Ratings (See RATINGS)

Fitch	**AA+**
Moody's	**Aa1**
S & P	**AA+**

THREE NEW ISSUES

In the opinion of Bond Counsel, under existing law, (i) assuming continuing compliance with certain covenants and the accuracy of certain representations, interest on the Tax-Exempt Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and (ii) interest on, and any profit made on the sale, exchange or other disposition of, the Tax-Exempt Bonds are exempt from all Ohio state and local taxation, except the estate tax, the domestic insurance company tax, the dealers in intangibles tax, the tax levied on the basis of the total equity capital of financial institutions, and the net worth base of the corporate franchise tax. Interest on the Tax-Exempt Bonds may be subject to certain federal taxes imposed only on certain corporations, including the corporate alternative minimum tax on a portion of that interest. (See ***TAX MATTERS FOR TAX-EXEMPT BONDS*** *herein.) In the opinion of Bond Counsel, under existing law, interest on, and any profit made on the sale, exchange or other disposition of, the Higher Education Series 2015B Bonds are exempt from all Ohio state and local taxation, except the estate tax, the domestic insurance company tax, the dealers in intangibles tax, the tax levied on the basis of the total equity capital of financial institutions, and the net worth base of the corporate franchise tax. INTEREST ON THE HIGHER EDUCATION SERIES 2015B BONDS IS NOT EXCLUDED FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES. (See* ***TAX MATTERS FOR TAXABLE BONDS*** *herein.)*

OFFICIAL STATEMENT
$345,000,000
STATE OF OHIO
GENERAL OBLIGATION BONDS

$300,000,000	$35,000,000	$10,000,000
Common Schools	**Natural Resources**	**Higher Education**
General Obligation Bonds, Series 2015B	**General Obligation Bonds, Series T**	**General Obligation Bonds, Series 2015B**
(Tax-Exempt)	**(Tax-Exempt)**	**(Federally Taxable)**

Dated: Date of Initial Delivery **Due:** As shown on inside cover

The Bonds: The Common Schools General Obligation Bonds, Series 2015B (Tax-Exempt) (the Common Schools Series 2015B Bonds), the Natural Resources General Obligation Bonds, Series T (Tax-Exempt) (the Natural Resources Series T Bonds and, together with the Common Schools Series 2015B Bonds are collectively referred to herein as the Tax-Exempt Bonds), and the Higher Education General Obligation Bonds, Series 2015B (Federally Taxable) (the Higher Education Series 2015B Bonds or the Taxable Bonds), are general obligations of the State of Ohio issued by the Ohio Public Facilities Commission (the Commission) for the purpose of providing moneys to pay costs of capital facilities for a system of common schools throughout the State, to pay costs of natural resources projects, and to pay costs of capital facilities for state-supported and state-assisted institutions of higher education, respectively. The Common Schools Series 2015B Bonds, the Natural Resources Series T Bonds and the Higher Education Series 2015B Bonds are collectively referred to herein as the Bonds.

Security: The Bonds are general obligations of the State of Ohio. *The full faith and credit, revenue and taxing power of the State (with exceptions stated herein) are pledged to the payment of Debt Service on the Bonds.* (See **THE BONDS – Sources of Payment**.)

Book-Entry Only: The Bonds will be initially issued only as fully-registered bonds, one for each maturity, issuable under a book-entry system, registered initially in the name of The Depository Trust Company or its nominee (DTC). There will be no distribution of Bonds to the ultimate purchasers. The Bonds in certificated form as such will not be transferable or exchangeable, except for transfer to another nominee of DTC or as otherwise described in this Official Statement. (See **Appendix B**.)

Payment: (See **MATURITY SCHEDULES** on inside cover.) Principal and interest will be payable to the registered owner (DTC), principal on presentation and surrender at the office of the Bond Registrar (initially, the Treasurer of State of Ohio) and interest transmitted on each interest payment date (June 15 and December 15, beginning December 15, 2015, for the Common Schools Series 2015B Bonds; April 1 and October 1, beginning October 1, 2015, for the Natural Resources Series T Bonds; and May 1 and November 1, beginning November 1, 2015, for the Higher Education Series 2015B Bonds) by the Bond Registrar to DTC as the registered owner as of the 15th day preceding that interest payment date.

Prior Redemption: The Common Schools Series 2015B Bonds maturing on and after June 15, 2023 are subject to redemption at the option of the Commission in whole or in part at par plus accrued interest on any date on or after June 15, 2022. The Natural Resources Series T Bonds maturing on and after April 1, 2023 are subject to redemption at the option of the Commission in whole or in part at par plus accrued interest on any date on or after April 1, 2022. The Higher Education Series 2015B Bonds are subject to make-whole redemption at the option of the Commission as described herein. (See **THE BONDS – Prior Redemption**.)

This cover page includes certain information for quick reference only. *It is not a summary of the bond issue. Investors should read the entire Official Statement to obtain information as a basis for making informed investment judgments.*

Each series of the Bonds are offered when, as and if issued by the Commission and accepted by its respective Original Purchaser, subject to the opinion on certain legal matters relating to their issuance by Carlile Patchen & Murphy LLP, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Commission by Squire Patton Boggs (US) LLP, which is also serving as Disclosure Counsel to the Commission.

The Common Schools Series 2015B Bonds have been purchased by a syndicate managed by J.P. Morgan Securities LLC.

The Natural Resources Series T Bonds have been purchased by Goldman, Sachs & Co.

The Higher Education Series 2015B Bonds have been purchased by a syndicate managed by Robert W. Baird & Co. Incorporated.

The Bonds are expected to be available in definitive form for delivery through DTC on or about May 19, 2015.

The date of this Official Statement is May 7, 2015, and the information speaks only as of that date.

MATURITY SCHEDULES

$300,000,000
STATE OF OHIO
Common Schools General Obligation Bonds, Series 2015B
(Tax-Exempt)

Due Date June 15	Par Amount	Interest Rate	Yield	CUSIP©[(a)] No. 677522	Due Date June 15	Par Amount	Interest Rate	Yield	CUSIP©[(a)] No. 677522
2016	$ 8,075,000	2.00%	0.25%	CP7	2026	$14,830,000	5.00%	2.34%*	CZ5
2017	9,560,000	4.00	0.67	CQ5	2027	15,570,000	5.00	2.46*	DA9
2018	10,035,000	5.00	1.03	CR3	2028	16,350,000	5.00	2.60*	DB7
2019	10,540,000	5.00	1.26	CS1	2029	17,165,000	5.00	2.66*	DC5
2020	11,065,000	5.00	1.45	CT9	2030	18,025,000	5.00	2.73*	DD3
2021	11,620,000	5.00	1.64	CU6	2031	18,925,000	5.00	2.79*	DE1
2022	12,200,000	5.00	1.82	CV4	2032	19,875,000	5.00	2.84*	DF8
2023	12,810,000	5.00	2.00*	CW2	2033	20,865,000	5.00	2.87*	DG6
2024	13,450,000	5.00	2.14*	CX0	2034	21,910,000	5.00	2.90*	DH4
2025	14,125,000	5.00	2.21*	CY8	2035	23,005,000	5.00	2.92*	DJ0

* Priced to a call date of June 15, 2022.

$35,000,000
STATE OF OHIO
Natural Resources General Obligation Bonds, Series T
(Tax-Exempt)

Due Date April 1	Par Amount	Interest Rate	Yield	CUSIP©[(a)] No. 677522	Due Date April 1	Par Amount	Interest Rate	Yield	CUSIP©[(a)] No. 677522
2016	$1,610,000	5.00%	0.24%	DV3	2024	$2,405,000	5.00%	2.21%*	ED2
2017	1,585,000	5.00	0.62	DW1	2025	2,525,000	5.00	2.29*	EE0
2018	1,795,000	5.00	1.00	DX9	2026	2,655,000	5.00	2.39*	EF7
2019	1,885,000	5.00	1.25	DY7	2027	2,785,000	5.00	2.49*	EG5
2020	1,980,000	5.00	1.47	DZ4	2028	2,925,000	5.00	2.60*	EH3
2021	2,080,000	5.00	1.66	EA8	2029	3,070,000	5.00	2.69*	EJ9
2022	2,185,000	5.00	1.87	EB6	2030	3,225,000	5.00	2.76*	EK6
2023	2,290,000	5.00	2.07*	EC4					

* Priced to a call date of April 1, 2022.

$10,000,000
STATE OF OHIO
Higher Education General Obligation Bonds, Series 2015B
(Federally Taxable)

Due Date May 1	Par Amount	Interest Rate	Yield	CUSIP©[(a)] No. 677522	Due Date May 1	Par Amount	Interest Rate	Yield	CUSIP©[(a)] No. 677522
2016	$945,000	2.00%	0.70%	DK7	2021	$ 995,000	3.00%	2.10%	DQ4
2017	940,000	2.00	0.90	DL5	2022	1,020,000	3.00	2.30	DR2
2018	950,000	2.00	1.25	DM3	2023	1,040,000	3.00	2.50	DS0
2019	960,000	2.00	1.55	DN1	2024	1,070,000	3.00	2.67	DT8
2020	980,000	2.00	1.85	DP6	2025	1,100,000	3.00	2.80	DU5

[(a)] Copyright, American Bankers Association; see **Regarding This Official Statement**.

REGARDING THIS OFFICIAL STATEMENT

This Official Statement does not constitute an offering of any security other than the original offering of the Bonds of the State of Ohio identified on the Cover. No dealer, broker, sales or other person has been authorized by the State or the Commission to give any information or to make any representation other than that contained in this Official Statement, and if given or made such other information or representation must not be relied upon as having been given or authorized by the State or the Commission. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, and there shall be no sale of the Bonds by any person, in any jurisdiction in which it is unlawful to make such offer, solicitation or sale.

Upon issuance, the Bonds will not be registered by the State under the Securities Act of 1933, as amended, or any state securities law, and will not be listed on any stock or other securities exchange. Neither the Securities and Exchange Commission nor any other federal, state or other governmental entity or agency, except the Commission, will have, at the request of the State or the Commission, passed upon the accuracy or adequacy of this Official Statement or approved or disapproved the Bonds for sale.

This Official Statement contains statements that the State or the Commission believes may be "forward-looking statements." Words such as "plan," "estimate," "project," "budget," "anticipate," "expect," "intend," "believe" and similar terms are intended to identify forward-looking statements. The achievement of results or other expectations expressed or implied by such forward-looking statements involve known and unknown risks, uncertainties and other factors that are difficult to predict, may be beyond the control of the State or the Commission and could cause actual results, performance or achievements to be materially different from any results, performance or achievements expressed or implied by such forward-looking statements. The State and the Commission undertake no obligation, and do not plan, to issue any updates or revisions to any of the forward-looking statements in this Official Statement.

The information and expressions of opinion in this Official Statement are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder, under any circumstances, shall create any implication that there has been no change in the affairs of the State since its date.

The information approved and provided by the State in this Official Statement is the information relating to the particular subjects provided by the State or State agencies for the purpose of this Official Statement. Reliance should not be placed on any other information publicly provided, in any format including electronic, by any State agency for other purposes, including general information provided to the public or to portions of the public.

CUSIP (Copyright, American Bankers Association) data appearing on the Cover of this Official Statement are assigned by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc., an independent company not affiliated with the State or the Commission. The State and the Commission are not responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the Bonds or Cover or as indicated above. These CUSIP numbers may also be subject to change after the issuance of the Bonds.

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SELECTED SUMMARY STATEMENT FOR THE BONDS

$300,000,000	$35,000,000	$10,000,000
Common Schools	**Natural Resources**	**Higher Education**
General Obligation Bonds, Series 2015B	**General Obligation Bonds, Series T**	**General Obligation Bonds, Series 2015B**
(Tax-Exempt)	**(Tax-Exempt)**	**(Federally Taxable)**

The following summary supplements certain of the information on the Cover and summarizes selected other information in this Official Statement relating to the Bonds. It is not intended as a substitute for the more detailed discussions in this Official Statement to which reference should be made.

ISSUER. The State of Ohio (the State), acting by and through the Ohio Public Facilities Commission (the Commission). The Commission is a body politic and corporate constituting an agency and instrumentality of the State. Its members are five State executive officials holding elective office and the appointed Director of Budget and Management.

AUTHORIZATION. The Common Schools Series 2015B Bonds and the Higher Education 2015B Bonds are authorized by Section 2n of Article VIII of the Ohio Constitution. The Natural Resources Series T Bonds are authorized by Section 2l of Article VIII of the Ohio Constitution. The Bonds are also authorized by Chapter 151 of the Ohio Revised Code.

PURPOSE OF BONDS. The Bonds are issued for the purpose of providing moneys to pay costs of capital facilities for a system of common schools throughout the State, to pay costs of natural resources projects, and to pay costs of capital facilities for state-supported and state-assisted institutions of higher education, respectively.

SECURITY AND SOURCES OF PAYMENT. The Bonds are general obligations of the State. The full faith and credit, revenue and taxing power of the State are pledged to the payment of Debt Service. Among receipts not included in that pledge are highway user receipts and net state lottery proceeds. (See **THE BONDS – Sources of Payment**.)

PRIOR REDEMPTION. The Common Schools Series 2015B Bonds maturing on and after June 15, 2023 are subject to redemption at the option of the Commission in whole or in part on any date on or after June 15, 2022, at a redemption price equal to 100% of the principal amount redeemed plus accrued interest to the date fixed for redemption. The Natural Resources Series T Bonds maturing on and after April 1, 2023 are subject to redemption at the option of the Commission in whole or in part on any date on or after April 1, 2022, at a redemption price equal to 100% of the principal amount redeemed plus accrued interest to the date fixed for redemption. The Higher Education Series 2015B Bonds are subject to make-whole redemption at the option of the Commission as provided herein. (See **THE BONDS – Prior Redemption**.)

FORM AND MANNER OF MAKING PAYMENTS. The Bonds will be originally issued only as fully registered bonds, one for each maturity, under a book-entry only method, and registered initially in the name of The Depository Trust Company, New York, New York, or its nominee (DTC). There will be no distribution of Bonds to the ultimate purchasers. The Bonds in book-entry form will not be transferable or exchangeable, except for transfer to another nominee of DTC or as otherwise described in this Official Statement. (See **Appendix B**.)

Principal and interest will be payable to the registered owner (DTC). Principal will be payable on presentation and surrender at the office of the Bond Registrar (initially, the Treasurer of State of Ohio). Interest will be transmitted on each interest payment date (June 15 and December 15, beginning December 15, 2015, for the Common Schools Series 2015B Bonds; April 1 and October 1, beginning October 1, 2015, for the Natural Resources Series T Bonds; and May 1 and November 1, beginning November 1, 2015, for the Higher Education Series 2015B Bonds) by the Bond Registrar to DTC as the registered owner as of the 15th day preceding that interest payment date.

TAX MATTERS FOR TAX-EXEMPT (COMMON SCHOOLS SERIES 2015B AND NATURAL RESOURCES SERIES T) BONDS. In the opinion of Bond Counsel, under existing law, (i) assuming continuing compliance with certain covenants and the accuracy of certain representations, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and (ii) interest on, and any profit made on the sale, exchange or other disposition of, the Tax-Exempt Bonds are exempt from all Ohio state and local taxation, except the estate tax, the domestic insurance company tax, the dealers in intangibles tax, the tax levied on the basis of the total equity capital of financial institutions, and the net worth base of the corporate franchise tax. Interest on the Tax-Exempt Bonds may be subject to certain federal taxes imposed only on certain corporations, including the corporate alternative minimum tax on a portion of that interest. (See **TAX MATTERS** herein.)

TAX MATTERS FOR TAXABLE (HIGHER EDUCATION SERIES 2015B) BONDS. In the opinion of Bond Counsel, under existing law, interest on, and any profit made on the sale, exchange or other disposition of, the Higher Education Series 2015B Bonds are exempt from all Ohio state and local taxation, except the estate tax, the domestic insurance company tax, the dealers in intangibles tax, the tax levied on the basis of the total equity capital of financial institutions, and the net worth base of the corporate franchise tax. *INTEREST ON THE HIGHER EDUCATION SERIES 2015B BONDS IS NOT EXCLUDED FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES.* (See **TAX MATTERS FOR TAXABLE (HIGHER EDUCATION SERIES 2015B BONDS** herein.)

BOND REGISTRAR. Treasurer of State of Ohio, Columbus, Ohio.

BOND COUNSEL. Carlile Patchen & Murphy LLP.

ISSUER AND DISCLOSURE COUNSEL. Squire Patton Boggs (US) LLP.

FINANCIAL ADVISER. Public Financial Management, Inc.

ORIGINAL PURCHASERS. The Common Schools Series 2015B Bonds have been purchased by a syndicate managed by J.P. Morgan Securities LLC (the Common Schools Original Purchaser) at a price of $344,120,270.10, the Natural Resources Series T Bonds have been purchased by Goldman, Sachs & Co. (the Natural Resources Original Purchaser) at a price of $40,249,747.09, and the Higher Education Series 2015B Bonds have been purchased by a syndicate managed by Robert W. Baird & Co. Incorporated (the Higher Education Original Purchaser) at a price of $10,196,063.20, each after being determined by the Commission, and named in the respective Series Resolution as providing the lowest true interest cost for their Bonds in accordance with the Official Notice of Sale.

Questions regarding this Official Statement or the Bonds should be directed to Larry Scurlock or Cassie Sanfrey, Office of Budget and Management, 30 East Broad Street, 34th Floor, Columbus, Ohio 43215-3457, telephone (614) 466-4034.

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GENERAL INTRODUCTORY STATEMENT

This Official Statement has been prepared by the Ohio Public Facilities Commission to provide certain information in connection with the original issuance and sale of:

- $300,000,000 Common Schools General Obligation Bonds, Series 2015B (Tax-Exempt);
- $35,000,000 Natural Resources General Obligation Bonds, Series T (Tax-Exempt); and
- $10,000,000 Higher Education General Obligation Bonds, Series 2015B (Federally Taxable).

The Common Schools General Obligation Bonds, Series 2015B (Tax-Exempt) are referred to herein as the "Common Schools Series 2015B Bonds", the Natural Resources General Obligation Bonds, Series T (Tax-Exempt) are referred to herein as the "Natural Resources Series T Bonds", and the Common Schools Series 2015B Bonds and the Natural Resources Series T Bonds are referred to collectively herein at the "Tax Exempt Bonds". The Higher Education General Obligation Bonds, Series 2015B (Federally Taxable) are referred to herein as the "Higher Education Series 2015B Bonds" or the "Taxable Bonds". The Common Schools Series 2015 Bonds, the Natural resources Series T Bonds, and the Higher Education 2015B Bonds are collectively referred to in this Official Statement as the "Bonds".

The Bonds are secured by a pledge of the full faith and credit, revenue and taxing power of the State (with stated exceptions), on parity with other State general obligation bonds. The Common Schools Series 2015B Bonds are issued for the purpose of paying costs of capital facilities for a system of common schools throughout the State (see **PROGRAMS FUNDED BY THE BONDS** – **Ohio School Facilities Commission)**. The Natural Resources Series T Bonds are issued for the purpose of providing moneys to pay costs of natural resources projects (see **PROGRAMS FUNDED BY THE BONDS** – **NatureWorks Program)**. The Higher Education Series 2015B Bonds are issued for the purpose of paying costs of capital facilities for state-supported and state-assisted institutions of higher education (see **PROGRAMS FUNDED BY THE BONDS** – **Higher Education Facilities)**.

All financial and other information presented in this Official Statement has been provided by the State from its records, except for information expressly attributed to other sources and except for certain information on the Cover and in **Appendix B**. The presentation of information, including tables of receipts from taxes and other sources, is intended to show recent historical information. It is not intended to indicate future or continuing trends in the financial or other positions of the State. No representation is made that past experience, as might be shown by that financial and other information, will necessarily continue in the future. Also see **REGARDING THIS OFFICIAL STATEMENT.**

References to provisions of Ohio law or of the Ohio Constitution are to those provisions now in effect. Those provisions may from time to time be amended, repealed or supplemented.

As used in this Official Statement:

"Beneficial Owner" means the owner of a book-entry interest in the Bonds, as defined in **Appendix B**.

"Commission" means the Ohio Public Facilities Commission.

"Cover" means the cover page and the inside cover of this Official Statement.

"Debt Service" means principal (including mandatory redemption payments, if any) of and interest and any redemption premium payable on the obligations referred to.

"Direct Participant" means a participant in the DTC system, as described in **Appendix B**.

"Fiscal Year" means a State Fiscal Year, currently the 12-month period from July 1 to June 30, and reference to a particular Fiscal Year (such as "Fiscal Year 2015") means the Fiscal Year ending on June 30 of that year.

"Revised Code" means the Ohio Revised Code.

"State" or "Ohio" means the State of Ohio.

THE BONDS

General; Book-Entry System

The Bonds will be issued pursuant to the constitutional and statutory authorities described herein and the General Bond Resolutions and Series Resolutions adopted by the Commission. The Bonds are issuable in the form and denominations, and will be dated and mature, as described in this Official Statement. Interest will be computed on the basis of a 12-month, 360-day year.

The Treasurer of State of Ohio (the Treasurer) as Bond Registrar will keep all books and records necessary for registration, exchange and transfer of the Bonds.

The Bonds will be delivered in book-entry-only form and, when issued, registered in the name of The Depository Trust Company (DTC), New York, New York, or its nominee Cede & Co., which will act as securities depository for the Bonds. For discussion of the book-entry system and DTC and the replacement of Bonds in the event that the book-entry system is discontinued (see **Appendix B)**.

Principal and interest will be payable to the registered owner (DTC). Principal will be payable on presentation and surrender at the office of the Bond Registrar (initially, the Treasurer of State of Ohio). Interest will be transmitted on each interest payment date (June 15 and December 15, beginning December 15, 2015, for the Common Schools Series 2015B Bonds; April 1 and October 1, beginning October 1, 2015, for the Natural Resources Series T Bonds; and May 1 and November 1, beginning November 1, 2015, for the Higher Education Series 2015B Bonds) by the Bond Registrar to DTC as the registered owner as of the 15th day preceding that interest payment date.

Prior Redemption

Prior Optional Redemption of Common Schools Series 2015B and Natural Resources Series T Bonds

The Common Schools Series 2015B Bonds maturing on and before June 15, 2022 are not subject to prior optional redemption. The Common Schools Series 2015B Bonds maturing on and after June 15, 2023 are subject to redemption at the option of the Commission prior to their stated maturities in whole or in part (if in part, by lot) on any date on or after June 15, 2022, at a redemption price equal to 100% of the principal amount redeemed plus accrued interest to the date fixed for redemption.

The Natural Resources Series T Bonds maturing on and before April 1, 2022 are not subject to prior optional redemption. The Natural Resources Series T Bonds maturing on and after April 1, 2023 are subject to redemption at the option of the Commission prior to their stated maturities in whole or in part (if in part, by lot) on any date on or after April 1, 2022, at a redemption price equal to 100% of the principal amount redeemed plus accrued interest to the date fixed for redemption.

Selection of Common Schools Series 2015B and Natural Resources Series T Bonds to be Redeemed. If fewer than all outstanding Tax-Exempt Bonds of a series are called for optional redemption at one time, the maturity or maturities of those Tax-Exempt Bonds to be called will be selected by, and in a manner determined by, the Commission.

If less than all of an outstanding Tax-Exempt Bond of a series of one maturity under a book-entry system is to be called for redemption, the Bond Registrar will give notice of redemption only to DTC as registered owner. The selection of the book-entry interests in that Tax-Exempt Bond to be redeemed, and notice of call to the owners of those interests called, is the sole responsibility of DTC and its Direct Participants and those working through those Direct Participants.

If Tax-Exempt Bond certificates of a series are issued to the ultimate owner, and if fewer than all of those Tax-Exempt Bonds of a single maturity are to be redeemed, the selection of those Tax-Exempt Bonds (or portions of Tax-Exempt Bonds, in amounts of $5,000 or any whole multiples of $5,000) to be redeemed will be made by lot in a manner determined by the Treasurer as Bond Registrar.

If there is to be a partial redemption by lot when Tax-Exempt Bonds of denominations greater than $5,000 are then outstanding, each $5,000 unit of principal will be treated by the Bond Registrar as if it were a separate bond of the denomination of $5,000.

Make-Whole Optional Redemption of Higher Education Series 2015B Bonds

The Higher Education Series 2015B Bonds are subject to redemption prior to their maturity at the option of the Commission, in whole or in part on any Business Day at the Make-Whole Redemption Price. The “Make-Whole Redemption Price” is the greater of:

(i) 100% of the principal amount of the Higher Education Series 2015B Bonds to be redeemed; or

(ii) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of the Higher Education Series 2015B Bonds to be redeemed (taking into account any mandatory sinking fund redemption), not including any portion of those payments of interest accrued and unpaid as of the date on which those Higher Education Series 2015B Bonds are to be redeemed, discounted on a semi-annual basis to the date on which those Higher Education Series 2015B Bonds are to be redeemed, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate (defined below) plus thirty (30) basis points;

plus, in each case, accrued and unpaid interest on those Higher Education Series 2015B Bonds to be redeemed on the redemption date.

"Treasury Rate" means, with respect to any redemption date for any particular Higher Education Series 2015B Bond, the greater of:

(i) the yield to maturity as of the redemption date of the United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two Business Days, but not more than forty-five (45) calendar days, prior to the redemption date (excluding inflation indexed securities)(or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the remaining average life of the Higher Education Series 2015B Bonds to be redeemed (taking into account any mandatory sinking fund redemptions); provided, however, that if the period from the redemption date to maturity is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used; all as will be determined by the Designated Consultant (defined below), and such determination shall be conclusive and binding on the owners of the Higher Education Series 2015B Bonds, or

(ii) the rate per annum, expressed as a percentage of the principal amount, equal to the semiannual equivalent yield to maturity or interpolated maturity of the Comparable Treasury Issue (defined below), assuming that the Comparable Treasury Issue is purchased on the redemption date for a price equal to the Comparable Treasury Price (defined below), as calculated by the Designated Consultant.

"Comparable Treasury Issue" means, with respect to any redemption date for a particular Higher Education Series 2015B Bond, the United States Treasury security or securities selected by the Designated Consultant that has an actual or interpolated maturity comparable to the remaining average life of the Higher Education Series 2015B Bond to be redeemed. If interpolation is utilized, the straight-line method will be applied to such interpolation.

"Comparable Treasury Price" means, with respect to any redemption date for a particular Higher Education Series 2015B Bond, (i) if the Designated Consultant receives at least four Reference Treasury Dealer Quotations (defined below), the average of such quotations for such redemption date, after excluding the highest and lowest Reference Treasury Dealer Quotations, or (ii) if the Designated Consultant obtains fewer than four Reference Treasury Dealer Quotations, the average of all such quotations.

"Designated Consultant" means an independent accounting firm, investment banking firm or financial adviser retained by the Commission at the State's expense.

"Reference Treasury Dealer" means each of the four firms, specified by the Commission from time to time, that are primary United States government securities dealers in The City of New York (each a "Primary Treasury Dealer"); provided, however, that if any of them ceases to be a Primary Treasury Dealer, the Commission will substitute another Primary Treasury Dealer.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date for a particular Higher Education Series 2015B Bond, the average, as determined by the Designated Consultant, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Designated Consultant by such Reference Treasury Dealer at 3:30 P.M., New York City time, on the second Business Day preceding such redemption date.

"Business Day" means any day, other than a Saturday or Sunday, and other than a day on which the Bond Registrar or a Paying Agent (other than the Bond Registrar), as applicable, is required, or authorized or not prohibited, by law (including without limitation, executive orders) to close and is closed.

Selection of Higher Education Series 2015B Bonds to be Redeemed. For so long as the Higher Education Series 2015B Bonds are registered in book entry only form and DTC or its nominee is the sole registered owner of the Higher Education Series 2015B Bonds, the Bond Registrar will give notice of redemption only to DTC as registered owner with instructions that any redemption of less than all of the outstanding Higher Education Series 2015B Bonds shall be allocated as nearly as practical among all the owners of book entry interests in those Bonds (in the amounts of $5,000 or any whole multiple) then outstanding in proportion to the total principal amount of each owner's book entry interests in those Bonds. That allocation and the selection of the book entry interests of Higher Education Series 2015B Bonds to be redeemed will be by and is the sole responsibility of DTC and its Direct Participants and those working through those Direct Participants. Any redemption of less than all of the outstanding Higher Education Series 2015B Bonds processed through DTC will be treated by DTC, in accordance with its rules and procedures, as a "Pro Rata Pass-Through Distribution of Principal," provided that, so long as the Higher Education Series 2015B Bonds are held in book-entry form, the selection for redemption of such Higher Education Series 2015B Bonds shall be made in accordance with the operational arrangements of DTC then in effect.

It is the Commission's intent that redemption allocations made by DTC be made on a pro rata pass-through distribution of principal basis as described above. However, neither the Commission nor the Underwriters can provide any assurance that DTC, DTC's direct and indirect participants or any other intermediary will allocate the redemption of Higher Education Series 2015B Bonds on such basis. If the DTC operational arrangements do not allow for the redemption of the Higher Education Series 2015B Bonds on a pro rata pass-through distribution of principal basis, then the Higher Education Series 2015B Bonds will be selected for redemption, in accordance with DTC procedures, by lot.

If the Higher Education Series 2015B Bonds are not registered in book entry only form, any redemption of less than all of the outstanding Higher Education Series 2015B Bonds shall be allocated (in the amounts of $5,000 or any whole multiple) among the registered owners of those Bonds then outstanding as nearly as practical in proportion to the principal amounts of the then outstanding Higher Education Series 2015B Bonds owned by each registered owner. This will be calculated based on the following formula:

$$\frac{\text{(principal to be redeemed) x (principal amount owned by owner)}}{\text{(principal amount outstanding)}}$$

Notice of Redemption; Effect

The Bond Registrar is to cause notice of redemption, identifying the Bonds or portions of the Bonds to be redeemed, to be sent by first-class mail at least 30 days prior to the redemption date. Notice is to go to the registered owner (initially, DTC) of each Bond to be redeemed at the address shown on the register on the 15th day preceding that mailing. Any defect in the notice or any failure to receive notice by mail as to any of the Bonds will not affect the validity of any proceedings for the redemption of any other of the Bonds.

If the Bonds are redeemed and on the redemption date moneys for that redemption are held in the Bond Service Fund or by the paying agent so as to be available for redemption, then on that redemption date those Bonds redeemed will be due and payable, and from and after that redemption date the redeemed Bonds (or portions of the Bonds) will cease to bear interest and those Bonds (or portions of those Bonds) will not be deemed to be outstanding under the Bond proceedings.

So long as all the Bonds of a series are held under a book-entry system by a securities depository (such as DTC) the redemption notice will be sent by the Bond Registrar to the depository or its nominee. Selection of book-entry interests in those Bonds redeemed, and giving notice of the redemption to the owners of those interests redeemed, is the sole responsibility of the depository and of its Direct Participants and those working through those Direct Participants. Any failure of the depository to advise any Direct Participant or of any Direct Participant or any person acting through a Direct Participant to notify the Beneficial Owners, of any such notice and its content or effect will not affect the validity of any proceedings for the redemption of any of the Bonds. See **General; Book Entry System** and **Appendix B**.

THE BONDS GENERALLY

Constitutional and Statutory Authorization

The Common Schools Series 2015B Bonds and the Higher Education Series 2015B Bonds are each one issue in a continuing series of State of Ohio Common Schools or Higher Education General Obligation Bonds under Section 2n of Article VIII of the Ohio Constitution (approved by the voters in 1999) authorizing the issuance of general obligations to pay costs of capital facilities for a system of common schools throughout the State and capital facilities for state-supported institutions of higher education, respectively. The Natural Resources Series T Bonds are one issue in a continuing series of State of Ohio Natural Resources General Obligation Bonds under Section 2l of Article VIII of the Ohio Constitution authorizing the issuance of general obligation bonds or notes to pay costs of natural resources projects. See **STATE DEBT** in **Appendix A.** Chapter 151 of the Revised Code (the Act) implements the State bond issuing aspects of those constitutional provisions.

Sources of Payment

The Bonds are general obligations of the State. The full faith and credit, revenue and taxing power of the State are pledged to the timely payment of Debt Service. Excluded from that pledge are highway user receipts (fees, excises and license taxes relating to the registration, operation or use of vehicles on the public highways or to fuels used for propelling such vehicles) and net State lottery proceeds. Payment of Debt Service is not dependent on, subject to, or related in any manner to the progress on or the completion of or operation of any funded facilities or projects.

See **FISCAL MATTERS** in **Appendix A** for a discussion of State revenues, including the revenues excluded from the pledge. Some aspects of the committed State receipts are as follows:

- 50% of State income tax receipts must be returned to the political subdivision in which the receipts originate.
- The State currently does not levy any ad valorem taxes on real or tangible personal property. In any case, the Constitution has long limited the amount of the aggregate of those ad valorem property tax levies for all purposes (without an approving vote of the electors or municipal charter provisions) to 1% of a particular property's true value in money.
- Certain revenues and receipts of the State and State agencies are subject to prior pledges to State revenue and revenue-type financings.

The State has covenanted, in the Act, that the State and its applicable officers and agencies, including the General Assembly, shall, so long as the Bonds are outstanding in accordance with their terms, maintain statutory authority for and cause to be levied, collected and applied sufficient excises, taxes and revenues of the State so that the revenues will be sufficient to pay Debt Service when due, to establish and maintain any reserves and other requirements, and to pay financing costs, all as provided for in the Bond proceedings. The Act expressly provides for the repeal and reduction of particular fees, excises or taxes, and the levy of any new or increased fees, excises or taxes, and the substitution of resources, to pay Debt Service. The rights of bondholders to such revenues are on parity with the rights of holders of other general obligation bonds of the State previously issued or to be issued.

The Common Schools Capital Facilities Bond Service Fund, the Natural Resources Projects Bond Service Fund, and the Higher Education Capital Facilities Bond Service Fund (each a Bond Service Fund) are each created by the Act as a trust fund pledged to the payment of Debt Service on the related series of Bonds. A sufficient amount of revenues of the State are committed and, without necessity for further appropriation, shall be paid to the applicable Bond Service Fund to pay Debt Service on the related Bonds when due. The Act requires the Commission, by July 15 of each Fiscal Year, to certify or cause to be certified to the Director of Budget and Management (the Director) the total amount of moneys required during that Fiscal Year to meet in full all Debt Service on outstanding obligations, including the Bonds, and any related financing costs payable from the applicable Bond Service Fund (not from the proceeds of refunding obligations), and the Director is required to transfer from the General Revenue Fund to each Bond Service Fund, without necessity of appropriations by the General Assembly, the amount so certified for the payment of Debt Service, costs of any credit enhancement facilities, and other financing costs set forth in that certification. Under the Bond proceedings, the Commission is also to make supplemental certifications to the Director for each Debt Service payment date and as may be requested by the Director.

If on the 10th calendar day prior to their due date, moneys to the credit of a Bond Service Fund are insufficient to meet in full all payments of Debt Service on that due date, no later than the 8th day before that Debt Service payment date the Director is to transfer to that Bond Service Fund from committed State receipts sufficient revenues to pay that Debt Service when due.

Moneys to the credit of a Bond Service Fund may be invested in one or more of the following:

- Notes, bonds or other direct obligations of the United States or of any agency or instrumentality of the United States, or in no-front-end-load money market mutual funds consisting exclusively of those obligations, or in repurchase agreements (including those issued by any fiduciary) secured by those obligations, or in collective investment funds consisting exclusively of those obligations.
- Obligations of the State or any political subdivision of the State.
- Certificates of deposit of any national bank located in Ohio and any State bank subject to inspection by the State superintendent of financial institutions.
- The Treasurer's pooled investment program.

The income from those investments is to be credited to that Bond Service Fund.

STATE DEBT under **Appendix A** generally describes other bonds of the State outstanding or currently authorized that are general obligations of the State or that are other direct State obligations payable from general State sources, including appropriated lease rental payments.

Defeasance

The Bonds will be deemed to have been paid or caused to be paid (including particular Bonds being refunded) and no longer deemed outstanding if there is held in trust, by the Bond Registrar or the Bond Registrar's agent, for and irrevocably committed to that purpose either of, or a combination of, the following: moneys or direct obligations of or obligations guaranteed as to payment of principal and interest by the United States or senior debt obligations of the U.S. government-sponsored enterprises rated on the date of purchase in the highest category for short-term or long-term debt as applicable, by any two nationally recognized rating organizations, verified by an independent public accounting firm of national reputation (or equivalent expert) to be of such maturities and interest payment dates and to bear such interest or other investment income as will be, without further investment or reinvestment of either the principal or the investment earnings (likewise to be held in trust and committed, except as described below) sufficient for the payment at and to maturity of all applicable Debt Service.

Any moneys held in cash may be invested only in direct obligations of the United States and obligations guaranteed as to principal and interest by the United States, the maturities or redemption (at the holder's option) dates of which will coincide as nearly as practicable with, but will not be later than, the times at which those moneys will be required for those payment purposes.

Any income or interest earned by those investments, to the extent not required for those payment purposes, may be transferred to the applicable Bond Service Fund or the State's General Revenue Fund (GRF).

Non-presentment

If a Bond is not presented for payment when due or an interest payment check is uncashed, and if moneys for the purpose of paying and sufficient to pay that amount have been made available, all liability of the State to the holder for the payment will cease and be completely discharged. A separate special subaccount in the applicable Bond Service Fund is to hold that money, without liability for interest on it, for the benefit of the registered owner of that Bond, who thereafter will be restricted exclusively to that money for any claim of whatever nature with respect to that Bond. The Bond Registrar is to keep a record of the amounts with respect to the Bonds so deposited in that subaccount.

Purpose and Application of Proceeds

The Common Schools Series 2015B Bonds are issued to pay costs of capital facilities for a system of common schools throughout the State (see **PROGRAMS FUNDED BY THE BONDS – Ohio School Facilities Commission).** The proceeds from the sale of the Common Schools Series 2015B Bonds, less the costs of issuance, are to be deposited into the School Building Program Assistance Fund held by the Treasurer.

The Natural Resources Series T Bonds are issued for the purpose of providing moneys to pay costs of natural resources projects (see **PROGRAMS FUNDED BY THE BONDS – NatureWorks Program).** The proceeds from the sale of Natural Resources Series T Bonds, less the costs of issuance, are to be deposited into the Ohio Parks and Natural Resources Fund held by the Treasurer.

The Higher Education Series 2015B Bonds are issued to pay costs of capital facilities for state-supported and state-assisted higher education institutions (see **PROGRAMS FUNDED BY THE BONDS – Higher Education Program)**. The proceeds from the sale of the Higher Education Series 2015B Bonds, less costs of issuance, are to be deposited into the Higher Education Improvement Taxable Fund.

PROGRAMS FUNDED BY THE BONDS

Ohio School Facilities Commission

The Ohio School Facilities Commission (OSFC) is a body corporate and politic, constituting an agency and instrumentality of the State and performing essential functions of the State. The OSFC is responsible for administering the provision of State financial assistance to local school districts for the acquisition and construction of classroom facilities.

The OSFC is comprised of seven members, three of whom are voting members and four of whom are non-voting members. The voting members are the Director of Budget and Management, the Director of Administrative Services and the Superintendent of Public Instruction, or their designees. The four non-voting members are two current members of the Senate and two current members of the House of Representatives appointed by the President of the Senate and Speaker of the House, respectively.

A chair and vice-chair are elected from among its voting members at the OSFC's first meeting each year. The voting members of the OSFC for 2015 are:

Timothy S. Keen	Director of Budget and Management (Chair)
Robert Blair	Director of Administrative Services (Vice-Chair)
Richard Ross	Superintendent of Public Instruction

The two non-voting members of the OSFC from the Ohio Senate for 2015 are Sen. Gayle Manning and Sen. Tom Sawyer. The two non-voting members from the House of Representatives for 2015 are Rep. Ryan Smith and Rep. Dan

Ramos. The OSFC appoints an executive director to manage its programs. The executive director is assisted by a staff of approximately eighty-five employees.

The programs administered by the OSFC provide funds to pay costs of acquiring and improving capital facilities for use by qualifying public school districts for primary and secondary education purposes. Principal among these programs is the Classroom Facilities Assistance Program (CFAP) under which the OSFC provides assistance beginning with the lowest wealth school districts after performing on-site assessments of classroom facilities needs. Each school district receiving assistance under CFAP must pay a portion of the total project cost, generally calculated based upon the district's wealth ranking at the time the project is approved.

Proposed projects must be approved by the OSFC based on the needs of the school district for additional classroom facilities, the number and cost of classroom facilities to be included in a project, the amount the school district can provide from available funds or by the issuance of its bonds, and the remaining amount to be supplied by the State. The proposed project must also conform to sound educational practice and be in keeping with the orderly process of school district reorganization and consolidation, and actual or projected enrollment in each facility to be included in the project must be at least 350 pupils. Exceptions may be authorized by OSFC only in districts where topography, scarcity of population, or other factors, make larger schools impracticable.

A CFAP project approval must be accepted by the school district within 120 days, and the district's electors must, within 13 months, approve the issuance of school district bonds for the local portion of the cost or provide alternate equivalent funding as allowed by law. The district's electors must also approve a levy of at least one-half mill to pay the cost of maintaining the classroom facilities included in the project or provide alternate equivalent funding as allowed by law. The OSFC and each school district then enter into a written agreement for the construction and funding of each project.

In addition to CFAP, the OSFC also administers:

- The School Building Expedited Local Partnership Program, under which school districts that are over two years away from eligibility for CFAP assistance may undergo a district-wide facilities assessment and may then make facilities improvements by expending local resources and by applying those expenditures toward meeting the district's portion of the basic project cost when it later becomes eligible for assistance under CFAP.

- The School Building Emergency Assistance Program, for making grants to eligible districts from moneys specifically appropriated to assist in the reconstruction, renovation or repair to classroom facilities made necessary because of damage due to an act of God.

- The Accelerated Urban School Building Assistance Program, created to assist and address the facilities needs of the largest urban school districts that collectively serve approximately 12% of the State's public elementary and secondary student population.

- The Exceptional Needs Program (ENP) for districts that have exceptional needs for new facilities to protect the student's health and safety. This is the Commission's only needs-based program.

- The Vocational Facilities Assistance Program (VFAP), for career technical school districts in Ohio. Like CFAP, districts develop a master facility plan for the entire needs of the district, are served in order of wealth, contribute a local share that varies depending on the relative wealth of the district, and are required to set aside maintenance funds.

NatureWorks Program

The NatureWorks Program, created in 1994 and administered by the Ohio Department of Natural Resources (ODNR), is designed to provide capital improvements for: state and local parks, land and water recreation, soil and water restoration and protection, land management including preservation of natural areas and reforestation, water management including dam safety, stream and lake management, flood control and flood damage reduction, and fish and wildlife resource management. The Department utilizes 80% of the NatureWorks Program funding for a variety of projects administered by the Department, including Parks and Recreation, Forestry, Wildlife and Natural Areas and Preserves and approximately 20% for the NatureWorks grant program.

The NatureWorks grant program provides up to 75% reimbursement assistance for subdivisions of local government (townships, villages, cities, counties, park districts, joint recreation districts and conservancy districts) for the acquisition, development and rehabilitation of recreational areas. ODNR's Office of Real Estate administers the grant program and accepts applications on an annual basis. Grant funds are allocated to counties based on a formula that includes a per capita basis, and are then awarded to both county and local governments within that county. Projects are evaluated and selected based on factors that measure public benefit and recreational need.

Higher Education Facilities

Public higher education in Ohio dates from early in the nineteenth century. Ohio University was founded in 1804 and Miami University in 1809, followed by The Ohio State University in 1870, Central State University in 1887, and Kent State University and Bowling Green State University in 1910. Until 1963, the main campuses of these six universities were the only State higher education facilities.

State institutions of higher education in Ohio now consist of 14 state universities (with 24 regional branch campuses), six medical colleges, six community colleges operated by local community college districts and supported in substantial part by locally voted property taxes, nine state community colleges, eight technical colleges, and an agricultural research and development center. Each university and college is governed by its own board of trustees. The board members of State universities and colleges are appointed by the Governor.

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

Biennium	Subsidy	Biennium	Capital
2002-03	$4,226,398,596	2003-04	$554,469,095
2004-05	4,905,057,891	2005-06	539,371,036
2006-07	5,017,408,626	2007-08	632,446,534
2008-09	5,482,249,552	2009-10	608,809,802
2010-11	5,042,151,371(a)	2011-12	-0-(b)
2012-13	4,536,214,491	2013-14	403,562,434
2014-15	4,710,422,792	2015-16	505,241,296

(a) Includes $568,824,898 of funding supported by federal State Fiscal Stabilization Funds.
(b) No new capital appropriations were provided by the General Assembly for the 2011-12 capital biennium.

Ohio Board of Regents. John Carey, the Chancellor of the Ohio Board of Regents, is an appointee of the Governor, with the advice and consent of the Senate, and serves at the pleasure of the Governor. The Chancellor has statewide coordinating, recommendatory, advisory and directory powers with respect to state-supported and state-assisted institutions of higher education. Among the Chancellor's powers and responsibilities are the powers to maintain a state master plan for higher education; to review appropriation requests of higher education institutions and make recommendations to the General Assembly concerning the biennial higher education operating appropriations; and to approve or disapprove the establishment of technical colleges, state institutions of higher education, community colleges, new branches or academic centers of state universities, and all new degree programs within those institutions.

The Ohio Board of Regents acts as an advisory board to the Chancellor. The Ohio Board of Regents consists of nine voting members appointed by the Governor to six-year terms, with the advice and consent of the Senate. The chairs of the respective Senate and House education committees also serve as ex-officio, non-voting members.

Beginning in Fiscal Year 1998, the Ohio Board of Regents implemented a formula-based program for higher education capital appropriations designed to make institutions more aware of, and in many cases more responsible for, capital costs, including Debt Service on higher education general obligation bonds issued by the State. Operating subsidies to institutions were adjusted "as if" the institution were paying Debt Service attributable to certain State-financed capital projects. Annual instructional subsidies to the institution were reduced to reflect the amount of Debt Service being paid from State appropriations for certain non-exempt capital projects. Exemptions were made for appropriations for basic renovations aimed at preserving past investment and for certain statewide projects.

Beginning in Fiscal Year 2013, the formula-based methodology described above was repealed and replaced with a collaborative allocation process designed to strategically target capital resources to the highest priorities throughout the higher education system. The Fiscal Year 2013-14 capital appropriations act (Am. Sub. H.B. 482 of the 129th General Assembly) allocated funding to institutions based on the recommendations of a collaborative capital funding plan focused on State-wide priorities rather than a guaranteed funding amount for each institution. This capital allocation approach allows the State to be strategic and purposeful in meeting the needs of the higher education system, rather than relying on a formula to determine the level of capital investment at each institution.

OHIO PUBLIC FACILITIES COMMISSION

The Commission is a body politic and corporate, constituting an agency and instrumentality of the State and performing essential functions of the State. It is comprised of six members, being the incumbents in the elective offices of Governor (John R. Kasich), Attorney General (Mike DeWine), Auditor of State (Dave Yost), Secretary of State (Jon Husted), and Treasurer of State (Josh Mandel), and the Director of Budget and Management (Timothy S. Keen, appointed by the Governor with the consent of the Senate, and serving at the pleasure of the Governor). The Governor serves as the Chair, the Treasurer of State as the Treasurer and the Director of Budget and Management as the Secretary of the Commission. The current elective terms of the Governor, Attorney General, Auditor of State, Secretary of State and Treasurer of State run to January 2019. Commission members may, at Commission meetings, act through appointed designees.

TAX MATTERS FOR TAX-EXEMPT (COMMON SCHOOLS SERIES 2015B AND NATURAL RESOURCES SERIES T) BONDS

In the opinion of Bond Counsel, under existing law: (i) interest on the Tax-Exempt Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the Code), and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; and (ii) interest on, and any profit made on the sale, exchange or other disposition of, the Tax-Exempt Bonds are exempt from all Ohio state and local taxation, except the estate tax, the domestic insurance company tax, the dealers in intangibles tax, the tax levied on the basis of the total equity capital of financial institutions, and the net worth base of the corporate franchise tax. Bond Counsel will express no opinion as to any other tax consequences regarding the Tax-Exempt Bonds.

The opinions on tax matters will be based on and will assume the accuracy of certain representations and certifications made by the Commission, the State and others, and continuing compliance with certain covenants of the Commission and the State, contained in the transcript of proceedings and that are intended to evidence and assure the foregoing, including that the Tax-Exempt Bonds are and will remain obligations the interest on which is excluded from gross income for federal income tax purposes. Bond Counsel will not independently verify the accuracy of such certifications and representations or the continuing compliance with the covenants of the Commission and the State.

The opinions of Bond Counsel are based on current legal authority and cover certain matters not directly addressed by that authority. They represent Bond Counsel’s legal judgment as to the exclusion of interest on the Tax-Exempt Bonds from gross income for federal income tax purposes but are not a guaranty of that conclusion. The opinions are not binding on the Internal Revenue Service (IRS) or any court. Bond Counsel will express no opinion as to (i) the effect of future changes in the Code and the applicable regulations under the Code or (ii) the interpretation and the enforcement of the Code or those regulations by the IRS.

The Code prescribes a number of qualifications and conditions for the interest on state and local government obligations to be and to remain excluded from gross income for federal income tax purposes, some of which require future or continued compliance after issuance of the obligations. Noncompliance with these requirements may cause the loss of such status and result in the interest on the Tax-Exempt Bonds being included in gross income for federal income tax purposes retroactively to the date of issuance of the Tax-Exempt Bonds. The Commission and the State have each covenanted to take actions required of it for the interest on the Tax-Exempt Bonds to be and to remain excluded from gross income for federal income tax purposes, and not to take any actions that would adversely affect that exclusion. After the date of issuance of the Tax-Exempt Bonds, Bond Counsel will not undertake to determine (or to so inform any person) whether any actions taken or not taken, or any events occurring or not occurring, or any other matters coming to Bond Counsel’s attention, may adversely affect the exclusion from gross income for federal income tax purposes of interest on the Tax-Exempt Bonds or the market value of the Tax-Exempt Bonds.

A portion of the interest on the Tax-Exempt Bonds earned by certain corporations may be subject to the federal corporate alternative minimum tax. In addition, interest on the Bonds may be subject to the federal branch profits tax imposed on certain foreign corporations doing business in the United States and to a federal tax imposed on excess net passive income of certain S corporations. Under the Code, the exclusion of interest from gross income for federal income tax purposes may have certain adverse federal income tax consequences on items of income, deduction or credit for certain taxpayers, including financial institutions, certain insurance companies, recipients of Social Security and Railroad Retirement benefits, those that are deemed to incur or continue indebtedness to acquire or carry tax-exempt obligations, and individuals otherwise eligible for the earned income credit. The applicability and extent of these and other tax consequences will depend upon the particular tax status or other tax items of the owner of the Tax-Exempt Bonds. Bond Counsel will express no opinion regarding those consequences.

Payments of interest on tax-exempt obligations, including the Tax-Exempt Bonds, are generally subject to IRS Form 1099-INT information reporting requirements. If an owner of the Tax-Exempt Bonds is subject to backup withholding under those requirements, then payments of interest will also be subject to backup withholding. Those requirements do not affect the exclusion of such interest from gross income for federal income tax purposes.

Bond Counsel’s engagement with respect to the Bonds ends with the issuance of the Tax-Exempt Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Commission, the State or the owners of the

Tax-Exempt Bonds regarding the federal tax status of interest thereon in the event of an audit examination by the IRS. The IRS has a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the Tax-Exempt Bonds, under current IRS procedures, the IRS will treat the State of Ohio as the taxpayer and the Beneficial Owners of the Tax-Exempt Bonds will have only limited rights, if any, to obtain and participate in judicial review of such audit. Any action of the IRS, including but not limited to selection of the Tax-Exempt Bonds for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the market value or marketability of those Tax-Exempt Bonds.

Prospective purchasers of the Tax-Exempt Bonds upon their original issuance at prices other than the respective prices indicated on the Cover of this Official Statement, and prospective purchasers of the Tax-Exempt Bonds at other than their original issuance, should consult with their own tax advisers regarding other tax considerations such as the consequences of market discount, as to all of which Bond Counsel expresses no opinion.

Risk of Future Legislative Changes and/or Court Decisions

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and may also be considered by the State legislature. Court proceedings may also be filed the outcome of which could modify the tax treatment of obligations such as the Tax-Exempt Bonds. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the Tax-Exempt Bonds will not have an adverse effect on the tax status of interest or other income on the Bonds or the market value or marketability of the Tax-Exempt Bonds. These adverse effects could result, for example, from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), or repeal (or reduction in the benefit) of the exclusion of interest on the Tax-Exempt Bonds from gross income for federal or state income tax purposes for all or certain taxpayers.

For example, recent presidential and legislative proposals would eliminate, reduce or otherwise alter the tax benefits currently provided to certain owners of state and local government bonds, including proposals that would result in additional federal income tax on taxpayers that own tax-exempt obligations if their incomes exceed certain thresholds. Investors in the Tax-Exempt Bonds should be aware that any such future legislative actions (including federal income tax reform) may retroactively change the treatment of all or a portion of the interest on the Tax-Exempt Bonds for federal income tax purposes for all or certain taxpayers. In such event, the market value of the Tax-Exempt Bonds may be adversely affected and the ability of holders to sell their Bonds in the secondary market may be reduced. The Tax-Exempt Bonds are not subject to special mandatory redemption, and the interest rates on the Bonds are not subject to adjustment in the event of any such change.

Investors should consult their own financial and tax advisers to analyze the importance of these risks.

Original Issue Premium

All of the Tax-Exempt Bonds (Premium Bonds) are being offered and sold to the public at a price in excess of their stated redemption price at maturity (the principal amount). That excess constitutes bond premium. For federal income tax purposes, bond premium is amortized over the period to maturity of a Premium Bond, based on the yield to maturity of that Premium Bond (or, in the case of a Premium Bond callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on that Premium Bond), compounded semiannually. No portion of that bond premium is deductible by the owner of a Premium Bond. For purposes of determining the owner's gain or loss on the sale, redemption (including redemption at maturity) or other disposition of a Premium Bond, the owner's tax basis in the Premium Bond is reduced by the amount of bond premium that is amortized during the period of ownership. As a result, an owner may realize taxable gain for federal income tax purposes from the sale or other disposition of a Premium Bond for an amount equal to or less than the amount paid by the owner for that Premium Bond. A purchaser of a Premium Bond in the initial public offering at the price for that Premium Bond stated on the Cover of this Official Statement who holds that Premium Bond to maturity (or, in the case of a callable Premium Bond, to its earlier call date that results in the lowest yield on that Premium Bond) will realize no gain or loss upon the retirement of that Premium Bond.

Owners of Premium Bonds should consult with their own tax advisers as to the determination for federal income tax purposes of the amount of bond premium properly accruable or amortizable in any period with respect to the Premium Bonds and as to other federal tax consequences and the treatment of bond premium for purposes of state and local taxes on, or based on, income.

TAX MATTERS FOR TAXABLE (HIGHER EDUCATION SERIES 2015B) BONDS

In the opinion of Bond Counsel, under existing law, interest on, and any profit made on the sale, exchange or other disposition of, the Higher Education Series 2015B Bonds are exempt from all Ohio state and local taxation, except the estate tax, the domestic insurance company tax, the dealers in intangibles tax, the tax levied on the basis of the total equity capital of financial institutions, and the net worth base of the corporate franchise tax. An opinion to those effects will be included in the legal opinion for the Higher Education Series 2015B Bonds. Bond Counsel will express no opinion as to any other tax consequences regarding the Higher Education Series 2015B Bonds. INTEREST ON THE HIGHER EDUCATION SERIES 2015B BONDS IS NOT EXCLUDED FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES. THE LEGAL DEFEASANCE OF THE HIGHER EDUCATION SERIES 2015B BONDS MAY RESULT IN A DEEMED SALE OR EXCHANGE OF THOSE BONDS UNDER CERTAIN CIRCUMSTANCES; OWNERS OF THE HIGHER EDUCATION SERIES 2015B BONDS SHOULD CONSULT WITH THEIR OWN TAX ADVISERS AS TO THE FEDERAL INCOME TAX CONSEQUENCES OF SUCH AN EVENT. PROSPECTIVE PURCHASERS OF THE HIGHER EDUCATION SERIES 2015B BONDS SHOULD CONSULT WITH THEIR OWN TAX ADVISERS AS TO THE FEDERAL, STATE, LOCAL, AND FOREIGN TAX CONSEQUENCES OF THEIR ACQUISITION, OWNERSHIP AND DISPOSITION OF THE HIGHER EDUCATION SERIES 2015B BONDS.

The following discussion is generally limited to "U.S. owners," meaning beneficial owners of the Higher Education Series 2015B Bonds that for United States federal income tax purposes are individual citizens or residents of the United States, corporations or other entities taxable as corporations created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), and certain estates or trusts with specific connections to the United States. ***Partnerships holding Higher Education Series 2015B Bonds, and partners in such partnerships, should consult with their own tax advisers regarding the tax consequences of an investment in the Higher Education Series 2015B Bonds (including their status as U.S. owners.)***

Original Issue Premium

All of the Higher Education Series 2015B Bonds (Premium Bonds) are being offered and sold to the public at a price in excess of their stated redemption price at maturity (the principal amount). If a U.S. owner purchases a Premium Bond, that owner will be considered to have purchased such Premium Bond with "amortizable bond premium" equal in amount to such excess. The U.S. owner may elect (which election shall apply to all securities purchased at a premium by such U.S. owner), in accordance with the applicable provisions of Section 171 of the Code, to amortize that premium as an offset to the interest payments on the Premium Bond using a constant yield to maturity method over the remaining term of the Premium Bond (or, if required by applicable Treasury Regulations, to an earlier call date). Pursuant to Section 67(b)(11) of the Code, the amortization of that premium is not considered a miscellaneous itemized deduction. Any amortization of bond premium will reduce the basis of the Premium Bond pursuant to Section 1016(a)(5) of the Code.

Owners of Premium Bonds (or book-entry interests in them) should consult with their own tax advisers as to the determination for federal tax purposes of the amount of amortizable bond premium properly accruable or amortizable in any period with respect to the Premium Bonds and as to other federal tax consequences and the treatment of amortizable bond premium for purposes of state or local taxes on, or based on, income.

Information Reporting and Backup Withholding

General information reporting requirements will apply to payments of principal and interest made on, and the proceeds of the sale of, a Higher Education Series 2015B Bond to a non-corporate holder of that Higher Education Series 2015B Bond, and "backup withholding," currently at a rate of 28% will apply to such payments if the owner fails to provide an accurate taxpayer identification number in the manner required or fails to report all interest required to be shown on its federal income tax returns. A beneficial owner of a Higher Education Series 2015B Bond that is a U.S. owner generally can obtain complete exemption from backup withholding by providing a properly completed IRS Form W-9 (Request for Taxpayer Identification Number and Certification).

Medicare Tax Affecting U.S. Owners

For taxable years beginning after December 31, 2012, a U.S. owner that is an individual or estate, or a trust not included in a special class of trusts that is exempt from such tax, is subject to a 3.8% Medicare tax on the lesser of (1) the U.S. owner's "net investment income" for the taxable year and (2) the excess of the U.S. owner's modified adjusted gross income for the taxable year over a certain threshold (which in the case of individuals is between $125,000 and $250,000, depending on the individual's circumstances). A U.S. owner's net investment income generally includes interest income on, and net gains from the disposition of, Higher Education Series 2015B Bonds, unless such interest income or net gains are derived in the ordinary course of a trade or business (other than a trade or business that consists of certain passive or trading activities). A U.S. owner that is an individual, estate, or trust, should consult its own tax adviser regarding the applicability of the Medicare tax.

Non-U.S. Owners

Under the Code, interest on any Higher Education Series 2015B Bond whose beneficial owner is not a U.S. owner (a non-U.S. owner) are generally not subject to United States income tax or withholding tax (including backup withholding) if the non-U.S. owner provides the payor of interest on that Higher Education Series 2015B Bond with an appropriate statement as to its status as a non-U.S. owner. This statement can be made on IRS Form W-8BEN or an applicable successor form. If, however, the non-U.S. owner conducts a trade or business in the United States and the interest on the Higher Education Series 2015B Bonds held by the non-U.S. owner is effectively connected with such trade or business, that interest will be subject to United States income tax but will generally not be subject to United States withholding tax (including backup withholding). The foregoing is a brief summary of certain federal income tax consequences to a non-U.S. owner. **Non-U.S. owners should consult with their own tax advisers regarding the tax consequences of an investment in the Higher Education Series 2015B Bonds.**

Foreign Account Tax Compliance Act

The Foreign Account Tax Compliance Act ("FATCA") generally imposes a 30% withholding tax on interest payments and proceeds from the sale of interest-bearing obligations for payments made after the relevant effective date to (i) certain foreign financial institutions that fail to certify their FATCA status and (ii) investment funds and non-financial foreign entities if certain disclosure requirements related to direct and indirect United States shareholders and/or United States accountholders are not satisfied. Under applicable Treasury regulations, the FATCA withholding tax of 30% will generally be imposed, subject to certain exceptions, on payments of (i) interest on Higher Education Series 2015B Bonds on or after July 1, 2014, and (ii) gross proceeds from the sale or other disposition of Higher Education Series 2015B Bonds on or after January 1, 2017, where such payments are made to persons described in the immediately preceding paragraph.

In the case of payments made to a "foreign financial institution" (generally including an investment fund), as a beneficial owner or as an intermediary, the FATCA withholding tax generally will be imposed, subject to certain exceptions, unless such institution (i) enters into (or is otherwise subject to) and complies with an agreement with the U.S. government (a "FATCA Agreement") or (ii) is required by and complies with applicable foreign law enacted in connection with an intergovernmental agreement between the United States and a foreign jurisdiction (an "IGA"), in either case to, among other things, collect and provide to the U.S. or other relevant tax authorities certain information regarding U.S. account holders of such institution. In the case of payments made to a foreign entity that is not a financial institution (as a beneficial owner), the FATCA withholding tax generally will be imposed, subject to certain exceptions, unless such entity either provides the withholding agent with a certification that it does not have any "substantial" U.S. owner (generally, any specified U.S. person that directly or indirectly owns more than a specified percentage of such entity) or identifies its "substantial" U.S. owners.

If Higher Education Series 2015B Bonds are held through a foreign financial institution that enters into (or is otherwise subject to) a FATCA Agreement, such foreign financial institution (or, in certain cases, a person paying amounts to such foreign financial institution) generally will be required, subject to certain exceptions, to withhold the 30% FATCA tax on payments of dividends or the items described above made to (i) a person (including an individual) that fails to comply with certain information requests or (ii) a foreign financial institution that has not entered into (and is not otherwise subject to) a FATCA Agreement and that is not required to comply with FATCA pursuant to applicable foreign law enacted in connection with an IGA. Coordinating rules may limit duplicative withholding in cases where the withholding described above in "**Non-U.S. Holders**" or "**Information Reporting and Backup Withholding**" also applies.

If any amount of, or in respect of, U.S. withholding tax were to be deducted or withheld from payments on Higher Education Series 2015B Bonds as a result of a failure by an investor (or by an institution through which an investor holds the Higher Education Series 2015B Bonds) to comply with FATCA, none of the Commission, the State, any paying agent or any other person would, pursuant to the terms of the Bonds, be required to pay additional amounts with respect to any Higher Education Series 2015B Bond as a result of the deduction or withholding of such tax. **Non-U.S. owners should consult their tax advisers regarding the application of FATCA to the ownership and disposition of Higher Education Series 2015B Bonds.**

LITIGATION

There is no litigation pending contesting the validity of the Bonds or the proceedings for their authorization, issuance, sale, execution and delivery. A no-litigation certificate to that effect will be delivered to the Original Purchasers at the time of original delivery of the Bonds.

The State is a party to various legal proceedings seeking damages or injunctive relief and generally incidental to its operations, but unrelated to the Bonds or the security for the Bonds. The ultimate disposition of these proceedings is not presently determinable, but in the opinion of the Ohio Attorney General will not have a material adverse effect on the Bonds or the security for the Bonds.

LEGAL OPINIONS

Legal matters incident to the issuance of the Bonds and with regard to the tax-exempt status of the interest on the Bonds (see **TAX MATTERS**) are subject to the legal opinions of Carlile Patchen & Murphy LLP, Bond Counsel. The signed legal opinions dated as of, and premised on the transcript of proceedings examined and law in effect on, the date of original delivery, will be delivered to the Original Purchasers at the time of that original delivery. The text of the opinions for the Bonds will be printed on or appended to the Bonds.

The proposed text of Bond Counsel's legal opinions is set forth as **Exhibits A-1** through **A-3**. The legal opinions to be delivered may vary from that text if necessary to reflect facts and law on the date of delivery. The opinions will speak only as of their date, and subsequent distribution by recirculation of the Official Statement or otherwise should not create any implication that Bond Counsel has reviewed or expressed any opinion concerning any of the matters referred to in the opinions subsequent to their date.

Certain legal matters will be passed upon for the Commission by its counsel Squire Patton Boggs (US) LLP, which is also serving as Disclosure Counsel to the Commission.

RATINGS

In response to the Commission's application, the Bonds have been rated AA+ (stable outlook) by Fitch Ratings (Fitch), Aa1 (stable outlook) by Moody's Investors Service (Moody's), and AA+ (stable outlook) by Standard & Poor's Ratings Services (S&P).

The ratings and ratings outlooks in effect from time to time reflect only the views of the particular rating organization. The explanation of its views of the meaning and significance of its rating or outlook may be obtained from the respective rating agency. The Commission furnished to each rating agency certain information and materials, some of which may not be included in this Official Statement, relating to the Bonds and other obligations, the State and the Commission. Generally, rating agencies base their ratings on that information and materials, and on their own investigations, studies and assumptions.

There can be no assurance that the ratings or outlooks assigned will continue for any given time, or that a rating will not be lowered or withdrawn by a rating agency if in its judgment circumstances so warrant. Any downward change in or withdrawal of a rating, or change in rating outlook or other actions of a rating agency, may have an adverse effect on the marketability and market price of the Bonds.

FINANCIAL ADVISER

Public Financial Management, Inc. is serving as the financial adviser to the Commission in connection with the issuance and sale of the Bonds. The financial adviser is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Official Statement. Public Financial Management, Inc. is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

TRANSCRIPT AND CLOSING CERTIFICATES

A complete transcript of proceedings and no-litigation certificate (as described above) for the Bonds of each series will be delivered by the Commission to the Original Purchaser. At that time, the Director of Budget and Management will also furnish to the Original Purchaser of each series a certificate relating to the accuracy and completeness of this Official Statement (including matters set forth in or contemplated by it), and to its being a "final official statement" in the Commission's judgment for purposes of Securities and Exchange Commission (SEC) Rule 15c2-12(b)(3).

CONTINUING DISCLOSURE AGREEMENTS

The Commission has agreed, for the benefit of the holders and Beneficial Owners of each series of the Bonds, in accordance with SEC Rule 15c2-12 (the Rule), to provide or cause to be provided such financial information and operating data (Annual Information), audited financial statements and notices, in such manner, as may be required for purposes of paragraph (b)(5)(i) of the Rule (a Continuing Disclosure Agreement).

The Commission has complied in all material respects with its prior continuing disclosure agreements under the Rule during the past five years.

It will provide to the Municipal Securities Rulemaking Board (the MSRB) through its Electronic Municipal Market Access (EMMA) system:

- Annual Information for each State Fiscal Year (beginning with Fiscal Year 2015) not later than the 90th day following the end of the Fiscal Year (or, if that is not a State business day, the next State business day), consisting of annual financial information and operating data of the type included in **Appendix A** of this Official Statement under the captions **FISCAL MATTERS**, **STATE DEBT**, **STATE EMPLOYEES AND RETIREMENT SYSTEMS**, and **TAX LEVELS AND TAX BASES**. The Commission expects that Annual Information will be provided directly by the State (specifically, by OBM) and may be provided in part by cross-reference to other documents, such as the State's Comprehensive Annual Financial Report, and subsequent final official statements.
- When and if available, audited general purpose financial statements of the State for each Fiscal Year. The Commission expects that those financial statements will be prepared, that they will be available separately from the Annual Information, and that the accounting principles to be applied in their preparation will, except as may otherwise then be stated, be as described under and by reference in **Appendix A** under **FISCAL MATTERS - Accounts and Controls**; **Financial Reports**.

It will provide to the MSRB through the EMMA system, in a timely manner, notice of:

- The occurrence of any of the following events with respect to the Bonds, within the meaning of the Rule, within 10 business days of the occurrence of the event:
  - principal and interest payment delinquencies
  - non-payment related defaults, if material
  - unscheduled draws on any debt service reserves or on credit enhancements (Credit Enhancement Facility) reflecting financial difficulties
  - substitution of credit or liquidity providers (Credit Enhancement Facility providers), or their failure to perform
  - adverse tax opinions, the issuance by the IRS of proposed or final determinations of taxability, Notice of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax-exempt status of the Bonds
  - modifications to rights of registered owners or Beneficial Owners, if material
  - Bond calls, if material, and tender offers
  - defeasances
  - release, substitution, or sale of property securing repayment of the Bonds, if material
  - bankruptcy, insolvency, receivership or similar event of the obligated person
  - consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, or the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material
  - appointment of a successor or additional trustee or the change of name of a trustee, if material
  - rating changes
- The failure to provide the Annual Information within the specified time.
- Any change in the accounting principles applied in the preparation of the annual financial statements or in the Fiscal Year, any failure of the General Assembly to appropriate moneys for the purpose of paying costs to be incurred by the State in performing the Continuing Disclosure Agreement for the applicable fiscal period (biennium), and termination of the Continuing Disclosure Agreement.

There are no debt service reserves, or credit enhancements or credit or liquidity providers, for the Bonds, or any property (except the Bond Service Fund) securing their repayment. There is no trustee for the Bonds.

The Commission reserves the right to amend each Continuing Disclosure Agreement, and to obtain the waiver of noncompliance with any provision of such Continuing Disclosure Agreement, as may be necessary or appropriate:

- To achieve its compliance with any applicable federal securities law or rule.
- To cure any ambiguity, inconsistency or formal defect or omission.

- To address any change in circumstances arising from a change in legal requirements, change in law, or change in the identity, nature, or status of the Commission.

Any such amendment or waiver will not be effective unless that Continuing Disclosure Agreement (as amended or taking into account the waiver) would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any applicable amendments to or official interpretations of the Rule, as well as any change in circumstances, and until the Commission shall have received either:

- A written opinion of bond, disclosure or other qualified independent special counsel selected by the Commission that the amendment or waiver would not materially impair the interest of holders or Beneficial Owners of the Bonds; or
- The written consent to the amendment, or waiver, by the holders of at least a majority of the aggregate outstanding principal amount of the Bonds.

Each Continuing Disclosure Agreement, by provisions in the bond proceedings, will be solely for the benefit of the holders and Beneficial Owners of the Bonds of that series including holders of book-entry interests in them. The right to enforce the provisions of a Continuing Disclosure Agreement may be limited to a right of the holders or Beneficial Owners to enforce to the extent permitted by law (by mandamus, or other suit, action or proceedings at law or in equity) the obligations and duties under it.

In order to provide certain continuing disclosure with respect to the Bonds in accordance with the Rule, the State has entered into a Disclosure Dissemination Agent Agreement (Disclosure Dissemination Agreement) for the benefit of the holders of the Bonds with Digital Assurance Certification, L.L.C. (DAC), under which the State has designated DAC as Disclosure Dissemination Agent (Disclosure Dissemination Agent).

The Disclosure Dissemination Agent has only the duties specified in the Disclosure Dissemination Agreement. The Agent's obligation to deliver the information at the times and with the contents described in the Agreement is limited to the extent the State has provided that information to the Agent as required by that Agreement. The Agent has no duty with respect to the content of any disclosures or notice made pursuant to the terms of the Agreement or duty or obligation to review or verify any information in the Annual Report, Audited Financial Statements, notice of Notice Event or Voluntary Report (each as defined in the Agreement), or any other information, disclosure or notices provided to it by the State, and the Agent shall not be or be deemed to be acting in any fiduciary capacity for the State, the holders of the Bonds or any other party. The Agent has no responsibility for any failure to report to the Agent a Notice Event or a duty to determine the materiality thereof, or to determine or liability for failing to determine whether the State has complied with the Agreement, and the Agent may conclusively rely upon certification of the State at all times.

The performance by the State, as the only obligated person with respect to the Bonds, of each Continuing Disclosure Agreement will be subject to the biennial appropriation by the General Assembly of moneys for that purpose.

Each Continuing Disclosure Agreement will remain in effect only for such period that the Bonds of that series are outstanding in accordance with their terms and the State remains an obligated person with respect to those Bonds within the meaning of the Rule.

ELIGIBILITY FOR INVESTMENT AND AS PUBLIC MONEYS SECURITY

To the extent that the matter as to a particular investor is governed by Ohio law, and subject to any applicable limitations under other provisions of Ohio law, the Bonds are lawful investments for banks, savings and loan associations, credit union share guaranty corporations, trust companies, trustees, fiduciaries, insurance companies (including domestic for life and domestic not for life), trustees or other officers having charge of sinking and bond retirement or other funds of the State and its political subdivisions and taxing districts, the Commissioners of the Sinking Fund, the Administrator of Workers' Compensation, and State retirement systems (Teachers, Public Employees, Public School Employees, and Police and Fire), notwithstanding any other provisions of the Revised Code or rules adopted pursuant to those provisions by any State agency with respect to investments by them.

The Act also provides that the Bonds are acceptable under Ohio law as security for the repayment of the deposit of public moneys.

Beneficial Owners of the Bonds should make their own determination as to such matters as the legality of investment in or the pledgeability of book-entry interests.

CONCLUDING STATEMENT

All quotations in this Official Statement from, and summaries and explanations of, the Ohio Constitution, the Revised Code, and the bond proceedings do not purport to be complete. Reference is made to the pertinent provisions of the Constitution, Revised Code and those documents for all complete statements of their provisions. Copies of the bond proceedings are available upon request to the Office of Budget and Management, 30 East Broad Street, 34th Floor, Columbus, Ohio 43215-3457 (telephone 614-466-4034).

To the extent that any statements in this Official Statement involve matters of opinion or estimates (whether or not expressly stated to be such) those statements are made as such and not as representations of fact or certainty. No representation is made that any of those statements will be realized. Information in this Official Statement has been derived by the Commission from official and other sources and is believed by the Commission to be accurate and reliable, but information other than that obtained from State official records has not been independently confirmed or verified by the State or Commission and its accuracy is not guaranteed.

This Official Statement is not to be construed as a contract or agreement between the State or the Commission and the original purchaser or subsequent holders or Beneficial Owners of any of the Bonds.

This Official Statement has been prepared, approved and delivered by the Commission, and signed for and on its behalf and in his official capacity by the official indicated below.

OHIO PUBLIC FACILITIES COMMISSION

By: /s/ Timothy S. Keen
Timothy S. Keen
Director of Budget and Management,
and Secretary of the Commission

Appendix A

INFORMATION CONCERNING THE STATE OF OHIO

The following discusses certain matters relating to general State finances and debt, and the State's economy and employment, population, agriculture, resources, tax bases and related subjects. This information is from the State's official records, except for information expressly attributed to other sources, and summarizes and describes current and recent historical information. It is not intended to indicate future or continuing trends in the financial or other positions of the State. No representation is made that past experience, as might be shown by this financial and other information, will necessarily continue in the future.

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, 2013 and ends June 30, 2015). 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. Consistent with the fiscal biennium for operating purposes, 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 first in the House and then in 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). See **FISCAL MATTERS – Recent and Current Finances – Current Biennium** for discussion of the 2014-15 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.

Most State operations are financed through the General Revenue Fund (GRF). Personal income and sales and use taxes are the major sources of GRF tax revenue. The last complete fiscal year ended June 30, 2014 with a GRF fund balance (after year-end transfers) of $748.4 million. The State has a "rainy day" fund (the Budget Stabilization Fund (BSF)) which under current law and until used is intended to carry a balance of up to 5% of the GRF revenue for the preceding Fiscal Year. The current BSF balance is $1.48 billion, which equals 5.06% of Fiscal Year 2014 GRF revenue.

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, the Governor 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 biennia.

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. Ad valorem taxes on tangible personal property of public utilities and on real property are levied by political subdivisions and local taxing districts, and State law does not currently allow the imposition of a general ad valorem tax on tangible personal property. 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 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 most recent CAFRs are accessible via OBM's home page on the Internet at http://obm.ohio.gov/SectionPages/FinancialReporting/, and copies may be obtained by contacting OBM, 30 E. Broad Street, 34th Floor, Columbus, Ohio 43215, phone (614) 466-4034. The Fiscal Year 2013 CAFR 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 **FISCAL MATTERS – Recent and Current Finances – Current Biennium** regarding the 2014-15 biennial appropriations.

Recent Receipts and Disbursements

The following summary statements, prepared by OBM based on its accounting 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.

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

Cash Receipts

SOURCE OF RECEIPTS	Fiscal Year				
Taxes:	2010	2011	2012	2013	2014
Personal Income(a)	$7,886.8	$8,820.1	$9,029.7	$9,869.8	$8,425.1
Sales and Use(b)	7,254.3	7,769.0	8,293.6	8,851.5	9,549.9
Corporate Franchise(c)	142.3	237.2	117.4	262.2	(11.2)
Financial Institutions Tax(c)	0.0	0.0	0.0	0.0	197.8
Commercial Activity Tax(d)	1,342.1	1,451.6	1,655.9	1,594.9	1,684.7
Gasoline	1,727.2	1,757.2	1,684.2	1,725.0	1,825.5
Public Utilities and Kilowatt Hour	721.5	728.0	712.0	702.0	742.5
Cigarette	886.9	855.6	843.2	827.4	814.0
Foreign Insurance	266.4	273.0	283.9	292.5	308.0
Highway Use	29.4	30.1	32.2	36.1	16.7
Estate(e)	55.0	72.1	66.5	105.2	39.4
Alcoholic Beverages	57.1	56.4	58.7	57.6	56.6
Liquor Gallonage	36.5	37.6	39.4	40.7	41.8
Domestic Insurance Franchise	166.5	194.3	194.1	211.6	202.3
Other	83.9	84.1	63.9	84.1	44.3
Total Taxes	20,655.9	22,366.3	23,074.8	24,660.6	23,937.5
Licenses, Permits and Fees	3,076.2	3,102.0	3,186.9	3,284.4	3,225.5
Sales, Services and Charges	1,758.2	1,958.9	1,968.0	1,682.7	1,262.9
Federal Government (including ARRA)	21,105.3	22,373.7	19,975.7	19,685.3	21,047.1
Other(f)	3,327.6	3,783.1	3,692.0	4,626.4	4,179.6
Proceeds from Sale of Bonds and Notes	1,015.2	1,345.1	1,406.6	732.2	1,468.6
Total Cash Receipts	$50,938.6	$54,929.1	$53,304.1	$54,671.6	$55,121.1

(a) The personal income tax rate was reduced by 8.5% in calendar year 2013 and 1.5% in calendar year 2014, and a deduction was allowed commencing in calendar year 2013 for small businesses of 50% (temporarily increased up to 75% for tax year 2014) of annual adjusted gross income up to $250,000 (see **FISCAL MATTERS – Recent and Current Finances - Current Biennium**).

(b) Reflects a sales and use tax rate of 5.5%. Beginning September 1, 2013, the sales and use tax rate was increased one-quarter percent to 5.75% (see **FISCAL MATTERS – Recent and Current Finances – Current Biennium**).

(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. Beginning in tax year 2014, the financial institutions component was replaced with the new financial institutions tax; 2014 reflects refunds.

(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 the current rate of 0.26% in Fiscal Year 2010.

(e) Eliminated effective January 1, 2013.

(f) Largest components consist of various reimbursements, loan repayments, unclaimed funds, and investment income.

Cash Disbursements

FUND TYPE	Fiscal Year				
General Fund:	2010	2011(g)	2012(g)	2013(g)	2014(g)
General Revenue Fund	$24,141.4	$26,247.6	$26,394.8	$27,439.3	$28,901.8
General Services Fund	1,331.2	6,106.4	5,090.2	4,557.1	4,590.6
Special Revenue Fund(h)	24,597.1	20,225.5	18,708.6	18,251.0	19,204.9
Capital Projects Fund(i)	472.9	440.0	346.9	273.5	318.0
Debt Service Fund(j)	578.2	633.3	557.0	996.3	1,064.8
Enterprise Fund(k)	1,208.1	1,395.8	1,341.1	1,115.9	700.7
Total Cash Disbursements	$52,328.9	$55,048.6	$52,438.6	$52,633.1	$54,780.9

(g) Fiscal Years 2011 through 2014 reflect the reclassification of 161 individual funds from special revenue funds into the general services fund to be consistent with financial reporting changes made in GASB Statement No. 54 and effective for the Fiscal Year 2011 CAFR.

(h) Includes local government support disbursements.

(i) Includes amounts disbursed from proceeds of general obligation bonds and certain other State obligations.

(j) Includes the several bond retirement funds for bonds secured by a pledge of taxes and excises.

(k) Fiscal Year 2014 reduction reflects the transfer of the State's spirituous liquor system in February 2013 to JobsOhio (see **FISCAL MATTERS - Recent and Current Finances – Recent Biennia - 2012-13)**.

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

	Fiscal Year				
	2010	**2011**	**2012**	**2013**	**2014**
Beginning Cash Balance	$734.5	$510.3	$844.5	$973.4	$2,639.2
Cash Receipts:					
Taxes:					
Personal Income(a)	7,247.2	8,120.3	8,432.9	9,507.8	8,064.9
Sales and Use(b)	7,077.4	7,578.2	8,087.0	8,444.9	9,165.8
Corporate Franchise(c)	141.8	236.6	117.1	261.9	(11.4)
Financial Institutions Tax(c)	0.0	0.0	0.0	0.0	197.8
Commercial Activity Tax(d)	0.0	0.0	417.1	790.0	794.2
Public Utilities and Kilowatt Hour	293.0	278.7	468.9	461.7	488.4
Cigarette	886.9	855.6	843.2	827.4	814.0
Foreign Insurance	250.8	256.3	266.5	274.6	286.5
Other	336.6	380.5	372.5	447.4	334.4
Total Taxes	16,233.6	17,706.1	19,005.2	21,015.7	20,134.7
Federal Government (including ARRA)	6,898.8	8,429.0	7,363.0	7,525.8	8,575.6
Licenses, Permits and Fees	66.2	59.0	65.3	70.2	57.3
Investment Income	28.7	7.1	5.4	10.5	17.3
Other(e)	300.8	169.8	164.3	534.5	42.2
Total Cash Receipts	23,528.1	26,371.1	26,603.2	29,156.7	28,827.1
Cash Disbursements:					
Primary, Secondary and Other Education(f)	6,743.4	6,740.0	6,457.8	6,574.2	6,813.2
Higher Education	2,424.1	2,411.0	2,102.7	2,044.3	2,085.0
Public Assistance and Medicaid(g)	9,421.9	11,425.8	12,465.7	0.0	0.0
Medicaid(g)	0.0	0.0	0.0	12,581.7	13,570.5
Health and Human Services	1,017.0	1,099.1	964.8	1,151.8	1,235.8
Justice and Public Protection	1,933.6	1,940.2	1,863.0	1,804.6	1,837.0
Environmental Protection and Natural Resources	80.3	72.4	70.1	64.8	63.1
Transportation(h)	17.5	13.4	10.3	9.0	12.5
General Government	283.2	275.5	273.0	222.0	219.6
Community and Economic Development	108.3	103.2	90.3	52.2	53.4
Tax Relief and Other(i)	1,711.4	1,691.0	1,728.5	1,746.5	1,785.2
Capital Outlay	0.4	0.2	0.1	0.1	0.0
Debt Service(j)	400.5	475.9	368.5	1,188.2	1,226.4
Total Cash Disbursements	24,141.4	26,247.5	26,394.8	27,439.3	28,901.8
Cash Transfers:					
Transfers-in(k)	1,422.2	1,392.1	582.3	402.0	405.7
Transfers-out(l)	(1,033.0)	(1,181.5)	(661.8)	(453.6)	(1,270.2)
Ending Cash Balance	$510.3	$844.5	$973.4	$2,639.2	$1,700.1

(a) The personal income tax rate was reduced by 8.5% in calendar year 2013 and 1.5% in calendar year 2014, and a deduction was allowed commencing in calendar year 2013 for small businesses of 50% (temporarily increased up to 75% for tax year 2014) of annual adjusted gross income up to $250,000 (see **FISCAL MATTERS – Recent and Current Finances - Current Biennium**).

(b) Reflects a sales and use tax rate of 5.5%. Beginning September 1, 2013, the sales and use tax rate was increased one-quarter percent to 5.75% (see **FISCAL MATTERS – Recent and Current Finances - Current Biennium**).

(c) Beginning in calendar year 2006, except for financial institutions, the corporate franchise tax rate was phased out 20% per year over five years. Beginning in tax year 2014, the financial institutions component was replaced with a new financial institutions tax; 2014 reflects refunds.

(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 the current rate of 0.26% in Fiscal Year 2010.

(e) Includes fines and penalties, rental receipts, refunds and certain intrastate transfers, including transfers 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) Beginning in Fiscal Year 2013, disbursements for Medicaid were consolidated into a separate program and the portion attributed to Public Assistance was moved into the Health and Human Services Program.

(h) These amounts are for non-highway transportation purposes, including mass transit, rail, and aviation.

(i) State reimbursements to taxing subdivisions for the 12.5% property tax rollback granted to homeowners of real property, 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. (see **FISCAL MATTERS – Recent and Current Finances - Current Biennium**).

(j) Beginning in Fiscal Year 2013, includes debt service on non-general obligation debt previously reflected in the applicable program. Reflects the restructuring of certain GRF debt service payments into later biennia resulting in net savings of $416.8 million in Fiscal Year 2010, $336.9 in Fiscal Year 2011, and $449.3 million in Fiscal Year 2012 (see **FISCAL MATTERS – Recent and Current Finances – Current Biennia - 2012-13**).

(k) Includes in all fiscal years transfers from the School District Property Tax Replacement Fund, in Fiscal Years 2010 through 2013 liquor profits, and in Fiscal Years 2010 through 2012 interest earnings on tobacco bond proceeds.

(l) Fiscal Years 2012, 2013 and 2014 transfers out include $246.9 million, $235.1 million and $995.9 million to the BSF, respectively.

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 cash and fund balances for Fiscal Year 2014 were approximately $1.7 billion and $1.28 billion, respectively, with $529 million of that ending fund balance transferred pursuant to statutory designations leaving a balance of $748.4 million (see **FISCAL MATTERS – Recent and Current Finances – Current Biennium**). Recent biennium-ending GRF balances were:

Biennium	Cash Balance	Fund Balance(a)	Fund Balance less Designated Transfers(b)
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
2010-11	844,467,000	430,707,000	138,816,000
2012-13	2,639,249,000	2,278,202,000	1,110,942,000

(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 have been applied to appropriations or expenditures needed for debt service or lease payments relating to any State obligations.

The appropriations acts for the 2014-15 biennium included all necessary appropriations for debt service on State obligations and for lease payments relating to lease rental obligations issued by the Treasurer of State.

The following is a selective general discussion of State finances, particularly GRF receipts and expenditures, for recent and the current biennia. 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

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 total GRF biennial expenditures of approximately $48.79 billion based upon total projected GRF biennial revenue of approximately $48.95 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, to produce in aggregate approximately $102 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 $54 million annually. The Ohio Supreme Court on December 27, 2010, affirmed the court of appeals decision in favor of the State, and on June 25, 2012 the United States Supreme Court declined to hear this case.
- Moving local telephone companies from the public utility tax base to the corporate franchise and sales tax, projected at the time to produce approximately $29 million annually.
- Elimination of the sales tax exemption for wide area telephone service (WATS) and 800 telecom services coupled with the enactment of a more limited exemption for call centers, projected at the time 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 at the time to produce in aggregate 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 appropriations of approximately $51.3 billion (a 5.0% increase over 2004-05 biennial expenditures) based upon expected total GRF biennial revenue of approximately $51.5 billion (a 3.8% increase over 2004-05 biennial revenue). 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 – Recent Biennia – 2010-11** and **2012-13** 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). See **FISCAL MATTERS – Recent and Current Finances – Recent Biennia – 2012-13** and **Current Biennium** for discussion of the replacement of the corporate franchise tax with a new financial institutions tax effective tax year 2014.
- 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. 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 LEVELS AND TAX BASES** 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 produces about $1.45 billion annually with $139 million of that amount attributable to its application to motor fuels. In September 2009, the Ohio Supreme Court ruled that food sales for off-premise consumption may be included in the CAT base. On December 7, 2012, the Ohio Supreme Court upheld the application of the CAT to gross receipts from the sales of motor fuels but ordered that the proceeds of the CAT derived from those gross receipts –estimated by OBM at approximately $100 million annually -- could not in the future be applied to nonhighway purposes. Under provisions enacted in the biennial appropriations Act for the current biennium, the State is phasing out the CAT on the sale of motor vehicle fuel and replacing it with a "motor fuel receipts tax" (MFRT), computed on the basis of gross motor fuel receipts received by in-State suppliers. In accordance with the Ohio Supreme Court's ruling, MFRT receipts are required to be used for highway purposes.
- 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 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. All GRF appropriations since have complied with this limitation.

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, 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 the 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 specified percentage of all tax revenues deposited into the GRF, with local governments to receive 3.7% of total GRF tax revenues annually and local libraries to receive 2.22% of total GRF tax revenues annually (see **FISCAL MATTERS – Recent and Current Finances – Recent Biennia - 2012-13** below for discussion of changes to these allocations).
- 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 of tobacco settlement asset-backed bonds 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 partially funded the expansion of the homestead exemption property tax relief program in the Act. The Act reprogrammed 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, with the largest allocations to elementary and secondary school capital expenditures, and 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:

- On January 31, 2008, the Governor 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 was 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 were 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 then expected to total $120 million in 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.

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 expenditures.

The $198.3 million remainder of the projected shortfall was offset by a 4.75% 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.

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 shortfall of the same amount. Executive actions announced to offset much of that further 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, or the Departments of Rehabilitation and Corrections and Youth Services, among 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 (ARRA), 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 previously ordered by the Governor.

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.

2010-11

Rigorous consideration was given by the General Assembly to the Governor's Executive Budget proposed for the 2010-11 biennium in light of the difficult economic and fiscal conditions resulting from the national recession. The final GRF appropriations Act for the 2010-11 biennium, which was preceded by three seven-day interim appropriations acts, 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 appropriations periods and under that final Act. Reflecting the final implementation of the restructuring of State taxes commenced in 2006-07 and a conservative underlying economic forecast, that Act provided for total GRF biennial appropriations of approximately $50.5 billion (a 3.8% decrease from 2008-09 biennial expenditures) based on total GRF expected biennial revenue of approximately $51.1 billion (a 4.2% decrease from 2008-09 biennial revenues). GRF appropriations for major program categories compared to 2008-09 actual GRF spending reflected increases of 3.4% for Medicaid (excluding ARRA funding referred to below) 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. Among other expenditure controls, the Act included a number of Medicaid reform and cost containment initiatives and also included the restructuring of $736 million of Fiscal Years 2010 and 2011 general revenue fund debt service into Fiscal Years 2012 through 2025.

Major new sources of revenues or savings reflected in the 2010-11 appropriations Act included:

- $2.4 billion of "Federal Stimulus" funding received under the ARRA, including $1.464 billion for elementary and secondary education, $628 million for Federal Medical Assistance Payments (FMAP), and $326 million for other purposes.
- $933 million in gaming and license revenues 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 approximate $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 in the biennial appropriations Act for the implementation of VLTs were subject to voter referendum and granted petitioners in that case until December 20, 2009 to submit referendum petitions with the required number of signatures. The Ohio Secretary of State on March 26, 2010 confirmed those petitions contained a sufficient number of valid signatures to place the referendum on the November 2, 2010 ballot, but on July 1, 2010 the committee for the petitioners withdrew the referendum from the ballot.
- $259 million from the Ohio Tobacco Use Prevention and Control Foundation Endowment Fund (TUPAC) to be deposited into a special State fund (non-GRF) and then intended to be used for various

health care initiatives. After a trial court in August 2009 ordered these monies must remain in that endowment fund and be used for the purpose of reducing tobacco use, the State immediately appealed and in December 2009 the court of appeals ruled in favor of the State and reversed the trial court's order. The Ohio Supreme Court in December 2010 affirmed the court of appeals decision in favor of the State.

- $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, $272 million savings from subjecting State employees to a two-week unpaid "furlough" during each year of the biennium, $84 million from a reduction in State funding to public libraries, 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.

In September 2010 the State also received from the federal government an award of $518.6 million of enhanced Federal Medical Assistance Payments funding ("eFMAP"), and $361.2 million of funding was also received by Ohio school districts for teacher salaries and personnel costs for primary and secondary education ("Ed Jobs").

In response to the above-referenced September 21, 2009 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 then scheduled to take effect in tax year 2009 (for returns filed in 2010). 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 (see **FISCAL MATTERS – Recent and Current Finances – Recent Biennia - 2012-13** for discussion of implementation of the final phase of that personal income tax reduction).

The appropriations Act for the 2010-2011 biennium created a six-member legislative 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". The BPMC commenced meeting in June 2010, heard testimony, received suggestions and released two reports with both containing estimates of "non-recurring" revenues reflected in the 2010-11 budget as enacted ranging from $4.887 billion in the GRF to $8.339 billion for all GRF and non-GRF funds. These estimates included the effect of the postponement of the final installment of the personal income tax reduction**.**

The State ended Fiscal Year 2011 with GRF cash and fund balances of $844.5 million and $430.7 million, respectively. Of that ending GRF fund balance, the State reserved $138.8 million in the GRF reflecting the one-half of one percent of Fiscal Year 2011 GRF revenues the State is required to maintain as an ending fund balance and transferred $45.0 million into disaster services/emergency funds. The remaining $246.9 million was deposited into the BSF. These ending balances reflect the use of approximately $680 million in Fiscal Year 2011 GRF revenue to make payments for Medicaid managed care, the State's share of instruction for higher education, payroll and other commitments that were previously scheduled to be deferred into Fiscal Year 2012.

2012-13

2012-13 Biennial Budget and Appropriations. Consistent with State law, the Governor's Executive Budget for the 2012-13 biennium was released in March 2011 and introduced in the General Assembly. After extended hearings and review, the 2012-13 biennial appropriations Act was passed by the General Assembly and signed (with selective vetoes) by the Governor on June 30, 2011. To address the use of non-recurring funding sources in the prior 2010-11 biennium including federal stimulus amounts received under ARRA, the Act included targeted spending cuts across most State agencies and major new Medicaid reform and cost containment measures. Reflecting the tax law changes described below and a conservative underlying economic forecast, that Act provided for total GRF biennial appropriations of approximately $55.8 billion ($27.1 billion in Fiscal Year 2012 and $28.7 billion in Fiscal Year 2013). This reflected 10.5% and 10.7% increases over the 2010-11 GRF biennial appropriations and expenditures, respectively, based on total expected GRF biennial revenue of approximately $56.07 billion (a 6% increase from 2010-11 GRF biennial revenues). Fiscal Year 2012 GRF appropriations increased 3.1% over Fiscal Year 2011 actual spending, and Fiscal Year 2013 GRF appropriations increased 6.1% over Fiscal Year 2012 appropriations. GRF appropriations for major program categories compared to 2010-11 actual GRF spending reflected increases of 30.2% for Medicaid (13.1% for Fiscal Year 2012 over Fiscal Year 2011, and 10.0% for Fiscal Year 2013 over Fiscal Year 2012) due in large part to the absence of ARRA funding in the 2012-13 biennium and the redirection of 2012-13 biennial spending from non-GRF to GRF sources); decreases of 3% for elementary and secondary education (a decrease of 3.5% in Fiscal Year 2012 over Fiscal Year 2011, followed by a 1.2% increase in Fiscal Year 2013 over Fiscal Year 2012), 9.1% for higher education (a decrease of 10.8% in Fiscal Year 2012 over Fiscal Year 2011, followed by a 3.8% increase in Fiscal Year 2013 over Fiscal Year 2012), and 8.1% for mental health and developmental disabilities (decreases of 0.3% in Fiscal Year 2012 over Fiscal Year 2011, and of 22.4% in Fiscal Year 2013 over Fiscal Year 2012) due to the transfer of community mental health Medicaid services to the Department of Job and Family Services); and flat funding for corrections and youth services. That Act also reflected the restructuring of $440 million of Fiscal Year 2012 general revenue fund debt service into Fiscal Years 2013 through 2025, approximately three-quarters of which was accomplished by the July 2011 issuance by the Ohio Public Facilities Commission of $488.8 million in refunding bonds, with the remainder accomplished by the September 2011 issuance by the Ohio Building Authority of $149.3 million in refunding bonds.

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 (after the restructuring of Fiscal Year 2012 GRF debt service payments).

Major new sources of revenues or expenditure savings reflected in the 2012-13 appropriations Act included:

- Transfer of the State's spirituous liquor system to JobsOhio. On February 1, 2013, the State granted a 25-year franchise on its spirituous liquor system to JobsOhio Beverage System, a nonprofit corporation the sole member of which is JobsOhio, itself a nonprofit corporation created to promote economic development, job creation and retention, job training and the recruitment of business to the State. In exchange for the franchise, the State received a payment of $1.464 billion, $500 million of which was deposited in the GRF, $863.5 million was used to make provision for payment of all debt service on $725.0 million of outstanding State bonds and notes secured by a pledge of the State's profits from the sale of spirituous liquor, and $100 million for funding certain revitalization projects. With that transfer, the State is forgoing deposits to the GRF from net liquor profits (those deposits totaled $153.0 million in Fiscal Year 2011, $92.5 million in Fiscal Year 2012 and $88.0 million in Fiscal Year 2013 through the February 1 granting of the franchise to JobsOhio Beverage System). Litigation filed in April 2011 in the Ohio Supreme Court challenged, under various provisions of the Ohio Constitution, certain aspects of both JobsOhio and the General Assembly's February 2011 law that authorized its creation. Specifically, plaintiffs contested provisions in that law requiring that any challenges to that law or to the creation of JobsOhio be filed in the Ohio Supreme Court within sixty days after that law took effect. Plaintiffs also claimed that law was an improper special act conferring corporate powers, that the Governor could not serve on the JobsOhio board of directors, that the provisions for dissolution of JobsOhio violate limitations in the Ohio Constitution on State appropriations and assumption of corporate debt, and that the law created a joint venture under which the State is lending its aid and credit. On August 19, 2011, the Ohio Supreme Court dismissed this case for lack of subject matter jurisdiction. The 2012-13 appropriations Act also amended the February 2011 law to remove the Governor from the JobsOhio board of directors, require JobsOhio to comply with Ohio's nonprofit corporation law unless specifically exempted from a provision, and eliminate the exclusive original jurisdiction in the Ohio Supreme Court and relax the deadlines for filing claims. In August 2011, the plaintiffs filed a complaint in the Court of Common Pleas of Franklin County, Ohio, containing many of the same challenges to both JobsOhio and the law that authorized its creation. In December 2011, the trial court dismissed this suit for lack of standing, and in June 2012 the Ohio Tenth District Court of Appeals affirmed the lower court's decision. In July 2012, the plaintiffs requested that the Ohio Supreme Court review the Court of Appeals decision, and on January 23, 2013, the Ohio Supreme Court announced that it would hear the plaintiffs' appeal solely on the question of standing. After full briefing and oral argument in late 2013, on June 10, 2014, the Ohio Supreme Court issued its decision affirming the judgment of the lower courts and concluding that the plaintiffs lack standing to bring this suit. On October 27, 2014, a former attorney for the plaintiffs in the case described above filed a new action in the Franklin County Court of Appeals in an attempt to revive these challenges to JobsOhio and the laws authorizing its creation and the transfer of the State's spirituous liquor system. The State and JobsOhio have filed motions to dismiss this new lawsuit based on that attorney's lack of standing and other jurisdictional considerations. Briefing by the parties has been completed and the court is expected to decide whether to grant those motions to dismiss.

- Sale of five State-owned prison facilities to private operators expected to result in a net payment to the GRF of $75 million. A case filed in August 2011 in the Court of Common Pleas of Franklin County, Ohio, challenged the authorization in the 2012-13 appropriations Act to sell these prison facilities. Specifically, this litigation alleged that the provisions in that Act authorizing the sale of these prisons, as well as that entire Act, were enacted in violation of the "one subject rule" of the Ohio Constitution and violated the constitutional right to referendum, and that the sale of the prisons would create a joinder of private and public property interests violating the constitutional prohibition against the State entering into a joint venture. On August 31, 2011, that trial court rendered a non-appealable decision denying a temporary restraining order requested by the plaintiffs. In that decision, the trial court found that the provisions of the appropriations Act authorizing the sale of the prisons were not in violation of the one subject rule, did not violate the prohibition against the State entering into a joint venture, and do not fit within the exceptions to the right to referendum. The State announced on September 1, 2011 that, based on the proposals it received for five prisons, it was opting to sell only one of those facilities and that this would accomplish most of the desired financial result for the 2012-13 biennium. On December 21, 2011, the plaintiffs voluntarily dismissed their initial case without prejudice, and on July 9, 2012, the original and additional plaintiffs filed a new case in the Court of Common Pleas of Franklin County again raising the one subject rule and joinder of private and public property claims contained in the original case, but adding a claim for reinstatement and back pay of Department of Rehabilitation and Correction employees affected by prison sales. On November 20, 2012, the trial court granted defendants' motions to dismiss and ruled that plaintiffs failed to state a claim for which relief can be granted. On December 18, 2012, plaintiffs filed an appeal in the Tenth District Court of Appeals, and on October 10, 2013, the appellate court rendered a decision reversing only the trial court's dismissal of the one-subject-rule claim and ordering the case remanded to the Court of Common Pleas for further proceedings. After the court of appeals on January 15, 2014 denied the plaintiffs' motion for reconsideration, both the plaintiffs and defendants filed separate further appeals which the Ohio Supreme Court on June 25, 2014 accepted for review of the one subject rule and the joinder of private and public property claims, and ordered the parties to file their briefs in accordance with the Court's rules. Briefing by the parties is complete and the case has been scheduled by the Court for oral argument.
- Reduction of local government fund allocations by $111 million in Fiscal Year 2012 and $340 million in Fiscal Year 2013. Beginning in Fiscal Year 2014, allocations are made by committing a set percent of annual tax revenues deposited into the GRF (beginning with Fiscal Year 2013 GRF tax revenues).
- Reduction of public library fund allocations to 95% of Fiscal Year 2011 levels resulting in expenditure reductions of $52.3 million in Fiscal Year 2012 and $102.8 million in Fiscal Year 2013. Beginning in Fiscal Year 2014, allocations to public libraries are made by committing a set percent of annual tax revenues deposited into the GRF (beginning with Fiscal Year 2013 GRF tax revenues).
- Accelerated phase-out of reimbursement payments to local governments and school districts in connection with the elimination of the tangible personal property tax resulting in an increased share (estimated at $293.5 million in Fiscal Year 2012 and $597.7 million in Fiscal Year 2013) of the Commercial Activity Tax being deposited into the GRF (see **TAX LEVELS AND TAX BASES – Property Tax**).
- Accelerated phase-out of reimbursement payments to local governments and school districts for electric power generation deregulation and natural gas deregulation resulting in a larger share (estimated at $141.6 million in Fiscal Year 2012 and $147.4 million in Fiscal Year 2013) of the kilowatt-hour tax and the entire (approximately $66.0 million in Fiscal Year 2012 and $66.0 million in Fiscal Year 2013) natural gas consumption tax being reallocated to the GRF.
- $235 million from transfers to the GRF of unclaimed funds and from other non-GRF funds, and $12 million from a tax amnesty program.

The 2012-13 appropriations Act also reflected the following tax law changes:

- Implementation of the previously postponed final 4.2% annual decrease in State personal income tax rates (see **FISCAL MATTERS** – **Recent and Current Finances** – **Recent Biennia** – **2010-11**).
- Elimination of the estate tax beginning January 1, 2013, previously levied at a rate of 6% on estates over $338,333 and 7% on estates over $500,000. In Fiscal Year 2010, estate tax collections totaled $285.8 million of which $230.8 million was distributed to the local government jurisdictions from which it was collected and with $55.0 million retained by the State and deposited into the GRF.
- Establishment of the InvestOhio income tax credit program under which investors in small businesses based in Ohio who hold their investments for at least two years may receive 10% income tax credits limited to a maximum of $10 million per investor per biennium with no more than $100 million of those credits to be issued over two years.

The 2012-13 biennial appropriations Act created a Medicaid reserve fund and authorized the OBM Director to transfer up to $130 million from the GRF, if necessary, to provide for the payment of Medicaid costs above the enacted level of appropriations. That Act also created a $104 million Unemployment Compensation Contingency Fund to pay interest on federal advances to the State Unemployment Compensation Fund, $70.7 million of which was used to make the interest payment due in September 2011, with the remaining amount applied to the September 2012 interest payment of $65.8 million. The September 2012 interest payment was also funded by a $25 million GRF supplemental appropriation and a contribution from the State's Unemployment Compensation Administration Fund. The Act also made changes to State construction bidding procedures and included additional authorizations for joint purchasing by and cooperation among local governments, all designed to create opportunities for cost savings.

Separate legislation was passed by the General Assembly and signed by the Governor on June 29, 2011, to reduce the State prison population by, among other changes, directing some low-level offenders to community-based programs.

2012 Mid-Biennium Review. On March 14, 2012, the Governor announced a series of policy proposals resulting from a "mid-biennium review" (2012 MBR), with a stated focus on job creation as a priority. The Governor's 2012 MBR included proposals for General Assembly consideration in the areas of: *energy* (including shale oil and gas production opportunities in the Marcellus and Utica fields in the State, and modernizing the State's oil and gas severance tax; electric generation and transmission; coal; cogeneration, alternative fuels and renewables; energy efficiency; and regulatory reform); *personal income tax reduction* (proposing that any new revenue from shale oil and gas production and the MBR proposal to modernize the State's oil and gas severance tax system be used to reduce personal income tax rates by a commensurate amount); *bank and financial institutions tax reform* (including a modernization, intended to be revenue-neutral, of Ohio's taxes on banks and financial institutions replacing the corporate franchise and dealers in intangibles tax with a new financial institutions tax more accurately reflecting modern banking practices, closing loopholes and reducing the overall tax burden on most banks); *education* (including proposals for strengthening Ohio's "third grade reading guarantee", career education, a new school performance measuring system, expansion of digital and online learning, flexibility for teacher evaluations, new standards for dropout recovery schools, assessments of all publicly funded early childhood programs, and supporting adoption of a school reform plan for the City of Cleveland schools); *workforce development* (creating job opportunities for the developmentally disabled; an improved workforce development program; allowing those undergoing training with an employer to continue collecting unemployment benefits; linking energy companies with trained workers; and matching skilled veterans to the most in demand jobs); and achieving more *management efficiency* with associated State and local government budgetary savings (including combining the separate Offices of the State Architect and Engineer and the Office of Energy Services into an Ohio Facilities Construction Commission (OFCC) to administer the design and construction of state public facilities, with the Ohio School Facilities Commission retained as an independent agency within the OFCC but sharing employees and facilities). Those 2012 MBR proposals were considered by the General Assembly commencing in March in twelve separate pieces of legislation, and the General Assembly in May and June passed seven pieces of legislation addressing the subjects of energy (not including the 2012 MBR proposed changes to the State's oil and gas severance tax), tax reform (not including the 2012 MBR personal income tax reduction proposal), education, workforce development, and management efficiency for both state and local governments.

As further implementation of the 2012 MBR, the General Assembly enacted and the Governor signed into law on December 20, 2012, a new financial institutions tax that first applied to tax year 2014. This new tax applies to many companies that were previously subject to Ohio's corporate franchise tax (primarily banks and other corporations classified as financial institutions) and also generally subjects "dealers in intangibles" (e.g., mortgage brokers, stockbrokers, finance and loan companies not classified as financial institutions) to the commercial activity tax. This new financial institutions tax replaced the current corporate franchise tax on financial institutions and the current dealers in intangibles tax. The proceeds from the new financial institutions tax are deposited in the GRF like the proceeds from the taxes it replaced. Based on revenue targets and mechanisms established in the legislation, OBM projected the effect of these tax changes to be revenue neutral to the GRF.

Fiscal Year 2013 Results. The State ended Fiscal Year 2013 with GRF cash and fund balances of $2.64 billion and $2.28 billion, respectively. These ending balances reflect approximately $1.15 billion in Fiscal Year 2013 underspending due largely to actual Medicaid expenditures $883.0 million below the original Fiscal Year 2013 spending estimate. Of that ending GRF fund balance, the State deposited $995.9 million into the Budget Stabilization Fund (BSF) increasing its balance to $1.48 billion which is the statutorily designated five percent of Fiscal Year 2013 GRF revenues; carried forward $963.2 million to offset the one-time cost of accelerating the phase-in of reductions in State personal income tax withholding rates (see **FISCAL MATTERS** – **Recent and Current Finances - Current Biennium**), and transferred $120 million into the Unemployment Compensation Contingency Fund to pay interest on federal advances to the State Unemployment Compensation Fund and $51.3 million into disaster services/emergency funds. The remaining $147.8 million was reserved in the GRF reflecting the one-half of one percent of Fiscal Year 2013 GRF revenues the State is required to maintain as an ending fund balance.

Current Biennium

2014-15 Biennial Budget and Appropriations. Consistent with State law, the Governor's Executive Budget for the 2014-15 biennium was released in February 2013 and introduced in the General Assembly. After extended hearings and review, the 2014-15 biennial appropriations Act was passed by the General Assembly and signed (with selective vetoes) by the Governor on June 30, 2013. Reflecting a stated focus on job creation and continued spending restraint, and based on a conservative economic forecast, that Act provides for total GRF biennial appropriations of approximately $62.0 billion ($30.3 billion in Fiscal Year 2014 and $31.7 billion in Fiscal Year 2015). This reflects 11.1% and 15.1% increases over the 2012-13 GRF biennial appropriations and expenditures, respectively, and is based on expected total GRF biennial revenue (not including the $963.2 million carried-forward from the 2012-13 biennium) of approximately $61.1 billion (a 7.7% increase from 2012-13 GRF biennial revenues). Fiscal Year 2014 GRF appropriations are increased 10.3% over Fiscal Year 2013 actual spending, and Fiscal Year 2015 GRF appropriations are increased 4.7% over Fiscal Year 2014 appropriations. GRF appropriations for major program categories compared to 2012-13 actual GRF spending reflect increases of 22.1% for Medicaid (16.8% for Fiscal Year 2014 over Fiscal Year 2013, and 6.2% for Fiscal Year 2015 over Fiscal Year 2014) attributable in large part to federal Affordable Care Act induced enrollment of previously eligible individuals and federally mandated physician rate increases; 8.9% for elementary and secondary education (5.0% for Fiscal Year 2014 over Fiscal Year 2013, and 5.8% for Fiscal Year 2015 over Fiscal Year 2014) due largely to enhancements in the K-12 school funding formula; 5.3% for higher education (1.8% for Fiscal Year 2014 over Fiscal Year 2013, and 2.1% for Fiscal Year 2015 over Fiscal Year 2014); 11.3% for mental health and developmental disabilities (8.9% for Fiscal Year 2014 over Fiscal Year 2013, and 0.3% for Fiscal Year 2015 over Fiscal Year 2014); and 2.1% for corrections and youth services (0.1% for Fiscal Year 2014 over Fiscal Year 2013, and 0.2% for Fiscal Year 2015 over Fiscal Year 2014). The Act also implements a new school funding formula (see **SCHOOLS AND MUNICIPALITIES – Schools**), allocates a portion of State public higher education funding to institutions based on their graduation rates, and moves the administration of cultural facilities projects from the Ohio Cultural Facilities Commission to the Ohio Facilities Construction Commission to achieve efficiencies and budgetary savings.

The Executive Budget and the appropriations acts for the biennium included all necessary debt service and lease rental payments related to State obligations.

The biennial appropriations Act reflects the following tax reductions and related adjustments of major State taxes (primarily the personal income and sales and use taxes), resulting in an estimated net reduction in GRF revenues of $1.16 billion in Fiscal Year 2014 and $771 million in Fiscal Year 2015, including:

- A 10% reduction in State personal income tax rates phased-in over three years (8.5% in calendar year 2013, 0.5% in calendar year 2014, and 1.0% in calendar year 2015), coupled with a freeze on the indexing of the State income tax brackets and the personal exemption for tax years 2013 through 2015 until these rate reductions are fully implemented (see 2014 MBR discussion below for information on the acceleration into calendar year 2014 of the 1% reduction initially scheduled to take effect for calendar year 2015).
- Creation of a non-refundable earned income tax credit equal to 5% of the federal earned income credit that is limited to 50% of liability for gross income that exceeds $20,000 (see 2014 MBR discussion below for information on the increase of the credit amount from 5% to 10%).
- A new deduction for small businesses of 50% of annual adjusted gross business income up to $250,000 (see 2014 MBR discussion below for information on the temporary increase of this deduction to up to 75% for tax year 2014).
- Elimination of the $20 personal income tax exemption for filers with a gross income greater than $30,000 and of the gambling loss deduction.
- An increase in the State sales and use tax by one-quarter percent (from 5.5% to 5.75%) beginning September 1, 2013.
- Authorization of full membership for the State in the streamlined sales tax project for the collection of State sales taxes on out-of-state companies for catalog and internet purchases.
- Expansion of the State sales tax base to include digital goods such as e-books, music and video downloads and repeal of the exemption for magazine purchases.
- Elimination of the corporate franchise tax (and dealers in intangibles tax) and the initial implementation and collection of the new financial institutions tax in tax year 2014.
- Elimination of the 12.5% property tax roll back for owner-occupied residential property for new voter-approved local property tax levies.
- Reinstituting income requirements for eligibility for new applicants for the State's homestead tax exemption (this exemption was expanded in 2007 to include all senior citizens and disabled Ohioans regardless of income).
- Establishing a variable minimum for the commercial activity tax for businesses with gross receipts greater than $1 million and an exemption from the CAT for grain handlers.

Medicaid Expansion. Subsequent to the passage of the GRF appropriations Act, the seven member State Controlling Board on October 21, 2013 voted 5 to 2 to increase federal Medicaid appropriations by approximately $562 million in fiscal year 2014 and approximately $2.0 billion in fiscal year 2015. These additional federal appropriations were to support the federally-authorized expansion of the Medicaid program to cover those with incomes up to 138 percent of the federal poverty level using 100 percent federal funds in fiscal years 2014 and 2015. On October 22, six State Representatives and two local right to life organizations filed an action in the Ohio Supreme Court against the Controlling Board and the Ohio Department of Medicaid requesting that Court vacate the Controlling Board's October 21 action. The Controlling Board and State Department of Medicaid filed their initial answer to the complaint on November 5 and, after all evidence and briefs of the parties were submitted on the expedited schedule set for this case, the Court on December 20 issued its decision upholding the Controlling Board's action.

2014 Mid-Biennium Review. On March 12, 2014, the Governor announced a series of initiatives across a range of topics resulting from a "mid-biennium review" for 2014-15 (2014 MBR), with the stated purpose of keeping Ohio moving forward. The Governor's 2014 MBR included a range of proposals in the areas of: *elementary and secondary education* (including proposals for dropout prevention and recovery and making technical and vocational education accessible by more students as early as the seventh grade); *higher education* (including proposals for reforming Ohio's dual credit programming to encourage more students to earn college credit while in high school; extending to two-year community colleges a funding formula tied to successful student outcomes; tying state funding for technical centers to the percentage of their students that find a job and other outcome-based benchmarks; increased use of technology and distance learning; increasing enrollment of international students and their retention in Ohio post-graduation; providing community colleges the option to offer a guaranteed tuition rate; and providing veterans college credit for their military training and experience); *income tax reductions and other tax adjustments* (including proposals to lower income tax rates across all income levels by 8.5% over the next three years; increasing the state's earned income tax credit for low-income Ohioans from 5 to 15 percent of the federal earned income tax credit; increasing the state income tax personal exemptions for those with annual incomes up to $80,000; raising the tax on cigarettes by 60 cents to $1.85 per pack with equivalent taxes on other tobacco products including e-cigarettes; increasing the oil and gas severance tax to 2.75% of producer gross receipts while eliminating that tax for small conventional gas producers and exempting from that tax up to $8 million of gross receipts per well during the first three years to help producers recoup their start-up drilling costs, with approximately 20 percent of severance tax revenue directed to local governments in shale oil and gas producing regions of the state; and updating the commercial activity tax rate from its initial 0.26% rate established in 2005 to 0.30%); *workforce* (aligning the three main federal workforce programs through a single, integrated plan to provide faster and improved training; and expediting professional licensing and certification for veterans and their spouses); and *human services* (including increased access to crisis intervention and safe places for those with mental illness and addictions; allocating $26.9 million of non-GRF funds to support tobacco prevention and cessation programs; and expanding drug and substance abuse prevention in schools and prioritizing statewide funding for prevention initiatives). The 2014 MBR also proposed increasing appropriations to the Department of Rehabilitation and Correction by $53.5 million to address a rise in the prison population, and reducing local property tax reimbursement and debt service appropriations for the biennium by $35 million and $92 million, respectively, due to lower than expected payments, while continuing all necessary appropriations for debt service and lease rental payments for State obligations.

Those 2014 MBR proposals were introduced in the General Assembly in March as fourteen separate pieces of legislation, seven of which were enacted by the General Assembly in May and June and addressing the subjects of elementary and secondary education (including $5 million for alternative education programs), higher education (including $3.1 million for the State share of instruction), workforce and human services (including $16 million for early education and child care, $16.8 million for adult and child protection services, and $3.2 million for Family and Children Services). As further implementation of the biennial appropriations Act and due to positive Fiscal Year 2014 financial results, the 2014 MBR legislation passed by the General Assembly also includes the following additional reductions and adjustments to the State personal income tax resulting in an estimated net reduction in GRF revenues of $402 million in Fiscal Year 2015:

- Acceleration into calendar year 2014 of the remaining 1% reduction in State personal income tax rates previously scheduled to be effective in calendar year 2015.
- An increase in the non-refundable earned income tax credit from 5% to 10% of the federal earned income credit that is limited to 50% of liability for gross income that exceeds $20,000.
- A temporary increase in the deduction for small businesses from 50% up to 75% of annual business income up to $250,000 for tax year 2014.
- An increase in the State income tax personal exemption from $1,700 to $2,200 for gross income less than $40,000, and from $1,700 to $1,950 for gross income between $40,000 and $80,000.

The 2014 MBR legislation passed by the General Assembly also authorizes the OBM Director to transfer to a Medicaid reserve fund up to $300 million from the GRF, if necessary, to provide for the payment of Medicaid costs above the enacted level of appropriations.

Fiscal Year 2014 Financial Results. The State ended Fiscal Year 2014 with GRF cash and fund balances of $1.70 billion and $1.28 billion, respectively. These ending balances reflect approximately $1.09 billion in Fiscal Year 2014 under spending due largely to Medicaid expenditures being $871.9 million below the original Fiscal Year 2014 spending estimate. Of that ending GRF fund balance, the State transferred $300 million into the Medicaid reserve fund and $229 million into a small business tax deduction fund to fully offset the one-time cost of the temporary increase described above in the deduction for small business income for tax year 2014, and carried forward the remaining $748 million to cover the expected and planned for variance of Fiscal Year 2015 GRF appropriations over estimated revenue and to satisfy the requirement to maintain one-half of one percent of Fiscal Year 2014 GRF revenues ($146 million) as an ending fund balance.

The Governor's Executive Budget for the 2016-17 fiscal biennium was released on February 2, 2015. That Executive Budget proposal includes all amounts necessary to pay GRF debt service and lease-rental amounts for the biennium. Among other items, the Governor's Budget proposes State tax reform by reducing all personal income tax rates and expanding deductions for certain business income realized from pass through entities, and offsets a portion of the foregone income tax revenue by increasing the commercial activity tax rate, increasing the sales tax rate and broadening its base, increasing the tax on cigarettes and other tobacco products, and modernizing the State's oil and gas severance tax system. The Governor's Budget, among other proposals, increases State funding to elementary and secondary education focused particularly on school districts with the least capacity to generate local revenue (see **SCHOOLS AND MUNICIPALITIES – Schools**), increases funding for and continues tuition caps at State public higher education institutions, and reforms health care and Medicaid coverage. The complete and detailed Executive Budget proposal, which will be reflected in appropriations legislation introduced in and subject to modification by the General Assembly, can be found at http://obm.ohio.gov.

OBM is currently projecting a $632 million GRF fund balance at the end of Fiscal Year 2015. 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 and related developments (including pending litigation) and prepares at the end of each month a financial report, the most recent of which is accessible via OBM's home page at http://obm.ohio.gov with copies also 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 of cash flow 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.

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.

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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 20 constitutional amendments approved from 1921 to present, Ohio voters have authorized the incurrence of State general obligation debt and the pledge of taxes or excises to its payment, all related to the financing of capital facilities, except for three that funded bonuses for veterans, one to fund coal technology research and development, and one to fund other 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 and parks, 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 purposes specified by Section 2i of Article VIII of the Constitution.

The Treasurer of State (Treasurer) currently issues the special obligations authorized under that Section 2i for parks and recreation and mental health facilities, and 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 Departments of Transportation (ODOT) and Public Safety (DPS); correctional and juvenile detention facilities for the Departments of Rehabilitation and Correction (DRC) and Youth Services (DYS), and various cultural facilities. Debt service on all these special obligations is paid from GRF appropriations, with the exception of debt issued for ODOT and DPS facilities which is paid from highway user receipts. All of those debt service payments are subject to biennial appropriations by the General Assembly pursuant to leases or other agreements entered into by the State.

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 $41.9 million in Fiscal Year 2016 and the total GRF-supported principal amount outstanding is $222.3 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 approval of the OBM Director and either the General Assembly or the State Controlling Board 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 "credit-collateralized bonds" issued from time to time by the Columbus-Franklin County Finance Authority to provide funding for the Ohio Capital Fund (OCF) to promote venture capital investment in Ohio and any additional bonds that may be issued to refinance those outstanding bonds or provide additional funding for that purpose. Those tax credits may be claimed by the bond trustee for the purpose of restoring the bond reserve fund for those credit-collateralized bonds in the event it is drawn upon and not restored from other sources. Those credits may not be claimed 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 in total. Proceeds of the OCF bonds fund investments in venture capital funds to promote investment in seed and early-stage Ohio-based business enterprises.

Prior Economic Development and Revitalization Obligations. Prior to the February 1, 2013 granting of a 25-year franchise on the State's spirituous liquor system to JobsOhio, there were outstanding $725.0 million of State bonds and notes secured by a pledge of the State's profits from the sale of spirituous liquor. In connection with the granting of that franchise, provision was made for the payment of all the debt service on those bonds and notes which are defeased and no longer outstanding obligations of the State (see **FISCAL MATTERS – Recent and Current Finances – Recent Biennia - 2012-13)**. Those bonds and notes were originally issued to fund a statewide economic development program that assisted in the financing of facilities and equipment for industry, commerce, research and distribution, including technology innovation, by providing loans and loan guarantees. Under its franchise agreement with JobsOhio, the State may not issue additional obligations secured by a pledge of profits from the sale of spirituous liquor during the 25-year term of that franchise.

Obligations and Funding Commitments for Highway Projects Payable from Highway-Related Non-GRF Funds. As described above, the State's highway general obligations and special obligations for ODOT and DPS facilities have always been paid from the State's motor fuel tax and other highway user receipts that are constitutionally restricted in use to highway related purposes. In addition to its issuance of highway general obligation bonds, the State has and expects to continue financing selected highway infrastructure projects by issuing federal highway grant anticipation revenue (GARVEE) bonds and entering into agreements that call for debt service payments to be made from federal Title 23 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 $172.3 million in Fiscal Year 2015. In the event of any insufficiency in the anticipated federal allocations to make payments on GARVEE bonds, the payments are to be made from any lawfully available moneys appropriated to ODOT for the purpose.

In December 2014, ODOT also entered into its first public-private agreement to provide "availability payments" in support of the development and operation of a State highway improvement project. Those availability payments are expected to be paid from non-GRF funds available to ODOT remaining after the payment of debt service on highway general obligations, ODOT special obligations and GARVEE bonds. That public-private agreement provides for availability payments in a base amount of $25.8 million beginning no earlier than Fiscal Year 2019, increasing to a projected maximum payment of $40.6 million in Fiscal Year 2053. Availability payments are subject to biennial appropriation by the General Assembly with the public-private agreement subject to automatic renewal upon appropriation of the biennial availability payments.

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Variable Rate Debt and Interest Rate Swaps

The State currently has $534,560,000 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	$57,100,000	Infrastructure	2001B	Weekly	8/1/2021
2/26/03	72,840,000	Infrastructure Refunding	2003B	Weekly	8/1/2017
3/20/03	37,940,000	Infrastructure Refunding	2003D	Weekly	2/1/2019
12/15/03	67,000,000	Common Schools	2003D	Weekly	3/15/2024
3/3/04	53,760,000	Infrastructure Refunding	2004A	Weekly	2/1/2023
4/1/05	112,370,000	Common Schools	2005A/B	Weekly	3/15/2025
6/7/06	133,550,000	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 $423,780,000:

Type	Outstanding Notional Amount	Related Bond Series	State Pays	State Receives	Effective Date	Termination Date
Floating-to-Fixed	$57,100,000	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	53,760,000	Infrastructure 2004A Refunding	3.510%	LIBOR[2]	3/3/2004	2/1/2023
Floating-to-Fixed	112,370,000	Common Schools 2005A/B	3.750%	LIBOR[2,3]	3/15/2007	3/15/2025
Floating-to-Fixed	133,550,000	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 beginning September 15, 2014.

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 current summary of State debt authorizations and obligations, including the Bonds. The General Assembly has appropriated sufficient moneys to meet debt service requirements for the current biennium (ending June 30, 2015) 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)	$251,000,000	$222,000,000	$29,810,000
Infrastructure(d,e)	3,750,000,000	3,449,986,136	1,782,253,600
Natural Resources(f)	443,000,000	418,000,000	166,980,000
Common School Facilities(e)	4,770,000,000	4,470,000,000	3,044,135,000
Higher Education Facilities	3,535,000,000	2,920,000,000	1,920,345,000
Conservation(g)	500,000,000	350,000,000	203,795,000
Research & Development(h)	1,200,000,000	661,000,000	413,430,000
Site Development	150,000,000	150,000,000	89,435,000
Veterans Compensation(i)	200,000,000	83,910,000	66,420,000
		Total:	$7,716,603,600
Special Obligations			
DAS Facilities	$1,831,000,000	$1,776,000,000	$675,510,000
DRC Prison Facilities	2,119,000,000	1,884,500,000	460,000,000
DYS Facilities	351,000,000	332,000,000	124,920,000
Cultural & Sports Facilities	593,000,000	504,690,000	104,700,000
Higher Education Facilities	4,817,590,000	4,817,590,000	-0-
Mental Health Facilities	1,581,000,000	1,517,085,000	200,155,000
Parks & Recreation Facilities	598,000,000	448,000,000	121,565,000
		Total:	$1,686,850,000
Obligations Payable from Non-GRF Sources			
Highway User Receipts			
G.O. Highway(j)	$3,428,000,000	$2,693,410,000	$758,550,000
ODOT Facilities	255,800,000	240,100,000	84,300,000
DPS Facilities	143,000,000	140,285,000	11,335,000
		Total:	$854,185,000
Federal Transportation Grants			
ODOT Highway Infrastructure(k)	n.a.	$1,988,170,000	$879,325,000

(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 $3,750,000,000 may be issued with the annual issuance currently limited to no more than $150,000,000 in any Fiscal Year plus any obligations unissued from previous Fiscal Years. See **Recent Debt Authorizations** below for additional $1,875,000,000 constitutional authorization for this purpose approved by the voters in May 2014.
(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) 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.
(h) Not more than $1,200,000,000 may be issued with the annual issuance now limited to no more than $175,000,000 in any Fiscal Year plus any obligations unissued from previous Fiscal Years.
(i) Constitutional authorization was self-implementing and did not require further General Assembly authorization. No more obligations may be issued under this authorization.
(j) Not more than $220,000,000 may be issued in any Fiscal Year plus any amount unissued from previous Fiscal Years, and not more than $1.2 billion may be outstanding at any time.
(k) Debt service on these "GARVEE" bonds is paid from federal transportation grants apportioned to the State (Title 23 of the U.S. Code).

The following table shows total Fiscal Year debt service on outstanding State obligations currently payable from the GRF, including the Bonds:

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)	DAS Facilities	DRC Facilities	All Other(d)	Principal	Interest	Total
2015	$590,029,387	$221,428,636	$164,813,874	$91,700,114	$99,141,025	$111,530,591	$866,053,397	$412,590,230	$1,278,643,628
2016	609,406,933	231,044,355	171,623,916	97,478,700	81,208,781	116,397,262	892,008,600	415,151,345	1,307,159,946
2017	593,467,649	219,898,615	179,178,185	92,779,298	74,055,838	96,845,466	881,750,000	374,475,051	1,256,225,051
2018	572,466,728	207,489,974	154,102,332	93,194,898	65,133,506	89,306,955	844,470,000	337,224,392	1,181,694,392
2019	582,731,849	189,962,179	137,787,937	82,478,883	56,729,613	74,481,286	823,870,000	300,301,747	1,124,171,747
2020	581,203,542	179,226,420	125,130,321	75,080,444	44,285,850	62,683,460	803,870,000	263,740,038	1,067,610,038
2021	573,834,608	168,300,904	100,895,965	74,845,847	44,423,975	47,923,884	783,115,000	227,110,183	1,010,225,183
2022	537,594,219	160,069,037	79,627,608	64,908,406	44,165,900	35,760,462	730,210,000	191,915,632	922,125,632
2023	474,021,613	151,393,252	68,099,714	59,182,694	40,104,888	35,765,826	668,875,000	159,692,986	828,567,986
2024	374,929,520	133,637,615	47,107,366	49,092,756	38,223,769	30,484,445	542,605,000	130,870,471	673,475,471
2025	312,561,156	125,292,635	26,279,717	43,556,933	33,657,800	23,779,826	458,835,000	106,293,067	565,128,067
2026	239,576,741	112,512,937	20,062,301	20,555,163	9,937,331	10,024,325	325,695,000	86,973,799	412,668,799
2027	183,444,073	98,618,665	15,281,253	20,554,496	9,939,431	7,047,675	261,900,000	72,985,593	334,885,593
2028	162,379,632	98,398,983	11,776,300	20,552,258	9,940,556	5,622,425	247,725,000	60,945,155	308,670,155
2029	162,614,218	88,672,756	6,918,000	20,557,775	9,947,181	5,622,875	245,045,000	49,287,805	294,332,805
2030	162,839,155	69,303,677	3,386,250	15,860,918	6,852,306	5,616,469	225,825,000	38,033,775	263,858,775
2031	163,114,877	69,092,566	-0-	12,480,831	6,855,338	-0-	224,310,000	27,233,611	251,543,611
2032	138,820,663	43,395,200	-0-	12,486,181	3,559,500	-0-	180,325,000	17,936,544	198,261,544
2033	71,606,725	34,420,500	-0-	10,048,344	3,555,750	-0-	109,325,000	10,306,319	119,631,319
2034	47,985,500	23,604,000	-0-	5,975,800	3,559,500	-0-	76,000,000	5,124,800	81,124,800
2035	24,155,250	-0-	-0-	5,974,800	-0-	-0-	28,750,000	1,380,050	30,130,050
							$10,220,561,998	**$3,289,572,593**	**$13,510,134,591**

(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 for mental health, parks and recreation, cultural & sports facilities and Department of Youth Services. Also includes lease-rental bonds previously issued for higher education facilities.

The following table shows total Fiscal Year debt service on certain outstanding State obligations currently payable from the indicated non-GRF revenues:

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

	Highway User Receipts			GARVEE Federal Transportation Grants(b)
FY	**Highway G.O.**	**ODOT/DPS Facilities(a)**	**Total**	
2015	$140,205,176	$2,408,680	$142,613,856	$175,444,014
2016	119,839,303	10,552,410	130,391,713	179,290,346
2017	101,109,703	10,549,475	111,659,178	153,282,259
2018	86,307,480	10,554,100	96,861,580	127,084,997
2019	85,432,333	10,557,000	95,989,333	121,929,012
2020	84,126,862	9,708,200	93,835,062	117,387,296
2021	83,239,842	9,712,750	92,952,592	82,825,928
2022	81,500,702	8,144,500	89,645,202	38,041,625
2023	80,115,331	8,147,000	88,262,331	37,264,838
2024	78,687,152	8,146,250	86,833,402	36,521,650
2025	62,560,270	8,146,750	70,707,020	35,775,750
2026	34,964,550	8,142,750	43,107,300	-0-
2027	34,138,800	8,143,750	42,282,550	-0-
2028	33,305,300	8,143,750	41,449,050	-0-
2029	17,407,800	8,142,000	25,549,800	-0-
2030	-0-	8,142,750	8,142,750	-0-

(a) Lease rental payments are paid from highway user receipts for these Ohio Department of Transportation and Department of Public Safety facilities.

(b) Debt service paid from federal transportation grants apportioned to the State under Title 23 of the U.S. Code.

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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, including the Bonds:

	Obligations Payable from the GRF			Non-GRF Obligations
Year	Education(a)	Other GO(b)	Special Obligations(c)	Highway User Receipts(d)
2015	$4,901,680,000	$2,752,123,600	$1,671,955,000	$854,185,000
2020	2,910,795,000	1,419,435,000	749,560,000	487,055,000
2025	1,106,510,000	591,495,000	198,145,000	142,690,000
2030	381,960,000	155,680,000	52,320,000	-0-

(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 and DPS facilities.

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 Annual Personal Income
1980	$1,991,915,000	$184	1.86%
1990	3,707,054,994	342	1.83
2000	6,308,680,025	556	1.94
2010	8,586,655,636	744	2.05
2011	8,996,752,848	779	2.02
2012	9,760,505,915	845	2.10
2013	9,263,358,266	801	1.95
2014	9,517,346,998	821(a)	1.93(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%	0.18%
1990	488,676,826	12,230,681,298	4.00	0.24
2000	871,313,814	20,711,678,217	4.21	0.27
2010	710,284,236*	24,108,466,000**	2.95	0.17
2011	755,023,015*	26,777,133,000**	2.82	0.17
2012	692,776,090*	27,956,513,000	2.48	0.15
2013	1,204,775,861	30,361,815,000	3.97	0.25
2014	1,237,701,225	30,137,140,000	4.11	0.25(b)

(a) Based on July 2014 population estimate.
(b) Based on preliminary 2014 personal income data.

* Reduction is due in large part to the restructuring of certain GRF debt service payments resulting in net savings of $416.8 million in Fiscal Year 2010, $336.9 million in Fiscal Year 2011, and $449.3 million in Fiscal Year 2012.
** Excludes federal funds from the American Recovery and Reinvestment Act of 2009.

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Recent Debt Authorizations

Only a portion of State capital needs can be met by direct GRF appropriations, so additional State borrowing for capital and other purposes has been and will continue to be required. In spring 2014, the General Assembly approved $2.41 billion in new capital appropriations for the 2015-16 capital biennium, with $2.08 billion of those new capital appropriations to be funded by GRF-supported debt authorizations, $100 million to be funded from non-GRF debt authorizations and the remaining $234 million to be funded from cash. All of the following additional GRF-supported borrowing authorizations to fund those appropriations are reflected in the preceding tables:

General Obligation

- $500,000,000 for capital improvements for elementary and secondary public schools.
- $300,000,000 for local infrastructure projects.
- $507,000,000 for higher education facilities.
- $40,000,000 for natural resources facilities.
- $100,000,000 for conservation purposes.
- $5,000,000 for coal development purposes.

Special Obligation

- $126,000,000 for prisons and local jails.
- $34,000,000 for youth services facilities.
- $120,000,000 for State administrative facilities.
- $75,000,000 for cultural facilities (including both arts and sports facilities).
- $40,000,000 for mental health facilities (including local projects).
- $165,000,000 for parks and recreation facilities.

The above GRF-supported debt authorizations include funding for $12.6 million of emergency capital appropriations of a possible $50 million emergency capital authorization, the balance of which lapsed without being reauthorized.

In addition to the above $500 million general obligation debt authorization for elementary and secondary public school improvements, the General Assembly also appropriated $100 million for those elementary and secondary public school capital improvements from State lottery profits fees and revenues expected from the implementation of video lottery terminals (VLTs) at Ohio's seven horse racing tracks as authorized by legislation enacted by the General Assembly in 2009. (See **FISCAL MATTERS – Recent and Current Finances – Recent Biennia – 2010-11**.) On October 21, 2011, a complaint was filed in the Court of Common Pleas of Franklin County, Ohio, challenging the 2009 law authorizing those VLTs on a number of bases, including that its authorization of those VLTs as part of the State Lottery exceeds the authorization for a state lottery under the Ohio Constitution. The trial court on May 30, 2012 granted defendants' motions to dismiss the case after finding that the plaintiffs did not have standing to bring this action, and the plaintiffs appealed this trial court ruling to the Tenth District Court of Appeals of Franklin County, Ohio. Since the trial court dismissed the case based on plaintiffs' lack of standing, it did not address or decide the merits of the plaintiffs' challenges to the 2009 law. On March 14, 2013, the Court of Appeals upheld the trial court's dismissal of the case based on the plaintiffs' lack of standing, and on July 24, 2013, the Ohio Supreme Court announced that it was accepting plaintiffs' appeal of this case but holding it for review after it decided a separate case involving the question of an activist group's standing to challenge issues relating to JobsOhio in a separate case on appeal (see **FISCAL MATTERS – Recent and Current Finances – Recent Biennia – 2012-13**). The Supreme Court released its decision in that separate case on June 10, 2014, and on July 2 defendants filed a motion to dismiss the appeal as improvidently granted based on that June 10 decision. On September 3, the Supreme Court granted in part and denied in part the defendants' motion to dismiss, and ordered the parties to file merit briefs relating to the issues accepted for appeal. Those briefs have now been filed and the Court has scheduled this case for oral argument on June 23, 2015.

Recent constitutional authorizations are:

- 2014 - authorizes an additional $1.875 billion of general obligation debt for public infrastructure as a ten-year extension of the existing local government infrastructure program authorized in 2005, with an increase in the annual issuance amount from $150 million to $175 million in the first five Fiscal Years and $200 million in each Fiscal Year thereafter.

- 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% 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 and 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 – authorized 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 in obligations could have been issued no 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 (previously a portion of the State's net liquor profits; see **FISCAL MATTERS – Recent and Current Finances – Recent Biennia - 2012-13**). 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% debt service cap described above. Also authorizes an additional $1.35 billion of general obligation debt for public infrastructure as a ten-year extension of the existing local government infrastructure program, with an increase in the annual issuance amount from $120 million to $150 million in the last five Fiscal Years, 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 (previously a portion of the State's net liquor profits; see **FISCAL MATTERS – Recent and Current Finances – Recent Biennia - 2012-13**).

- 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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ECONOMY AND EMPLOYMENT

Although manufacturing (including auto-related manufacturing) in Ohio remains an integral part of the State's economy, the greatest growth in Ohio's economy in recent years has been in the non-manufacturing sectors. Ohio's preliminary 2013 economic output, as measured by gross state product (GSP), totaled $565.3 billion, 3.38% of the national GDP and seventh largest among the states. The State ranks fourth within the manufacturing sector as a whole ($99.8 billion) and fifth in durable goods ($53.3 billion). As a percent of Ohio's preliminary 2013 GSP, manufacturing was responsible for 17.7%, with 22.3% attributable to the goods-producing sectors and 34.1% to the business services sectors, including finance, insurance and real estate. Ohio is the ninth largest exporting state with 2014 merchandise exports totaling $52.1 billion. The State's leading export products are machinery (including electrical machinery), motor vehicles and aircraft/spacecraft, which together accounted for 50.5% of that total.

Payroll employment in Ohio, in a diversifying employment base, decreased in 2001 through 2003, increased in 2004 through 2006, decreased in 2007 through 2010, and increased in 2011 through 2014. In recent years, there has been a shift toward the services industry, with manufacturing employment decreasing since its 1969 peak. The "non-manufacturing" sector employs approximately 87% of all non-farm payroll workers in Ohio. The changing mix of employment sectors nationally and in Ohio are shown in the following tables.

Ohio Nonfarm Payroll Jobs by Industry Type
Not Seasonally Adjusted (in 000)

	1980	1990*	2000*	2010*	2014*
Mining & Logging*	31	18	13	11	15
Construction	167	192	246	169	194
Manufacturing	1,264	1,060	1,021	621	673
Trade, Transportation & Public Utilities*	1,180	963	1,115	948	993
Financial Activities	n.a.	101	107	78	73
Information*	204	255	305	277	288
Services	831	1,172	1,549	1,672	1,807
Leisure & Hospitality*	n.a.	400	483	475	529
Government	690	722	785	780	759
TOTAL	4,367	4,882	5,625	5,036	5,331

Source: U.S. Department of Labor, Bureau of Labor Statistics, National and State Current Employment Statistics.
* Reflects change in the bases for industry classification from the 1987 Standard Industrial Classification System (SIC) to the 2002 North American Industry Classification System (NAICS). Data for 1990 and 2000 has been adjusted to reflect this change.

Distribution of Nonfarm Payroll Jobs by Industry Type (%)

	1980		1990*		2000*		2010*		2014*	
	Ohio	**U.S**	**Ohio**	**U.S.**	**Ohio**	**U.S.**	**Ohio**	**U.S.**	**Ohio**	**U.S.**
Mining & Logging*	**0.7**	1.1	**0.4**	0.7	**0.2**	0.5	**0.2**	0.5	**0.3**	0.6
Construction	**3.8**	4.8	**3.9**	4.8	**4.4**	5.2	**3.4**	4.2	**3.6**	4.4
Manufacturing	**29.0**	22.4	**21.7**	16.2	**18.2**	13.1	**12.3**	8.8	**12.6**	8.8
Trade, Transportation & Public Utilities*	**27.0**	28.2	**19.7**	20.7	**19.8**	19.9	**18.8**	18.9	**18.6**	19.0
Information*	n.a.	n.a.	**2.1**	2.5	**1.9**	2.8	**1.5**	2.1	**1.4**	2.0
Financial Activities	**4.7**	5.7	**5.2**	6.0	**5.4**	5.8	**5.5**	5.9	**5.4**	5.7
Services	**19.0**	19.8	**24.0**	23.9	**27.5**	28.0	**33.2**	32.2	**33.9**	33.2
Leisure & Hospitality*	n.a.	n.a.	**8.2**	8.5	**8.6**	9.0	**9.4**	10.0	**9.9**	10.6
Government	**15.8**	18.0	**14.8**	16.8	**14.0**	15.8	**15.6**	17.3	**14.2**	15.7

Source: U.S. Department of Labor, Bureau of Labor Statistics, National and State Current Employment Statistics. The distribution percentages are as calculated by OBM.
* Reflects change in the bases for industry classification from the 1987 Standard Industrial Classification System (SIC) to the 2002 North American Industry Classification System (NAICS). Data for 1990 and 2000 has been adjusted to reflect this change.

Ohio and U.S. unemployment rates have been as follows:

Average Monthly Unemployment Rates (Seasonally Adjusted)

Year	Ohio	U.S.
1980	8.4%	7.1%
1990	5.6	5.6
2000	4.0	4.0
2004	6.3	5.5
2005	5.9	5.1
2006	5.4	4.6
2007	5.6	4.6
2008	6.4	5.8
2009	10.3	9.3
2010	10.3	9.6
2011	8.8	8.9
2012	7.4	8.1
2013	7.5	7.4
2014	5.7	6.2
2015 January	5.1	5.7
February	5.1	5.5
March	5.1	5.5

Source: Ohio Department of Job and Family Services, Labor Market Information.

The following are the private sector employers that had the highest number of full-time equivalent employees (estimated and rounded) in Ohio in 2015:

OHIO'S TOP 25 PRIVATE SECTOR EMPLOYERS – 2015

Company	Estimated Employment Headcount	Sector
Wal-Mart Stores, Inc.	46,975	Retail General Merchandiser
Cleveland Clinic Health System	41,400	Health Care
Kroger Company	40,250	Retail Food Stores
Mercy Health	31,200	Health Care
University Hospitals Health System	25,000	Health Care
JPMorgan Chase & Co.	21,000	Financial Services
Giant Eagle, Inc.	20,000	Retail Food Stores
Ohio Health	19,650	Health Care
General Electric Company	16,000	Aerospace/Electrical Equipment
Cincinnati Children's Hospital	15,000	Health Care
Honda Motor Company	14,200	Motor Vehicles
Nationwide Mutual Insurance Co.	14,050	Finance, Insurance
Premier Health Partners	13,500	Health Care
ProMedica Health System	13,400	Health Care
United Parcel Service, Inc.	13,160	Transportation Air Delivery
Meijer, Inc.	12,300	Retail General Merchandiser
Bob Evans Farms, Inc.	12,200	Restaurants
Kettering Health Network	12,200	Health Care
Procter & Gamble Company	12,000	Soaps and Cosmetics
TriHealth, Inc.	11,400	Health Care
Lowe's Companies, Inc.	11,200	Retail Home Improvement
Home Depot, Inc.	10,000	Retail Home Improvement
Summa Health System	10,000	Health Care
UC Health	10,000	Health Care
General Motors Corporation	9,800	Motor Vehicles

Boldface indicates headquartered in Ohio.
Source: Development Services Agency, Office of Research, April 2015.

POPULATION

Ohio's 2010 decennial census population of 11,536,504 indicated a 1.6% population growth over 2000 and ranked Ohio seventh among the states in population. The following tables show selected census figures.

Ohio Population — Total and by Age Group

Year	Total	Rank Among States	Decennial Growth Rate	1-19 Years	20-64 Years	65 and Over
1970	10,652,017	6	9.7%	4,124,400	5,539,600	993,500
1980	10,797,630	6	1.4	3,502,900	6,125,200	1,169,500
1990	10,847,115	7	0.5	3,141,000	6,299,100	1,407,000
2000	11,353,140	7	4.7	3,216,000	6,629,400	1,507,800
2010	11,536,504	7	1.6	3,067,126	6,847,363	1,622,015

* July 2014 Census population estimate is 11,594,163.

Source: U.S. Census Bureau Web Site, Population Estimates.

Population of Ohio Metropolitan Areas(a)

	1970	1980	1990	2000	2010
Cleveland	2,063,729	1,898,825	2,202,069(b)	2,250,871(b)	2,077,240(b)
Cincinnati	1,106,821	1,100,983	1,526,092(c)	1,646,395(c)	2,130,151(d)
Columbus	1,017,847	1,093,316	1,345,450(e)	1,540,157(e)	1,836,536(e)
Dayton	852,531	830,070	951,270(f)	950,558(f)	979,835(f)
Akron	679,239	660,328	657,575	694,960	703,200
Toledo	643,443	656,940	614,128	618,203	651,429
Youngstown-Warren	537,124	531,350	600,895(g)	594,746(g)	565,773(g)
Canton	393,789	404,421	394,106	406,934	404,422
Lorain-Elyria	256,843	274,909	(b)	(b)	(b)
Hamilton-Middletown	226,207	258,787	291,479	332,807	(d)
Lima	210,074	218,244	154,340	155,084	106,331
Mansfield	129,997	131,205	174,007(g)	175,818(g)	124,475
Steubenville	96,193	91,564	142,523(h)	132,008(h)	124,454(h)

(a) SMSAs in 1970 & 1980, MSAs in 1990 and 2000 (PMSA's for Cleveland, Cincinnati, Akron, and Hamilton-Middletown).
(b) Lorain-Elyria included with Cleveland.
(c) Includes 12 counties (two in Indiana and six in Kentucky).
(d) Includes 15 counties (three in Indiana and seven in Kentucky); Includes Hamilton-Middletown.
(e) Newark added.
(f) Springfield added.
(g) Includes three counties.
(h) Weirton added; includes two counties in West Virginia.

Source: U.S. Census Bureau Web Site, Metropolitan Area Population Estimates.

AGRICULTURAL AND RESOURCES BASES

With 14.0 million acres (of a total land area of 26.4 million acres) in farmland and an estimated 75,462 individual farms, agriculture combined with related agricultural sectors is an important segment of Ohio's economy. Ohio's 2012 crop production value of $6.8 billion represented 3.0% of the U.S. total value. Ohio accounts for more than 4.0% of total U.S. cash receipts for the following commodities: chicken/eggs, corn, cucumbers/processing, floriculture, maple, pumpkins, soybeans, squash, sweet corn, tomatoes/fresh. In 2012, Ohio's agricultural sector output (consisting of crops, livestock, poultry and dairy, and services and forestry) totaled $11.2 billion with agricultural exports (primarily soybeans, feed grains and wheat, and their related products) estimated at a value of $4.1 billion.

The availability of natural resources, such as water and energy, is of vital nationwide concern. Ohio has large quantities of these important natural resources. With Lake Erie and the Ohio River on its borders, and many lakes and streams throughout the State, water is readily available for all uses. Additionally, Ohio has sizable coal resources, ranking seventh among the states in coal reserves and eleventh in coal production in 2012.

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 52,844 at the end of Fiscal Year 2014. The State engages in collective bargaining with five employee unions representing 14 bargaining units, and generally operates under three-year agreements. The collective bargaining agreement with the Ohio Civil Service Employees Association, the largest State employee union representing eight bargaining units and approximately 28,000 employees, expired on February 28, 2015. That agreement has been extended under the same terms and conditions until May 15 while a new three-year agreement is being negotiated. The collective bargaining agreement with the Service Employees International Union District 1199, the second largest State employee union representing approximately 4,000 state employees, was previously set to expire on May 31 but has been extended under the same terms and conditions until June 30 while a new three-year agreement is being negotiated. The collective bargaining agreements with the Ohio Education Association, Fraternal Order of Police of Ohio, and the Ohio State Troopers Association -- the remaining three unions representing a combined approximate 2,600 State employees -- expire on June 30.

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. 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. Full financial information for each retirement system can be found on its website in that system's Comprehensive Annual Financial Report (CAFR). The State and its five retirement systems are preparing for implementation of GASB Statement No. 67, Financial Reporting for Pension Plans, and GASB Statement No. 68, Accounting for Financial Reporting for Pensions.

The retirement systems were created by and operate pursuant to State law. As reflected in the 2012 pension reform acts discussed below, the General Assembly has the power to amend the structure and benefit levels, impose or revise contribution rates or amounts, and 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 public sector retirement funds 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 contributions for PERS law enforcement and public safety personnel, and the increased employee contributions for STRS, OP&F and HPRS included in the 2012 pension reform acts described below, the current contribution percentages for each system (set forth in the table on the next page) reflect the maximums permitted under 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 ORSC 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 UAAL 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 most recent reporting period as shown in the summary table below, the number of years to fully amortize UAAL is twenty-four years for PERS, twenty-eight years for SERS, thirty years for STRS and HPRS, and thirty-three years for OP&F. Prior to the 2012 pension reform acts described below, the board of each of the five retirement systems had approved and submitted to the ORSC and the applicable Ohio General Assembly committees a plan to reduce or maintain its amortization period at not more than thirty years. Pursuant to this continuing requirement, the OP&F board increased (effective January 1, 2014) contributions to its pension fund by reducing from 2.85% to 0.5% the amount of employer contributions directed to health care and redirecting the 2.35% difference to pensions, and the STRS board increased (effective July 1, 2014) contributions to its pension fund by reducing from 1.0% to 0.0% the amount of employer contributions directed to healthcare and redirecting the 1.0% difference to pensions. The OP&F board has also recommended other changes, including accelerating and increasing employee contribution rates which require approval of the Ohio General Assembly to further reduce its pension UAAL amortization period.

After extensive review, the General Assembly in September 2012 enacted, and the Governor signed into law effective January 7, 2013, five pension reform acts to implement with modifications plans previously submitted by the five retirement systems to reduce or maintain their UAAL periods to or at not more than thirty years. The reform act for PERS made changes including, among others, increasing the years of service and eligibility age necessary to retire with full benefits, increasing from three to five the number of years used in determining "final average salary" for purposes of calculating retirement benefits, reducing the post-retirement cost of living adjustment, and increasing the minimum salary threshold required to earn full-time service credit for public employee eligibility to participate in the system. The other reform acts made similar changes to STRS, SERS, OP&F and HPRS, and enacted phased increases in the employee contribution rate for STRS (from 10% to a maximum of 14% by July 2016) and OP&F (from 10% to a maximum of 12.25% by July 2015). The HPRS board was authorized to increase employee contributions up to a maximum of 14% from the current 10% beginning in July 2013, and it has implemented this authorization by increasing the employee contribution rate to 11.5% for 2014 and to 12.5% for 2015 and thereafter. With the exception of PERS, the reform acts also authorize each retirement system's board to adjust certain pension benefits levels within limits without General Assembly approval. As reflected above, these reform acts did not change the requirement that each system establish a period of not more than thirty years to amortize its pension UAAL and prepare and submit to the ORSC and the Ohio General Assembly a plan to reduce that amortization period if it exceeds thirty years.

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, nearly 96% of State employees are members of PERS, about 3.1% are in HPRS and about 1.3% are in STRS. The following table summarizes State employer and employee contributions to those retirement systems with State employee members ($ in millions):

State	PERS		STRS		HPRS		
Fiscal	Employer/Employee		Employer/Employee		Employer/Employee		Total
Year	Amount	Pct. of Salary(a)	Amount	Pct. of Salary	Amount	Pct. of Salary	Contributions
2009	$430.0/$300.4	14.0%/10.0%	$8.2/$5.8	14.0%/10.0%	$24.6/$9.7	25.5%/10.0%	$778.8
2010(b)	406.5/283.0	14.0/10.0	7.4/5.3	14.0/10.0	24.4/9.3	26.5/10.0	735.8
2011(b)	414.4/289.0	14.0/10.0	7.2/5.1	14.0/10.0	25.2/9.5	26.5/10.0	750.3
2012(c)	392.3/273.8	14.0/10.0	6.6/4.7	14.0/10.0	25.0/9.4	26.5/10.0	711.8
2013(c)	385.8/269.1	14.0/10.0	6.2/4.4	14.0/10.0	26.1/9.8	26.5/10.0	701.3
2014	384.9/268.8	14.0/10.0	5.9/4.6	14.0/11.0	26.5/10.7	26.5/11.5(d)	701.4

(a) Reflects PERS state and local contribution rates only. PERS law enforcement employer/employee contribution rate was 17.63%/10.1% in Fiscal Year 2009, increasing gradually to 18.1%/12.6% in Fiscal Year 2013, and public safety was 17.63%/10.1% in Fiscal Year 2009, increasing gradually to 18.1%/12.0% in Fiscal Year 2013.

(b) Decline in contributions for Fiscal Years 2010 and 2011 over Fiscal Year 2009 is attributed primarily to a two week unpaid "furlough" on State employees in each of those years (see **FISCAL MATTERS** - **Recent and Current Finances** – **Recent Biennia** - **2010-11**). Fiscal Year 2011 contributions include 27 pay periods.

(c) Decline in contributions for Fiscal Years 2012 and 2013 is attributed to a reduction in the State workforce.

(d) HPRS employee percent of salary was 10.0% in calendar year 2013 and 11.5% in calendar year 2014.

Source: Contributions based on percent of payroll expenses from State of Ohio accounting system records.

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 $41.3 million in the 2010-11 biennium and $41.1 million in the 2012-13 biennium, and are appropriated at $41.0 million in the 2014-15 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(a)**	**OP&F**	**HPRS**
Valuation as of:	**12/31/13**	**07/01/14**	**06/30/14**	**01/01/14**	**12/31/13**
Active Members	332,420	169,295	121,251	27,451	1,613
State Employees as a Percent of Active Members	16	0.4	0	0	100
Retirees and Beneficiaries	202,136	152,208	72,605	27,561	1,523
Employer/Employee Contributions (% of Salary) (b)	14.0/10.0(c)	14.0/12.0	14.0/10.0	(d)	26.5/11.5
Active Member Payroll	$12,331.0	$10,725.3	$2,759.3	$1,942.3	$98.5
Market Value of Assets (MVA)	$74,866.6	$70,988.7	$12,820.9	$11,920.5	$729.0
Actuarial Value of Assets (AVA) (e)	$71,411.2	$66,657.2	$11,903.0	$11,063.2	$690.6
Actuarial Accrued Liability (AAL) (f)	$86,644.6	$96,167.1	$17,492.0	$16,577.8	$989.1
Funding Ratio (AVA to AAL %, (MVA to AAL %))	82.4 (86.4)	69.3 (73.8)	68.0 (73.3)	66.7 (71.9)	69.8 (73.7)
Unfunded Actuarial Accrued Liability (UAAL)	$15,233.3	$29,509.9	5,589.0	$5,514.6	$298.5
UAAL to Active Member Payroll %	123.5	275.1	202.6	283.9	303.0
UAAL Funding Period (years)(g)	24	30	28	33	30

(a) SERS information excludes Medicare Part B reimbursement which is considered a post-employment healthcare benefit reported in accordance with GASB Statement 43 for all data except MVA.
(b) For PERS and SERS, the maximum employer and employee contribution rates under law are 14.0% and 10.0%. For STRS and HPRS, the maximum employer and employee contributions rates are 14.0/14.0% and 27.5/14.0%, 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.
(c) PERS state employer/employee contribution rate is 14.0/10.0%, local is 14.0/10.0%, law enforcement is 18.1/12.6%, and public safety is 18.1/12.0%. PERS state and local employer and employee contribution rates increased to their current statutory maximum of 14.0% and 10.0%, respectively, in calendar year 2008.
(d) Police is 19.5/11.13% and fire 24.0/11.13%. The employee rate of 11.13% is a blend of 10.75% from January 1 to July 1 and 11.50% from July 2 to December 31. The maximum employer and employee contribution rates under law are 19.5/12.25% for police and 24.0/12.25% for fire.
(e) Recognizes assumed long-term investment returns fully each year (8.25% for OP&F, 8.00% for PERS and HPRS, and 7.75% for STRS and SERS). Differences between actual and assumed investment returns, subject to each system's market corridor limitation, are phased-in over a closed four-year period.
(f) Reflects an individual entry age normal actuarial cost method.
(g) UAAL funding period for PERS, SERS and HPRS is calculated based on a closed period as a level percent of payroll, except for the portion of PERS members who participate in the member directed plan which uses a closed period as a level dollar of payroll. STRS and OP&F are calculated based on an open period as a level percent of payroll.

Note: Valuation results reflect all legislative changes described above enacted in September 2012.
Sources: Retirement systems' CAFRs and annual actuarial valuations.

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The following table summarizes financial and funding information for each of the retirement systems for the five years previous to the current year information provided above as reported by the particular system ($ in millions):

Retirement System 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								
12/31/12	$67,854.8	$83,878.1	$16,023.3	80.9%	$67,854.9	80.9%	$12,194.0	131.4%
12/31/11	$65,436.1	$84,529.7	$19,093.6	77.4%	$61,846.7	73.2%	$12,399.0	154.0%
12/31/10	$63,649.1	$80,485.0	$16,836.0	79.1%	$63,649.1	79.1%	$12,450.0	135.2%
12/31/09	$57,629.4	$76,555.0	$18,925.6	75.3%	$57,733.8	75.4%	$12,548.3	150.8%
12/31/08	$55,315.2	$73,465.7	$18,150.5	75.3%	$49,388.6	67.2%	$12.801.1	141.8%
STRS								
07/01/13	$62,590.8	$94,366.7	$31,775.9	66.3%	$64,706.0	68.6%	$10,765.6	295.2%
07/01/12	$59,489.5	$106,301.8	$46,812.3	56.0%	$60,693.6	57.1%	$10,879.1	430.3%
07/01/11	$58,110.5	$98,766.2	$40,655.7	58.8%	$63,116.7	63.9%	$11,097.6	366.3%
07/01/10	$55,946.3	$94,720.7	$38,774.4	59.1%	$54,140.4	57.2%	$11,057.3	350.7%
07/01/09	$54,902.9	$91,441.0	$36,538.1	60.0%	$50,095.7	54.8%	$10,800.8	338.3%
SERS(d)								
06/30/13	$11,007.0	$16,860.0	$5,853.0	65.3%	$11,300.5	67.0%	$2,746.8	213.1%
06/30/12	$10,284.0	$16,372.0	$6,088.0	62.8%	$10,331.7	63.1%	$2,788.2	218.4%
06/30/11	$10,397.0	$15,943.0	$5,546.0	65.2%	$10,619.2	66.6%	$2,852.4	194.4%
06/30/10	$10,787.0	$14,855.0	$4,068.0	72.6%	$9,071.9	61.1%	$2,842.7	143.1%
06/30/09	$9,723.0	$14,221.0	$4,498.0	68.4%	$8,134.1	57.2%	$2,787.4	161.4%
OP&F								
01/01/13	$10,278.0	$16,007.9	$5,729.9	64.2%	$10,602.8	66.2%	$1,913.4	299.5%
01/01/12	$10,309.0	$16,346.7	$6,037.7	63.1%	$9,688.4	59.3%	$1,897.4	318.2%
01/01/11	$10,681.0	$15,384.4	$4,703.4	69.4%	$10,075.5	65.5%	$1,868.5	251.7%
01/01/10	$10,794.1	$14,830.7	$4,036.7	72.8%	$9,056.8	61.1%	$1,895.2	213.0%
01/01/09	$9,309.2	$14,307.1	$4,998.0	65.1%	$7,757.6	54.2%	$1,900.9	262.9%
HPRS								
12/31/12	$658.4	$966.3	$307.9	68.1%	$642.6	66.5%	$98.1	313.8%
12/31/11	$623.4	$1,047.7	$424.3	59.5%	$603.4	57.6%	$93.1	455.7%
12/31/10	$631.0	$1,017.8	$386.8	62.0%	$647.1	63.6%	$94.8	408.2%
12/31/09	$620.4	$940.1	$319.7	66.0%	$595.0	63.3%	$94.8	337.2%
12/31/08	$603.3	$904.5	$301.3	66.7%	$502.7	55.6%	$94.3	319.5%

(a) Recognizes assumed long-term investment returns fully each year (8.25% for OP&F, 7.75% for SERS, and 8.0% for the remaining systems). Differences between actual and assumed investment returns, subject to each system's market corridor limitation, are phased-in over a closed four-year period, except for OP&F in 2009-2012 which phases-in over five-year period.

(b) Reflects an individual entry age actuarial cost method.

(c) UAAL is calculated based on an open period as a level percent of payroll, except for PERS and HPRS in 2012 and SERS for which UAAL is calculated based on a closed period of time and the portion of PERS members who participate in the member directed plan which uses a level dollar of payroll.

(d) Excludes Medicare Part B reimbursement which is considered a post-employment health care benefit reported in accordance with GASB 43 for all data except MVA.

Sources: Retirement systems' CAFR's and annual actuarial valuations.

Each of the State's public retirement systems also offers post-employment health care benefits to its members. Contributions to and benefits under these health care programs are not vested and, as reflected by the recent actions of the OP&F and STRS boards described above, are subject to future adjustment by their respective boards. In this regard, PERS adopted, beginning in 2004, a series of health care preservation plans to adjust benefits and contributions by employers, employees, and retirees. 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):

Valuation as of:	**PERS** 12/31/13	**STRS** 01/01/15	**SERS** 06/30/14	**OP&F** 01/01/14	**HPRS** 12/31/13
Value of Assets (a)	$12,031.4	$3,454.4	$413.9	$1,053.5	$102.1
Actuarial Accrued Liability (AAL) (b)	$19,784.1	4,676.2	$2,475.6	$5,244.6	$438.6
Unfunded Actuarial Accrued Liability (UAAL) (c)	$7,752.7	1,221.9	$2,061.8	$4,191.0	$336.5
Funding Ratio (Assets to AAL %)	60.8%	73.9%	16.7%	20.1%	23.3%
Employer Contribution (% of Salary) (d)	1.0	0.0%	0.14%(e)	0.50%	3.65%

(a) For PERS and HPRS, investment returns are recognized fully each year with the differences between actual and assumed investment returns (assumed at 5%), subject to each system's market corridor limitation, phased-in over a closed four-year period. For STRS, SERS and OP&F, reflects market value.

(b) Reflects an individual entry age normal actuarial cost method.

(c) UAAL is calculated based on an 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. For OP&F, reflects overall effective rate. See discussion above for recent adjustments by OP&F and STRS boards to employer contribution directed to fund health care benefits.

(e) SERS also collects a health care surcharge from employers for employees who earn less than an actuarially determined minimum compensation amount. This amount is in addition to the amount allocated to health care from the employer contributions.

Sources: Retirement systems' annual actuarial valuations.

The following table presents a summary of assets and actuarial accrued liabilities for post-employment healthcare benefits for the three years previous to the current year information provided above for each of the State's public retirement systems ($ in millions):

Retirement System Valuation Year-End	Value of Assets(a)	Actuarial Accrued Liability (AAL)(b)	Unfunded Actuarial Accrued Liability(c)	Funding Ratio (Assets to AAL)	Employer Contribution (% of Salary)(d)(e)
PERS					
12/31/12	$12,193.3	$19.182.3	$6.989.0	63.6%	4.0%
12/31/11	$12,115.0	$31,020.2	$18,905.0	39.1%	4.0%
12/31/10	$12,320.0	$30,531.0	$18,211.0	40.4%	5.0%
12/31/09	$10,936.0	$31,558.0	$20,622.0	34.7%	5.9%
STRS					
01/01/14	$3,471.9	$4,664.4	$1,192.6	74.4%	1.0%
01/01/13	$3,121.6	$4,254.1	$1,132.5	73.4%	1.0%
01/01/12	$2,968.2	$5,094.4	$2,126.3	58.3%	1.0%
01/01/11	$3,108.5	$8,631.3	$5,522.8	36.0%	1.0%
SERS					
06/30/13	$379.2	$2,918.3	$2,539.1	13.0%	0.16%
06/30/12	$355.1	$2,691.5	$2,336.4	13.2%	0.55%
06/30/11	$355.7	$2,410.1	$2,054.4	14.8%	1.43%
06/30/10	$325.0	$2,369.1	$2,044.1	13.7%	0.46%
OP&F					
01/01/13	$935.6	$4,234.8	$3,299.2	22.1%	3.62%
01/01/12	$780.1	$3,698.8	$2,918.6	21.1%	6.75%
01/01/11	$717.7	$3,295.3	$2,577.6	21.8%	6.75%
01/01/10	$573.4	$3,232.4	$2,659.0	17.7%	6.75%
HPRS					
12/31/12	$99.8	$411.5	$311.7	24.3%	1.75%
12/31/11	$99.0	$424.1	$325.1	23.3%	1.75%
12/31/10	$104.7	$406.9	$302.2	25.7%	3.50%
12/31/09	$100.8	$287.6	$186.8	35.0%	4.50%

(a) For PERS & HPRS, recognizes investment returns fully each year (PERS assumed at 6.5% in 2009-2010 and 5.0% in 2011-2012 and HPRS assumed at 6.5% in 2009 and 5.0% in 2010-2012) with the differences between actual and assumed investment returns, subject to each system's market corridor limitation, phased-in over a closed four-year period. For STRS, SERS and OP&F, reflects market value.

(b) Reflects an individual entry age normal actuarial cost method.

(c) UAAL is calculated based on an 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. For PERS, reflects overall effective rate.

(e) SERS also collects a health care surcharge from employers for employees who earn less than an actuarially determined minimum compensation amount. This amount is in addition to the amount allocated to health care from the employer contributions.

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 33rd in state taxes per capita in 2013. 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 completed the phase-in over fiscal years 2006 through 2010 of its commercial activity tax (CAT) on taxable gross receipts in excess of $1,000,000 from doing business in Ohio, and the phase out over the same general period of its corporate franchise tax (except for application to financial institutions and certain affiliates of insurance companies and financial institutions which was eliminated and replaced with a new financial institutions tax effective tax year 2014). 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%. Beginning calendar year 2014, the State established a variable minimum tax on the CAT for businesses with taxable gross receipts greater than $1 million (see **FISCAL MATTERS – Recent and Current Finances -- Current Biennium**). As described further below, the receipts from the CAT are directed in part 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

Under the State's current biennial appropriations Act, the State sales and use tax rate is increased one-quarter percent from 5.5% to 5.75% beginning September 1, 2013 (see **FISCAL MATTERS – Recent and Current Finances -- Current Biennium**). Prior to this increase, the rate had been 5.5% since July 1, 2005. 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 certain 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 will be 8.75% after the State rate increase described above and the highest currently levied by any county will be 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 the State's current biennial appropriations Act and other recent legislation, State personal income tax rates, applying generally to federal adjusted gross income, were reduced 10% over two-years (8.5% in calendar year 2013 and 1.5% in calendar year 2014) (see **FISCAL MATTERS – Recent and Current Finances -- Current Biennium**). The indexing of the State income tax brackets and the personal exemption are suspended while these rate reductions are implemented. These legislative acts also established a deduction for pass-through entity business income of 50% (temporarily increased up to 75% in tax year 2014) of annual adjusted gross income up to $250,000 (see **FISCAL MATTERS – Recent and Current Finances -- Current Biennium)**. The 2013 personal income tax rates ranged from 0.587% on incomes of $5,200 or less with increasing bracketed base rates and percentages up to a maximum on incomes over $208,500 of $8,671 plus 5.421% on the amount over $208,500. Previously, personal income tax rates were reduced 4.2% annually in each of the years 2005 through 2008 and, after the postponement discussed under **FISCAL MATTERS – Recent and Current Finances – Recent Biennia - 2010-11**, again in 2011, resulting in an aggregate 21% decrease from the 2004 rates.

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 and school districts, and joint economic development districts and zones, 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 2011 was 3%. A school district income tax is currently approved in 184 districts. Each joint economic development district or zone 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 or zone). 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.

Personal Income ($ in Billions)

		U.S.	Ohio	Ohio Percent of U.S.	State Rank*
1970	Total	$855.1	$44.1	5.2%	5
	per capita	4,196	4,136	98.6	18
1980	Total	2,306.3	107.0	4.6	6
	per capita	10,150	9,907	97.6	25
1990	Total	4,888.5	202.8	4.1	7
	per capita	19,584	18,663	95.3	21
2000	Total	8,630.6	325.2	3.8	8
	per capita	30,587	28,620	93.6	27
2010	Total	12,417.7	417.9	3.4	8
	per capita	40,144	36,199	90.2	32
2011	Total	13,189.9	446.2	3.4	8
	per capita	42,332	38,631	91.3	30
2012	Total	13,873.2	464.8	3.4	8
	per capita	44,200	40,230	91.0	30
2013	Total	14,151.4	475.0	3.4	8
	per capita	44,765	41,049	91.7	30
2014**	Total	14,708.6	493.6	3.4	8
	per capita	46,129	42,571	92.3	29

Source: U.S. Department of Commerce, Bureau of Economic Analysis.
*Excludes District of Columbia.
**Preliminary data.

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
2010	129.00	4,190.97	3.1
2011	137.41	4,465.74	3.1
2012	146.41	4,754.45	3.1
2013	152.04	4,966.56	3.1
2014	158.12	5,154.93	3.1

(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 2014 show that these property taxes represent 3.35% 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
2010	Real	238,264,394,249	35.0	14,486,087,962(e)
	Tangible(d)	320,961,400	5.0(b)	18,432,832
	Public Utility(c)(f)	10,096,712,600(g)	52.9	747,237,219
2011	Real	231,189,983,505	35.0	14,602,588,295(e)
	Tangible(d)	-0-	-0-(b)	-0-
	Public Utility(c)(f)	10,526,028,040(g)	51.0	804,746,979
2012	Real	225,314,466,955	35.0	14,767,601,611(e)
	Tangible(d)	-0-	-0-(b)	-0-
	Public Utility(c)(f)(h)	11,105,363,530(g)	52.4	872,521,025
2013	Real	226,356,619,274	35.0	15,138,100,663(e)
	Tangible(d)	-0-	-0-(b)	-0-
	Public Utility(c)(f)(h)	11,899,256,920 (g)	53.1	948,094,817
2014	Real	230,378,310,115	35.0	15,465,341,626(e)
	Tangible(d)	-0-	-0-(b)	-0-
	Public Utility(c)(f)	12,880,528,010 (g)	55.3	1,045,187,750

(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 was taxable in 2009 and 2010.
(c) Includes public utility personal property owned and located within Ohio and railroad real property; excludes public utility real property.
(d) Includes machinery, inventories, fixtures; effective tax year 2007 includes telephone company property. Excludes public utility tangible property. Effective tax year 2009 includes only telephone company 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 was eliminated for real property used in business, with exceptions for certain property used in farming or for housing. The 12.5% rollback for owner-occupied residences was eliminated for new voter-approved tax levies (see **FISCAL MATTERS – Recent and Current Finances – Current Biennium**).
(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%.
(h) Calculated using 2011 assessment rates on the breakdown of electrical property.
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 provided for the State to make distributions to school districts and other local taxing units from revenue generated by the 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. In Fiscal Year 2012, the State began phasing-out tangible personal property tax replacement payments to schools and local governments with replacement payments to schools reduced by two percent of each district's total resources in Fiscal Year 2012 and Fiscal Year 2013 for a total reduction of four percent; and replacement payments to local governments reduced by two percent of total resources for tax years 2011, 2012, and 2013 for a total reduction of six percent. Under current law, replacement payments will then continue thereafter at the 2013 amounts.

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. Under the State's current biennial appropriations Act, eligibility for new applicants is based on income (see **FISCAL MATTERS – Recent and Current Finances -- Current Biennium)**. The total cost of the homestead exemption program in Fiscal Year 2013 was $431.9 million and in Fiscal Year 2014 was $458.5 million.

Property tax relief payments by the State to local subdivisions totaled $3.36 billion for the 2010-11 biennium, $3.41 billion for the 2012-13 biennium, and are appropriated at $3.61 billion for the 2014-15 biennium.

SCHOOLS AND MUNICIPALITIES

Schools

Litigation was commenced in the Ohio courts in 1991 questioning the constitutionality of Ohio's system of school funding and compliance with the constitutional requirement that the State provide a "thorough and efficient system of common schools". On December 11, 2002, the Ohio Supreme Court, in a 4-3 decision on a motion to reconsider its own decision rendered in September 2001, concluded (as it had in its 1997 and 2000 opinions in that litigation) that the State did not comply with that requirement, even after again noting and crediting significant State steps in recent years.

In its prior decisions, the Ohio Supreme Court stated as general base threshold requirements that every school district have enough funds to operate, an ample number of teachers, sound and safe buildings, and equipment sufficient for all students to be afforded an educational opportunity.

With particular respect to funding sources, the Court concluded in 1997 and 2000 decisions that property taxes no longer may be the primary means of school funding in Ohio.

On March 4, 2003, the plaintiffs filed with the original trial court a motion to schedule and conduct a conference to address compliance with the orders of the court in that case, the State petitioned the Ohio Supreme Court to issue a writ prohibiting that conference on compliance, and the trial court subsequently petitioned the Ohio Supreme Court for guidance as to the proper course to follow. On May 16, 2003, the Ohio Supreme Court granted that writ and ordered the dismissal of the motion before the trial court. On October 20, 2003 the United States Supreme Court declined to accept the plaintiffs' subsequent petition requesting further review of the case.

In the years following this litigation, the General Assembly took several steps, including significantly increasing State funding for public schools, as discussed below. In addition, at the November 1999 election electors approved a constitutional amendment authorizing the issuance of State general obligation debt for school buildings and for higher education facilities (see discussion under **STATE DEBT**). December 2000 legislation addressed certain mandated programs and reserves, characterized by the plaintiffs and the Court as "unfunded mandates."

Under the financial structure in place before the 2009-10 biennium, Ohio's 613 public school districts and 49 joint vocational school districts receive a major portion (but less than 50%) of their operating moneys from State subsidy appropriations (the primary portion of which is known as the Foundation Program) distributed in accordance with statutory formulae that take into account both local needs and local taxing capacity. The Foundation Program amounts steadily increased in recent years, including small aggregate increases even in those Fiscal Years in which appropriations cutbacks were imposed.

School districts also rely upon receipts from locally voted taxes. In part because of provisions of some State laws, such as that partially limiting the increase (without further vote of the local electorate) in voted property tax collections that would otherwise result from increased assessed valuations, some school districts have experienced varying degrees of difficulty in meeting mandated and discretionary increased costs. Local electorates have largely determined the total moneys available for their schools. Locally elected boards of education and their school administrators are responsible for managing school programs and budgets within statutory requirements.

The State's school subsidy formulas that were used until the 2009-10 biennium were structured to encourage both program quality and local taxing effort. Until the late 1970's, although there were some temporary school closings, most local financial difficulties that arose were successfully resolved by the local districts themselves by some combination of voter approval of additional property tax levies, adjustments in program offerings, or other measures. For more than 20 years, requirements of law and levels of State funding have sufficed to prevent school closings for financial reasons, which in any case are prohibited by current law.

To broaden the potential local tax revenue base, local school districts also may submit for voter approval income taxes on the district income of individuals and estates. Many districts have submitted the question, and income taxes are currently approved in 184 districts.

Biennial school funding State appropriations from the GRF and Lottery Profits Education Fund (but excluding federal and other special revenue funds) for recent biennia were:

- 2004-05 - $15.7 billion (a 3.3% increase over the previous biennium before the expenditure reductions discussed under **Fiscal Matters – Recent and Current Finances - Recent Biennia - 2004-05**).
- 2006-07 - $16.4 billion (a 4.5% increase over the previous biennium before the expenditure reductions discussed under **Fiscal Matters – Recent and Current Finances - Recent Biennia - 2006-07**).
- 2008-09 - $17.2 billion (a 5.1% increase over the previous biennium before the expenditure reductions discussed under **Fiscal Matters – Recent and Current Finances - Recent Biennia - 2008-09**).
- 2010-11 - $17.0 billion (a 1.6% decrease over the previous biennium. These amounts are exclusive of the $1.463 billion of appropriations to school districts for the 2010-11 biennium from "Federal Stimulus" funding received under the American Recovery and Reinvestment Act of 2009).
- 2012-13 - $16.6 billion (a 2.3% decrease over the previous biennium)

State appropriations for school funding for the 2014-15 biennium are $18.3 billion (a 10.6% increase from those appropriations in the previous biennium), representing an increase of 6.8% in Fiscal Year 2014 over Fiscal Year 2013 and an increase of 6.5% in Fiscal Year 2015 over Fiscal Year 2014.

The amount of lottery profits transferred to the Lottery Profits Education Fund (LPEF) totaled $771.0 million in Fiscal Year 2012, $803.1 million in Fiscal Year 2013, $904.3 million Fiscal Year 2014 and is currently estimated to be $975.0 million in Fiscal Year 2015. Ohio participation in the multi-state lottery commenced in May 2002. A constitutional provision requires that net lottery profits be paid into LPEF be used solely for the support of elementary, secondary, vocational and special education purposes, including application to debt service on general obligation bonds to finance common school facilities. The 2010-11 biennial appropriations Act also authorized the implementation of video lottery terminals (VLTs) at Ohio seven horse racing tracks. See **FISCAL MATTERS - Recent and Current Finances – Recent Biennia - 2010-11** for discussion of litigation concluded in the Ohio Supreme Court declaring that the authorization of those VLTs is subject to voter referendum and subsequent withdrawal of that referendum by the committee for the petitioners, and see **STATE DEBT – Recent Debt Authorizations** for an appeal currently pending before the Ohio Supreme Court in another case attempting to challenge the VLT authorization in the 2010-11 biennial appropriations Act.

The 2014-15 biennial appropriations Act also enacted a new funding formula for the distribution of State funding to local school districts based on a per pupil amount. This per pupil formula is similar to the "Building Blocks" school funding formula in place through Fiscal Year 2009 until its replacement with the "Evidence Based Model" for the 2010-11 biennium. The Evidence Based Model was repealed in July 2011 and a temporary formula was put in place for the 2012-13 biennium that allocated funding to each school district based on the per pupil funding it received for Fiscal Year 2011, adjusted by its share of a statewide per pupil adjustment amount that was indexed by the district's relative tax valuation per pupil.

Under the new formula, the State Department of Education will compute and pay to each school district education aid based on the per pupil funding it received for Fiscal Year 2009 (calculated to be $5,745 in Fiscal Year 2014 and $5,800 in Fiscal Year 2015) multiplied by each school district's "state share index" which uses a three-year average of adjusted property valuation per pupil and median income of that school district to calculate the percentage of the per-pupil amount that is to be paid by the State and the amount assumed to be contributed by the school district through local sources. Additional funds are provided for students with exceptional needs, including those with special needs and the disabled, and limited English proficiency, and for economically disadvantaged and gifted students. Funding is also provided based on the number of K-3 students at each school district to be used to help school districts comply with Ohio's 3rd grade reading guarantee. The current biennial appropriations Act also established the "Straight A Fund" to provide school districts with grants to develop and implement creative and innovative instructional models to inspire learning and student growth.

Legislation was enacted in 1996 to address school districts in financial straits. It is similar to that for municipal "fiscal emergencies" and "fiscal watch" discussed below under **Municipalities**, but is particularly tailored to certain school districts and their then-existing or potential fiscal problems. Newer legislation created a third, more preliminary, category of "fiscal caution". A current listing of school districts in fiscal emergency or watch status can be found on the Auditor of State's website at http://www.auditor.state.oh.us.

Municipalities

Ohio has a mixture of urban and rural population, with approximately three-quarters urban. There are 932 incorporated cities and villages (municipalities with populations under 5,000) in the State. Five cities have populations of more than 100,000 and 16 cities exceed 50,000 in population.

A 1979 act established procedures for identifying and assisting those few cities and villages experiencing defined "fiscal emergencies." A commission composed of State and local officials, and private sector members experienced in business and finance appointed by the Governor, is to monitor the fiscal affairs of a municipality facing substantial financial problems. That act requires the municipality to develop, subject to approval and monitoring by its commission, a financial plan to eliminate deficits and cure any defaults and otherwise remedy fiscal emergency conditions and to take other actions required under its financial plan. It also provides enhanced protection for the municipality's bonds and notes and, subject to the act's stated standards and controls, permits the State to purchase limited amounts of the municipality's short-term obligations (used only once, in 1980).

As noted in the discussion above under **FISCAL MATTERS – Recent and Current Finances – Recent Biennia -- 2004-05**, **-- 2008-09** and **-- 2012-13,** the amount of distributions to most local governments, including municipalities, from the several State local government revenue assistance funds have been subject to reductions and other adjustments in several of those recent biennia.

The fiscal emergency legislation has been amended to extend its potential application to counties (88 in the State) and townships. This extension is on an "if and as needed" basis and is not aimed at particularly identified existing fiscal problems of those subdivisions. A current listing of governments in each status can be found on the Auditor of State's website at http://www.auditor.state.oh.us.

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Book-Entry System; DTC

Book-Entry System

The information set forth in the following numbered paragraphs is based on information provided by The Depository Trust Company in its "Sample Offering Document Language Describing DTC and Book-Entry-Only Issuance" (labeled SOL-8/10/11). As such, the State and the Commission believe it to be reliable, but take no responsibility for the accuracy or completeness of that information. It has been adapted to the Bonds by substituting "Bonds" for "Securities," "Commission" for "Issuer" and "Bond Registrar" for "registrar", by making appropriate references to the Bonds "of each series" and to each "interest rate within a maturity" of the Bonds, and by the addition of the italicized language set forth in the text. See also the additional information following those numbered paragraphs.

1. The Depository Trust Company, New York, New York (DTC), will act as securities depository for the Bonds of each series. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity and interest rate within a maturity of the Bonds of each series, each in the aggregate principal amount of such maturity *(or portion thereof),* and will be deposited with DTC.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a rating of AA+ from Standard and Poor's. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org. *(These internet sites are included for reference only, and the information in these internet sites is not incorporated by reference in this Official Statement.)*

3. Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates

representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

4. To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Bond Registrar and request that copies of the notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Commission as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions and dividend payments (*debt charges*) on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Commission or the Bond Registrar, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Bond Registrar, the State or the Commission, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions and dividend payments (*debt charges*) to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Commission or the Bond Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. (*Not Applicable to the Bonds.*)

10. DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Commission or the Bond Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed (*or otherwise produced*) and delivered.

11. The Commission may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed (*or otherwise produced*) and delivered to DTC. (*See also* **Revision of Book-Entry System; Replacement Bonds**.)

12. The information above in this section concerning DTC and DTC's book-entry system has been obtained from sources that the State and Commission believe to be reliable, but the State and Commission take no responsibility for the accuracy thereof.

Direct Participants and Indirect Participants may impose service charges on Beneficial Owners in certain cases. Purchasers of book-entry interests should discuss that possibility with their brokers.

The State, the Commission and the Bond Registrar have no role in the purchases, transfers or sales of book-entry interests. The rights of Beneficial Owners to transfer or pledge their interests, and the manner of transferring or pledging those interests, may be subject to applicable state law. Beneficial Owners may want to discuss with their legal advisors the manner of transferring or pledging their book-entry interests.

The State, the Commission and the Bond Registrar have no responsibility or liability for any aspects of the records or notices relating to, or payments made on account of, beneficial ownership, or for maintaining, supervising or reviewing any records relating to that ownership.

The State, the Commission and the Bond Registrar cannot and do not give any assurances that DTC, Direct Participants, Indirect Participants or others will distribute to the Beneficial Owners payments of debt charges on the Bonds made to DTC as the registered owner, or redemption, if any, or other notices, or that they will do so on a timely basis, or that DTC, Direct Participants or Indirect Participants will serve or act in a manner described in this Official Statement.

For all purposes under the Bond proceedings (except the Continuing Disclosure Agreement for each series under which others as well as DTC may be considered an owner or holder of the Bonds, see **Continuing Disclosure Agreements**), DTC will be and will be considered by the State, the Commission and the Bond Registrar to be the owner or holder of the Bonds.

Beneficial Owners will not receive or have the right to receive physical delivery of Bonds, and, except to the extent they may have rights as Beneficial Owners or holders under the Continuing Disclosure Agreement for each series will not be or be considered by the State, the Commission and the Bond Registrar to be, and will not have any rights as, owners or holders of Bonds under the Bond proceedings.

Reference herein to "DTC" includes when applicable any successor securities depository and the nominee of the depository.

Revision of Book-Entry System; Replacement Bonds

The Bond proceedings for each series provide for issuance of fully-registered Bonds (Replacement Bonds) directly to owners of Bonds other than DTC only in the event that DTC (or a successor securities depository) determines not to continue to act as securities depository for the Bonds. Upon occurrence of this event, the Commission may in its discretion attempt to have established a securities depository book-entry relationship with another securities depository. If the Commission does not do so, or is unable to do so, and after the Bond Registrar has made provision for notification of the Beneficial Owners of the Bonds by appropriate notice to DTC, the Commission and the Bond Registrar will authenticate and deliver Replacement Bonds of any one maturity and interest rate within a maturity, in authorized denominations, to or at the direction of any persons requesting such issuance, and, if the event is not the result of Commission action or inaction, at the expense (including legal and other costs) of those requesting.

Debt charges on Replacement Bonds will be payable when due without deduction for the services of the Bond Registrar as paying agent. Principal of and any premium on Replacement Bonds will be payable when due to the registered owner upon presentation and surrender at the designated office of the Bond Registrar. Interest on Replacement Bonds will be payable on the interest payment date by the Bond Registrar by transmittal to the registered owner of record on the Bond Register as of the 15th day preceding the interest payment date. Replacement Bonds will be exchangeable for other Replacement Bonds of authorized denominations, and transferable, at the designated office of the Bond Registrar without charge (except taxes or governmental fees). Exchange or transfer of then-redeemable Replacement Bonds is not required to be made: (i) between the 15th day preceding the mailing of notice of redemption of Replacement Bonds and the date of that mailing, or (ii) of a particular Replacement Bond selected for redemption (in whole or part).

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<u>Text of Legal Opinion</u>
(Common Schools Series 2015B)

May 19, 2015

To: Ohio Public Facilities Commission
Columbus, Ohio

J.P. Morgan Securities LLC
and Associates
New York, New York

Ladies and Gentlemen:

We have served as bond counsel to our client the Ohio Public Facilities Commission (the Commission) and not as counsel to any other person in connection with the issuance of $300,000,000 Common Schools General Obligation Bonds, Series 2015B (the Series 2015B Bonds), dated the date of this letter. The Series 2015B Bonds are obligations of the State of Ohio (the State), issued by the Commission, to pay costs of capital facilities for a system of common schools throughout the State. In our capacity as bond counsel, we have examined the transcript of proceedings relating to the issuance of the Series 2015B Bonds, a copy of the signed and authenticated Series 2015B Bond of the first maturity and such other documents, matters and law as we deem necessary to render the opinions set forth in this letter.

The Series 2015B Bonds are issued under and pursuant to Section 2n of Article VIII of the Ohio Constitution and Sections 151.01, 151.02 and 151.03 of the Ohio Revised Code and other authorizations by the Ohio General Assembly (collectively, the Act), and resolutions of the Commission (collectively, the Bond Resolution).

Based on that examination and subject to the limitations stated below, we are of the opinion that under existing law:

1. The Series 2015B Bonds constitute valid and binding general obligations of the State, and the full faith and credit, revenue and taxing power of the State are pledged to the payment of the principal of and interest on (Debt Service) the Series 2015B Bonds.

2. Debt Service on the Series 2015B Bonds and on bonds or other obligations issued or to be issued and outstanding pursuant to the Act (collectively, the Bonds) are payable from and secured by (i) a pledge of the excises, taxes and revenues of the State as provided for in the Bond Resolution (collectively, the Committed State Receipts), and (ii) moneys deposited in the Bond Service Fund created under the Act and further provided for in the Bond Resolution. Fees, excises and license taxes relating to the registration, operation or use of vehicles on the public highways, or to fuels used for propelling such vehicles, and net State lottery profits, are not pledged and may not be used to pay that Debt Service.

3. The State is required to charge and collect Committed State Receipts in an amount sufficient to pay when due the Debt Service on the Bonds, and the State has covenanted to maintain statutory authority for and to cause to be levied, collected and applied excises, taxes and revenues so that those Committed State Receipts, including deposits of them to the Bond Service Fund, will be sufficient in time and amount to pay that Debt Service when due and certain other costs (including Debt Service on other State obligations). Provision has been made by law for setting aside each year in the Bond Service Fund a sufficient amount of the Committed State Receipts, without other or further appropriation, to pay when due the Debt Service on the Bonds.

4. Interest on the Series 2015B Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the Code), and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, a portion of the interest on the Series 2015B Bonds earned by certain corporations may be subject to the federal corporate alternative minimum tax. Interest on, and any profit made on the sale, exchange or other disposition of, the Series 2015B Bonds are exempt from all Ohio state and local taxation, except the estate tax, the domestic insurance company tax, the dealers in intangibles tax, the tax levied on the basis of the total equity capital of financial institutions, and the net worth base of the corporate franchise tax. We express no opinion as to any other tax consequences regarding the Series 2015B Bonds.

The opinions stated above are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. In rendering all such opinions, we assume, without independent verification, and rely upon (i) the accuracy of the factual matters represented, warranted or certified in the proceedings and documents we have examined, and (ii) the due and legal authorization, execution and delivery of those documents by, and the valid, binding and enforceable nature of those documents upon, any parties other than the Commission and the State.

In rendering those opinions with respect to the treatment of the interest on the Series 2015B Bonds, we further assume and rely upon compliance with the covenants in the proceedings and documents we have examined, including those of the Commission for itself and the State. Failure to comply with certain of those covenants subsequent to issuance of the Series 2015B Bonds may cause interest on the Series 2015B Bonds to be included in gross income for federal income tax purposes retroactively to their date of issuance.

The rights of the owners of the Series 2015B Bonds and the enforceability of the Series 2015B Bonds are subject to bankruptcy, insolvency, arrangement, fraudulent conveyance or transfer, reorganization, moratorium and other laws relating to or affecting creditors’ rights, to the application of equitable principles, to the exercise of judicial discretion, and to limitations on legal remedies against public entities.

The opinions rendered in this letter are stated only as of this date, and no other opinion shall be implied or inferred as a result of anything contained in or omitted from this letter. Our engagement as bond counsel with respect to the Series 2015B Bonds has concluded on this date.

Respectfully submitted,

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<u>Text of Legal Opinion</u>
(Natural Resources Series T)

May 19, 2014

To: Ohio Public Facilities Commission
Columbus, Ohio

Goldman, Sachs & Co.
New York, New York

Ladies and Gentlemen:

We have served as bond counsel to our client the Ohio Public Facilities Commission (the Commission) and not as counsel to any other person in connection with the issuance of $35,000,000 Natural Resources General Obligation Bonds, Series T (the Series T Bonds), dated the date of this letter. The Series T Bonds are obligations of the State of Ohio (the State), issued by the Commission, for the purpose of providing moneys to pay costs of natural resources projects. In our capacity as bond counsel, we have examined the transcript of proceedings relating to the issuance of the Series T Bonds, a copy of the signed and authenticated Series T Bond of the first maturity and such other documents, matters and law as we deem necessary to render the opinions set forth in this letter.

The Series T Bonds are issued under and pursuant to Section 2l of Article VIII of the Ohio Constitution and Sections 151.01, 151.02 and 151.05 of the Ohio Revised Code and other authorizations by the Ohio General Assembly (collectively, the Act), and resolutions of the Commission (collectively, the Bond Resolution).

Based on that examination and subject to the limitations stated below, we are of the opinion that under existing law:

1. The Series T Bonds constitute valid and binding general obligations of the State, and the full faith and credit, revenue and taxing power of the State are pledged to the payment of the principal of and interest on (Debt Service) the Series T Bonds.

2. Debt Service on the Series T Bonds and on bonds or other obligations issued or to be issued and outstanding pursuant to the Act (collectively, the Bonds) are payable from and secured by (i) a pledge of the excises, taxes and revenues of the State as provided for in the Bond Resolution (collectively, the Committed State Receipts), and (ii) moneys deposited in the Bond Service Fund created under the Act and further provided for in the Bond Resolution. Fees, excises and license taxes relating to the registration, operation or use of vehicles on the public highways, or to fuels used for propelling such vehicles, and net State lottery profits, are not pledged and may not be used to pay that Debt Service.

3. The State is required to charge and collect Committed State Receipts in an amount sufficient to pay when due the Debt Service on the Bonds, and the State has covenanted to maintain statutory authority for and to cause to be levied, collected

and applied excises, taxes and revenues so that those Committed State Receipts, including deposits of them to the Bond Service Fund, will be sufficient in time and amount to pay that Debt Service when due and certain other costs (including Debt Service on other State obligations). Provision has been made by law for setting aside each year in the Bond Service Fund a sufficient amount of the Committed State Receipts, without other or further appropriation, to pay when due the Debt Service on the Bonds.

4. Interest on the Series T Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the Code), and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, a portion of the interest on the Series T Bonds earned by certain corporations may be subject to the federal corporate alternative minimum tax. Interest on, and any profit made on the sale, exchange or other disposition of, the Series T Bonds are exempt from all Ohio state and local taxation, except the estate tax, the domestic insurance company tax, the dealers in intangibles tax, the tax levied on the basis of the total equity capital of financial institutions, and the net worth base of the corporate franchise tax. We express no opinion as to any other tax consequences regarding the Series T Bonds.

The opinions stated above are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. In rendering all such opinions, we assume, without independent verification, and rely upon (i) the accuracy of the factual matters represented, warranted or certified in the proceedings and documents we have examined, and (ii) the due and legal authorization, execution and delivery of those documents by, and the valid, binding and enforceable nature of those documents upon, any parties other than the Commission and the State.

In rendering those opinions with respect to the treatment of the interest on the Series T Bonds, we further assume and rely upon compliance with the covenants in the proceedings and documents we have examined, including those of the Commission for itself and the State. Failure to comply with certain of those covenants subsequent to issuance of the Series T Bonds may cause interest on the Series T Bonds to be included in gross income for federal income tax purposes retroactively to their date of issuance.

The rights of the owners of the Series T Bonds and the enforceability of the Series T Bonds are subject to bankruptcy, insolvency, arrangement, fraudulent conveyance or transfer, reorganization, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion, and to limitations on legal remedies against public entities.

The opinions rendered in this letter are stated only as of this date, and no other opinion shall be implied or inferred as a result of anything contained in or omitted from this letter. Our engagement as bond counsel with respect to the Series T Bonds has concluded on this date.

Respectfully submitted,

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<u>Text of Legal Opinion</u>
(Higher Education Series 2015B)
(Federally Taxable)

May 19, 2014

To: Ohio Public Facilities Commission
Columbus, Ohio

Robert W. Baird & Co., Inc.
and Associates
Milwaukee, Wisconsin

Ladies and Gentlemen:

We have served as bond counsel to our client the Ohio Public Facilities Commission (the Commission) and not as counsel to any other person in connection with the issuance of $10,000,000 Higher Education General Obligation Bonds, Series 2015B (Federally Taxable) (the Series 2015B Bonds), dated the date of this letter. The Series 2015B Bonds are obligations of the State of Ohio (the State), issued by the Commission to pay costs of capital facilities for state-supported and state-assisted institutions of higher education. In our capacity as bond counsel, we have examined the transcript of proceedings relating to the issuance of the Series 2015B Bonds, a copy of the signed and authenticated Series 2015B Bond of the first maturity and such other documents, matters and law as we deem necessary to render the opinions set forth in this letter.

The Series 2015B Bonds are issued under and pursuant to Section 2n of Article VIII of the Ohio Constitution and Sections 151.01, 151.02 and 151.04 of the Ohio Revised Code and other authorizations by the Ohio General Assembly (collectively, the Act), and resolutions of the Commission (collectively, the Bond Resolution).

Based on that examination and subject to the limitations stated below, we are of the opinion that under existing law:

1. The Series 2015B Bonds constitute valid and binding general obligations of the State, and the full faith and credit, revenue and taxing power of the State are pledged to the payment of the principal of and interest on (Debt Service) the Series 2015B Bonds.

2. Debt Service on the Series 2015B Bonds and on bonds or other obligations issued or to be issued and outstanding pursuant to the Act (collectively, the Bonds) are payable from and secured by (i) a pledge of the excises, taxes and revenues of the State as provided for in the Bond Resolution (collectively, the Committed State Receipts), and (ii) moneys deposited in the Bond Service Fund created under the Act and further provided for in the Bond Resolution. Fees, excises and license taxes relating to the registration, operation or use of vehicles on the public highways, or to fuels used for propelling such vehicles, and net State lottery profits, are not pledged and may not be used to pay that Debt Service.

3. The State is required to charge and collect Committed State Receipts in an amount sufficient to pay when due the Debt Service on the Bonds, and the State has covenanted to maintain statutory authority for and to cause to be levied, collected and applied excises, taxes and revenues so that those Committed State Receipts, including deposits of them to the Bond Service Fund, will be sufficient in time and amount to pay that Debt Service when due and certain other costs (including Debt Service on other State obligations). Provision has been made by law for setting aside each year in the Bond Service Fund a sufficient amount of the Committed State Receipts, without other or further appropriation, to pay when due the Debt Service on the Bonds.

4. Interest on, and any profit made on the sale, exchange or other disposition of, the Series 2015B Bonds are exempt from all Ohio state and local taxation, except the estate tax, the domestic insurance company tax, the dealers in intangibles tax, the tax levied on the basis of the total equity capital of financial institutions, and the net worth base of the corporate franchise tax. We express no opinion as to any other tax consequences regarding the Series 2015B Bonds.

Interest on the Series 2015B Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended.

The opinions stated above are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. In rendering all such opinions, we assume, without independent verification, and rely upon (i) the accuracy of the factual matters represented, warranted or certified in the proceedings and documents we have examined, and (ii) the due and legal authorization, execution and delivery of those documents by, and the valid, binding and enforceable nature of those documents upon, any parties other than the Commission and the State.

The rights of the owners of the Series 2015B Bonds and the enforceability of the Series 2015B Bonds are subject to bankruptcy, insolvency, arrangement, fraudulent conveyance or transfer, reorganization, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion, and to limitations on legal remedies against public entities.

The opinions rendered in this letter are stated only as of this date, and no other opinion shall be implied or inferred as a result of anything contained in or omitted from this letter. Our engagement as bond counsel with respect to the Series 2015B Bonds has concluded on this date.

Respectfully submitted,