Revenue Summaries

This section summarizes the revenue that is estimated to be received by the state in fiscal years 2012 and 2013. It is important to note that because all revenue that the state anticipates receiving in fiscal years 2012 and 2013 is summarized in this section, the revenue summaries include anticipated revenue that is not proposed for spending in this Executive Budget.

Detailed information on the economic forecast that drives the state's revenue estimates and the methods used to prepare the estimates are provided in Section B - Economic Forecast.

This section contains three pie charts that show summaries of the state's revenue estimates. Each is listed and described below.

Figure C-1, Total GRF Revenues Pie Chart: This pie chart shows the total estimated General Revenue Fund (GRF) revenue by major revenue source. All revenue from major state taxes (personal income tax, sales and use tax, business taxes, etc.) is deposited into the GRF along with revenue received from the federal government as reimbursement to the state for certain GRF expenditures made by the Department of Job and Family Services.

Figure C-2, State-Only GRF Revenue Pie Chart: The federal revenue deposited in the GRF is substantial. It is estimated to be $16.0 billion during the fiscal year 2012-2013 biennium. But the inclusion of this federal revenue in the GRF somewhat distorts the role that state tax revenue plays in financing state programs. State tax revenues, not federal reimbursements for human services programs, provide the majority of GRF revenues. To make this clear, this pie chart (labeled "State-Only GRF"), shows GRF revenue by major revenue source excluding the federal reimbursements for GRF spending that the state deposits into the GRF. Approximately 97.2 percent of the state's non-federal GRF revenue is from tax receipts.

Figure C-3, All Funds Revenue: The "all funds" pie chart illustrates how all operating budget revenue is split among the different types of state funds. The GRF provides about 46.4 percent of revenue used for all purposes. In order to create this pie chart, the state's 44 budget fund groups have been grouped into the following fund types:

General Funds
Budget Stabilization
Education Improvement
General Revenue
General Services

Special Revenue Funds
Advanced Energy
Clean Ohio Conservation Pgm
Coal Research & Dev.
Cultural & Sports Fac. Bldg.
Facilities Establishment
Federal Special Revenue
Higher Education Imprv.
Highway Operating
Highway Safety

Capital Projects Funds
Administrative Building
Adult Correctional Building
Highway Capital Improvement
Highway Safety Building
Infrastructure Bank Oblig.
Juvenile Correctional Building
Mental Health Fac. Imprv.
Local Transportation Imprv.
Lottery Profit Education
Revenue Distribution
School Building Assistance
State Special Revenue
Third Frontier Rsrch. & Dev.
Tobacco Settlement
Waterways Safety
Wildlife

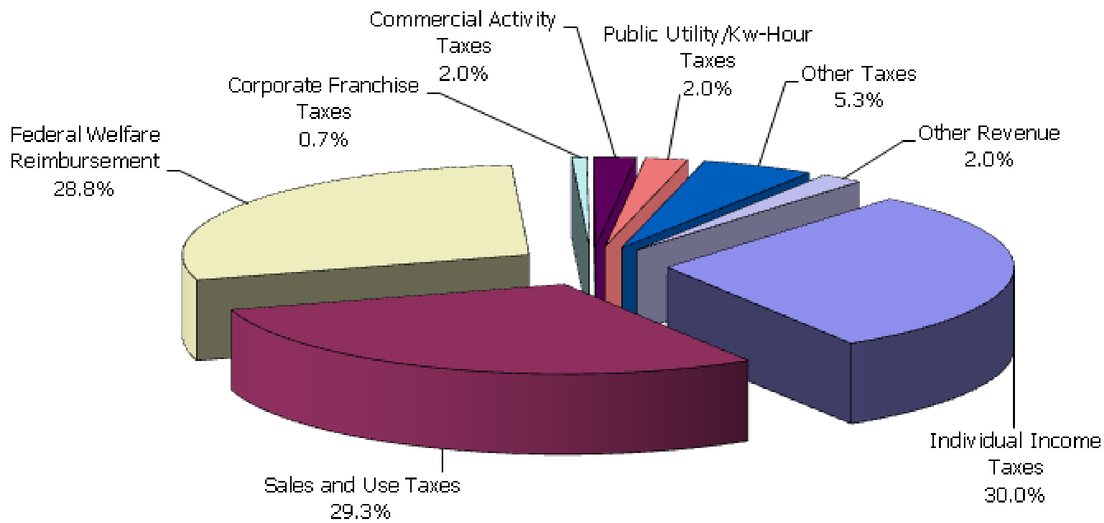
Debt Service Funds
Debt Service
Ohio Parks & Natural Resources
Parks & Recreation Imprv.
Transportation Building

Enterprise Funds
Liquor Control
Office of Auditor of State
State Lottery
Underground Parking
Workers' Compensation

Agency Funds
Accrued Leave Liability
Agency
Holding Account Redistrib.
Volunteer Firefighter Dep.

In this section (Section C) of the Executive Budget, in addition to revenue summary information, the reader will find summaries of historical and recommended spending, fund balances, and state personnel. The spending section begins on page C-6.

Figure C-1: Total GRF – Estimated Revenues for FYs 2012 and 2013



Estimated GRF Revenues (dollars in millions)

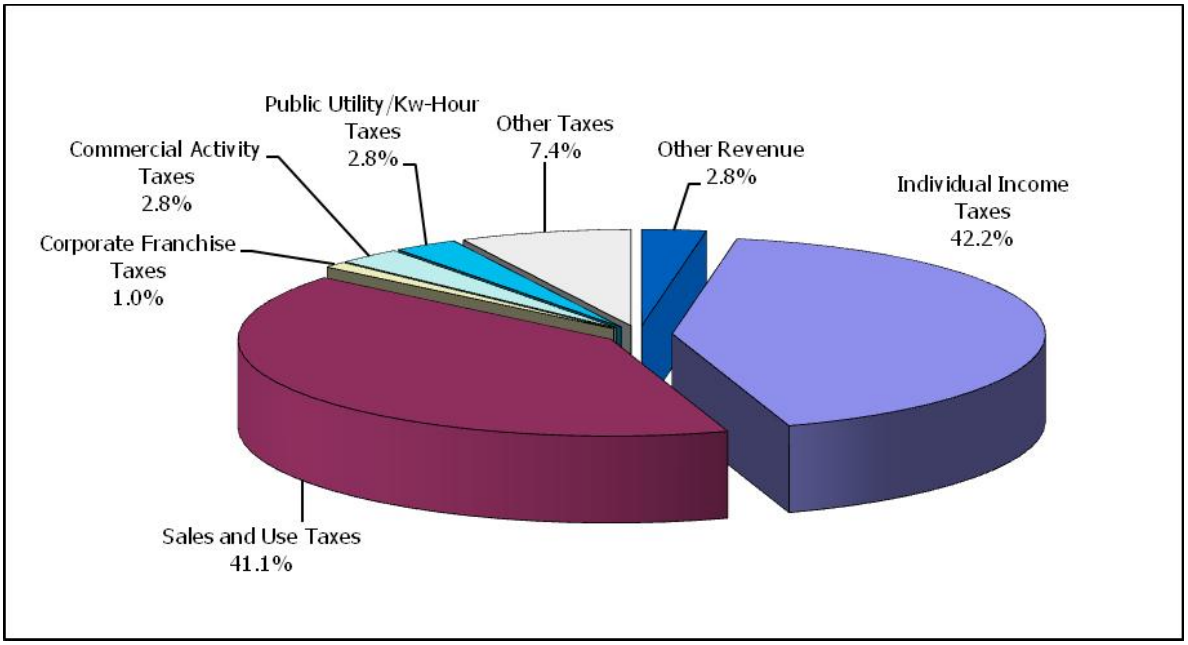
Revenue Source	FY 2012	FY 2013	Total
Individual Income Taxes	$ 8,098.0	$ 8,624.1	$ 16,722.1
Sales and Use Taxes	$ 7,929.1	$ 8,363.1	$ 16,292.2
Federal Grants & Reimbursement	$ 7,547.5	$ 8,494.2	$ 16,041.6
Corporate Franchise Taxes	$ 195.0	$ 200.0	$ 395.0
Commercial Activity Taxes	$ 363.2	$ 735.0	$ 1,098.2
Public Utility/Kilowatt-Hour Taxes	$ 523.1	$ 574.4	$ 1,097.5
Other Taxes	$ 1,474.3	$ 1,467.9	$ 2,942.2
Other Revenue	$ 847.3	$ 258.1	$ 1,105.5
Total	**$ 26,977.5**	**$ 28,716.9**	**$ 55,694.4**

Note: Numbers may not add to total due to rounding.
Source: Ohio Office of Budget and Management, March 2011

What This Chart Shows

This pie chart shows the proportional contribution that each revenue source makes toward the state's GRF. All revenue coming into the State Treasury that is not specifically authorized by law to be placed in another fund is deposited in the GRF.

Figure C-2: State-Only GRF – Estimated Revenues for FYs 2012 and 2013



Estimated State-Only GRF Revenues (dollars in millions)

Revenue Source	FY 2012	FY 2013	Total
Individual Income Taxes	$ 8,098.0	$ 8,624.1	$ 16,722.1
Sales and Use Taxes	$ 7,929.1	$ 8,363.1	$ 16,292.2
Corporate Franchise Taxes	$ 195.0	$ 200.0	$ 395.0
Commercial Activity Taxes	$ 363.2	$ 735.0	$ 1,098.2
Public Utility/Kilowatt-Hour Taxes	$ 523.1	$ 574.4	$ 1,097.5
Other Taxes	$ 1,474.3	$ 1,467.9	$ 2,942.2
Other Revenue	$ 847.3	$ 258.1	$ 1,105.5
Total	**$ 19,430.1**	**$ 20,222.7**	**$ 39,652.7**

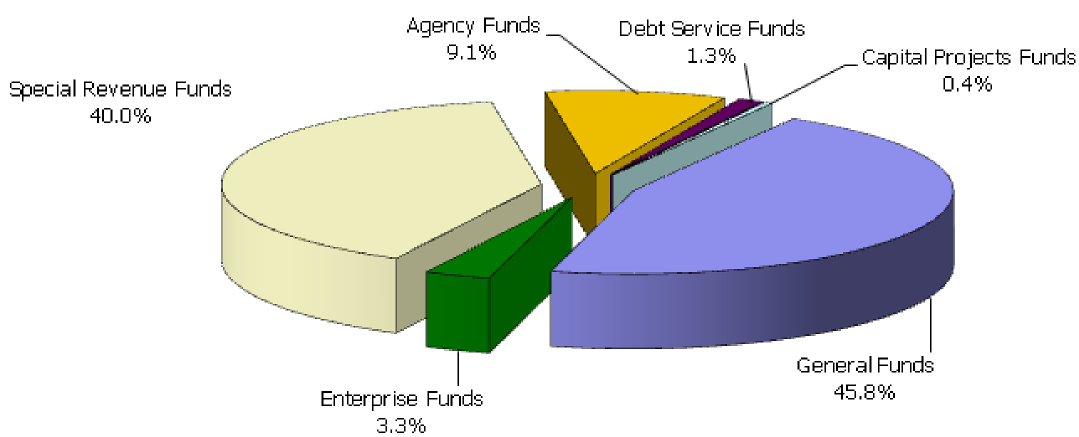
Note: Numbers may not add to total due to rounding.
Source: Ohio Office of Budget and Management, March 2011

Please Note: These figures do not include $16,041.6 million of estimated federal revenue ($7,547.5 million in FY 2012 and $8,494.2 million in FY 2013) in the GRF.

What This Chart Shows

This pie chart shows the proportional contribution that each revenue source, except federal reimbursements, makes toward the state's GRF. Approximately 97.2 percent of the revenue represented in this chart comes from state tax receipts, which are paid by individuals and companies living, working, and doing business in Ohio.

Figure C-3: All Funds – Estimated Revenues for FYs 2012 and 2013



All Funds Estimated Revenues (dollars in millions)

Revenue Source	FY 2012	FY 2013	Total
General Funds	$ 28,451.5	$ 30,238.0	$ 58,689.5
Enterprise Funds	$ 2,148.0	$ 2,121.7	$ 4,269.7
Special Revenue Funds	$ 25,982.2	$ 25,279.6	$ 51,261.8
Agency Funds	$ 5,779.3	$ 5,941.2	$ 11,720.5
Debt Service Funds	$ 597.8	$ 1,059.4	$ 1,657.2
Capital Projects Funds	$ 204.0	$ 316.0	$ 520.0
Total	**$ 63,162.8**	**$ 64,955.9**	**$ 128,118.7**

Note: Numbers may not add to total due to rounding.
Source: Ohio Office of Budget and Management, March 2011

What This Chart Shows

This pie chart shows the different types of state funds into which all the state's estimated revenue is deposited. General Funds account for revenue that is traditionally associated with government that is not required to be accounted for in other funds. Enterprise Funds account for operations financed and operated in a manner similar to a private business. Special Revenue Funds account for revenue that is legally restricted to specific purposes. Agency_Funds include moneys received, held and disbursed by the state as a custodian or agent. Debt Service Funds account for revenue used to pay the principal and interest on general long-term debt. Capital Projects Funds account for the acquisition of fixed assets and construction and repair of capital facilities other than those financed by enterprise service funds.

The charts and tables in this section summarize the spending recommended by Governor Kasich for the fiscal year 2012-2013 biennium. Three pie charts appear first, followed by two tables. The charts and tables are listed below with a brief description of what each one shows.

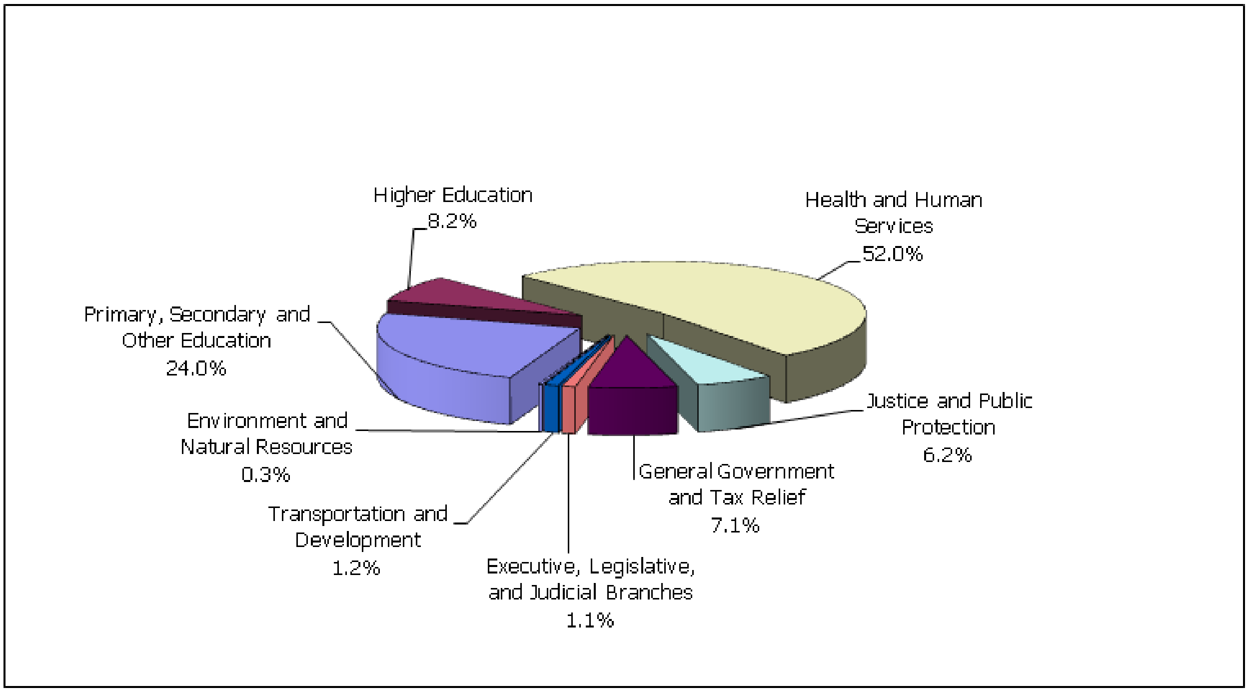
Figure C-4, Total GRF Appropriations Pie Chart: This pie chart shows the Governor's recommended appropriations for the total General Revenue Fund (GRF) by major spending category. All revenue from major state taxes (income tax, sales tax, business taxes, etc.) is deposited into and appropriated from the GRF along with revenue received from the federal government as reimbursement to the state for certain GRF expenditures made by the Department of Job and Family Services.

Figure C-5, State-Only GRF Appropriations Pie Chart: While tax revenue makes up the great majority of the GRF, the GRF also includes revenue that the state receives from the federal government as reimbursement for certain GRF expenditures. This "federal share" of GRF spending for these programs is substantial. It is estimated to be $16.2 billion during the FY 2012-13 biennium. The federal share of GRF spending somewhat distorts the role that state tax revenue plays in financing state programs because state taxes, not federal reimbursements for human services programs, finance the majority of GRF spending. To make this clear, Figure C-5 shows recommended GRF appropriations by major spending category without the federal share of the GRF.

Figure C-6, All Funds Appropriations Pie Chart: The third chart that summarizes recommended appropriations is Figure C-6. The "all funds" chart shows how all recommended operating budget appropriations for the fiscal year 2012-13 biennium are split among the major spending categories.

Figure C-7, Expense Account Category Summary: This table shows actual (fiscal years 2008 to 2010) and estimated (fiscal year 2011) spending and recommended appropriations (fiscal years 2012 and 2013) by expense account category. This information is shown for the GRF and for all funds.

Figure C-4: Total GRF – Recommended Appropriations for FYs 2012 and 2013



Recommended GRF Appropriations (dollars in millions)

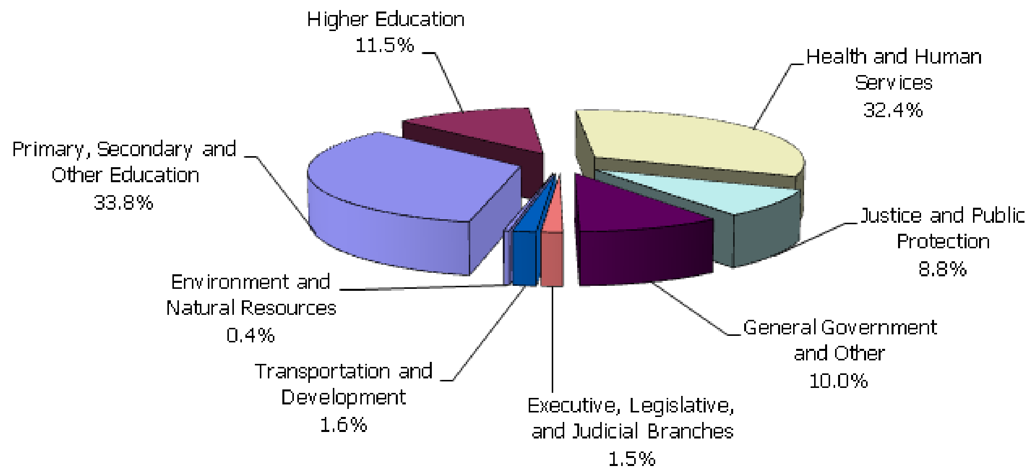
Function		FY 2012		FY 2013		Total
Primary, Secondary and Other Education	$	6,522.8	$	6,803.8	$	13,326.7
Higher Education	$	2,223.5	$	2,306.3	$	4,529.8
Health and Human Services	$	13,847.3	$	15,022.1	$	28,869.5
Justice and Public Protection	$	1,732.2	$	1,731.9	$	3,464.1
General Government and Other	$	1,938.8	$	1,983.0	$	3,921.7
Executive, Legislative and Judicial Branches	$	298.1	$	296.9	$	594.9
Transportation and Development	$	257.7	$	387.2	$	644.9
Environment and Natural Resources	$	72.0	$	90.9	$	162.9
Total	**$**	**26,892.3**	**$**	**28,622.1**	**$**	**55,514.5**

Note: Numbers may not add to total due to rounding.
Source: Ohio Office of Budget and Management, March 2011

What This Chart Shows

This pie chart shows the share of the state's GRF that is used for each major function of state government. The GRF is the state's largest single fund and it finances about one-half of all state government activities.

Figure C-5: State-Only GRF – Recommended Appropriations for FYs 2012 and 2013



Recommended State-Only GRF Appropriations (dollars in millions)

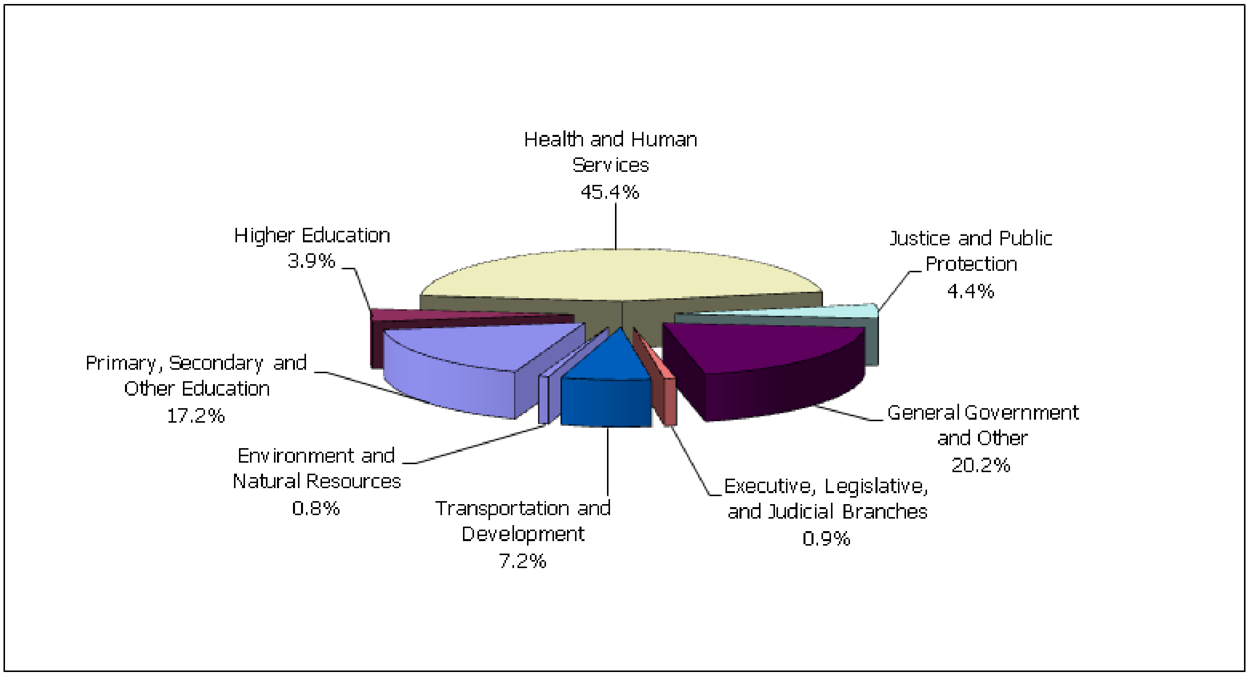
Function		FY 2012		FY 2013		Total
Primary, Secondary and Other Education	$	6,522.8	$	6,803.8	$	13,326.7
Higher Education	$	2,223.5	$	2,306.3	$	4,529.8
Health and Human Services	$	6,262.0	$	6,485.3	$	12,747.2
Justice and Public Protection	$	1,732.2	$	1,731.9	$	3,464.1
General Government and Other	$	1,938.8	$	1,983.0	$	3,921.7
Executive, Legislative and Judicial Branches	$	298.1	$	296.9	$	594.9
Transportation and Development	$	257.7	$	387.2	$	644.9
Environment and Natural Resources	$	72.0	$	90.9	$	162.9
Total	**$**	**19,307.0**	**$**	**20,085.2**	**$**	**39,392.2**

Note: Numbers may not add to total due to rounding.
Source: Ohio Office of Budget and Management, March, 2011

What This Chart Shows

This pie chart shows the share of the tax revenue portion of the GRF that is used for each major function of state government. The federal share of the proposed GRF appropriations for the Department of Job and Family Services is not shown in order to give a truer picture of how state tax dollars are spent.

Figure C-6: All Funds – Recommended Appropriations for FYs 2012 and 2013



All Funds Recommended Appropriations (dollars in millions)

Function		FY 2012		FY 2013		Total
Primary, Secondary and Other Education	$	10,443.6	$	10,137.6	$	20,581.2
Higher Education	$	2,299.4	$	2,384.5	$	4,683.9
Health and Human Services	$	26,732.9	$	27,537.0	$	54,269.9
Justice and Public Protection	$	2,621.2	$	2,618.5	$	5,239.7
General Government and Other	$	12,020.6	$	12,092.4	$	24,113.0
Executive, Legislative and Judicial Branches	$	563.0	$	555.6	$	1,118.7
Transportation and Development	$	4,192.8	$	4,357.2	$	8,550.0
Environment and Natural Resources	$	486.4	$	498.4	$	984.8
Total	**$**	**59,360.0**	**$**	**60,181.1**	**$**	**119,541.1**

Note: Numbers may not add to total due to rounding.
Source: Ohio Office of Budget and Management, January 2011

What This Chart Shows

This pie chart shows how the total state operating budget is split among the major functions of state government. The General Government function is a much larger share of the all funds pie chart than it is of the GRF because pie chart revenue distribution funds are included in this category. For more information about these funds, see the Revenue Distribution Fund narrative in section D.

Figure C-7: Expense Account Category Summary, Fiscal Years 2008 to 2013
(dollars in millions)
(continued on next page)

		FY 2008 Actual	% of Total		FY 2009 Actual	% of Total		FY 2010 Actual	% of Total
General Revenue Fund									
Personal Service	$	2,030.7	7.9%	$	2,006.0	7.5%	$	1,845.0	7.6%
Purchased Personal Services	$	330.8	1.3%	$	340.4	1.3%	$	265.0	1.1%
Maintenance	$	541.2	2.1%	$	547.7	2.0%	$	428.6	1.8%
Equipment	$	45.8	0.2%	$	19.3	0.1%	$	5.9	0.0%
Total Operating	$	2,948.5	11.5%	$	2,913.4	10.9%	$	2,544.5	10.5%
Subsidy	$	21,447.6	83.4%	$	22,663.4	84.6%	$	20,667.3	85.6%
Goods for Resale	$	-	0.0%	$	-	0.0%	$	-	0.0%
Capital	$	0.6	0.0%	$	0.3	0.0%	$	0.2	0.0%
Transfers and Other	$	1,327.5	5.2%	$	1,206.0	4.5%	$	928.9	3.8%
Total Expense	$	25,724.2	100.0%	$	26,783.1	100.0%	$	24,140.9	100.0%
All Funds									
Personal Service	$	4,396.1	8.3%	$	4,487.8	8.0%	$	4,361.6	7.8%
Purchased Personal Services	$	1,108.4	2.1%	$	1,331.3	2.4%	$	914.4	1.6%
Maintenance	$	1,490.7	2.8%	$	1,528.7	2.7%	$	1,328.2	2.4%
Equipment	$	178.7	0.3%	$	133.6	0.2%	$	116.4	0.2%
Total Operating	$	7,173.9	13.5%	$	7,481.4	13.4%	$	6,720.6	12.0%
									0.0%
Subsidy	$	33,709.4	63.4%	$	36,192.2	64.6%	$	37,219.0	66.7%
Goods for Resale	$	522.8	1.0%	$	536.4	1.0%	$	533.4	1.0%
Capital	$	1,874.0	3.5%	$	1,856.6	3.3%	$	1,792.7	3.2%
Transfers and Other	$	9,909.5	18.6%	$	9,959.9	17.8%	$	9,517.3	17.1%
Total Expense		53,189.6	1.0		56,026.4	1.0		55,783.1	1.0

Note: Figures may not add to total due to rounding
Source: Ohio Office of Budget and Management, March 2011

Figure C-7: Expense Account Category Summary, Fiscal Years 2008 to 2013
(dollars in millions)
(continued from previous page)

	FY 2011 Estimate	% of Total	Recommended FY 2012	% of Total	FY 2013	% of Total
General Revenue Fund						
Personal Service	$ 1,926.5	7.2%	$ 1,912.8	7.1%	$ 1,810.3	6.3%
Purchased Personal Services	$ 246.7	0.9%	$ 280.1	1.0%	$ 300.6	1.1%
Maintenance	$ 453.4	1.7%	$ 433.8	1.6%	$ 409.9	1.4%
Equipment	$ 14.8	0.1%	$ 13.0	0.0%	$ 14.9	0.1%
Total Operating	$ 2,641.4	9.9%	$ 2,639.7	9.8%	$ 2,535.7	8.9%
Subsidy	$ 22,845.5	85.8%	$ 23,435.6	87.1%	$ 24,718.0	86.4%
Goods for Resale	$ -	0.0%	$ -	0.0%	$ -	0.0%
Capital	$ 0.2	0.0%	$ -	0.0%	$ -	0.0%
Transfers	$ 1,124.4	4.2%	$ 817.0	3.0%	$ 1,368.4	4.8%
Total Expense	$ 26,611.4	100.0%	$ 26,892.3	100.0%	$ 28,622.1	100.0%
All Funds						
Personal Service	$ 4,852.5	7.7%	$ 4,764.4	8.0%	$ 4,546.2	7.6%
Purchased Personal Services	$ 1,350.2	2.2%	$ 1,108.5	1.9%	$ 1,081.8	1.8%
Maintenance	$ 1,665.7	2.7%	$ 1,484.7	2.5%	$ 1,482.5	2.5%
Equipment	$ 207.3	0.3%	$ 163.5	0.3%	$ 170.7	0.3%
Total Operating	$ 8,075.7	12.9%	$ 7,521.1	12.7%	$ 7,281.2	12.1%
Subsidy	$ 43,878.8	70.0%	$ 40,007.2	67.4%	$ 40,652.4	67.6%
Goods for Resale	$ 631.7	1.0%	$ 586.9	1.0%	$ 160.5	0.3%
Capital	$ 1,890.5	3.0%	$ 1,759.8	3.0%	$ 1,898.0	3.2%
Transfers	$ 8,182.4	13.1%	$ 9,485.1	16.0%	$ 10,189.1	16.9%
Total Expense	$ 62,659.1	100.0%	$ 59,360.0	100.0%	$ 60,181.1	100.0%

Note: Figures may not add to total due to rounding

Source: Ohio Office of Budget and Management, March 2011

Fund Balance Summaries Overview

The purpose of this section is to summarize the state's estimated ending fund balances for fiscal years 2012 and 2013. For the state's General Revenue Fund (GRF) and Budget Stabilization Fund, the planned fund balances for these two funds are shown, in Figure C-8 and Figure C-9, in the context of a 10-year history of ending balances. Fund balance calculations for fiscal years 2012 and 2013 are shown in Figure C-9 for the state's GRF and for other major budget fund groups. Some small or minor budget fund groups are combined for the purposes of these fund balance calculations.

Fund Balance Calculations by Fund Type and Budget Fund Group

The state has over 1,000 funds that are active in the Ohio Administrative Knowledge System as of January 2011. Each of these funds is assigned to one of 44 budget fund groups. For financial reporting purposes, each of the 44 fund groups is assigned to one of six fund types. The state's six fund types are as follows: General Funds, Enterprise Funds, Special Revenue Funds, Agency Funds, Debt Service Funds, and Capital Projects Funds. The relationship between the six fund types and the 44 budget fund groups is shown on pages C-1 and C-2 of the Executive Budget. The fund types and budget fund groups for which fund balance calculations are shown in Figure C-10 are described below.

Fund Type: General Funds: Fund balance calculations are shown for the GRF (which is the only fund in the General Revenue Budget Fund Group) and the General Services Budget Fund Group. A fund balance calculation is also shown for All Other General Funds.

Fund Type: Enterprise Funds: Fund balance calculations are shown for each of the five enterprise fund groups: Workers' Compensation, Liquor Control, State Lottery, Underground Parking, and Office of Auditor of State.

Fund Type: Special Revenue Funds: Fund balance calculations are shown for these special revenue fund groups: Federal Special Revenue, Highway Operating, Highway Safety, Revenue Distribution, State Special Revenue, Waterways Safety, and Wildlife. A calculation is also shown for All Other Special Revenue Fund Groups.

Fund Type: Agency Funds: A fund balance calculation is shown for the Agency Fund Group.

Fund Type: Debt Service Funds: A fund balance calculation is shown for the Debt Service Fund Group.

Fund Type: Capital Projects Funds: A fund balance calculation is shown for the Capital Projects Fund Group.

Fund Balances for the General Revenue Fund and the Budget Stabilization Fund

The GRF balance at the end of a fiscal year is one measure used by state officials and independent financial analysts to assess a state's financial management practices and its financial condition. In addition, the Ohio Constitution requires the state to maintain a balanced budget. The budget proposed by the Governor for fiscal years 2012 and 2013 will provide an ending fund balance of 0.5 percent of the previous year annual GRF revenue, as required by law each year, as Figure C-8 and Figure C-9 show.

Another measure of the financial health of a state is whether the state has a budget stabilization fund and, if it does, what balances are being maintained in the fund. Since 1981, Ohio has had a budget stabilization fund. And, as seen in Figure C-8 and Figure C-9, the fiscal year ending balances in the fund have varied greatly during the ten fiscal years that are shown.

Prudent fiscal management policy further suggests that a state achieve a Budget Stabilization Fund (BSF) balance equal to approximately five percent of annual GRF revenues. Ohio had reached this goal prior to the 2000-2001 recession. However, the state was forced to use the BSF in the fiscal year 2002-2003 biennium to offset declines in revenue growth and the large increases in Medicaid expenditures that resulted from that recession. During fiscal years 2005 and 2006, the state was able to replenish the balance of the BSF to the point at which it held $1.012.3 billion. However, this balance was depleted at the end of fiscal year 2009 in response to decreases in revenues as a result of the 2007 to 2009 recession. At present the balance is negligible.

Figure C-8: History of Ending Fund Balances for the General Revenue Fund and the Budget Stabilization Fund, FYs 2004 to 2013
(dollars in millions)

Date	Ending Balance	% of GRF Revenues	Ending Balance	% of GRF Revenues
Est. 6/30/13	$135.1	0.5%	$0.0	0.0%
Est. 6/30/12	$143.1	0.5%	$0.0	0.0%
Est. 6/30/11	$124.8	0.5%	$0.0	0.0%
6/30/2010	$139.1	0.5%	$0.0	0.0%
6/30/2009	$389.1	1.5%	$0.0	0.0%
6/30/2008	$807.6	3.1%	$1,012.3	3.9%
6/30/2007	$215.5	0.8%	$1,012.3	3.9%
6/30/2006	$631.9	2.6%	$1,010.7	4.2%
6/30/2005	$138.4	0.5%	$574.9	2.3%
6/30/2004	$157.5	0.7%	$180.7	0.8%

Figure C-9: GRF and BSF Ending Balances as a Share of Annual GRF Revenues, FYs 2004 to 2013

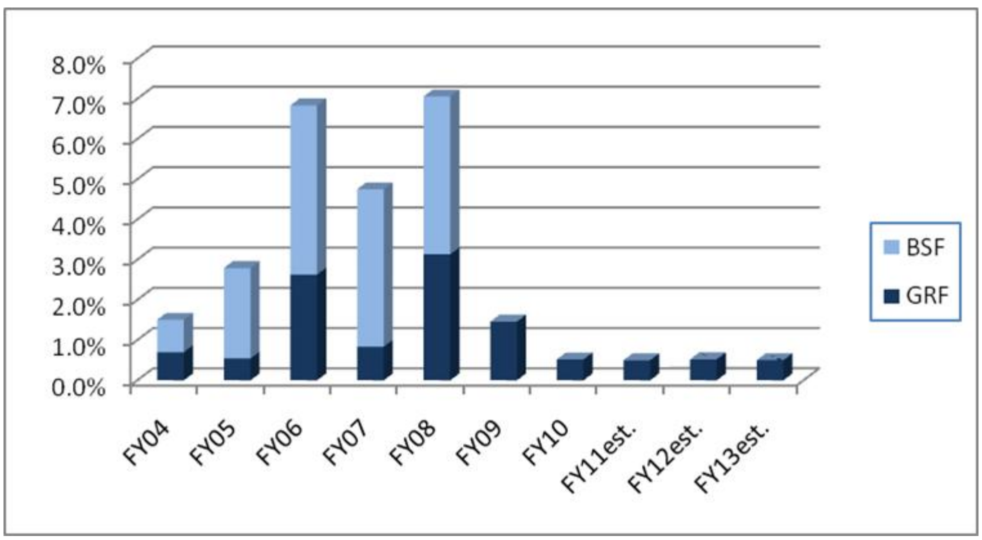


Figure C-10: Fund Balance Calculations by GAAP Fund Type and Budget Fund Group for FYs 2012 and 2013 (dollars in millions)

	GENERAL FUNDS			ENTERPRISE FUNDS				SPECIAL REVENUE FUNDS	
	GENERAL REVENUE	GENERAL SERVICES	OTHER GENERAL FUNDS	WORKERS COMPENSATION	LIQUOR CONTROL	STATE LOTTERY	OTHER ENTERPRISE FUNDS	FEDERAL SPECIAL REVENUE	HIGHWAY OPERATING
FY 2012 est. Begininning Balance	124.8	1,107.3	0.0	62.9	24.1	1,122.1	22.3	615.7	2,105.8
Estimated Revenue									
Taxes	18,582.7	15.2					0.1		770.5
Federal Grants	7,547.5	99.1						11,986.7	1,684.9
Licenses and Fees	62.0	116.7			1.2	0.0	6.8	0.3	78.5
Other Income	670.5	1,205.6		364.6	724.6	998.1	40.6	2,135.0	146.6
Transfers In	114.8	37.4	0.0			12.0		18.8	535.0
Total Resources Available	27,102.3	2,581.3	0.0	427.6	749.9	2,132.3	69.7	14,756.6	5,321.2
Proposed Expenditures									
Primary, Sec & Other Educ	6,372.2	52.2						2,324.4	
Higher Education	2,156.1	22.1						34.0	
Public Assistance & Medicaid	13,806.3								
Health and Human Services	0.0	693.0						9,937.2	
Justice & Public Protection	1,937.0	170.7						211.0	
Environ & Natural Resources	66.6	36.6						71.4	
Transportation	10.2	0.0							2,615.1
General Government	279.5	499.2		347.7	571.4	332.5	47.4	30.8	
Commerce & Econ Development	1,804.9	48.5						452.8	
Other Spending	459.8	0.2							
Transfers Out	66.8	4.1			150.1	727.0		4.1	270.0
Total Proposed Expenditures	26,959.4	1,526.7		347.7	721.5	1,059.5	47.4	13,065.9	2,885.1
Projected Lapses									
FY 2012 est. Ending Balance	142.9	1,054.7	0.0	79.9	28.4	1,072.8	22.3	1,690.7	2,436.1

Figure C-10: Fund Balance Calculations by GAAP Fund Type and Budget Fund Group for FYs 2012 and 2013
(dollars in millions)

	GENERAL FUNDS			ENTERPRISE FUNDS				SPECIAL REVENUE FUNDS	
	GENERAL REVENUE	GENERAL SERVICES	OTHER GENERAL FUNDS	WORKERS COMPENSATION	LIQUOR CONTROL	STATE LOTTERY	OTHER ENTERPRISE FUNDS	FEDERAL SPECIAL REVENUE	HIGHWAY OPERATING
FY 2013 est. Begininning Balance	142.9	1,054.7	0.0	79.9	28.4	1,072.8	22.3	1,690.7	2,436.1
Taxes	19,964.5	15.2					0.1		770.5
Federal Grants	8,494.2	104.1						11,817.9	1,350.5
Licenses and Fees	62.0	124.4			1.2	0.0	6.8	1.1	78.5
Other Income	158.0	1,239.5		363.4	735.1	962.1	41.0	2,195.4	146.6
Transfers In	38.1	38.0				12.0		16.3	535.0
Total Resources Available	28,859.7	2,575.9	0.0	443.3	764.7	2,046.9	70.2	15,721.4	5,317.2
Proposed Expenditures									
Primary, Sec & Other Educ	6,461.9	52.2						2,025.4	
Higher Education	2,149.2	22.2						36.1	
Public Assistance & Medicaid	14,977.6	0.0							
Health and Human Services	0.0	705.0						9,482.1	
Justice & Public Protection	1,935.5	170.7						213.1	
Environ & Natural Resources	65.7	35.7						70.2	
Transportation	10.2	0.0							2,651.9
General Government	309.3	501.4		346.7	22.8	334.4	46.6	29.7	
Commerce & Econ Development	1,792.5	37.4						399.5	
Other Spending	920.3	0.2							
Transfers Out	102.8	5.0			151.1	690.0		0.0	270.0
Total Proposed Expenditures	28,724.9	1,529.8	0.0	346.7	173.9	1,024.4	46.6	12,256.1	2,921.9
Projected Lapses									
FY 2013 est. Ending Balance	134.8	1,046.1	0.0	96.6	590.8	1,022.5	23.6	3,465.3	2,395.3

Figure C-10: Fund Balance Calculations by GAAP Fund Type and Budget Fund Group for FYs 2012 and 2013 (dollars in millions)

	SPECIAL REVENUE FUNDS						AGENCY	DEBT SERVICE	CAPITAL
	STATE HIGHWAY SAFETY	REVENUE DISTRIBUTION	SPECIAL REVENUE	WATERWAYS SAFETY	WILDLIFE	OTHER SPECIAL REVENUE	AGENCY	DEBT SERVICE	CAPITAL PROJECTS
FY 2012 est. Begininning Balance	368.5	1,018.6	1,701.4	58.9	86.6	5,149.7	676.7	81.0	795.8
Estimated Revenue									
Taxes		3,127.1	91.5	15.5	2.2		3,873.6		
Federal Grants	22.2		21.5	6.2	17.9				
Licenses and Fees	344.3	595.5	1,692.7	5.9	37.0	1.5	0.2		
Other Income	58.5	0.0	1,188.5	0.2	4.1	429.6	1,905.6	597.8	1.0
Transfers In	51.1		65.0	4.2		843.7			203.0
Total Resources Available	844.6	4,741.2	4,760.6	90.8	147.8	6,424.4	6,456.0	678.8	999.8
Proposed Expenditures									
Primary, Sec & Other Educ		756.0	69.9			717.5			
Higher Education			20.6			8.0			
Public Assistance & Medicaid									
Health and Human Services	0.2	2.2	1,718.8			1.0			
Justice & Public Protection	490.5	569.0	174.9			4.8	4.5		
Environ & Natural Resources			216.7	23.3	62.7	0.6			
Transportation			3.5						
General Government			220.4				0.0		
Commerce & Econ Development		1,788.6	388.0			335.0			
Other Spending			12.6				5,662.5	597.8	82.0
Transfers Out	24.0	8.0	15.6	4.0		7.5	0.0		
Total Proposed Expenditures	514.7	3,123.8	2,841.1	27.3	62.7	1,074.4	5,667.0	597.8	82.0
FY 2012 est. Ending Balance	329.9	1,617.4	1,919.5	63.5	85.1	5,350.0	789.0	81.0	917.8

Figure C-10: Fund Balance Calculations by GAAP Fund Type and Budget Fund Group for FYs 2012 and 2013
(dollars in millions)

	SPECIAL REVENUE FUNDS						AGENCY	DEBT SERVICE	CAPITAL
	STATE HIGHWAY SAFETY	REVENUE DISTRIBUTION	SPECIAL REVENUE	WATERWAYS SAFETY	WILDLIFE	OTHER SPECIAL REVENUE	AGENCY	DEBT SERVICE	CAPITAL PROJECTS
FY 2013 est. Begininning Balance	329.9	1,617.4	1,919.5	63.5	85.1	5,350.0	789.0	81.0	917.8
Estimated Revenue									
Taxes		2,489.5	93.3	15.7	2.2		3,962.8		
Federal Grants	22.2		20.9	5.8	17.9				
Licenses and Fees	341.3	595.5	1,726.1	6.1	37.0	1.5	0.2		
Other Income	58.2	0.0	1,537.6	0.2	4.1	387.6	1,978.2	1,059.4	1.0
Transfers In	45.4		60.8	0.2		898.7			315.0
Total Resources Available	797.0	4,702.4	5,358.0	91.3	146.5	6,637.8	6,730.2	1,140.4	1,233.8
Proposed Expenditures									
Primary, Sec & Other Educ		505.0	70.1			680.5			
Higher Education			25.6			8.0			
Public Assistance & Medicaid									
Health and Human Services	0.2	2.2	1,800.1			0.0			
Justice & Public Protection	481.6	569.0	181.5			2.5	4.5		
Environ & Natural Resources			213.0	22.9	61.6	0.6			
Transportation			3.5						
General Government			197.5				0.0		
Commerce & Econ Development		1,482.6	392.9			285.0			
Other Spending			12.4				5,845.2	1,059.4	189.6
Transfers Out	23.7	8.0	15.2	0.0		6.5	0.0		
Total Proposed Expenditures	505.5	2,566.8	2,911.8	22.9	61.6	983.1	5,849.7	1,059.4	189.6
FY 2013 est. Ending Balance	291.5	2,135.6	2,446.2	68.5	84.9	5,654.6	880.5	81.0	1,044.2

State Appropriation Limitation

This narrative provides an explanation of the State Appropriations Limitation (SAL) and satisfies the obligations under ORC 107.33 which requires the following:

"As part of the state budget the governor submits to the general assembly under section 107.33 of the Revised Code, the governor shall include the state appropriation limitations the general assembly shall not exceed when making aggregate general revenue fund appropriations for each respective fiscal year of the biennium covered by that budget."

The SAL was enacted in the spring of 2006 with the intent of limiting growth in General Revenue Fund (GRF) spending by imposing the following restrictions:

- Limits the growth of most GRF appropriations to the greater of 3.5 percent or the sum of the inflation rate plus rate of population change (Combination Rate).
- Permits exceptions to the limitation only in response to specifically eligible emergencies declared by the Governor.
- Requires the approval of at least three-fifths of the General Assembly to exceed the limitation in any year.
- Recasts the limitation every fourth year to prevent the build-up of excess capacity that could result in large appropriation increases in certain years.

As outlined above, among the several non-tobacco budget related items contained in Senate Bill 321 of the 126th General Assembly (the tobacco budget bill), was a provision setting a limitation on the amount of GRF appropriations that can be recommended to and enacted by the General Assembly. This restriction, referred to as the SAL, imposes limits on the annual growth of most GRF appropriations to the greater of 3.5 percent or the sum of the rate of inflation plus the rate of population change. The intent of this narrative is to provide a general overview of the provisions of the SAL and identify the limitation for the fiscal years 2012-2013 biennium.

What the SAL Covers

While most GRF appropriations are governed under the restrictions imposed by the SAL, there are three specific categories exempted from the limitation. While one of these exempted categories (appropriation of moneys received as gifts) is insignificant in terms of the amount of money involved, the other categories represent a significant portion of GRF appropriations and have been growing more rapidly than the GRF as a whole in recent years. These categories are the appropriations of moneys received from the federal government and appropriations made for tax relief, tax refunds, or refunds of other overpayments. These three exempted categories are significant in that in fiscal year 2011, they represent an estimated $11.1 billion, or nearly 42 percent of all fiscal year appropriations subject to the SAL calculation.

After accounting for the exempted categories identified above, the GRF appropriations to which the SAL applies are defined in statute as "aggregate General Revenue Fund appropriations." In order to prevent exempting aggregate GRF appropriations from the limitation in future years by shifting them from GRF funding, any item identified as comprising part of the aggregate GRF appropriations either at the setting of the SAL in fiscal year 2007 or at any point in the future, will always be considered as counting toward the SAL, a label that will apply even if the item is eventually moved to a non-GRF fund.

The Role of the Governor and the Office of Budget and Management

As part of the responsibility of submitting the Executive Budget recommendations to the General Assembly, the laws governing the SAL require the Governor to identify and set the limitation for each year of the biennium. Once the limitation is set, the General Assembly is generally prohibited from exceeding it in the appropriations it makes during the course of the biennium.

Calculating the SAL: Establishing the Original Limitation and Recasting for FY 2012 – 2013

Under direction from the Governor, OBM applied the statutory framework discussed above and calculated the SAL for fiscal years 2008 – 2011 at the time the budget for those years was introduced. Assuming at the time that GRF appropriations for fiscal year 2007 would remain unchanged at $26.1 billion, plus $107.3 million in contingent Medicaid appropriations that were authorized in House Bill 66 of the 126th General Assembly, total GRF appropriations for the base year were estimated at $26.2 billion. The OBM's next step in carrying out this calculation was to deduct from the total appropriations those that are specifically exempt from the SAL—that is, appropriation of federal grant moneys, tax relief and refund payments, and moneys received as gifts. At the time, it was assumed that current appropriation levels for those items would remain unchanged at just under $7.1 billion, thus the estimated aggregate GRF appropriations amount for fiscal year 2007, which served as the base for fiscal years 2008 through 2011 was set at $19.1 billion.

Having established the base of $19.1 billion, the next step in calculating the SAL for each budget was to determine the growth rate that would be applied. Per statutory requirements, OBM determined whether an increase of 3.5 percent or the combination rate would be greater for each fiscal year. Using the required data from the Consumer Price Index and population growth data available for Ohio, OBM estimated that the growth rate for each year would be 3.5 percent and applied that rate to the fiscal year 2007 base amount each time the calculation was redone. Using this process, by fiscal year 2011, the SAL had grown from its original $19.1 billion to $21.9 billion, which due to the downturn in the economy driven by the recession of 2007 to 2009, was well above aggregate GRF appropriations.

Reset Year Two and Set SAL for Second Biennium

While the above process has been used to set the SAL, during the second year of each biennium, OBM has been required to do a new set of calculations in order to determine if in hindsight the SAL calculation should have used a different method for estimating the second year increase (i.e. was the Combination Rate higher than 3.5 percent) and then, if necessary, resetting the limitation using the appropriate method. Specifically, in carrying out these calculations, the statute requires re-examining the estimate originally used to set the SAL using the most recently published data on inflation. For example, it was possible that in fiscal year 2007, the Combination Rate identified for fiscal year 2009 may have been estimated to be too low (due most likely to inflation), and as a result, the SAL for fiscal year 2009 would have been set assuming a 3.5 percent increase. If in the re-examination, it was determined that the Combination Rate was in excess of 3.5 percent, OBM would be required to recalibrate the SAL by adjusting the base of 2009 to reflect an increase greater than 3.5 percent and this base would serve as the estimated aggregate GRF appropriation level used to set the SAL for fiscal years 2010 and 2011, regardless of the actual fiscal year 2009 appropriations. Since however, the most recent data on the Consumer Price Index – Midwest Region available from the Bureau of Labor Statistics confirms that the assumptions used in calculating the aggregate GRF appropriation levels in past years was correct.

Four Year Recast of the SAL Estimated Impact for Fiscal Years 2012 and 2013

In addition to recalculating or resetting the SAL in the second year of each biennium, as part of the process of setting the limitation for the fiscal year 2012-2013 biennium, the Governor and OBM were required in 2011 to recast the limitation for the first time. Specifically, while the SAL in effect for fiscal years 2008-2011 was increased from the base year of fiscal year 2007 regardless of aggregate GRF appropriation levels, the recast requirement mandates that the SAL for fiscal year 2012 be based on the fiscal year 2011 estimated aggregate GRF appropriations, not on an inflation-adjusted figure of the SAL for fiscal year 2011.

While the SAL for fiscal year 2011 was set at $21.9 billion as a result of four years of inflation-adjusted increases from the 2007 aggregate GRF appropriations levels, the limitation for fiscal years 2012 and 2013 had to be recast using estimated aggregate GRF appropriations levels for 2011. As a result, OBM reviewed fiscal year 2011 appropriations, including those aggregate GRF appropriations moved to other sources of funding as a result of past budget decisions. These included the significant migration of Medicaid appropriations to non-GRF sources as a result of the use of one-time funds including enhanced FMAP. In fiscal years 2012 and 2013, these are spending items that are in large part being moved back to the GRF. In addition, also included in the fiscal year 2011 base were other GRF appropriations for Public Defender, Public Safety, Natural Resources, Commerce, and Education that were moved to other sources of funding during prior budgets but had been items that were part of the aggregate GRF appropriations in fiscal year 2007. As a result, fiscal year 2011 aggregate GRF appropriations are estimated at $18.3 billion. Based on the allowable growth rate, which in 2012 and 2013 is estimated to be no more than 3.5 percent, the State Appropriation Limitation for those fiscal years is set at $18.9 billion and $19.6 billion respectively. At the levels that the SAL is set, it is estimated that aggregate GRF appropriations in the fiscal years 2012 and 2013 Executive Budget are $1.2 billion and $1.1 billion below the limitations for those respective years (see Figure C-11).

Figure C-11: State Appropriations Limitation vs. Appropriations, FYs 2012 – 2013 (dollars in millions)

	2011 (Est)	2012	2013
Total General Revenue Fund Appropriations	**$26,611**	**$26,892**	**$28,622**
Minus - Tax Relief	$1,643	$1,697	$1,711
Minus - Estimated Refunds	$0	$0	$0
Minus - Estimated Gifts	$0	$0	$0
Minus - Federal Grants (including Federal Grants for Appropriations Moved to Other Sources)	$9,487	$7,585	$8,537
Plus - State GRF Appropriations Moved to Other Sources	$2,841	$134.9	$131.2
Aggregate GRF Appropriations	**$18,322**	**$17,744**	**$18,505**
State Appropriations Limitation	**$18,322**	**$18,964**	**$19,627**
Over (Under)	**N/A**	**($1,219)**	**($1,122)**

Capital Budgeting Process

In even-numbered years the state engages in a separate budgeting process for its capital expenditures – the construction or improvement and equipping and furnishing of buildings and other structures and the acquisition of real estate (or interests therein). The purpose of Ohio's capital planning and budgeting process is to facilitate decisions regarding the allocation of dollars available for capital improvements for use by state agencies and local communities. As with virtually all budget processes, the demand for resources exceeds their availability. The capital budgeting process attempts to balance the needs of state agencies and local communities in producing a two-year budget that is affordable within projected available resources.

The process for developing the capital budget involves the affected state agencies, the Office of Budget and Management (OBM), the Governor, and the General Assembly. Every two years, state agencies submit to OBM, pursuant to Section 126.03 of the Ohio Revised Code, a six-year capital improvements plan and a more detailed two-year capital budget. OBM issues guidelines to agencies describing the format and content for agency capital budget requests.

Concurrent with the receipt of agency requests, OBM projects the affordable size of capital appropriations based on a number of factors including the availability of cash (non-debt) capital resources, projected revenues, and competing noncapital uses for those funds. OBM projects the amount of debt-supported appropriations that can be authorized by considering the amount of state debt previously issued and outstanding, the amount of debt previously authorized but yet to be issued, the projected level of the state revenue(s) pledged to repay the debt, and projected market interest rates. Determinations regarding the amount of GRF debt-supported appropriations that may be authorized in the capital budget are subject to a 1999 constitutional amendment generally providing (subject to limited exceptions) that state debt obligations payable from the GRF or net state lottery proceeds (with limited exceptions) may not be issued if future fiscal year debt service on those new and any already outstanding obligations would exceed five percent of the total estimated GRF revenues plus net state lottery proceeds during the fiscal year of issuance. The director of OBM is authorized by the Governor to make those determinations.

The OBM works with the Governor to devise a capital spending plan that fits within the available resources, reflects the Governor's priorities, and meets the needs of state agencies and local entities. The capital plan is then drafted into a bill and submitted to the General Assembly for the same review and process described in the discussion of the operating budget bill.

Fiscal Years 2009 and 2010 Capital Appropriations

The state's most recent capital bill (H.B. 562 of the 127th General Assembly, as amended by H.B. 2 of the 128th General Assembly) appropriated $1.43 billion for new capital projects for the 2009-2010 capital biennium. The General Assembly made additional 2009-2010 capital appropriations totaling $321 million in the economic stimulus bill (H.B. 554 of the 127th General Assembly) and the capital reappropriations bill (H.B. 496 of the 127th General Assembly), increasing new capital appropriations for the 2009-2010 capital biennium to a total of $1.75 billion. Of that amount, $1.50 billion is funded by the issuance of bonds, the debt service on which is budgeted to be paid from GRF appropriations. The remaining $251 million is funded by the issuance of bonds backed by net liquor profits and various non-GRF cash sources.

The largest portion of capital appropriations for the fiscal years 2009 and 2010 capital biennium ($499 million) was appropriated to the Board of Regents to address the capital needs of Ohio's higher education institutions. The Public Works Commission received appropriations totaling $424 million for the financing of capital improvement projects of Ohio local subdivisions. New capital appropriations to the Department of Mental Health totaled $105 million and included the campus consolidation project discussed further below. The Board of Regents and the Department of Development received $100 million in funding for the Third Frontier Wright Centers capital projects. The Department of Natural Resources received $98 million across several capital programs including NatureWorks, parks and recreational facilities, and Clean Ohio trails.

Figure C-12 provides a summary of 2009-2010 capital appropriations (both GRF and non-GRF backed) by agency.

Figure C-12: Fiscal Years 2009 and 2010 Capital Appropriations (dollars in thousands)

Agency	GRF Debt Funds	Other Funds*	Total
Alcohol and Drug Addiction Services	$1,550	-0-	$1,550
Adjutant General	6,825	$108	6,933
Administrative Services	30,300	-0-	30,300
Agriculture	13,865	-0-	13,865
Air Quality Development Authority	-0-	56,000	56,000
Board of Regents/Higher Education	498,560	-0-	498,560
Capital Square Review and Advisory Board	2,508	-0-	2,508
Commerce	-0-	1,600	1,600
Ohio Cultural Facilities Commission	43,060	-0-	43,060
Development	30,000	100,000	130,000
e-Tech Ohio	10,250	-0-	10,250
Expositions Commission	20,000	-0-	20,000
Job and Family Services	-0-	7,038	7,038
Library Board	200	-0-	200
Mental Health	104,680	-0-	104,680
Developmental Disabilities	21,301	-0-	21,301
Natural Resources	86,047	11,650	97,697
Public Safety	3,050	1,696	4,746
Public Works Commission	435,000	64,000	499,000
Rehabilitation and Correction	72,000	-0-	72,000
School for the Blind	575	-0-	575
School for the Deaf	637	-0-	637
Third Frontier/Wright Centers	100,000	-0-	100,000
Transportation	550	-0-	550
Veterans Services	-0-	9,314	9,314
Youth Services	20,500	-0-	20,500
Total	**$1,501,457**	**$251,406**	**$1,752,863**

Current Fiscal Years 2011 and 2012 Capital Appropriations

While no separate capital bill has been enacted for the fiscal years 2011 and 2012 capital biennium, the 128th General Assembly included new capital appropriations totaling $800 million in the capital reappropriations bill (H.B. 462 of the 128th General Assembly) and another bill (S.B. 181 of the 128th General Assembly). The largest of those new appropriations was $525 million to the School Facilities Commission to cover the state's share of the cost of construction of K-12 school facilities. Since October 2007, those costs have been covered by the proceeds of the state's tobacco settlement receipt securitization. Tobacco bond proceeds dedicated to K-12 school facilities are expected to be exhausted in the first quarter of fiscal year 2012, necessitating a return to GRF-bond funding for these new capital appropriations.

Figure C-13 provides a summary of 2011-2012 capital appropriations (both GRF and non-GRF backed) by agency.

Figure C-13: Fiscal Years 2011 and 2012 Capital Appropriations (dollars in thousands)

Agency	GRF Debt Funds	Other Funds*	Total
Development (Clean Ohio Revitalization)		$100,000	$100,000
Development (Site Development)	$30,000		30,000
Public Works Commission	120,000	25,000	145,000
School Facilities Commission	525,000	-	525,000
Total	**$675,000**	**$125,000**	**$800,000**

Capital Budget's Impact on the Operating Budget

The capital budget's most obvious relationship to the operating budget is the debt service requirements it generates. Debt service is the payment of interest and principal to retire debt obligations issued to fund capital appropriations. The section below titled "Overview of Capital Financing" provides detailed information on state capital financing purposes, including the cost of debt service in the current biennium.

The capital budget also relates to the operating budget in other ways. Projects that lead to an expansion of space and service levels generally require additional employees to provide services and maintain that space. As a result, state agencies that receive capital appropriations may experience increases in their operating budgets once a capital project has been completed. Conversely, some projects may lead to a decrease in operational spending due to efficiencies gained through consolidation or modernization. For example, the Ohio Department of Taxation (ODT) in collaboration with the Office of Information Technology is implementing the State Taxation Accounting and Revenue System (STARS). STARS is an integrated tax collection and audit system that will replace more than two dozen separate computer systems used to accomplish the revenue collection, distribution, and tracking functions. When fully implemented, STARS will consolidate and eliminate those legacy systems and is expected to increase tax revenues primarily through increased discovery of taxpayers and non- or under-reporting filers.

Another capital project that is expected to generate operational savings is the Department of Mental Health's campus consolidation project in northeast Ohio. In 2011, the department will close its Cleveland campus of Northcoast Behavioral Healthcare and expand inpatient capacity via new construction and renovation at its Northfield campus in neighboring Summit County. The consolidation is conservatively estimated to save more than $4.0 million annually from reduced personnel and operating expenses and the elimination of maintenance costs at the 80-year old Cleveland facility.

Overview of Capital Financing

Ohio began major capital construction programs for highway and non-highway projects following constitutional amendments passed by the voters in 1953. These capital programs have resulted in the construction and improvement of highways, public school buildings, higher education facilities, parks and recreation facilities, mental health and correctional facilities, airports, pollution control facilities, and local government infrastructure. The projects have been financed largely by the issuance of bonds that are retired over varying periods (currently ranging from seven to 20 years). This financing method allows payments of the capital costs to be spread over a period of time (but not to exceed the useful life of the bond-financed facilities).

Capital improvements are financed via the issuance of several types of obligations, including general obligation bonds, special obligation bonds (lease-rental and revenue bonds), economic development bonds, and certificates of participation, and occasionally from current revenue cash balances. As indicated above, for a period of time commencing in October 2007, K-12 school facilities and higher education facilities were funded from the proceeds of the state's Tobacco Settlement revenue securitization.

General Obligation Bonds

Since 1953, many capital improvements have been financed through the issuance of general obligation bonds backed by the state's full faith and credit. General obligation bonds are issued by the Ohio Public Facilities Commission and, for highway purposes, by the Treasurer of State. Unless expressly exempted, state revenues from almost all tax and non-tax sources are pledged to the repayment of these general obligations. Exceptions are highway user receipts, which may only be used for financing highway projects, and state lottery profits, which may only be used for financing primary and secondary education facilities. Such general obligation debt must be authorized by a constitutional amendment approved by the voters.

Ohio Public Facilities Commission. The Ohio Public Facilities Commission issues general obligation bonds for primary and secondary education, higher education, natural resources, coal research and development, conservation projects, local infrastructure improvements, Third Frontier research and development, job-ready site development, and veterans compensation. Each of these currently authorized programs is described below, with the General Assembly determining the amount of bonds authorized to be issued (within the indicated constitutional limitations) in each capital biennium.

> *Veterans Compensation*. A 2009 constitutional amendment authorizes the issuance of state general obligation debt to provide compensation to persons who have served in active duty in the United States armed forces at any time during the Persian Gulf, Afghanistan, and Iraq conflicts. Not more than $200 million may be issued and no obligations may be issued later than December 31, 2013. The full faith and credit, revenue (excluding net state lottery proceeds), and taxing power (excluding highway user receipts) of the state are pledged to retire this debt.
>
> *Third Frontier Research and Development.* Constitutional amendments in 2005 and 2010 authorize the issuance of $700 million of general obligation debt in support of Ohio industry, commerce, and business. No more than $450 million total may be issued in 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. The full faith and credit, revenue (excluding net state lottery proceeds), and taxing power (excluding highway user receipts) of the state are pledged to retire this debt.
>
> *Site Development.* A 2005 constitutional amendment authorizes the issuance of $150 million of general obligation debt for the development of sites for industry, commerce, distribution, and research and development. Not more than $30 million was permitted to be issued in each of the first three fiscal years and not more than $15 million in any other fiscal year. The full faith and credit, revenue (excluding net state lottery proceeds), and taxing power (excluding highway user receipts) of the state are pledged to retire this debt.
>
> *Conservation.* Constitutional amendments in 2000 and 2008 authorize $400 million of general obligation debt to be issued to finance preservation of green space, development of recreational trails, and protection of farmland, all through partnerships with local governments. Not more than $50 million may be issued in any fiscal year. Additional debt may be issued as outstanding debt is retired, provided that not more than $400 million is outstanding at any time. The full faith and credit, revenue (excluding net state lottery proceeds), and taxing power (excluding highway user receipts) of the state are pledged to retire this debt.
>
> *Primary and Secondary Education.* A 1999 constitutional amendment authorizes general obligation debt to be issued to pay the costs of capital facilities for a system of common public

schools throughout the state. There is no constitutional limit on the amount of debt that can be outstanding at any time. The full faith and credit, revenue (including net state lottery proceeds), and taxing power (excluding highway user receipts) of the state are pledged to retire this debt.

Higher Education. That same 1999 constitutional amendment authorizes general obligation debt to be issued to pay the cost of capital facilities for state-supported and state-assisted institutions of higher education. There is no constitutional limit on the amount of debt that can be outstanding at any time. The full faith and credit, revenue (excluding net state lottery proceeds), and taxing power (excluding highway user receipts) of the state are pledged to retire this debt.

Infrastructure Improvements. A 1995 constitutional amendment authorized the issuance of $1.2 billion of general obligation debt to finance or assist the financing of public infrastructure capital improvements of municipal corporations, counties, townships, and other government entities, with not more than $120 million issued in any fiscal year. A 2005 constitutional amendment authorizes an additional $1.35 billion of general obligation debt as a ten-year extension of this program, with an increase in the annual issuance amount in the last five years from $120 million to $150 million. The full faith and credit, revenue (excluding net state lottery proceeds), and taxing power of the state (excluding highway user receipts) are pledged to retire this debt.

Natural Resources. A 1993 constitutional amendment authorizes $200 million of general obligation debt to be issued to finance capital facilities for parks and natural resources improvements. Additional debt may be issued as outstanding debt is retired, provided that no more than $200 million is outstanding at any time. Not more than $50 million may be issued in any fiscal year. The full faith and credit, revenue (excluding net state lottery proceeds), and taxing power (excluding highway user receipts) of the state are pledged to retire this debt.

Coal Research and Development. A 1985 constitutional amendment authorizes $100 million of general obligation debt to be issued to finance grants, loans, or loan guarantees for research and development of coal technology that will encourage the use of Ohio coal. Funding is available to any individual, association, or corporation doing business in Ohio, as well as any educational or scientific institution located in the state. Additional debt may be issued as outstanding debt is retired, provided that not more than $100 million is outstanding at any time. The full faith and credit, revenue (excluding net state lottery proceeds), and taxing power (excluding highway user receipts) of the state are pledged to retire this debt.

Treasurer of State. The Treasurer of State issues general obligation bonds for highway construction, as summarized below:

Highway (Capital Improvements). A 1995 constitutional amendment authorizes the issuance of general obligation debt for highway construction. The amendment provides that as this debt is retired additional debt may be issued so long as no more than $1.2 billion is outstanding at any time. No more than $220 million may be issued in any fiscal year. Though secured by the state’s full faith and credit, debt service on these general obligations has always been paid from highway user receipts (including the motor vehicle fuel tax).

Figure C-14 provides summary information for the state’s general obligation bonds as of June 30, 2010.

Figure C-14: General Obligation Bonds (dollars in thousands)

Purpose	Fiscal Years Issued	Amount Issued[a]	Maturing through Fiscal Year	Outstanding Balance
Infrastructure Improvements	1990-10	$2,759,986	2031	$1,578,920[b]
Coal Research & Development	1992-10	198,000	2020	28,245
Natural Resources	1995-10	325,000	2024	151,750
Highway Capital Improvements	1997-10	2,115,000	2025	709,500
Higher Education Facilities	2000-10	2,000,000	2027	1,484,425
Common School Facilities	2000-10	3,290,000	2027	2,626,980[c]
Conservation Projects	2002-10	250,000	2024	192,840
Third Frontier R&D	2007-10	255,700	2020	211,845
Site Development	2007-10	75,000	2020	63,965
Total		**$11,268,686**		**$7,048,470**

Notes:
[a] The amount of bonds issued for refunding purposes is excluded from the amount issued.
[b] Includes $279,050,000 in adjustable rate bonds.
[c] Includes $392,790,000 in adjustable rate bonds.

Lease-Rental Bonds

Prior to fiscal year 2000, most of the state's capital projects were funded through the issuance of lease-rental bonds. These bonds constitute a special type of bonded debt, with their debt service payable from the lease-rental payments subject to biennial GRF appropriations enacted in the state's operating budget. Lease-rental bonds do not carry the state's full faith and credit, and bondholders have no right to have taxes or excises levied by the General Assembly for the payment of debt service. As authorized by the General Assembly, current state issuers of lease-rental bonds are:

Ohio Building Authority. The Ohio Building Authority issues lease-rental bonds to house branches and agencies of state government and their functions, including state office buildings and facilities for the Department of Administrative Services and others; the Departments of Transportation and Public Safety; juvenile detention facilities for the Department of Youth Services; prisons and correctional facilities for the Department of Rehabilitation and Corrections; and office buildings for the Bureau of Workers' Compensation. Debt service is paid from GRF lease-rental appropriations, except for (i) highway transportation and public safety facilities, which are paid from the Highway Operating Fund and State Highway Safety Fund, and (ii) workers' compensation facilities, which are paid from the Bureau of Workers' Compensation Administrative Fund.

Treasurer of State. The Treasurer of State issues lease-rental bonds to finance capital facilities for mental health and developmental disabilities, parks and recreation, and cultural and sports purposes. Debt service is paid from GRF lease-rental appropriations.

Figure C-15 presents summary information for the state's lease-rental bonds as of June 30, 2010.

Figure C-15: Lease-Rental Bonds (dollars in thousands)

Issuer / Purpose	Fiscal Years Issued	Amount Issued[a]	Maturing Through Fiscal Year	Outstanding Balance
Ohio Building Authority				
Prison Facilities	1986-10	$1,799,500	2029	$ 633,230
Juvenile Facilities	1993-10	282,000	2025	151,845
Administrative Service Facilities	1992-10	1,613,300	2030	716,475
Transportation Facilities[b]	1993-06	155,800	2011	1,770
Public Safety Facilities[b]	1995-09	140,285	2021	36,210
Workers' Compensation[b]	1993-03	214,255	2014	62,870
Treasurer				
Higher Education Facilities	1992-99	4,817,590	2014	237,730
Mental Health Facilities	1992-10	1,392,085	2020	209,360
Parks & Recreation Facilities	1993-10	378,000	2021	129,180
Cultural & Sports Facilities	1993-10	458,690	2021	169,865
Total		**$11,251,505**		**$2,348,535**

Notes:
[a] The amount of bonds issued for refunding purposes is excluded from the amount issued.
[b] Debt service paid from non-GRF sources.

Certificates of Participation

The Department of Transportation and the Department of Administrative Services have entered into lease-purchase agreements supporting the issuance of certificates of participation (COPs) issued to finance state buildings and equipment, information systems, and non-highway related projects. The lease payments are made from charges to the user and/or biennial appropriations for lease payments that are included in the operating budget. Holders or owners of the COPs have no right to have excises or taxes levied to make those payments.

Figure C-16 presents summary information for COPs financing arrangements as of June 30, 2010.

Figure C-16: Certificates of Participation (dollars in thousands)

Using Agency / Purpose	Fiscal Year Issued	Amount Issued[a]	Maturing through Fiscal Year	Out-standing Balance
Department of Transportation				
Panhandle Rail Line Project[b]	1992	$ 8,680	2012	$ 2,065
Department of Administrative Services				
Youngstown Community Improvement District	1998	6,615	2029	5,750
Rickenbacker Port Authority (Lazarus)	1998	16,455	2023	11,565
Ohio Administrative Knowledge System	2005-09	185,175	2019	156,320
State Taxation Accounting & Revenue System	2008	40,080	2019	36,745
The Riversouth Authority (Lazarus)	2008	16,500	2028	16,500
Total		**$273,505**		**$228,945**

Notes:
[a] Any amount issued for refunding purposes is excluded in determining the amount issued.
[b] Lease payments are from non-GRF sources.

Bonds Paid from Other State Funds

Economic Development. These bonds are issued by the Treasurer of State for the Department of Development's Direct Loan, Innovation Ohio, Research and Development, and Logistics and Distribution programs, and for the Air Quality Development Authority's Advanced Energy Program, all under Chapter 166 of the Revised Code. These bonds provide financing for loans to businesses within the state for economic development projects that create or retain jobs in the state. The bonds are secured by a pledge of and their debt service is paid from the net profits derived from the state's liquor enterprise.

Clean Ohio Revitalization Program. Constitutional amendments in 2000 and 2008 authorize $400 million of bonds to provide financing for grants and loans to projects that provide for the environmentally safe and productive development and use or reuse of publicly- and privately-owned lands within the state. Not more than $50 million may be issued in any fiscal year. Additional debt may be issued as outstanding debt is retired, provided that not more than $400 million is outstanding at any time. These bonds are issued by the Treasurer of State and are payable from a portion of net profits derived from the state's liquor enterprise.

Figure C-17 presents summary information for those bonds paid from state liquor profits as of June 30, 2010. For a discussion for the use of liquor profits as a potential funding source for JobsOhio and the impact on these bonds see Book Five, the Reforms Book.

Figure C-17: Bonds Paid from State Liquor Profits (dollars in thousands)

Purpose	Fiscal Years Issued	Amount Issued	Maturing Through Fiscal Year	Outstanding Balance
Economic Development	1997-10	$506,740	2030	$410,675
Revitalization	2003-10	200,000	2026	163,060
Total		**$706,740**		**$573,735**

Highway State Infrastructure Bank (GARVEE). The Treasurer of State issues bonds for the Ohio Department of Transportation for selected highway construction projects that have been approved by the U.S. Department of Transportation. The debt service on these bonds is secured by and payable from pledged Federal Title 23 Highway Funds received and to be received by the state for highway projects.

Figure C-18 presents summary information for GARVEE bonds as of June 30, 2010.

Figure C-18: GARVEE Bonds (dollars in thousands)

Purpose	Fiscal Years Issued	Amount Issued	Maturing through Fiscal Year	Outstanding Balance
Major New State Infrastructure	1998-10	$1,577,250	2021	$852,645

Revenue Bonds

Revenue bonds are used by the state to finance a specific project or category of projects. Debt service is paid from revenues or fees that are charged for the use of facilities. Various state authorities and commissions have been created by the legislature and authorized to issue bonds payable from project revenues or other special revenues. These include the Buckeye Tobacco Settlement Financing Authority, the Ohio Turnpike Commission, the Higher Educational Facility Commission, the Ohio Housing Finance Agency, the Ohio Water Development Authority, and the Petroleum Underground Storage Tank Release

Compensation Board. The funds borrowed by these authorities and the sources for the payment of debt service on these obligations are outside the state treasury and are not subject to General Assembly appropriation.

The Department of Development, the Ohio Water Development Authority, and the Ohio Air Quality Development Authority have also issued industrial development or pollution control revenue bonds, the debt service on which is paid solely by the benefited business or project and not from state revenues.

Debt and Interest Rate Risk Management Policy

In December 2006, the Office of Budget and Management (OBM) and the three issuers of debt backed by state revenues – the Ohio Public Facilities Commission, the Treasurer of State, and the Ohio Building Authority – developed and shortly thereafter adopted a Debt and Interest Rate Risk Management Policy. This policy is intended to ensure that financings undertaken by the three issuers satisfy established standards that protect the state's financial resources and position in order to meet its long-term capital financing needs. The policy largely formalized pre-existing practices and procedures for issuing debt and managing a debt portfolio based upon the state's overall capital improvement needs. The policy highlights the following as primary objectives of the state issuers: i) achieving the lowest cost of capital, ii) ensuring high credit quality, iii) assuring access to the capital credit markets, iv) preserving financial flexibility, and v) managing interest rate risk exposure.

Debt Service and Outstanding Debt

Figure C-19 shows certain historical debt information and comparisons. These tables include only outstanding obligations of the state for which debt service is paid from the GRF. Highway obligations and obligations issued by the Ohio Building Authority for Department of Transportation, Department of Public Safety, and the Bureau of Workers' Compensation are not included since they are paid from non-GRF sources.

Figure C-19: Debt Service Spending as a Percent of GRF Revenues

Year	Principal Amount Outstanding (as of July 1)	Outstanding Debt Per Capita	Outstanding Debt as % of Annual Personal Income
1980	$1,991,915,000	$184	1.84%
1990	$3,707,054,994	$342	1.83%
2000	$6,308,680,025	$556	1.93%
2006	$8,909,382,567	$778	2.28%
2007	$9,211,911,840	$803	2.27%
2008	$8,631,565,254	$749	2.07%
2009	$8,486,621,212	$735	2.07%
2010	$8,586,655,636	$744[a]	2.09%[b]

Fiscal Year	Debt Service Payable	Total GRF Revenue and Net State Lottery Proceeds	Debt Service as % of GRF Revenue and Lottery Proceeds	Debt Service as % of Annual Personal Income
1980	$187,478,382	$4,835,670,223	3.88%	0.17%
1990	$488,676,826	$12,230,681,298	4.00%	0.24%
2000	$871,313,814	$20,711,678,217	4.21%	0.27%
2006	$1,128,591,711	$26,492,277,500	4.26%	0.29%
2007	$1,216,382,190	$26,447,718,900	4.60%	0.30%
2008	$1,231,640,023	$27,331,442,423	4.51%	0.30%
2009	$1,075,937,540[c]	$26,809,692,000[d]	4.01%	0.26%
2010	$710,284,236[c]	$24,108,466,124[d]	2.95%	0.17%[b]

Notes:
[a] Based on 2010 Census population count.
[b] Based on 2009 personal income data.
[c] Reduction is due in large part to the restructuring of certain GRF debt service payments resulting in net savings of $52.8 million in Fiscal Year 2009 and $416.8 million in Fiscal Year 2010.
[d] Excludes federal funds from the American Recovery and Reinvestment Act of 2009.

Status of Capital Improvements Debt

Figure C-20 shows summary and selected information concerning changes in long-term obligations as of June 30, 2010, and Figure C-21 shows estimated issuance amounts and debt service costs for the fiscal year 2012-2013 biennium. The debt service appropriations for general obligation bonds are in the Governor's proposed operating budget for each of the benefiting state agencies for which obligations have been issued. The appropriations to pay debt service expenditures on special obligation bonds are included in the budgets of the Board of Regents, Department of Mental Health, Department of Developmental Disabilities, Department of Natural Resources, Department of Rehabilitation and Correction, Department of Administrative Services, Department of Youth Services, Cultural Facilities Commission, School Facilities Commission, Department of Transportation, Department of Public Safety, Department of Education, and the Bureau of Workers' Compensation.

Figure C-20: Changes in Outstanding Debt Obligations (dollars in thousands)

	General Obligation Bonds	Lease Rental Bonds	Certificates of Participation	Economic Development	State Infrastructure Bonds	Total
Principal Outstanding as of July 1, 2008	$6,996,740	$2,632,585	$215,660	$429,145	$496,490	$10,770,620
Additions: Debt Issued	2,284,485	567,900	39,105	188,000	590,000	3,669,490
Deductions: Debt Retirement/ Refundings/ Defeasances	(2,232,755)	(851,950)	(25,820)	(43,410)	(233,845)	(3,387,780)
Principal Outstanding as of June 30, 2010	$7,048,470	$2,348,535	$228,945	$573,735	$852,645	$11,052,330

Debt Restructuring in Fiscal Years 2012-13 Executive Budget

Debt service appropriations in the fiscal years 2012-2013 Executive Budget reflect the restructuring into later biennia of certain debt service payments currently scheduled to be paid from the GRF (see the debt restructuring analysis in this section). The purpose of the debt restructuring is to free up GRF resources for funding core state services in a time of constrained resources. The planned debt restructuring lowers net debt service payable from the GRF in fiscal year 2012 by approximately $440 million and timely repays that debt service in fiscal years 2015 through 2025. No debt restructuring is planned for fiscal year 2013 as the Executive Budget enables a return to the full payment of all scheduled principal and interest from the GRF in its second year. The impact of the debt restructuring is reflected in the estimated debt service numbers presented in Figure C-21 below.

Figure C-21: Summary of State Debt as of June 30, 2010 and FY 2012 and 2013 Estimated New Issuance Amounts (dollars in thousands)

Security and Purpose	Constitutional Citation	Amount Authorized by the Legislature[a]	Amount Issued As of 6/30/10	Amount Outstanding on 6/30/10	Estimated Amount to be Issued In FYs 2012-2013	Estimated Debt Service for FYs 2012-2013[b]
General Obligations						
Higher Education[c]	Sec 2n, Art. VIII	$2,613,000	$2,000,000	$1,484,425	$600,000	$309,818
Common Schools[c]	Sec 2n, Art. VIII	3,870,000	3,290,000	2,626,980	1,100,000	492,524
Infrastructure[c]	Sec 2k,2m&2p, Art. VIII	3,000,000	2,759,986	1,578,920	270,000	322,341
Natural Resources	Sec 2l, Art. VIII	350,000	325,000	151,750	25,000	30,584
Coal R&D	Sec 15, Art. VIII	231,000	198,000	28,245	10,000	13,439
Conservation	Sec 2o&2q, Art. VIII	300,000	250,000	192,840	100,000	51,250
Third Frontier R&D	Sec. 2p, Art. VIII	450,000	255,700	211,845	254,300	92,964
Site Development	Sec. 2p. Art. VIII	150,000	75,000	63,965	75,000	25,540
Veterans Compensation	Sec. 2r, Art. VIII	200,000	0	0	50,000	15,599
Highway[d]	Sec 2m, Art. VIII	2,772,000	2,115,000	709,500	265,000	293,965
Total		$13,936,000	$11,268,686	$7,048,470	$2,749,300	$1,648,024
Special Obligations						
Admin. Services	Sec 2i, Art. VIII	1,646,000	1,613,300	716,475	32,700	136,764
Adult Corrections	Sec 2i, Art. VIII	$1,943,000	$1,799,500	$633,230	$40,000	$147,165
Juvenile Corrections	Sec 2i, Art. VIII	304,000	282,000	151,845	30,000	37,452
Cultural & Sports	Sec 2i, Art. VIII	512,000	458,690	169,865	30,000	56,270
Higher Education	Sec 2i, Art. VIII	4,817,590	4,817,590	237,730	-	140,786
Mental Health	Sec 2i, Art. VIII	1,517,000	1,392,085	209,360	100,000	76,604
Parks & Recreation	Sec 2i, Art. VIII	418,000	378,000	129,180	30,000	40,303
Public Safety[d]	Sec 2i, Art. VIII	143,000	140,285	36,210	-	12,294
Workers' Comp.[e]	Sec 2i, Art. VIII	214,255	214,255	62,870	-	35,775
Total		$11,670,645	$11,251,505	$2,348,535	$262,700	$683,413
Other						
Highway Infrastructure[f]	Sec 13, Art. VIII	n.a.	$1,577,250	$852,645	$125,000	$348,941
Economic Development[g]	Sec 13, Art. VIII	n.a.	506,740	410,675	62,030	106,676
Revitalization[g]	Sec 2o&2q, Art. VIII	$400,000	200,000	163,060	50,000	44,628
Total		$400,000	$2,283,990	$1,426,380	$237,030	$500,244

Notes:

[a] Reflects amounts authorized by the General Assembly through December 31, 2010.
[b] Debt service or lease payments paid from GRF unless otherwise noted.
[c] Fiscal years 2012 and 2013 debt service projections reflect the debt service restructuring discussed separately.
[d] Debt service is paid from highway user receipts (including motor vehicle tax fuel tax receipts).
[e] Debt service is paid from appropriations from the BWC Administrative Cost Fund.
[f] Debt service on these "GARVEE" bonds is paid from federal transportation grants (Title 23 of the U.S. Code).
[g] Debt service is paid from profits derived from the state's liquor enterprise.

Five Percent Debt Service Limit / Capital Affordability Analysis

Section 17 of Article VIII of the Ohio Constitution establishes an annual debt service "cap" applicable to most debt issuances payable from the GRF or net state lottery proceeds. Section 17 prohibits the issuance of debt payable from those sources if debt service in any future fiscal year on those new and the then outstanding bonds would exceed five percent of the total of estimated GRF revenues plus net state lottery proceeds for the fiscal year of issuance.

Debt obligations payable from the GRF include both general obligation and special obligation bonds, but exclude (i) general obligation debt issued for Third Frontier research and development, site development, and veterans compensation purposes, and (ii) general obligation debt payable from non-GRF funds (for example, highway capital improvement bonds that are paid from highway user receipts). Application of the five percent limit may be waived in a particular instance by a three-fifths vote of each house of the General Assembly.

Debt obligations are typically issued as needed to ensure uninterrupted funding of the capital appropriations enacted by the General Assembly from bond proceeds. To determine the amount of new capital appropriations that are affordable under the five percent limit, OBM utilizes a model that takes into account i) existing GRF debt service, ii) estimated GRF debt service from bond authorizations passed by the General Assembly for which bonds will be issued in the near-term, iii) projected GRF debt service from alternative amounts of new capital appropriations, and iv) projections of total GRF revenue plus net state lottery proceeds in future fiscal years. The forecasts of GRF revenue and net lottery proceeds for future fiscal years exclude one-time federal stimulus funds. The model also reflects conservative assumptions with respect to the timing, amount, and prevailing interest rates for projected future bond sales.

The fiscal year 2008-2009 biennial operating budget bill (H.B. 119 of the 127th General Assembly) created the Buckeye Tobacco Settlement Financing Authority to securitize tobacco settlement receipts payable to the state under the 1998 National Tobacco Master Settlement Agreement. In October 2007, the authority issued $5.53 billion in Tobacco Settlement Asset-Backed Bonds to fund capital expenditures for higher education and common school facilities in lieu of the state issuing GRF-backed general obligation bonds for those purposes. As a result, the state reduced its reliance on GRF-backed debt and lowered its position relative to the five percent limit. Debt service on the tobacco bonds is paid solely from tobacco settlement receipts with no recourse to any funds of the state. As noted above, the tobacco bond proceeds are expected to be fully expended in 2011 prompting the state to return to general obligation bond funding of capital appropriations for both common schools (K-12) and higher education school facilities.

Figure C-22 below shows the results of the capital/debt affordability model based on the amount of GRF revenue plus net state lottery proceeds presented in the Executive Budget. The affordable amount of GRF-backed capital appropriations shown below for the fiscal year 2011-2012 capital biennium is not a recommended level, but the result of a calculation of what may be affordable under the constraint of the five percent limit.

Figure C-22: GRF Debt Capacity and the Five Percent Debt Service Limit

Capital Biennium	Capital Appropriations Backed by GRF Debt Subject to the 5% Limit[a]	Debt Service Percent of GRF Revenue and Net State Lottery Proceeds (the 5% Limit)
FY 2005-06 act.	$2,125,050,200	4.26%
FY 2007-08 act.	$2,381,167,100	4.45%
FY 2009-10 act.	$1,537,457,200	2.84%[b]

Notes:
[a] Reflects only those capital appropriations funded by debt obligations payable from the GRF or net state lottery proceeds that are subject to the five percent limit.
[b] Reflects a temporary reduction associated with the debt restructuring which lowers debt service payable from the GRF in fiscal year 2010 by approximately $200 million.

Ohio's Debt Restructuring Plan

Debt service appropriations in the fiscal years 2012-2013 Executive Budget reflect the restructuring into later biennia of certain debt service payments currently scheduled to be paid from the General Revenue Fund (GRF). The purpose of the debt restructuring is to free up GRF resources for the funding of core state services and investments as the state transforms its budget back to structural balance. The planned debt restructuring lowers debt service payable from the GRF in fiscal year 2012 by approximately $440 million and timely repays that debt service in fiscal years 2015 through 2025. No debt restructuring is necessary in fiscal year 2013 as this Executive Budget enables a return to the full payment of all scheduled principal and interest from the GRF in its second year.

The overall size of the proposed debt restructuring is small, comprising less than five percent of the state's current outstanding GRF-backed debt. The debt restructuring will be accomplished through the issuance of refunding bonds, the proceeds of which will be used in place of GRF resources to pay current debt service requirements, with debt service on the refunding bonds layered into later biennia. To achieve these near-term savings in a fiscally responsible manner, the debt restructuring plan is sized and structured to reflect the following guiding principles:

- Minimize the overall fiscal cost.
- Maintain adherence to the fundamental financing principle that the term of the financing not exceed the useful life of the financed assets.
- Maintain rapid amortization of the state's total GRF-backed debt.
- Preserve existing "callable" bonds (that is, bonds that are eligible to be called early to achieve savings).

Adhering to these guiding principles, the restructuring targets only non-callable bonds and relies predominantly on general obligation bonds issued by the Ohio Public Facilities Commission to achieve 73 percent (approximately $322 million) of the targeted $440 million in fiscal year 2012 GRF cash flow savings. The remaining $118 million in savings will be generated via restructuring of state lease-rental bonds issued by the Ohio Building Authority. The utilization of predominantly general obligation bonds ensures that the refunding bonds can be sold at a lower interest cost that reflects the state's full-faith-and-credit pledge. The restructuring focuses on bond programs that fund long-lived assets including school facilities, local infrastructure (roads, bridges, and water/wastewater systems), and adult and youth correctional facilities. Focusing on such long-lived assets ensures that the average useful lives of the facilities will exceed the term of the restructured debt. Figure C-23 presents the annual cash flows on both a gross and net-present-value basis.

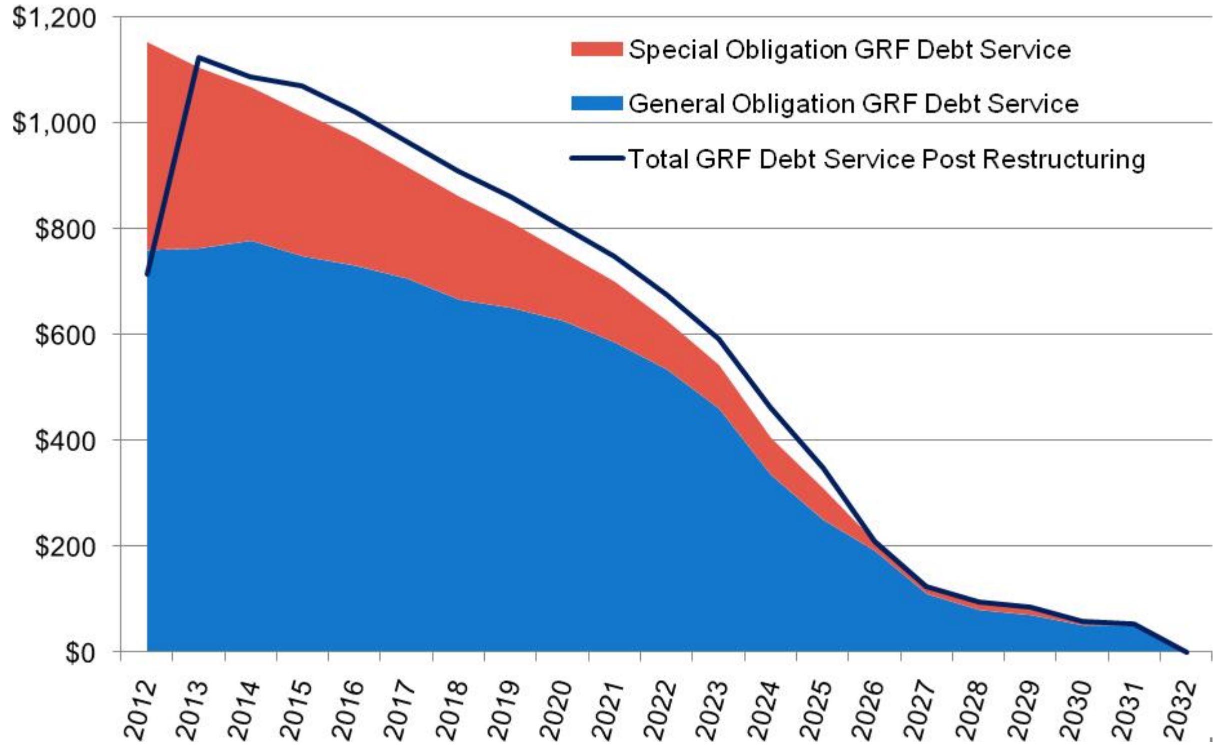
Figure C-23: Annual Cash Flow Impact of the Debt Restructuring

Fiscal Year	Prior Debt Service	Restructured Debt Service	Net Cash Flow Impact	Present Value Net Cash Flow Impact*
FY 2012	$451,939,506	$11,983,197	$439,956,308	$435,064,906
FY 2013	-	20,030,550	(20,030,550)	(19,052,476)
FY 2014	-	20,030,550	(20,030,550)	(18,358,056)
FY 2015	-	51,024,050	(51,024,050)	(45,318,159)
FY 2016	-	48,706,900	(48,706,900)	(41,678,398)
FY 2017	-	48,711,775	(48,711,775)	(40,172,318)
FY 2018	-	48,705,950	(48,705,950)	(38,712,766)
FY 2019	-	48,709,325	(48,709,325)	(37,313,942)
FY 2020	-	48,693,400	(48,693,400)	(35,952,027)
FY 2021	-	48,513,750	(48,513,750)	(34,523,595)
FY 2022	-	48,457,500	(48,457,500)	(33,237,354)
FY 2023	-	48,451,000	(48,451,000)	(32,032,853)
FY 2024	-	48,452,625	(48,452,625)	(30,877,815)
FY 2025	-	48,451,750	(48,451,750)	(29,763,584)
TOTAL	**$451,939,506**	**$588,922,322**	**$(136,982,817)**	**$(1,928,436)**

** Cash flow impact discounted by the all-in cost of borrowing to the issuance date of the respective bonds.*

As shown in Figure C-23, while the total “gross” cash flow impact of the debt service restructuring through fiscal year 2025 is estimated to be approximately $137 million, the present value of those future payments (that is, the cost in today’s dollars) is estimated to be just $1.9 million. Figure C-24 shows the projected impact of the debt restructuring on total GRF debt payments for all future fiscal years.

Figure C-24: Debt Restructuring
Annual Impact on Total GRF Debt Service (dollars in millions)



Minimal Impact on GRF Debt Amortization

Ohio has a long history of rapid amortization of its outstanding debt obligations and the credit rating agencies have long highlighted Ohio's rapid debt amortization as a strong credit positive. Moreover, the three issuers of debt backed by state revenue (the Ohio Public Facilities Commission, the Treasurer of State, and the Ohio Building Authority) committed in their comprehensive Debt and Interest Rate Risk Management Policy, adopted in 2007, to amortizing, in the aggregate, at least 50 percent of GRF-backed debt outstanding at any one time within ten years or fewer. Due to the restructuring's relatively small size and short repayment period, its impact on the rate of amortization of the state's GRF-backed debt is small in the short-term and negligible over the medium-to-long term. Figure C-25 shows the percent of GRF-backed debt amortized within 10, 15, and 20 years and illustrates the minimal impact the restructuring will have on this key measure.

Figure C-25: Impact of Debt Restructuring on GRF Debt Amortization Rates

Amortization Period	Current	Post-Restructuring
10-Years (FY 2011-20)	70.3%	68.0%
15-Years (FY 2011-25)	94.0%	94.0%
20-Years (FY 2011-30)	99.4%	99.4%

Figure C-26:
Summary of State of Ohio Personnel
Fiscal Years 2010 and 2011

Actual		
FY 2010 (July 2009)	FY 2011 (July 2010)	% Change
59,986	59,593	-0.7%

Figure C-26 summarizes state agency employment figures for fulltime and part-time employees in the following employment types:

- Established Term: These employees are established by agency-specific and collective bargaining agreements and have a limited duration of work dependent upon the needs of the department.
- Fixed Term: These employees have been appointed or elected to serve for a period fixed by law. Fixed-term salaried employees receive a fixed salary set by law. Fixed-term per diem employees receive compensation on a daily basis for attending meetings and/or conducting official business on behalf of the agency.
- Interim: These employees work for an indefinite period of time that is fixed by the length of absence of an employee due to sickness, disability, or approved leave of absence.
- Intermittent: These employees work an irregular and unpredictable schedule, which is determined by the fluctuating demands of the work. Typically, these employees work fewer than 1,000 hours per year.
- Permanent: These employees hold a position that requires a regular schedule of 26 consecutive biweekly pay periods, or any other regular schedule of comparable consecutive pay periods that is not limited to a specific season or duration.
- Project Employees: These employees are hired in connection with a special project having a limited-term funding source, such as a federal grant.
- Seasonal: These employees work a certain regular season or period of each year performing some work or activity limited to that timeframe.
- Temporary: These employees hold their positions for a limited period of time, which is fixed by the appointing authority for a period not to exceed six months.

Data for fiscal years 2010 and 2011 are from the start of each fiscal year – July 2009 and July 2010, respectively. The Department of Administrative Services' Human Resources Division produces the data for its Monthly Report – Number of State Employees (i.e. the "Trend Report").

Figure C-26 above shows that state employment declined 0.7 percent between the start of fiscal year 2010 and the start of fiscal year 2011. With agency budget reductions, the number of state employees will continue to decline. Agencies are working to identify the precise number of employees that they will need to carry out their more limited goals and objectives in fiscal years 2012 and 2013.

Note that these figures represent a point in time during each fiscal year and do not necessarily represent either the minimum or maximum staffing levels for the period. Certain position types, particularly certain non-permanent position types, are not captured in these data simply because of the points in time represented.

Figure C-27 below shows more detailed state agency employment figures for the fiscal year 2010-2011 biennium for all employment types described above.

Figure C-27:
Detail of State of Ohio Personnel by Agency
Fiscal Years 2010 and 2011

	Actual		
Agency	FY 2010 (July 2009)	FY 2011 (July 2010)	% Change
Accountancy Board of Ohio	17	18	5.9%
Adjutant General's Department	357	334	-6.4%
Administrative Services, Department of	880	884	0.5%
Agency Rule Review, Joint Committee on	6	5	-16.7%
Aging, Department of	121	119	-1.7%
Agriculture, Department of	448	470	4.9%
Air Quality Development Authority	14	14	0.0%
Alcohol and Drug Addiction Services, Department of	97	106	9.3%
Arts Council	26	20	-23.1%
Athletic Commission	8	8	0.0%
Attorney General	1,587	1,553	-2.1%
Auditor of State	906	872	-3.8%
Barber Board	10	10	0.0%
Budget and Management, Office of	174	241	38.5%
Capital Square Review and Advisory Board	56	58	3.6%
Career Colleges and Schools, Board of	9	9	0.0%
Chemical Dependency Professionals Board	16	15	-6.3%
Chiropractic Board	10	10	0.0%
Civil Rights Commission	96	94	-2.1%
Claims, Court of	43	39	-9.3%
Commerce, Department of	953	981	2.9%
Consumers' Counsel, Office of the	73	77	5.5%
Cosmetology, Board of	47	45	-4.3%
Counselor, Social Worker, and Marriage and Family Therapist Board	27	27	0.0%
Cultural Facilities Commission	17	13	-23.5%
Dental Board	26	24	-7.7%
Development, Department of	464	471	1.5%
Developmental Disabilities, Department of	3,418	3,315	-3.0%
Dietetics, Board of	7	9	28.6%
Dispute Resolution and Conflict Management, Commission on	4	4	0.0%
Education, Department of	762	686	-10.0%
Elections Commission	8	8	0.0%
Embalmers and Funeral Directors, Board of	12	11	-8.3%
Employment Relations Board	31	40	29.0%
Engineers and Surveyors, Board of	12	13	8.3%
Environmental Protection Agency	1,281	1,258	-1.8%
Environmental Review Appeals Commission	5	5	0.0%

	Actual		
Agency	FY 2010 (July 2009)	FY 2011 (July 2010)	% Change
eTech Ohio Commission	69	61	-11.6%
Ethics Commission	21	21	0.0%
Examiners of Architects, Board of	14	13	-7.1%
Expositions Commission	161	157	-2.5%
Governor, Office of the	42	42	0.0%
Health, Department of	1,347	1,292	-4.1%
Hispanic/Latino Affairs, Commission on	14	13	-7.1%
Housing Finance Agency	149	142	-4.7%
Industrial Commission	485	468	-3.5%
Inspector General, Office of	23	24	4.3%
Insurance, Department of	282	281	-0.4%
Job and Family Services, Department of	3,668	3,909	6.6%
Joint Legislative Ethics Commission	6	5	-16.7%
Judicial Conference of Ohio	9	10	11.1%
Judiciary / Supreme Court	1,479	1,460	-1.3%
Lake Erie Commission	4	3	-25.0%
Legal Rights Service	46	45	-2.2%
Legislative Service Commission	203	198	-2.5%
Library Board	70	68	-2.9%
Liquor Control Commission	8	7	-12.5%
Lottery Commission	391	376	-3.8%
Manufactured Homes Commission	4	5	25.0%
Medical Board	98	97	-1.0%
Medical Transportation Board	3	3	0.0%
Mental Health, Department of	2,908	2,807	-3.5%
Minority Health, Commission on	6	5	-16.7%
Motor Vehicle Collision Repair Registration Board	9	10	11.1%
Natural Resources, Department of	2,844	2,818	-0.9%
Nursing, Board of	73	68	-6.8%
Occupational Therapy, Physical Therapy, and Athletic Trainers Board	27	28	3.7%
Optical Dispensers Board	12	12	0.0%
Optometry, State Board of	9	9	0.0%
Orthotics, Prosthetics, and Pedorthics, Board of	2	2	0.0%
Personnel Board of Review	11	0	-100.0%
Petroleum Underground Storage Tank Release Compensation Board	24	24	0.0%
Pharmacy, Board of	58	56	-3.4%
Psychology, Board of	17	18	5.9%
Public Defender Commission	126	128	1.6%
Public Safety, Department of	3,844	3,755	-2.3%
Public Utilities Commission of Ohio	374	370	-1.1%

	Actual		
Agency	FY 2010 (July 2009)	FY 2011 (July 2010)	% Change
Public Works Commission	10	10	0.0%
Racing Commission	23	24	4.3%
Regents, Board of	87	75	-13.8%
Rehabilitation and Correction, Department of	13,497	13,385	-0.8%
Rehabilitation Services Commission	1,251	1,185	-5.3%
Representatives, House of	297	297	0.0%
Respiratory Care Board	14	14	0.0%
Sanitarian Registration, Board of	2	2	0.0%
School Facilities Commission	70	69	-1.4%
School for the Blind	170	146	-14.1%
School for the Deaf	197	181	-8.1%
Secretary of State	209	201	-3.8%
Senate	191	185	-3.1%
Southern Ohio Agricultural and Community Development Foundation	5	5	0.0%
Speech-Language Pathology and Audiology, Board of	11	12	9.1%
Tax Appeals, Board of	19	10	-47.4%
Taxation, Department of	1,325	1,570	18.5%
Transportation, Department of	6,124	6,336	3.5%
Treasurer of State	146	150	2.7%
Tuition Trust Authority	47	44	-6.4%
Veterans Services, Department of	864	859	-0.6%
Veterinary Medical Board	10	9	-10.0%
Workers' Compensation Council	1	2	100.0%
Workers' Compensation, Bureau of	2,346	2,262	-3.6%
Youth Services, Department of	2,102	1,884	-10.4%

Figure C-28:
Summary of State of Ohio Personnel-Related Expenditures
Fiscal Years 2010 and 2011

(in Millions)	Actual	Estimated	
Funds	FY 2010	FY 2011	% Change
GRF	1,845.0	1,732.0	-6.1%
All Funds	4,361.6	4,207.4	-3.5%

Figure C-28 summarizes all personnel-related expenses captured within the personal services expense account category. Amounts include basic wages, overtime compensation, paid leave and leave cash-outs, employer paid benefit expenses, and payroll surcharges for central services (e.g. payroll processing).

State of Ohio Personnel

State personnel costs in fiscal year 2010 totaled $4.4 billion, with GRF expenses comprising $1.8 billion (40.9 percent) of that amount. Extrapolating fiscal year 2011 payroll expenses to date to the rest of the year shows that GRF state payroll is estimated to be $1.7 billion, declining 6.1 percent compared to the prior year. Total state payroll for all funds in this fiscal year is estimated to be $4.2 billion, or 3.5 percent less than the prior year.