OBM

Date: September 28, 2010

To: Digital Assurance Certification
(Electronic Municipal Market Access and Ohio SID)

Subject: Fiscal Year 2010 Annual Information Pursuant to Continuing Disclosure Agreements Under SEC Rule 15c2-12 Relating to Certain Bonds of the State of Ohio and to Certain Certificates of Participation on which the State is an Obligated Party

Issuer CUSIP Numbers:			
	199098	67755A	677581
	677518	67755C	677587
	677519	67755E	67759R
	677520	67755L	67759W
	677521	67755N	67760A
	769318	67755W	

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

Unless otherwise indicated, this annual information speaks as of June 30, 2010. OBM will subsequently provide when available audited general purpose financial statements of the State for the Fiscal Year ended June 30, 2010, and, when and if prepared, audited financial statements of particular authorizing agencies for Fiscal Year 2010.

There were in Fiscal Year 2010 material events filings with or disclosure to the Municipal Securities Rulemaking Board (MSRB), through the MSRB's Electronic Municipal Market Access System (EMMA) and Ohio SID relating to bond calls and defeasances, and rating agency downgrades on the monoline bond insurance companies for certain of the obligations of the State identified above. There has been no change in the applicable fiscal year or in the accounting principles applied in the preparation of pertinent annual financial statements, and there has been no amendment or waiver of any portion of any of the applicable continuing disclosure agreements.

On September 1, 2010, OBM made an informational filing through the EMMA system with updated information that appears under "STATE EMPLOYEES AND RETIREMENT SYSTEMS" in APPENDIX A. This information has been further updated in this annual filing.

This annual filing also includes revisions to the "History of Highway User Receipts and Debt Service Coverage" table included in the "THE HIGHWAY BONDS" section of the $170,000,000 General Obligation Highway Capital Improvement Bonds, Series M Official Statement dated April 19, 2010. In that official statement, debt service on certain prior series of highway obligations bonds was inadvertently omitted from the above-referenced table resulting in the overstatement of historical coverage ratios. The prior debt service and coverage ratios included in this filing are inclusive of all prior Highway Bonds debt service.

Respectfully submitted,

/s/ J. Pari Sabety
J. Pari Sabety
Director
Ohio Office of Budget and Management

Copy w/attachments:
Treasurer of State
Executive Director, Ohio Building Authority
Secretary, Ohio Public Facilities Commission
Squire, Sanders & Dempsey LLP

SCHEDULE A

Bond Issuance Summary

Initial Date of Bonds	Original Principal Amount	Title of Issue	Authorizing Agency*
Fiscal Year 1996			
Jan. 1, 1996	$120,000,000	G.O. Infrastructure Improvement Bonds, Series 1996	TOS
Fiscal Year 1997			
Feb. 1, 1997	$120,000,000	G.O. Infrastructure Improvement Bonds, Series 1997	TOS
Fiscal Year 1998			
Jan. 15, 1998	$15,605,000	State Facilities Refunding Bonds (DAS Center Project), 1998 Series A	OBA
Jan. 21, 1998	$120,000,000	G.O. Infrastructure Improvement Bonds, Series 1998B	TOS
Fiscal Year 1999			
Sep. 15, 1998	$43,735,000	State Facilities Refunding Bonds (Rhodes State Office Tower), 1998 Series A	OBA
Mar. 15, 1999	$39,000,000	State Facilities Bonds (Sports Facilities Bldg. Fund Projects), 1999 Series A	OBA
May 15, 1999	$18,930,000	State Facilities Refunding Bonds (Admin. Bldg. Fund Projects), 1999 Series B	OBA
Fiscal Year 2001			
Feb. 1, 2001	$25,000,000	Parks and Recreation Capital Facilities Bonds, Series II-2001A	TOS
Feb. 1, 2001	$29,000,000	State Facilities Bonds (Arts Facilities Bldg. Fund Projects), 2001 Series A	OBA
Feb. 1, 2001	$23,690,000	State Facilities Bonds (Sports Facilities Bldg. Fund Projects), 2001 Series A	OBA
Feb. 1, 2001	$39,000,000	State Facilities Bonds (Juvenile Correction Bldg. Fund Projects), 2001 Series A	OBA
Mar. 6, 2001	$200,000,000	G.O. Highway Capital Improvement Bonds, Series F	TOS
Apr. 1, 2001	$56,970,000	Mental Health Capital Facilities Refunding Bonds, Series II-2001A	TOS
Apr. 1, 2001	$120,000,000	State Facilities Bonds (Admin. Bldg. Fund Projects), 2001 Series A	OBA
Apr. 1, 2001	$20,000,000	State Facilities Bonds (Pubic Safety Bldg. Fund Projects), 2001 Series A	OBA
Fiscal Year 2002			
Jul 1, 2001	$249,850,000	State Facilities Refunding Bonds (Adult Correc. Bldg. Fund Project), 2001 Series A	OBA
Aug. 1, 2001	$15,000,000	G.O. Coal Development Bonds, Series F	OPFC
Aug. 1, 2001	$20,000,000	G.O. Natural Resources Capital Facilities Bonds, Series F	OPFC
Aug. 1, 2001	$30,000,000	Mental Health Capital Facilities Bonds, Series II-2001B	TOS
Aug. 15, 2001	$200,000,000	G.O. Common Schools Capital Facilities Bonds, Series 2001B	OPFC
Oct. 1, 2001	$175,000,000	G.O. Higher Education Capital Facilities Bonds, Series 2001B	OPFC
Nov. 15, 2001	$56,100,000	G.O. Infrastructure Improvement Bonds, Series 2001A	TOS
Nov. 15, 2001	$63,900,000	G.O. Infrastructure Improvement Adjustable Rate Bonds, Series 2001B	TOS
Jan. 15, 2002	$50,000,000	G.O. Conservation Projects Bonds, Series 2002A	OPFC
Mar. 15, 2002	$200,000,000	G.O. Common Schools Capital Facilities Bonds, Series 2002A	OPFC
Mar. 15, 2002	$30,000,000	G.O. Natural Resources Capital Facilities Bonds, Series G	OPFC
Apr. 10, 2002	$70,000,000	State Facilities Bonds (Admin. Bldg. Fund Projects), 2002 Series A	OBA
May 1, 2002	$150,000,000	G.O. Higher Education Capital Facilities Bonds, Series 2002A	OPFC
May 1, 2002	$15,000,000	G.O. Coal Development Bonds, Series G	OPFC

Initial Date of Bonds	Original Principal Amount	Title of Issue	Authorizing Agency*
May 1, 2002	$25,000,000	Parks and Recreation Capital Facilities Bonds, Series II-2002A	TOS
Jun 25, 2002	$58,670,000	State Facilities Refunding Bonds (Admin. Bldg. Fund Projects), 2002 Series B	OBA
Fiscal Year 2003			
Aug. 1, 2002	$30,000,000	Mental Health Capital Facilities Bonds, Series II-2002A	TOS
Aug.15, 2002	$200,000,000	G.O. Common Schools Capital Facilities Bonds, Series 2002B	OPFC
Aug. 15, 2002	$17,640,000	G.O. Natural Resources Capital Facilities Refunding Bonds, Series H	OPFC
Aug. 15, 2002	$253,275,000	Higher Education Capital Facilities Refunding Bonds, Series II-2002A	TOS
Aug. 15, 2002	$38,065,000	Mental Health Capital Facilities Refunding Bonds, Series II-2002B	TOS
Aug. 15, 2002	$59,920,000	G.O. Infrastructure Improvement Refunding Bonds, Series 2002A	TOS
Oct. 8, 2002	$50,000,000	State Facilities Bonds (Adult Correctional Bldg. Fund Projects), 2002 Series A	OBA
Oct. 8, 2002	$90,560,000	State Facilities Refunding Bonds (Adult Correc. Bldg. Fund Project),2002 Series B	OBA
Nov. 1, 2002	$120,000,000	G.O. Infrastructure Improvement Bonds, Series 2002B	TOS
Nov. 14, 2002	$175,000,000	G.O. Higher Education Capital Facilities Bonds, Series 2002B	OPFC
Nov. 21, 2002	$54,975,000	G.O. Higher Education Capital Facilities Bonds, Series 2002C	OPFC
Dec. 4, 2002	$135,000,000	G.O. Highway Capital Improvement Bonds, Series G	TOS
Feb.1, 2003	$233,585,000	G.O. Infrastructure Improvement Refunding Bonds, Series 2003A	TOS
Feb.1, 2003	$8,215,000	Mental Health Capital Facilities Refunding Bonds, Series II-2003A	TOS
Feb.1, 2003	$6,425,000	Parks and Recreation Capital Facilities Refunding Bonds, Series II-2003A	TOS
Feb. 20, 2003	$250,000,000	G.O. Common Schools Capital Facilities Bonds, Series 2003A	OPFC
Feb. 26, 2003	$104,315,000	G.O. Infrastructure Improvement Refunding Bonds, Series 2003B	TOS
Feb. 26, 2003	$17,871,829	G.O. Infrastructure Improvement Refunding Bonds, Series 2003C	TOS
Mar. 14, 2003	$20,000,000	State Facilities Bonds (Arts Facilities Bldg. Fund Projects), 2003 Series A	OBA
Mar. 14, 2003	$30,000,000	State Facilities Bonds (Juvenile Correction Bldg. Fund Projects), 2003 Series A	OBA
Mar. 20, 2003	$58,085,000	G.O. Infrastructure Improvement Refunding Bonds, Series 2003D	TOS
Mar. 20, 2003	$2,718,755	G.O. Infrastructure Improvement Refunding Bonds, Series 2003E	TOS
Jun. 1, 2003	$30,000,000	Mental Health Capital Facilities Bonds, Series II-2003B	TOS
Jun. 5, 2003	$150,000,000	G.O. Higher Education Capital Facilities Bonds, Series 2003A	OPFC
Jun. 17, 2003	$30,000,000	G.O. Natural Resources Capital Facilities Refunding Bonds, Series I	OPFC
Fiscal Year 2004			
Jul. 22, 2003	$100,000,000	State Facilities Bonds (DAS Projects), 2003 Series A	OBA
Aug. 7, 2003	$200,000,000	G.O. Common Schools Bonds, Series 2003B	OPFC
Dec. 4, 2003	$120,000,000	G.O. Infrastructure Improvement Bonds, Series 2003F	TOS
Dec. 15, 2003	$133,000,000	G.O. Common Schools Bonds, Series 2003C	OPFC
Dec.15, 2003	$67,000,000	G.O. Commons Schools Adjustable Rate Bonds, Series 2003D	OPFC
Jan. 6, 2004	$113,765,000	Major New State Infrastructure Project Revenue Bonds, Series 2003-1	TOS
Jan. 23, 2004	$58,235,000	G.O. Common Schools Refunding Bonds, Series 2003E	OPFC
Jan. 27, 2004	$50,000,000	G.O. Conservation Projects Bonds, Series 2004A	OPFC
Mar. 3, 2004	$58,725,000	G.O. Infrastructure Improvement Adjustable Rate Refunding Bonds, Series 2004A	TOS
Mar. 3, 2004	$308,851	G.O. Infrastructure Improvement Refunding Bonds, Series 2004B	TOS
Mar.4, 2004	$160,000,000	G.O. Highway Capital Improvement Bonds, Series H	TOS
Mar. 11, 2004	$25,000,000	Park and Recreation Capital Facilities Bonds, Series II - 2004A	TOS
Mar. 23, 2004	$41,695,000	State Facilities Refunding Bonds (Highway Safety), 2004 Series B	OBA
Mar. 23, 2004	$10,400,000	State Facilities Building Bonds (Highway Safety), 2004 Series A	OBA
Mar. 23, 2004	$57,400,000	State Facilities Bonds (Adult Correctional Building Fund Projects), 2004 Series A	OBA

Initial Date of Bonds	Original Principal Amount	Title of Issue	Authorizing Agency*
Apr. 1, 2004	$150,000,000	G.O. Higher Education Bonds, Series 2004A	OPFC
Apr. 1, 2004	$13,000,000	G.O. Coal Development Bonds, Series H	OPFC
Apr. 13, 2004	$200,000,000	G.O. Common Schools Bonds, Series 2004A	OPFC
May 11, 2004	$75,000,000	State Facilities Bonds (DAS Projects), 2004 Series A	OBA
Fiscal Year 2005			
Sep. 23, 2004	$150,000,000	G.O. Higher Education Bonds, Series 2004B	OPFC
Sep. 28, 2004	$200,000,000	G.O. Common Schools Bonds, Series 2004B	OPFC
Sep. 28, 2004	$18,880,000	G.O. Common Schools Refunding Bonds, Series 2004C	OPFC
Sep. 28, 2004	$47,425,000	G.O. Natural Resources Refunding Bonds, Series J	OPFC
Oct. 5, 2004	$39,530,000	G.O. Infrastructure Improvement Refunding Bonds, Series 2004C	TOS
Oct. 5, 2004	$11,740,000	Parks & Recreation Capital Facilities Refunding Bonds, Series II-2004B	TOS
Oct. 5, 2004	$30,035,000	Mental Health Capital Facilities Refunding Bonds, Series II-2004A	TOS
Oct. 5, 2004	$173,975,000	Higher Education Capital Facilities Refunding Bonds, Series II-2004A	TOS
Oct.21, 2004	$20,000,000	State Facilities Bonds (Arts & Sports Facilities Bldg. Fund Projects), 2004 Series A	OBA
Oct. 21, 2004	$130,750,000	State Facilities Refunding Bonds (Admin. Bldg. Fund Projects), 2004 Series B	OBA
Oct. 21, 2004	$225,350,000	State Facilities Refunding Bonds (Adult Correc. Bldg. Funds Projects) , 2004 Series C	OBA
Dec.1, 2004	$120,000,000	G.O. Infrastructure Improvement Bonds, Series 2004D	TOS
Dec. 29, 2004	$25,000,000	Mental Health Capital Facilities Bonds, Series II-2004B	TOS
Mar. 1, 2005	$25,000,000	G.O. Natural Resources Bonds, Series K	OPFC
Mar. 9, 2005	$23,100,000	Parks & Recreation Capital Facilities Bonds, Series II-2005A	TOS
Mar. 24, 2005	$150,000,000	G.O. Higher Education Bonds, Series 2005A	OPFC
Mar. 30, 2005	$85,000,000	State Facilities Bonds (Admin. Bldg. Fund Projects), 2005 Series A	TOS
Mar. 30, 2005	$29,150,000	State Facilities Refunding Bonds (Admin. Bldg. Fund Projects), 2005 Series B	TOS
Apr. 1, 2005	$100,000,000	G.O. Common Schools VRDO Bonds, Series 2005A	OPFC
Apr. 1, 2005	$100,000,000	G.O. Common Schools VRDO Bonds, Series 2005B	OPFC
May 18, 2005	$140,000,000	G.O. Highway Capital Improvement Bonds, Series I	TOS
Jun. 1, 2005	$75,000,000	State Facilities Bonds (Adult Correctional Building Funds Projects), 2005 Series A	TOS
Fiscal Year 2006			
Aug. 23, 2005	$200,000,000	G.O. Common Schools Bonds, Series 2005C	OPFC
Aug. 23, 2005	$71,900,000	G.O. Common Schools Refunding Bonds, Series 2005D	OPFC
Aug.31, 2005	$30,000,000	Mental Health Capital Facilities Bonds, Series II-2005A	TOS
Aug. 31, 2005	$30,000,000	Cultural Facilities Capital Facilities Bonds, Series 2005A	TOS
Sep. 29, 2005	$150,000,000	G.O. Higher Education Bonds, Series 2005B	OPFC
Sept.29, 2005	$49,495,000	G.O. Higher Education Refunding Bonds, Series 2005C	OPFC
Oct. 6, 2005	$15,000,000	State Facilities Bonds (Juvenile Correction Bldg. Fund Projects), Series 2005A	OBA
Oct. 6, 2005	$27,445,000	State Facilities Bonds (Juvenile Correction Bldg. Fund Projects), Series 2005B	OBA
Oct.6, 2005	$7,400,000	State Facilities Refunding Bonds (Transportation Bldg. Fund Proj), Series 2005A	OBA
Nov.7, 2005	$50,000,000	G.O. Conservation Bonds, Series 2005A	OPFC
Dec. 1, 2005	$120,000,000	G.O. Infrastructure Bonds, Series 2005A	OPFC
Jan. 5, 2006	$99,270,000	Major New State Infrastructure Project Revenue Bonds, Series 2005-1	TOS
Feb. 1, 2006	$200,000,000	G.O. Common Schools Bonds, Series 2006A	OPFC
Mar. 8, 2006	$180,000,000	G.O. Highway Capital Improvement Bonds, Series J	TOS
Apr. 27, 2006	$150,000,000	G.O. Higher Education Bonds, Series 2006A	OPFC
Jun. 7, 2006	$100,000,000	G.O. Common Schools Bonds, Series 2006B	OPFC

Initial Date of Bonds	Original Principal Amount	Title of Issue	Authorizing Agency*
June 7, 2006	$100,000,000	G.O. Common Schools Bonds, Series 2006C	OPFC
Fiscal Year 2007			
Aug. 10, 2006	$30,000,000	Mental Health Capital Facilities Bonds, Series II-2006A	TOS
Aug.24, 2006	$50,000,000	G.O. Third Frontier R&D Bonds, Series 2006A	OPFC
Sep. 28, 2006	$180,000,000	Major New State Infrastructure Project Revenue Bonds, Series 2006-1	TOS
Oct. 3, 2006	$40,000,000	State Facilities Bonds (Admin. Building Fund Project), Series 2006A	OBA
Oct. 3, 2006	$70,335,000	State Facilities Refunding Bonds (Admin. Building Fund Project), Series 2006B	OBA
Oct. 11, 2006	$250,000,000	G.O. Common Schools Bonds, Series 2006D	OPFC
Nov.16, 2006	$120,000,000	G.O. Infrastructure Bonds, Series 2006A	OPFC
Dec. 5, 2006	$30,000,000	G.O. Site Development Bonds, Series 2006A	OPFC
Dec.14, 2006	$25,000,000	Cultural Facilities Capital Facilities Bonds, Series II-2006A	TOS
Dec.14, 2006	$28,295,000	Cultural Facilities Capital Facilities Refunding Bonds, Series II-2006B	TOS
Dec. 14, 2006	$26,775,000	Mental Health Capital Facilities Refunding Bonds, Series II-2006B	TOS
Dec. 14, 2006	$15,410,000	Parks & Recreation Capital Facilities Refunding Bonds, Series II-2006A	TOS
Dec. 19, 2006	$150,000,000	G.O. Higher Education Bonds, Series 2006B	OPFC
Mar.8, 2007	$250,000,000	G.O. Common Schools Bonds, Series 2007A	OPFC
Apr.11, 2007	$190,000,000	G.O. Highway Capital Improvement Bonds, Series K	TOS
May 2, 2007	$20,000,000	Sate Facilities Bonds (Juvenile Correctional Bldg. Fund Projects), Series 2007A	OBA
May 2, 2007	$16,410,000	Sate Facilities Refunding Bonds (Juvenile Correc. Bldg. Fund Proj.), Series 2007B	OBA
Jun. 5, 2007	$30,720,000	G.O. Third Frontier R&D Bonds, Series 2007A	OPFC
Jun. 21, 2007	$30,000,000	G.O. Natural Resources Bonds, Series L	OPFC
Jun. 21, 2007	$50,000,000	G.O. Conservation Bonds, Series 2007A	OPFC
Fiscal Year 2008			
Sep. 20, 2007	$120,000,000	G.O. Infrastructure Bonds, Series 2007A	OPFC
Sep. 20, 2007	$8,000,000	G.O. Coal Development Bonds, Series I	OPFC
Nov. 13, 2007	$30,000,000	Parks & Recreation Capital Facilities Bonds, Series II-2007A	TOS
Nov. 15, 2007	$210,000,000	Major New State Infrastructure Project Revenue Bonds, Series 2007-1	TOS
Mar. 6, 2008	$25,000,000	State Facilities Bonds (Admin. Building Fund Projects), 2008 Series A	OBA
Mar. 6, 2008	$25,000,000	State Facilities Bonds (Adult Correctional Building Funds Projects), 2008 Series A	OBA
May 1, 2008	$140,000,000	G.O. Highway Capital Improvement Bonds, Series L	TOS
Fiscal Year 2009			
Aug. 12, 2008	$30,000,000	Mental Health Capital Facilities Bonds, Series II-2008A	TOS
Aug. 12, 2008	$6,880,000	Cultural Facilities Capital Facilities Refunding Bonds, Series 2008A	TOS
Aug. 19, 2008	$39,980,000	G.O. Third Frontier R&D Bonds, Series 2008A	OPFC
Oct. 16, 2008	$240,000,000	G.O. Infrastructure Bonds, Series 2008A	OPFC
Oct. 30, 2008	$375,000,000	Major New State Infrastructure Project Revenue Bonds, Series 2008-1	TOS
Dec. 3, 2008	$30,000,000	Cultural Facilities Capital Facilities Bonds, Series 2008B	TOS
Jan. 22, 2009	$60,000,000	State Facilities Bonds (Admin. Building Fund Projects), 2009 Series A	OBA
Jan. 22, 2009	$40,000,000	State Facilities Bonds (Adult Correctional Building Funds Projects), 2009 Series A	OBA
Jan 22, 2009	$1,685,000	State Facilities Bonds (Highway Safety), 2009 Series A	OBA
Jan. 22, 2009	$37,825,000	State Facilities Refunding Bonds (Juvenile Correc. Bldg. Fund Proj.), Series 2009A	OBA
Jan. 27, 2009	$91,170,000	G.O. Common Schools Refunding Bonds, Series 2009A	OPFC
Jan. 27, 2009	$86,905,000	G.O. G.O. Higher Education Bonds, Series 2009A	OPFC
Jan. 27, 2009	$49,995,000	G.O. Infrastructure Refunding Bonds, Series 2009A	OPFC

Initial Date of Bonds	Original Principal Amount	Title of Issue	Authorizing Agency*
Mar. 5, 2009	$60,000,000	G.O. Third Frontier R&D Bonds, Series 2009A	OPFC
Mar. 12, 2009	$35,000,000	Parks & Recreation Capital Facilities Bonds, Series II-2009A	TOS
May 29, 2009	$102,970,000	G.O. Common Schools Refunding Bonds, Series 2009B	OPFC
May 29, 2009	$48,745,000	G.O. G.O. Higher Education Refunding Bonds, Series 2009B	OPFC
May 29, 2009	$81,990,000	G.O. Infrastructure Refunding Bonds, Series 2009B	OPFC
Fiscal Year 2010			
Sep. 4, 2009	$10,000,000	G.O. Coal Development Bonds, Series J	OPFC
Sep. 17, 2009	$86,590,000	State Facilities Refunding Bonds (Admin. Building Fund Projects), 2009 Series B	OBA
Sep. 17, 2009	$75,790,000	State Facilities Refunding Bonds (Adult Correc. Bldg. Funds Proj.), 2009 Series B	OBA
Sep. 17, 2009	$16,820,000	Sate Facilities Refunding Bonds (Juvenile Correc. Bldg. Fund Proj.), Series 2009B	OBA
Oct. 6, 2009	$240,830,000	G.O. Common Refunding Schools Bonds, Series 2009C	OPFC
Oct. 6, 2009	$262,430,000	G.O. G.O. Higher Education Refunding Bonds, Series 2009C	OPFC
Oct. 6, 2009	$34,040,000	G.O. Conservation Refunding Bonds, Series 2009A	OPFC
Oct. 6, 2009	$5,285,000	G.O. Natural Resources Refunding Bonds, Series M	OPFC
Nov. 3, 2009	$75,000,000	G.O. Third Frontier R&D Bonds, Series 2009B	OPFC
Nov. 17, 2009	$18,885,000	G.O. Site Development Bonds (Tax-Exempt), Series 2009A	OPFC
Nov. 17, 2009	$26,115,000	G.O. Site Development Bonds (Federally Taxable - Build America Bonds – Direct Payment), Series 2009B	OPFC
Dec. 17. 2009	$40,000,000	Mental Health Capital Facilities Bonds, Series II-2009A	TOS
Dec. 18. 2009	$16,765,000	G.O. Conservation Bonds (Tax-Exempt), Series 2009B	OPFC
Dec. 18. 2009	$33,235,000	G.O. Conservation Bonds (Federally Taxable - Build America Bonds – Direct Payment), Series 2009C	OPFC
Dec. 18. 2009	$9,835,000	G.O. Natural Resources Bonds (Tax-Exempt), Series N	OPFC
Dec. 18. 2009	$20,165,000	G.O. Natural Resources Bond (Federally Taxable - Build America Bonds – Direct Payment), Series O	OPFC
Jan. 21, 2010	$95,240,000	G.O. Higher Education Restructuring Bonds, Series 2010A	OPFC
Jan. 21, 2010	$131,170,000	G.O. Common Schools Restructuring Bonds, Series 2010A	OPFC
Jan. 21, 2010	$51,290,000	G.O. Infrastructure Restructuring Bonds, Series 2010A	OPFC
Jan. 21, 2010	$24,360,000	G.O. Higher Education Refunding Bonds, Series 2010B	OPFC
Jan. 21, 2010	$53,685,000	G.O. Common Schools Refunding Bonds, Series 2010B	OPFC
Feb. 10, 2010	$30,000,000	Cultural Facilities Capital Facilities Bonds, Series 2010A	TOS
Mar. 5, 2010	$120,000,000	G.O. Infrastructure Bonds (Federally Taxable - Build America Bonds – Direct Payment), Series 2010B	OPFC
Mar. 5, 2010	$54,400,000	G.O. Infrastructure Refunding Bonds, Series 2010C	OPFC
Apr. 1, 2010	$9,005,000	State Facilities Bonds (Admin. Building Fund Projects), Series 2010A	OBA
Apr. 1, 2010	$30,995,000	State Facilities Bonds (Admin. Building Fund Projects), (Federally Taxable – Build America Bonds – Direct Payment), Series 2010B	OBA
Apr. 1, 2010	$5,445,000	State Facilities Bonds (Juvenile Correc. Bldg. Fund Proj.), Series 2010A	OBA
Apr. 1, 2010	$9,555,000	State Facilities Bonds (Juvenile Correc. Bldg. Fund Proj.), (Federally Taxable – Build America Bonds – Direct Payment), Series 2010C	OBA
Apr. 1, 2010	$11,450,000	State Facilities Rfdg. Bonds (Juvenile Correc. Bldg. Fund Proj.), Series 2010B	OBA
Apr. 1, 2010	$10,860,000	State Facilities Refunding Bonds (Highway Safety), Series 2010A	OBA
Apr. 27, 2010	$170,000,000	G.O. Highway Capital Improvement Bonds (Federally Taxable – Build America Bonds – Direct Payment), Series M	TOS
May 25, 2010	$78,185,000	Major New State Infrastructure Project Revenue Bonds, Series 2010-1	TOS
May 25, 2010	$136,815,000	Major New State Infrastructure Project Revenue Bonds (Federally Taxable –	

Initial Date of Bonds	Original Principal Amount	Title of Issue	Authorizing Agency*
		Build America Bonds – Direct Payment), Series 2010-2	TOS

* CSF = Commissioners of the Sinking Fund
OBA = Ohio Bldg. Authority
OPFC = Ohio Public Facilities Commission
TOS = Treasurer of State

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

Date of COPs	Original Principal Amount	Title of Issue	State Agency Lessee*
Fiscal Year 1998			
Dec. 15, 1997	$16,455,000	Rickenbacker Port Authority Certificates of Participation (State of Ohio DAS Office Project)	DAS
Jun. 15, 1998	$6,615,000	Certificates of Participation (State of Ohio DAS – The Ohio Center Project) [Youngstown Central Area Community Improvement Corp., as lessor]	DAS
Fiscal Year 2005			
Jun. 9, 2005	$79,185,000	Certificates of Participation (State of Ohio DAS – Ohio Administrative Knowledge System (OAKS) Project, Series 2005A [State of Ohio Leasing Corporation, as lessor]	DAS
Fiscal Year 2007			
Dec. 20, 2006	$31,860,000	Certificates of Participation (State of Ohio DAS – Ohio Administrative Knowledge System (OAKS) Project, Series 2006A [State of Ohio Leasing Corporation, as lessor]	DAS
Fiscal Year 2008			
Mar. 13, 2008	$35,025,000	Certificates of Participation (State of Ohio DAS – Ohio Administrative Knowledge System (OAKS) Project, Series 2008A [State of Ohio Leasing Corporation, as lessor]	DAS
Jun. 30, 2008	$40,080,000	Certificates of Participation (State of Ohio DAS – State Taxation Accounting and Revenue System (STARS) Project, Series 2008A [State of Ohio Leasing Corporation, as lessor]	DAS
Fiscal Year 2009			
Jan. 30, 2009	$39,105,000	Certificates of Participation (State of Ohio DAS – Ohio Administrative Knowledge System (OAKS) Project, Series 2009A [State of Ohio Leasing Corporation, as lessor]	DAS

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

Fiscal Year 2008			
Nov. 29, 2007	$16,500,000	The Riversouth Authority (Ohio) Lazarus Building Redevelopment Bonds, 2007 Series A	DAS
Fiscal Year 2010			
May 27, 2010	$157,940,000	Columbus-Franklin County Finance Authority – Taxable Research and Development Revenue Bonds, Series 2010A (Ohio Capital Fund Financing) (State of Ohio Refundable Tax Credit Collateralized)	ODT

* DAS = Ohio Department of Administrative Services
ODT= Ohio Department of Taxation

FISCAL MATTERS

General

Consistent with the constitutional provision that no appropriation may be made for a period longer than two years, the State operates on the basis of a fiscal biennium for its appropriations and expenditures. Under current law that biennium for operating purposes runs from July 1 in an odd-numbered year to June 30 in the next odd-numbered year (e.g., the current fiscal biennium began July 1, 2009 and ends June 30, 2011). Within a fiscal biennium, the State operates on the basis of a July 1 to June 30 Fiscal Year. The biennium for general capital appropriations purposes runs from July 1 in an even-numbered year to June 30 in the next even-numbered year. See **Recent and Current Finances – Current Biennium** for discussion of the 2010-11 biennial appropriations.

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

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

Under State law, the Governor is generally required to submit the Executive Budget to the General Assembly in February of each odd-numbered year. Appropriations legislation reflecting that Executive Budget is then introduced for committee hearings and review in first the House and then the Senate, with that appropriations legislation as approved by the General Assembly then presented to the Governor for his approval (with possible line item vetoes). The biennial appropriations Act for the current 2010-2011 biennium created a six member (three from each of the House and Senate) Budget Planning and Management Commission (BPMC) to "study and make recommendations that are designed to provide relief to the state during the current difficult fiscal and economic period". That Commission commenced meeting in June 2010 with its written report to be submitted not later than November 30. In a June 29, 2010 presentation to the BPMC, the non-partisan Ohio Legislative Service Commission (LSC) included information prepared by OBM in August 2009 identifying approximately $4.887 billion of "non-recurring" revenues reflected in the 2010-11 GRF budget as initially enacted by the General Assembly. That presentation to the BPMC also included an LSC estimate of approximately $8.339 billion of "non-recurring" revenues for 2010-11 for all GRF and non-GRF Funds, including the effect of the postponement, approved on December 22, 2009, of the final installment of the personal income tax reduction (see **Recent and Current Finances – Current Biennium).** The Commission has also solicited and is receiving suggestions for reducing expenditures in the next biennium.

Most State operations are financed through the General Revenue Fund (GRF). Personal income and sales and use taxes are the major GRF sources. The last complete fiscal year ended June 30, 2010 with a GRF fund balance of $139.1 million. The State has a "rainy day" fund – the Budget Stabilization Fund (BSF) – which under current law and until used may carry a balance of up to 5% of the GRF revenue for the preceding Fiscal Year. The current BSF balance is $-0-. See **Recent and Current Finances – 2008-2009** for discussion of the use of the entire BSF balance in Fiscal Year 2009.

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

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

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

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

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

Accounts and Controls; Financial Reports

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

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

State financial reporting practices have been and are in accordance with generally accepted accounting principles (GAAP basis). Each Comprehensive Annual Financial Report (CAFR) includes the State's Basic Financial Statements (BFS) for that Fiscal Year as examined by the Auditor of State. The State has delivered the CAFR for Fiscal Year 2009 to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system and to the Ohio State Information Depository. The most recent CAFRs are accessible via OBM's home page on the Internet at http://obm.ohio.gov/Archives/FinancialReporting.aspx, and copies may be obtained by contacting OBM, 30 E. Broad Street, 34th Floor, Columbus, Ohio 43215, phone (614) 466-4034. The 2006 and 2007 CAFRs received the Government Finance Officers Association certificate of achievement for excellence in financial reporting.

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

In accordance with State law, financial statements and analyses (with supporting schedules) of State agencies' transactions, based on official records maintained by OBM, are incorporated into the Governor's Executive Budget. That budget, along with other information, is the subject of extended hearings and reviews in the General Assembly during the biennial appropriation process. See **Recent and Current Finances – Current Biennium** regarding the 2010-11 biennial appropriations.

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Recent Receipts and Disbursements

The following summary statements, prepared by OBM and based on its records, include (i) governmental and proprietary appropriated funds, cash receipts and cash disbursements, and (ii) GRF cash basis activity.

The governmental and proprietary appropriated funds encompass the General Fund (which includes the GRF and BSF), as well as special revenue, debt service, capital projects, and enterprise fund types, all as defined and included in each BFS.

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

Cash Receipts

SOURCE OF RECEIPTS	Fiscal Year 2006	2007	2008	2009	2010
Taxes:					
Personal Income(a)	$9,623.2	$9,722.9	$9,848.2	$8,322.2	$7,886.8
Sales and Use(b)	7,689.0	7,747.4	7,866.3	7,325.8	7,254.3
Corporate Franchise(c)	1,105.9	1,125.7	754.6	521.4	142.3
Commercial Activity Tax(d)	273.4	594.9	961.4	1,179.1	1,342.1
Gasoline	1,792.5	1,719.8	1,848.4	1,726.7	1,727.2
Public Utilities and Kilowatt Hour	813.5	800.3	801.1	799.9	721.5
Cigarette(e)	1,084.1	986.3	950.9	924.8	886.9
Foreign Insurance	269.0	278.0	284.6	265.0	266.4
Highway Use	54.9	47.6	41.3	30.5	29.4
Estate	54.1	72.1	61.4	64.4	55.0
Alcoholic Beverages	58.4	57.2	57.7	58.0	57.1
Liquor Gallonage	33.4	34.3	35.0	35.8	36.5
Domestic Insurance Franchise	170.4	169.6	159.3	160.1	166.5
Other	61.6	60.8	80.6	84.0	83.9
Total Taxes	23,083.4	23,416.9	23,750.8	21,497.7	20,655.9
Licenses, Permits and Fees	2,252.7	2,403.8	2,524.7	2,592.4	3,076.2
Sales, Services and Charges	2,025.7	1,697.5	1,771.7	1,921.2	1,758.2
Federal Government (including ARRA)	15,405.8	15,432.7	15,951.9	18,040.4	21,104.5
Other(f)...	3,879.8	4,080.3	3,962.4	3,604.1	3,328.4
Proceeds from Sale of Bonds and Notes(g)	1,461.0	1,496.7	5,782.4	966.1	1,015.2
Total Cash Receipts	$48,108.4	$48,527.9	$53,743.9	$48,621.8	$50,938.6

(a) Beginning in calendar year 2005 the personal income tax rate was being reduced by 21% (4.2% per year over five years, with the last reduction delayed from tax year 2009 to tax year 2011 as described in FISCAL MATTERS – Recent and Current Finances – Current Biennium).
(b) Reflects a sales and use tax rate of 5.5%.
(c) Beginning in calendar year 2006, except for financial institutions, the State corporate franchise tax rate was phased out at a rate of 20% per year over five years.
(d) See TAX LEVELS AND TAX BASES for a discussion of the commercial activity tax on gross receipts from doing business in Ohio – commenced in Fiscal Year 2006 at the initial rate of 0.06% and increased each year until reaching a rate of 0.26% in Fiscal Year 2010.
(e) Reflects a per-pack tax of $1.25 in Fiscal Years 2006 and thereafter.
(f) Includes investment income and tobacco settlement receipts.
(g) In Fiscal Year 2008, includes $5.05 billion in proceeds resulting from the securitization of tobacco settlement receipts.

Cash Disbursements

FUND TYPE	2006	2007	2008	2009	2010
General Fund:					
General Revenue Fund	$24,866.3	$25,147.5	$25,725.0	$26,783.4	$24,141.4
General Services Fund(h)	1,720.2	1,288.8	1,316.8	1,442.9	1,331.2
Special Revenue Fund(i)	17,755.4	19,114.2	19,559.8	21,144.2	24,597.1
Capital Projects Fund(j)	361.2	346.4	510.0	514.6	472.9
Debt Service Fund(k)	704.2	819.5	867.6	819.3	578.2
Enterprise Fund	1,708.0	1,257.8	1,238.1	1,459.4	1,208.1
Total Cash Disbursements	$47,115.3	$47,974.2	$49,218.0	$52,163.8	$52,328.9

(h) Includes the Internal Service Fund.
(i) Includes local government support disbursements.
(j) Includes amounts disbursed from proceeds of general obligation bonds and certain other State obligations.
(k) Includes the several bond retirement funds for bonds secured by a pledge of taxes and excises.

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

	Fiscal Year				
	2006	**2007**	**2008**	**2009**	**2010**
Beginning Cash Balance	$1,209.2	$1,528.8	$1,432.9	$1,682.0	$734.5
Cash Receipts:					
Taxes:					
Personal Income(a)	8,786.4	8,885.3	9,114.7	7,628.0	7,247.2
Sales and Use(b)	7,368.2	7,424.5	7,614.1	7,112.8	7,077.4
Corporate Franchise(c)	1,054.9	1,076.5	753.5	520.8	141.8
Commercial Activity Tax(d)	185.1	0.0	0.0	0.0	0.0
Public Utilities and Kilowatt Hour	501.5	487.2	388.9	320.5	293.0
Cigarette	1,084.1	986.3	950.9	924.8	886.9
Foreign Insurance	248.8	256.2	267.3	249.2	250.8
Other	334.4	353.0	330.1	337.6	336.6
Total Taxes	19,563.4	19,469.0	19,419.5	17,093.7	16,233.6
Federal Government (including ARRA)	5,595.2	5,352.5	5,644.0	6,850.7	6,898.8
Licenses, Permits and Fees	3.9	77.7	67.7	65.8	66.2
Investment Income	107.3	176.2	169.6	137.1	28.7
Other(e)	190.7	143.5	123.4	104.4	300.8
Total Cash Receipts	25,530.8	25,218.9	25,424.2	24,251.7	23,528.1
Cash Disbursements:					
Primary, Secondary and Other Education(f)	6,696.7	6,816.9	6,876.9	7,005.0	6,743.4
Higher Education	2,144.0	2,205.7	2,543.6	2,632.6	2,424.1
Public Assistance and Medicaid	10,166.4	10,174.0	10,274.8	11,108.5	9,421.9
Health and Human Services	1,186.9	1,214.9	1,283.6	1,194.6	1,017.0
Justice and Public Protection	1,806.9	1,876.8	2,084.5	2,088.1	1,933.6
Environmental Protection and Natural Resources	83.2	83.4	101.6	89.6	80.3
Transportation	25.7	22.0	22.6	21.4	17.5
General Government	246.9	247.1	357.7	354.4	283.2
Community and Economic Development	112.4	104.3	133.8	146.3	108.3
Tax Relief(g) and Other	1,334.0	1,230.0	1,386.0	1,526.2	1,711.4
Capital Outlay	0.2	0.1	0.1	0.3	0.4
Debt Service(h)	1,063.0	1,172.3	656.5	616.3	400.5
Total Cash Disbursements	24,866.3	25,147.5	25,721.8	26,783.4	24,141.4
Cash Transfers:					
Transfers-in(i)	315.2	559.5	1,235.0	2,432.8	1,422.2
Transfers-out(j)	(660.1)	(726.8)	(688.4)	(848.6)	(1,033.0)
Total Cash Transfers (net)	(344.9)	(167.3)	546.6	1,584.2	389.2
Ending Cash Balance	$1,528.8	$1,432.9	$1,682.0	$734.5	$510.4

(a) Beginning in calendar year 2005 the personal income tax rate was reduced by 21% (4.2% per year over five years, with the last reduction delayed from tax year 2009 to tax year 2011 as described in FISCAL MATTERS – Recent and Current Finances – Current Biennium).

(b) Reflects a sales and use tax rate of 5.5%.

(c) Beginning in calendar year 2006, except for financial institutions, the corporate franchise tax rate was phased out 20% per year over five years.

(d) See TAX LEVELS AND TAX BASES for a discussion of the commercial activity tax (CAT) on gross receipts from doing business in Ohio – commenced in Fiscal Year 2006 at the initial rate of 0.06% and increased each year until reaching a rate of 0.26% in Fiscal Year 2010. CAT receipts were only deposited in the GRF in Fiscal Year 2006 and are directed first and primarily to make compensating payments to school districts and other local taxing units in connection with the phase-out of the tangible personal property tax in 2006 through 2009.

(e) Includes fines and penalties, rental receipts, refunds and certain intrastate transfers including in Fiscal Year 2010 $250.0 million from the Unclaimed Property Trust Fund.

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

(g) State reimbursements to taxing subdivisions for the 12.5% property tax rollback granted to homeowners of real property (10% for commercial and industrial property until 2006), for partial real property homestead tax exemptions for the elderly and handicapped (expanded commencing in July 2007), and for revenue reductions resulting from phase-out of local taxes on tangible personal property.

(h) In Fiscal Years 2006 and 2007, includes debt service on general obligations, lease-rental obligations and certain other State obligations paid from the GRF. Beginning in Fiscal Year 2008, includes only debt service on general obligations with debt service on other obligations reflected in the applicable program area. Reflects the restructuring of certain GRF debt service payments into later biennia resulting in net savings of $52.8 million in Fiscal Year 2009 and $416.8 million in Fiscal Year 2010 (see FISCAL MATTERS – Recent and Current Finances – Current Biennium).

(i) Includes transfers in all fiscal years from the School District Property Tax Replacement Fund and from liquor profits; in Fiscal Years 2008 through 2010 interest earnings on tobacco securitization proceeds totaling $95.8 million, $176.2 million and $61.7 million, respectively; and in Fiscal Year 2009 $1.01 billion from the BSF.

(j) Fiscal Year 2006 transfers include $60 million to the Public Assistance Reconciliation Fund (i.e., TANF), $50 million to the Public School Building Fund, $40 million to the Disaster Services Fund; and to the BSF, $435.9 million in Fiscal Year 2006 and $395.6 million in Fiscal Year 2007.

Recent and Current Finances

Introductory Information

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

Economic activity in Ohio, as in other industrially-developed states, tends to be somewhat more cyclical than in some other states and in the nation as a whole. The GRF ending (June 30) fund balance tends to be reduced during less favorable national economic periods and then increases during more favorable economic periods. The GRF ending fund balance for Fiscal Year 2010 was $139.1 million. Recent biennium-ending GRF balances were:

Biennium	Cash Balance	Fund Balance(a)	Fund Balance less Designated Transfers(b)
2000-01	817,069,000	219,414,000	206,310,000
2002-03	396,539,000	52,338,000	52,338,000
2004-05	1,209,200,000	682,632,000	127,800,000
2006-07	1,432,925,000	215,534,000	215,534,000
2008-09	734,526,000	389,103,000	389,103,000

(a) Reflects the ending cash balance less amounts encumbered to cover financial commitments made prior to the end of the fiscal year.

(b) Reflects the ending fund balance less any amounts designated for transfer to other funds, including the BSF.

Actions have been and may be taken by the State during less favorable economic periods to ensure resource/expenditure balance (particularly in the GRF), some of which are described below. None of those actions were or are being applied to appropriations or expenditures needed for debt service or lease payments relating to any State obligations.

The interim and final appropriations acts for the 2010-11 biennium included all necessary appropriations for debt service on State obligations and for lease payments relating to lease rental obligations issued by the Ohio Building Authority and the Treasurer of State.

The following is a selective general discussion of State finances, particularly GRF receipts and expenditures, for recent and the current bienniums. As evidenced by actions discussed, the State administrations and both houses of the General Assembly have been and are committed to and have taken and are taking actions that ensure a balance of GRF resources and expenditures.

Recent Biennia

2000-01

The State's financial situation varied substantially in the 2000-01 biennium. The first Fiscal Year of the biennium ended with a GRF cash balance of $1.506 billion and a fund balance of $855.8 million. A transfer of $49.2 million from that balance increased the BSF to $1.002 billion (or 5% of GRF revenue for the preceding Fiscal Year). An additional $610.4 million was transferred to the ITRF.

In the middle of the second year of the biennium, the State enacted supplemental appropriations of $645.3 million to address shortfalls in its Medicaid and disability assistance programs. The State's share of this additional funding was $247.6 million, with $125 million coming from Fiscal Year 2001 GRF spending reductions and the remainder from available GRF moneys. The reductions were implemented by OBM prior to March 1, 2001 applying a 1 to 2% cut to most State departments and agencies. Expressly excluded from the reductions were debt service and lease rental payments relating to State obligations, and elementary and secondary education.

In March 2001, new lowered revenue estimates for Fiscal Year 2001 and for Fiscal Years 2002 and 2003 were announced. Based on indications that the Ohio economy continued to be affected by the national economic downturn, GRF revenue estimates for Fiscal Year 2001 were reduced by $288 million. In addition, OBM projected higher than previously anticipated Medicaid expenditures. Among the more significant steps taken to ensure the positive GRF ending fund balance at June 30, 2001 were further spending reductions (with the same exceptions noted above for debt service and education) and authorization to transfer from the BSF to the GRF amounts necessary to ensure an ending GRF fund balance of $188.2 million. The State ended Fiscal Year 2001 with a GRF fund balance of $219.4 million, making that transfer unnecessary.

2002-03

Ongoing and rigorous consideration was given by the Governor and the General Assembly to revenues and expenditures throughout Fiscal Years 2002-03, primarily as a result of continuing weak economic conditions, with budgetary pressures during this period primarily due to lower than anticipated levels of receipts from certain major revenue sources.

Consideration came in four general time frames – the June 2001 biennial appropriation Act, late fall/early winter 2001, late spring and summer 2002, and late winter/spring 2003. Significant remedial steps included authorization to draw down and use the entire BSF balance, increased cigarette taxes, and use of tobacco settlement moneys previously earmarked for other purposes.

The biennial GRF appropriations Act passed in June 2001 provided for biennial GRF expenditures of approximately $45.1 billion without increases in any major State taxes. That Act and the separate appropriations acts for the biennium included all necessary debt service and lease rental payments related to State obligations. That original appropriations act also provided for transfers to the GRF of $160 million from the BSF and $100 million from the Family Services Stabilization Fund aimed at achieving Fiscal Year and biennium ending positive GRF fund balances, based on then current estimates and projections.

The Ohio economy continued to be negatively affected by the national economic downturn and by national and international events, and in October 2001 OBM lowered its GRF revenue estimates and projected GRF revenue shortfalls of $709 million for Fiscal Year 2002 and $763 million for Fiscal Year 2003. Executive and legislative actions taken to address those shortfalls included:

- Spending reductions and limits on hiring and major purchases. Governor ordered spending reductions were at the annual rate of 6% for most State agencies, with lesser reductions for correctional and other institutional agencies, and with exemptions for debt service related payments, primary and secondary education and the adjutant general.
- December 2001 legislation, the more significant aspects of which included authorizing the additional transfer of up to $248 million from the BSF to the GRF during the current biennium thereby reducing the estimated BSF balance to $607 million; reallocating to the GRF a $260 million portion of tobacco settlement receipts in Fiscal Years 2002 and 2003; and authorizing Ohio's participation in a multi-state lottery game estimated to generate approximately $40 million annually beginning in Fiscal Year 2003.

Continuing weak economic conditions and lower than anticipated personal income and corporate franchise tax receipts then led OBM in the spring of 2002 to project higher estimated GRF revenue shortfalls of approximately $763 million in Fiscal Year 2002 and $1.15 billion in Fiscal Year 2003. Further executive and legislative actions were taken to ensure positive GRF fund balances for Fiscal Year 2002 and the biennium. In addition to further appropriation reductions for certain departments and other management steps, those actions included legislation providing for: additional transfers to the GRF of the then remaining BSF balance ($607 million) as needed in Fiscal Years 2002 and 2003, and of $50.8 million of unclaimed funds; a $50 million reduction in the Fiscal Year 2002 ending GRF balance to $100 million; increasing the cigarette tax by 31¢ per pack (to a total of 55¢ per pack) estimated by OBM to produce approximately $283 million in Fiscal Year 2003; additional transfers to the GRF of $345 million from tobacco settlement moneys received in Fiscal Years 2002 and 2003 previously earmarked for construction of elementary and secondary school facilities and replacing the moneys for that purpose with authorized general obligation bonds; and extension of the State income tax to Ohio-based trusts and "decoupling" certain Ohio business taxes from federal tax law economic stimulus changes affecting business equipment depreciation schedules to produce approximately $283 million in Fiscal Year 2003.

Fiscal Year 2002 ended with positive GRF balances of $108.3 million (fund) and $619.2 million (cash) based on the remedial steps described above, including transfers of $289.6 million from tobacco settlement moneys and $534.3 million from the BSF (leaving a Fiscal Year 2002 ending BSF balance of $427.9 million, with that entire balance appropriated for GRF use if needed in Fiscal Year 2003).

On July 1, 2002, the Governor issued an executive order directing a total of approximately $375 million in GRF spending cutbacks for Fiscal Year 2003 reflecting prior budget balancing discussions with the General Assembly. Excluded from those department and agency cutbacks ranging up to 15% were elementary and secondary education, higher education, alcohol and drug addiction services, and the adjutant general. Also expressly excluded were debt service and lease rental payments relating to State obligations, and ad valorem property tax relief payments (made to local taxing entities).

Based on continuing reduced revenue collections (particularly, personal income taxes and sales tax receipts) and projected additional Medicaid spending, OBM in late January 2003 announced an additional Fiscal Year 2003 GRF shortfall of $720 million. The Governor ordered immediate additional reductions in spending intended to generate an estimated $121.6 million of GRF savings through the end of the Fiscal Year (expressly exempted were appropriations for or relating to debt service on State obligations).

The Governor also proposed and the General Assembly enacted by March 1, 2003, the following additional revenue enhancements, transfers and expenditure reductions for Fiscal Year 2003 to achieve a positive GRF fund balance at June 30, 2003 as then estimated by OBM: An additional 2.5% reduction in local government fund distributions to most subdivisions and local libraries, producing an estimated $30 million savings; transfers of $56.4 million to the GRF from unclaimed funds and various rotary funds; and a one-month acceleration in sales tax collections by vendors filing electronically to produce $286 million.

To offset the General Assembly's enactment of legislation that did not include proposed additional taxes on cigarettes and liquor, beer and wine, the Governor on March 25 ordered additional reductions in GRF appropriations spending aggregating $142.5 million for the balance of Fiscal Year 2003. Included were reductions (generally at an annualized rate of 2.5%) of $90.6 million in State foundation and parity aid to school districts and an additional $9.3 million in Department of Education administration spending, $39.2 million in instructional support to higher education institutions, and other selected reductions totaling $3.4 million. The Governor also identified approximately $20 million in excess food stamp administration funds available to offset the need for further expenditure reductions. Expressly excepted from those reductions were appropriations for or relating to debt service on State obligations.

Based on the Administration's continuing monitoring of revenues, and as an anticipated step in the then ongoing 2004-05 biennial budget and appropriations process, OBM reported revised revenue estimates to the General Assembly on June 11, 2003. Those estimates revised Fiscal Year 2003 revenues downward by an additional $200 million from OBM's January 2003 adjusted baseline, based primarily on updated income and sales tax receipts through May 31. The Governor and OBM addressed this additional Fiscal Year 2003 revenue shortfall through additional expenditure controls and by drawing upon $193 million of federal block grant aid made available to the State prior to June 30 under a federal law effective on May 28, 2003.

The State ended the 2002-03 biennium with a GRF cash and fund balances of $396.5 million and $52.3 million, respectively, and a balance in the BSF of $180.7 million.

Additional appropriations actions during the 2002-03 biennium, affecting most subdivisions and local libraries in the State, related to the various local government assistance funds. The original appropriations act capped the amount to be distributed in Fiscal Years 2002 and 2003 to essentially the equivalent monthly payment amounts in Fiscal Years 2000 and 2001. Subsequent legislation amended the level to the lesser of those prior Fiscal Year amounts or the amount that would have been distributed under the standard formula.

2004-05

The GRF appropriations Act for the 2004-05 biennium was passed by the General Assembly and signed (with selective vetoes) by the Governor in June 2003. The Act provided for total GRF biennial revenue of approximately $48.95 billion and total GRF biennial expenditures of approximately $48.79 billion. That Act and the separate appropriations acts for the biennium included all necessary debt service and lease-rental payments related to State obligations.

Among other expenditure controls, the Act included Medicaid cost containment measures including pharmacy cost management initiatives, limited expenditure growth for institutional services and implementation of managed care for higher-cost populations; continued phase-out of certain tangible personal property tax relief payments to local governments; the closing by consolidation of three institutional facilities during the biennium; adjustments in eligibility guidelines for subsidized child care from 185% to 150% of the federal poverty level and freezing certain reimbursement rates; no compensation increases for most State employees in Fiscal Year 2004 and limited one-time increases in Fiscal Year 2005; and continued the limitation on local government assistance fund distributions to most subdivisions and local libraries to the lesser of the equivalent monthly payments in Fiscal Year 2003 or the amount that would have been distributed under the standard formula.

The GRF expenditure authorizations for the 2004-05 biennium reflected and were supported by revenue enhancement actions contained in the Act including:

- A one-cent increase in the State sales tax (to six percent) for the biennium (expiring June 30, 2005), projected to generate approximately $1.25 billion in each Fiscal Year.
- Expansion of the sales tax base to include dry-cleaning/laundry services, towing, personal care and other services, and satellite television, projected in the aggregate to produce approximately $69 million annually. On February 12, 2009, an Ohio appeals court overruled a 2007 trial court decision and upheld the inclusion of satellite television in the sales tax base, which produces approximately $36 million annually. The Ohio Supreme Court has accepted jurisdiction over an appeal.
- Moving local telephone companies from the public utility tax base to the corporate franchise and sales tax, projected to produce approximately $29 million annually.
- Elimination of the sales tax exemption for WATS and 800 telecom services coupled with the enactment of a more limited exemption for call centers, projected to produce approximately $64 million annually.
- Adjustments in the corporate franchise tax through the adoption of the Uniform Division of Income for Tax Purposes Act (UDITPA) for apportionment of business income among states, and an increase in the corporate alternative minimum tax, projected in the aggregate to produce approximately $35 million annually.

The Act also authorized and OBM on June 30, 2004 transferred $234.7 million of proceeds received from the national tobacco settlement into the GRF. In addition, the Act authorized the draw down during the biennium of federal block grant and Medicaid assistance aid made available to the State under a federal law effective May 28, 2003. OBM drew down $211.6 million and $316.8 million of those federal monies in Fiscal Years 2004 and 2005, respectively.

Based on regular monitoring of revenues and expenditures, OBM in March 2004 announced revised GRF revenue projections for Fiscal Years 2004 and 2005 based primarily on reduced revenue collections from personal income taxes. In response to OBM reducing its GRF revenue projection by $247.1 million (1.02%) for Fiscal Year 2004 and by $372.7 million (1.48%) for Fiscal Year 2005, the Governor ordered Fiscal Year 2004 expenditure reductions of approximately $100 million. On July 1, 2004 the Governor ordered additional Fiscal Year 2005 expenditure cuts of approximately $118 million and a reduction of $50 million in State spending on Medicaid reflecting an increased Federal share of certain Medicaid services. Expressly excluded from those reductions were debt service and lease rental payments relating to State obligations, State basic aid to elementary and secondary education, instructional subsidies and scholarships for public higher education, in-home care for seniors and certain job creation programs. The balance of those revenue reductions were offset by GRF expenditure lapses and, for Fiscal Year 2005, elimination of an anticipated $100 million year-end transfer to the BSF while maintaining a one-half percent year-end GRF fund balance.

The State ended Fiscal Year 2004 with a GRF fund balance of $157.5 million. Improving economic conditions had a positive effect on revenue in Fiscal Year 2005. With GRF revenue receipts modestly outperforming estimates for much of the Fiscal Year, OBM in June 2005 increased its GRF revenue estimates by $470.7 million. Final Fiscal Year 2005 GRF revenue came in $67.4 million above that revised estimate. With Fiscal Year 2005 spending close to original estimates, the State made the following Fiscal Year-end allocations and transfers: $60 million to address a prior-year liability in the Temporary Assistance to Needy Families (TANF) program; $40 million to a disaster services contingency fund; $50 million to the State's share of the school facilities construction program; and $394.2 million to the BSF. After these and certain smaller transfers, the State ended Fiscal Year 2005 and the biennium with a GRF fund balance of $127.8 million and a BSF balance of $574.2 million.

2006-07

Consistent with State law, the Governor's Executive Budget for the 2006-07 biennium was released in February 2005 and introduced in the General Assembly. After extended hearings and review, the GRF appropriations Act for the 2006-07 biennium was passed by the General Assembly and signed (with selective vetoes) by the then Governor on June 30, 2005. That Act provided for total GRF biennial revenue of approximately $51.5 billion (a 3.8% increase over 2004-05 biennial revenue) and total GRF biennial appropriations of approximately $51.3 billion (a 5.0% increase over 2004-05 biennial expenditures). Spending increases for major program categories over the 2004-05 actual expenditures were: 5.8% for Medicaid (the Act also included a number of Medicaid reform and cost containment initiatives); 3.4% for higher education; 4.2% for elementary and secondary education; 5.5% for corrections and youth services; and 4.8% for mental health and mental retardation. The Executive Budget, the GRF appropriations Act and the separate appropriations acts for the biennium included all necessary debt service and lease rental payments related to State obligations.

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

- A 21% reduction in State personal income tax rates phased in at 4.2% per year over the 2005 through 2009 tax years. See **FISCAL MATTERS – Recent and Current Finances – Current Biennium** for discussion of postponement of the final installment of this personal income tax reduction until the end of tax year 2010.
- Phased elimination of the State corporate franchise tax at a rate of approximately 20% per year over the 2006 through 2010 tax years (except for its continuing application to financial institutions and certain affiliates of insurance companies and financial institutions).
- Implementation of a new commercial activity tax (CAT) on gross receipts from doing business in Ohio phased in over the 2006 through 2010 fiscal years. In fiscal year 2010, the CAT is being levied at its fully phased-in rate of 0.26% on gross receipts in excess of $1,000,000. (See **Tax Bases and Tax Levels** for a discussion of the use of a portion of the CAT to make compensating payments to school districts and other taxing units in connection with the phase-out of the local tangible personal property tax.) The fully implemented CAT is projected to produce $1.68 billion annually with $139 million of that amount attributable to its application to motor fuels. Litigation filed in March 2008 is currently pending before a trial court challenging the application of the CAT to motor fuels and requesting an order enjoining the collection of that tax and such other relief as the court deems appropriate. On September 17, 2009, the Ohio Supreme Court ruled in litigation initiated in 2006 that food sales for off-premise consumption may be included in the CAT base.
- A 5.5% State sales and use tax (decreased from the 6.0% rate for the 2004-05 biennium).
- An increase in the cigarette tax from $0.55 per pack (of 20 cigarettes) to $1.25 per pack.

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

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

2008-09

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

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

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

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

- Restructuring nonresident tax exemption for Ohio motor vehicle purchases projected to produce approximately $54.0 million for the biennium.
- Restoring local government fund support by committing a set percent of all tax revenues deposited into the GRF. Local governments will receive 3.7% of total GRF tax revenues annually and local libraries will receive 2.22% of total GRF tax revenues annually.
- Eliminating the $300 per month cigarette and tobacco product importation exemption projected to produce approximately $25.0 million annually.

The GRF appropriations Act also created the Buckeye Tobacco Settlement Financing Authority to securitize tobacco settlement receipts payable to the State under the November 1998 national tobacco settlement. On October 29, 2007, the Authority issued $5.53 billion in Tobacco Settlement Asset-Backed Bonds, Series 2007 to fund capital expenditures for higher education ($938 million) and common school ($4.112 billion) purposes over three years in lieu of the State issuing GRF-backed general obligation bonds to fund those capital expenditures. The resulting debt service savings to the GRF is funding the expansion of the homestead exemption property tax relief program in the Act. The Act reprograms all prior General Assembly allocations of anticipated tobacco settlement receipts to enable the pledge of 100% of those receipts to the payment of debt service on the Authority's obligations. The State had previously enacted legislation allocating its anticipated share of those receipts through Fiscal Year 2012 and making a partial allocation thereafter through Fiscal Year 2025. Except for Fiscal Years 2002 through 2004, none of the receipts were applied to existing operating programs of the State. Under those previously enacted allocations, the largest amount was to be applied to elementary and secondary school capital expenditures, with other amounts allocated for smoking cessation and health-related purposes, biomedical research and technology transfer, and assistance to the tobacco growing areas in the State.

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

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

- The Governor, on January 31, 2008, issued an executive order directing expenditure reductions and spending controls totaling approximately $509 million (of which about $402 million was realized) for the 2008-09 biennium, as well as limitations on major purchases, hiring and travel, based primarily on the transfers of unspent agency appropriations and the June 2008 action described below. Allocation of those reductions has been determined by the OBM Director in consultation with the affected agencies and departments, with annual expenditure reductions ranging up to 10%. An employee reduction plan was also announced aimed at reducing the State's workforce by up to 2,700 through selective elimination of positions, attrition, unfilled vacancies and an early retirement incentive program. Expressly excluded from the cutbacks are appropriations for or relating to debt service on State obligations, State higher education instructional support, foundation formula support for primary and secondary education, Medicaid entitlement programs, and ad valorem property tax relief payments.
- Transfer of unspent agency appropriations totaling $120 million Fiscal Year 2008 and $78 million in Fiscal Year 2009.
- Authorizing expansion of the State-run lottery system to include "keno" games then projected to generate $65 million in Fiscal Year 2009 of which approximately $25 million was realized.

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

In March 2008, in response to the national economic downturn, the Governor proposed a $1.7 billion economic stimulus plan to stimulate the Ohio economy through investments in logistics and distribution, bio-products and bio-medical research, advanced and renewable energy, local government infrastructure, conservation projects and brownfield revitalization projects. These investments were to be funded primarily through new GRF bond-backed capital appropriations. After extensive hearings and review, the General Assembly in June passed a $1.57 billion economic stimulus package that mirrored the purposes proposed by the Governor and added funding for higher education workforce programs and expanded the State's historic preservation tax credits. The sources of funding for the stimulus plan include, in addition to GRF-backed bonds, $230 million of cash from the Ohio Tobacco Prevention Foundation (this transfer is subject to a pending legal challenge described below under **Current Biennium**), $370 million in GRF operating appropriations to have been made over the next five fiscal years, $184 million in bonds backed by net profit from the State's liquor enterprise, and $200 million in bonds backed by highway user receipts.

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

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

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

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

- Reducing total GRF Medicaid spending by $311.1 million by using cash from non-GRF Medicaid accounts and the corresponding federal share previously planned for use in Fiscal Year 2010.

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

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

Spring 2009. Based on the Administration's continuing monitoring of revenues, and as an anticipated step in the then ongoing 2010-11 biennial budget and appropriations process, OBM reported revised revenue estimates to the General Assembly on June 11, 2009. Those estimates revised Fiscal Year 2009 revenues downward by an additional $912 million over OBM's December 2008 adjusted baseline, based primarily on updated income and sales tax receipts through May 31. To address this additional Fiscal Year 2009 revenue shortfall, the Governor received General Assembly approval for and used the entire remaining BSF balance of $949 million for Fiscal Year 2009. Additional measures taken to address this shortfall included the restructuring of $52.8 million of Fiscal Year 2009 general revenue fund debt service into Fiscal Years 2012 through 2021 and expenditure reductions of $98 million in addition to the expenditure controls ordered by the Governor on April 22.

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

Current Biennium

Consistent with State law, the Governor's Executive Budget for the 2010-11 biennium was released in February 2009 and introduced in the General Assembly. After extended hearings and review, and after passage by the General Assembly and signing by the Governor of three seven-day interim budgets, the 2010-11 biennial appropriations Act was passed by the General Assembly and signed (with selective vetoes) by the Governor on July 17, 2009. All necessary debt service and lease-rental payments related to State obligations for the entire 2010-11 biennium were fully appropriated for the three week interim period and under the final Act. Reflecting the final implementation of the restructuring of State taxes commenced in 2006-07 and a conservative underlying economic forecast, that Act makes total GRF biennial appropriations of approximately $50.5 billion (a 3.8% decrease from the 2008-09 biennial expenditures) based on GRF biennial estimated revenues of approximately $51.1 billion (a 4.2% decrease from the 2008-09 biennial revenues). Appropriations for major program categories compared to 2008-09 actual spending reflect increases of 3.4% for Medicaid (that Act also included a number of Medicaid reform and cost containment initiatives) and 0.7% for corrections and youth services; and decreases of 13.8% for mental health and developmental disabilities, 8.3% for higher education, and 5.15% for elementary and secondary education. That Act also includes the restructuring of $736 million of Fiscal Years 2010 and 2011 general revenue fund debt service into Fiscal Years 2012 through 2025. Both the Executive Budget and the GRF appropriations Act complied with the law discussed above under **2006-07** limiting most GRF appropriations.

Major new sources of revenues reflected in the 2010-11 appropriations Act include:

- $2.4 billion of "Federal Stimulus" funding received under the American Recovery and Reinvestment Act of 2009, including $1.464 billion for elementary and secondary education, $628 million for Federal Medical Assistance Payments, and $326 million for other purposes.
- $933 million in gaming and license revenues ($296 million in Fiscal Year 2010 and $637 million in Fiscal Year 2011) from the Ohio Lottery Commission's implementation of video lottery terminals

(VLTs) at the seven horse racing tracks in the State. OBM estimated the VLTs would result in an approximately $851 million net increase in revenues for the biennium ($285 million in Fiscal Year 2010 and $566 million in Fiscal Year 2011) after taking into account offsetting effects of the VLTs on other lottery revenues. On September 21, 2009, the Ohio Supreme Court ruled that the statutory provisions enacted in the biennial appropriations Act in support of implementation of those VLTs are subject to voter referendum and granted petitioners in that case until December 20, 2009 to submit referendum petitions. Under the referendum provisions of the Ohio Constitution, if referendum petitions are submitted containing at least 241,366 valid signatures (six per cent of the electors of the State) with at least half of those signatures from 44 of the State's 88 counties, those statutory provisions for VLTs will not take effect "unless and until approved by a majority of those [electors] voting upon the same" at an election held on November 2, 2010. After review of the signatures on the timely submitted petitions and supplemental petitions, the Ohio Secretary of State, on March 26, notified the committee for the petitioners those petitions contained a sufficient number of valid signatures and the referendum will be placed on the November 2, 2010 ballot. On June 28, 2010, the committee for the petitioners notified the Ohio Secretary of State that it was withdrawing the ballot issue.

- $259 million from the Ohio Tobacco Use Prevention and Control Foundation Endowment Fund (TUPAC) to be deposited into a special State fund (non-GRF) to be used for various health care initiatives. On August 11, 2009, a trial court ruled in favor of the plaintiffs and ordered these monies must remain in that endowment fund and be used for the purpose of reducing tobacco use. The State immediately appealed this trial court ruling and on December 31, 2009, the Court of Appeals ruled in favor of the State and reversed the trial court's order. Plaintiffs appealed the Court of Appeals decision to the Ohio Supreme Court which was accepted on March 10, 2010. After the case was fully briefed the Supreme Court heard oral arguments on July 6 and the case now awaits its decision.
- $1.036 billion of "one-time" revenues or savings ($640 million in Fiscal Year 2010 and $396 million in Fiscal Year 2011), including $364 million from the spend-down of carry-forward balances (that required temporary suspension of the one-half of one percent ending fund balance requirement for the 2010-11 biennium), $250 million transferred from a cash account at the Ohio School Facilities Commission funds (anticipated to be replaced with bond funding of school facilities in future biennia), $272 million savings from subjecting State employees to a two week unpaid "furlough" during each year of the biennium, $84.3 million from a reduction in State funding to public libraries funding, and $65 million from the transfer to the GRF of interest on the proceeds of the State's 2007 tobacco securitization.
- $530 million from transfers to the GRF of unclaimed funds and from other non-GRF funds.

To the extent these items reflect non-recurring revenues, the budget and general appropriations for the 2012-13 biennium will need to reflect alternative revenue sources or off-setting expenditure reductions **(see Fiscal Matters – General)**.

In response to the above-referenced September 21 decision of the Ohio Supreme Court declaring the VLT provisions in the biennial appropriations Act subject to referendum, the Governor proposed for General Assembly consideration postponing for two years the final installment of the personal income tax reduction currently scheduled to take effect for tax year 2009 (for returns filed in 2010). See **TAX LEVELS AND TAX BASES – Personal Income Tax.** After extended hearings and review, the General Assembly approved, and the Governor signed into law on December 22, 2009, legislation keeping personal income tax rates at 2008 levels through tax year 2010. The Ohio Department of Taxation estimates the postponement will result in $844 million of additional State GRF tax revenues in the current biennium ($418 million in Fiscal Year 2010 and $426 million in Fiscal Year 2011).

The State ended Fiscal Year 2010 with GRF cash and fund balances of $510.4 million and $139.1 million respectively. OBM is currently projecting a positive GRF fund balance at the end of Fiscal Year 2011. As discussed above, the State is effectively precluded by its Constitution from ending a Fiscal Year or a biennium in a "deficit" position. OBM continually monitors and analyzes revenues and expenditures developments (including pending litigation) and prepares a financial report summarizing its analyses at the end of each month. The most recent Monthly Financial Reports are accessible via OBM's home page at http://obm.ohio.gov/MiscPages/MonthlyFinancialReports/, and copies are available upon request to OBM.

Cash Flow

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

The TOF includes the total consolidated cash balances, revenues, disbursements and transfers of the GRF and several other specified funds (including the BSF). The TOF cash balances are consolidated only for the purpose of meeting cash flow requirements, and, except for the GRF, a positive cash balance must be maintained for each discrete fund included in the TOF. The GRF is permitted to incur a temporary cash deficiency by drawing upon the available consolidated cash balance in the TOF. The amount of that permitted GRF cash deficiency at any time is limited by statute to 10% of GRF revenues for the then preceding Fiscal Year, but that limitation has been suspended for 2010-11 biennium.

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

STATE DEBT

General

The incurrence or assumption of debt by the State without a popular vote is, with limited exceptions, prohibited by the State Constitution. The State may incur debt to cover casual deficits or to address failures in revenues or to meet expenses not otherwise provided for, but limited in amount to $750,000. The Constitution expressly precludes the State from assuming the debts of any county, city, town or township, or of any corporation. (An exception in both cases is for debts incurred to repel invasion, suppress insurrection, or defend the State in war.) The Constitution provides that "Except the debts above specified . . . no debt whatever shall hereafter be created by, or on behalf of the state."

By 19 constitutional amendments approved from 1921 to present, Ohio voters have authorized the incurrence of State general obligation (GO) debt and the pledge of taxes or excises to its payment, all related to the financing of capital facilities, except for four that funded bonuses for veterans, one that funded coal technology research and development, and one for research and development activities. Currently, tax supported general obligation debt of the State is authorized to be incurred for the following purposes: highways, local infrastructure, coal development, natural resources, higher education, common schools, conservation, research and development, site development and veterans compensation. Although supported by the general obligation pledge, highway debt is also backed by a pledge of and has always been paid from the State's motor fuel taxes and other highway user receipts that are constitutionally restricted in use to highway related purposes.

State special obligation debt, the owners or holders of which are not given the right to have excises or taxes levied by the General Assembly to pay principal and interest, is authorized for specified purposes by Section 2i of Article VIII of the Constitution. Debt service payments are subject to biennial appropriations by the General Assembly pursuant to leases or agreements entered into by the State.

The Ohio Building Authority (OBA) issues special obligations for facilities to house branches and agencies of State government and their functions, including: State office buildings and facilities for the Department of Administrative Services (DAS) and others, the Department of Transportation (ODOT) and the Department of Public Safety (DPS); juvenile detention facilities for the Department of Youth Services (DYS); Department of Rehabilitation and Correction (DRC) prisons and correctional facilities including certain local and community-based facilities; office buildings for the Bureau of Workers' Compensation (BWC) and Department of Natural Resources (DNR); and school district technology and security facilities. The Treasurer of State also issues obligations for mental health, parks and recreation, and cultural facilities purposes and to refund certain bonds previously issued for higher education purposes, and has previously issued obligations for elementary and secondary school facilities. Debt service on obligations issued under Section 2i of Article VIII is paid from GRF appropriations, with the exception of debt issued for ODOT and DPS facilities (paid from highway user receipts) and for BWC facilities (paid from the BWC Administrative Cost Fund).

Federal Highway Grant Anticipation Revenue (GARVEE) Bonds. In addition to its issuance of highway bonds, the State has financed selected highway infrastructure projects by issuing bonds and entering into agreements that call for debt service payments to be made from federal transportation funds allocated to the State, subject to biennial appropriations by the General Assembly. The highest annual State payment under those agreements in the current or any future fiscal year is $153.9 million in Fiscal Year 2011. In the event of any insufficiency in the anticipated federal allocations to make payments on State bonds, the payments are to be made from any lawfully available moneys appropriated to ODOT for the purpose.

Economic Development and Revitalization. A statewide economic development program assists the financing of facilities and equipment for industry, commerce, research and distribution, including technology innovation, by providing loans and loan guarantees. The law authorizes the issuance of State bonds and notes secured by a pledge of portions of the State profits from liquor sales. The General Assembly has authorized the issuance of these obligations with a maximum of $630 million to be outstanding at any one time, of which not more than $84 million may be issued for eligible advanced energy projects and not more than $100 million may be issued for eligible logistics and distribution projects. The aggregate amount of net liquor profit to be used in any Fiscal Year to pay debt service on these economic development bonds may not exceed $63 million and the current maximum annual debt service is $40.6 million in Fiscal Year 2016. Pursuant to constitutional authority discussed below under **Additional Authorizations**, the State has issued $200 million of bonds for revitalization purposes that are also payable from a separate, subordinate pledge of State net liquor profits. The maximum annual debt service on the revitalization bonds is $18.6 million in Fiscal Year 2012.

Certificates of Participation (COPs). State agencies also have participated in buildings and equipment, information systems and non-highway transportation projects that have local as well as State use and benefit, in connection with which the State has entered into lease-purchase agreements with terms ranging from 7 to 20 years. Certificates of Participation (COPs) have been issued in connection with those agreements that represent fractionalized interests in and are payable from the State's anticipated lease payments. The maximum annual payment from GRF appropriations under those existing agreements is $30.5 million in Fiscal Year 2013 and the total GRF-supported principal amount outstanding is $208.1 million. Payments by the State are subject to biennial appropriations by the General Assembly with the lease terms subject to renewal if appropriations are made. The OBM Director's approval of such agreements is required if COPs are to be publicly-offered in connection with those agreements.

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

Tax Credits in Support of Other Long Term Obligations. The State has authorized the issuance of fully refundable tax credits in support of the $157,940,000 Ohio Capital Fund (OCF) financing bonds issued in May 2010 by the Columbus-Franklin County Finance Authority. Those tax credits may be claimed by the bond trustee for the purpose of restoring the bond reserve fund for those bonds in the event it is drawn upon and not restored from other sources. Those credits may not be claimed before July 1, 2012 or after June 30, 2036, and the maximum amount of tax credits that may be claimed is $20 million in any fiscal year and $380 million total. Proceeds of the OCF bonds fund investments in venture capital funds to promote investment in seed and early-stage Ohio-based business enterprises.

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Variable Rate Debt and Interest Rate Swaps

The State currently has $669,215,000 in outstanding general obligation variable rate debt as follows with liquidity provided by the State for all of these issues:

Dated Date	Outstanding	Purpose	Series	Rate Period	Final Maturity
11/29/01	$63,900,000	Infrastructure	2001B	Weekly	8/1/2021
2/26/03	99,145,000	Infrastructure	2003B	Weekly	8/1/2017
3/20/03	58,085,000	Infrastructure	2003D	Weekly	2/1/2019
12/15/03	67,000,000	Common Schools	2003D	Weekly	3/15/2024
3/3/04	55,295,000	Infrastructure	2004A	Weekly	2/1/2023
4/1/05	157,750,000	Common Schools	2005A/B	Weekly	3/15/2025
6/7/06	168,040,000	Common Schools	2006B/C	Weekly	6/15/2026

As part of its debt management, the State is also party to the following interest rate swap agreements with a total notional amount of $511,985,000:

Type	Outstanding Notional Amount	Related Bond Series	State Pays	State Receives	Effective Date	Termination Date
Floating-to-Fixed	$63,900,000	Infrastructure 2001B	4.630%	SIFMA[1]	11/29/2001	8/1/2021
Floating-to-Fixed	67,000,000	Common Schools 2003D	3.414%	LIBOR[2]	9/14/2007	3/15/2024
Floating-to-Fixed	55,295,000	Infrastructure 2004A	3.510%	LIBOR[2]	3/3/2004	2/1/2023
Floating-to-Fixed	157,750,000	Common Schools 2005A/B	3.750%	LIBOR[3]	3/15/2007	3/15/2025
Floating-to-Fixed	168,040,000	Common Schools 2006B/C	3.202%	LIBOR[2]	6/15/2006	6/15/2026

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

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

Constitutional Limitation on Annual Debt Service

A 1999 constitutional amendment provides an annual debt service "cap" applicable to most future issuances of State general obligations and other State direct obligations payable from the GRF or net State lottery proceeds. Generally, new obligations may not be issued if debt service for any future Fiscal Year on those new and the then outstanding bonds of those categories would exceed 5% of the total of estimated GRF revenues (excluding GRF receipts from the American Recovery and Reinvestment Act of 2009) plus net State lottery proceeds for the Fiscal Year of issuance. Those direct obligations of the State include general obligation and special obligation bonds that are paid from the State's GRF, but exclude (i) general obligation debt for third frontier research and development, development of sites and facilities, and veterans compensation, and (ii) general obligation debt payable from non-GRF funds (such as highway bonds that are paid from highway user receipts). Pursuant to the implementing legislation, the Governor has designated the OBM Director as the State official responsible for making the 5% determinations and certifications. Application of the 5% cap may be waived in a particular instance by a three-fifths vote of each house of the Ohio General Assembly and may be changed by future constitutional amendments.

The following table presents a summary of current State debt obligations as of September 28, 2010. The General Assembly has appropriated sufficient moneys to meet debt service requirements for the current biennium (ending June 30, 2011) on all of the obligations included in this and the accompanying tables.

	Authorized by General Assembly	Issued(a)	Outstanding(b)
Obligations Payable from the GRF			
General Obligations			
Coal Development(c)	$231,000,000	$198,000,000	$24,010,000
Infrastructure(d)	3,000,000,000	2,759,986,136	1,522,724,722(e)
Natural Resources(f)	350,000,000	325,000,000	151,750,000
Common School Facilities(g)	3,870,000,000	3,290,000,000	2,626,980,000(e)
Higher Education Facilities(g)	2,613,000,000	2,000,000,000	1,478,370,000
Conservation(h)	300,000,000	250,000,000	186,730,000
Research & Development(i)	450,000,000	255,700,000	211,845,000
Site Development(j)	150,000,000	75,000,000	63,965,000
Veterans Compensation(k)	200,000,000	50,000,000	50,000,000
		Total	$6,316,374,722
Special Obligations			
DRC Prison Facilities	$1,943,000,000	$1,799,500,000	$628,105,000
DYS Facilities	304,000,000	282,000,000	150,940,000
DAS Facilities	1,646,000,000	1,613,300,000	708,645,000
Cultural & Sports Facilities	512,000,000	458,690,000	169,865,000
Higher Education Facilities	4,817,590,000	4,817,590,000	198,560,000
Mental Health Facilities	1,517,000,000	1,392,085,000	200,765,000
Parks & Recreation Facilities	418,000,000	378,000,000	128,225,000
		Total	$2,185,105,000
Obligations Payable from Non-GRF Sources			
Highway User Receipts			
G.O. Highway(l)	$2,772,000,000	$2,115,000,000	$709,500,000
ODOT Facilities	155,800,000	155,800,000	-0-
DPS Facilities	143,000,000	140,285,000	36,210,000
Net Liquor Profits			
Economic Development(m)	n.a.	$506,740,000	$410,675,000
Revitalization Projects(n)	400,000,000	200,000,000	163,060,000
Other			
ODOT Highway Infrastructure(o)	n.a.	$1,577,250,000	$852,645,000
BWC Facilities(p)	214,255,000	214,255,000	62,870,000

(a) Excludes refunding bonds; includes bonds refunded.
(b) Excludes bonds refunded; includes refunding bonds.
(c) Not more than $100,000,000 may be outstanding at any time.
(d) Not more than $120,000,000 may be issued in each of the first five fiscal years beginning with Fiscal Year 2008 and not more than $150,000,000 may be issued in each of the five fiscal years thereafter, plus any obligations unissued from previous fiscal years.
(e) Includes adjustable rate bonds.
(f) Not more than $50,000,000 may be issued in any Fiscal Year and not more than $200,000,000 may be outstanding at any time.
(g) Amounts of general obligations authorized for common school and higher education facilities have been reduced by $800,000,000 and $950,000,000, respectively, to reflect a portion of the amount of obligations issued for those purposes by the Buckeye Tobacco Settlement Financing Authority described under **FISCAL MATTERS –Recent and Current Finances – 2008-09.**
(h) Not more than $50,000,000 may be issued in any Fiscal Year and not more than $400,000,000 may be outstanding at any time.
(i) Not more than $1,200,000,000 may be issued and the amount of obligations that may be issued is limited to no more than $450 million total for the period including Fiscal Years 2006 through 2011, no more than $225 million in Fiscal Year 2012 and no more than $175 million in any Fiscal Year thereafter, plus any obligations unissued from previous fiscal years.
(j) Not more than $30,000,000 may be issued in each of the first three Fiscal Years and not more than $15,000,000 in any other Fiscal Year.
(k) Constitutional authorization is self-implementing and does not require further General Assembly authorization. Not more than $200,000,000 may be issued and no obligations may be issued later than December 31, 2013.
(l) Not more than $220,000,000 may be issued in any year and not more than $1.2 billion may be outstanding at any time.
(m) Revenue obligations issued for economic development assistance programs established under Chapter 166 of the Ohio Revised Code, including the Innovation Ohio and research and development programs. Not more than $630,000,000 may be outstanding at any time.
(n) Net liquor profits are statutorily designated as the source of payment of debt service.
(o) Debt service on these “GARVEE” bonds is paid from federal transportation grants apportioned to the State (Title 23 of the U.S. Code).
(p) Debt service is paid from appropriations from the BWC Administrative Cost Fund.

The following table shows total Fiscal Year debt service on currently outstanding State obligations payable from the GRF as of September 28, 2010:

Annual Debt Service Requirements on State Obligations Paid from the GRF

	General Obligations			Special Obligations		Total GRF Debt Service		
FY	Education(a)	Infra-structure(b)	All Other(c)	Treasurer(d)	OBA(e)	Principal	Interest	Total
2011	$252,738,146	$148,688,610	$91,038,741	$195,076,436	$77,578,834	$358,842,787	$406,277,979	$767,053,091
2012	429,941,965	204,725,748	101,195,940	166,507,183	222,083,852	723,261,933	401,192,754	1,124,454,687
2013	435,878,067	197,070,387	98,444,858	134,749,326	201,702,199	695,797,649	372,047,188	1,067,844,838
2014	448,745,093	193,718,330	89,135,252	78,919,098	200,489,681	690,386,268	320,621,185	1,011,007,453
2015	439,543,531	175,839,842	86,236,235	69,513,273	191,379,316	679,613,397	282,898,798	962,512,195
2016	434,098,539	170,273,296	85,190,556	62,376,474	169,409,844	672,588,600	248,760,108	921,348,709
2017	427,394,983	159,002,316	78,400,163	48,407,649	152,007,663	648,195,000	217,017,773	865,212,773
2018	409,077,986	145,888,008	69,619,657	43,458,271	140,990,607	621,105,000	187,929,529	809,034,529
2019	417,991,479	128,730,390	55,051,618	31,370,934	119,825,180	592,680,000	160,289,601	752,969,601
2020	416,817,263	118,362,602	42,169,662	23,212,388	96,238,614	563,725,000	133,075,529	696,800,529
2021	409,877,124	108,851,986	17,679,077	7,917,106	96,200,222	533,785,000	106,740,516	640,525,516
2022	376,335,719	100,608,237	17,565,234	0	86,014,893	498,135,000	82,389,082	580,524,082
2023	310,751,330	92,365,064	17,455,546	0	76,253,380	436,470,000	60,355,320	496,825,320
2024	208,296,449	74,079,924	12,729,919	0	63,678,708	317,685,000	41,100,000	358,785,000
2025	141,359,081	64,443,232	4,962,196	0	53,171,540	238,010,000	25,926,049	263,936,049
2026	89,070,117	62,360,397	0	0	11,173,663	147,440,000	15,164,178	162,604,178
2027	29,702,250	45,333,290	0	0	11,169,246	77,495,000	8,709,786	86,204,786
2028	0	45,113,058	0	0	11,171,714	50,785,000	5,499,773	56,284,773
2029	0	35,389,481	0	0	11,172,243	43,560,000	3,001,725	46,561,725
2030	0	15,948,077	0	0	3,374,937	17,990,000	1,333,014	19,323,014
2031	0	15,661,341	0	0	0	15,245,000	416,341	15,661,341
						$8,622,795,636	**$3,080,746,229**	**$11,703,541,864**

(a) Consists of common schools and higher education general obligation bonds and includes estimated debt service on adjustable rate bonds for common schools.

(b) Includes estimated debt service on adjustable rate bonds.

(c) Includes natural resources, coal development, conservation, research and development, site development and veteran's compensation general obligation bonds.

(d) Includes lease-rental bonds issued by the Treasurer for mental health, parks and recreation, and cultural & sports facilities. Also includes lease-rental bonds previously issued for higher education facilities.

(e) Includes lease-rental bonds issued by the Ohio Building Authority (OBA) for various state capital facilities.

The following table shows total Fiscal Year debt service on certain outstanding State obligations payable from the indicated non-GRF revenue as of September 28, 2010:

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

	Highway User Receipts			Net Liquor Profits			Other	
FY	Highway G.O.	ODOT/DPS Facilities(a)	Total	Economic Development(b)	Revitalization(c)	Total	BWC(d)	Federal Transportation Grants(e)
2011	$149,392,002	$13,519,556	$162,911,558	$39,550,467	$16,265,025	$55,815,492	$18,974,395	$153,965,299
2012	124,117,783	9,948,241	134,066,024	42,255,193	18,573,947	60,829,140	18,216,365	134,974,171
2013	119,589,026	2,285,644	121,874,670	42,250,872	18,569,468	60,820,339	17,458,370	130,763,684
2014	101,614,873	2,442,269	104,057,142	42,235,375	18,553,148	60,788,523	15,951,100	126,252,106
2015	81,688,650	2,443,019	84,131,668	42,253,565	18,549,533	60,803,098	0	122,225,456
2016	44,540,912	2,444,219	46,985,131	42,281,402	18,538,359	60,819,761	0	108,407,506
2017	42,940,162	2,440,650	45,380,812	42,277,570	18,517,655	60,795,225	0	83,868,119
2018	29,087,687	2,442,125	31,529,812	42,282,103	18,518,890	60,800,993	0	59,424,732
2019	28,986,646	2,447,500	31,434,146	42,272,745	13,804,423	56,077,168	0	56,891,347
2020	28,667,607	1,565,700	30,233,307	42,275,692	13,777,074	56,052,766	0	54,260,291
2021	28,325,433	1,568,250	29,893,683	42,266,557	13,712,971	55,979,528	0	20,428,043
2022	27,965,523	0	27,965,523	36,875,248	8,963,170	45,838,418	0	0
2023	27,587,537	0	27,587,537	30,677,892	8,894,169	39,572,061	0	0
2024	27,185,573	0	27,185,573	30,502,381	4,523,185	35,025,567	0	0
2025	26,760,720	0	26,760,72	21,584,764	4,439,966	26,024,731	0	0
2026	0	0	0	13,370,407	4,358,895	17,729,302	0	0
2027	0	0	0	9,211,211	0	9,211,211	0	0
2028	0	0	0	9,104,553	0	9,104,553	0	0
2029	0	0	0	9,016,530	0	9,016,530	0	0
2030	0	0	0	5,080,395	0	5,080,395	0	0

(a) Lease rental payments are paid from highway user receipts for these Ohio Department of Transportation and Department of Public Safety facilities.
(b) Consists of debt service on revenue obligations issued for economic development programs under Chapter 166 of the Ohio Revised Code.
(c) Special obligation bonds for which net liquor profits have been statutorily designated as the source of payment of debt service.
(d) Debt service paid from appropriations from the BWC Administrative Cost Fund.
(e) Debt service paid from federal transportation grants apportioned to the State under Title 23 of the U.S. Code.

The following table shows the principal amount of those obligations that are currently scheduled to be outstanding as of July 1 of the indicated years as of September 28, 2010:

	Obligations Payable from the GRF			Non-GRF Obligations	
Year	Education(a)	Other GO(b)	Special Obligations(c)	Highway User Receipts(d)	Net Liquor Profits(e)
2011	$4,049,920,000	$2,155,207,848	$2,058,825,000	$618,855,000	$549,025,000
2015	2,970,300,000	1,414,638,600	1,089,955,000	261,485,000	414,305,000
2020	1,395,740,000	605,415,000	375,445,000	121,600,000	211,895,000
2025	114,115,000	195,545,000	42,855,000	-0-	44,495,000

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

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

Fiscal Year	Principal Amount Outstanding	Outstanding Debt Per Capita	Outstanding Debt as % of Personal Income
1980	$1,991,915,000	$184	1.84%
1990	3,707,054,994	341	1.83
2000	6,308,680,025	555	1.93
2006	8,909,382,567	778	2.28
2007	9,211,911,840	803	2.27
2008	8,631,565,254	749	2.09
2009	8,486,621,212	735	2.08(b)
2010	8,586,655,636	744(a)	2.29(b)

Fiscal Year	Debt Service Payable	Total GRF Revenue and Net State Lottery Proceeds	Debt Service as % of GRF Revenue and Lottery Proceeds	Debt Service as % of Annual Personal Income
1980	$187,478,382	$4,835,670,223	3.88%	0.17%
1990	488,676,826	12,230,681,298	4.00	0.24
2000	871,313,814	20,711,678,217	4.21	0.27
2006	1,128,591,711	26,492,277,500	4.26	0.29
2007	1,216,382,190	26,447,718,900	4.60	0.30
2008	1,231,640,023	27,331,442,000	4.51	0.30
2009	1,075,937,540*	26,809,692,000**	4.01	0.26(b)
2010	710,284,236*	24,108,466,000**	2.95	0.17(b)

(a) Based on July 2009 population estimate.
(b) Based on preliminary 2009 personal income data.

* Reduction is due in large part to the restructuring of certain GRF debt service payments resulting in net savings of $52.8 million in Fiscal Year 2009 and $416.8 million in Fiscal Year 2010.
** Excludes federal funds from the American Recovery and Reinvestment Act of 2009.

Additional Authorizations

Only a portion of State capital and other needs can be met by direct GRF appropriations, and so additional State borrowing for capital and other purposes has been and will continue to be required. The following State capital appropriations and related borrowing authorizations were passed by the General Assembly or authorized by Constitutional amendment for the 2011-12 capital biennium:

General Obligation

- $525,000,000 for capital improvements for elementary and secondary public schools.
- $120,000,000 for local infrastructure projects.
- $30,000,000 for site development.
- $200,000,000 for veteran’s compensation (Article VIII, Section 2r Ohio Constitution).

Special Obligation

- $100,000,000 for revitalization purposes.

The following State capital appropriations and related borrowing authorizations were made for the 2009-10 capital biennium:

General Obligation

- $360,000,000 for local infrastructure projects.
- $100,000,000 for third frontier research and development projects.
- $28,000,000 for natural resources facilities.
- $100,000,000 for conservation purposes.
- $66,000,000 for coal development.
- $30,000,000 for site development.

Special Obligation

- $62,000,000 for prisons and local jails.
- $19,000,000 for youth services facilities.
- $48,000,000 for State administrative facilities.
- $42,000,000 for cultural facilities (including both arts and sports facilities).
- $128,000,000 for mental health facilities (including local projects).
- $41,000,000 for parks and recreation facilities.
- $100,000,000 for revitalization purposes.

All of the above additional GRF-supported borrowing authorizations are also reflected in the preceding tables.

Currently applicable constitutional authorizations are:

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

- 2009 – authorizes the issuance of State general obligation debt to provide compensation to persons who have served in active duty in the United States armed forces at any time during the Persian Gulf, Afghanistan, and Iraq conflicts, with those obligations not subject to the 5% direct obligation debt service cap described above. Not more than $200 million may be issued and no obligations may be issued later than December 31, 2013.

- 2008 – authorizes the issuance of State bonds for land conservation and revitalization purposes (including statewide brownfields clean-up). For each of the two purposes, the authorization is for not more than $50 million in principal amount to be issued in any Fiscal Year and not more than $200 million to be outstanding at any time. The bonds for conservation purposes are general obligations, and those for revitalization purposes are special obligations payable from revenues and receipts designated by the General Assembly (currently a portion of the State's net liquor profits). The authorization is in addition to the 2000 constitutional amendment for the same purposes.

- 2005 – authorizes the issuance over ten years of $500 million of State general obligation debt in support of research and development, and $150 million of State general obligation debt for the development of sites for industry, commerce, distribution and research and development, with those obligations not subject to the 5% direct obligation debt service cap described above. Also authorizes an additional $1.35 billion of general obligation debt for government infrastructure as a ten-year extension of the existing local government infrastructure program, with an increase in the annual issuance amount in the last five-years from $120 million to $150 million, which continues to be subject to that 5% debt service cap.

- 2000 – authorizes the issuance of State bonds for land conservation and revitalization purposes (including statewide brownfields clean-up). For each of the two purposes, the amendment authorizes not more than $50 million in principal amount to be issued in any Fiscal Year and not more than $200 million to be outstanding at any time. The bonds for conservation purposes are general obligations, and those for revitalization purposes are special obligations payable from revenues and receipts designated by the General Assembly (currently a portion of the State's net liquor profits).

- 1999 – authorizes State general obligation debt to pay costs of facilities for a system of common schools throughout the state and for state-supported and state-assisted institutions of higher education. The amendment also provides for the 5% direct obligation debt service cap described above.

- 1995 – authorizes additional highway bonds and extended the local infrastructure bond program. For the latter, it authorized an additional $1.2 billion of State full faith and credit obligations to be issued over 10 years, with not more than $120 million to be issued in any Fiscal Year. The highway finance portion authorizes not more than $1.2 billion to be outstanding at any time and not more than $220 million to be issued in any Fiscal Year.

- 1994 – pledges the State's full faith and credit and taxing power to meet certain guarantees under the State's tuition credit program, a program that provides for the purchase of tuition credits which are guaranteed to cover a specified amount when applied to tuition and other eligible higher education costs. Under the amendment, to secure the tuition guarantees, the General Assembly shall appropriate money sufficient to offset any deficiency that occurs in the trust fund, at any time necessary to make payment of the full amount of any tuition payment or refund required by a tuition payment contract.

- 1990 – authorizes greater State and political subdivision participation in the provision of individual and family housing. This supplements the previous constitutionally authorized loans-for-lenders and other housing assistance programs, financed in part with State revenue bonds. The amendment authorizes the General Assembly to provide for State assistance for housing in a variety of ways, including State borrowing for the purpose by the issuance of obligations secured by a pledge of all or such portion of State revenues or receipts as it authorizes (but not by a pledge of the State's full faith and credit).

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

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STATE EMPLOYEES AND RETIREMENT SYSTEMS

State Employees

Since 1985, the number of regular State employees (excluding employees who are not paid by State warrant such as state university employees) has ranged from a high of 68,573 in 1994 to low of 58,538 at the end of 2009. The number of regular State employees at the end of Fiscal Year 2010 was 59,593. The State engages in collective bargaining with six employee unions representing 20 bargaining units, and generally operates under three-year agreements. The State's current collective bargaining agreements expire in April through June 2012.

Retirement Systems

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

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

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

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

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

Under State law, each retirement system's board is required to establish a period of not more than thirty years to amortize its unfunded actuarial accrued pension liability (UAAL). If in any year the period required to amortize that unfunded liability exceeds thirty years, the board must prepare and submit to the ORSC and the applicable committees in the Ohio General Assembly, a plan to reduce that amortization period to not more than thirty years. For the reporting periods in the summary table below, the number of years to fully amortize actuarial accrued liability is thirty years for PERS and SERS, and exceeds thirty years for STRS, OP&F and HPRS. The board of each of the five systems has approved and submitted to ORSC and the applicable Ohio General Assembly committees a plan to reduce or maintain its amortization period at not more than thirty years. An ORSC-prepared summary of all retirement system funding plans submitted to it can be found on the ORSC website at www.orsc.org/reports.cfm. Legislation would need to be passed by the General Assembly to implement any funding plan that proposes modifications in retirement benefits or contribution levels.

Under current law, the State makes its employer contributions based on a percent of salary for each State employee that is an active member of a state retirement system. Currently, about 96% of State employees are members of PERS, about 2.5% are in HPRS and about 1.5% are in STRS. The State's employer contributions to those systems totaled $839.6 million in the 2006-07 biennium, $917.0 million in the 2008-09 biennium and are estimated to be $888.0 million in the 2010-11 biennium. The State also has funded and continues to fund a subsidy to the OP&F system to pay for survivor benefits provided in law and not otherwise funded. The aggregate subsidies were $42.3 million in the 2006-07 biennium, $41.8 million in the 2008-09 biennium, and are appropriated at $41.6 million for the 2010-11 biennium. All State employer contributions are subject to appropriation in each State budget and are included in the appropriations for each department or agency's personnel costs.

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

	PERS	STRS	SERS	OP&F	HPRS
Valuation as of:	**12/31/09**	**06/30/09**	**06/30/09**	**01/01/09**	**12/31/09**
Active Members	348,112	174,807	125,465	28,927	1,547
State Employees as a Percent of Active Members	16	1	0	0	100
Retirants and Beneficiaries	174,659	129,659	65,757	25,317	1,385
Employer/Employee Contributions (% of Salary) (a)	14.0/10.0(b)	14.0/10.0	14.0/10.0	(c)	26.5/10.0
Active Member Payroll	$12,548.3	$10,800.8	$2,787.4	$1,900.9	$94.8
Market Value of Assets (MVA)	$57,733.8	$50,392.7	$8,134.1	$7,757.6	$595.0
Actuarial Value of Assets (AVA) (d)	$57,629.4	$54,902.9	$9,723.0	$9,309.2	$620.4
Actuarial Accrued Liability (AAL) (e)	$76,555.0	$91,441.0	$14,221.0	$14,307.1	$940.1
Funding Ratio (AVA to AAL %, (MVA to AAL %))	75.3 (75.4)	60.0 (55.1)	68.4 (57.2)	65.1 (54.2)	66.0 (63.3)
Unfunded Actuarial Accrued Liability (UAAL) (f)	$18,925.6	$36,538.1	$4,498.0	$4,998.0	$319.7
UAAL to Active Member Payroll %	150.8	338.3	161.4	262.9	337.2

(a) For PERS, STRS, and SERS the maximum employer and employee contribution rates under law are 14% and 10%, respectively. Each system's board annually determines the portion of the employer contribution, if any, that is directed to fund post-employment health care benefits. The boards of STRS, OP&F and HPRS have voted to pursue legislation enabling member contribution rate increases.
(b) PERS state is 14.0/10.0%, local is 14.0/10.0% and law enforcement is 17.9/11.1%. PERS state and local employer and employee contribution rates increased to their current statutory maximum of 14% and 10%, respectively, in calendar year 2008.
(c) Police is 19.5/10% and fire 24/10%.
(d) Recognizes assumed investment returns fully each year (long term investment returns assumed at 8.25% for OP&F and 8.0% for all other systems). Differences between actual and assumed investment returns are phased-in over a closed four-year period, except for OP&F which phases-in over five-year period.
(e) Reflects an individual entry age actuarial cost method.
(f) Amortized over a 30-year open period as a level percent of payroll.
Sources: Retirement systems' CAFRs and annual actuarial valuations.

The following table summarizes financial and funding information for each of the retirement systems over the past five years as reported by the particular system ($ in millions):

Retirement System and Valuation Year-End	Actuarial Value of Assets (AVA)(a)	Actuarial Accrued Liability (AAL)(b)	Unfunded Actuarial Accrued Liability (UAAL)(c)	Funding Ratio (AVA to AAL)	Market Value of Assets (MVA)	Funding Ratio (MVA to AAL)	Active Member Payroll	UAAL Percent of Active Member Payroll
PERS								
12/31/08	$55,315.2	$73,465.7	$18,150.5	75.3%	$49,388.6	67.2%	$12.801.1	141.8%
12/31/07	$67,151.3	$69,733.6	$2,582.2	96.3%	$70,043.6	100.4%	$12,583.4	20.5%
12/31/06	$61,295.6	$66,160.7	$4,865.1	92.6%	$65,357.9	98.8%	$12,175.2	40.0%
12/31/05	$54,473.4	$62,498.0	$8,025.0	87.2%	$57,702.4	92.3%	$11,806.8	68.0%
12/31/04	$50,452.3	$57,604.0	$7,151.6	87.6%	$53,576.4	93.0%	$11,454.3	62.4%
STRS								
06/30/08	$69,198.0	$87,432.4	$18,234.3	79.1%	$67,144.6	76.8%	$10,460.5	174.3%
06/30/07	$66,671.5	$81,126.6	$14,445.1	82.2%	$72,232.3	89.0%	$10,199.5	141.6%
06/30/06	$58,008.0	$77,371.0	$19,363.0	75.0%	$62,350.1	80.6%	$9,974.1	194.1%
06/30/05	$53,765.6	$73,817.1	$20,051.5	72.8%	$56,340.7	76.3%	$9,775.2	205.1%
06/30/04	$52,253.8	$69,867.4	$17,613.6	74.8%	$51,516.5	73.7%	$9,566.0	184.1%
SERS								
06/30/08	$11,241.0	$13,704.0	$2,463.0	82.0%	$10,793.5	78.8%	2,873.0	85.7%
06/30/07	$10,513.0	$13,004.0	$2,562.0	80.8%	$11,711.2	90.1%	2,603.3	98.4%
06/30/06	$9,423.0	$12,327.0	$2,974.0	76.4%	$9,980.2	81.0%	2,553.3	116.5%
06/30/05	$8,780.0	$11,659.0	$2,948.0	75.3%	$9,269.1	79.5%	2,452.5	120.2%

06/30/04	$8,550.0	$10,953.0	$2,403.0	78.1%	$8,565.4	78.2%	2,394.1	100.4%
OP&F								
01/01/08	$11,212.9	$13,727.8	$2,514.9	81.7%	$11,895.5	86.7%	$1,831.4	137.3%
01/01/07	$10,158.0	$12,987.5	$2,829.5	78.2%	$11,175.8	86.1%	$1,782.9	158.7%
01/01/06	$9,550.6	$12,190.4	$2,639.8	78.3%	$9,994.4	82.0%	$1,756.2	150.3%
01/01/05	$9,337.5	$11,545.1	$2,207.6	80.9%	$9,514.2	82.4%	$1,683.6	131.1%
01/01/04	$9,337.1	$10,798.4	$1,461.3	86.5%	$8,691.6	80.5%	$1,644.4	88.9%
HPRS								
12/31/08	$603.3	$904.5	$301.3	66.7%	$502.7	55.6%	$94.3	319.5%
12/31/07	$700.9	$866.3	$165.4	80.9%	$719.6	83.1%	$93.8	176.3%
12/31/06	$653.5	$807.8	$154.3	80.9%	$684.6	84.7%	$85.9	179.6%
12/31/05	$591.9	$773.9	$181.9	76.5%	$612.5	79.1%	$83.4	218.1%
12/31/04	$569.9	$734.5	$164.6	77.6%	$587.9	80.0%	$81.8	201.2%

(a) Recognizes assumed investment returns fully each year (long term investment returns assumed at 8.25% for OP&F and 8.00% for all other systems). Differences between actual and assumed investment returns are phased-in over a closed four-year period, except for OP&F which phases-in over five-year period.
(b) Reflects an individual entry age actuarial cost method.
(c) Amortized over a 30-year open period as a level percent of payroll.
Sources: Retirement systems' CAFRs and annual actuarial valuations.

Each of the State's public retirement systems also offers post-employment health care benefits to its members. Benefits under these health care programs are not vested and are subject to future adjustments of both benefits and contributions by their respective boards. In this regard, PERS has adopted two health care preservation plans, the first in September of 2004 and the second in June 2007, to adjust benefits and contributions by employers, employees, and retirees, with those changes phased in over six years. Financial reporting of their health care plans is in compliance with GASB Statement 43 -- Financial Reporting for Post-Employment Benefit Plans Other than Pension Plans.

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

	PERS	**STRS**	**SERS**	**OP&F**	**HPRS**
Valuation as of:	**12/31/09**	**01/01/09**	**06/30/09**	**01/01/09**	**12/31/09**
Value of Assets (a)	$10,936.0	$2,693.7	$376.5	$438.7	$100.8
Actuarial Accrued Liability (AAL) (b)	$31,558.0	13,413.7	$4,280.3	$3,163.6	$287.6
Unfunded Actuarial Accrued Liability (UAAL) (c)	$20,622.0	10,720.0	$3,903.8	$2,725.0	$186.8
Funding Ratio (Assets to AAL %)	34.7	20.1	8.8	13.9	35.0
Employer Contribution (% of Salary) (d)	5.5%	1.0%	1.0%	6.75%	3.5%

(a) For PERS & HPRS, recognizes long term investment returns (assumed at 6.5%) fully each year with the differences between actual and assumed investment returns phased-in over a closed four-year period. For STRS, SERS and OP&F, reflects market value.
(b) Reflects an individual entry age actuarial cost method.
(c) Amortized over a 30-year open period as a level percent of payroll.
(d) Each system's board annually determines the portion of the employer contribution, if any, that is directed to fund post-employment health care benefits. This amount has typically ranged from 1.0% to 7.0% of salary.
Sources: Retirement systems' annual actuarial valuations.

TAX LEVELS AND TAX BASES

The variety of taxes and excises levied by the State is indicated in several tables in this Appendix. According to the Federation of Tax Administrators, citing the U.S. Census Bureau as its source, the State ranked 35th in state taxes per capita in 2009. Three major tax bases in the State, personal income (taxed by the State and municipalities and, with voter approval, by certain school districts), retail sales and use (taxed by the State and counties and transit authorities), and real and tangible personal property (taxed by local governments), are described below. In addition, the State has completed the phase-in over fiscal years 2006 through 2010 of its commercial activity tax (CAT) on taxable gross receipts from doing business in Ohio, and the phase out over the same general period of its corporate franchise tax (except for its continuing application to financial institutions and certain affiliates of insurance companies and financial institutions). The initial rate for the CAT was 0.06% effective July 1, 2005, with that rate increased annually in approximately equal amounts (about 0.05%) until levied at the current rate of 0.26% when fully implemented in Fiscal Year 2010. As described further below, the receipts from the CAT are directed first and primarily to make compensating payments to school districts and other local taxing units in connection with the phase-out of the tangible personal property tax in 2006 through 2009.

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

Sales and Use Tax

The State sales and use tax rate has been 5.5% since July 1, 2005. That rate was temporarily increased from 5.0% to 6.0% for the period July 1, 2003 through June 30, 2005 (see **Recent and Current Finances – Recent Biennia – 2004-05**). The sales and use tax is levied uniformly across counties on retail sales of tangible personal property that are not specifically exempt. Retail sales include the rental and storage of tangible personal property, the rental of hotel rooms, and certain specified services including, but not limited to, repair and installation services, data processing, computer, and electronic information services, telecommunication and personal care services.

Counties and transit authorities each are authorized to levy permissive sales and use taxes at rates of 0.25% to 1.5% in quarter-percent increments. The highest potential aggregate of State and permissive local sales taxes is currently 9% and the highest currently levied by any county is 8%. The State collects the combined state and local tax and returns the local share directly to the counties and transit authorities.

Personal Income Tax

Under State legislation effective July 1, 2005, State personal income tax rates, applying generally to federal adjusted gross income, were reduced 4.2% annually in each of the years 2005 through 2009, resulting in an aggregate 21% decrease from the 2004 rates. The 2004 rates ranged from 0.743% on incomes of $5,000 or less with increasing bracketed base rates and percentages up to a maximum on incomes over $200,000 of $11,506 plus 7.5% on the amount over $200,000. See **FISCAL MATTERS – Recent and Current Finances – Current Biennium** for discussion of postponement of the final installment of this personal income tax reduction until tax year 2011. Under that postponement the indexing of the State income tax brackets previously scheduled to begin July 1, 2005 remains suspended until tax year 2010.

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

Municipalities, school districts and joint economic development districts may also levy certain income taxes. Any municipal rate (applying generally to wages and salaries and net business income) over 1%, and any school district income tax (applying generally to the State income tax base for individuals and estates), requires voter approval. Most cities and villages levy a municipal income tax. The highest municipal rate in 2002 was 2.85%. A school district income tax is currently approved in 145 districts. Each joint economic development district (there were approximately 35 of them in 2009) may also levy an income tax (which like municipal income taxes applies generally to wages and salaries and net business income) with the rate of that tax limited to the highest income tax rate of a municipal member of the district). Effective July 1, 2005, there may also be proposed for voter approval municipal income taxes to be shared with school districts, but those taxes may not be levied on the income of nonresidents.

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

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Personal Income ($ in Billions)

		U.S.	Ohio	Ohio Percent of U.S.	State Rank
1970	Total	$832.2	$43.6	5.2%	5
	per capita	4,084	4,088	100.1	15
1980	Total	2,292.9	108.2	4.7	6
	per capita	10,091	10,022	99.3	21
1990	Total	4,831.3	202.5	4.2	7
	per capita	19,354	18,638	96.3	21
2000	Total	8,554.9	326.1	3.8	7
	per capita	30,318	28,694	94.6	25
2007	Total	11,879.8	405.2	3.4	8
	per capita	39,392	35,174	89.3	31
2008	Total	12,225.6	413.7	3.4	8
	per capita	40,166	35,889	89.4	34
2009*	Total	12,015.5	408.4	3.4	8
	per capita	39,138	35,381	90.4	33

* Preliminary, subject to change.

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

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

Retail Sales ($ in Billions)

Fiscal Year	Ohio Retail Sales(a)	U.S. Retail Sales(b)	Ohio Percent of U.S.
1980	$39.01	$979.25	4.0%
1990	66.95	1,914.04	3.5
2000	117.72	3,213.82	3.6
2005	133.31	3,956.49	3.4
2006	138.07	4,206.21	3.3
2007	140.90	4,354.32	3.2
2008	143.44	4,490.91	3.2
2009	133.60	4,196.74	3.2

(a) Calculated by Global Insight based on data from the U.S. Department of Commerce, Bureau of the Census.
(b) U.S. Census Bureau Web Site.

Property Tax

The following table lists, for informational purposes only, the non-exempt real and tangible personal property tax base in the State and taxes levied on that base (on a calendar year basis). Only local taxing subdivisions, and not the State, currently tax the real and tangible personal property included in this table. Reported figures for 2008 show that these property taxes represent 3.68% of Ohio personal income.

		Assessed Value (a)	Percent of True Value (b)	Taxes Charged
1980	Real(c)	$56,457,842,607	27.1%	$2,343,384,488(e)
	Tangible(d)	15,649,200,844	39.2	765,047,826
	Public Utility(c)	8,670,052,613	83.3	411,321,235
1990	Real	93,857,482,000	35.0	4,593,147,000(e)
	Tangible(d)	18,473,055,000	28.0	1,149,643,000
	Public Utility(c)(f)	12,934,191,000	88.6	799,396,000
2000	Real	167,857,657,350	35.0	8,697,809,112(e)
	Tangible(d)	23,298,302,564	25.0	1,720,740,378
	Public Utility(c)(f)	13,635,709,860	67.0	967,674,709
2008	Real	240,673,472,605	35.0	13,807,996,674(e)
	Tangible(d)	6,592,078,011	6.8(b)	539,847,674
	Public Utility(c)(f)	8,596,715,120(g)	47.3	646,437,973
2009	Real	238,138,880,215	35.0	14,119,235,738 (e)
	Tangible(d)	628,787,160	10.0(b)	55,498,628
	Public Utility(c)(f)	8,906,002,394 (g)	51.7	687,462,082

(a) Increases in assessed value of "Real" are in part products of reappraisals.
(b) Regular annual reductions for "Tangible" (except for most public utility tangible) reached 0% in 2009, only telecommunication and telephone personal property is taxable in 2009.

(c) Includes machinery, inventories, fixtures; effective tax year 2007 and thereafter includes telephone company property. Excludes public utility tangible property. Effective tax year 2009 includes only telephone company property.
(d) Includes machinery, inventories, fixtures; effective tax year 2007 and thereafter includes telephone company property. Excludes public utility tangible property.
(e) Includes the statutory 10% rollback (12.5% for owner-occupied residences) and elderly/handicapped partial exemption amounts, paid by the State to local taxing entities to compensate for statutory reductions in local tax collections. Effective for tax year 2005 and thereafter, the 10% rollback is eliminated for real property used in business, with exceptions for certain property used in farming or for housing.
(f) Beginning in 1990, the true value of most public utility property is based on annual composite allowances that vary according to the type and age of property.
(g) Beginning in 2001, the statutory assessment rate for electric and gas utilities decreased from 88% to 25%.
Source: Ohio Department of Taxation.

Under State legislation effective July 1, 2005, the tangible personal property tax (including inventories) has been phased out over tax years 2006 through 2009, with that tax generally eliminated beginning in tax year 2009. That legislation provides for the State to make distributions to school districts and other local taxing units from revenue generated by the recently enacted State commercial activity tax (CAT). Distributions are generally based on the taxable value of tangible personal property as reported in 2004 and property tax levies in effect for 2005. The State payments essentially hold school districts harmless through Fiscal Year 2013 and other local governments harmless through Fiscal Year 2011 to the calculated base values, with gradual reductions thereafter until the final distribution in May 2018. Prior State legislation enacted reductions in the assessed (tax) valuation of certain categories of tangible personal property. Beginning in tax year 2007, telecommunications and telephone company tangible personal property were combined into one category with applicable tax rates phased down through 2010 and eliminated beginning in tax year 2011.

Beginning July 2007, the State's homestead exemption program, which takes the form of a credit on local residential real property tax bills, was expanded to allow all senior citizens and disabled Ohioans, regardless of income, to exempt from tax the first $25,000 of the market value of their home. Previously eligibility was restricted and benefits were tiered based on income. The total cost of the homestead exemption program in Fiscal Year 2009 was $347.9 million and in Fiscal Year 2010 was $371.6 million.

Property tax relief payments by the State to local subdivisions totaled $2.52 billion in the 2006-07 biennium, $2.89 billion in the 2008-09 biennium and are estimated at $3.29 billion for the 2010-11 biennium.

PARKS AND RECREATION FACILITIES BONDS
(Department of Natural Resources)

The Department of Natural Resources ("DNR") is one of many administrative departments of the State. Among other duties, DNR has the responsibility of providing, operating and maintaining a system of state parks and promoting their use by the public. The Director of DNR is appointed by the Governor with the advice and consent of the Senate and serves at the pleasure of the Governor. The present Director of DNR, Sean D. Logan, was appointed by the Governor in January 2007. All statements and figures under this caption have been provided by DNR.

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

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

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

Recent General Assembly GRF appropriations to the Division, excluding GRF appropriations for lease-rental payments to the Commission, are as follows:

(a) Reflects $621,167 in reductions in biennial appropriation spending ordered by the Governor.

Fiscal Biennium	GRF Appropriations (Excluding Rental Payments)	Percent Change	Lease Rental Payments To Commission
2000-01	$69,585,712(a)	5.5%	$28,410,000
2002-03	$65,277,132(b)	-6.2%	$30,490,500
2004-05	$69,894,276(c)	7.1%	$32,776,000
2006-07	$77,749,682	11.2%	$39,661,900
2008-09	$72,036,488(d)	-2.9%	$37,905,600
2010-11	$64,500,709	-10.5%	$42,317,100

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

An indication of the scope of DNR's operations is found in the operating appropriations to it in the current 2010-11 biennium of over $209.5 million from the GRF for all activities of DNR. Of this amount, approximately $64.5 million is for parks and recreation facilities operating expenses, $42.3 million is for rental payments to the Commission, and $52.0 million is for debt service on outstanding Natural Resources general obligation bonds.

The original GRF operating appropriation (which excludes lease-rental and general obligation debt service payments) for the Division for the current 2010-11 biennium is 10.5% lower than the equivalent appropriations for the preceding 2008-09 biennium.

With respect to capital appropriations, in the 2009-10 capital biennium there was approximately $42.4 million in capital appropriations (including $32.5 million earmarked to local facilities for various recreation and natural resources projects). New capital appropriations for State facilities (excluding local earmarks) in the 2009-10 capital biennium were approximately 12% less than in the 2007-08 capital biennium. New capital appropriations for the 2011-12 capital biennium have not yet been established by the General Assembly for Parks and Recreation Bonds.

The Division has changed the fees to users of public service facilities and special services in parks to levels more comparable with those charged in the private sector for similar facilities and services. These fees are reflected in the annual parks and recreation receipt totals shown below.

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

Division of Parks and Recreation
Full-time Employment

Fiscal Year	Full-time Employee
2006	450
2007	462
2008	461
2009	431
2010	426

DNR operates 74 State parks totaling 174,176 acres. The State park system includes 9,210 campsites, nine lodges with dining facilities and an aggregate of 818 sleeping rooms, 518 sleeping cottages, two additional dining lodges/restaurants, six golf courses, 78 swimming beaches and more than 1,208 miles of hiking trails.

Parks and Recreation Receipts

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

Parks and Recreation Receipts

Fiscal Year	Camping	Concessions	Cottage Rentals	Golf Course Green Fees	Other	Total Receipts
2006	$10,398,983	$6,508,638	$3,186,326	$1,710,961	$5,862,006	$27,666,914
2007	10,859,995	6,640,922	3,367,409	1,734,654	5,308,399	27,911,341
2008	11,748,817	6,435,700	3,159,908	1,661,337	4,578,711	27,584,473
2009	11,874,128	5,916,182	3,201,121	1,436,653	11,387,234[(a)]	33,815,317
2010	11,502,225	5,119,902	3,341,535	1,321,043	5,987,811	27,272,517

(a) Reflects $5,000,000 deposit for Lake Hope Dining Lodge insurance settlement.

Typically, concessionaires operating parks and recreation facilities for the public under agreements with DNR remit to the State varying percentages of the annual gross receipts from the facility operated. Concessions vary generally from four-year renewable terms up to 10-year terms. The last two lodge contracts resulted in decreased percentages being paid to the State and thus resulted in a decrease in revenue of 13.46% when compared to Fiscal Year 2009. The Division anticipates rebidding another lodge contract in Fiscal Year 2011 which may result in a further decline of concession revenue.

In Fiscal Year 2009, the Division renewed the contract for the reservation and point of sale system for campsites, cottages and merchandise. Although the economy has negatively impacted Parks and Recreation Receipts, the Division still saw in Fiscal Year 2010 a 2% increase in the number of reservations made via the call center and internet bringing the total percentage of reservations made through that system to 64%.

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

Visitors to Parks and Recreation Facilities

Calendar Year	Visitors
2006	50,401,847
2007	53,577,927
2008	50,643,575
2009	53,767,676
2010	46,509,040

MENTAL HEALTH CAPITAL FACILITIES BONDS

Department of Mental Health and Department of Developmental Disabilities

The Departments are administrative departments of the State. The Directors of the Departments are appointed by the Governor with the advice and consent of the Senate and serve at the pleasure of the Governor. All duties of the divisions of each of the Departments are performed under rules prescribed by its respective Director and are under that Director's control. The Director of the Department of Mental Health (the "DMH"), Sandra Stephenson, MSW, MA, and the Director of the Department of Developmental Disabilities (the "DODD"), John Martin, were both appointed in 2007. Separate appropriations for rental payments to the Ohio Public Facilities Commission are made by the General Assembly to each Department.

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

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

Number of Employees

	Institutional Staff			Total Staff		
As of June 30	DMH	DODD	Both Departments	DMH	DODD	Both Departments
2000	3,068	3,805	6,873	3,404	4,050	7,454
2005	2,428	3,783	6,211	2,763	4,099	6,862
2006	2,454	3,480	5,934	2,804	3,756	6,560
2007	2,415	3,482	5,897	2,760	3,784	6,544
2008	2,366	3,350	5,580	2,727	3,635	6,201
2009	2,087	3,158	5,245	2,395	3,412	5,807
2010	2,073	3,029	5,102	2,271	3,285	5,556

Individuals Served

FY	By State Facilities	By Community Operated Facilities	Total
2000	9,031	323,320	332,351
2005	7,763	364,235	371,998
2006	7,728	377,621	385,349
2007	7,534	388,847	396,381
2008	7,376	400,512	407,888
2009	7,062	405,279	412,341
2010	7,092	422,040	429,132

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

Recent General Assembly GRF appropriations to the Departments for operations (including subsidies for community services) and excluding GRF appropriations for lease-rental payments to the Commission are as follows:

Biennium	GRF Appropriations (Excluding Rental Payments)	Percent Change	Rental Payments To Commission
2000-01	$1,572,775,708(a)	4.7%	$117,200,000
2002-03	1,587,992,699(b)	1.0	102,060,400
2004-05	1,671,723,542(c)	5.2	98,284,800
2006-07	1,751,815,257	4.9	94,259,600
2008-09	1,714,633,856(d)	-2.1	88,543,800
2010-11	1,448,368,300	-15.5	86,570,600

(a) Reflects $15,661,444 in reductions in biennial appropriation spending ordered by the Governor.
(b) Reflects $63,696,667 in reductions in biennial appropriation spending ordered by the Governor.
(c) Reflects $16,886,094 in reductions in biennial appropriation spending ordered by the Governor.
(d) Reflects $114,462,299 in reductions in biennial appropriation spending ordered by the Governor.

Functions of the Departments

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

Current law places greater responsibility in community mental health boards for their allocation of State dollars. County or multi-county mental health boards ("community MH boards") are legally responsible for appropriate commitment of persons with mental illness to State hospitals. Each community MH board must determine whether a person needs hospital care or could be more appropriately treated in a community setting. To ensure availability of both public inpatient psychiatric services and community mental health services within an integrated system of care, State funds that were previously dedicated for State psychiatric hospital operations are now available for flexible use by community MH boards. This change in the financing of an integrated mental health system was phased in over a six-year period that commenced in Fiscal Year 1990 with an increasing portion of State hospital GRF operating dollars made available to community MH boards for flexible use for planning and developing alternatives to State hospitalization, such as State operated community based services and board contracted community services.

Pursuant to a 1993 law that facilitates planning for this integrated system of care, the Director of the DMH convened a State-wide committee to oversee a regional in-patient care planning process, and related regional planning groups. The committee's charge was to plan the role and amount of in-patient hospital services necessary in each area of the State and the development of adequate community services for patients who no longer require hospitalization.

The final report's recommendations did not establish deadlines, but regional recommendations included public hospital consolidations, public/private hospital affiliations, and shared management. Since that final report, the DMH has: negotiated a merger with a private hospital of a small rural State facility as an acute care psychiatric unit; converted the DMH's previously remaining children's hospital to a community based state-operated service program; and consolidated three of its facilities (Western Reserve Psychiatric Hospital, the Cleveland Psychiatric Hospital, and Northwest Psychiatric Hospital) into Northcoast Behavioral Healthcare System – South, North, and West Campuses. Northwest Psychiatric Hospital (NBH West Campus) was unmerged beginning in FY 2010 due to increased service area resulting from Dayton and Cambridge campus closures. Cleveland Psychiatric Hospital was the last DMH-operated acute care hospital. All hospitals now in operation are considered full-service hospitals. In 1996, the Cambridge Psychiatric Hospital and the Southeast Psychiatric Hospital merged operations to form the Appalachian Behavioral Healthcare System. Also, in 1997, Central Ohio Psychiatric Hospital and the Dayton Mental Health Center merged operations to form the Twin Valley Behavioral Healthcare. Pursuant to the Governor's February 2008 directive, the Dayton Campus of Twin Valley Behavioral Healthcare and Cambridge Campus of Appalachian Behavioral Healthcare was closed on June 30, 2008 as a result of State-wide expenditure reductions.

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

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

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

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

Institutions Under the Departments

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

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

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

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

Patient Support Receipts

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

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

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

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

	2005	2006	2007	2008	2009	2010
Full-Service Psychiatric Hospitals . .	$540.66	$569.70	$589.61	$632.32	$620.00	620.00
Developmental Centers.	$357.62	$366.85	$416.08	$419.24	$432.07	456.38

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

Patient Support Receipts

Fiscal Year	Medicare Payments	Medicaid Payments	Support Paid by Patients or Liable Relatives	Other Support Collections	Total
1990	$15,044,000	$ 92,623,426	$6,684,630	$11,210,530	$125,562,586
1995	13,611,824	111,037,053	4,024,422	8,540,554	137,213,853
2000	10,631,761	116,376,578	1,479,008	8,741,717	137,229,064
2006	17,707,563	126,881,881	600,354	9,810,175	154,999,973
2007	21,114,162	120,595,586	528,148	9,665,120	151,903,016
2008	20,342,546	129,195,233	413,790	10,516,316	160,467,885
2009	17,345,569	137,920,545(a)	364,825	10,428,599	166,059,538
2010	15,256,654	154,459,764(a)	600,753	9,587,597	179,904,768
2011*	12,916,441	144,996,345(a)	585,656	9,188,745	167,687,187

* Projected, based on current plans of the Departments.

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

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

The following are the separate Department projections reflected in the previous table:

Fiscal Year	Medicare Payments DMH	Medicare Payments DODD	Medicaid Payments DMH	Medicaid Payments DODD	Support Paid by Patients or Liable Relatives DMH	Support Paid by Patients or Liable Relatives DODD	Other Support Collections DMH	Other Support Collections DODD
2000	$10,461,654	$170,107	$1,498,619	$114,877,159	$1,082,125	$534,588	$1,063,210	$7,678,507
2006	17,399,575	307,988	586,897	126,294,984	485,343	115,011	1,165,180	8,644,995
2007	20,814,162	300,000	582,947	120,012,639	418,148	110,000	1,277,195	8,387,925
2008	19,334,902	192,827	391,393	128,938,839	530,120	193,942	1,041,210	9,139,634
2009	16,326,384	106,107	441,161	137,920,545(a)	443,068	162,979	850,290	8,834,360
2010	14,982,557	274,097	218,145	154,241,619(a)	451,896	148,857	658,536	8,929,061
2011*	12,666,441	250,000	326,973	144,669,372(a)	435,656	150,000	688,745	8,500,000

* Projected, based on current plans of the Departments.

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

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

Number of Certified/Accredited Beds at Fiscal Year End

Fiscal Year	DMH	DODD
2004	1,172	1,778
2005	1,103	1,673
2006	1,103	1,604
2007	1,058	1,603
2008	1,058	1,517
2009	1,025	1,462
2010	1,025	1,398
2011*	1,064	1,320

* Projected, based on current plans of the Departments.

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

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

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

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

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

(Mental Health Capital Facilities Bonds, cont.)

	2005	2006	2007	2008	2009	2010
Total number of Resident Clients	7,763	7,228	7,534	7241	7,062	7,092
Average Daily Resident Population	2,738	2,639	2,657	2,529	2,473	2,285
Total Resident Client Days	988,212	956,764	969,452	933,035	903,190	833,875

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

The Departments anticipate (as shown in their projections above), despite decreases in the number of certified or accredited beds and a declining population, that the combination of higher staff/patient ratios, stable insurance coverage and increases in reimbursable costs will, after the temporary decline reflected in certain figures above, result in stable or increased patient support receipts.

Capital Improvements

The capital plan of the Departments for facilities financed with the proceeds of Mental Health Obligations is intended to permit needed renovation and modernization, and some replacement, of State owned and operated facilities, and to provide for additional and enhanced community facilities. The fiscal year 2009-10 biennium capital appropriations act appropriated $127,330,774 to the Departments for State and community projects including $1,550,000 for facilities to be used in Department of Alcohol and Drug Addiction Services mental health programs. New capital appropriations for the 2011-12 capital biennium have not yet been established by the General Assembly to the Departments.

State facility projects (some of which are in progress) included in the plans of the Departments are expected to increase facility operations efficiency and space utilization. The plans also contemplate continued State financial participation (generally in the range of 50 percent to 75 percent for the DMH, 50 percent to 100 percent for the DODD – the numbers vary depending upon financial condition of the relevant county) in community facility projects. These participation levels reflect the State's ongoing efforts to provide alternatives within the local communities and to support local level rehabilitation and treatment programs, thereby reducing or avoiding the need for State facility inpatient care. The Departments' state-level capital projects are primarily those necessary to maintain or improve the conditions or efficiency of operations of the physical plant at State-operated facilities, those for the enhancement of patient care, and those desirable from a safety standpoint or that are in Departmental judgment required to maintain certification/accreditation of beds in State facilities, and construction of a new hospital in Northeast Ohio.

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

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

HIGHER EDUCATION CAPITAL FACILITIES BONDS

(Board of Regents and Higher Education Institutions)

Subsidy (operating) appropriations and capital improvements appropriations (excluding reappropriations and including debt service) made by the General Assembly from State funds for all state supported and state assisted higher education institutions for recent biennia are as follows:

Biennium	Subsidy	Biennium	Capital
1998-99	$3,806,492,218(a)	1999-00	$553,135,596
2000-01	4,268,558,780	2001-02	543,698,544
2002-03	4,226,398,596(a)	2003-04	554,469,095
2004-05	4,905,057,891(a)	2005-06	538,343,998
2006-07	5,017,408,626	2007-08	632,136,534
2008-09	5,610,687,661(a)	2009-10	598,559,802
2010-11	5,144,958,932(b)	2011-12	t.b.d.

(a) Reflects reductions in appropriations spending ordered by the Governor.
(b) Includes $618,676,688 of funding supported by federal State Fiscal Stabilization Funds and $424,688,600 in funding for debt service on both general obligation and lease-rental backed debt obligations.

The appropriations act for the Fiscal Year 2010-11 biennium provides GRF operating appropriations (excluding debt service but including State Fiscal Stabilization Funds) of $2,367,580,946 in 2010 and $2,352,689,386 in 2011, representing a decrease of 5.67% in 2010 and a decrease of 0.63% in 2011. The appropriations act has also appropriated $232,358,200 for the payment of debt service on lease-rental debt obligations. As in recent appropriation acts, the current act sets limits on institutional increases in annual undergraduate Ohio resident instructional and general fees.

The autumn headcount enrollment at private and public institutions in Ohio in recent years was as follows:

	Private Institutions		Public Institutions		
Year	Number(a)	% of Total	Number	% of Total	Total
1980-81	86,501	18.4	382,461	81.6	468,962
1985-86	86,909	18.5	381,649	81.5	468,558
1990-91	103,437	19.2	434,406	80.8	537,843
2000-01	121,080	22.4	428,858	77.6	549,938
2003-04	132,935	22.0	471,891	78.0	604,826
2004-05	136,247	22.3	474,136	77.7	610,383
2005-06	137,437	22.5	472,079	77.5	609,516
2006-07	138,359	22.6	472,694	77.4	611,053
2007-08	137,101	22.1	483,700	77.9	620,801
2008-09	139,048	21.8	499,076	78.2	638,124
2009-10	140,779	22.0	544,164	78.0	639,855

(a) Prior to 2001-02 data was taken from reports of the Association of Independent Colleges and Universities of Ohio (AICUO), an organization of non-profit institutions with a membership that may vary from year to year. Beginning in 2001-02, private headcount data was obtained from the Integrated Postsecondary Education Data System (IPEDS) and includes all private, not-for-profit institutions, including non-AICUO members.
(b) Beginning in 1998, headcount data for public institutions are provided by the Board of Regents using a new Higher Education Information System. These headcount numbers may not be directly comparable to previously reported numbers because of changes made in the collection of student headcount data. For example, under the former system, students enrolled in flexibly scheduled course sections were not included in the headcount. Under the new system, these students are included. Under the old system, headcount data were reported as of the 15th day of the term; under the new system, institutions submit headcount data 30 days after the end of the term, and thus have more time to include late enrollments. These changes produce headcount numbers that are somewhat higher than under the previous system.

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The following table portrays some of the changes that have been taking place in Ohio public institution enrollments, due in part to the increasing numbers of two-year institutions and the nature and number of programs they offer.

Public Institution Enrollment by Category of Institution(a)

	Academic Total		Universities		Branches		Community Colleges		Tech. Colleges	
Year	**Headcount**	**FTE**	**Headcount**	**FTE**	**Headcount**	**FTE**	**Headcount**	**FTE**	**Headcount**	**FTE**
1960-61	95,977	62,033	90%	100%	10%	(b)%	0%	0%	0%	0%
1970-71	279,360	243,169	78	83	10	8	9	6	0	3
1980-81	382,461	304,560	66	74	8	6	17	11	11	10
1990-91	434,406	341,187	62	71	9	7	19	13	10	9
2000-01	428,858	329,144(c)	56	65	10	8	28	22	5	5
2003-04	471,891	371,524	54	62	10	9	30	24	6	5
2004-05	474,136	373,738	54	62	10	9	30	24	6	5
2005-06	472,079	373,678	53	62	10	9	31	23	6	5
2006-07	472,694	374,326	53	62	10	9	31	23	6	5
2007-08	483,700	384,255	53	62	10	9	31	23	6	5
2008-09	499,076	400,530	53	60	10	9	31	25	6	6
2009-10	544,164	431,390(d)	50	58	11	10	32	25	7	7

(a) Autumn session headcount. FTE computed on basis of summer plus autumn session.
(b) FTE for branches then included with universities.
(c) Beginning in 1998, FTE data for public institutions are provided to the Board of Regents using a new Higher Education Information System. Prior to 1998, FTE's were calculated by annualizing summer and autumn actual data. Under the new information system, FTE's for each term are summed to arrive at the annual FTE figure.
(d) 2009-10 FTEs are estimated based on the historical ratio of student headcount to FTE.

The changing mix of student levels is indicated by the increase in headcount enrollment in all institutions in the autumn sessions between 1975 (339,692) and 2009 (544,164). Freshman autumn headcount at the main campuses of the state universities decreased from 71,540 in 1991 to 61,846 in 1996 and 60,113 in 2010.

All enrollment figures cited above include only participation in credit coursework. The public institutions also offer various forms of non-credit instruction. State-wide data is not available to numerically describe the level of that non-credit activity, but reports from institutions indicate substantial and growing commitments in this area, especially in the form of job training and retraining programs to serve employees and local and State business and industry. One measure of the extent of public higher education activity is the number of degrees and certificates granted:

Degrees Granted

Academic Year	Bachelor	Associate	Masters/ Doctorate	Professional	Other
1980-81	28,025	12,876	9,971	2,004	197
1990-91	32,518	14,607	10,599	2,008	38
2000-01	32,109	15,744	12,628	1,956	4,366(a)
2003-04	36,405	17,083	13,544	2,050	4,788
2004-05	36,793	17,551	14,233	2,118	5,389
2005-06	37,648	18,497	14,872	2,219	6,424
2006-07	37,816	18,335	14,451	2,234	6,643
2007-08	38,064	19,174	14,679	2,285	6,629
2008-09	38,493	19,429	14,703	2,365	6,662

(a) Beginning with the 1997-98 school year, data on two-year certificates became available on the new reporting system.
Note: 2009-10 degree data will not be available until November 2010.

Data for the autumn 2009 academic session indicate that total instructional and general fees for an academic year, for a full-time Ohio resident undergraduate student, ranged at the state universities from $5,294 to $11,886, and at the community colleges and the technical colleges from $2,072 to $4,229. Those amounts did not include special purpose fees or room and board charges.

Data reported by institutions to the Higher Education Information System (HEI) of the Ohio Board of Regents indicated unrestricted Educational and General Receipts of all these institutions for the year ending June 30, 2009 of approximately $6.02 billion, including $3.44 billion in student fees.

Regents figures show that as of June 30, 2009 the aggregate outstanding principal amount of bonds and notes issued by individual state universities to finance campus capital projects (primarily auxiliary facilities) and supported by pledges of the individual institution's receipts was $4,370,144,181. Of that amount, $220,113,171 was supported by pledges of specific income from specified facilities, and $4,150,031,010 was supported by pledges of the "general receipts" of the individual institutions (being generally all receipts of the institution excluding State appropriations). Pledges by the individual institutions to their own obligations, including those bonds and notes, and leases and lease purchase agreements, are prior to the pledge of that portion of their local receipts included in the Pledged Receipts pledged to the Higher Education Bonds.

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HIGHWAY CAPITAL IMPROVEMENT BONDS

History of Highway User Receipts and Debt Service Coverage. The following table sets forth revenues of the State of Ohio from fees, excises and license taxes levied by the State relating to registration, operation, or use of vehicles on public highways, or to fuels used for propelling such vehicles (collectively, the Highway User Receipts) available in recent fiscal years pledged to and budgeted for the payment of debt service on general obligation Highway Bonds and applies historical and current program debt service against available Highway User Receipts to derive coverage ratios for State Fiscal Years 2001 through and including 2010.

Fiscal Year	Highway User Receipts Available for Debt Service Requirements*	Total Fiscal Year Debt Service***	Coverage Ratio
2001	$1,985,599,456	$165,354,594	12.01
2002	2,046,550,862	190,872,288	10.72
2003	2,123,591,241	184,453,546	11.51
2004	2,326,188,095	184,970,821	12.58
2005	2,483,833,507	178,797,263	13.89
2006	2,669,145,764	181,073,874	14.74
2007	2,576,989,814**	198,718,747	12.97
2008	2,703,698,759	205,977,409	13.13
2009	2,576,368,324**	197,451,814	13.05
2010	2,585,478,680	170,263,970	15.19

* Reflects total Highway User Receipts minus permissible statutory deductions or refunds.

** The reduction in Fiscal Year 2007 and Fiscal Year 2009 Highway User Receipts is due in large part to the timing of motor fuel tax receipts that were received at the end of those fiscal years but not recorded until the following fiscal year.

*** This annual filing includes revisions to the "History of Highway User Receipts and Debt Service Coverage" table included in the "THE HIGHWAY BONDS" section of the $170,000,000 General Obligation Highway Capital Improvement Bonds, Series M Official Statement dated April 19, 2010. In that official statement, debt service on certain prior series of highway obligations bonds was inadvertently omitted from the above-referenced table resulting in the overstatement of historical coverage ratios. The above debt service and coverage ratios are inclusive of all prior Highway Bonds debt service.

Based on the most recent annual data (FY2010), approximately 69% of Highway User Receipts are generated by Motor Fuel and Use Taxes while the remaining 31% is primarily from Registration and License fees.

The Ohio Building Authority, acting pursuant to Section 2i of Article VIII, Ohio Constitution and acts of the General Assembly, has issued, and may issue, special obligations for State highway transportation facilities of which are not secured by a pledge of the full faith and credit, revenue and taxing power of the State. Payment of debt service on those special obligations is subject to biennial appropriation by the General Assembly. Annual debt service payments on those special obligations are appropriated and paid from Highway User Receipts remaining *after* the payment of debt service on Highway Bonds.

MAJOR NEW STATE INFRASTRUCTURE PROJECT REVENUE BONDS

The following tables constitute the State's Fiscal Year 2010 Annual Information for its Major New State Infrastructure Project Revenue Bonds ("GARVEE" Bonds).

The federal government has in place various programs which provide for annual grants to the states to aid in the construction of highways. Those "Title 23 Moneys" received by the State are the sole source of Pledged Federal Highway Receipts for all series of Major New State Infrastructure Project Revenue Bonds (Series 2002-1, Series 2003-1, Series 2005-1, Series 2006-1, Series 2007-1, Series 2008-1, Series 2010-1 and Series 2010-2).

The following table sets forth the amount of Title 23 Moneys made available to the Ohio Department of Transportation (ODOT) by (1) appropriation and (2) obligation authority during each of the Federal Fiscal Years (FFY) 2001 through and including 2010:

Title 23 Moneys

Federal Fiscal Year (September 30)	Appropriation	Obligation Authority
2001	$1,070,000,000	$962,000,000
2002	1,076,000,000	1,029,000,000
2003	987,000,000	1,016,000,000
2004	1,219,000,000	1,109,000,000
2005	1,358,000,000	1,232,000,000
2006	1,335,000,000	1,336,000,000
2007	1,505,000,000	1,415,000,000
2008	1,413,000,000	1,380,000,000
2009	1,401,000,000	1,351,000,000
2010	1,432,000,000	1,351,000,000

The amounts shown in the table above include approximately $8 million on average annually from FFYs 2001-2004, $139 million in FFY 2005, $52 million in FFY 2006 and $89 million in FFY 2007 of Title 23 money appropriated for reimbursement of emergency funding expenses. There were no funds appropriated for emergency funding expenses in FFYs 2008 through 2010. The increase in emergency funding for FFY 2005 is due to four major flood events in East and Southeast Ohio.

The following table sets forth the amount of Title 23 Moneys actually received by the ODOT during each of the State Fiscal Years 2001 through and including 2010:

Title 23 Moneys

State Fiscal Year (June 30)	Received
2001	$862,257,000
2002	934,328,000
2003	918,426,000
2004	899,710,000
2005	1,050,601,000
2006	1,282,927,000
2007	1,273,805,000
2008	1,117,419,000
2009	1,154,493,360
2010	1,051,987,621

Amounts shown in the table above include approximately $8 million on average annually in State Fiscal Years 2001-2004, $42 million in 2005, $37 million in 2006, $64 million in 2007, $38 million in 2008, $11 million in 2009 and $13 million in 2010 of Title 23 money received for emergency funding.

(Major New Infrastructure Project Revenue Bonds, cont.)

The following table sets forth the annual debt service coverage requirements for GARVEE bonds, as of June 30, 2010

DEBT SERVICE REQUIREMENTS

State Fiscal Year	**Principal**	**Interest**	**Total**
2011	$113,835,000	$40,130,299	$153,965,299
2012	99,960,000	35,014,171	134,974,171
2013	100,390,000	30,373,684	130,763,684
2014	100,870,000	25,382,106	126,252,106
2015	101,395,000	20,830,456	122,225,456
2016	92,470,000	15,937,506	108,407,506
2017	71,795,000	12,073,119	83,868,119
2018	50,795,000	8,629,732	59,424,732
2019	50,795,000	6,096,347	56,891,347
2020	50,795,000	3,465,291	54,260,291
2021	19,545,000	883,043	20,428,043
Total	$852,645,000	$198,815,754	$1,051,460,754

The following table sets forth the coverage ratio of Title 23 Moneys to total debt service on Major New State Infrastructure Project Revenue Bonds during each of the State Fiscal Years 2001 through and including 2010:

State Fiscal Year	Title 23 Moneys*	Total Fiscal Year Debt Service	Coverage Ratio
2001	$862,257,000	$24,044,025	35.86
2002	934,328,000	40,247,171	23.21
2003	918,426,000	62,236,456	14.76
2004	899,710,000	78,706,965	11.43
2005	1,050,601,000	79,683,560	13.18
2006	1,282,927,000	77,414,391	16.57
2007	1,273,805,000	99,396,150	12.82
2008	1,117,419,000	128,184,643**	8.71
2009	1,154,493,360	157,433,102	7.33
2010	1,051,987,621	147,187,723	7.51

* Title 23 moneys are based on the amount actually received by ODOT during the State Fiscal Year.

** Includes funds paid by ODOT to defease the Series 1998-1 Bonds and the Series 1999-1 Bonds.

TAXES, TAX CREDITS AND STATE PAYMENTS

The following is in connection with the $157,940,000 Columbus-Franklin County Finance Authority Taxable Research and Development Revenue Bonds, Series 2010A (Ohio Capital Fund Financing)(State of Ohio Refundable Tax Credit Collateralized)(the “Bonds”) collateralized by certain tax credits against certain State of Ohio taxes (the “Tax Credits”).

The Tax Credits are fully refundable and may be claimed by the bond Trustee against any or all of the following taxes levied and collected by the State: (i) Section 5707.031 of the Ohio Revised Code - tax on intangibles dealer; (ii) Section 5725.19 of the Ohio Revised Code – tax imposed on domestic insurance company; (iii) Section 5727.241 of the Ohio Revised Code - tax on natural gas or combined company; (iv) Section 5729.08 of the Ohio Revised Code – tax imposed on foreign insurance company; (v) Section 5733.49 of the Ohio Revised Code – corporate franchise tax and (vi) Section 5747.80 of the Ohio Revised Code – income tax (collectively, the “Taxes”). State payments of Tax Credits, if issued to and claimed by the bond Trustee, are required under State law to be paid from money subject to biennial appropriation (as further described elsewhere herein) to the State Tax Refund Fund (Section 5703.052 of the Ohio Revised Code), from which Ohio tax refunds are paid on business and personal taxes.

The Trustee has applied for and received a separate taxpayer identification number as Trustee under the Indenture for the Bonds. In that capacity, the Trustee has no activity that is subject to or that would create any liability of the Trustee for any of the Taxes. In order to make a Tax Credit claim and receive State payments, the Trustee will file a tax return, in form agreed to by the Trustee and the Ohio Tax Commissioner, solely for the purpose of claiming the Tax Credits. As the Tax Credits are fully refundable and because the Trustee will have no tax payments against which the Tax Credits can be offset, the Trustee will be entitled to State Payments in the full amount of the Tax Credits claimed. The OVCA has covenanted, on behalf of the State, that the State will honor Tax Credits and make State payments in full within 90 days of receipt of the Trustee’s tax return. Once State payments are received, the Trustee will use money received to restore amounts in the Bond Reserve Fund (or reinstate any Reserve Credit Facility) or, if bond service charges have not been paid on any Bonds collateralized by the Tax Credits, to pay those bond service charges.

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

Annual State fiscal year receipts for each of the Taxes (net of refunds) are as follows (in millions):

Taxes	2008	2009	2010
Intangibles Dealer Tax	$ 34.5	$ 38.4	$ 27.2
Domestic Insurance Company Tax	159.3	160.1	166.5
Natural Gas / Combined Company Tax	69.6	70.9	66.4
Foreign Insurance Company Tax	284.6	265.0	266.4
Corporate Franchise Tax*	754.6	521.4	142.3
Income Tax	9,848.2	8,322.2	7,886.8
Total	$ 11,150.8	$ 9,378.0	$ 8,555.7

* In connection with the State’s adoption of the commercial activity tax, collections from the Corporate Franchise Tax are expected to decrease substantially in upcoming years to approximately $100,000,000 annually.

In the event that current receipts of any Tax are insufficient to make the State Payments, under State law, as with any refund of Taxes, the State Payments are to be paid from current receipts of the State sales tax. State sales tax receipts were approximately $6.7, $6.2 and $6.2 billion in fiscal years 2008, 2009 and 2010, respectively.

State Payments, as with all tax refunds and other payments by the State, may only be made upon an appropriation from the General Assembly, which appropriation cannot extend beyond two years. Each biennial budget since the 2000-2001 biennium contains a single appropriation that applies to all refunds of business or personal taxes. For the current biennium (ending June 30, 2011), the appropriated amount for each State fiscal year is $1,546,800,000, with the following included in the appropriation language: "If it is determined that additional appropriations are necessary for [paying tax refunds], such amounts are hereby appropriated." As a result of these appropriations, in each of the last three State fiscal years, there were at least $15.5 billion in current State tax receipts available to pay tax refunds. The annual statutory limit on the amount of the Tax Credits is currently $20 million and bond service charges on the Bonds collateralized by Tax Credits for each State fiscal year must always be less than that annual statutory limit.

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