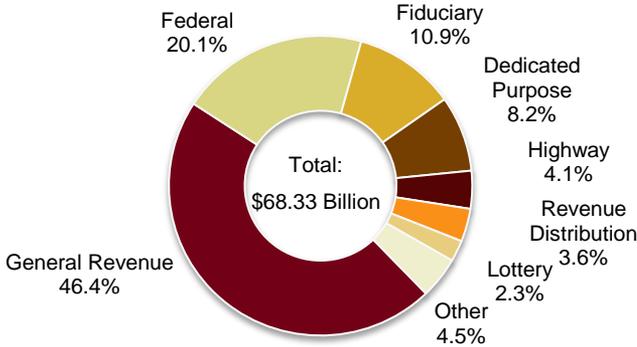


## GRF Made Up 46.4% of Operating Spending in FY 2018

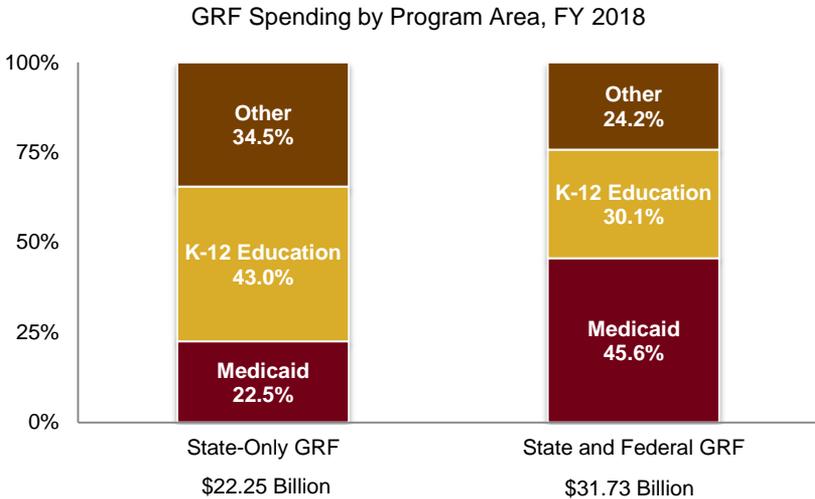
State Operating Spending by Fund Group, FY 2018



Source: Ohio Administrative Knowledge System

- In FY 2018, state operating spending totaled \$68.33 billion, of which \$31.73 billion (46.4%) was expended from the GRF. GRF spending supported Medicaid (45.6%), primary and secondary education (30.1%), higher education (8.0%), and other core government functions.
- The Federal Fund Group accounted for \$13.74 billion (20.1%) of total operating spending in FY 2018. This spending supported various federal programs that are subject to the state appropriation process. The federal share of FY 2018 total operating spending increases to 34.0% when the \$9.48 billion in federal reimbursements deposited into the GRF is counted.
- Spending from the Fiduciary Fund Group and the Revenue Distribution Fund Group was \$7.45 billion (10.9%) and \$2.43 billion (3.6%), respectively. This spending included tax distributions to local governments, tax refunds, state employee payroll and benefit deductions, and various state payments to local governments.
- Spending from the Dedicated Purpose Fund Group was \$5.59 billion (8.2%), which supported various programs with specific revenue sources.
- Spending from the Highway Operating Fund Group accounted for \$2.79 billion (4.1%). This spending supported the operations of the Ohio Department of Transportation, including highway construction and maintenance.
- Spending from the State Lottery Fund Group was \$1.57 billion (2.3%). This spending was for primary and secondary education, as well as lottery administration and prize payments.
- The remaining \$3.04 billion (4.5%) of spending was distributed from seven other smaller fund groups.

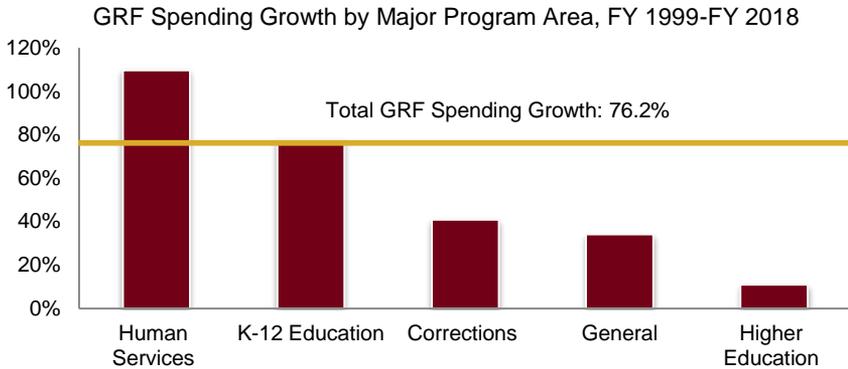
## K-12 Education and Medicaid Are the Two Biggest Spending Areas in the GRF



Sources: Ohio Administrative Knowledge System; Ohio Legislative Service Commission

- GRF spending supported by only state sources totaled \$22.25 billion in FY 2018. Of this total, 43.0% (\$9.56 billion) went to K-12 Education. K-12 Education has traditionally comprised the largest share of state-only GRF spending, followed by Medicaid, which comprised 22.5% (\$5.00 billion) in FY 2018.
- The remainder of the state-only GRF in FY 2018 went to Higher Education (\$2.55 billion, 11.5%), Corrections (\$1.94 billion, 8.7%), General Government (\$1.93 billion, 8.7%), and non-Medicaid Human Services (\$1.26 billion, 5.6%).
- GRF spending for Medicaid is supported by federal reimbursements in addition to state revenue sources. In FY 2018, \$9.48 billion in federal reimbursements was deposited into the GRF, which brought total state and federal GRF spending to \$31.73 billion.
- Medicaid accounted for \$14.48 billion (45.6%) of total state and federal GRF spending in FY 2018. Medicaid has consistently made up the largest share of total GRF spending.
- K-12 Education ranked second in total state and federal GRF spending, at 30.1% in FY 2018.
- The Higher Education, Corrections, General Government, and non-Medicaid Human Services shares of FY 2018 total state and federal GRF spending were 8.0%, 6.1%, 6.1%, and 4.0%, respectively.

## Total State and Federal GRF Spending Grew 76% in the Past Two Decades Due Primarily to Human Services

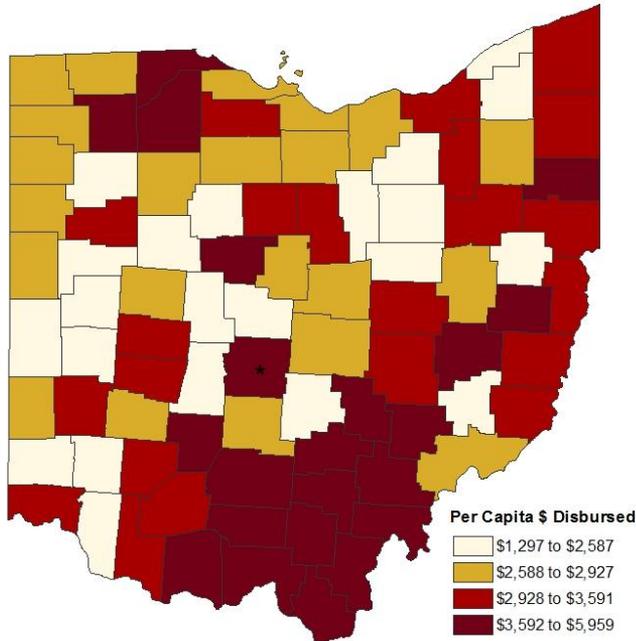


Sources: Ohio Administrative Knowledge System; Ohio Legislative Service Commission

- In nominal terms, total state and federal GRF spending increased by 76.2% over the 20 years from FY 1999 to FY 2018, with an average growth rate of 3.2% per year.
- Human Services, including Medicaid, is the main driver behind total GRF spending growth. It grew 109.6% from FY 1999 to FY 2018, much faster than total GRF spending. This spending area increased from 41.7% of total GRF spending in FY 1999 to 49.6% in FY 2018. A portion of this spending is funded by reimbursements from the federal government.
- K-12 Education spending increased slightly more than total GRF spending (77.8%). This spending area increased from 29.9% of total spending in FY 1999 to 30.1% in FY 2018.
- Corrections grew by 40.9% and General Government grew by 34.1% over this 20-year period. These two categories' shares of the total decreased from 7.7% and 8.0%, respectively, in FY 1999 to 6.1% for both in FY 2018.
- Higher Education spending growth was the lowest of all spending areas, increasing by 11.0% over the past two decades. This spending area decreased from 12.8% of total spending in FY 1999 to 8.0% in FY 2018. Higher Education spending of \$2.55 billion in FY 2018 is 5.7% lower than its all-time high of \$2.71 billion in FY 2008.
- Inflation (CPI-U) was 50.8% during this 20-year period. Human Services and K-12 Education are the two areas that grew faster than inflation.
- Overall GRF spending registered only two annual declines in the past two decades, a 9.9% decrease in FY 2010 due to the Great Recession and an 8.0% decrease in FY 2018 due to a tax policy change that moved some Medicaid spending out of the GRF into non-GRF funds.

## State Spends More Dollars Per Capita in Rural Counties

FY 2017 Per Capita State Spending by County

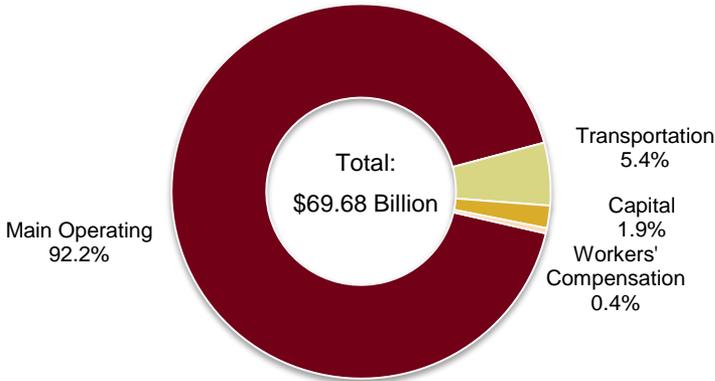


Source: Annual survey of state agencies by LSC

- A total of \$37.39 billion was spent on programs and projects in Ohio's 88 counties in FY 2017. The five counties in which the state spent the most money per capita in FY 2017 were Athens (\$5,959), Pike (\$5,891), Scioto (\$4,976), Gallia (\$4,815), and Vinton (\$4,807).
- The five counties in which the state spent the most total money were Franklin (\$4.72 billion), Cuyahoga (\$4.51 billion), Hamilton (\$2.87 billion), Summit (\$1.88 billion), and Lucas (\$1.87 billion).
- Of the \$37.39 billion total, \$35.66 billion (95.4%) was for subsidies that support Medicaid and public assistance programs, K-12 schools and higher education, distributions to political subdivisions to offset or supplement the costs of certain public services, and loans and grants for economic development. The remaining \$1.73 billion (4.6%) was for capital projects to acquire, construct, or improve land, buildings, and infrastructure.
- The largest portion of state subsidy and capital expenditures went toward health and human services (52.6%), followed by education (34.6%), transportation and infrastructure (5.6%), revenue distribution (3.7%), general government (2.0%), and justice and corrections (1.5%).

## Main Operating Budget Authorized 92.2% of Total State Spending in FY 2018

State Spending by Budget, FY 2018

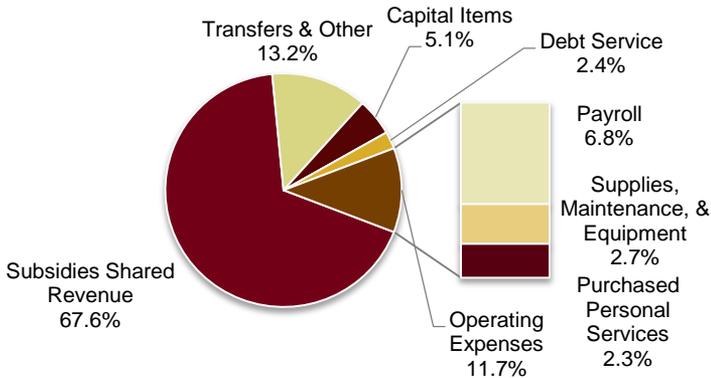


Source: Ohio Administrative Knowledge System

- In FY 2018, state spending totaled \$69.68 billion across all funds. Of this total, \$64.25 billion (92.2%) was authorized by the main operating budget act, \$3.77 billion (5.4%) by the transportation budget act, \$1.36 billion (1.9%) by the capital budget act, and \$310.1 million (0.4%) by the two budget acts for the workers' compensation system.
- The four noncapital budget acts are commonly referred to as the operating budget. While capital appropriations are primarily funded by bonds, operating appropriations are supported by cash from sources such as taxes, fees, and federal grants. The Ohio Constitution requires a balanced operating budget.
- The main operating budget provides funding for all state agencies except the Bureau of Workers' Compensation (BWC) and Ohio Industrial Commission (OIC). BWC and OIC each has its own budget. While the departments of Transportation (DOT) and Public Safety (DPS) receive some funding from the main operating budget, the transportation budget provides the vast majority of funding for DOT and DPS.
- Medicaid and primary and secondary education dominate state spending, comprising 38.6% (\$26.34 billion) and 18.1% (\$12.36 billion), respectively, of total operating spending in FY 2018.

## State Payroll Amounted to 6.8% of Total State Spending in FY 2018

State Spending by Category, FY 2018

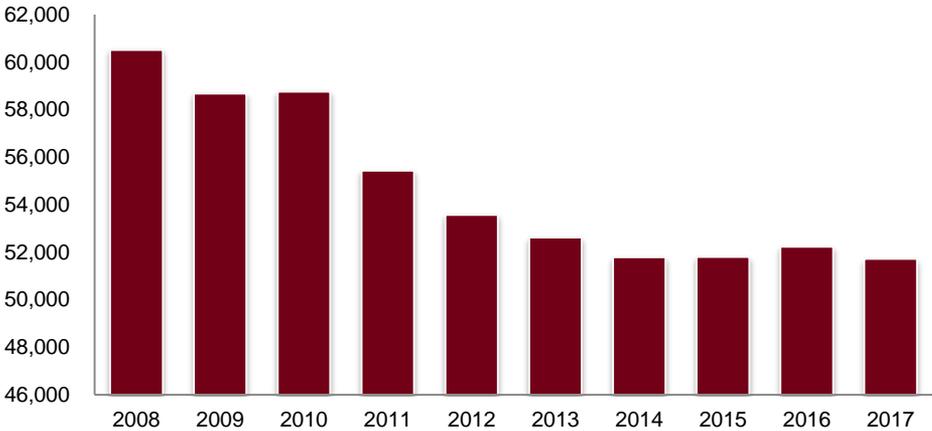


Source: Ohio Administrative Knowledge System

- In FY 2018, state spending totaled \$69.68 billion across all funds. State payroll totaled \$4.72 billion (6.8%). Of the state payroll amount, \$2.07 billion (43.9%) came from the GRF and the other \$2.65 billion (56.1%) came from various non-GRF funds.
- In addition to payroll, the state spent \$1.85 billion for supplies, maintenance, and equipment items and \$1.57 billion for purchased services. Combined with payroll, these three categories are commonly referred to as state government operating expenses, which totaled \$8.14 billion across all funds, representing 11.7% of total state spending in FY 2018.
- Earned wages, the largest share of payroll costs, totaled \$2.71 billion, 3.9% of total FY 2018 state spending. This category includes wages for work performed, excluding paid vacation and sick leave time.
- Employee benefits – such as retirement contributions as well as health, vision, dental, and life insurance – represent the second largest portion of payroll costs, amounting to \$1.36 billion in FY 2018.
- The largest category of state spending is subsidies and shared revenues. This spending totaled \$47.13 billion (67.6%) in FY 2018 and includes payments to Medicaid providers, school districts, colleges and universities, and other local and state entities.
- The remaining categories are transfers and other (\$9.17 billion/13.2%), which includes items such as tax refunds and distributions of local taxes collected by the state, capital items (\$3.59 billion/5.1%), and debt service (\$1.66 billion/2.4%).

## The State Employee Headcount Dipped Slightly in 2017, Hitting a Ten-Year Low

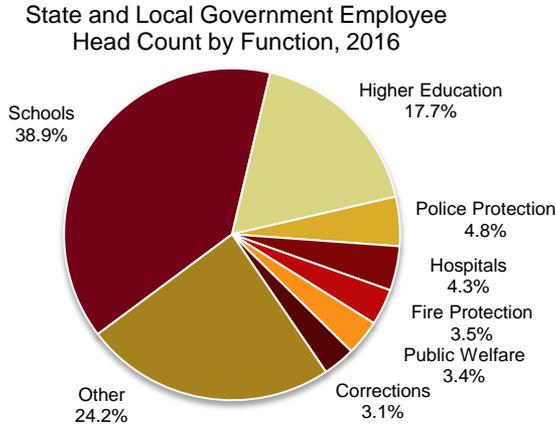
State Employee Head Count by Calendar Year



Source: Ohio Department of Administrative Services

- The number of state employees, including employees in the executive, legislative, and judicial branches, fell by 522 from 52,238 in December 2016 to 51,716 in December 2017, a ten-year low. The 2017 count was 14.5% lower than the 60,514 employees in the state workforce in December 2008.
- There were declines in state employment in all but three years over this ten-year period. The largest annual decline occurred between 2010 and 2011, when the employee roster dropped by 3,324 from 58,766 to 55,442 (5.7%). There were slight upticks of fewer than 100 employees in both 2010 and 2015 and a larger increase of 432 employees in 2016.
- Of the 51,716 employees in 2017, 46,534 (90.0%) were employed in permanent full-time positions.
- Overall, 35,418 (68.5%) employees were in bargaining unit positions.
- There were a total of 99 state employers in the executive, legislative, and judicial branches of government as of December 2017. Together, the ten largest employed 36,140 individuals, or 69.9% of all state employees.
- Two state agencies employed one-third of the state workforce in 2017. The Department of Rehabilitation and Correction was the largest state employer, with 12,289 (23.8%) of the total, followed by the Department of Transportation, with 5,479 (10.6%) state employees. In contrast, about half of the 99 state employers had 40 or fewer employees.

## Over Half of Ohio Public Employees Worked for Schools and Institutions of Higher Education in 2016

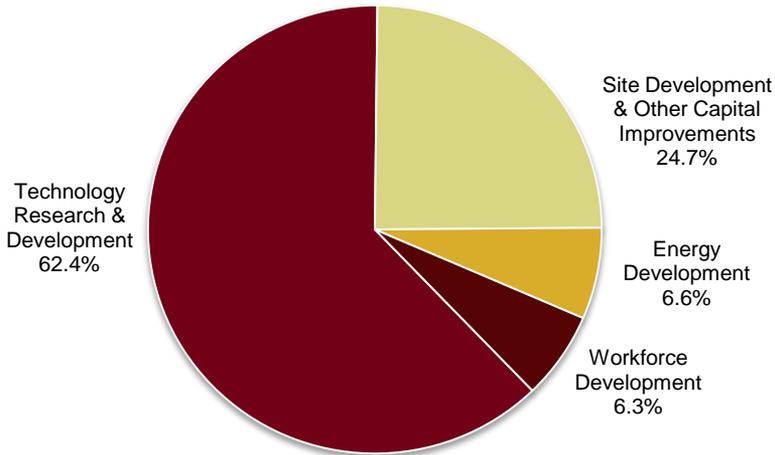


Source: U.S. Census Bureau

- Ohio's state and local government employee head count totaled 712,493 in 2016, of which 38.9% (277,405) worked for schools and 17.7% (126,066) worked for higher education institutions. Together, education accounted for 56.6% of total state and local government employment.
- The next largest public employee categories were police protection (4.8%, 34,219 employees), hospitals (4.3%, 30,769), fire protection (3.5%, 25,172), public welfare (3.4%, 24,556), and corrections (3.1%, 22,165). Together, these five sectors represented 19.2% (136,881) of the total state and local government employee head count in 2016.
- From 2006 to 2016, the number of public school employees decreased by 7.0% (20,986) from 298,391 to 277,405. Meanwhile, public school enrollment decreased by 4.2% (76,202) from 1.81 million in FY 2006 to 1.74 million in FY 2016.
- Employment at public institutions of higher education increased by 9.0% (10,451) from 115,615 in 2006 to 126,066 in 2016. Meanwhile, higher education enrollment increased by 0.2% (864) from 349,399 in FY 2006 to 350,263 in FY 2016.
- In 2016, the public school employee head count consisted of 187,121 (67.5%) instructional employees and 90,284 (32.5%) other employees, while the higher education employee head count included 39,643 (31.4%) instructional employees and 86,423 (68.5%) other employees.
- Ohio's public employee head count total decreased by 5.8% (44,144) from 2006 to 2016. Increases in higher education and hospitals were more than offset by decreases in other categories.

## Over 60% of State Economic Development Assistance Was for Technology R&D Projects in FY 2018

State Expenditures on Economic Development Subsidies by Category, FY 2018



Source: Ohio Administrative Knowledge System

- In FY 2018, the Development Services Agency disbursed a total of \$126.6 million in state loans and grants for economic development assistance. Of this total, \$78.9 million (62.4%) was for programs to support research, development, and commercialization of new technologies, including \$61.0 million under the Third Frontier Program. This program aims to expand high-tech research and promote innovation to foster economic development in the state.
- Grants and loans issued to support private-sector site development and other capital improvements accounted for \$31.3 million (24.7%) of the total. These awards, such as Roadwork Development Grants and 166 Direct Loans, are intended to help businesses and local governments cover the capital costs involved with business location or expansion.
- State energy development incentives totaled around \$8.4 million (6.6%) in FY 2018. This spending was almost entirely made up of grants under the Coal Research and Development Program.
- Workforce development assistance accounted for the remaining \$8.0 million (6.3%) of the total economic development assistance funding in FY 2018. The majority of this funding, \$5.8 million, occurred under the Incumbent Workforce Training Voucher Program, providing vouchers of up to \$4,000 per employee for targeted industries to train their existing workers.

## Ohio Taxes Were Lower Than the National Average on a Per Capita Basis in FY 2015

Combined State and Local Taxes, FY 2015				
State	Taxes Per Capita	National Rank	Taxes as % of Personal Income	National Rank
National Average	\$4,900	--	10.3%	--
<b>Ohio</b>	<b>\$4,419</b>	<b>24</b>	<b>10.3%</b>	<b>22</b>
<i>Neighboring States</i>				
Kentucky	\$3,790	38	10.0%	26
Indiana	\$3,846	36	9.3%	33
Michigan	\$4,010	32	9.6%	29
West Virginia	\$4,099	30	11.3%	9
Pennsylvania	\$4,954	16	10.1%	24

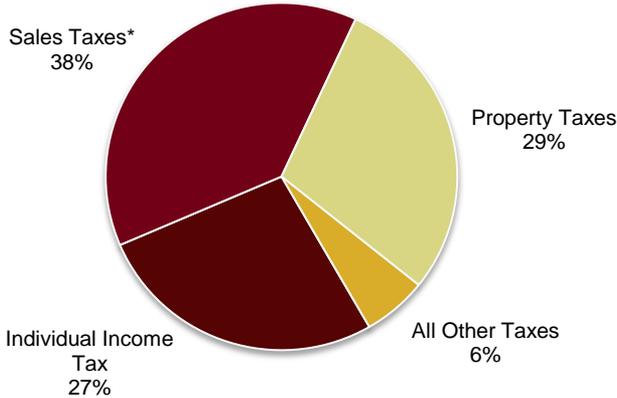
*Sources: U.S. Census Bureau; Ohio Legislative Service Commission*

- Ohio's combined state and local tax burden, measured by taxes per capita, was \$4,419 in FY 2015. This was lower than the national average of \$4,900 but higher than that of all neighboring states except Pennsylvania.
- Measured relative to personal income, Ohio's tax burden of 10.3% was about the same as the national average. Compared to its neighboring states, Ohio had higher taxes as a percentage of personal income than all except West Virginia.
- For FY 2015, Ohio's state taxes were \$2,439 per capita, below the national average of \$2,849. Local taxes in Ohio averaged \$1,979 per capita, also below the national average of \$2,051.
- For FY 2015, Ohio's state taxes were 5.7% of personal income, below the national average of 6.0%. Ohio's local taxes were 4.6% of personal income, above the national average of 4.3%.
- In FY 2015, North Dakota had the highest per capita combined state and local tax burden among the 50 states at \$9,307. Taxes per capita in the District of Columbia were higher at \$10,662. Alabama had the lowest burden at \$3,150.
- North Dakota also had the highest level of taxation as a percentage of personal income at 16.2% in FY 2015. Alaska had the lowest at 6.3%.<sup>1</sup>

<sup>1</sup> Alaska's rank fell from highest in FY 2013 to lowest in FY 2015 primarily due to its heavy reliance on a petroleum severance tax that has relatively volatile receipts.

## Ohio's State and Local Taxes Raise More Revenue From Taxation of Sales Than Property or Income

Ohio Combined State & Local Tax Revenue by Source, FY 2015

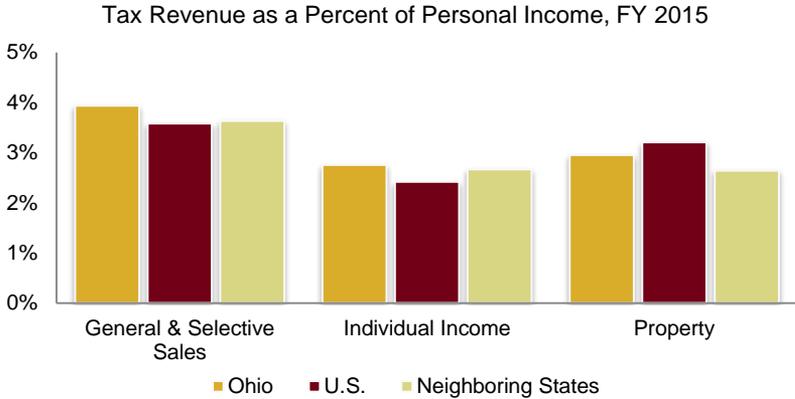


\*Sales taxes include general state and local sales tax and gross receipts taxes on sales of specific products, including tobacco products, alcoholic beverages, motor fuels, and utility services.

Sources: U.S. Census Bureau; Ohio Legislative Service Commission

- In FY 2015, state and local taxes on sales, property, and individual income in Ohio raised 94% of tax revenues. Sales and other gross receipts taxes raised about 38% of total tax receipts, property taxes raised 29%, and individual income taxes raised 27%.
- State taxes accounted for 55% of Ohio's combined state and local tax revenue in FY 2015. For the U.S. as a whole, state taxes were 58% of combined state and local tax revenue.
- Of Ohio's state tax revenue, 61% came from sales and gross receipts taxes – with the general sales tax accounting for 42 of those percentage points – and 31% came from the individual income tax. Nationwide, 47% of state taxes came from sales and gross receipts taxes – with general sales taxes accounting for 31 percentage points – and 37% of state taxes came from individual income taxes.
- Local taxes comprised 45% of Ohio's combined state and local tax revenue in FY 2015. For the U.S. as a whole, local taxes were 42% of combined state and local taxes.
- Of Ohio's local taxes, 64% came from property taxes, 21% from individual income taxes, and 11% from sales and gross receipts taxes. Nationwide, 72% of local taxes were derived from property taxes, 5% from individual income taxes, and 17% from sales and gross receipts taxes.

## State and Local Governments in Ohio Rely More on Sales and Income Taxes Than Other States



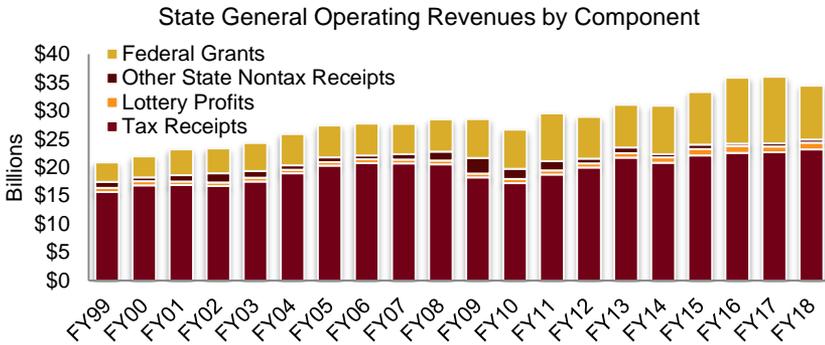
Sources: U.S. Census Bureau; Bureau of Economic Analysis

- In FY 2015, Ohio's general and selective sales tax receipts were 3.9% of total personal income, which was higher than the national average of 3.6% and was also higher than the average of its five neighboring states (3.6%). Selective sales taxes apply to specific products, including motor fuel, alcoholic beverages, tobacco products, and public utilities.
- Ohio's state and local individual income taxes as a percentage of total personal income were 2.8%, higher than the U.S. average of 2.4% and the average of its five neighboring states (2.7%). Ohio's percentage was 3.7% in FY 2006, but has been decreasing in recent years due primarily to income tax policy changes.
- Ohio's property taxes were 3.0% of total personal income, which was less than the national average (3.2%), but higher than the average of its five neighboring states (2.6%).

### Tax Revenue as a Percent of Personal Income for Ohio and Neighboring States, FY 2015

State	Individual Income	Property	General & Selective Sales
<b>Ohio</b>	<b>2.8%</b>	<b>3.0%</b>	<b>3.9%</b>
Indiana	2.4%	2.4%	4.0%
Kentucky	3.2%	2.1%	3.7%
Michigan	2.2%	3.3%	3.2%
Pennsylvania	2.6%	3.0%	3.2%
West Virginia	2.9%	2.4%	4.1%

## State General Operating Revenues Grew Almost 65% in the Past Two Decades

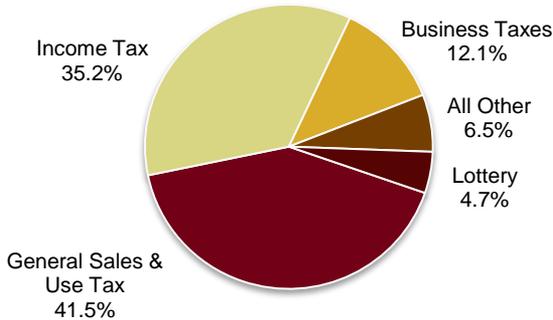


Sources: Ohio Administrative Knowledge System; Ohio Legislative Service Commission

- During the past 20 years, overall state general operating revenues increased by 64.7% from \$20.88 billion in FY 1999 to \$34.40 billion in FY 2018.
- Tax receipts, the largest component of state general operating revenues, reached an all-time high of \$23.18 billion in FY 2018, despite a decrease in sales tax revenue from FY 2017 due to the replacement of the sales tax on Medicaid health insuring corporations (MHICs) with a provider assessment. This policy change also led to decreases in federal grants (19.5%) and in overall state general operating revenues (4.4%) from FY 2017 to FY 2018.
- In the past two decades, overall tax receipts registered three notable annual decreases: decreases of 11.3% in FY 2009 and 5.4% in FY 2010 due primarily to the Great Recession and a decrease of 4.1% in FY 2014 due mainly to an 8.5% across-the-board income tax rate reduction in tax year 2013.
- The GRF receives the majority of tax receipts. In FY 2018, \$22.42 billion (96.7%) of total tax receipts went to the GRF and \$755.8 million (3.3%) was distributed to local governments and public libraries.
- The tax receipt share of state general operating revenues has decreased in recent years while the federal grant share has increased due partly to federal stimulus moneys provided during the Great Recession and the Medicaid expansion through the federal Affordable Care Act. From FY 2009 to FY 2018, the average annual share was 65.8% for tax receipts and 27.7% for federal grants compared to 73.7% and 19.3%, respectively, for the period from FY 1999 to FY 2008.
- In FY 2018, lottery profits and other state nontax receipts comprised 3.4% (\$1.17 billion) and 1.7% (\$578.6 million), respectively, of the state general operating revenue total. Lottery profits are constitutionally earmarked for primary and secondary education.

## General Sales and Income Taxes Lead State-Source GRF and Lottery Profits Receipts

State-Source GRF and Lottery Profits Receipts, FY 2018

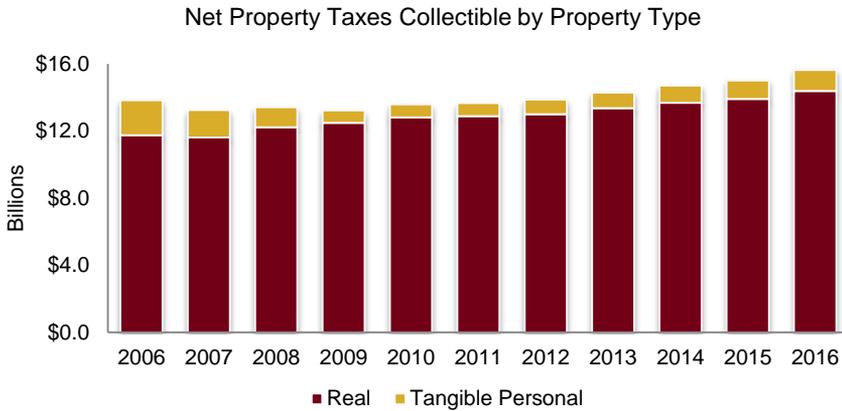


Source: Ohio Administrative Knowledge System

- In FY 2018, total state-source GRF and lottery profits receipts amounted to \$24.93 billion. The general sales and use tax (\$10.34 billion) and the personal income tax (\$8.78 billion) were the two largest revenue sources. Together, they accounted for 76.7% of total receipts in FY 2018.
- General sales and use tax exceeded personal income tax (PIT) as the largest state-source revenue stream the last five years. Prior to FY 2014, the PIT had been the largest revenue source each year since FY 1986. The switch was largely due to policy changes made to each respective tax rate in 2013.
- In FY 2018, business taxes<sup>1</sup> comprised 12.1% of total state-source GRF and lottery profits receipts, up from 11.4% in both FY 2016 and FY 2017, and from a low of 5.3% in FY 2010. Other than predominantly recession-related decreases from FY 2008 through FY 2012, business taxes generally comprised around 9% to 10% of total state-source GRF and lottery profits receipts over several years through FY 2015.
- All other receipts includes primarily the cigarette tax, but also various other tax and nontax revenue sources.
- Lottery profits, which totaled \$1.17 billion in FY 2018, are used to help fund state education aid for schools. Profits have grown an average of 7.8% annually since FY 2013 due primarily to income from the addition of video lottery terminals at seven horse racetracks.
- State-source GRF and lottery profits receipts increased 2.9% in FY 2018, after being flat the previous year. Revenue has increased by an average of 2.6% per year since FY 2012.

<sup>1</sup> Business taxes consisted primarily of the commercial activity tax, the financial institutions tax, utility-related taxes, and insurance taxes.

## Property Tax Revenues Reached a New High in 2016

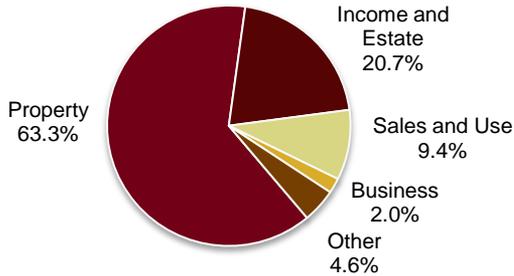


Sources: Ohio Department of Taxation; Ohio Legislative Service Commission

- Net property taxes collectible for 2016 reached an all-time high of \$15.66 billion. This was an increase of 4.2% (\$632 million) from 2015, which was the previous peak year.
- Increases in property taxes in recent years came from real property. From 2006 to 2016, net taxes collectible on real property rose 23%, while taxes on tangible personal property fell 40%.
- The tangible personal property tax was phased out in 2009 for general business and in 2011 for telephone and inter-exchange telecommunications companies. Public utilities (inclusive of certain pipeline operators) remain subject to the tax.
- Property taxes in Ohio fund local governments, except for a small deduction retained by the state for costs of tax administration. About \$2 of every \$3 in property taxes collected go to school districts.
- Generally, taxes owed on residential and agricultural real property are net of a 10% reduction, an additional 2.5% reduction on owner-occupied residences, and a homestead exemption for certain homeowners who are age 65 or older or disabled. The state reimburses local governments for these tax rollbacks, except for levies approved after the November 2013 election, as enacted in H.B. 59 of the 130th General Assembly. The state GRF spent a total of about \$1.8 billion during FY 2018 on these reimbursements.
- In 2007, the homestead exemption was increased to \$25,000 of market value and an income test to qualify was eliminated. A new income test, which is adjusted annually for inflation, was enacted by H.B. 59 for all new applicants who become eligible on the basis of age or disability status after 2013. The income threshold was \$31,800 in 2017.

## Property Taxes Accounted for 63% of Local Government Tax Revenue in 2015

Ohio's Local Tax Revenue by Source, 2015

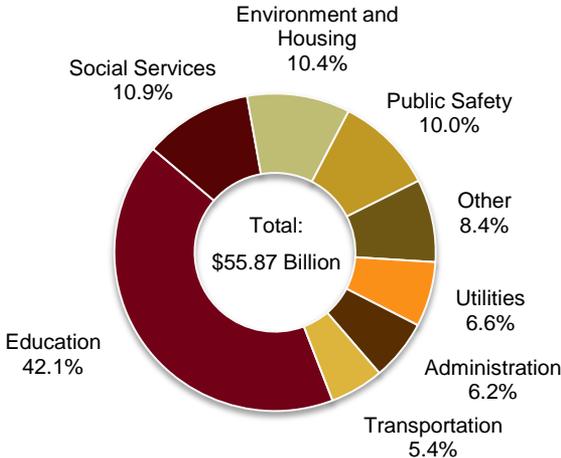


Source: Ohio Department of Taxation

- In 2015, local tax revenue in Ohio totaled \$26.07 billion. Property taxes amounted to \$16.49 billion. Receipts from municipal and school district income taxes and the local share of the estate tax were \$5.40 billion. Sales and use taxes provided \$2.46 billion. Business taxes, consisting of the commercial activity tax (CAT) and the kilowatt-hour tax (kWh), added \$0.53 billion. Other taxes (casino, admission, alcohol, cigarette, lodging, motor vehicle fuel, and motor vehicle license) generated the remaining \$1.19 billion.
- Property taxes accounted for 63.3% of total local tax revenue in 2015, down from a high of 67.9% in 2005. The decrease is primarily the result of the phase-out of taxes on business tangible personal property (equipment, inventories, furniture, and fixtures) for general business from 2006 to 2009 and for telephone and inter-exchange telecommunications companies from 2007 to 2011.
- Over the decade ending in 2015, total local tax revenue grew at an average of 2.6% per year. Annual growth rates were higher in the mid-2000s, slowed in 2008, 2009, and 2011, then grew modestly in the last four years. Tax revenue increased by 2.8% and 2.2% in 2014 and 2015, respectively.
- From 2005 to 2015, growth was fastest in the sales and use taxes category, averaging 5.1% annually, followed by the "other taxes" category with an average of 4.2% per year. Income and estate taxes grew at an average of 2.7% annually. Property tax growth averaged 1.9% per year.
- The state distributes some of CAT and kWh receipts to local governments to replace lost tangible personal property tax revenue. The receipts accounted for 2.0% of total local tax revenue in 2015, down from 2.5% in 2014.

## Local Government Expenditures in Ohio Totalled \$55.87 Billion in FY 2015

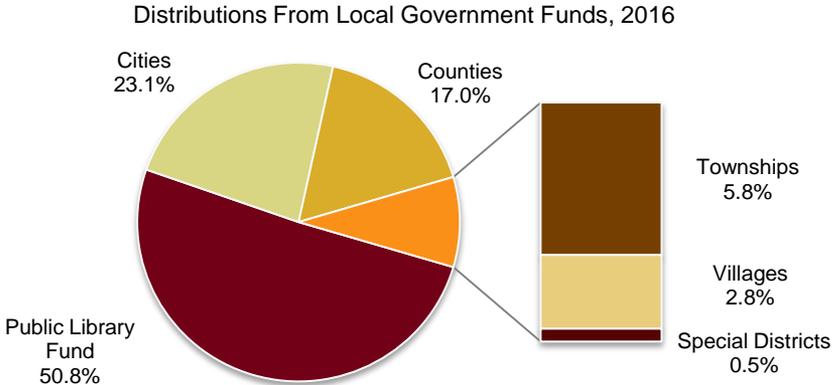
Ohio's Local Government Spending by Category, FY 2015



Source: U.S. Census Bureau

- Expenditures of Ohio's local governments totaled \$55.87 billion in FY 2015. Education was the largest spending area (\$23.53 billion, 42.1%), followed by Social Services (\$6.10 billion, 10.9%), Environment and Housing (\$5.79 billion, 10.4%), and Public Safety (\$5.58 billion, 10.0%). Almost three-quarters of local government spending in FY 2015 occurred in these four areas.
- Of the total spending, \$5.73 billion (10.2%) was for capital outlays and the remaining \$50.14 billion (89.8%) was for operating expenses.
- Local government payroll amounted to \$22.09 billion in FY 2015, representing 39.5% of total spending.
- Revenue among Ohio's local governments totaled \$56.90 billion in FY 2015.
- In FY 2015, local governments generated \$34.02 billion (59.8%) of revenue from their own sources, including \$14.77 billion from property taxes; \$8.19 billion from income, sales, and other taxes; and \$11.06 billion from charges and other earnings.
- Transfers from the state government accounted for 31.0% (\$17.61 billion) of local government revenue in FY 2015. Transfers from the federal government made up another 3.8% (\$2.14 billion) of local government revenue in that same year.
- There are 88 counties, 733 municipalities, 1,308 townships, 661 public school districts, and 841 special districts counted among local governments in Ohio.

## Libraries Receive the Largest Share of Distributions From the Local Government Funds

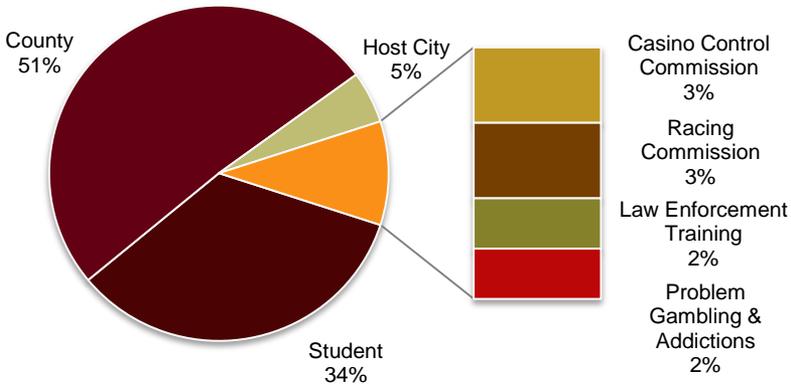


Sources: Ohio Department of Taxation; Ohio Legislative Service Commission

- In 2016, a total of \$743 million was distributed to libraries and political subdivisions across the state from the Public Library Fund (PLF) and the Local Government Fund (LGF), two revenue-sharing funds that receive a portion of GRF taxes. Of this total, \$377 million (50.8%) was distributed from the PLF and \$365 million (49.2%) from the LGF. The PLF amount does not include transfers that help support the Ohio Public Library Information Network and the Library for the Blind.
- Nearly all PLF distributions support public libraries; a small amount goes to local governments. LGF distributions went to cities (\$171 million or 23.1% of LGF and PLF combined distributions), counties (\$126 million, 17.0%), townships (\$43 million, 5.8%), villages (\$21 million, 2.8%), and special districts, mostly parks (\$4 million, 0.5%).
- County budget commissions determine the distribution of money from the local government funds to subdivisions based on rules set by each, or a statutory formula. Part of LGF money is retained for county use.
- Historically, municipalities received additional LGF distributions directly from the Department of Taxation if they received such distributions in 2007, based on income tax levies. Starting in FY 2016, part of this distribution was directed to law enforcement, townships, and small villages. In FY 2018 and FY 2019, the full amount goes to opioid addiction treatment, related enforcement, townships, and small villages.
- Under codified law, the LGF and PLF each receives 1.66% of total GRF tax revenues. For FY 2018 and FY 2019, however, the PLF's share is 1.68%.

## Casino Tax Revenue Totaled \$270.5 Million in FY 2018

Casino Tax Revenue by Fund, FY 2018

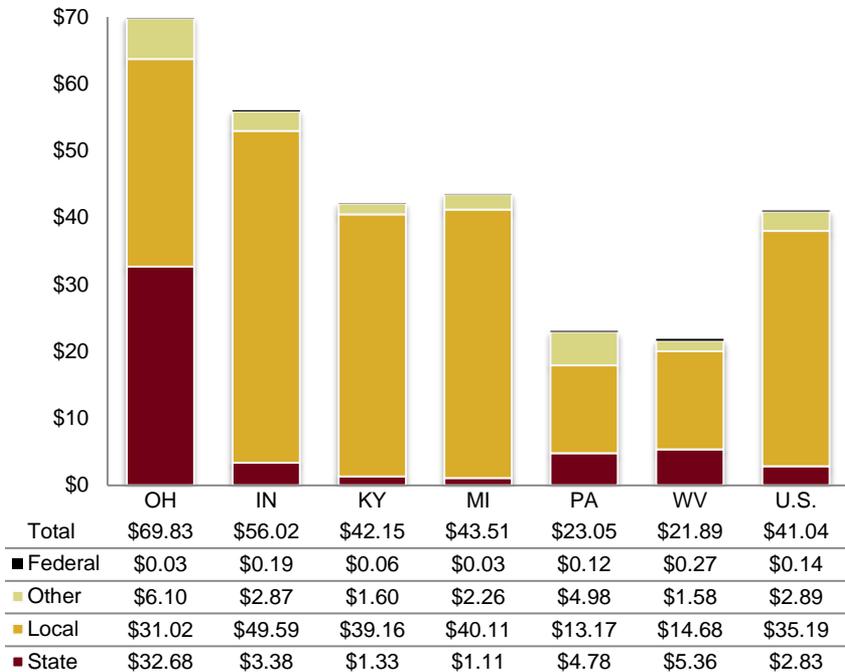


Source: Ohio Department of Taxation

- In FY 2018, casino tax revenue totaled \$270.5 million. Of this total, \$137.9 million (51%) was deposited into the County Fund, \$92.0 million (34%) into the Student Fund, \$13.5 million (5%) into the Host City Fund, \$8.1 million (3%) each into the Casino Control Commission and Racing Commission funds, and \$5.4 million (2%) each into the Law Enforcement Training and Problem Gambling and Addictions funds.
- Wagering at casinos totaled \$7.84 billion in FY 2018. Gamblers bet 85% of that amount at about 7,400 slot machines statewide, and the remainder at 412 tables. The resulting gross casino revenue was about \$827 million.
- Gross casino revenue is subject to the tax at a rate of 33%. Both the tax rate and the distribution of tax proceeds are specified in the Ohio Constitution.
- Moneys from the County Fund are distributed to all 88 counties, on a quarterly basis, based on each county's share of Ohio population. The cities of Akron, Canton, Cincinnati, Cleveland, Columbus, Dayton, Toledo, and Youngstown each receive 50% of their respective county's allocation.
- Moneys from the Student Fund are distributed to all school districts, in January and August, based on each school district's student population.
- As host cities, Cincinnati, Cleveland, Columbus, and Toledo receive 5% of the tax revenue generated from the casino located within their territory.
- From the first casino's opening in May 2012 through June 2018, a total of \$1.52 billion in casino tax revenue was distributed statewide. Of that total, \$776 million went to counties, \$517 million went to schools, and \$76 million went to host cities.

## Ohio Leads Country in State Funding for Public Libraries

Per Capita Operating Revenue of Public Libraries, FY 2016

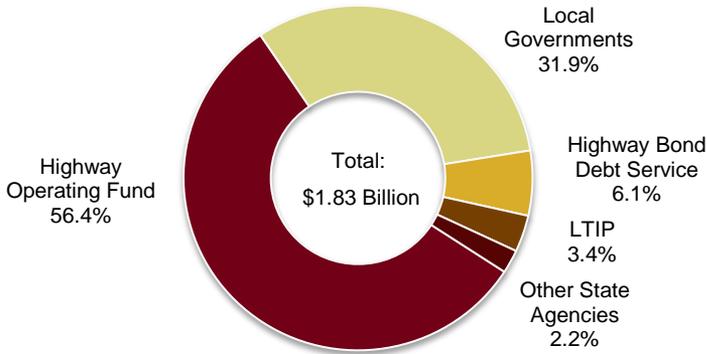


Source: Institute for Library and Museum Services

- Ohio leads the country in state per capita operating revenue of public libraries. In FY 2016, the state per capita operating revenue of public libraries in Ohio was \$32.68, almost 12 times higher than the U.S. average of \$2.83 and far exceeding that of neighboring states.
- Ohio's per capita state funding has been decreasing over the past ten years. In FY 2006, it was \$39.88. In FY 2016, it decreased 0.9% from its FY 2015 level of \$32.97.
- As state funding per capita decreased in Ohio, local funding per capita increased from \$17.89 in FY 2006 to \$31.02 in FY 2016. However, local funding per capita remains below the U.S. average of \$35.19 in FY 2016.
- Ohio's total funding per capita of \$69.83 for FY 2016 ranked 2nd in the nation, 3.6% lower than the highest state, New York (\$72.41). New York's state and local funding shares were 4.2% and 82.4%, respectively.
- In FY 2016, Ohio's total funding per capita was 70.2% higher than the U.S. average of \$41.04.
- Ohio has over 700 individual library locations in 251 public library systems.

## Motor Fuel Tax Revenue Supports State and Local Roads and Bridges

Motor Fuel Tax Distribution in FY 2018



Sources: Ohio Administrative Knowledge System; American Petroleum Institute

- Revenue from the Ohio motor fuel tax (MFT) is distributed to various state agencies and local governments under a statutory formula to support roads and bridges across the state. Distributions totaled \$1.83 billion in FY 2018.
- The Highway Operating Fund, under the budget of the Ohio Department of Transportation (ODOT), received the largest share at 56.4% (\$1.03 billion) of the total MFT revenue distributed in FY 2018. Local governments received the second largest share at 31.9% (\$584.9 million).
- In FY 2018, 6.1% (\$111.6 million) of total MFT revenue was used to cover debt service on highway capital improvement bonds issued to fund highway construction and pavement and bridge preservation projects.
- Approximately 3.4% (\$63.1 million) went to the Public Works Commission's Local Transportation Improvement Program (LTIP), providing additional funding to local governments for road and bridge projects.
- The remaining 2.2% (\$40.3 million) supported roadwork development grants (Development Services Agency), waterway safety efforts (Department of Natural Resources), MFT administration costs (Department of Taxation), and rail-highway grade crossing devices (Public Utilities Commission of Ohio).
- The Ohio MFT is 28¢ per gallon for both gasoline and diesel fuel. The tax was last increased in 2005. Since then, MFT collections have remained fairly stable, ranging from approximately \$1.70 billion to \$1.80 billion per year.
- For both fuel types, the Ohio MFT rate ranks as the 29th highest in the nation. The federal taxes on gasoline (18.4¢ per gallon) and diesel (24.4¢ per gallon) have been fixed since 1993.

## Ohio's Motor Vehicle License Taxes Generated \$494 Million in 2017 for Local Transportation Infrastructure

Distributions to Local Governments for Roads and Bridges, Calendar Year 2017 (\$ in Millions)			
Local Government	State Tax	Permissive Local Tax	Total
Counties	\$238.2	\$108.0	\$346.2
Municipalities	\$60.5	\$54.9	\$115.4
Townships	\$15.7	\$17.0	\$32.7
<b>Total</b>	<b>\$314.4</b>	<b>\$179.9</b>	<b>\$494.3</b>

Source: Ohio Department of Public Safety

- In 2017, a total of \$494.3 million in state and local permissive motor vehicle license tax revenue was distributed to counties, municipalities, and townships to provide funding for the planning, construction, and maintenance of roads and bridges. This total consisted of \$314.4 million in state motor vehicle tax license revenue and \$179.9 million in local permissive motor vehicle tax license revenue.
- Since 2008, the distribution of state and local permissive motor vehicle license tax revenue to local governments averaged \$471.1 million annually, ranging from a low of \$449.5 million in 2009 to a high of \$495.7 million in 2016.
- The total amount of state plus local permissive motor vehicle license taxes for a passenger car ranges from \$34.50 to \$59.50. Generally, all motor vehicles must be registered annually, with the owner of a passenger car paying a state motor vehicle license tax of \$34.50, distributed as follows: \$20 to local governments, \$11 to the Department of Public Safety for expenses incurred in the administration and enforcement of motor vehicle and traffic laws, and \$3.50 to deputy registrars or the Bureau of Motor Vehicles as a service fee. The state tax for other vehicles varies, with commercial trucks and tractors taxed according to weight.
- Permissive motor vehicle license taxes are levied by local governments in \$5 increments. The total amount cannot exceed \$25<sup>1</sup> per vehicle. Levy authority is as follows: (1) counties – up to \$20, (2) municipalities – \$5 to \$20, depending on the amount levied by the county, and (3) townships – \$5.
- Of the more than 12.5 million vehicle registrations processed by the Bureau of Motor Vehicles in 2017, over 8.7 million were passenger cars.

<sup>1</sup> Effective June 30, 2017, H.B. 26 of the 132nd General Assembly increased the maximum amount of local permissive motor vehicle taxes that a county may levy by \$5, from \$20 to \$25.

## Local Governments Are Responsible for Most of Ohio's Roadways

Centerline Miles by Roadway Type			
Roadway Type	ODOT Maintained	Locally Maintained	Total
Interstate Routes*	1,333	--	1,333
U.S. Routes	3,022	896	3,918
State Routes	11,667	2,317	13,984
Local Public Roadways	0	102,346	102,346
<b>Total</b>	<b>16,022</b>	<b>105,559</b>	<b>121,581</b>

\*Excludes the Ohio Turnpike

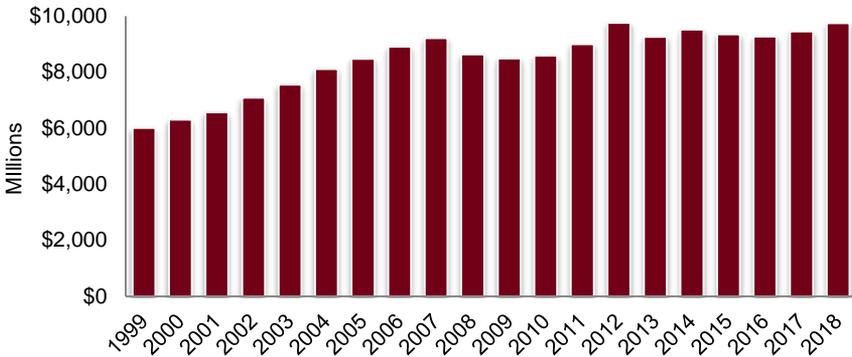
*Source: Ohio Department of Transportation*

- Ohio's public roadway system, consisting of numbered interstate routes, U.S. routes, state routes, and local public roadways, contains 121,581 centerline miles of roadway.<sup>1</sup> Local governments are responsible for maintaining 86.8% or 105,559 centerline miles.
- The Ohio Department of Transportation (ODOT) is responsible for maintaining the other 13.2% or 16,022 centerline miles. ODOT maintains 83.3% of the state highway system, consisting of interstate highways and U.S. and state routes.
- The parts of the state highway system not maintained by ODOT are (1) the Ohio Turnpike, a 241-mile toll road of interstate routes spanning Northern Ohio that is maintained by the Ohio Turnpike and Infrastructure Commission, and (2) U.S. and state routes within the borders of municipalities.
- As of November 2016, there were an estimated 184.8 million daily vehicle miles traveled (VMT) on the state highway system, on average. Passenger vehicles accounted for 87.7% of that total and trucks accounted for the remaining 12.3%.
- About 42.1% of average daily travel on the state highway system occurred on the interstate (77.8 million VMT), while the remaining 57.9% (107.0 million VMT) was on U.S. and state routes.

<sup>1</sup> Centerline miles are used to measure the total linear mileage of a roadway, regardless of the number of lanes. For example, a one-mile road with a lane in each direction and one mile of a divided freeway with four lanes in each direction are equal in centerline mile distance.

## Outstanding GRF-Backed Debt in 2018 Nears 2012 Peak

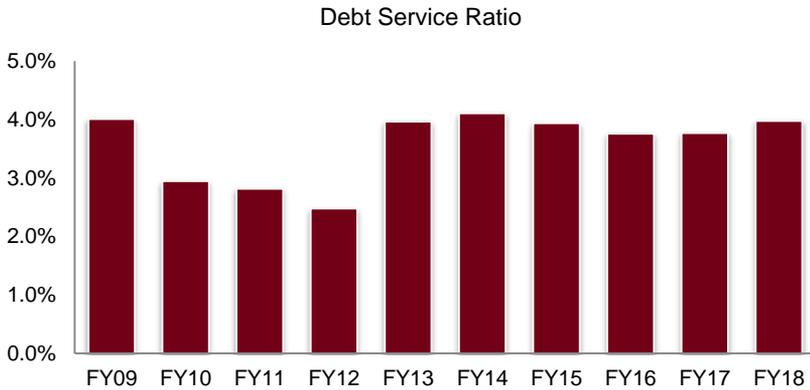
Total Outstanding GRF-Backed Debt as of July 1



Source: Ohio Office of Budget and Management

- As of July 1, 2018, Ohio's outstanding debt payable from the GRF totaled \$9.75 billion. This is an increase of 3.1% (\$296 million) from the previous year and 0.1% (\$14 million) below the 2012 peak level of \$9.76 billion.
- The 2012 peak was 6.0% (\$549 million) above the previous high of \$9.21 billion on July 1, 2007. Total GRF-backed debt declined in 2008 and 2009 due largely to the use of cash from securitization of Tobacco Master Settlement payments for various capital projects. After that, outstanding debt grew three years in a row and reached its peak level in 2012.
- From 1998 to 2018, total GRF-backed debt grew by 71.5%, with an average annual growth rate of 2.7% over the 20-year period.
- On a per capita basis, Ohio's outstanding debt payable from the GRF has grown from \$749 in 2008 to \$836 in 2018, a total increase of 11.6% during the most recent ten-year period.
- Of the total debt on July 1, 2018, \$7.90 billion was general obligation (GO) debt and \$1.85 billion was special obligation (SO) debt. The issuance of both GO and SO bonds must be authorized by the Ohio Constitution. Whereas debt service payments for GO bonds are secured by the full faith, credit, and taxing power of the state, debt service payments for SO bonds are subject to appropriations of the General Assembly.
- GO bonds have been issued for the following purposes: primary and secondary education; higher education; natural resources; conservation; local infrastructure; coal development; Third Frontier research and development; the development of sites for industry, commerce, distribution, and research and development; and veterans' compensation.

## Ohio's Debt Service Ratio Remains Close to 4%



*Source: Ohio Office of Budget and Management*

- Ohio's debt service ratio was 3.98% at the end of FY 2018. Since FY 2013, this level has been close to 4% following a period of relatively low levels from FY 2010 to FY 2012. This ratio is measured by calculating debt service payable from the GRF as a percentage of the combined revenue from the GRF and net lottery profits.
- Decreases in the debt service ratio from FY 2009 to FY 2012 were primarily due to debt restructuring and tobacco securitization, which reduced GRF debt service payments. The 2007 tobacco securitization provided \$2.84 billion cash for FY 2008 through FY 2010 for K-12 and higher education capital projects that would otherwise have been funded by GRF-backed debt.
- As a percentage of personal income, the state's total debt service payable from the GRF decreased from a peak of 0.30% in FY 2007 to 0.25% in FY 2018.
- In FY 2000, Ohio's Constitution established a 5% "cap" on the amount of GRF-backed debt that the state may incur in a given fiscal year. That is, the state cannot issue additional GRF-backed debt if total debt service payments in any future fiscal year would exceed 5% of the total GRF and net lottery profits revenue in the year of issuance, unless the 5% cap is waived by voters or by a three-fifths vote of each house of the General Assembly.
- As of July 1, 2018, Ohio general obligation bonds received the second highest possible rating from all three major rating agencies, AA+ by Standard & Poor's, AA+ by Fitch, and Aa1 by Moody's. Bond ratings indicate a rating agency's opinion on an issuer's ability to manage its debt effectively and make the required payments on schedule.

## Clean Ohio Conservation Awards Top \$600 Million Mark

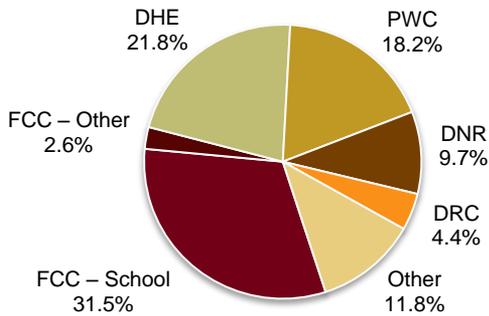
Clean Ohio Conservation Awards, FY 2003-FY 2018		
Award Component	Number of Awards	Total Amount Awarded
<b>Public Works Commission</b>		
Green Space Conservation Program	1,199	\$433,954,873
<b>Department of Agriculture</b>		
Agricultural Easement Purchase Program	489	\$95,179,478
<b>Department of Natural Resources</b>		
Recreational Trails Program	262	\$80,607,669
<b>Total</b>	<b>1,950</b>	<b>\$609,742,020</b>

Sources: Ohio Public Works Commission; Ohio Department of Agriculture; Ohio Department of Natural Resources

- Since FY 2003, three state agencies have awarded \$609.7 million in grant funding for 1,950 projects under the Conservation component of the Clean Ohio initiative. These grants were awarded under three separate programs.
- The Public Works Commission has awarded approximately \$434.0 million in grants under the Green Space Conservation Program, comprising 71.2% of all Clean Ohio Conservation award funding. Under this program, local governments and nonprofit organizations compete for funding to preserve natural areas, watersheds, and other green space.
- Approximately \$95.2 million has been awarded under the Agricultural Easement Purchase Program overseen by the Department of Agriculture, enabling 489 easements to preserve over 79,317 acres of farmland in Ohio.
- Under the Recreational Trails Program administered by the Department of Natural Resources, \$80.6 million has been distributed among 262 projects sponsored by local governments and nonprofit community organizations to create or improve recreational trail networks.
- Voters approved the issuance of general obligation bonds to fund the Conservation component of the Clean Ohio initiative via ballot issues in 2000 and 2008. As long as not more than \$400 million in debt is outstanding at any one time, additional bonds may be issued to finance the conservation effort.
- The brownfield remediation and revitalization component of the Clean Ohio initiative, funded with bond debt backed by spirituous liquor profits and overseen by the Development Services Agency, was concluded in FY 2014. A little over \$400 million in grants were awarded under that component of Clean Ohio.

## Capital Appropriation Expenditures Total \$1.36 Billion in FY 2018

Capital Appropriation Expenditures by Agency, FY 2018



Source: Ohio Administrative Knowledge System

- In FY 2018, expenditures made from capital appropriations totaled \$1.36 billion.<sup>1</sup>
- Of the total FY 2018 capital expenditures, \$427.5 million (31.5%) was expended by the Facilities Construction Commission (FCC) to support K-12 school facilities assistance programs. FCC spent an additional \$34.9 million (2.6%) on other capital projects, primarily for cultural and sports facilities throughout the state.
- The Department of Higher Education (DHE) had the second highest capital spending in FY 2018 at \$295.6 million (21.8%). This spending was for the construction and renovation of academic facilities at Ohio's public colleges and universities.
- The Public Works Commission's (PWC's) capital expenditures were \$247.5 million (18.2%) in FY 2018. This spending was for local infrastructure and conservation projects. These funds are largely distributed to the state's 18 PWC districts on a per-capita basis.
- Capital expenditures in FY 2018 for the Department of Natural Resources (DNR) totaled \$131.7 million (9.7%). This spending was for state and local parks and other natural resources.
- The Department of Rehabilitation and Correction's (DRC's) capital expenditures of \$59.2 million (4.4%) were mainly for state correctional institutions.
- Twenty other agencies spent the remaining \$160.7 million (11.8%).

<sup>1</sup> This number excludes capital expenditures made from operating appropriations, such as state and federal funding for highway construction and maintenance.