



April 10, 2009

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 March 31, 2009, as well as highlights of regional and national economic indicators that are important to understanding the current state and direction of Ohio's economy. The U.S. economy continued to contract in the early months of calendar year 2009, with all states and all sectors in decline, according to national economic observers. Forecasters estimate that real GDP decreased significantly again in the first quarter of 2009. The U.S. unemployment rate increased by 0.4 points in March to 8.5% – the highest since October 1983. The Ohio unemployment rate increased to 9.4% in February – the highest since May 1984. Consumer spending stabilized in January and February, even as personal income faltered.

Despite this glimmer of good news, the deterioration of the U.S. economy over the first quarter of calendar year 2009 outpaces the most pessimistic economic forecasts issued only months ago – forecasts that moved the U.S. and Ohio indicators to depths unseen in recent downturns. This is reflected in the pattern of underperformance shown in Ohio's tax receipts over the past four months. Ohio's March tax receipts of \$1,200.0 million were \$60.4 million below the December revised revenue estimates. April and May revenue performance will include the income tax filing season and individual income tax accounts for over 45% of the state's General Revenue Fund receipts. Given the steeper descent experienced in March, results of the tax filing season will be monitored closely to assure that adequate measures are taken to end the fiscal year in balance.

GRF spending patterns show continued restraint as year-to-date outlays were 1.0%, or \$228.3 million, below the December 2008 re-forecasted monthly agency spending for FY 2009. The monthly agency spending re-forecasts were released last month. Public Assistance and Medicaid expenditures continued to be managed within spending expectations, despite significant increases in caseloads.

The Office of Budget and Management continues to monitor the overall economic situation and will recommend action as appropriate.

This month's featured analysis focuses on the integral role of technology within Ohio government and its relationship to the state's budget.

MONTHLY FINANCIAL REPORT
TABLE OF CONTENTS

Highlights of Regional & National Economic Indicators	3
General Revenue Fund Receipts	10
Year-to-date through March 31, 2009	
March 2009 Analysis by Source	
Tables 1 & 1A: Revenue Actuals vs. Estimates	
Table 2: FY 2009 Revenue vs. FY 2008	
General Revenue Fund Disbursements	14
Year-to-date through March 31, 2009	
March 2009 Analysis by Use	
Table 3: Disbursement Actuals	
Table 4: FY 2009 Disbursements vs. FY 2008	
GRF Fund Balance	20
Special Analysis: Technology Changes and the State Budget	22

ECONOMIC SUMMARY

Overview of Economic Performance

- The U.S. economy continued to contract in the early months of calendar year 2009. Forecasters estimate that real GDP decreased significantly again in the first quarter of 2009, but disagree on the size of the decline relative to the fourth quarter of 2008.
- The U.S. unemployment rate increased by 0.4 points in March to 8.5% – the highest since October 1983. The Ohio unemployment rate increased to 9.4% in February – the highest since May 1984.
- Consumer spending stabilized in January and February, even as personal income faltered.

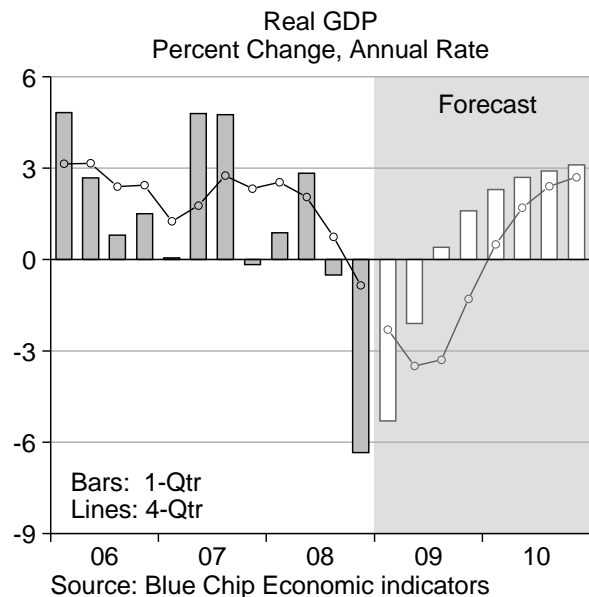
The national and Ohio economies continued to contract in the early months of 2009. Consumer spending appears to have stabilized, but employment and household income remain in decline. Very tentative signs of pending economic recovery have materialized, but are highly unreliable at this point. Even if recovery takes hold by mid-year, as is widely anticipated, the recovery is expected to be weak and uneven, perhaps even into 2011.

Economic Growth

The economy contracted at a 6.3% annualized pace in the fourth quarter – slightly faster than previously announced. Most major sectors contributed to the decline, led by personal consumption expenditures, investment in equipment and software, and investment in residential structures.

Forecasters estimate that real GDP decreased significantly again in the first quarter, but disagree on the size of the decline relative to the fourth quarter. Global Insight projects a 6.6% decline, followed by -3.2%, -1.0%, and +0.6% in the remaining quarters. The Blue Chip Economic Indicators consensus is for a 5.1% decline in the first quarter, followed by -2.1%, +0.4% and +1.6% in the final three quarters.

Most projections count on at a least a small increase in consumer spending, after declines of 3.8% and 4.3% in the third and fourth quarters last year. Consumer spending has never (dating back to 1948) declined for three consecutive quarters. Monthly patterns of retail sales, chain store sales, and personal consumption expenditures so far this year point to a positive first quarter showing.

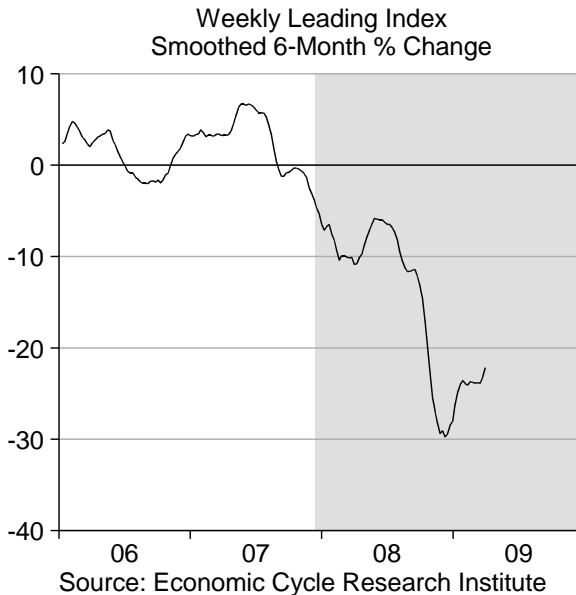


Outside of the consumer spending, other sectors are estimated to have contracted, indicating that business investment in equipment and software declined sharply. Housing construction and

exports fell sharply again. Additionally, the change in business inventories is likely to have subtracted substantially from growth.

Leading economic indicators are consistent with, but not strong evidence for, a near term upturn in the economy. The **Weekly Leading Index** from the Economic Cycle Research Institute increased in each of the three weeks ending on March 27 from its low for the cycle on March 6. The smoothed growth rate of the index continues to move higher from the low established in the week of December 5. Past recessions have ended near the time that the index has reached a trough.

In addition, the rate of change in the Conference Board's **Composite Leading Economic Index** is well off its November low. The ratio of the Coincident Economic Index to the Lagging Economic Index, which is itself a leading indicator, is potentially consistent with, though not strong evidence for, the recession ending soon.

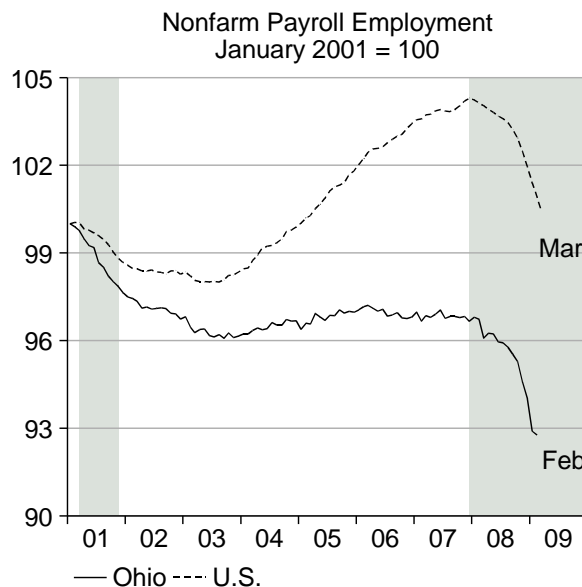


Employment

The deterioration in labor markets continued apace in March. Total employment fell by 663,000 jobs and the unemployment rate rose to 8.5%. The January loss was revised down to 741,000 jobs – the worst month in this cycle and since October 1949.

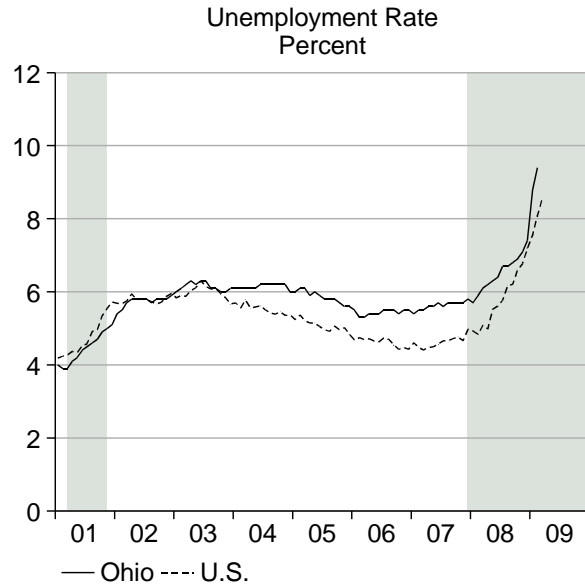
Total employment has declined by 5.1 million jobs, or 3.7%, from its peak in December 2007 – the largest percentage decline during a 15-month span since the late 1950s. The 3.7% decline is larger than the peak-to-trough decline in employment in all other post-war recessions, except for the 4.4% loss in the 1957-58 downturn.

At 8.5%, the national unemployment rate remains below the peaks of 9.0% and 10.8% in the 1973-75 and 1981-82 recessions, respectively. The rate has increased by an average of 0.4 percentage points on average during the past four months. If the rate continues to rise at that pace, it will exceed 10% by July and the 1981-82 peak by September.



Average hourly earnings increased 0.2% to 3.4% above the year earlier level – down from a peak year-over-year rate of change for the cycle of 4.2% in July 2007. If hourly earnings follow the typical cyclical path, the year-over-year rate of change will fall significantly further during the next two years, perhaps to 2% or less.

Total hours worked during the month decreased 1.0% in March, bringing the annualized rate of decline for the quarter to 8.5%. With no change in productivity, that would indicate a much larger decline in real GDP during the first quarter than is widely expected.



Large employment declines occurred in nearly all major industry sectors during March. Manufacturing employment fell by 161,000 jobs and construction employment fell by 126,000 jobs, with an accelerating decline in nonresidential building trades. In total, employment in service-producing sectors fell by 358,000 jobs, as only education and health services added to employment (+8,000). Payrolls at professional and business services firms fell 133,000. Retail services payrolls fell by 48,000.

More than one out of five of the 274 industries tracked by the Bureau of Labor Statistics reported lower payrolls over three, six, and twelve month periods. Payroll decreases were even more prevalent in manufacturing, where more than nine out of every ten industries reported lower employment than three, six, and twelve months earlier.

As mentioned earlier, the U.S. unemployment rate increased by 0.4 points in March to 8.5% – the highest rate since October 1983. The Ohio unemployment rate increased to 9.4% in February – the highest since May 1984.

The increase in the U.S. unemployment rate in March was restrained somewhat by the net departure of 166,000 job seekers from the labor force. The number of unemployed workers increased 694,000 from February and was 5.3 million higher than a year earlier. The broadest measure of unemployment, including so-called discouraged workers, increased to 15.6% in February from 14.8% in February and 9.1% in March 2008.

The length of the workweek for all production and nonsupervisory workers fell to a new all-time low of 33.2 hours. The manufacturing workweek fell to 39.3 hours. Manufacturing overtime remained at to 2.7 hours – down sharply from 4.6 hours as recently as April 2006 and the lowest since April 1983. The continuing decline in the length of the workweek indicates that labor market recovery is not imminent.

Ohio employment decreased for the seventh straight month and the eighth out of the last nine months in February. Nonfarm payrolls decreased by 7,600 jobs during the month, after falling 63,800 in January and 133,600 during the previous three months.

Weakness was widespread, with all major sectors posting declines. Compared with February 2008, Ohio employment was down by 222,100 jobs, led by declines in manufacturing (-99,400), professional and business services (-45,000), trade, transportation and utilities (-37,800), and construction (-29,800).

None of the eleven Ohio **Metropolitan Statistical Areas** added jobs during the twelve months ended in February. Employment fell by the largest amounts in Cleveland (-40,300), Cincinnati (-31,600), Toledo (-17,800) and Dayton (-15,200).

Employment fell substantially in Ohio and each of the **contiguous states** during the year ending in February. The declines were larger in states with a higher concentration of employment in manufacturing and smaller in states with a higher concentration of employment in mining. Employment fell 6.5% in Michigan, 4.1% in Ohio, 3.9% in Indiana, 3.7% in Kentucky, 2.0% in Pennsylvania, and 1.8% in West Virginia. For the region as a whole, employment was down 3.9% during the same period, compared with a decline of 2.9% for all states outside the region combined.

Consumer Income and Consumption

Consumer spending stabilized in January and February, even as income faltered. **Personal income** fell 0.2% in February after a 0.2% increase in January, leaving income at approximately the December level. **Wage and salary disbursements** – the largest component of personal income – decreased 0.4% for the fourth monthly decline in a row to 0.2% above the year earlier level. The saving rate remained above 4% for the second consecutive month in February after rebounding from nearly zero a year ago, as households rebuild precautionary savings.

Ohio personal income decreased 0.3% in the fourth quarter last year, following a 0.4% decline in the third quarter. For the year, Ohio personal income increased 3.1%, compared with the 3.8% gain nationally. Wage and salary disbursements in Ohio increased 1.9%, compared with a 3.0% gain nationally. In fourth quarter, Ohio wage and salary disbursements declined 1.1%, compared with a 0.8% drop nationally.



Consumer spending, on the other hand, improved in the early months of the year. The 1.0% increase in retail sales in January was revised to a 1.8% gain and the level held in February. Higher gasoline prices added to retail sales in January and February, but even excluding sales of motor vehicles and gasoline, retail sales increased 0.5% in February after a 1.4% increase in January.

Personal consumption expenditures – the broadest measure of consumer spending – followed the same pattern, rising 0.2% in February after a 1.0% rise in January. Spending on durable

goods fell 1.3% in February after a strong 3.1% increase in January. The decline in light motor vehicle sales from 9.5 million units at an annual rate in January to 9.1 million units in February was a significant cause of the decline. The substantial rebound to 9.8 million units in March indicates that consumer spending ended the quarter with strength.

Store sales also continued to improve as the quarter came to a close. Same store sales increased 1.1% in the week ended March 28 to 0.2% below the year earlier level. The year-over-year comparison had been as low as -1.4% in mid-March. In a potential sign of underlying strength, the improvement during March occurred despite the negative calendar effect from Easter being in April this year.

Manufacturing

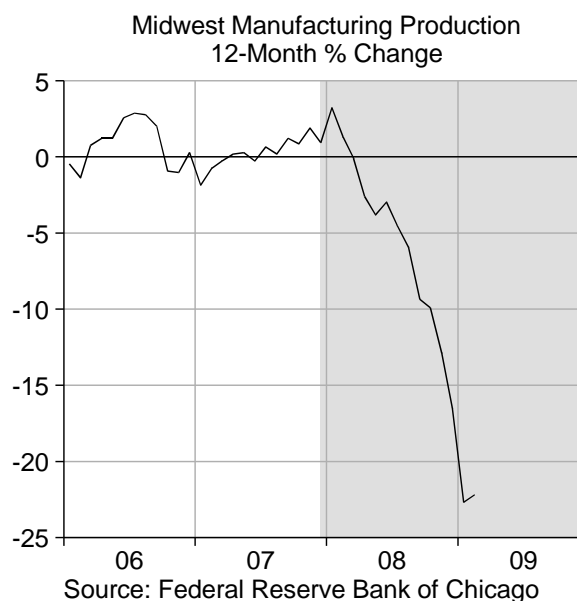
Industrial production decreased 1.4% in February to below its 2002 level. The January decrease was revised to a slightly larger loss of 1.9%. Compared with a year earlier, industrial production was down 11.2% and manufacturing production was down 13.1%. Capacity utilization fell to the lowest level on record dating back to 1948.

Utility output fell by 7.7% in February, reflecting a 12.5% decrease in natural gas deliveries and a 6.5% decrease in electricity generation. The rate of decline in manufacturing production slowed appreciably to 0.7%, due to a 10.2% bounce in automotive output. Excluding motor vehicles and parts, manufacturing production declined 1.2%. Production of primary metals, fabricated metals and machinery – all key employers in Ohio – fell 7.0%, 3.6% and 4.1%, respectively.

Industrial production has decreased 14.3% since its peak fourteen months ago in December 2007. The peak-to-trough drop in industrial production during the previous ten recessions averaged 9.6% and lasted for an average of 14 months. The drop so far in the current recession is almost as large as the 16-month 15.3% decrease during the 1973-75 recession, but larger than the 9.0% in the 1981-82 downturn.

Midwest manufacturing activity decreased 0.5% in February – the eighth decline in a row and the twelfth in the last thirteen months. Production declined in the steel (-4.7%), machinery (-4.2%) and resource (-0.1%) sectors and increased in the auto (+7.7%) sector. Compared with a year earlier, Midwest production was down by 22.2%, versus a 13.5% nationally.

While manufacturing activity continues to contract, **factory shipments and orders** and reports from purchasing managers have begun to improve, however tentatively. Factory shipments flattened out in February after six large declines and new orders increased 1.8%.



Reports from **purchasing managers** of deteriorating conditions in the manufacturing sector remained widespread in March, but showed some improvement for the third month in a row, especially with respect to orders. The level of the composite index remains in recession territory, but the three-month rise from the December low suggests that a rebound might be developing. The purchasing managers' index reached its trough two months prior to the end of the last six recessions, on average, with the lead time ranging from zero months to six months. Therefore, a December trough in the index is consistent with the onset of business cycle recovery this spring.

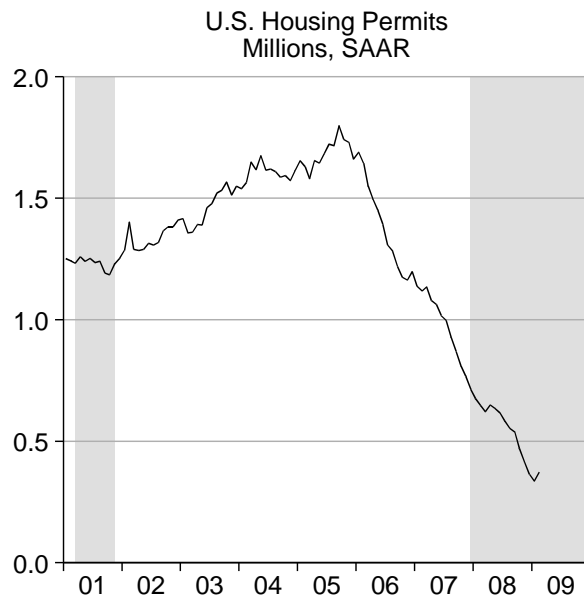
Construction

Construction put-in-place fell 0.9% in February as the slide in residential construction more than offset a modest increase in nonresidential construction. Residential construction put-in-place fell 4.3% in February, pulled down by a record 10.9% drop in single-family housing. Multi-family construction decreased 2.1%. Nonresidential construction activity was mixed across sectors, with communication (-7.4%), power (-3.8%) and commercial (-1.9%) posting notable declines and lodging (+4.7%), manufacturing (+4.1%), and amusement and recreation (+2.8%) posting notable increases.

The **Architecture Billings Index (ABI)** increased modestly in February from the lowest level on record since the inception of the survey in 1995. The Midwest index has followed a similar pattern. The index is based on a monthly survey of architects and has predicted shifts in nonresidential construction activity with a lead time of nine to twelve months in the past. The index has declined by about one-third in the past year, suggesting that recent weakness in nonresidential construction is merely the beginning of a cyclical downturn. In a positive development, the index of new inquiries rebounded significantly in February to the highest level since last August.

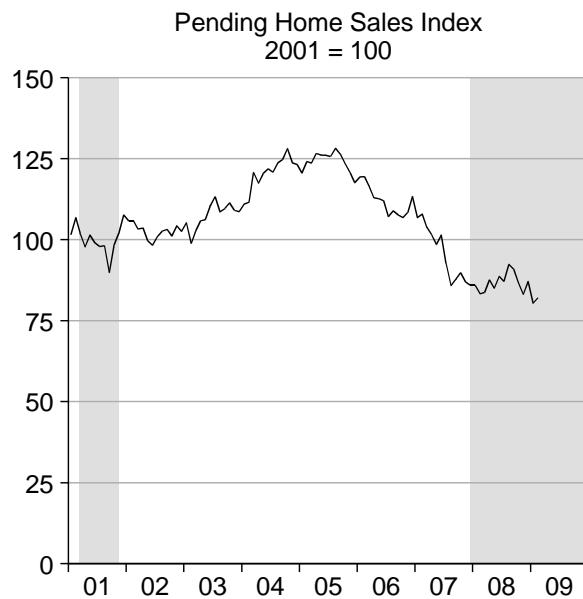
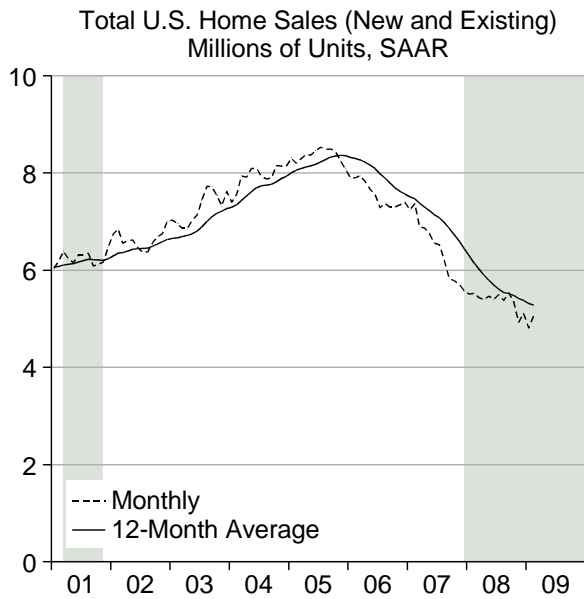
The winter weather pattern influenced the large swings in housing activity in recent months. Sharp declines in **housing permits, starts, and sales** in January were followed by increases in February, reflecting swings in the weather. December and January were colder than normal in the Northeast and Midwest, whereas February was drier and warmer than normal. The trend in housing activity remains down, but the rate of decline is slowing in some respects.

Housing permits increased 3.0% in February and starts jumped by 22.2% after very large weather-related declines in January. On a three-month average basis, which can smooth out misleading monthly movements, both permits and starts remained in a downtrend. Housing construction followed a similar pattern in the Midwest.



Sales of new and existing homes also rebounded in February, but again, a major factor appears to have been weather. The decline in sales has moderated, however, a development that is especially evident in the National Association of Realtors' Pending Home Sales Index.

The adjustment process in the housing market is well along, but still underway. The number of new and existing homes on the market remains high, but continues to decline in absolute terms, and in the case of existing homes, relative to the current sales pace. While construction activity could reach a trough this year, as is widely expected, the dynamics necessary for a robust rebound are not yet in place. The S&P/Case-Shiller indexes of **home prices** remain in a downtrend, with the 10-City Composite Index falling at a record pace of 19.4% year-over-year in January. As long as home prices appear to be falling, potential homebuyers will remain reluctant.



GENERAL REVENUE FUND RECEIPTS

For the month of March, **GRF tax receipts** totaled \$1,200.0 million, which was \$60.4 million, or 4.8% below estimate, while total GRF revenues were \$53.9 million or 2.5% below estimates released in December. As a result of this monthly negative variance, tax receipts for the fiscal year-to-date are now are \$195.8 million below the estimate (1.6%), while total GRF revenues are \$471.9 million below the estimate (2.5%). The negative monthly performance in tax revenues was attributable almost entirely to the performance of the non-auto sales and personal income taxes which together were \$103.7 million below estimates and offset positive performance in a number of other taxes including the corporate franchise, foreign insurance, and cigarette taxes, which together were \$34.0 million above the monthly estimates.

Category	Description	YTD \$ Variance	YTD % 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	(\$60.4)	(4.8%)
Non-tax receipts	Federal grants, earnings on investments, licenses & fees, other income, intrastate transfers	(\$118.8)	(13.4%)
Transfers	Budget stabilization, liquor transfers, capital reserve, other	\$125.2	609.0%
TOTAL GRF REVENUE VARIANCE:		(\$53.9)	(2.5%)

As mentioned, tax receipts for the month of March were negative, falling short of revised estimates by \$60.4 million as a result of negative variances in the non-auto sales, personal income, alcoholic beverage, and liquor gallonage taxes. Primarily, this shortfall was the result of large variances in the non-auto sales tax (\$63.0 million) and personal income tax (\$40.7 million), which offset the positive performance in a number of smaller taxes.

The following table identifies those individual tax sources that came in above and below March monthly estimate and the size of that variance.

Individual Sources Above Estimate		Individual Sources Below Estimate	
Auto Sales Tax	\$7.1	Non-Auto Sales Tax	(\$63.0)
Corporate Franchise Tax	\$13.4	Personal Income Tax	(\$40.7)
Kilowatt Hour Tax	\$2.8	Alcoholic Beverage Tax	(\$1.2)
Foreign Insurance Tax	\$13.2	Federal Grants	(\$121.0)
Cigarette Tax	\$7.4	Other Sources Below Estimate	(\$1.3)
Temporary Transfers In	\$124.3		
Other Sources Above Estimate	\$5.1		
Total above	\$173.3	Total below	(\$227.2)

Non-Auto Sales and Use Tax

While the negative performance of the non-auto sales tax had moderated slightly in February compared to very weak performances in December and January, this relative improvement did not last as March receipts were \$63.0 million (13.1%) below the revised estimates and \$61.0 million (12.8%) below the performance for the same month last fiscal year. As a result of this fourth straight monthly failure to meet revised estimates, annual non-auto sales tax receipts are now \$169.8 million (3.5%) below the estimates revised in December and \$291.6 million (5.8%) below total receipts at the same point a year ago.

Auto Sales Tax

As has been the pattern in FY 2009, the auto sales tax was again a relative bright spot during the month of March exceeding estimates by \$7.1 million (10.6%). As a result, through the first four months under the revised estimates (which were increased for this tax source) receipts are now \$8.6 million (1.4%) above estimates, a number that continues to be surprising considering the performance of the non-auto sales tax as well as the continued negative news surrounding the auto industry and the economy in general.

For the year-to-date, auto sales tax collections have dropped by 5.5% from last year, almost the same decline as for the non-auto tax, but this is better performance than one would expect based on such indicators as unit sales of new vehicles.

Personal Income Tax

Reversing the positive performance in February, personal income tax receipts for the month of March were \$359.3 million or \$40.7 million (10.2%) below the estimate. Much of this negative monthly performance was due to a further weakening in withholding due to continued weakening of Ohio employment. Withholding alone was short of estimate by \$47.8 million (7.5%). This negative performance offset a positive variance in payments associated with annual returns (\$10.6 million, or 16.0%) and miscellaneous payments (\$3.9 million, or 45.3%). In addition, refunds for March were higher than estimate by \$5.9 million (2.0%), thus adding to the negative performance of the net collection. Year-to-date income tax receipts for the first three quarters of FY 2009 were \$75.3 million or 1.4% below the estimate and \$557.2 million or 9.3% below the actual for corresponding period of last year.

FY2009 PERSONAL INCOME TAX RECEIPTS BY COMPONENT (\$ in millions)						
	ESTIMATE	ACTUAL	\$ VAR	ESTIMATE	ACTUAL	\$ VAR
	MAR	MAR	MAR	Y-T-D	Y-T-D	Y-T-D
Withholding	\$637.5	\$589.7	(\$47.8)	\$5,711.1	\$5,630.4	(\$80.6)
Quarterly Est.	\$18.7	\$17.8	(\$0.9)	\$917.8	\$882.1	(\$35.7)
Trust Payments	\$1.6	\$0.8	(\$0.9)	\$34.5	\$27.4	(\$7.0)
Annual Returns & 40 P	\$66.4	\$77.0	\$10.6	\$248.1	\$267.9	\$19.8
Other	\$8.7	\$12.6	\$3.9	\$56.0	\$53.8	(\$2.2)
Less: Refunds	(\$292.3)	(\$298.2)	(\$5.9)	(\$968.3)	(\$935.9)	\$32.5
Local Distr.	(\$40.6)	(\$40.4)	\$0.2	(\$516.9)	(\$518.7)	(\$1.8)
Net to GRF	\$399.9	\$359.3	(\$40.7)	\$5,482.3	\$5,407.1	(\$75.2)

Corporate Franchise Tax

Corporate franchise tax receipts in March totaled \$144.8 million, an amount that was \$13.4 (10.2%) above the monthly estimate of \$131.4 million. As a result of this positive monthly performance, the tax for the year to date now exceeds estimates by \$33.6 million (10.0%). With the second payment of the year due March 31, it will not be known until later in April if the whole second payment remains above estimate.

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. After a poor performance in February, CAT totaled \$12.7 million during the month of March, an amount that was \$1.7 million above the estimate of \$11.0 million. Despite positive monthly performance, the performance of the tax in February still leaves a deficit of \$63.7 million in this source relative to OBM estimates. Given the scope of the shortfall at this point in the year, OBM will continue to closely monitor the performance of the CAT as we enter the final quarter of the fiscal year. The final quarterly payment is due in early May.

Foreign Insurance Tax

During the month of March, foreign insurance tax receipts totaled \$82.5 million and were \$13.2 million (16%) above of the estimate of \$95.7 million, making up in part for the shortfall in payments in February, which at that time were attributed at least in part to the timing of the end of the month. Despite this positive performance in March, receipts for the year to date were still \$16.4 million (5.9%) below estimates. As a result OBM will monitor this tax in the coming months, to determine the extent to which the annual shortfall may be attributable to earlier than anticipated refunds.

Cigarette Tax

After experiencing a negative variance of \$3.4 million in February, the cigarette tax rebounded in March as it exceeded estimates by \$7.4 million (9.9%). OBM believes that an appreciable portion of this positive performance in monthly revenues may be connected to increased purchases made in advance of a new federal tobacco tax which took effect April 2nd. For the year-to-date, receipts for this tax now total \$643.5 million and are \$11.4 million (1.8%) above estimates. Despite the March performance, on a year-over-year basis, the numbers indicate that the trend of recent years of tax receipts contracting is continuing as receipts have decreased by \$10.7 million (1.6%).

GRF Non-Tax Receipts

GRF non-tax receipts totaled \$766.8 million in March and were \$118.8 million (13.4%) below estimates. This monthly variance was due primarily to lower than estimated federal grants (\$121.0 million) received for reimbursement of Medicaid expenditures.

GRF Transfers

GRF transfers totaled \$145.8 million in March and were \$125.3 million above estimates. This variance was almost entirely attributable to the late processing of temporary transfers in scheduled for late February but that occurred in March.

Table 1
GENERAL REVENUE FUND RECEIPTS
ACTUAL FY 2009 VS ESTIMATE FY 2009
(\$ in thousands)

REVENUE SOURCE	Month				Year-to-Date			
	ACTUAL	ESTIMATE	\$ VAR	% VAR	ACTUAL	ESTIMATE	\$ VAR	% VAR
	MARCH	MARCH			Y-T-D	Y-T-D		
TAX RECEIPTS								
Non-Auto Sales & Use	416,124	488,439	(72,316)	-14.8%	4,739,022	5,099,370	(360,347)	-7.1%
Auto Sales & Use	74,499	66,301	8,198	12.4%	637,552	621,671	15,881	2.6%
Subtotal Sales & Use	490,622	554,740	(64,118)	-11.6%	5,376,575	5,721,041	(344,466)	-6.0%
Personal Income	359,252	429,485	(70,233)	-16.4%	5,407,071	5,669,667	(262,596)	-4.6%
Corporate Franchise	144,808	133,366	11,441	8.6%	368,703	335,161	33,542	10.0%
Commercial Activity Tax	0	0	0	N/A	0	0	0	N/A
Public Utility	1,072	801	272	33.9%	122,494	111,061	11,433	10.3%
Kilowatt Hour	18,648	16,468	2,180	13.2%	110,666	108,270	2,395	2.2%
Foreign Insurance	95,726	84,000	11,726	14.0%	261,387	277,802	(16,416)	-5.9%
Domestic Insurance	7	0	7	N/A	(865)	(158)	(707)	447.6%
Other Business & Property Tax	7	0	7	N/A	379	426	(47)	-11.1%
Cigarette	81,567	74,211	7,356	9.9%	643,481	632,080	11,401	1.8%
Soft Drink	0	0	0	N/A	0	0	0	N/A
Alcoholic Beverage	4,175	5,172	(998)	-19.3%	41,839	43,613	(1,774)	-4.1%
Liquor Gallonage	2,625	2,813	(189)	-6.7%	26,986	27,563	(577)	-2.1%
Estate	1,450	1,000	450	45.0%	32,287	33,082	(795)	-2.4%
Horse Racing	0	0	0	N/A	0	0	0	N/A
Total Tax Receipts	1,199,958	1,302,056	(102,099)	-7.8%	12,391,001	12,959,606	(568,606)	-4.4%
NON-TAX RECEIPTS								
Federal Grants	750,893	555,318	195,575	35.2%	5,164,831	5,021,501	143,330	2.9%
Earnings on Investments	0	0	0	N/A	97,412	78,100	19,312	24.7%
License & Fees	8,427	9,200	(773)	-8.4%	58,461	59,544	(1,083)	-1.8%
Other Income	7,503	4,250	3,253	76.5%	38,927	39,594	(667)	-1.7%
ISTVS	4	300	(296)	-98.7%	14,929	12,410	2,519	20.3%
Total Non-Tax Receipts	766,826	569,068	197,758	34.8%	5,374,559	5,211,149	163,410	3.1%
TOTAL REVENUES	1,966,784	1,871,125	95,660	5.1%	17,765,560	18,170,756	(405,196)	-2.2%
TRANSFERS								
Budget Stabilization	0	0	0	N/A	0	0	0	N/A
Liquor Transfers	13,000	12,000	1,000	8.3%	122,000	108,000	14,000	13.0%
Transfers In - Capital Reserve	0	0	0	N/A	0	0	0	N/A
Transfers In - Other	0	360	(360)	N/A	48,891	10,420	38,472	369.2%
Temporary Transfers In	132,811	8,205	124,606	N/A	445,311	620,705	(175,394)	-28.3%
Total Transfers	145,811	20,565	125,246	609.0%	616,202	739,125	(122,922)	-16.6%
TOTAL SOURCES	2,112,595	1,891,690	220,905	11.7%	18,381,762	18,909,880	(528,118)	-2.8%

Table 1A
REVISED GENERAL REVENUE FUND RECEIPTS
ACTUAL FY 2009 VS ESTIMATE FY 2009
(\$ in thousands)

REVENUE SOURCE	Month				Year-to-Date			
	ACTUAL MARCH	REVISED MARCH	\$ VAR	% VAR	ACTUAL Y-T-D	REVISED Y-T-D	\$ VAR	% VAR
TAX RECEIPTS								
Non-Auto Sales & Use	416,124	479,089	(62,966)	-13.1%	4,739,022	4,908,821	(169,799)	-3.5%
Auto Sales & Use	74,499	67,387	7,111	10.6%	637,552	628,997	8,556	1.4%
Subtotal Sales & Use	490,622	546,477	(55,855)	-10.2%	5,376,575	5,537,818	(161,243)	-2.9%
Personal Income	359,252	399,939	(40,687)	-10.2%	5,407,071	5,482,333	(75,262)	-1.4%
Corporate Franchise	144,808	131,366	13,441	10.2%	368,703	335,071	33,632	10.0%
Commercial Activity Tax	0	0	0	N/A	0	0	0	N/A
Public Utility	1,072	801	272	33.9%	122,494	110,448	12,046	10.9%
Kilowatt Hour	18,648	15,844	2,804	17.7%	110,666	108,196	2,470	2.3%
Foreign Insurance	95,726	82,500	13,226	16.0%	261,387	277,738	(16,352)	-5.9%
Domestic Insurance	7	0	7	N/A	(865)	(772)	(93)	12.1%
Other Business & Property Tax	7	0	7	N/A	379	372	7	1.9%
Cigarette	81,567	74,211	7,356	9.9%	643,481	632,125	11,356	1.8%
Soft Drink	0	0	0	N/A	0	0	0	N/A
Alcoholic Beverage	4,175	5,372	(1,198)	-22.3%	41,839	43,201	(1,362)	-3.2%
Liquor Gallonage	2,625	2,813	(189)	-6.7%	26,986	27,542	(556)	-2.0%
Estate	1,450	1,000	450	45.0%	32,287	32,753	(466)	-1.4%
Horse Racing	0	0	0	N/A	0	0	0	N/A
Total Tax Receipts	1,199,958	1,260,323	(60,365)	-4.8%	12,391,001	12,586,825	(195,824)	-1.6%
NON-TAX RECEIPTS								
Federal Grants	750,893	871,881	(120,988)	-13.9%	5,164,831	5,338,064	(173,233)	-3.2%
Earnings on Investments	0	0	0	N/A	97,412	78,100	19,312	24.7%
License & Fees	8,427	9,200	(773)	-8.4%	58,461	59,544	(1,083)	-1.8%
Other Income	7,503	4,250	3,253	76.5%	38,927	39,594	(667)	-1.7%
ISTV'S	4	300	(296)	-98.7%	14,929	12,410	2,519	20.3%
Total Non-Tax Receipts	766,826	885,631	(118,804)	-13.4%	5,374,559	5,527,712	(153,152)	-2.8%
TOTAL REVENUES	1,966,784	2,145,954	(179,170)	-8.3%	17,765,560	18,114,537	(348,976)	-1.9%
TRANSFERS								
Budget Stabilization	0	0	0	N/A	0	0	0	N/A
Liquor Transfers	13,000	12,000	1,000	8.3%	122,000	108,000	14,000	13.0%
Transfers In - Capital Reserve	0	0	0	N/A	0	0	0	N/A
Transfers In - Other	0	360	(360)	N/A	48,891	10,420	38,472	369.2%
Temporary Transfers In	132,811	8,205	124,606	N/A	445,311	620,705	(175,394)	-28.3%
Total Transfers	145,811	20,565	125,246	609.0%	616,202	739,125	(122,922)	-16.6%
TOTAL SOURCES	2,112,595	2,166,519	(53,924)	-2.5%	18,381,762	18,853,661	(471,899)	-2.5%

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

REVENUE SOURCE	Month				Year-to-Date			
	ACTUAL	ACTUAL	\$	%	ACTUAL	ACTUAL	\$	%
	2009	2008	VAR	VAR	2009	2008	VAR	VAR
TAX RECEIPTS								
Non-Auto Sales & Use	416,124	477,086	(60,963)	-12.8%	4,739,022	5,030,588	(291,566)	-5.8%
Auto Sales & Use	74,499	69,625	4,874	7.0%	637,552	674,895	(37,342)	-5.5%
Subtotal Sales & Use	490,622	546,711	(56,089)	-10.3%	5,376,575	5,705,483	(328,908)	-5.8%
Personal Income	359,252	465,875	(106,623)	-22.9%	5,407,071	5,964,248	(557,177)	-9.3%
Corporate Franchise	144,808	215,997	(71,189)	-33.0%	368,703	494,741	(126,038)	-25.5%
Commercial Activity Tax	0	0	0	N/A	0	0	0	N/A
Public Utility	1,072	742	330	44.5%	122,494	94,020	28,474	30.3%
Kilowatt Hour	18,648	16,587	2,061	12.4%	110,666	210,854	(100,188)	-47.5%
Foreign Insurance	95,726	77,816	17,910	23.0%	261,387	272,305	(10,919)	-4.0%
Domestic Insurance	7	1	5	N/A	(865)	434	(1,299)	-299.1%
Other Business & Property Tax	7	0	7	N/A	379	393	(15)	-3.7%
Cigarette	81,567	76,957	4,609	6.0%	643,481	654,158	(10,677)	-1.6%
Soft Drink	0	0	0	N/A	0	0	0	N/A
Alcoholic Beverage	4,175	5,024	(849)	-16.9%	41,839	42,342	(503)	-1.2%
Liquor Gallonage	2,625	2,680	(55)	-2.1%	26,986	26,318	668	2.5%
Estate	1,450	622	827	N/A	32,287	31,648	639	2.0%
Horse Racing	0	0	0	N/A	0	0	0	N/A
Total Tax Receipts	1,199,958	1,409,013	(209,055)	-14.8%	12,391,001	13,496,944	(1,105,944)	-8.2%
NON-TAX RECEIPTS								
Federal Grants	750,893	207,061	543,832	262.6%	5,164,831	4,248,471	916,360	21.6%
Earnings on Investments	0	0	0	N/A	97,412	83,073	14,338	17.3%
License & Fee	8,427	8,487	(60)	-0.7%	58,461	59,788	(1,327)	-2.2%
Other Income	7,503	4,801	2,702	56.3%	38,927	67,641	(28,714)	-42.5%
ISTVS	4	1,633	(1,629)	-99.8%	14,929	10,574	4,355	41.2%
Total Non-Tax Receipts	766,826	221,981	544,845	245.4%	5,374,559	4,469,547	905,012	20.2%
TOTAL REVENUES	1,966,784	1,630,994	335,790	20.6%	17,765,560	17,966,491	(200,931)	-1.1%
TRANSFERS								
Budget Stabilization	0	0	0	N/A	0	0	0	N/A
Liquor Transfers	13,000	12,000	1,000	8.3%	122,000	128,000	(6,000)	-4.7%
Transfers In - Capital Reserve	0	0	0	N/A	0	0	0	N/A
Transfers In - Other	0	0	0	N/A	48,891	56,810	(7,919)	-13.9%
Temporary Transfers In	132,811	0	132,811	N/A	445,311	466,800	(21,489)	-4.6%
Total Transfers	145,811	12,000	133,811	N/A	616,202	651,610	(35,408)	-5.4%
TOTAL SOURCES	2,112,595	1,642,994	469,600	28.6%	18,381,762	18,618,102	(236,340)	-1.3%

GENERAL REVENUE FUND DISBURSEMENTS

Across all fund uses, total year-to-date GRF disbursements are \$21,546.0 million.

Fund Use	Description	YTD Disbursements
Expenditures and transfers between agencies (ISTVs)	State agency operations, subsidies, tax relief, debt service payments, and pending payroll (if applicable)	\$20,698.3 million
Transfers	Temporary or permanent transfers out of the GRF that are not agency expenditures	\$847.8 million
TOTAL GRF DISBURSEMENTS:		\$21,546.0 million

Year-to-date expenditures and interagency transfers were 1.0% below 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 in December 2008 and implemented on January 1, 2009.

Primary, Secondary, and Other Education

This category includes expenditures made the School for the Blind, the School for the Deaf, E-Tech, and the Department of Education. Total March expenditures in this category were \$467.6 million, representing a variance of \$138.7 million (22.9%) below the estimate.

The March disbursement by the Department of Education totaled \$464.5 million, which was \$137.5 million under estimate (22.8%) for the month. Variances for the month were primarily attributable to the department using October updated enrollment information for the March foundation aid payments to school districts. The disbursement variance in the foundation aid line item was \$88.5 million (19%) under estimates for the month. Under-spending in March occurred in Auxiliary Services, Pupil Transportation, and Gifted Pupil Services, however this was a result of timing of payments.

Higher Education

March disbursements for Higher Education were \$192.4 million, representing a variance of \$6.9 million (3.5%) below the estimate for the month. Year-to-date disbursements were \$2,000.9 million, representing a variance totaling \$32.7 million (1.7%) above the estimate. Disbursements for the Ohio Instructional Grants (OIG) program were \$7.2 million less than anticipated for the month.

Public Assistance and Medicaid

March expenditures in this category, which includes all GRF expenditures by the Department of Job & Family Services, were \$895.3 million or 2.4% below estimate.

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 \$675.6 million.

March 2009 disbursements for JFS non-Medicaid totaled \$45.3 million. When compared to March FY 2009 disbursement estimates, in aggregate, actual disbursements were \$16.8 million (27.1%) under estimate. This was primarily attributable to the following:

- Approximately \$2.8 million in under-spending was in the TANF/Maintenance of Effort line item 600410. This was primarily due to adjustments arising from the quarterly county close out process.
- Approximately \$10.5 million in under-spending was in the Child Care/Maintenance of Effort line item 600413. This was primarily due to adjustments arising from the quarterly county close out process.
- Approximately \$1 million in over-spending was in the Support Services line item 600321. This was primarily due to processing issues for postage payments. The postage was originally estimated to be paid in February, but due to delays it was paid in March.
- Approximately \$1.8 million in over-spending was in the Computer Projects line item 600416. This was primarily due to vendor payments not anticipated. Payments for SACWIS and child support collections were not made as originally anticipated in February, but rather in March.
- Approximately \$7.3 million in under-spending occurred in the Entitlement Administration line item 600521. This was primarily due to adjustments arising from the quarterly county close out process.
- Approximately \$1.2 million in under-spending occurred in the Children and Families subsidy line item 600523. This was primarily due to adjustments arising from the quarterly county close out process.
- Approximately \$1.9 million in over-spending was in the Adoption Assistance line item 600528. This was primarily due to the unanticipated payments for the Non-Recurring Adoption Expenses Subsidy and the Post-Adoption Special Services Subsidy (PASSS).

Medicaid Services

This sub-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 GRF disbursements for Medicaid through the month of March totaled \$8,068 million, which was \$4.8 million (0.1%) below the revised estimate and \$141.8 million (1.7%) below the original estimate prepared at the beginning of FY 2009. GRF disbursements in March were \$850.0 million, which was 4.9 million (0.6%) below the revised estimate and \$43.2 million (4.8%) below the original estimate prepared at the beginning of FY 2009.

Year-to-date disbursements from all funding sources through the month of March totaled \$9,187 million, which was \$5.5 million (0.3%) under the revised projections and \$100.4 million (1.1%) below the original estimate prepared at the beginning of FY 2009. All funds disbursements for the month of March totaled \$1,068 million, which was \$5.5 million (0.5%) below the revised estimate and \$2.8 million (0.3%) above the original projection prepared at the beginning of FY 2009.

Notable variances across all funding sources include:

- *Inpatient Hospital:* Medicaid inpatient hospital disbursements for the month of March totaled \$112.7 million, which was \$7.6 million (6.3%) under projections. This was due primarily to lower than expected utilization of inpatient facilities.
- *Outpatient Hospital:* Outpatient hospital disbursements totaled \$44.0 million in March, which was \$4.9 million (12.6%) over projected expenditures. This was due to primarily to timing issues related to the use of the National Provider Identifier (NPI) number for claims submitted on paper. Medicaid providers are required by the federal government to have an NPI to service as the unique identifier for their claims processing. Prior to this requirement, many providers had multiple identifiers based on their line of business (a particular FQHC may have had one number for dental services and a different number for pediatrics), each of which was recognized in the JFS adjudication software. Upon conversion to the NPI, some of these claims were not recognized by the system or able to be matched to a provider due to the change in the identifier and were suspended. The variance reflects the payment of these suspended claims. JFS has identified and corrected the issue, and expects no further issues in future months.
- *Physician:* Physician disbursements for the month of March totaled \$40.6 million, which was \$4.6 million (12.9%) over projected expenditures. The variance was primarily due to the NPI issue discussed above.

Caseload

Total Medicaid caseload for the month of February (the most recent data available) was 1.89 million covered persons, which was an increase of 17,745 people from the previous month and 12,895 over projected enrollment. This represents the 14th consecutive month of caseload growth and the largest single-month increase since 2002.

The majority of the increase was found in the Covered Families and Children (CFC) category, which accounted for 16,262 of the new enrollees. Total CFC enrollment for the month of February was 1.88 million persons, which was 16,955 (1.21%) over projection, with an additional 2,579 people entering the Fee For Service (FFS) population and 13,683 enrolling in a Medicaid managed care plan. The Healthy Families category, which is the core eligibility group, saw the majority of the increase with an additional 9,756 members.

Aged Blind and Disabled (ABD) enrollment increased by 1,624 persons for the month of February. While increases in recent months have been found largely in the cost sharing categories such as the Specified Low Income Medicare Benefits program, which provide assistance to qualified enrollees in paying their Medicare Part A and Part B premiums, the majority of growth in this month is reflected in covered medical services.

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.

March expenditures in this category were \$57.5 million, which was \$9.9 million (14.7%) below estimate. Significant notes include:

- For the year, the Department of Aging has disbursed \$139.9 million in GRF against a projected \$139.8 million for a total variance of \$0.1 million (0%) above estimate. The Department of Aging disbursed \$15.1 million in March, or 14% above the disbursement estimate of \$13.3 million. Total dollar variance was \$1.8 million over estimate. This was primarily attributable to the following: When the disbursement estimate was modified for PASSPORT, line item 490403, to account for the December reductions, the total reduction was spread across four months; in actuality the reduction will be taken in the fourth quarter of FY 2009, so the disbursement estimate for March was lower than necessary; and Senior Community Services, line item 490411, was under plan by \$0.35 million due to having access to more federal funds than projected; as such state funds are being used more evenly throughout the year.
- Year-to-date the Department of Health was under estimate by \$2.4 million (4%), having disbursed \$59.9 million against a planned \$62.3 million. The Department of Health disbursed \$5.95 million in March, which was 23% above estimate. Total projected disbursements were \$4.8 million; the variance was \$1.15 million above estimate. This was primarily attributable to the following: Help Me Grow, line item 440459, was over estimate by \$2.5 million due to subsidy payments being paid in March, instead of April, as originally projected; Child and Family Health, line item 440416, was under estimate by \$0.9 million, primarily due to grant payments being behind schedule; and, Medically Handicapped Children, line item 440505 was under budget in total by \$0.3 million due to the program using more GRF funds than non-GRF funds in March than originally planned.

- The Department of Mental Health (DMH) disbursed \$13.4 million in the month of March, which was \$12.1 million under the estimate. Historically, DMH disbursed subsidy to county boards once the funding was requested, thus making cash flow unpredictable. Beginning in the third quarter of FY 2009, county boards will receive 334408 subsidy allocations on a quarterly basis. Because the third quarter of estimated subsidy expenditures in 344408 were disbursed in January, it was expected that DMH would disburse less funding than estimated in February and March.
- The Department of Mental Retardation and Developmental Disabilities (DMR) disbursed \$18.7 million in the month of March, which was less than \$1 million under the estimate.

Justice and Public Protection

This category includes GRF expenditures by the following state agencies: Department of Rehabilitation & Corrections (DRC), the Department of Youth Services (DYS), and the Department of Public Safety. In the aggregate, March expenditures in this category were \$204.6 million, which was \$25.0 million (13.9%) above estimate for the month. Significant notes from the subcategories include:

- Disbursements in the Corrections category totaled \$185.5 million in the month of March, which was \$25.8 million (16.2%) more than the \$159.7 million estimate for the month.
- The Department of Rehabilitation & Corrections (DRC) disbursed \$162.8 million in the month of March, which was \$25.3 million (18.4%) greater than the \$137.5 million estimate for the month. This variance was due to the fourth quarter ISTV from the GRF to DRC's Services and Agricultural Fund (Fund 1480) posting at the end of March, instead of the beginning of April.
- The Department of Youth Services (DYS) disbursed \$22.7 million in the month of March, which was \$0.5 million (2.3%) greater than the \$22.2 million estimate for the month.

Environmental Protection & Natural Resources

March expenditures in this category were \$3.6 million, which was \$169,000 (4.9%) above estimate.

Transportation

Year-to-date, the Department of Transportation disbursements were \$16.1 million, which was \$2.9 million below the estimate. March disbursements were \$1.1 million, producing a variance of \$1.0 million (50%) below the estimate. This variance was the result of a change in the invoice process for reimbursement payments at Rural Transit agencies paid out of the Public Transportation line item 775451.

General Government

March expenditures in this category were \$59.3 million, which was \$1.0 million (1.8%) above estimate for the month.

Community & Economic Development

March expenditures in this category were \$20.1 million, which was \$2.3 million (12.9%) above estimate for the month. The largest portion of this variance was attributable to the Department of Development.

Year-to-date, the Department of Development GRF disbursements were \$70.5 million, which was \$3.7 million above the estimate. For the month of March the Department of Development disbursed \$8.0 million in GRF, which was \$3.1 million above the estimate. This variance was due to the timing of subsidy payment draw-downs or increased payments due to prior month under spending.

The primary lines accounting for the variance were from the Thomas Edison (195401), Rapid Outreach (195412), Third Frontier Action Fund (195422), Ohio Investment in Training Program (195434), and Travel and Tourism Grants (195507) appropriation line items.

Tax Relief & Other

March tax relief disbursements totaled \$45.0 million, which was \$133.2 million below the monthly estimate of \$178.1 million. As mentioned in previous monthly reports, the significant variance in year-to-date payments was attributable to both the timing of requests for payments of the 10 percent and 2.5 percent rollback on non-homestead eligible properties and 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.

Debt Service

March expenditures in this category were nearly right on the estimate of \$86.3 million. Year-to-date, debt service expenditures were \$7.0 million (1.3%) below estimate.

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

Functional Reporting Categories Description	MONTH				YEAR-TO-DATE			
	ACTUAL	ESTIMATED	\$	%	YTD	YTD	\$	%
	MARCH	MARCH	VAR	VAR	ACTUAL	ESTIMATE	VAR	VAR
Primary, Secondary and Other Education	467,582	606,248	(138,666)	-22.9%	5,477,848	5,659,418	(181,570)	-3.2%
Higher Education	192,427	199,367	(6,940)	-3.5%	2,000,914	1,968,243	32,670	1.7%
Public Assistance and Medicaid	895,310	917,078	(21,768)	-2.4%	8,743,254	8,780,918	(37,664)	-0.4%
Health and Human Services	57,454	67,335	(9,881)	-14.7%	927,777	964,818	(37,041)	-3.8%
Justice and Public Protection	204,558	179,587	24,971	13.9%	1,665,916	1,638,000	27,917	1.7%
Environmental Protection and Natural Resources	3,586	3,417	169	4.9%	77,830	75,034	2,797	3.7%
Transportation	1,059	2,054	(995)	-48.5%	16,145	19,188	(3,043)	-15.9%
General Government	59,327	58,286	1,041	1.8%	307,438	313,819	(6,381)	-2.0%
Community and Economic Development	20,058	17,770	2,288	12.9%	119,181	116,022	3,158	2.7%
Tax Relief and Other	44,966	178,128	(133,162)	-74.8%	842,633	855,916	(13,283)	-1.6%
Capital Outlay	101	0	101	N/A	288	25	263	1050.1%
Debt Service	84,305	86,310	(2,005)	-2.3%	519,034	526,048	(7,014)	-1.3%
Pending Payroll	0	0	0	N/A	0	0	0	N/A
Total Expenditures & ISTV's	2,030,732	2,315,580	(284,848)	-12.3%	20,698,257	20,917,450	(219,193)	-1.0%
Transfers Out:								
OPER TRF OUT-OTH	3,161	0	3,161	N/A	243,299	236,136	7,162	3.0%
OPER TRF OUT-TEMPORARY	0	0	0	N/A	604,470	620,705	(16,235)	-2.6%
Total Transfers (Out)	3,161	0	3,161	N/A	847,768	856,841	(9,073)	-1.1%
Total Fund Uses	2,033,894	2,315,580	(281,686)	-12.2%	21,546,026	21,774,291	(228,266)	-1.0%

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

Functional Reporting Categories Description	MONTH				YEAR-TO-DATE			
	ACTUAL	ACTUAL	\$	%	ACTUAL	ACTUAL	\$	%
	2009	2008	VAR	VAR	2009	2008	VAR	VAR
Primary, Secondary and Other Education	467,582	661,583	(194,001)	-29.3%	5,477,848	5,256,269	221,579	4.2%
Higher Education	192,427	175,932	16,495	9.4%	2,000,914	1,919,649	81,265	4.2%
Public Assistance and Medicaid	895,310	832,208	63,102	7.6%	8,743,254	8,261,691	481,562	5.8%
Health and Human Services	57,454	75,217	(17,764)	-23.6%	927,777	958,932	(31,155)	-3.2%
Justice and Public Protection	204,558	186,950	17,608	9.4%	1,665,916	1,643,836	22,080	1.3%
Environmental Protection and Natural Resources	3,586	5,000	(1,414)	-28.3%	77,830	83,939	(6,108)	-7.3%
Transportation	1,059	990	69	7.0%	16,145	19,486	(3,340)	-17.1%
General Government	59,327	56,923	2,405	4.2%	307,438	306,195	1,243	0.4%
Community and Economic Development	20,058	17,299	2,759	15.9%	119,181	110,300	8,881	8.1%
Tax Relief and Other	44,966	63,566	(18,600)	-29.3%	842,633	717,777	124,856	17.4%
Capital Outlay	101	0	101	N/A	288	66	222	338.0%
Debt Service	84,305	86,853	(2,548)	-2.9%	519,034	506,412	12,621	2.5%
Pending Payroll	0	0	0	N/A	0	0	0	N/A
Total Expenditures & ISTV's	2,030,732	2,162,520	(131,787)	-6.1%	20,698,257	19,784,553	913,705	4.6%
Transfers Out:								
OPER TRF OUT-BUD STABILIZATION	0	0	0	N/A	0	0	0	N/A
OPER TRF OUT-OTH	3,161	3	3,159	N/A	243,299	268,582	(25,283)	-9.4%
OPER TRF OUT-TEMPORARY	0	0	0	N/A	604,470	350,104	254,366	72.7%
Total Transfers (Out)	3,161	3	3,159	N/A	847,768	618,686	229,082	37.0%
Total Fund Uses	2,033,894	2,162,522	(128,629)	-5.9%	21,546,026	20,403,239	1,142,787	5.6%

FUND BALANCE

Table 5 describes the General Revenue Fund (GRF) ending fund balance for FY 2009. These estimates reflect actions included in the budget reduction plan that was announced in December 2008 and implemented January 1, 2009.

The estimated ending fund balance of \$387.2 million includes the one half of one percent required ending fund balance of \$134.8 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.

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

July 1, 2008 Beginning Cash Balance	\$ 1,682,002
Plus FY 2009 Estimated Revenues	18,383,829
Plus FY 2009 Estimated Federal Revenues	7,011,179
Plus FY 2009 Estimated Transfers to GRF	1,561,105
 Total Sources Available for Expenditure & Transfer	 28,638,115
Less FY 2009 Estimated Disbursements	26,876,810
Less FY 2009 Estimated Total Encumbrances as of June 30, 2009	521,669
Less FY 2009 Estimated Transfers Out	852,439
 Total Estimated Uses	 28,250,917
 FY 2009 ENDING FUND BALANCE	 387,198
One half of one percent target ending fund balance	134,781
 Excess / (Shortfall)	 252,417

FEATURED ANALYSIS

Technology Changes and its Impact on the State Budget

Technology systems play an integral role within Ohio government. With constant IT innovations and process changes, Ohio continues to invest in value added systems to enhance service delivery and improve internal management controls with limited resources. This analysis will explore four major statewide IT systems and their impact on the state budget. They are the Multi-Agency Radio Communications System (MARCS), Medicaid Information Technology System (MITS), Ohio Administrative Knowledge System (OAKS), and Shared Services.

In order to effectively manage and lead enterprise-wide implementation of Ohio's technology efforts, the Ohio Office of Information Technology (OIT) was formed to ensure effective technology decisions are made while minimizing investment risks. Therefore, OIT specializes in sound IT investment practices, oversight, and policy development based on state requirements. To this end, this Office was charged with the responsibility of evaluating executive agencies, boards, and commissions' biannual IT investment plans – a tool which highlights government IT investment and spending. In FYs 2010-11, the estimated total IT budget will utilize over \$1.432 billion in state resources.

The State has financed its capital (including IT) improvements through the issuance of general and special obligation bonds, economic development bonds, certificates of participation, and by using current revenues. In June 2008, the state appropriated \$1.31 billion in capital projects for the FYs 2009-10 capital biennium (H.B. 562). The 127th General Assembly also made additional capital appropriations of \$145 million (H.B. 496), bringing the new capital appropriations (GRF and non-GRF) total to \$1.46 billion. Of this amount, \$1.32 billion will be funded by the issuance of bonds backed by the GRF.

Enterprise-wide IT Planning and Budget Changes (FYs 2004-11)

Overall types of IT projects being funded has changed over time. Under the current FYs 2008-09 IT development plan 'upgrades to existing applications' and 'upgrades to IT infrastructure' accounted for 26.5% of total projects submitted to OIT. During the last biennium, FYs 2006-07, browser-based solutions, continuous operations, and federal validation were the dominant IT projects¹. This showcases that the focus of technology investments fluctuates based on both infrastructure and application need.

Table #1 showcases the state of Ohio IT budget from FYs 2004-11. While separated into three major budget spending areas: Application Maintenance, Infrastructure Maintenance, and IT Projects, state technology spending has varied. According to the Department of Administrative Services (DAS), from FY 2004 to FY 2005 there was an \$89 million decline in overall IT spending. However, the following fiscal year showed a steep increase of \$129 million in the IT budget and a continued upswing through FY 2007 with an additional increase of \$46 million. In FY 2008, the state experienced another sharp decline of \$83 million. The FY 2010-11 IT budget shows a continuation of a downward trend by \$76 million and \$22 million, respectively.

¹ Statewide IT Investment Summary and Analysis : IT Project Planning (FY 09/09) - DAS

Table 1: Total IT Budget Trends (FYs 2004 – 11)



Source: Department of Administrative Services Internal Budget Report

The substantial increase in FYs 2006-07 was, in part, due to the state investment of approximately \$149.5 million in ‘mega’ IT project spending which began in FY 2006. They included: the State-wide Automated Child Welfare Information System (SACWIS), Support Enforcement Tracking System (SETS), OAKS, MITS, MARCS, and the Taxations’ Solution 2010 Project. Such a high concentration of large projects in a single biennium is historically unusual. However, with the post 9/11 downward state budget trends, estimates for FYs 2006-07 somewhat normalized which allowed sizeable investments for heavily demanded projects.

Multi-Agency Radio Communications System (MARCS)

MARCS intends to meet the needs of all state agency communications system users with a single network. In addition, it plans to provide statewide coverage and the ability for agencies to communicate with each other during emergencies, both of which had been concerns in disaster responses. This encouraged the state to deploy one new communications system for all public safety state agencies to use. In addition, local governments could use the system as well by paying the same monthly operations fees as state agencies.

MARCS is now fully implemented and includes more than 200 towers located throughout the state. The Department of Administrative Services (DAS) manages the MARCS network. The key state agency users are the Highway Patrol and the Department of Rehabilitation and Correction (DRC). Other state agency users include the Departments of Natural Resources, Youth Services, and Health. In addition, a number of local government public safety agencies have joined and continue to enroll to use MARCS.

Tower construction and tower equipment purchases totaled \$213.2 million. In addition, the state spent \$77.6 million (of which \$14.8 million, or 19% of the total, were federal dollars) for equipment such as radios, in-car computers, and computer-aided dispatchers used by the state agencies. Implementation costs of MARCS were financed primarily through the issuance of

special obligation bonds. Debt service on these bonds is paid from GRF lease payments included in the biennial budget, with the Highway Safety Fund reimbursing the GRF for a proportionate share.

DAS incurs staff, tower and equipment maintenance, and other costs to operate and manage MARCS. To pay these operating expenses, all participating state and local agencies pay monthly fees set for different communication devices—radios, in-car computers, and computer-aided dispatchers. Sources to pay for these fees, whether GRF or non-GRF, depend on user agencies' source of support. However, DAS's MARCS operations fund, which receives fee revenue from user agencies, is a non-GRF fund. The FY 2009 budget for this fund is \$11.1 million.

In the future, MARCS will face some significant additional expenses to keep up the network. Some tower and other maintenance have been deferred, and the FYs 2010-11 Executive Budget includes additional appropriation authority for the MARCS operations fund to pay these costs. To the extent current fee revenue from the current number of state and local government users cannot sustain this level of maintenance spending in future biennia, DAS will have to raise fees (which have not changed since their 2005 implementation), reduce expenses, or find other sources of revenue. More significant, Motorola, the supplier of MARCS equipment, has announced that it will stop supporting current MARCS equipment within the next few years.

In addition, while the current frequency used by MARCS is shared and, therefore, limited in growth potential, switching to a new frequency the federal government recently opened up exclusively for public safety use requires replacing all network equipment that is not operable at the new frequency. Addressing these issues will require significant investments by the state to upgrade the MARCS communications network.

Medicaid Information Technology System (MITS)

MITS serves as a strategic IT project to enable Ohio Medicaid to respond to current and emerging business needs in the health-care marketplace. MITS will replace the 20-year-old legacy Medicaid Management Information System (MMIS) and will be heavily utilized by Job and Family Services. Through EMMA, MITS deployment and use by other agencies that administer Medicaid programs is being accelerated. MITS hopes to improve efficiency by automating many processes which are currently performed manually. It will also allow providers and consumers to conveniently access one dedicated Web portal.

According to Job and Family Services (JFS), the key business driver for MITS is the need for an information technology system capable of rapidly implementing state and federal Medicaid program changes and meeting today's business needs for Ohio's Medicaid population. Internal JFS evaluations proved that the current MMIS does not provide the functionality needed to support the increasing demands placed on Ohio's Medicaid program. It called for a replacement system which utilizes web-based technology that can easily adapt to program fluctuations and system needs.

The Ohio MITS project is supported by enhanced federal financial participation (FFP) and a non-GRF Healthcare Services Administration Fund for design, development, and implementation (DDI) activities. Once implemented, the project will be funded by both FFP and GRF lines. The overall project budget is \$192 million with \$153 million (79.7%) being the federal share and \$39

(20.3%) million being the state contribution. These figures represent the total cost of project from design to maintenance – including hardware, software, and hosting.

Main MITS long-term project objectives include implementation of a ‘business-driven architecture’ technology, development of a streamlined system, incorporation of value purchasing tools, and maximization of Ohio’s return on investment through enhanced FFP. In the short term, efficiencies with Medicaid claim processing remain a priority due to real-time access, uniformed source of information, and clinical claim editing – an automatic claim auditing tool.

The development and implementation of MITS provides the opportunity to improve operations and to streamline functionality for managed care plans, fee-for-service providers, and Medicaid consumers. MITS will provide a secure web site that will offer more support through an array of automated business solutions to increase self-service capabilities with 21st century technology.

Ohio Administrative Knowledge System (OAKS)

The Management Improvement Commission 2000 recommended in its report that the state implement a statewide enterprise resource planning (ERP) system to replace separate accounting, human resources, asset management, and procurement systems managed by state agencies.

As a result, the state developed, over a period from 2000 to 2007, the Ohio Administrative Knowledge System (OAKS) with significant input and assistance from state agencies to ensure that the final product would meet state needs. At this time, the system is moving into steady-state operations. Initially, the state paid OAKS development expenses from the GRF (\$15.8 million), but the majority of development and implementation (\$148.6 million) has been funded from the issuance of certificates of participation (COPs). COPs are a type of municipal bond that is often used to finance capital improvement projects or equipment. Debt service on the COPs is paid from GRF lease payments included in DAS’s budget. As of June 30, 2008, debt service to be paid by DAS was estimated to be approximately \$14.2 million for FY2009.

In December 2006, the first module of OAKS, Human Capital Management (HCM), came online. This was followed by additional implementations, most notably the new Financials (FIN) accounting system. Operating and maintaining this new ERP system required a new OAKS Support Organization within DAS. Significant OAKS operations expenses include information technology services provided internally by DAS’s Office of Information Technology, software licensing agreements, and staff. The OAKS operations fund that supports these costs is a non-GRF fund. The FY 2009 budget for the OAKS Support Organization is \$26.2 million. As the new operation stabilizes in its second biennium, the FYs 2010-11 Executive Budget includes \$16.0 million in FY 2010 and \$18.0 million in FY 2011.

Support for the OAKS operations fund comes from the Office of Budget and Management (OBM) (\$10.9 million in FY 2009, or 57%) and DAS’s Human Resources Division’s (HRD) payroll charges (\$8.1 million in FY 2009, or 43%). These entities each collect a charge from state agencies to support their budget, accounting, and human resources duties. They then pay a portion of their payroll charge revenues to the OAKS operations fund to support OAKS expenses. Thus, depending on state agencies’ sources of funding that support their employees’ wages, agencies pay the OBM and HRD charges with GRF and non-GRF dollars.

The state faces periodic future OAKS costs for two key items: software upgrades and equipment replacement. As the software vendor develops new versions of its software and stops servicing older versions, the state will have to periodically upgrade to the newer versions of the software that runs OAKS modules. In addition, servers and other information technology equipment must be replaced as it ages. Depending on the size and purpose at any one time, these costs may be paid from any accumulated cash in the OAKS operations fund, additional COPs issuances, or capital appropriations in the capital bill.

Shared Services

Capitalizing on the capabilities of OAKS, Ohio Shared Services is as an upcoming service delivery approach for finance processing in the state and will allow Ohio to realize a return of investment in its new ERP. Shared Services, in conjunction with 15 partner agencies, will streamline processes in an effort to provide efficient and high quality service to state vendors and agencies beginning in FY 2010. Such plans include efficient organizational processes within accounts payable, travel reimbursement, general ledger, and intra-agency transfers. The Ohio Shared Services objective is to provide cost-effective service value in financial transaction processing, customer interaction, and service delivery.

The overall concept is to eliminate governmental ‘silos’ and share resource pools in order to ensure organized routine processes. Through Ohio Shared Services, state agencies will work with the Office of Budget and Management (OBM) to consolidate back-office finance processing functions. Agencies will operate under service level agreements; ensuring both partners are accomplishing mutually agreed upon needs.

The vendor community will be able to realize the benefits of Ohio Shared Services. In FY 2010, vendors will be able to see the invoice status through an online web portal. Also, vendors will be able to utilize a centralized call center (in partnership with Job and Family Services) to submit payment inquires. However, the greatest benefits will come through the reduction of back-office function costs, business practice consolidation, advanced functionality such as e-government and self-service applications, and future development for administrative services.

Efficiencies resulting from the project will help save Ohio taxpayers money and help alleviate staffing shortages which are, in part, due to the aging of the current workforce. The Ohio Shared Service finance operation will be established in FY 2011 and is expected to reduce agency finance costs for participating agencies by 10 to 15 percent annually. Following the implementation of this finance solution for FYs 2010-11, Shared Services will explore restructuring the state’s payroll processes and thereby reducing costs by a similar percentage within the FYS 2012-13 biennial budgets. Regarding future planning, Ohio Shared Services plans to focus on both travel and digital imaging upgrades in the near term.

These items showcase the development of four major IT systems and its impact on state budget, in both the short and long term.