OBM

Ted Strickland
Governor

J. Pari Sabety
Director

February 12, 2008

MEMORANDUM TO: The Honorable Ted Strickland, Governor
The Honorable Lee Fisher, Lt. Governor

FROM: J. Pari Sabety, Director

SUBJECT: Monthly Financial Report

ECONOMIC SUMMARY

Economic growth slowed abruptly as 2007 ended and 2008 began. Business and consumer confidence has deteriorated and a growing number of forecasters have concluded that the economy has entered or will soon enter a recession. Real GDP gained only 0.6% in the fourth quarter and employment decreased in January for the first monthly setback since August 2003. Ohio employment decreased in December and registered the largest December to December decline since 2003. In response to weaker employment and earnings and higher inflation, growth in personal income and consumer spending have slowed.

Economic Growth

Economic growth faltered in the fourth quarter, ending 2007 on the same weak note that it began. Real GDP increased 0.6% annualized in the fourth quarter and 2.2% for the year – the smallest annual gain since 1.6% in the first year of the expansion in 2002. The main sources of growth during the quarter were personal consumption expenditures and nonresidential fixed investment. State and local government spending and exports also made positive contributions. Investment in residential structures and the change in business inventories subtracted significantly from growth. The sharp slowdown from 4.9% growth in Q3 reflected a large drawdown in business inventories and decelerations in exports, personal consumption expenditures, and federal government spending.

As growth has slowed in recent months, the outlook has deteriorated. The Leading Economic Index (LEI) has decreased in the most recent three consecutive months, according to the Conference Board. The rate of change of the LEI fell in December to its slowest pace since the 2001 recession. The Weekly Leading Index compiled by the Economic Cycle Research Institute has fallen to a six-year low.

Economic Summary Highlights

- In reaction to the sharp decline during January in the ISM non-manufacturing index, Global Insight forecasts that the national economy will be in recession during the first half of the year, during which real GDP falls at an annual rate of approximately 0.5%.

- The Federal Reserve reduced the federal funds rate target in two steps by a total of 125 basis points during January in response to weakening economic conditions and extreme volatility in financial markets.

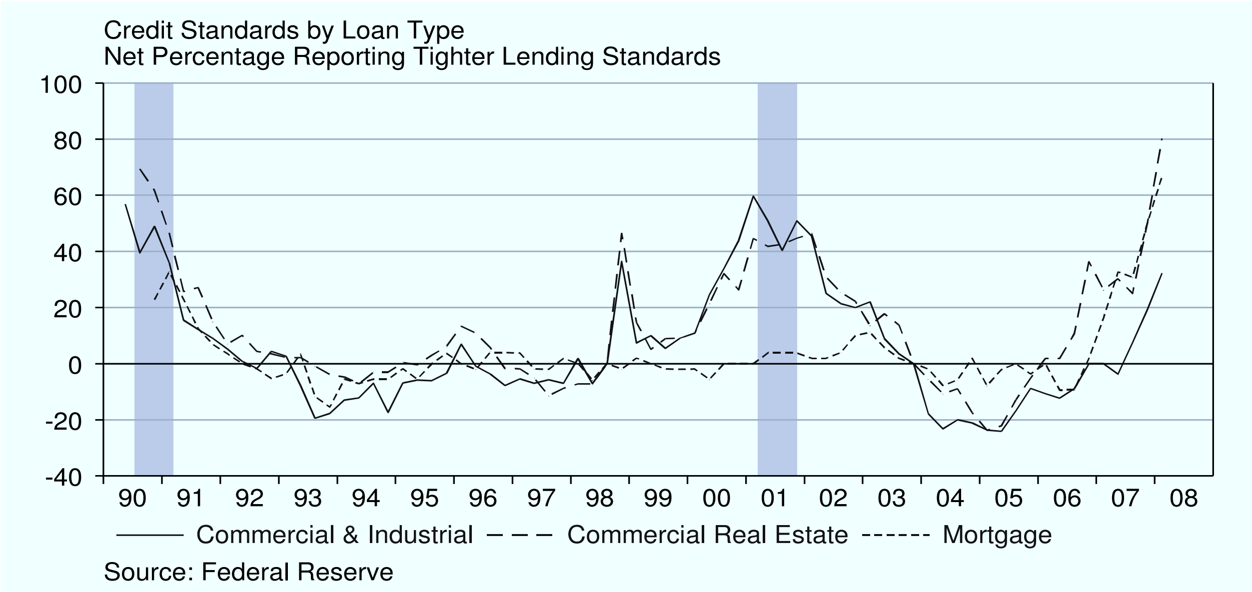
- Ohio employment decreased by 3,900 jobs in December, reversing an increase of the same size in November. For the year, Ohio employment decreased by 15,300 jobs. The decline was the worst calendar-year performance since 2003, but an improvement from the 24,500 year-over-year decrease as of February 2007.

- The Conference Board index of consumer expectations has decreased by 26% since July to a level rarely seen except during recessions.

- Conditions in the manufacturing sector stabilized in January, according to purchasing managers surveyed by the Institute for Supply Management. The **PMI index** climbed back to neutral, as the new orders component improved to neutral and the production and exports components moved well into expansionary territory.

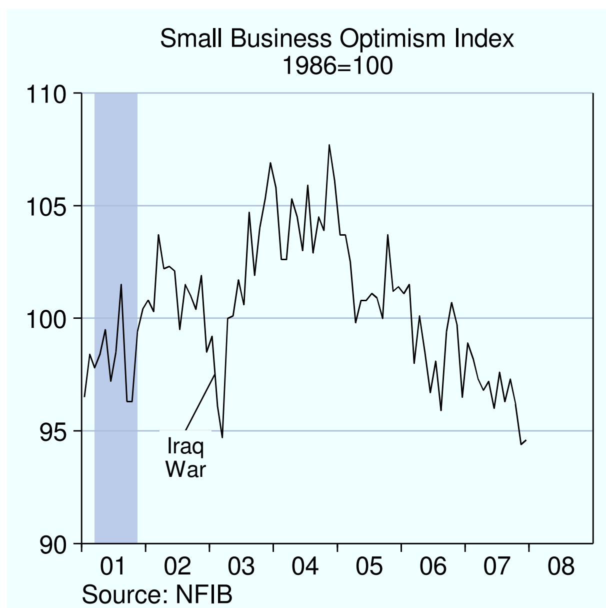
In addition, the Small Business Optimism Index of the National Federation of Independent Business fell in December to its lowest level since the 1990-91 recession. Of particular concern to proprietors of small businesses recently has been the outlook for retail sales and expectations for business conditions six months from now.

In response, forecasters have continued to revise growth predictions downward and the ranks of those predicting recession continues to increase. In reaction to the sharp decline during January in the ISM non-manufacturing index, Global Insight forecasts that the economy will be in recession during the first half of the year, during which real GDP falls at an annual rate of approximately 0.5%.



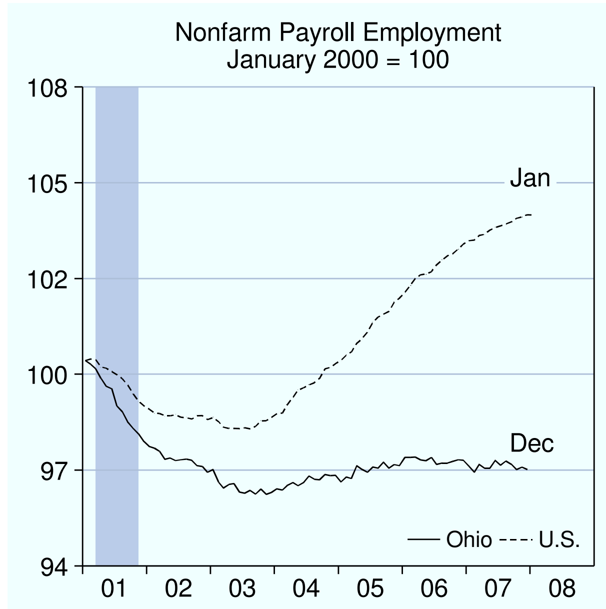
The Federal Reserve reduced the federal funds rate target in two steps by a total of 125 basis points during January in response to weakening economic conditions and extreme volatility in financial markets. The Fed has reduced its target rate as quickly as it has since its September meeting only during recessions. In fact, the recent decline has been sharper than that during the 1990-91 recession.

While adjustments in monetary policy may be appropriate in light of slowing economic activity, a progressive tightening in lending standards across all types of loans will restrain the economy during 2008. According to the latest survey of senior bank lenders by the Federal Reserve, the tightening of lending standards for commercial loans, commercial real estate loans, residential mortgage loans, and consumer loans (including credit cards) is as widespread as it has been in the past only at the beginning of recessions. This is a particularly negative development, because a tightening in credit conditions can significantly and pervasively affect the functioning of the economy.



Employment

U.S. employment decreased by 17,000 jobs in January, marking the first monthly decline since August 2003. Declines were widespread across sectors, with manufacturing falling 28,000, construction down 27,000, professional and business services down 11,000, and government down 18,000. Employment levels increased by 34,000 jobs in service-producing industries, led by education and health services, with a gain of 47,000 jobs, and leisure and hospitality, with a gain of 19,000 jobs.



The annual benchmark revision reduced the December 2007 level by 376,000 jobs, although growth in December was adjusted up from 18,000 to 82,000. Growth slowed markedly from an average monthly gain of 175,000 in 2006 to 82,000 in the second half of 2007. In percentage terms, growth in employment has declined by two-thirds from the peak of 2.1% in March 2006 to 0.7% as of January.

Initial jobless claims spiked back up into recessionary territory in the last full week of January. Claims had previously increased to a level consistent with serious weakness in labor markets prior to the holidays, before retreating to the low-end of the 2007 range. Changes in weather and the timing of holidays from year to year complicate seasonal adjustment around the turn of the year, and often lead to unreliable estimates from week to week.

The unemployment rate, which had signaled recession, with its rise to 5.0% December, edged back down to 4.9% in January. The unemployment rate will resume its upward climb if and as the economy enters recession. The latest data confirm that labor markets have weakened decidedly, and are necessary if not sufficient conditions for recession.

Ohio employment decreased by 3,900 jobs in December, reversing an increase of the same size in November. For the year, Ohio employment decreased by 15,300 jobs. The decline was the worst calendar-year performance since 2003, but an improvement from the 24,500 year-over-year decrease as of February 2007.

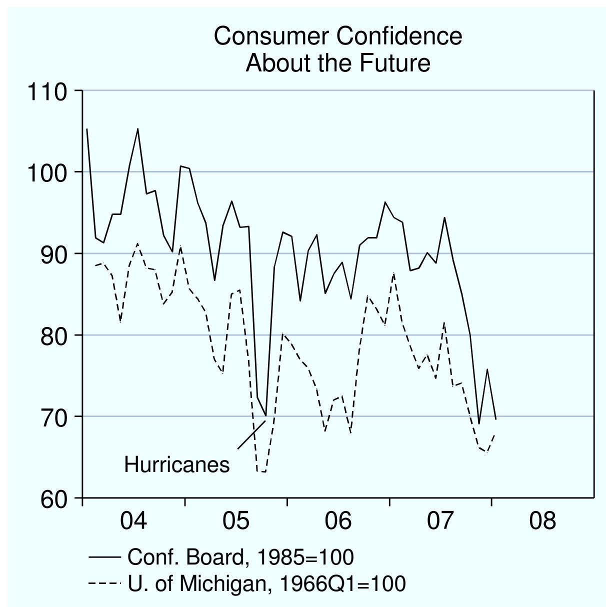
Employment increased during 2007 in educational and health services (+10,700) and professional and business services (+2,900). Employment levels decreased in all other major sectors, including manufacturing (-13,800), trade, transportation and utilities (-4,300), and financial activities (-3,600). Employment in construction was little changed on the year, but was down 3,900 jobs from the level in April.

The **Ohio Metropolitan Statistical Areas** that made the largest contributions to statewide employment growth during the past year are Columbus (+5,100), Cincinnati-Middletown (+2,900), and Akron (+2,400). The MSAs that subtracted the most from Ohio employment were Youngstown-Warren-Boardman (-2,900), Dayton (-1,500), and Toledo (-700).

Pennsylvania, West Virginia, and Kentucky led the way in employment growth among **contiguous states** during the twelve months ending in December with gains of 0.7%, 0.4%, and 0.3%, respectively. Employment in Michigan decreased 1.8% from a year ago. Ohio employment fell 0.3%. In comparison, U.S. employment increased 0.8% during the twelve months ending in December.

Consumer Income and Consumption

Personal income increased 0.5% in December to 5.8% above the year earlier level. Year-over-year growth peaked at 6.8% in February and was as low as 5.8% in January 2007. The strains of slower employment and earnings growth and higher consumer price inflation have begun to show. Real disposable personal income bounced back by 0.2% in December, but decreased by 0.1% and 0.2%, respectively, in October and November. Compared with a year earlier, real disposable income was up by 2.1% – the low for the year. Year-over-year growth had reached as high as 4.1% in August.



Personal consumption expenditures increased by 0.2% in December, but were unchanged in real terms. Compared with a year earlier, real personal consumption was up by 2.2% – again, the slowest rate during 2007, which included a peak year-over-year gain of 3.4% in January. U.S. chain store sales continued to falter into 2008. **Midwest retail sales** fell 0.5% in December, after rising 1.2% in November and falling 0.1% in October. Compared with a year earlier, sales were up by 4.3%.

Weakness in income has begun to weigh on retail sales of **motor vehicles**, which decreased in each of the three months of the fourth quarter. Compared with a year earlier, retail sales of motor vehicles were down by 0.1%. Unit sales of light motor vehicles decreased to 15.3 million at seasonally adjusted annual rate in January – the second slowest sales pace in any month since just after the hurricanes hit the gulf coast in late summer 2005.

The deterioration in economic conditions has coincided with an erosion in survey measures of **consumer confidence**. The Conference Board index of consumer expectations has decreased by 26% since July to a level rarely seen except during recessions. The assessment of present conditions has also deteriorated, as have measures of current and prospective conditions, according to the University of Michigan survey of consumers.

Manufacturing

Industrial production was essentially unchanged in December. Production was only 1.5% higher than a year earlier. Production of primary metals and fabricated metals – two industries of significance for Ohio – fell 1.0% and 0.7%, respectively. Production of motor vehicles and parts declined 0.5%, in the fourth decline in five months. Total industrial production ended the year slightly below its July level.

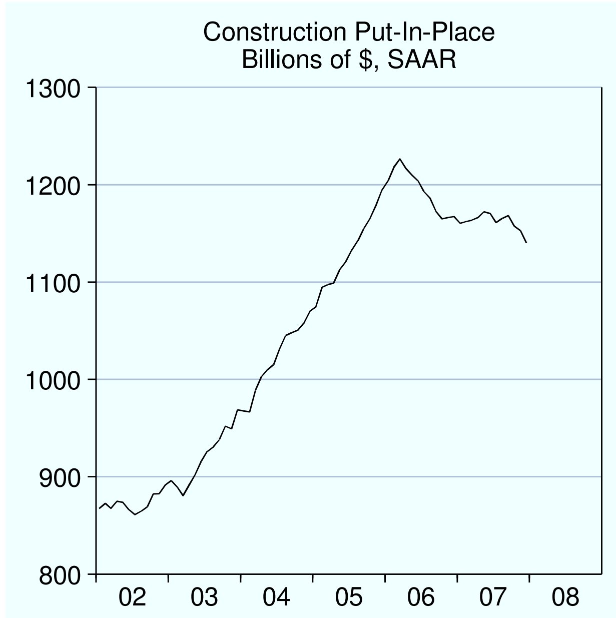
Midwest manufacturing output edged up by 0.1% in December, with three of the four major sectors making positive contributions. Production was higher in the auto, resource, and machinery sectors. Steel production was lower on the month. Compared with a year earlier, Midwest industrial production was down by 0.1%. Producers in and around Ohio reported roughly evenly mixed conditions through mid-January, with production increases equaling decreases, according to the Cleveland Fed.

Factory shipments decreased 0.3% in December, reflecting broad-based weakness across industries. The only notable increases occurred in machinery (+3.3%), primary metals (+0.2%), printing (+0.5%), and chemical products (+1.0%). Shipments fell in all other major industries, including computers (-0.6%), transportation equipment (-1.5%), and petroleum and coal products (-2.3%). **New factory orders** increased impressively in December, reflecting strength in transportation (+11.5%) – especially aircraft and parts – computers (+4.1%), machinery (+7.3%), and fabricated metal products (+2.4%).

Conditions in the manufacturing sector stabilized in January, according to purchasing managers surveyed by the Institute for Supply Management. The **PMI index** climbed back to neutral, as the new orders component improved to neutral and the production and exports components moved well into expansionary territory.

Construction

Construction put-in-place fell 1.1% in December for the third straight monthly decline, as a large decline in public sector construction prevented continued growth in private nonresidential construction from offsetting another large decline in residential activity. Commercial contractors in and around Ohio reported further increases in activity and expect somewhat higher levels of activity through 2008. Total U.S. construction spending in December was down 7.0% from the March 2006 peak for the cycle.



The **housing sector** ended the year on a very weak note. Housing starts and sales of both new and existing homes declined in the U.S. and the Midwest. Home builders in and around Ohio reported new home sales were very weak through mid-January, according to the survey by the Cleveland Fed. Nationally, housing starts were 38.2% below the year earlier level, and sales of new and existing homes were down 22.0% and 40.7%, respectively. In a sign that the necessary adjustments remain underway, the inventory of unsold new homes on the market fell for the ninth straight month in December, although it remained at the highest level relative to the pace of sales since the early 1980s recession. The supply of existing homes for sale declined for the fourth out of the last five months and the fifth out of the last seventh, but also remained high relative to sales.

REVENUES AND DISBURSEMENTS

FY 2008 Year-to-Date Highlights

- Through January, GRF tax receipts were below estimate by $86.6 million (0.8%). *(See Table 1.)*
- Tax receipts increased $196.4 million (1.8%) versus FY 2007. The largest contributors to the increase were the Non-Auto Sales & Use and Personal Income taxes. *(See Table 2.)*
- Year-to-date GRF uses, including pending payroll and transfers, were under estimate by $171.5 million (1.0%). All spending categories used less money than expected. *(See Table 3.)*
- Excluding transfers out, GRF uses were $586.0 million (3.8%) above last year's level. Year-to-date spending over last year's levels increased for Higher Education, Public Assistance and Medicaid, Transportation, Tax Relief, and Debt Service and decreased for all other categories. *(See Table 4.)*

Please Note: This report presents the preliminary and the most up-to-date data on revenues and disbursements for January. Final data will be available as the General Ledgers are closed for December and January in the Ohio Administrative Knowledge System (OAKS).

The month of November was closed on January 30, 2008, and December is expected to be closed in the next week. The largest obstacle to closing months has been clearing up errors in payroll journals. Until the January 26th payroll, all GRF payroll for all agencies was contained in one journal for each pay period. The entire payroll journal could not post if it contained any errors. Due to the size of the journal, the process of identifying and correcting errors required extensive work.

OAKS has been working on a fix for this design flaw since the system went live in July. In order to expedite each month's closure, the state no longer generates all payroll funded through GRF to a single journal. Effective mid January, all payroll lines for an agency will be contained within an agency specific payroll journal regardless of fund. The systems change will enable each agency and OBM to more quickly clear errors in payroll journals, which will also enable us to close months more quickly. As you can see from January's pending payroll, the amount has significantly decreased and we expect this to continue to decrease as we are able to put more efficient processes in place.

January's **GRF tax receipts** totaled $2,213.6 million, which was above the estimate by $31.9 million. The year-to-date variance, however, remained in negative territory at $86.6 million below the estimate. The performance of the individual revenue sources was mixed in January, with both components of the sales tax coming in over estimate, the income tax falling below estimate, and the corporate franchise tax exceeding its estimate. In a nutshell, shortfalls in the personal income tax and the cigarette tax roughly offset the overage in the sales and use tax. The net overage in total tax receipts is almost exactly equal to the overage in receipts from the corporate franchise tax.

GRF non-tax receipts were close to the estimate in January, with the exception of federal grants, which were $19.5 million below estimate. The largest year-to-date variance in GRF non-tax receipts is a $40.0 million variance in earnings on investments, and stem mostly from the timing of second quarter earnings which have yet to be posted. This is because prior to OAKS, OBM policy was to close the last month of the quarter on the 15th day of the month, to allow enough time to calculate the allocation of interest across GRF and non-GRF accounts. Today, OBM closes each month on the last day of the month, and posts investment earnings in the next period or quarter. The year-to-date variance in **GRF total revenues and transfers** through January is very close to the year-to-date variance in GRF tax receipts. GRF tax revenues are $86.6 million below estimate, while GRF revenues from all sources are $93.0 million (0.6%) below estimate.

In January, **GRF total uses** were $33.1 million (1.5%) below estimate. All of the spending categories used less money than expected with the exception of Tax Relief. Through the first seven months, the GRF total uses fell below estimate by $171.5 million (1.0%). All spending categories used less than expected due mostly to the fact that December and January are still open and payroll has not posted.

The tax reforms enacted in Am. Sub. H.B. 66 of the 126th General Assembly continue to phase in through FY 2008 and to affect the **year-over-year growth** of GRF tax revenues. Through the first seven months of FY 2008, GRF tax receipts were above the FY 2007 level by $196.4 million (1.8%). As both the Federal Grants and Temporary Transfers generated greater revenues than during previous year, year-to-date GRF total receipts were $625.2 million (4.3%) higher than the FY 2007 year-to-date revenues. Year-to-date GRF total disbursements were $493.6 million (3.1%) above the FY 2007 level, due in large part to the increased use within public assistance and Medicaid which disbursed $479.7 million (7.8%) above the FY 2007 level.

FY 2008 GRF Revenues and Disbursements that appear in the figures and tables of this report reflect the Am. Sub. H.B. 119 biennial budget framework. The following table shows the variance from the estimate for total GRF revenues and disbursements for January and for FY 2008 year-to-date.

General Revenue Fund ($ in millions)	January Variance		FY 2008 Variance	
Revenues				
Tax Receipts	$31.9	1.5%	($86.6)	(0.8%)
All Sources	$13.7	0.5%	($93.0)	(0.6%)
Total Uses (Including Transfers)	($33.1)	(1.5%)	($171.5)	(1.0%)

REVENUES

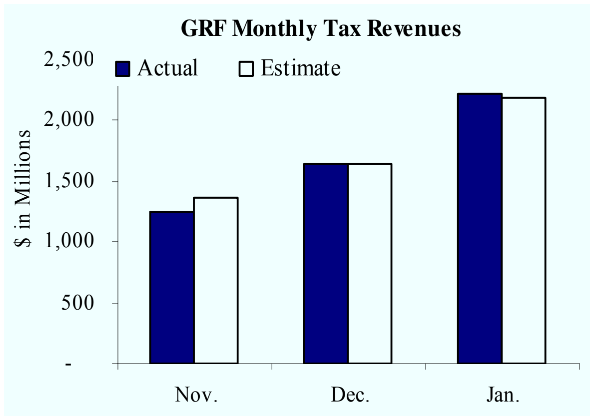
In January**, GRF tax receipts** totaled $2,213.6 million, which was over estimate by $31.9 million, or 1.5%. Despite this, tax revenues for the fiscal year are still $86.6 million below the estimate, while total GRF revenues are $93.0 million below the estimate. The performance of the individual sources was mixed in January, with both components of the sales tax coming in over estimate, the income tax falling below estimate, and the corporate franchise tax exceeding the estimate. In a nutshell, shortfalls in the personal income tax and the cigarette tax roughly offset the overage in the sales and use tax. The overage in total tax receipts for January is almost exactly equal to the corporate franchise tax overage.

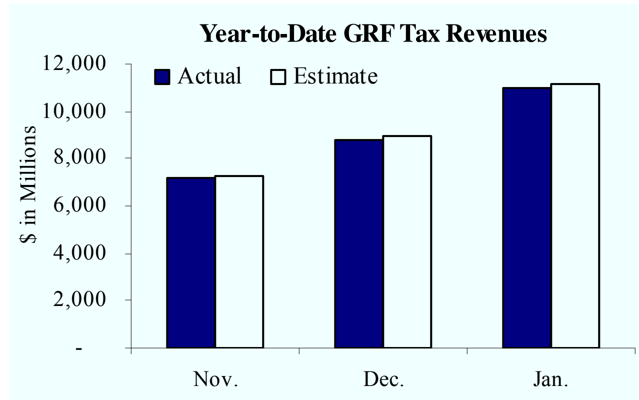
The personal income tax fell below estimate in January for the third month in a row. The January shortfall was $20.6 million, or 1.8%, following shortfalls of $82.1 million in November and $7.7 million in December. The January income tax shortfall was due to two factors. First, withholding was $11.7 million below estimate. Second, refunds were above estimate, although this was partly offset by overages in other areas.

The corporate franchise tax was above estimate by $31.1 million in January. This overage was not enough to erase the pre-existing shortfall, but it did reduce it. Predicting January and February revenues for the franchise tax is difficult because the payment – the first of three payments that are supposed to sum to the corporation's liability – is due January 31. The split of the revenues between January and February is thus in part a function of exactly when EFT payments are made and how quickly they are processed, which can vary considerably from year to year.

Non-auto sales tax receipts posted another overage in January, posting a positive variance of $27.1 million. For a change, the auto sales tax was also above estimate, by $3.6 million. The continued strength of the non-auto sales tax is somewhat surprising in light of negative economic reports on retail sales, consumer confidence, home sales, and consumer credit. While the continued overages are welcome, economists at OBM are skeptical about whether they can persist in the face of a weakening national economy.

Cigarette tax receipts posted their second consecutive sizable shortfall in January. The $9.9 million December shortfall was followed by a $7.5 million shortfall in January, pushing year-to-date revenues below estimate for the first time in FY 2008.



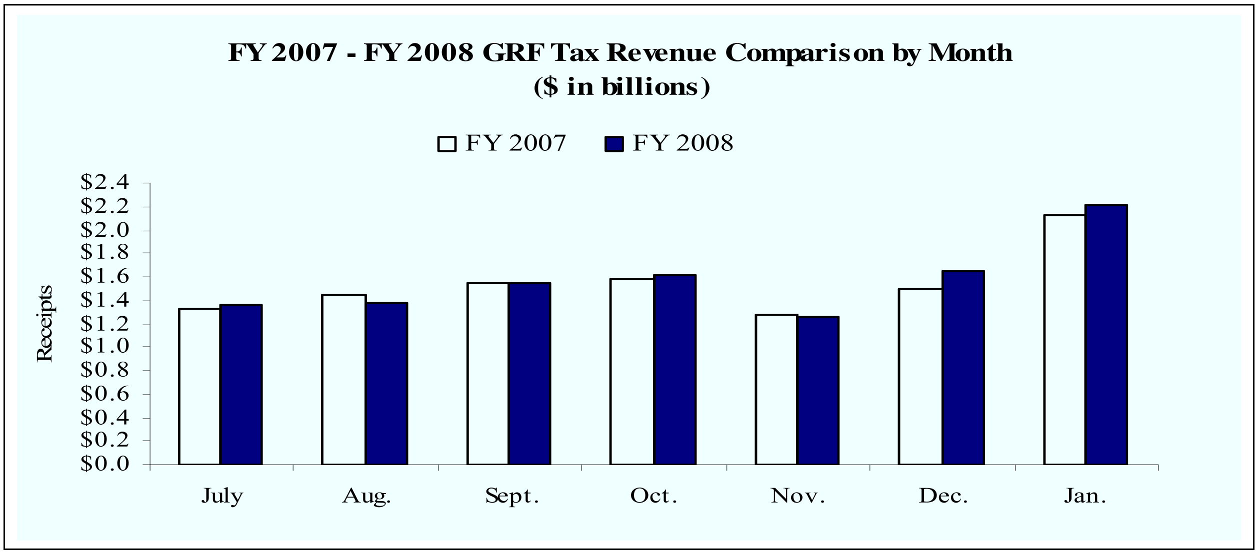


GRF non-tax receipts were close to the estimate in January, with the exception of federal grants, which were $19.5 million below estimate. The largest year-to-date variance in GRF non-tax receipts is a $40 million variance in earnings on investments, is mostly a timing issue as second quarter earnings have yet to be posted. Although the Treasury has timely reported the state's total investment earnings for the second quarter, and these figures have been processed and recorded, the earnings distribution process performed by OBM has been delayed. This is because prior to OAKS, OBM policy was to close the last month of the quarter on the 15th day of the month, to allow enough time to calculate the allocation of interest across GRF and non-GRF accounts. Today, OBM closes each month on the last day of the month, and posts investment earnings in the next period or quarter. Through the end of November, these earnings were slightly below estimate by ($1.2 million, or 2.6%). The continued overage in the "Other Income" category is the result of money from Unclaimed Funds being collected earlier than expected.

As mentioned above, the year-to-date variance in total GRF receipts is very close to the year-to-date variance in GRF tax receipts. GRF tax revenues are $86.6 million below estimate, while GRF revenues from all sources are $93.0 million below estimate.

On a **year-over-year basis**, through January, GRF tax receipts have grown by $196.4 million (1.8%) from FY 2007 receipts. As mentioned in last month's report, some of this increase is due to the change in allocating tax revenues to the local government funds: this change accompanied the ending of the freeze on local government fund allocations that had been in place since FY 2002.

Total GRF receipts through January show much higher growth than GRF tax revenues, but that additional growth is mostly in federal grants. Total GRF receipts through January are $625.2 million above FY 2007 levels, or 4.3%. As stated above, $196.4 million is growth in tax receipts. Of the other $428.8 million in growth, $363.3 million is from federal grants. Federal grants have grown by 11.2% from their FY 2007 levels.



The table below summarizes the major revenue variances, in millions of dollars, for FY 2008.

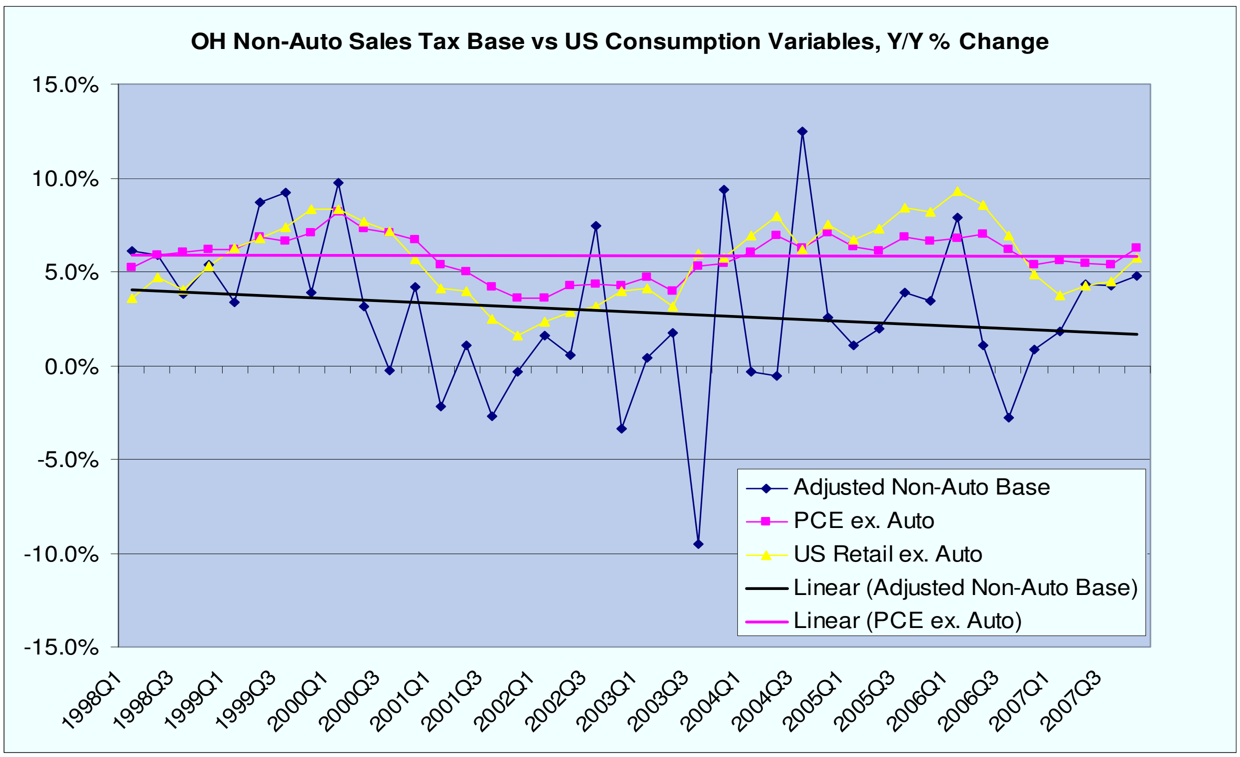
Sources Above Estimate Year-to-Date		Sources Below Estimate Year-to-Date	
Non-Auto Sales Tax	$70.9	Auto Sales Tax	($24.5)
Kilowatt Hour Tax	$1.7	Personal Income Tax	($67.9)
Federal Grants	$9.1	Corporate Franchise Tax	($38.0)
Other Income	$31.3	Public Utility Excise Tax	($7.0)
Liquor Transfers	$4.0	Foreign Insurance Tax	($6.2)
		Earnings on Investments	($40.0)
		Cigarette Tax	($5.6)
		Estate Tax	($8.8)
		ISTV	($4.3)
		Transfers In – Other	($6.6)
		Other Sources Below Estimate	($1.2)
Total above	**$117.0**	**Total below**	**-$210.1**

Non-Auto Sales and Use Tax

January non-auto sales tax receipts were above estimate by $27.1 million. This tax source has generated higher than expected revenues in five of the first seven months. Receipts for the year-to-date are over estimate by $70.9 million (1.8%).

FY 2008 non-auto sales tax revenues have grown surprisingly well, despite a barrage of negative economic news. Year-over-year growth is 5.0%, although adjusting for the change in LGF allocation, growth is somewhat lower, at 4.2%. Still, this compares favorably with extremely anemic FY 2007 growth of 1.1%. Observing the consistently strong performance of Ohio's sales tax, one must ask, was FY 2007 Ohio consumption (at least of taxable items) so low that it generated what economists used to call "pent-up demand" among Ohio consumers, which has buoyed the sales tax so far in FY 2008? If so, what would this imply for the remainder of the fiscal year? As of now, there is not enough evidence to explain why Ohio sales tax growth has been so much better than last year, and so much better than expected. However, economists at OBM and Tax remain skeptical that this rate of growth can be maintained, given all the headwinds that consumers face (see the following section), and given how bad the national news is about retail sales, jobless claims, and consumer credit.

The graph below shows that the growth rate of the Ohio non-auto sales tax base and of broad indicators of national purchases, such as U.S. retail sales or U.S. personal consumption expenditure (PCE) can diverge significantly for several quarters, although the trend growth rate of the Ohio sales tax base is much lower than the trend growth rate of the U.S. consumption variables.



Auto Sales Tax

Auto sales tax receipts were $3.6 million over estimate in January. After a terrible first quarter, in which auto sales tax revenues were $20.8 million below estimate, revenues from this source have stabilized somewhat. The year-to-date shortfall is $24.5 million, meaning that the auto sales tax has only fallen $3.7 million below estimate since September. Nevertheless, the short run outlook for this tax remains weak, due to the by-now familiar litany of headwinds facing consumers: the very weak housing market, tightening credit, high oil prices and gasoline prices, an uncertain labor market with rising unemployment claims, and sliding consumer confidence.

For calendar year 2007, U.S. sales of cars and light trucks slipped to 16.15 million units, down 2.5 percent from 2006 and the lowest level in a decade. Most analysts predict that unit sales will be below 16 million units in 2008. In addition, the consumer price index (CPI) for new cars is falling, perhaps indicating increased difficulty for dealers in selling inventory.

Personal Income Tax

After posting a very large one-month shortfall in November, the personal income tax has shown smaller losses in December and January. January receipts were $20.6 million below estimate, pushing the year-to-date shortfall to $67.9 million (1.3%).

January withholding revenues were below estimate by $11.7 million. Withholding revenues have become much more volatile over the past few months. After posting steady overages through October, withholding had a huge shortfall in November, followed by an overage in December and now another shortfall in January. For the fiscal year, withholding revenues are still $18.2 million over estimate. Given the current and expected weakening of both the national and the Ohio labor market, this revenue source must be watched very closely.

The good news in the income tax in January was that quarterly estimated payments were over the estimate, and so the year-to-date shortfall was smaller, although it did not disappear. For the year, quarterly estimated payments are $15.9 million below estimate. For December and January combined, the revenues from the 4th quarter estimated payment (due January 15th) were $5.1 million below the estimate. OBM and the Ohio Department of Taxation (ODT) traditionally look at the 4th quarter payment to try to gauge how the income tax filing season will proceed. The reason for this is that taxpayers frequently use the 4th quarter payment as a reconciliation payment – that is, they calculate a rough estimate of their annual liability and increase their 4th quarter payment if they feel that they have been underpaying through the year, or decrease their 4th quarter payment if they feel they have been overpaying through the year. Thus, overages or shortfalls in the 4th quarter payment can be indicators of overages or shortfalls in the filing season (although the indicator does not have a perfect forecasting track record). If the fact that the 4th quarter payment had a small shortfall leads one to any conclusion about the filing season, it would be for the annual returns and refunds to be close to the estimates, with net payments falling on the low side.

January trust payment and annual return payments were also above estimate in January, but refunds were far above estimate, adding to the income tax shortfall.

In general, it will be difficult to compare income tax receipts for any given month in FY 2008 to the same month in FY 2007 from now until June, because ODT has set targets for faster processing of both annual payments and refunds in FY 2008. OBM has attempted to adjust the monthly estimates for this processing speedup.

The table below reflects the variances for different components of the income tax, both for January 2008 and for FY 2008 year-to-date.

FY 2008 PERSONAL INCOME TAX RECEIPTS BY COMPONENT ($ in millions)						
	ESTIMATE JANUARY	**ACTUAL JANUARY**	**$ VAR JANUARY**	**ESTIMATE Y-T-D**	**ACTUAL Y-T-D**	**$ VAR Y-T-D**
Withholding	786.9	775.2	(11.7)	4,662.2	4,680.4	18.2
Quarterly Est.	497.0	519.3	22.3	1,049.6	1,033.7	(15.9)
Trust Payments	9.2	16.7	7.5	26.5	35.9	9.4
Annual Returns & 40 P	9.1	15.0	5.9	145.2	148.0	2.8
Other	5.5	7.4	1.9	46.2	42.7	(3.5)
Less: Refunds	(89.6)	(133.4)	(43.8)	(244.1)	(319.3)	(75.2)
Local Distr.	(58.5)	(61.2)	(2.7)	(384.1)	(388.3)	(4.2)
Net to GRF	**1,159.6**	**1,139.0**	**(20.6)**	**5,301.5**	**4,094.6**	**(68.5)**

Corporate Franchise Tax

In July through December, corporate franchise tax refunds paid were higher than expected and higher than the payments collected. As of the end of December, year-to-date receipts were $69.1 million below estimate.

In the January through June period, the state will receive three payments from corporations for their tax year 2008 (taxable year 2007) liability. The payments are due January 31st, March 31st, and May 31st. Because the payments are due on the last days of three months, how much of the revenue is booked for accounting purposes in the month including the due date, and how much is booked the next month, is volatile from payment to payment and from year to year. What is more important than January collections on their own is the sum of January and February collections. January collections were $31.1 million above the estimate.

Commercial Activity Tax

In FY 2008, receipts from the Commercial Activity Tax are distributed to non-GRF funds to pay to school districts and local governments as the tangible personal property tax is phased out. For the first half of the fiscal year, revenues were $2.4 million below estimate. Receipts in January were $10.7 million above the estimate. The next payment – which is both a quarterly payment and the annual payment for those who are minimum taxpayers – is due on February 10. This will be a much better indicator of how CAT revenues are performing in the first quarter of CY 2008.

Cigarette Tax

January’s cigarette tax receipts were below estimate by $7.5 million. This marked the second large monthly shortfall in a row. Year-to-date receipts are now $5.6 million below estimate. January cigarette tax receipts may have been depressed somewhat by low collections at the end of the month. The first few days of February had relatively high collections. February revenues should show whether the December and January shortfalls were the start of a downward trend or simply an aberration.

Table 1*
GENERAL REVENUE FUND RECEIPTS
PRELIMINARY ACTUAL FY 2008 VS ESTIMATE FY 2008
($ in thousands)

REVENUE SOURCE	Month				Year-to-Date			
	ACTUAL JANUARY	ESTIMATE JANUARY	$ VAR	% VAR	ACTUAL Y-T-D	ESTIMATE Y-T-D	$ VAR	% VAR
TAX RECEIPTS								
Non-Auto Sales & Use	666,294	639,200	27,094	4.2%	4,099,778	4,028,900	70,878	1.8%
Auto Sales & Use	70,655	67,025	3,630	5.4%	527,263	551,725	(24,462)	-4.4%
Subtotal Sales & Use	736,949	706,225	30,724	4.4%	4,627,041	4,580,625	46,416	1.0%
Personal Income	1,139,047	1,159,600	(20,553)	-1.8%	5,233,639	5,301,500	(67,861)	-1.3%
Corporate Franchise	241,570	210,500	31,070	14.8%	187,487	225,500	(38,013)	-16.9%
Commercial Activity Tax	0	0	0	N/A	0	0	0	N/A
Public Utility	60	0	60	N/A	62,270	69,300	(7,030)	-10.1%
Kilowatt Hour	10,952	12,200	(1,248)	-10.2%	185,617	183,900	1,717	0.9%
Foreign Insurance	5	0	5	N/A	132,782	139,000	(6,218)	-4.5%
Domestic Insurance	42	0	42	N/A	433	600	(167)	-27.8%
Other Business & Property Tax	55	30	25	81.7%	396	820	(424)	-51.8%
Cigarette	76,194	83,700	(7,506)	-9.0%	511,053	516,700	(5,647)	-1.1%
Soft Drink	0	0	0	N/A	0	0	0	N/A
Alcoholic Beverage	4,131	4,500	(369)	-8.2%	33,605	33,700	(95)	-0.3%
Liquor Gallonage	3,705	4,100	(395)	-9.6%	21,084	21,600	(516)	-2.4%
Estate	934	900	34	3.8%	31,025	39,800	(8,775)	-22.0%
Horse Racing	0	0	0	N/A	0	0	0	N/A
Total Tax Receipts	2,213,643	2,181,755	31,888	1.5%	11,026,430	11,113,045	(86,615)	-0.8%
NON-TAX RECEIPTS								
Federal Grants	488,030	507,512	(19,483)	-3.8%	3,610,924	3,601,778	9,146	0.3%
Earnings on Investments	0	0	0	N/A	44,990	85,000	(40,010)	-47.1%
License & Fees	21,519	18,220	3,299	18.1%	42,100	37,931	4,169	11.0%
Other Income	3,847	5,400	(1,553)	-28.8%	58,856	31,694	27,162	85.7%
ISTV'S	1,357	2,500	(1,143)	-45.7%	5,851	10,110	(4,259)	-42.1%
Total Non-Tax Receipts	514,753	533,632	(18,879)	-3.5%	3,762,721	3,766,513	(3,792)	-0.1%
TOTAL REVENUES	2,728,396	2,715,387	13,009	0.5%	14,789,151	14,879,558	(90,406)	-0.6%
TRANSFERS								
Budget Stabilization	0	0	0	N/A	0	0	0	N/A
Liquor Transfers	10,000	9,000	1,000	11.1%	105,000	101,000	4,000	4.0%
Transfers In - Capital Reserve	8	0	8	N/A	8	0	8	N/A
Transfers In - Other	0	360	(360)	-100.0%	56,784	63,400	(6,616)	-10.4%
Temporary Transfers In	24,900	24,900	0	N/A	247,000	247,000	0	N/A
Total Transfers	34,908	34,260	648	1.9%	408,792	411,400	(2,608)	-0.6%
TOTAL SOURCES	2,763,305	2,749,647	13,658	0.5%	15,197,944	15,290,958	(93,014)	-0.6%

***Amounts will be finalized once the general ledger is closed for December and January**

Table 2*
GENERAL REVENUE FUND RECEIPTS
PRELIMINARY ACTUAL - FY 2008 VERSUS FY 2007
($ in thousands)

REVENUE SOURCE	Month ACTUAL 2008	Month ACTUAL 2007	Month $ VAR	Month % VAR	Year-to-Date ACTUAL 2008	Year-to-Date ACTUAL 2007	Year-to-Date $ VAR	Year-to-Date % VAR
TAX RECEIPTS								
Non-Auto Sales & Use	666,294	644,367	21,927	3.4%	4,099,778	3,903,462	196,315	5.0%
Auto Sales & Use	70,655	67,715	2,940	4.3%	527,263	522,090	5,174	1.0%
Subtotal Sales & Use	736,949	712,082	24,867	3.5%	4,627,041	4,425,552	201,489	4.6%
Personal Income	1,139,047	976,883	162,163	16.6%	5,233,639	4,995,038	238,601	4.8%
Corporate Franchise	241,570	321,251	(79,681)	-24.8%	187,487	378,855	(191,368)	-50.5%
Commercial Activity Tax	0	0	0	N/A	0	0	0	N/A
Public Utility	60	12	48	387.5%	62,270	68,871	(6,602)	-9.6%
Kilowatt Hour	10,952	29,586	(18,634)	-63.0%	185,617	197,458	(11,841)	-6.0%
Foreign Insurance	5	2,105	(2,101)	-99.8%	132,782	134,228	(1,446)	-1.1%
Domestic Insurance	42	0	42	N/A	433	235	197	83.9%
Other Business & Property Tax	55	28	26	94.0%	396	660	(264)	-40.1%
Cigarette	76,194	84,173	(7,979)	-9.5%	511,053	542,562	(31,509)	-5.8%
Soft Drink	0	0	0	N/A	0	0	0	N/A
Alcoholic Beverage	4,131	4,365	(234)	-5.4%	33,605	33,438	167	0.5%
Liquor Gallonage	3,705	3,687	18	0.5%	21,084	20,742	342	1.6%
Estate	934	0	934	N/A	31,025	32,380	(1,354)	-4.2%
Horse Racing	0	0	0	N/A	0	0	0	N/A
Total Tax Receipts	2,213,643	2,134,174	79,470	3.7%	11,026,430	10,830,020	196,411	1.8%
NON-TAX RECEIPTS								
Federal Grants	488,030	476,193	11,837	2.5%	3,610,924	3,247,610	363,314	11.2%
Earnings on Investments	0	0	0	N/A	44,990	92,314	(47,324)	-51.3%
License & Fee	21,519	19,403	2,117	10.9%	42,100	39,456	2,645	6.7%
Other Income	3,847	4,728	(880)	-18.6%	58,856	84,069	(25,213)	-30.0%
ISTV'S	1,357	2,977	(1,620)	-54.4%	5,851	11,539	(5,688)	-49.3%
Total Non-Tax Receipts	514,753	503,300	11,453	2.3%	3,762,721	3,474,987	287,734	8.3%
TOTAL REVENUES	2,728,396	2,637,474	90,922	3.4%	14,789,151	14,305,007	484,145	3.4%
TRANSFERS								
Budget Stabilization	0	0	0	N/A	0	0	0	N/A
Liquor Transfers	10,000	9,000	1,000	11.1%	105,000	85,000	20,000	23.5%
Transfers In - Capital Reserve	8	0	8	N/A	8	0	8	N/A
Transfers In - Other	0	2,718	(2,718)	-100.0%	56,784	46,055	10,729	23.3%
Temporary Transfers In	24,900	0	24,900	N/A	247,000	136,650	110,350	80.8%
Total Transfers	34,908	11,718	23,191	197.9%	408,792	267,704	141,088	52.7%
TOTAL SOURCES	2,763,305	2,649,192	114,113	4.3%	15,197,944	14,572,711	625,233	4.3%

***Amounts will be finalized once the general ledger is closed for December and January**

DISBURSEMENTS

In January, GRF disbursements, including pending payroll and transfers out of the GRF, totaled $2,124.6 million, which was $33.1 million (1.5%) under the estimate. For the year to date, GRF disbursements totaled $16,504.7 million, which was $171.5 million (1.0%) under the estimate. Adjusting for transfers out of the GRF, year-to-date expenditures were up 3.8% compared to last year.

As a result of the OAKS Financials implementation, there have been inevitable transaction coding issues to resolve in order to have payroll, vouchers and other state expenses post correctly against FY 2007 encumbrances and FY 2008 appropriations. The General Ledger remains open for December and January while state agencies continue to work to resolve a decreasing number of payroll coding issues. As a result, expenses from December and January – most notably, GRF payroll – will still post to those months once correctly coded. Thus, GRF disbursements for December and January will continue to be updated as additional transactions post and will not be final until the ledger for the month is closed.

Primary, Secondary, and Other Education

January disbursements in Primary, Secondary, and Other Education were $551.3 million, which was $26.1 million (4.5%) under estimate. Year-to-date disbursements were $4,091.5 million, representing a variance of $148.1 million (3.5%) under the estimate.

- Disbursements in January for the Department of Education totaled $549.2 million, which was $20.7 million (3.6%) below the estimate for the month. Year-to-date disbursements were $4,436.3 million, producing a variance of $138.9 million (3.0%) below the estimate. Lower than anticipated student enrollment will continue to contribute to the variance and under spending by the department. January's variance was caused by delays in expenditures in the Bus Purchase Allowance and Ohio Educational Computer Network line items.

Higher Education

January disbursements for Higher Education were $160.5 million, representing a variance of $30.9 million (16.1%) below the estimate for the month. Year-to-date disbursements were $1,510.2 million, representing a variance totaling $54.0 million (3.4%) below the estimate. Disbursements for the Ohio College Opportunity Grant were $10.6 million less than estimated for the month due to lower than expected enrollment of eligible part-time students. Additionally, Choose Ohio First scholarship, Ohio Research Scholars, and James A. Rhodes scholarship distributions for the month were $17.5 million less than estimated. The Choose Ohio First scholarship, the James A. Rhodes scholarship, and the Ohio Research Scholars grant program are still in development.

Public Assistance and Medicaid

December GRF disbursements for Public Assistance and Medicaid, which includes all spending in the Department of Job and Family Services (JFS), were $878.0 million, representing a variance of $25.5 million (2.8%) below the estimate for the month. Year-to-date disbursements were $6,628.6 million, representing a variance of $4.5 million (0.1%) below the estimate.

Medicaid

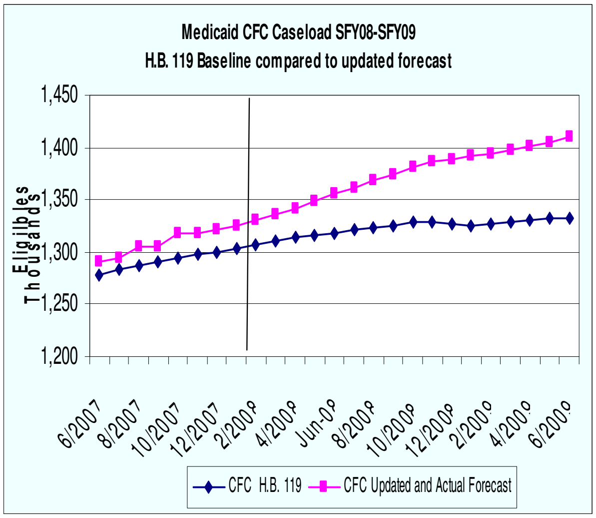
Medicaid disbursements from the GRF in January totaled $756.9 million, which was $27.7 million under the estimate, while Medicaid disbursements from the GRF for the year totaled $6,027.5 million, which was over the estimate by $5.6 million.

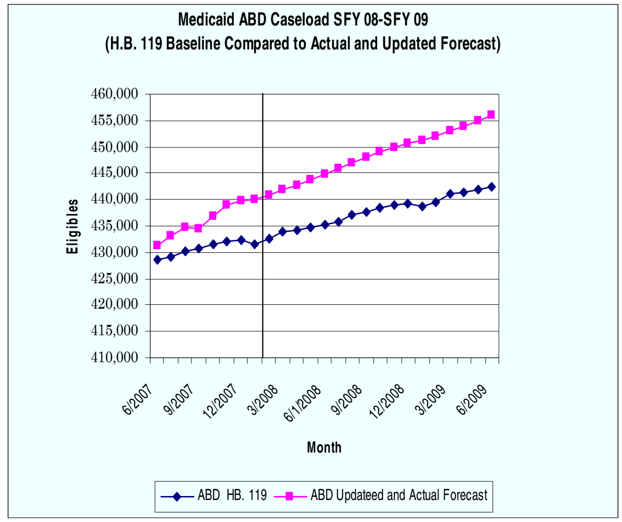
The share of Medicaid expenditures made from non-GRF sources has increased significantly over time. In FY 2008 spending from non-GRF sources such as provider taxes, prescription drug rebates, and third party collections will support 13% of the Medicaid budget. Because of this fact, this report, which is otherwise limited to a discussion of General Revenue Fund revenues and expenditures, includes information on Medicaid spending across all funding sources. Medicaid disbursements, across all funds, totaled $891.1 million for the month of January, which was under estimate by $28.7 million (-3.12%). Year-to-date Medicaid disbursements totaled $6,490.8 million, $1 million (-.02%) below the estimate.

Note that while Medicaid spending appears to be on target, December and January's estimates assumed that rate increases for hospitals and community providers, as well as the implementation of all of the expansions included in Am. Sub. H.B. 119, would begin January 1, 2008 which has not occurred. Due to higher-than-expected caseloads, the Administration has taken the initiative to effectively manage the costs associated with the unexpected increase in caseloads and unrealized cost containment measures by delaying the implementation of provider rate increases and program expansions. Over the remainder of FY08, increased caseloads and unrealized cost containment measures, less the delayed implementation of initiatives contained in Am. Sub. H.B. 119 are expected to increase spending by $142.4 million in FY 2008.

Caseloads

For six straight months, Medicaid caseloads have continued to exceed the estimate. Through December (the most recent data available), Medicaid enrollment totaled 1.75 million recipients, which was 19,000 or 1.1% more than the estimate. Medicaid caseloads can be broken down into two main enrollment categories: Covered Children and Families (CFC) represent 75% of the total caseload, and Aged Blind and Disabled (ABD), represent 25% of the caseload. The following graphs show CFC and ABD caseloads as estimated in Am. Sub. H.B. 119 compared to actual caseloads for the first half of the fiscal year and the updated caseload forecast for the remainder of FY 2008.





Currently there are over 15,000 more recipients in the Covered Children and Families (CFC) category than expected. Enrollment in the Healthy Families and Children in Care categories continues to drive this increase. CFC caseloads peaked in August 2006 and then declined steadily through June 2007. This decline has been attributed to increased citizenship requirements under the federal Deficit Reduction Act (DRA) of 2005. The forecast for FY 2008 and FY 2009 assumed that caseloads would increase; however, the actual increase we are experiencing is steeper than anticipated. The Healthy Families category includes children and their parents with incomes up to 90% of the federal poverty limit. Enrollment increases in this category may be due to economic factors or successful outreach to eligible families who had not previously sought Medicaid coverage.

Aged, Blind, and Disabled (ABD) caseloads continue to exceed the estimates. Through December caseloads were over by 1% or 4,000 recipients. It is important to note that while this increase is small, this is the most expensive population group in the Medicaid program and is driving spending above the estimate in many categories of service (ABD per member per month costs average $1,328 and CFC per member per month costs average $217).

Expenditures
While we have been seeing increased caseloads for six months, expenditures have not matched this increase. For instance, CFC managed care spending for January was $234.1 which is $1.8 million, or -0.8%, below estimate. Year-to-date, CFC managed care was $1.605 billion which is $8.6 million, or -0.54% below estimate. Spending for ABD managed care in January was $116.3 million, which is $18.5 million or -13.73% below estimate. Year-to-date spending for ABD managed care was $789.8 million which is $111.2 million, or -12.3% below estimate.

The impact of the increased caseloads is most pronounced in increased spending for inpatient and outpatient hospitals which continues exceeds the estimate for the year by $154.4 million due to several factors.

First, in June 2007 changes to the National Provider Identifier (NPI) caused a number of inpatient and outpatient hospital claims to be automatically rejected due to compliance issues. These claims, totaling $35.1 million, were budgeted for in FY 2007 but paid in July 2007 instead, causing a one-time increase in FY 2008 spending.

Second, the above expected expenditures in this category are due in part to the slower than projected managed care enrollment in the North East Central region. As result, these members have remained in the fee for service delivery system increasing projected expenditures which are off-set by savings in the corresponding managed care capitation payments. Consumers in this region will be in open enrollment in April and May (CFC and ABD respectively) with effective coverage in May and June. We expect that as members move from the fee for service system to the managed care system, the associated cost would shift as well.

Finally, higher-than-expected caseloads, particularly in ABD eligibility categories not eligible for managed care, have increased spending in this category.

Non-Medicaid

In January JFS non-Medicaid disbursements totaled $115.7 million, producing a variance of $3.2 million (2.7%) below the estimate. For the year-to-date, JFS non-Medicaid disbursements totaled $594.2 million, producing a variance of $10.4 million (1.7%) below the estimate.

- Spending in the TANF line item was over estimate by $6.2 million for the month and over the estimate by $7.1 million for the year as the department disbursed more from the GRF than previously expected. County advances for Prevention, Retention, and Contingency services, as well as child care, will be the only activities funded from this source for the remainder of the fiscal year. The TANF line item is responsible for a portion of the state's maintenance of effort required under the Personal Responsibility and Work Opportunity Reconciliation Act of 1996. The state must maintain funding at least at 80 percent of the 1994 spending level, which is approximately $416.0 million annually.

- Spending for computer projects was under the estimate by $3 million due to lower then expected expenses for a number of projects including Office of Information Technology services, Electronic Benefits Transfers, CRIS-E, and SETS.

- Outstanding payroll expenses for December and January across all Job and Family Services administrative line items total $7.8 million. Once payroll for these periods posts, this variance will be reduced.

Health and Human Services

January disbursements in the Health and Human Services category, which includes spending for the Departments of Mental Health, Mental Retardation and Developmental Disabilities, Aging, and Health among others, were $117.8 million, which was $38.6 million (24.7%) under the estimate. For the fiscal year, disbursements totaled $736.7 million, which represents a variance of $96.2 million (11.5%) below the estimate.

- The Department of Mental Health disbursed $48.4 million in the month of January, which was $23.6 million (32.7%) under the estimate. Approximately $15.0 million of this variance is due to payroll that has not posted. Year-to-date GRF spending totaled $322.8 million, which was $53.2 million (14.1%) below the estimate. This variance is attributed to payroll that has not posted for the months of December and January.

- The Department of Mental Retardation and Developmental Disabilities disbursed $37.6 million in the month of January, which was $9.8 million, or 20.7% below the estimate. This variance is attributed to payroll that has not posted. Year-to-date GRF spending totaled $212.3 million, which is $27.7 million, or 11.5% below the estimate. This variance is primarily due to GRF payroll that has not posted.

Justice and Public Protection

January disbursements in this category totaled $129.0 million, which produced a variance of $63.3 million (32.9%) below the estimate. For the fiscal year, disbursements totaled $1,132.0 million, which represents a variance totaling $171.8 million (13.2%) below the estimate. This is largely attributable to payroll not yet posting for the month. Personnel costs at the state's institutions make up the largest portion of their budgets as facilities must be staffed 24 hours a day, seven days a week.

- January disbursements for the Department of Rehabilitation and Correction were $93.4 million, producing a variance of $53.3 million (36.3%) below the estimate. For the fiscal year, disbursements totaled $847.0 million, which represents a variance totaling $123.0 million (14.9%) below estimate. Once all GRF payroll posts, disbursements for the year to date will be approximately $991.9 million, producing a variance of $21.9 million (2.7%) above estimate.

- January disbursements for the Department of Youth Services (DYS) were $21.2 million, producing a variance of $3.4 million (13.7%) below the estimate. For the fiscal year, disbursements totaled $153.4 million, which represents a variance totaling $20.2 million (11.5%) below estimate. Once all GRF payroll posts, disbursements for the year to date will be approximately $176.7 million, producing a variance of $3.1 million (1.8%) above estimate.

Transportation

January disbursements were $1.4 million, producing a variance of $1.9 million (57.6%) below the estimate. For the fiscal year, disbursements totaled $16.9 million, producing a variance of $3.2 million (146.1%) below the estimate. Disbursements within the State Public Transportation line item were $1.2 million (52.8%) below the estimate for the month due to the change in the application submittal deadline for the Urban Transit Program. Applications were to be due in December with payments to be disbursed in January; however, due to a change in policy, the application deadline was changed to January thus delaying the payments by one month.

Community and Economic Development

January disbursements in the Community and Economic Development category totaled $5.0 million, which represented a variance of $7.9 million (60.9%) below the estimate. For the year to date, disbursements were $79.9 million, which was $17.2 million (17.7%) below the estimate.

- For the Department of Development, January disbursements were $4.7 million, producing a variance of $6.4 million (57.7%) below the estimate. Year-to-date disbursements were $43.6 million, which was $15.5 million (26.3%) below the estimate. This variance was caused by lower than expected spending in Rapid Outreach Grant Program, Third Frontier Action Fund, and the Governor's Office of Appalachia.

Tax Relief and Other

January disbursements in the Tax Relief and Other category totaled $11.6 million, producing a variance of $866,000 (8.1%) over the estimate. For the fiscal year, disbursements were $654.1 million, which was $8.8 million (1.3%) under the estimate.

- Through the month of January, year-to-date tax relief payments to local governments totaled $231.9 million and were $8.8 million (3.7%) below estimate. While tax relief payments to local governments were slightly below estimates for the month of January (approximately $281,000), the year-to-date variance is largely attributable to $2.7 million in spending in December that was $30.6 million (92.0%) below the estimate for the month that reversed what had been year to date overspending of $24.5 million (15.2%) through the end of November. The tax relief payments made by the Department of Taxation are to local governments to reimburse them for property tax revenue they forego as a result of the 10 percent and 2.5 percent reductions on taxable real and homestead properties.

- In January, reimbursements to school districts were above the monthly estimate by $1.1 million, and the corresponding year-to-date variance is $0.5 million (0.1%) under estimate. Tax Year 2006 reimbursements are now complete. State expenditures occurring over the remainder of this fiscal year will reimburse for property taxes payable during the first half of Tax Year 2007. Therefore, future disbursements during this fiscal year will include the newly expanded Homestead Exemption authorized in H.B. 119.

Table 3*
GENERAL REVENUE FUND DISBURSEMENTS
PRELIMINARY ACTUAL FY 2008 VS ESTIMATE FY 2008
($ in thousands)

	MONTH				YEAR-TO-DATE			
Functional Reporting Categories Description	**PRELIMINARY JANUARY**	**ESTIMATED JANUARY**	**$ VAR**	**% VAR**	**YTD PRELIMINARY**	**YTD ESTIMATE**	**$ VAR**	**% VAR**
Primary, Secondary and Other Education	551,250	577,398	(26,148)	-4.5%	4,091,519	4,239,640	(148,121)	-3.5%
Higher Education	160,473	191,348	(30,875)	-16.1%	1,510,232	1,564,187	(53,954)	-3.4%
Public Assistance and Medicaid	877,988	903,530	(25,542)	-2.8%	6,628,576	6,633,102	(4,526)	-0.1%
Health and Human Services	117,760	156,368	(38,608)	-24.7%	736,698	832,882	(96,184)	-11.5%
Justice and Public Protection	129,026	192,349	(63,323)	-32.9%	1,132,022	1,303,782	(171,761)	-13.2%
Environmental Protection and Natural Resources	4,665	7,031	(2,366)	-33.7%	64,031	74,761	(10,731)	-14.4%
Transportation	1,403	3,307	(1,904)	-57.6%	16,893	20,142	(3,249)	-16.1%
General Government	10,511	17,885	(7,374)	-41.2%	200,463	242,420	(41,957)	-17.3%
Community and Economic Development	5,035	12,892	(7,857)	-60.9%	79,874	97,077	(17,203)	-17.7%
Tax Relief and Other	11,602	10,736	866	8.1%	654,130	662,952	(8,822)	-1.3%
Capital Outlay	0	150	(150)	-100.0%	56	921	(865)	-93.9%
Debt Service	78,813	84,762	(5,949)	N/A	383,373	392,200	(8,826)	-2.3%
Pending Payroll	168,367	0	168,367	N/A	397,651	0	397,651	N/A
Total Expenditures & ISTV's	**2,116,893**	**2,157,756**	**(40,863)**	**-1.9%**	**15,895,519**	**16,064,066**	**(168,548)**	**-1.0%**
Transfers Out:								
OPER TRF OUT-OTH	7,744	0	7,744	N/A	162,617	145,278	17,339	11.9%
OPER TRF OUT-TEMPORARY	0	0	0	N/A	446,551	466,800	(20,249)	-4.3%
Total Transfers (Out)	**7,744**	**0**	**7,744**	**N/A**	**609,168**	**612,078**	**(2,910)**	**-0.5%**
Total Fund Uses	**2,124,637**	**2,157,756**	**(33,119)**	**-1.5%**	**16,504,687**	**16,676,144**	**(171,458)**	**-1.0%**

***Amounts will be finalized once the general ledger is closed for December and January.**

Table 4*
GENERAL REVENUE FUND DISBURSEMENTS
PRELIMINARY ACTUAL FY 2008 VS ACTUAL FY 2007
($ in thousands)

Functional Reporting Categories Description	MONTH PRELIMINARY 2008	MONTH ACTUAL 2007	MONTH $ VAR	MONTH % VAR	YEAR-TO-DATE PRELIMINARY 2008	YEAR-TO-DATE ACTUAL 2007	YEAR-TO-DATE $ VAR	YEAR-TO-DATE % VAR
Primary, Secondary and Other Education	551,250	770,390	(219,140)	-28.4%	4,091,519	4,276,308	(184,789)	-4.3%
Higher Education	160,473	161,303	(830)	-0.5%	1,510,232	1,444,182	66,050	4.6%
Public Assistance and Medicaid	877,988	858,725	19,263	2.2%	6,628,576	6,148,893	479,684	7.8%
Health and Human Services	117,760	156,112	(38,351)	-24.6%	736,698	814,866	(78,168)	-9.6%
Justice and Public Protection	129,026	223,113	(94,087)	-42.2%	1,132,022	1,264,879	(132,857)	-10.5%
Environmental Protection and Natural Resources	4,665	8,374	(3,708)	-44.3%	64,031	69,100	(5,069)	-7.3%
Transportation	1,403	1,584	(181)	-11.4%	16,893	15,664	1,229	7.8%
General Government	10,511	24,302	(13,791)	-56.7%	200,463	227,232	(26,769)	-11.8%
Community and Economic Development	5,035	10,006	(4,971)	-49.7%	79,874	95,233	(15,359)	-16.1%
Tax Relief and Other	11,602	7,550	4,052	53.7%	654,130	624,804	29,326	4.7%
Capital Outlay	0	4	(4)	-100.0%	56	67	(11)	-16.9%
Debt Service	78,813	68,446	10,367	15.1%	383,373	328,342	55,031	16.8%
Pending Payroll	168,367	0	168,367	N/A	397,651	0	397,651	N/A
Total Expenditures & ISTV's	**2,116,893**	**2,289,909**	**(173,016)**	**-7.6%**	**15,895,519**	**15,309,569**	**585,950**	**3.8%**
Transfers Out:								
OPER TRF OUT-BUD STABILIZATION	0	0	0	N/A	0	394,034	(394,034)	N/A
OPER TRF OUT-OTH	7,744	10,627	(2,883)	N/A	162,617	20,041	142,576	711.4%
OPER TRF OUT-TEMPORARY	0	0	0	N/A	446,551	287,414	159,138	55.4%
Total Transfers (Out)	**7,744**	**10,627**	**(2,883)**	**N/A**	**609,168**	**701,489**	**(92,321)**	**-13.2%**
Total Fund Uses	**2,124,637**	**2,300,537**	**(175,899)**	**-7.6%**	**16,504,687**	**16,011,058**	**493,629**	**3.1%**

***Amounts will be finalized once the general ledger is closed for December and January.**

FUND BALANCE

Table 5 describes the General Revenue Fund (GRF) ending fund balance for FY 2008. Based on the estimated revenue for FY 2008 and the estimated FY 2008 disbursements, transfers, and encumbrances, the GRF ending fund balance for FY 2008 is an estimated $934.2 million.

The GRF ending fund balance should not be considered as a balance available for expenditure in FY 2008 nor should it be considered as equivalent to the FY 2008 surplus calculation as defined in Section 131.44 of the Ohio Revised Code.

It is important to note that the GRF ending fund balance will be impacted by any GRF expenditures or transfers that may be authorized by the General Assembly or by the Controlling Board during the course of the fiscal year.

SPECIAL NOTE

The State of Ohio implemented the financial component of the Ohio Administrative Knowledge System (OAKS), the new integrated accounting system, at the beginning of FY 2008. As a result, the figures cited in the text and tables of this report will be revised as additional information from the OAKS system becomes available.

Table 5
FUND BALANCE
GENERAL REVENUE FUND
FY 2008
($ in thousands)

July 1, 2007 Beginning Cash Balance	$ 1,432,925
Plus FY 2008 Estimated Revenues	20,034,921
Plus FY 2008 Estimated Federal Revenues	5,809,479
Plus FY 2008 Estimated Transfers to GRF	1,149,619
Total Estimated Sources Available for Expenditure & Transfer	28,426,944
Less FY 2008 Estimated Total Disbursements	26,431,975
Less FY 2008 Estimated Total Encumbrances as of June 30, 2008	448,667
Less FY 2008 Estimated Transfers Out	612,078
Total Estimated Uses	27,492,720
FY 2008 Estimated Ending Fund Balance	$ 934,224

Appendix

Since the publication of the December Governor's Monthly report, the General Ledger for the month of November has been closed. As stated in this report, preliminary disbursement data would be updated once final amounts were available. Final data for November is included in this section.

November

Final GRF disbursements for November totaled $2,310.6 million, which was $57.7 million (2.4%) less than the preliminary data. All categories experienced an increase over the preliminary data, with the exception of Primary, Secondary, and Other Education, due to the allocation of pending payroll to the correct accounts. Final GRF disbursements for Primary, Secondary, and Other Education totaled $626.1 million, which was $52.5 million (7.7%) less than the preliminary data. The variance is a result of timing of the transfer of lottery profits to the Department of Education. The lottery transfer did not take place early enough in the process, so the GRF assumed the full obligation for the foundation funding. Thus, the preliminary expenditures show the entire foundation payment coming out of the GRF. However, once the lottery transfer was processed, the GRF was reimbursed, and the finalized numbers reflect the actual GRF foundation payment.

Final disbursements for November were $7.7 million (0.3%) above the estimate. As previously reported, the November variance is largely the result of under spending in Primary, Secondary, and Other Education and over spending in Higher Education and Public Assistance and Medicaid.

- Final GRF disbursements for Primary, Secondary, and Other Education totaled $626.1 million, which were $52.6 million (7.7%) less than the estimates. This variance is the result of timing of foundation payments.

- Final GRF disbursements for Higher Education totaled $384.2 million, which was $29.1 million (8.2%) above the estimates. The variance is the result of the Ohio College Opportunity Grant disbursements being $28.5 million more than estimated due to payments posting in November that were originally estimated to post in October.

- Final GRF disbursements for Public Assistance and Medicaid totaled $909.0 million, which was $45.9 million (5.3%) above the estimates. The variance is due to higher than expected caseloads, particularly in the ABD eligibility category.

OBM staff that contributed to the development of this report were:

Jim Coons, Penny Rader, Susan Ackerman, Noah Browning, Russ Keller, Tamiyka Koger, Elena Lazarevska, Jessica Levy, David Lipthratt, Matthew Martin, Tracy Nájera, Jeff Newman, Kevin Stockdale, Kurt Kauffman, Steve Mansfield, and Susan Kaderly

FY 2008 VS ESTIMATE FY 2008 VS PRELIMINARY ACTUAL FY 2008 and FINAL ACTUAL FY 2008
ADDENDUM TABLE
GENERAL REVENUE FUND DISBURSEMENTS
($ in thousands)

Functional Reporting Categories Description	NOVEMBER Estimate	NOVEMBER Preliminary	NOVEMBER Final Actual	Preliminary Actual vs Final Actual $ VAR	Preliminary Actual vs Final Actual % VAR	Estimate VS Final Actual $ VAR	Estimate VS Final Actual % VAR
Primary, Secondary and Other Education	678,744	678,614	626,147	(52,467)	-7.7%	(52,597)	-7.7%
Higher Education	355,114	383,711	384,237	526	0.1%	29,123	8.2%
Public Assistance and Medicaid	863,157	900,126	909,008	8,882	1.0%	45,851	5.3%
Health and Human Services	110,454	81,116	108,871	27,755	34.2%	(1,583)	-1.4%
Justice and Public Protection	132,919	45,372	135,958	90,585	199.6%	3,039	2.3%
Environmental Protection and Natural Resources	21,157	16,797	21,413	4,615	27.5%	255	1.2%
Transportation	3,827	5,054	5,177	123	2.4%	1,350	35.3%
General Government	20,914	6,315	17,497	11,182	177.1%	(3,417)	-16.3%
Community and Economic Development	9,917	7,174	8,980	1,807	25.2%	(936)	-9.4%
Tax Relief and Other	106,554	93,253	93,253	0	0.0%	(13,301)	-12.5%
Capital Outlay	150	50	50	0	N/A	(100)	-66.7%
Debt Service	0	0	0	0	N/A	0	N/A
Pending Payroll	0	150,730	0	(150,730)	N/A	0	N/A
Total Expenditures & ISTV's	**2,302,907**	**2,368,311**	**2,310,590**	**(57,721)**	**-2.4%**	**7,683**	**0.3%**