF and lottery profits receipts over the last 15 years.
- Lottery profits, which totaled \$1.17 billion in FY 2016, are used to help fund state education aid for schools. Profits have grown an average of 13.6% annually since FY 2013 due primarily to expansion of video lottery terminals.

¹ Business taxes in FY 2016 consisted primarily of the commercial activity tax, the financial institutions tax, public utility taxes, insurance taxes, the petroleum activity tax, and some residual revenue from the defunct corporate franchise tax.

Property Tax Revenues Reached a New High in Tax Year 2014

Net Property Taxes Collectible by Property Type

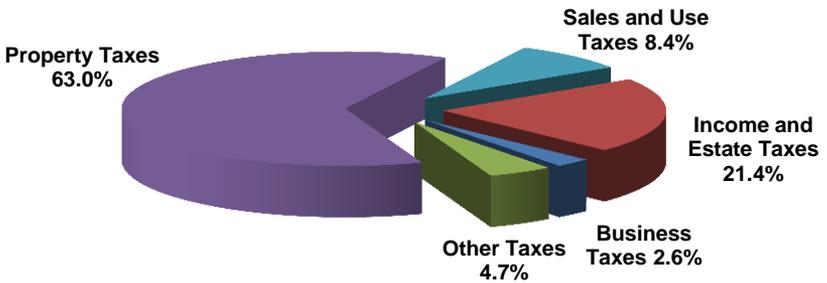


Sources: Ohio Department of Taxation; Ohio Legislative Service Commission

- Net property taxes collectible for tax year (TY) 2014 reached an all-time high of \$14.71 billion. This was an increase of 2.8% (\$406 million) from TY 2013, which was the previous peak year.
- Increases in property taxes in recent years came mainly from higher taxes on real property. From TY 2004 to TY 2014, net taxes collectible on real property rose 39%, while taxes on tangible personal property fell 58%.
- The tangible personal property tax was phased out in TY 2009 for general business and in TY 2011 for telephone and inter-exchange telecommunications companies. Public utilities (inclusive of certain pipeline operators) remain subject to the tax.
- 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, except for levies approved after the November 2013 election, as enacted in H.B. 59 of the 130th General Assembly.
- 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, which is adjusted annually for inflation, was enacted by H.B. 59 for all new applicants who become eligible on the basis of age or disability status after 2013. The income threshold was \$31,000 in TY 2015.

Property Taxes Accounted for 63% of Local Government Tax Revenue in 2013

Ohio's Local Tax Revenue by Source, 2013

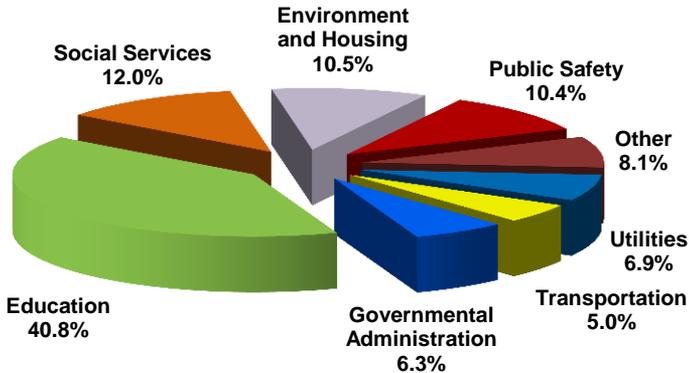


Source: Ohio Department of Taxation

- In calendar year 2013, local tax revenue in Ohio totaled \$24.81 billion. Property taxes amounted to \$15.62 billion. Receipts from municipal and school district income taxes and the local share of the estate tax were \$5.31 billion. Sales and use taxes provided \$2.07 billion. Business taxes, consisting of the commercial activity tax (CAT) and the kilowatt-hour tax (kWh), added \$0.64 billion. Other taxes (casino, admission, alcohol, cigarette, lodging, motor vehicle fuel, and motor vehicle license) generated the remaining \$1.17 billion.
- Property taxes accounted for 63.0% of total local tax revenue in 2013, 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 decade ending in 2013, total local tax revenue grew at an average of 3.3% per year. Annual growth rates were higher in the mid-2000s, but slowed in 2008 and 2009. After that, total local tax revenue grew modestly the last four years. Tax revenue increased by 2.3% and 2.0% in 2012 and 2013, respectively.
- From 2003 to 2013, growth was fastest in the "other taxes" category, averaging 6.6% annually, due primarily to casino tax collections that started in 2012. Local sales and use tax growth followed at an average of 4.0% per year. Income and estate taxes grew at an average of 3.4% annually. Property tax growth averaged 2.5% per year.
- The state distributes CAT and kWh receipts to local governments to replace lost tangible personal property tax revenue. The receipts accounted for 2.6% of total local tax revenue in 2013, down from 3.5% in 2012.

Local Government Expenditures in Ohio Totalled \$54.45 Billion in FY 2013

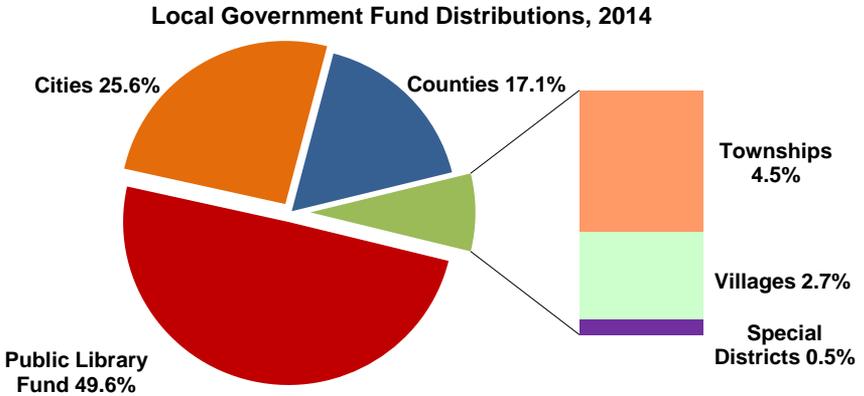
Ohio's Local Government Spending by Category, FY 2013



Source: U.S. Census Bureau

- Expenditures of Ohio's local governments totaled \$54.45 billion in FY 2013. Of that amount, \$5.88 billion (10.8%) was for capital outlays and the remaining \$48.57 billion (89.2%) was for operating expenses.
- Almost three-quarters of local government spending in FY 2013 occurred in the following four areas: Education (\$22.21 billion, 40.8%), Social Services (\$6.56 billion, 12.0%), Environment and Housing (\$5.71 billion, 10.5%), and Public Safety (\$5.66 billion, 10.4%).
- Local government payroll amounted to \$21.38 billion in FY 2013, representing 39.3% of total spending.
- Revenue among Ohio's local governments totaled \$55.20 billion in FY 2013, of which \$51.95 billion (94.1%) was general revenue.
- In FY 2013, local governments generated \$32.60 billion (62.8%) of general revenue from their own sources, including \$14.06 billion from property taxes; \$7.89 billion from income, sales, and other taxes; and \$10.65 billion from charges and other earnings.
- Transfers from the state government accounted for 32.3% (\$16.77 billion) of local government general revenue in FY 2013. Transfers from the federal government made up another 5.0% (\$2.58 billion) of local government general revenue in that same year.
- There are 88 counties, 937 municipalities, 1,308 townships, 668 public school systems, and 841 special districts counted among local governments in Ohio. As of June 30, 2012, Ohio ranked 5th highest among the 50 states in number of local governments.

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

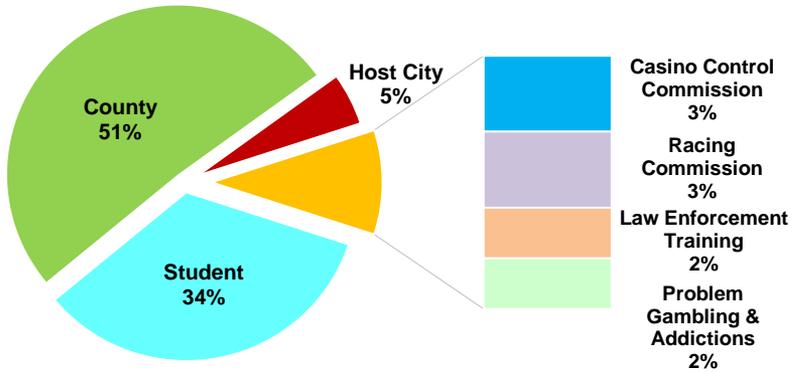


Sources: Ohio Department of Taxation; Ohio Legislative Service Commission

- In 2014, a total of \$695 million was distributed to subdivisions across the state from the Local Government Fund (LGF) and the Public Library Fund (PLF), the two funds that receive revenues from state taxes. Of this total, \$350 million (50.4%) was distributed from the LGF and \$345 million (49.6%) was distributed from the PLF.
- LGF distributions went to cities (\$178 million or 25.6% of total LGF and PLF distributions), counties (\$119 million or 17.1%), townships (\$31 million or 4.5%), villages (\$19 million or 2.7%), and special districts, mostly parks (\$3 million or 0.5%). Nearly all PLF distributions went to public libraries, with a small amount to local governments.
- 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 if they received such distributions from the state in 2007, based on income tax levies.
- Under continuing law, the LGF and PLF each receives 1.66% of total GRF tax revenues. For FY 2016 and FY 2017, however, H.B. 64 of the 131st General Assembly temporarily increased the PLF's share to 1.70%.
- Due in part to statutory changes and in part to the Great Recession itself, distributions from the LGF and PLF declined from 2008 through 2014. Total distributions decreased by \$501 million (42%) during this period, of which \$396 million was made to the LGF.
- LGF and PLF distributions began to grow again in 2015. Total distributions from the two funds increased by \$59 million (8%) from 2014.

Casino Tax Revenue Totaled \$269.3 Million in FY 2016

Casino Tax Revenue by Fund, FY 2016

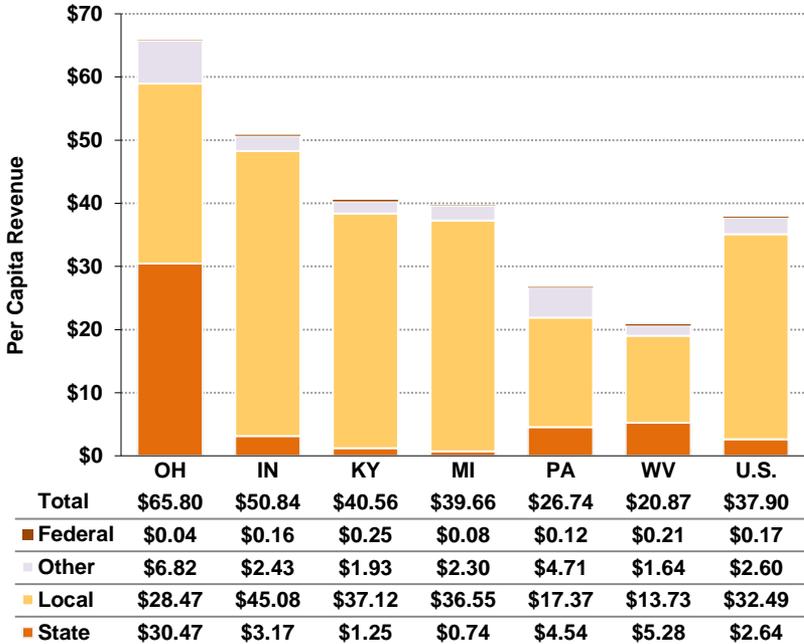


Source: Ohio Department of Taxation

- In FY 2016, casino tax revenue totaled \$269.3 million. Of this total, \$137.3 million (51%) was deposited into the County Fund, \$91.6 million (34%) into the Student Fund, \$13.5 million (5%) into the Host City Fund, \$8.1 million (3%) each into the Casino Control Commission and Racing Commission funds, and \$5.4 million (2%) each into the Law Enforcement Training and Problem Gambling and Addictions funds.
- Wagering at casinos totaled \$7.88 billion in FY 2016. Gamblers bet 83% of that amount at about 7,924 slot machines statewide, and the remainder at 440 tables. The resulting gross casino revenue was about \$817 million.
- Gross casino revenue is subject to the tax at a rate of 33%. Both the tax rate and the distribution of tax proceeds are specified in the Ohio Constitution.
- 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.
- From the first casino's opening in May 2012 through June 2016, a total of \$990 million in casino tax revenue was distributed statewide. Of that total, \$505 million went to counties, \$336 million went to schools, and \$49 million went to host cities.

Ohio Leads Country in State Funding for Public Libraries

Per Capita Operating Revenue of Public Libraries, FY 2013

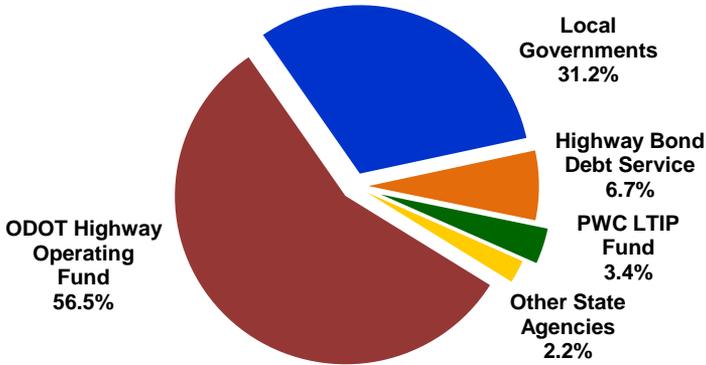


Source: Institute for Library and Museum Services

- Ohio leads the country in state per capita operating revenue of public libraries. In FY 2013, the state per capita operating revenue of public libraries in Ohio was \$30.47, almost 12 times higher than the U.S. average of \$2.64 and far exceeding that of neighboring states.
- Ohio's per capita state funding increased 2.4% from its FY 2012 level of \$29.76, but is lower than ten years ago in FY 2003 when it was \$39.87.
- As state funding per capita decreased in Ohio, local funding per capita increased from \$12.31 in FY 2003 to \$28.47 in FY 2013. However, local funding per capita remains below the U.S. average of \$32.49 in FY 2013.
- Ohio's total funding per capita of \$65.80 for FY 2013 ranked 2nd in the nation, 1.0% lower than the highest state, Illinois (\$66.45). Illinois's state and local funding shares were 4.1% and 90.5%, respectively.
- In FY 2013, Ohio's total funding per capita was 73.6% higher than the U.S. average of \$37.90.
- Ohio has over 700 individual library locations in 251 public library systems.

Motor Fuel Tax Revenue Supports State and Local Roads and Bridges

Motor Fuel Tax Distribution in FY 2016



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, to support roads and bridges across the state. Distributions totaled \$1.80 billion in FY 2016.
- The Highway Operating Fund, which is used by the Ohio Department of Transportation (ODOT), received the largest share at 56.5% (\$1.01 billion) of the total MFT revenue distributed in FY 2016. Local governments received the second largest share at 31.2% (\$561.0 million).
- In FY 2016, 6.7% (\$119.7 million) of total 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 (\$61.5 million or 3.4% of total MFT revenue in FY 2016) is directed toward the Public Works Commission's Local Transportation Improvement Program (LTIP), which provides additional funding to local governments for road and bridge projects.
- In FY 2016, MFT revenue saw its first annual decrease since FY 2012. It declined 2.4% (\$45.6 million) from FY 2015, the year in which the MFT generated the highest annual revenue of \$1.84 billion over the ten-year period from FY 2007 to FY 2016.
- 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 April 2016, Ohio's total MFT rates rank 26th highest in the nation for both gasoline and diesel.

Ohio's Motor Vehicle License Taxes Generated \$488 Million in 2015 for Local Transportation Infrastructure

Distributions to Local Governments for Roads and Bridges, 2015 (\$ in Millions)			
Local Government	State Motor Vehicle License Tax	Permissive Local Motor Vehicle License Taxes	Total
Counties	\$236.9	\$105.9	\$342.9
Municipalities	\$60.6	\$52.4	\$113.0
Townships	\$15.7	\$16.0	\$31.7
Total	\$313.2	\$174.3	\$487.6

Source: Ohio Department of Public Safety

- In 2015, a total of \$487.6 million in state and local motor vehicle license tax revenues was distributed to counties, municipalities, and townships to provide funding for the planning, construction, and maintenance of roads and bridges. This total consisted of \$313.2 million in state motor vehicle tax license revenue and \$174.3 million in local permissive motor vehicle tax license revenue.
- Over the past ten years, an annual average of \$465 million in state plus local permissive motor vehicle license tax revenues was distributed to local governments. The amount distributed ranged from a low of \$449.5 million in 2009 to a high of \$487.6 million in 2015.
- Generally, all motor vehicles must be registered annually, with the owner of a passenger car paying a state motor vehicle license tax of \$34.50, distributed as follows: \$20 to local governments, \$11 to the state Highway Safety Fund for the administration and enforcement of traffic laws, and \$3.50 to deputy registrars or the Bureau of Motor Vehicles as a service fee. The state 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. Levy authority is as follows: (1) counties – up to \$15, (2) municipalities – \$5 to \$20, depending on the amount levied by the county, and (3) townships – \$5.
- The total amount of state plus local permissive motor vehicle license taxes for a passenger car ranges from \$34.50 to \$54.50.
- Of the more than 12.4 million vehicle registrations processed in 2015, over 8.6 million were 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*	1,333	--	1,333
U.S. Routes	3,030	887	3,917
State Routes	11,685	2,297	13,982
Local Public Roadways	0	102,290	102,290
Total	16,048	105,474	121,522

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

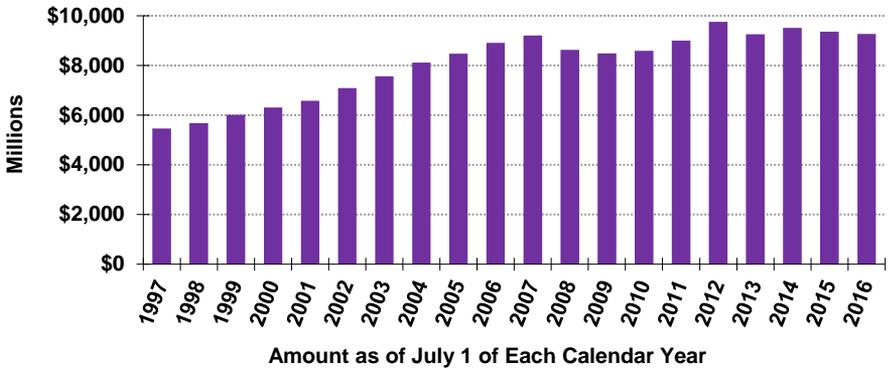
Source: Ohio Department of Transportation

- Ohio's public roadway system, consisting of numbered interstate routes, U.S. routes, state routes, and local public roadways, contains 121,522 centerline miles of roadway.¹ Local governments are responsible for maintaining 86.8% or 105,474 centerline miles, while the Ohio Department of Transportation (ODOT) is responsible for maintaining the other 13.2% or 16,048 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 April 2015, there were an estimated 183.5 million daily vehicle miles traveled (VMT) on the state highway system, on average. Passenger vehicles accounted for 88.6% of that total and trucks accounted for 11.4%.
- About 42.4% of average daily travel on the state highway system occurred on the interstate (77.7 million VMT), while the remaining 57.6% (103.8 million VMT) was on U.S. and state routes. These figures were calculated by multiplying the centerline miles by average daily traffic on those roads.
- Overall, Ohio's highway transportation infrastructure system ranks 8th in the nation with just under 123,000 centerline miles of public roadway, and ranks 2nd in the number of bridges with about 27,000.

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.

Outstanding GRF-Backed Debt in 2016 Is 5% Below the 2012 Peak

Total Outstanding GRF-Backed Debt

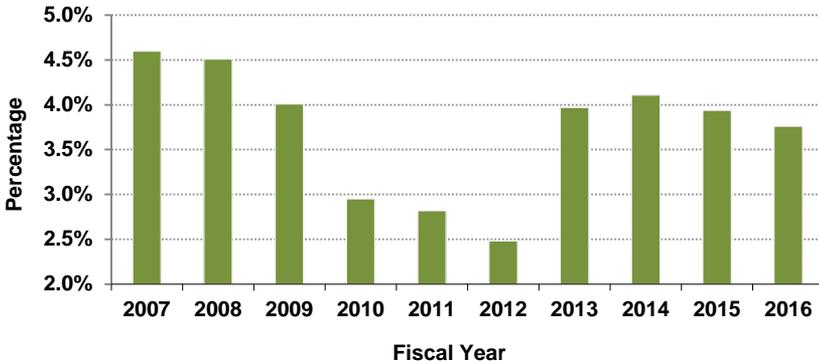


Source: Ohio Office of Budget and Management

- As of July 1, 2016, Ohio's outstanding debt payable from the GRF totaled \$9.27 billion. This is a decrease of 0.9% (\$83 million) from the previous year and 5.0% (\$489 million) below the 2012 peak level of \$9.76 billion.
- The 2012 peak is 6.0% (\$549 million) above the previous high of \$9.21 billion on July 1, 2007. Total GRF-backed debt declined in 2008 and 2009 due largely to the use of cash from securitization of Tobacco Master Settlement payments for various capital projects. After that, outstanding debt grew three years in a row and reached its peak level in 2012.
- From 1996 to 2016, total GRF-backed debt grew by 78.2%, with an average annual growth rate of 2.9% over the 20-year period.
- On a per capita basis, Ohio's outstanding debt payable from the GRF has grown from \$778 in 2006 to \$798 in 2016, a total increase of 2.6% during the most recent ten-year period.
- Of the total debt on July 1, 2016, \$7.59 billion was general obligation (GO) debt and \$1.68 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.

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

Debt Service Ratio, FY 2007-FY 2016



Source: Ohio Office of Budget and Management

- Ohio's debt service ratio was 3.76% at the end of FY 2016. Since FY 2013, the ratios have been at more typical levels following a period of decreases. This ratio is measured by calculating debt service payable from the GRF as a percentage of the 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, which reduced GRF debt service payments. The 2007 tobacco securitization provided \$2.84 billion cash for FY 2008 through FY 2010 for K-12 and higher education capital projects that would otherwise have been funded by GRF-backed debt.
- As a percentage of personal income, the state's total debt service payable from the GRF decreased from a peak of 0.30% in FY 2007 to 0.26% in FY 2016.
- 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, 2016, 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.

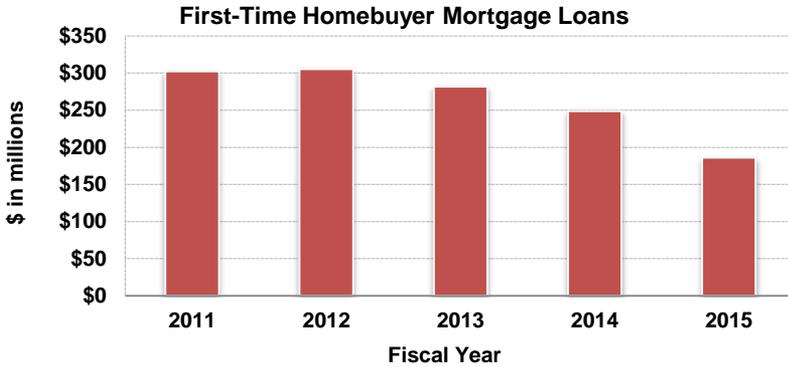
Clean Ohio Conservation Awards Have Topped \$500 Million

Clean Ohio Conservation Awards, FY 2003-FY 2016		
Award Component	Number of Awards	Total Amount Awarded
Public Works Commission		
Green Space Conservation Program	1,044	\$362,420,262
Department of Agriculture		
Agricultural Easement Purchase Program	420	\$80,988,667
Department of Natural Resources		
Recreational Trails Program	219	\$62,824,618
Total	1,683	\$506,233,547

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

- Since FY 2003, three state agencies have awarded \$506.2 million in grant funding for 1,683 projects under the Conservation component of the Clean Ohio initiative. These grants were awarded under three separate programs.
- The Public Works Commission has awarded \$362.4 million in grants under the Green Space Conservation Program, comprising 71.6% of all Clean Ohio Conservation awards. Under this program, local governments and nonprofit organizations compete for funding to preserve natural areas, watersheds, and other green space.
- Nearly \$81.0 million has been awarded under the Agricultural Easement Purchase Program, overseen by the Department of Agriculture, enabling 420 easements to preserve over 69,748 acres of productive farmland in Ohio.
- Under the Recreational Trails Program, administered by the Department of Natural Resources, \$62.8 million has been distributed among 219 projects sponsored by local governments and nonprofit community organizations to create or improve recreational trail networks.
- Voters approved the issuance of general obligation (GO) bonds to fund the Conservation component of the Clean Ohio initiative via ballot issues in 2000 and 2008. As long as not more than \$400 million in debt is outstanding at any one time, additional bonds may be issued to finance the conservation effort.
- The brownfield remediation and revitalization component of the Clean Ohio initiative, funded with bond debt backed by spirituous liquor profits and overseen by the Development Services Agency, was concluded in FY 2014. A little over \$400 million in grants were awarded under that component.

OHFA's First-Time Homebuyer Mortgage Loans Totaled a Five-Year Low of \$186 Million in FY 2015

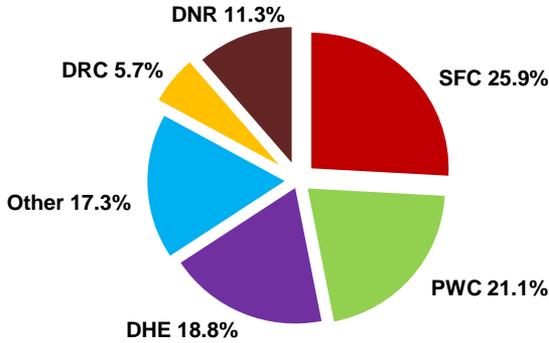


Source: Ohio Housing Finance Agency

- In FY 2015, the Ohio Housing Finance Agency (OHFA) assisted 1,893 households in 70 counties to obtain \$186 million in reduced-rate mortgage loans from private lenders through the First-Time Homebuyer Program.
- This was the lowest number of households assisted and the lowest mortgage loan volume under the program in five years, reflecting tightening credit standards after the Great Recession and a decline in homeownership rates. In 2015, Ohio's and national homeownership rates reached a multi-decade low of 65.3% and 63.4%, respectively.
- In FY 2015, the average household income for First-Time Homebuyer Program participants in Ohio was \$48,319. The average price for homes purchased under the program was \$99,918, or just over twice the average of participating homebuyers' income.
- OHFA provided \$6.8 million in down payment assistance to 1,703 eligible homebuyers in FY 2015, including \$940,000 provided to 206 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.
- By June 2016, OHFA had provided just over 24,000 homeowners with \$510.2 million in foreclosure assistance under the U.S. Treasury's Hardest Hit Fund. These funds are used to provide rescue payments, lien cancellations, and other foreclosure avoidance help.

Capital Appropriation Expenditures Total Close to \$1.12 Billion for FY 2016

Capital Appropriation Expenditures by Agency, FY 2016



Source: Ohio Administrative Knowledge System

- In FY 2016, expenditures made from capital appropriations totaled just under \$1.12 billion.¹ Of this total, \$288.5 million (25.9%) 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
- 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 annual average of \$368.1 million for the period from FY 2012 to FY 2016.
- In FY 2016, the Public Works Commission (PWC) distributed \$234.9 million (21.1%) for local infrastructure and conservation projects. These funds are largely distributed to the state's 18 PWC districts on a per capita basis.
- The Department of Higher Education (DHE) distributed \$209.4 million (18.8%) for the construction and renovation of academic facilities at Ohio's public colleges and universities.
- Other agencies with large capital expenditures in FY 2016 include the Department of Natural Resources (DNR) at \$126.0 million (11.3%), mainly for state and local parks, and the Department of Rehabilitation and Correction (DRC) at \$63.8 million (5.7%), mainly for state correctional institutions.

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.