DAC Bond®

Ratings (See RATINGS)
Fitch AA
Moody's Aa2
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 Series 2015 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 under the Internal Revenue Code of 1986, as amended, and (ii) the Series 2015 Bonds, the transfer thereof, and the income therefrom, including any profit made on the sale thereof, are free from taxation within the State of Ohio, 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 Series 2015 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.*

OFFICIAL STATEMENT
$110,000,000
STATE OF OHIO
(TREASURER OF STATE)
CAPITAL FACILITIES LEASE-APPROPRIATION BONDS
consisting of

$50,000,000	$20,000,000	$40,000,000
State of Ohio	**State of Ohio**	**State of Ohio**
(Treasurer of State)	**(Treasurer of State)**	**(Treasurer of State)**
Capital Facilities Lease-Appropriation Bonds, Series 2015A	**Capital Facilities Lease-Appropriation Bonds, Series 2015B**	**Capital Facilities Lease-Appropriation Bonds, Series 2015A**
(Mental Health Facilities Improvement Fund Projects)	**(Juvenile Correctional Building Fund Projects)**	**(Parks and Recreation Improvement Fund Projects)**

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

The Series 2015 Bonds: The $50,000,000 State of Ohio (Treasurer of State) Capital Facilities Lease-Appropriation Bonds, Series 2015A (Mental Health Facilities Improvement Fund Projects) (the "Mental Health Bonds") will be issued for the purpose of paying Costs of Capital Facilities to be leased to the Department of Mental Health and Addiction Services and the Department of Developmental Disabilities of the State (each a "Mental Health Department" and together the "Mental Health Departments"). The $20,000,000 State of Ohio (Treasurer of State) Capital Facilities Lease-Appropriation Bonds, Series 2015B (Juvenile Correctional Building Fund Projects) (the "Juvenile Correctional Bonds") will be issued for the purpose of paying Costs of Capital Facilities to be leased to the Department of Youth Services of the State (the "DYS"). The $40,000,000 State of Ohio (Treasurer of State) Capital Facilities Lease-Appropriation Bonds, Series 2015A (Parks and Recreation Improvement Fund Projects) (the "Parks and Recreation Bonds" and together with the Mental Health Bonds and the Juvenile Correctional Bonds, the "Series 2015 Bonds") will be issued for the purpose of paying Costs of Capital Facilities to be leased to the Department of Natural Resources of the State (the "DNR"). (See **THE SERIES 2015 BONDS**)

Security and Sources of Payment: The Series 2015 Bonds are special obligations of the State, issued by the State Treasurer of Ohio (the "Treasurer"), and are payable solely from applicable Pledged Receipts, principally rental payments under separate leases between the Ohio Public Facilities Commission (the "OPFC") and each of the Mental Health Departments, the DYS and the DNR, and separate supplemental leases thereto relating to the respective series of the Series 2015 Bonds. The obligations of the Mental Health Departments, the DYS and the DNR to make their respective rental payments are subject to and dependent upon separate biennial appropriations being made for such purposes by the General Assembly. The failure of the General Assembly to so appropriate moneys to the Mental Health Departments, the DYS or the DNR, respectively, will result in termination of their respective Lease. The Series 2015 Bonds do not represent or constitute a debt of the Treasurer, the Mental Health Departments, the DYS, the DNR, the OPFC or the State of Ohio or any political subdivision thereof, or a pledge of the faith and credit of the Treasurer, the Mental Health Departments, the DYS, the DNR, the OPFC or the State of Ohio or any political subdivision thereof. *The Holders and Beneficial Owners of the Series 2015 Bonds shall have no right to have excises or taxes levied by the General Assembly for the payment of Bond Service Charges on the Series 2015 Bonds.* (See **THE BONDS GENERALLY – Security**)

Payment: Principal and interest will be payable to the Registered Owner (initially, The Depository Trust Company or its nominee ("DTC")), the principal on presentation and surrender to the respective Trustee, and interest transmitted on each Interest Payment Date. The Interest Payment Dates for each of the Mental Health Bonds and the Parks and Recreation Bonds are February 1 and August 1, beginning August 1, 2015. The Interest Payment Dates for the Juvenile Correctional Bonds are April 1 and October 1, beginning October 1, 2015. (See **THE SERIES 2015 BONDS**)

Book-Entry: The Series 2015 Bonds will be initially issued only as fully registered bonds under a book-entry only method. DTC, New York, New York, is the Securities Depository. There will be no distribution of bond certificates to others. (See **APPENDIX C – BOOK-ENTRY; DTC**)

Prior Redemption: The Mental Health Bonds are not subject to redemption prior to maturity. The Juvenile Correctional Bonds and the Parks and Recreation Bonds are subject to redemption prior to maturity as provided herein. (See **THE SERIES 2015 BONDS – Prior Redemption**)

This Cover 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. Capitalized terms used on this Cover and elsewhere herein and not otherwise defined have the meanings given to them in **APPENDIX B – GLOSSARY AND SUMMARIES OF THE TRUST AGREEMENTS AND THE LEASES**.

The Series 2015 Bonds are offered when, as and if issued by the Treasurer and accepted by the Underwriters, subject to the opinion on certain legal matters relating to their issuance by Tucker Ellis LLP, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Underwriters by their counsel Shumaker, Loop & Kendrick, LLP. Certain legal matters will be passed upon for the Treasurer by his counsel, the Attorney General of Ohio, Mike DeWine, and Peck, Shaffer & Williams, A Division of Dinsmore & Shohl LLP, which is serving as Issuer and Disclosure Counsel to the Treasurer. The Series 2015 Bonds are expected to be available in definitive form for delivery through DTC on or about March 5, 2015.

THE HUNTINGTON INVESTMENT COMPANY **BofA MERRILL LYNCH**

ESTRADA HINOJOSA & CO., INC. **LOOP CAPITAL MARKETS**

RAYMOND JAMES **ROSS, SINCLAIRE & ASSOCIATES, LLC**

The date of this Official Statement is February 24, 2015, and the information speaks only as of that date.

Maturity Schedules for the Series 2015 Bonds

$50,000,000
State of Ohio
(Treasurer of State)
Capital Facilities Lease-Appropriation Bonds, Series 2015A
(Mental Health Facilities Improvement Fund Projects)

February 1 Maturity	Principal	Interest Rate	Yield	CUSIP**	February 1 Maturity	Principal	Interest Rate	Yield	CUSIP**
2016	$4,320,000	1.000%	0.210%	677587CN5	2021	$5,035,000	5.000%	1.640%	677587CT2
2017	4,145,000	5.000	0.580	677587CP0	2022	5,285,000	5.000	1.920	677587CU9
2018	4,350,000	5.000	0.960	677587CQ8	2023	5,550,000	5.000	2.120	677587CV7
2019	4,570,000	5.000	1.180	677587CR6	2024	5,830,000	5.000	2.300	677587CW5
2020	4,795,000	5.000	1.420	677587CS4	2025	6,120,000	5.000	2.490	677587CX3

$20,000,000
State of Ohio
(Treasurer of State)
Capital Facilities Lease-Appropriation Bonds, Series 2015B
(Juvenile Correctional Building Fund Projects)

April 1 Maturity	Principal	Interest Rate	Yield	CUSIP**	April 1 Maturity	Principal	Interest Rate	Yield	CUSIP**
2016	$965,000	3.000%	0.300%	67757AAA9	2024	$1,345,000	5.000	2.310%	67757AAJ0
2017	1,050,000	5.000	0.620	67757AAB7	2025	1,415,000	5.000	2.500	67757AAK7
2018	1,100,000	5.000	0.990	67757AAC5	2026	1,485,000	5.000	2.680†	67757AAL5
2019	1,155,000	1.500	1.210	67757AAD3	2027	1,560,000	5.000	2.810†	67757AAM3
2020	1,175,000	2.000	1.450	67757AAE1	2028	1,635,000	3.000	3.050	67757AAN1
2021	1,195,000	2.000	1.670	67757AAF8	2029	1,685,000	3.125	3.160	67757AAP6
2022	1,220,000	5.000	1.950	67757AAG6	2030	1,735,000	3.125	3.250	67757AAQ4
2023	1,280,000	5.000	2.140	67757AAH4					

$40,000,000
State of Ohio
(Treasurer of State)
Capital Facilities Lease-Appropriation Bonds, Series 2015A
(Parks and Recreation Improvement Fund Projects)

February 1 Maturity	Principal	Interest Rate	Yield	CUSIP**	February 1 Maturity	Principal	Interest Rate	Yield	CUSIP**
2016	$2,095,000	1.000%	0.210%	67760ACT1	2024	$2,720,000	5.000%	2.300%	67760ADB9
2017	1,935,000	5.000	0.580	67760ACU8	2025	2,855,000	5.000	2.490	67760ADC7
2018	2,030,000	5.000	0.960	67760ACV6	2026	3,000,000	5.000	2.670‡	67760ADD5
2019	2,135,000	5.000	1.180	67760ACW4	2027	3,150,000	5.000	2.810‡	67760ADE3
2020	2,240,000	5.000	1.420	67760ACX2	2028	3,310,000	5.000	2.900‡	67760ADF0
2021	2,350,000	5.000	1.640	67760ACY0	2029	3,475,000	5.000	2.970‡	67760ADG8
2022	2,470,000	5.000	1.920	67760ACZ7	2030	3,645,000	5.000	3.020‡	67760ADH6
2023	2,590,000	5.000	2.120	67760ADA1					

** See inside regarding copyright.

† Yield to call date April 1, 2025.

‡ Yield to call date February 1, 2025.

REGARDING THIS OFFICIAL STATEMENT

This Official Statement does not constitute an offering of any security other than the original offering of the Series 2015 Bonds of the State identified on the Cover. No person has been authorized by the Treasurer, the Mental Health Departments, the DYS, the DNR, the OPFC or the State 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 Treasurer, the Mental Health Departments, the DYS, the DNR, the OPFC or the State. 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 Series 2015 Bonds by any person, in any jurisdiction in which it is unlawful to make such offer, solicitation or sale.

Upon issuance, the Series 2015 Bonds will not be registered by the Treasurer, the Mental Health Departments, the DYS, the DNR, the OPFC or 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 Treasurer, will have passed upon the accuracy or adequacy of this Official Statement or approved the Series 2015 Bonds for sale.

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 Treasurer, the Mental Health Departments, the DYS, the DNR, the OPFC or 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 for the purpose 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.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

In connection with this offering, the Underwriters may over allot or effect transactions that stabilize or maintain the market price of the Series 2015 Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

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SUMMARY STATEMENT

The following summary statement supplements certain of the information on the Cover and summarizes selected other information in this Official Statement relating to the Series 2015 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, by the State Treasurer of Ohio.

AUTHORIZATION. The Series 2015 Bonds are issued pursuant to Section 2i of Article VIII of the Constitution of the State, Chapter 154 of the Revised Code, the respective General Bond Orders, each respective Trust Agreement, each Lease and each Series Order, providing for the issuance and sale of the Series 2015 Bonds.

SECURITY AND SOURCES OF PAYMENT. The Series 2015 Bonds are special obligations of the State, issued by the Treasurer, payable solely from the respective Pledged Receipts. Holders and Beneficial Owners have no right to have excises or taxes levied by the General Assembly for payment. The Series 2015 Bonds (and any other Obligations issued) are secured by each respective Trust Agreement. Principal, interest and any premium on the Series 2015 Bonds are payable from and secured by a pledge of payments received in the applicable Bond Service Fund for each of the Series 2015 Bonds from rentals and other revenues and receipts under the applicable Lease. There are no receipts from any Projects pledged to pay Bond Service Charges on the Series 2015 Bonds. The Series 2015 Bonds are not parity bonds across programs and therefore, there is no pledge of revenues or receipts received by or on behalf of any state agency to Bond Service Charges on Obligations other than those issued to finance or refinance Capital Facilities which are in whole or in part useful to, constructed by, or financed by the state agency that receives the revenues or receipts so pledged. No series of the Series 2015 Bonds issued pursuant to one of the Trust Agreements is secured by a pledge of Pledged Receipts securing any other series of the Series 2015 Bonds issued pursuant to another Trust Agreement. For example, the pledge of Pledged Receipts with respect to Bond Service Charges on the Mental Health Bonds is not pledged for the repayment of the Juvenile Correctional Bonds.

All moneys received by the Treasurer under the respective Leases, excepting the portion of those moneys to be credited to the Administrative Service Funds, shall be deposited to the Bond Service Fund for those respective Series 2015 Bonds and allocated to the Bond Service Account and Special Funds and Accounts as provided by each respective Lease. The obligations of each of the Mental Health Departments, the DYS and the DNR to make rental payments under its respective Lease are subject to and dependent upon separate biennial appropriations being made by the General Assembly for such purposes. Those appropriations may not be made for a period longer than the fiscal biennium, which initially ends June 30, 2015, but which thereafter is a two-year period ending on June 30 of each odd-numbered year. The failure of the General Assembly to appropriate moneys to any of the Mental Health Departments, the DYS or the DNR will result in termination of the respective Lease for which the appropriation was not made. The Series 2015 Bonds do not represent or constitute a debt of the Treasurer, the Mental Health Departments, the DYS, the DNR, the OPFC or the State or of any political subdivision thereof, or a pledge of the faith and credit of the Treasurer, the Mental Health Departments, the DYS, the DNR, the OPFC or the State or of any political subdivision thereof.

Certain financial and other information concerning the State is contained in **APPENDIX A – INFORMATION CONCERNING THE STATE OF OHIO**, which is attached hereto and should be reviewed carefully because rental payments under the Leases are paid with moneys appropriated from the State General Revenue Fund. (See **APPENDIX A – INFORMATION CONCERNING THE STATE OF OHIO – STATE DEBT – General** and **APPENDIX A – INFORMATION CONCERNING THE STATE OF OHIO – FISCAL MATTERS – Recent Receipts and Disbursements**)

PURPOSE OF BONDS. The Series 2015 Bonds are being issued for the purpose of (i) paying Costs of Capital Facilities to be leased to the Mental Health Departments, the DYS and the DNR, and (ii) paying costs incidental to the issuance and sale of the Series 2015 Bonds.

PRIOR REDEMPTION. The Mental Health Bonds are not subject to optional redemption prior to maturity. The Juvenile Correctional Bonds maturing on or before April 1, 2025 are not subject to redemption prior to maturity. The Juvenile Correctional Bonds maturing on and after April 1, 2026 are subject to redemption prior to maturity at the option of the Treasurer, either in whole or in part (as selected by the Treasurer and in integral multiples of $5,000), on any date on or after April 1, 2025 at 100% of the principal amount redeemed plus interest accrued to the redemption date. The Parks and Recreation Bonds maturing on or before February 1, 2025 are not subject to redemption prior to maturity. The Parks and Recreation Bonds maturing on and after February 1, 2026 are subject to redemption prior to maturity at the option of the Treasurer, either in whole or in part (as selected by the Treasurer and in integral multiples of $5,000), on any date on or after

February 1, 2025 at 100% of the principal amount redeemed plus interest accrued to the redemption date. (See **THE SERIES 2015 BONDS – Prior Redemption**)

FORM AND MANNER OF MAKING PAYMENTS. The Series 2015 Bonds will be originally issued only as fully registered bonds, one for each respective maturity bearing the same interest rate, 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 Series 2015 Bonds to the ultimate purchasers. The Series 2015 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 C – BOOK-ENTRY SYSTEM; DTC)**

Principal and interest will be payable to the Holder (initially, DTC or its nominee). Principal will be payable on presentation and surrender to the applicable Trustee. Interest will be transmitted by a Trustee on each Interest Payment Date to the Holder as of the 15th day of the month preceding the Interest Payment Date (the "Regular Record Date"). The Interest Payment Dates for each of the Mental Health Bonds and the Parks and Recreation Bonds are February 1 and August 1, beginning August 1, 2015. The Interest Payment Dates for the Juvenile Correctional Bonds are April 1 and October 1, beginning October 1, 2015. (See **THE SERIES 2015 BONDS**)

TAX MATTERS. 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 Series 2015 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 under the Internal Revenue Code of 1986, as amended, and (ii) the Series 2015 Bonds, the transfer thereof, and the income therefrom, including any profit made on the sale thereof, are free from taxation within the State of Ohio, 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 Series 2015 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.

For a more complete discussion of the tax aspects of the Series 2015 Bonds, see **TAX MATTERS** herein.

TRUSTEES AND BOND REGISTRARS. The Huntington National Bank is the Trustee and the Bond Registrar for the Mental Health Bonds. The Bank of New York Mellon Trust Company, N.A. is the Trustee and the Bond Registrar for the Juvenile Correctional Bonds. U.S. Bank National Association is the Trustee and the Bond Registrar for the Parks and Recreation Bonds.

BOND COUNSEL. Tucker Ellis LLP.

ISSUER AND DISCLOSURE COUNSEL. Peck, Shaffer & Williams, A Division of Dinsmore & Shohl LLP.

MUNICIPAL ADVISOR. Public Financial Management, Inc.

UNDERWRITERS. The Huntington Investment Company, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Estrada Hinojosa & Co., Inc., Loop Capital Markets LLC, Raymond James & Associates, Inc., and Ross, Sinclaire & Associates, LLC (collectively, the "Underwriters"). The Series 2015 Bonds have been purchased by the Underwriters at an aggregate price of $126,424,328.20. (See **UNDERWRITING**)

Questions regarding this Official Statement or the Series 2015 Bonds should be directed to Seth Metcalf, Deputy Treasurer and Executive Counsel, State of Ohio, Treasurer of State, 30 East Broad Street, 9th Floor, Columbus, Ohio 43215-3414, telephone (614) 466-2191.

GENERAL INTRODUCTORY STATEMENT

This Official Statement has been prepared by the State Treasurer of Ohio (the "Treasurer") to provide certain information in connection with the original issuance and sale of the $50,000,000 State of Ohio (Treasurer of State) Capital Facilities Lease-Appropriation Bonds, Series 2015A (Mental Health Facilities Improvement Fund Projects) (the "Mental Health Bonds"), the $20,000,000 State of Ohio (Treasurer of State) Capital Facilities Lease-Appropriation Bonds, Series 2015B (Juvenile Correctional Building Fund Projects) (the "Juvenile Correctional Bonds"), and the $40,000,000 State of Ohio (Treasurer of State) Capital Facilities Lease-Appropriation Bonds, Series 2015A (Parks and Recreation Improvement Fund Projects) (the "Parks and Recreation Bonds" and together with the Mental Health Bonds and the Juvenile Correctional Bonds, the "Series 2015 Bonds"). The Series 2015 Bonds are being issued pursuant to Section 2i of Article VIII of the Ohio Constitution under powers granted to the Treasurer by Chapter 154 of the Revised Code as the issuing authority in all matters relating to the issuance of special obligation bonds for the financing of Capital Facilities, as that term is defined in Sections 154.01 and 154.24 of the Revised Code, as applicable, for mental health, for housing branches and agencies of state government and for parks and recreation.

Capitalized terms not otherwise defined in the text of this Official Statement shall have the meanings given to them in **APPENDIX B – GLOSSARY AND SUMMARIES OF THE TRUST AGREEMENTS AND THE LEASES**.

Mental Health Bonds

The Mental Health Bonds are issued pursuant to a Trust Agreement dated as of May 1, 2012 (the "Mental Health Original Trust Agreement") and the Series 2015A Supplemental Trust Agreement thereto dated as of March 1, 2015 (the "Mental Health Series 2015A Supplemental Trust Agreement"), each between the State, acting by and through the Treasurer, and The Huntington National Bank, as Trustee (the "Mental Health Trustee"). The Mental Health Original Trust Agreement as amended and supplemented, including as supplemented by the Mental Health Series 2015A Supplemental Trust Agreement is referred to as the "Mental Health Trust Agreement." The Mental Health Bonds are authorized by the General Bond Order issued by the Treasurer on May 3, 2012 (the "Mental Health General Bond Order") and Series Order No. 9-15 issued by the Treasurer on February 24, 2015 (the "Mental Health Series 2015A Order").

Proceeds from the sale of the Mental Health Bonds will be used for the purpose of (i) paying Costs of Capital Facilities to be leased to the Department of Mental Health and Addiction Services and the Department of Developmental Disabilities of the State (each a "Mental Health Department" and together the "Mental Health Departments") by the Ohio Public Facilities Commission (the "OPFC"), and (ii) paying costs incidental to the issuance and sale of the Mental Health Bonds. (See **THE SERIES 2015 BONDS - Sources and Uses of Bond Proceeds**)

The OPFC will lease the Capital Facilities financed with the Mental Health Bonds to the Mental Health Departments pursuant to the terms of a Lease Agreement dated as of May 1, 2012 (the "Mental Health Original Lease Agreement") and a Series 2015A Supplemental Lease Agreement thereto dated as of March 1, 2015 (the "Mental Health Series 2015A Supplemental Lease"), each between the OPFC and the Mental Health Departments. The Mental Health Original Lease Agreement as amended and supplemented by the Mental Health Series 2015A Supplemental Lease is referred to as the "Mental Health Lease." The term of the Mental Health Lease expires June 30, 2015, and is renewable for successive terms not to exceed two years upon appropriation by the General Assembly to the Mental Health Departments of the amounts required for rental payments for each successive term.

Juvenile Correctional Bonds

The Juvenile Correctional Bonds are issued pursuant to a Trust Agreement dated as of January 1, 2013 (the "Juvenile Correctional Original Trust Agreement") and the Series 2015B Supplemental Trust Agreement thereto dated as of March 1, 2015 (the "Juvenile Correctional 2015B Supplemental Trust Agreement"), each between the State, acting by and through the Treasurer, and The Bank of New York Mellon Trust Company, N.A., as Trustee (the "Juvenile Correctional Trustee"). The Juvenile Correctional Original Trust Agreement as amended and supplemented, including as supplemented by the Juvenile Correctional Series 2015B Supplemental Trust Agreement is referred to as the "Juvenile Correctional Trust Agreement." The Juvenile Correctional Bonds are authorized by the General Bond Order issued by the Treasurer on January 15, 2013 (the "Juvenile Correctional General Bond Order") and Series Order No. 10-15 issued by the Treasurer on February 24, 2015 (the "Juvenile Correctional Series 2015B Order").

Proceeds from the sale of the Juvenile Correctional Bonds will be used for the purpose of (i) paying Costs of Capital Facilities to be leased to the Department of Youth Services of the State (the "DYS") by the OPFC, and (ii) paying costs

incidental to the issuance and sale of the Juvenile Correctional Bonds. (See **THE SERIES 2015 BONDS - Sources and Uses of Bond Proceeds**)

The OPFC will lease the Capital Facilities financed by the Juvenile Correctional Bonds to the DYS pursuant to the terms of a Lease Agreement dated as of January 1, 2013 (the "Juvenile Correctional Original Lease Agreement") and a Series 2015B Supplemental Lease Agreement thereto dated as of March 1, 2015 (the "Juvenile Correctional Series 2015B Supplemental Lease"), each between the OPFC and the DYS. The Juvenile Correctional Original Lease Agreement as amended and supplemented by the Juvenile Correctional Series 2015B Supplemental Lease is referred to as the "Juvenile Correctional Lease." The term of the Juvenile Correctional Lease expires June 30, 2015, and is renewable for successive terms not to exceed two years upon appropriation by the General Assembly to the DYS of the amounts required for rental payments for each successive term.

Parks and Recreation Bonds

The Parks and Recreation Bonds are issued pursuant to a Trust Agreement dated as of May 1, 2012 (the "Parks and Recreation Original Trust Agreement") and the Series 2015A Supplemental Trust Agreement thereto dated as of March 1, 2015 (the "Parks and Recreation Series 2015A Supplemental Trust Agreement"), each between the State, acting by and through the Treasurer, and U.S. Bank National Association, as Trustee (the "Parks and Recreation Trustee"). The Parks and Recreation Original Trust Agreement as amended and supplemented , including as supplemented by the Parks and Recreation Series 2015A Supplemental Trust Agreement is referred to as the "Parks and Recreation Trust Agreement." The Parks and Recreation Bonds are authorized by the General Bond Order issued by the Treasurer on May 3, 2012 (the "Parks and Recreation General Bond Order") and Series Order No. 11-15 issued by the Treasurer on February 24, 2015 (the "Parks and Recreation Series 2015A Order").

Proceeds from the sale of the Parks and Recreation Bonds will be used for the purpose of (i) paying Costs of Capital Facilities to be leased to the Department of Natural Resources of the State (the "DNR") by the OPFC, and (ii) paying costs incidental to the issuance and sale of the Parks and Recreation Bonds. (See **THE SERIES 2015 BONDS - Sources and Uses of Bond Proceeds**)

The OPFC will lease the Capital Facilities financed with the Parks and Recreation Bonds to the DNR pursuant to the terms of a Lease Agreement dated as of May 1, 2012 (the "Parks and Recreation Original Lease Agreement") and a Series 2015A Supplemental Lease thereto dated as of March 1, 2015 (the "Parks and Recreation Series 2015A Supplemental Lease"), each between the OPFC and the DNR. The Parks and Recreation Original Lease Agreement as amended and supplemented by the Parks and Recreation Series 2015A Supplemental Lease is referred to as the "Parks and Recreation Lease." The term of the Parks and Recreation Lease expires June 30, 2015, and is renewable for successive terms not to exceed two years upon appropriation by the General Assembly to the DNR of the amounts required for rental payments for each successive term.

Rental Payments and Bond Service Charges

Each of the aforementioned Leases requires rental payments from each of the Mental Health Departments, the DYS and the DNR, respectively, sufficient to pay (i) the Bond Service Charges on the applicable series of the Series 2015 Bonds and any other Obligations issued under the respective Trust Agreements, (ii) certain administrative costs of the Treasurer and (iii) any rebate amount or other related payments to maintain the exclusion from gross income for federal income tax purposes of the interest on the Series 2015 Bonds pursuant to Section 148(f) of the Code, if necessary. The rental payments from each of the Mental Health Departments, the DYS and the DNR constituting Basic Rent for the applicable Lease are assigned by the OPFC to the Treasurer, are paid directly to the Treasurer, are pledged by the State pursuant to the respective Trust Agreements for the payment of Bond Service Charges on the applicable series of the Series 2015 Bonds and are required to be deposited to each of the Bond Service Funds pursuant to the respective Trust Agreements. (See **APPENDIX B – GLOSSARY AND SUMMARIES OF THE TRUST AGREEMENTS AND THE LEASES**)

The obligations of each of the Mental Health Departments, the DYS and the DNR, respectively, to make rental payments and to perform other obligations involving expenditures under its Lease are subject to and dependent upon separate biennial appropriations to the Mental Health Departments, the DYS and the DNR, respectively, being made by the General Assembly for such purposes. If the General Assembly fails to appropriate moneys to renew a particular Lease, that Lease will terminate. Under each Lease, the OPFC has waived all rights it may have to recover possession of the Projects in the event of the termination of the Lease. **If the General Assembly fails to appropriate moneys to renew a particular Lease, the OPFC does not have the remedies generally available to lessors upon default under or termination of a lease and the OPFC and the Treasurer may have no practical remedy to insure that moneys are available for the payment of Bond Service Charges on the applicable Series 2015 Bonds.** (See **APPENDIX B – GLOSSARY AND SUMMARIES OF THE TRUST AGREEMENTS AND THE LEASES**)

Based upon the projected Bond Service Charges on the Series 2015 Bonds and the Treasurer's estimated administrative expenses for the biennium ending June 30, 2015, the amounts currently appropriated by the General Assembly for the rental payments to be paid by each of the Mental Health Departments, the DYS and the DNR to the Treasurer under their respective Leases will be sufficient to pay the Bond Service Charges, together with such sums, if any, as shall be necessary to pay certain administrative expenses of the Treasurer (for example, Trustee fees) for such biennium, including any amounts due as Additional Rent under those Leases. There is no Required Reserve for the Series 2015 Bonds.

This Official Statement contains brief descriptions of the Series 2015 Bonds, the security for the Series 2015 Bonds, the Treasurer, the Mental Health Departments, the DYS, the DNR, the OPFC, the Projects, the Leases and the Trust Agreements. **Certain financial and other information concerning the State is contained in APPENDIX A – INFORMATION CONCERNING THE STATE OF OHIO hereto and should be reviewed carefully because rental payments under the Leases are paid with moneys appropriated from the State General Revenue Fund. (See APPENDIX A – INFORMATION CONCERNING THE STATE OF OHIO – STATE DEBT – General and APPENDIX A – INFORMATION CONCERNING THE STATE OF OHIO – FISCAL MATTERS – Recent Receipts and Disbursements)**

All financial and other data included herein have been provided by the Treasurer, the Mental Health Departments, the DYS, the DNR or the State, except that which is attributed to other sources. The summaries of the documents described herein do not purport to be comprehensive or definitive and are qualified in their entirety by reference to such documents. Copies of the Leases and the Trust Agreements may be obtained from the Treasurer and the applicable Trustee and, during the initial offering period, from the Underwriters.

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.

THE SERIES 2015 BONDS

General

The Series 2015 Bonds will be issued pursuant to the constitutional and statutory authorities described herein and the respective General Bond Orders and the respective Series Orders issued by the Treasurer. The Series 2015 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 360-day year of twelve 30-day months.

The Series 2015 Bonds are issued under the Trust Agreements and are payable from separate appropriations by the General Assembly for rental payments under the respective Leases.

Registration, Payment and Transfer

The Series 2015 Bonds will be issued and issuable only as one fully registered bond for each respective maturity bearing the same interest rate in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York, as Holder of all the Series 2015 Bonds. The fully registered Series 2015 Bonds will be retained and immobilized in the custody of DTC. For discussion of the book-entry system and DTC, see **APPENDIX C – BOOK-ENTRY SYSTEM; DTC**. DTC (or any successor Securities Depository), or its nominee, for all purposes under the Trust Agreements will be considered to be the sole Holder of the Series 2015 Bonds.

Payments of Bond Service Charges on the Series 2015 Bonds

The principal of the Series 2015 Bonds will be payable to the Holder (initially DTC, or its nominee) upon presentation and surrender of the Series 2015 Bonds at the designated corporate trust office of the applicable Trustee as Paying Agent for respective series of the Series 2015 Bonds. The Series 2015 Bonds will bear interest on their unpaid principal amounts payable on each Interest Payment Date to the Holder (initially DTC, or its nominee) at the address shown on the applicable Bond Register as of the close of business on the 15th day of the calendar month next preceding such Interest Payment Date (the "Regular Record Date"); provided that, so long as the Series 2015 Bonds remain in book-entry form, the applicable Trustee for the respective series of the Series 2015 Bonds will make any payment of Bond Service Charges by wire transfer of funds on each applicable Interest Payment Date. The Interest Payment Dates for each of the Mental Health Bonds and the Parks and Recreation Bonds are February 1 and August 1, beginning August 1, 2015. The Interest Payment Dates for the Juvenile Correctional Bonds are April 1 and October 1, beginning October 1, 2015.

Prior Redemption

The Mental Health Bonds are not subject to optional redemption prior to maturity. The Juvenile Correctional Bonds maturing on or before April 1, 2025 are not subject to redemption prior to maturity. The Juvenile Correctional Bonds maturing on and after April 1, 2026 are subject to redemption prior to maturity at the option of the Treasurer, either in whole or in part (as selected by the Treasurer and in integral multiples of $5,000), on any date on or after April 1, 2025 at 100% of the principal amount redeemed plus interest accrued to the redemption date. The Parks and Recreation Bonds maturing on or before February 1, 2025 are not subject to redemption prior to maturity. The Parks and Recreation Bonds maturing on and after February 1, 2026 are subject to redemption prior to maturity at the option of the Treasurer, either in whole or in part (as selected by the Treasurer and in integral multiples of $5,000), on any date on or after February 1, 2025 at 100% of the principal amount redeemed plus interest accrued to the redemption date.

Notice and Procedure for Redemption

Notice of call for any redemption of any Series 2015 Bonds identifying the Series 2015 Bonds or portions thereof to be redeemed, the date fixed for redemption and the places where the amounts due upon that redemption are payable, will be given by the applicable Trustee, on behalf of the Treasurer, by mailing a copy of the redemption notice no less than 30 days prior to the date fixed for redemption to the Holders of the Series 2015 Bonds to be redeemed as shown on the Bond Register for those Series 2015 Bonds who are shown as Holders at the close of business on the 15th day preceding such mailing, at the address then appearing on the Bond Register; provided that failure to receive notice, or any defect in that notice as to any Series 2015 Bond will not affect the validity of the proceedings for the redemption of any other Series 2015 Bond. So long as the Series 2015 Bonds remain in book-entry form, the applicable Trustee will send the notice for those Series 2015 Bonds to the Securities Depository, currently DTC, or its nominee. Any failure of the Securities Depository to notify any direct or indirect participant, or of any direct or indirect participant to notify the Beneficial Owner of any such notice, will not affect the validity of the redemption of the Series 2015 Bonds.

Selection of Series 2015 Bonds to be Redeemed

If fewer than all of any series of the Series 2015 Bonds are to be called for redemption at one time, the Treasurer will determine the maturities of such series of the Series 2015 Bonds to be redeemed. If fewer than all of any series of the Series 2015 Bonds of a single maturity bearing the same interest rate are to be redeemed, the selection of the series of Series 2015 Bonds to be redeemed, or portions thereof in amounts of $5,000 or any integral multiple thereof, will, so long as such series of the Series 2015 Bonds remain in book-entry form, be made by the Securities Depository and its participants. If such series of the Series 2015 Bonds are not then in a book-entry form and if less than all of such series of the Series 2015 Bonds of a single maturity bearing the same interest rate are to be redeemed, the selection of the series of Series 2015 Bonds or portions thereof in amounts of $5,000 or any integral multiple thereof to be redeemed, will be made by the Treasurer in any manner in which the Treasurer shall determine.

For so long as the Series 2015 Bonds are registered in book-entry form and the Securities Depository or its nominee is the sole Registered Owner of the Series 2015 Bonds, the Bond Registrar will give notice of redemption only to the Securities Depository, currently DTC or its nominee, as Registered Owner. The allocation and the selection of the book-entry interests of Series 2015 Bonds to be redeemed, and the notice thereof the Securities Depository, currently DTC or its nominee, will be by and is the sole responsibility of DTC and its direct participants and those working through those direct participants.

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Sources and Uses of Bond Proceeds

The proceeds of the Series 2015 Bonds, together with certain other available moneys, will be applied for the following uses and purposes:

Sources of Funds:	Mental Health Bonds	Juvenile Correctional Bonds	Parks and Recreation Bonds
Par Amount	$50,000,000.00	$20,000,000.00	$40,000,000.00
Net Premium	8,110,554.20	2,004,440.95	6,794,113.55
Total Sources	$58,110,554.20	$22,004,440.95	$46,794,113.55
Uses of Funds:			
Deposit to Improvement Fund[1]	$57,739,437.26	$21,815,390.18	$46,485,500.76
Financing Costs[2]	371,116.94	189,050.77	308,612.79
Total Uses	$58,110,554.20	$22,004,440.95	$46,794,113.55

[1] Referred to as the "Mental Health Facilities Improvement Fund," the "Juvenile Correctional Building Fund" and the "Parks and Recreation Improvement Fund," respectively, herein.
[2] Includes underwriters' discount, certain legal fees, printing costs and other costs of issuance.

THE BONDS GENERALLY

Constitutional and Statutory Authorization

The Series 2015 Bonds are authorized under Section 2i of Article VIII of the Ohio Constitution. This constitutional amendment, adopted in November 1968, authorized the issuance of State special obligation bonds or notes for these purposes of paying the Costs of Capital Facilities for mental health, housing branches and agencies of state government and parks and recreation. Chapter 154 of the Revised Code (the "Act") implements the bond issuing aspects of that constitutional provision. The Treasurer has superseded and replaced the OPFC and the Ohio Building Authority (the "Authority") as the issuing authority in all matters relating to the issuance of Obligations for the financing the Costs of Capital Facilities, as defined in the Act, for mental health, for housing branches and agencies of state government and for parks and recreation.

Prior Bonds and Additional Bonds

The OPFC previously issued several series of bonds for the purpose of financing or refinancing the Costs of Capital Facilities for the Mental Health Departments and the DNR. The Authority previously issued several series of bonds for the purpose of financing or refinancing the Costs of Capital Facilities for the DYS. The Treasurer has superseded and replaced the OPFC and the Authority as the issuing authority in all matters relating to the issuance of Obligations for financing the Costs of Capital Facilities for mental health, housing branches and agencies of state government and parks and recreation, and has previously issued Obligations for those purposes under the respective Trust Agreements. The Treasurer has the authority to issue Obligations, including the Series 2015 Bonds and any subsequent Additional Bonds under the respective Trust Agreements, for the purpose of paying Costs of Capital Facilities in an amount not exceeding the amount authorized by the General Assembly (See **APPENDIX A – STATE DEBT – Constitutional Limitation on Annual Debt Service**) or for the purpose of refunding one or more series or one or more maturities within a series, of applicable Prior Bonds or Obligations previously issued by the Treasurer under the respective Trust Agreement. Any applicable Additional Bonds will be payable from the Pledged Receipts under the applicable Trust Agreement, on a parity with the applicable series of the Series 2015 Bonds and any other Obligations outstanding under that Trust Agreement. (See **APPENDIX B – GLOSSARY AND SUMMARIES OF THE TRUST AGREEMENTS AND THE LEASES**)

Security

The Series 2015 Bonds are special obligations of the State issued by the Treasurer under and pursuant to the respective Trust Agreements. Each series of the Series 2015 Bonds is payable solely from and, together with any applicable

Additional Bonds and any other Obligations outstanding under that Trust Agreement, equally and ratably secured by a pledge of the applicable Pledged Receipts. See **Rental Payments and Related Budget Requirements** below.

The Series 2015 Bonds are issued under the respective Trust Agreements and are payable from separate appropriations by the General Assembly for rental payments under the respective Leases.

The Series 2015 Bonds will be entitled only to the security afforded by the Pledged Receipts under the respective Trust Agreements on a parity with Additional Bonds and any other Obligations issued under that Trust Agreement. None of the Projects, nor any interest therein, is pledged or mortgaged as security for the Series 2015 Bonds, nor will the OPFC, the applicable Trustee or the Treasurer have the right to take possession of or operate the Projects upon a default under, or termination of, a Lease. (See **APPENDIX B – GLOSSARY AND SUMMARIES OF THE TRUST AGREEMENTS AND THE LEASES**)

The proceeds of the Series 2015 Bonds deposited in the Mental Health Facilities Improvement Fund, the Juvenile Correctional Building Fund and the Parks and Recreation Improvement Fund maintained in the custody of the Treasurer are not held by the applicable Trustee under the applicable Trust Agreement. Funds in the Mental Health Facilities Improvement Fund, the Juvenile Correctional Building Fund and the Parks and Recreation Improvement Fund are not pledged as security for the Series 2015 Bonds or any other bonds issued by the Treasurer. (See **MENTAL HEALTH FACILITIES IMPROVEMENT FUND**, **JUVENILE CORRECTIONAL BUILDING FUND** and **PARKS AND RECREATION IMPROVEMENT FUND**)

Rental Payments and Related Budget Requirements

Each Lease requires payment of Basic Rent in an amount at least equal to: (i) Bond Service Charges on all outstanding Obligations issued under the respective Trust Agreement (whether due as scheduled, as a result of a call for redemption or as a result of an acceleration of principal and interest on such Obligations); and (ii) such sums, if any, as shall be necessary to maintain any applicable Required Reserve in the applicable Bond Service Reserve Account (no Required Reserve is provided for or required with respect to any series of the Series 2015 Bonds or any Obligations previously issued under the Trust Agreements). Each Lease also requires payment of Additional Rent in an amount equal to certain administrative fees, expenses and obligations other than Bond Service Charges incurred by the Treasurer and amounts sufficient to pay any rebate amount or other related payments to maintain the exclusion from gross income for federal income tax purposes of the interest on the Series 2015 Bonds pursuant to Section 148(f) of the Code, to the extent not available from other sources.

Each Lease requires the OPFC (by and through the Treasurer) to periodically prepare and submit to the Mental Health Departments, the DYS and the DNR, as applicable, reports estimating the rental payments to be due thereunder, taking into account existing monies on deposit in the respective Bond Service Funds, which reports must be confirmed by the Director of the State's Office of Budget and Management. The obligations of each of the Mental Health Departments, the DYS and the DNR, respectively, to make rental payments pursuant to its Lease are expressly made subject to the separate appropriations of moneys by the General Assembly for such purposes. Under the Ohio Constitution, an appropriation may not be made beyond the fiscal biennium. The term of each Lease expires no later than the end of each State fiscal biennium (currently June 30 of each odd-numbered year, *e.g.*, June 30, 2015), unless the General Assembly has appropriated funds for the purpose of paying the rents and other sums payable thereunder for the next succeeding State fiscal biennium. The term of each Lease will be renewed for an additional term not exceeding two years (commencing on the first day of the new State fiscal biennium) upon such appropriations becoming effective on or prior to the beginning of each State fiscal biennium (currently July 1 of each odd-numbered year, e.g., July 1, 2015). The present obligations of each of the Mental Health Departments, the DYS and the DNR, respectively, to make rental payments under its Lease will continue, so long as its Lease is renewed, until all applicable Obligations issued under the respective Trust Agreement have been paid. So long as its Lease remains in effect, the obligations of each of the Mental Health Departments, the DYS and the DNR, respectively, to make its rental payments thereunder in amounts sufficient to pay the applicable Bond Service Charges and for other purposes set forth above are absolute and unconditional, subject only to the availability of moneys appropriated for such purposes.

The obligations of each of the Mental Health Departments, the DYS and the DNR, respectively, to make rental payments under its Lease are subject to and dependent upon separate biennial appropriations for the Mental Health Departments, the DYS and the DNR being made by the General Assembly for such purposes. As noted above, the General Assembly may not, under the provisions of the Ohio Constitution, make appropriations for a period longer than two years. While the Treasurer and the OPFC expect that the General Assembly will, for each State fiscal biennium, continue to appropriate amounts to each of the Mental Health Departments, the DYS and the DNR sufficient to meet its rental payment obligations to the OPFC under its Lease consistent with the State budget, the General Assembly is not under a legal obligation to make appropriations in accordance with such State budgets for future State fiscal biennia. Accordingly, none of the

Treasurer, OPFC, Mental Health Departments, DYS or DNR can make any assurance that appropriations will be made. THE SERIES 2015 BONDS ARE SPECIAL OBLIGATIONS OF THE STATE ISSUED BY THE TREASURER PAYABLE SOLELY FROM THE APPLICABLE PLEDGED RECEIPTS UNDER THE APPLICABLE TRUST AGREEMENT. THE SERIES 2015 BONDS DO NOT REPRESENT OR CONSTITUTE A DEBT OF THE STATE, THE TREASURER, THE MENTAL HEALTH DEPARTMENTS, THE DYS, THE DNR, THE OPFC OR ANY POLITICAL SUBDIVISION OF THE STATE, NOR A PLEDGE OF THE FAITH AND CREDIT OF THE STATE, THE TREASURER, THE MENTAL HEALTH DEPARTMENTS, THE DYS, THE DNR, THE OPFC OR ANY POLITICAL SUBDIVISION OF THE STATE. THE HOLDERS AND BENEFICIAL OWNERS OF THE SERIES 2015 BONDS WILL HAVE NO RIGHT TO HAVE EXCISES OR TAXES LEVIED BY THE GENERAL ASSEMBLY FOR THE PAYMENT OF THE BOND SERVICE CHARGES ON THE SERIES 2015 BONDS. The Series 2015 Bonds are not parity bonds across programs and therefore, there is no pledge of revenues or receipts received by or on behalf of any state agency to Bond Service Charges on Obligations other than those issued for Capital Facilities which are in whole or in part useful to, constructed by, or financed by the state agency that receives the revenues or receipts so pledged. No series of the Series 2015 Bonds issued pursuant to one of the Trust Agreements is secured by a pledge of Pledged Receipts securing any other series of the Series 2015 Bonds issued pursuant to another Trust Agreement. For example, the pledge of Pledged Receipts with respect to Bond Service Charges on the Mental Health Bonds is not pledged for the repayment of the Juvenile Correctional Bonds. (See **APPENDIX B – GLOSSARY AND SUMMARIES OF THE TRUST AGREEMENTS AND THE LEASES**)

THE MENTAL HEALTH PROJECTS

The Projects financed with proceeds from the Mental Health Bonds include a portion of the costs of various Capital Facilities of the Mental Health Departments as provided in the applicable General Assembly appropriation acts. These capital improvements consist of acquiring, constructing, reconstructing, rehabilitating, remodeling, renovating, enlarging, improving, altering, equipping and furnishing such facilities, including the sites therefor.

DEPARTMENT OF MENTAL HEALTH AND ADDICTION SERVICES AND DEPARTMENT OF DEVELOPMENTAL DISABILITIES

The Department of Mental Health and Addiction Services and the Department of Developmental Disabilities (collectively, the "Mental Health Departments") are administrative departments of the State. The Directors of the Mental Health Departments are appointed by the Governor with the advice and consent of the Senate. By their Directors and through their offices and divisions, the Departments have primary authority and responsibility with respect to providing programs, services and support for persons who are mentally ill, developmentally disabled or who suffer with alcohol and drug addiction. In each biennial budget, separate appropriations for rental payments to the OPFC are made by the General Assembly to the Mental Health Departments. The Department of Mental Health and Addiction Services is the successor department to the Department of Mental Health by statutory consolidation pursuant to Amended Substitute House Bill No. 59 of the 130th General Assembly, and pursuant thereto has assumed the obligations of, and otherwise constitutes the continuation of the Department of Mental Health, and therefore is a lessee under the Mental Health Lease.

MENTAL HEALTH FACILITIES IMPROVEMENT FUND

The Mental Health Facilities Improvement Fund was created by the General Assembly in the State treasury as a separate account in the custody of the Treasurer. A portion of the proceeds from the sale of the Mental Health Bonds will be deposited in the Mental Health Facilities Improvement Fund. (See **THE SERIES 2015 BONDS – Sources and Uses of Bond Proceeds**) Moneys in the Mental Health Facilities Improvement Fund are applied and disbursed for the payment or reimbursement of Costs of Capital Facilities incurred for and in connection with the Projects for the Mental Health Departments and are invested and reinvested in accordance with law and in accordance with procedures therefor established by the Treasurer, the Mental Health Departments and the Director of Budget and Management. Any investment income or moneys in the Mental Health Facilities Improvement Fund shall be credited to that fund, but may be transferred to the applicable Administrative Service Fund to pay any rebate amount, or to pay an amount in lieu of or in addition to any rebate amount to be paid to the United States of America to maintain the exclusion from gross income for federal income tax purposes of interest on bonds, including the Mental Health Bonds, pursuant to Section 148(f) of the Code.

Moneys on deposit in the Mental Health Facilities Improvement Fund are <u>not</u> pledged to the payment of Bond Service Charges on the Mental Health Bonds or any other obligations issued by the Treasurer.

THE JUVENILE CORRECTIONAL PROJECTS

The Projects financed with the Juvenile Correctional Bonds include a portion of the costs of various Capital Facilities of the DYS as provided in the applicable General Assembly appropriation acts. These capital improvements consist of acquiring, constructing, reconstructing, rehabilitating, remodeling, renovating, enlarging, improving, altering, equipping and furnishing such facilities, including the sites thereof. The Projects financed with the Juvenile Correctional Bonds also include local community-based juvenile facilities to be used by local governmental entities.

DEPARTMENT OF YOUTH SERVICES

The Department of Youth Services (the "DYS") was created in November 1983, and is generally responsible for, among other functions, the following: the confinement of felony offenders, ages 10 through 21, who have been adjudicated and committed by the county courts of the State; the promotion and operation of programs for the rehabilitation of juvenile offenders and their reintegration into the community; providing community supervision and case management for relapse offenders; and assisting juvenile courts and local agencies in dealing with less serious adjudicated delinquents and delinquency prevention.

The DYS is administered by the Director of Youth Services, who is appointed by the Governor with the advice and consent of the Senate and is subject to removal at the pleasure of the Governor.

JUVENILE CORRECTIONAL BUILDING FUND

The Juvenile Correctional Building Fund was created by the General Assembly in the State treasury as a separate account in the custody of the Treasurer. A portion of the proceeds from the sale of the Juvenile Correctional Bonds will be deposited in the Juvenile Correctional Building Fund. (See **THE SERIES 2015 BONDS – Sources and Uses of Bond Proceeds**) Moneys in the Juvenile Correctional Building Fund are applied and disbursed for the payment or reimbursement of Costs of Capital Facilities incurred for and in connection with the Projects for the DYS and are invested and reinvested in accordance with law and in accordance with procedures therefor established by the Treasurer, the DYS and the Director of Budget and Management. Any investment income or moneys in the Juvenile Correctional Building Fund shall be credited to that fund, but may be transferred to the applicable Administrative Service Fund to pay any rebate amount, or to pay an amount in lieu of or in addition to any rebate amount to be paid to the United States of America to maintain the exclusion from gross income for federal income tax purposes of interest on bonds, including the Juvenile Correctional Bonds, pursuant to Section 148(f) of the Code.

Moneys on deposit in the Juvenile Correctional Building Fund are <u>not</u> pledged to the payment of Bond Service Charges on the Juvenile Correctional Bonds or any other obligations issued by the Treasurer.

THE PARKS AND RECREATION PROJECTS

The Projects financed with proceeds from the Parks and Recreation Bonds include a portion of the costs of various Capital Facilities of the DNR as provided in the applicable General Assembly appropriation acts. These capital improvements consist of acquiring, constructing, reconstructing, rehabilitating, remodeling, renovating, enlarging, improving, altering, equipping and furnishing such facilities, including the sites therefor.

DEPARTMENT OF NATURAL RESOURCES

The Department of Natural Resources (the "DNR") is one of many administrative departments of the State. Among other duties, the DNR has the responsibility of providing, operating and maintaining a system of state parks and promoting their use by the public. The Director of DNR is appointed by the Governor with the advice and consent of the Senate. Through its Division of Parks and Recreation, DNR plans, constructs, equips and furnishes public service facilities in State parks. Those facilities include inns, lodges, hotels, cabins, camping sites, restaurants, golf courses and boating and swimming facilities. DNR either operates those facilities itself or, as it has done with many of those facilities, enters into operating contracts or lease concession agreements with qualified private operators. Other DNR divisions include Forestry, Geological Survey, Engineering, Soil and Water Resources, Watercraft, Wildlife, Natural Areas and Preserves, Mineral Resources Management, Oil & Gas Resources Management and Office of Coastal Management. Various administrative services are provided by DNR Administration, Office of Budget and Finance, Office of Information Technology, Office of Law Enforcement and Office of Human Resources and Office of Communications.

PARKS AND RECREATION IMPROVEMENT FUND

The Parks and Recreation Improvement Fund was created by the General Assembly in the State treasury as a separate account in the custody of the Treasurer. A portion of the proceeds from the sale of the Parks and Recreation Bonds will be deposited in the Parks and Recreation Improvement Fund. (See **THE SERIES 2015 BONDS – Sources and Uses of Bond Proceeds**) Moneys in the Parks and Recreation Improvement Fund are applied and disbursed for the payment or reimbursement of Costs of Capital Facilities incurred for and in connection with the Projects for the DNR and are invested and reinvested in accordance with law and in accordance with procedures therefor established by the Treasurer, the DNR and the Director of Budget and Management. Any investment income or moneys in the Parks and Recreation Improvement Fund shall be credited to that fund, but may be transferred to the applicable Administrative Service Fund to pay any rebate amount, or to pay an amount in lieu of or in addition to any rebate amount to be paid to the United States of America to maintain the exclusion from gross income for federal income tax purposes of interest on bonds, including the Parks and Recreation Bonds, pursuant to Section 148(f) of the Code.

Moneys on deposit in the Parks and Recreation Improvement Fund are not pledged to the payment of Bond Service Charges on the Parks and Recreation Bonds or any other obligations issued by the Treasurer.

OHIO PUBLIC FACILITIES COMMISSION

The Ohio Public Facilities Commission (the "OPFC") 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), 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 run to January 2019. Commission members may, at Commission meetings, act through appointed designees.

THE TRUST AGREEMENTS

Each Trust Agreement provides for a pledge of the applicable Pledged Receipts (primarily the Basic Rent payable under the applicable Lease) by the State to the applicable Trustee, for the benefit of Holders of the Obligations issued under that Trust Agreement, including the applicable Series 2015 Bonds. All outstanding Obligations issued under a particular Trust Agreement are equally and ratably secured, without distinction by reason of series designation, number, date of authorization, issuance, sale, execution or delivery, or issue date or of maturity, by the pledge of the Pledged Receipts to the extent provided in, and except as otherwise permitted by, the applicable General Bond Order. Each of the Mental Health Bonds, the Juvenile Correctional Bonds and the Parks and Recreation Bonds are issued under a separate Trust Agreement.

Nothing in the Act, the General Bond Orders, the Trust Agreements or other applicable Bond Proceedings gives the Holders of Obligations, and they do not have, the right to have the General Assembly levy any excises or taxes for the payment of Bond Service Charges; each Obligation bears on its face a statement to that effect and to the effect that the right of Bondholders to the payment of Bond Service Charges is limited to payment from the applicable Pledged Receipts, the applicable Bond Service Account and any other source of moneys as provided in the applicable General Bond Order and in the applicable Series Order. However, nothing in a Trust Agreement or in other Bond Proceedings shall be deemed to prohibit the Treasurer or the State, of the Treasurer's or the State's own volition, from using to the extent lawfully authorized to do so any other resources for the fulfillment of the terms, conditions or obligations of the applicable Bond Proceedings and the Obligations.

Each Trust Agreement is an essential document for the security of the Series 2015 Bonds to which it applies and should be read in its entirety. For additional information and a document summary of the Trust Agreements, see **APPENDIX B – GLOSSARY AND SUMMARIES OF THE TRUST AGREEMENTS AND THE LEASES**.

THE LEASES

The Act provides that the OPFC may lease any Capital Facilities to, and make or provide for other agreements with respect to the use or purchase of such Capital Facilities with, the Mental Health Departments, the DYS and the DNR and, with their approval, any governmental agency having authority under law to operate such Capital Facilities. The OPFC and the Mental Health Departments, the DYS and the DNR, respectively, have previously entered into the respective Leases and will enter into each respective Supplemental Lease in connection with the Projects for the Mental Health Departments, the DYS

and the DNR to be financed with the proceeds of the Series 2015 Bonds and the issuance of the Series 2015 Bonds. An additional supplemental lease agreement will be entered into in connection with each issue of Additional Bonds under a particular Trust Agreement identifying the Projects to be financed or refinanced and providing for the related rentals.

The agreement of each of the Mental Health Departments, the DYS and the DNR to make rental payments pursuant to its Lease, and to perform other obligations involving expenditures thereunder, at the times and in the amounts provided for in its Lease, is effective and binding upon the Mental Health Departments, the DYS and the DNR only when and to the extent that funds have been separately appropriated by the General Assembly and are available for that purpose. Under the Ohio Constitution, an appropriation may not be made beyond the fiscal biennium, and the Leases may be renewed only for two-year periods. Under the terms of each Lease, a failure by the General Assembly to appropriate moneys at least equal to Bond Service Charges for a particular Lease, amounts the OPFC estimates are necessary for Additional Rent under that Lease, and other sums payable under that Lease for the next State fiscal biennium would result in the termination of that Lease at the end of the two-year term then in effect. A Lease will, however, be fully reinstated, as if it had never been terminated, provided (a) all overdue installments, if any, of interest on outstanding Obligations, all principal of all Obligations then outstanding which have become due and payable otherwise than by acceleration, if any, in accordance with the terms of the applicable Trust Agreement, and all other sums then payable under or pursuant to the applicable Trust Agreement (except the principal of and the interest on such Obligations which by such acceleration shall have become due and payable) shall have been paid, and such acceleration, if any, shall have been duly rescinded and annulled, and (b) the General Assembly shall have appropriated funds to enable the Mental Health Departments, the DYS and the DNR, as the case may be, to pay or provide for the payment of the amounts to be paid under that Lease, then in such event that Lease shall be fully reinstated, as if it had never been terminated.

Under the provisions of the Ohio Constitution, appropriations by the General Assembly may not be made for a period longer than the fiscal biennium, which begins July 1 and ends June 30 in each odd-numbered year. While the Treasurer and the OPFC expect that for each State fiscal biennium the General Assembly will appropriate amounts to each of the Mental Health Departments, the DYS and the DNR estimated to be sufficient to meet payments under its Lease consistent with the State budget, the General Assembly is not under a legal obligation to make such appropriations to any of the Mental Health Departments, the DYS and the DNR. Accordingly, none of the Treasurer, OPFC, Mental Health Departments, DYS or DNR can make any assurance that appropriations will be made. Section 2i of Article VIII of the Ohio Constitution and the Act provide that the owners and Holders of the Series 2015 Bonds are not given the right to have excises or taxes levied by the General Assembly for the payment of principal or interest thereon.

Each Lease is an essential document for the security of the applicable Series 2015 Bonds to which it applies and should be read in its entirety. For additional information and a document summary of the Leases, see **APPENDIX B – GLOSSARY AND SUMMARIES OF THE TRUST AGREEMENTS AND THE LEASES**.

TAX MATTERS

General

In the opinion of Tucker Ellis LLP, Bond Counsel to the Treasurer, under existing law: (i) interest on the Series 2015 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code, 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) the Series 2015 Bonds, the transfer thereof, and the income therefrom, including any profit made on the sale thereof, are free from taxation within the State of Ohio, 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 Series 2015 Bonds may be subject to certain federal taxes imposed only on certain corporations, and certain taxpayers may have other federal tax consequences as a result of owning the Series 2015 Bonds. Bond Counsel expresses no opinion as to any other tax consequences regarding the Series 2015 Bonds.

The opinion on tax matters will be based on and will assume the accuracy of certain representations and certifications, and continuing compliance with certain covenants, of the State contained in the transcript of proceedings and that are intended to evidence and assure the foregoing, including that the Series 2015 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 the certifications and representations, or the continuing compliance with covenants, of the State.

The opinion of Bond Counsel is based on current legal authority and covers certain matters not directly addressed by such authority. It represents Bond Counsel's legal judgment as to exclusion of interest on the Series 2015 Bonds from gross income for federal income tax purposes but is not a guaranty of that conclusion. The opinion is not binding on the Internal

Revenue Service ("IRS") or any court. Bond Counsel expresses no opinion about (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 by the State may cause loss of such status and result in the interest on the Series 2015 Bonds being included in gross income for federal income tax purposes retroactively to the date of issuance of the Series 2015 Bonds. The State has covenanted to take the actions required of them for the interest on the Series 2015 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 Series 2015 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 Series 2015 Bonds or the market value of the Series 2015 Bonds.

A portion of the interest on the Series 2015 Bonds earned by certain corporations may be subject to a federal corporate alternative minimum tax. In addition, interest on the Series 2015 Bonds may be subject to a 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 tax 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 Series 2015 Bonds. Bond Counsel will express no opinion regarding those consequences.

Payments of interest on tax-exempt obligations, including the Series 2015 Bonds, are generally subject to IRS Form 1099-INT information reporting requirements. If a Series 2015 Bond owner 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.

Prospective purchasers of the Series 2015 Bonds should consult their own tax advisers regarding pending or proposed federal and state tax legislation and court proceedings, and prospective purchasers of the Series 2015 Bonds at other than their original issuance at the respective prices indicated on the Cover of this Official Statement should also consult 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.

Bond Counsel's engagement with respect to the Series 2015 Bonds ends with the issuance of the Series 2015 Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the State, the Treasurer, the Mental Health Departments, the DYS, the DNR, the OPFC or owners or Beneficial Owners of the Series 2015 Bonds regarding the tax status of interest on the Series 2015 Bonds 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 Series 2015 Bonds, under current IRS procedures, the IRS will treat the State as the taxpayer and the owners and Beneficial Owners of the Series 2015 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 Series 2015 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 values of the Series 2015 Bonds.

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 Series 2015 Bonds. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the Series 2015 Bonds will not have an adverse effect on the tax status of interest or other income on the Series 2015 Bonds or the market value or marketability of the Series 2015 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 Series 2015 Bonds from gross income for federal income tax purposes or of the Series 2015 Bonds from gross income for state income tax purposes for all or certain taxpayers.

For example, recent Presidential and Congressional 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 Series 2015 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 Series 2015 Bonds for federal income tax purposes for all or certain taxpayers. In such event, the market value of the Series 2015 Bonds may be adversely affected and the ability of owners and Beneficial Owners to sell their Series 2015 Bonds in the secondary market may be reduced. The Series 2015 Bonds are not subject to special mandatory redemption, and the interest rates on the Series 2015 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 Discount and Original Issue Premium

Certain of the Series 2015 Bonds ("Discount Bonds") as shown on the Cover were offered and sold to the public at an original issue discount ("OID"). OID is the excess of the stated redemption price at maturity (the principal amount) over the "issue price" of a Discount Bond. The issue price of a Discount Bond is the initial offering price to the public (other than to bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount of the Discount Bonds of the same maturity is sold pursuant to that offering. For federal income tax purposes, OID accrues to the owner of a Discount Bond over the period to maturity based on the constant yield method, compounded semiannually (or over a shorter permitted compounding interval selected by the owner). The portion of OID that accrues during the period of ownership of a Discount Bond (i) is interest excluded from the owner's gross income for federal income tax purposes to the same extent, and subject to the same considerations discussed above, as other interest on the Series 2015 Bonds, and (ii) is added to the owner's tax basis for purposes of determining gain or loss on the maturity, redemption, prior sale or other disposition of that Discount Bond. A purchaser of a Discount Bond in the initial public offering at the price for that Discount Bond stated on the Cover of this Official Statement who holds that Discount Bond to maturity will realize no gain or loss upon the retirement of that Discount Bond.

Certain of the Series 2015 Bonds ("Premium Bonds") as shown on the Cover were offered and sold to the public at a price in excess of their stated redemption price (the principal amount) at maturity. 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 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 Discount and Premium Bonds should consult their own tax advisers as to the determination for federal income tax purposes of the amount of OID or bond premium properly accruable or amortizable in any period with respect to the Discount or Premium Bonds and as to other federal tax consequences and the treatment of OID and bond premium for purposes of state and local taxes on, or based on, income.

LITIGATION

There is no litigation pending contesting the validity of the Series 2015 Bonds or the proceedings for their authorization, issuance, sale, execution and delivery. A no-litigation certificate to that effect will be delivered to the Underwriters at the time of original delivery of the Series 2015 Bonds.

The Treasurer, the Mental Health Departments, the DYS, the DNR, the OPFC and the State are parties to various legal proceedings seeking damages or injunctive relief, which are generally incidental to their respective operations, but unrelated to the security for the Series 2015 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 Series 2015 Bonds or the security for the Series 2015 Bonds.

LEGAL OPINIONS

Legal matters incident to the issuance of the Series 2015 Bonds and with regard to the tax-exempt status of the interest thereon (see **TAX MATTERS**) are subject to the approving legal opinion of Tucker Ellis LLP, Bond Counsel. The signed legal opinion for each series of the Series 2015 Bonds dated as of, and premised on the transcript of proceedings examined and law in effect on, the date of original delivery of the Series 2015 Bonds, will be delivered to the Underwriters at the time of that original delivery.

The proposed text of Bond Counsel's legal opinions is set forth as **EXHIBIT A** hereto. The legal opinions to be delivered may vary from that text if necessary to reflect facts and law on the date of delivery. The opinion will speak only as of its 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 opinion subsequent to its date.

Certain legal matters will be passed upon for the Treasurer by his counsel, Mike DeWine, Attorney General of Ohio, and Peck, Shaffer & Williams, A Division of Dinsmore & Shohl LLP, which is serving as Issuer Counsel and Disclosure Counsel to the Treasurer. Certain legal matters also will be passed upon for the Mental Health Departments, the DYS and the DNR by the Attorney General of Ohio. Certain legal matters will be passed upon for the Underwriters by Shumaker, Loop & Kendrick, LLP.

RATINGS

In response to the Treasurer's application, the Series 2015 Bonds have been rated AA (stable outlook) by Fitch Ratings ("Fitch"), Aa2 (stable outlook) by Moody's Investors Service, Inc. ("Moody's") and AA (stable outlook) by Standard & Poor's Ratings Services ("S&P").

The ratings in effect from time to time reflect only the views of the particular rating organization. The explanation of its views of its rating's meaning and significance may be obtained from the respective rating agency. The State and the Treasurer furnished to each rating agency certain information and materials, some of which may not be included in this Official Statement, relating to the Series 2015 Bonds and other obligations, the State, the Treasurer, the Mental Health Departments, the DYS and the DNR. 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 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 Series 2015 Bonds.

UNDERWRITING

The Huntington Investment Company, as Underwriter and as representatives of the other Underwriters identified on the Cover, has agreed, subject to certain conditions, to purchase the Series 2015 Bonds from the Treasurer at the following price:

- For the Mental Health Bonds, $57,898,255.45 (consisting of the par amount thereof, plus net original issue premium ($8,110,554.20) and less underwriters' discount ($212,298.75)).

- For the Juvenile Correctional Bonds, $21,909,117.45 (consisting of the par amount thereof, plus net original issue premium ($2,004,440.95) and less underwriters' discount ($95,323.50)).

- For the Parks and Recreation Bonds, $46,616,955.30 (consisting of the par amount thereof, plus net original issue premium ($6,794,113.55) and less underwriters' discount ($177,158.25)).

The Underwriters are obligated to purchase all of the Series 2015 Bonds if any Series 2015 Bonds are purchased. The Underwriters may offer the Series 2015 Bonds to certain dealers (including dealers depositing the Series 2015 Bonds into unit investment trusts, certain of which may be sponsored or managed by one or more of the Underwriters) at prices different than the public offering prices, and may change the public offering prices from time to time.

The Underwriters have provided the following four paragraphs for inclusion into this Official Statement.

Loop Capital Markets LLC, one of the Underwriters of the Series 2015 Bonds, has entered into distribution agreements (each a "Distribution Agreement") with each of UBS Financial Services Inc. ("UBSFS"), Deutsche Bank Securities Inc. ("DBS") and Credit Suisse Securities USA LLC ("CS") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Distribution Agreement, each of UBSFS, DBS and CS will purchase the Series 2015 Bonds from Loop Capital Markets LLC at the original issue prices less a negotiated portion of the selling concession applicable to any the Series 2015 Bonds that such firm sells.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage services. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the State, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, which may include credit default swaps) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the State.

The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

MUNICIPAL ADVISOR

Public Financial Management, Inc. (the "Municipal Advisor") is serving as the municipal advisor to the Treasurer in connection with the issuance and sale of the Series 2015 Bonds. The Municipal Advisor 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. The Municipal Advisor 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

Upon delivery of the Series 2015 Bonds, a complete transcript of proceedings for each series and no-litigation certificate (as described above) will be delivered by the Treasurer to the Underwriters. At that time, the Treasurer will furnish to the Underwriters 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" for purposes of Securities and Exchange Commission (SEC) Rule 15c2-12(b)(3).

CONTINUING DISCLOSURE AGREEMENTS

The Treasurer and the Ohio Office of Budget and Management, each on behalf of the State (the "Obligated Person"), have agreed, for the benefit of the Holders and Beneficial Owners of the Series 2015 Bonds, in accordance with SEC Rule 15c2-12 (the "Rule"), to provide or cause to be provided such financial information and operating data (the "Annual Information"), audited financial statements and notices, in such manner, as may be required for purposes of paragraph (b)(5)(i) of the Rule (the "Continuing Disclosure Agreement").

The Treasurer and the Ohio Office of Budget and Management on the State's behalf, 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 Treasurer 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 Treasurer 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 Report**.

- The occurrence of any of the following events, within the meaning of the Rule, with respect to each series of the Series 2015 Bonds within 10 days of its occurrence:

  - principal and interest payment delinquencies

  - non-payment related defaults, <u>if material</u>

  - unscheduled draws on any debt service reserves or on credit enhancements reflecting financial difficulties

  - substitution of credit or liquidity providers, or their failure to perform

  - adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations or other material events affecting the tax-exempt status of the Series 2015 Bonds

  - modifications to rights of holders or beneficial owners, <u>if material</u>

  - Series 2015 Bond calls, <u>if material</u>, and tender offers

  - defeasances

  - release, substitution, or sale of property securing repayment of the Series 2015 Bonds, <u>if material</u>

  - rating changes

  - bankruptcy, insolvency, receivership or similar event of the Obligated Person

  - the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, 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, <u>if material</u>

  - appointment of a successor or additional trustee or the change of the name of the trustee, <u>if material</u>

- The failure to provide the Annual Information within the specified time.

- Any material 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 Agreement.

There are no debt service reserves, or credit enhancements or credit or liquidity providers, for the Series 2015 Bonds, or any property (except the Bond Service Fund) securing repayment for the Series 2015 Bonds.

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

- To achieve 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 Obligated Person.

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 Series 2015 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 Treasurer shall have received either:

- A written opinion of bond or other qualified independent special counsel selected by the Treasurer that the amendment or waiver would not materially impair the interest of holders or Beneficial Owners of the Series 2015 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 applicable series of the Series 2015 Bonds.

The Continuing Disclosure Agreement will be solely for the benefit of the holders and beneficial owners of the Series 2015 Bonds 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 Series 2015 Bonds in accordance with the Rule, the State has entered into a Disclosure Dissemination Agent Agreement (the "Disclosure Dissemination Agreement") for the benefit of the holders of the Series 2015 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 Disclosure Dissemination Agent's obligation to deliver the information at the times and with the contents described in the Disclosure Dissemination Agreement is limited to the extent the State has provided that information to the Disclosure Dissemination Agent as required by that Disclosure Dissemination Agreement. The Disclosure Dissemination Agent has no duty with respect to the content of any disclosures or notice made pursuant to the terms of the Disclosure Dissemination 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 (as defined in the Disclosure Dissemination Agreement), or any other information, disclosure or notices provided to it by the State, and the Disclosure Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the State, the holders of the Series 2015 Bonds or any other party. The Disclosure Dissemination Agent has no responsibility for any failure to report to the Disclosure Dissemination 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 Continuing Disclosure Agreement, and the Disclosure Dissemination Agent may conclusively rely upon certification of the State at all times.

The performance by the Treasurer or the Ohio Office of Budget and Management acting for the State, as the only Obligated Person with respect to the Series 2015 Bonds, of the Continuing Disclosure Agreement will be subject to the biennial appropriation by the General Assembly of moneys for that purpose.

The Continuing Disclosure Agreement will remain in effect only for such period that the Series 2015 Bonds are outstanding in accordance with their terms and the State remains an Obligated Person with respect to the Series 2015 Bonds within the meaning of the Rule.

During the past five years the State has complied in all material respects with its continuing disclosure agreements under the Rule relating to the State's special obligation bonds, the debt service on which is subject to biennial appropriations by the General Assembly.

ELIGIBILITY FOR INVESTMENT AND AS PUBLIC MONEYS SECURITY

Provided 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, under the Act the Series 2015 Bonds are lawful investments for banks, societies for savings, savings and loan associations, deposit guarantee associations, 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 special funds of political subdivisions and taxing districts of the State, the commissioners of the sinking fund of the State, the administrator of workers' compensation, and State retirement systems (teachers, public employees, school employees and police and fire).

The Act also provides that the Series 2015 Bonds are acceptable under Ohio law as security for the repayment of the deposit of public moneys.

Owners of book-entry interests in the Series 2015 Bonds should make their own determination as to such matters as the legality of investment in or the ability to pledge book-entry interests.

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CONCLUDING STATEMENT

All quotations in this Official Statement from, and summaries and explanations of, the Ohio Constitution, the Revised Code, the Trust Agreements, the Leases, the General Bond Orders and the Series Orders do not purport to be complete. Reference is made to the pertinent provisions of the Ohio Constitution, the Revised Code and those documents for all complete statements of their provisions. Copies of the Trust Agreements, the Leases, the General Bond Orders and the Series Orders are available upon request from the Treasurer, 30 East Broad Street, 9th Floor, Columbus, Ohio 43215 (telephone (614) 466-2160).

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 State, the Treasurer, the Mental Health Departments, the DYS and the DNR from official and other sources and is believed by the State, the Treasurer, the Mental Health Departments, the DYS and the DNR to be reliable, but information other than that obtained from State official records has not been independently confirmed or verified by the State or the Treasurer and its accuracy is not guaranteed.

This Official Statement is not to be construed as a contract or agreement between the State or the Treasurer and the Underwriters or subsequent owners of the Series 2015 Bonds or of book-entry interests in them.

This Official Statement has been prepared, approved, executed and delivered by the Treasurer in his official capacity on behalf of the State.

STATE OF OHIO

By: *__/s/ Josh Mandel_____*
Josh Mandel
State Treasurer of Ohio

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.

Owners of the Series 2015 Bonds have no right to have taxes or excises levied by the General Assembly to pay Bond Service Charges.

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	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(h)	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(i)	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(j)	1,422.2	1,392.1	582.3	402.0	405.7
Transfers-out(k)	(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 eliminated and 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) 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**).

(i) 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**).

(j) 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.

(k) 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 is currently scheduled to be completed in January 2015, after which 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 continuing at this time.
- 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 four 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 $553,210,000 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	46,705,000	Infrastructure Refunding	2003D	Weekly	2/1/2019
12/15/03	67,000,000	Common Schools	2003D	Weekly	3/15/2024
3/3/04	54,165,000	Infrastructure Refunding	2004A	Weekly	2/1/2023
4/1/05	121,850,000	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 $433,665,000:

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	54,165,000	Infrastructure 2004A Refunding	3.510%	LIBOR[2]	3/3/2004	2/1/2023
Floating-to-Fixed	121,850,000	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 Series 2015 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	383,000,000	135,335,000
Common School Facilities(e)	4,770,000,000	4,170,000,000	2,764,685,000
Higher Education Facilities	3,535,000,000	2,910,000,000	1,933,825,000
Conservation(g)	500,000,000	350,000,000	203,795,000
Research & Development(h)	1,200,000,000	661,000,000	435,340,000
Site Development	150,000,000	150,000,000	96,880,000
Veterans Compensation(i)	200,000,000	83,910,000	70,670,000
		Total:	$7,452,593,600
Special Obligations			
DAS Facilities	$1,831,000,000	$1,776,000,000	$688,205,000
DRC Prison Facilities	2,119,000,000	1,884,500,000	482,180,000
DYS Facilities	351,000,000	332,000,000	131,565,000
Cultural & Sports Facilities	593,000,000	504,690,000	111,880,000
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:	$1,735,550,000
Obligations Payable from Non-GRF Sources			
Highway User Receipts			
G.O. Highway(j)	$3,115,000,000	$2,693,410,000	$861,635,000
ODOT Facilities	255,800,000	240,100,000	84,300,000
DPS Facilities	143,000,000	140,285,000	12,075,000
		Total:	$958,010,000
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 Series 2015 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	$591,219,254	$221,428,636	$164,813,874	$91,700,114	$99,141,025	$111,530,591	$866,053,397	$413,780,097	$1,279,833,495
2016	584,426,212	231,044,355	168,497,249	97,478,700	81,208,781	116,397,262	881,378,600	397,673,958	1,279,052,558
2017	568,233,649	219,898,615	175,923,685	92,779,298	74,055,838	96,845,466	869,665,000	358,071,551	1,227,736,551
2018	547,148,928	207,489,974	150,717,082	93,194,898	65,133,506	89,306,955	831,690,000	321,301,342	1,152,991,342
2019	557,419,799	189,962,179	134,402,437	82,478,883	56,729,613	74,481,286	810,485,000	284,989,197	1,095,474,197
2020	555,892,692	179,226,420	121,744,071	75,080,444	44,285,850	62,683,460	789,845,000	249,067,938	1,038,912,938
2021	548,526,608	168,300,904	97,508,715	74,845,847	44,423,975	47,923,884	768,420,000	213,109,933	981,529,933
2022	512,292,069	160,069,037	76,239,358	64,908,406	44,165,900	35,760,462	714,805,000	178,630,232	893,435,232
2023	448,730,063	151,393,252	64,715,714	59,182,694	40,104,888	35,765,826	652,735,000	147,157,436	799,892,436
2024	349,639,670	133,637,615	43,722,866	49,092,756	38,223,769	30,484,445	525,680,000	119,121,121	644,801,121
2025	287,270,906	125,292,635	22,895,467	43,556,933	33,657,800	23,779,826	441,085,000	95,368,567	536,453,567
2026	215,420,741	112,512,937	16,674,301	20,555,163	9,937,331	10,024,325	308,210,000	76,914,799	385,124,799
2027	159,289,573	98,618,665	11,896,003	20,554,496	9,939,431	7,047,675	243,545,000	63,800,843	307,345,843
2028	138,223,632	98,398,983	8,390,300	20,552,258	9,940,556	5,622,425	228,450,000	52,678,155	281,128,155
2029	138,460,718	88,672,756	3,533,250	20,557,775	9,947,181	5,622,875	224,810,000	41,984,555	266,794,555
2030	138,683,905	69,303,677	-0-	15,860,918	6,852,306	5,616,469	204,575,000	31,742,275	236,317,275
2031	138,960,877	69,092,566	-0-	12,480,831	6,855,338	-0-	205,385,000	22,004,611	227,389,611
2032	114,662,913	43,395,200	-0-	12,486,181	3,559,500	-0-	160,450,000	13,653,794	174,103,794
2033	47,452,725	34,420,500	-0-	10,048,344	3,555,750	-0-	88,460,000	7,017,319	95,477,319
2034	23,829,750	23,604,000	-0-	5,975,800	3,559,500	-0-	54,090,000	2,879,050	56,969,050
2035	-0-	-0-	-0-	5,974,800	-0-	-0-	5,745,000	229,800	5,974,800
							$9,875,561,998	**$3,091,176,573**	**$12,966,738,571**

(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 Series 2015 Bonds:

	Obligations Payable from the GRF			Non-GRF Obligations
Year	Education(a)	Other GO(b)	Special Obligations(c)	Highway User Receipts(d)
2015	$4,614,685,000	$2,717,123,600	$1,671,955,000	$854,185,000
2020	2,677,850,000	1,393,290,000	749,560,000	487,055,000
2025	942,995,000	576,835,000	198,145,000	142,690,000
2030	300,385,000	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)	2.00(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	0.26(b)

(a) Based on July 2014 population estimate.
(b) Based on 2013 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.

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 2013 merchandise exports totaling $50.5 billion. The State's leading export products are machinery (including electrical machinery), motor vehicles and aircraft/spacecraft, which together accounted for 45.7% 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 2013. 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*	2013*
Mining & Logging*	31	18	13	11	12
Construction	167	192	246	169	185
Manufacturing	1,264	1,060	1,021	621	662
Trade, Transportation & Public Utilities*	1,180	963	1,115	948	981
Financial Activities	n.a.	101	107	78	75
Information*	204	255	305	277	283
Services	831	1,172	1,549	1,672	1,779
Leisure & Hospitality*	n.a.	400	483	475	516
Government	690	722	785	780	759
TOTAL	4,367	4,882	5,624	5,030	5,253

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*		2013*	
	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	**0.2**	0.6
Construction	**3.8**	4.8	**3.9**	4.8	**4.4**	5.2	**3.4**	4.2	**3.5**	4.3
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	**18.7**	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**	5.8
Services	**19.0**	19.8	**24.0**	23.8	**27.5**	28.0	**33.2**	32.2	**33.9**	33.1
Leisure & Hospitality*	n.a.	n.a.	**8.2**	8.5	**8.6**	9.0	**9.4**	10.0	**9.8**	10.4
Government	**15.8**	18.0	**14.8**	16.8	**14.0**	15.8	**15.5**	17.3	**14.4**	16.0

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	8.5%	7.1%
1990	5.7	5.6
2000	4.0	4.0
2004	6.1	5.5
2005	5.9	5.1
2006	5.4	4.6
2007	5.6	4.6
2008	6.6	5.8
2009	10.2	9.3
2010	10.0	9.6
2011	8.7	8.9
2012	7.4	8.1
2013	7.4	7.4
2014 January	6.9	6.6
February	6.5	6.7
March	6.1	6.7
April	5.7	6.3
May	5.5	6.3
June	5.5	6.1
July	5.7	6.2
August	5.7	6.1
September	5.6	5.9
October	5.3	5.8
November	5.0	5.8
December	4.8	5.6

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 2014:

OHIO'S TOP 25 PRIVATE SECTOR EMPLOYERS – 2014

Company	Estimated Employment Headcount	Sector
Wal-Mart Stores, Inc.	49,700	Retail General Merchandiser
Cleveland Clinic Health System	41,400	Health Care
Kroger Company	39,000	Retail Food Stores
Catholic Healthcare Partners	28,900	Health Care
Catholic Health Initiative	25,800	Health Care
University Hospitals Health System	24,000	Health Care
JPMorgan Chase & Co.	23,200	Financial Services
Giant Eagle, Inc	19,500	Retail Food Stores
Ohio Health	19,260	Health Care
General Electric Company	15,000	Aerospace/Electrical Equipment
Cincinnati Children's Hospital	14,000	Health Care
Honda Motor Company	13,700	Motor Vehicles
Nationwide Mutual Insurance Co.	13,550	Finance, Insurance
ProMedica Health System	13,400	Health Care
Procter & Gamble Company	13,300	Soaps and Cosmetics
Meijer, Inc.	13,150	Retail General Merchandiser
United Parcel Service, Inc.	13,050	Transportation Air Delivery
Bob Evans Farms, Inc.	12,300	Restaurants
L Brands, Inc	12,250	Retail Department
Sears Holding Corporation	10,500	Retail Department
General Motors Corporation	10,100	Motor Vehicles
Kettering Health Network	10,000	Health Care
Summa Health System	10,000	Health Care
UC Health	10,000	Health Care
PNC Financial Services Group	9,500	Finance, Bank

Boldface indicates headquartered in Ohio.
Source: Development Services Agency, Office of Research, April 2014.

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 20 bargaining units, and generally operates under three-year agreements. The State's current collective bargaining agreements expire in April through June 2015.

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 has voted to redirect (effective July 2014) its current allocation of 1% of its 14% employer contribution from health care to its pension fund. 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 Fiscal Year	**PERS** Employer/Employee Amount	Pct. of Salary(a)	**STRS** Employer/Employee Amount	Pct. of Salary	**HPRS** Employer/Employee Amount	Pct. of Salary	Total 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):

	PERS	STRS	SERS	OP&F	HPRS
Valuation as of:	**12/31/13**	**01/01/14**	**06/30/14**	**01/01/14**	**12/31/13**
Value of Assets (a)	$12,031.4	$3,471.9	$413.9	$1,053.5	$102.1
Actuarial Accrued Liability (AAL) (b)	$19,784.1	4,664.4	$2,475.6	$5,244.6	$438.6
Unfunded Actuarial Accrued Liability (UAAL) (c)	$7,752.7	1,192.6	$2,061.8	$4,191.0	$336.5
Funding Ratio (Assets to AAL %)	60.8%	74.4%	16.7%	20.1%	23.3%
Employer Contribution (% of Salary) (d)	1.0	1.0%	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					
01/01/13	$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%
01/01/10	$2,967.5	$11,355.0	$8,387.5	26.1%	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

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

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 2013 show that these property taxes represent 3.39% 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

(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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APPENDIX B

GLOSSARY AND SUMMARIES OF THE TRUST AGREEMENTS AND THE LEASES

Glossary

When used in this Official Statement, the following terms shall have the meanings set forth below. The definitions set forth below are qualified in their entirety by reference to the Trust Agreements and the Leases, copies of which are available from the Treasurer and the applicable Trustee and, during the underwriting period, the Underwriters. Use of the singular includes plural and use of the plural includes singular, where applicable.

"Acquisition Premium" means the amortizable bond premium which is issued on Premium Bonds.

"Act" means Chapter 154 of the Revised Code, together with the provisions of any act or resolution of the General Assembly authorizing or limiting the issuance of, or otherwise pertaining to Obligations, as the same may be amended, modified, revised, supplemented or superseded from time to time.

"Additional Bonds" means additional Obligations issued pursuant to a Trust Agreement after the first issuance of Obligations pursuant to that Trust Agreement.

"Additional Rent" means rentals paid by the Mental Health Departments, the DYS and the DNR to the Treasurer under their respective Leases in amounts at least adequate to provide for the purposes of the applicable Administrative Service Funds.

"Administrative Service Funds" means the Administrative Service Funds established by the Treasurer in the custody of the Treasurer for the payment of those administrative expenses of the Treasurer identified in the applicable General Bond Order.

"Annual Information" means such financial information provided or caused to be provided by the Treasurer as may be required under the Rule.

"Authenticating Agent" means the applicable Trustee and any other bank, trust company or other person designated as an Authenticating Agent for a series of Obligations by or in accordance with the Trust Agreements, each of which shall be a transfer agent registered in accordance with Section 17A(c) of the Securities Exchange Act of 1934, as amended.

"Authority" means the Ohio Building Authority, a body politic and corporate, duly created and previously existing under and by virtue of Chapter 152 of the Ohio Revised Code.

"Authorized Officer" means any person duly authorized to perform the particular acts or sign the particular documents on behalf of the State or other indicated Person or official. In the case of the Treasurer, it means any officer or employee of the Treasurer authorized by, or pursuant to, a designation or order of the Treasurer to perform the particular act or sign the particular document, and if there is no such authorization means the Treasurer.

"Basic Rent" means rentals paid by each of the Mental Health Departments, the DYS and the DNR directly to the Treasurer under their respective Leases in amounts at least adequate to (i) meet the Bond Service Charges on the applicable Obligations, and (ii) establish and maintain any Required Reserve.

"Beneficial Owner" or "beneficial owner" means the owner of a book-entry interest in a Series 2015 Bond held by a Securities Depository in book-entry form.

"Bond" or "Bonds" means any Obligation in the form of a bond, or all of the bonds, or an issue or series of bonds, of the State issued pursuant to the General Bond Orders and any Series Order.

"Bondholder" or "holder" or "Holder" or "holder of Bonds," or "owner," or any similar term means the person in whose name an Obligation is registered, or the holder or owner of Obligations as may otherwise be prescribed by a Series Order.

"Bond Proceedings" means the applicable General Bond Orders, the applicable Trust Agreements, the applicable Series Orders, the applicable Supplemental Trust Agreements, the applicable Leases and other orders, resolutions, agreements

and leases, and amendments of and supplements to the foregoing or any combination of them, authorizing or providing for the terms and conditions applicable to, or providing for the security of, Obligations issued pursuant to the Act.

"Bond Registrar" means the Person that keeps and maintains the Register for the Obligations, which shall be the applicable Trustee except as may otherwise be provided pursuant to the applicable Trust Agreement or a Series Order.

"Bond Service Accounts" means the Bond Service Accounts so designated in the Bond Service Funds and created in the General Bond Orders.

"Bond Service Charges" means the principal, Mandatory Sinking Fund Requirements, and interest, and redemption premium, if any, required to be paid by the State on the Obligations. In the case of payment of Bond Service Charges by a Person other than the State pursuant to a Credit Enhancement Facility, "Bond Service Charges" means the payment or reimbursement by the State to the provider of that facility of the amount so paid. In determining Bond Service Charges for a Fiscal Year or any other period, Mandatory Sinking Fund Requirements for that Fiscal Year or period shall be taken into account. With respect to Obligations in the form of notes, the amount of Bond Service Charges on those notes shall be deemed to be the Bond Service Charges for the bonds anticipated by those notes as set forth in the Bond Proceedings applicable to those notes pursuant to Section 154.12 of the Revised Code.

"Bond Service Funds" means, collectively, the mental health bond service trust fund, the juvenile correctional bond service trust fund and the parks and recreation bond service trust fund, each created by the provisions of Revised Code Sections 154.20(E), 154.24(E), and 154.22(E), respectively, in the custody of the Treasurer but separate and apart from and not a part of the State treasury, including the accounts in them provided for in the respective General Bond Orders.

"Bond Service Reserve Account" means a Bond Service Reserve Account that may be established in a Series Order pursuant to the General Bond Orders.

"book-entry form" or "book-entry system" means a form or system under which physical Obligation certificates are issued only to a Securities Depository or its nominee as owner, with the certificated Obligations held by and "immobilized" in the custody of the Securities Depository, and the book-entry system, maintained by and the responsibility of the Securities Depository or others, is the record that identifies and records the transfer of the interests of the owners of book-entry interests in those Obligations.

"book-entry interests" means the interests of the ultimate purchasers of book-entry interests in Obligations issued in book-entry form.

"Capital Facilities" means any capital facilities for the Mental Health Departments, the DYS and the DNR for the financing or refinancing of which the Treasurer is authorized to issue Obligations under the Act.

"Code" means the Internal Revenue Code of 1986, as amended.

"Continuing Disclosure Agreements" means each of the Continuing Disclosure Agreements of the Treasurer dated as of March 5, 2015 relating to each series of the Series 2015 Bonds.

"Costs of Capital Facilities" or "Project Costs" means costs of Capital Facilities as set forth in the Act, and the financing of those costs, for the payment of which Obligations may be issued under the Act.

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

"Credit Enhancement Facility" or "Credit Enhancement Facilities" means letters of credit, lines of credit, stand-by, contingent, or firm securities purchase agreements, insurance, or surety arrangements, guarantees, and other arrangements that provide for direct or contingent payment of debt charges, for security or additional security in the event of nonpayment or default in respect of securities, or for making payment of debt charges to and at the option and on demand of securities holders or at the option of the issuer or upon certain conditions occurring under put or similar arrangements, or for otherwise supporting the credit or liquidity of the securities, and includes credit, reimbursement, marketing, remarketing, indexing, carrying, interest rate hedge, and subrogation agreements, and other agreements and arrangements for payment and reimbursement of the person providing the credit enhancement facility and the security for that payment and reimbursement, or an arrangement to provide, in whole or in part, a Required Reserve.

"DAC" means Digital Assurance Certification, L.L.C.

"Director" means the Director of the State Office of Budget and Management, or the designee of that official for the purpose.

"Disclosure Dissemination Agent" means DAC.

"Disclosure Dissemination Agreement" means the Disclosure Dissemination Agreement entered into by the State with DAC for the benefit of the holders of the Series 2015 Bonds to provide certain continuing disclosure in accordance with the Rule.

"Discount Bonds" means any Series 2015 Bonds that are initially offered and sold to the public at a discount from the amounts payable at maturity.

"DNR" means the Department of Natural Resources of the State created by Section 121.02 of the Revised Code.

"DTC" or "Depository" means The Depository Trust Company (a limited purpose trust company), New York, New York, its successors and their assigns.

"DYS" means the Department of Youth Services of the State created by Section 121.02 of the Revised Code.

"Eligible Investments" means

(i) Direct obligations of the United States of America;

(ii) Obligations, whether representing principal and interest or either principal or interest, guaranteed as to payment by the United States of America or to the payment of which the faith of the United States of America is pledged;

(iii) Obligations issued by any agency or instrumentality of the United States of America which are accepted by the Rating Services for refunding purposes generally to result in the particular refunded obligations being assigned the highest rating of the particular Rating Service;

(iv) General obligations of the State or of any political subdivision of the State that are rated at one of the two highest letter ratings of a Rating Service;

(v) Certificates of deposit issued by a national bank located in the State or a bank (as defined in Section 1101.01 of the Revised Code) subject to inspection by the State Superintendent of Banks, which bank has a combined capital and surplus of at least $100,000,000 in dollars of the United States of America and is rated at least "A" (or its equivalent) by the Rating Services, provided that such certificates of deposit (a) do not exceed in the aggregate 10% of the combined capital, surplus and undivided profits of the issuing bank and (b) shall be in the possession of the Treasurer or that office's agents and shall be (A) continuously and fully insured by the Federal Deposit Insurance Corporation or its successors and (B) to the extent not so insured, continuously and fully secured by securities described in clauses (i) through (iii) above which have a market value (exclusive of any accrued interest) at all times at least equal to the principal amount of the certificates of deposit. The bank issuing a certificate of deposit required to be secured as provided in clause (B) above shall furnish the Treasurer with an undertaking that the aggregate market value of all such pledged securities securing each certificate of deposit will at all times be an amount at least equal to the principal amount of that certificate of deposit, and the Treasurer shall be entitled to rely on each such undertaking;

(vi) Repurchase agreements, for a period not to exceed 30 days, with any institution described in Section 135.143(A)(4)(a) of the Revised Code that is rated at least "A" (or its equivalent) by the Rating Services, and which agreement is fully and continuously collateralized by securities described in clauses (i) through (iii) above based on the market value of those pledged securities;

(vii) Any no front end load money market fund (including those for which the Trustee or an affiliate performs services for a fee, whether as custodian, transfer agent, investment advisor or otherwise) that is rated at least "A" (or its equivalent) by the Rating Services, consisting exclusively of obligations described in clauses (i) through (iii) above; and

(viii) The Treasurer's investment pool provided for in Section 135.45 of the Revised Code.

For purposes of clauses (v) and (vi) above the respective pledged securities are to be in the possession of the Treasurer or that officer's agent, and are to be free and clear of all liens or rights of any third party and in which securities the State is to have a first perfected security interest.

"EMMA" means the MSRB's Electronic Municipal Market Access system.

"Event of Default" means an Event of Default as described in this **APPENDIX B – GLOSSARY AND SUMMARIES OF THE TRUST AGREEMENTS AND THE LEASES - Summary of the Trust Agreements – Events of Default and Remedies**.

"Federal Securities" means: (i) direct obligations of, or obligations representing principal and interest, or principal or interest, the full and timely payment of which is guaranteed by, or to the full and timely payment of which is pledged the faith of, the United States of America; (ii) any certificates or other evidences of direct ownership interest in obligations of the character described in clause (i) or in specified portions of those obligations, including, without limitation, portions consisting solely of the principal of or solely of the interest on those obligations; or (iii) obligations of any state of the United States or any political subdivision of any state of the United States carrying the highest rating category of a Rating Agency, the full payment of principal of and interest and any premium on which are provided for by an irrevocable deposit in trust of the Federal Securities described in clause (i) or (ii), to the extent such investments are permitted by applicable law. With respect to Federal Securities described in clause (ii), the underlying obligations must be, as evidenced by a receipt held by the owner, held in safekeeping on behalf of the owner.

"Financial Institution" means any financial institution or institutions, including without limitation any insurance company, providing a Credit Enhancement Facility in connection with one or more series of Obligations outstanding.

"Fiscal Year" means a period of 12 consecutive months commencing on the first day of July of any year and ending on the last day of June of the following year, or, such other consecutive 12-month period as may by law be established as the fiscal year of the State for general fiscal purposes.

"Fitch" means Fitch Ratings.

"General Assembly" means the body in which the legislative power of the State is vested.

"General Bond Orders" means, collectively, the Mental Health General Bond Order, the Juvenile Correctional General Bond Order and the Parks and Recreation General Bond Order.

"General Revenue Fund" means the State's general revenue fund.

"Improvement Funds" or "Improvement Fund" means, collectively or each of, as applicable, the mental health facilities improvement fund, the juvenile correctional building fund and the parks and recreation improvement fund, each created under Sections 154.20(F), 154.24(F) and 154.22(F), respectively, of the Revised Code.

"Initial Term" means, with respect to the Mental Health Lease, the initial term that commenced on May 17, 2012 and ended at twelve o' clock midnight on June 30, 2013, with respect to the Juvenile Correctional Lease, the initial term that commenced on January 30, 2013 and ended at twelve o' clock midnight on June 30, 2013, and with respect to the Parks and Recreation Lease, the initial term that commenced on May 17, 2012 and ended at twelve o' clock midnight on June 30, 2013.

"Interest Payment Date" means the date(s) on which interest on a particular Obligation is due and payable, whether at maturity, prior redemption or otherwise and, for each of the Mental Health Bonds and the Parks and Recreation Bonds, means each February 1 and August 1, beginning August 1, 2015, and for the Juvenile Correctional Bonds, means each April 1 and October 1, beginning October 1, 2015, while the Series 2015 Bonds are outstanding.

"Juvenile Correctional Bonds" means the $20,000,000 State of Ohio (Treasurer of State) Capital Facilities Lease-Appropriation Bonds, Series 2015B (Juvenile Correctional Building Fund Projects) authorized by the Juvenile Correctional 2015B Order.

"Juvenile Correctional Building Fund" means the juvenile correctional building fund created in the State treasury pursuant to Revised Code Section 154.24(F) in the custody of the Treasurer.

"Juvenile Correctional General Bond Order" means the General Bond Order No. 1-13 issued by the Treasurer on January 15, 2013, as it may be amended, supplemented or superseded from time to time in accordance with the provisions of the Juvenile Correctional Trust Agreement.

"Juvenile Correctional Lease" means the Juvenile Correctional Original Lease Agreement as amended and supplemented from time to time, including as amended and supplemented by the Juvenile Correctional 2015B Supplemental Lease, and unless content or use clearly indicates otherwise, includes all applicable Supplemental Leases.

"Juvenile Correctional Original Lease Agreement" means the Lease Agreement between the OPFC and the DYS, dated as of January 1, 2013.

"Juvenile Correctional Original Trust Agreement" means the Trust Agreement between the State, acting by and through the Treasurer, and the Juvenile Correctional Trustee, dated as of January 1, 2013, authorized in the Juvenile Correctional General Bond Order.

"Juvenile Correctional Prior Trust Agreement" means the Trust Agreement dated as of June 1, 1990 between the Authority and The Bank of New York Mellon Trust Company, N.A., as successor trustee, providing for the issuance of State of Ohio (Ohio Building Authority) State Facilities Bond (Juvenile Correctional Building Fund Projects), as the same was amended or supplemented.

"Juvenile Correctional Series 2015B Order" means Series Bond Order No. 10-15 issued by the Treasurer on February 24, 2015 providing for the Juvenile Correctional Bonds.

"Juvenile Correctional Series 2015B Supplemental Lease" means the Series 2015B Supplemental Lease Agreement dated as of March 1, 2015 between the OPFC and the DYS, amending or supplementing the Juvenile Correctional Lease.

"Juvenile Correctional Series 2015B Supplemental Trust Agreement" means the Series 2015B Supplemental Trust Agreement dated March 1, 2015 between the State, acting by and through the Treasurer, and the Juvenile Correctional Trustee, amending or supplementing the Juvenile Correctional Trust Agreement, and includes the Juvenile Correctional Series 2015B Order set forth in it.

"Juvenile Correctional Trust Agreement" means the Juvenile Correctional Original Trust Agreement, including the Juvenile Correctional General Bond Order set forth in it, as the same may be amended, modified or supplemented, including as amended, modified or supplemented by the Juvenile Correctional Series 2015B Supplemental Trust Agreement, and unless the context indicates otherwise, includes all applicable Supplemental Trust Agreements.

"Juvenile Correctional Trustee" means the Juvenile Correctional Trustee at the time serving under the Juvenile Correctional Trust Agreement, originally The Bank of New York Mellon Trust Company, N.A., New Albany, Ohio, and any successor Juvenile Correctional Trustee as determined or designated pursuant to the Juvenile Correctional Trust Agreement.

"Lease" means any of the Mental Health Lease, the Juvenile Correctional Lease or the Parks and Recreation Lease.

"Leases" means, collectively, the Mental Health Lease, the Juvenile Correctional Lease and the Parks and Recreation Lease.

"Mail" or "mailed" or "mailing" means sending by first-class mail, postage prepaid.

"Mandatory Redemption Obligation" or "Mandatory Redemption" or "Mandatory Sinking Fund Redemption" means mandatory prior redemption of Term Bonds pursuant to Mandatory Sinking Fund Requirements.

"Mandatory Sinking Fund Requirements" means amounts required by any Series Order to be deposited to the Bond Service Fund and credited to the Bond Service Account in any Fiscal Year for the purpose, as provided in that Series Order, of retiring, by mandatory prior redemption or other prior retirement, principal maturities of Obligations, which by the terms of the Obligations are due and payable in any subsequent Fiscal Year.

"Mental Health Bonds" means the $50,000,000 State of Ohio (Treasurer of State) Capital Facilities Lease-Appropriation Bonds, Series 2015A (Mental Health Facilities Improvement Fund Projects) authorized by the Mental Health Series 2015A Order.

"Mental Health Facilities Improvement Fund" means the mental health facilities improvement fund created in the State treasury pursuant to Revised Code Section 154.20(F) in the custody of the Treasurer.

"Mental Health General Bond Order" means the General Bond Order No. 8-12 issued by the Treasurer on May 3, 2012, as it may be amended, supplemented or superseded from time to time in accordance with the provisions of the Mental Health Trust Agreement.

"Mental Health Lease" means the Mental Health Original Lease Agreement as amended and supplemented from time to time, including as amended and supplemented by the Mental Health Series 2015A Supplemental Lease, and unless content or use clearly indicates otherwise, includes all applicable Supplemental Leases.

"Mental Health Original Lease Agreement" means the Lease Agreement between the OPFC and the Mental Health Departments, dated as of May 1, 2012.

"Mental Health Original Trust Agreement" means the Trust Agreement between the State, acting by and through the Treasurer, and the Mental Health Trustee, dated as of May 1, 2012, authorized in the Mental Health General Bond Order.

“Mental Health Prior Trust Agreement” means the Trust Agreement dated as of April 1, 1991, as supplemented, between the OPFC and The Huntington National Bank, as trustee.

"Mental Health Series 2015A Order" means Series Bond Order No. 9-15 issued by the Treasurer on February 24, 2015 providing for the Mental Health Bonds.

"Mental Health Series 2015A Supplemental Lease" means the Series 2015A Supplemental Lease Agreement dated as of March 1, 2015 between the OPFC and the Mental Health Departments, amending or supplementing the Mental Health Lease.

"Mental Health Series 2015A Supplemental Trust Agreement" means the Series 2015A Supplemental Trust Agreement dated March 1, 2015 between the State, acting by and through the Treasurer, and the Mental Health Trustee, amending or supplementing the Mental Health Trust Agreement, and includes the Mental Health Series 2015A Order set forth in it.

"Mental Health Trust Agreement" means the Mental Health Original Trust Agreement, including the Mental Health General Bond Order set forth in it, as the same may be amended, modified or supplemented, including as amended, modified or supplemented by the Mental Health Series 2015A Supplemental Trust Agreement, and unless the context indicates otherwise, includes all applicable Supplemental Trust Agreements.

"Mental Health Trustee" means the Trustee at the time serving under the Mental Health Trust Agreement, originally The Huntington National Bank, Columbus, Ohio, and any successor Mental Health Trustee as determined or designated pursuant to the Mental Health Trust Agreement.

"Moody's" means Moody's Investors Service, Inc.

"MSRB" means the Municipal Securities Rulemaking Board.

"Municipal Advisor" means Public Financial Management, Inc.

"Obligated Person" has the meaning given to it in the Rule.

"Obligations" means Bonds, notes, or other evidences of obligation of the State, including any appertaining coupons for interest, issued pursuant to the Act and the applicable Trust Agreement.

"OID" means the discount at which the Discount Bonds may be initially offered and sold to the public.

"OPFC" means the Ohio Public Facilities Commission, a body corporate and politic, constituting an agency and instrumentality of the State, created by Revised Code Section 151.02.

"Original Purchaser" as to any series of Obligations means the person or persons named in, or in a certificate authorized by, the applicable Series Order as the original purchaser of those Obligations from the State.

"Outstanding Bonds" or "Bonds outstanding" or "outstanding" as applied to particular Obligations, to Obligations of any series or to all Obligations, means, as of any date, the Obligations to which the reference applies and which have been authenticated and delivered, or are then being authenticated and delivered, by the applicable Trustee under the applicable Trust Agreement except:

(i) Obligations or portions of Obligations cancelled on or prior to that date, or delivered to or acquired by or on behalf of the State for cancellation on or prior to that date, by reason of payment or prior redemption;

(ii) Obligations, or the portion of Obligations, for the payment, redemption or purchase for cancellation of which sufficient moneys have been deposited prior to that date with the applicable Trustee or Paying Agents (whether upon or prior to the maturity or redemption date of those Obligations), or which are deemed to have been paid or caused to be paid, as provided in the applicable Trust Agreement; provided (a) that if those Obligations are to be redeemed prior to their stated maturity, notice of that redemption has been given to each holder of those Obligations or arrangements satisfactory to the applicable Trustee have been made for giving that notice, or waiver of that notice satisfactory in form to the applicable Trustee has been filed with that Trustee, and (b) that if those Obligations are to be purchased for cancellation, a firm offer for sale stating the price has been received and accepted; and

(iii) Lost, stolen, mutilated or destroyed Obligations in lieu of which others have been authenticated (or payment when due of which is made without replacement) under the applicable Trust Agreement.

"Parks and Recreation Bonds" means the $40,000,000 State of Ohio (Treasurer of State) Capital Facilities Lease-Appropriation Bonds, Series 2015A (Parks and Recreation Improvement Fund Projects) authorized by the Parks and Recreation Series 2015A Order.

"Parks and Recreation General Bond Order" means the General Bond Order No. 10-12 issued by the Treasurer on May 3, 2012, as it may be amended, supplemented or superseded from time to time in accordance with the provisions of the Parks and Recreation Trust Agreement.

"Parks and Recreation Improvement Fund" means the parks and recreation improvement fund created in the State treasury pursuant to Revised Code Section 154.22(F) in the custody of the Treasurer.

"Parks and Recreation Lease" means the Parks and Recreation Original Lease as amended and supplemented from time to time, including as amended and supplemented by the Parks and Recreation Series 2015A Supplemental Lease, and unless content or use clearly indicates otherwise includes all applicable Supplemental Leases.

"Parks and Recreation Original Lease" means the Lease Agreement between the OPFC and the DNR, dated as of May 1, 2012.

"Parks and Recreation Original Trust Agreement" means the Trust Agreement between the State, acting by and through the Treasurer, and the Parks and Recreation Trustee, dated as of May 1, 2012, authorized in the Parks and Recreation General Bond Order.

"Parks and Recreation Prior Trust Agreement" means the Trust Agreement dated as of October 1, 1992, as supplemented, between the OPFC and U.S. Bank National Association, successor to BancOhio National Bank, as trustee.

"Parks and Recreation Series 2015A Order" means Series Bond Order No. 11-15 issued by the Treasurer on February 24, 2015 providing for the Parks and Recreation Bonds.

"Parks and Recreation Series 2015A Supplemental Lease" means the Series 2015A Supplemental Lease Agreement dated as of March 1, 2015 between the OPFC and the DNR, amending or supplementing the Parks and Recreation Lease.

"Parks and Recreation Series 2015A Supplemental Trust Agreement" means the Series 2015A Supplemental Trust Agreement dated March 1, 2015 between the State, acting by and through the Treasurer, and the Parks and Recreation Trustee, amending or supplementing the Parks and Recreation Trust Agreement, and includes the Parks and Recreation Series 2015A Order set forth in it.

"Parks and Recreation Trust Agreement" means the Parks and Recreation Original Trust Agreement, including the Parks and Recreation General Bond Order set forth in it, as the same may be amended, modified or supplemented, including as amended, modified or supplemented by the Parks and Recreation Series 2015A Supplemental Trust Agreement, and unless the context indicates otherwise, includes all applicable Supplemental Trust Agreements.

"Parks and Recreation Trustee" means the Parks and Recreation Trustee at the time serving under the Parks and Recreation Trust Agreement, originally U.S. Bank National Association, Columbus, Ohio, and any successor Parks and Recreation Trustee as determined or designated pursuant to the Parks and Recreation Trust Agreement.

"Paying Agents" means the applicable Trustee and any other banks or trust companies, and the Treasurer of State, designated as the paying agencies or places of payment for Obligations by or pursuant to the applicable Series Order, and their successors designated pursuant to the applicable Trust Agreement.

"Payment Accounts" means, collectively, the trust funds established by the provisions of the respective Supplemental Trust Agreements in the custody of the applicable Trustee for payment on the applicable series of the Series 2015 Bonds.

"Person" means any natural person, firm, corporation, limited liability company, partnership (including, without limitation, general and limited partnerships), joint venture, society, estate, trust, public or governmental body or other entity, and any combination of those persons.

"Pledged Receipts" means:

(i) All rentals and other revenues and receipts received pursuant to the applicable Lease, excepting only those portions to be deposited to the applicable Administrative Service Funds as provided in the General Bond Orders, and amounts necessary to pay any rebate amount or related amount computed in accordance with Section 148(f) of the Internal Revenue Code and the regulations under that Section;

(ii) All amounts standing to the credit of the applicable Bond Service Funds including the Bond Service Reserve Accounts (other than sub-accounts in the Bond Service Reserve Accounts which are limited to a certain series of Obligations);

(iii) Any gifts, grants, donations and pledges, and receipts from those gifts, grants, donations and pledges, available for payment of applicable Bond Service Charges, but excluding any such amounts which under restrictions imposed as a condition of their receipt are not available for payment of those Bond Service Charges; and

(iv) Any other "available receipts," as defined in Sections 154.20(C), 154.24(D), and 154.22(C) of the Revised Code, as applicable, which are pledged for the payment of applicable Bond Service Charges by a Series Order.

"Premium Bonds" means any Series 2015 Bonds that are sold to the public at a price greater than the principal amount payable at maturity or earlier call date.

"Principal Payment Date(s)" means the date(s) on which principal is stated to be payable on Obligations at stated maturity or pursuant to Mandatory Sinking Fund Requirements and Mandatory Redemption Obligations and, for the Series 2015 Bonds, as shown on the Cover of the Official Statement.

"Prior Bonds" means the bonds issued pursuant to the Prior Trust Agreements.

"Prior Trust Agreements" means, collectively, the Mental Health Prior Trust Agreement, the Juvenile Correctional Prior Trust Agreement and the Parks and Recreation Prior Trust Agreement.

"Project Costs" means costs of the applicable Projects.

"Projects" means those Capital Facilities, or portions of Capital Facilities, the project costs of which have been or are to be financed or refinanced by Obligations, and shall include that undivided portion of any Capital Facilities representing the part of Project Costs financed or refinanced by Obligations.

"Rating Service" means any of Fitch, Moody's or S&P or their successors and assigns. If any of these corporations ceases to act as a securities rating agency, the Treasurer may, with the approval of the Trustee, appoint any nationally recognized securities rating agency as a replacement.

"Register" means the books kept and maintained by the applicable Bond Registrar for the registration, exchange and transfer of Obligations pursuant to the applicable Trust Agreement.

"Registered Obligations" means fully registered obligations registered as to both principal and interest in the name of the owner or holder.

"Registered Owner" means any Person in whose name an Obligation is registered pursuant to the Bond Proceedings.

"Regular Record Date" means the 15th day of the calendar month immediately preceding the month when an Interest Payment Date on the Obligations occurs.

"Renewal Term" means each successive term of a Lease resulting from the exercise by any of the Mental Health Departments, the DYS or the DNR, respectively, of its right to renew the term of its Lease to end at twelve o'clock midnight on the last day of the State's fiscal biennium (June 30th of each odd-numbered year) or until the Treasurer shall have paid and retired, or shall have made due and adequate provision for the payment and retirement of, all applicable Obligations issued by the Treasurer.

"Required Reserve" means any reserve for payment of Bond Service Charges on any Obligations, or series or two or more series or part of a series of Obligations, that may be provided for in the applicable Series Order(s), which Required Reserve may be provided for by deposit of moneys or Eligible Investments in a Special Fund or Account or by a Credit Enhancement Facility or by any combination of the foregoing.

"Revised Code" means the Ohio Revised Code.

"Rule" means U.S. Securities and Exchange Commission Rule 15c2-12.

"S&P" means Standard & Poor's Ratings Services.

"Securities Depository" means any securities depository that is a clearing agency under federal law operating and maintaining, with its participants or otherwise, a book-entry system to record ownership and effect transfers of book-entry interests in bonds, notes or other evidence of obligations. Securities Depository includes its nominee for the particular purpose.

"Series 2015A Payment Account" means the Payment Account established by the provisions of the applicable Series Order relating to either of the Mental Health Bonds or the Parks and Recreation Bonds, as applicable, in the custody of the applicable Trustee for payment on those Mental Health Bonds and those Parks and Recreation Bonds, as applicable.

"Series 2015B Payment Account" means the Payment Account established by the provisions of the Juvenile Correctional Series 2015B Order relating to the Juvenile Correctional Bonds in the custody of the Juvenile Correctional Trustee for payment on those Juvenile Correctional Bonds.

"Series 2015 Bonds" means, collectively, the Mental Health Bonds, the Juvenile Correctional Bonds and the Parks and Recreation Bonds.

"Series Order" means an order or resolution of the Treasurer authorizing the issuance of Obligations in accordance with the General Bond Orders, including the Mental Health Series 2015A Order, the Juvenile Correctional Series 2015B Order and the Parks and Recreation Series 2015A Order, and includes any order, resolution or certificate providing for or evidencing the award and specific terms of Obligations authorized by that Series Order.

"Special Funds" or "Special Funds and Accounts" means the Bond Service Funds and accounts in those Funds to the extent pertaining to the applicable Obligations, and any other funds or accounts, including, without implied limitation, Bond Service Reserve Accounts providing a Required Reserve or funds or accounts relating to a Credit Enhancement Facility, permitted by, established under or identified in the applicable Trust Agreement or a Series Order or applicable Supplemental Trust Agreement.

"State" means the State of Ohio.

"Supplemental Lease" means any Supplemental Lease amending or supplementing either of the Leases as contemplated by the Leases.

"Supplemental Trust Agreement" means any Supplemental Trust Agreement amending or supplementing a Trust Agreement.

"Term Bonds" means those Bonds designated as such and maturing on the date or dates set forth in the applicable Bond Proceedings, bearing interest payable on each Interest Payment Date and subject to Mandatory Redemption pursuant to Mandatory Sinking Fund Requirements.

"Treasurer" means the State Treasurer of Ohio.

"Trust Agreement" means any of the Mental Health Trust Agreement, the Juvenile Correctional Trust Agreement or the Parks and Recreation Trust Agreement.

"Trust Agreements" means, collectively, the Mental Health Trust Agreement, the Juvenile Correctional Trust Agreement and the Parks and Recreation Trust Agreement.

"Trustees" means, collectively, the Mental Health Trustee, the Juvenile Correctional Trustee and the Parks and Recreation Trustee.

"Underwriters" means, collectively, The Huntington Investment Company, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Estrada Hinojosa & Co., Inc., Loop Capital Markets LLC, Raymond James & Associates, Inc., and Ross, Sinclaire & Associates, LLC.

Summary of the Trust Agreements

General

The following, in addition to information contained above under the heading **THE TRUST AGREEMENTS**, summarizes certain provisions of the respective Trust Agreements, to which reference to the full documents is made for their detailed provisions. The General Bond Orders and the Series Orders authorizing the Series 2015 Bonds are incorporated in their entirety in, and constitute part of, each respective Trust Agreement to which they apply and all references in this summary to a Trust Agreement shall, unless specific section references are made, include the applicable General Bond Order and the Series Orders.

So long as the Series 2015 Bonds are immobilized in a book-entry system with a Securities Depository, that Securities Depository or its nominee is for all purposes of the Trust Agreements considered by the Treasurer and the Trustee to be the holder of those Series 2015 Bonds and the book-entry interest owners of the Series 2015 Bonds will not be considered holders of the Series 2015 Bonds and have no rights as holders under the Trust Agreements. (See THE SERIES 2015 BONDS – Registration, Payment and Transfer and APPENDIX C – BOOK-ENTRY SYSTEM; DTC)

Security

Each Trust Agreement provides for a pledge of the applicable Pledged Receipts by the State to the Trustee, for the benefit of the holders of the applicable Obligations. Nothing in the Act, the Trust Agreements or other Bond Proceedings gives the holders of the Obligations, and they do not have, the right to have the General Assembly levy any excises or taxes for the payment of Bond Service Charges. (See **THE BONDS GENERALLY – Security**)

The Mental Health Bonds are secured by a pledge of the Pledged Receipts under their applicable Trust Agreement. The Juvenile Correctional Bonds are secured by a pledge of Pledged Receipts under their applicable Trust Agreement. The Parks and Recreation Bonds are secured by a pledge of the Pledged Receipts under their applicable Trust Agreement. No series of the Series 2015 Bonds issued pursuant to one of the Trust Agreements is secured by a pledge of Pledged Receipts that secures any other series of the Series 2015 Bonds issued pursuant to another Trust Agreement. Pledged Receipts consist mainly of the respective rental payments under the respective Leases to which the series of the Series 2015 Bonds relates.

Funds and Accounts

Each Trust Agreement establishes for the applicable series of the Series 2015 Bonds the following funds and accounts to be held in the custody of the Treasurer, separate and apart from and not a part of the State treasury, and used for specific purposes described below: the Bond Service Fund, which includes the Bond Service Account; and the Administrative Service Fund. Each Trust Agreement also establishes either a Series 2015A Payment Account or a Series 2015B Payment Account to be held by the applicable Trustee and used for the specific purposes described below. In addition, the General Assembly has created the mental health facilities improvement fund, the juvenile correctional building fund and the parks and recreation improvement fund (collectively, the "Improvement Funds" and each an "Improvement Fund"), each of which is held by the Treasurer, which may include a separate account for each Project and each series of Obligations. The Improvement Funds are not pledged to the payment of Bond Service Charges on the respective Obligations. In addition, as described below, the Administrative Service Funds are not pledged to the payment of Bond Service Charges on the respective Obligations.

Bond Service Funds. The Act establishes the respective bond service funds, designated the "mental health bond service trust fund," the "juvenile correctional bond service trust fund" and the "parks and recreation bond service trust fund," each in the custody of the Treasurer, separate and apart from and not a part of the State treasury, and provides that all moneys received by or on account of the Treasurer or the OPFC and required by the applicable Bond Proceedings to be deposited, transferred, or credited to such Bond Service Fund, and all other moneys transferred or allocated to or received for the purposes of that Bond Service Fund, shall be deposited with the Treasurer and credited to that Bond Service Fund, subject to the applicable Bond Proceedings, without necessity for any act of appropriation. Each Bond Service Fund is a trust fund pledged to the payment of Bond Service Charges on applicable Obligations to the extent provided in the applicable Bond Proceedings and payment of Bond Service Charges from such Bond Service Fund shall be made or provided for by the Treasurer in accordance with the Bond Proceedings without necessity for any act of appropriation. Pursuant to the Act, it is required that all money received by or on account of the OPFC from a lessee under the respective Leases will be deposited, transferred or credited to a particular Bond Service Fund, except for Additional Rent which will be deposited, transferred or credited to the applicable Administrative Service Fund. The Treasurer may create accounts within a Bond Service Fund including a Bond Service Account referred to below and one or more payment accounts for the applicable Obligations, like a Series 2015A Payment Account for the Mental Health Bonds.

Bond Service Accounts. Each Bond Service Account has been established in the respective Bond Service Funds. There will be deposited in the applicable Bond Service Account: (i) unless otherwise provided in the applicable Series Order, from the proceeds of the sale of Obligations any amounts representing accrued interest and capitalized interest; (ii) all moneys received by the Treasurer under the applicable Lease, excepting the portion of those moneys to be credited to the applicable Administrative Service Fund; and (iii) any grants, gifts, donations, pledges, and the receipts from such grants, gifts, donations and pledges, received by the Treasurer for the purposes of that Bond Service Account or any Required Reserve (there is no Required Reserve for the Series 2015 Bonds) any moneys to be transferred from the applicable Improvement Fund to the applicable Bond Service Account or any Required Reserve or any Special Fund, except the applicable Administrative Service Fund, and any other moneys transferred or allocated to or received for the purposes of that Bond Service Account or any Required Reserve. Each Bond Service Account is pledged to and shall be used except as excess amounts may be transferred pursuant to the applicable General Bond Order, solely for the payment of Bond Service Charges on the applicable Obligations as they fall or become due and payable.

Administrative Service Funds. Each Administrative Service Fund will be used to pay (i) regular and special fees and reimbursement of reasonable expenses of the applicable Trustee, Paying Agents, Authenticating Agents, Bond Registrar, depositories, financial advisers, consultants, attorneys, accountants and others providing services with respect to the authorization, sale, issuance, delivery and servicing of the applicable Obligations, including audits, certifications, and reports provided for in the applicable General Bond Order or any applicable Series Order and (ii) the financing charges, costs of Credit Enhancement Facilities, costs of printing, engraving, advertising, and other expenses in connection with such authorization, sale, issuance, delivery and servicing of the applicable Obligations. Amounts necessary to pay any rebate amount computed in accordance with the requirements of Section 148(f) of the Internal Revenue Code and the related regulations may also be paid by the Treasurer from the applicable Administrative Service Fund. The Administrative Service Funds are not pledged to the payment of Bond Service Charges on the respective Obligations.

Payment Accounts. Payment Accounts are established in the custody of the respective Trustees. Moneys for the payment of Bond Service Charges on the applicable series of the Series 2015 Bonds transferred by the Treasurer to the applicable Trustee pursuant to the General Bond Orders shall be deposited in the applicable Payment Accounts. The applicable Trustee shall make all payment of Bond Service Charges on the applicable series of the Series 2015 Bonds with moneys on deposit or credited to those applicable Payment Accounts.

Other Special Funds and Accounts. If and to the extent required by any loan or grant agreement or other agreement with the United States of America or the State or any other governmental or public agency providing for any financial assistance, guarantee or insurance in connection with the financing of any Project or in connection with the issuance of Obligations, or by any Credit Enhancement Facility, the Treasurer may, pursuant to the applicable Series Order, create Special Funds and Accounts or sub-accounts in a Bond Service Fund and in a Bond Service Account or other accounts, relating to that Project or its financing or the particular Obligations, and make special provisions, among others, that moneys received under that agreement or instrument be restricted to such Special Funds and Accounts or sub-accounts, and for the holding, investing and disposition of any moneys in Special Funds and Accounts or sub-accounts in accordance with that agreement or instrument and for the primary or exclusive benefit of the applicable Obligations, but all only as and to the extent required by that agreement or instrument. If any Special Funds or Accounts or sub-accounts are so restricted, then the amounts in those Special Funds or Accounts or sub-accounts, to the extent so restricted, shall not be considered to be available for Bond Service Charges on other Obligations in determining the sufficiency of or deposits to the applicable Bond Service Account under the provisions of the applicable General Bond Order with respect to those other Obligations.

Investment of Certain Funds

Moneys in the Improvement Funds will be invested in accordance with State law. Moneys held in the Bond Service Accounts may be invested and reinvested by the Treasurer in any Eligible Investments as provided in the Trust Agreements, provided that investments of moneys in the Bond Service Accounts shall mature or be redeemable at the option of the holder at the times and in the amounts necessary to provide moneys to meet the payment of applicable Bond Service Charges as they fall due. The Treasurer may from time to time sell such investments and reinvest the proceeds in similarly rated Eligible Investments maturing or redeemable as provided above. Any Eligible Investments may be purchased from the applicable Trustee or its affiliates. Subject to the provisions of the applicable Bond Proceedings, an investment made from moneys credited to the Bond Service Accounts shall constitute part of that Bond Service Account, and that Bond Service Account shall be credited with all proceeds of sale and income from that investment. Those investments shall be valued at the lesser of face amount or market value. Moneys held in an Administrative Service Fund, until required for payments to be made from that Administrative Service Fund, may also be invested in Eligible Investments upon or pursuant to order of the Treasurer.

Additional Bonds

One or more series of Additional Bonds may be issued under each Trust Agreement to pay Costs of Capital Facilities for the purposes described therein and in the Act, and to refund, advance refund, fund or retire Obligations or Prior Bonds. Such Additional Bonds shall be authorized by Series Orders as provided in the General Bond Orders.

The issuance of Additional Bonds under a Trust Agreement is also subject to the following conditions, among others: (i) the State is not in default, and the authentication and delivery of the Additional Bonds will not result in any default, of any of the State's covenants or obligations under that Trust Agreement or the applicable Prior Trust Agreement; (ii) the aggregate outstanding principal amount of those Additional Bonds and any other Obligations outstanding and issued under the Act, will not exceed in aggregate the amount of those particular Obligations that may be issued or outstanding under the Act; (iii) upon such issuance and delivery, the amount in or of any Required Reserve for any Additional Bonds is not less than that Required Reserve; (iv) other requirements provided in the applicable Trust Agreement for the issuance of Additional Bonds have been met; and (v) the applicable Trustee has received (a) a copy, certified by the Treasurer of the Series Order authorizing the

issuance and delivery of those Additional Bonds, adopted in conformity with the applicable General Bond Order; (b) an original executed counterpart of the Supplemental Trust Agreement entered into in connection with the issuance of those Additional Bonds; (c) an original executed counterpart of the applicable Supplemental Lease entered into in connection with the issuance of those Additional Bonds; (d) a request and authorization to the applicable Trustee on behalf of the Treasurer, signed by its Authorized Officer, to authenticate and deliver the Additional Bonds to or on the order of the Original Purchaser identified, and upon payment of an amount specified, in that request and authorization; (e) a certificate of an Authorized Officer confirming that conditions (i) through (iv) above are satisfied; (f) the written opinion of legal counsel retained by the Treasurer, or other legal counsel satisfactory to that Trustee, to the effect that documents submitted to the applicable Trustee in connection with that request and authorization comply with the requirements of that Trust Agreement, and that all legal conditions precedent to the issuance of those Additional Bonds as provided in that Trust Agreement have been complied with and a written opinion of bond counsel for or designated by the Treasurer, who may also be the legal counsel referred to above, that those Additional Bonds, when duly executed, authenticated and delivered, will be valid and legal special obligations of the State, by the Treasurer, in accordance with their terms and those Additional Bonds, together with all Obligations then outstanding under that Trust Agreement, will be secured by that Trust Agreement; (g) a certificate of an authorized officer of the State confirming that amounts sufficient to support all rentals estimated to be due under the applicable Lease, or other leases of the Mental Health Departments, the DYS and the DNR relating to Prior Bonds, as applicable, for the current fiscal biennium have been appropriated to that lessee for the payment of such rentals and that, to the extent that budget requests have been made for the next succeeding fiscal biennium, amounts sufficient to support all rentals estimated to be due under that Lease and any other leases relating to Prior Bonds, as applicable, for such biennium have been requested; and (i) any items required by the applicable Supplemental Trust Agreement to be filed with the applicable Trustee before such Additional Bonds are initially authenticated and delivered.

Further Covenants

Certain other covenants of the Treasurer (with respect to the applicable Obligations) contained in each Trust Agreement are as follows:

Payment. The Treasurer covenants in each Trust Agreement to, from the sources provided in the applicable General Bond Order, pay or cause to be paid the Bond Service Charges on each and all Obligations on the dates, at the places and in the manner provided in the applicable General Bond Order, Bond Proceedings, and Obligations, according to their true intent and meaning.

Maintenance of Pledge. The Treasurer covenants in each Trust Agreement not to make any pledge or assignment of or create or suffer any lien or encumbrance upon the applicable Pledged Receipts prior to or on a parity with the pledge of the Pledged Receipts under, except as and if authorized or permitted under, the applicable General Bond Order and that Trust Agreement.

Duties Binding on All with Authority; Enforcement by Mandamus. The Treasurer has acknowledged that each provision of the applicable Bond Proceedings is binding upon the officer, board, authority, agency, department, or other person or body as may from time to time have the authority under law to take the actions as may be necessary to perform all or any part of the duty required by the provision. The Treasurer also acknowledged that each duty of the Treasurer and the Treasurer's officers and employees is established as a duty of the Treasurer, and of each officer and employee having authority to perform that duty, specifically enjoined by law resulting from an office, trust or station within the meaning of Section 2731.01 of the Revised Code, providing for enforcement by writ of mandamus.

Annual Reports. The Treasurer will, within 90 days after the end of each Fiscal Year, submit to the applicable Trustee, the Governor and to the General Assembly by delivery to the presiding officers of each house of the General Assembly, an annual report by the Treasurer in the form required by Section 154.05 of the Revised Code.

Events of Default and Remedies

Events of Default. The occurrence of any of the following events is declared to be and to constitute an Event of Default under a Trust Agreement:

- Failure to pay any interest on any applicable Obligation, when and as the same shall have become due and payable;

- Failure to pay the principal of or any redemption premium on any applicable Obligation, when and as the same shall have become due and payable, whether at maturity or by acceleration or call for redemption; or

- Failure to perform or observe duly or punctually any other covenant, condition or agreement contained in the applicable Obligations or that Trust Agreement and to be performed by the State, which failure shall have continued for a period of 60 days after written notice of it to the Treasurer given by the applicable Trustee or the holders of not less than 25% in aggregate outstanding principal amount of affected Obligations.

The Trust Agreements are not cross defaulted. Holders of Obligations have only those rights and remedies applicable to them under their applicable Trust Agreement.

The applicable Trustee shall not be required to take notice, and shall not be deemed to have notice or knowledge, of any Event of Default described in the third bullet above, unless that Trustee is notified specifically of the Event of Default in a written instrument delivered to it by the Treasurer or by the holders of at least 10% of the aggregate outstanding principal amount of Obligations under the applicable Trust Agreement. In the absence of delivery of a notice satisfying those requirements, that Trustee may assume conclusively that there is no Event of Default as described in the third bullet above.

If an Event of Default occurs, the applicable Trustee shall give written notice to the Treasurer within five business days after having knowledge of that Event of Default, and to the Original Purchasers of each series of Obligations then outstanding under that Trust Agreement, to the Bondholders of those applicable Obligations, and to any other applicable Paying Agents and Authenticating Agents within 90 days after having such knowledge, unless the Event of Default has been remedied or cured before the giving of that notice or, in the case of an Event of Default under the third bullet above, the applicable Trustee in good faith determines that the withholding of that notice is in the interests of the Bondholders.

Remedies. Remedies are only available to Bondholders who are holders of Obligations under a Trust Agreement for which there has been a default. The Trust Agreements are not cross defaulted. Remedies are limited to those applicable Pledged Receipts securing the applicable Obligations and not to Pledged Receipts that secure other Obligations issued under a different Trust Agreement. If an Event of Default as described in the first and second bullets above has occurred and is continuing that Trustee shall, and if an Event of Default as described in the third bullet above has occurred and is continuing that Trustee may, and upon the written request of the holders of not less than 25% in aggregate outstanding principal amount of the applicable Obligations shall, proceed in its own name to protect and enforce its rights and the rights of the Bondholders under that Trust Agreement by such of the following remedies as the applicable Trustee, being advised by counsel, shall deem most effective to protect and enforce those rights:

(i) By mandamus or other suit, action or proceeding at law or in equity enforce all the rights of the Bondholders, including the compelling of the performance of all duties of the Treasurer or governmental agencies under the Bond Proceedings and the enforcement of the payment of those Bond Service Charges;

(ii) Bring suit upon the applicable Obligations;

(iii) Enjoin unlawful activities or activities in violation of the rights of the Bondholders under that Trust Agreement;

(iv) In the case of an Event of Default that is a payment default (described in the first and second bullets above), apply to a court having jurisdiction of the cause to appoint a receiver (which may be the applicable Trustee) to receive and administer the applicable Pledged Receipts, other than those in the custody of the Treasurer, with full power to pay and to provide for payment of Bond Service Charges, and with such powers, subject to the discretion of the court, as are accorded receivers in general equity cases, excluding any power (i) to pledge additional revenues or receipts or other income or moneys of the Treasurer or the State or State agencies to the payment of those Bond Service Charges, and (ii) to take possession, mortgage or cause the sale or otherwise dispose of any Capital Facilities; and

(v) In the case of an Event of Default that is a payment default (described in the first and second bullet above), by notice in writing to the Treasurer declare the principal of all applicable Obligations then outstanding (if not then due and payable) and any interest accrued on those Obligations to be due and payable immediately, and upon that declaration that principal and interest, shall become and be immediately due and payable.

The provisions of the above subparagraph (v) are subject, however, to the condition that if at any time after principal and interest have been so declared due and payable and prior to the entry of judgment in a court of law or equity for enforcement or the appointment of a receiver under the applicable Trust Agreement all sums payable under the applicable Trust Agreement, except the principal of the applicable Obligations which have not reached their stated maturity dates and which are due and payable solely by reason of such declaration, plus interest (to the extent permitted by law) on any overdue installments of interest at the rate borne by the Obligations in respect of which such Event of Default shall have occurred, shall have been duly paid or provided for by deposit with the applicable Trustee or Paying Agents and all existing defaults thereunder shall have been made good, then and in every such case that payment or provision for payment shall, in and of itself, constitute a waiver of that applicable Event of Default and its consequences and an automatic rescission and annulment of the declaration under the above subparagraph (v). No such waiver, rescission and annulment shall extend to or affect any or impair any rights consequent on a subsequent or other Event of Default.

Enforcement of Rights Under Agreement. Upon the occurrence and continuance of any Event of Default the applicable Trustee may proceed, and upon the written request of the holders of not less than 25% in aggregate outstanding principal amount of the applicable Obligations shall proceed to protect and enforce its rights and the rights of the Bondholders under that Trust Agreement by such suits, actions or special proceedings in equity or at law, either for the specific performance of any covenant or agreement contained in that Trust Agreement or in the aid or execution of any power granted in that Trust Agreement or for the enforcement of any proper legal or equitable remedy, as the applicable Trustee, being advised by counsel, shall deem most effective to protect and enforce those rights.

In the enforcement of any remedy under the applicable Trust Agreement, that Trustee shall be entitled to sue for, enforce payment of and receive any and all amounts then or during any default becoming due and at any time remaining unpaid on account of principal, interest or otherwise under any of the provisions of the applicable Trust Agreement or of the applicable Obligations, with interest on overdue payments at the rate or rates of interest specified or provided for in those Obligations or the applicable Series Order, together with any and all costs and expenses of collection and of all proceedings under that Trust Agreement and under those Obligations, without prejudice to any other right or remedy of that Trustee or of the applicable Bondholders, and to recover and enforce any judgment or decree against the State or the Treasurer, but solely as provided in that Trust Agreement and in those Obligations, for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect (but solely from the applicable Pledged Receipts and the Special Funds and Accounts from which those Obligations are payable) in any manner provided by law, the moneys adjudged or decreed to be payable.

The holders of not less than a majority in aggregate outstanding principal amount of the applicable Obligations shall have the right at any time by an instrument or concurrent instruments in writing executed and delivered to the applicable Trustee, to direct the method and place of conducting any and all remedial proceedings under the applicable Trust Agreement. However, (i) that direction shall not be otherwise than in accordance with the provisions of law or of that Trust Agreement, (ii) that Trustee shall be indemnified as provided in that Trust Agreement, and (iii) that Trustee shall have the right to decline to follow any such direction which in its opinion would be unjustly prejudicial to applicable Bondholders not parties to that direction.

No remedy by the terms of a Trust Agreement conferred upon or reserved to a Trustee (or to the holders of the Obligations) is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and in addition to any other remedy given to the applicable Trustee or to the holders of the Obligations under that Trust Agreement or now or existing in the future.

No delay or omission to exercise any right or power accruing upon any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of or acquiescence in that default or Event of Default. Every such right and power may be exercised from time to time and as often as may be deemed expedient.

On the occurrence of an Event of Default, neither the Treasurer nor the State nor any governmental agency, nor anyone claiming through or under any of them, shall set up, claim, or seek to take advantage of any laws now in force or in force in the future, in order to prevent or hinder the enforcement of a Trust Agreement, but the Treasurer, for the Treasurer and all who claim through or under the Treasurer, and for the State and for any governmental agency, waives, under that Trust Agreement, to the extent it may lawfully do so, the benefit of all such laws to which they or the State or such governmental agency may be entitled.

Waiver of Events of Default

At any time the applicable Trustee may in its discretion waive any Event of Default under a Trust Agreement and its consequences, and rescind any declaration of accelerated maturity of principal and interest, and shall do so upon the written

request of the holders of (i) at least a majority in aggregate outstanding principal amount of all the applicable Obligations in respect of which an Event of Default in the payment of Bond Service Charges has occurred, or (ii) at least 25% in aggregate outstanding principal amount of all applicable Obligations in case of any other Event of Default. However, there may not be so waived any Event of Default that is a payment default (described in the first and second bullets under **Summary of the Trust Agreements – Events of Default and Remedies –** Events of Default above), or any such declaration in connection with such an Event of Default rescinded, unless at the time of that waiver or rescission payments of the amounts as provided under **Summary of the Trust Agreements – Events of Default and Remedies** – Remedies above for waiver and automatic rescission in connection with that acceleration have been made or provided for. In case of any such waiver or rescission, the Treasurer, the applicable Trustee and the applicable Bondholders shall be restored to their respective positions and rights under the applicable Trust Agreement. No such waiver or rescission shall extend to or impair any rights consequent on any subsequent or other Event of Default.

Supplemental Trust Agreements

The State and the applicable Trustee, without the consent of or notice to any of the applicable Bondholders, may enter into agreements supplemental to the applicable Trust Agreement as shall not, in the opinion of the Treasurer and that Trustee, be inconsistent with the terms and provisions of that Trust Agreement for any one or more of the following purposes:

(i) to cure any ambiguity, inconsistency or formal defect or omission in that Trust Agreement;

(ii) to grant to or confer upon that Trustee for the benefit of those Bondholders any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon those Bondholders or that Trustee;

(iii) to subject additional revenues or receipts to the lien and pledge of that Trust Agreement;

(iv) to add to the State's covenants and agreements contained in that Trust Agreement other covenants and agreements to be observed after such addition for the protection of all or particular Bondholders, or to surrender or limit any right, power or authority reserved to or conferred upon the State in that Trust Agreement, including the limitation of rights of redemption so that in certain instances Obligations of different series will be redeemed in some prescribed relation to one another;

(v) to evidence any succession to the Treasurer and the assumption by that successor of the Treasurer's covenants and agreements contained in that Trust Agreement and the Obligations;

(vi) in connection with the issuance of Obligations in accordance with that Trust Agreement, including any and all appropriate provisions relating to the issuance of Additional Bonds in form other than Registered Obligations;

(vii) to permit compliance with changes in federal or state securities or tax laws or regulations;

(viii) to permit that Trustee to comply with any obligations imposed upon it by law;

(ix) to specify further the duties and responsibilities at and to define further the relationship among, that Trustee and any other Authenticating Agent, Bond Registrar or Paying Agent;

(x) the transfer of Obligations from one Securities Depository to another, and the succession of Securities Depositories, and the withdrawal of Obligations issued to a Securities Depository for holding in a book-entry system and the issuance of replacement Registered Obligations to others than a Securities Depository;

(xi) to limit the Eligible Investments of moneys in the applicable Bond Service Account as listed in that Trust Agreement, or to add to that list other Eligible Investments. If there be such a Rating Service at the time, the addition of Eligible Investments must be approved for the purpose by each Rating Service that has at the Treasurer's request assigned a rating to, and at the time maintains a rating on, the applicable outstanding Obligations; and

(xii) in connection with any other amendment to that Trust Agreement which, in the judgment of that Trustee is not to the prejudice of that Trustee or the holders of outstanding Obligations which that amendment may affect.

The provisions of clauses (vii) and (viii) of the preceding paragraph shall not be deemed to constitute a waiver by the Trustee, the Treasurer or any holder of any right which it may have in the absence of those clauses (vii) and (viii) to contest the application of any change in law to that Trust Agreement or those Obligations.

In addition, subject to the terms, provisions and limitations that follow, and not otherwise, the holders of not less than a majority in aggregate of the applicable outstanding principal amount of the Obligations shall have the right, from time to time, anything contained in that Trust Agreement to the contrary notwithstanding, to consent to and approve the execution by the Treasurer and the Trustee of such other agreement or agreements supplemental to the applicable Trust Agreement as may be deemed necessary and desirable by the Treasurer for the purpose of modifying, altering, adding to or rescinding, in any particular, any of the terms or provisions contained in that Trust Agreement. However, nothing in a Trust Agreement shall permit or be construed as permitting:

(i) an extension of the maturity of the principal of or the interest on any Obligation, or a reduction in the principal amount of or the rate of interest or redemption premium on any Obligation, or a reduction in the amount or extension of the time of any payment required by any Mandatory Sinking Fund Requirements, without the consent of the holder of each Obligation so affected; or

(ii) a reduction in the aggregate outstanding principal amount of the Obligations required for consent to such Supplemental Trust Agreement without the consent of the applicable holders of all of the Obligations then outstanding.

Where the consent of the applicable holders of the Obligations is required, procedures are established in each Trust Agreement for notice to those holders and for the execution and filing of the requisite consents. Any consent shall be binding upon the holder of the Obligation giving that consent and upon any subsequent holder of that Obligation and of any Obligation issued in exchange for it, whether or not that subsequent holder has notice of the consent. However, the consent may be revoked by the holder of the Obligation who gave the consent if still the holder, or by a subsequent holder of that Obligation, by filing a written revocation with the applicable Trustee prior to the date of execution by that Trustee of the applicable Supplemental Trust Agreement. If the applicable holders of the required percentage in aggregate outstanding principal amount of the Obligations have consented to and approved the execution of the Supplemental Trust Agreement as provided in that Trust Agreement, no holder of any Obligation shall have any right to object to the execution of that Supplemental Trust Agreement, or to object to any of the terms and provisions contained in or the operation of that Supplemental Trust Agreement, or in any manner to question the propriety of the execution of that Supplemental Trust Agreement or to enjoin or restrain the Trustee or the Treasurer from executing it or from taking any action pursuant to its provisions.

Defeasance

If the State, by the Treasurer, shall pay or cause to be paid, or there shall otherwise be paid, to the holders of the outstanding Obligations all Bond Service Charges due or to become due thereon, and provision shall also be made for paying all other sums payable under the applicable Trust Agreement by the Treasurer, then and in that event that Trust Agreement shall cease, determine and become null and void, and the covenants, agreements and other obligations of the Treasurer under that Trust Agreement shall be discharged and satisfied. Bond Service Charges due or to become due on the applicable outstanding Obligations shall be deemed to have been so paid or caused to be paid if:

(i) the Trustee and Paying Agents shall hold, in trust for and irrevocably committed to the payment of Bond Service Charges, sufficient moneys; or

(ii) the Trustee shall hold, in trust for and irrevocably committed to the payment of Bond Service Charges, non-callable Federal Securities certified by a firm of independent certified public accountants of national reputation 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 amount of or the interest earnings from them, sufficient, together with any moneys referred to in (i) above, for the payment, when due, of all applicable Bond Service Charges to the date or respective dates of maturity or redemption, as the case may be; provided, that if any Obligations are to be redeemed prior to their maturity, notice of that redemption shall have been duly given or irrevocable provision reasonably satisfactory to the Trustee shall have been duly made for the giving of that notice.

Non-Presentment of Bonds

If an Obligation is not presented for payment when due in whole or in part, whether at maturity, prior redemption or otherwise, or a check or draft for interest is uncashed, and if moneys for the purpose of paying and sufficient to pay the amount involved have been made available to the applicable Trustee for the benefit of the Bondholder, all liability of the State or the Treasurer to that holder for that payment shall then cease and be discharged completely, and it shall then be the duty of the Paying Agents to hold those moneys in trust, without liability for interest on them, for the exclusive benefit of that holder. Subject to the provisions of the applicable Trust Agreement, that Bondholder (and successive holders of that Obligation) shall, from that time, be restricted exclusively to those moneys for any claim of whatever nature on such holder's part under that Trust Agreement or on or with respect to that amount then due on that Obligation or that check or draft.

Any moneys so held by the Trustee or Paying Agents and remaining unclaimed by the holder (or successive holders) of that Obligation, for a period of three years after the date on which that Obligation became payable as provided above or on which that check or draft was issued, shall be paid to the Treasurer and, from that time, the holder (or successive holders) of that Obligation shall look only to the Treasurer for payment and then only to the amounts so received by the Treasurer without any interest on those amounts, and the Paying Agents and the Trustee shall have no further responsibility with respect to those moneys.

Payments Due on Saturdays, Sundays and Holidays

If any Interest Payment Date or Principal Payment Date (the date of maturity of the principal of any Obligations, or date fixed for redemption of any Obligations) (each referred to below as "the applicable date") is a Saturday or Sunday, or a day on which:

(i) the applicable Trustee is required, or authorized or not prohibited, by law (including without limitation, executive orders) to close and is closed, then payment of interest, principal, and any redemption premium (each referred to as the "payment") need not be made by that Trustee or any Paying Agent on that date, and that payment shall be made on the next succeeding business day on which that Trustee and the Paying Agent are open for business with the same force and effect as if that payment were made on the applicable date, and no interest shall accrue for the period after that applicable date; or

(ii) a Paying Agent is required, or authorized or not prohibited, by law (including without limitation, executive orders) to close and is closed, then the payment need not be made by that Paying Agent on that date, and the payment shall be made on the next succeeding business day on which that Paying Agent is open for business with the same force and effect as if the payment were made on the applicable date, and no interest shall accrue for the period after that applicable date.

If, however, that Trustee is open for business on the applicable date it shall make any payment with respect to interest on outstanding Obligations and principal of and premium on Obligations presented to it for payment, regardless of whether any other Paying Agent is open for business or closed on that date.

Trustees

The Trustee under the Mental Health Trust Agreement is The Huntington National Bank. The Trustee under the Juvenile Correctional Trust Agreement is The Bank of New York Mellon Trust Company, N.A. The Trustee under the Parks and Recreation Trust Agreement is U.S. Bank National Association. Each is a national banking association organized and existing under and by virtue of the laws of the United States of America and authorized to exercise corporate trust powers in the State. Each Trustee accepts the trusts imposed upon it by the applicable Trust Agreement, but only upon the terms and conditions set forth in that Trust Agreement. Each Trustee, prior to the occurrence of an Event of Default under the applicable Trust Agreement and after the curing of all Events of Default under that Trust Agreement which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in the applicable Trust Agreement, and no implied covenants or obligations should be read into a Trust Agreement against either Trustee. If any Event of Default under the applicable Trust Agreement shall have occurred and be continuing, that Trustee shall exercise such of the rights and powers vested in it by that Trust Agreement and shall use the same degree of care as a prudent person would exercise or use in the circumstances in the conduct of such prudent person's own affairs. Before taking action under the provisions of that Trust Agreement related to intervention by the Trustee and default (with the exception of any action required to be taken under that Trust Agreement related to giving notice of an Event of Default), that Trustee may require that a satisfactory indemnity bond be furnished for the reimbursement to it of all reasonable expenses to which it may be put and to protect it against all liability

by reason of any action so taken, except liability which is adjudicated to have resulted from its negligence, bad faith or willful misconduct by reason of any action so taken. The permissive right of that Trustee to do things enumerated in that Trust Agreement shall not be construed as a duty and that Trustee shall not be answerable for other than its negligence, bad faith or willful misconduct.

Summary of the Leases

General

Pursuant to the Act, the OPFC may lease Capital Facilities, including a separate lease of the Capital Facilities to each lessee. Accordingly, the OPFC has entered into separate Leases with each of the Mental Health Departments, the DYS and the DNR, each a lessee under its respective Lease. The following, in addition to information contained above under **THE LEASES**, summarizes certain provisions of the Leases, to which reference to the complete documents is made for their detailed provisions.

Term of each Lease

The Initial Term of each lease has been renewed to expire at twelve o'clock midnight the last day of the State's fiscal biennium, currently June 30, 2015. The applicable lessee shall have the right to renew or further renew the term of its Lease for successive Renewal Terms until the Treasurer shall have paid and retired, or shall have made due and adequate provision for the payment and retirement of, all applicable Obligations issued by the Treasurer. Subject to any change in the method of determining the State's fiscal biennium, or the length of the last Renewal Term, each Renewal Term shall be for the two year period commencing on the day succeeding the expiration of the preceding term and ending on the last day of any fiscal biennium, currently June 30 of every odd-numbered year, upon the same terms as are contained in each respective Lease, unless sooner terminated in accordance with the provisions of that Lease and the applicable Trust Agreement. The applicable lessee shall be deemed to have exercised its right to renew the term of its Lease and its Lease shall be renewed, upon the effectiveness, at or prior to the expiration of the Initial Term or the Renewal Term then in effect, of legislation enacted by the General Assembly appropriating sufficient funds to the applicable lessee for the purpose of paying the rentals required by each Lease during the next succeeding Renewal Term.

Rental Payments and Pledges

Each Lease requires the applicable lessee to pay Basic Rent directly to the Treasurer in amounts at least adequate to meet the Bond Service Charges on the applicable Obligations and establish and maintain any Required Reserve (there is no Required Reserve for any of the Series 2015 Bonds). Each Lease also requires the applicable lessee to pay Additional Rent directly to the Treasurer in amounts at least adequate to provide for the purposes of the applicable Administrative Service Fund established under the applicable Trust Agreement. The Act requires that all money received by or on account of the OPFC from the applicable lessee under each Lease be deposited, transferred or credited to the applicable Bond Service Fund, except for Additional Rent which shall be deposited, transferred or credited to the applicable Administrative Service Fund. See **Summary of the Trust Agreements – Funds and Accounts** above. The applicable Lease rental payments, other than those deposited in the applicable Administrative Service Fund, are pledged by the Treasurer pursuant to the applicable Trust Agreement for the payment of Bond Service Charges on the applicable Obligations under the Lease, and the OPFC has assigned those rentals to the Treasurer for the purpose.

The applicable lessee may, at its option, make from time to time prepayments of Basic Rent under its Lease to be used, to the extent allowable pursuant to the applicable Trust Agreement, together with any additional deposit of money of the applicable lessee, for the purchase or redemption of applicable Obligations. It is specifically acknowledged that Additional Rent to be paid for the purpose of the applicable Administrative Service Fund in connection with the Series 2015 Bonds may include any sums necessary to pay any rebate amount or related payment on the Series 2015 Bonds which are not paid from other sources.

Except as described below under **Summary of the Leases – Legislative Appropriations**, the obligation of the applicable lessee to pay Basic Rent and Additional Rent under its Lease shall be absolute and unconditional, and such Basic Rent and Additional Rent shall be payable without any rights of termination, set-off, recoupment, deduction, defense or counterclaim it might have against the OPFC, the Treasurer, the applicable Trustee, or any other Person, and without abatement, suspension, deferment, diminution or reduction for any reason or as the result of any occurrence whatsoever, including without limitation, whether the applicable Projects are ever constructed, installed or made ready for occupancy or are ever used or occupied by the applicable lessee or available for use or occupancy by the applicable lessee, any acts or

circumstances that may constitute an eviction or constructive eviction, failure of consideration, failure of title or frustration of purpose, any damage to or destruction of a Project, the taking by condemnation, eminent domain or operation of law of title to or the right of temporary use of all or any part of a Project, or the disposal of all or any part of a Project.

Project Substitutions and Alterations; Other Rights and Duties

In addition to other rights and privileges under each Lease, the applicable lessee shall have the privilege from time to time of substituting furnishings, equipment and related property in connection with the applicable Projects, provided that such substitution shall not impair the character of the Projects as Capital Facilities useful to the applicable lessee. Any such substituted property shall become part of the Projects for purposes of each Lease, and the replaced property shall become the property of the applicable lessee. The applicable lessee shall also have the privilege of removing any portion of the Projects without substitution for such removed portion; provided, however, that the removal of such portion will not impair the usefulness of the Projects to the applicable lessee.

The applicable lessee shall, subject to applicable laws, have the right at any time and from time to time, without liability to the OPFC, to make or cause to be made such changes, alterations and additions, structural or otherwise, to any portion of the Projects, as the applicable lessee shall deem necessary or desirable in connection with its use of the Projects. All alterations, additions and improvements to the Projects shall become a part of the Projects. The applicable lessee has other rights and duties under each Lease including the right to grant licenses and leases on the Projects with certain restrictions and such other rights it may have under applicable laws. Likewise, the applicable lessee shall have the duties to keep the Projects in good repair and order, comply with applicable law, and keep the Projects free of liens.

Insurance

The OPFC is not to, and shall not be required to, expend any money or do any acts or take any steps affecting or with respect to the maintenance, preservation, operation, insurance, repair, restoration, reconstruction or protection of any Project or any part of any Project.

The applicable lessee shall maintain, or cause to be maintained, general liability insurance and property insurance, including if applicable builders' risk insurance, in an amount that, at a minimum, covers the full replacement cost of Projects funded, in whole or in part, by the State. Insurance proceeds are <u>not</u> Pledged Receipts.

Reserved Right of Amendment

Notwithstanding any other provision of each Lease, the OPFC and the applicable lessee reserve the right to modify or amend the applicable Lease, including any Supplemental Lease, in a duly authorized signed writing. However, no modification or amendment shall impair or reduce the minimum rental requirements of each Lease.

Legislative Appropriations

It is the understanding and agreement of the parties that the applicable lessee will pay rentals required by each Lease solely from moneys <u>separately</u> appropriated by the General Assembly for the purpose and not from funds received from any Project, and that the agreement of the applicable lessee to pay those rentals during any period for which appropriations may lawfully be made by the General Assembly is effective and binding upon the applicable lessee only when and to the extent that moneys have been appropriated for that purpose and for that period. Under the Ohio Constitution, an appropriation may not be made beyond the fiscal biennium. In addition, each Lease may be renewed only for two-year periods. Accordingly, the applicable lessee is obligated to make rental payments under its Lease only for two-year periods, to the extent moneys have been appropriated and are available.

Annually and on or before the first day of each Fiscal Year, the OPFC will submit, or cause to be submitted, to the applicable lessee a written report, prepared and signed by the Treasurer and confirmed by the Director of the State Office of Budget and Management on behalf of the OPFC, setting forth the rental to become due (subject to the lawful availability of appropriations for that rental) as of each rental payment date as established under Supplemental Leases during the ensuing three Fiscal Years. Prior to the issuance of any applicable Additional Bonds, and upon any determination of the OPFC that a different amount than last reported will be required, the OPFC shall submit, or cause to be submitted, to the applicable lessee a revised report, prepared, signed and confirmed as provided above, setting forth the updated required amount. Each revised report will from its date supersede the next previous report made. The applicable lessee agrees that it will include in its estimated budget and in its certificates and supplemental certificates, as provided in Section 126.02 of the Revised Code, the

amounts, at the dates, and for credit to the Special Funds and Accounts, as shown in the reports by the OPFC provided pursuant to each Lease.

Under the terms of each Lease, a failure by the General Assembly to appropriate moneys at least equal to Basic Rent under the applicable Lease, amounts the Treasurer estimates are necessary for Additional Rent and other sums payable under that Lease for the next State fiscal biennium would result in the termination of that Lease at the end of the two-year term then in effect. A Lease will, however, be fully reinstated, as if it had never been terminated, provided the conditions set forth below under **Summary of the Leases – Reinstatement** are met.

The General Assembly may not make appropriations for a period longer than two years. While the Treasurer expects that, for each State fiscal biennium, the General Assembly will appropriate amounts to each applicable lessee sufficient to make its rental payments to the Treasurer under each Lease consistent with the State budget, the General Assembly is not under a legal obligation to make appropriations in accordance with such State budgets for future State fiscal biennia. Accordingly, none of the Treasurer, OPFC, the Mental Health Departments, the DYS or the DNR can make any assurance that appropriations will be made. Failure to appropriate for a particular Lease will not terminate the other Lease. Section 2i of Article VIII of the Ohio Constitution and the Act provide that the Bondholders and book-entry interest owners of the Obligations will have no right to have excises or taxes levied by the General Assembly for the payment of Bond Service Charges on the Obligations.

Remedies

Under each Lease, the OPFC waives, relinquishes and releases any and all rights it may have of re-entry or to take or retake possession of any Project, and covenants and agrees not to exercise any such rights in the event of a failure to make payment of rentals, the occurrence of any other default by the applicable lessee under each Lease, or the termination of each Lease for any reason. **Consequently, the OPFC does not have the remedies generally available to lessors upon default under or termination of a lease and the OPFC and the Treasurer may have no practical remedy to insure that moneys are available for the payment of Bond Service Charges on the Series 2015 Bonds.**

Termination

If the applicable lessee fails to exercise its right to renew the term of its Lease for any Renewal Term, that Lease will terminate at the end of the Renewal Term then in effect. The applicable lessee will be deemed to exercise its renewal right upon the effectiveness of legislation enacted by the General Assembly appropriating sufficient funds to the applicable lessee for the purposes of paying rentals under its Lease. In the event of such a termination of its Lease, the obligation of the applicable lessee to make rental payments to provide moneys to pay Bond Service Charges on those applicable Obligations would terminate. Each Lease also terminates upon payment in full of all Obligations outstanding under the applicable Trust Agreement and all obligations of the Treasurer to Financial Institutions providing Credit Enhancement Facilities in connection with the applicable Obligations. Under the Act and the applicable Trust Agreement, the Trustee may not take possession of, or operate, or sell the Projects in the event of a failure to pay Basic Rent or Additional Rent under the applicable Lease or upon any termination of that Lease.

Reinstatement

Notwithstanding any termination of a Lease, if (a) all overdue installments, if any, of interest on outstanding Obligations, all principal of all Obligations then outstanding which have become due and payable otherwise than by acceleration, if any, in accordance with the terms of the applicable Trust Agreement, and all other sums (including, without limitation, all obligations of the Treasurer to Financial Institutions) then payable under or pursuant to that Trust Agreement (except the principal of and the interest on such Obligations which by such acceleration shall have become due and payable) shall have been paid, and such acceleration, if any, shall have been duly rescinded and annulled, and (b) the General Assembly shall have appropriated funds to enable the applicable lessee to pay or provide for the payment of the amounts to be paid under its Lease as set forth in the latest revised report delivered pursuant to the applicable Lease (which shall at least equal the amounts of Basic Rent payable) for the Initial Term or Renewal Term to be reinstated and the observation and performance of all covenants and agreements on the part of the applicable lessee to be observed or performed under its Lease, then that Lease shall be fully reinstated, as if it had never been terminated.

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APPENDIX C

BOOK-ENTRY SYSTEM; DTC

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 Book-Entry-Only Issuance," Schedule A to Blanket Issuer Letter of Representations (labeled BLOR 06-2013). As such, the State and the Treasurer believe it to be reliable, but take no responsibility for the accuracy or completeness of that information. It has been adapted to the Series 2015 Bonds (the "Bonds") by substituting "Bonds" for "Securities," "Treasurer" for "Issuer" and "Trustee" for "registrar". See also the additional information following those numbered paragraphs.

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Series 2015 Bonds (the "Bonds"). The Bonds will be issued as fully-registered obligations 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 Bond, in the aggregate principal amount of such issue, 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 Bond 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 Standard & Poor's rating of AA+. 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.

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 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 Trustee and request that copies of 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 Treasurer 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments 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 Treasurer or his agent, on 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 Treasurer or his agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Treasurer or his agent, 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 Treasurer or his agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

11. The Treasurer 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 and delivered to DTC.

12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Treasurer believes to be reliable, but the Treasurer takes 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 Treasurer and the Trustee 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 Treasurer and the Trustee 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 Treasurer and the Trustee 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 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 Treasurer and the Trustee 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 will not be or be considered by the State, the Treasurer and the Trustee 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.

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EXHIBIT A

PROPOSED TEXT OF BOND COUNSEL LEGAL OPINION

$50,000,000 State of Ohio (Treasurer of State) Capital Facilities Lease-Appropriation Bonds, Series 2015A (Mental Health Facilities Improvement Fund Projects)

We have examined the transcript of proceedings relating to the issuance by the State Treasurer of Ohio (the "Treasurer"), on behalf of the State of Ohio (the "State"), of the $50,000,000 State of Ohio (Treasurer of State) Capital Facilities Lease-Appropriation Bonds, Series 2015A (Mental Health Facilities Improvement Fund Projects) (the "Series 2015A Bonds"), for the purpose of providing moneys to pay costs of capital facilities to be leased to the Department of Mental Health and Addiction Services and the Department of Developmental Disabilities of the State (collectively, the "Mental Health Departments"). The transcript includes conformed or executed counterparts of the Trust Agreement dated as of May 1, 2012 (the "Trust Agreement") between the State, acting by and through the Treasurer, and The Huntington National Bank, as trustee (the "Trustee"), including in it the General Bond Order of the Treasurer dated May 3, 2012 (the "General Bond Order"), the Series 2015A Supplemental Trust Agreement dated as of March 1, 2015 (the "Series 2015A Supplemental Trust Agreement") between the State, acting by and through the Treasurer, and the Trustee, including in it the Series Order of the Treasurer dated February 24, 2015 (the "Series 2015A Order"), the Lease Agreement dated as of May 1, 2012 (the "Lease Agreement") between the Ohio Public Facilities Commission ("OPFC") and the Mental Health Departments, and the Series 2015A Supplemental Lease Agreement dated as of March 1, 2015 (the "Series 2015A Supplemental Lease Agreement") between OPFC and the Mental Health Departments. We have also examined a conformed copy of a signed and authenticated Series 2015A Bond of the first maturity.

The Series 2015A Bonds are issued under and pursuant to Section 2i of Article VIII of the Ohio Constitution, Chapter 154 of the Ohio Revised Code and other authorizations by the Ohio General Assembly (the "General Assembly"), the Trust Agreement and the Series 2015A Supplemental Trust Agreement.

Based on this examination we are of the opinion that, under existing law:

1. The Series 2015A Bonds are valid and legally binding special obligations of the State in accordance with their terms and provisions; the principal of and interest on the Series 2015A Bonds, together with the principal of and interest on other Obligations (as defined in the Trust Agreement) previously or hereafter issued and outstanding pursuant to the Trust Agreement (collectively with the Series 2015A Bonds, the "Bonds"), are payable from and secured by a first pledge of the Bond Service Account in the Bond Service Fund (the "Bond Service Fund") established by and as provided in the Trust Agreement and Section 154.20 of the Ohio Revised Code and the payments received by such Bond Service Account under the Lease Agreement and supplemental agreements to it constitute "Pledged Receipts" as defined in and subject to the provisions of the Trust Agreement. The Series 2015A Bonds are not otherwise secured and the owners of the Series 2015A Bonds are given no right to have any excises or taxes levied by the General Assembly for the payment of principal or interest.

2. The Trust Agreement and the Series 2015A Supplemental Trust Agreement have been duly authorized, executed and delivered by the Treasurer and constitute legal, valid and binding obligations of the State enforceable in accordance with their terms.

3. The Lease Agreement and Series 2015A Supplemental Lease Agreement have been duly made and entered into by OPFC and the Mental Health Departments and are legal and valid contractual obligations of the parties in accordance with their terms; pursuant to the Lease Agreement, the Mental Health Departments have agreed to pay rentals directly to the Treasurer at least adequate to meet, among other requirements, the principal and interest and any call premium and mandatory sinking fund requirements (the "Bond Service Charges") on all Bonds; pursuant thereto, those rentals are to be paid by the Mental Health Departments from funds appropriated to the Mental Health Departments for that purpose by the General Assembly, and the agreement of the Mental Health Departments to pay those rentals during any two-year period for which appropriations may lawfully be made by the General Assembly is effective and binding upon the Mental Health Departments only when and to the extent that funds have been appropriated and are available for that purpose and for that period; and the General Assembly is not at any time obligated to make appropriations to pay those rentals.

4. Interest on the Series 2015A 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 2015A Bonds earned by certain corporations may be subject to the federal corporate alternative minimum tax.

5. The Series 2015A Bonds, the transfer thereof, and the income therefrom, including any profit made on the sale thereof, are free from taxation within the State of Ohio, 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 other opinion as to the federal or state tax consequences regarding the Series 2015A Bonds.

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

We have assumed for purposes of this opinion the due authorization, execution and delivery by, and the binding effect upon and enforceability against, the Trustee of the Trust Agreement and the Series 2015A Supplemental Trust Agreement. Please be advised that the rights of the owners of the Series 2015A Bonds and the enforceability of the Series 2015A Bonds, the Trust Agreement, the Series 2015A Supplemental Trust Agreement, the Lease Agreement and the Series 2015A Supplemental Lease Agreement are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally heretofore or hereafter enacted, general principles of equity, whether considered at law or in equity, governing specific performance, injunctive relief and other equitable remedies, and the exercise of judicial discretion in appropriate cases.

The opinions expressed herein are given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur. We bring to your attention the fact that our legal opinions are an expression of our professional judgment and are not a guarantee of a result.

Respectfully submitted,

PROPOSED TEXT OF BOND COUNSEL LEGAL OPINION

$20,000,000 State of Ohio (Treasurer of State) Capital Facilities Lease-Appropriation Bonds, Series 2015B (Juvenile Correctional Building Fund Projects)

We have examined the transcript of proceedings relating to the issuance by the State Treasurer of Ohio (the "Treasurer"), on behalf of the State of Ohio (the "State"), of the $20,000,000 State of Ohio (Treasurer of State) Capital Facilities Lease-Appropriation Bonds, Series 2015B (Juvenile Correctional Building Fund Projects) (the "Series 2015B Bonds"), for the purpose of providing moneys to pay costs of capital facilities to be leased to the Department of Youth Services of the State (the "DYS"). The transcript includes executed counterparts of the Trust Agreement dated as of January 1, 2013 (the "Trust Agreement") between the State, acting by and through the Treasurer, and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), including in it the General Bond Order of the Treasurer dated January 15, 2013 (the "General Bond Order"), the Series 2015B Supplemental Trust Agreement dated as of March 1, 2015 (the "Series 2015B Supplemental Trust Agreement") between the State, acting by and through the Treasurer, and the Trustee, including in it the Series Order of the Treasurer dated February 24, 2015 (the "Series 2015B Order"), the Lease Agreement dated as of January 1, 2013 (the "Lease Agreement") between the Ohio Public Facilities Commission ("OPFC") and the DYS, and the Series 2015B Supplemental Lease Agreement dated as of March 1, 2015 (the "Series 2015B Supplemental Lease Agreement") between OPFC and the DYS. We have also examined a conformed copy of a signed and authenticated Series 2015B Bond of the first maturity.

The Series 2015B Bonds are issued under and pursuant to Section 2i of Article VIII of the Ohio Constitution, Chapter 154 of the Ohio Revised Code and other authorizations by the Ohio General Assembly (the "General Assembly"), the Trust Agreement and the Series 2015B Supplemental Trust Agreement.

Based on this examination we are of the opinion that, under existing law:

1. The Series 2015B Bonds are valid and legally binding special obligations of the State in accordance with their terms and provisions; the principal of and interest on the Series 2015B Bonds, together with the principal of and interest on other Obligations (as defined in the Trust Agreement) previously or hereafter issued and outstanding pursuant to the Trust Agreement (collectively with the Series 2015B Bonds, the "Bonds"), are payable from and secured by a first pledge of the Bond Service Account in the Bond Service Fund (the "Bond Service Fund") established by and as provided in the Trust Agreement and Section 154.24 of the Ohio Revised Code and the payments received by such Bond Service Account under the Lease Agreement and supplemental agreements to it constitute "Pledged Receipts" as defined in and subject to the provisions of the Trust Agreement. The Series 2015B Bonds are not otherwise secured and the owners of the Series 2015B Bonds are given no right to have any excises or taxes levied by the General Assembly for the payment of principal or interest.

2. The Trust Agreement and the Series 2015B Supplemental Trust Agreement have been duly authorized, executed and delivered by the Treasurer and constitute legal, valid and binding obligations of the State enforceable in accordance with their terms.

3. The Lease Agreement and Series 2015B Supplemental Lease Agreement have been duly made and entered into by OPFC and the DYS and are legal and valid contractual obligations of the parties in accordance with their terms; pursuant to the Lease Agreement, the DYS has agreed to pay rentals directly to the Treasurer at least adequate to meet, among other requirements, the principal and interest and any call premium and mandatory sinking fund requirements (the "Bond Service Charges") on all Bonds; pursuant thereto, those rentals are to be paid by the DYS from funds appropriated to the DYS for that purpose by the General Assembly, and the agreement of the DYS to pay those rentals during any two-year period for which appropriations may lawfully be made by the General Assembly is effective and binding upon the DYS only when and to the extent that funds have been appropriated and are available for that purpose and for that period; and the General Assembly is not at any time obligated to make appropriations to pay those rentals.

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.

5. The Series 2015B Bonds, the transfer thereof, and the income therefrom, including any profit made on the sale thereof, are free from taxation within the State of Ohio, 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 other opinion as to the federal or state tax consequences regarding the Series 2015B Bonds.

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 Treasurer, the State, the OPFC and the DYS. 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.

We have assumed for purposes of this opinion the due authorization, execution and delivery by, and the binding effect upon and enforceability against, the Trustee of the Trust Agreement and the Series 2015B Supplemental Trust Agreement. Please be advised that the rights of the owners of the Series 2015B Bonds and the enforceability of the Series 2015B Bonds, the Trust Agreement, the Series 2015B Supplemental Trust Agreement, the Lease Agreement and the Series 2015B Supplemental Lease Agreement are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally heretofore or hereafter enacted, general principles of equity, whether considered at law or in equity, governing specific performance, injunctive relief and other equitable remedies, and the exercise of judicial discretion in appropriate cases.

The opinions expressed herein are given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur. We bring to your attention the fact that our legal opinions are an expression of our professional judgment and are not a guarantee of a result.

Respectfully submitted,

PROPOSED TEXT OF BOND COUNSEL LEGAL OPINION

$40,000,000 State of Ohio (Treasurer of State) Capital Facilities Lease-Appropriation Bonds, Series 2015A (Parks and Recreation Improvement Fund Projects)

We have examined the transcript of proceedings relating to the issuance by the State Treasurer of Ohio (the "Treasurer"), on behalf of the State of Ohio (the "State"), of the $40,000,000 State of Ohio (Treasurer of State) Capital Facilities Lease-Appropriation Bonds, Series 2015A (Parks and Recreation Improvement Fund Projects) (the "Series 2015A Bonds"), for the purpose of providing moneys to pay costs of capital facilities to be leased to the Department of Natural Resources of the State (the "DNR"). The transcript includes executed counterparts of the Trust Agreement dated as of May 1, 2012 (the "Trust Agreement") between the State, acting by and through the Treasurer, and U.S. Bank National Association, as trustee (the "Trustee"), including in it the General Bond Order of the Treasurer dated May 3, 2012 (the "General Bond Order"), the Series 2015A Supplemental Trust Agreement dated as of March 1, 2015 (the "Series 2015A Supplemental Trust Agreement") between the State, acting by and through the Treasurer, and the Trustee, including in it the Series Order of the Treasurer dated February 24, 2015 (the "Series 2015A Order"), the Lease Agreement dated as of May 1, 2012 (the "Lease Agreement") between the Ohio Public Facilities Commission ("OPFC") and the DNR, and the Series 2015A Supplemental Lease Agreement dated as of March 1, 2015 (the "Series 2015A Supplemental Lease Agreement") between OPFC and the DNR. We have also examined a conformed copy of a signed and authenticated Series 2015A Bond of the first maturity.

The Series 2015A Bonds are issued under and pursuant to Section 2i of Article VIII of the Ohio Constitution, Chapter 154 of the Ohio Revised Code and other authorizations by the Ohio General Assembly (the "General Assembly"), the Trust Agreement and the Series 2015A Supplemental Trust Agreement.

Based on this examination we are of the opinion that, under existing law:

1. The Series 2015A Bonds are valid and legally binding special obligations of the State in accordance with their terms and provisions; the principal of and interest on the Series 2015A Bonds, together with the principal of and interest on other Obligations (as defined in the Trust Agreement) previously or hereafter issued and outstanding pursuant to the Trust Agreement (collectively with the Series 2015A Bonds, the "Bonds"), are payable from and secured by a first pledge of the Bond Service Account in the Bond Service Fund (the "Bond Service Fund") established by and as provided in the Trust Agreement and Section 154.22 of the Ohio Revised Code and the payments received by such Bond Service Account under the Lease Agreement and supplemental agreements to it constitute "Pledged Receipts" as defined in and subject to the provisions of the Trust Agreement. The Series 2015A Bonds are not otherwise secured and the owners of the Series 2015A Bonds are given no right to have any excises or taxes levied by the General Assembly for the payment of principal or interest.

2. The Trust Agreement and the Series 2015A Supplemental Trust Agreement have been duly authorized, executed and delivered by the Treasurer and constitute legal, valid and binding obligations of the State enforceable in accordance with their terms.

3. The Lease Agreement and Series 2015A Supplemental Lease Agreement have been duly made and entered into by OPFC and the DNR and are legal and valid contractual obligations of the parties in accordance with their terms; pursuant to the Lease Agreement, the DNR has agreed to pay rentals directly to the Treasurer at least adequate to meet, among other requirements, the principal and interest and any call premium and mandatory sinking fund requirements (the "Bond Service Charges") on all Bonds; pursuant thereto, those rentals are to be paid by the DNR from funds appropriated to the DNR for that purpose by the General Assembly, and the agreement of the DNR to pay those rentals during any two-year period for which appropriations may lawfully be made by the General Assembly is effective and binding upon the DNR only when and to the extent that funds have been appropriated and are available for that purpose and for that period; and the General Assembly is not at any time obligated to make appropriations to pay those rentals.

4. Interest on the Series 2015A 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 2015A Bonds earned by certain corporations may be subject to the federal corporate alternative minimum tax.

5. The Series 2015A Bonds, the transfer thereof, and the income therefrom, including any profit made on the sale thereof, are free from taxation within the State of Ohio, 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 other opinion as to the federal or state tax consequences regarding the Series 2015A Bonds.

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

We have assumed for purposes of this opinion the due authorization, execution and delivery by, and the binding effect upon and enforceability against, the Trustee of the Trust Agreement and the Series 2015A Supplemental Trust Agreement. Please be advised that the rights of the owners of the Series 2015A Bonds and the enforceability of the Series 2015A Bonds, the Trust Agreement, the Series 2015A Supplemental Trust Agreement, the Lease Agreement and the Series 2015A Supplemental Lease Agreement are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally heretofore or hereafter enacted, general principles of equity, whether considered at law or in equity, governing specific performance, injunctive relief and other equitable remedies, and the exercise of judicial discretion in appropriate cases.

The opinions expressed herein are given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur. We bring to your attention the fact that our legal opinions are an expression of our professional judgment and are not a guarantee of a result.

Respectfully submitted,