

State of Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2022

(Unaudited)

Introduction

This section of the State of Ohio's annual financial report presents management's discussion and analysis of the State's financial performance during the fiscal year ended June 30, 2022. The management's discussion and analysis section should be read in conjunction with the preceding transmittal letter and the State's financial statements, which follow.

Financial Highlights

Government-wide Financial Statements

During fiscal year 2022, net position of the State's primary government increased by \$8.35 billion (after a restatement of beginning balance) and ended fiscal year 2022 with a \$42.97 billion balance. Net position of the State's component units increased by \$551.5 million (after a restatement of beginning balance) and ended fiscal year 2022 with a \$17.37 billion balance. See additional discussion beginning on page 10.

Fund Financial Statements

Governmental funds reported a combined ending fund balance of \$26.35 billion that was comprised of \$250.7 million in nonspendable, \$9.57 billion restricted for specific purposes, \$3.21 billion committed, \$6.44 billion in assigned, and \$6.89 billion in unassigned. See additional discussion beginning on page 14.

As of June 30, 2022, the General Fund's fund balance was approximately \$15.64 billion, including \$37.7 million in nonspendable, \$1.41 billion in restricted, \$863.6 million in committed, \$6.44 billion in assigned, and \$6.89 billion in unassigned. The General Fund's fund balance increased by \$3.58 billion (exclusive of a \$140 thousand decrease in inventories) or 29.6 percent during fiscal year 2022. See additional discussion beginning on page 14.

Proprietary funds reported net position of \$9.24 billion (after a restatement of beginning balance), as of June 30, 2022, an increase of \$438 million or 5 percent over the prior fiscal year. This increase is largely due to the net increase of \$2.21 billion in the Unemployment Compensation Fund. For more information, see additional discussion beginning on page 15.

Capital and Lease Assets

The carrying amount of capital assets for the State's primary government increased to \$30.28 billion at June 30, 2022. The majority of the \$780.8 million increase during fiscal year 2022 was from additions made to the construction in progress. The carrying amount of lease assets for the State's primary government was \$144.5 million, up slightly from the restated beginning balance of \$140.2 million. See additional discussion beginning on page 16.

Long-Term Debt — Bonds and Notes Payable and Certificates of Participation Obligations

Overall, the carrying amount of total long-term debt for the State's primary government decreased \$1 billion or 5.3 percent during fiscal year 2022, for an ending balance of \$17.97 billion. During the year, the State issued a par amount of \$649.5 million dollars in long-term debt of which \$158.5 million was refunding bonds. See additional discussion beginning on page 17.

Overview of the Financial Statements

This annual report consists of three required components: management's discussion and analysis, basic financial statements, including the accompanying notes to the financial statements, and required supplementary information. In addition, this report includes an optional section that contains combining statements and schedules for the non-major governmental funds, nonmajor proprietary funds, fiduciary funds, and nonmajor discretely presented component unit funds.

The basic financial statements are comprised of the government-wide financial statements and fund financial statements. The table on the following page summarizes the major features of these statements.

Major Features of the State of Ohio's Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire State government (except fiduciary funds) and the State's component units	The activities of the State that are not proprietary or fiduciary, such as general government, transportation, justice and public protection, etc.	Activities the State operates similar to private businesses, such as the workers' compensation insurance program, lottery, tuition credit program, etc.	Instances in which the State is the trustee or agent for someone else's resources
Required Financial Statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses and Changes in Fund Net Position • Statement of Cash Flows 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

Government-wide Financial Statements – Reporting the State as a Whole

The two government-wide financial statements, prepared on a basis and focus similar to those used by private-sector companies, report the State's net position and how it has changed. Net position — the difference between the State's assets/deferred outflows of resources and liabilities/deferred inflows of resources — is one way to measure the State's financial health, or position. Over time, increases or decreases in the State's net position indicate whether its financial health has improved or deteriorated, respectively. However, a reader should consider additional nonfinancial factors, such as changes in the State's economic indicators and the condition of the State's highway system, when assessing the State's overall financial status.

These statements, found on pages 22 through 25 of this report, are divided into three categories as follows.

Governmental Activities — Most of the State's basic services are reported under this category, such as primary, secondary and other education, higher education support, public assistance and Medicaid, and transportation. Taxes, federal grants, and charges for services, fees, fines and forfeitures finance most of these activities.

Business-type Activities — The State charges fees to customers to help cover the costs of certain services it provides. The State reports the following programs and activities as business-type: workers' compensation insurance program, lottery operations, unemployment compensation program, guaranteed college tuition credit program, and the Auditor of State's governmental auditing and accounting services.

Component Units — The State presents the financial activities of the Ohio Facilities Construction Commission, Ohio State University, and other entities as discretely presented component units under a separate column in the government-wide financial statements. The Buckeye Tobacco Settlement Financing Authority is presented as a blended component unit with its activities blended and included under governmental activities. Although legally separate, the State is financially accountable for its component units. For further explanation and a complete list of component units, see NOTE 1A. to the financial statements.

Fund Financial Statements – Reporting more detail about the State’s most significant funds

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. State law and bond covenants mandate the use of some funds. The Ohio General Assembly establishes other funds to control and manage money for particular purposes or to show that the State is properly using certain taxes and grants. The State employs fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The basic fund financial statements can be found on pages 26 through 45 of this report while the combining fund statements and schedules can be found on pages 183 through 241. The State has three kinds of funds as follows:

Governmental Funds — Most of the State’s basic services are included in governmental funds, which focus on how cash and other financial assets that can readily be converted to cash flow in and out (i.e., near-term inflows and outflows of spendable resources) and the balances remaining at year-end that are available for spending (i.e., balances of spendable resources). Consequently, the governmental fund financial statements provide a detailed short-term view that helps the financial statement reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the State’s programs. Because these statements do not encompass the long-term focus of the government-wide statements, a reconciliation schedule, which follows each of the governmental fund financial statements, explains the relationship (or differences) between them.

The State’s governmental funds include the General Fund, Job, Family and Other Human Services Special Revenue Fund, Buckeye Tobacco Settlement Financing Authority Revenue Bonds Debt Service Fund, and Pandemic Relief Funds Special Revenue Fund, all of which are considered major funds. Data from the other governmental funds, which are classified as nonmajor funds, are combined into an aggregated presentation under a single column on the basic governmental fund financial statements. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

For budgeted governmental funds, the State also presents budgetary comparison schedules in required supplementary information and combining statements to demonstrate compliance with the appropriated budget. The State’s budgetary process is explained further in NOTE 1D. to the financial statements.

Proprietary Funds — Services for which the State charges customers a fee are generally reported in proprietary funds. Financial statements for the proprietary funds, which are classified as enterprise funds, provide both long- and short-term financial information.

Presented under separate columns on the three statements is information for the Workers’ Compensation, Lottery Commission, and Unemployment Compensation enterprise funds, all of which are considered to be major funds. Data from the other enterprise funds, which are classified as nonmajor funds, are combined into an aggregated presentation under a single column on the statements. Individual fund data for each of these nonmajor proprietary funds is provided in the form of combining statements elsewhere in this report.

The enterprise funds are the same as the State’s business-type activities reported in the government-wide financial statements, but the proprietary fund financial statements provide more detail and additional information, such as information on cash flows.

Fiduciary Funds — The State is the trustee, or fiduciary, for assets that — because of a trust arrangement — can only be used for the trust beneficiaries. The State is also the fiduciary of some custodial funds. The State is responsible for ensuring the assets reported in these funds are used for their intended purposes. The State Highway Patrol Retirement System Pension Trust Fund, Private Purpose Trust Funds, STAR Ohio Investment Trust Fund, and the Custodial Funds are presented on two statements. Fiduciary information is excluded from the government-wide financial statements because the State cannot use these assets to finance its operations. Individual fund data for the Private Purpose Trust Funds and Custodial Funds is provided in the form of combining statements elsewhere in this report.

Discretely Presented Component Unit Statements (Component Unit)

Following the fund financial statements, the State includes statements for its major discretely presented component units within the basic financial statements section. Nonmajor discretely presented component units are also presented in aggregation under a single column in the component unit financial statements and in combining statements elsewhere in this report.

Notes to the Financial Statements

The basic financial statements section includes notes that more fully explain the information in the government-wide and fund financial statements; the notes provide additional detail that is essential to a full understanding of the data presented in the financial statements. The notes can be found on pages 50 through 148 of this report.

Required Supplementary Information

Following the notes is a section of required supplementary information in three parts. The first part discusses the assessed condition and estimated and actual maintenance and preservation costs of the state's highway and bridge infrastructure assets that are reported using the modified approach. Limited in application to a government's infrastructure assets, the modified approach provides an alternative to the traditional recognition of depreciation expense. The second part presents schedules disclosing the following for the various retirement systems in which the State participates: the State's share of pension and other postemployment benefit (OPEB) obligations, required employer contributions for pension/actuarially determined employer contributions for OPEB as compared to employer contributions actually paid, and covered payroll. The final part is the budgetary comparison schedule for the General Fund and major special revenue funds and the accompanying note that explains the GAAP versus budgetary basis. Required supplementary information can be found on pages 149 through 181 of this report.

FINANCIAL ANALYSIS OF THE STATE AS A WHOLE

Net Position

During fiscal year 2022, as shown in the table below, the combined net position of the State's primary government increased by \$8.35 billion (after a restatement of beginning balance) or by 24.1 percent. Net position reported for governmental activities increased approximately \$7.91 billion (after restatement) or 30.6 percent, compared to the net position on July 1, 2021, and business-type activities increased \$438 million (after restatement), or 5 percent. Condensed financial information derived from the Statement of Net Position for the primary government is presented in the following table.

Net Position As of June 30, 2022 and 2021 <i>(dollars in thousands)</i>						
	As of June 30, 2022			As of June 30, 2021 (not restated)		
	Governmental Activities	Business- Type Activities	Total Primary Government	Governmental Activities	Business- Type Activities	Total Primary Government
Current and Other Assets	\$ 42,127,256	\$ 24,142,730	\$ 66,269,986	\$ 35,992,871	\$ 25,592,938	\$ 61,585,809
Lease Assets.....	132,420	12,058	144,478	-	-	-
Capital Assets.....	30,200,901	77,843	30,278,744	29,391,217	106,726	29,497,943
Total Assets.....	72,460,577	24,232,631	96,693,208	65,384,088	25,699,664	91,083,752
Deferred Outflows of Resources.....	4,732,822	47,877	4,780,699	4,905,832	30,417	4,936,249
Current and Other Liabilities.....	16,797,571	528,413	17,325,984	15,769,199	2,236,992	18,006,191
Noncurrent Liabilities.....	21,774,424	14,298,867	36,073,291	24,268,507	14,510,132	38,778,639
Total Liabilities.....	38,571,995	14,827,280	53,399,275	40,037,706	16,747,124	56,784,830
Deferred Inflows of Resources.....	4,884,625	217,977	5,102,602	4,425,762	184,556	4,610,318
Net Position:						
Net Investment in Capital Assets.....	26,177,771	77,842	26,255,613	25,297,331	91,810	25,389,141
Restricted.....	6,694,549	8,917,103	15,611,652	5,905,280	9,480,977	15,386,257
Unrestricted.....	864,459	240,306	1,104,765	(5,376,159)	(774,386)	(6,150,545)
Total Net Position.....	\$ 33,736,779	\$ 9,235,251	\$ 42,972,030	\$ 25,826,452	\$ 8,798,401	\$ 34,624,853

As of June 30, 2022, the primary government's Net Investment in Capital Assets (e.g., land, buildings, infrastructure, and construction-in-progress) was \$26.26 billion. Restricted net position was approximately \$15.61 billion, resulting in an unrestricted \$1.1 billion balance. Net position is restricted when constraints placed on their use are either 1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or 2) legally imposed through constitutional or enabling legislation. Unrestricted net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets." The State's Budget Stabilization Fund balance of approximately \$2.71 billion at June 30, 2022, is included within unrestricted net position.

The government-wide Statement of Net Position reflects a \$864.5 million balance for unrestricted governmental activities, a significant increase from the \$5.38 billion deficit reported at June 30, 2021. The increase in unrestricted and total net position is primarily attributable to increases in federal funding and income and sales tax receipts, as well as several debt refundings made in the last few years which resulted in favorable debt terms and lower interest rates. The unrestricted net position, which makes up 2.6 percent of total net position for fiscal year 2022, is heavily influenced by the following three factors:

1) The State of Ohio, like many other state governments, issues general and special obligation debt, the proceeds of which benefit local governments and component units. The proceeds are used to build facilities for public-assisted colleges and universities and local school districts and finance infrastructure improvements for local governments. The policy of selling general obligation and special obligation bonds for these purposes has been the

practice for many years. Of the \$11.29 billion of outstanding general obligation and special obligation debt at June 30, 2022, \$7.75 billion is attributable to debt issued for state assistance to component units (Ohio Facilities Construction Commission and the colleges and universities) and local governments. The balance sheets of component unit and local government recipients reflect ownership of the related constructed capital assets without the burden of recording the debt. Unspent proceeds related to these bond issuances are included on the Statement of Net Position as restricted net position. By issuing such debt, the State is left to reflect significant liabilities without the benefit of recording the capital assets constructed with the proceeds from the debt issuances.

2) The State reported liabilities of \$2.07 billion as of June 30, 2022, for its proportionate share of the net pension liability of the associated pension plans that provide benefits to State employees. This liability was a 39.4 percent decrease from fiscal year 2021.

3) The State reported net OPEB liabilities of \$380.7 million as of June 30, 2022. This liability was a 39.9 percent decrease from fiscal year 2021.

For more information related to pensions and OPEB see NOTES 9, 14, 15, and 18.

Condensed financial information derived from the Statement of Activities, which reports how the net position of the State's primary government changed during fiscal years 2022 and 2021 follows.

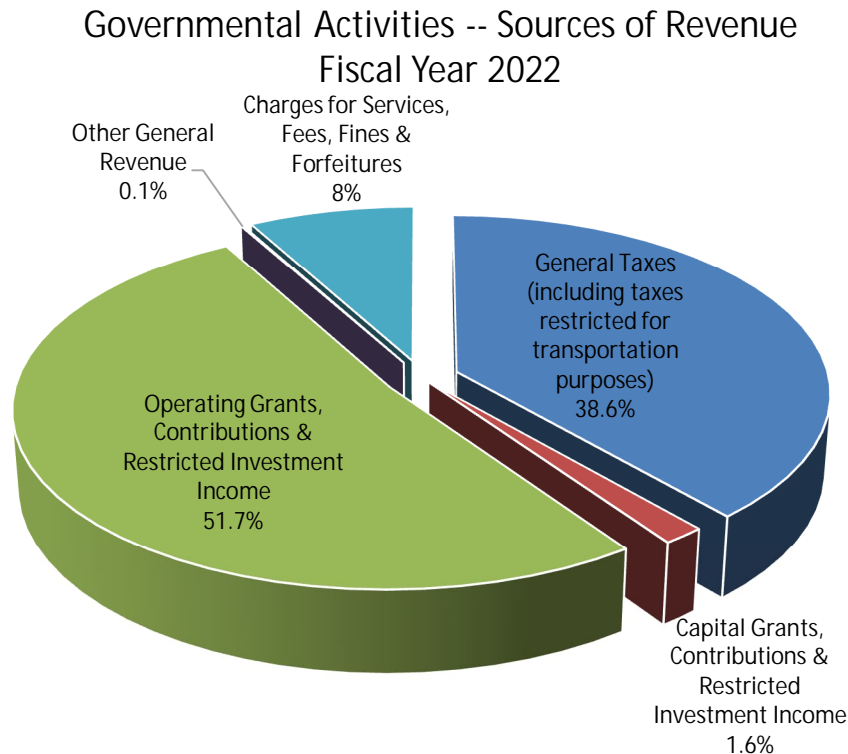
Changes in Net Position
For the Fiscal Years Ended June 30, 2022 and 2021
(dollars in thousands)

	Fiscal Year 2022			Fiscal Year 2021 (not restated)		
	Govern- mental Activities	Business- Type Activities	Total Primary Government	Govern- mental Activities	Business- Type Activities	Total Primary Government
Program Revenue:						
Charges for Services, Fees,						
Fines and Forfeitures	\$ 6,831,160	\$ 8,258,378	\$ 15,089,538	\$ 6,509,382	\$ 8,008,488	\$ 14,517,870
Operating Grants, Contributions and						
Restricted Investment Income/ (loss)...	43,901,582	(385,607)	43,515,975	36,859,973	16,042,228	52,902,201
Capital Grants, Contributions and						
Restricted Investment Income/ (loss)...	1,391,676	-	1,391,676	1,485,791	-	1,485,791
Total Program Revenues.....	<u>52,124,418</u>	<u>7,872,771</u>	<u>59,997,189</u>	<u>44,855,146</u>	<u>24,050,716</u>	<u>68,905,862</u>
General Revenues:						
General Taxes.....	30,070,477	-	30,070,477	27,422,768	-	27,422,768
Taxes Restricted for Transportation.....	2,669,589	-	2,669,589	2,547,613	-	2,547,613
Tobacco Settlement.....	337,502	-	337,502	362,378	-	362,378
Escheat Property.....	234,764	-	234,764	230,265	-	230,265
Unrestricted Investment Income.....	(569,669)	5	(569,664)	(22,994)	7	(22,987)
Other.....	756	-	756	723	552	1,275
Total General Revenues.....	<u>32,743,419</u>	<u>5</u>	<u>32,743,424</u>	<u>30,540,753</u>	<u>559</u>	<u>30,541,312</u>
Total Revenue.....	<u>84,867,837</u>	<u>7,872,776</u>	<u>92,740,613</u>	<u>75,395,899</u>	<u>24,051,275</u>	<u>99,447,174</u>
Expenses:						
Primary, Secondary and Other Education	16,400,029	-	16,400,029	14,679,666	-	14,679,666
Higher Education Support.....	2,788,935	-	2,788,935	3,008,618	-	3,008,618
Public Assistance and Medicaid.....	42,082,978	-	42,082,978	37,646,142	-	37,646,142
Health and Human Services.....	2,546,325	-	2,546,325	1,898,068	-	1,898,068
Justice and Public Protection.....	3,790,026	-	3,790,026	3,303,035	-	3,303,035
Environmental Protection and						
Natural Resources.....	540,237	-	540,237	457,657	-	457,657
Transportation.....	2,221,820	-	2,221,820	2,565,694	-	2,565,694
General Government.....	1,668,268	-	1,668,268	2,085,214	-	2,085,214
Community and Economic Development..	4,747,009	-	4,747,009	4,003,838	-	4,003,838
Interest on Long term Debt						
(excludes interest charged as						
program expense).....	85,327	-	85,327	91,499	-	91,499
Workers' Compensation.....	-	1,541,747	1,541,747	-	6,845,396	6,845,396
Lottery Commission.....	-	4,121,684	4,121,684	-	4,091,517	4,091,517
Unemployment Compensation.....	-	1,756,889	1,756,889	-	14,539,576	14,539,576
Tuition Trust Authority.....	-	34,934	34,934	-	31,902	31,902
Office of Auditor of State.....	-	65,508	65,508	-	41,946	41,946
Total Expenses.....	<u>76,870,954</u>	<u>7,520,762</u>	<u>84,391,716</u>	<u>69,739,431</u>	<u>25,550,337</u>	<u>95,289,768</u>
Surplus/ (Deficiency) Before Gains (Losses)						
and Transfers.....	7,996,883	352,014	8,348,897	5,656,468	(1,499,062)	4,157,406
Gain (Loss) on Extinguishment of Debt.....	(500)	25	(475)	-	111	111
Transfers - Internal Activities.....	(85,997)	85,997	-	1,342,535	(1,342,535)	-
Change in Net Position.....	7,910,386	438,036	8,348,422	6,999,003	(2,841,486)	4,157,517
Net Position, July 1 (as restated).....	<u>25,826,393</u>	<u>8,797,215</u>	<u>34,623,608</u>	<u>18,827,449</u>	<u>11,639,887</u>	<u>30,467,336</u>
Net Position, June 30.....	<u>\$33,736,779</u>	<u>\$ 9,235,251</u>	<u>\$42,972,030</u>	<u>\$25,826,452</u>	<u>\$ 8,798,401</u>	<u>\$34,624,853</u>

Governmental Activities

Revenues exceeded expenses during fiscal year 2022 for governmental activities. Revenues of \$84.87 billion for fiscal year 2022 were \$9.47 billion higher than those reported for fiscal year 2021. General Taxes (including taxes restricted for transportation purposes) comprised 38.6 percent of fiscal year 2022 total revenues, and reflects an increase of 9.2 percent over the prior fiscal year. Operating Grants, Contributions, and Restricted Investment Income, making up 51.7 percent of total revenues, increased by 19.1 percent compared to fiscal year 2021. Expenses for fiscal year 2022 increased \$7.13 billion or 10.2 percent from the prior fiscal year primarily in the Public Assistance and Medicaid and Primary, Secondary and Other Education functions. During fiscal year 2022, net transfers-out totaled \$86 million, shifting from net transfers-in of \$1.34 billion in fiscal year 2021. The shift was largely due to a transfer-out of \$1.47 billion from the Pandemic Relief Funds to the Unemployment Compensation Fund for repayment of the outstanding federal repayable advances (loans).

The following chart illustrates revenues by source of governmental activities as percentages of total reported for the fiscal year ended June 30, 2022.



Total FY 2022 Revenue for Governmental Activities = \$84.87 Billion

The following table presents the total expenses and net cost of each of the State's governmental programs for the fiscal year ended June 30, 2022, with comparative numbers from June 30, 2021. The net cost (total program expenses less revenues generated by the program) represents the financial burden that was placed on the State's taxpayers by each of these programs. This cost is essentially funded with the State's general revenues from taxes, Tobacco Settlement, Escheat Property, and Unrestricted Investment Income.

Program Expenses and Net Costs of Governmental Activities by Program
For the Fiscal Years Ended June 30, 2022 and 2021 (FY 2021 not restated)
(dollars in thousands)

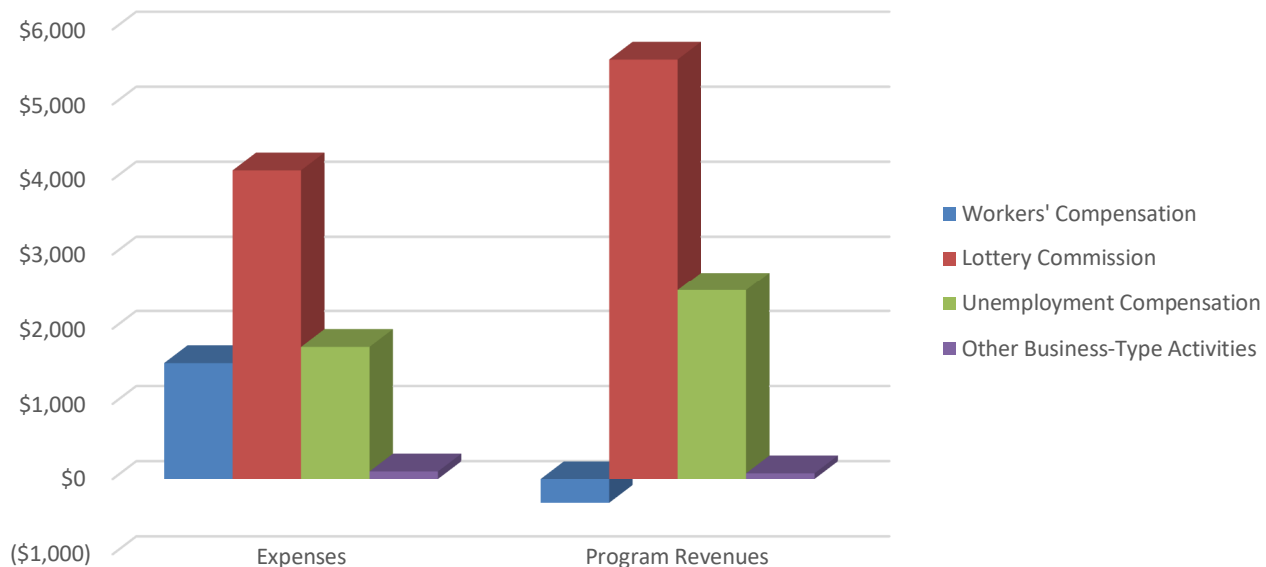
Program	Program Expenses 2022	Percent of Total Expense 2022	Net Cost of Program		Net Cost as Percentage of Total Expenses for Program		Net Cost as Percentage of Total Expenses — All Programs	
			2022	2021	2022	2021	2022	2021
Primary, Secondary and Other Education.....	\$ 16,400,029	21.3%	\$ 12,030,682	\$ 11,832,061	73.4%	80.6%	15.7%	17.0%
Higher Education Support.....	2,788,935	3.6%	2,761,658	2,672,008	99.0%	88.8%	3.6%	3.8%
Public Assistance and Medicaid...	42,082,978	54.8%	5,029,004	5,345,039	12.0%	14.2%	6.5%	7.7%
Health and Human Services.....	2,546,325	3.3%	55,748	204,528	2.2%	10.8%	0.1%	0.3%
Justice and Public Protection.....	3,790,026	4.9%	2,109,700	1,502,929	55.7%	45.5%	2.7%	2.2%
Environmental Protection and Natural Resources.....	540,237	0.7%	77,050	79,068	14.3%	17.3%	0.1%	0.1%
Transportation.....	2,221,820	2.9%	527,806	485,726	23.8%	18.9%	0.7%	0.7%
General Government.....	1,668,268	2.2%	(460,310)	(233,875)	-27.6%	-11.2%	-0.6%	-0.3%
Community and Economic Development.....	4,747,009	6.2%	2,529,871	2,905,302	53.3%	72.6%	3.3%	4.2%
Interest on Long-Term Debt.....	85,327	0.1%	85,327	91,499	100.0%	100.0%	0.1%	0.1%
Total Governmental Activities.....	<u>\$ 76,870,954</u>	<u>100.0%</u>	<u>\$ 24,746,536</u>	<u>\$ 24,884,285</u>	<u>32.2%</u>	<u>35.7%</u>	<u>32.2%</u>	<u>35.6%</u>

Business-Type Activities

The State's enterprise funds reported net position of \$9.24 billion (after a restatement of beginning balance), as of June 30, 2022, compared to \$8.8 billion, as of June 30, 2021, an increase of \$438 million, or 5 percent. The Unemployment Compensation Fund reported a \$2.21 billion increase in net position over the prior year, primarily due to lower unemployment rates and claims associated with pandemic recovery. The Workers' Compensation Fund reported a \$1.86 billion decrease in net position during fiscal year 2022 primarily due to significant investment income losses.

The chart below compares program expenses and program revenues for business-type activities. Additional analysis of the Business-Type Activities' revenues, expenses, and other changes in net position is included with the discussion of the Proprietary Funds beginning on page 15.

Business-Type Activities — Expenses and Program Revenues
Fiscal Year 2022
(dollars in millions)



FINANCIAL ANALYSIS OF THE STATE'S FUNDS

The State uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

Governmental funds reported the following results, as of and for the fiscal years ended June 30, 2022, and June 30, 2021 (dollars in thousands).

	As of and for the Fiscal Year Ended June 30, 2022			
	General Fund	Other Major Funds	Nonmajor Governmental Funds	Total Governmental Funds
Unassigned Fund Balance (Deficit).....	\$ 6,893,958	\$ -	\$ (674)	\$ 6,893,284
Total Fund Balance.....	15,642,901	5,403,298	5,306,504	26,352,703
Total Revenues.....	44,323,336	26,589,916	13,828,427	84,741,679
Total Expenditures.....	38,810,884	24,647,202	17,087,879	80,545,965

	As of and for the Fiscal Year Ended June 30, 2021 (not restated)			
	General Fund	Other Major Funds	Nonmajor Governmental Funds	Total Governmental Funds
Unassigned Fund Balance (Deficit).....	\$ 5,717,927	\$ (6,674)	\$ -	\$ 5,711,253
Total Fund Balance.....	12,063,898	5,030,070	4,615,946	21,709,914
Total Revenues.....	42,950,405	20,509,247	11,887,437	75,347,089
Total Expenditures.....	38,782,210	20,280,569	14,671,242	73,734,021

General Fund

The main operating fund of the State is the General Fund. During fiscal year 2022, General Fund revenue increased by \$1.37 billion, largely due to increases in income tax and sales tax revenues of \$1.36 billion and \$910.7 million, respectively. The increase in income tax revenue is primarily due to the continued pandemic recovery and employees returning to work with the growing job market. The correlating rise in sales tax revenue is primarily due to increased disposable income and increased consumer spending. Federal grant revenue decreased by \$680 million or 5.5 percent. Although total expenditures increased a modest \$28.7 million over the prior year, Public Assistance and Medicaid expenditures decreased \$853.4 million largely due to non-enrollment related payments, many delayed to fiscal year 2023, and lower managed care spending due to lower rates. Total fund balance at June 30, 2022, increased by \$3.58 billion or 29.6 percent (exclusive of a \$140 thousand decrease in inventories). The State's Budget Stabilization Fund closed fiscal year 2022 with a record-high balance of approximately \$2.71 billion, which is included in unassigned fund balance.

General Fund Budgetary Highlights

The State ended the first year of its 2022-23 biennial budget on June 30, 2022, with a General Fund budgetary fund balance (cash less encumbrances) of \$13.4 billion. Total budgetary sources for the General Fund (including \$3.17 billion in transfers from other funds) in the amount of \$51.33 billion were above final estimates by \$3.81 billion or 8 percent during fiscal year 2022. Total tax receipts were above final estimates by \$2.74 billion or 9.7 percent due to higher-than-expected income and sales tax receipts.

Total budgetary uses for the General Fund (including \$3.95 billion in transfers to other funds) in the amount of \$48.95 billion were below final estimates by \$4.51 billion or 8.4 percent for fiscal year 2022. The majority of lower than appropriated spending came from Medicaid and economic development programs. There was no budget stabilization designation at June 30, 2021, for use in balancing the final fiscal year 2022 budget.

The main appropriations act (Act) for the 2022-23 biennium for the General Revenue Fund (GRF), the largest, non-GAAP, budgetary-basis operating fund included in the State's General Fund, was passed by the General Assembly and signed (with selective vetoes) by the Governor on June 30, 2021. Reflecting a goal of making wise investments to positively impact Ohio's future, the budget targeted resources to children and families, as well as to Ohio's educational system. The Act provided for GRF appropriations of approximately \$34.9 billion in fiscal year 2022, a 2 percent decrease from fiscal year 2021 expenditures, and approximately \$39.3 billion in fiscal year 2023, a 12.6 percent increase from fiscal year 2022 appropriations.

GRF appropriations for major program categories in fiscal year 2022, relative to 2021 actual spending, and 2023, relative to 2022 appropriations, reflect the following changes: 11.7 percent decrease in Medicaid in fiscal year 2022 and 26.1 percent increase in fiscal year 2023; increases of 5.8 percent in fiscal year 2022 and 2 percent in fiscal year 2023, which include transfers from the GRF in support of student wellness and success, for primary and secondary education; and increases of 2.7 percent in fiscal year 2022 and 0.1 percent in fiscal year 2023 for higher education.

The Act reflected tax law changes that were projected to result in a net GRF revenue decrease of \$1 billion in fiscal year 2022 and \$977 million in fiscal year 2023. These items included an across-the-board three percent reduction in State personal income tax rates on non-business income, except for consolidating the top two income brackets and setting the new top rate at 3.99 percent; increased the threshold for zero tax liability, in which filers with taxable incomes below \$25,000 are not subject to Ohio personal income tax; repealed sales and use tax on employment services; and established new non-refundable tax credits for home-schooling expenses, tuition to non-chartered private schools, and contributions to non-profit scholarship granting organizations. The 2022-23 Act also revised the school funding formula to consider resident income levels in addition to property tax values and authorized the Budget Stabilization Fund to retain interest earnings.

The Ohio Constitution prohibits the State from borrowing money to fund operating expenditures in the GRF. Therefore, by law, the GRF's budget must be balanced so that appropriations do not exceed available cash receipts and cash balances for the current fiscal year.

The State ended fiscal year 2022 with a GRF cash balance of \$6.55 billion and a GRF budgetary fund balance of \$5.66 billion. The State continues to meet its statutory target to maintain an ending fund balance reflecting one-half of one percent of fiscal year 2022 GRF revenues.

Other Major Governmental Funds

The *Job, Family and Other Human Services Fund* had a fund balance of \$1.32 billion at June 30, 2022, an increase of \$576.4 million, or 77.6 percent, compared to fiscal year 2021. Contributing in part to the increase in fund balance was a \$374.8 million increase in Licenses, Permits and Fees revenue, primarily related to hospital assessments. During fiscal year 2022, Federal Government revenue increased \$5.42 billion with a corresponding increase in Public Assistance and Medicaid expenditures of \$5.45 billion. The increased expenditures related to Food Assistance Programs and Medicaid spending, partly due to continuing COVID-19 pandemic effects.

The fund balance for the *Buckeye Tobacco Settlement Financing Authority Revenue Bonds Fund*, as of June 30, 2022, totaled approximately \$4.05 billion dollars, a decrease of \$129.8 million or 3.1 percent over the prior fiscal year. Debt Service expenditures increased by \$7 million during fiscal year 2022 due to scheduled principal and interest payments on outstanding bonds. Overall expenditures exceeded revenues resulting in a net decrease in fund balance.

Fund balance for the *Pandemic Relief Funds* was \$29.9 million at June 30, 2022, a net decrease of \$73.4 million (including a \$73.4 million decrease in inventories), or 71.1 percent since June 30, 2021. The fund was created in late fiscal year 2020 to receive federal funding for emergency expenditures related to the COVID-19 pandemic. During fiscal year 2022, Federal Government revenue recognition increased \$408.3 million. Fiscal year total expenditures were \$1.64 billion, a decrease of \$1.06 billion, or 39.2 percent over the prior year, due to continued pandemic recovery. General Government expenditures declined 37.9 percent, with \$881.7 million expended during the fiscal year for allowable distributions to local governments to cover expenses incurred due to the public health emergency. In general, expenditures declined across all functions apart from Community and Economic Development expenditures of \$578.2 million for community emergency rental assistance. A \$1.47 billion transfer-out to the Unemployment Compensation Fund resulted in full repayment of the \$1.47 billion balance of federal repayable advances (loans). The balance of funding received but not expended as of June 30, 2022, is reported as a \$4.22 billion Unearned Revenue liability.

Proprietary Funds

Major Proprietary Funds

The State's proprietary fund financial statements report the same type of information found in the business-type activities portion of the government-wide financial statements, but in a slightly different format.

The *Workers' Compensation Fund's* fiscal year 2022 net position decreased by \$1.86 billion (after a restatement of beginning balance) or 19.9 percent, to \$7.5 billion, as compared to the prior year. Although partly offset by a \$6.2 billion drop in premium rebate expense, the \$5 billion drop in investment income and an increase in Benefit and Claims expenses resulted in the significant decrease in net position over the prior year.

For fiscal year 2022, the *Lottery Commission Fund* reported \$1.48 billion in net income before transfers of approximately \$1.41 billion to the Lottery Profits Education Fund. Net position at June 30, 2022, in the amount of \$367.3 million, increased 23.6 percent from fiscal year 2021.

The Unemployment Compensation Fund ended fiscal year 2022 with a net position of \$1.3 billion. The \$2.21 billion net position increase in the Unemployment Compensation Fund over the prior year is due to pandemic and associated recovery. The unemployment rate decreased from an average of 6.1 percent in the prior year to 4.3 percent

in fiscal year 2022. Benefit and Claims expense decreased \$12.78 billion, while Federal Government revenue decreased \$11.38 billion due to normalizing after several years of pandemic activity. A transfer-in of \$1.47 billion from the Pandemic Relief Funds repaid the federal government in full for the \$1.47 billion balance of repayable advances (loans).

Capital/Lease Asset and Debt Administration

Capital and Lease Assets

As of June 30, 2022, and June 30, 2021, the State's primary government had invested \$30.28 billion and \$29.5 billion, respectively, net of accumulated depreciation of \$5.33 billion and \$5.21 billion, respectively, in a broad range of capital assets, as detailed in the following table.

The total increase in the State's net capital assets for the current fiscal year was 2.7 percent (a 2.8 percent increase for governmental activities and a 27.1 percent decrease for business-type activities). Depreciation expense increased 29.4 percent for governmental activities and decreased 56.7 percent for business-type activities.

The State completed construction on a variety of infrastructure, facilities, and software projects during fiscal year 2022 totaling approximately \$339.2 million, as compared with \$397.5 million in the previous fiscal year. As further detailed in the notes to the financial statements (NOTE 20E), the State had \$543.1 million in major construction commitments (unrelated to infrastructure), as of June 30, 2022, compared to \$527.6 million for the prior year.

Capital Assets, Net of Accumulated Depreciation						
As of June 30, 2022 and 2021						
(dollars in thousands)						
	As of June 30, 2022			As of June 30, 2021		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
Land	\$ 2,658,835	\$ 9,466	\$ 2,668,301	\$ 2,622,710	\$ 9,466	\$ 2,632,176
Buildings	1,741,320	6,402	1,747,722	1,695,070	7,181	1,702,251
Land Improvements	184,671	-	184,671	168,402	-	168,402
Machinery and Equipment	628,440	60,939	689,379	520,118	88,684	608,802
Vehicles	165,524	1,036	166,560	197,831	1,395	199,226
Infrastructure:						
Highway Network:						
General Subsystem	9,124,726	-	9,124,726	9,097,505	-	9,097,505
Priority Subsystem	9,307,147	-	9,307,147	9,210,434	-	9,210,434
Bridge Network	2,950,890	-	2,950,890	2,994,689	-	2,994,689
Parks, Recreation, and						
Natural Resources System	278,437	-	278,437	218,230	-	218,230
	27,039,990	77,843	27,117,833	26,724,989	106,726	26,831,715
Construction-in-Progress	3,160,911	-	3,160,911	2,666,228	-	2,666,228
Total Capital Assets, Net	\$ 30,200,901	\$ 77,843	\$ 30,278,744	\$ 29,391,217	\$ 106,726	\$ 29,497,943

Governmental Accounting Standards Board (GASB) Statement 87, *Leases*, requires the reporting of certain lease assets and lease liabilities and was effective for fiscal year 2022. As of June 30, 2022, and July 1, 2021 (at implementation of GASB 87), the State's primary government had \$144.5 million and \$140.2 million, respectively, net of accumulated amortization, in lease assets including real estate, machinery and equipment, and land.

Modified Approach

For reporting its highway and bridge infrastructure assets, the State has adopted the use of the modified approach. To use this approach, a government must maintain an asset management system and demonstrate that the infrastructure is being preserved approximately at or above an established condition level. Under this approach, infrastructure is not depreciated, and maintenance and preservation costs are expensed. Infrastructure assets accounted for using the modified approach include approximately 43,432 lane miles of highway and approximately 108.6 million square feet of deck area that comprises 14,185 bridges for which the State has the responsibility for ongoing maintenance.

Ohio accounts for its pavement network in two subsystems: Priority and General. It is the State's goal to allow no more than 25 percent of the total lane-miles reported for each of the priority and general subsystems to be classified with a "poor" condition rating. The most recent condition assessment, completed by the Ohio Department of Transportation (ODOT) for fiscal year 2022, indicates that 3.5 percent and 2 percent of the priority and general subsystems, respectively, were assigned a "poor" condition rating. Comparatively, 3.2 percent and 1.8 percent of the priority and general subsystems, respectively, were assigned a "poor" condition rating in fiscal year 2021.

For the bridge network, it is the State's intention to allow no more than 15 percent of the total number of square feet of deck area to be in "fair" or "poor" condition. The most recent condition assessment, completed by ODOT for fiscal year 2022, indicates that only 2.3 percent of the number of square feet of bridge deck area was considered to be in "fair" or "poor" conditions, a 0.7 percent increase over the prior year.

Fiscal year 2022 total actual maintenance and preservation costs for the pavement network were \$870 million, compared to estimated costs of \$753.6 million, while total actual maintenance and preservation costs for the bridge network were \$335.6 million, \$8 million above estimate. In the previous fiscal year, total actual maintenance and preservation costs for the pavement network were \$834.4 million, compared to estimated costs of \$707.1 million, while total actual maintenance and preservation costs for the bridge network were \$397 million, \$27.5 million above estimate. Overall, the State's costs for actual maintenance and preservation for highway infrastructure assets have exceeded estimates over the past two years due to steadily increasing underlying costs for the materials and labor associated with infrastructure projects.

More detailed information on the State's capital and lease assets can be found in NOTE 8 to the financial statements and in the Required Supplementary Information Infrastructure section of this report.

Debt — Bonds and Notes Payable and Certificates of Participation Obligations

The State's general obligation bonds are backed by its full faith and credit. Revenue bonds and notes are secured with revenues pledged for the retirement of debt principal and the payment of interest. Special obligation bonds are supported with lease payments from tenants of facilities constructed with the proceeds from the bonds. Under certificate of participation (COPs) financing arrangements, the State is required to pay base rent (subject to appropriation) that approximates interest and principal payments made by trustees to certificate holders.

During fiscal year 2022, the State issued a par amount of \$411 million in general obligation bonds, \$217.2 million in special obligation bonds, and \$21.4 million in certificates of participation. Of the general and special obligation bonds issued, \$148 million and \$10.4, respectively, were refunding bonds. The total decrease in the State's debt for the current fiscal year, based on carrying amount, was 5.3 percent, all in governmental activities.

As of June 30, 2022, and June 30, 2021, the State had total debt, all in governmental activities, of approximately \$17.97 billion and \$18.97 billion, respectively, as shown in the following chart.

Bonds and Notes Payable and Certificates of Participation
As of June 30, 2022 and 2021
(dollars in thousands)



Credit Ratings

Both the State's general and special obligation bonds carry a "positive" credit outlook from Fitch Inc. and a "stable" credit outlook from Moody's Investor Services, Inc. and S & P Global Ratings Services. The Highway Capital Improvements General Obligations Bonds also carry a "stable" credit outlook from Kroll Bond Rating Agency. A credit outlook is an indication of the pressure on the rating over the near-to-intermediate term and should not be viewed as a precursor to a rating change. On September 8, 2022, Fitch upgraded Ohio's long-term Issuer Default Rating *IDR" from "AA+" to "AAA," the highest credit rating possible. This is the highest rating for Ohio's IDR in 43 years. Another validation that Ohio is financially sound and well managed came In October 2022 when Moody's raised Ohio's credit outlook to "Positive" and affirmed the State's "Aa1" Issuer rating. In addition, Buckeye Tobacco Settlement Financing Authority's 2032 A-2 maturity (CUSIP 118217CN6) was upgraded from A- to A on November 6, 2022.

The ratings and rating outlooks in effect from time to time reflect only the views of the particular rating organization. An explanation of its view of the meaning and significance of its rating or outlook may be obtained from the respective rating agency. Generally, the rating agencies base their rating on submitted information and on their own investigations, studies, and assumptions. There can be no assurance that the ratings or outlooks assigned will continue for any given time. Rating agencies may lower or withdraw a rating at any time, if in its judgment circumstances so warrant.

The State's bonds and notes are rated as follows:

Credit Ratings As of June 30, 2022						
Bonds and Notes	Issuer	Fitch Inc.	Kroll Bond Rating Agency	Moody's Investor Services, Inc.	S & P Global Ratings Services	Security and Source of Funds
General Obligations Bonds:						
Common Schools Capital Facilities ...	Ohio Public Facilities Commission	AA+	N/A	Aa1	AA+	General Revenue Funds
Higher Education Capital Facilities	Ohio Public Facilities Commission	AA+	N/A	Aa1	AA+	General Revenue Funds
Highway Capital Improvements	Treasurer of State	AA+	AAA	Aa1	AAA	Highway User Receipts
Infrastructure Improvements	Ohio Public Facilities Commission	AA+	N/A	Aa1	AA+	General Revenue Funds
Coal Research and Development	Ohio Public Facilities Commission	AA+	N/A	Aa1	AA+	General Revenue Funds
Natural Resources Capital Facilities .	Ohio Public Facilities Commission	AA+	N/A	Aa1	AA+	General Revenue Funds
Conservation Projects	Ohio Public Facilities Commission	AA+	N/A	Aa1	AA+	General Revenue Funds
Third Frontier Research						
and Development	Ohio Public Facilities Commission	AA+	N/A	Aa1	AA+	General Revenue Funds
Site Development	Ohio Public Facilities Commission	AA+	N/A	Aa1	AA+	General Revenue Funds
Veterans' Compensation	Ohio Public Facilities Commission	AA+	N/A	Aa1	AA+	General Revenue Funds
Revenue Bonds:						
Major New State Infrastructure.....	Treasurer of State	N/A	N/A	Aa2	AA	Federal Transportation Grants
	Buckeye Tobacco Settlement				BBB+ to	Pledged Receipts from the Tobacco Master
Tobacco Settlement Asset-Backed...	Financing Authority	N/A	N/A	N/A	A*	Settlement Agreement
*The Class 2 Senior Current Interest Bonds and the Class 2 Turbo Capital Appreciation Bonds are Non-Rated. The 2031 A-2 maturity (CUSIP 118217CM8) was upgraded from A- to A on September 30, 2021.						
Special Obligation Bonds:						
Mental Health Facilities.....	Treasurer of State	AA	N/A	Aa2	AA	General Revenue Funds
Parks and Recreation Facilities.....	Treasurer of State	AA	N/A	Aa2	AA	General Revenue Funds
Cultural and Sports Facilities.....	Treasurer of State	AA	N/A	Aa2	AA	General Revenue Funds
Adult Correctional Facilities.....	Treasurer of State	AA	N/A	Aa2	AA	General Revenue Funds
Administrative Facilities.....	Treasurer of State	AA	N/A	Aa2	AA	General Revenue Funds
Juvenile Correctional Facilities.....	Treasurer of State	AA	N/A	Aa2	AA	General Revenue Funds
Transportation Building Projects.....	Treasurer of State	AA	N/A	Aa1	AA	Highway User Receipts
Highway Safety Facilities.....	Treasurer of State	AA	N/A	Aa2	AA	Highway User Receipts

Limitations on Debt

Section 17 of Article VIII of the Ohio Constitution, approved by Ohio voters in November 1999, establishes an annual debt service "cap" applicable to future issuances of direct obligations payable from the GRF or net state lottery proceeds. Generally, new obligations may not be issued if debt service for any future fiscal year on those new and the then outstanding bonds of those categories would exceed five percent of the total of estimated GRF revenues plus net state lottery proceeds for the fiscal year of issuance.

Those direct obligations of the State include general obligation and special obligation bonds that are paid from the State's GRF but exclude general obligation debt for Third Frontier Research and Development, development of sites and facilities, and veterans' compensation, and general obligation bonds payable from non-GRF funds (such as highway bonds that are paid from highway user receipts). Pursuant to the implementing legislation, the Governor has designated the Director of the Ohio Office of Budget and Management as the State official responsible for making the five percent determinations and certifications. Application of the five percent cap may be waived in a particular instance by a three-fifths vote of each house of the Ohio General Assembly and may be changed by future constitutional amendments.

The State met the requirements of Section 17 of Article VIII of the Ohio Constitution. More detailed information on the State's long-term debt, including changes during the year, can be found in NOTES 10 through 13 and NOTE 15 to the financial statements.

Conditions Expected to Affect Future Operations

Economic Factors

Through October 2022, the economy continues to recover from the decrease in economic activity due to the COVID-19 pandemic and disruptions in the supply chain. Ohio's unemployment rate decreased from 5.1 percent in October 2021 to 4.2 percent in October 2022. Forecasters anticipate a short and mild recession will occur nationally starting in early 2023. In October 2022, Ohio's nonagricultural payroll employment increased by over 127 thousand jobs from October 2021.

Nationally, real gross domestic product (GDP) expanded in the third quarter at an annualized rate of 2.6 percent. The increase in GDP for the third quarter comes after decreases in growth for the two previous quarters. Small growths in net exports and personal and government spending accounted for the increase in GDP. There have also been small improvements in the supply chain disruptions experienced during the COVID-19 pandemic.

The national labor market outlook strengthened further in October 2022, as the level of nonfarm payroll employment increased by 261 thousand jobs. Employment was just slightly below February 2020's pre-pandemic levels by 1.2 percentage points. The U.S. unemployment rate for October 2022 was 3.7 percent, down from 4.6 percent in October 2021.

General Revenue Fund

For fiscal year 2023, total fiscal year-to-date GRF receipts collected through October 2022 are \$977.3 million above estimates and \$2.87 billion more than collections through October of the prior fiscal year. Total fiscal year-to-date GRF disbursements through October 2022 are \$310 million above estimates for the first four months of fiscal year 2023 and \$960.2 million more than expenditures for the first four months of the prior fiscal year. As of October 2022, receipts were 6.7 percent above budget estimates and disbursements were 1.9 percent above budget estimates for fiscal year 2023. Fiscal year 2023 receipts are 22.8 percent above receipts for the first four months of fiscal year 2022, due largely to a significant amount of pandemic related federal grant funding for Medicaid received in fiscal year 2023. Disbursements for fiscal year 2023 are 6.2 percent above disbursements for the same time period of fiscal year 2022.

Budget Stabilization Fund

The Budget Stabilization Fund (BSF) is Ohio's rainy day savings account, a reserve balance set aside in good economic times to protect the State's budget from cyclical changes in revenues and expenditures should the economy become weakened unexpectedly. By law, the target balance for the BSF can be up to 8.5 percent of the prior fiscal year's GRF revenues. The BSF reported a record-high balance of approximately \$2.71 billion at the end of fiscal year 2022.

Workers' Compensation Fund

As part of the Ohio Bureau of Workers' Compensation (BWC) commitment to keep costs down for Ohio businesses, base rates will decrease an average of 10 percent for private employers for the July 1, 2022, policy year. BWC continues to monitor trends that might affect its investment portfolio and maintain a stable financial position.

Contacting the Ohio Office of Budget and Management

This financial report is designed to provide the State's citizens, taxpayers, customers, investors and creditors with a general overview of the State's finances and to demonstrate the State's accountability for the money it receives. Questions regarding any of the information provided in this report or requests for additional financial information should be addressed to the Ohio Office of Budget and Management, Financial Reporting Section, 30 East Broad Street, 34th Floor, Columbus, Ohio 43215-3457 or through the OBM Website at [Contact Us | Office of Budget and Management \(ohio.gov\)](#).