OBM

Ted Strickland
Governor

J. Pari Sabety
Director

April 10, 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

Evidence of the deterioration in the national economy continued to accumulate in March. Total employment decreased for the third month in a row and private sector payrolls fell for the fourth month in a row, as the unemployment rate increased to a new high for this cycle. Growth in personal income and consumer spending has turned down, and consumer confidence has fallen. Manufacturing production decreased in February both nationally and in the Midwest, and reports from purchasing managers indicate further declines occurred in March. Construction activity decreased in February.

Highlights of Economic Performance

- U.S. employment decreased by 80,000 jobs in March, following declines of 76,000 jobs each in the two previous months. Job losses were widespread, occurring in virtually all industries.
- Ohio employment decreased by 11,600 jobs in February, mostly reversing a 13,500 job gain in January.
- The Conference Board's measure of consumer confidence fell by double-digits for the second straight month in March – the first back-to-back double-digit monthly declines since the 2001 recession.
- Manufacturing output fell 0.3% after no change in January, as most categories posted declines and motor vehicle assemblies fell to the lowest level in ten years.

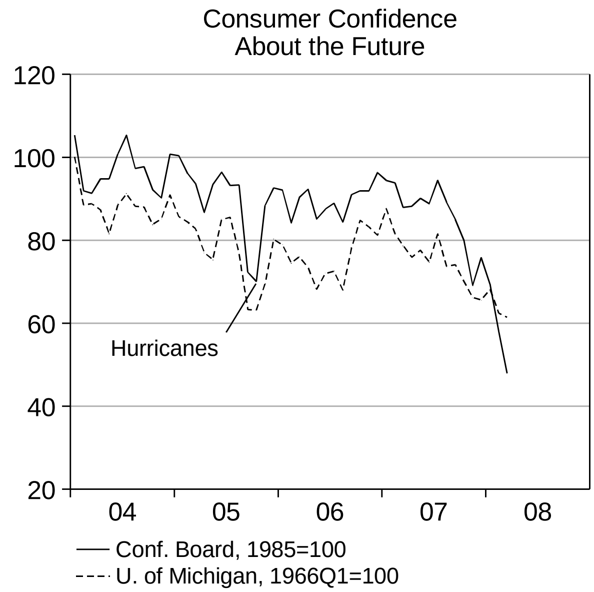
Economic Growth

After the inclusion of updated data, the estimate of fourth quarter real GDP growth remained at 0.6%. The change in inventories was revised to a larger decline, which subtracted more from fourth-quarter growth, but is a positive for early 2008. The absence of an inventory overhang is a key positive in the outlook for the economy, because it means that manufacturers would need to trim production and employment by less than otherwise in response to an economy-wide downturn.

Growth in both consumer spending and exports was revised modestly higher. Growth in business fixed investment was revised moderately lower, as the increases in both nonresidential structures and equipment and software were adjusted higher. Consumer spending and business fixed investment are likely to have slowed in the first quarter, based on monthly data that has already been released.

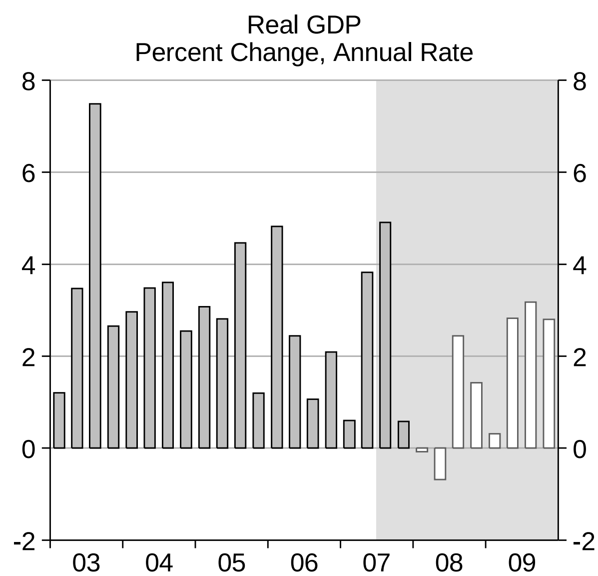
Corporate profits from current production decreased in the fourth quarter for the second consecutive quarter. The declines have been small so far, but this measure of profits excludes the asset write-downs and loan-loss provisions in the financial sector. Combined with weaker profits, falling corporate cashflow will curtail capital spending this year.

The Conference Board's composite index of leading indicators decreased for the fifth consecutive month in February and the sixth out of the last seven months. The six-month smoothed rate of change fell to a level that has been reached only during recessions, except during the severe slowdown of 1966-67.



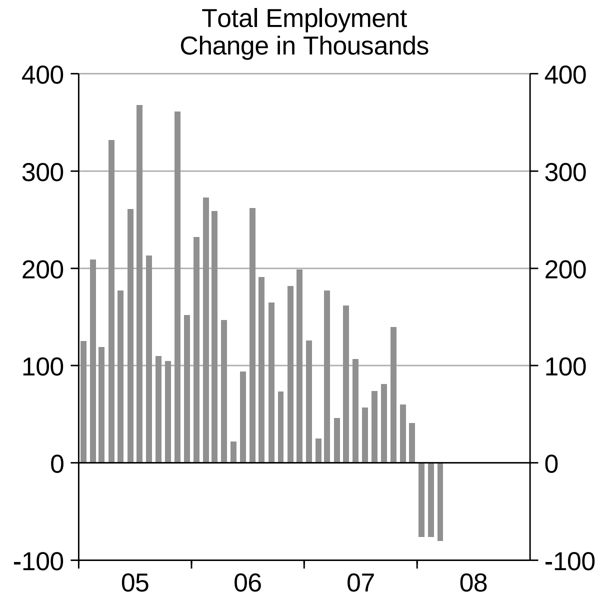
A majority of forecasters have concluded that the economy entered a recession around the turn of the year. The last business cycle downturn of this scale occurred from March to November 2001. By historical standards, that downturn was short and concentrated, with in technology and related industries exhibiting pronounced retrenchment while consumer spending, however never declined over four-quarter spans during that recession.

Global Insight estimates that real GDP contracted at annual rate of 0.1% in the first quarter and will decline by 0.7% in second quarter. Growth is projected to rebound to 2.4% in the third quarter, reflecting fiscal stimulus, before sinking back to 1.4% in the fourth quarter. Monetary policy actions are also expected to positively affect economic growth beginning in the second half. Risks to the outlook include the ongoing effects of falling home prices, high energy prices, and the credit crunch.



Source: Global Insight

Employment



The deterioration in labor markets accelerated in March. **U.S. employment** decreased by 80,000 jobs in March, following declines of 76,000 jobs each in the two previous months. The January and February tallies were revised downward by a total of 67,000 jobs.

The **unemployment rate** increased by 0.3 percentage points to 5.1%. The ranks of the unemployed increased by 434,000 people, even as 225,000 former job seekers stopped looking for work. The unemployment rate has increased by 0.3 percentage points or more from one month to the next on only three brief occasions during the post-war period that did not correspond with recessions. The rate has increased by 0.7 percentage points from its low during the previous twelve months, which has only happened during periods associated with recessions.

Job losses were widespread, occurring in virtually all industries. Private sector payrolls decreased by 98,000 jobs for the fourth consecutive monthly decline. Construction employment decreased by 51,000 jobs, and manufacturing employment fell by 48,000 jobs. Even the usually strong professional and business services sector shed 35,000 jobs due primarily to a drop in employment at temporary help services. Outside of government, which added 18,000 jobs, the only major industries reporting net hiring on the month were education and health services, in the health care area, and leisure and hospitality, in food services.

The length of the workweek increased a bit in March, but not by enough to prevent a 1.1% annualized rate of decline in total hours worked in the first quarter. Average hourly earnings increased 0.3% from February and 3.6% from March 2007, down from the peak for this cycle of 4.3% in December 2006.

Jobless claims spiked higher in late March to 407,000 people, indicating that firms have begun laying off employees in order to reduce their workforces. The claims figure was distorted upward by the effect on seasonal adjustment of the early timing of Good Friday the week before.

Ohio employment decreased by 11,600 jobs in February, mostly reversing a 13,500 job gain in January. The January increase was originally reported as an increase of 18,900 jobs. Employment increased during the twelve months ending in February in educational and health services (+14,500), trade, transportation and utilities (+3,600), and professional and business services (+3,500). Employment levels decreased in manufacturing (-14,300), leisure and hospitality (-4,300), and financial activities (-3,000). Employment in construction, mining and government was little changed on the year.

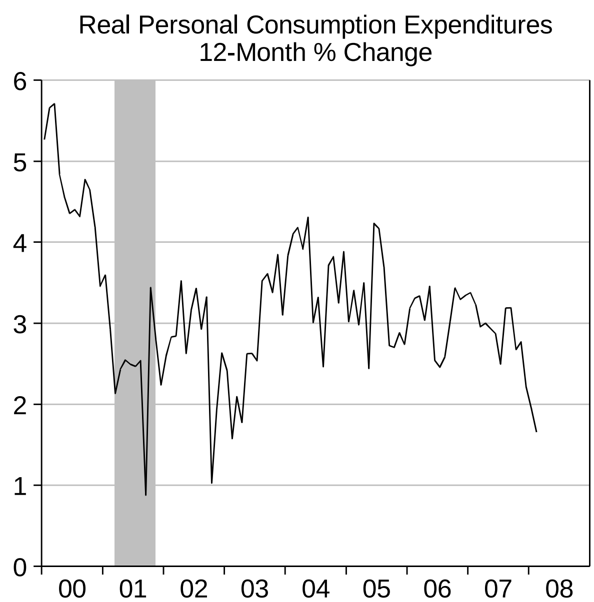
The **Ohio Metropolitan Statistical Areas** that made the largest contributions to statewide employment growth during the past year are Columbus (+11,800), Cincinnati-Middletown (+6,700), and Akron (+2,100). The MSAs that subtracted the most from Ohio employment were Cleveland (-3,900), Toledo (-1,400), Mansfield (-800), and Youngstown-Warren-Boardman (-700).

Kentucky, Indiana, and Pennsylvania led the way in employment growth among **contiguous states** during the twelve months ending in February with gains of 1.0%, 0.4%, and 0.4%, respectively. Employment in Michigan decreased 1.3% from a year ago. Employment fell by 0.1% in both Ohio and West Virginia. In comparison, U.S. employment increased 0.6% during the twelve months ending in February and 0.4% during the twelve months ending in March.

Consumer Income and Consumption

Personal income increased 0.5% in February and 4.6% from a year earlier. For comparison, the year-over-year growth rate was as high as 6.4% last September. Real disposable personal income grew 0.3% in February, but was only 1.3% above the year earlier level, compared with year-over-year growth of 4.0% as recently as last August.

Responding to the flatter trajectory of income, **personal consumption expenditures** grew just 0.1% in February and were unchanged after adjustment for inflation. Compared with a year earlier, real personal consumption expenditures were up by only 1.7% and have weakened appreciably recently.



In response to high and rising gasoline prices, the ongoing financial crisis and the accelerated decline in home prices, **consumer confidence** has deteriorated sharply. The Conference Board's measure of consumer confidence fell by double-digits for the second straight month in March – the first back-to-back double-digit monthly declines since the 2001 recession. Expectations were the bleakest since December 1973, when the economy headed into a deep-freeze that lasted for about a year and a half. Assessments of the labor market were also notably weaker, with respondents saying jobs were hard to get rising to 25.1%.

Retail sales posted a broad-based decline of 0.6% in February. Compared with a year earlier, sales were up only 2.6% – well below the rate of inflation. Weakness during February was especially evident at motor vehicle dealers (-1.9%) and gasoline stations (-1.0%). Excluding cars and gas, retail sales fell 0.1% to only 2.4% above the year earlier level. Sales at housing-related stores were weak, as has been the case for some time. Sales at building supply stores and furniture stores decreased 0.7% and 0.5%, respectively.

Manufacturing

Industrial production fell 0.5% in February and is little changed on balance since last June. Output was up 0.1% in January. The February decline was the first since last October, when the index declined by 0.6%. Compared with a year earlier, industrial production was up just 1.3%.

Manufacturing output fell 0.3% after no change in January, as most categories posted declines and motor vehicle assemblies fell to the lowest level in ten years. Utility output fell by 3.7%. Total capacity utilization fell to 80.4%, its lowest level since the aftereffects of Hurricane Katrina in October 2005.

Midwest industrial production decreased 0.5% in February after an upwardly revised increase of 0.4% in January, according to the Federal Reserve Bank of Chicago. Production declined in the auto, steel, and resource sectors and increased in the machinery sectors. Auto production fell 1.1%, following a 0.7% decline in January. Regional production remains below the June 2007 level.

Surveys of manufacturers indicate that activity has continued to decline in the Northeast since February. The **Philadelphia Fed Manufacturing Index** improved modestly in March due to better reports on shipments, but remained consistent with declining activity. Expectations also improved, but remained slightly negative.

The **Empire State Manufacturing Survey** conducted by the Federal Reserve Bank of New York deteriorated significantly from February to March, falling to the lowest reading in the seven-year history of the survey. Reports of shipments were little changed. Reports of new orders were less negative.

Durable goods orders fell 1.7% in February on top of the 4.7% decline in January. Shipments were also lower during the month. The recent patterns in factory orders and shipments point toward progressively weaker capital spending as 2008 grinds on.

Despite the serious downturn in labor markets, the March report from **purchasing managers** was consistent with a contraction in manufacturing activity, but slow growth in real GDP. The PMI composite index was little changed in March, just below the neutral level of 50. The new orders index, however, fell to a new low for the cycle, and the production index fell back below neutral. Import orders also fell sharply to a long-time low, presumably reflecting weaker domestic demand.

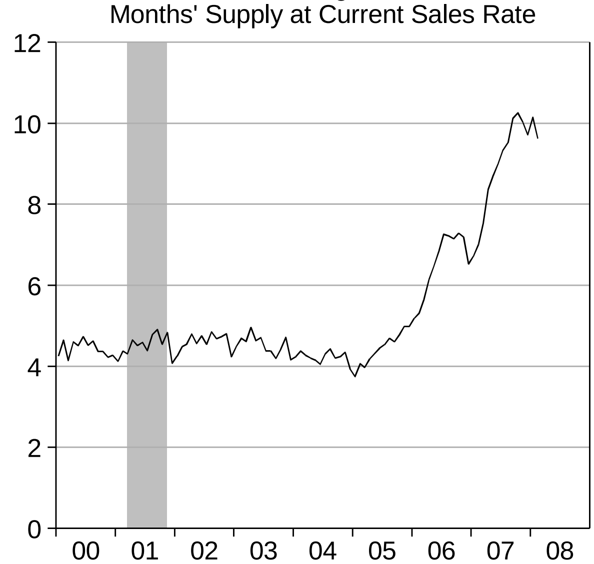
Construction

Construction activity declined again in February for the fifth straight month. Private nonresidential construction fell for the third straight month, in what appears to be the beginning of a trend that was foreshadowed for quite some time by the decay in residential sector construction.

Construction put-in-place fell 0.3% in February. Excluding the volatile residential improvements category, which jumped by approximately 5.0%, construction was down 1.3% following declines of 1.0% in January and 1.7% in December. Construction of single-family houses decreased by more than 5.0% for the third time in the last four months. Single-family housing starts and permits fell 6.7% and 6.2%, respectively, pointing to additional sizable declines in residential construction in the months ahead. Led by falling office construction, private nonresidential construction edged down by 0.1% in February for the third consecutive monthly decline.

Sales of new homes decreased by just 1.8% in February, and the inventory of new unsold homes declined for the twelfth straight month. The number of months' supply of new homes remained at its peak of 9.8. **Sales of existing homes** posted a modest gain of 2.9% in February, with gains in all regions except the west. The inventory of unsold existing homes shrank to 4.034 million, or 9.6 months' supply at the February selling pace.

New and Existing Home Sales
Months' Supply at Current Sales Rate



REVENUES AND DISBURSEMENTS

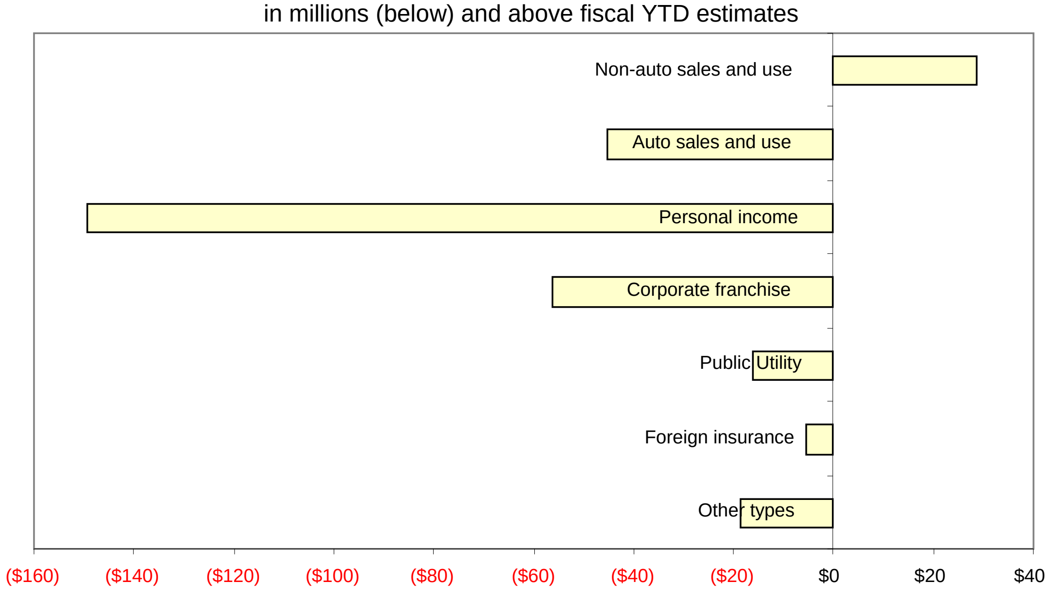
This report contains the most recent data available on GRF revenues and disbursements for March 2008. Final data for March will be available when the General Ledgers is closed for the month in the Ohio Administrative Knowledge System (OAKS.) As General Ledgers are closed for past months, notice will be made in a General Ledger Appendix to this report. This month's appendix contains final information for January and February 2008.

FY 2008 Year-to-Date Highlights

- Through March, GRF tax receipts are below estimate by $262.4 million (1.9%).
  - ✓ See **Table 1** – GRF Receipts: Preliminary Actual FY 2008 vs. Estimate
- Tax receipts increased $59.7 million (0.4%) compared to FY 2007.
  - ✓ See **Table 2** – GRF Receipts: Preliminary Actual FY 2008 vs. FY 2007
- GRF uses, including pending payroll & transfers, are below estimate by $375.6 million (1.8%).
  - ✓ See **Table 3** – GRF Disbursements: Preliminary Actual FY 2008 vs. Estimate
- Excluding transfers out, GRF uses were $717.6 million (3.8%) above last year's level.
  - ✓ See **Table 4** – GRF Disbursements: Preliminary Actual FY 2008 vs. FY 2007

Ohio's **March GRF tax receipts** totaled $1,409.0 million, which was $110.7 million below the estimate. This results in a total year-to-date variance of $262.4 million through March 31st. The personal income tax category continues to comprise the greatest share of this shortfall ($149.5 million.) The exhibit below provides a summary of the aggregate variance.

Year-To-Date GRF Receipts: Actual to Estimate
Variance by Type through March 2008
in millions (below) and above fiscal YTD estimates



In reviewing the year-to-date GRF tax receipts, non-auto sales & use is the only category of note that is performing significantly higher than estimate ($14.7 million); however, note that this is only 0.3% above estimate on a percentage basis, and the positive variance has declined more than $40 million since last month.

GRF non-tax receipts include items such as federal grants, investment interest and revenue from licenses & fees. For the month of March, non-tax receipts were $247.4 million below estimate (52.7%.) The year-to-date receipts are $214.2 million below estimate (4.6%.) The largest year-to-date variance in GRF non-tax receipts is a $212.0 million variance in federal grants, which is related in large part to a timing issue: the monthly Medicaid managed care payment was made very close to the end of March and the revenue was received in April instead of March as planned. The year-to-date information in the next monthly report will contain the receipt of this federal reimbursement.

The second-largest variance in GRF non-tax receipts is a $36.4 million variance in earnings on investments, and stemming 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.

Total GRF sources include both tax and non-tax receipts as well as transfers. To summarize the year-to-date status regarding receipts: total GRF sources are $517.1 million below estimate (2.7%.) The majority of this variance is related to a shortfall in tax receipts ($262.4 million) and the timing issue related to federal grants ($212.0 million.)

For the month of March, **GRF total uses** were $24.1 million (1.1%) above estimate. Year-to-date GRF total uses were below estimate by $372.7 million (1.8%). With the exception of Justice and Public Protection, all spending categories used less than expected through the first nine months of the fiscal year. Please reference Table 3 as well as the category-specific narratives for more information. Table 4 contains a comparison of FY 2007 vs. FY 2008 disbursements by spending category.

Variance Summary

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 March and for FY 2008 year-to-date.

General Revenue Fund ($ in millions)	March Variance		FY 2008 Variance	
Revenues				
Tax Receipts	($110.7)	(7.3%)	($262.4)	(1.9%)
All Sources	($371.1)	(18.4%)	($517.1)	(2.7%)
Total Uses (Including Transfers)	$24.1	1.1%	($411.8)	(2.0%)

An appendix item contains the revised revenue information related to budget recalibration as a reference. This report will continue to tie to the HB 119 revenue estimates.

Notes Regarding the FY 2008 Budget Recalibration

- **Revenues** – On February 20, 2008, OBM released Budget Directive #2: Revised Revenue Estimates FY 08 and FY 09. This directive indicated that future Monthly Financial Reports will include an Appendix that illustrates revised revenue estimates in light of the Administration's budget recalibration activities. While the Monthly Financial Report will continue to use HB 119 appropriations as a benchmark, the additional appendix information is available for your reference as well (shown in Table 1A). This practice will continue through the end of the biennium.

- **FY 08 Disbursements** – For the remaining months of FY 2008, the Administration's budget recalibration plan will be referenced each month in the narrative disbursement section of this report to the extent that the recalibration has a discernable impact on the disbursement patterns of a spending category. The specific FY 2008 disbursement estimates for each appropriation line item will not be revised as a result of recalibration activities.

- **FY 09 Disbursements** – OBM anticipates that FY 09 disbursement estimates will reflect the recalibrated budget figures rather than the HB 119 appropriations; thus, narratives in the Monthly Financial Reports will describe actual spending relative to the recalibrated budget estimates throughout the entire fiscal year.

REVENUES

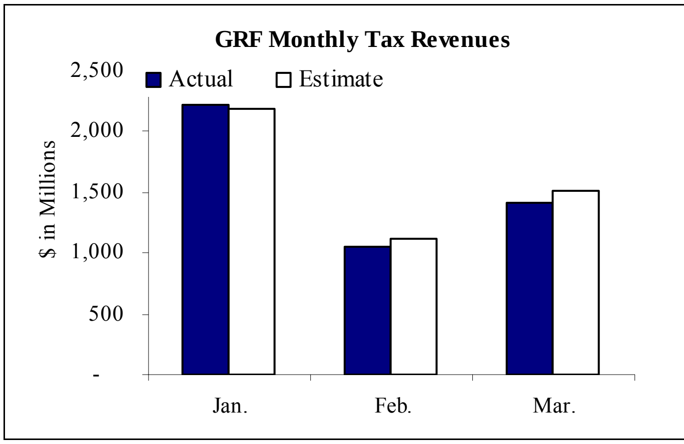
During the month of March**, GRF tax receipts** totaled $1,409.0 million, which was $110.7 million, or 7.3% below estimate, while total GRF revenues were $358.1 million or 18.0% below estimate. As a result of this monthly negative variance, tax receipts for the fiscal year to date are now are $262.4 million below the estimate (1.9%), while total GRF revenues are $476.6 million below the estimate (-2.6%). In addition to the decidedly negative performance of the personal income tax during the month, the performance of the other individual major tax sources was also negative, as the auto sales, non-auto sales, corporate franchise, and cigarette taxes all experienced negative variances.

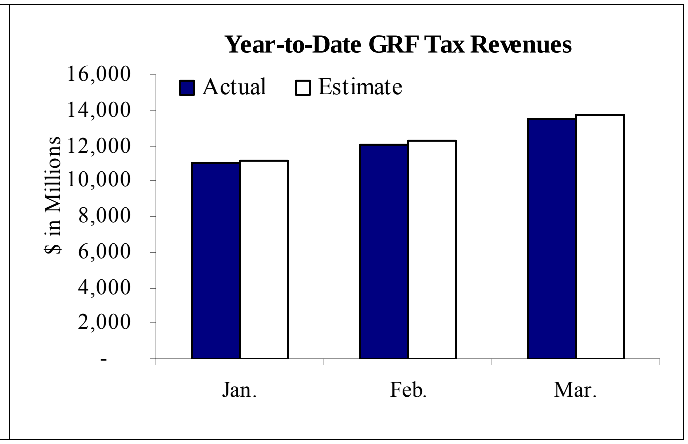
The personal income tax fell below the original H.B. 119 estimates in March for the fifth month in a row, as the March shortfall was $31.2 million, or 6.3%, following shortfalls of $82.1 million in November, $7.7 million in December, $20.6 million in January, and $50.4 million in February. The March income tax shortfall was again due to below estimated performance in withholding and greater than expected refunds. Specifically, withholding was $9.7 million below estimate, while refunds exceeded estimate by $42.6 million. A portion of the negative impact of withholding and refunds was offset by a better than expected performance in payments from annual returns.

After exceeding estimates in both January and February, the corporate franchise tax was below estimate by $20.5 million (8.7%) in March and increased the pre-existing shortfall for the year-to-date to $56.1 million. As in previous years, predicting March and April revenues for the franchise tax is difficult because the second of three payments that are supposed to sum to the corporation's liability – is due March 31. The split of the revenues between March and April 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.

Following a positive performance in January and a slightly negative performance in February, non-auto sales tax receipts posted a large negative variance in March of $42.4 million (8.2%). Adding to the negative variance posted by the non-auto sales tax, the auto sales tax was also significantly below estimate by $21.3 million. As a result of the decidedly negative performance in March, the year-to-date positive variance for the non-auto sales tax was eroded considerably and may be starting to reflect negative economic reports on retail sales, consumer confidence, home sales, employment, and consumer credit.

Cigarette tax receipts also posted another negative performance in March of $1.4 million (1.8%). While the shortfall of $1.4 million in March was down from the $9.9 million and $7.5 million shortfalls experience in December and January respectively, it still increased the negative year-to-date performance of the tax to $8.4 million.





GRF non-tax receipts were $247.4 million below estimate during the month of March (52.7%) primarily as a result of the timing of the receipt of federal grants and a delay in the posting of earnings on investments. This monthly variance created a year-to-date negative variance of $214.2 million (4.6%), most of which is attributable to the March shortfall of $212.0 million in federal grants. As mentioned above, in addition to the March shortfall on federal grants, a delay in the posting as third quarter investment earnings resulted in a negative variance of $36.4 million. Although the Treasury has timely reported the state's total investment earnings for the third quarter, and these figures have been processed and recorded, the earnings distribution process has not yet been completed. 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 December the distribution of these earnings were slightly below estimate by ($1.9 million, or 2.2%). The continued overage in the "Other Income" category is the result of money from Unclaimed Funds being collected earlier than expected.

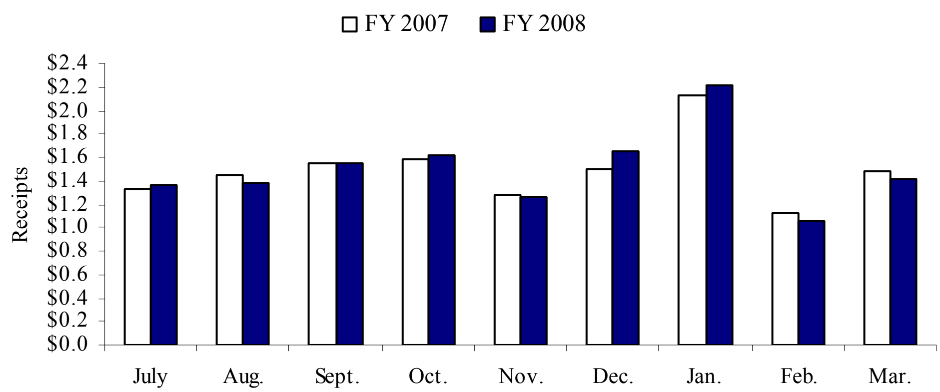
GRF Transfers

As was also the case in February, GRF transfers for the month of March were $13.1 million below estimate as a result of an error in the original OBM monthly revenue estimate that included a $13.1 million permanent transfer from excess Commercial Activity Tax receipts to the GRF. In reality, to the extent that excess revenue is realized from the CAT, those funds may not be transferred to the GRF sooner than June 15th. As part of the revised monthly revenue estimates that OBM generated in response to Budget Directive #2 issued on February 20th, monthly transfer estimates will be adjusted to reflect the error in the original estimates.

Without the error in the monthly estimate related to the CAT transfer and the timing issue with federal grants and the posting of earnings on investments, total year-to-date GRF receipts would be very close to the year-to-date variance in GRF tax receipts, as GRF tax revenues are $262.4 million below estimate, while GRF revenues from all sources would be $253.6 million below estimate.

On a **year-over-year basis**, through March, GRF tax receipts have increased by $59.7 million (0.4%) from FY 2007 receipts. Total GRF receipts through March show slightly less growth than GRF tax revenues, due primarily to the timing of posting earnings on investments for the third quarter. Total GRF sources through March are $421.4 million above FY 2007 levels, or 2.3%. As stated above, $59.7 million of this variance is in tax receipts. Of the remaining $361.7 million in growth, $306.6 million is from temporary transfers, as they have grown by 191.3% from their FY 2007 levels.

FY 2007 - FY 2008 GRF Tax Revenue Comparison by Month
($ in billions)



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	$14.7	Auto Sales Tax	($31.1)
Kilowatt Hour Tax	$1.8	Personal Income Tax	($149.5)
Other Income	$27.8	Corporate Franchise Tax	($56.1)
Liquor Transfers	$5.0	Public Utility Excise Tax	($16.3)
		Foreign Insurance Tax	($5.4)
		Earnings on Investments	($38.3)
		Cigarette Tax	($8.4)
		Estate Tax	($10.2)
		Federal Grants	($200.9)
		Transfers In – Other	($45.5)
		ISTV	($1.9)
		Other Sources Below Estimate	($2.7)
Total above	**$49.3**	**Total below**	**($566.3)**

Non-Auto Sales and Use Tax

For the second consecutive month following the month of January during which non-auto sales tax receipts were $27.1 million above estimate, the non-auto sales and use tax was again under the estimate by $42.4 million in the month of March. Despite this decline however, this tax source has generated higher than expected revenues in five of the first nine months of the fiscal year as receipts for the year-to-date are still over estimate by $14.7 million. Following the losses experienced during the months of February and March and adjusting for changes to how Local Government Fund contributions are determined the non-auto sales tax has now declined by about one percent compared to FY 2007. As discussed in previous monthly reports, economists at OBM and the Department of Taxation had been skeptical as to whether the growth that had been occurring in the non-auto sales tax could be maintained given the amount of bad news regarding retail sales, jobless claims, and consumer credit. Given the performance of this tax source during the last two months, we could be beginning to see the impact of the bad news in the economy on Ohio consumer spending.

In addition to the year-to-date surplus being reduced by the performance of this tax source in February and March, OBM is also making an adjustment to prior months of about $10.7 million in order to correct a coding issue with OAKS whereby motor vehicle purchases by nonresidents were incorrectly coded to the non-auto sales tax. As a result of this, there is also a corresponding correction to the auto sales tax.

Auto Sales Tax

Following the month of January and February where it exceeded estimates by $3.6 million and $2.2 million respectively, auto sales tax collections in March were $20.5 million below estimate, driving the year-to-date negative variance to $33.1 million. This reversed a trend in recent months that had seen the tax source stabilize after a terrible first quarter, in which auto sales tax revenues were $20.8 million below estimate. In previous reports, OBM has indicated that the short run outlook for this tax to remain 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. But the performance during the month of March was worse than anticipated as collections were significantly lower than in any March since 2003.

Personal Income Tax

Income tax revenues were $31.2 million below estimate in March, increasing the year-to-date negative variance to $149.5 million. This shortfall was driven primarily by a combination of greater than expected refunds and lower than estimated monthly withholding. Specifically, refunds during the month of March exceeded estimates by $42.5 million, while monthly withholding fell short of estimates by $9.7 million. While greater than expected payments from annual returns reduced part of the negative variance, it was not enough to erase it entirely.

While the issue with refunds is expected to correct itself during the remainder of FY 2008, March marks the fourth time in the last five months and the third consecutive month that withholding was below estimate. Specifically, during the first quarter of calendar year 2008, adjusting for withholding rate cuts, year-over-year growth in withholding was 2.7 percent, a significant slowdown from earlier in the fiscal year. One factor behind this low growth is the spike in withholding in the first quarter of 2007 attributed to auto sector buyouts. However, even after adjusting for the buyouts, baseline growth was only 3.4 percent for the quarter. Given the state of the labor market, OBM and the Department of Taxation will continue to monitor this component of the tax closely.

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 the Department of Taxation 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 change.

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

FY 2008 PERSONAL INCOME TAX RECEIPTS BY COMPONENT ($ in millions)

	ESTIMATE MARCH	ACTUAL MARCH	$ VAR MARCH	ESTIMATE Y-T-D	ACTUAL Y-T-D	$ VAR Y-T-D
Withholding	$654.8	$645.1	($9.7)	$5,951.8	$5,937.5	($14.3)
Quarterly Est.	$18.7	$19.1	($0.4)	$1,083.6	$1,065.7	($17.9)
Trust Payments	$1.7	$1.6	($0.1)	$35.4	$39.0	$3.6
Annual Returns & 40 P	$53.5	$84.7	$31.2	$214.9	$256.5	$41.6
Other	$14.7	$8.7	($6.0)	$66.8	$58.1	($9.3)
Less: Refunds	($202.6)	($245.1)	($42.5)	($727.9)	($873.7)	($145.8)
Local Distr.	($43.7)	(48.1)	($4.4)	($510.9)	($518.9)	($8.0)
Net to GRF	**$497.1**	**$465.9**	**($31.2)**	**$6,113.7**	**$5,964.2**	**($150.1)**

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. These 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.

As with the January payment, what is more important than March collections alone is the sum of March and April collections. For the month of March, Corporate Franchise Tax receipts were $216.0 million, or $20.5 million below estimate, increasing the year to date negative variance to $56.1 million. The shortfall in March was somewhat unexpected given the strength of the first payment the January-February timeframe and may be the result of timing, as the first few days of April have been fairly strong.

Commercial Activity Tax

In FY 2008, receipts from the Commercial Activity Tax are distributed to non-GRF funds to reimburse 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. Adding to the negative variance in receipts in January and February of $14.0 million below the estimate, receipts for the month of March were $1.4 million below the estimate, thereby increasing the year-to-date negative variance to $17.5 million.

The shortfall in the CAT appears to be the result of both somewhat slower than expected overall economic growth and slightly less revenue gain than expected from the expiration of the CAT exemption for motor fuel. Based on the slightly negative performance during the month of March, it appears unlikely that the CAT will make up the year-to-date shortfall in the final payment of the fiscal year that is day May 10th.

Cigarette Tax

Cigarette tax receipts posted another shortfall in March. As in February, while the shortfall of $1.4 million in March was down from the $9.9 million and $7.5 million shortfalls experienced in December and January respectively, it further increased the negative year-to-date performance of the tax to $8.4 million and is another indication that the tax could be experiencing a downward trend.

Public Utility Tax

During the month of March the public utility tax generated $742,000, which was above estimate by $542,000. Despite this positive variance however, it was not nearly enough to make up for the negative variance of $40.8 million in February, which was attributed primarily to a relatively mild fall and less than anticipated natural gas consumption, contributed to increase the year-to-date negative variance to $16.3 million (14.8%).

Foreign Insurance Tax

As expected, foreign insurance tax receipts for the month of March were $7.8 million above the estimate of $77.8 million (11.2%) and made up for the negative variance recorded during the month of February. For the year-to-date, the negative variance for this tax nearly decreased to $5.4 million (1.9%).

Table 1*

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

REVENUE SOURCE	Month ACTUAL MARCH	ESTIMATE MARCH	$ VAR	% VAR	Year-to-Date ACTUAL Y-T-D	ESTIMATE Y-T-D	$ VAR	% VAR
TAX RECEIPTS								
Non-Auto Sales & Use	477,089	519,500	(42,411)	-8.2%	5,028,775	5,014,100	14,675	0.3%
Auto Sales & Use	69,622	90,900	(21,278)	-23.4%	672,326	703,455	(31,129)	-4.4%
Subtotal Sales & Use	546,711	610,400	(63,689)	-10.4%	5,701,101	5,717,555	(16,454)	-0.3%
Personal Income	465,875	497,100	(31,225)	-6.3%	5,964,248	6,113,700	(149,452)	-2.4%
Corporate Franchise	215,997	236,500	(20,503)	-8.7%	494,741	550,800	(56,059)	-10.2%
Commercial Activity Tax	0	0	0	N/A	0	0	0	N/A
Public Utility	742	200	542	271.1%	94,020	110,300	(16,280)	-14.8%
Kilowatt Hour	16,587	18,000	(1,413)	-7.8%	210,854	209,100	1,754	0.8%
Foreign Insurance	77,816	70,000	7,816	11.2%	272,305	277,700	(5,395)	-1.9%
Domestic Insurance	1	400	(399)	N/A	434	1,200	(766)	-63.8%
Other Business & Property Tax	0	0	0	N/A	393	840	(447)	-53.2%
Cigarette	76,957	78,400	(1,443)	-1.8%	654,158	662,600	(8,442)	-1.3%
Soft Drink	0	0	0	N/A	0	0	0	N/A
Alcoholic Beverage	5,024	4,600	424	9.2%	42,342	42,600	(258)	-0.6%
Liquor Gallonage	2,680	2,600	80	3.1%	26,318	26,800	(482)	-1.8%
Estate	622	1,500	(878)	-58.5%	31,648	41,800	(10,152)	-24.3%
Horse Racing	0	0	0	N/A	0	0	0	N/A
Total Tax Receipts	1,409,013	1,519,700	(110,687)	-7.3%	13,492,562	13,754,995	(262,433)	-1.9%
NON-TAX RECEIPTS								
Federal Grants	207,061	419,090	(212,029)	-50.6%	4,248,471	4,449,408	(200,937)	-4.5%
Earnings on Investments	0	36,400	(36,400)	N/A	83,073	121,400	(38,327)	-31.6%
License & Fees	8,487	9,200	(713)	-7.8%	59,788	60,544	(756)	-1.2%
Other Income	4,770	4,250	520	12.2%	67,375	39,594	27,781	70.2%
ISTV'S	1,542	300	1,242	414.1%	10,484	12,410	(1,926)	-15.5%
Total Non-Tax Receipts	221,860	469,240	(247,380)	-52.7%	4,469,191	4,683,356	(214,165)	-4.6%
TOTAL REVENUES	1,630,873	1,988,940	(358,067)	-18.0%	17,961,753	18,438,351	(476,598)	-2.6%
TRANSFERS								
Budget Stabilization	0	0	0	N/A	0	0	0	N/A
Liquor Transfers	12,000	12,000	0	0.0%	128,000	123,000	5,000	4.1%
Transfers In - Capital Reserve	0	0	0	N/A	0	0	0	N/A
Transfers In - Other	0	13,060	(13,060)	-100.0%	56,810	102,320	(45,510)	-44.5%
Temporary Transfers In	0	0	0	N/A	466,800	466,800	0	N/A
Total Transfers	12,000	25,060	(13,060)	-52.1%	651,610	692,120	(40,510)	-5.9%
TOTAL SOURCES	1,642,873	2,014,000	(371,127)	-18.4%	18,613,364	19,130,471	(517,107)	-2.7%

***Amounts will be finalized once the general ledger is closed for March.**

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	477,089	480,805	(3,716)	-0.8%	5,028,775	4,858,831	169,944	3.5%
Auto Sales & Use	69,622	82,492	(12,870)	-15.6%	672,326	657,142	15,184	2.3%
Subtotal Sales & Use	546,711	563,297	(16,586)	-2.9%	5,701,101	5,515,974	185,127	3.4%
Personal Income	465,875	497,230	(31,356)	-6.3%	5,964,248	5,800,997	163,251	2.8%
Corporate Franchise	215,997	233,470	(17,473)	-7.5%	494,741	705,454	(210,713)	-29.9%
Commercial Activity Tax	0	0	0	N/A	0	0	0	N/A
Public Utility	742	(1,576)	2,318	-147.1%	94,020	103,665	(9,645)	-9.3%
Kilowatt Hour	16,587	25,341	(8,754)	-34.5%	210,854	252,263	(41,409)	-16.4%
Foreign Insurance	77,816	79,962	(2,145)	-2.7%	272,305	269,270	3,035	1.1%
Domestic Insurance	1	(129)	130	-101.0%	434	107	327	305.4%
Other Business & Property Tax	0	(197)	197	-100.0%	393	472	(79)	-16.7%
Cigarette	76,957	76,294	663	0.9%	654,158	682,898	(28,740)	-4.2%
Soft Drink	0	0	0	N/A	0	0	0	N/A
Alcoholic Beverage	5,024	4,543	482	10.6%	42,342	41,941	400	1.0%
Liquor Gallonage	2,680	2,518	162	6.4%	26,318	25,801	518	2.0%
Estate	622	382	240	62.8%	31,648	34,032	(2,384)	-7.0%
Horse Racing	0	0	0	N/A	0	0	0	N/A
Total Tax Receipts	1,409,013	1,481,136	(72,123)	-4.9%	13,492,562	13,432,874	59,689	0.4%
NON-TAX RECEIPTS								
Federal Grants	207,061	454,702	(247,641)	-54.5%	4,248,471	4,153,498	94,973	2.3%
Earnings on Investments	0	38,342	(38,342)	N/A	83,073	130,656	(47,583)	-36.4%
License & Fee	8,487	6,854	1,633	23.8%	59,788	58,952	836	1.4%
Other Income	4,770	3,739	1,031	27.6%	67,375	92,393	(25,018)	-27.1%
ISTV'S	1,542	43	1,499	3463.3%	10,484	12,320	(1,836)	-14.9%
Total Non-Tax Receipts	221,860	503,680	(281,820)	-56.0%	4,469,191	4,447,819	21,372	0.5%
TOTAL REVENUES	1,630,873	1,984,815	(353,943)	-17.8%	17,961,753	17,880,693	81,060	0.5%
TRANSFERS								
Budget Stabilization	0	0	0	N/A	0	0	0	N/A
Liquor Transfers	12,000	10,000	2,000	20.0%	128,000	105,000	23,000	21.9%
Transfers In - Capital Reserve	0	0	0	N/A	0	0	0	N/A
Transfers In - Other	0	0	0	N/A	56,810	46,055	10,756	23.4%
Temporary Transfers In	0	12,700	(12,700)	N/A	466,800	160,250	306,550	191.3%
Total Transfers	12,000	22,700	(10,700)	-47.1%	651,610	311,304	340,306	109.3%
TOTAL SOURCES	1,642,873	2,007,515	(364,643)	-18.2%	18,613,364	18,191,997	421,366	2.3%

***Amounts will be finalized once the general ledger is closed for March.**

Table 1A*

REVISED GENERAL REVENUE FUND RECEIPTS
PRELIMINARY ACTUAL FY 2008 VS ESTIMATE FY 2008
($ in thousands)

REVENUE SOURCE	Month ACTUAL MARCH	Month REVISED MARCH	Month $ VAR	Month % VAR	Year-to-Date ACTUAL Y-T-D	Year-to-Date REVISED Y-T-D	Year-to-Date $ VAR	Year-to-Date % VAR
TAX RECEIPTS								
Non-Auto Sales & Use	477,089	500,000	(22,911)	-4.6%	5,028,775	5,061,778	(33,003)	-0.7%
Auto Sales & Use	69,622	86,000	(16,378)	-19.0%	672,326	672,463	(137)	0.0%
Subtotal Sales & Use	546,711	586,000	(39,289)	-6.7%	5,701,101	5,734,241	(33,140)	-0.6%
Personal Income	465,875	501,500	(35,625)	-7.1%	5,964,248	6,050,239	(85,991)	-1.4%
Corporate Franchise	215,997	220,400	(4,403)	-2.0%	494,741	496,687	(1,947)	-0.4%
Commercial Activity Tax	0	0	0	N/A	0	0	0	N/A
Public Utility	742	0	742	N/A	94,020	100,970	(6,949)	-6.9%
Kilowatt Hour	16,587	17,000	(413)	-2.4%	210,854	210,817	37	0.0%
Foreign Insurance	77,816	70,000	7,816	11.2%	272,305	271,482	824	0.3%
Domestic Insurance	1	600	(599)	-99.8%	434	1,333	(898)	-67.4%
Other Business & Property Tax	0	0	0	N/A	393	396	(2)	-0.6%
Cigarette	76,957	80,000	(3,043)	-3.8%	654,158	658,553	(4,395)	-0.7%
Soft Drink	0	0	0	N/A	0	0	0	N/A
Alcoholic Beverage	5,024	5,000	24	0.5%	42,342	42,905	(563)	-1.3%
Liquor Gallonage	2,680	2,700	(20)	-0.7%	26,318	26,484	(165)	-0.6%
Estate	622	1,000	(378)	-37.8%	31,648	32,025	(378)	-1.2%
Horse Racing	0	0	0	N/A	0	0	0	N/A
Total Tax Receipts	1,409,013	1,484,200	(75,187)	-5.1%	13,492,562	13,626,130	(133,568)	-1.0%
NON-TAX RECEIPTS								
Federal Grants	207,061	419,090	(212,029)	-50.6%	4,248,471	4,458,554	(210,083)	-4.7%
Earnings on Investments	0	36,400	(36,400)	N/A	83,073	81,390	1,683	2.1%
License & Fees	8,487	9,200	(713)	-7.8%	59,788	64,714	(4,926)	-7.6%
Other Income	4,770	4,250	520	12.2%	67,375	67,054	321	0.5%
ISTV'S	1,542	300	1,242	414.1%	10,484	8,151	2,333	28.6%
Total Non-Tax Receipts	221,860	469,240	(247,380)	-52.7%	4,469,191	4,679,863	(210,672)	-4.5%
TOTAL REVENUES	1,630,873	1,953,440	(322,567)	-16.5%	17,961,753	18,305,993	(344,240)	-1.9%
TRANSFERS								
Budget Stabilization	0	0	0	N/A	0	0	0	N/A
Liquor Transfers	12,000	12,000	0	0.0%	128,000	127,000	1,000	0.8%
Transfers In - Capital Reserve	0	0	0	N/A	0	0	0	N/A
Transfers In - Other	0	360	(360)	-100.0%	56,810	57,512	(702)	-1.2%
Temporary Transfers In	0	0	0	N/A	466,800	466,800	0	N/A
Total Transfers	12,000	12,360	(360)	-2.9%	651,610	651,312	298	0.0%
TOTAL SOURCES	1,642,873	1,965,800	(322,927)	-16.4%	18,613,364	18,957,306	(343,942)	-1.8%

***Amounts will be finalized once the general ledger is closed for March.**

DISBURSEMENTS

GRF disbursements for March, including pending payroll and transfers out of the GRF, totaled $2,162.7 million, which was $24.1 million (1.1%) above the estimate. Through the first nine months of FY 2008, GRF disbursements totaled $19,784.7 million, which was $372.7 million (1.8%) under the estimate. Adjusting for transfers out of the GRF, year-to-date expenditures increased 3.8% compared to last year.

GRF disbursements are reported according to functional reporting categories. Significant variances between FY 2008 actual disbursements and estimates are provided within these reporting categories:

Primary, Secondary, and Other Education

March disbursements in Primary, Secondary, and Other Education were $661.6 million, which was $117.7 million (21.6%) above estimate. Year-to-date disbursements were $5,256.3 million, representing a variance of $151.7 million (2.8%) under the estimate.

Disbursements in March for the Department of Education totaled $601.7 million, which is $7.9 million (1.3%) above the estimated for the month. This amount reflects an adjustment of $57 million due to delays with posting of transfers from the Lottery fund. The variance is caused by posting of expenditures that have been delayed from previous months in ALI 200-511 (Auxiliary Services), 200-514 (Postsecondary Adult Career-Tech), and 200-503 (Bus Purchase Allowance). For the fiscal year to date, disbursements are $5,526.7 million, or $262.5 million (4.5%) below the estimate. The year-to-date variance is primarily driven by under-spending in 200-550 (Foundation Funding) and 200-901 (Property Tax Allocation.)

Higher Education

March disbursements for Higher Education were $177.8 million, representing a variance of $38.7 million (17.9%) below the estimate for the month. Year-to-date disbursements were $1,921.5 million, representing a variance totaling $99.5 million (4.9%) below the estimate. Disbursements for the Ohio College Opportunity Grant (OCOG) and Ohio Instructional Grant (OIG) were $23.4 million less than estimated for the month as a result of underspending due to a pending transfer of appropriation between the OCOG and OIG appropriation line items. Additionally, Choose Ohio First scholarship, Ohio Research Scholars, and James A. Rhodes scholarship distributions for the month were $15.50 million less than estimated. Disbursements will not be made from these programs until fiscal year 2009.

Public Assistance and Medicaid

March GRF disbursements for Public Assistance and Medicaid, which includes all spending in the Department of Job and Family Services (JFS), were $832.3 million, representing a variance of $14.2 million (1.7%) below the estimate for the month. Year-to-date disbursements were $8,261.7 million, representing a variance of $14.9 million (0.2%) below the estimate.

Medicaid

Medicaid GRF disbursement in March totaled $759.5 million, which was $6.5 million above estimate. Year-to-date Medicaid GRF disbursements totaled $7,508.1 million, which was $18.8 million above estimate.

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 collection 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 $966 million for the month of March, which was over estimate by $5.6 million (0.6%). Year-to-date Medicaid disbursements totaled $8,384.4 million, which was $10.4 million (0.1%) above estimate.

Caseloads

Medicaid caseloads continue to exceed the estimate for the eighth consecutive month. Year-to-date, there are 45,200 more Medicaid eligible than there was at the beginning of this fiscal year. Through February (the most recent data available), Medicaid enrollment totaled 1.77 million enrollees, which was 26,800 or 1.54% 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 the Aged Blind and Disabled (ABD), represent 25% of the caseload.

Currently there are over 21,600 more eligible in the Covered Children and Families (CFC) category than expected. Enrollment in the Healthy Families Expansion category continues to drive this increase, to date enrollment in this category has exceeded estimates by 17,650 or 11.5%. To be eligible for the Healthy Families Expansion, parents must be at or below 90% of the federal poverty level and children must be at or below 133% of the federal poverty level (FPL). Higher than projected growth in the Healthy Families Expansion category and lower than projected growth in the higher income categories are consistent with the downturn in Ohio's economic picture.

Aged Blind and Disabled (ABD) caseloads also continue to exceed the estimate. Through February, caseloads were over by 1.2% or 5,200 eligible. 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 cost average $1,328 and CFC per member per month costs average $217)

Expenditures

H.B. 119 estimates assumed that rate increases for hospitals, community providers and several expansions would begin January 1, 2008. Due to higher-than-expected caseloads, the Administration has taken the initiative to effectively manage the costs associated with the unexpected accelerated increase in caseloads and unrealized cost containment measures by delaying the implementation of provider rate increases and program expansions. Increased caseloads, unrealized cost containment measures, net of the delayed implementation of initiatives contained in Am. Sub. H.B. 119 is expected to increase GRF need by $132.4 million in FY 2008.

It is important to note that while the Administration made the above-mentioned decisions; year-to-date Medicaid expenditures across all funds are above projection by $10.4 million. A significant variance in the Medicaid budget year-to-date has been inpatient and outpatient hospitals, spending continues to exceed estimates by $204 million.

Higher-than-expected caseloads, particularly in the ABD eligibility categories not eligible for managed care that has increased spending in these categories. However, lower than projected expenditures in ABD and CFC Managed Care of $148.4 million (-12.7%) and 14.1 million (-.7%) has assisted in offsetting the significant variance in the inpatient and outpatient hospital categories.

Another category of spending that has assisted in offsetting the significant variance in hospitals is nursing homes. Coding changes that have occurred in the post direct bill environment have lead to different trends in cost that are now captured in the "all other" category in the Medicaid disbursement report. Most of the variance can be offset by the variance in the "all other" category.

It should also be noted that changes to the National Provider Identifier (NPI) in June 2007, 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 resulting in a one-time increase in FY 2008.

Non-Medicaid

In March, JFS non-Medicaid disbursements totaled $72.8 million, producing a variance of $18.3 million (20.1%) below the estimate. For the year-to-date, JFS non-Medicaid disbursements totaled $749.3 million, producing a variance of $29.3 million (3.8%) below the estimate.

- Spending in the TANF line item was under estimate by $15.4 million (30%). This is attributable to over spending in January and February and lower than anticipated county advances for Prevention, Retention, and Contingency services.

- Spending in the adoption assistance line item is approximately $1.3 million over estimate. This is primarily attributable to under-spending in February due to a posted adjustment. The adjustment was on IV-E adoption assistance payments that were incorrectly coded during the first half of the fiscal year. At the beginning of the fiscal year coding between federal and state funds was incorrectly set up on the IV-E adoption assistance payments. For the year-to-date, disbursements are $1.9 (3.3%) under estimate.

- Spending in the entitlement administration is $5.2 million under estimate. This is primarily attributable to the timing of county requests for funding. For the year to date, disbursements are $16.9 million (13.3%) under estimate.

Health and Human Services

March disbursements totaled $79.8 million, which was $6.3 million (8.6%) below the estimate. Year-to-date disbursements were $963.7 million, which was $31.5 million (3.2%) below estimate.

- The Department of Mental Health disbursed $29.4 million in the month of March, which was $1 million, or 3.6%, above the estimate. Over 60% of overspending can be attributed to the initial costs associated with the Department's Early Retirement Incentive Plan. Year-to-date GRF spending totaled $428.1 million, which is $18.7 million, or 4.2%, below the estimate.

- The Department of Mental Retardation and Developmental Disabilities disbursed $18.6 million in the month of March, which was $152,000, or .8% below the estimate. Year-to-date GRF spending totaled $271.8 million, which is $5.4 million, or 1.9% below the estimate.

Justice and Public Protection

March disbursements in this category totaled $187.0 million, which produced a variance of $8.7 million (4.9%) above the estimate. For the fiscal year, disbursements totaled $1,643.8 million, which represents a variance totaling $30.0 million (1.9%) above the estimate.

- March disbursements for the Department of Rehabilitation and Correction were $143.4 million, producing a variance of $9.8 million (7.3%) above the estimate.

- March disbursements for the Department of Youth Services (DYS) were $23.0 million, producing a variance of $1.0 million (4.4%) above the estimate.

Transportation

March disbursements were $1.0 million, producing a variance of $789,000 (44.4%) below the estimate. For the fiscal year, disbursements totaled $19.5 million, producing a variance of $4.3 million (18.0%) below the estimate.

Community and Economic Development

March's GRF disbursements in the Community & Economic Development category totaled $17.3 million, which is $2.8 million (13.9%) below the estimate. Year-to-date expenditures are $112.3 million, which is $12.9 million (10.3%) below the estimate. The largest segment of this category is disbursed by the Department of Development:

- Year-to-date, the Department of Development GRF disbursements are $57.49 million, which is $15.01 million below the estimate. March disbursements were $4.53 million, producing a variance of $2.57 million (36%) below the estimate. This variance was mainly the result of the prior year expenditures not occurring as anticipated.

- Included in the under spending appropriation line items were the Rapid Outreach Program, Governor's Office of Appalachia, Third Frontier Action Fund, and the Ohio Investment in Training Program.

Tax Relief and Other

The $63.6 million in disbursements for local government tax relief during the month of March exceeded the estimate for the month by $16.5 million and as a result year-to-date spending of $295.5 million, now exceeds estimates by $7.7 million. As we enter the last three months of FY 2008, this variance in tax relief payments should continue to increase as a result of additional payments that will be made under the expanded homestead exemption included in H.B. 119. These additional tax relief payments will be supported by a combination of additional lapses in debt service made possible by tobacco securitization and excess interest earnings on the securitization proceeds. These payments are made by the Department of Taxation 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.

NOTE REGARDING INTEREST ON INVESTMENT

As discussed earlier in this month's report, with the implementation of OAKS, interest on investments for the second quarter is not allocated to the appropriate GRF accounts until the subsequent quarter. Under the previous state accounting system, the month ending each quarter was closed 15 days early to allow for this distribution to be calculated. While investment earnings have been booked to Fund 6080 prior to their distribution, they have yet to be allocated to the GRF. Once OBM completes these interest calculations, the appropriate amounts will be allocated and posted to the GRF as well as other funds in the state accounting system that receive interest. For the month of March, interest on investments booked to Fund 6080, totaled $32.8 million. For the first quarter of 2008, approximately 45% of the interest booked to Fund 6080 was eventually allocated to the GRF. Assuming that a similar percentage is allocated from the interest earned in February, the GRF should receive approximately $14.8 million in earnings.

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 MARCH**	**ESTIMATED MARCH**	**$ VAR**	**% VAR**	**YTD PRELIMINARY**	**YTD ESTIMATE**	**$ VAR**	**% VAR**
Primary, Secondary and Other Education	661,583	543,844	117,739	21.6%	5,256,269	5,407,972	(151,703)	-2.8%
Higher Education	177,781	216,480	(38,699)	-17.9%	1,921,499	2,020,960	(99,462)	-4.9%
Public Assistance and Medicaid	832,259	846,453	(14,194)	-1.7%	8,261,743	8,276,648	(14,905)	-0.2%
Health and Human Services	79,822	73,530	6,292	8.6%	963,705	995,184	(31,480)	-3.2%
Justice and Public Protection	186,950	178,243	8,707	4.9%	1,643,763	1,613,715	30,048	1.9%
Environmental Protection and Natural Resources	5,000	5,376	(377)	-7.0%	83,939	86,631	(2,693)	-3.1%
Transportation	990	1,779	(789)	-44.4%	19,486	23,757	(4,272)	-18.0%
General Government	50,514	63,527	(13,013)	-20.5%	300,105	328,106	(28,001)	-8.5%
Community and Economic Development	17,344	20,152	(2,808)	-13.9%	112,279	125,155	(12,877)	-10.3%
Tax Relief and Other	63,566	101,536	(37,970)	-37.4%	717,388	765,074	(47,686)	-6.2%
Capital Outlay	0	150	(150)	-100.0%	66	1,221	(1,155)	-94.6%
Debt Service	86,853	87,462	(609)	N/A	504,429	512,952	(8,523)	-1.7%
Pending Payroll	0	0	0	N/A	0	0	0	N/A
Total Expenditures & ISTV's	**2,162,662**	**2,138,532**	**24,129**	**1.1%**	**19,784,668**	**20,157,376**	**(372,708)**	**-1.8%**
Transfers Out:								
OPER TRF OUT-OTH	3	0	3	N/A	162,620	145,278	17,341	11.9%
OPER TRF OUT-TEMPORARY	0	0	0	N/A	446,551	466,800	(20,249)	-4.3%
Total Transfers (Out)	**3**	**0**	**3**	**N/A**	**609,171**	**612,078**	**(2,907)**	**-0.5%**
Total Fund Uses	**2,162,664**	**2,138,532**	**24,132**	**1.1%**	**20,393,839**	**20,769,455**	**(375,615)**	**-1.8%**

***Amounts will be finalized once the general ledger is closed for March.**

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

Functional Reporting Categories Description	MONTH				YEAR-TO-DATE			
	PRELIMINARY 2008	ACTUAL 2007	$ VAR	% VAR	PRELIMINARY 2008	ACTUAL 2007	$ VAR	% VAR
Primary, Secondary and Other Education	661,583	527,907	133,676	25.3%	5,256,269	5,216,421	39,848	0.8%
Higher Education	177,781	178,988	(1,207)	-0.7%	1,921,499	1,855,971	65,528	3.5%
Public Assistance and Medicaid	832,259	823,511	8,748	1.1%	8,261,743	7,814,198	447,545	5.7%
Health and Human Services	79,822	67,842	11,980	17.7%	963,705	963,887	(182)	0.0%
Justice and Public Protection	186,950	175,742	11,208	6.4%	1,643,763	1,572,829	70,934	4.5%
Environmental Protection and Natural Resources	5,000	6,420	(1,420)	-22.1%	83,939	81,234	2,705	3.3%
Transportation	990	2,343	(1,354)	-57.8%	19,486	19,235	251	1.3%
General Government	50,514	63,954	(13,440)	-21.0%	300,105	307,114	(7,009)	-2.3%
Community and Economic Development	17,344	14,172	3,172	22.4%	112,279	117,294	(5,015)	-4.3%
Tax Relief and Other	63,566	53,086	10,480	19.7%	717,388	677,941	39,447	5.8%
Capital Outlay	0	0	0	N/A	66	90	(25)	-27.4%
Debt Service	86,853	79,074	7,779	9.8%	504,429	440,835	63,594	14.4%
Pending Payroll	0	0	0	N/A	0	0	0	N/A
Total Expenditures & ISTV's	**2,162,662**	**1,993,040**	**169,622**	**8.5%**	**19,784,668**	**19,067,049**	**717,619**	**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	3	0	3	N/A	162,620	22,449	140,171	624.4%
OPER TRF OUT-TEMPORARY	0	0	0	N/A	446,551	287,414	159,138	55.4%
Total Transfers (Out)	**3**	**0**	**3**	**N/A**	**609,171**	**703,896**	**(94,725)**	**-13.5%**
Total Fund Uses	**2,162,664**	**1,993,040**	**169,624**	**8.5%**	**20,393,839**	**19,770,945**	**622,894**	**3.2%**

***Amounts will be finalized once the general ledger is closed for March.**

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

GENERAL LEDGER APPENDIX

Since the publication of the last Monthly Financial Report, the General Ledger for the months of January and February has been closed. As such, final data for these months is included in this section. Addendum tables for each month follow this page.

January

Final GRF disbursements for January totaled $1,989.3 million, which was $127.6 million (6.0%) less than the preliminary data. All categories experienced an increase over the preliminary data, with the exception of Primary, Secondary & Other Education.

Final disbursements for January were $168.5 million (7.8%) below the estimate. As previously reported, the January variance is largely the result of under spending in Primary, Secondary, and Other Education.

February

Final GRF disbursements for February totaled $1,853.3 million, which was $48.2 million (2.5%) less than the preliminary data. All categories experienced an increase over the preliminary data, with the exception of Primary, Secondary & Other Education.

Final disbursements for February were $101.0 million (5.2%) below the estimate. As previously reported, the February variance is largely the result of under spending in Primary, Secondary, and Other Education.

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