OBM

Ted Strickland
Governor

J. Pari Sabety
Director

June 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

Looking backward, real GDP growth in the first quarter was revised slightly higher and an array of economic indicators showed some improvement through the early spring. Looking forward, the ongoing costly adjustments in the housing sector, however, combined with sharply rising gasoline prices, renewed turmoil in financial markets, and critical weakening in labor markets, still spell serious economic challenges.

Highlights of Economic Performance

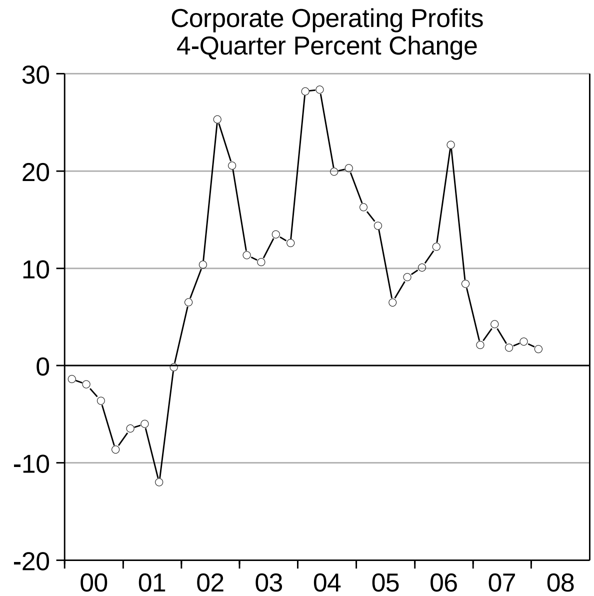
- U.S. employment decreased for the fifth straight month in May.
- Ohio employment is down by 9,800 jobs year to date, with the most significant declines occurring in manufacturing and construction.
- Consumer confidence continued to decline in May in light of gasoline prices and the ongoing decline in home prices.
- Midwest industrial production decreased 1.7% in April (most recent data available) reflecting declines in auto, steel and machinery production. Compared with a year earlier, regional production was down 2.1%.

Economic Growth

First quarter **real GDP growth** was revised up from 0.6% to 0.9%, due largely to a downward revision to the trade deficit and an upward revision to investment in nonresidential structures. Partially offsetting these upward adjustments was a reduction in inventory accumulation. Growth in consumer spending, which accounts for about 70% of overall economic activity, was unrevised at 1.0%.

Compared with a year earlier, real GDP was higher by 2.5% in the first quarter. The economy grew 0.6% in the fourth quarter of 2007. Even after the revisions, real final sales to domestic purchasers decreased by 0.1% – the first decline since 1991.

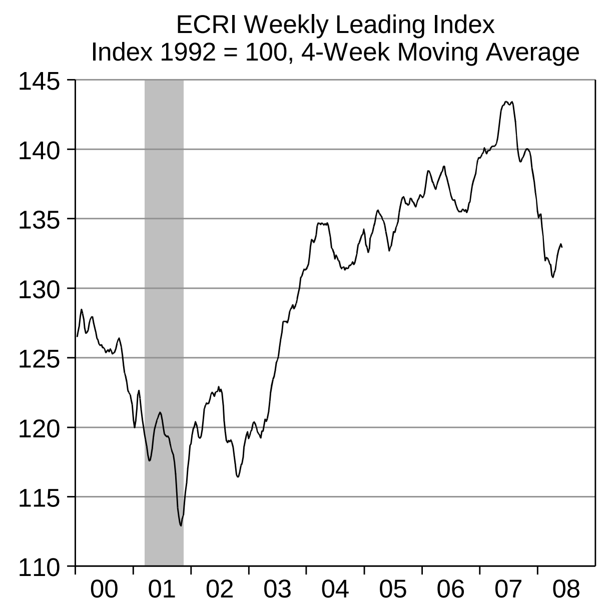
Corporate profits were essentially unchanged in the first quarter, following substantial losses during the previous half-year. Pre-tax operating profits were up by 1.7% from the first quarter of 2007, down from a peak rate of year-over-year growth of 28.4% in the second quarter of 2004 and 8.4% as recently as 2006.



Looking ahead, the **composite leading economic index** compiled by the Conference Board eked out a 0.1% gain for the second consecutive month in April. The new data point lifted the six-month smoothed rate of change from a cycle low of -3.0% reached in February to -2.1% in April. The trough for the rate of change in the last downturn was -3.9% in March 2001 – the same month that the recession began.

The March and April increases followed five straight months of declines. Six of the ten components made positive contributions in April, led by higher stock prices, a positive interest rate spread, and an increase in residential building permits.

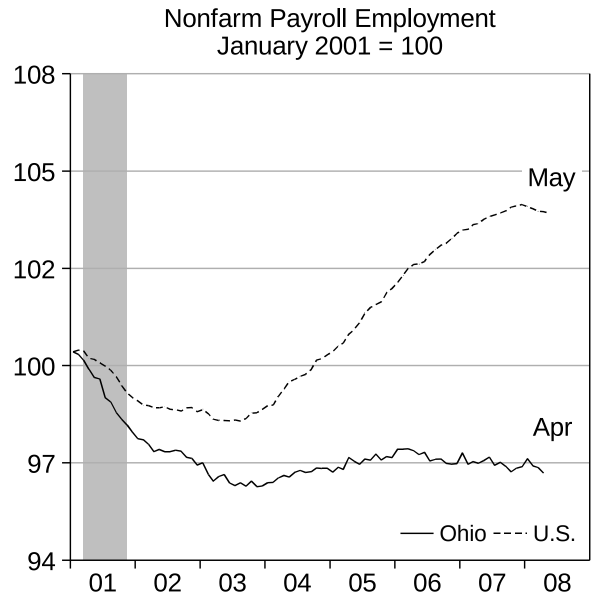
The **Weekly Leading Index** from the Economic Cycle Research Institute (ECRI) paints a similar picture of moderating decline in the economy. The rate of change of the index improved during the week of May 30 to -6.2% – up from its low for the cycle of -11.1% at the end of March, but still squarely in recessionary territory. ECRI analysts say the improvement is notable, but does not yet reverse the recession signal, in part because it is narrowly based across components.



While many expect the economy to be somewhat weaker in the second quarter, the major actions taken by the Federal Reserve since last September – including reducing short-term interest rates by a total of 3.25 percentage points – and the federal fiscal stimulus program are expected to support economic activity in the second half of the year.

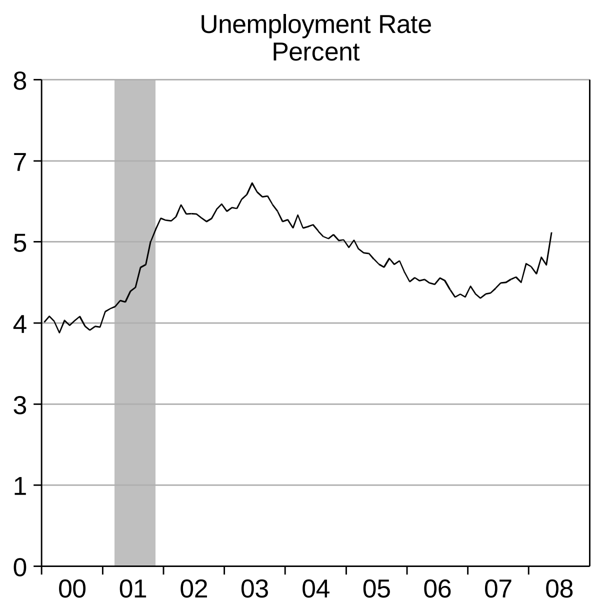
Employment

Total employment decreased for the fifth straight month in May by 49,000 jobs. Private payrolls decreased by 66,000 in May and have decreased by a total of 411,000 jobs since last November. Construction employment decreased by 34,000 jobs, as employment at residential specialty trade contractors fell by 18,800 jobs. Manufacturing employment decreased by 26,000 jobs, with losses occurring across most major industries. In the private services category, employment gains in education and health services (+54,000) and leisure and hospitality (+12,000) were more than offset by declines in other sectors.



Employment in temporary help services decreased for the seventh consecutive month and sixteen out of the last seventeen months and is down 7.2% from its peak in December 2006. Temporary help employment has led other measures of economic activity in the past, because of the ease which with temporary staff can be added or reduced. At the start of the last recession in March 2001, temporary help employment had decreased by 7.2% from its previous peak.

The **unemployment rate** jumped by one half percentage point in May to 5.5% – the largest one-month increase since May 1980 to the highest level since July 2004. The unemployment rate is 1.0 percentage point higher than the low point during the previous twelve months, a development that has occurred early in every recession since World War II and only at those times.



The increase in the unemployment rate resulted in part from a large increase in the labor force that, in combination with the drop in employment, raised the number of unemployed by 861,000 people – the largest one-month increase since January 1975. The economy was in recession during November 1973 to March 1975.

The **length of the workweek** for all production and non-supervisory workers was unchanged at 33.7 hours. The manufacturing workweek was also unchanged at 41.0 hours, but overtime decreased from 4.0 hours to 3.8 hours. By virtue of the decrease in employment, the index of aggregate weekly hours edged down in May and is on pace for an annualized rate of decrease of 1.0% in the second quarter. Without at least an equal rise in productivity real GDP will be negative in the second quarter.

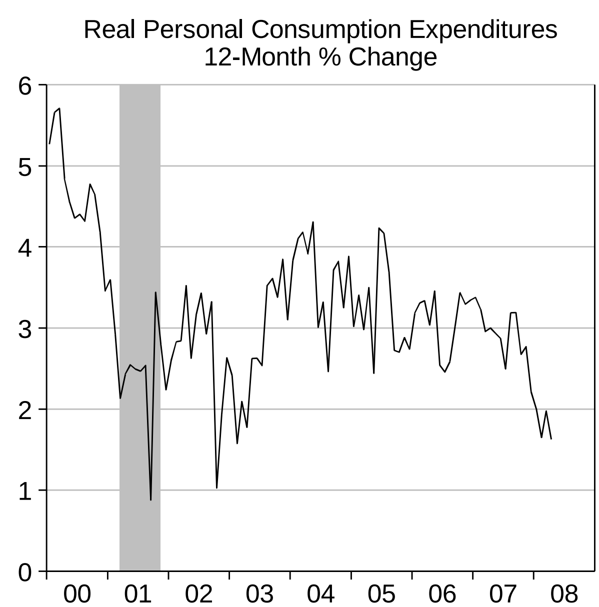
Ohio employment decreased by 11,200 jobs in April, reflecting a loss of 3,200 jobs in construction and declines of 2,800 jobs in trade, transportation and utilities and 3,300 jobs in leisure and hospitality. Employment levels in manufacturing, financial activities, and government were little changed on the month. Ohio employment is down by 9,800 jobs year-to-date, as declines in manufacturing (-8,900), construction (-4,100), and several service-producing sectors offset gains in financial activities (+1,400), professional and business services (+1,600) and educational and health services (+4,400).

The **Ohio Metropolitan Statistical Areas** that made the largest contributions to statewide employment growth during the past year are Columbus (+7,100), Akron (+1,100), and Cincinnati-Middletown (+1,000). The MSAs that subtracted the most from Ohio employment were Cleveland (-4,700), Toledo (-3,800), and Dayton (-3,600).

Kentucky, West Virginia, and Pennsylvania led the way in employment growth among **contiguous states** during the twelve months ending in April with gains of 0.8%, 0.7%, and 0.3%, respectively. Employment in Michigan decreased 1.7% from a year ago. Employment fell by 0.3% in Ohio and increased marginally in Indiana. In comparison, U.S. employment increased 0.4% during the twelve months ending in April and 0.3% during the twelve months ending in May.

Consumer Income and Consumption

Personal income increased 0.2% in April, following an upwardly revised increased of 0.4% in March. Compared with a year earlier, income was up by 4.8%. Real disposable personal income was flat for a second consecutive month at only 1.8% above the year earlier level. Year-over-year growth was as high as 4.0% last August. Wage and salary distributions fell in April for the third year in a row, suggesting a distortion in the seasonal adjustment process.



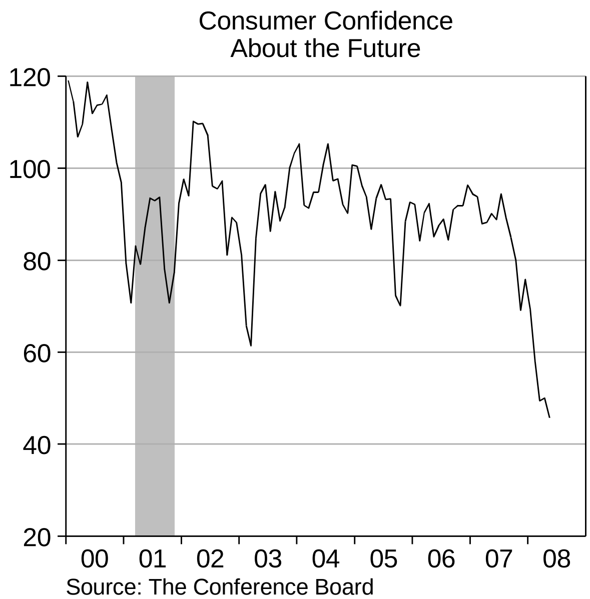
Personal consumption expenditures increased 0.2% in April to 4.8% above the year earlier level. After adjusting for inflation, however, consumption edged down marginally for the third decline in the last five months. Compared with a year earlier, real consumption increased 1.6% versus a year-over-year increase of 3.2% as recently as last September.

Retail sales decreased 0.2% in April, pulled down by decreases of 2.8% and 0.4% in spending at automotive dealers and gasoline stations, respectively. Compared with a year earlier, retail sales were higher by 2.0%. Excluding cars and gas, retail sales increased a solid 0.6% on the month and 2.8% from a year earlier. Spending increased in all other major categories except miscellaneous retailers.

Midwest retail sales fell 0.2% in April – the fourth decline in the last seven months. Compared with a year earlier, Midwest retail sales were up by 1.8%. Sales declined in all regions during the month, with the largest declines occurring in the Northeast and West.

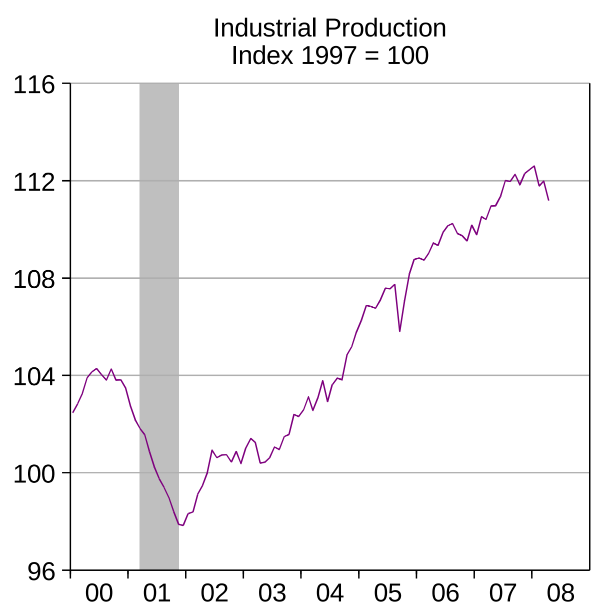
Chain store sales appeared to be holding up well in May. The International Council of Shopping Centers reported that retail sales increased by 3.0% during the twelve months ending in May. The strongest growth occurred at discount chains, drugs stores, and luxury retailers. The federal tax rebate checks are believed to have played a significant role.

High and rising gasoline prices and the ongoing decline in home prices continued to depress **consumer confidence**. The Conference Board's index of consumer confidence fell for the fifth consecutive month in May to the lowest level since early in the recovery from the 1990-91 recession. Expectations fell to the second lowest level in the history of the survey. The previous low occurred in December 1973, shortly after the beginning of the Arab oil embargo and at the outset of a severe recession that lasted sixteen months.



Manufacturing

Industrial production decreased 0.7% in April and was revised slightly lower in March. Production increased by 0.2% in March after falling 0.7% in February. Compared with a year earlier, industrial production was up by only 0.2% in April – the weakest year-over-year advance since early in the recovery from the 2001 recession. Since peaking in January, industrial production has declined at an annual rate of 3.7% – the steepest drop in a four-month period since the recession, other than following the 2005 hurricanes.



Manufacturing output fell 0.8% in March, in part reflecting the ongoing strike at an automotive parts supplier. Mining output fell due to a disruption at an offshore gas facility.

The disruptions in the motor vehicle and mining sectors also suppressed output in May. **Capacity utilization** fell below 80% for the first time since 2005 after reaching a peak of 81.4% last August.

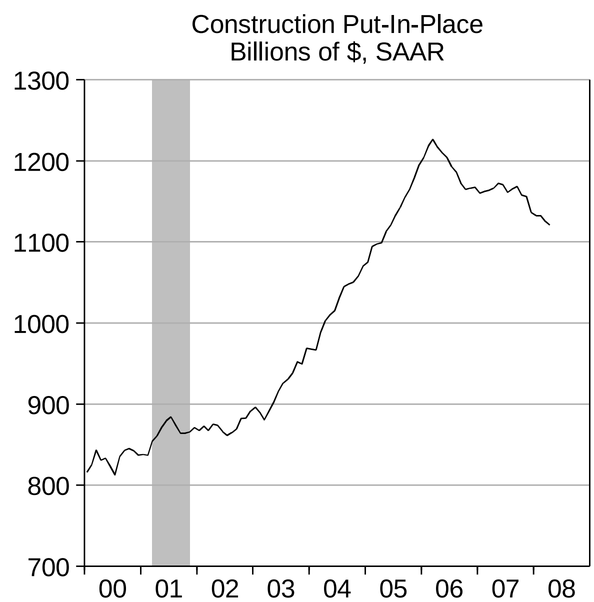
Among industries of particular importance for Ohio, production of primary metals edged higher by 0.2%, while production of fabricated metals and machinery fell by 1.5% and 1.7%, respectively. The most pronounced weakness was in the motor vehicle industry, where assemblies fell by 12.3% on the month after a 6.3% decline in March. Compared with a year earlier, assemblies were down by 24.4%.

Midwest industrial production decreased 1.7% in April, reflecting declines of 5.6%, 1.6%, and 0.5% in auto, steel, and machinery production, respectively. Resource production was unchanged. Compared with a year earlier, regional production was down 2.1%.

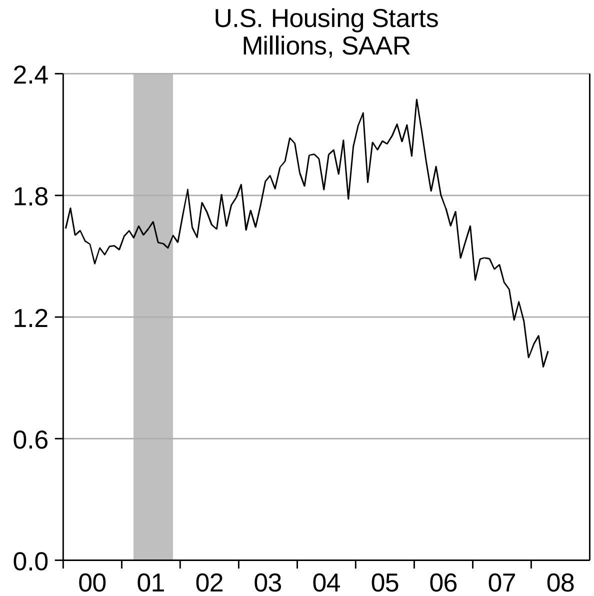
The mood of **purchasing managers** across the country improved slightly in May, as they reported that conditions were roughly neutral. Hiring remained weak and prices paid continued to rise broadly. Exports remained strong.

Construction

Construction put-in-place fell 0.4% in April for the seventh straight monthly decline. The March decline was revised up to a decrease of 0.6% from an initial estimate of -1.1%. Compared with a year earlier, construction was down 3.9%. Private sector construction decreased 0.5% to 7.2% below the year earlier level. Private residential construction fell 2.3% to 21.0% below the year earlier level, as single-family home construction dropped 4.4% – the 26th straight monthly decline. Private nonresidential construction increased 1.6% and was up 15.4% from a year ago, led by strong gains in all major industries other than communication.



Housing starts rebounded by 8.2% in April after a 13.8% decline in March. The three-month moving average was off 1.0% in April and 30.7% from a year earlier. New permits also increased in April, but the three-month moving average declined by 2.5%, suggesting additional downward pressure on starts in the months ahead. **Ohio new permits** decreased 15.3% in March on a three-month moving average basis and were down 41.7% from the same three-month period a year earlier. The three-month moving average of **Midwest housing starts** was little changed from March to April, after a steep decline since last summer.



The pace of **new home sales** improved slightly in April, but remained at the second lowest level since September of 1991. Midwest new home sales fell slightly in April on a three-month moving average basis, but have stabilized somewhat in recent months. The inventory of unsold new homes across the country decreased slightly. The number of months' supply at the recent sales pace decreased to 10.6, but was the second highest since September 1981.

Sales of existing homes decreased by 1.0% in April and the supply of existing unsold homes jumped by 10.5%. Midwest existing home sales were unchanged on a three-month moving average basis in April – the continuation of a distinct improvement from the trajectory during most of 2007. The inventory of existing homes on the market across the country increased to 11.2 months' supply – a new high for this cycle. Additional production and price adjustments are necessary to restore equilibrium in the market for both new and existing houses.

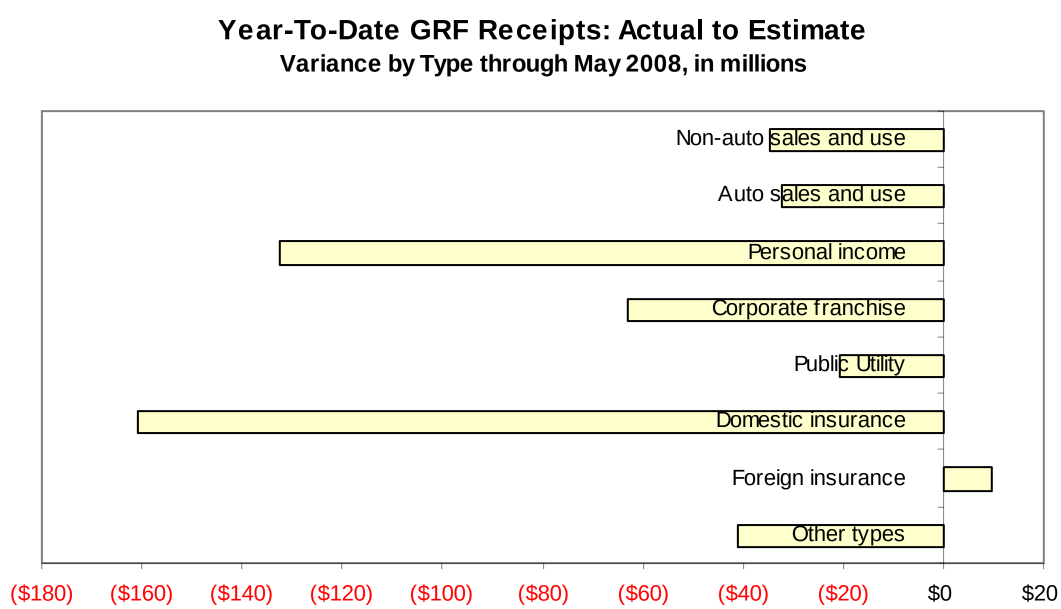
REVENUES AND DISBURSEMENTS

This report contains the most recent data available on GRF revenues and disbursements for May 2008. Final data for May 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 April 2008.

FY 2008 Year-to-Date Highlights

- Through May, GRF tax receipts are below estimate by $475.1 million (2.6%).
  - ✓ See **Table 1** – GRF Receipts: Preliminary Actual FY 2008 vs. Estimate
- Tax receipts decreased $339.3 million (1.9%) compared to FY 2007.
  - ✓ See **Table 2** – GRF Receipts: Preliminary Actual FY 2008 vs. FY 2007
- GRF uses, including pending payroll & transfers, are above estimate by $170.1 million (0.7%).
  - ✓ See **Table 3** – GRF Disbursements: Preliminary Actual FY 2008 vs. Estimate
- Excluding transfers out, GRF uses were $1,151.2 million (4.9%) above last year's level.
  - ✓ See **Table 4** – GRF Disbursements: Preliminary Actual FY 2008 vs. FY 2007

Ohio's **May GRF tax receipts** totaled $1,480.7 million, which was $267.1 million below the estimate. The total year-to-date variance is $475.1 million through May 30th; however, approximately $160.8 million of this variance is due to a timing issue in the Domestic Insurance category. The exhibit below provides a summary of the aggregate variance.



GRF non-tax receipts include items such as federal grants, investment interest and revenue from licenses & fees. For the month of May, non-tax receipts were $21.0 million above estimate (4.8%.) The year-to-date receipts are $57.9 million above estimate (1.0%).

Total GRF sources include both tax and non-tax receipts as well as transfers. To summarize the year-to-date status: total GRF sources are $560.3 million below estimate (2.3%). Again, approximately $160.8 million of this variance is attributable to a timing issue in the Domestic Insurance revenue category.

For the month of May, **GRF total uses** were $2,531.7 million (25.0%) above estimate. Year-to-date GRF total uses fell are now above estimate by $170.1 million (0.7%). 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 May and for FY 2008 year-to-date.

General Revenue Fund ($ in millions)	**May Variance**		**FY 2008 Variance**	
Revenues				
Tax Receipts	($267.1)	(15.3%)	($475.1)	(2.6%)
All Sources	($329.5)	(14.4%)	($560.3)	(2.3%)
Total Uses (Including Transfers)	$507.0	25.0%	$170.1	0.7%

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. 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

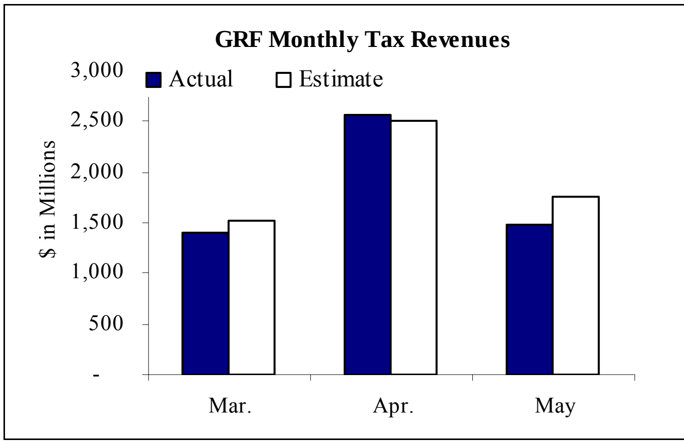
During the month of May**, GRF tax receipts** totaled $1,480.7 million, which was $267.1 million, or 15.3% below estimate, while total GRF revenues were $246.1 million or 11.3% below estimate. As a result of this negative monthly variance, tax receipts for the fiscal year to date were $475.1 million below estimates (2.6%), while total GRF revenues are now $417.2 million below the estimate (1.8%). Contributing to the negative performance of tax receipts for the month of May was the failure of the personal income, corporate franchise, non-auto sales taxes to meet estimates and a delay in processing bills for both the domestic insurance tax and the dealers in intangibles tax.

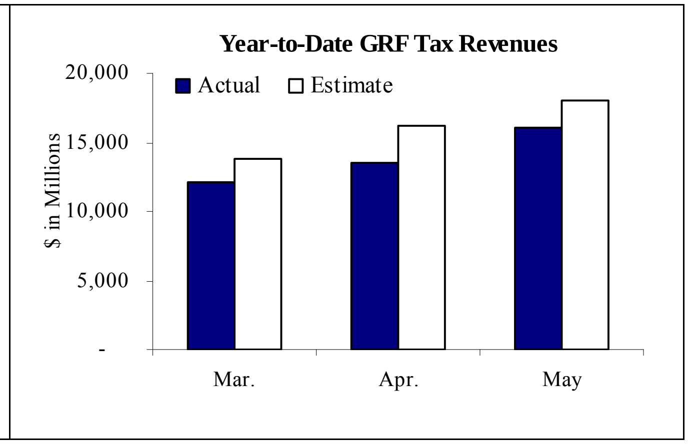
Unlike April when personal income tax receipts exceeded the original H.B. 119 estimates by $77.8 million (4.6%), the tax returned to the negative performance it had experienced during the November to March timeframe recording a shortfall of $60.6 million (10.3%). The May income tax performance was primarily driven by lower than expected employer withholding and quarterly estimated payments and greater than expected refunds that significantly exceeded better than anticipated performance in trust payments and annual returns. Specifically, withholding and quarterly estimated payments were below estimate by $26.0 million and $13.0 million respectively, while refunds again exceeded estimates by $1.6 million.

For the month of May, the corporate franchise tax fell short of estimates by $14.9 million (15.1%), which helped increase the year to date negative variance for the tax to $63.1 million (8.8%). Similar to the situation discussed in the March and April reports however, the fact that the third of three payments was due May 31st and that day fell on a Saturday, it is difficult to determine how much of the monthly shortfall is real and how much is due simply to the timing of payments. That being said, the performance of the tax in June may make up for the negative variance in May.

Continuing the trend of February through April, the non-auto sales tax again posted a negative variance in May of $14.7 million (2.6%). As a result of the continued negative performance in through May, what had earlier been a year-to-date positive variance for the non-auto sales tax is now a negative variance of $34.5 million, as revenue performance appears to be reflecting the negative economic reports on retail sales, consumer confidence, home sales, employment, and consumer credit. Despite the performance of the non-auto sales tax, the auto sales tax posted a surprising positive variance for the month of May, as it finished $3.6 million (4.0%) above estimate.

While cigarette tax receipts also posted another negative performance in May of $0.8 million (0.6%), this was another month where the variance was appreciably smaller than that experienced during the months of December and January. For the year-to-date, the cigarette tax now has a negative variance of $11.8 million (1.3%) and it is unlikely that this amount will be made up during the remainder of the fiscal year.



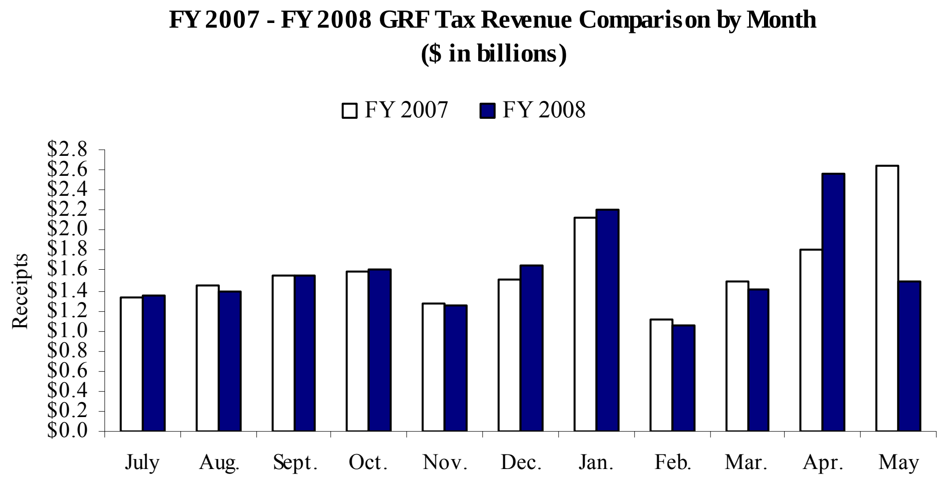


GRF non-tax receipts were $21.0 million (4.8%) above estimate during the month of May, primarily due to receiving more in federal grants than anticipated. As a result of this positive monthly variance, GRF non-tax receipts are now $57.9 million (1.0%) above estimate for the year-to-date. Helping to suppress the positive year-to-date performance is a negative variance of $38.3 million that results from a delay in posting third quarter investment earnings. 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 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. The continued overage in the "Other Income" category is the result of money from Unclaimed Funds being collected earlier than expected.

GRF Transfers

GRF transfers for the month of May were $83.4 million below estimate, primarily as a result of an error in the original OBM monthly revenue estimate that included a $52.5 million permanent transfer from excess commercial activity tax (CAT) 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. In addition to the error tied to the estimated CAT transfer, there was also a delay in transferring $37.5 million from the in kilowatt hour tax proceeds to the GRF to reimburse the GRF for the costs incurred as a result of lower tax valuation on public utilities properties. As is the case with the CAT, the kilowatt hour tax transfer will be made in June.

A **year-over-year** comparison of GRF tax receipts through the month of May shows a decrease of $339.3 million (1.9%) compared to FY 2007 receipts. Total GRF receipts through May show slightly better performance than GRF tax revenues, largely due to a year-over-year increase in federal grants of $320.8 million. Total GRF sources through May are $176.6 million above FY 2007 levels, or 0.7%, based largely on positive variances in non-tax receipts and transfers.



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	
Kilowatt Hour Tax	$0.1	Non-Auto Sales Tax	($34.5)
Other Income	$28.5	Auto Sales Tax	($32.2)
Liquor Transfers	$16.3	Personal Income Tax	($132.3)
Federal Grants	$82.4	Corporate Franchise Tax	($63.1)
Foreign Insurance	$9.5	Public Utility Excise Tax	($20.7)
		Estate Tax	($8.6)
		Domestic Insurance	($160.8)
		Other Business and Property	($18.3)
		Earnings on Investments	($38.3)
		Cigarette Tax	($11.8)
		Licenses and Fees	($11.3)
		Transfers In – Other	($159.3)
		ISTV	($3.4)
		Other Sources Below Estimate	($2.5)
Total above	**$136.8**	**Total below**	**($697.1)**

Non-Auto Sales and Use Tax

For the fourth 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 estimate by $14.7 million (2.6%) in the month of May. While this tax source generated higher than expected revenues in five of the first ten months of the fiscal year, the accumulated negative variance of recent months has erased what had been a year-to-date surplus, as the tax is now under the estimate by $34.5 million (0.6%).

While non-auto sales and use tax receipts have increased by $157.5 million (2.9%) on a year-over-year basis, adjusting for changes to how Local Government Fund contributions are calculated and credited, the tax has only increased by about 2.7 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 earlier in the year could be maintained given the amount of bad news regarding retail sales, jobless claims, and consumer credit. Given the performance of this tax source in the second half of the fiscal year, we appear to be seeing the impact of the bad news in the economy on Ohio consumer spending.

Auto Sales Tax

Continuing the up and down performance in the second half of the fiscal year, receipts for the auto sales tax bounced back during the month of May as they exceeded estimates by $3.6 million. The May performance reversed the negative performance of March and April and more accurately reflected performance in January and February where the tax began to rebound before retreating again. While May's performance was unanticipated, especially given the distinctly negative performance during the months of March and April, OBM still expects 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.

Personal Income Tax

The personal income tax was again under estimate during the month of May as it posted a negative variance of $60.6 million (10.3%) and increased the year-to-date negative variance to $132.3 million (1.6%). The May negative variance was driven primarily by lower than expected employer withholding and quarterly estimated payments and greater than expected local government fund distributions and refunds.

May marked the fourth time the last five months that employer withholding was below estimates, as it totaled $617.6 million or $26.0 million less than estimated. In addition to the negative performance in withholding, payments from quarterly estimated payments trailed estimates by $13.0 million and local government fund distributions and refunds exceeded estimates by $23.0 million and $5.5 million respectively. The increase in local government fund distributions are primarily the result of the jump in personal income tax receipts in April that resulted from the Department of Taxation's accelerated processing schedule. As a result, the $23.0 in excess distributions that occurred in May should correct itself in June.

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 as mentioned in last months report, the Department of Taxation adopted targets for faster processing of both annual payments and refunds in FY 2008, a reality that OBM has attempted to reflect in its monthly estimates.

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

FY 2008 PERSONAL INCOME TAX RECEIPTS BY COMPONENT ($ in millions)						
	ESTIMATE MAY	**ACTUAL MAY**	**$ VAR MAY**	**ESTIMATE Y-T-D**	**ACTUAL Y-T-D**	**$ VAR Y-T-D**
Withholding	$643.6	$617.6	($26.0)	$7,222.8	$7,203.0	($19.9)
Quarterly Est.	$28.8	$15.8	($13.0)	$1,326.3	$1,299.4	($26.9)
Trust Payments	$26.1	$31.2	$5.1	$71.7	$98.0	$26.3
Annual Returns & 40 P	$55.8	$59.2	$3.4	$1,363.5	$1,459.7	$96.2
Other	$7.9	$6.3	($1.6)	$86.3	$79.0	($7.3)
Less: Refunds	($97.1)	($102.6)	($5.5)	($1,048.6)	($1,220.6)	($172.0)
Local Distr.	($75.3)	(98.3)	($23.0)	($643.8)	($673.3)	($29.5)
Net to GRF	**$589.8**	**$529.2**	**($60.6)**	**$8,378.2**	**$8,245.3**	**($132.9)**

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. During the period January – June 2008, the state will receive three tax payments from corporations for 2008 liability. Because these payments are due on the last day of January, March and May, it is possible for some of the revenue to be deposited in either the month that it is due or the next month.

As with the January and March payments, what is more important than the collections in May alone is the sum of the May and June collections. This is especially true given that the last day of May fell on a weekend and it is expected that most of the payments will be received in June. For the month of May, Corporate Franchise Tax receipts were $83.9 million or $14.9 million below estimate (15.1%), increasing the year to date negative variance to $63.1 million (8.8%).

Commercial Activity Tax

In FY 2008, receipts from the commercial activity tax (CAT) are distributed to non-GRF funds to reimburse school districts and local governments as the tangible personal property tax is phased out. During the month of May, the last CAT payments for FY 2008 were due. These receipts totaled $194.4 million and were $17.9 million below the H.B. 119 estimate (8.4%), which contributed to increasing the year-to-date deficit for the CAT to $32.8 million (3.3%).

The year-to-date 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 continued negative performance of the CAT following the final payment of the fiscal year, it is clear that the CAT will not make up the year-to-date shortfall in June, as it is anticipated that the final performance of the CAT to be in line with the revised revenue estimates issued in February.

Cigarette Tax

As was the case in April, the cigarette tax posted another small shortfall in May. While the monthly shortfall of $0.8 million in May (0.6%) was down from the much larger shortfalls experienced earlier in the year, it further increased the negative year-to-date performance of the tax to $11.8 million (1.3%) and is another indication that the tax could be experiencing a downward trend.

Public Utility Tax

During the month of May the public utility tax generated $62.8 million, which was below estimate by $4.6 million (6.9%). As a result of a pre-existing negative variance of the tax attributed primarily to a relatively mild fall and less than anticipated natural gas consumption, May's performance has contributed to increase the year-to-date negative variance to $20.7 million (11.7%).

Domestic Insurance Tax

The domestic insurance tax was $160.0 million below estimate during the month of May as a result of timing. Specifically, assessments were mailed in late May and are due to the Treasurer not later than June 13^{th}. Based on the amount of billings mailed, it is anticipated that payments received in June should be very close to the May estimates and the estimates for the fiscal year as a whole. As a result, distributions to the local government fund and the library and local government support fund will be an estimated $9.4 million less in June they otherwise would have been. Once the revenue is received, this should correct itself in July.

Dealers in Intangibles Tax

Similar to the situation with the domestic insurance tax, the dealers in intangibles tax, which is listed under the revenue source "Other Business and Property Tax" was $17.8 million under estimate as the result of a delay in mailing out billings. Billings for this tax were mailed out June 4^{th} and are due back not later than June 25^{th}. As a result of the timing that payments are due and the amount of billings mailed, it is anticipated that payments received in June should be very close to the May estimates and estimates for the fiscal year as a whole. As a result distributions to the local government fund and the library and local government support fund will be an estimated $1.0 million less in June they otherwise would have been. Once the revenue is received, this should correct itself in July.

Earnings on Investments

As discussed earlier in this month's report, there has been a delay in posting interest on investments and thus a negative variance of $38.3 million exists for the year-to-date. 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 May, interest on investments booked to Fund 6080, totaled $26.5 million. For the first quarter and second quarters 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 May, the GRF should receive approximately $11.9 million in earnings.

Table 1*

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

REVENUE SOURCE	Month ACTUAL MAY	ESTIMATE MAY	$ VAR	% VAR	Year-to-Date ACTUAL Y-T-D	ESTIMATE Y-T-D	$ VAR	% VAR
TAX RECEIPTS								
Non-Auto Sales & Use	545,940	560,600	(14,660)	-2.6%	6,107,117	6,141,600	(34,483)	-0.6%
Auto Sales & Use	93,407	89,800	3,607	4.0%	858,283	890,471	(32,188)	-3.6%
Subtotal Sales & Use	639,346	650,400	(11,054)	-1.7%	6,965,400	7,032,071	(66,671)	-0.9%
Personal Income	529,189	589,800	(60,611)	-10.3%	8,245,915	8,378,200	(132,285)	-1.6%
Corporate Franchise	83,871	98,800	(14,929)	-15.1%	653,507	716,600	(63,093)	-8.8%
Commercial Activity Tax	0	0	0	N/A	0	0	0	N/A
Public Utility	62,770	67,400	(4,630)	-6.9%	156,973	177,700	(20,727)	-11.7%
Kilowatt Hour	1,017	4,600	(3,583)	-77.9%	226,540	226,400	140	0.1%
Foreign Insurance	133	(15,000)	15,133	-100.9%	272,440	262,900	9,540	3.6%
Domestic Insurance	0	160,000	(160,000)	N/A	435	161,200	(160,765)	-99.7%
Other Business & Property Tax	0	17,800	(17,800)	N/A	542	18,840	(18,298)	-97.1%
Cigarette	148,155	149,000	(845)	-0.6%	874,959	886,800	(11,841)	-1.3%
Soft Drink	0	0	0	N/A	0	0	0	N/A
Alcoholic Beverage	4,387	5,000	(613)	-12.3%	50,794	52,600	(1,806)	-3.4%
Liquor Gallonage	2,770	2,800	(30)	-1.1%	31,780	32,500	(720)	-2.2%
Estate	9,021	17,200	(8,179)	-47.6%	59,434	68,000	(8,566)	-12.6%
Horse Racing	0	0	0	N/A	0	0	0	N/A
Total Tax Receipts	1,480,660	1,747,800	(267,140)	-15.3%	17,538,720	18,013,811	(475,091)	-2.6%
NON-TAX RECEIPTS								
Federal Grants	451,551	424,993	26,558	6.2%	5,423,496	5,341,120	82,376	1.5%
Earnings on Investments	0	0	0	N/A	83,073	121,400	(38,327)	-31.6%
License & Fees	599	4,800	(4,201)	-87.5%	66,954	78,199	(11,245)	-14.4%
Other Income	3,560	3,850	(290)	-7.5%	75,773	47,294	28,479	60.2%
ISTV'S	2,936	4,000	(1,064)	-26.6%	15,009	18,410	(3,401)	-18.5%
Total Non-Tax Receipts	458,646	437,643	21,003	4.8%	5,664,305	5,606,423	57,882	1.0%
TOTAL REVENUES	1,939,305	2,185,443	(246,138)	-11.3%	23,203,026	23,620,234	(417,208)	-1.8%
TRANSFERS								
Budget Stabilization	0	0	0	N/A	0	0	0	N/A
Liquor Transfers	26,000	11,000	15,000	136.4%	161,268	145,000	16,268	11.2%
Transfers In - Capital Reserve	0	0	0	N/A	0	0	0	N/A
Transfers In - Other	0	98,360	(98,360)	-100.0%	56,810	216,140	(159,330)	-73.7%
Temporary Transfers In	0	0	0	N/A	466,800	466,800	0	N/A
Total Transfers	26,000	109,360	(83,360)	-76.2%	684,878	827,940	(143,062)	-17.3%
TOTAL SOURCES	1,965,305	2,294,803	(329,498)	-14.4%	23,887,904	24,448,174	(560,270)	-2.3%

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

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	545,940	543,329	2,611	0.5%	6,107,117	5,949,597	157,520	2.6%
Auto Sales & Use	93,407	82,730	10,676	12.9%	858,283	829,767	28,516	3.4%
Subtotal Sales & Use	639,346	626,059	13,287	2.1%	6,965,400	6,779,364	186,036	2.7%
Personal Income	529,189	1,367,897	(838,707)	-61.3%	8,245,915	8,107,734	138,181	1.7%
Corporate Franchise	83,871	208,329	(124,458)	-59.7%	653,507	1,028,263	(374,755)	-36.4%
Commercial Activity Tax	0	0	0	N/A	0	0	0	N/A
Public Utility	62,770	59,465	3,305	5.6%	156,973	163,294	(6,321)	-3.9%
Kilowatt Hour	1,017	24,727	(23,711)	-95.9%	226,540	307,846	(81,306)	-26.4%
Foreign Insurance	133	(14,429)	14,563	-100.9%	272,440	254,927	17,514	6.9%
Domestic Insurance	0	169,357	(169,357)	N/A	435	169,464	(169,029)	-99.7%
Other Business & Property Tax	0	19,584	(19,584)	N/A	542	20,186	(19,644)	-97.3%
Cigarette	148,155	146,995	1,160	0.8%	874,959	903,331	(28,372)	-3.1%
Soft Drink	0	0	0	N/A	0	0	0	N/A
Alcoholic Beverage	4,387	4,327	60	1.4%	50,794	51,170	(376)	-0.7%
Liquor Gallonage	2,770	2,638	131	5.0%	31,780	31,315	465	1.5%
Estate	9,021	20,790	(11,769)	-56.6%	59,434	61,083	(1,648)	-2.7%
Horse Racing	0	0	0	N/A	0	0	0	N/A
Total Tax Receipts	1,480,660	2,635,739	(1,155,079)	-43.8%	17,538,720	17,877,976	(339,256)	-1.9%
NON-TAX RECEIPTS								
Federal Grants	451,551	581,916	(130,365)	-22.4%	5,423,496	5,102,648	320,849	6.3%
Earnings on Investments	0	0	0	N/A	83,073	130,656	(47,583)	-36.4%
License & Fee	599	3,101	(2,502)	-80.7%	66,954	77,026	(10,072)	-13.1%
Other Income	3,560	2,818	742	26.3%	75,773	98,690	(22,918)	-23.2%
ISTV'S	2,936	1,298	1,637	126.1%	15,009	16,214	(1,205)	-7.4%
Total Non-Tax Receipts	458,646	589,133	(130,488)	-22.1%	5,664,305	5,425,234	239,071	4.4%
TOTAL REVENUES	1,939,305	3,224,872	(1,285,567)	-39.9%	23,203,026	23,303,210	(100,185)	-0.4%
TRANSFERS								
Budget Stabilization	0	0	0	N/A	0	0	0	N/A
Liquor Transfers	26,000	10,000	16,000	160.0%	161,268	125,000	36,268	29.0%
Transfers In - Capital Reserve	0	0	0	N/A	0	0	0	N/A
Transfers In - Other	0	50,948	(50,948)	-100.0%	56,810	97,003	(40,193)	-41.4%
Temporary Transfers In	0	18,219	(18,219)	N/A	466,800	186,068	280,732	150.9%
Total Transfers	26,000	79,167	(53,167)	-67.2%	684,878	408,071	276,807	67.8%
TOTAL SOURCES	1,965,305	3,304,039	(1,338,734)	-40.5%	23,887,904	23,711,282	176,622	0.7%

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

Table 1A*

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

REVENUE SOURCE	Month ACTUAL MAY	Month REVISED MAY	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	545,940	540,000	5,940	1.1%	6,107,117	6,149,778	(42,660)	-0.7%
Auto Sales & Use	93,407	88,000	5,407	6.1%	858,283	851,463	6,820	0.8%
Subtotal Sales & Use	639,346	628,000	11,346	1.8%	6,965,400	7,001,241	(35,841)	-0.5%
Personal Income	529,189	610,000	(80,811)	-13.2%	8,245,915	8,334,939	(89,024)	-1.1%
Corporate Franchise	83,871	93,000	(9,129)	-9.8%	653,507	656,687	(3,180)	-0.5%
Commercial Activity Tax	0	0	0	N/A	0	0	0	N/A
Public Utility	62,770	63,930	(1,160)	N/A	156,973	164,900	(7,926)	-4.8%
Kilowatt Hour	1,017	(2,000)	3,017	-150.8%	226,540	220,817	5,723	2.6%
Foreign Insurance	133	(15,000)	15,133	-100.9%	272,440	256,682	15,759	6.1%
Domestic Insurance	0	160,000	(160,000)	N/A	435	161,333	(160,898)	-99.7%
Other Business & Property Tax	0	17,800	(17,800)	-100.0%	542	18,396	(17,853)	-97.1%
Cigarette	148,155	150,000	(1,845)	-1.2%	874,959	886,053	(11,094)	-1.3%
Soft Drink	0	0	0	N/A	0	0	0	N/A
Alcoholic Beverage	4,387	5,000	(613)	-12.3%	50,794	52,905	(2,111)	-4.0%
Liquor Gallonage	2,770	2,800	(30)	-1.1%	31,780	32,184	(404)	-1.3%
Estate	9,021	17,000	(7,979)	-46.9%	59,434	58,025	1,409	2.4%
Horse Racing	0	0	0	N/A	0	0	0	N/A
Total Tax Receipts	1,480,660	1,730,530	(249,870)	-14.4%	17,538,720	17,844,160	(305,440)	-1.7%
NON-TAX RECEIPTS								
Federal Grants	451,551	438,626	12,925	2.9%	5,423,496	5,372,988	50,508	0.9%
Earnings on Investments	0	0	0	N/A	83,073	81,390	1,683	2.1%
License & Fees	599	630	(31)	-4.9%	66,954	78,199	(11,245)	-14.4%
Other Income	3,560	3,850	(290)	-7.5%	75,773	74,754	1,018	1.4%
ISTV'S	2,936	4,000	(1,064)	-26.6%	15,009	14,151	858	6.1%
Total Non-Tax Receipts	458,646	447,106	11,539	2.6%	5,664,305	5,621,482	42,823	0.8%
TOTAL REVENUES	1,939,305	2,177,636	(238,331)	-10.9%	23,203,026	23,465,643	(262,617)	-1.1%
TRANSFERS								
Budget Stabilization	0	0	0	N/A	0	0	0	N/A
Liquor Transfers	26,000	11,000	15,000	136.4%	161,268	149,000	12,268	8.2%
Transfers In - Capital Reserve	0	0	0	N/A	0	0	0	N/A
Transfers In - Other	0	45,860	(45,860)	-100.0%	56,810	103,732	(46,922)	-45.2%
Temporary Transfers In	0	0	0	N/A	466,800	466,800	0	N/A
Total Transfers	26,000	56,860	(30,860)	-54.3%	684,878	719,532	(34,654)	-4.8%
TOTAL SOURCES	1,965,305	2,234,496	(269,191)	-12.0%	23,887,904	24,185,175	(297,271)	-1.2%

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

DISBURSEMENTS

May's GRF disbursements, including pending payroll and transfers out of the GRF, totaled $1,901.6 million, which was $2,531.7 million (25.0%) above the estimate. As noted in this section of the report, there were two significant drivers of May's variance: primary, secondary & other education; and tax relief and other. Through the first eleven months of FY 2008, GRF disbursements totaled $25,228.9 million, which was $170.1 million (0.7%) above the estimate. Adjusting for transfers out of the GRF, year-to-date expenditures increased 4.9% 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 the following reporting categories.

Primary, Secondary, and Other Education

May disbursements in Primary, Secondary, and Other Education were $807.9 million, which was $224.0 million (38.4%) above the estimate. Year-to-date disbursements were $6,645.9 million, representing a variance of $82.7 million (1.3%) above the estimate.

Disbursements in May for the Department of Education, totaled $791.9 million, which is $224.8 million (40%) above the estimated for the month. For the fiscal year to date, disbursements are $6,543.4 million, or $89.3 million (1.4%) above the estimate. The variance in the monthly and year-to-date disbursements is caused by the first of the two June foundation payments posting in May. As such, the variance will be mitigated in June, when only one foundation payment will be reflected in the disbursements.

Higher Education

May disbursements for Higher Education were $267.0 million, representing a variance of $2.0 million (0.7%) above the estimate for the month. Year-to-date disbursements were $2,380.4 million, representing a variance totaling $90.6 million (3.7%) below the estimate. Disbursements for the Ohio College Opportunity Grant (OCOG) program were $4.2 million more than anticipated for the month. Disbursements for the Family Practice and Primary Care Residencies line items were $5.1 million above estimate for the month due to payments scheduled for June posting in May. These variances were offset by the Choose Ohio First scholarship, Ohio Research Scholars, and James A. Rhodes scholarship programs for which distributions for the month were $6 million less than estimated. Disbursements will not be made from these programs until fiscal year 2009.

Public Assistance and Medicaid

May GRF disbursements for Public Assistance and Medicaid, which includes all spending in the Department of Job and Family Services (JFS), were $791.0 million, representing a variance of $30.81 million (4.1%) above the estimate for the month. Year-to-date disbursements were $9,886.5 million, representing a variance of $29.5 million (0.3%) above the estimate.

Medicaid

May's GRF Medicaid disbursements totaled $742 million, which is $34 million above estimate. Year-to-date Medicaid disbursements from the GRF totaled $8,989.2 million, which is above estimate by $75 million. May's Medicaid disbursements across all funds totaled $906.6 million, which was below estimate by $8 million (-0.9%). Year-to-date Medicaid disbursements totaled $10,195.1 million, which is $18.1 million (-0.2%) below estimate. Note that the use of non-GRF resources for Medicaid expenditures 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. In May the receipt of non-GRF revenue was delayed causing higher-than-expected payments from the GRF.

Note that while Medicaid spending appears to be on target, the Administration took the initiative early on, due to the unexpected accelerated increase in caseloads, to effectively manage costs by delaying the implementation of planned provider rate increases and program expansions.

Caseloads

Medicaid caseloads have been increasing since June 2007 and are continuing to exceed the estimate. Through April (the most recent data available), Medicaid enrollment totaled 1.78 million recipients, which was 36,500 or 2.1% 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.

Currently there are over 23,800 more recipients in the Covered Children and Families (CFC) category than expected. 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 increase has been steeper than anticipated. Enrollment in the Healthy Families Expansion category, which includes children and their parents with incomes up to 90% of the federal poverty level, is over the projection by an average of more than 12,900 or 8.4% year to date. Enrollment increases in this_category may be due to economic factors.

Aged, Blind, and Disabled (ABD) caseloads are also exceeding the estimate. Year-to-date, caseloads are above estimate by 1.1% or 4,600 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

Areas of significant spending in the Medicaid program include the following:

- Managed Care – Year-to-date spending on managed care has totaled $3.818 billion, which is $194.5 million below the estimate. There are two major reasons for under spending in the managed care category:
    - Litigation affected managed care enrollment in the Northeast Central region through the first nine months of the year, which resulted in lower than anticipated expenditures in this category. The lawsuit has been settled and enrollment for both caseload populations commenced in early spring.
    - Managed Care enrollment, throughout the state, among the ABD population has been lower than projected during the budget process.

- While expenditures in managed care have been below estimate, the state has experienced higher-than-estimated spending for fee for service categories such as inpatient and outpatient hospitals, physicians, and prescription drugs because the individuals are being served through the fee-for-service delivery.

- Inpatient and Outpatient Hospitals – Year-to-date spending on hospitals has totaled $1.2 billion, which is $250.3 million above the estimate. As noted above, slower-than-expected enrollment into managed care in the North East Central region lead to increased fee for service expenses, particularly in this category. In addition, higher-than-expected caseloads, particularly in the ABD eligibility category, have increased spending in this 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.

- Nursing Facilities – Year-to-date spending on nursing facilities has totaled $2,333.0 billion, which is $116.0 million below the estimate. Lower-than-projected expenditures are due to lower utilization and to coding changes that occurred in the post-direct bill environment that has lead to some expenses being captured in a different category of spending.

Non-Medicaid

In May, JFS non-Medicaid disbursements totaled $49.1 million, producing a variance of $3.8 million (7.3%) below the estimate. For the year-to-date, JFS non-Medicaid disbursements totaled $895.8 million, producing a variance of $38.5 million (4.1%) below the estimate.

- Spending in the support services line item was below estimate by $1.6 million (29.4%). This is primarily attributable to commercial lease payments paid during April, instead of May as expected. For the year to date, disbursements are $4.2 million (7.6%) below estimate.

- Spending in the computer projects line item is over estimate by $1.4 million (17.4%). This is primarily attributable to payments to OIT for CRIS-E, MMIS, SETS, SACWIS, and network administration for both April and May being processed in May. For the year to date, disbursements are $4.8 million (3.9%) above estimate.

- Children and Family Subsidies is $3.3 million (94.1%) under estimate. This is primarily attributable to the timing of the federal draw for the social services operating payments. JFS is required to draw federal funds prior to accessing state funds. As the federal funds have not been exhausted, state funds have not been accessed. For the year to date, disbursements are $1.7 million (2.3%) below estimate.

Health and Human Services

May disbursements totaled $132.1 million, which was $25.4 million (23.8%) above the estimate. Year-to-date disbursements were $1,226.1 million, which was $22.7 million (1.8%) below estimate.

- The Department of Mental Health disbursed $65.8 million in the month of May, which was $15.2 million, or 30%, above the estimate. Over-spending occurred within the Department's subsidy lines, ALI 334408, Community and Hospital Mental Health Services and ALI 335505, Local Mental Health Systems of Care. This variance is attributable to the timing of drawdowns requested by County Boards. Year-to-date GRF spending totaled $554.0 million, which is $4.9 million, or .8%, below the estimate. In order to achieve the Department's budget recalibration target, Mental Health must under-spend in ALI 334408 by more than $2.5 million and spend close to estimate in the other GRF ALIs during the month of June.

- The Department of Mental Retardation and Developmental Disabilities disbursed $30.4 million in the month of May, which was $717,000, or 2.0% above the estimate. Year-to-date GRF spending totaled $347.3 million, which is $5.1 million, or 1.4% below the estimate. In order to achieve the Department's budget recalibration target, MR/DD must under-spend in ALI 322413, Residential Support Services, by $77,000 and spend close to estimate in the other GRF ALIs during the month of June.

- GRF expenditures in the Department of Aging are below estimate by $1.0 million for the month and by $8.7 million for the year. This is largely attributable to lower than expected enrollment in the assisted living waiver.

Justice and Public Protection

February disbursements in this category totaled $169.8 million, which produced a variance of $32.1 million (23.3%) above the estimate. For the fiscal year, disbursements totaled $1,970.9 million, which represents a variance totaling $36.2 million (1.9%) above the estimate.

- Year-to-date, the Department of Rehabilitation and Correction GRF disbursements were $1,455.4 million, producing a variance of $3.7 million (0.3%) above the estimate. May

- Year-to-date, the Department of Youth Services GRF disbursements were $241.4 million, producing a variance of $2.1 million (0.9%) below the estimate. May disbursements for the Department of Youth Services (DYS) were $15.3 million, producing a variance of $1.4 million (8.3%) below the estimate.

Transportation

May disbursements were $1.4 million, producing a variance of $137,000 (11.1%) above the estimate. For the fiscal year, disbursements totaled $22.2 million, producing a variance of $4.3 million (16.2%) below the estimate.

Community and Economic Development

May's GRF disbursements in the Community & Economic Development category totaled $8.0 million, which is $707,000 (8.1%) below the estimate. Year-to-date expenditures are $123.9 million, which is $22.2 million (15.2%) 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 $80.8 million, which is $26.1 million below the estimate. May disbursements were $5.7 million, producing a variance of $1.4 million (19%) below the estimate. This variance was the result of GRF recalibration activities and unpredictable grant reimbursement payments. Recalibration efforts affected Rapid Outreach (195-412), Regional Offices & Economic Development (195-415) Governor's Office of Appalachia (195-416) and Discover Ohio (195-521).

Tax Relief and Other

May tax relief disbursements totaled $324.3 million, which exceeds the monthly estimate by $192.7 million (246.4%). The resulting year-to-date spending is $1,309.5 million, which exceeds estimates by $207.1 million (18.8%). As mentioned in the March and April reports, as we near the end of FY 2008 it is anticipated that the variance in tax relief payments against the HB 119 estimates will continue to increase as a result of additional payments that will be made under the expanded homestead exemption. These additional tax relief payments are supported by a combination of additional lapses in debt service made possible by tobacco securitization and excess interest earnings on the securitization proceeds. The adjustment of FY 2008 tax relief appropriations, which were increased in total by $128.5 million ($46.3 million for local governments and $82.2 million for school districts) and the transfer of excess interest earnings to support these additional costs were authorized by the Controlling Board at its May 5th meeting. 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.

The tax relief disbursements are divided between two recipients – school districts and local governments. The $258.4 million in disbursements for school district tax relief during the month of May was above monthly estimate by $190.9 (282.6%) million and as a result the year-to-date spending of $837.6 million is now overestimate by $117.3 million (16.3%). The $65.8 million in disbursements for local government tax relief during the month of May exceeded the estimate for the month by $1.7 million and as a result the year-to-date spending of $471.9 million, now exceeds estimates by $89.6 million.

(in millions)	May Disbursed	May estimate	YTD disbursed	YTD estimate
school district	$258.5	$67.5	$837.6	$720.3
local government	$65.8	$64.1	$471.9	$382.1

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

Functional Reporting Categories Description	MONTH PRELIMINARY MAY	MONTH ESTIMATED MAY	MONTH $ VAR	MONTH % VAR	YEAR-TO-DATE YTD PRELIMINARY	YEAR-TO-DATE YTD ESTIMATE	YEAR-TO-DATE $ VAR	YEAR-TO-DATE % VAR
Primary, Secondary and Other Education	807,893	583,931	223,962	38.4%	6,645,861	6,563,199	82,661	1.3%
Higher Education	267,018	265,040	1,978	0.7%	2,380,364	2,470,955	(90,590)	-3.7%
Public Assistance and Medicaid	791,014	760,196	30,818	4.1%	9,886,549	9,857,083	29,466	0.3%
Health and Human Services	132,074	106,644	25,429	23.8%	1,226,135	1,248,796	(22,662)	-1.8%
Justice and Public Protection	169,843	137,738	32,104	23.3%	1,970,864	1,934,678	36,186	1.9%
Environmental Protection and Natural Resources	10,200	11,103	(903)	-8.1%	99,784	102,789	(3,005)	-2.9%
Transportation	1,371	1,234	137	11.1%	22,182	26,459	(4,276)	-16.2%
General Government	19,971	18,395	1,577	8.6%	345,214	364,629	(19,415)	-5.3%
Community and Economic Development	7,984	8,691	(707)	-8.1%	123,922	146,158	(22,236)	-15.2%
Tax Relief and Other	324,194	131,605	192,589	146.3%	1,340,149	1,133,301	206,847	18.3%
Capital Outlay	80	150	(70)	-46.7%	146	1,521	(1,375)	-90.4%
Debt Service	89	0	89	N/A	578,503	597,121	(18,618)	-3.1%
Pending Payroll	0	0	0	N/A	0	0	0	N/A
Total Expenditures & ISTV's	**2,531,730**	**2,024,727**	**507,003**	**25.0%**	**24,619,673**	**24,446,690**	**172,983**	**0.7%**
Transfers Out:								
OPER TRF OUT-OTH	0	0	0	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)	**0**	**0**	**0**	**N/A**	**609,171**	**612,078**	**(2,907)**	**-0.5%**
Total Fund Uses	**2,531,730**	**2,024,727**	**507,003**	**25.0%**	**25,228,844**	**25,058,769**	**170,075**	**0.7%**

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

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	807,893	573,501	234,392	40.9%	6,645,861	6,350,327	295,534	4.7%
Higher Education	267,018	231,809	35,209	15.2%	2,380,364	2,248,575	131,789	5.9%
Public Assistance and Medicaid	791,014	1,048,572	(257,558)	-24.6%	9,886,549	9,570,745	315,804	3.3%
Health and Human Services	132,074	95,091	36,982	38.9%	1,226,135	1,211,069	15,066	1.2%
Justice and Public Protection	169,843	139,786	30,057	21.5%	1,970,864	1,893,113	77,751	4.1%
Environmental Protection and Natural Resources	10,200	9,931	269	2.7%	99,784	97,164	2,621	2.7%
Transportation	1,371	1,184	187	15.8%	22,182	21,211	972	4.6%
General Government	19,971	17,316	2,656	15.3%	345,214	343,195	2,018	0.6%
Community and Economic Development	7,984	6,820	1,164	17.1%	123,922	134,176	(10,254)	-7.6%
Tax Relief and Other	324,194	97,385	226,810	232.9%	1,340,149	1,086,033	254,115	23.4%
Capital Outlay	80	0	80	N/A	146	134	12	8.9%
Debt Service	89	0	89	N/A	578,503	512,711	65,792	12.8%
Pending Payroll	0	0	0	N/A	0	0	0	N/A
Total Expenditures & ISTV's	**2,531,730**	**2,221,394**	**310,336**	**14.0%**	**24,619,673**	**23,468,452**	**1,151,221**	**4.9%**
Transfers Out:								
OPER TRF OUT-BUD STABILIZATION	0	0	0	N/A	0	394,034	(394,034)	N/A
OPER TRF OUT-OTH	0	15,387	(15,387)	N/A	162,620	59,016	103,604	175.6%
OPER TRF OUT-TEMPORARY	0	0	0	N/A	446,551	287,414	159,138	55.4%
Total Transfers (Out)	**0**	**15,387**	**(15,387)**	**N/A**	**609,171**	**740,463**	**(131,292)**	**-17.7%**
Total Fund Uses	**2,531,730**	**2,236,781**	**294,949**	**13.2%**	**25,228,844**	**24,208,915**	**1,019,929**	**4.2%**

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

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.

GENERAL LEDGER APPENDIX

Since the publication of the last Monthly Financial Report, the General Ledger for the month of April 2008 has been closed. Final data for April 2008 is included in the attached table. Note that there were no changes from the preliminary data that were included in the last Financial Report.

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

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	APRIL Estimate	APRIL Preliminary	APRIL 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	571,297	581,698	581,698	0	0.0%	10,402	1.8%
Higher Education	184,954	193,697	193,697	0	0.0%	8,743	4.7%
Public Assistance and Medicaid	820,240	833,844	833,844	0	0.0%	13,605	1.7%
Health and Human Services	146,968	135,129	135,129	0	0.0%	(11,839)	-8.1%
Justice and Public Protection	183,225	157,185	157,185	0	0.0%	(26,040)	-14.2%
Environmental Protection and Natural Resources	5,055	5,645	5,645	0	0.0%	590	11.7%
Transportation	1,468	1,326	1,326	0	0.0%	(141)	-9.6%
General Government	18,128	19,047	19,047	0	0.0%	919	5.1%
Community and Economic Development	12,312	5,638	5,638	0	0.0%	(6,674)	-54.2%
Tax Relief and Other	236,622	298,177	298,177	0	0.0%	61,555	26.0%
Capital Outlay	150	0	0	0	N/A	(150)	N/A
Debt Service	84,169	72,002	72,002	0	N/A	(12,167)	N/A
Pending Payroll	0	0	0	0	N/A	0	N/A
Total Expenditures & ISTV's	**2,264,587**	**2,303,390**	**2,303,390**	**0**	**0.0%**	**38,803**	**1.7%**