OBM

Ted Strickland
Governor

J. Pari Sabety
Director

June 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 May 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 second quarter of calendar 2009, but at a slower pace. Leading economic measures indicate a slowing in the economic slide and a probable near-term upturn. The recession is severe, however, as the U.S. unemployment rate increased in May to 9.4% – the highest since September 1983. Ohio's April unemployment rate (the most recent available) increased to 10.2% - the highest level since December 1983.

With the close of May 2009, Ohio's Total General Revenue Fund (GRF) tax receipts for the month continued to record the severity of the recession, as revenue was $100.2 million (6.8%) below May 2008 and $1.9 billion (10.7%) below 2008 year-to-date. Year-to-date, total GRF tax receipts were $706.2 million (4.3%) below estimate. Tax revenues will be monitored closely to assure adequate measures are taken to end the fiscal year in balance.

GRF spending patterns show continued restraint as year-to-date outlays were just 0.5% above the December 2008 re-forecasted monthly agency spending for FY 2009. 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, as Amended Substitute House Bill 1 moves into Conference Committee.

MONTHLY FINANCIAL REPORT
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ECONOMIC SUMMARY

Overview of Economic Performance

- The economy continued to contract in the second quarter of calendar year 2009, but at a slower pace.
- Although job losses were widespread in May, the deterioration in labor markets slowed somewhat, as May's employment decline was the smallest since last September. The U.S. unemployment rate increased to 9.4% – the highest level since September 1983. Ohio's April unemployment rate (the latest available) increased to 10.2% - the highest level since December 1983.
- Leading economic indicators continue to point toward a near-term upturn in the economy.

The economy continued to contract in the second quarter, but at a slower pace. The decline in real GDP is likely moderating in the current quarter, as the sharp inventory correction begins to unwind. Forecasters expect a national economic recovery to begin as soon as the third quarter. Employment continues to fall across the U.S. and in Ohio, and unemployment rates continue to rise. The bankruptcies of Chrysler and GM and their implications for workers, suppliers, and dealers in Ohio temper optimism arising from improvement in some leading economic indicators. Even stronger-than-expected growth during the next year or so could leave real GDP below its potential.

Economic Growth

The economy contracted at a 5.7% annualized pace in the first quarter, according to the preliminary report on **Gross Domestic Product**. The economy shrank at a 6.3% annualized rate in the prior quarter. Corporate profits on an operating basis swung to a gain of 3.4% in the first quarter after six straight quarters of decline. The composition of activity points toward a better performance in the second quarter.

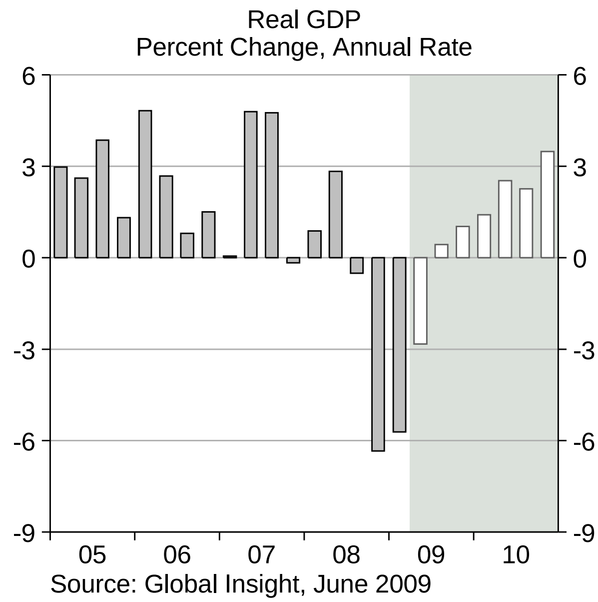
All major categories of GDP, except for personal consumption expenditures and net exports, contributed to the decline in real GDP. Consumption increased 1.5% – down from an initial report of 2.2% but the first gain since the second quarter of 2008 and the largest since the third quarter of 2007. Net exports added 2.2 percentage points, as imports fell by more than exports.

Business fixed investment subtracted 4.5 percentage points from the first-quarter change in real GDP. The change in business inventories subtracted 2.3 points. Investment in residential structures subtracted 1.4 percentage points – as severe as in any quarter during this cycle. Government spending subtracted 0.7 points due to declines in national defense spending and reduced outlays by financially strapped state and local governments.

The improvement in **personal consumption expenditures** was broad-based. Spending on durable goods made a positive contribution to real GDP growth following four quarterly subtractions, reflecting the first positive contribution from the motor vehicles and parts industry since the second quarter of 2007. Spending on nondurable goods subtracted only modestly after two very large quarterly subtractions. The positive contribution from spending on services was about the same size as in the fourth quarter and well above the slight negative in the third quarter.

The decline in **capital spending** accelerated in the first quarter, due largely to a record pace of decline in investment in nonresidential structures. The nonresidential sector had held up much better than the residential sector in this cycle until the crisis hit last September. The decrease in investment in nonresidential structures during the fourth quarter and first quarter was the steepest two-quarter drop on record dating back to 1947. In the past, the trough in the two-quarter percent change in investment in nonresidential structures has occurred at the end of recession or at the beginning of recovery.

Business inventories decreased at a record annual rate of $91.4 billion (revised up from an initial report of $103.7 billion) during the first quarter, as production cutbacks finally overtook decreases in demand. As a percent of prior-quarter real GDP, the drop was close to the largest declines associated with previous recessions and which occurred close to the end of those downturns. The large draw-down in inventories during the first quarter will provide a strong positive contribution to growth in the second and/or third quarters.



Forecasters estimate that real GDP will decrease again in the second quarter, but at a much slower pace. Global Insight projects a 2.8% decline, followed by growth of about 0.7% at an annual rate in the second half. The June forecast of the annualized rate of change in real GDP during the final three quarters of 2009 remained at -0.5%. Global Insight projects the rate of growth in real GDP to rise appreciably during 2010, reaching 3.5% in the fourth quarter.

The *Blue Chip Economic Indicators* (BCEI) consensus is for modestly better growth than projected by Global Insight during the remainder of 2009 and somewhat slower growth in 2010. The BCEI consensus is for a decrease in real GDP of 1.8% in the second quarter, followed by growth of about 1.3% in the second half. The consensus is for real GDP growth to rise to just 3.0% by the fourth quarter of 2010. The lowest quintile of BCEI panelists' forecasts is for a decrease of 3.1% in the second quarter, a decrease of 1.0% in the third quarter and growth of 1.9% in the second half of 2010.

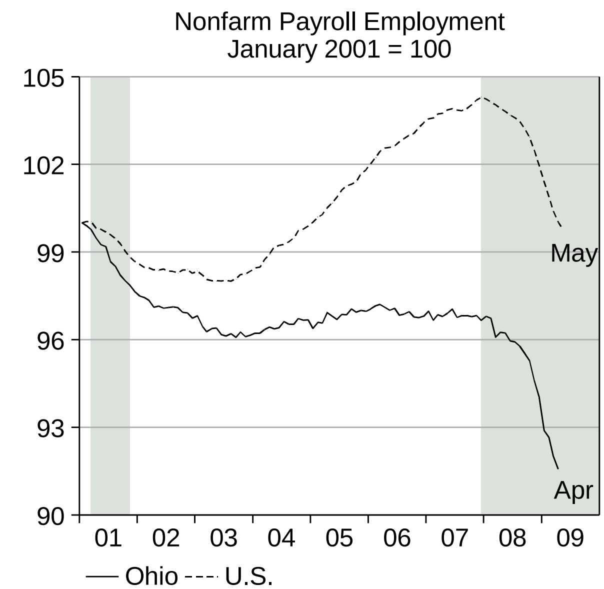
Leading economic indicators continue to point toward a near-term upturn in the economy. The **Weekly Leading Index** from the Economic Cycle Research Institute increased for eleventh consecutive weeks on a four-week moving average basis as of May 29. The rate of change has improved from a low of -29.7% in early December to -7.1%. Past recessions have ended near the time when the growth rate of the index has reached a trough.

Employment

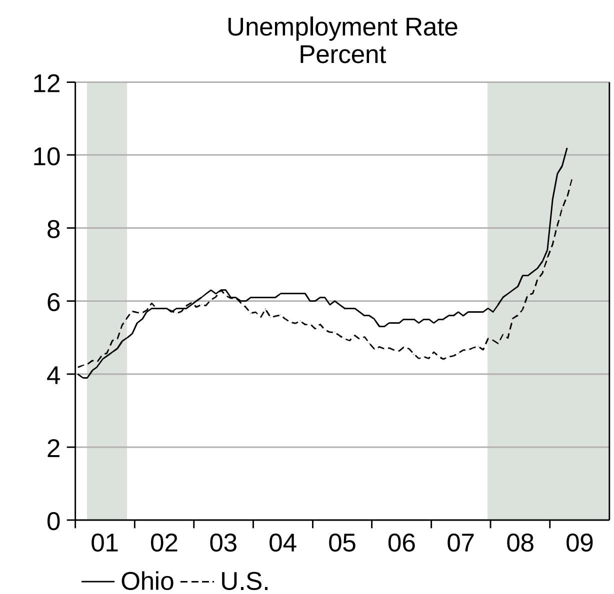
The deterioration in labor markets slowed somewhat in May. **Total employment** decreased by 345,000 jobs, following a revised decrease of 504,000 jobs in April. Although the decrease brought the total loss in jobs to 6 million for the recession, the decline during May was the smallest since last September. In addition, the declines during March and April were revised down by a total of 80,000 jobs.

Job losses were widespread again in May, with approximately only one-third of 271 industries reporting higher employment than in April. That was up from approximately one-in-five during February and March, but still represents weak demand for labor. Higher employment compared with April was reported by only one-in-eight of 83 manufacturing industries. Compared with a year earlier, only one-in-fourteen manufacturing industries reported higher employment.

Manufacturing accounted for the largest decrease in jobs among sectors. The decline of 156,000 jobs was about the same as in April, although a bit smaller than the average monthly decline during December through March (-197,000). Construction employment fell by 59,000 jobs in the best showing since last September.



The decline in service sector employment (-120,000) slowed by almost one-half from April (-230,000), with improvement widespread across sectors, even with a swing from a large gain (+92,000) to a modest loss (-7,000) in government employment. Employment in the temporary help industry, which can be a leading indicator of labor market developments, fell by the smallest amount (-7,000) since December 2007 (and possibly much earlier after adjustment for varying retail hiring trends at year end). Employment in the education and health services sector again posted the lone significant jobs gain (+44,000).



The **unemployment rate** increased 0.5 percentage points to 9.4% – the highest level since September 1983. The length of the workweek shrank by 0.1 hours to a record low of 33.1 hours, leading to a 0.7% decrease in total hours worked during the month. If total hours worked remain at the May level in June, the second-quarter average will be 6.9% at an annual rate below the first-quarter average, which would be consistent with another large drop in output during the quarter.

Even as labor markets added to the first signs of turning the corner, the situation grew significantly worse in several respects. The broadest measure of unemployment (called U-6), which uses a more-inclusive measure of the labor force, increased to 16.4% – the highest level since the data were first reported using current definitions in January 1994. In addition, the average duration of unemployment moved to a new all-time high (dating back to 1947) of 22.5 weeks. The median duration of unemployment also moved to a new all-time high (dating back to 1967) of 14.9 weeks.

Average hourly earnings increased just 0.1% in April – the weakest monthly change since 2003 – to 3.1% from a year earlier – the smallest gain since November 2005. 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.

Ohio employment decreased for the twelfth straight month in April. Nonfarm payrolls decreased by 25,200 jobs during the month, after falling a total of 113,200 jobs in the first quarter. Ohio employment decreased by 262,800 jobs, or 4.9%, during the twelve months ending in April.

Weakness was widespread again in April. Manufacturing (-11,500), trade, transportation and utilities (-6,900) and construction (-6,700) led the declines, followed by leisure and hospitality (-2,000) and information (-1,800). Other services (+1,000), education and health services (+800) and professional and business services (+500) posted modest gains.

During the previous year, manufacturing (-109,600), professional and business services (-53,900) and trade, transportation and utilities (-46,000) accounted for 80% of the overall decline. More than one-half of the job loss in professional and business services occurred in the employment services category. Employment increased during the past year only in education and health services (+10,000).

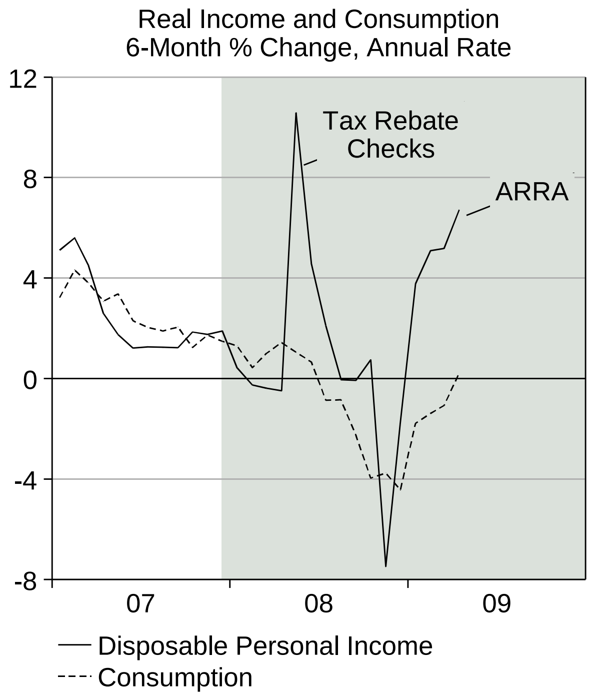
None of the eleven **Ohio Metropolitan Statistical Areas** added jobs during the twelve months ended in April. Employment fell by the largest amounts in Cleveland (-48,100), Cincinnati (-34,400) and Columbus (-18,700). Job losses were the smallest in the smaller MSAs of Springfield (-1,200), Lima (-1,700) and Mansfield (-1,900).

Employment fell substantially in Ohio and each of the **contiguous states** during the year ending in April. 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 6.8% in Michigan, 4.9% in Ohio, 4.4% in Indiana, 3.9% in Kentucky, 2.8% in Pennsylvania and 2.9% in West Virginia. For the region as a whole, employment was down 4.5% during the same period, compared with a decline of 3.6% for all states outside the region combined.

Consumer Income and Consumption

Personal consumption expenditures edged down in April despite a solid gain in personal income, as households continued to save a larger share of current income.

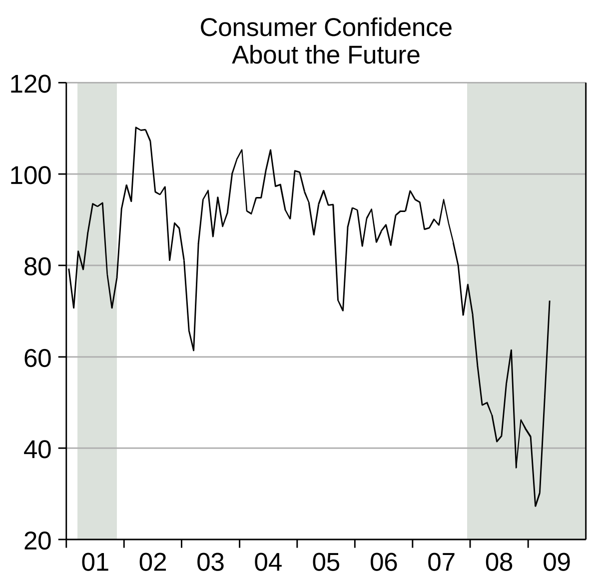
Personal income increased 0.5% and disposable income increased 1.1%, in part due to provisions of the American Recovery and Reinvestment Act of 2009 (ARRA) that reduced tax payments and increased government transfer payments. Wage and salary disbursements were little changed following six straight monthly declines. The improvement resulted in part from the assumption that bonus payments, which were assumed to have declined during January-March, were unchanged.



Incomes benefited from an increase in government transfer payments of $45.7 billion at an annual rate and a reduction in current taxes of $63.6 billion, also at an annual rate, arising from ARRA. Excluding the effects of ARRA, disposable personal income increased 0.7%.

Personal consumption expenditures edged down by 0.1% following a 0.3% decline in March. Compared with a year earlier, consumption was lower by 1.5%. During both April and the preceding year, spending on medical care and housing made major positive contributions to overall consumption and spending on gasoline, while spending on food and motor vehicles subtracted from overall consumption.

The recent pace of consumer spending is consistent with flat to lower real consumer spending for the quarter. If consumption were to stay at the April level in May and June, real consumer spending would decline at an annualized rate of 1.2% in the quarter. Consumption would need to rise at an annual rate greater than 3.5% in May and June for consumption to be unchanged from the first quarter to the second quarter. Second-quarter consumer spending will get a boost from the 6.4% increase in unit sales of light motor vehicles during May.



Source: The Conference Board

Consumer attitudes continued to brighten in May, largely due to improved expectations. The Conference Board and Reuters/University of Michigan reported large increases in their indexes of consumer expectations to the highest levels since the fourth quarter of 2007. Assessments of current conditions remained mixed and near recent lows.

Manufacturing

The manufacturing sector contracted again in April, but positive signs continued to accumulate. **Industrial production** decreased 0.5% in April following a 1.7% drop in March and a 1.0% decrease in February. The February loss was previously reported as a larger decline of 1.5%. The decline in U.S. manufacturing production since the peak in December 2007 reached 16.0%, widening its lead over the 15.3% reduction that occurred in the mid-1970s.

The 0.5% decrease in production during April was the best showing since a 1.3% increase last October. Adjusting for the effects of major hurricanes and a strike at Boeing on production during September and October, the change in production during April was the best since last July.

Manufacturing production was mixed, but mostly down, across industries. Production of motor vehicles and parts increased 1.4% for the third straight monthly increase as assemblies increased by 2.2%. Production of primary metals, fabricated metals and machinery, which account for a significant share of Ohio manufacturing jobs, fell 1.2%, 2.1% and 0.7%, respectively. Mining production fell 3.2%, and utility output increased 0.4%.

Capacity utilization in manufacturing decreased to a new record low of 65.7%, weighed down significantly by the 42.0% percent utilization rate in the motor vehicles and parts industry. Utilization rates in primary metals, fabricated metals and machinery were 45.8%, 63.5% and 60.0%, respectively.

Midwest manufacturing production fell 1.1% in April to 22.7% below the year earlier level, according to the Federal Reserve Bank of Chicago. Output contracted 3.4% in the steel sector, 2.0% in the auto sector and 1.8% in the machinery sector, while rising 0.5% in the resource sector. In all sectors, production appears to have stabilized or the rate of decline has slowed recently.

Manufacturing shipments and **new orders** were mixed in April, with many categories extending recent signs of stabilization. Shipments fell 0.2%, but the average monthly decline year-to-date was -1.3%, compared with -4.0% during the final five months of 2008. New orders increased 0.7% for the second gain in the last three months. Manufacturers continued to pare down inventories in April, but the inventory-to-sales ratio has been stable in the most recent four months, indicating that supply and demand have become more evenly balanced.

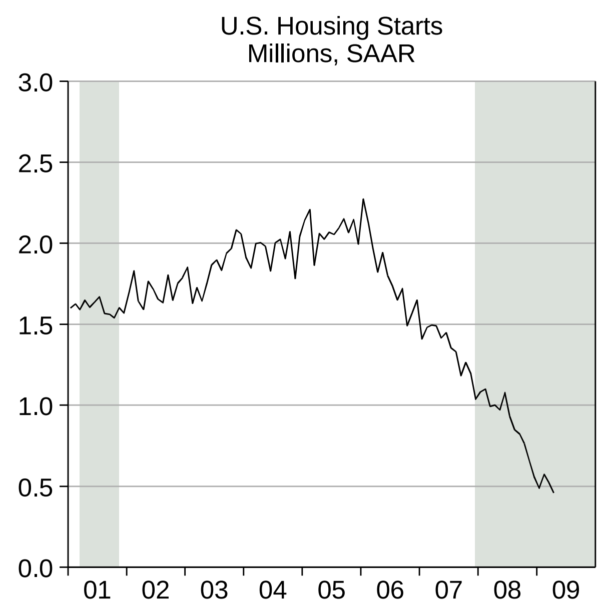
Purchasing managers at manufacturing companies reported markedly better conditions in May. At 42.8, the composite index of business conditions remained below the neutral level of 50, but was well off the cyclical low of 32.4 reached last December. At 51.1, the index for new orders topped 50 for the first time since November 2007 and the index of order backlogs increased to 48.0 from 40.5. The production index increased to 46.0 from 40.4 in April.

Construction

Construction put-in-place posted another surprise gain of 0.8% in April after a slightly upwardly revised increase of 0.4% in March. The back-to-back increases follow five straight monthly declines. Residential construction increased 0.6% and nonresidential construction increased 0.8%. Without the 8.9% increase in home improvements, which are poorly estimated and fluctuate widely from month to month, total construction decreased 0.3%.

Nonresidential construction follows residential construction with a lag, and the **Architecture Billings Index** (ABI) compiled by the American Institute of Architects had been signaling an impending drop-off in nonresidential construction activity. In just the last three months, however, the ABI has staged a marked comeback, rising to 42.8 in April from an all-time low of 33.3 in January. In addition, the index of new work inquiries jumped to 56.8 from a low of 38.5 in December.

Retrenchment by retailers, slack produced by staff reductions across the economy and the difficult financing environment are likely to stand in the way of a robust recovery in nonresidential construction. But the recent bounce in activity combined with the better conditions reported by architects suggests that the downswing might be less severe than previously anticipated.

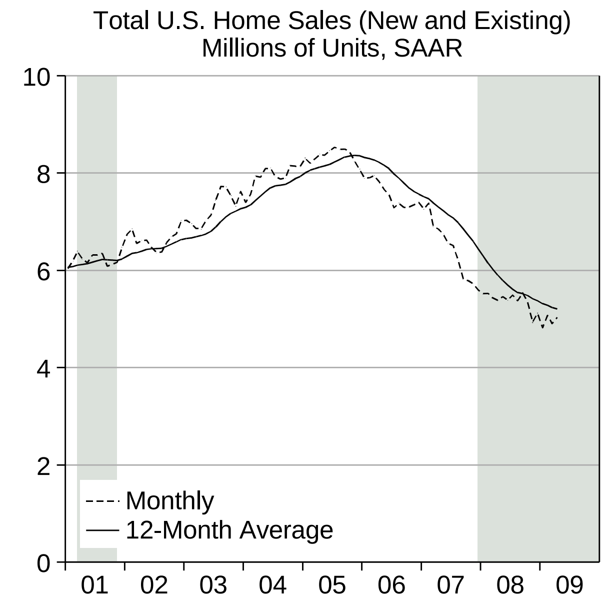


The ongoing adjustment in the housing sector continued in May. **Housing starts** decreased by 12.8% to a new all-time low (dating back to 1959) of 458,000 units at an annual pace. The sharp decline was due to a 46.1% drop in multi-family units. Single-family starts increased 2.8%, up from the all-time low reached in December.

The cutbacks in construction have trimmed the inventory of unsold new homes by nearly 50%

since the peak in mid-2006. The supply of unsold existing homes on the market increased in May, but remained about 13% below the July 2008 peak. In terms of the current pace of sales, the inventory of both new and existing homes remains high.

Home prices stabilized during the first quarter, according to the Freddie Mac Conventional Mortgage Home Price Index. The index increased 0.9%, ending a four-quarter string of declines. Compared with a year earlier, U.S. home prices were still lower by 4.0%. Ohio home prices increased 2.2%, lifting the year-over-year comparison to -0.4%.



The drop in home prices in recent quarters and record low mortgage rates until recent weeks have combined with somewhat better economic news to buoy **home sales**. Sales of new homes edged up in April and remain above the January low. Sales of existing homes increased 2.9% in April and also remain above the January low.

GENERAL REVENUE FUND RECEIPTS

During the month of May, **GRF tax receipts** totaled $1,380.5 million, which was $164.8 million, or 10.7% below estimate, while total GRF revenues were $1,892.7 million or 10.8% below estimate. As a result of this monthly negative variance, tax receipts for the fiscal year to date are now $706.2 million below estimates (4.3%), while total GRF revenues were $795.3 million below the estimate (3.3%). The negative monthly performance in tax revenues in May was attributable to shortfalls in a number of taxes, with the personal income tax in combination with another sub-par month for the non-auto sales tax accounting for the majority of variance.

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	($706.2)	(4.3%)
Non-tax receipts	Federal grants, earnings on investments, licenses & fees, other income, intrastate transfers	($135.1)	(2.0%)
Transfers	Budget stabilization, liquor transfers, capital reserve, other	$46.0	5.7%
TOTAL GRF REVENUE VARIANCE:		($795.3)	(3.3%)

As mentioned, tax receipts for the month of May were negative relative to estimates, falling short of the December revised numbers by $164.8 million as a result of negative variances in the non-auto and auto sales taxes, personal income, public utility, kilowatt hour, domestic insurance, cigarette, and liquor gallonage taxes. While all of the above taxes were short of the estimates, the overall shortfall was primarily driven by large variances in the non-auto sales and personal income taxes, which together finished the month $138.7 million below estimates.

Individual Sources Above Estimate		Individual Sources Below Estimate	
Corporate Franchise Tax	$17.7	Non-Auto Sales Tax	($73.9)
Foreign Insurance Tax	$1.8	Auto Sales Tax	($12.7)
Other Business and Property Tax	$4.4	Personal Income Tax	($64.7)
Estate Tax	$5.9	Public Utility Tax	($11.6)
ISTV's	$1.6	Kilowatt Hour Tax	($1.2)
Liquor Transfers	$1.0	Domestic Insurance Tax	($13.8)
Other Sources Above Estimate	$0.8	Cigarette Tax	($17.4)
		License and Fees	($4.3)
		Federal Grants	($16.8)
		Transfers In – Other	($45.9)
		Other Sources Below Estimate	($0.2)
Total above	**$33.2**	**Total below**	**($262.5)**

Non-Auto Sales and Use Tax

Continuing a pattern of poor performance from month to month, the non-auto sales tax again fell into negative territory in May as it experienced another double digit percentage variance. Specifically, non-auto receipts during the month totaled $481.6 million and were $73.9 million (13.3%) below estimates. As a result, the year-to-date shortfall for this tax source increased to $267.5 million (4.5%). On a year-over-year basis, receipts for this tax source were $64.3 million (11.8%) below the performance for the same month last fiscal year, and for the year as a whole $372.4 million (6.1%) below the same point a year ago.

Auto Sales Tax

While the auto sales tax had been a relative bright spot over the course of the year, that pattern shifted noticeably in May as the tax failed to meet the estimate, falling $12.7 million (15.4%) short. For the year, auto sales tax receipts were now $4.3 million below estimate.

Personal Income Tax

Personal income tax receipts continued to fall below the estimate in May, with receipts totaling $409.9 million, or $64.7 million (13.6%) below the monthly estimate. Nearly every component of the tax registered a negative variance (the exceptions being the miscellaneous component and refunds), with withholding accounting for nearly two-thirds of the shortfall, with a negative variance of $46.7 million or 8.0%. The performance reflects the negative impact of the ongoing decline in Ohio’s economy and employment. In addition, trusts recorded a negative variance of $17.9 million or 71.5% compared to estimate, while payments associated with annual returns accounted for another $14.4 million shortfall or 34.8% compared to its estimate. These latter two components are heavily influenced by prior tax year capital gains and other non-wage income, which fell sharply during calendar year 2008. Refunds for May came in slightly lower than estimate, by $6.1 million or 5.6%.

On a year-over-year basis, total personal income tax receipts for May were $119.3 million (22.5%) below the May 2008 level. Through eleven months of FY 2009, income tax receipts were $461.5 million or 6.2% below the revised estimate, and $1,298.9 million or 15.8% below the same period of FY 2008.

FY2009 PERSONAL INCOME TAX RECEIPTS BY COMPONENT ($ in millions)						
	ESTIMATE MAY	ACTUAL MAY	$ VAR MAY	ESTIMATE Y-T-D	ACTUAL Y-T-D	$ VAR Y-T-D
Withholding	$581.2	$534.5	($46.7)	$6,918.4	$6,777.4	($141.0)
Quarterly Est.	$15.5	$7.7	($7.8)	$1,140.5	$1,032.2	($108.2)
Trust Payments	$25.0	$7.1	($17.8)	$81.6	$45.3	($36.4)
Annual Returns & 40 P	$41.4	$27.0	($14.4)	$1,181.5	$995.0	($186.5)
Other	$6.3	$10.2	$4.0	$76.1	$67.9	($8.2)
Less: Refunds	($109.7)	($103.6)	$6.1	($1,339.6)	($1,332.3)	$7.2
Local Distr.	($85.1)	($73.1)	$12.0	($650.7)	($639.2)	$11.6
Net to GRF	**$474.6**	**$409.9**	**($64.7)**	**$7,407.8**	**$6,946.3**	**($461.5)**

Corporate Franchise Tax

Corporate franchise tax receipts totaled $54.5 million in May, an amount that was $17.7 million (48.2%) above the monthly estimate of $36.8 million. Year-to-date, receipts exceeded estimate by $45.0 million (10.8%). The overage in May was because of timing. With the tax due on a Sunday, the split of revenue between May and June becomes uncertain and more revenue came in during May than anticipated. Although overall June receipts are expected to be lower than the monthly forecast, when collections received in the early part of June are considered, total corporate franchise tax receipts will meet the estimate for all of fiscal year 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. After a poor performance over the period of February to April, CAT receipts during the month of May totaled $199.2 million an amount that was $36.6 million below the estimate of $235.8 million. As a result of this monthly variance, the year to date deficit of this source relative to OBM estimates is now $94.2 million. This shortfall will be taken into account for the revenue estimates prepared for the Conference Committee.

Domestic Insurance Tax

During the month of May, domestic insurance tax receipts experienced a negative variance of $13.8 million (8.6%), thus increasing the year-to-date shortfall for this tax source to $13.9 million (8.7%). In early June, $9.5 million of this shortfall has been made up.

Cigarette Tax

Coming off strong months in March and April, the cigarette tax declined sharply in May as receipts of $124.2 million were $17.4 million (12.3%) short of the estimate. Much of the shortfall appears to be attributable to timing with the month having ended on a weekend (receipts in early June have been stronger than normal). However, there may be some additional impact on consumption due to the recently enacted increase in federal tobacco taxes. For the year, cigarette tax receipts are now $2.2 million below estimate.

GRF non-tax receipts totaled $499.2 million in May and were $19.6 million (3.8%) below estimates. This is due almost exclusively to lower than estimated federal grants ($16.8 million) received for reimbursement of Medicaid expenditures.

GRF transfers totaled $13.0 million in May and were $44.9 million below estimates. This variance is almost entirely attributable to the delay in a transfer scheduled for late May that will not take place until June.

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

REVENUE SOURCE	Month ACTUAL MAY	Month ESTIMATE MAY	Month $ VAR	Month % VAR	Year-to-Date ACTUAL Y-T-D	Year-to-Date ESTIMATE Y-T-D	Year-to-Date $ VAR	Year-to-Date % VAR
TAX RECEIPTS								
Non-Auto Sales & Use	481,626	558,381	(76,755)	-13.7%	5,734,758	6,200,574	(465,816)	-7.5%
Auto Sales & Use	69,827	78,581	(8,754)	-11.1%	793,089	784,674	8,415	1.1%
Subtotal Sales & Use	551,453	636,962	(85,508)	-13.4%	6,527,847	6,985,249	(457,402)	-6.5%
Personal Income	409,865	497,058	(87,193)	-17.5%	6,946,310	7,842,503	(896,193)	-11.4%
Corporate Franchise	54,512	36,786	17,726	48.2%	463,144	418,261	44,883	10.7%
Commercial Activity Tax	0	0	0	N/A	0	0	0	N/A
Public Utility	54,193	65,215	(11,022)	-16.9%	183,949	176,474	7,476	4.2%
Kilowatt Hour	3,716	2,402	1,314	54.7%	131,154	126,075	5,079	4.0%
Foreign Insurance	(11,157)	(13,000)	1,843	-14.2%	250,222	264,802	(14,580)	-5.5%
Domestic Insurance	146,489	159,700	(13,211)	-8.3%	145,624	159,542	(13,918)	-8.7%
Other Business & Property Tax	22,838	18,400	4,438	24.1%	22,492	18,960	3,532	18.6%
Cigarette	124,246	141,668	(17,422)	-12.3%	841,643	843,801	(2,158)	-0.3%
Soft Drink	0	0	0	N/A	0	0	0	N/A
Alcoholic Beverage	5,518	4,517	1,001	22.2%	52,108	52,314	(206)	-0.4%
Liquor Gallonage	2,880	2,907	(27)	-0.9%	32,664	33,296	(632)	-1.9%
Estate	15,946	10,000	5,946	59.5%	62,311	62,082	229	0.4%
Horse Racing	0	0	0	N/A	0	0	0	N/A
Total Tax Receipts	1,380,499	1,562,615	(182,116)	-11.7%	15,659,469	16,983,357	(1,323,889)	-7.8%
NON-TAX RECEIPTS								
Federal Grants	489,433	504,565	(15,131)	-3.0%	6,320,233	6,055,040	265,193	4.4%
Earnings on Investments	0	0	0	N/A	121,296	111,600	9,696	8.7%
License & Fees	532	4,800	(4,268)	-88.9%	65,171	77,199	(12,028)	-15.6%
Other Income	3,692	3,850	(158)	-4.1%	46,738	47,294	(557)	-1.2%
ISTV'S	5,575	4,000	1,575	39.4%	20,505	18,410	2,095	11.4%
Total Non-Tax Receipts	499,233	517,215	(17,982)	-3.5%	6,573,942	6,309,543	264,399	4.2%
TOTAL REVENUES	1,879,732	2,079,830	(200,098)	-9.6%	22,233,411	23,292,900	(1,059,490)	-4.5%
TRANSFERS								
Budget Stabilization	0	0	0	N/A	0	0	0	N/A
Liquor Transfers	13,000	12,000	1,000	8.3%	150,000	132,000	18,000	13.6%
Transfers In - Capital Reserve	0	0	0	N/A	0	0	0	N/A
Transfers In - Other	0	45,860	(45,860)	N/A	259,994	56,640	203,354	359.0%
Temporary Transfers In	0	0	0	N/A	445,311	620,705	(175,394)	-28.3%
Total Transfers	13,000	57,860	(44,860)	-77.5%	855,305	809,345	45,960	5.7%
TOTAL SOURCES	1,892,732	2,137,690	(244,958)	-11.5%	23,088,715	24,102,245	(1,013,529)	-4.2%

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

REVENUE SOURCE	Month				Year-to-Date			
	ACTUAL MAY	REVISED MAY	$ VAR	% VAR	ACTUAL Y-T-D	REVISED Y-T-D	$ VAR	% VAR
TAX RECEIPTS								
Non-Auto Sales & Use	481,626	555,558	(73,932)	-13.3%	5,734,758	6,002,224	(267,466)	-4.5%
Auto Sales & Use	69,827	82,539	(12,711)	-15.4%	793,089	797,430	(4,341)	-0.5%
Subtotal Sales & Use	551,453	638,097	(86,643)	-13.6%	6,527,847	6,799,654	(271,807)	-4.0%
Personal Income	409,865	474,606	(64,741)	-13.6%	6,946,310	7,407,907	(461,598)	-6.2%
Corporate Franchise	54,512	36,786	17,726	48.2%	463,144	418,170	44,974	10.8%
Commercial Activity Tax	0	0	0	N/A	0	0	0	N/A
Public Utility	54,193	65,808	(11,615)	-17.6%	183,949	176,454	7,496	4.2%
Kilowatt Hour	3,716	4,958	(1,242)	-25.1%	131,154	128,627	2,527	2.0%
Foreign Insurance	(11,157)	(12,938)	1,781	-13.8%	250,222	264,800	(14,578)	-5.5%
Domestic Insurance	146,489	160,300	(13,811)	-8.6%	145,624	159,528	(13,904)	-8.7%
Other Business & Property Tax	22,838	18,400	4,438	24.1%	22,492	18,905	3,587	19.0%
Cigarette	124,246	141,668	(17,422)	-12.3%	841,643	843,846	(2,203)	-0.3%
Soft Drink	0	0	0	N/A	0	0	0	N/A
Alcoholic Beverage	5,518	4,717	801	17.0%	52,108	52,303	(194)	-0.4%
Liquor Gallonage	2,880	2,907	(27)	-0.9%	32,664	33,275	(611)	-1.8%
Estate	15,946	10,000	5,946	59.5%	62,311	62,153	158	0.3%
Horse Racing	0	0	0	N/A	0	0	0	N/A
Total Tax Receipts	1,380,499	1,545,308	(164,809)	-10.7%	15,659,469	16,365,623	(706,155)	-4.3%
NON-TAX RECEIPTS								
Federal Grants	489,433	506,201	(16,767)	-3.3%	6,320,233	6,454,568	(134,335)	-2.1%
Earnings on Investments	0	0	0	N/A	121,296	111,600	9,696	8.7%
License & Fees	532	4,800	(4,268)	-88.9%	65,171	77,199	(12,028)	-15.6%
Other Income	3,692	3,850	(158)	-4.1%	46,738	47,294	(557)	-1.2%
ISTV'S	5,575	4,000	1,575	39.4%	20,505	18,410	2,095	11.4%
Total Non-Tax Receipts	499,233	518,851	(19,618)	-3.8%	6,573,942	6,709,071	(135,128)	-2.0%
TOTAL REVENUES	1,879,732	2,064,159	(184,427)	-8.9%	22,233,411	23,074,694	(841,283)	-3.6%
TRANSFERS								
Budget Stabilization	0	0	0	N/A	0	0	0	N/A
Liquor Transfers	13,000	12,000	1,000	8.3%	150,000	132,000	18,000	13.6%
Transfers In - Capital Reserve	0	0	0	N/A	0	0	0	N/A
Transfers In - Other	0	45,860	(45,860)	N/A	259,994	56,640	203,354	359.0%
Temporary Transfers In	0	0	0	N/A	445,311	620,705	(175,394)	-28.3%
Total Transfers	13,000	57,860	(44,860)	-77.5%	855,305	809,345	45,960	5.7%
TOTAL SOURCES	1,892,732	2,122,019	(229,287)	-10.8%	23,088,715	23,884,038	(795,323)	-3.3%

Table 2

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

REVENUE SOURCE	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
TAX RECEIPTS								
Non-Auto Sales & Use	481,626	545,935	(64,308)	-11.8%	5,734,758	6,107,129	(372,371)	-6.1%
Auto Sales & Use	69,827	93,407	(23,579)	-25.2%	793,089	862,648	(69,559)	-8.1%
Subtotal Sales & Use	551,453	639,341	(87,888)	-13.7%	6,527,847	6,969,777	(441,930)	-6.3%
Personal Income	409,865	529,189	(119,324)	-22.5%	6,946,310	8,245,915	(1,299,606)	-15.8%
Corporate Franchise	54,512	83,871	(29,359)	-35.0%	463,144	653,507	(190,363)	-29.1%
Commercial Activity Tax	0	0	0	N/A	0	0	0	N/A
Public Utility	54,193	62,770	(8,577)	-13.7%	183,949	156,973	26,976	17.2%
Kilowatt Hour	3,716	1,017	2,699	265.6%	131,154	226,540	(95,387)	-42.1%
Foreign Insurance	(11,157)	133	(11,291)	-8461.3%	250,222	272,440	(22,218)	-8.2%
Domestic Insurance	146,489	0	146,489	N/A	145,624	435	145,189	33387.9%
Other Business & Property Tax	22,838	0	22,838	N/A	22,492	542	21,950	4048.0%
Cigarette	124,246	148,155	(23,909)	-16.1%	841,643	874,959	(33,316)	-3.8%
Soft Drink	0	0	0	N/A	0	0	0	N/A
Alcoholic Beverage	5,518	4,387	1,130	25.8%	52,108	50,794	1,314	2.6%
Liquor Gallonage	2,880	2,770	111	4.0%	32,664	31,780	885	2.8%
Estate	15,946	9,021	6,925	N/A	62,311	59,434	2,877	4.8%
Horse Racing	0	0	0	N/A	0	0	0	N/A
Total Tax Receipts	1,380,499	1,480,655	(100,156)	-6.8%	15,659,469	17,543,097	(1,883,629)	-10.7%
NON-TAX RECEIPTS								
Federal Grants	489,433	451,551	37,882	8.4%	6,320,233	5,423,496	896,736	16.5%
Earnings on Investments	0	0	0	N/A	121,296	83,073	38,223	46.0%
License & Fee	532	599	(67)	-11.2%	65,171	66,955	(1,784)	-2.7%
Other Income	3,692	3,560	132	3.7%	46,738	76,039	(29,301)	-38.5%
ISTV'S	5,575	2,936	2,640	89.9%	20,505	15,009	5,496	36.6%
Total Non-Tax Receipts	499,233	458,646	40,587	8.8%	6,573,942	5,664,572	909,370	16.1%
TOTAL REVENUES	1,879,732	1,939,301	(59,569)	-3.1%	22,233,411	23,207,669	(974,259)	-4.2%
TRANSFERS								
Budget Stabilization	0	0	0	N/A	0	0	0	N/A
Liquor Transfers	13,000	0	13,000	N/A	150,000	135,268	14,732	10.9%
Transfers In - Capital Reserve	0	0	0	N/A	0	0	0	N/A
Transfers In - Other	0	26,000	(26,000)	N/A	259,994	82,810	177,184	214.0%
Temporary Transfers In	0	0	0	N/A	445,311	466,800	(21,489)	-4.6%
Total Transfers	13,000	26,000	(13,000)	N/A	855,305	684,878	170,426	24.9%
TOTAL SOURCES	1,892,732	1,965,301	(72,569)	-3.7%	23,088,715	23,892,548	(803,832)	-3.4%

GENERAL REVENUE FUND DISBURSEMENTS

Across all fund uses, total year-to-date GRF disbursements were $26,092.2 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)	$25,244.0 million
Transfers	Temporary or permanent transfers out of the GRF that are not agency expenditures	$848.2 million
TOTAL GRF DISBURSEMENTS:		$26,092.2 million

Year-to-date expenditures and interagency transfers were just 0.5% 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 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 May expenditures in this category were $711.8 million, representing a variance of $33.3 million (4.9%) above the estimate.

The May disbursement by the Department of Education totaled $707.9 million, which was $77.6 million (10.1%) below estimate for the month. The disbursement variance in the Foundation Aid line item was $46.0 million (6.9%) under estimate for the month. Under-spending in Foundation Funding to school districts is due to declining enrollments. Other specific programs such as Pupil Transportation, Auxiliary Services, and Student Assessments contributing to the general under-spending in May were the result of timing issues with vendor billing and implementation of cash management strategies to even disbursement patterns.

Higher Education

May disbursements for Higher Education were $275.2 million, representing a variance of $24.3 million (9.7%) above the estimate for the month. Year-to-date disbursements were $2,459.6 million, representing a variance totaling $52.9 million (2.2%) above the estimate. Disbursements from the Ohio Instructional Grants (OIG) program were $9.8 million more than anticipated for the month and disbursements from the Ohio College Opportunity Grant (OCOG) program were $13.8 million more than anticipated due payments posting in May rather than April pending cash transfers.

Public Assistance and Medicaid

May expenditures in this category, which includes all GRF expenditures by the Department of Job & Family Services (ODJFS), were $781.2 million or 0.6% 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 totaled $840.3 million.

May 2009 disbursements for JFS non-Medicaid totaled $68.9 million. When compared to May FY 2009 disbursement estimates, in aggregate, actual disbursements were $11.9 million (20.8%) over estimate. The following attribute the variance:

- Approximately $3.6 million in over-spending was in the TANF/Maintenance of Effort line item 600410. This was 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 MOE). As spending is allocated quarterly in CFIS, disbursements will vary from month-to-month, but, in the aggregate, will be in-line.
- Approximately $9.7 million in over-spending was in the Childcare Match 600413. This was primarily due to changes imposed by the County Financial Information System (CFIS). Similar to line item 600410, 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 MOE). As spending is allocated quarterly in CFIS, disbursements will vary from month-to-month, but, in the aggregate, will be in-line.
- Approximately $2.3 million in under-spending was in the Entitlement Administration line item 600521. This was primarily due to the timing of requests for reimbursement from county agencies.

Medicaid Services

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

Expenditures

Year-to-date GRF disbursements for Medicaid through the month of May totaled $9,536 million, which was $58.9 million (0.6%) below the revised estimate and $335.6 million (3.4%) below the original estimate prepared at the beginning of FY 2009. GRF disbursements in May were $713.1 million, which was $16.6 million (2.3%) below the revised estimate and $97.5 million (12.0%) below the original estimate prepared at the beginning of FY 2009. Year-to-date disbursements as compared to the same period in FY 2008 were $546.4 million (6.1%) higher. May disbursements compared to the same month in FY 2008 were $28.8 million (3.9%) lower.

Year-to-date all funds disbursements through the month of May totaled $11,190 million, which was $65.1 million (0.6%) under the revised projections and $125.2 million (1.1%) below the original estimate prepared at the beginning of FY 2009. All funds disbursements for the month of May totaled $1,008 million, which was $21.5 million (2.1%) below the revised estimate and $4.0 million (0.4%) above the original projection prepared at the beginning of FY 2009. Year-to-date disbursements as compared to the same period in FY 2008 were $995.1 million (9.8%) higher. May disbursements compared to the same month in FY 2008 were $102.2 million (11.3%) higher.

Notable variances across all funding sources include:

- *Managed Care – CFC:* Disbursements for Managed Care – Covered Family and Children for the month of May totaled $299.9 million, which was $15.0 million over revised projections and $19.3 million over the original estimate. As seen in previous months, caseload increases have led to more activity in this category, and therefore higher expenditures. In addition, JFS made a "catch-up" payment to a managed care plan following a reconciliation of claims submitted related to deliveries (childbirth).
- *Inpatient Hospital*: Medicaid inpatient hospital disbursements continue to be under projections. Disbursements for the month of May totaled $85.1 million, which was $13.3 million under revised projections and $6.6 million under original projections. As in previous months, this is due primarily to lower costs per claim and utilization than expected, particularly in the ABD area.
- *Nursing Facilities:* Disbursements for nursing facilities were $208.3 million in May, which was $3.3 million under revised projections, and $5.1 million under the original estimate. For the first time in FY 2009, bed days were slightly over projection, though this was offset by higher than expected recipient liability payments. At this time, it is unknown if this is the beginning of a trend or a one-time occurrence. JFS will continue to closely monitor the category.

Caseload

Total Medicaid caseload for the month of April (the most recent data available) was 1.93 million covered persons, which was an increase of 21,493 people from the previous month and 33,955 over projected enrollment. This represents the 16th consecutive month of caseload growth and the largest single-month increase since January 2002.

The Covered Families and Children (CFC) category accounted for 19,769 of the caseload increase. Total CFC enrollment for the month of April was 1.46 million persons, which was 37,446 (2.6%) over projection. Fee-For-Service (FFS) accounted for 2,323 consumers, with the remaining 17,446 enrolling in a Medicaid managed care plan. The largest categorical increase continues to be in Healthy Families and Healthy Families Expansion, the core eligibility groups, with an additional 17,380 members.

The Aged Blind and Disabled (ABD) category increased by 2,050 persons in the month of April, for a total enrollment of 464,470 consumers, which was 3,622 (0.8%) under projection. The increase is largely in the Disabled portion of the program, caused both by increased enrollment and fewer consumers leaving the program.

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.

May expenditures in this category were $76.9 million, which was $1.9 million (2.4%) below estimate. Significant notes include:

- For the year-to-date, the Department of Health disbursements totaled $70.9 million, which was under estimate by $3.3 million (4.5%). April 2009 disbursements for the Department of Health totaled $4.1 million. When compared to May 2009 estimates, in aggregate, actual disbursements were $1.4 million (26%) below estimate. This was primarily attributable to the following: The Immunizations line item 440418 was under estimate by $600,000, as payments for vaccines for Hepatitis B, Diphtheria, Tetanus, Polio, and others were not made as anticipated. The Breast and Cervical Cancer Screening line item 440438 was over estimate by $700,000, as subsidy payments paid in May had been projected to occur earlier in the year. The Bureau for Children with Medical Handicaps line item 440505 was under estimate by $700,000. This is due to subsidy payments originally projected for May now being projected for payment in June.
- For the year, the Department of Aging disbursements total $166.3 million, which was above estimate by $200,000. April 2009 disbursements for the Department of Aging totaled $4.7 million. When compared to April 2009 estimates, in aggregate, actual disbursements were $7.5 million (62%) below estimate. The PASSPORT line item 490403 was under estimate by $7.6 million. PASSPORT was over estimate in April due to system errors causing a delay in accessing the federal PASSPORT funds; GRF dollars were used to make the monthly payments. The problem was corrected in May, allowing federal dollars for both April and May to be used, therefore requiring fewer GRF funds.
- The Department of Mental Health (DMH) disbursed $32.5 million in the month of May, which is $2.5 million over the estimate. Historically, DMH disbursed subsidy to county boards on a request basis, making cash flow unpredictable. Beginning in the third quarter of FY 2009, county boards began receiving 334408 subsidy allocations on a predictable, quarterly basis. Because the fourth quarter of estimated subsidy expenditures in 334408 was disbursed in April, it was expected that DMH would disburse less funding from this line item in May and June. Offsetting the -$7.8 million variance in the 334408 line item is a $10.6 million positive variance in the Lease Rental Payments line item. The final installment of debt service payments for the fiscal year was incorrectly included in the June spending estimates rather than the month of May estimates.
- The Department of Mental Retardation and Developmental Disabilities (DMR) disbursed $30.6 million in the month of May, which is $4.4 million over the estimate; $2.6 million of the variance is attributable to the Developmental Center Operations line item 323321 and the remainder is attributable to the Martin Settlement line item 322504.

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, May expenditures in this category were $171.6 million, which was $6.1 million (3.7%) above estimate for the month. Significant notes from the subcategories include:

- Disbursements in the Corrections totaled $149.0 million in the month of May, which was $0.7 million (0.5%) more than the $148.3 million estimate for the month.
  - The Department of Rehabilitation and Correction (DRC) disbursed $129.9 million in the month of May, which was $5.5 million (4.1%) less than the $135.4 million estimate for the month. This variance was due to the agency originally planning an additional payroll in the month of May. Later in the fiscal year, however, the payroll schedule was altered to shift one of the payrolls to June.
  - The Department of Youth Services (DYS) disbursed $19.1 million in the month of May, which was $6.3 million (49.0 %) greater than the $12.8 million estimate for the month. Similar to DRC, this variance was due to the agency originally planning an additional payroll in the month of May. Later in the fiscal year, however, the payroll schedule was altered to shift one of the payrolls to June.

Environmental Protection & Natural Resources

May expenditures in this category were $5.7 million, or 9.6% below estimate. Within this category, the Department of Natural Resources expended a total of $4.9 million in May, generating a variance of $1.4 million (22.5%) below the anticipated May expenditure. The primary factor in the under spending was under spending by the Parks and Recreation line item as the result of payroll funds being disbursed from a non-general revenue fund rather than the general revenue fund as originally anticipated.

Transportation

Year-to-date, the Department of Transportation disbursements were $19.8 million; just $1.4 million below the estimate.

General Government

May expenditures in this category were $20.8 million, which was $2.4 million (12.8%) above estimate for the month. Within this category, the Department of Administrative Services (DAS) disbursed $1.3 million in the month of May, which was $1.5 million (52.7%) less than estimated. The statewide web site support program did not receive its bills for OIT services and agency administrative charges as planned for May. This accounted for $1 million of the variance. In addition, DAS did not send out rent bills for space in the buildings it administers in May. As a result, the DAS line item that pays for agencies' GRF space as well as vacant space underspent by $0.4 million. The remaining amount of underspending occurred because various programs in the State Agency Support Services line item did not receive and pay their rent, administrative, and other bills in May as anticipated. All these bills will be received and paid in subsequent months instead.

Community & Economic Development

May expenditures in this category were $12.4 million, which was $4.4 million (55.4%) above estimate for the month. Notable variance within this category was attributable to the Department of Development.

Year-to-date, the Department of Development GRF disbursements were $102.3 million, which was $11.8 million (13%) above the estimate. For the month of May, the Department of Development disbursed $10.8 million in GRF, which was $6.2 million (35%) below the estimate. This variance was due primarily to an error in the disbursement plan. The debt service payments were schedule to be paid in May when they were actually disbursed in April. The debt service payments for April totaled $13.5 million.

Notwithstanding the debt service payment error, the Department of Development exceeded estimate by $3.9 million primarily from two appropriation line items, Thomas Edison (195401) and Rapid Outreach (195412). These variances were the result of higher than anticipated grant reimbursements.

Tax Relief & Other

May tax relief disbursements totaled $215.2 million, which was $32.0 million above the monthly estimate of $183.2 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.

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

Functional Reporting Categories Description	MONTH ACTUAL MAY	MONTH ESTIMATED MAY	MONTH $ VAR	MONTH % VAR	YEAR-TO-DATE YTD ACTUAL	YEAR-TO-DATE YTD ESTIMATE	YEAR-TO-DATE $ VAR	YEAR-TO-DATE % VAR
Primary, Secondary and Other Education	711,793	678,463	33,330	4.9%	6,649,462	6,722,103	(72,641)	-1.1%
Higher Education	275,151	250,900	24,251	9.7%	2,459,621	2,406,700	52,921	2.2%
Public Assistance and Medicaid	781,993	786,721	(4,728)	-0.6%	10,375,954	10,460,653	(84,698)	-0.8%
Health and Human Services	76,940	78,846	(1,906)	-2.4%	1,153,686	1,146,135	7,551	0.7%
Justice and Public Protection	171,624	165,503	6,121	3.7%	1,988,371	1,972,021	16,349	0.8%
Environmental Protection and Natural Resources	5,660	6,262	(602)	-9.6%	88,871	86,674	2,197	2.5%
Transportation	1,725	923	801	86.7%	19,758	21,179	(1,420)	-6.7%
General Government	20,777	18,427	2,350	12.8%	346,363	349,236	(2,873)	-0.8%
Community and Economic Development	12,402	7,983	4,419	55.4%	141,290	132,955	8,335	6.3%
Tax Relief and Other	215,192	183,219	31,973	17.5%	1,432,075	1,217,344	214,731	17.6%
Capital Outlay	0	0	0	N/A	288	42	246	584.6%
Debt Service	0	0	0	N/A	588,275	600,130	(11,855)	-2.0%
Pending Payroll	0	0	0	N/A	0	0	0	N/A
Total Expenditures & ISTV's	**2,273,256**	**2,177,247**	**96,009**	**4.4%**	**25,244,015**	**25,115,171**	**128,844**	**0.5%**
Transfers Out:								
OPER TRF OUT-OTH	231	0	231	N/A	243,702	236,136	7,566	3.2%
OPER TRF OUT-TEMPORARY	0	0	0	N/A	604,470	620,705	(16,235)	-2.6%
Total Transfers (Out)	**231**	**0**	**231**	**N/A**	**848,172**	**856,841**	**(8,669)**	**-1.0%**
Total Fund Uses	**2,273,488**	**2,177,247**	**96,240**	**4.4%**	**26,092,187**	**25,972,012**	**120,175**	**0.5%**

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

	MONTH				YEAR-TO-DATE			
Functional Reporting Categories Description	**ACTUAL 2009**	**ACTUAL 2008**	**$ VAR**	**% VAR**	**ACTUAL 2009**	**ACTUAL 2008**	**$ VAR**	**% VAR**
Primary, Secondary and Other Education	711,793	807,893	(96,100)	-11.9%	6,649,462	6,645,861	3,601	0.1%
Higher Education	275,151	267,018	8,132	3.0%	2,459,621	2,380,364	79,257	3.3%
Public Assistance and Medicaid	781,993	794,420	(12,427)	-1.6%	10,375,954	9,889,955	485,999	4.9%
Health and Human Services	76,940	132,139	(55,198)	-41.8%	1,153,686	1,226,200	(72,514)	-5.9%
Justice and Public Protection	171,624	169,688	1,936	1.1%	1,988,371	1,970,709	17,662	0.9%
Environmental Protection and Natural Resources	5,660	10,203	(4,543)	-44.5%	88,871	99,787	(10,916)	-10.9%
Transportation	1,725	1,371	354	25.8%	19,758	22,182	(2,424)	-10.9%
General Government	20,777	19,971	806	4.0%	346,363	345,214	1,150	0.3%
Community and Economic Development	12,402	7,984	4,418	55.3%	141,290	123,922	17,368	14.0%
Tax Relief and Other	215,192	324,194	(109,003)	-33.6%	1,432,075	1,340,149	91,927	6.9%
Capital Outlay	0	80	(80)	N/A	288	146	142	97.4%
Debt Service	0	89	(89)	N/A	588,275	578,503	9,772	1.7%
Pending Payroll	0	0	0	N/A	0	0	0	N/A
Total Expenditures & ISTV's	**2,273,256**	**2,535,050**	**(261,793)**	**-10.3%**	**25,244,015**	**24,622,992**	**621,023**	**2.5%**
Transfers Out:								
OPER TRF OUT-BUD STABILIZATION	0	0	0	N/A	0	0	0	N/A
OPER TRF OUT-OTH	231	105	127	N/A	243,702	268,686	(24,984)	-9.3%
OPER TRF OUT-TEMPORARY	0	0	0	N/A	604,470	350,104	254,366	72.7%
Total Transfers (Out)	**231**	**105**	**127**	**N/A**	**848,172**	**618,791**	**229,382**	**37.1%**
Total Fund Uses	**2,273,488**	**2,535,154**	**(261,666)**	**-10.3%**	**26,092,187**	**25,241,783**	**850,404**	**3.4%**

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

Overview of small non-cabinet GRF agencies

This analysis explores small Ohio agencies that received General Revenue Fund (GRF) appropriations in state fiscal years 2008 and 2009. Major political analyses, mainstream media, and public discussions tend to center on larger cabinet-level organization structures, budgetary spending patterns, and service performance trends. This assessment provides an overview of GRF spending, employee totals, varied functions, and funding changes among non-cabinet agencies with fewer than 250 employees.

The study will highlight the Ohio School for the Deaf (OSD), Ohio State School for the Blind (OSB), Environmental Review Appeals Commission (ERAC), and the Commission on Hispanic and Latino Affairs (SPA). Although all four agencies utilize GRF within their operating budgets revenue diversity, expense types, and overall GRF dependence fluctuates. Within these challenging economic times it is important to assess how every tax supported dollar is efficiently spent to provide quality public services for Ohioans.

Small Ohio Agencies – Employment

According to a May 15th report by the Department of Administrative Services (DAS), a total of 60,007 employees work within 102 Ohio public agencies. Of this amount, 47,506 (79.2% of total agencies) were found under direct control of the Governor. This includes state employees in both correction and non-correction agencies. The remaining total (12,501) includes all other agencies, Governor elected boards, commissions, and elected officials. Below is a chart which summarizes the major findings from the report.

Figure A: State of Ohio Employee Totals

	Number of Employees	% of Total
Cabinet Agencies – Non correction	31,757	52.92%
Cabinet Agencies - Correction	15,749	26.25%
Total Employees under control of Office of Governor	47,506	79.17%
GOV appointed boards and commissions	5,868	9.78%
Other agencies, boards, commissions, and elected officials	6,633	11.05%
Total	60,007	100.00%

Source: DAS Monthly Report - Number of State Employees, May 15, 2009

The employment data further shows 74 agencies have less than 250 total state employees. This includes four cabinet-level agencies: Board of Regents, Alcohol and Drug Addiction Services, Department of Aging, and the Office of Budget and Management. Nearly 73% of all public agencies are considered small within the context of this analysis; utilizing only 3,437 workers state-wide (5.7% of total state employment). Extremely small agencies, less than 10 total employees, fall mainly within specialized boards, commissions, and councils. Duties among these agencies range from licensing public sanitarians to monitoring public agency rule-making processes. In terms of agencies that receive GRF amounts, 37 operate between one and 250 total employees; roughly 61% of total GRF agencies represented in the report[1].

GRF Spending Among Small Agencies

Among all public entities utilizing GRF dollars within fiscal years 2008 and 2009[2], over $52.8 billion general revenue dollars were expended to provide public services. Specifically, 42 small agencies (fewer than 250 total employees) spent over $3.9 billion within this time frame, or only 7.5% of total GRF. The Board of Regents (BOR) comprises 51.2% of small agency spending utilizing $2.02 billion within FYs 2008-09; largely owing to subsidy payments to public universities.

The addition of GRF small agencies (37 to 42) is due to entities without public employees which still utilize GRF dollars. An example of this includes the Ohio Controlling Board (CEB) which has no independent staff but operates under state appropriations. Finally, GRF spending between the fiscal years decreased among small agencies while overall GRF increased among public entities. The following chart summarizes these findings.

Figure B: Small Agency* 2008/09 Biennium Spending

	FY 2008	FY 2009	Total
Small Agency GRF Spending	$2,082,043,621	$1,878,190,512	$3,960,234,133
Total GRF Spending	$25,872,325,623	$26,969,251,662	$52,841,577,285
Small Agency GRF Percentage	8.05%	6.96%	7.49%

* Small Agency denotes a public agency with fewer than 250 total employees

Data Source: OAKS FIN June 2009 query

Ohio School for the Deaf (OSD)

The Ohio School for the Deaf (OSD) is a state-run public residential school for deaf and hearing-impaired children within Ohio. Established in 1829, the school offers a comprehensive preschool through 12th grade education for its students. Of approximately 3,300 deaf and hearing-impaired children state-wide, roughly 149 (4.5% of the total population) were enrolled in OSD during the 2008-09 academic year. Furthermore, OSD serves an additional 68 students within 13 different schools through interactive learning videos.

In order to maintain core services, the OSD operated with a total budget of $25.4 million across the FY 2008-09 biennium. Over $20 million was GRF appropriated, or 79.69% of the OSD total budget. Main uses of this GRF funding were personal services, maintenance, and equipment. One major driver includes payroll for the 212 employees; the largest factor resulting from the competitive salaries for qualified specialized educators.

In order to contain, in part, GRF costs, House Bill 699 authorized OSD to partner with the Ohio's School Facility Commission to plan and build a consolidated school, residential facility,

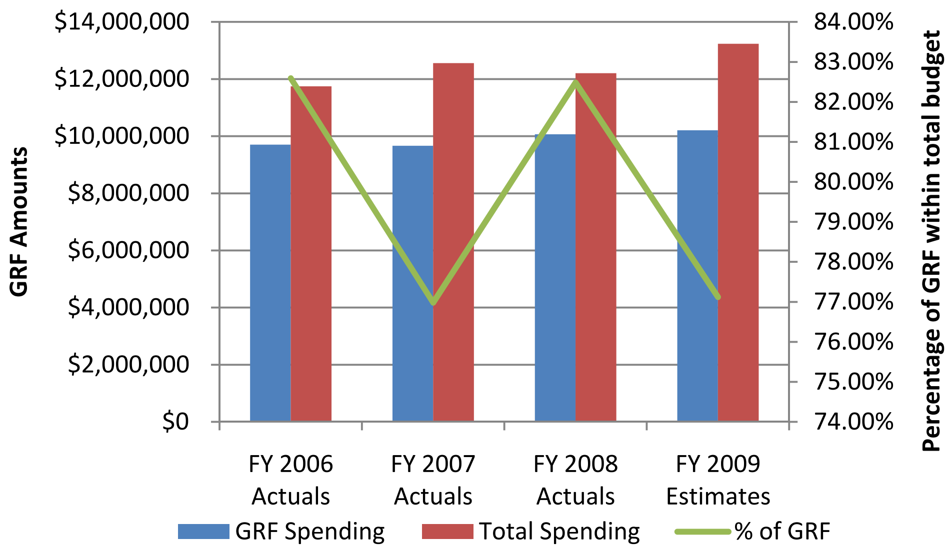
[1] The overall employment total among GRF agencies excludes seven organizations which showed zero (0) employees according to the mentioned DAS Employee Memo. They include: CEB, CSF, OBB, OHS, OLA, OVH, and VTO. Reasons behind a showing of zero employees include: inclusion within larger departments, organizational name changes, and non-state agency distinctions.

[2] Source: Ohio Administrative Knowledge System Financial (OAKS FIN), June 2009. 2009 Data is an estimate.

garage, and athletic facility, replacing facilities originally constructed in the early 1950's. The capital appropriation authority uses approximately $40 million in bond financing for the project. The Leadership in Energy and Environmental Design (LEED) gold building standard will lower overall energy expenses related to the physical facility – a cost that will minimize future GRF building, maintenance, and heating related dependence. The building is planned for final development within the 2011-12 fiscal biennium.

The chart below summarizes OSD budgetary spending across previous biennium. OSD operates within four main budget fund groups: General Services, Federal Special Revenue, State Special Revenue, and its largest General Revenue. Total and GRF budget amounts remained relatively consistent within fiscal years; on average 79.8% of the OSD budget was General Funds. Within fiscal year 2007 this percentage dropped to 76.9%, partly due to an increase to State and Federal special revenue funds increasing the total budget.

<u>Figure C: Ohio School for the Deaf Spending: 2006 – 2009 fiscal years</u>



Data Source: 2010 – 2011 OSD Executive Budget Request (FY 2009 are estimates)

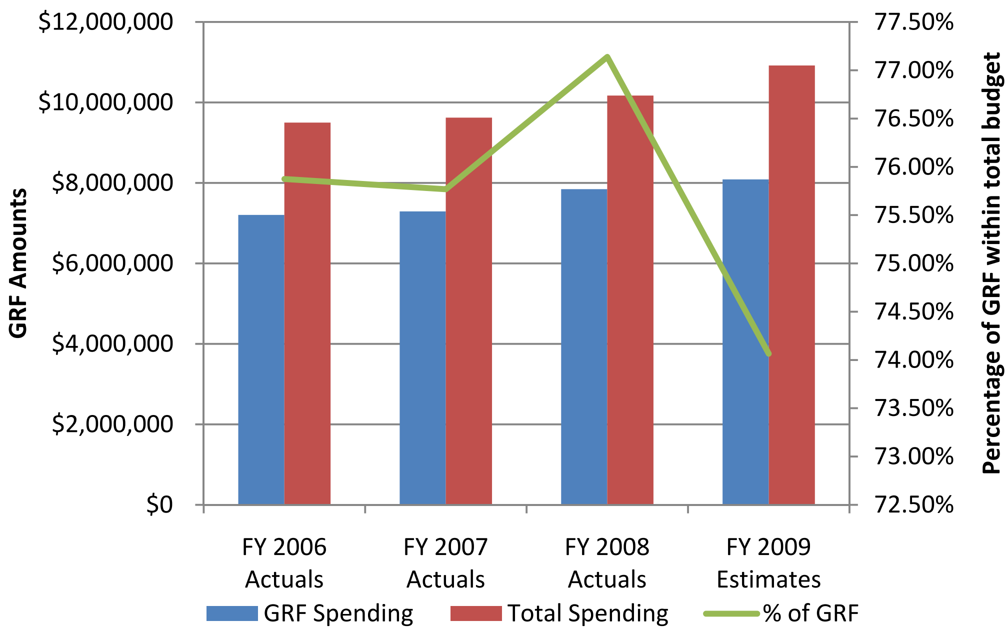
Ohio School for the Blind (OSB)

The Ohio State School for the Blind (OSB) is also a state-supported specialized education and residential facility in Columbus, Ohio. The school provides services to Ohio students aged 5 through 21 with visual, sensory, and developmental disabilities. Established in 1837, OSB was the first state-supported residential school for the blind in the United States. Approximately 145 students are enrolled in OSB's education program with 50-75 of these students living in the residential program. Overall, it operates three main programs to ensure quality service delivery: Education, Residential, and Outreach.

Spending across the agency totaled $21.1 million across the 2008-2009 biennium; with 75.5% from GRF appropriations ($15.9 million). Due to a similar organizational mission as OSD, OSB spent most of its overall budget on personal service (educator payroll) expenditures. According to the DAS human resource report the school operates with 172 total employees. Since specialized teachers remain necessary to serve this student population, reducing organizational costs take the form of the facility consolidation with OSD, as well as consolidating business and administrative functions.

The chart below highlights OSB budget spending within 2006-2009 fiscal years. The four main sources of funding are: General Revenue, General Services, Federal Special Revenue, and State Special Revenue Funds. On average, 75.71% of the OSB budget is funded with GRF dollars annually; the percentage peak being fiscal year 2008. Overall, GRF support has remained relatively constant across the four budget years, averaging $7.6 million per year.

Figure D: Ohio School for the Blind Spending: 2006 – 2009 fiscal years



Data Source: 2010 – 2011 OSB Executive Budget Request (FY 2009 are estimates)

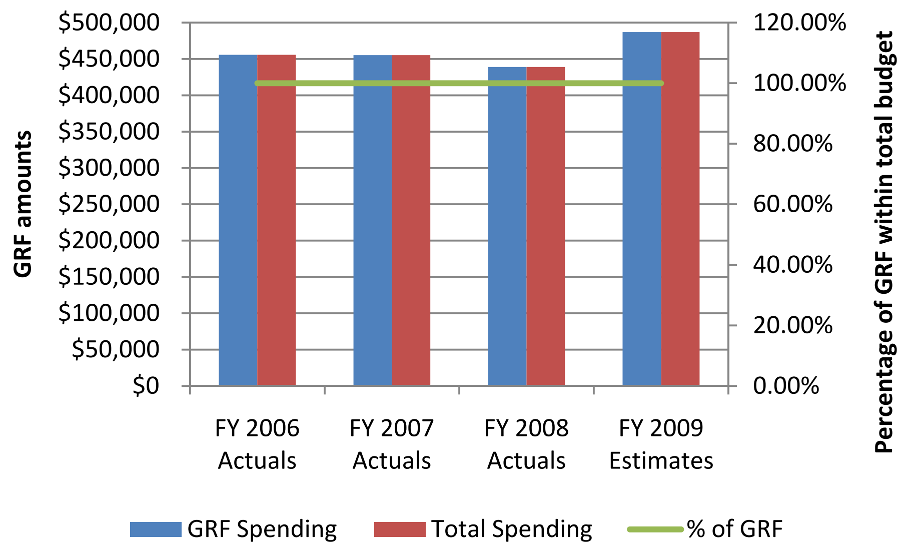
Environmental Review Appeals Commission (ERAC)

The Environmental Review Appeals Commission (ERAC) is a quasi-judicial appellate review body whose statutory duties are to hear and determine certain legal actions taken within state and local entities. Agencies under this jurisdiction include the Ohio Environmental Protection Agency (Ohio EPA), Ohio Department of Agriculture, State of Ohio Fire Marshal's Office, State Emergency Response Commission, and county and local boards of health. The majority of cases heard result from final actions of the Ohio EPA.

The Commission is comprised of three members appointed by the Governor which serve in lieu of local courts of common pleas for environmental matters due to enterprise. This is the Commission's sole program. Total hearings have steadily increased from 214 (2002) to 381 (2008); a 78% increase over six years. This is primarily due to increased jurisdiction and regulatory requirements concerning the oversight of construction and demolition debris facilities, as well as appeals involving voluntary action program requirements within the Ohio EPA.

ERAC is fully funded by GRF dollars. Most of the Commission's spending resides within payment of personal services. In 2008, over $411,000 (84.6% of the total budget) was designated for payroll. Other main spending areas include supplies, maintenance, equipment, and other paid services. Below is a chart which highlights the budget spending of ERAC with 100% funding from the GRF.

<u>Figure E: Environmental Review Appeals Commission Spending: 2006 – 2009 fiscal years</u>



Data Source: 2010 – 2011 ERAC Executive Budget Request (FY 2009 are estimates)

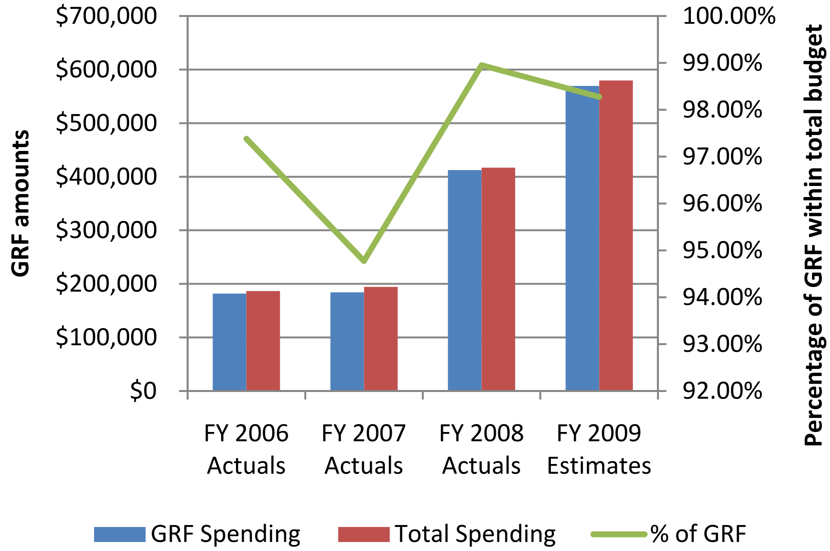
Commission on Hispanic/Latino Affairs (SPA)

The purpose of the Commission on Hispanic/Latino Affairs is to advise the Governor, General Assembly, and state agencies on policies focused on specialized issues within Ohio's Spanish speaking community. Founded in 1977, the Commission consists of 11 members appointed by the Governor and General Assembly. The Commission's core mission is to connect Hispanic/Latino communities across the state; advise the Governor and General Assembly on policy matters affecting Hispanic Ohioans; and build capacity of local Latino community organizations with main services.

The Commission employs four total employees who administer several programs including the Public Policy Center, Latino Community Network community focused database, and Project OPEN which serves as a micro-enterprise incubator for Hispanic Ohioans. The agency utilized a little more than $996,000 in fiscal years 2008 and 2009, and of that amount over 98.6% was GRF appropriation. The remaining amount includes a General Service line item which collects revenue from the annual Distinguished Hispanic Ohioan Award Gala in the form of sponsorships and direct ticket sales.

Historically, the GRF has been a substantial revenue source for the Commission. Across the 2006–2009 fiscal years, total GRF has contributed 97.34% (on average) related to total spending. Subsidy expenditures are the largest area of the SPA budget. Community projects such as OLAnet database, community-based mini-grants, Project OPEN, and state-wide outreach and training programs focused on the Latino community utilized 60.4% of total GRF within FY 2008-09. The previous biennium showed no spending within the Community Project line item according to LSC red book data. The following chart summarizes SPA spending and it's relatively high proportion of GRF dollars.

Figure F: Commission on Hispanic/Latino Affairs spending: 2006 – 2009 fiscal years



Data Source: 2010 – 2011 SPA OBM blue book (FY 2009 are estimates)

Small agencies continue to provide unique and needed services for Ohio citizens. While this analysis highlighted only four such agencies, duties from increasing Ohio tourism through development of the Ohio state fair to investigating acts of fraud within the executive branch of government show small entities continue to offer important services within state government. DAS data highlights that although many public agencies are operating with 250 or fewer employees, GRF expenses remains relatively small within this group in comparison to total GRF expenditures. However, the dependence of GRF fluctuates among small agencies; the mentioned examples showed a high percentage (70% and greater) of GRF appropriations based on total budgets. Types of spending were relatively focused on personal services and subsidy expenditures, however General Revenue Funds continue to aid in the development, quality, and maturity of needed programming.