Section B

Economic Forecast and Income Estimates

Economic Overview and Forecast

Overview

Since the Great Recession of 2007 to 2009, U.S. real gross domestic product (GDP) has grown for 19 of 21 quarters, although growth over those 21 quarters has averaged only 2.3 percent, which is slow measured against other postwar expansions. Throughout the recovery, this relatively slow growth has often led to anxiety regarding both the pace and durability of the recovery and expansion. Recently however, there has been an uptick in growth as the economy finally appears to be accelerating. Specifically, the two most recent quarters – the second and third quarters of 2014 – have turned in the strongest back-to-back GDP growth since the third and fourth quarters of 2003. Adding to this has been encouraging news from the labor market as well as a variety of other economic indicators that have recently hit their highest levels since pre-recession days.

Labor Market Improvement and Recent Economic Performance

Labor demand has taken much longer to recover following the recession than the demand for goods and services. As real GDP had recovered its pre-recession peak in the fourth quarter of 2011, the U.S. labor market was still millions of jobs below its pre-recession peak, and the U.S. unemployment rate was 8.0%. The labor market picture today has markedly improved from two years ago, both in the U.S. and in Ohio. The U.S. unemployment rate for December 2014 was down to 5.6% - a level already below the levels that some analysts had estimated to be the new "full-employment" rates, of 6.0% or 5.75%. The Ohio unemployment rate has also fallen sharply over that time, dropping from 7.3% to 4.8% in December 2014. Although there has been concern that the drop in unemployment rates has been driven by people dropping out of the labor force, in fact about 90 percent of the drop in unemployment has been explained by higher employment. That is, the number of unemployed in Ohio has declined by about 140,000 over the last two years, while the number of employed has increased by about 126,000, and roughly 14,000 have left the labor force.

Unlike two years ago, the U.S. employment level has now recovered its pre-recession peak – a milestone that was reached in May 2014, 76 months after the previous high point in January 2008. The improvement in the labor market in 2014 was significant, as U.S. nonfarm employment increased by 2.95 million jobs, for an average of 246,000 jobs per month, up substantially from the average of 194,000 in 2013, and the best calendar year performance since 1999. Ohio employment has also grown substantially over the past two years as nonfarm employment has increased by an estimated 112,500 jobs, while private employment has actually grown somewhat faster than that, adding 117,300 jobs. The Ohio labor market, like the national labor market, improved in 2014, with nonfarm job growth averaging 5,100 jobs per month, up from 4,300 per month in 2013.

One aspect of the labor market however, that has not yet shown significant improvement is wage growth. Average hourly earnings of all private sector employees rose by only 1.65% in 2014, a lower increase than even during the recession and early recovery years of 2009 and 2010, and well below the 3.0% to 3.5% range of earnings growth before the recession. Indeed, as Federal Reserve Chairman Janet Yellen noted in a speech last August, real wage inflation is effectively zero, since wages have grown more slowly than labor productivity. In fact, the Federal Reserve is watching wage growth very closely, along with a variety of other labor market indicators, in order to assess the state of the labor market and the overall economy as part of their deliberations about when short-term interest rates need to be increased.

In addition to the two statistics already cited that show the economy performing the best that it has in over 10 years (best consecutive quarter GDP growth since 2003 and the best calendar job growth since 1999) there are other measures which show the economy returning to its former health as well. Ongoing improvements in the labor markets, low inflation, and the very large drop in the price of gasoline have continued to boost consumer confidence. Both the Conference Board and the Reuters/University of Michigan surveys have been increasing, and the Michigan Survey in December rose to its highest level since January 2007. Furthermore November initial claims for unemployment insurance hit their lowest level since April 2000, although they have increased slightly since then and the number of job openings recorded by the Job Openings and Labor Turnover Survey (JOLTS) hit its highest level since 2001 in August, before decreasing slightly. An exception to the litany of good news can be found in construction, which, despite steady increases since the low point of February 2011, is still about 20 percent below its pre-recession peak.

Finally, in reviewing both recent performance and the current economic situation, a mention of the recent sharp declines in crude oil and retail gasoline prices is necessary. Since August and September when both West Texas Intermediate (WTI) and Brent crude oil were priced at over $102 per barrel, each has recently been trading below $50 per barrel. As crude oil prices have fallen, so have retail gasoline prices. Energy Information Administration (EIA) data show that national average gasoline prices decreased by about 45% from their late June high of $3.70 per gallon. This decrease has freed up significant consumer dollars that can be spent on other items. At this point, it is not clear whether this has yet had an impact on the non-auto retail sales and tax revenues, but it is probably one of the factors that have contributed to very strong auto sales and tax revenues in fiscal year 2015. While no oil or gasoline price decline of the magnitude actually experienced was foreseen two years ago, even without that influence the last biennial budget forecast called for improved light vehicle sales as a driver of economic growth, as well as a housing rebound which, in contrast, has largely not materialized.

Near Term Outlook

The economic forecast upon which the Executive Budget was developed is for continued growth for the nation and for Ohio, with growth accelerating somewhat from its pace so far during the recovery and expansion. For 2010-2014, real GDP growth has averaged 2.2 percent per year, with 2014 still partially an estimate. IHS Global Insight projects real GDP accelerating to an average of 2.8% over Calendar Years (CY) 2015 to 2017, with growth being a little higher (3.1%) in 2015 due to special factors such as the drop in oil and gasoline prices. Consumer spending is expected to grow at an average rate of 3.1 percent over the CY 2015 to 2017 period, almost a percentage point higher than the 2.2 percent average over the 2010 to 2014 period. Nonresidential investment spending is expected to grow at an average annual rate of 5.3 percent, equal to its annual average over 2010-2014, while residential investment (housing) is expected to get back to a 10 percent annual growth rate after falling to only 1.6 percent in 2014.

Following an estimated growth rate of 2.0 percent in fiscal year 2015, U.S employment is projected to increase 1.9 percent in fiscal year 2016 and 1.6 percent in fiscal year 2017, levels similar to the 1.7 percent growth seen in fiscal year 2014. Ohio employment growth meanwhile is estimated to grow more slowly at 0.9 percent in fiscal year 2016 and 1.3 percent in fiscal year 2017, after 1.1 percent growth in fiscal year 2014. The national unemployment rate is projected to continue declining gradually from the fiscal year 2015 estimate of 5.5 percent to 5.4 percent in both fiscal years 2016 and 2017. Ohio's unemployment rate meanwhile is estimated to be essentially the same as the national rate at 5.4 percent in both fiscal years 2016 and 2017, dropping slightly from an estimate of 5.5 percent in fiscal year 2015, Keep in mind however, that Ohio's unemployment rate in December 2014 was already down to a seasonally adjusted 4.8 percent, so the Ohio unemployment rate may end up below the projection.

Both U.S. and Ohio personal income levels are forecast to grow in fiscal years 2016 and 2017 with the U.S. growing at rates of 4.6 and 5.4 percent respectively, while Ohio's growth is forecast lower at 3.8 percent and 4.4 percent. For fiscal year 2015 personal income for the U.S. and Ohio are projected to grow at 4.2 percent and 3.9 percent respectively. Ohio wage and salary income meanwhile, is forecast to grow slightly faster than personal income as a whole with growth of 4.1 percent in fiscal year 2015 and 4.3 percent in both fiscal years 2016 and 2017.

Stronger consumer spending—partially as a result of lower gasoline prices and partially as a result of generally better economic conditions—is currently driving growth, and is projected to continue to do so through at least the first half of CY 2015. The benefit to consumers from lower oil prices is sometimes referred to by economists as the "gasoline price dividend." Currently it is difficult to determine exactly where the "dividend" is being spent. Spending on travel, restaurants, clothing, and other recreation goods is up. While spending on light vehicles has also increased, vehicle sales are also dependent on long-term macroeconomic trends in income, debt, and consumer confidence. Since many categories of consumer spending are growing faster, amid more consumer optimism, it is not yet possible to specifically pinpoint where any redirection of gasoline spending is going. However, the benefits of lower gasoline prices on consumer spending generally are expected to continue as long as prices stay low. In the IHS Global Insight baseline forecast, WTI and Brent crude prices stay low for the first half of CY 2015 before prices begin slowly rising again. Crude prices hit $60 per barrel late in 2015, and then average about $75 per barrel in CY 2016, still well below their 2010 to 2014 average.

While it used to be a given that lower oil prices were considered to be a large positive for the U.S. economy, the re-emergence of the U.S. as a major oil producer, with the increased production coming from horizontal drilling in shale formations, including in Ohio, has led to more concern about the reduction in investment that will accompany falling oil prices. IHS Global Insight's analysis is that the positive impact of low energy prices, which is felt both in increased consumer demand for many goods and services and in lower production input prices, overwhelms the impact of lower demand in energy investment categories. IHS Global Insight projects that investment in energy equipment and structures will decline, but less than in 2008 to 2009, when oil price declines were even larger. Investment is expected to decline in 2015 and early 2016 before rebounding in the second half of 2016 and into 2017.

Risks to the Forecast

There are always a number of risks to the forecast but it appears that mainstream economic opinion right now is focused on three. The first is international trade. The strengthening of the U.S. dollar and the economic weakness of U.S. trading partners has led to concern about U.S. exports. While exports are expected to continue growing, imports are expected to grow much faster to the point that net exports are expected to be negative, and thus a subtraction from growth, in CY 2015 through 2017. Import growth is expected to be on average about 1.7 percent higher than export growth over those three years. There is a possibility of even weaker U.S. export growth if the dollar appreciates more than expected, or if the economies of our trading partners are weaker than expected.

The second major negative risk factor is tied to demographic changes. The risk here involves both cyclical and longer-term demographic factors. If low wage growth continues and leads to lower than expected consumer spending, and is combined with demographic factors such as lower marriage rates, and with longer-term credit market trends such as high student loan debt, that could lead to low rates of household formation and a return to a weak housing market. This in turn could result in a return to falling house prices, which would cause even lower consumer spending, initiating a downward cycle until household formation began rising again.

A third negative risk factor that has receded recently is with regard to how quickly the Federal Reserve follows-up the end of its bond buying program by increasing the target federal funds rate and the response of the financial markets. With the continued low inflation rates, which now may be pushed temporarily lower by the drop in oil prices, concerns have abated that the Federal Reserve will act aggressively to increase rates anytime soon.

While these risks are real, the major forecasting firms attach rather low probabilities to either of them coming to fruition to an extent that they would derail the U.S. expansion. Both IHS Global Insight and Moody's estimate the probability of a near-term U.S. recession at under 20 percent.

While the OBM forecast includes examination of a large number of variables in assessing the state of the economy, the table below displays forecast for a subset of key variables that either summarize the broad economy or are directly used in the equations that were used to forecast GRF tax revenues. The FY 2015-2017 forecasts for those variables, along with the history for FY 2013-2014, are summarized in Table B-1.

Table B-1: History and Global Insight Baseline Forecast
Key Economic Variables (FY 2013-2017)

Annual percent change unless otherwise indicated					
	Actual		Estimate		
	FY 2013	FY2014	FY2015	FY2016	FY2017
Output					
U.S. Real GDP	2.0	2.5	3.1	2.6	2.9
Ohio Real GDP	1.7	1.3	1.4	1.9	2.2
Income					
U.S. nominal personal income	4.0	2.6	4.2	4.6	5.4
Ohio nominal personal income	3.3	2.7	3.9	3.8	4.4
Ohio nominal wage and salary income	3.3	2.8	4.1	4.3	4.3
Employment					
U.S. nonfarm employment	1.6	1.7	2.0	1.9	1.6
Ohio nonfarm employment	1.4	1.1	0.9	1.3	0.9
U.S. unemployment rate (percentage)	7.8	6.8	5.8	5.4	5.2
Ohio unemployment rate (percentage)	7.3	6.7	5.5	5.4	5.4
Consumer Spending					
U.S. real personal consumption expenditure	2.1	2.4	3.1	3.3	3.0
U.S. nominal personal consumption expenditure	3.5	3.7	3.9	4.6	4.9
U.S. retail and food service sales	4.5	3.8	3.9	4.2	5.1
Ohio retail and food service sales	3.8	4.0	3.3	3.0	4.4
U.S. light vehicle sales (millions of units)	15.03	15.85	16.78	17.07	17.37

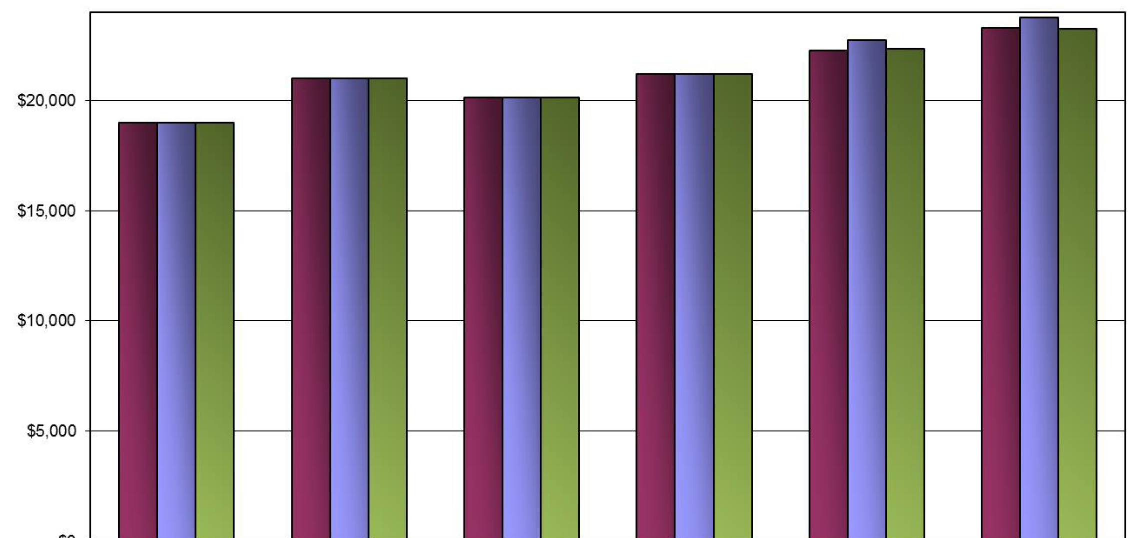
Revenue Estimates and Methodology

Overview

Since "the Great Recession" officially ended in June 2009, the U.S. and Ohio economies have experienced growth averaging 2.3 percent in 20 out of 22 quarters, which is slow when compared to past recoveries. Despite the tepid nature of the recovery, Ohio has experienced and is expected to continue to experience growth with respect to both employment and income. As a result, tax revenue growth should continue through fiscal years 2016 and 2017, though at modest rates when compared to those experienced in past economic recoveries.

The Office of Budget and Management (OBM) prepared a baseline General Revenue Fund (GRF) tax revenue forecast based on current law and then layered an estimate for a change in the allocation of two taxes – the commercial activity tax (CAT) and the kilowatt-hour tax – and an estimate for the impact of tax reform as included in the Executive Budget proposal. Therefore, the final GRF tax receipts total, after adjustments for the allocation change and tax reform policies, is estimated to increase by $1,122.9 million (5.3 percent) in fiscal year 2016 and $919.2 million (4.1 percent) in fiscal year 2017. If the effects of the tax reform package proposed in the Executive Budget are removed, GRF tax receipts would grow by $1,549.2 million (7.3 percent) in fiscal year 2016 and $1,021.2 million (4.5 percent) in fiscal year 2017. The fiscal year 2016 growth rate is so large because of the proposed changes to the allocation of CAT and kilowatt-hour tax revenues, which are explained in more detail in the individual sections for these two taxes. Finally, if the proposed tax reform and allocation changes are both removed, estimated GRF tax revenue would increase by $1,076.3 million (5.1 percent) in fiscal year 2016 and $1,015.1 (4.6 percent) million in fiscal year 2017. The separate sub-sections for each tax will explain in more detail, when relevant, the change to the allocation of the CAT and kWh taxes, as well as a walkthrough of the different layers of estimates that contribute to a final forecast. Figure B-1 below illustrates the three different GRF forecasts explained above.

Figure B-1: General Revenue Fund (GRF) Baseline, Allocation Change, and Tax Reform
($ in millions)



	Actual FY 2012	Actual FY 2013	Actual FY 2014	Estimate FY 2015	Forecast FY 2016	Forecast FY 2017
GRF Baseline	$19,005.2	$21,015.7	$20,134.7	$21,213.9	$22,294.2	$23,305.3
GRF Baseline w/ Allocation Change	$19,005.2	$21,015.7	$20,134.7	$21,213.9	$22,763.2	$23,784.4
GRF Baseline w/ Allocation and Tax Reform	$19,005.2	$21,015.7	$20,134.7	$21,213.9	$22,336.8	$23,256.1

Several statistical methods were employed in estimating GRF receipts. For the major tax sources, such as the sales and use tax, the personal income tax, and the commercial activity tax, regression analyses were employed. With the use of mathematical equations, the underlying assumption in regression analysis is that patterns, trends, and cause-effect relationships, which have developed over time, will remain in effect for future periods. For other revenue sources meanwhile, trend analysis was used. This method is applied to the tax sources that have not experienced substantial or volatile change over time. Trend analysis assumes that historical growth rates and patterns will continue in the future. For example, the cigarette tax, alcoholic beverage tax, and the liquor gallonage tax estimates, as well as estimates for licenses and fees, were prepared using the trend analysis technique.

Revenue Estimates and Methodology

In developing the baseline estimates for fiscal years 2015 through 2017, the Office of Budget and Management (OBM), in collaboration with the Department of Taxation, relied primarily on the national and state economic forecasts produced by IHS Global Insight, one of the leading national economic forecasting firms. OBM then compared the IHS Global Insight forecasts to those produced by the Governor's Council of Economic Advisors and found the forecasts of both to be consistent in their projection of modest economic and employment growth over the next thirty months. Thus the baseline revenue estimates produced for the Executive Budget were arrived at using the November 2014 IHS Global Insight Baseline forecast, which was the most up-to-date forecast available to meet the timeline necessary to finalize the revenue portion of the budget framework. Included in the baseline estimates are the effects of recent policy changes that were enacted by the General Assembly and that Ohio will be implementing during the 2016-2017 biennium. These recent changes include the across the board income tax rate reductions, expansion of the earned income tax credit and personal exemption, as well as the temporary increase in the small business tax deduction from 50 percent to 75 percent for tax year 2015.

Included in the Executive Budget proposal is a reduction of individual income tax rates by 15.0 percent in tax year 2015 and an additional 8.0 percent (23.0 percent total) in tax year 2016, as well as targeted small business income tax relief in the form of a one hundred percent deduction for business income of owners of pass-through entities with gross receipts of less than $2 million annually. Additionally, the Executive Budget increases the personal exemption for lower and middle-income tax payers: the exemption increases from $2,200 to $4,000 for taxpayers earning less than $40,000, and from $1,950 to $2,850 for those earning between $40,000 and $80,000. To offset the revenue foregone as a result of the income tax changes, the Executive Budget also proposes a major expansion of the sales tax base to a number of services not previously covered, accompanied by a permanent 0.5 percent increase in the state sales tax rate.

Additionally, the rate for the CAT would increase from 0.26 to 0.32 percent, with a break for smaller firms provided through a reduction in the alternative minimum tax from $800 to $150 for businesses with gross receipts of between $1 million and $2 million annually. Further contributing to offset the revenue foregone as a result of the income tax reductions are several changes to the cigarette and other tobacco products tax. These include a $1 per pack rate increase, an increase in the tax on other tobacco products to effectively equalize it with the tax on cigarettes, and the establishment of a new vapor products tax that would also be imposed at a rate effectively equivalent to the tax on cigarettes. Finally, also contributing to the offset of reduced income tax receipts is a proposal to increase the severance tax for horizontal wells to a rate of 6.5 percent of the gross market value of oil and natural gas and 4.5 percent of gross market value for natural gas liquids. Table B-2 lists all of the proposed tax and other policy changes in the Executive Budget that directly impact all-funds tax revenues and the impact of each.

Revenue Estimates and Methodology

Table B-2: All-Funds Proposed Tax and Allocation of Tax Changes in the FY's 2016-2017 Executive Budget ($ in millions)

Proposal	FY 2016 Forecast	FY 2017 Forecast
Across-the-board income tax rate cuts (15% TY15 and 23% total FY16); top rate of 4.533% in TY 2015 and 4.106% in TY 2016	($1,392.8)	($2,240.3)
Withholding rate cuts to match income tax rate cuts	($636.3)	($358.2)
Eliminate income tax for businesses and pass-throughs with gross receipts of $2 million or less	($337.8)	($358.2)
Increase personal exemption for the $0-$40,000 income group from $2,200 to $4,000 (estimates assume indexing resumes in FY17)	($98.4)	($98.4)
Increase personal exemption for the $40,000-$80,000 group from $1,950 to $2,850 (estimates assume indexing resumes in FY17)	($85.6)	($89.6)
Means test for the retirement income credit	$22.1	$24.4
Means test for the Social Security deduction	$126.2	$138.2
Means test for the Senior credit	$3.6	$3.9
Increase state sales tax rate by 0.50%, including base expansion impact	$689.4	$949.2
Expand sales tax to services, including lobbying, market research/opinion polling, public relations, management consulting, and debt collection services	$265.0	$299.5
Impose sales tax on cable subscriptions, parking services, and travel services	$87.3	$105.5
Reduce motor-vehicle and watercraft trade-in value tax exemption to 50%	$73.8	$101.6
Cap the vendor's discount for timely filing at $1,000 per month	$21.1	$29.6
Increase the commercial activity tax rate from 0.26% to 0.32%	$304.7	$416.2
Lower alternative minimum tax on the commercial activity tax from $800 to $150 for those with gross receipts from $1 million to $2 million	($15.0)	($14.5)
Increase cigarette tax rate from $1.25 per pack to $2.25 per pack	$315.0	$337.1
Cigarette floor stock tax of $1.00 per pack (one-time)	$100.0	$0.0
Eliminate early payment discount for cigarette taxpayers	$19.7	$19.3
Increase other tobacco products tax rate from 17% to 60% (Equalizes OTP and cigarette tax rates)	$83.5	$86.6
Eliminate 2.5% discount for early payment of OTP tax	$3.5	$3.7
New Vapor Product Tax at a rate equalized to cigarettes	$6.4	$15.9
Severance tax rate of 6.5% on the gross market value of hydrocarbons	$76.5	$183.4
Eliminate deduction for early beer and wine tax filing and payment	$1.5	$1.5
Total Tax Reform Impacts	**($366.7)**	**($433.4)**

Revenue Estimates and Methodology

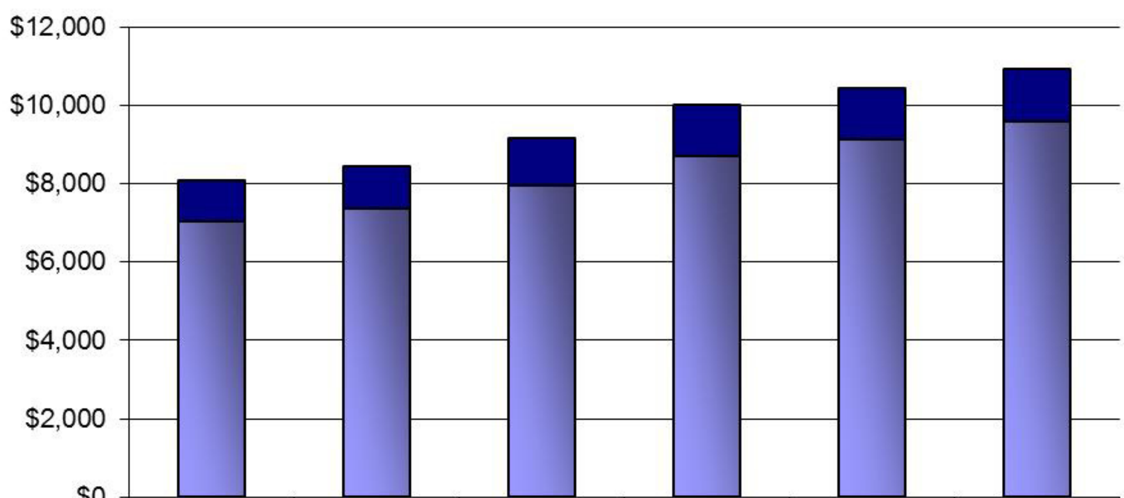
Tax Sources

Sales and Use Tax

Following the end of the most recent recession in June 2009, both the national and state economies experienced prolonged slow growth amid threats of a "double-dip" recession. Recessionary trends continued in employment, income generation, household wealth, home prices, and equity markets. These trends have since reversed and overall economic fundamentals at both the national and state level have shown improvement, alongside rising consumer confidence, pointing to a recovery in sales and use tax collections.

For revenue projection purposes, the sales and use tax is separated into two components: auto and non-auto sales tax revenue. The auto component consists of the tax collected from the sale of automobiles and trucks. The non-auto component includes all other sales and use tax collections, including the sales and use tax on motor vehicle leases. The forecasting methodology for each series is discussed in more detail in subsequent sections. Figure B-2 illustrates both the baseline estimate for fiscal year 2015 and the forecasted revenue, absent any tax policy changes included in the Executive Budget. Sales tax revenues for fiscal year 2015 are expected to increase by 9.3 percent over fiscal year 2014. Growth is expected to continue into fiscal years 2016 and 2017 with respective forecasted baseline growth rates before policy changes of 4.3 percent and 4.7 percent.

Figure B-2: Sales and Use Tax GRF Revenues
($ in millions)



	Actual FY 2012	Actual FY 2013	Actual FY 2014	Estimate FY 2015	Forecast FY 2016	Forecast FY 2017
Auto-GRF	$1,053.5	$1,096.7	$1,209.9	$1,307.0	$1,307.0	$1,346.0
Non-Auto GRF	$7,033.5	$7,348.2	$7,955.9	$8,714.0	$9,137.6	$9,587.8

Under current law, the state sales and use tax on retail sales and selected services is levied at a rate of 5.75 percent. From 1981 through 2003 the sales and use tax was levied at a rate of 5.0 percent. In fiscal years 2004 and 2005, the sales and use tax rate was temporarily increased from 5.0 percent to 6.0, before it was lowered to a rate of 5.5 percent beginning in fiscal year 2006. Most recently, House Bill 59 of the 130th General Assembly explicitly subjected digital goods and services to the sales tax, repealed an exemption for magazine subscriptions, and set the sales and use tax rate to 5.75 permanently beginning in September of 2013.

Beginning in January 2008, deposits into the Local Government Fund and the Public Library Fund were based on a designated percentage of total GRF tax receipts. Unlike earlier years, revenue from the auto sales tax no longer credits these funds. Instead, a portion of receipts from the non-auto sales tax make up half of the designated distribution for the Public Library Fund. The other half due to the Public Library Fund is taken from kilowatt-hour tax receipts. None of the money to be deposited in the Local Government Fund is credited against the non-auto sales tax, since it is entirely credited against personal income tax collections.

Revenue Estimates and Methodology

The state funding methodology for the Public Library Fund has undergone several changes since its creation by the General Assembly in 1985. Most recently, House Bill 153 of the 129th General Assembly set a fixed distribution percentage beginning in July 2013. The funding percentage was obtained by dividing fiscal year 2013 Public Library Fund deposits by total GRF tax revenues received in the same fiscal year. Therefore, beginning with the July 2013 distribution, the Public Library Fund receives 1.66 percent of all GRF tax revenue collections of the previous month, with the non-auto sales tax comprising half of the amount to be credited.

As part of a larger tax reform effort, the Executive Budget proposes a significant expansion of the sales and use tax base by imposing the tax on a number of services not previously covered by the tax. Accompanying this base expansion is a proposal to increase the state sales and use tax rate from the current 5.75 percent to 6.25 percent beginning in fiscal year 2016. Table B-3 shows the baseline forecast from fiscal year 2012 to 2017 for all sales and use tax revenue to be collected by the state, absent any policy changes. Below the baseline, it lists all of the proposed tax policy changes in the Executive Budget that directly impact sales and use tax revenues, including an estimated dollar impact and total tax reform estimate. To obtain a GRF-only figure, the estimated Public Library Fund credit to be taken from non-auto sales tax receipts is subtracted from the baseline and tax reform forecasts.

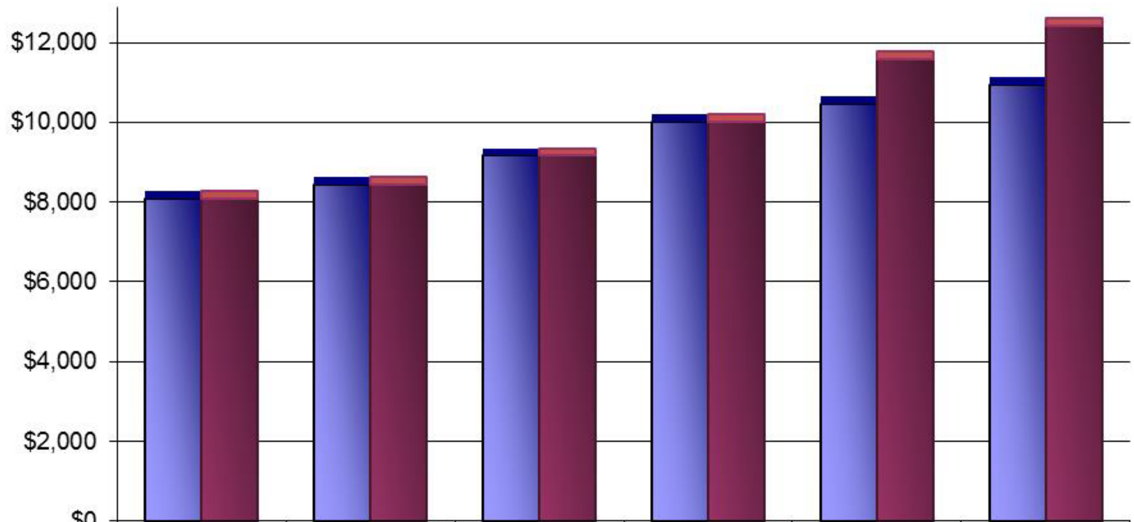
Table B-3: Sales and Use Tax All-Funds and GRF-Only Revenues with Policy Adjustments ($ in millions)

	Actual			Estimate	Forecast	
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY2017
All Funds Actuals/Baseline Revenue	$8,265.6	$8,619.5	$9,338.8	$10,203.1	$10,640.0	$11,138.0
Tax Reform Package:						
Increase state rate by 0.50% (includes base expansion impact)					$689.4	$949.2
Expand sales tax to services, including lobbying, market research/opinion polling, public relations, management consulting, and debt collection services.					$265.0	$299.5
Impose sales tax on cable subscriptions, parking services, and travel services.					$87.3	$105.5
Reduce motor-vehicle and watercraft trade-in value tax exemption to 50%					$73.8	$101.6
Cap vendor's discount at $1,000 per month					$21.1	$29.6
Total Tax Reform Package					$1,136.6	$1,485.5
Public Library Fund (PLF) Distribution (from non-auto sales tax receipts; after tax reform)	($178.6)	($174.6)	($173.0)	($182.1)	($191.8)	($199.7)
Total GRF with Policy Adjustments	$8,087.0	$8,444.9	$9,165.8	$10,021.0	$11,584.8	$12,423.8
Annual GRF Growth Rate (w/ policy changes)	6.7%	4.4%	8.5%	9.3%	15.6%	7.2%

The impact of a proposed 0.50 percent increase in the state sales and use tax is estimated to increase collections by $689.4 million in fiscal year 2016 and $949.2 million in fiscal year 2017. The FY 2017 estimated impact for the rate increase – and also for the proposed base broadening changes – is much larger in FY 2017 because the FY 2016 impact is essentially only for three quarters of a year. The budget also proposes to impose the sales and use tax on a broader category of services, such as cable subscriptions, lobbying, and debt service collections. This base expansion would provide $757.3 million in tax receipts over the biennium. Other tax reform policies, such as adjusting the motor-vehicle and watercraft trade-in value tax exemption to 50 percent and capping the vendor's discount for timely filing to $1,000 per month, would bolster tax collections by an additional $226.2 million over the biennium.

Figure B-3 illustrates both the baseline estimate for fiscal year 2015 and the forecasted revenue adjusted for the tax policy changes proposed in the Executive Budget. Fiscal year 2016 GRF-only sales and use tax receipts are estimated to be $11,584.8 million with growth of 15.6 percent over fiscal year 2015 while fiscal year 2017 receipts are estimated to be $12,423.8 with growth of 7.2% over fiscal year 2016. The reader will notice the Public Library Fund distribution is modestly smaller in the post-reform scenario; the substantial income tax rate cuts included in the Executive Budget and the consequent drop in income tax receipts, which result in an overall net tax cut, produce a smaller GRF base from which the fixed-percentage calculation is taken for the Public Library Fund.

Figure B-3: All-Funds Sales and Use Tax Revenues with Policy Changes
($ in millions)



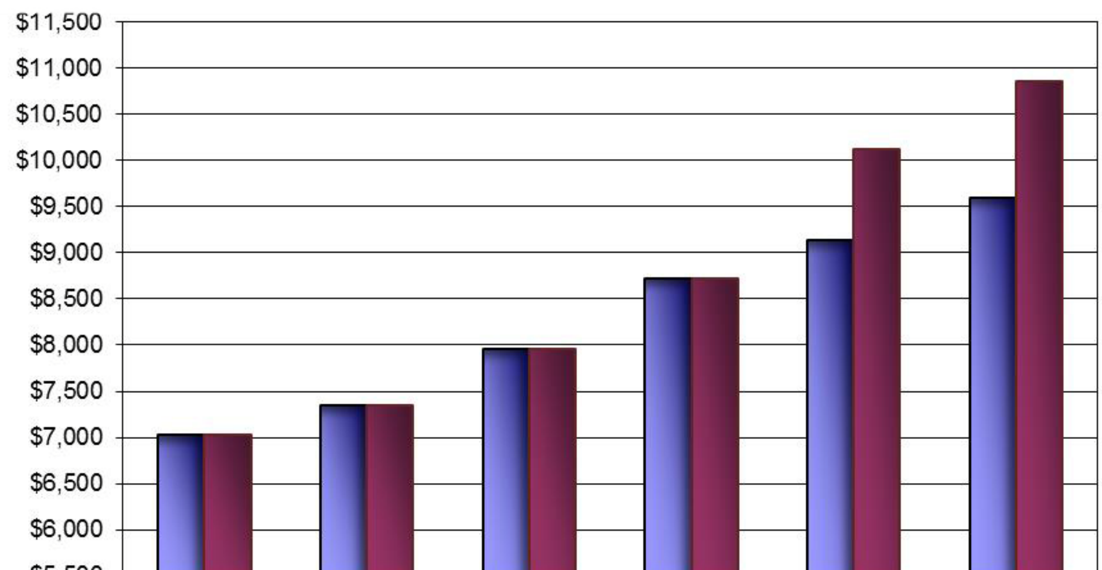
	Actual FY 2012	Actual FY 2013	Actual FY 2014	Estimate FY 2015	Forecast FY 2016	Forecast FY 2017
Sales-GRF	$8,087.0	$8,444.9	$9,165.8	$10,021.0	$10,444.6	$10,933.8
PLF	$178.6	$174.6	$173.0	$182.1	$195.4	$204.2
Sales-GRF w/ Policy Changes	$8,087.0	$8,444.9	$9,165.8	$10,021.0	$11,584.8	$12,423.8
PLF w/ Policy Changes	$178.6	$174.6	$173.0	$182.1	$191.8	$199.7

Non-Auto Sales and Use Tax

The non-auto sales and use tax forecast is an average of two econometric models similarly built with least squares regressions of relevant macroeconomic variables against a modified non-auto sales and use tax base. As an attempt to reduce noise in the model from various tax rate and policy changes throughout recent history, the tax base is built by removing large policy changes and shocks, which are estimated outside the model and then added back to the model's forecast as a final step. The explanatory variables used in the two econometric models include: Ohio per capita light vehicle registrations, Ohio employment, Ohio per capita real wage and salary disbursements, share of total new auto sales made by retail, Ohio shipments of manufactured goods, Ohio real retail sales, and the average price of gasoline in the United States.

Under current law, after the distribution to the Public Library Fund, baseline GRF-only non-auto sales and use tax receipts are expected to increase by 9.5 percent in fiscal year 2015 relative to fiscal year 2014 and then increase by 4.9 percent in both fiscal year 2016 and 2017. Fiscal year 2015 has seen tax performance exceed the estimate in four out of seven months so far, with collections above the year-to-date estimate by $12.5 million (0.2%) as of January 2015. Figure B-4 illustrates the baseline series from fiscal years 2012 through 2017 as explained above, as well as the projected GRF-only receipts adjusted for the tax policy changes included in the Executive Budget and outlined in Table B-4. Fiscal year 2016 GRF-only non-auto sales and use tax receipts after policy adjustments are estimated to be $10,116.7 million with growth of 16.1 percent over fiscal year 2015 while fiscal year 2017 receipts are estimated to be $10,857.9 million with growth of 7.3% over fiscal year 2016.

Figure B-4: Non-Auto Sales and Use Tax GRF Revenues
($ in millions)



	Actual FY 2012	Actual FY 2013	Actual FY 2014	Estimate FY 2015	Forecast FY 2016	Forecast FY 2017
Non-Auto GRF	$7,033.5	$7,348.2	$7,955.9	$8,714.0	$9,137.6	$9,587.8
With Policy Adjustments	$7,033.5	$7,348.2	$7,955.9	$8,714.0	$10,116.7	$10,857.9

As detailed in the previous section on the sales and use tax, the Executive Budget proposes an increase of 0.50 percent in the state sales tax rate and broadening of the tax base to include a number of services. The impact of a proposed tax rate of 6.25% is estimated to increase all funds collections for the non-auto portion of the tax by $604.7 million in fiscal year 2016 and $834.5 million in fiscal year 2017. The remaining changes and base expansion to services would provide an additional $801.8 million in tax receipts over the biennium.

Table B-4 shows the baseline forecast from fiscal year 2012 to 2017 for all non-auto sales and use tax revenue to be collected by the state, absent any policy changes. Below the baseline, it lists all of the proposed tax policy changes in the Executive Budget that directly impact the non-auto sales and use tax revenues, including an estimated dollar impact and total tax reform estimate. To obtain a GRF-only figure, the estimated Public Library Fund credit to be taken from non-auto sales tax receipts is subtracted from the baseline and tax reform forecasts.

Table B-4: Non-Auto Sales and Use Tax All-Funds and GRF-Only Revenues with Policy Adjustments ($ in millions)

	Actual			Estimate	Forecast	
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY2017
Actual/Estimated GRF Revenue	$7,212.1	$7,522.8	$8,128.9	$8,896.1	$9,333.0	$9,792.0
Tax Reform Package:						
State sales tax rate increase from 5.75% to 6.25% (includes base expansion impact)					$604.7	$834.5
Expand sales tax to services, including lobbying, market research/opinion polling, public relations, management consulting, and debt collection services.					$265.0	$299.5
Impose sales tax on cable subscriptions, parking services, and travel services.					$87.3	$105.5
Cap vendor's discount at $1,000 per month					$18.5	$26.0
Total Tax Reform Package					$975.5	$1,265.6
Public Library Fund (PLF) Distribution (from non-auto sales tax receipts; after tax reform)	($178.6)	($174.6)	($173.0)	($182.1)	($191.8)	($199.7)
Total GRF with Policy Adjustments	$7,033.5	$7,348.2	$7,955.9	$8,714.0	$10,116.7	$10,857.9
Annual GRF Growth Rate (w/ policy changes)	6.5%	4.5%	8.3%	9.5%	16.1%	7.3%

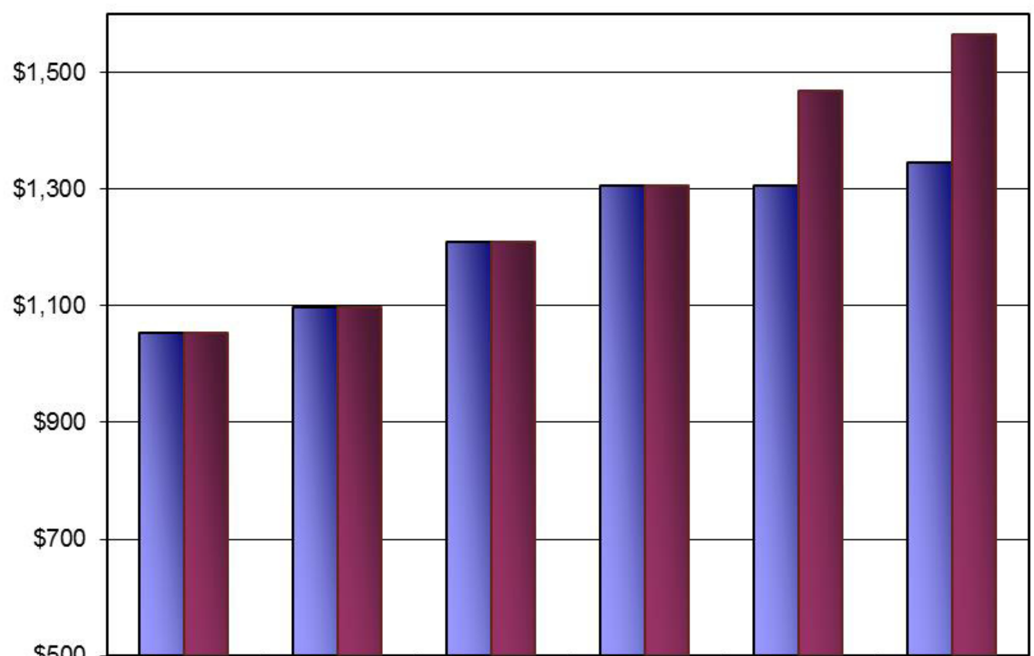
Note: Due to rounding, totals may vary.

Auto Sales Tax

The auto sales tax forecast is based on two econometric models, evenly blended, which perform least squares regressions of several macroeconomic variables against the auto sales tax base. The following variables were selected for their strong explanatory power in the model: Ohio light vehicle registrations, Ohio disposable personal income, number of snow days per quarter, United States spending on motor vehicles and parts, and United States household obligations ratio. This year, the model was further adjusted upwards in fiscal year 2015 to account for the record-breaking year in light-vehicle sales and resulting above-estimate tax receipts; modified growth rates predicted by the econometric model were then applied to fiscal years 2016 and 2017.

This tax source has shown strong annual growth in recent years, increasing by 10.3 percent from fiscal year 2013 to fiscal year 2014. As of January 2015, auto sales tax collections exceeded the fiscal year 2015 year-to-date estimate by $37.3 million, or a 5.3 percent overage. An underlying determinant fueling the growth in this tax source is the strong national demand for light-vehicles, which grew by 5.9 percent in calendar year 2014 as compared to 2013, and which experts predict will be sustained through 2015. Under current law, baseline auto sales and use tax receipts are expected to increase by 8.0 percent in fiscal year 2015 relative to fiscal year 2014, remain steady in fiscal year 2016, and then increase by 3.0 percent in fiscal year 2017. Figure B-5 illustrates the baseline series from fiscal years 2012 through 2017 as explained above, as well as the projected GRF receipts adjusted for the tax policy changes included in the Executive Budget and outlined in Table B-5. Growth in the auto portion of the sales tax, including all policy changes, will be 12.3 percent in fiscal year 2016 and 6.7 percent in fiscal year 2017.

Figure B-5: Auto Sales Tax GRF Revenues
($ in millions)



	Actual FY 2012	Actual FY 2013	Actual FY 2014	Estimate FY 2015	Forecast FY 2016	Forecast FY 2017
Auto-GRF	$1,053.5	$1,096.7	$1,209.9	$1,307.0	$1,307.0	$1,346.0
with Policy Adjustments	$1,053.5	$1,096.7	$1,209.9	$1,307.0	$1,468.1	$1,565.9

As detailed in the previous section on the sales and use tax, the Executive Budget proposes an increase of 0.50 percent in the state sales tax rate and changes in sales tax policy. The impact of a proposed 6.25% tax rate is estimated to increase collections for the auto portion of the tax by $84.7 million in fiscal year 2016 and $114.7 million in fiscal year 2017. Other tax reform proposals, such as adjusting the motor-vehicle and watercraft trade-in value tax exemption to 50 percent and capping the vendor's discount for timely filing to $1,000 per month, would bolster auto sales tax collections by an additional $76.4 million in fiscal year 2016 and

$105.2 million in fiscal year 2017. Table B-5 lists all of the proposed tax policy changes in the Executive Budget that directly impact the auto sales and use tax revenues and the estimated effect of each.

Table B-5: Auto Sales Tax GRF Revenues with Policy Changes
($ in millions)

	Actual			Estimate	Forecast	
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY2017
Auto-GRF Actuals/Baseline Revenue	$1,053.5	$1,096.7	$1,209.9	$1,307.0	$1,307.0	$1,346.0
State sales tax rate increase from 5.75% to 6.25% (includes base expansion impact)					$84.7	$114.7
Reduce motor-vehicle and watercraft trade-in value tax exemption to 50%					$73.8	$101.6
Cap vendor's discount at $1,000 per month					$2.6	$3.6
Total GRF with Policy Adjustments	$1,053.5	$1,096.7	$1,209.9	$1,307.0	$1,468.1	$1,565.9
Annual Growth Rate	7.8%	4.1%	10.3%	8.0%	12.3%	6.7%

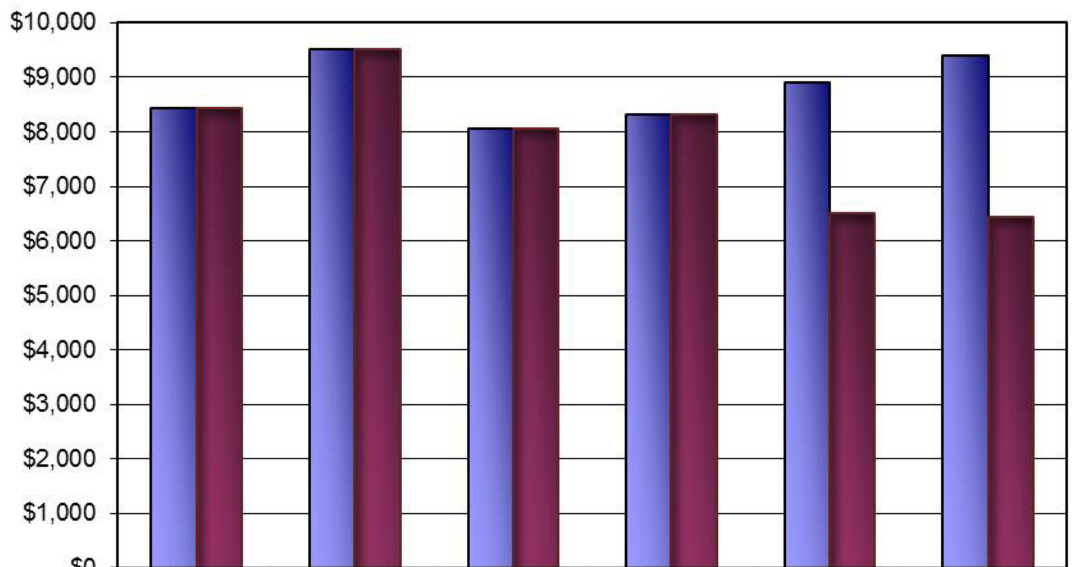
Personal Income Tax

The Ohio income tax on individuals and estates took effect in 1972, with an income tax on trusts enacted in 2002. There are currently nine income brackets with progressive tax rates ranging from 0.528 percent to 5.333 percent. Ohio taxable income is based on federal adjusted gross income for individuals or taxable income for estates and trusts, with certain adjustments. Graduated tax rates are applied to this income base to arrive at tax liability before credits. Final tax liability is obtained after certain credits are subtracted.

The estimates of personal income tax revenues were derived by breaking down this tax source into two different components: employer withholding and taxes derived from non-wage income. The collections for employer withholding in fiscal years 2015 through 2017 were estimated employing regression analysis, using Ohio wage and salary income and Ohio nonfarm employment as the independent variables. The estimates for the non-wage components were predicted using base IRS data for the income amounts and projecting forward using forecasts of those income amounts or proxies for income amounts from IHS Global Insight and other sources.

Beginning in 2008, the Local Government Fund (LGF) received 3.68 percent of total GRF tax receipts, with all of the allocation subtracted from the personal income tax. For fiscal years 2012 and 2013, however the percentage of GRF tax revenues method was not in effect, with the distribution for those years set at 75.0 percent and 50.0 percent of fiscal year 2011 levels, respectively. Under current law, LGF allocations returned to the percentage of total GRF tax receipts model, with the rate recalculated in July 2013 at 1.66 percent. As with the Public Library Fund, this new funding percentage was obtained by dividing fiscal year 2013 Local Government Fund deposits by total GRF tax revenues received during the same fiscal year.

Figure B-6: Personal Income Tax GRF Revenues
($ in millions)



	Actual FY 2012	Actual FY 2013	Actual FY 2014	Estimate FY 2015	Forecast FY 2016	Forecast FY 2017
Personal IT-GRF	$8,432.9	$9,507.8	$8,064.9	$8,308.8	$8,895.2	$9,397.6
with Policy Changes	$8,432.9	$9,507.8	$8,064.9	$8,308.8	$6,503.4	$6,428.5

Figure B-6 illustrates both the baseline estimates and the total estimates including the income tax policy changes proposed in the Executive Budget. The net estimated impact on personal income tax revenue after combining baseline growth and the proposed policy changes will be a decline of 21.7 percent in fiscal year 2016 and a smaller decline of 1.2 percent in fiscal year 2017. The total estimates of GRF receipts from the income tax for fiscal years 2015-2017, including the impact of the policy changes proposed in the Executive Budget are listed in Table B-6.

Table B-6: Personal Income Tax Revenues With Policy Changes
($ in millions)

	Actual			Estimate	Forecast	
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY2017
All Funds Actuals/Baseline Revenue	$9,017.2	$9,856.5	$8,412.2	$8,673.0	$9,286.0	$9,806.0
Income Tax Rate Reductions					($2,029.1)	($2,598.6)
Eliminate Income Tax for Small Business					($337.8)	($358.2)
Increase Personal Exemption					($184.0)	($188.0)
Means test various PIT exemptions & credits at $100,000 of income					$151.9	$166.5
Local Government Fund (LGF) Distribution (after proposed tax reform)	($584.3)	($348.7)	($347.3)	($364.2)	($383.5)	($399.3)
Total GRF with Policy Adjustments	$8,432.9	$9,507.8	$8,064.9	$8,308.8	$6,503.4	$6,428.5
Annual Growth Rate	3.8%	12.7%	-15.2%	3.0%	-21.7%	-1.2%

As previously discussed, the significant reduction in personal income tax receipts estimated for fiscal years 2016 and 2017 is related to a number of proposals in the Executive Budget that would take effect beginning in fiscal year 2016. While three of these provisions, the repeal of the retirement income credit, Social Security deduction, and the senior credit, result in a relatively small increase in personal income tax receipts, the largest impact comes from the combination of a new small business tax deduction for 100 percent of all business income from firms with less than $2 million in annual gross receipts and income tax rate reductions of 15 percent and 8 percent (23 percent total) in tax years 2015 and 2016, respectively. The small business tax relief will result in reduced personal income tax collections (compared to the baseline) of $337.8 million in fiscal year 2016 and $358.2 million in fiscal year 2017. The income tax rate reduction would reduce income tax revenue (compared to the baseline) by $2,029.1 million in fiscal year 2016 and $2,598.6 million in fiscal year 2017. Additional smaller reductions in terms of revenue impact result from increasing the personal exemption for taxpayers with adjusted gross incomes of less than $80,000. For those with incomes of less than $40,000, the exemption increases from $2,200 to $4,000 with a reduced revenue impact of $98.4 million in each fiscal year. For those with incomes between $40,000 and $80,000, the exemption increases from $1,950 to $2,850 with a reduced revenue impact of $85.6 million and $89.6 million in fiscal years 2016 and 2017 respectively.

Revenue Estimates and Methodology

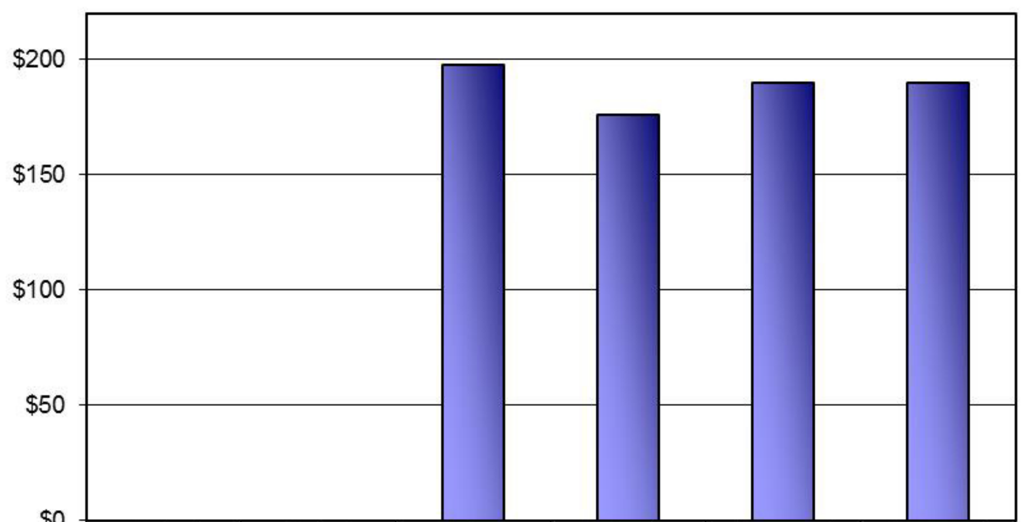
Financial Institutions Tax

Beginning in fiscal year 2014, the financial institutions tax replaced the previously existing taxes on financial institutions (corporation franchise tax and dealers in intangibles tax) with a new business privilege tax on financial institutions. One hundred percent of the revenue collected under this tax is deposited into the GRF.

The financial institutions tax is levied on the "total Ohio equity capital" of financial institutions, which is the portion of the financial institution's total equity capital that is apportioned to Ohio. The apportionment is based on the proportion of the taxpayer's gross receipts that can be attributed to Ohio. Three marginal tax rates are applied: 0.8 percent on the first $200.0 million of total Ohio equity capital, 0.4 percent on the amount of total Ohio equity capital greater than $200.0 million but less than or equal to $1.3 billion, and 0.25 percent on the amount of total Ohio equity capital in excess of $1.3 billion. If the taxpayer's liability does not exceed $1,000, a minimum tax of $1,000 is applied.

A number of credits are authorized against the tax, including the job creation credit, job retention credit, venture capital loan loss credit, historic building rehabilitation credit, new markets credit, motion picture promotion credit, research and development credit, and the credit for regulatory assessments paid to the Department of Commerce's Division of Financial Institutions. These credits reduce the amount of revenues paid into the GRF. Figure B-7 provides the historical performance of the tax for fiscal year 2015 as well as projections of GRF receipts from the financial institutions tax for fiscal years 2015 through 2017 as well as a graphical representation. It is estimated that this tax source will rebound from $176 million in fiscal year 2015 to $190 million in both fiscal years 2016 and 2017 due to the one-time nature of a particular credit that reduced revenues in fiscal year 2015.

Figure B-7: Financial Institutions Tax GRF Revenues
($ in millions)



	Actual FY 2012	Actual FY 2013	Actual FY 2014	Estimate FY 2015	Forecast FY 2016	Forecast FY 2017
FIT-GRF	$0.0	$0.0	$197.8	$176.0	$190.0	$190.0

Commercial Activity Tax (CAT)

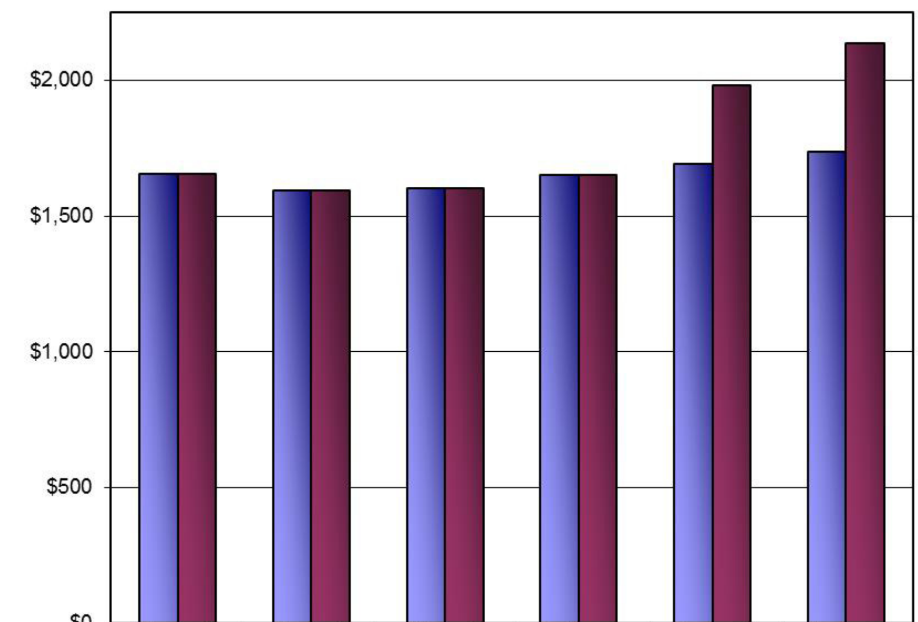
The commercial activity tax (CAT) is imposed for the privilege of doing business in Ohio and is levied upon taxable gross receipts sourced to Ohio from most business activities. The tax was enacted in House Bill 66 of the 126th General Assembly and was phased in over five years beginning in July 2005. The CAT applies to businesses with at least $150,000 in annual taxable gross receipts. Under current law, companies subject to the CAT are taxed $150 for the first $1.0 million in annual taxable gross receipts, plus the CAT rate multiplied by the amount of taxable gross receipts above $1.0 million. Since fiscal year 2010, when the commercial activity tax was fully implemented, a tax rate of 0.26 percent has applied to all businesses subject to the tax on annual receipts in excess of $1.0 million.

The commercial activity tax receipts are forecasted on the assumption that the close correlation in the rates of change of taxable gross receipts and the Ohio index of industrial production (forecasted by IHS Global Insight) continues in fiscal years 2016 and 2017. CAT gross receipts and the index of industrial production declined in lockstep in the recession and have continued to move together so far in the recovery.

As a key component of a larger tax reform effort, the Executive Budget proposes to increase the commercial activity tax rate from the current 0.26 percent to 0.32 percent beginning in fiscal year 2016. The impact of this rate change is estimated to increase collections by $304.7 million in fiscal year 2016 and $416.2 million in fiscal year 2017. The above increase is partially offset by a proposal to reduce, from $800 to $150, the alternative minimum tax on taxpayers with annual gross receipts between one and two million dollars. This policy would reduce tax collections by $15.0 million in fiscal year 2016 and $14.5 million in fiscal year 2017.

Figure B-8 illustrates the all-funds baseline series from fiscal years 2012 through 2017, as well as the projected all funds receipts adjusted for the tax policy changes already mentioned. Under current law, baseline all funds CAT receipts are expected to increase by 3.0 percent in fiscal year 2015 relative to fiscal year 2014 and then increase by 2.6 and 2.5 percent in fiscal years 2016 and 2017, respectively. Fiscal year 2016 all funds CAT receipts after policy adjustments are estimated to be $1,983.1 million with growth of 20.1 percent over fiscal year 2015 while fiscal year 2017 receipts are estimated to be $2,137.2 with growth of 7.3% over fiscal year 2016.

Figure B-8: All Funds Commercial Activity Tax Revenue with Policy Adjustments
($ in millions)



	Actual FY 2012	Actual FY 2013	Actual FY 2014	Estimate FY 2015	Forecast FY 2016	Forecast FY 2017
CAT-All Funds	$1,655.0	$1,594.2	$1,603.1	$1,650.8	$1,693.4	$1,735.5
with Policy Adjustments	$1,655.0	$1,594.2	$1,603.1	$1,650.8	$1,983.1	$2,137.2

Revenue Estimates and Methodology

As the commercial activity tax was phased in, the law enacted in House Bill 66 phased out the tangible personal property tax. The tax on general business and railroad property was phased-out over four tax years (2006-2009), and the tax on telephone and telecommunications property was phased out over five tax years (2007-2011). To provide transitional relief for the local tax losses caused by the phase-out of the tangible personal property tax, from fiscal years 2007 through 2011, one hundred percent of all revenues from the CAT were deposited into two separate tangible personal property tax replacement funds to provide guaranteed payments to school districts and local governments.

House Bill 153 of the 129th General Assembly amended the disposition of CAT revenues beginning in fiscal year 2012. The portion of CAT receipts credited to the GRF increased to 25.0 percent in fiscal year 2012 and to 50.0 percent in fiscal year 2013 and thereafter. Transitional payments to the school district tangible tax replacement fund were gradually decreased from 52.5 percent of CAT receipts in fiscal year 2012 to 35.0 percent in fiscal year 2013 and thereafter. Finally, transitional payments to the local government tangible property tax replacement fund decreased from 22.5 percent of CAT receipts in fiscal year 2012 to 15.0 percent in fiscal year 2013 and thereafter. The Executive Budget, separate from the tax reform package, proposes to continue the phase-out of these transitional payments by further modifying the allocation percentages. In fiscal year 2016 and thereafter, transitional payments to the school district tangible tax replacement fund would be set at 20.0 percent of CAT collections, whereas transitional payments to the local government tangible property tax replacement fund would be set at 5.0 percent of CAT collections.

To illustrate the proposed tax reform changes, as well as the proposed allocation modifications, the first row in Table B-7 shows the history and baseline all-funds forecast of CAT revenue for fiscal years 2012 through 2017, absent any policy changes. Below the baseline, it lists the two proposed tax policy changes in the Executive Budget that directly impact CAT revenues, including an estimated dollar impact and total tax reform estimate. By law, the Department of Taxation is allowed to collect 0.85 percent of all CAT receipts to defray the costs of administering the tax and implementing tax reform initiatives. As shown in Table B-7, the administrative portion is calculated off of the estimated revenue adjusted for tax policy changes for fiscal years 2016 and 2017.

To obtain a GRF-only number for CAT revenue, transitional payments made to the school district and local government tangible property tax replacement funds from fiscal years 2012 to 2015 are also listed and must be subtracted from the all-funds CAT revenue amount. As previously explained in detail, the allocation percentages have been adjusted throughout the years, and would be set at 20.0 and 5.0 percent for the school district and local governments funds, respectively, beginning with fiscal year 2016. Adjusting for the two tax policy changes, transitional payments to the school district fund are estimated to be $817.0 million over the 2016-2017 biennium, whereas transitional payments to the local government fund are estimated to be $204.3 million over the same period. Absent a CAT rate increase and reduction to the alternative minimum tax for small firms, transitional payments to the school district and local government property tax replacement funds are estimated to be $680.0 million and $170.0 million, respectively, over the 2016-2017 biennium.

As outlined in the table below, GRF-only CAT receipts are expected to increase by 3.0 percent in fiscal year 2015 relative to fiscal year 2014. As a result of the adjustment to the transitional payment allocation and the tax policies proposed, GRF CAT revenue is estimated to increase to $1,474.6 million in fiscal year 2016, a growth of 80.2 percent. Although the allocation change increases substantially the amount of CAT collections deposited into the GRF, it has no impact on total CAT receipts across all funds. Finally, an annual transfer of excess CAT revenues to the GRF is also planned, however these transfers are not reflected in this section's calculations. As further explained in the Transfers section, transfers of CAT excess to the GRF for $64.7 million and $239.8 million are planned for fiscal years 2016 and 2017, respectively.

Revenue Estimates and Methodology

Table B-7: Commercial Activity Tax All Funds and GRF-Only Revenues with Policy Adjustments ($ in millions)

	Actual			Estimate	Forecast	
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY2017
All Funds Actuals/Baseline Revenue	$1,655.0	$1,594.2	$1,603.1	$1,650.8	$1,693.4	$1,735.5
Tax Reform Package:						
Increase rate from 0.26 to 0.32 percent					$304.7	$416.2
Reduce minimum tax for Small Firms					($15.0)	($14.5)
Total Tax Reform					$289.7	$401.7
CAT Administration Fund	($13.98)	($13.7)	($14.7)	($14.0)	($16.9)	($18.2)
School District Tangible Property Tax Replacement Fund - Business	($856.4)	($553.2)	($555.9)	($572.9)	($393.2)	($423.8)
Local Government Tangible Property Tax Replacement Fund - Business	($367.3)	($237.1)	($238.3)	($245.5)	($98.3)	($106.0)
Total CAT-GRF with Policy Adjustments	$417.3	$790.2	$794.2	$818.4	$1,474.6	$1,589.3
Annual Growth Rate	n/a	89.4%	0.5%	3.0%	80.2%	7.8%

Note: Due to rounding, totals may vary slightly

Revenue Estimates and Methodology

Public Utility Excise Tax

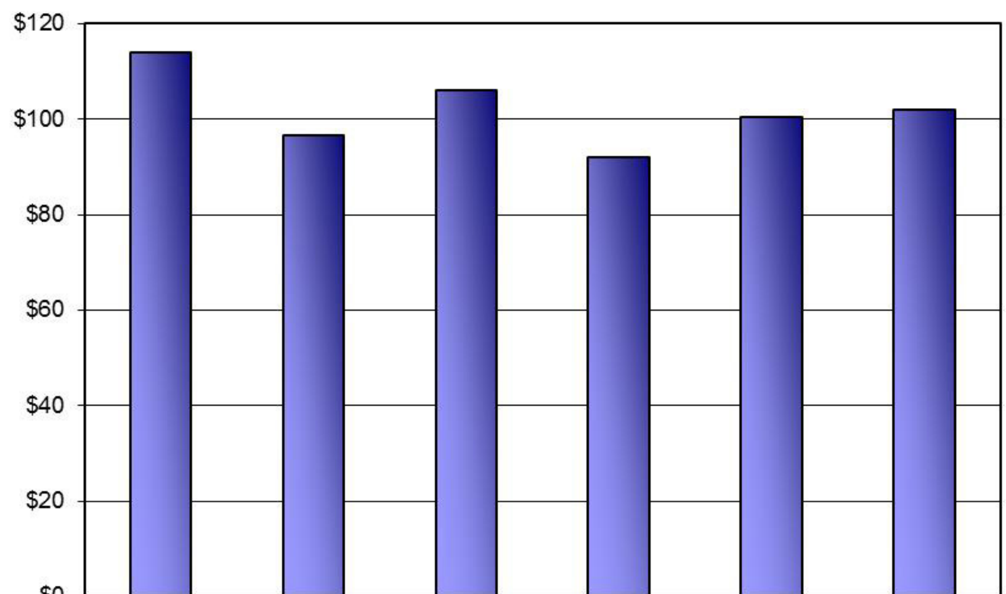
The public utility excise tax has been levied on defined public utility companies since 1894. It is based on the gross receipts of public utility companies. Companies liable for this tax were not subject to the now phased-out corporation franchise tax nor are their services subject to the sales and use tax. While the tax was once imposed on most public utility companies, it is now collected primarily from the natural gas utilities. Minor contributors to this tax are pipeline, heating, waterworks, and water transportation companies.

There have been two major law changes to this tax since 2001. Amended Substitute Senate Bill 3 of the 123rd Ohio General Assembly replaced the excise tax on electric and rural electric companies with the kilowatt-hour tax, which became effective May 1, 2001. Amended Substitute House Bill 95 of the 125th General Assembly removed the telephone companies from the public utility excise tax and instead subjected their receipts to the sales and use tax, beginning in tax year 2005. Finally, a market change has also reduced revenues from this tax, in that much natural gas is now sold by marketers who are not utilities and thus it is subject to the sales and use tax. Only regulated gas companies still pay the public utility excise tax on gas sales.

Traditionally, OBM has estimated the revenue from this tax source based on regression analysis, with adjustments for such variables as the percentage of customers using budget payment plans. Continuing with the methodology employed for fiscal years 2014 and 2015, simple trend analysis was used for the forecast, based on the fact that natural gas prices continue to be volatile and hard to predict. In addition, collections for the public utility excise tax are still affected by the expansion of the natural gas choice program, where gas consumers are able to buy natural gas from competitive suppliers who are subject to the sales and use tax. The excise tax receipts from pipeline, heating, waterworks, and water transportation companies are relatively small and have been historically stable. Therefore, the revenue forecast is based on the assumption that tax receipts from these companies will be close to the historical average in fiscal years 2016 and 2017.

Since January 2008, all receipts from this tax source are credited to the GRF. Figure B-9 provides the projections of GRF receipts from the public utility excise tax for fiscal years 2012 through 2017. A refundable credit first available to be claimed by natural gas companies in November of 2001 will expire in fiscal year 2017 after the maximum credit lifespan of 15 years. A very moderate increase in tax collections is therefore expected for this source beginning in the second half of fiscal year 2017, possibly reversing the historical downward trend in revenues for the public utility excise tax. It is estimated that this tax source will see GRF receipts of $100.3 million in fiscal year 2016 and $101.9 million in fiscal year 2017.

Figure B-9: Public Utility Excise Tax GRF Revenues
($ in millions)



	Actual FY 2012	Actual FY 2013	Actual FY 2014	Estimate FY 2015	Forecast FY 2016	Forecast FY 2017
PUE tax-GRF	$113.9	$96.7	$106.0	$92.0	$100.3	$101.9

Revenue Estimates and Methodology

Kilowatt-Hour Tax

The kilowatt-hour tax was enacted in 2001 as part of a broader policy change to deregulate electric utilities. Effective May 2001, this tax replaced the public utility excise tax on electric and rural electric companies. The kilowatt-hour tax is levied on electric distribution companies with end-users in Ohio; collection is based on the end-user's consumption of electricity, as measured in kilowatt-hours (kWh). A three-tiered marginal tax rate structure is used based on kWh consumption. For certain large consumers of electricity (called "self-assessors"), prior to January 1, 2011, the tax was based partially on consumption (volume) and partially on sales (dollar amount). Beginning in 2011, self-assessors pay only on volume, with tax rates of 0.257 cents per kWh on the first 500 million kWh of annual consumption and 0.1832 cents per kWh on all consumption above 500 million kWh.

Between January 2008 and June 2011, the GRF was credited with 63 percent of tax receipts for this source, whereas the school district and local government property tax replacement funds received a combined 37 percent to compensate for local tax revenue losses due to the reduced tangible personal property tax assessment rates for electric companies. In 2012, House Bill 153 of the 129th General Assembly changed the distribution of kilowatt-hour tax receipts, reducing to 12.0 percent the combined amount reserved for school districts (9%) and local governments (3%), with the remainder being deposited into the GRF. The Executive Budget proposes to change the allocation to 100 percent of the kilowatt hour receipts being deposited to the GRF, with the tax replacement payments made to school districts and local governments made from commercial activity tax collections.

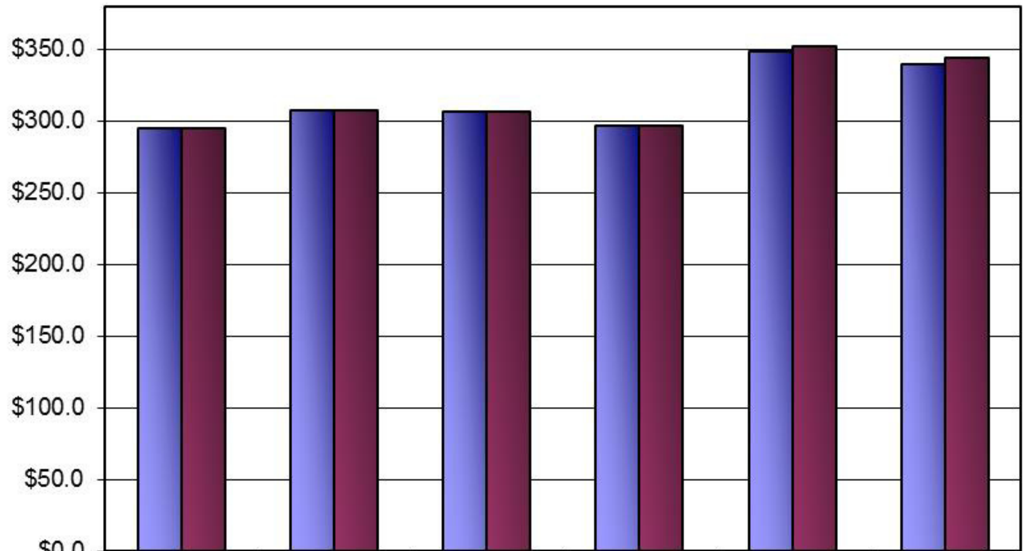
To illustrate this point, Table B-8 shows the history and baseline all-funds forecast for fiscal years 2012 through 2017 for all kilowatt-hour tax revenue collected or estimated to be collected by the state, absent any policy changes. Baseline estimates of the kilowatt-hour tax are drawn from trend analysis, which revealed stable revenue collections yet stagnant growth in recent years. Below the baseline, payments made to the school district and local government property tax replacement funds from fiscal years 2012 to 2015 are listed. Beginning in fiscal year 2016, these payments would no longer be made from kilowatt-hour tax revenue. Finally, half of the distribution owed to the Public Library Fund will continue to be funded with kilowatt-hour tax receipts. To obtain a GRF-only figure, all of these payments are subtracted from the baseline.

Table B-8: Kilowatt-Hour Tax All Funds and GRF-Only Revenues with Policy Adjustments
($ in millions)

	Actual			Estimate	Forecast	
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY2017
All Funds Actuals/Baseline Revenue	$537.9	$547.5	$544.8	$543.9	$543.9	$543.9
School District Property Tax Replacement Fund	($48.4)	($49.3)	($49.0)	($49.0)	$0.0	$0.0
Local Government Property Tax Replacement Fund	($16.1)	($16.4)	($16.3)	($16.3)	$0.0	$0.0
Public Library Fund (PLF) Distribution (after tax reform)	($178.6)	($174.6)	($173.0)	($182.1)	($191.8)	($199.7)
Total GRF with Policy Adjustments	$294.8	$307.2	$306.4	$296.5	$352.1	$344.2
Annual GRF Growth Rate (w/ policy changes)	91.6%	4.2%	-0.3%	-3.2%	18.8%	-2.2%

The proposed tax policy changes in the Executive Budget would have an impact on the amount to be distributed to the Public Library Fund in fiscal years 2016 and 2017 and, therefore, the GRF-only estimate for kilowatt-hour tax revenue. Figure B-10 provides the history and projections of GRF receipts for fiscal years 2012 through 2017, before and after policy changes. Under current law, baseline kilowatt-hour tax receipts to the GRF are expected to increase by 17.5 percent in fiscal year 2016 relative to fiscal year 2015 and decrease by 2.5 percent in fiscal year 2017 relative to fiscal year 2016. GRF receipts adjusted for tax policy changes included in the Executive Budget are estimated to grow by 18.8 percent in fiscal year 2016 and decrease by 2.2 percent in fiscal year 2017.

Figure B-10: Kilowatt-Hour Tax GRF Revenues
($ in millions)



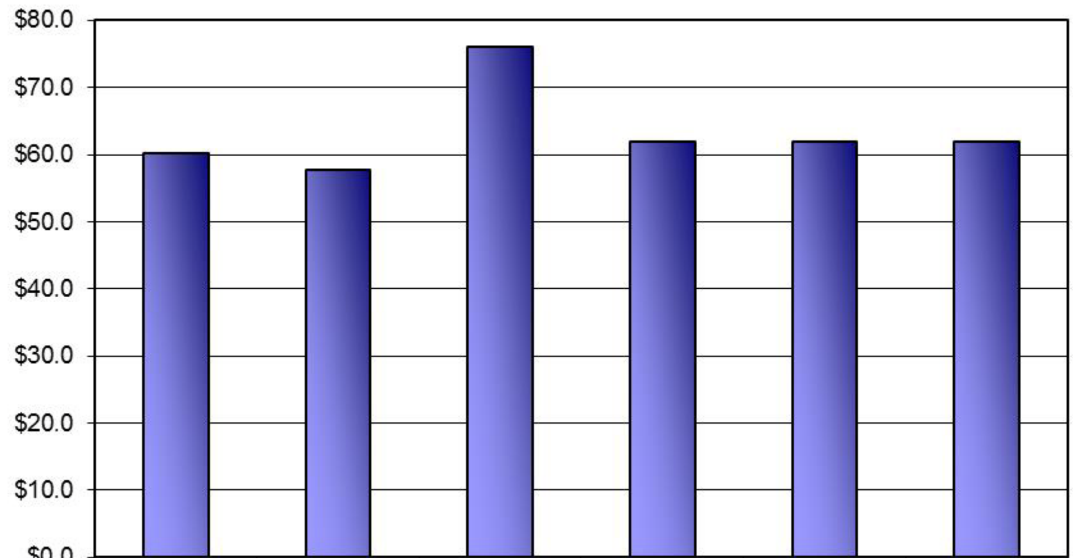
	Actual FY 2012	Actual FY 2013	Actual FY 2014	Estimate FY 2015	Forecast FY 2016	Forecast FY 2017
KWH Tax-GRF	$294.8	$307.2	$306.3	$296.5	$348.5	$339.7
with Policy Changes	$294.8	$307.2	$306.3	$296.5	$352.1	$344.2

Natural Gas Distribution Tax (MCF Tax)

The natural gas distribution tax is levied on natural gas distribution companies based on volumes of end users' consumption, as measured in thousand cubic feet (MCF). Three marginal tax rates are applied: $0.1593 per MCF for the first 100 MCF consumed in a month; $0.0877 per MCF between 101 and 2,000 MCF consumed in a month; and $0.0411 for all consumption over 2,001 MCF in a month.

Prior to fiscal year 2012, 68.7 percent had been credited to the School District Property Tax Replacement Fund, and 31.3 percent had been credited to the Local Government Property Tax Replacement Fund. In fiscal year 2012 and after, all revenue from the natural gas distribution tax is credited to the GRF. The GRF tax revenues for the natural gas distribution tax were estimated under the assumption that receipts will be flat after fiscal year 2015, which is expected to produce $62.0 million in tax revenue for the year. The high receipts in FY 2014 are assumed to be an anomaly based on very high usage and prices attributable to unusually cold winter weather. Figure B-11 provides the projections of GRF receipts from the natural gas consumption tax for fiscal years 2012 through 2017.

Figure B-11: Natural Gas Distribution Tax GRF Revenues
($ in millions)



	Actual FY 2012	Actual FY 2013	Actual FY 2014	Estimate FY 2015	Forecast FY 2016	Forecast FY 2017
MCF Tax	$60.2	$57.8	$76.1	$62.0	$62.0	$62.0

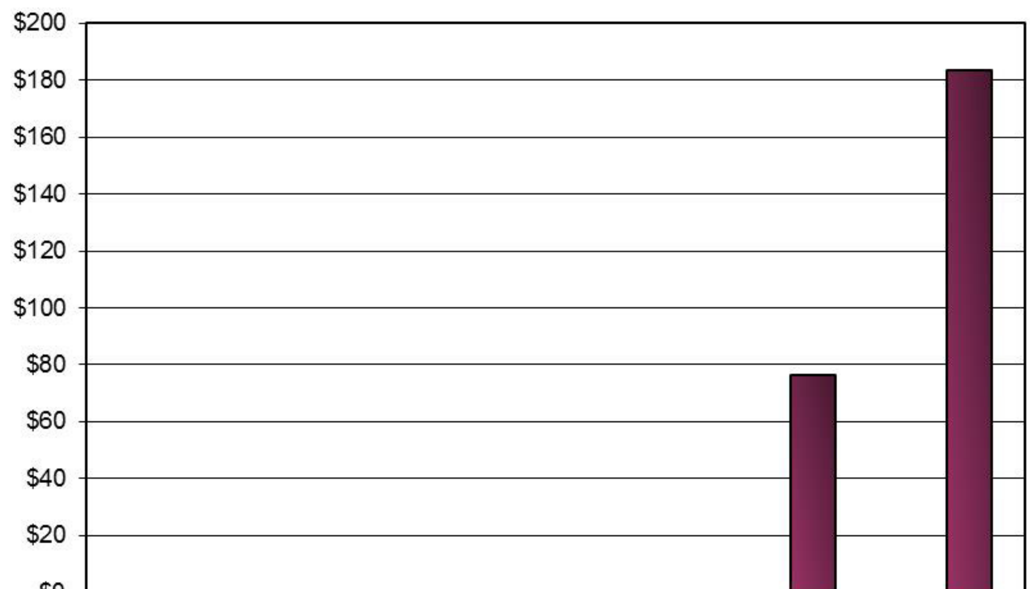
Severance Tax

The severance tax, enacted in 1972, is paid by persons or firms that extract, or sever, certain natural resources from the soil or waters of Ohio. Revenues are deposited into the Geological Mapping Fund, the Unreclaimed Lands Fund, the Oil and Gas Well Fund, the Coal Mining Administrative Fund, and the Surface Mining Administrative Fund. Clay, sandstone, shale, conglomerate, gypsum, and quartzite are taxed at a rate of 1.0 cent per ton. Dolomite, gravel, sand, and limestone are taxed at a rate of 2.0 cents per ton. Natural gas is taxed at a rate of 2.5 cents per thousand cubic feet (MCF). Oil is taxed at a rate of 10.0 cents per barrel. Salt is taxed at a rate of 4.0 cents per ton. There is a base tax rate of 10.0 cents per ton on coal with additional rates on surface mining operations and on operations without a full cost bond, depending on the amount.

The Executive Budget proposes enacting a tax on high-volume horizontal wells on severances of oil, gas, condensate, and natural gas liquids. Horizontal well technology is a relatively new method of extracting oil, gas, and other hydrocarbons from the Utica-Point Pleasant Shale formation in eastern Ohio. The basic tax rate proposed is 6.5 percent on the volume of oil or gas multiplied by spot prices at the exchanges where these commodities are traded. For commodities such as natural gas liquids however, (e.g., ethane, butane) a lower tax rate of 4.5 percent would be applied to reflect the additional processing costs incurred in separating natural gas liquids from the dry gas. This tax regime is estimated to generate $76.5 million in fiscal year 2016 and $183.4 million in fiscal year 2017. The noticeably lower estimate in fiscal year 2016 is due to only a partial year of collection of the new tax. In addition to the GRF portion of the tax, 20 percent of the new severance tax revenue on horizontal wells ($19.0 million in fiscal year 2016 and $46.0 million in fiscal year 2017) would be earmarked for local governments for infrastructure and economic development purposes.

Forecasts of tax revenue are based on forecasts of oil and gas volumes from the Ohio Department of Natural Resources (ODNR) and industry sources, adjusted downward somewhat so as to be conservative, since there is considerable uncertainty in the volume estimates. Price estimates are also deliberately conservative, incorporating little growth in oil or gas prices from their current depressed levels.

Figure B-12: Severance Tax GRF Revenues with Policy Adjustments
($ in millions)



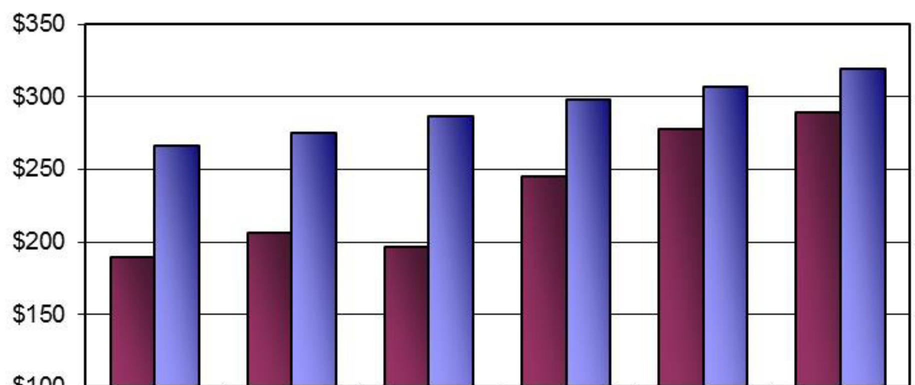
	Actual FY 2012	Actual FY 2013	Actual FY 2014	Estimate FY 2015	Forecast FY 2016	Forecast FY 2017
Severance-GRF	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
with Policy Changes	$0.0	$0.0	$0.0	$0.0	$76.5	$183.4

Insurance Tax

Under Ohio law, insurance companies fall into two categories: domestic and foreign. Domestic insurance companies are organized under Ohio law while foreign insurance companies are not. Ohio has two separate insurance taxes: one levied against domestic insurers and one levied against foreign insurers. Premiums are taxed at a rate of 1.4 percent, with the exception of health insurance premiums, which are taxed at a rate of 1.0 percent. Additionally, foreign insurance companies are subject to a retaliatory tax, which is explained in more detail below. House Bill 1 of the 128th General Assembly also authorized the inclusion of the Medicaid managed care plans in the Health Insuring Corporation (HIC) pool effective October 1, 2009.

Figure B-13 shows estimated revenues from the foreign and domestic insurance taxes for fiscal years 2015 through 2017. These estimates are derived from a regression analysis of Ohio insurance taxes. Independent variables used in the regression model analysis include treasury yields and Ohio Gross Domestic Product, as forecast by IHS Global Insight in its November 2014 baseline forecast. It is expected that growth in this tax source will be 10.9 percent in fiscal year 2016 and 3.8 percent in fiscal year 2017. This relatively high percentage growth is a result of the increase in domestic insurance tax receipts resulting from increases in the number of persons covered under Medicaid managed care plans described in further detail below. The forecasted growth for the non-Medicaid managed care plans portion of the tax is much lower at 0.2 percent in fiscal year 2016 and 0.1 percent in fiscal year 2017.

Figure B13: Insurance Tax GRF Revenues
($ in millions)

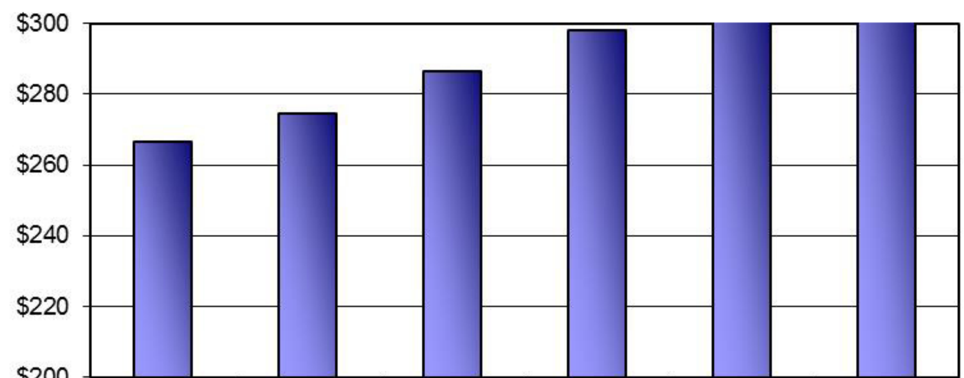


	Actual FY 2012	Actual FY 2013	Actual FY 2014	Estimate FY 2015	Forecast FY 2016	Forecast FY 2017
Dom. Ins.tax	$189.1	$206.4	$196.9	$244.8	$277.6	$289.3
Forgn. Ins. Tax	$266.5	$274.6	$286.5	$298.0	$307.0	$319.0

Foreign Insurance Tax

The foreign insurance tax applies to the insurance companies that are not organized under Ohio law, but sell insurance policies in Ohio. The tax is based on the gross amount of premiums written for Ohio risks during the preceding calendar year, less specified deductions. Additionally, if the state in which the insurance company is organized imposes a higher tax on premiums than Ohio, the company must also pay a retaliatory tax equal to the difference between total tax under Ohio law and total tax under law in its state of origin. When a company is subject to the retaliatory tax, the entire tax liability is shown as a retaliatory tax payment, not just the extra tax due from the higher home state tax rate. The estimates for fiscal years 2015 through 2017, as well as recent history, are presented in Figure B-14. It is estimated that this tax source will see growth of 3.0 percent in fiscal year 2016 and 3.9 percent in fiscal year 2017. Note that unlike the domestic insurance tax, there is no impact of increased Medicaid managed care premiums.

Figure B-14: Foreign Insurance Tax GRF Revenues
($ in millions)

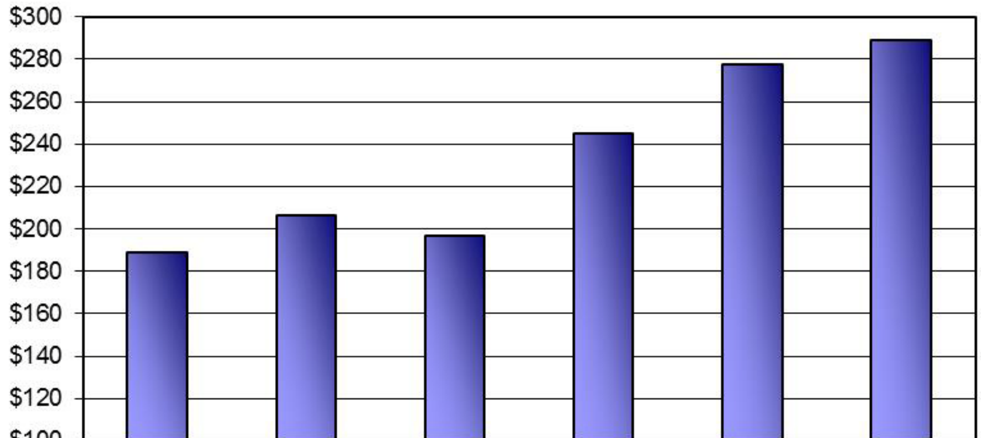


	Actual FY 2012	Actual FY 2013	Actual FY 2014	Estimate FY 2015	Forecast FY 2016	Forecast FY 2017
Forgn. Ins. Tax	$266.5	$274.6	$286.5	$298.0	$307.0	$319.0

Domestic Insurance Tax

The domestic insurance tax applies to insurance companies that are organized under Ohio law. The tax is levied on the gross amount of premiums written to cover risks in Ohio, less specific deductions. The estimates for fiscal years 2015-2017, as well as the recent history of the tax are presented in figure B-15.

Figure B-15: Domestic Insurance Tax GRF Revenues ($ in millions)



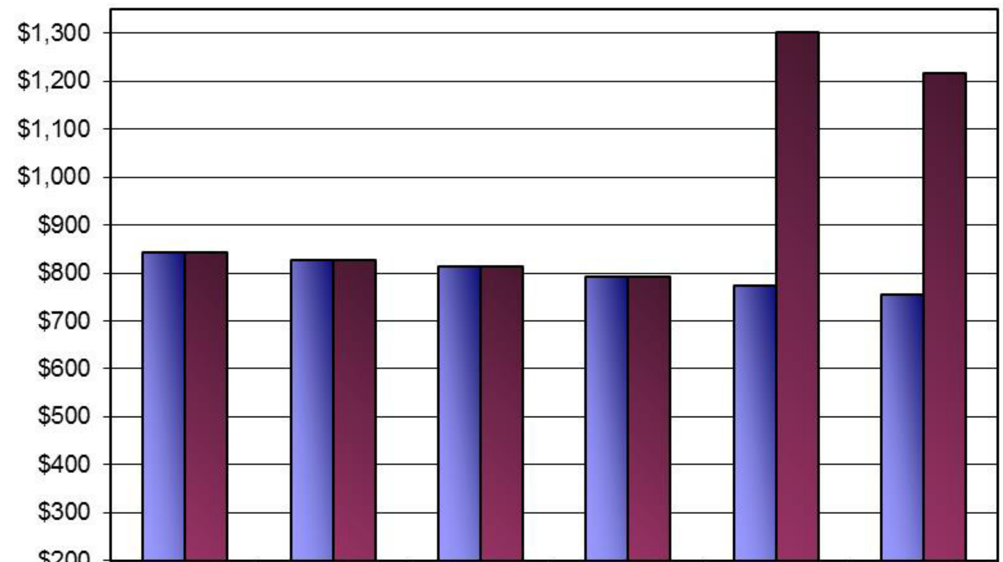
	Actual FY 2012	Actual FY 2013	Actual FY 2014	Estimate FY 2015	Forecast FY 2016	Forecast FY 2017
Dom. Ins. Tax	$189.1	$206.4	$196.9	$244.8	$277.6	$289.3

Receipts from the domestic insurance tax have generally been driven by property and casualty insurance premiums which have historically made up over 50.0 percent of the taxable base. That will continue through fiscal year 2016, but in fiscal year 2017, the portion of the tax estimated as attributable to the Medicaid managed care plans will comprise more than half ($148.1 million) of the estimated receipts. This is the continuation of a trend dating to fiscal year 2010 whereby after fairly stable growth between fiscal years 2003 to 2007, the domestic insurance tax declined in fiscal year 2008 and remained essentially flat in fiscal year 2009. Growth, to the extent that it has occurred since fiscal year 2010 is largely attributable to the tax base expansion contained in House Bill 1 of the 128th General Assembly.

Cigarette and Other Tobacco Products Tax

A tax is levied upon the sale, use, consumption, or storage for consumption of cigarettes in Ohio and on the receipt or import of other tobacco products for resale in Ohio. The excise tax on cigarettes has been levied since 1931. The excise tax on other tobacco products was enacted effective February 1993 and applies to cigars, chewing tobacco, snuff, smoking tobacco, and other tobacco products. Other tobacco products are currently taxed at 17.0 percent of their wholesale price (with the exception of small cigars, which are taxed at 37%). The baseline estimates for the cigarette and other tobacco products taxes were forecasted using trend analysis. As has been the recent history with this tax, revenues are estimated to continue to decline due to an ongoing reduction in cigarette and tobacco consumption, at an estimated rate of 2.5 percent. The historical and projected GRF receipts from the cigarette and other tobacco products tax are depicted in Figure B-16.

Figure B-16: Cigarette Tax GRF Revenues with Policy Adjustments
($ in millions)



	Actual FY 2012	Actual FY 2013	Actual FY 2014	Estimate FY 2015	Forecast FY 2016	Forecast FY 2017
Cigarette-GRF	$843.2	$827.4	$814.0	$793.6	$773.8	$754.4
with Policy Adjustments	$843.2	$827.4	$814.0	$793.6	$1,301.9	$1,217.1

The Executive Budget proposes several changes to the cigarette and other tobacco products tax including increasing the rate by $1 per pack, imposing a cigarette floor stock tax of $1 per pack, eliminating the early discount on the tax, increasing the tax rate on Other Tobacco Products from 17 percent to 60 percent and eliminating the early payment discount on that tax as well imposing a new tax on vapor products that will be set at a rate meant to be equivalent to the tax on conventional cigarettes. These changes are estimated to generate additional revenues of $528.1 million in fiscal year 2016 and $462.7 million in fiscal year 2017. An itemized list of these proposed policy changes and their estimated fiscal impact is provided in Table B-9.

Table B-9: Cigarette Tax GRF Revenues with Policy Adjustments
($ in millions)

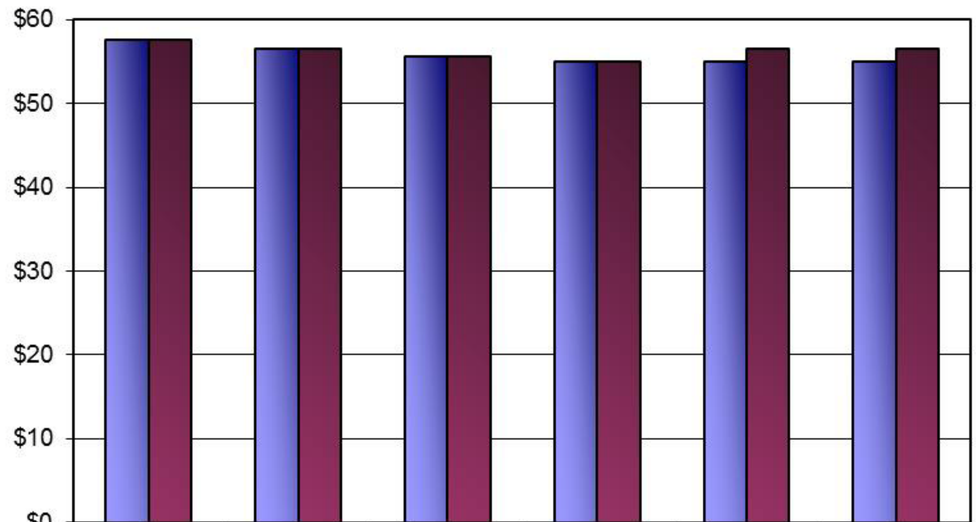
	Actual			Estimate	Forecast	
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY2017
Actual/Estimated Baseline Revenue	$843.2	$827.4	$814.0	$793.6	$773.8	$754.4
$1 Per Pack Increase					$315.0	$337.1
$1 Per Pack Floor Stock Tax					$100.0	$0.0
Eliminate Cig Tax Early Payment Discount					$19.7	$19.3
OTP Increase from 17% to 60%					$83.5	$86.6
Eliminate OTP Early Payment Discount					$3.5	$3.7
Vapor Products Tax					$6.4	$15.9
Total Revenue with Policy Adjustments	$843.2	$827.4	$814.0	$793.6	$1,301.9	$1,217.1
Annual Growth Rate	-1.5%	-1.9%	-1.6%	-2.5%	64.1%	-6.5%

Note: Due to rounding, totals may vary

Alcoholic Beverage Tax

The alcoholic beverage tax applies to sales of beer and malt beverages, wine, and mixed alcoholic beverages. The tax is based on a per-container rate depending on the type of beverage sold. All of the receipts are deposited into the GRF with the exception of 5.0 cents per gallon of wine sold, which is deposited in the Ohio Grape Industries Special Revenue Fund, and 1.0 percent of the tax, which is deposited in the Beverage Tax Administration Fund. Figure B-17 illustrates estimated receipts to the GRF from the alcoholic beverage tax comparing both the baseline and policy adjusted amounts. The baseline estimate assumes that the flat to low growth trend that has characterized the performance of the tax will continue throughout the remainder of fiscal year 2015 as well fiscal years 2016 and 2017. The Executive Budget proposes the elimination of the 3 percent discount for early payment for beer and wine permit holders with an estimated impact of $1.5 million in increased revenue in both fiscal year 2016 and 2017.

Figure B-17: Alcoholic Beverage Tax GRF Revenues
($ in millions)

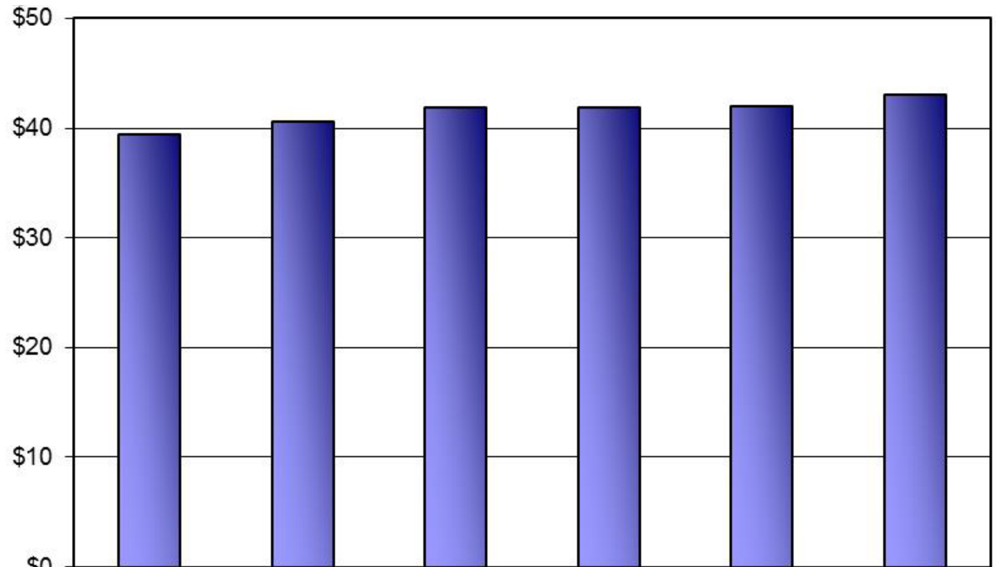


	Actual FY 2012	Actual FY 2013	Actual FY 2014	Estimate FY 2015	Forecast FY 2016	Forecast FY 2017
Alcoholic Bev.-GRF	$57.6	$56.5	$55.5	$55.0	$55.0	$55.0
with Policy Adjustments	$57.6	$56.5	$55.5	$55.0	$56.5	$56.5

Liquor Gallonage Tax

The liquor gallonage tax is currently levied at the rate of $3.38 per gallon of spirituous liquor sold by Jobs Ohio (sales were by the Department of Commerce prior to the lease of the state liquor enterprise to Jobs Ohio). One hundred percent of tax revenues are deposited into the GRF. The dollar value of liquor sales has been on the rise the last several years and this trend is expected to continue in the future. However, gains in liquor sales do not immediately transfer to gains in the liquor gallonage tax since the tax is volume based, not dollar sales based. As detailed in Figure B-18, the baseline estimate assumes minimal revenue growth in fiscal years 2015 through 2017, consistent with the performance of the tax over the last decade.

Figure B-18: Liquor Gallonage Tax GRF Revenues
($ in millions)



	Actual FY 2012	Actual FY 2013	Actual FY 2014	Estimate FY 2015	Forecast FY 2016	Forecast FY 2017
Liquor Gallonage-GRF	$39.4	$40.6	$41.8	$41.9	$42.0	$43.0

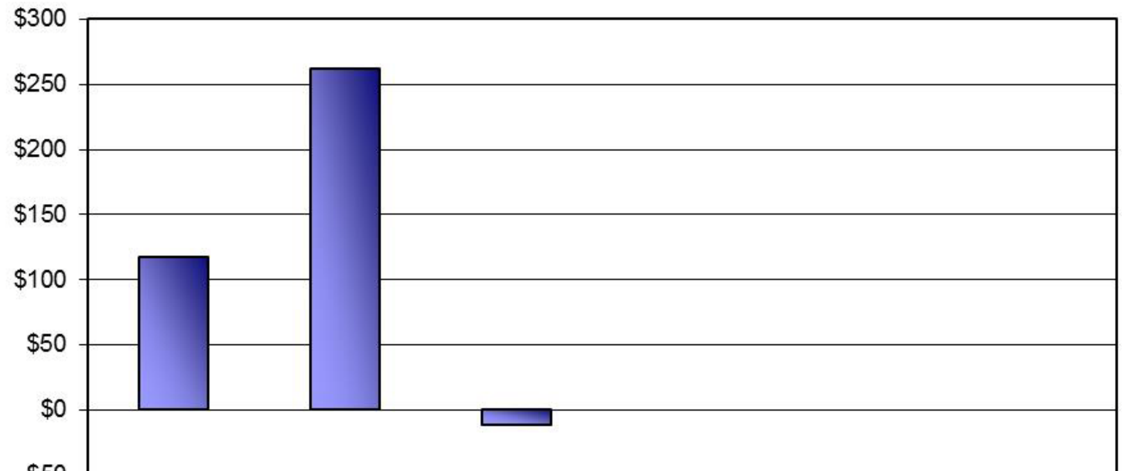
Phased-Out Taxes

This section includes a brief summary of GRF taxes that have been repealed in recent years but where settlement and refund payments have continued. Due to the statute of limitations regarding the various taxes, activity on all of these will eventually cease, but for purposes of the Executive Budget document we have placed these taxes in one section.

Corporation Franchise Tax

Prior to 2010, the Ohio corporation franchise tax was assessed on all corporations organized for profit that conduct business in Ohio, except for those that were specifically exempted. This tax was first imposed in 1902 as a tax on capital stock in Ohio. In 1972 a net income base was added to the tax, and corporations were taxed on the basis of either net worth or net income, depending on which produced the greater tax liability. Starting with fiscal year 2008, all revenues from this tax have gone to the state GRF. With the enactment of House Bill 66 of the 126th General Assembly, the corporation franchise tax was gradually phased out for most corporations and beginning in 2010 was limited to financial institutions and certain specialized entities such as bank and financial holding companies and certain affiliates of insurance companies. Figure B-19 provides the projections of GRF receipts from the corporation franchise tax for fiscal years 2012 through 2017 as well as a graphical representation.

Figure B-19: Corporation Franchise Tax GRF Revenues
($ in millions)



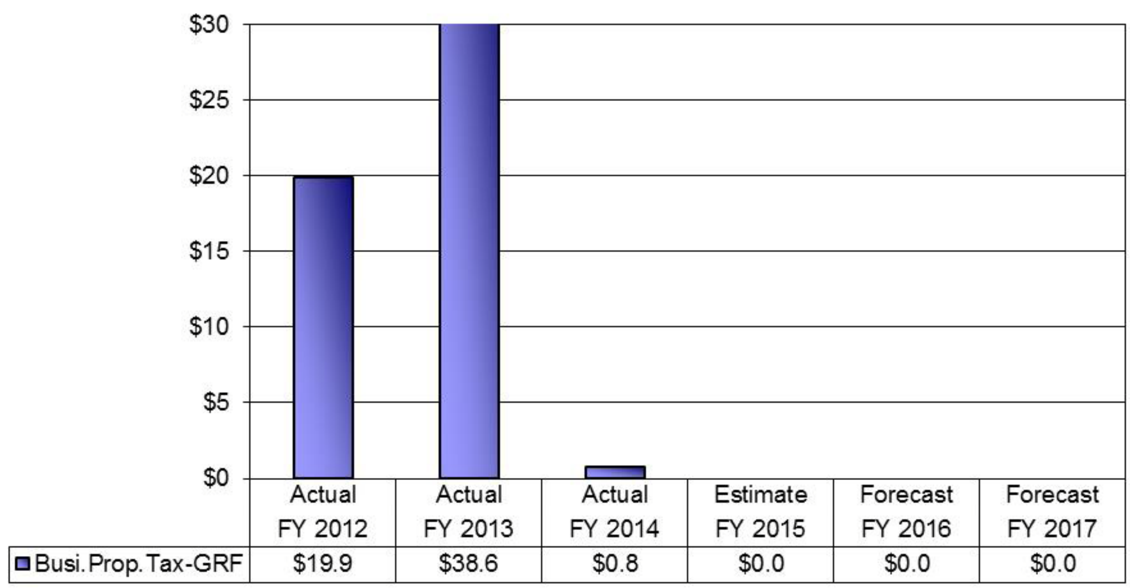
	Actual FY 2012	Actual FY 2013	Actual FY 2014	Estimate FY 2015	Forecast FY 2016	Forecast FY 2017
CFT	$117.1	$261.9	($11.4)	$0.0	$0.0	$0.0

With the enactment of House Bill 510 of the 129th General Assembly, a new tax called the financial institutions tax replaced taxes including the corporation franchise tax on financial institutions beginning in fiscal year 2014. As a result of this change, the corporation franchise tax was completely phased out during the current biennium. Activity that has occurred since that time has been the result of settlement and refund payments on activity occurring prior to the elimination of the tax. Due to the statute of limitations, this activity will likely continue through fiscal year 2017 but is impossible to estimate. As the tax has been phased out and activity is impossible to estimate accurately, as with fiscal year 2015, the estimate for this tax in fiscal years 2016 through 2017 is zero dollars.

Business and Property Tax

This revenue source was primarily comprised of the dealers in intangibles tax. The dealers in intangibles tax was imposed on firms engaged in lending money or in buying, selling, or discounting intangibles such as mortgages, stocks, and bonds. Dealers in intangibles were not subject to the corporation franchise tax, the tangible personal property tax, or the commercial activities tax. Beginning in fiscal year 2014, the dealers in intangibles tax was replaced by the financial institutions tax. As a result of the elimination of the tax, the amounts reflected in Figure B-20 are limited to prior year activity. Amounts collected in fiscal year 2014 are the result of settlement and refund activity following the elimination of the tax. As the tax has been phased out and activity is impossible to estimate accurately, as with fiscal year 2015, the estimate for this tax in fiscal years 2016 through 2017 is zero dollars.

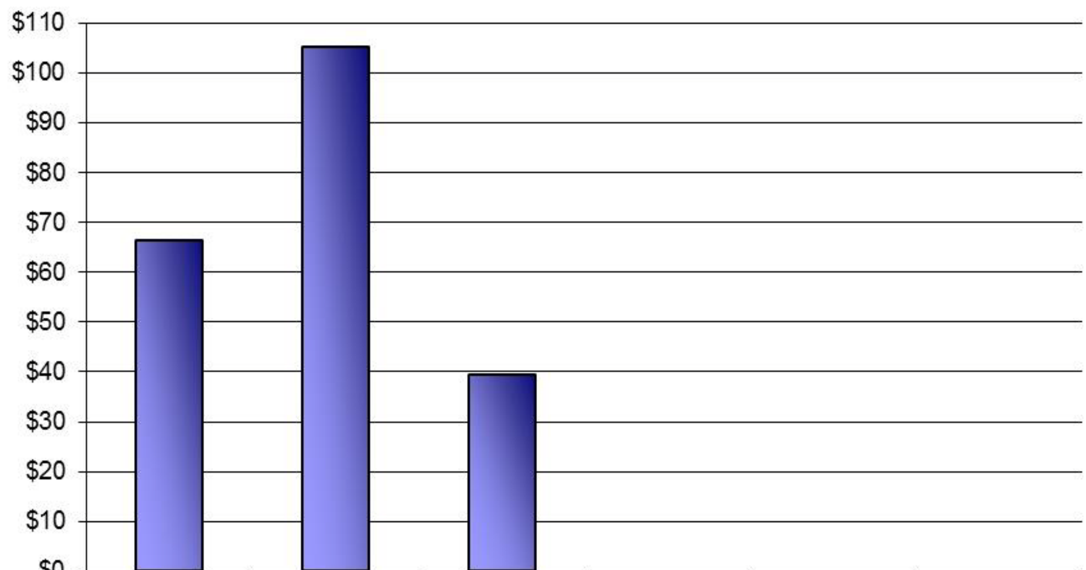
Figure B-20: Business and Property Tax GRF Revenues
($ in millions)



Estate Tax

The estate tax was a progressive tax levied on the gross value of the decedent's estate, less deductions and other exemptions, with a maximum $13,900 credit available to each estate since 2002. As long as revenue continues to be received (see below) 20.0 percent of receipts are deposited in the GRF while the remaining 80.0 percent is distributed to the municipal corporation or township of origin. The estate tax ceased being levied on individuals who died on or after January 1, 2013. Estates of individuals who died prior to January 1, 2013 are still subject to the tax at tax rates of 6.0 percent on net taxable values between $338,334 and $500,000 and 7.0 percent on net taxable values above $500,000. Net taxable estate values of $338,333 or less were exempt from taxation.

Figure B-21: Estate Tax GRF Revenues
($ in millions)



	Actual FY 2012	Actual FY 2013	Actual FY 2014	Estimate FY 2015	Forecast FY 2016	Forecast FY 2017
Estate-GRF	$66.5	$105.2	$39.4	$0.0	$0.0	$0.0

Estate tax revenues contributed $39.4 million to the GRF in fiscal year 2014 and through the first half of fiscal year 2015 have contributed $2.2 million as a result of settlement and refund activity. As the tax has been phased out and activity is impossible to estimate accurately, as with fiscal year 2015, the estimate for this tax in fiscal years 2016 through 2017 is $0.

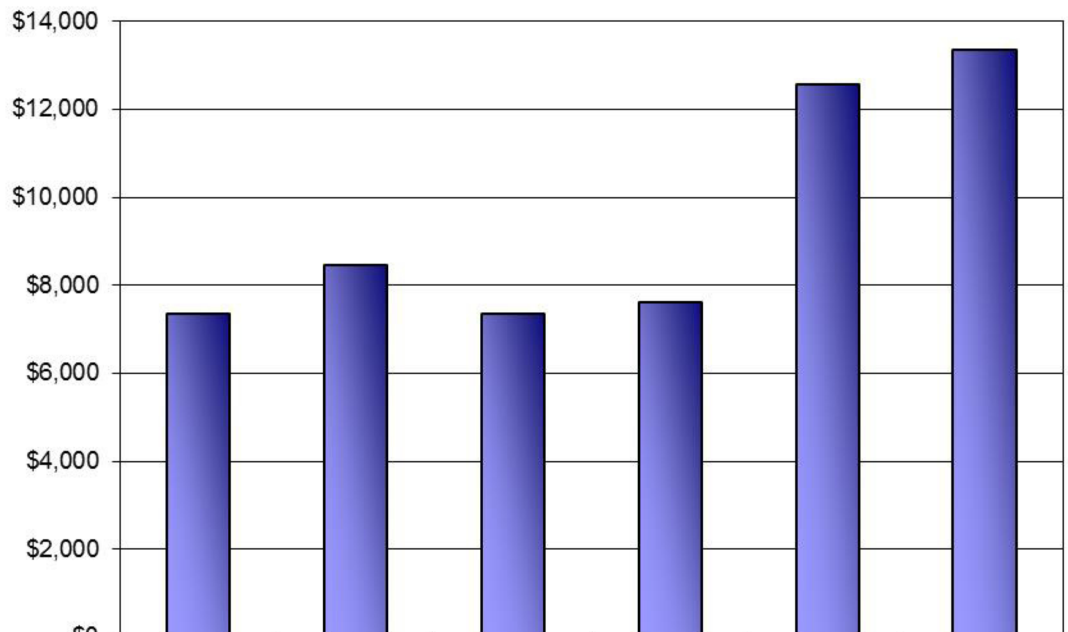
Non-Tax Sources

This section exclusively addresses the history and estimates of the numerous categories of non-tax receipts that are deposited into the GRF. These non-tax receipts are estimated and discussed in this document by source in the same order that they are included in the Monthly Financial Report. Categories of non-tax sources are: federal grants and aid, earnings on investments, licenses and fees, other income, intrastate transfer vouchers (ISTV), liquor profits, and transfers in.

Federal Grants and Aid

Historically, federal receipts deposited into the GRF have been primarily limited to federal reimbursements for programs administered by the Departments of Medicaid and Job and Family Services. These reimbursements are mainly for Medicaid services, but also include reimbursement to the state for Medicaid administration, Food Stamp administration, Title IV-E administration, and interest costs on Build America Bonds issued by the state. Figure B-22 lists the sources of federal grants and aid to the GRF for fiscal years 2012 through 2017.

Figure B-22: Federal Grants and Aid GRF Revenues
($ in millions)



	Actual FY 2012	Actual FY 2013	Actual FY 2014	Estimate FY 2015	Forecast FY 2016	Forecast FY 2017
Federal Grants-GRF	$7,363.0	$8,470.0	$7,363.0	$7,608.6	$12,577.6	$13,362.4

Medicaid Reimbursement

The federal reimbursement percentage for Medicaid is determined by the federal government prior to each federal fiscal year and is called the Federal Medical Assistance Percentage (FMAP). FMAP is the federal government's share of a state's Medicaid expenditures. In general, each state's FMAP rate is based on the ratio of the state's per capita income to the U.S. per capita income. The FMAP rate varies by service and ranges from 50.0 percent to 100.0 percent (for Medicaid expansion to persons at or below 138.0 percent of poverty under the Affordable Care Act). Ohio's weighted average FMAP rate is projected to be 62.47 percent in both federal fiscal years 2016 and 2017. In fiscal years 2016 and 2017, federal revenue estimates assume that only 99.0 percent of all potential reimbursements will be received.

To provide some context, it is important to note that not all federal reimbursement for Medicaid is drawn into the GRF. The federal Medicaid reimbursement that is deposited to the GRF is related only to the GRF Medicaid spending from the Ohio Department of Medicaid line items. Other reimbursements include:

- Reimbursements for other state agencies that administer portions of the Medicaid program (such as the Department of Developmental Disabilities) are drawn through a federal special revenue fund in the state treasury and used to fund additional Medicaid services through discrete agency-specific funds rather than through the GRF.
- Federal reimbursement for Medicaid and ODJFS spending from non-GRF rotary accounts is reimbursed through a federal special revenue fund rather than through the GRF. As an example, when Medicaid receives rebates from drug manufacturers, those resources are deposited into a dedicated purpose fund (formerly called a state special revenue fund) and ultimately matched with federal reimbursement that is drawn into a federal revenue account.
- Federal reimbursements to the state for interest costs incurred for Build America Bonds.

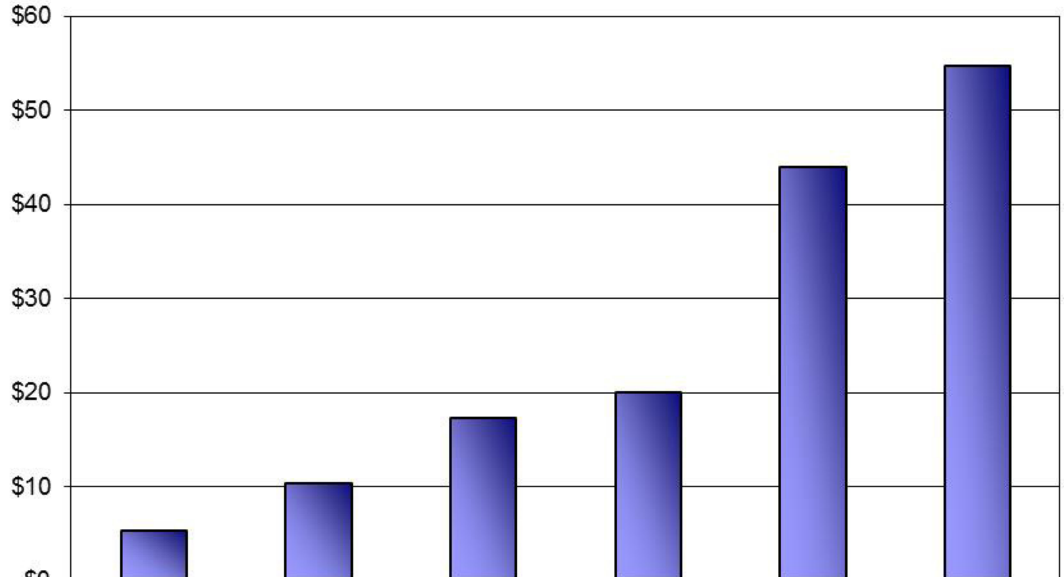
Spending estimates for all aspects of the Medicaid program are determined by caseload projections, utilization levels, and rates for services. Any changes in state spending on Medicaid or reimbursable operating expenditures will change receipts from federal grants.

In addition to Medicaid reimbursement, other federal revenue deposited into the GRF is for ODJFS services (i.e., adoption assistance). For fiscal years 2015-2017, total federal grants in aid deposited into the GRF are estimated to be $9,562.3 million, $12,451.9 million, and $13,228.8 million in the respective fiscal years. These amounts represent increases of $986.7 million (11.5 percent) in fiscal year 2015, $2,889.6 million (30.2 percent) in fiscal year 2016, and $777.0 million (6.2 percent) in fiscal year 2017.

Earnings on Investments

Earnings on investments are determined by the amount of cash in the state's investment portfolio and the level of interest rates at which the funds are invested. The GRF's share of total earnings on investments is determined by the average daily cash balance in the GRF and all the non-interest-earning funds. The Treasurer of State is responsible for managing the state's portfolio and investing state funds. State funds are invested in a diversified portfolio concentrated in short-term to medium term securities issued by the Federal government and its agencies.

Figure B-23: Investment Earnings Deposited into the GRF
($ in millions)



	Actual FY 2012	Actual FY 2013	Actual FY 2014	Estimate FY 2015	Forecast FY 2016	Forecast FY 2017
Earnings-GRF	$5.4	$10.5	$17.3	$20.0	$44.0	$54.8

Trend analysis was employed to estimate the average daily cash balance in the state funds. As the economy is expected to continue to recover at a modest pace through fiscal year 2017, OBM estimates that the average daily cash balance will remain fairly constant following major increases in recent years. The interest rates on investments were estimated using current or lagged discount rates on short-term treasury bills and yields on treasury notes with maturity of no more than five years. The baseline estimate of investment earnings is the product of the estimated cash balance and interest rates. Forecasts are for the historically low interest rates regime that has been in place the last six-plus years to start to loosen in fiscal year 2016 with rates increasing slowly throughout fiscal years 2016 and 2017, with investment earnings jumping significantly on a percentage basis the next two years. OBM estimates that earnings on investment deposited into the GRF will increase from $20.0 million in fiscal year 2015 to $44.0 million in fiscal year 2016 and $54.8 million in fiscal year 2017. The Executive Budget proposes continuing to distribute interest earnings from certain non-GRF resources into the GRF. The non-GRF resources that are excluded from this provision are mostly debt related funds or funds that are constitutionally restricted. The GRF estimates of receipts from earnings on investments are displayed in Figure B-23. The historical data are shown as well.

Revenue Estimates and Methodology

Licenses and Fees

This source includes receipts deposited into the GRF from licenses and fees collected from businesses, occupations, and motor vehicle owners. The licenses and fees category also includes insurance agent fees, factory building fees, motor carrier fees, and fees from occupations and businesses not elsewhere classified. License and fee receipts deposited in the GRF are estimated to decrease from an estimated $62.0 million in fiscal year 2015 to $57.0 million in both fiscal years. This decrease is largely attributable to the reduction in the estimate of receipts from insurance surplus lines.

Other Income

Other income consists of various miscellaneous revenues from refunds, fines and forfeitures, sales of goods and services, receipts from local governments, and other revenue not elsewhere classified. In addition, these revenues include repayments of various loans made from the GRF, canceled warrants, and refunds of prior-year expenditures. $29.0 million and $30.6 million in other income is estimated in fiscal years 2016 and 2017 respectively, including $15.5 million in fiscal year 2016 and $17.1 million in fiscal year 2017 from continuing payments by JobsOhio related to estimated liquor profits growth under the agreement for the transfer of operating the liquor franchise. Also included in these estimates are $5.0 million in each fiscal year from refunds on expenditures deposited in the GRF.

Intrastate Transfer Vouchers (ISTV)

Intrastate transfer vouchers consist mainly of appropriation reimbursements from other funds for services rendered by state agencies that receive GRF appropriations. It is estimated that $9.8 million in ISTV will be deposited into the GRF in fiscal year 2016 and $9.7 million in fiscal year 2017. These amounts are a noticeable decrease from previous estimates and more in line with the recent performance of this income source.

Transfers In

Transfers-in to the GRF are estimated to decrease significantly from $653.2 million in fiscal year 2015 to $237.8 million in fiscal year 2016 and $410.4 million in fiscal year 2017. This decrease is due in large part to a proposal in the Executive Budget to increase the percentage of CAT receipts being deposited into the GRF from 50 to 75 percent. This decreases the amounts deposited into the two property tax replacement which in turn reduces the excess balance estimated to exist at the end of each fiscal year from $250.4 million in fiscal year 2015 to $64.7 million in fiscal year 2016 and $239.8 million in fiscal year 2017. Also contributing to the drop off in fiscal year 2016, is the presence of a one-time $221.0 million transfer in fiscal year 2015 to make up for tax revenue reduced as a result of the temporary expansion of the small business deduction. A third contributor to the decrease in transfers is a provision in the Executive Budget that will deposit all kilowatt hour tax revenue into the GRF beginning in fiscal year 2016 with the utility property tax replacement payments formerly paid from receipts deposited into the two utility property tax replacement funds to be paid from excess proceeds of the CAT deposited in the two remaining property tax replacement funds. This move will further reduce excess balances from the utility property tax replacement funds that are generally transferred to the GRF at the end of each fiscal year.

Contributing to the transfers estimates of $237.8 million and $410.4 million in fiscal years 2016 and 2017 are the afore-mentioned excess CAT receipts, which despite the increase in percentage going directly to the GRF are still estimated to contribute year-end transfers of $64.7 million and $239.8 million in fiscal years 2016 and 2017 respectively. Also, contributing significant amounts to this category are transfers from moneys generated by the recently enacted petroleum activity tax that are attributable to gross receipts generated from the sale of motor fuel. These transfers are reimbursements to the GRF for debt service attributable to bonds issued to fund local highway and transportation projects and are estimated at $77.0 million and $73.0 million in fiscal years 2016 and 2017 respectively. A third contributor to transfers to the GRF is $30.0 million in each fiscal year from various non-GRF funds in the state treasury that are not constitutionally protected as well as $5.0 million, $10.0 million, and $29.6 million in each fiscal year from the Insurance Operating Fund, State Fire Marshal Fund, and casino and racetrack relocation payments.

Temporary Transfers–In/Out

Prior to fiscal years 2012 and 2013, temporary transfers-in and out of the GRF were substantial as they were needed to maintain the cash flow for the school district and local government property tax replacement funds. When the balance in these replacement funds was not sufficient to cover the amount due to school districts and local governments, money was transferred temporarily from the GRF and then repaid later in the fiscal year. Due to a provision in the Executive Budget that moves the payments in the first half of the fiscal year from the property tax replacement funds for school districts to November 30th, which matches that of local governments, temporary transfers should no longer be necessary in order to support the payments. The quarterly payment revenues from the commercial activity tax should provide adequate resources. Due to this proposed change temporary transfers both in and out of the GRF are estimated at $0 in both fiscal years 2016 and 2017.

Actual and Estimated Revenues

The table beginning below shows revenue history by budget fund group for fiscal years 2012, 2013, and 2014 and revenue estimates for fiscal years 2015, 2016 and 2017. The first page of the table presents total revenue for all funds and, beginning on the table's second page are revenue amounts for each budget fund group. The revenues are presented by income source and the amounts displayed are in millions of dollars. With the exception of the Department of Transportation, whose capital funding is historically appropriated on the same cycle as the main operating budget, no capital fund revenue has been assumed for fiscal year 2013.

Actual and Estimated Revenues

State of Ohio
Income Sources, Fiscal Year 2012 - 2017
(Dollars In Millions)

Posted Amount	Actual			Estimate		
ALL FUNDS	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY2017
Taxes						
NON-AUTO SALES AND USE	7,358.06	8,093.04	8,353.25	8,997.13	10,406.79	11,156.41
AUTO SALES AND USE	1,053.48	1,096.69	1,209.88	1,307.00	1,468.09	1,565.92
PERSONAL INCOME TAX	10,280.86	11,174.35	10,116.73	10,163.53	8,179.18	8,172.85
CORPORATE FRANCHISE TAX	267.30	341.80	72.63	78.17	73.67	68.67
FINANCIAL INSTITUTIONS TAX	-	-	197.93	177.75	191.75	191.75
COMMERCIAL ACTIVITY TAX	1,700.04	1,671.85	1,828.03	1,991.97	2,485.09	2,463.34
PETROLEUM ACTIVITY TAX	-	-	-	6.00	8.00	8.00
PUBLIC UTILITY EXCISE TAX	116.48	96.91	121.81	134.51	131.51	133.11
KILOWATT HOURS EXCISE TAX	537.95	547.54	544.78	535.20	591.91	591.91
NATURAL GAS DISTRIB TAX (MCF)	60.19	57.80	76.11	62.00	62.00	62.00
FOREIGN INSUR COMPANIES TAX	286.86	298.16	315.76	319.54	328.76	340.76
DOMESTICE INSUR FRANCHISE TAX	194.15	212.24	203.06	250.23	283.08	294.78
SEVERENCE TAX	10.18	12.31	10.19	16.35	96.83	208.74
MOTOR FUEL USE TAX	72.40	72.13	66.44	71.88	71.88	71.88
MOTOR VEHICLE FUEL TAX	1,702.23	1,742.71	1,844.82	1,283.19	1,283.24	1,283.30
HORSE RACING WAGER TAX	7.12	6.25	5.02	5.09	4.48	4.29
MOTOR TRANSPORT TAX	1.40	0.69	0.94	0.63	0.63	0.63
INTANGIBLE TAXES	33.36	38.46	0.48	0.01	0.01	0.01
CIGARETTE TAX	844.19	828.85	815.72	794.80	1,303.14	1,218.33
ALCOHOLIC BEVERAGES TAX	58.77	57.79	56.70	56.18	57.68	57.68
LIQUOR GALLONAGE TAX	39.44	40.65	41.83	41.90	42.00	43.00
ESTATE TAXES	66.52	105.20	39.39	-	-	-
PERMISSIVE SALES/USE TAX	18.81	20.05	21.34	21.89	22.58	23.17
PERMISSIVE TAXES NEC	2,261.98	2,385.05	2,512.56	2,555.44	2,930.46	3,134.11
MUNICIPAL INCOME TAX	10.78	9.91	8.80	8.50	8.19	7.99
Total Tax Receipts	26,982.56	28,910.45	28,464.21	28,878.88	30,030.95	31,102.61
Non-Taxes						
BUSINESS LICENSES & FEES	556.87	564.94	509.62	-	-	-
EARNINGS ON INVESTMENTS	60.25	64.76	63.15	392.84	377.84	377.84
FEDERAL GRANTS	18,413.55	18,419.11	19,911.44	24,036.28	23,927.74	24,362.56
FEDERAL REVENUE STIMULUS	16.62	14.64	13.13	0.11	-	-
ISTV	3,988.74	4,123.72	4,163.09	5,336.72	5,554.17	5,920.23
LICENSES AND FEES	2,621.26	2,717.34	2,876.51	4,213.62	4,277.89	4,258.08
OTHER GRANTS AND CONTRIBUTIONS	639.75	732.69	752.28	1,148.24	836.82	885.92
OTHER INCOME	1,112.58	1,120.30	1,190.01	-	-	-
OTHER INCOME - SALES	856.89	563.60	74.60	1,401.97	1,421.26	1,426.09
OTHER SOURCES OF FINANCING	432.56	246.37	268.08	97.30	114.52	97.40
P/R DEDUCTIONS	50.89	24.74	12.60	13.64	14.65	15.97
RECOVERIES AND REIMBURSEMENTS	1,928.52	2,370.63	1,826.24	1,907.29	1,932.36	1,974.13
Total Non Tax Receipts	30,678.47	30,962.85	31,660.75	38,547.99	38,457.26	39,318.22
Total Revenue	57,661.02	59,873.29	60,124.96	67,426.88	68,488.20	70,420.84

State of Ohio
Income Sources, Fiscal Year 2012 - 2017
(Dollars In Millions)

	Actual			Estimate		
Posted Amount	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY2017
Transfers						
OPER TRANSFER IN-LOTTERY	777.38	821.86	1,043.67	1,027.20	1,027.20	1,027.20
OPER TRANSFER IN-LOTTERY ANUTY	3.77	-	-	42.01	39.63	41.70
OPER TRANSFER IN-OTHER	3,388.79	2,859.36	4,800.22	2,765.60	2,248.15	1,953.31
OPER TRANSFER IN-STATE SHARE	643.43	645.36	702.67	589.90	589.90	589.90
TEMPORARY TRANSFER IN	112.86	-	10.52	-	-	-
TRANSFER IN-PRIOR YEAR REVENUE	13.05	11.44	11.41	14.82	14.86	14.90
Total Transfers	4,939.28	4,338.02	6,568.48	4,439.53	3,919.74	3,627.01
Total Sources	62,600.31	64,211.31	66,693.44	71,866.40	72,407.94	74,047.85

Actual and Estimated Revenues

State of Ohio
Income Sources, Fiscal Year 2012 - 2017
(Dollars In Millions)

Bond Research and Development						
	Actual			Estimate		
Account Descr	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY2017
Total Tax Receipts :	0.00	0.00	0.00	0.00	0.00	0.00
Non Taxes						
RECOVERIES AND REIMBURSEMENTS	0.02	0.03	0.02	0.02	0.01	0.02
OTHER SOURCES OF FINANCING	97.16	105.68	99.79	0.15	0.32	0.49
ISTV	0.00	0.00	0.00	0.33	0.32	0.33
Total NonTax Receipts :	97.18	105.71	99.81	0.50	0.65	0.84
Total Revenue :	97.18	105.71	99.81	0.50	0.65	0.84
Transfers						
OPER TRANSFER IN-OTHER	146.97	0.00	205.61	89.01	175.00	187.00
Total Transfers :	146.97	0.00	205.61	89.01	175.00	187.00
Total Source :	244.15	105.71	305.42	89.51	175.65	187.84

State of Ohio
Income Sources, Fiscal Year 2012 - 2017
(Dollars In Millions)

Budget Stabilization						
	Actual			Estimate		
Account Descr	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY2017
Total Tax Receipts :	0.00	0.00	0.00	0.00	0.00	0.00
Non Taxes						
RECOVERIES AND REIMBURSEMENTS	0.00	0.00	0.00	0.00	0.00	0.00
Total NonTax Receipts :	0.00	0.00	0.00	0.00	0.00	0.00
Total Revenue :	0.00	0.00	0.00	0.00	0.00	0.00
Transfers						
OPER TRANSFER IN-OTHER	246.90	235.10	995.93	374.40	0.00	0.00
Total Transfers :	246.90	235.10	995.93	374.40	0.00	0.00
Total Source :	246.90	235.10	995.93	374.40	0.00	0.00

Actual and Estimated Revenues

State of Ohio
Income Sources, Fiscal Year 2012 - 2017
(Dollars In Millions)

Capital Projects						
	Actual			Estimate		
Account Descr	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY2017
Total Tax Receipts :	0.00	0.00	0.00	0.00	0.00	0.00
Non Taxes						
BUSINESS LICENSES & FEES	0.00	6.52	0.00	0.00	0.00	0.00
LICENSES AND FEES	0.00	0.00	0.00	0.00	0.00	0.00
RECOVERIES AND REIMBURSEMENTS	25.30	118.32	6.75	0.00	0.00	0.00
EARNINGS ON INVESTMENTS	3.64	4.12	0.66	0.00	0.00	0.00
OTHER SOURCES OF FINANCING	105.60	36.80	39.20	41.31	43.81	45.51
ISTV	0.92	1.53	2.22	3.97	3.70	3.30
Total NonTax Receipts :	135.45	167.29	48.83	45.28	47.51	48.81
Total Revenue :	135.45	167.29	48.83	45.28	47.51	48.81
Transfers						
OPER TRANSFER IN-OTHER	1,647.78	1,316.59	2,086.54	1,394.45	1,410.00	1,125.00
Total Transfers :	1,647.78	1,316.59	2,086.54	1,394.45	1,410.00	1,125.00
Total Source :	1,783.23	1,483.88	2,135.37	1,439.72	1,457.51	1,173.81

Actual and Estimated Revenues

State of Ohio
Income Sources, Fiscal Year 2012 - 2017
(Dollars In Millions)

Debt Service						
	Actual			Estimate		
Account Descr	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY2017
PERMISSIVE TAXES NEC	0.00	0.00	0.00	0.00	0.00	0.00
Total Tax Receipts :	0.00	0.00	0.00	0.00	0.00	0.00
Non Taxes						
RECOVERIES AND REIMBURSEMENTS	2.41	0.10	0.04	0.00	0.00	0.00
EARNINGS ON INVESTMENTS	0.00	0.00	0.00	0.00	0.00	0.00
OTHER SOURCES OF FINANCING	81.46	23.64	64.96	10.70	5.00	2.50
ISTV	368.50	820.30	890.80	1,144.61	1,155.36	1,223.58
Total NonTax Receipts :	452.38	844.04	955.80	1,155.30	1,160.36	1,226.08
Total Revenue :	452.38	844.04	955.80	1,155.30	1,160.36	1,226.08
Transfers						
OPER TRANSFER IN-STATE SHARE	117.47	124.31	132.52	0.00	0.00	0.00
OPER TRANSFER IN-OTHER	39.15	0.00	17.96	0.00	0.00	0.00
Total Transfers :	156.62	124.31	150.48	0.00	0.00	0.00
Total Source :	608.99	968.35	1,106.28	1,155.30	1,160.36	1,226.08

State of Ohio
Income Sources, Fiscal Year 2012 - 2017
(Dollars In Millions)

Dedicated Purpose						
	Actual			Estimate		
Account Descr	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY2017
NON-AUTO SALES AND USE	7.50	6.58	5.85	5.54	5.54	6.04
PERSONAL INCOME TAX	12.15	13.05	12.58	14.00	17.00	19.80
CORPORATE FRANCHISE TAX	0.37	0.32	0.21	1.00	1.50	1.50
COMMERCIAL ACTIVITY TAX	14.92	14.36	15.37	13.76	13.77	14.04
PUBLIC UTILITY EXCISE TAX	0.00	0.00	0.44	0.26	0.26	0.26
FOREIGN INSUR COMPANIES TAX	17.43	17.86	21.54	21.54	21.76	21.76
DOMESTICE INSUR FRANCHISE TAX	4.99	5.20	5.43	5.43	5.48	5.48
SEVERENCE TAX	10.18	12.31	10.19	16.35	20.30	25.35
MOTOR VEHICLE FUEL TAX	22.88	23.37	24.57	23.84	23.89	23.95
HORSE RACING WAGER TAX	5.97	5.24	4.10	3.19	3.05	2.87
MOTOR TRANSPORT TAX	1.40	0.48	0.63	0.63	0.63	0.63
ALCOHOLIC BEVERAGES TAX	1.06	1.13	1.05	1.05	1.05	1.05
PERMISSIVE SALES/USE TAX	18.81	20.05	21.34	21.89	22.58	23.17
PERMISSIVE TAXES NEC	6.02	6.36	6.32	6.67	6.90	7.24
MUNICIPAL INCOME TAX	0.14	0.01	0.08	0.10	0.09	0.09
Total Tax Receipts :	123.83	126.34	129.71	135.24	143.80	153.22
Non Taxes						
LICENSES AND FEES	2,106.88	2,180.05	2,185.73	2,238.21	2,362.96	2,416.96
OTHER INCOME - SALES	842.11	548.44	58.97	81.64	75.13	75.28
FEDERAL GRANTS	112.05	142.04	96.82	102.30	119.67	117.93
OTHER GRANTS AND CONTRIBUTIONS	595.59	676.01	625.98	797.68	786.26	835.35
RECOVERIES AND REIMBURSEMENTS	715.94	768.93	774.09	847.67	838.17	859.53
EARNINGS ON INVESTMENTS	5.24	4.94	-1.91	3.30	3.30	3.30
OTHER SOURCES OF FINANCING	13.54	20.77	12.75	2.64	4.44	4.71
ISTV	181.21	195.42	184.86	202.62	212.63	224.10
P/R DEDUCTIONS	0.03	0.02	0.03	0.00	0.00	0.00
Total NonTax Receipts :	4,572.59	4,536.62	3,937.32	4,276.07	4,402.57	4,537.16
Total Revenue :	4,696.42	4,662.96	4,067.03	4,411.31	4,546.37	4,690.38
Transfers						
OPER TRANSFER IN-STATE SHARE	54.66	54.57	59.72	59.90	59.90	59.90
OPER TRANSFER IN-OTHER	218.14	370.27	505.03	176.13	320.72	142.17
TRANSFER IN-PRIOR YEAR REVENUE	3.78	9.24	8.97	13.50	13.50	13.50
TEMPORARY TRANSFER IN	0.00	0.00	5.00	0.00	0.00	0.00
Total Transfers :	276.58	434.08	578.71	249.53	394.12	215.27
Total Source :	4,973.01	5,097.04	4,645.74	4,660.84	4,940.48	4,905.65

Actual and Estimated Revenues

State of Ohio
Income Sources, Fiscal Year 2012 - 2017
(Dollars In Millions)

Facilities Establishment						
	Actual			Estimate		
Account Descr	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY2017
Total Tax Receipts :	0.00	0.00	0.00	0.00	0.00	0.00
Non Taxes						
BUSINESS LICENSES & FEES	0.00	0.00	0.01	0.00	0.00	0.00
RECOVERIES AND REIMBURSEMENTS	38.04	29.00	47.33	27.08	31.71	28.58
OTHER SOURCES OF FINANCING	79.42	26.47	28.04	22.16	40.61	25.06
ISTV	0.00	0.00	0.00	0.75	0.62	0.61
Total NonTax Receipts :	117.47	55.47	75.38	49.99	72.94	54.25
Total Revenue :	117.47	55.47	75.38	49.99	72.94	54.25
Transfers						
OPER TRANSFER IN-OTHER	51.45	0.00	17.32	2.00	2.02	2.00
Total Transfers :	51.45	0.00	17.32	2.00	2.02	2.00
Total Source :	168.92	55.47	92.70	51.99	74.97	56.25

Actual and Estimated Revenues

State of Ohio
Income Sources, Fiscal Year 2012 - 2017
(Dollars In Millions)

Federal						
	Actual			Estimate		
Account Descr	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY2017
NON-AUTO SALES AND USE	0.79	0.00	0.00	0.00	0.00	0.00
PERMISSIVE SALES/USE TAX	0.00	0.00	0.00	0.00	0.00	0.00
Total Tax Receipts :	0.79	0.00	0.00	0.00	0.00	0.00
Non Taxes						
LICENSES AND FEES	5.57	4.23	3.93	3.94	2.25	2.29
OTHER INCOME - SALES	0.04	0.04	0.57	0.01	0.01	0.01
FEDERAL GRANTS	9,328.16	9,043.08	9,637.13	13,077.34	10,041.08	9,708.60
OTHER GRANTS AND CONTRIBUTIONS	0.16	0.29	1.97	0.00	0.00	0.00
FEDERAL REVENUE STIMULUS	0.13	0.23	0.12	0.11	0.00	0.00
RECOVERIES AND REIMBURSEMENTS	762.68	748.64	780.20	785.42	794.04	815.32
EARNINGS ON INVESTMENTS	0.04	0.01	0.00	0.00	0.00	0.00
OTHER SOURCES OF FINANCING	29.02	0.00	7.02	0.88	1.53	1.53
ISTV	1,487.05	1,150.25	1,026.27	1,089.47	1,209.95	1,369.59
P/R DEDUCTIONS	0.00	0.00	0.00	0.00	0.00	0.00
Total NonTax Receipts :	11,612.85	10,946.76	11,457.22	14,957.17	12,048.87	11,897.34
Total Revenue :	11,613.64	10,946.76	11,457.22	14,957.17	12,048.87	11,897.34
Transfers						
OPER TRANSFER IN-OTHER	3.25	0.31	5.50	0.00	1.78	0.00
TRANSFER IN-PRIOR YEAR REVENUE	0.15	0.19	0.12	0.00	0.00	0.00
Total Transfers :	3.40	0.50	5.62	0.00	1.78	0.00
Total Source :	11,617.05	10,947.26	11,462.83	14,957.17	12,050.64	11,897.34

State of Ohio
Income Sources, Fiscal Year 2012 - 2017
(Dollars In Millions)

Fiduciary Funds						
	Actual			Estimate		
Account Descr	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY2017
NON-AUTO SALES AND USE	98.05	75.72	121.12	82.54	82.54	82.54
PERSONAL INCOME TAX	1,251.51	1,304.81	1,691.89	1,457.37	1,275.27	1,325.27
CORPORATE FRANCHISE TAX	149.85	79.58	83.80	75.00	70.00	65.00
FINANCIAL INSTITUTIONS TAX	0.00	0.00	0.09	1.75	1.75	1.75
COMMERCIAL ACTIVITY TAX	44.10	77.01	143.38	90.00	90.00	90.00
PUBLIC UTILITY EXCISE TAX	2.59	0.25	15.36	42.25	30.95	30.95
KILOWATT HOURS EXCISE TAX	0.00	0.00	0.15	0.05	0.05	0.05
FOREIGN INSUR COMPANIES TAX	2.94	5.66	7.73	0.00	0.00	0.00
DOMESTICE INSUR FRANCHISE TAX	0.08	0.67	0.74	0.00	0.00	0.00
MOTOR FUEL USE TAX	0.47	0.55	0.56	0.56	0.56	0.56
MOTOR VEHICLE FUEL TAX	18.03	17.71	19.29	18.35	18.35	18.35
HORSE RACING WAGER TAX	0.00	0.00	0.13	0.40	0.13	0.13
INTANGIBLE TAXES	13.12	0.03	0.00	0.01	0.01	0.01
CIGARETTE TAX	1.01	1.41	1.74	1.20	1.20	1.20
ALCOHOLIC BEVERAGES TAX	0.09	0.16	0.13	0.13	0.13	0.13
PERMISSIVE TAXES NEC	2,255.95	2,378.68	2,506.23	2,548.77	2,923.57	3,126.87
MUNICIPAL INCOME TAX	10.64	9.89	8.71	8.40	8.10	7.90
Total Tax Receipts :	3,848.42	3,974.70	4,641.16	4,326.77	4,502.60	4,750.69
Non Taxes						
LICENSES AND FEES	9.44	9.10	169.08	381.33	380.34	380.36
OTHER INCOME - SALES	1.58	1.30	1.15	1.50	1.50	1.50
OTHER GRANTS AND CONTRIBUTIONS	0.26	0.26	0.26	0.56	0.56	0.57
RECOVERIES AND REIMBURSEMENTS	125.29	112.07	108.42	111.08	132.05	132.15
EARNINGS ON INVESTMENTS	16.19	23.09	34.15	0.01	0.01	0.01
ISTV	1,430.63	1,389.06	1,453.33	1,557.62	1,680.99	1,805.97
P/R DEDUCTIONS	50.86	24.71	12.51	13.58	14.59	15.91
Total NonTax Receipts :	1,634.25	1,559.59	1,778.89	2,065.67	2,210.04	2,336.46
Total Revenue :	5,482.68	5,534.28	6,420.05	6,392.44	6,712.64	7,087.16
Transfers						
OPER TRANSFER IN-STATE SHARE	0.00	4.39	0.00	0.00	0.00	0.00
OPER TRANSFER IN-OTHER	2.66	0.19	3.83	0.01	0.00	0.00
TRANSFER IN-PRIOR YEAR REVENUE	0.00	0.45	0.00	0.00	0.00	0.00
Total Transfers :	2.66	5.03	3.83	0.01	0.00	0.00
Total Source :	5,485.34	5,539.31	6,423.88	6,392.45	6,712.64	7,087.16

Actual and Estimated Revenues

State of Ohio
Income Sources, Fiscal Year 2012 - 2017
(Dollars In Millions)

General Revenue						
	Actual			Estimate		
Account Descr	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY2017
NON-AUTO SALES AND USE	7,033.52	7,348.16	7,955.92	8,713.98	10,116.70	10,857.93
AUTO SALES AND USE	1,053.48	1,096.69	1,209.88	1,307.00	1,468.09	1,565.92
PERSONAL INCOME TAX	8,432.91	9,507.83	8,064.92	8,308.76	6,503.40	6,428.47
CORPORATE FRANCHISE TAX	117.08	261.90	-11.38	0.00	0.00	0.00
FINANCIAL INSTITUTIONS TAX	0.00	0.00	197.84	176.00	190.00	190.00
COMMERCIAL ACTIVITY TAX	417.13	789.98	794.21	818.38	1,474.65	1,589.28
PETROLEUM ACTIVITY TAX	0.00	0.00	0.00	6.00	8.00	8.00
PUBLIC UTILITY EXCISE TAX	113.89	96.67	106.01	92.00	100.30	101.90
KILOWATT HOURS EXCISE TAX	294.83	307.23	306.29	296.50	352.10	344.20
NATURAL GAS DISTRIB TAX (MCF)	60.19	57.80	76.11	62.00	62.00	62.00
FOREIGN INSUR COMPANIES TAX	266.49	274.64	286.48	298.00	307.00	319.00
DOMESTICE INSUR FRANCHISE TAX	189.07	206.37	196.89	244.80	277.60	289.30
SEVERENCE TAX	0.00	0.00	0.00	0.00	76.53	183.39
MOTOR TRANSPORT TAX	0.00	0.21	0.31	0.00	0.00	0.00
INTANGIBLE TAXES	19.87	38.43	0.48	0.00	0.00	0.00
CIGARETTE TAX	843.18	827.44	813.98	793.60	1,301.94	1,217.13
ALCOHOLIC BEVERAGES TAX	57.61	56.50	55.52	55.00	56.50	56.50
LIQUOR GALLONAGE TAX	39.44	40.65	41.83	41.90	42.00	43.00
ESTATE TAXES	66.52	105.20	39.39	0.00	0.00	0.00
PERMISSIVE TAXES NEC	0.01	0.01	0.01	0.00	0.00	0.00
Total Tax Receipts :	19,005.23	21,015.71	20,134.70	21,213.93	22,336.80	23,256.02
Non Taxes						
LICENSES AND FEES	65.30	70.23	57.30	62.00	57.00	57.00
FEDERAL GRANTS	7,351.74	7,515.65	8,566.65	9,562.30	12,451.85	13,228.82
FEDERAL REVENUE STIMULUS	11.21	10.19	8.91	0.00	0.00	0.00
RECOVERIES AND REIMBURSEMENTS	139.00	511.43	20.75	32.00	29.00	30.60
EARNINGS ON INVESTMENTS	5.37	10.45	17.30	0.00	0.00	0.00
OTHER SOURCES OF FINANCING	0.08	1.26	1.03	0.00	0.00	0.00
ISTV	25.21	22.75	20.41	24.50	53.80	64.50
P/R DEDUCTIONS	0.00	0.00	0.00	0.00	0.00	0.00
Total NonTax Receipts :	7,597.91	8,141.97	8,692.36	9,680.80	12,591.65	13,380.92
Total Revenue :	26,603.14	29,157.68	28,827.06	30,894.73	34,928.45	36,636.94
Transfers						
OPER TRANSFER IN-OTHER	475.90	402.01	405.71	653.20	237.84	410.41
TRANSFER IN-PRIOR YEAR REVENUE	5.60	0.01	0.00	0.00	0.00	0.00
TEMPORARY TRANSFER IN	100.84	0.00	0.00	0.00	0.00	0.00
Total Transfers :	582.33	402.01	405.71	653.20	237.84	410.41
Total Source :	27,185.47	29,559.70	29,232.77	31,547.93	35,166.29	37,047.35

Actual and Estimated Revenues

State of Ohio
Income Sources, Fiscal Year 2012 - 2017
(Dollars In Millions)

Highway Operating						
	Actual			Estimate		
Account Descr	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY2017
NON-AUTO SALES AND USE	0.00	0.00	0.00	0.00	0.00	0.00
MOTOR FUEL USE TAX	32.19	36.08	16.75	31.32	31.32	31.32
MOTOR VEHICLE FUEL TAX	616.87	631.01	660.86	645.00	645.00	645.00
Total Tax Receipts :	649.05	667.08	677.61	676.32	676.32	676.32
Non Taxes						
LICENSES AND FEES	63.99	69.71	70.52	58.03	93.03	93.03
OTHER INCOME - SALES	2.10	2.75	3.21	1.80	1.80	1.80
FEDERAL GRANTS	1,599.46	1,700.45	1,588.50	1,264.50	1,284.61	1,276.66
OTHER GRANTS AND CONTRIBUTIONS	43.73	56.14	124.07	350.00	50.00	50.00
FEDERAL REVENUE STIMULUS	5.29	4.23	4.09	0.00	0.00	0.00
RECOVERIES AND REIMBURSEMENTS	17.09	15.92	15.05	18.83	18.83	18.83
EARNINGS ON INVESTMENTS	0.00	0.00	0.00	0.00	0.00	0.00
OTHER SOURCES OF FINANCING	26.26	26.89	14.76	18.66	17.85	16.60
ISTV	20.33	8.66	6.66	9.56	9.56	9.56
Total NonTax Receipts :	1,778.25	1,884.75	1,826.88	1,721.38	1,475.68	1,466.48
Total Revenue :	2,427.30	2,551.83	2,504.49	2,397.70	2,152.00	2,142.80
Transfers						
OPER TRANSFER IN-STATE SHARE	471.31	462.09	510.43	530.00	530.00	530.00
OPER TRANSFER IN-OTHER	27.72	74.26	44.31	45.00	60.00	60.00
Total Transfers :	499.03	536.35	554.74	575.00	590.00	590.00
Total Source :	2,926.33	3,088.19	3,059.23	2,972.70	2,742.00	2,732.80

Actual and Estimated Revenues

State of Ohio
Income Sources, Fiscal Year 2012 - 2017
(Dollars In Millions)

Highway Safety						
	Actual			Estimate		
Account Descr	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY2017
Total Tax Receipts :	0.00	0.00	0.00	0.00	0.00	0.00
Non Taxes						
LICENSES AND FEES	370.06	383.56	389.95	393.72	422.96	428.62
OTHER INCOME - SALES	11.06	11.06	10.69	10.10	12.04	11.65
FEDERAL GRANTS	16.82	13.97	16.40	24.88	24.88	24.88
RECOVERIES AND REIMBURSEMENTS	33.53	31.93	32.16	34.28	34.53	34.80
EARNINGS ON INVESTMENTS	0.01	0.01	0.02	0.01	0.01	0.01
OTHER SOURCES OF FINANCING	0.00	0.23	0.00	0.00	0.00	0.00
ISTV	13.27	11.14	13.02	13.67	12.40	12.39
Total NonTax Receipts :	444.76	451.90	462.23	476.65	506.81	512.34
Total Revenue :	444.76	451.90	462.23	476.65	506.81	512.34
Transfers						
OPER TRANSFER IN-OTHER	37.11	38.34	27.79	16.20	13.60	13.00
TRANSFER IN-PRIOR YEAR REVENUE	1.25	1.28	1.75	1.32	1.36	1.40
Total Transfers :	38.36	39.62	29.54	17.52	14.96	14.40
Total Source :	483.12	491.52	491.77	494.18	521.77	526.75

Actual and Estimated Revenues

State of Ohio
Income Sources, Fiscal Year 2012 - 2017
(Dollars In Millions)

Holding Account						
	Actual			Estimate		
Account Descr	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY2017
NON-AUTO SALES AND USE	39.63	487.97	97.35	10.07	10.25	10.25
PERSONAL INCOME TAX	0.00	0.00	0.00	0.00	0.00	0.00
CORPORATE FRANCHISE TAX	0.00	0.00	0.00	0.00	0.00	0.00
COMMERCIAL ACTIVITY TAX	0.64	0.55	0.00	0.00	0.00	0.00
MOTOR FUEL USE TAX	39.74	35.50	49.13	40.00	40.00	40.00
Total Tax Receipts :	80.01	524.02	146.48	50.07	50.25	50.25
Non Taxes						
LICENSES AND FEES	0.00	0.46	0.00	0.00	0.00	0.00
OTHER INCOME	0.00	0.00	0.00	0.00	0.00	0.00
FEDERAL GRANTS	0.00	0.35	0.21	0.00	0.00	0.00
RECOVERIES AND REIMBURSEMENTS	3.07	1.85	1.95	2.89	2.93	2.93
EARNINGS ON INVESTMENTS	0.00	-0.03	-0.05	0.00	0.00	0.00
ISTV	0.75	0.61	0.87	0.73	0.73	0.73
Total NonTax Receipts :	3.83	3.24	2.98	3.62	3.66	3.66
Total Revenue :	83.84	527.26	149.46	53.68	53.91	53.91
Transfers						
OPER TRANSFER IN-OTHER	0.28	0.11	0.00	0.00	0.00	0.00
Total Transfers :	0.28	0.11	0.00	0.00	0.00	0.00
Total Source :	84.12	527.37	149.46	53.68	53.91	53.91

Actual and Estimated Revenues

State of Ohio
Income Sources, Fiscal Year 2012 - 2017
(Dollars In Millions)

Internal Service Activity						
	Actual			Estimate		
Account Descr	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY2017
NON-AUTO SALES AND USE	0.00	0.00	0.02	0.00	0.00	0.00
Total Tax Receipts :	0.00	0.00	0.02	0.00	0.00	0.00
Non Taxes						
BUSINESS LICENSES & FEES	24.27	40.56	40.85	0.00	0.00	0.00
LICENSES AND FEES	0.00	0.00	0.00	114.35	113.15	83.64
OTHER INCOME	12.80	13.85	24.36	0.00	0.00	0.00
OTHER INCOME - SALES	0.00	0.00	0.00	27.15	27.19	27.24
FEDERAL GRANTS	5.32	3.57	5.73	4.95	5.64	5.67
RECOVERIES AND REIMBURSEMENTS	65.81	31.86	39.08	44.49	47.64	47.43
EARNINGS ON INVESTMENTS	0.00	0.00	0.00	0.00	0.00	0.00
OTHER SOURCES OF FINANCING	0.00	4.63	0.52	0.80	0.95	1.00
ISTV	457.73	520.75	563.33	706.47	650.88	658.94
P/R DEDUCTIONS	0.00	0.00	0.06	0.06	0.06	0.06
Total NonTax Receipts :	565.93	615.22	673.94	898.26	845.53	823.97
Total Revenue :	565.93	615.22	673.96	898.26	845.53	823.97
Transfers						
OPER TRANSFER IN-OTHER	100.13	16.26	55.32	15.14	27.12	13.66
TRANSFER IN-PRIOR YEAR REVENUE	0.42	0.23	0.52	0.00	0.00	0.00
Total Transfers :	100.55	16.49	55.84	15.14	27.12	13.66
Total Source :	666.48	631.71	729.80	913.40	872.64	837.63

State of Ohio
Income Sources, Fiscal Year 2012 - 2017
(Dollars In Millions)

Revenue Distribution Funds						
	Actual			Estimate		
Account Descr	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY2017
NON-AUTO SALES AND USE	178.57	174.61	172.98	185.00	191.76	199.66
PERSONAL INCOME TAX	584.29	348.67	347.34	383.40	383.52	399.31
CORPORATE FRANCHISE TAX	0.00	0.00	0.00	2.17	2.17	2.17
COMMERCIAL ACTIVITY TAX	1,223.25	789.96	875.07	1,069.83	906.67	770.02
KILOWATT HOURS EXCISE TAX	243.12	240.31	238.34	238.65	239.76	247.66
MOTOR VEHICLE FUEL TAX	1,044.46	1,070.62	1,140.10	596.00	596.00	596.00
HORSE RACING WAGER TAX	1.15	1.00	0.80	1.50	1.30	1.30
INTANGIBLE TAXES	0.38	0.00	0.00	0.00	0.00	0.00
Total Tax Receipts :	3,275.22	2,625.18	2,774.63	2,476.55	2,321.18	2,216.11
Non Taxes						
BUSINESS LICENSES & FEES	507.53	517.60	358.23	0.00	0.00	0.00
LICENSES AND FEES	0.00	0.00	0.00	797.00	796.16	796.16
RECOVERIES AND REIMBURSEMENTS	0.00	0.10	0.03	2.25	1.90	1.90
EARNINGS ON INVESTMENTS	0.02	0.02	0.02	360.02	345.02	345.02
ISTV	0.00	0.00	0.00	582.18	562.98	546.38
Total NonTax Receipts :	507.55	517.72	358.28	1,741.45	1,706.06	1,689.46
Total Revenue :	3,782.77	3,142.90	3,132.91	4,218.00	4,027.24	3,905.56
Transfers						
OPER TRANSFER IN-OTHER	391.35	405.93	429.38	0.00	0.00	0.00
TRANSFER IN-PRIOR YEAR REVENUE	1.74	0.00	0.00	0.00	0.00	0.00
TEMPORARY TRANSFER IN	12.02	0.00	5.52	0.00	0.00	0.00
Total Transfers :	405.11	405.93	434.90	0.00	0.00	0.00
Total Source :	4,187.88	3,548.83	3,567.81	4,218.00	4,027.24	3,905.56

Actual and Estimated Revenues

State of Ohio
Income Sources, Fiscal Year 2012 - 2017
(Dollars In Millions)

State Lottery						
	Actual			Estimate		
Account Descr	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY2017
Total Tax Receipts :	0.00	0.00	0.00	0.00	0.00	0.00
Non Taxes						
BUSINESS LICENSES & FEES	25.07	0.25	110.53	0.00	0.00	0.00
LICENSES AND FEES	0.00	0.00	0.00	165.03	50.03	0.03
OTHER INCOME	1,099.79	1,106.46	1,165.65	0.00	0.00	0.00
OTHER INCOME - SALES	0.00	0.00	0.00	1,279.78	1,303.60	1,308.61
RECOVERIES AND REIMBURSEMENTS	0.35	0.45	0.39	1.29	1.54	2.05
EARNINGS ON INVESTMENTS	29.73	22.14	12.95	29.50	29.50	29.50
ISTV	3.13	3.25	1.33	0.26	0.26	0.26
Total NonTax Receipts :	1,158.07	1,132.55	1,290.85	1,475.86	1,384.94	1,340.45
Total Revenue :	1,158.07	1,132.55	1,290.85	1,475.86	1,384.94	1,340.45
Transfers						
OPER TRANSFER IN-LOTTERY	777.38	821.86	1,043.67	1,027.20	1,027.20	1,027.20
OPER TRANSFER IN-LOTTERY ANUTY	3.77	0.00	0.00	42.01	39.63	41.70
OPER TRANSFER IN-OTHER	0.00	0.00	0.00	0.08	0.08	0.08
TRANSFER IN-PRIOR YEAR REVENUE	0.11	0.05	0.05	0.00	0.00	0.00
Total Transfers :	781.26	821.91	1,043.72	1,069.28	1,066.90	1,068.97
Total Source :	1,935.98	1,951.11	2,333.14	2,545.14	2,451.84	2,409.42