OBM

Ted Strickland
Governor

J. Pari Sabety
Director

December 10, 2008

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

FROM: J. Pari Sabety, Director

SUBJECT: Monthly Financial Report

This report contains information regarding Ohio's financial position through November 30, 2008 as well as highlights of regional and national economic indicators.

The most recent consensus report from the Governor's Council of Economic Advisors, provided to you earlier this afternoon, indicates that the length and depth of the current recession economy will be driven by two major factors: individuals' and businesses' access to credit, and consumer psychology toward discretionary spending. Additionally, the pending federal stimulus will, to some yet-to-be-determined extent, provide states with additional resources to help generate and retain jobs for residents.

Themes discussed by the advisors were apparent in Ohio's tax revenue receipts for November 2008. Total GRF tax receipts were $77.4 million (6.3%) below estimate for the month, which increases the year to date negative variance from $61.0 million in October to $138.4 million in November. The growing variance is consistent with the broader economic challenges and resulting revenue shortfalls that have been discussed publicly for the past two weeks.

November's General Revenue Fund disbursements were $34.0 million (1.5%) above estimate, with the two largest variances occurring in the Public Assistance & Medicaid and Environmental Protection & Natural Resources expenditure categories. A summary of all disbursement categories is included later in this report.

As was discussed in early December, it is becoming clear that the national and state economies have continued to weaken and that this weakening is impacting state tax revenue. As a result the administration will continue to closely monitor the performance of state tax revenue through the holidays and after conferring with the Governor's Council of Economic Advisors, decide what additional steps might be necessary to deal additional potential revenue shortfalls in FY 2009.

This month's special feature provides an overview of Ohio's employment trends and resulting impact on GRF revenue.

MONTHLY FINANCIAL REPORT CONTENTS

ECONOMIC SUMMARY

Deterioration in the U.S. economy intensified further in the fourth quarter, as the National Bureau of Economic Research officially announced that the economy entered recession in December 2007. The consensus of forecasters is that real GDP will decline at a 4% to 5% pace during the fourth quarter and at a slower but still substantial pace in the first quarter of CY 2009. The consensus opinion of forecasters is that the recession will end in mid-2009, but the data from leading indicators do not yet support that forecast.

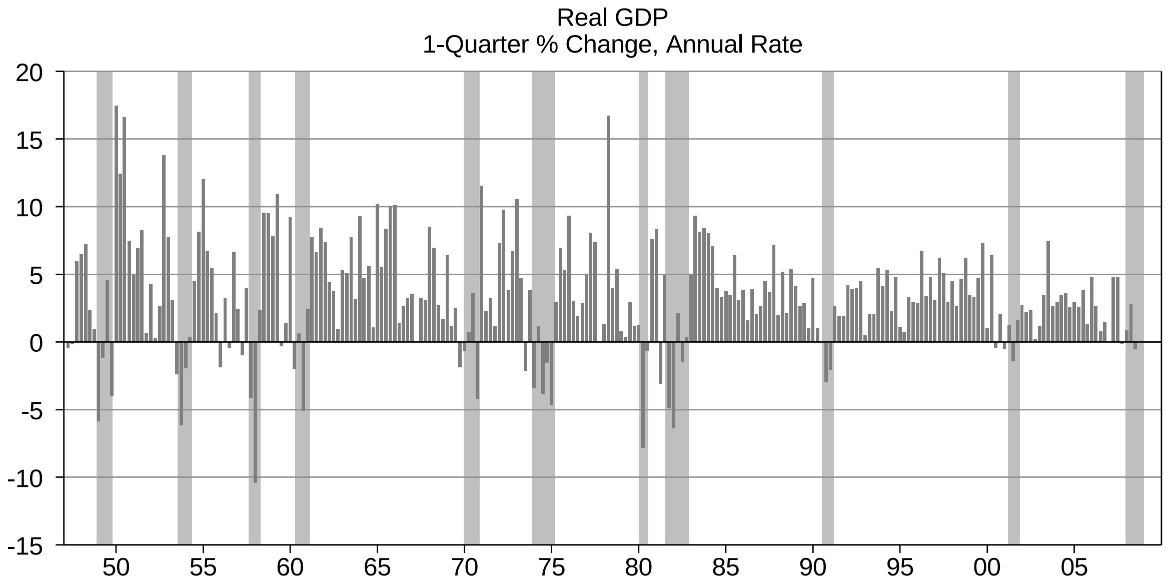
The November job loss nationally was the largest since the depths of the 1973-75 recession in December 1974, and Ohio employment fell by 26,300 jobs during the four months ending in October. Industrial production rebounded in October from the summer hurricanes, but only modestly. Factory orders and reports from purchasing managers indicate that industrial activity continued to deteriorate during November. Construction activity remained weak as the fourth quarter unfolded.

Highlights of Economic Performance

- At twelve months, the current recession has already lasted longer than the post-war average of ten months. Many analysts expect this downturn to rival the sixteen-month long downturns of 1981-82 and 1973-75 in length and severity.
- The consensus among forecasters is that the negatives will persist during the next few quarters without much offset from the few positives.
- **Total U.S. employment** decreased by 533,000 jobs in November. The losses in September and October were revised down by a total of 199,000 jobs, bringing the 3-month loss to 1.26 million jobs.
- The **length of the workweek** for all production and nonsupervisory workers fell to a new all-time low of 33.5 hours.
- **Ohio employment** decreased by 9,000 jobs in October, following losses totaling 17,300 jobs during the previous three months.
- **Purchasing managers** across the country reported the most widespread deterioration in overall manufacturing conditions in November since the 1981-82 recession.
- **Sales of both new and existing homes** fell in October, but sales of new homes are down 40.1% year-over-year, while sales of existing homes have essentially leveled off.

Economic Growth

The **National Bureau of Economic Research** announced on December 1 that the eleventh post-war recession began in December 2007. The NBER always announces its findings well after the fact because the analytical process necessarily requires sufficient historical data to determine whether the degree, dispersion and duration of a downturn qualify the episode as a business cycle recession.



The previous two recessions, each of which lasted for eight months, occurred during March 2001 to November 2001 and July 1990 to March 1991. At twelve months, the current recession has already lasted longer than the post-war average of ten months. Many analysts expect this downturn to rival the sixteen-month long downturns of 1981-82 and 1973-75 in length and severity.

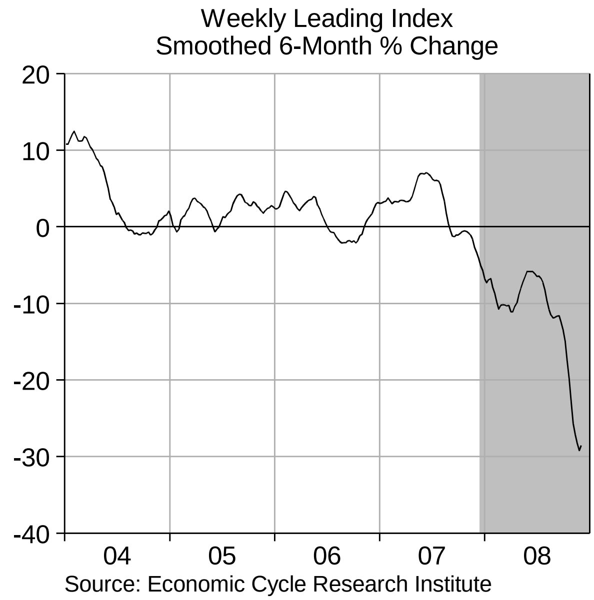
After decreasing at a modest pace in the third quarter, **real GDP** is contracting at the fastest rate in many years during the fourth quarter. Real GDP decreased 0.5% in the summer quarter. The year-over-year increase of 0.7% was the weakest since the final quarter of the 2001 recession. The 3.7% decrease in consumer spending was the largest since credit controls induced a steeper decline in the second quarter of 1980.

Strength in nonresidential construction, net exports and national defense spending during the third quarter offset declines in business investment in equipment and software and investment in residential structures. Net exports improved due to the effect of weak domestic demand on imports. Business inventories added to growth by falling by less than in the second quarter.

The consensus among forecasters is that the negatives will persist during the next few quarters without much relief. Global Insight, for example, projects real GDP will decrease by 5.0% in the fourth quarter and 3.8% in the first quarter before ramping up to a modest recovery starting in the second half. Global Insight also foresees growth of 3.1% from the fourth quarter of 2009 to the fourth quarter of 2010.

The depth and duration of downturns are very difficult to gauge reliably. Projections that the downturn will persist throughout 2009 have several historical precedents. For example, real GDP decreased in six of the twelve quarters during 1980-82, increasing in four quarters, and posting modest advances in two quarters. Real GDP decreased during five of the seven quarters of the 1973-1975 recession.

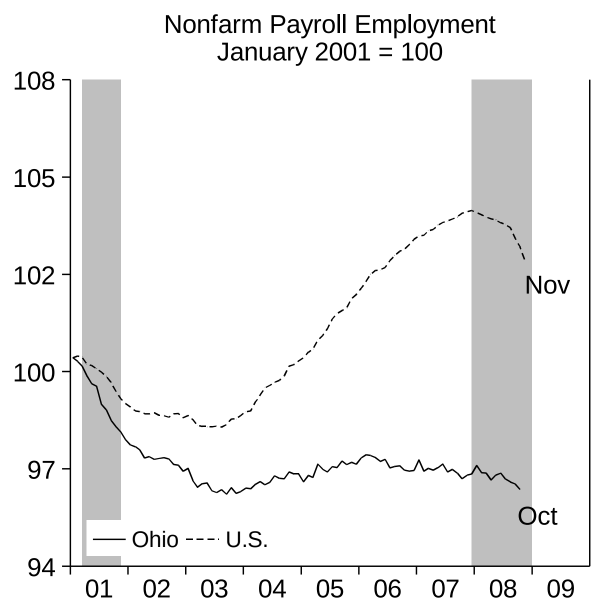
Leading economic indicators provide no sign of a near term upturn in the economy. The Conference Board's Leading Economic Index is falling about as fast as the most rapid rates of decline in the last two recessions on a year-over-year basis through October. The rate of change of the Weekly Leading Index from the Economic Cycle Research Institute reached an all-time low of -29.2% in the week ending November 21 and recovered only slightly to the second-steepest rate of descent the next week. Analysts at the Institute believe that the rate of change in the Index is roughly correlated with the rate of economic growth or contraction.



Employment

The accelerated pace of deterioration in labor markets continued in November. **Total U.S. employment** decreased by 533,000 jobs. The losses in September and October were revised down by a total of 199,000 jobs, bringing the 3-month loss to 1.26 million jobs. Total hours worked fell 0.9% in November.

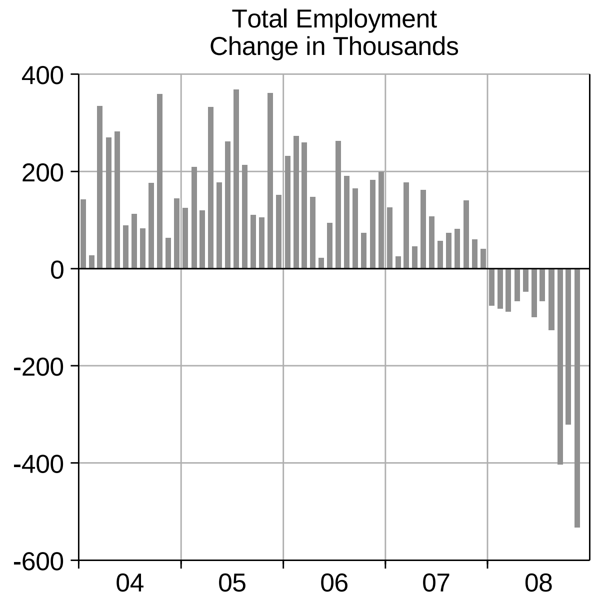
The November job loss was the largest since the 602,000 decline that occurred in December 1974 toward the end of the 1973-75 recession. The December 1974 decline was much larger as a percent of employment, because the workforce was only 57% as large as it is today. In percentage terms, the decrease in employment last month was the tenth largest in the last fifty years, placing it among the weakest 2% of all months for a half-century. The November percent change was in the 5th percentile of all months since 1939.



Job losses have been widespread in recent months, with fewer than 30% of the 274 industries tracked by the Bureau of Labor Statistics reporting higher payrolls over one, three and six month periods. Compared with a year earlier, just under one-third of industries reported higher employment.

The only major sector that posted an increase in employment from October to November was education and health services. Leading the way with declines were professional and business services (-136,000), retail trade (-91,000), manufacturing (-85,000) and leisure and hospitality (-76,000).

The **unemployment rate** increased by 0.2 points to 6.7% in November. Up by 2.3 points from the cycle low that was reached in March 2007, the rate hit a 15-year high. The unemployment rate would have been higher had not 422,000 people withdrawn from the labor force, presumably because of dim prospects. The number of unemployed workers was 3.15 million higher than a year earlier. The broadest measure of unemployment, which includes so-called discouraged workers, increased to 12.5% from 11.8% in October and 8.4% in November 2007.



The **length of the workweek** for all production and nonsupervisory workers fell to a new all-time low of 33.5 hours. The manufacturing workweek fell to 40.3 hours after a downward revision to the October level. Manufacturing overtime fell to 3.3 hours – down sharply from 4.6 hours as recently as April 2006 and the lowest since the mid 1980s. The index of aggregate weekly hours decreased for the eighth straight month, and if unchanged in December will have fallen at an annual rate of 5.8% during the fourth quarter, pointing to a steep drop in real GDP during the quarter.

Ohio employment decreased by 9,000 jobs in October, following losses totaling 17,300 jobs during the previous three months. Significant job losses occurred during October in trade, transportation and utilities (-4,200), manufacturing (-4,000), construction (-2,000) and professional and business services (-1,800). Government added 1,800 jobs. The **Ohio coincident index** compiled by the Philadelphia Federal Reserve to gauge labor market conditions fell for the eighth straight month in October. The year-over-year rate of change was -1.8% – the weakest since just after the 2001 recession.

Ohio employment is down by 25,100 jobs since December and by 17,300 jobs since October 2007. Major job losses have occurred in manufacturing (-8,400) and trade, transportation and utilities (-7,600) year-to-date, while education and health services posted a major increase (+8,200). The Ohio unemployment rate was little changed at 7.3% in October, but up from 5.5% at the start of the year.

Among the eleven **Ohio Metropolitan Statistical Areas**, only Columbus (+5,000) and Youngstown-Warren-Boardman (+1,200) added jobs during the twelve months ended in October. Employment fell in Cleveland (-6,500), Toledo (-4,700), Dayton (-4,600) and Cincinnati (-3,100).

Among **contiguous states**, only West Virginia (+0.2%) posted an increase in employment during the most recent twelve months. Employment levels fell in Michigan (-1.7%), Indiana (-1.1%), Kentucky (-0.7%), Ohio (-0.3%) and Pennsylvania (-0.3%).

Consumer Income and Consumption

Weak real incomes are combining with the negative wealth effects from the housing and stock market busts and depressed confidence levels to restrain consumer spending. Real disposable personal income has been as weak as it has been on a consistent basis since the 1973-75 recession compelling consumers to spend less and save more out of current income.

Real disposable income rebounded by 1.0% in October, but was only 0.5% above the year earlier level. The monthly pattern of personal income has been distorted this year by the rebate checks that were distributed in the second quarter and the effects of Hurricanes Gustav and Ike in the third quarter. **Wage and salary disbursements** provide a clearer picture of the underlying trend in consumer income, and confirm the underlying deterioration. Real wage and salary disbursements have been lower than a year earlier in each month since June. In contrast, the year-over-year comparisons were close to 3.5% during the first three quarters of 2007.

In addition, the **saving rate** of consumers is expected to rise in the years ahead, meaning that growth in personal consumption expenditures will be lower for a given growth rate in income. The housing bust, tightening in credit conditions and sharp contraction in labor markets have pushed survey measures of **consumer confidence** to long-time and in some cases even all-time lows. Both the expectations and overall mood of consumers fell to record lows in October before rebounding somewhat in November, according to a survey by the Conference Board. Comparable measures from the Reuters/University of Michigan survey have followed a similar pattern.

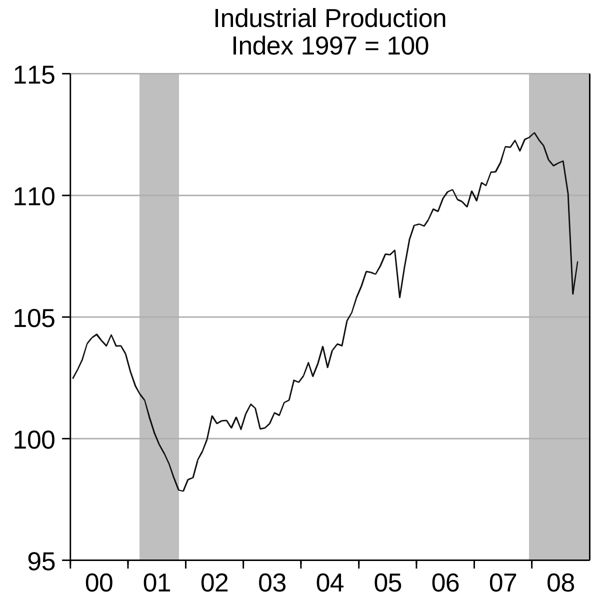
Personal consumption expenditures decreased 1.0% in October to 2.3% above the year earlier level, largely but not entirely due to a sharp decline in purchases of motor vehicles. In real terms, spending fell for the fifth consecutive month, down 0.5% from September and 0.9% from October 2007. Real consumer spending decreased 3.7% in the third quarter, and is on track for a similar decline in the fourth quarter.

For the year, real personal consumption expenditures are expected to be approximately unchanged from 2007, after averaging 3.6% annual gains during the previous ten years, which included the 2001 recession. Global Insight projects real personal consumption expenditures will decrease 0.5% in 2009 and grow at a below-trend rate of approximately 2.5% during the subsequent five years.

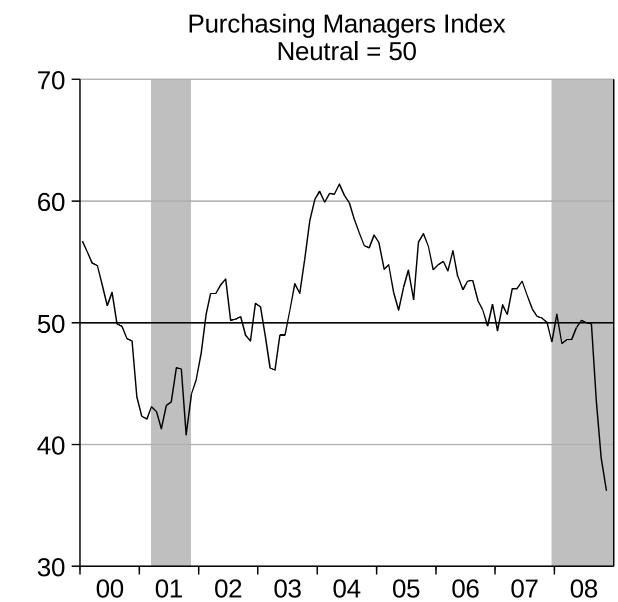
Manufacturing

The rapid deterioration in industrial activity that began in August appears to have gained speed in October and November. **Industrial production** rebounded by 1.3% in October, reflecting recovery in chemicals and petroleum from Hurricanes Gustav and Ike. But the September decrease was revised from -2.8% to a larger decrease of -3.7% due to higher estimated damage from the hurricanes. Production of light motor vehicles fell 3.5% in October to 18.4% below the year earlier level, and is likely to fall further in the months ahead in response to slower sales.

New orders at factories decreased by 5.1% in October, following declines of 4.3% and 3.1% in August and September, respectively – the fastest 3-month decline on record dating back to 1992. New orders declined even without the effect of the large decline in the price of oil. Shipments fell 3.2%, following declines of 3.7% and 3.1% in August and September, respectively. Even excluding petroleum and coal products, shipments fell 1.9%.



Purchasing managers across the country reported the most widespread deterioration in overall manufacturing conditions in November since the 1981-82 recession. Reports of decreasing new orders and production were the most widespread since the sharp 1980 recession. Reports of lower employment, inventories and order backlogs all became significantly more common.



Manufacturing activity remained bleak in nearby regions. The Philadelphia Federal Reserve manufacturing index decreased to -39.3 – the lowest mark since the 1990-91 recession. A key component fell to its lowest level since 1982. Expectations of manufacturers deteriorated further. The Empire Manufacturing Survey compiled by the New York Federal Reserve fell to -25.4 – another new record low. The Midwest Manufacturing Index, published by the Chicago Federal Reserve, fell 0.9% in October, following declines of 2.5% and 3.7% in August and September, respectively.

Production at factories in and around Ohio was flat to down during the six weeks ending in late November, according to the Cleveland Federal Reserve. Reports of year-over-year declines in output were widespread, as were expectations that output will continue to slow in 2009. Capacity utilization was reported to be at or below normal levels.

Construction

Construction put-in-place fell 1.2% in October to 4.6% below the year earlier level, and activity for August and September was revised higher. Private sector construction decreased by 2.0% to 8.8% below the year earlier level. Private residential construction fell 3.5% in October to 24.2% below the year earlier level. Single-family construction was down 4.6% – the 31st straight decline. Multi-family construction edged down by 0.3% after rising 2.2% in September. Tight credit conditions and expectations of additional price declines will keep residential activity in check in coming months.

Housing construction deteriorated in October, as housing starts fell to 791,000 units at a seasonally adjusted annual rate – the lowest level on record dating back to 1959. Permits fell 12.0% to 708,000 units – down about 60% from the peak in September 2005. Permits declined for both single-family and multi-family units and across all four regions of the country.

Sales of both new and existing homes fell in October, but sales of new homes are down 40.1% year-over-year, while sales of existing homes have essentially leveled off. Inventories of unsold new homes continue to work lower, but not fast enough to reduce the number of months necessary to move all of the inventory at the still-falling sales pace. Prices remain under downward pressure. Mortgage rates dipped on news that the Federal Reserve was considering direct purchases of longer-term bonds aimed at supporting housing. Applications for loans to refinance surged in late November. Applications for loans to purchase homes increased to the highest level since before the Lehman bankruptcy in mid-September.

Nonresidential construction put-in-place decreased 0.7% in October to 9.1% above the year earlier level. The year-over-year rate of growth is down from 25.8% in October 2007 in large part because of weakness in the office and commercial sectors. The prolonged and significant weakness in residential appears to finally be affecting nonresidential.

The **Architecture Billings Index** (ABI) fell to its lowest level in October since the survey began in 1995. If the historical relationship between the ABI and non-residential construction holds, non-residential construction will fall substantially throughout 2009.

GENERAL REVENUE FUND RECEIPTS

During the month of November**, GRF receipts** totaled $1,448.8 million and were $548.2 million (27.5%) below the revised estimates issued in September. Unlike October, where the better than expected performance in non-tax receipts offset the underperformance of GRF tax receipts**,** non-tax receipts exacerbated another month of negative performance in GRF tax receipts which totaled $1,143.4 million and were $77.4 million, or 6.3% below estimates.

Category	Includes:	YTD Variance	% Variance
Tax receipts	Sales & use, personal income, corporate franchise, public utility, kilowatt hour, foreign & domestic insurance, other business & property taxes, cigarette, soft drink, alcoholic beverage, liquor gallonage, estate & horse racing	($138.4 million)	(2.0%)
Non-tax receipts	Federal grants, earnings on investments, licenses & fees, other income, intrastate transfers	($271.6 million)	(9.0%)
Transfers	Budget stabilization, liquor transfers, capital reserve, other	($228.9 million)	(66.6%)
TOTAL REVENUE VARIANCE:		($638.9 million)	(6.1%)

As mentioned above, tax receipts for the month of November were again negative, falling short of the revised estimates by $77.4 million as a result of negative performance in a majority of tax sources. Specifically, those taxes which together fell a combined $66.1 million short of the estimates in November included the non-auto and auto sales, personal income, corporate franchise, domestic insurance, cigarette, and estate taxes and more than offset combined small positive performances of $11.3 million in the public utility, foreign insurance, and liquor gallonage taxes.

The negative variances occurring in non-tax receipts and transfers actually were larger than the variance in tax receipts.

- Non-tax receipts: For the month of November federal grants deposited into the GRF totaled $241.9 million, which was $263.5 million (or 52.1%) less than the estimate. For the year to date federal grants totaled $2,628.0 million, which is $284.1 million (or 9.8%) below the estimate. Federal revenue is drawn into the State Treasury on a reimbursement basis for Medicaid and other Department of Job and Services expenditures. Medicaid claims are processed weekly and generally payments to providers are made on Thursday. Federal revenue is drawn once the payment is released to the provider. Due to the Thanksgiving holiday, provider payments were released on Friday and the revenue could not be recognized until Monday, December 1. Revenue received on December 1 totaled $252 million, which when added to the year-to-date total, leaves the Federal Grants category $32 million short of the estimate.

- Transfers: November transfers into the GRF were $250.0 million (80.0%) below estimate. This monthly variance is due to the timing of temporary transfers to the GRF for reimbursements related to advances made to the property tax replacement funds. These temporary transfers out, which occurred in October, will be fully reimbursed in December.

Individual Sources Above Estimate		Individual Sources Below Estimate	
Public Utility	$2.5	Non-Auto Sales Tax	($20.0)
Foreign Insurance	$8.7	Auto Sales Tax	($12.9)
ISTVs	$3.7	Personal Income Tax	($10.0)
Transfer In - Other	$40.0	Corporate Franchise Tax	($9.6)
Other Sources Above Estimate	$0.2	Kilowatt Hour Tax	($2.2)
		Domestic Insurance	($8.6)
		Estate Tax	($9.2)
		Cigarette Tax	($15.7)
		Federal Grants	($263.5)
		Temporary Transfers	($250.0)
		Other Sources Below Estimate	($1.6)
Total above	**$55.1**	**Total below**	**($603.3)**

Non-Auto Sales and Use Tax

Continuing the trend of the last several months, November saw the non-auto sales tax again have weaker than expected performance as it generated monthly receipts of $539.4 million that were $20.0 million (3.6%) below estimate. When combined with its negative performance in September and October, the non-auto sales and use tax is now $74.7 million (2.7%) below revised estimates after three months as consumer spending appears to be reflecting a continuing dip in employment and consumer confidence.

Auto Sales Tax

While the performance of the auto sales tax had been relatively positive through October, that situation was reversed during the month of November as the $44.5 million generated was $12.9 million (22.5%) short of the estimate of $57.4 million, thus wiping out what had been a year-to-date positive variance of $13.0 million. On a year-over-year basis, auto sales tax receipts through the first five months of FY 2009 are $17.4 million (4.4%) below the same point a year ago. As the performance of this tax source had been relatively healthy through October, OBM will continue to closely monitor this tax to see if the generally negative economic conditions are having a greater than estimated impact and to determine what impact, if any the timing of the Thanksgiving holiday and the end of the month might have had on the receipt of payments.

Personal Income Tax

Personal income tax receipts continue to be below the revised estimates in during the month of November as receipts totaled $497.5 million, or $10.0 million (2.0%) below the revised estimate. This monthly variance is not attributable to underperformance in any particular component of the tax, but instead to relative softness across all components, with withholding ($5.7 million) and refunds ($4.6 million) accounting for most of the variance.

On a year-over-year basis, total personal income tax receipts for the month of November were $46.1 million (8.5%) below those of November 2007, accounting for approximately 40% of the year-over-year revenue reduction in tax revenue of $113.1 million. Total income tax receipts for the first five months of FY 2009 were $48.7 million or 1.5% below the estimates.

FY2009 PERSONAL INCOME TAX RECEIPTS BY COMPONENT ($in millions)						
	ESTIMATE NOV	**ACTUAL NOV**	**$ VAR NOV**	**ESTIMATE Y-T-D**	**ACTUAL Y-T-D**	**$ VAR Y-T-D**
Withholding	$573.0	$567.3	($5.7)	$3,069.7	$3,059.0	($10.7)
Quarterly Est.	$9.5	$9.5	($0.03)	$402.2	$394.2	($8.0)
Trust Payments	$1.5	$0.9	($0.6)	$15.6	$14.1	($1.5)
Annual Returns & 40 P	$11.3	$10.3	($1.0)	$121.5	$136.8	$15.3
Other	$6.4	$5.4	($1.0)	$35.5	$23.3	($10.5)
Less: Refunds	($31.6)	($36.2)	($4.6)	($142.7)	($174.8)	($32.0)
Local Distr.	($62.6)	($59.7)	$3.0	($302.1)	($301.8)	$0.4
Net to GRF	**$507.5**	**$497.5**	**($10.0)**	**$3,199.5**	**$3,150.8**	**($47.0)**

Corporate Franchise Tax

The corporate franchise tax failed to meet estimates during the month of November by $9.6 million as a result of greater than expected refunds. However, on a year-over-year basis, the performance of the corporate franchise tax through November remains positive as it is $51.8 million ahead of the same point a year ago. As mentioned in previous monthly reports, this variance may be the result of underpayments or extensions in FY 2008 that are now being made up as we move into FY 2009.

Commercial Activity Tax

In FY 2009, 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. Reversing the trend for the year to date, CAT receipts during the month of November totaled $273.0 million, an amount that was $17.0 million short of the estimate of $290.0 million estimates (6.0%). As a result of the shortfall in November, the year to date performance of the tax was reduced to $16.1 million above estimates.

Cigarette Tax

One notably negative tax source for the month of November was the cigarette tax which totaled $63.6 million for a negative monthly variance of $15.7 million (19.8%). While November's performance reversed what had been a positive year-to-date variance of $5.5 million, much of this may be attributable to the timing of the Thanksgiving holiday and the end of the month. As a result, performance of the cigarette tax will be monitored throughout the month to determine how much of the November variance can be attributed to timing and how much can be attributed to general revenue performance.

Foreign and Domestic Insurance Taxes

Receipts for the foreign insurance tax during the month of October totaled $8.7 million and were $8.7 million dollars above estimate, while receipts for the domestic insurance tax totaled $8.6 million and were short of estimates by $8.6 million. The primary reason for these November variances in each of these taxes is the correction of a coding error by the Treasurer's office. The coding error, which occurred in October, occurred when $8.4 million foreign insurance tax receipts were incorrectly recognized as domestic insurance receipts.

Estate Tax

Estate tax receipts for the month of November totaled $1.9 million, but were $9.2 million below the estimate of $11.0 million. Driving this negative performance is the later than anticipated filings by a number of counties, including Hamilton County. Most of these payments have been received in early December and most of the year-to-date variance should be erased by the end of December.

GRF non-tax receipts totaled $253.0 million in November and were $260.9 million (50.8%) below estimate. This monthly variance is due almost exclusively to lower than estimated federal grants ($263.5 million). The receipt of these federal grants are driven primarily by Medicaid reimbursement and the November variance is attributable to the fact that the receipt of reimbursements for payments made in late November was not processed until early December.

GRF transfers totaled $52.4 million in November and were $250.0 million (80.0%) below estimate. This monthly variance is due to the timing of temporary transfers to the GRF for reimbursements related to advances made to the property tax replacement funds. These temporary transfers out, which occurred in October, will be fully reimbursed in December.

Table 1

REVISED GENERAL REVENUE FUND RECEIPTS

ACTUAL FY 2009 VS ESTIMATE FY 2009

($ in thousands)

	Month				Year-to-Date			
REVENUE SOURCE	ACTUAL NOVEMBER	REVISED NOVEMBER	$ VAR	% VAR	ACTUAL Y-T-D	REVISED Y-T-D	$ VAR	% VAR
TAX RECEIPTS								
Non-Auto Sales & Use	539,385	559,376	(19,991)	-3.6%	2,709,452	2,784,155	(74,703)	-2.7%
Auto Sales & Use	44,528	57,440	(12,912)	-22.5%	382,717	382,652	65	0.0%
Subtotal Sales & Use	583,913	616,816	(32,903)	-5.3%	3,092,169	3,166,807	(74,638)	-2.4%
Personal Income	497,535	507,500	(9,965)	-2.0%	3,150,755	3,199,531	(48,776)	-1.5%
Corporate Franchise	(45,092)	(35,531)	(9,560)	26.9%	1,201	165	1,036	627.8%
Commercial Activity Tax	0	0	0	N/A	0	0	0	N/A
Public Utility	26,070	23,566	2,504	10.6%	75,336	76,744	(1,408)	-1.8%
Kilowatt Hour	7,632	9,799	(2,166)	-22.1%	56,210	58,704	(2,494)	-4.2%
Foreign Insurance	8,685	0	8,685	N/A	137,238	133,802	3,436	2.6%
Domestic Insurance	(8,516)	100	(8,616)	-8615.9%	(772)	(158)	(614)	388.5%
Other Business & Property Tax	1	30	(29)	-95.1%	323	377	(54)	-14.4%
Cigarette	63,628	79,372	(15,744)	-19.8%	338,553	348,754	(10,201)	-2.9%
Soft Drink	0	0	0	N/A	0	0	0	N/A
Alcoholic Beverage	4,617	5,179	(562)	-10.9%	24,675	25,487	(812)	-3.2%
Liquor Gallonage	3,054	2,942	111	3.8%	14,971	14,991	(21)	-0.1%
Estate	1,849	11,000	(9,151)	-83.2%	25,253	29,082	(3,829)	-13.2%
Horse Racing	0	0	0	N/A	0	0	0	N/A
Total Tax Receipts	1,143,377	1,220,773	(77,395)	-6.3%	6,915,911	7,054,285	(138,374)	-2.0%
NON-TAX RECEIPTS								
Federal Grants	241,893	505,394	(263,501)	-52.1%	2,628,045	2,912,098	(284,054)	-9.8%
Earnings on Investments	0	0	0	N/A	51,111	42,400	8,711	20.5%
License & Fees	506	600	(94)	-15.6%	19,772	19,011	761	4.0%
Other Income	3,266	4,200	(934)	-22.2%	21,369	21,994	(625)	-2.8%
ISTV'S	7,362	3,700	3,662	99.0%	11,252	7,610	3,642	47.9%
Total Non-Tax Receipts	253,028	513,894	(260,866)	-50.8%	2,731,550	3,003,114	(271,564)	-9.0%
TOTAL REVENUES	1,396,405	1,734,667	(338,262)	-19.5%	9,647,461	10,057,399	(409,938)	-4.1%
TRANSFERS								
Budget Stabilization	0	0	0	N/A	0	0	0	N/A
Liquor Transfers	12,000	12,000	0	0.0%	69,000	60,000	9,000	15.0%
Transfers In - Capital Reserve	0	0	0	N/A	0	0	0	N/A
Transfers In - Other	40,373	360	40,013	11114.8%	46,054	8,980	37,075	412.9%
Temporary Transfers In	0	250,000	(250,000)	N/A	0	275,000	(275,000)	N/A
Total Transfers	52,373	262,360	(209,987)	-80.0%	115,054	343,980	(228,925)	-66.6%
TOTAL SOURCES	1,448,779	1,997,027	(548,248)	-27.5%	9,762,515	10,401,378	(638,863)	-6.1%

Table 2
GENERAL REVENUE FUND RECEIPTS
ACTUAL - FY 2009 VERSUS FY 2008
($ in thousands)

REVENUE SOURCE	Month				Year-to-Date			
	ACTUAL 2009	ACTUAL 2008	$ VAR	% VAR	ACTUAL 2009	ACTUAL 2008	$ VAR	% VAR
TAX RECEIPTS								
Non-Auto Sales & Use	539,385	548,228	(8,843)	-1.6%	2,709,452	2,751,987	(42,535)	-1.5%
Auto Sales & Use	44,528	70,378	(25,850)	-36.7%	382,717	400,136	(17,419)	-4.4%
Subtotal Sales & Use	583,913	618,606	(34,693)	-5.6%	3,092,169	3,152,123	(59,954)	-1.9%
Personal Income	497,535	543,673	(46,138)	-8.5%	3,150,755	3,291,689	(140,934)	-4.3%
Corporate Franchise	(45,092)	(56,293)	11,201	-19.9%	1,201	(50,562)	51,764	-102.4%
Commercial Activity Tax	0	0	0	N/A	0	0	0	N/A
Public Utility	26,070	21,486	4,584	21.3%	75,336	62,209	13,126	21.1%
Kilowatt Hour	7,632	27,714	(20,081)	-72.5%	56,210	148,114	(91,904)	-62.0%
Foreign Insurance	8,685	(417)	9,102	-2182.3%	137,238	132,770	4,469	3.4%
Domestic Insurance	(8,516)	139	(8,654)	-6248.2%	(772)	391	(1,163)	-297.1%
Other Business & Property Tax	1	34	(32)	-95.6%	323	388	(66)	-16.9%
Cigarette	63,628	82,310	(18,682)	-22.7%	338,553	360,345	(21,792)	-6.0%
Soft Drink	0	0	0	N/A	0	0	0	N/A
Alcoholic Beverage	4,617	5,030	(414)	-8.2%	24,675	25,027	(352)	-1.4%
Liquor Gallonage	3,054	2,803	251	9.0%	14,971	14,438	533	3.7%
Estate	1,849	11,370	(9,521)	-83.7%	25,253	27,893	(2,640)	-9.5%
Horse Racing	0	0	0	N/A	0	0	0	N/A
Total Tax Receipts	1,143,377	1,256,454	(113,077)	-9.0%	6,915,911	7,164,825	(248,913)	-3.5%
NON-TAX RECEIPTS								
Federal Grants	241,893	689,778	(447,885)	-64.9%	2,628,045	2,632,468	(4,423)	
Earnings on Investments	0	0	0	N/A	51,111	44,990	6,121	-0.2%
License & Fee	506	668	(162)	-24.2%	19,772	20,002	(230)	-1.1%
Other Income	3,266	4,530	(1,264)	-27.9%	21,369	19,773	1,596	8.1%
ISTV'S	7,362	89	7,273	8134.6%	11,252	2,762	8,491	307.4%
Total Non-Tax Receipts	253,028	695,066	(442,038)	-63.6%	2,731,550	2,719,995	11,555	0.4%
TOTAL REVENUES	1,396,405	1,951,520	(555,115)	-28.4%	9,647,461	9,884,820	(237,359)	-2.4%
TRANSFERS								
Budget Stabilization	0	0	0	N/A	0	0	0	N/A
Liquor Transfers	12,000	0	12,000	N/A	69,000	64,000	5,000	7.8%
Transfers In - Capital Reserve	0	0	0	N/A	0	0	0	N/A
Transfers In - Other	40,373	800	39,573	4946.7%	46,054	56,477	(10,423)	-18.5%
Temporary Transfers In	0	212,100	(212,100)	N/A	0	212,100	(212,100)	N/A
Total Transfers	52,373	212,900	(160,527)	-75.4%	115,054	332,577	(217,523)	-65.4%
TOTAL SOURCES	1,448,779	2,164,420	(715,641)	-33.1%	9,762,515	10,217,397	(454,881)	-4.5%

GENERAL REVENUE FUND DISBURSEMENTS

Across all fund uses, total year-to-date GRF disbursements are $13,477.7 million.

Fund Use	Includes:	YTD Disbursements
Expenditures and transfers between agencies (ISTVs)	State agency operations, subsidies, tax relief, debt service payments, and pending payroll (if applicable)	$12,642.4 million
Transfers	Temporary or permanent transfers out of the GRF that are not agency expenditures	$835.3 million
TOTAL GRF DISBURSEMENTS:		$13,477.7 million

Year-to-date expenditures and interagency transfers are 1.3% above estimate. See table 3 for additional information.

GRF disbursements are reported according to functional reporting categories, and this section contains information regarding each category. Variance information is included on an agency-specific basis as a component of the category summaries. In the event that an agency spent its GRF appropriation according to plan during the month, a variance would not exist to be explained.

The disbursement estimates reflected in this report take into account the agency budget reductions that were announced on September 10th and implemented in late September.

Primary, Secondary, and Other Education

This category includes expenditures made by the School for the Blind, the School for the Deaf, E-Tech and the Department of Education. November expenditures in this category were $619.3 million.

- November disbursements for the department of education totaled $614.6M and when compared to the estimate for November, expenditures are $10.6M or 1.7% below. Variances for the month are attributable to timing of expenditures in several programs such as early childhood education (-44% under-spending for the month due to delay in verifying provider information) and Ohio Core Support (-90% under-spending for the month as a result of new program implementation). The variance in the foundation program, which is above estimate for the month (3%), is due to minor adjustments reflected in the November payments to school districts.

Higher Education

November disbursements for Higher Education were $338.9 million, representing a variance of $9.7 million (3.0%) above the estimate for the month. Year-to-date disbursements were $1,174.2 million, representing a variance totaling $18.2 million (1.6%) above the estimate. Disbursements for lease rental debt obligations were $21.1 million more than estimated for the month. Conversely, disbursements from the Ohio College Opportunity Grant line item were $11.9

million less than estimated for the month because requests for payment from campuses were less than originally anticipated for November.

Public Assistance and Medicaid

November expenditures in this category, which includes all GRF expenditures by the Department of Job & Family Services, were $899.1 million.

Public Assistance and Non-Medicaid

This sub-category includes, but is not limited to, the following types of expenditures: social services such as adoption assistance and disability financial assistance; state match for federal child care and TANF grants; administrative support expenses including payroll and equipment; and county administration for public assistance programs.

- For the year to date, ODJFS non-Medicaid General Revenue Fund disbursements total $402.7 million.

- November ODJFS non-Medicaid General Revenue Fund disbursements totaled $97.9 million, which is approximately $15.6 million (19.0%) over the November estimate. This is primarily attributable to the following:

  - Approximately $3.3 million in under-spending was in the Computer Projects line item. This is primarily due to vendors not submitting invoices in time to be captured in November. The invoices anticipated in November will now post in December.

  - Approximately $13.5 million in over-spending was in the Child Care/Maintenance of Effort line item. This is primarily due to changes imposed by the County Financial Information System (CFIS). Prior to CFIS, funding streams for county requests were determined at the State level (e.g. Child Care Development Block Grant vs. TANF vs. GRF). With CFIS, the counties request funding from a specific grant. During the month of October all but one draw request was funded from TANF. Consequently, childcare disbursements in funded from the Child Care/Maintenance of Effort line item in November offset the under-spending in October.

  - Approximately $2.5 million in over-spending was in the TANF/Maintenance of Effort line item. Although November caseload data are not final, the number of combined assistance groups increased from 80,794 in September to 82,450 in October and the total number of recipients increased from 175,290 to 179,595 in October. It is expected that final caseload numbers will show sustained increases.

  - Approximately $1 million in over-spending occurred in the entitlement administration line item (600-521). The over-spending occurred because of the timing of county draw requests.

Medicaid

This category includes expenditures by the Department of Job & Family Services for Medicaid services. Please note that administrative costs related to the ODJFS Medicaid program are included in the previous sub-category.

Expenditures

- Year-to-date ODJFS Medicaid GRF disbursements total $4,770 million, which is $45.6 million (-0.9%) below projection.

- For the month of November, ODJFS Medicaid GRF disbursements total $801.2 million, which was $8.1 million below projection (-0.9%)

- Year-to-date disbursements by all funding sources total $5,157.2 million, which is $48.6 million (-0.9%) below projection.

- For the month of November, disbursements by all funding sources total $949 million, which is $8.8 million (-0.9%) below projection.

Notable variances across all funding sources for the fiscal year to date include:

- Nursing Facility disbursements are $8 million (.7%) above the projected amount of $1,073.8 million. To date, there is $2.7 million less patient liability offsetting costs than what was originally forecasted. Patient liability is the portion that the consumer is required to pay based on their income level. Additionally, the department budgeted slightly over $10 million for change of ownerships (CHOPS), however, there has only been about $6 million through November.

- ICF/MR disbursements are $6.4 million (-2.8%) below the projected expenditure of $229 million. This is due primarily to expedited rate increases built in to the projection as the agency awaited approval of a State Plan Amendment (SPA) from the Centers on Medicaid and Medicare (CMS). The department received approval of the SPA from CMS in the middle of November and plan to retroactively pay the providers for the approved rate increase; this activity should bring the expenditures closer to the projection.

Caseload

Total Medicaid caseload for the month of October was 1.84 million covered persons, which is an increase of 12,962 people over September enrollment, and 15,348 over October projections. Medicaid enrollment has increased by 43,605 persons since the beginning of SFY09. The CFC population accounts for approximately 83% of this increase.

- The Covered Families and Children caseload increased by 10,575 persons from the previous month, and increase of 0.7%. This was 13,105 persons (1.0%) over the October projections. The majority of the increase occurred in the Healthy Family (4,515) and SCHIP (2,409) programs.

- The Aged, Blind and Disabled caseload increased by 2,387 persons, which was 2,243 over the October projection. The majority of the increase occurred in the Qualified Medical Beneficiary (599) and Specified Low-Income Medical Beneficiary (492) programs, which assist Medicare eligible consumers with premium payments.

Health and Human Services

This category includes GRF expenditures for the following state agencies: Aging, Mental Health, MR/DD, ODADAS and Health. Examples of expenditures in this category include: administration of the state's psychiatric hospitals; operating subsidies to county boards of MR/DD; various immunization programs; and Ohio's long term care ombudsman program. To the extent that these agencies spend GRF to support Medicaid services, that spending is reflected in this category instead of the previous category.

November expenditures in this category were $96.0 million. Significant notes include:

- In November the Department of Health's GRF disbursements were $4.0 million (48%) below the estimate. Total dollar variance was $3.7 million. The largest variance ($1.25 million) was in the Medically Handicapped Children line item. This underspending was due to non-GRF funds (primarily from county assessments) being used instead of the GRF. Help Me Grow ($0.6 million) and Breast and Cervical Cancer Screening ($0.5 million) expended below estimate due to subsidy payments and/or invoices not being processed as expected. Expenditures for AIDS Prevention ($0.9 million) were above estimate in October due to an early payment, and was therefore under estimate this month.

- The Department of Aging disbursed $14.5 million in GRF, which was 6% below estimate. Total dollar variance was $0.9 million, primarily from Senior Community Services, ($0.45 million) and Residential State Supplement ($0.8 million.) Senior Community Services was under budget since more federal funds are being utilized than originally planned. (The recent federal Continuing Resolution extends through March, allowing more federal funds to be available than in previous years.) RSS was under plan due to ISTV invoices (from JFS) for both November and December being received in early December.

- The Department of Mental Health disbursed $33.7 million in the month of November, which was $8.8 million, or 20.7%, less than the estimate. The variance occurred within the Department's subsidy lines, Community and Hospital Mental Health Services and Local Mental Health Systems of Care and is attributable to the timing of drawdowns requested by County Boards. Year-to-date, the Department has spent $141.8 million, which is $.5 million less than the estimate.

- The Department of Mental Retardation and Developmental Disabilities disbursed $25.9 million in the month of November, which is $5.3 million under the estimate. $4.7 million of this variance is attributable to the estimated Debt Service installment for November. The payment schedule was updated after the Department's disbursement estimates were finalized. Year-to-date, the Department has spent $93.9 million, which is $2.5 million less than the estimate.

Justice and Public Protection

This category includes GRF expenditures by the following state agencies: Department of Rehabilitation & Corrections, the Department of Youth Services and the Department of Public Safety. In the aggregate, November expenditures in this category were $182.6 million, which was $6.8 million (3.8%) above estimate for the month.

- The Department of Rehabilitation and Correction (DRC) disbursed $137.7 million in the month of November, which was $3.8 million (2.7%) less than the $141.5 million estimate for the month.

- The Department of Youth Services (DYS) disbursed $19.3 million in the month of November, which was $6.7 million (52.8%) more than the $12.6 million estimate for the month. This variance can be attributed to increased payroll costs associated with the department's settlement agreement and a portion of October's community correctional facility grant money being disbursed in the month of November rather than in October.

Environmental Protection & Natural Resources

November expenditures in this category were $21.0 million, which was $15.8 million (308.0%) above estimate.

- The vast majority of this variance occurred within the Department of Natural Resources. In November, the Department of Natural Resources expended a total of $18.8 million, generating a variance of $1.7 million (9.0%) above the anticipated November expenditure of $17.1 million. The primary factor contributing to this variance was the move from quarterly to monthly disbursements of subsidies distributed to soil and water conservation districts. This resulted in $2.0 million more being disbursements than the original November disbursement estimate projected. The additional $2.0 million disbursed in November was expected and is a partial offset for the $3.3 million in under spending seen in October.

Transportation

November expenditures in this category were $3.0 million, which was $394,000 (15.0%) above estimate for the month.

General Government

November expenditures in this category were $22.2 million, which was $3.1 million (16.1%) below estimate for the month.

Community & Economic Development

November expenditures in this category were $8.8 million, which was $4.6 million (34.3%) below estimate for the month.

- For the month of November the Department of Development disbursed $6.8 million in GRF, which is $2.9 million below the November estimate. This variance was due to the unpredictable grant subsidy payments from current and prior years. The primary lines accounting for the variance where grantees did not request their expected reimbursements were from the Thomas Edison, Ohio Investment in Training, Shovel Ready Sites, and Discover Ohio appropriation line items.

Tax Relief & Other

November expenditures in this category were $134.0 million, which was $603,000 (0.4%) below estimate for the month.

- November tax relief disbursements totaled $134.0 million, which was just below the monthly estimate of $134.6 million. The November disbursements broke a string of what had been larger than estimated payments over the previous three months and slightly reduced the year-to-date variance to $424.6 million. As mentioned in previous monthly reports, the significant variance in year to date payments is attributable to both the timing of requests for payments of the 10 percent and 2.5 percent rollback on non-homestead eligible properties and the fact that the additional tax relief appropriations attributable to the expansion of the homestead exemption authorized in HB 119 are not included in the OBM estimates for FY 2009. As was the situation with FY 2008, HB 119 has set forth a Controlling Board process for increasing appropriations and funding the increase through lapses in debt service and the transfer of excess interest earnings on tobacco securitization proceeds.

- The tax relief disbursements are divided between two recipients – school districts and local governments, with each experiencing variances in November that effectively offset one another. Specifically, while the $81.4 million in disbursements for school district tax relief during the month of November was $10.5 million below the monthly estimate of $91.9 million, disbursements for local governments totaled $52.6 million and were $9.8 greater than the estimate of $42.8 million.

Debt Service

November expenditures in this category did not occur this month, which was in accordance with estimate. Year to date, debt service expenditures are $51,000 (0.0%) above estimate.

FUND BALANCE

Table 5 describes the General Revenue Fund (GRF) ending fund balance for FY 2009. These updated estimates reflect actions included in the budget reduction plan that was announced in September 2008.

The estimated ending fund balance of $137.1 million includes the one half of one percent required ending fund balance of $136.1 million. This GRF ending fund balance is an estimate and should not be considered as a balance available for expenditure in FY 2009 nor should it be considered as equivalent to the final FY 2009 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.

Table 3*
GENERAL REVENUE FUND DISBURSEMENTS
ACTUAL FY 2009 VS ESTIMATE FY 2009
($ in thousands)

	MONTH				YEAR-TO-DATE			
Functional Reporting Categories Description	**ACTUAL NOVEMBER**	**ESTIMATED NOVEMBER**	**$ VAR**	**% VAR**	**YTD ACTUAL**	**YTD ESTIMATE**	**$ VAR**	**% VAR**
Primary, Secondary and Other Education	619,276	629,593	(10,317)	-1.6%	3,295,323	3,331,876	(36,553)	-1.1%
Higher Education	338,854	329,106	9,747	3.0%	1,174,220	1,155,974	18,245	1.6%
Public Assistance and Medicaid	899,143	883,657	15,486	1.8%	5,172,831	5,182,180	(9,349)	-0.2%
Health and Human Services	96,018	97,835	(1,817)	-1.9%	575,478	581,546	(6,068)	-1.0%
Justice and Public Protection	182,619	175,863	6,756	3.8%	1,012,379	998,299	14,080	1.4%
Environmental Protection and Natural Resources	20,989	5,144	15,845	308.0%	57,411	56,134	1,277	2.3%
Transportation	3,023	2,629	394	15.0%	8,517	13,158	(4,640)	-35.3%
General Government	22,235	19,152	3,082	16.1%	187,151	184,957	2,194	1.2%
Community and Economic Development	8,769	13,348	(4,579)	-34.3%	69,732	73,061	(3,329)	-4.6%
Tax Relief and Other	134,019	134,623	(603)	-0.4%	787,102	605,722	181,380	29.9%
Capital Outlay	30	0	30	N/A	37	54	(17)	-31.3%
Debt Service	0	0	0	N/A	302,250	302,199	51	0.0%
Pending Payroll	0	0	0	N/A	0	0	0	N/A
Total Expenditures & ISTV's	**2,324,976**	**2,290,952**	**34,025**	**1.5%**	**12,642,430**	**12,485,160**	**157,271**	**1.3%**
Transfers Out:								
OPER TRF OUT-OTH	0	0	0	N/A	230,799	230,755	44	0.0%
OPER TRF OUT-TEMPORARY	0	0	0	N/A	604,470	620,705	(16,235)	-2.6%
Total Transfers (Out)	**0**	**0**	**0**	**N/A**	**835,268**	**851,460**	**(16,191)**	**-1.9%**
Total Fund Uses	**2,324,976**	**2,290,952**	**34,025**	**1.5%**	**13,477,699**	**13,336,619**	**141,079**	**1.1%**

Table 4*
GENERAL REVENUE FUND DISBURSEMENTS
ACTUAL FY 2009 VS ACTUAL FY 2008
($ in thousands)

Functional Reporting Categories Description	MONTH ACTUAL 2009	MONTH ACTUAL 2008	MONTH $ VAR	MONTH % VAR	YEAR-TO-DATE ACTUAL 2009	YEAR-TO-DATE ACTUAL 2008	YEAR-TO-DATE $ VAR	YEAR-TO-DATE % VAR
Primary, Secondary and Other Education	619,276	626,147	(6,871)	-1.1%	3,295,323	3,193,386	101,936	3.2%
Higher Education	338,854	384,237	(45,383)	-11.8%	1,174,220	1,180,834	(6,614)	-0.6%
Public Assistance and Medicaid	899,143	909,008	(9,865)	-1.1%	5,172,831	4,854,278	318,553	6.6%
Health and Human Services	96,018	108,871	(12,852)	-11.8%	575,478	573,525	1,953	0.3%
Justice and Public Protection	182,619	135,958	46,662	34.3%	1,012,379	942,789	69,590	7.4%
Environmental Protection and Natural Resources	20,989	21,413	(424)	-2.0%	57,411	57,991	(580)	-1.0%
Transportation	3,023	5,177	(2,154)	-41.6%	8,517	10,854	(2,336)	-21.5%
General Government	22,235	17,447	4,788	27.4%	187,151	179,199	7,952	4.4%
Community and Economic Development	8,769	9,030	(261)	-2.9%	69,732	66,865	2,868	4.3%
Tax Relief and Other	134,019	93,253	40,766	43.7%	787,102	568,732	218,371	38.4%
Capital Outlay	30	50	(20)	N/A	37	56	(19)	-33.6%
Debt Service	0	0	0	N/A	302,250	283,008	19,241	6.8%
Pending Payroll	0	0	0	N/A	0	0	0	N/A
Total Expenditures & ISTV's	**2,324,976**	**2,310,590**	**14,386**	**0.6%**	**12,642,430**	**11,911,517**	**730,913**	**6.1%**
Transfers Out:								
OPER TRF OUT-BUD STABILIZATION	0	0	0	N/A	0	0	0	N/A
OPER TRF OUT-OTH	0	0	0	N/A	230,799	260,735	(29,936)	-11.5%
OPER TRF OUT-TEMPORARY	0	0	0	N/A	604,470	350,104	254,366	72.7%
Total Transfers (Out)	**0**	**0**	**0**	**N/A**	**835,268**	**610,839**	**224,429**	**36.7%**
Total Fund Uses	**2,324,976**	**2,310,590**	**14,386**	**0.6%**	**13,477,699**	**12,522,356**	**955,342**	**7.6%**

FUND BALANCE
GENERAL REVENUE FUND
FY 2009
($ in thousands)

July 1, 2008 Beginning Cash Balance	**$ 1,682,002**
Plus FY 2009 Estimated Revenues	19,024,199
Plus FY 2009 Estimated Federal Revenues	6,632,767
Plus FY 2009 Estimated Transfers to GRF	1,561,105
Total Sources Available for Expenditure & Transfer	**28,900,073**
Less FY 2009 Estimated Disbursements	27,457,876
Less FY 2009 Estimated Total Encumbrances as of June 30, 2009	452,626
Less FY 2009 Estimated Transfers Out	852,439
Total Estimated Uses	**28,762,941**
FY 2009 ENDING FUND BALANCE	**137,132**
One half of one percent target ending fund balance	136,090
Excess / (Shortfall)	$ 1,042

FEATURED ANALYSIS

Ohio Employment Trends & Impact on the GRF

Ohio's economy is determined in large measure by its workforce. This article provides an overview of major Ohio employment trends and examines the resulting impact on the strength of the General Revenue Fund.

Ohio's Major Employment Sectors

Ohio's non-agricultural wage and salary information is divided in two major categories: goods-producing industries comprise approximately 18% of the total; and service-providing industries comprise approximately 82% of the total. The following table includes the most recent information on Ohio employment within these two major categories.

Nonagricultural Wage and Salary Employment, 2008
(data in thousands, seasonally adjusted)

Sector	Oct. 2008 (preliminary)	% of total
Goods-Producing Industries		
Natural Resources and Mining	12.1	0.2%
Construction	216.2	4.0%
Manufacturing	752.9	14.0%
Service-Providing Industries		
Trade, Transportation, and Utilities	1,042.8	19.3%
Information	86.2	1.6%
Financial Activities	298.8	5.5%
Professional and Business Services	664.7	12.3%
Educational and Health Services	803.7	14.9%
Leisure and Hospitality	499.4	9.3%
Other Services	219.5	4.1%
Government	797.3	14.8%
Total Nonagricultural	5,393.6	

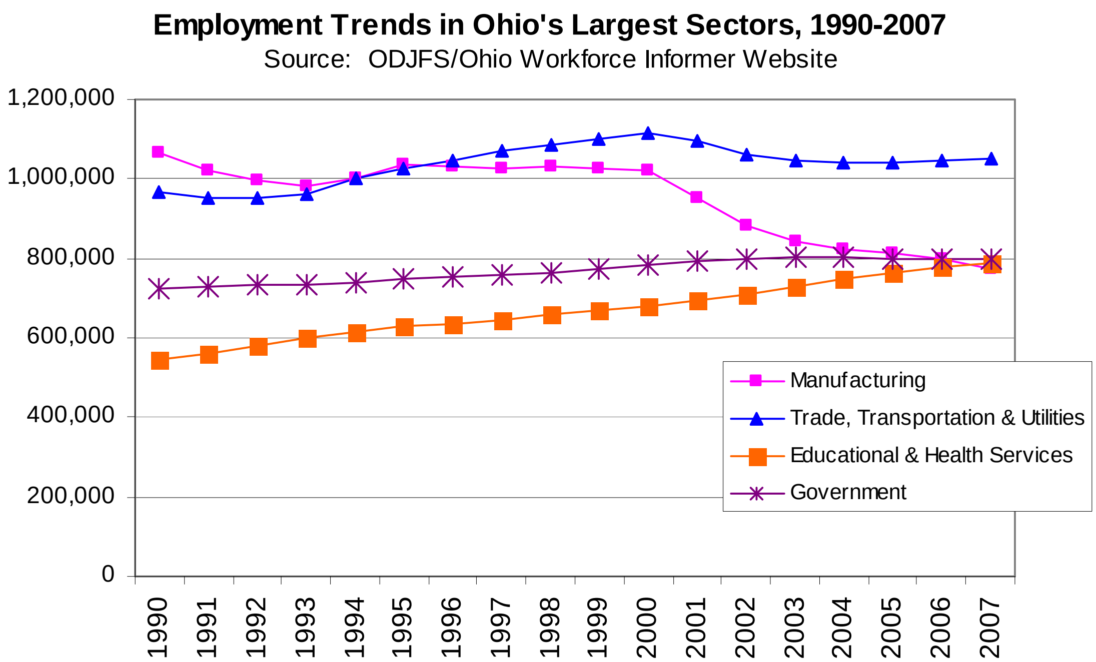
Source: Ohio Department of Job & Family Services, Bureau of Labor Market Information
http://ohiolmi.com/CES/LMR.pdf

Sector-specific changes over time

In 1990, the manufacturing sector employed 1,064,600 Ohioans, which was more than any other non-agricultural employment sector at that time. Over the course of the decade, manufacturing activity began to decline and employment increased in a number of other sectors, including trade, transportation & utilities and educational & health services.

By 2000, the trade, transportation & utilities sector was the largest employer (1,115,300) and manufacturing was second (1,021,000). Manufacturing has continued to decrease its Ohio employment numbers each year of this decade, and employed 772,800 Ohioans in 2007. The next two largest sectors – educational & health services and government – continued to gradually increase over the course of the decade.

The graph below illustrates the trends of these four largest employment sectors.

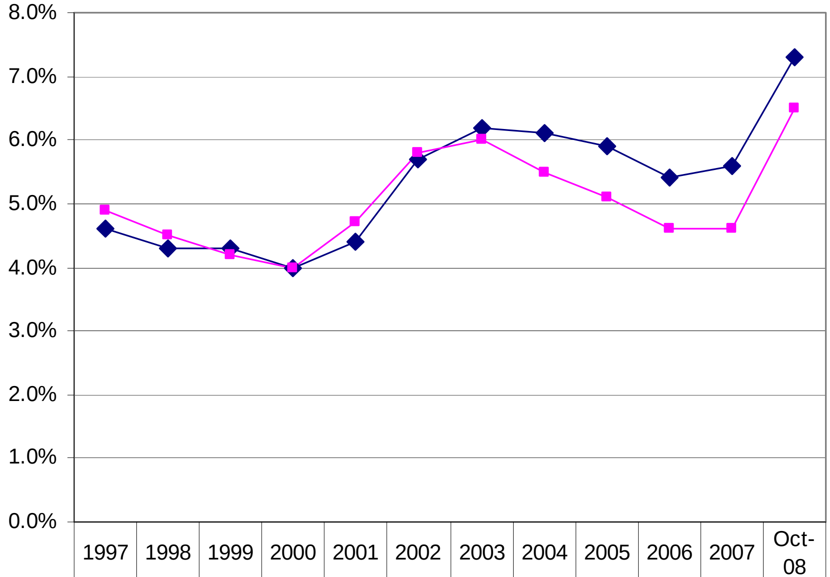


Impact of the Current Economic Situation

As is the case nationally, the current economic deterioration is having an impact on employment in Ohio. Many businesses are restructuring or downsizing at this time in order to manage costs and match capacity with current demand for goods or services. This is resulting in fewer jobs, fewer available hours to work, or even lower wages for individuals.

Availability of Jobs. Because many economic studies are retrospective, there is no comprehensive, real-time analysis available to discern how the current volatile economic changes are impacting the state's ability to generate tax revenues. With that said, one of the primary data sets used to gauge the relative well-being of Ohio's economy is the unemployment rate. Ohio's rate has existed at levels above the U.S. rate since 2003. As the graph below illustrates, both Ohio and the U.S. rates have experienced a sharp increase so far this calendar year. (Since the year is not yet closed, final data for 2008 are not yet available.)

Unemployment Rates (seasonally adjusted)
Source: Ohio Department of Job & Family Services



	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	Oct-08
Ohio	4.6%	4.3%	4.3%	4.0%	4.4%	5.7%	6.2%	6.1%	5.9%	5.4%	5.6%	7.3%
U.S.	4.9%	4.5%	4.2%	4.0%	4.7%	5.8%	6.0%	5.5%	5.1%	4.6%	4.6%	6.5%

One challenge of the unemployment rate is its inability to capture those discouraged workers who have lost jobs, sought new employment but were unsuccessful in their efforts and have given up their job searches. These people are neither working nor looking for work, but could have been employed under different circumstances. As noted on page 6 of this report, the national unemployment rate would have been higher in November had not 422,000 people withdrawn from the labor force, presumably because of dim prospects.

Length of the Work Week. While availability of employment is important to the economic well being of our state, the number of hours available for an individual to work in that position is important as well. For example, two jobs that each consist of twenty hours per week do not, in all likelihood, generate the amount of personal income tax revenue that two jobs that each consist of forty hours per week do.

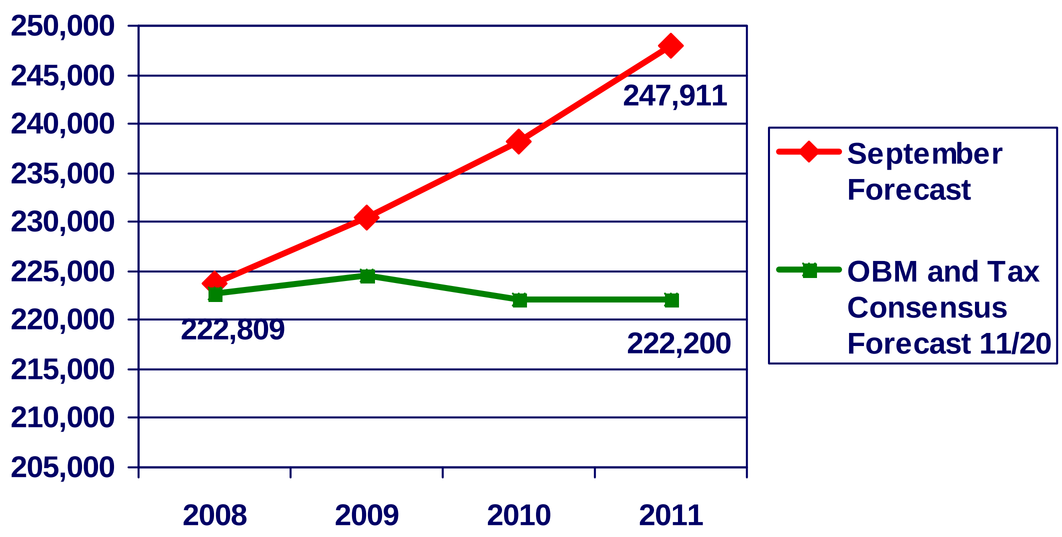
As noted earlier in this report, workweek hours are monitored both in the aggregate and by employment sector. In November the length of the workweek for all production and nonsupervisory workers fell to a new all-time low of 33.5 hours. The manufacturing workweek fell to 40.3 hours after a downward revision to the October level. Manufacturing overtime fell to 3.3 hours – down sharply from 4.6 hours as recently as April 2006 and the lowest since the mid 1980s. The index of aggregate weekly hours decreased for the eighth straight month, and if unchanged in December will have fallen at an annual rate of 5.8% during the fourth quarter, pointing to a steep drop in real GDP during the quarter.

Wage and Salary Income. More important than the actual number of jobs is the amount of wage & salary income that Ohioans are collectively earning. As depicted in the graph below, the growth trend for wage and salary income in Ohio has been declining over time. Year-over-year growth rates were higher on average in the 1980s and have trended downward ever since. Some element of this is related to the steady decline of Ohio's relatively high paying manufacturing jobs discussed previously; another factor has been the periods of economic decline after September 11, 2001 and the economic volatility experienced within the financial markets within recent months.

Wage and salary income growth has a direct impact on the state's ability to collect tax receipts for the General Revenue Fund. Specifically, Ohio's two largest GRF tax sources, the personal income tax and the sales tax, are driven by this input. An October 2008 forecast from the national forecasting firm Global Insight indicates that Ohio's wage and salary income growth may actually be negative in FY 2010 for the first time in at least the last thirty years. As discussed in public forums recently, a forecast of this nature – or even one that predicts minimal growth – will have a direct impact on the state's ability to offer a continuation level of the services that Ohioans have come to expect from the many state agencies.

As the nation's financial outlook continues to evolve, projections such as the Global Insight example discussed above are being altered as well. Continued review of the latest information helps the Administration to revise its internal economic and revenue projections. To illustrate the impact of the economic developments on budget planning, the graph below illustrates the change in wage & salary income projections that occurred over a recent two month period.

Wage & Salary Income Forecast Changes: Amounts in millions



Employment trends are a vital input to the health of the state's economy. As such, these trends will continue to be monitored closely as the current economic situation unfolds.