




July 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 June 30, 2009, the close of the fiscal year, as well as highlights of regional and national economic indicators that are important to understanding the current state and direction of Ohio's economy.

While the economy contracted in the second quarter of calendar year 2009, it was at a much slower pace than in the first quarter. The U.S. real gross domestic product (GDP) is widely projected to increase modestly in the third quarter as draw-downs in business inventory and production cutbacks finally overtook decreases in demand. The recession, however, remains severe as the U.S. unemployment rate increased to 9.5% in June – the highest since August 1983. Ohio's May unemployment rate (the most recent available) increased to 10.8% - the highest since October 1983. National indicators continue to signal that a recovery may be in the offing, with two major indices showing improvement, although patterns of retail sales show that consumers are still leery of expenditures with the unemployment rate continuing upward.

The close of June 2009 also brought the close of FY 2009; a fiscal year in which Ohio's Total General Revenue Fund (GRF) tax receipts posted a historic, if not unprecedented, year-over-year loss of \$2.3 billion or 12.0% less than received in FY 2008. Reductions at this level have not been experienced in the last 50 years. The extensive impacts of the financial crisis from the fall of 2008 were underestimated by many national economic forecasters, as the rapidity and depth of the economic deterioration continuously outpaced even the most pessimistic forecasts. Ultimately, Ohio's tax receipts fell nearly \$951 million below December revised expectations.

Total FY 2009 GRF outlays were held in strict control, at 0.4% below the December 2008 re-forecasted agency spending for the fiscal year. The state ended FY 2009 with an unobligated GRF balance \$389.1 million, owing in large part to Executive Order reductions and budget directives, which served to preserve key investments in education and safety-net services over the course of the fiscal year. While expenditures remained below projections, the accelerated slide in revenues required legislative authorization to use the balance of the state's budget stabilization fund to close the fiscal year on target. Finally, OBM closed the second fiscal year (FY 2009) in OAKS and reopened the system for agencies within twenty-four hours of year-end.

**MONTHLY FINANCIAL REPORT
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ECONOMIC SUMMARY

Overview of Economic Performance

- Almost certainly, the economy contracted in the second quarter of calendar year 2009, but at a much slower pace than in the first quarter. Real GDP is widely projected to increase modestly in the third quarter.
- Although personal consumption modestly increased, the steep drop in spending and rise in saving suggests households view recent declines in income as more than transitory, which might restrain spending even as economic recovery takes hold and incomes rise.
- The U.S. unemployment rate increased to 9.5% in June – the highest since August 1983. Ohio's May unemployment rate (the latest available) increased to 10.8% - the highest since October 1983.

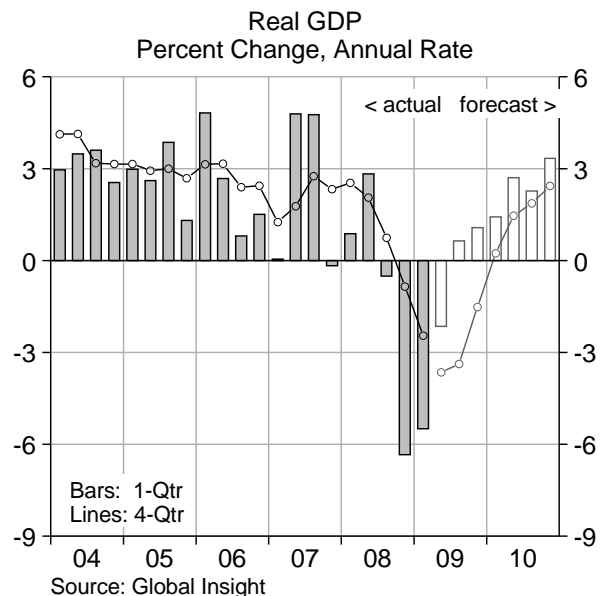
The economy almost certainly contracted in the second quarter, but at a much slower pace than in the first quarter. Real GDP is widely projected to increase modestly in the third quarter. Employment remained in a downtrend through June and the unemployment rate increased to a new high for the cycle, reaching 10.8% in Ohio in May. Even as leading economic indicators signal a near-term end to the recession, the rate of unemployment is expected to remain high for an extended period.

Economic Growth

The economy contracted at a 5.5% annualized pace in the first quarter, according to the final report on **Gross Domestic Product**. The economy shrank at a 6.3% annualized rate in the prior quarter. The composition of activity in the first quarter points toward a better performance in the second quarter. Corporate profits on an operating basis swung to a gain of 3.8% in the first quarter after six straight quarters of decline, including a 16.5% drop in the fourth quarter of 2008.

All major categories of GDP, except for personal consumption expenditures and net exports, contributed to the decline in real GDP. Consumption increased 1.4% – the first gain since the second quarter of 2008 and the largest since the third quarter of 2007 – adding 1.0 percentage points to overall growth. Net exports added 2.4 percentage points to overall growth, as imports fell by more than exports.

Business fixed investment subtracted 4.6 percentage points from the first-quarter change in real GDP. The change in business inventories subtracted 2.2 points. Investment in residential structures subtracted 1.4 percentage points – as severe as in any quarter during this cycle. Government spending subtracted 0.6 points due to declines in



national defense spending and reduced outlays by financially strapped state and local governments.

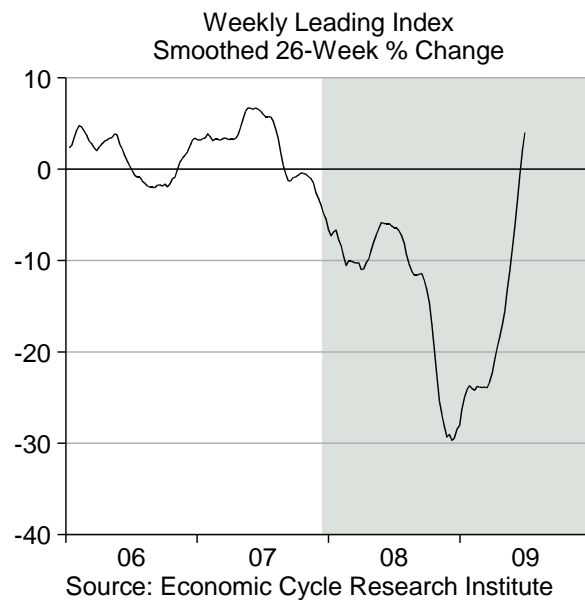
The improvement in **personal consumption expenditures** was broad-based. Spending on durable goods made a positive contribution to real GDP growth following four quarterly subtractions, reflecting the first positive contribution from the motor vehicles and parts industry since the second quarter of 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 \$87.1 billion (revised up from an initial report of \$103.7 billion and first revision to \$91.4 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 meaningful positive contribution to growth in the second and/or third quarters.

Forecasters estimate that real GDP decreased again in the second quarter, but at a much slower pace. Global Insight projects a 2.1% decline, followed by growth of 0.6% at an annual rate in the third quarter and 1.1% in the fourth. Global Insight projects the rate of growth in real GDP to rise appreciably during 2010, from 1.4% in the first quarter to 3.3% in the fourth quarter.

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 fourteenth consecutive weeks on a four-week moving average basis as of June 26. The rate of change has improved from a low of -29.7% in early December to +4.0%. Past recessions have ended near the time when the growth rate of the index has reached a trough.



In addition, the **Leading Economic Index** published by the Conference Board increased 1.2% in

May, following a 1.1% increase in April – the first back-to-back increases since September-October 2006 and the strongest two-month gain since the first two months of the previous expansion (November-December 2001). The smoothed six-month rate of change increased to 0.7% – the first positive rate of change in 21 months. Assuming that the recent pattern survives normal revisions to the data, the sharp upturn in the leading index is strong evidence of an imminent economic recovery.

The ratio of the Coincident to Lagging Economic Index published by the Conference Board also turned up further in May – another signal of an impending end to the recession. The ratio has reached its cyclical trough at approximately the same time that recessions have ended on many occasions in the past.

Employment

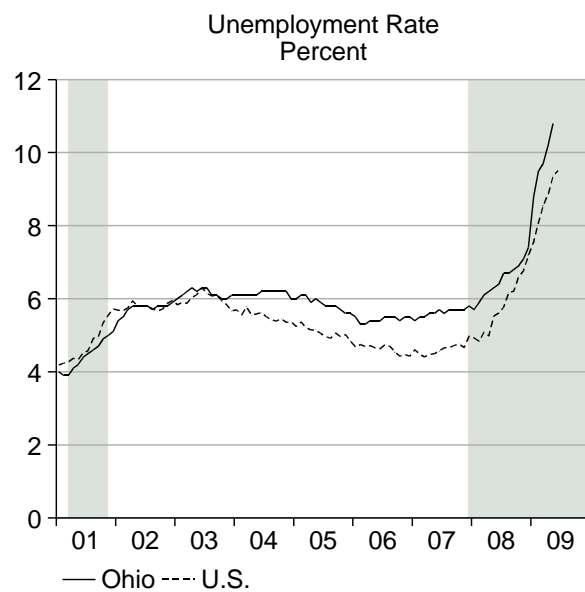
The rate of job loss increased in June after four months of substantial improvement. The length of the workweek fell to a new record low, pulling down total hours worked during the month. The unemployment rate increased for the fourteenth month in a row, but by the smallest amount since the financial panic hit last September. Average hourly earnings were unchanged on the month and the year-over-year rate of change fell to 2.7%.

Total employment decreased by 467,000 jobs in June, following a loss of 322,000 jobs in May. The total loss since December 2007 increased to 6.4 million jobs. Job losses were widespread in June, with fewer than one-in-three of 271 industries reporting higher payrolls than in May. Higher employment compared with May was reported by approximately one-in-seven of 83 manufacturing industries.

The decrease in employment was larger in June than in May primarily in construction, professional and business services and government. The loss in government jobs was largely due to the completion of temporary jobs by approximately 50,000 workers hired in April and May to prepare for the 2010 census.

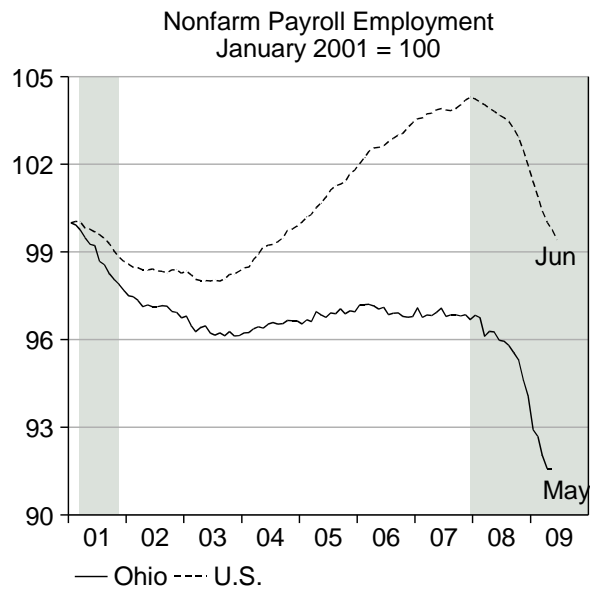
Manufacturing employment decreased by 136,000 jobs without an increase in any major industry. Significant areas of weakness included fabricated metal products (-18,300), machinery (-13,800), computer and electronic products (-16,100) and motor vehicles and parts (-26,500). Employment at temporary help services fell by 38,000 jobs.

The **unemployment rate** increased 0.1 percentage points to 9.5% in June – the highest level since August 1983. The increase was reduced by a 155,000 person reduction in the labor force. The broadest measure of unemployment, which includes discouraged workers and those working part-time because they could not find full-time work, increased to a new all-time high of 16.5%.



In an indication of ongoing weakness in the demand for labor, the length of the workweek decreased by 0.1 hours to a record low of 33.0 hours. Total hours worked decreased 0.8% for the month and 7.9% annualized for the quarter, pointing to another large drop in real GDP in the second quarter.

Initial jobless claims decreased slightly in the week ending June 27, and the 4-week moving average also declined slightly. Since the peak in the 4-week average of claims on April 4 the weekly tally has usually been below the average, suggesting some improvement in labor markets. Nonetheless, claims have exceeded the very high mark of 600,000 since February 7. In comparison, claims averaged 325,000 per week in the second half of 2007.



Ohio employment decreased slightly in May from April – the thirteenth consecutive monthly decline. Nonfarm payrolls decreased by 200 jobs during the month, after having declined by 139,000 jobs year-to-date through April. Ohio employment decreased by 262,100 jobs, or 4.9%, during the twelve months ending in May.

In a switch from recent months, employment increased in all major sectors, except for manufacturing (-16,100) and government (-600). The largest employment gains occurred in education and health services (+8,400), leisure and hospitality (+2,200) and financial activities (+1,800). Employment increased in trade, transportation and utilities (+1,600) and professional and business services (+1,500).

During the previous year, manufacturing (-124,400), professional and business services (-54,300) and trade, transportation and utilities (-42,300) accounted for 84% 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 (+16,400) and leisure and hospitality (+2,900).

None of the eleven **Ohio Metropolitan Statistical Areas** added jobs during the twelve months ended in May. Employment fell by the largest amounts in Cleveland (-52,800), Cincinnati (-19,900) and Columbus (-18,200). Job losses were the smallest in the smaller MSAs of Mansfield (-2,800), Springfield (-1,200), and Lima (-1,100).

Employment fell substantially in Ohio and each of the **contiguous states** during the year ending in May. 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 7.2% in Michigan, 5.2% in Indiana, 4.9% in Ohio, 4.6% in Kentucky, and 3.2% in Pennsylvania and West Virginia. For the region, employment was down 4.8% during the same period, compared with a decline of 3.7% for all states outside the region combined.

Consumer Income and Consumption

Personal income was boosted by increases in transfer payments and reductions in personal current taxes initiated by the American Recovery and Reinvestment Act of 2009 (ARRA). Excluding the effects of ARRA, disposable personal income increased a modest 0.2% and remained 1.3% below the May 2008 level. Wage and salary disbursements decreased 0.1% for the seventh decline in the last eight months.

Ohio personal income decreased 2.2% in the first quarter for the third consecutive quarterly decline, ranking 27th among the 50 states. Among contiguous states, Ohio ranked behind Kentucky, West Virginia, and Pennsylvania and ahead of Indiana and Michigan. Compared with a year earlier, Ohio personal income was higher by 0.7% – the weakest year-over-year comparison since the second quarter of 1961.

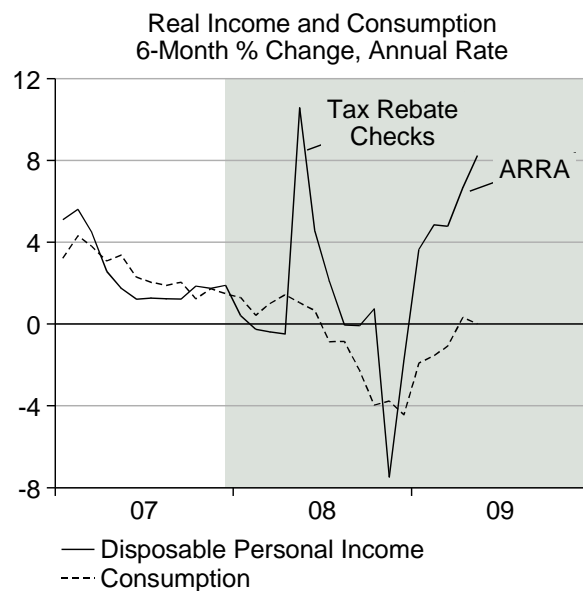
The drop in Ohio personal income during the first quarter reflected large decreases in wage and salary disbursements and dividends, interest and rent, partially offset by a large increase in current personal transfer receipts. Wage and salary disbursements decreased 5.7% annualized following a drop of 2.3% in the fourth quarter of 2008 to 1.2% below the year earlier level. The year-over-year change also was the weakest since the second quarter of 1961. Most of the decline in wage and salary disbursements occurred in manufacturing, accompanied by a substantial decline in finance and insurance.

Personal consumption expenditures

increased 0.3% after essentially no change in April and a 0.3% decrease in March. The saving rate increased to 6.9% of disposable personal income – the highest monthly rate since December 1993. The saving rate was zero in April 2008. The steep drop in spending and rise in saving suggests that households view recent declines in income as more than transitory and might restrain spending even as economic recovery takes hold and incomes rise. Unseasonable weather in June and a rise of approximately one-third in the price of gasoline from April to June undermined retail sales during the month.

The recent pace of consumer spending is consistent with flat to lower real consumer spending for the quarter. If consumption stayed at the May level in June, real consumer spending fell 0.1% annualized in the second quarter. The 2.4% decline in unit sales of light motor vehicles in June did not help.

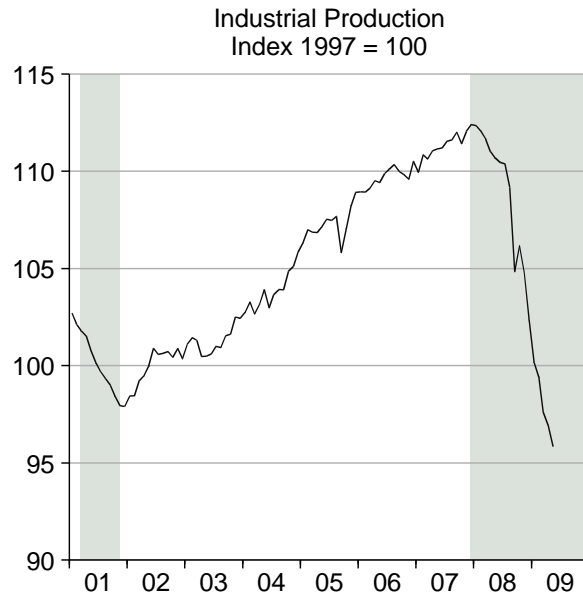
Consumer attitudes improved modestly in June, according to the Reuters/University of Michigan survey. Expectations were little changed from May, whereas assessments of current conditions recovered to the highest level since September 2008.



Manufacturing

Industrial production decreased 1.1% in May following a downward-revised 0.7% drop in April. The May decline was broad-based across industries. Production was down 14.6% annualized year-to-date and 13.4% from a year earlier. Utility output fell 1.4% and mining output fell 2.1%. The rate of capacity utilization fell to 68.3% – well below the previous cyclical low of 70.9% that occurred in the first month of recovery from the 1981-82 recession.

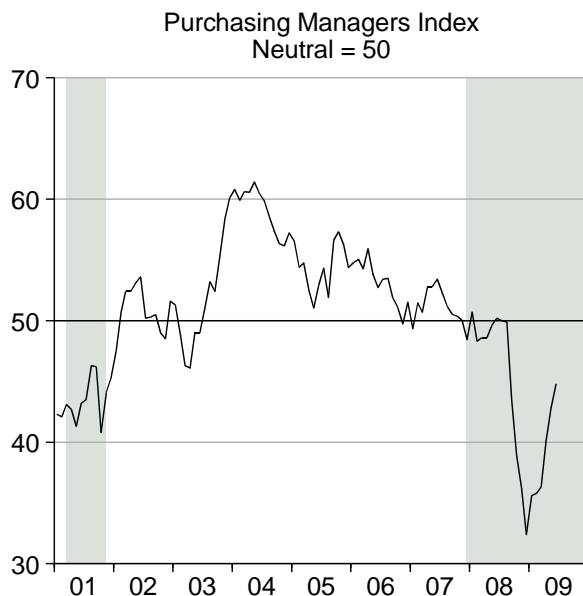
Manufacturing production fell 1.0% in May to 15.3% below the year earlier level and 16.9% below the cyclical peak reached in December 2007. The next closest cyclical decline in manufacturing was the drop of 15.3% that occurred in the mid 1970s. Large decreases in production occurred in motor vehicles and parts, machinery, textile and product mills, paper and petroleum and coal products. The rate of capacity utilization in manufacturing fell to a new all-time low of 65.0%, further surpassing the previous low of 68.6% reached in December 1982.



Midwest manufacturing production fell 3.1% in May to 24.4% below the year earlier level, according to the Federal Reserve Bank of Chicago. Output contracted 10.7% in the auto sector, 3.3% in the machinery sector and 2.2% in the steel sector, while rising 0.2% in the resource sector. Ongoing adjustments in the motor vehicle industry are expected to prolong weakness in manufacturing in Ohio and the Great Lakes states.

Manufacturing shipments remained weak in May, whereas new orders continued to show some improvement. Shipments from factories fell 0.9% in May to 21.0% below the year earlier level – a new low for this cycle. Even shipments of nondefense capital goods orders, excluding aircraft, which often provides a more reliable measure of the near-term trend, edged down 0.3% to 17.7% below the year earlier level.

In contrast, **new orders** increased 1.2% in May for the second straight monthly gain and the third in the last four months. New orders of nondefense capital goods excluding aircraft increased 4.7%, lifting the level above the January low in a pattern consistent with patterns early in previous business cycle recoveries.



Purchasing managers at manufacturing companies reported moderately better conditions in June. At 44.8, 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. The new orders index, which topped the neutral level of 50 for the first time in May, slipped back to 49.2. Most other sub-components of the overall index held steady (e.g., order backlogs) or improved somewhat (e.g., employment, prices paid) during June.

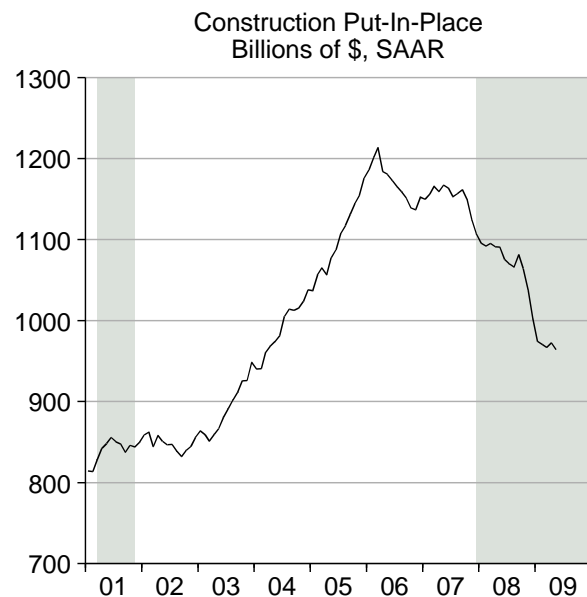
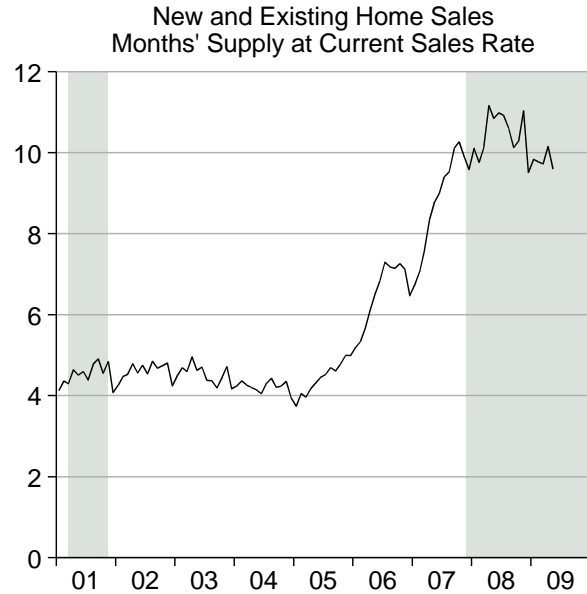
Construction

Construction put-in-place fell 0.9% in May – the seventh decline in the last eight months. Residential construction was off 3.5% and nonresidential construction managed a 0.1% increase – its fourth in a row after a string of three large declines. The decline in single-family residential slowed to 4.5% from 11.1% in February while the decline in multi-family residential quickened to 9.6% from 2.3% in February. Nonresidential construction benefited from gains in manufacturing, education, transportation and power that were partially offset by declines in highway, commercial and office.

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 four months, however, the ABI has staged a marked comeback, rising to 42.9 in May from an all-time low of 33.3 in January. In addition, the index of new work inquiries jumped to 55.2 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.

Housing starts increased 17.2% in May, following a 12.9% drop in April, as construction activity moves erratically higher from the all-time low reached in January. Both single-family and multi-family categories posted large increases, which were matched across the Midwest.



Existing home sales increased 2.4% in May after a 2.4% increase in April. **New home sales** edged down slightly following a 2.7% rise in April. The supply of unsold homes on the market remained quite high relative to the pace of sales in May, even as the number of homes for sale declined slightly.

GENERAL REVENUE FUND RECEIPTS

During the month of June, **GRF tax receipts** totaled \$1,434.2 million, which was \$244.7 million, or 14.6% below estimates. Driven by a \$1,012.3 million transfer from the Budget Stabilization Fund (BSF), total GRF sources for June were \$3,595.8 million or \$527.5 million (17.2%) above estimates. As a result of the monthly negative tax receipts variance, tax revenues for the fiscal year finished \$950.9 million below estimates (5.3%), while total GRF sources for the year (including the BSF transfer) were \$267.9 million below estimates (1.0%). Without the BSF transfer, total sources for the year would have been \$25,672.2 million or \$1,280.2 million below the revised estimates issued in December of 2008. The considerable underperformance in June tax revenue was primarily attributable to double digit percentage shortfalls in the non-auto sales (12.3%) and personal income (19.8%) taxes. These tax sources also drove the \$950.9 million shortfall in all taxes for the year.

| 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, , alcoholic beverage, liquor gallonage, & estate | (\$950.9) | (5.3%) |
| Non-tax receipts | Federal grants, earnings on investments, licenses & fees, other income, intrastate transfers | (\$1,139.5) | (4.5%) |
| Transfers | Budget stabilization, liquor transfers, capital reserve, other | \$871.7 | 55.8% |
| TOTAL GRF REVENUE VARIANCE: | | (\$267.9) | (1.0%) |

As noted, tax receipts for the month of June were negative relative to estimates, falling short of the December revised numbers by \$244.7 million primarily as a result of double digit negative percentage variances in the non-auto, personal income, and corporate franchise taxes. The worse than expected performance of these three taxes far offset monthly positives in several of the smaller taxes, including the auto sales and cigarette taxes.

| Individual Sources Above Estimate | | Individual Sources Below Estimate | |
|--|------------------|--|------------------|
| Auto Sales Tax | \$3.0 | Non-Auto Sales Tax | (\$70.4) |
| Domestic Insurance Tax | \$1.6 | Personal Income Tax | (\$168.0) |
| Other Business and Property Tax | \$1.4 | Corporate Franchise Tax | (\$19.2) |
| Cigarette Tax | \$10.0 | Foreign Insurance tax | (\$1.0) |
| ISTV | \$2.6 | Alcoholic Beverage Tax | (\$1.3) |
| Budget Stabilization Transfer | \$949.0 | Federal Grants | (\$22.4) |
| Temporary Transfers In | \$145.8 | Earnings on Investments | (\$32.6) |
| Other Sources Above Estimate | \$1.6 | Transfers In - Other | (\$270.1) |
| | | Other Sources Below Estimate | (\$2.5) |
| Total above | \$1,115.0 | Total below | (\$587.5) |

Non-Auto Sales and Use Tax

Similar to its poor performance from month to month, the non-auto sales tax again experienced double digit underperformance (12.3%) with receipts totaling \$504.4 million that were \$70.4 million below estimates. As a result of this worse than anticipated performance, total receipts for the year totaled \$6,239.2 million, which was not only \$337.9 million (5.1%) short of the December estimates. On a year-over-year basis, receipts for the non-auto sales tax were \$59.1 million (10.5%) below the performance for the same month last fiscal year, and for the year as a whole \$431.5 million (6.5%) below the total for FY 2008.

Auto Sales Tax

While the \$80.6 million in auto sales tax receipts during the month of June exceeded December estimates by \$3.0 million (3.9%), this tax source still experienced an annual shortfall of \$1.3 million (0.2%), owing in part to poor performance in May. On a year-over-year basis, receipts for the auto sales tax were \$254,000 (0.3%) below the performance for the same month last fiscal year, and for year as a whole \$69.8 million (7.4%) below the FY 2008 total.

Personal Income Tax

Personal income tax receipts again fell short of the monthly estimate in June as receipts totaled \$681.7 million or \$168.0 million (19.8%) short of the estimates issued in December 2008. Weakness in this revenue source was across the board as all components of the tax were short of estimates. Quarterly estimated payments accounted for nearly two-thirds of the monthly shortfall by posting a negative variance of \$107.0 million or 35.7%. The weakness seems to reflect the significant impact of the economic downturn and stock market slump on non-wage income sources, such as capital gains and interests and dividends, which are the main drivers for quarterly estimated payments. Adding to the weakness in estimated payments was the performance of withholding, which recorded a negative variance of \$59.7 million or 10.0% compared to the monthly estimates, thus reflecting the continued weakness on employment front.

On a year-over-year basis, personal income tax receipts for June were \$187.1 million or 21.5% below the June 2008 level. For FY 2009, income tax receipts were \$629.5 million or 7.6% below the annual estimate, and \$1,486.1 million or 16.3% below the actual performance for FY 2008. For the fiscal year, after adjusting for the allocation for Local Government Funds, and after excluding the effects of the fourth of five annual 4.2% rate cuts, income tax receipts declined approximately 11.2%.

| | ESTIMATE | ACTUAL | \$ VAR | ESTIMATE | ACTUAL | \$ VAR |
|-----------------------|-----------------|----------------|------------------|------------------|------------------|------------------|
| | JUNE | JUNE | JUNE | Y-T-D | Y-T-D | Y-T-D |
| Withholding | \$599.4 | \$539.7 | (\$59.7) | \$7,517.9 | \$7,317.2 | (\$200.6) |
| Quarterly Est. | \$299.3 | \$192.3 | (\$107.0) | \$1,439.7 | \$1,224.5 | (\$215.2) |
| Trust Payments | \$9.8 | \$5.9 | (\$3.9) | \$91.4 | \$51.1 | (\$40.3) |
| Annual Returns & 40 P | \$13.1 | \$11.7 | (\$1.4) | \$1,194.6 | \$1,006.6 | (\$187.9) |
| Other | \$13.1 | \$12.1 | (\$1.0) | \$89.3 | \$80.0 | (\$9.3) |
| Less: Refunds | (\$23.1) | (\$23.1) | \$0.0 | (\$1,362.7) | (\$1,355.4) | \$7.3 |
| Local Distr. | (\$61.9) | (\$56.9) | \$5.0 | (\$712.6) | (\$696.1) | \$16.5 |
| Net to GRF | \$849.7 | \$681.7 | (\$168.0) | \$8,257.6 | \$7,628.0 | (\$629.6) |

Corporate Franchise Tax

Corporate franchise tax receipts totaled \$57.6 million in June, an amount that was \$19.2 million or 25.0% below the monthly estimate. Due to the better than estimated performance of this tax through the month of May, the June shortfall was anticipated. With the May 31st due date of the final payment falling on a Sunday, the split between the two months becomes difficult to estimate. Combined revenue for May and June stood at \$112.1 million, very close to the combined estimate of \$113.6 million.

For the entire fiscal year, corporate franchise tax receipts totaled \$520.8 million or \$25.8 million (5.2%) above the December estimate. Total FY 2009 revenue of \$520.8 million represented a decline from FY 2008 of \$232.7 million, or 30.9%. The decline is reflective of a 50% drop in the tax rate for all taxpayers except financial institutions, as part of the tax reform package passed in 2005.

Collections for the year can be broken into two distinct periods. Through December, receipts reflect the reconciliation of prior year activity as final returns for the year were filed. From January to June, taxpayers make estimated payments on the current year's liabilities. During the first six months, net revenues were a negative \$1.5 million, \$0.3 million above estimate. During the final six months, receipts were \$25.5 million or 5.1% over the estimate.

Commercial Activity Tax

In FY 2009, receipts from the commercial activity tax (CAT) were distributed to non-GRF funds to reimburse school districts and local governments as the tangible personal property tax is phased out. Continuing the trend during the February to May timeframe, CAT receipts of \$9.0 million during the month of June again fell short of the estimates by \$4.1 million or 31.2%. For the year as a whole, the CAT collected \$1,175.8 million, an amount that was \$98.3 million short of the estimate of \$1,274.1 (7.7%).

Due to the slide in CAT receipts during FY 2009 detailed above, sufficient CAT resources did not exist to fully support the reimbursement costs to local governments for qualifying revenue lost as a result of the tangible personal property phase out. As a result, \$29.6 million of the \$591.1 million in temporary transfers made from the GRF during FY 2009 to support the cash

flow needs of the Local Government Property Tax Replacement Fund could not be transferred back. In effect, the GRF subsidized the reimbursement costs.

Cigarette Tax

After declining sharply in May, cigarette tax receipts rebounded in June with receipts totaling of \$83.1 million or \$10.0 million (13.7%) above of the estimate of \$73.1 million. With the strong performance in June, cigarette tax receipts for the year increased to \$924.8 million, an amount that was \$7.8 million (0.9%) above the estimate.

GRF non-tax receipts totaled \$584.1 million in June and were \$53.5 million (8.4%) below estimates. The monthly shortfall is mainly attributable to receipts from federal grants and earnings on investments, which were \$22.4 million and \$32.6 million, respectively, below estimates. For FY 2009, non-tax receipts totaled \$7,158.1 million and were \$188.6 million below estimate. While this annual variance was spread across a number of sources, federal grants and earnings on investments accounted for most of the shortfall.

GRF transfers totaled \$1,577.5 million in June and were \$825.7 million above estimates. For the fiscal year as whole, transfers to the GRF totaled \$2,432.8 million, and were \$871.7 million (55.8%) above estimates. Both the monthly and annual variances are mainly attributable to the \$1,012.3 million transfer from the BSF to help ensure that the state ended FY 2009 in balance.

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 |
| | JUNE | JUNE | | | Y-T-D | Y-T-D | | |
| TAX RECEIPTS | | | | | | | | |
| Non-Auto Sales & Use | 504,420 | 574,356 | (69,936) | -12.2% | 6,239,178 | 6,774,930 | (535,752) | -7.9% |
| Auto Sales & Use | 80,550 | 75,304 | 5,246 | 7.0% | 873,638 | 859,978 | 13,660 | 1.6% |
| Subtotal Sales & Use | 584,970 | 649,660 | (64,690) | -10.0% | 7,112,816 | 7,634,909 | (522,092) | -6.8% |
| Personal Income | 681,679 | 875,493 | (193,814) | -22.1% | 7,627,989 | 8,717,996 | (1,090,008) | -12.5% |
| Corporate Franchise | 57,627 | 76,724 | (19,097) | -24.9% | 520,771 | 494,984 | 25,786 | 5.2% |
| Commercial Activity Tax | 0 | 0 | 0 | N/A | 0 | 0 | 0 | N/A |
| Public Utility | 566 | 796 | (230) | -28.9% | 184,516 | 177,270 | 7,246 | 4.1% |
| Kilowatt Hour | 4,792 | 3,954 | 838 | 21.2% | 135,946 | 130,029 | 5,917 | 4.6% |
| Foreign Insurance | (1,008) | 0 | (1,008) | N/A | 249,214 | 264,802 | (15,588) | -5.9% |
| Domestic Insurance | 9,723 | 8,100 | 1,623 | 20.0% | 155,347 | 167,642 | (12,295) | -7.3% |
| Other Business & Property Tax | 2,570 | 1,000 | 1,570 | 157.0% | 25,062 | 19,960 | 5,102 | 25.6% |
| Cigarette | 83,121 | 73,268 | 9,853 | 13.4% | 924,764 | 917,069 | 7,695 | 0.8% |
| Soft Drink | 0 | 0 | 0 | N/A | 0 | 0 | 0 | N/A |
| Alcoholic Beverage | 4,942 | 6,207 | (1,265) | -20.4% | 57,050 | 58,521 | (1,471) | -2.5% |
| Liquor Gallonage | 3,135 | 3,339 | (204) | -6.1% | 35,800 | 36,635 | (836) | -2.3% |
| Estate | 2,092 | 3,000 | (908) | -30.3% | 64,403 | 65,082 | (679) | -1.0% |
| Horse Racing | 0 | 0 | 0 | N/A | 0 | 0 | 0 | N/A |
| Total Tax Receipts | 1,434,209 | 1,701,542 | (267,333) | -15.7% | 17,093,678 | 18,684,899 | (1,591,222) | -8.5% |
| NON-TAX RECEIPTS | | | | | | | | |
| Federal Grants | 530,424 | 577,727 | (47,304) | -8.2% | 6,850,656 | 6,632,767 | 217,889 | 3.3% |
| Earnings on Investments | 15,839 | 48,400 | (32,561) | -67.3% | 137,135 | 160,000 | (22,865) | -14.3% |
| License & Fees | 664 | 801 | (137) | -17.1% | 65,835 | 78,000 | (12,165) | -15.6% |
| Other Income | 33,041 | 34,006 | (965) | -2.8% | 79,779 | 81,300 | (1,521) | -1.9% |
| ISTV'S | 4,144 | 1,590 | 2,554 | 160.6% | 24,649 | 20,000 | 4,649 | 23.2% |
| Total Non-Tax Receipts | 584,111 | 662,524 | (78,413) | -11.8% | 7,158,054 | 6,972,067 | 185,986 | 2.7% |
| TOTAL REVENUES | 2,018,320 | 2,364,066 | (345,746) | -14.6% | 24,251,731 | 25,656,966 | (1,405,235) | -5.5% |
| TRANSFERS | | | | | | | | |
| Budget Stabilization | 1,012,289 | 63,300 | 948,989 | N/A | 1,012,289 | 63,300 | 948,989 | N/A |
| Liquor Transfers | 13,000 | 12,000 | 1,000 | 8.3% | 163,000 | 144,000 | 19,000 | 13.2% |
| Transfers In - Capital Reserve | 0 | 0 | 0 | N/A | 0 | 0 | 0 | N/A |
| Transfers In - Other | 406,407 | 676,460 | (270,053) | -39.9% | 666,401 | 733,100 | (66,699) | -9.1% |
| Temporary Transfers In | 145,769 | 0 | 145,769 | N/A | 591,080 | 620,705 | (29,625) | -4.8% |
| Total Transfers | 1,577,465 | 751,760 | 825,705 | 109.8% | 2,432,770 | 1,561,105 | 871,665 | 55.8% |
| TOTAL SOURCES | 3,595,785 | 3,115,826 | 479,959 | 15.4% | 26,684,501 | 27,218,071 | (533,570) | -2.0% |

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

| REVENUE SOURCE | Month | | | | Year-to-Date | | | |
|--------------------------------|------------------|------------------|------------------|---------------|-------------------|-------------------|--------------------|--------------|
| | ACTUAL JUNE | REVISED JUNE | \$ VAR | % VAR | ACTUAL Y-T-D | REVISED Y-T-D | \$ VAR | % VAR |
| TAX RECEIPTS | | | | | | | | |
| Non-Auto Sales & Use | 504,420 | 574,847 | (70,427) | -12.3% | 6,239,178 | 6,577,071 | (337,893) | -5.1% |
| Auto Sales & Use | 80,550 | 77,548 | 3,001 | 3.9% | 873,638 | 874,978 | (1,340) | -0.2% |
| Subtotal Sales & Use | 584,970 | 652,395 | (67,426) | -10.3% | 7,112,816 | 7,452,050 | (339,233) | -4.6% |
| Personal Income | 681,679 | 849,703 | (168,023) | -19.8% | 7,627,989 | 8,257,610 | (629,621) | -7.6% |
| Corporate Franchise | 57,627 | 76,822 | (19,196) | -25.0% | 520,771 | 494,993 | 25,778 | 5.2% |
| Commercial Activity Tax | 0 | 0 | 0 | N/A | 0 | 0 | 0 | N/A |
| Public Utility | 566 | 861 | (294) | -34.2% | 184,516 | 177,314 | 7,201 | 4.1% |
| Kilowatt Hour | 4,792 | 4,188 | 604 | 14.4% | 135,946 | 132,815 | 3,131 | 2.4% |
| Foreign Insurance | (1,008) | 0 | (1,008) | N/A | 249,214 | 264,800 | (15,586) | -5.9% |
| Domestic Insurance | 9,723 | 8,172 | 1,551 | 19.0% | 155,347 | 167,700 | (12,353) | -7.4% |
| Other Business & Property Tax | 2,570 | 1,140 | 1,430 | 125.4% | 25,062 | 20,046 | 5,016 | 25.0% |
| Cigarette | 83,121 | 73,115 | 10,005 | 13.7% | 924,764 | 916,961 | 7,803 | 0.9% |
| Soft Drink | 0 | 0 | 0 | N/A | 0 | 0 | 0 | N/A |
| Alcoholic Beverage | 4,942 | 6,232 | (1,290) | -20.7% | 57,050 | 58,534 | (1,484) | -2.5% |
| Liquor Gallonage | 3,135 | 3,469 | (333) | -9.6% | 35,800 | 36,744 | (944) | -2.6% |
| Estate | 2,092 | 2,847 | (755) | -26.5% | 64,403 | 65,000 | (597) | -0.9% |
| Horse Racing | 0 | 0 | 0 | N/A | 0 | 0 | 0 | N/A |
| Total Tax Receipts | 1,434,209 | 1,678,944 | (244,735) | -14.6% | 17,093,678 | 18,044,568 | (950,890) | -5.3% |
| NON-TAX RECEIPTS | | | | | | | | |
| Federal Grants | 530,424 | 552,818 | (22,394) | -4.1% | 6,850,656 | 7,007,385 | (156,729) | -2.2% |
| Earnings on Investments | 15,839 | 48,400 | (32,561) | -67.3% | 137,135 | 160,000 | (22,865) | -14.3% |
| License & Fees | 664 | 801 | (137) | -17.1% | 65,835 | 78,000 | (12,165) | -15.6% |
| Other Income | 33,041 | 34,006 | (965) | -2.8% | 79,779 | 81,300 | (1,521) | -1.9% |
| ISTV'S | 4,144 | 1,590 | 2,554 | 160.6% | 24,649 | 20,000 | 4,649 | 23.2% |
| Total Non-Tax Receipts | 584,111 | 637,615 | (53,503) | -8.4% | 7,158,054 | 7,346,685 | (188,632) | -2.6% |
| TOTAL REVENUES | 2,018,320 | 2,316,559 | (298,239) | -12.9% | 24,251,731 | 25,391,253 | (1,139,522) | -4.5% |
| TRANSFERS | | | | | | | | |
| Budget Stabilization | 1,012,289 | 63,300 | 948,989 | N/A | 1,012,289 | 63,300 | 948,989 | N/A |
| Liquor Transfers | 13,000 | 12,000 | 1,000 | 8.3% | 163,000 | 144,000 | 19,000 | 13.2% |
| Transfers In - Capital Reserve | 0 | 0 | 0 | N/A | 0 | 0 | 0 | N/A |
| Transfers In - Other | 406,407 | 676,460 | (270,053) | -39.9% | 666,401 | 733,100 | (66,699) | -9.1% |
| Temporary Transfers In | 145,769 | 0 | 145,769 | N/A | 591,080 | 620,705 | (29,625) | -4.8% |
| Total Transfers | 1,577,465 | 751,760 | 825,705 | 109.8% | 2,432,770 | 1,561,105 | 871,665 | 55.8% |
| TOTAL SOURCES | 3,595,785 | 3,068,319 | 527,467 | 17.2% | 26,684,501 | 26,952,357 | (267,856) | -1.0% |

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

| REVENUE SOURCE | Month | | | | Year-to-Date | | | |
|--------------------------------|------------------|------------------|------------------|--------------|-------------------|-------------------|--------------------|--------------|
| | ACTUAL 2009 | ACTUAL 2008 | \$ VAR | % VAR | ACTUAL 2009 | ACTUAL 2008 | \$ VAR | % VAR |
| TAX RECEIPTS | | | | | | | | |
| Non-Auto Sales & Use | 504,420 | 563,558 | (59,138) | -10.5% | 6,239,178 | 6,670,687 | (431,509) | -6.5% |
| Auto Sales & Use | 80,550 | 80,804 | (254) | -0.3% | 873,638 | 943,452 | (69,813) | -7.4% |
| Subtotal Sales & Use | 584,970 | 644,362 | (59,392) | -9.2% | 7,112,816 | 7,614,138 | (501,322) | -6.6% |
| Personal Income | 681,679 | 868,820 | (187,140) | -21.5% | 7,627,989 | 9,114,735 | (1,486,746) | -16.3% |
| Corporate Franchise | 57,627 | 99,966 | (42,339) | -42.4% | 520,771 | 753,473 | (232,702) | -30.9% |
| Commercial Activity Tax | 0 | 0 | 0 | N/A | 0 | 0 | 0 | N/A |
| Public Utility | 566 | 738 | (172) | -23.3% | 184,516 | 157,712 | 26,804 | 17.0% |
| Kilowatt Hour | 4,792 | 4,677 | 115 | 2.5% | 135,946 | 231,218 | (95,271) | -41.2% |
| Foreign Insurance | (1,008) | (5,163) | 4,154 | -80.5% | 249,214 | 267,277 | (18,063) | -6.8% |
| Domestic Insurance | 9,723 | 154,157 | (144,434) | N/A | 155,347 | 154,592 | 755 | 0.5% |
| Other Business & Property Tax | 2,570 | 21,709 | (19,139) | N/A | 25,062 | 22,251 | 2,811 | 12.6% |
| Cigarette | 83,121 | 75,980 | 7,141 | 9.4% | 924,764 | 950,939 | (26,175) | -2.8% |
| Soft Drink | 0 | 0 | 0 | N/A | 0 | 0 | 0 | N/A |
| Alcoholic Beverage | 4,942 | 6,029 | (1,087) | -18.0% | 57,050 | 56,823 | 227 | 0.4% |
| Liquor Gallonage | 3,135 | 3,181 | (46) | -1.5% | 35,800 | 34,961 | 838 | 2.4% |
| Estate | 2,092 | 1,924 | 168 | N/A | 64,403 | 61,359 | 3,045 | 5.0% |
| Horse Racing | 0 | 0 | 0 | N/A | 0 | 0 | 0 | N/A |
| Total Tax Receipts | 1,434,209 | 1,876,380 | (442,171) | -23.6% | 17,093,678 | 19,419,477 | (2,325,800) | -12.0% |
| NON-TAX RECEIPTS | | | | | | | | |
| Federal Grants | 530,424 | 220,404 | 310,019 | 140.7% | 6,850,656 | 5,643,901 | 1,206,756 | 21.4% |
| Earnings on Investments | 15,839 | 85,480 | (69,641) | -81.5% | 137,135 | 168,553 | (31,418) | -18.6% |
| License & Fee | 664 | 725 | (61) | -8.5% | 65,835 | 67,680 | (1,845) | -2.7% |
| Other Income | 33,041 | 4,443 | 28,598 | 643.7% | 79,779 | 80,482 | (703) | -0.9% |
| ISTVS | 4,144 | 29,119 | (24,976) | -85.8% | 24,649 | 44,129 | (19,480) | -44.1% |
| Total Non-Tax Receipts | 584,111 | 340,172 | 243,939 | 71.7% | 7,158,054 | 6,004,744 | 1,153,310 | 19.2% |
| TOTAL REVENUES | 2,018,320 | 2,216,552 | (198,232) | -8.9% | 24,251,731 | 25,424,221 | (1,172,490) | -4.6% |
| TRANSFERS | | | | | | | | |
| Budget Stabilization | 1,012,289 | 0 | 1,012,289 | N/A | 1,012,289 | 0 | 1,012,289 | N/A |
| Liquor Transfers | 13,000 | 39,000 | (26,000) | -66.7% | 163,000 | 174,268 | (11,268) | -6.5% |
| Transfers In - Capital Reserve | 0 | 0 | 0 | N/A | 0 | 0 | 0 | N/A |
| Transfers In - Other | 406,407 | 505,182 | (98,775) | -19.6% | 666,401 | 587,992 | 78,409 | 13.3% |
| Temporary Transfers In | 145,769 | 5,977 | 139,792 | N/A | 591,080 | 472,777 | 118,303 | 25.0% |
| Total Transfers | 1,577,465 | 550,159 | 1,027,307 | N/A | 2,432,770 | 1,235,037 | 1,197,733 | 97.0% |
| TOTAL SOURCES | 3,595,785 | 2,766,711 | 829,075 | 30.0% | 26,684,501 | 26,659,258 | 25,242 | 0.1% |

GENERAL REVENUE FUND DISBURSEMENTS

Total FY 2009 GRF disbursements, across all fund uses, were \$27,632.0 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) | \$26,783.4 million |
| Transfers | Temporary or permanent transfers out of the GRF that are not agency expenditures | \$848.6 million |
| TOTAL GRF DISBURSEMENTS: | | \$27,632.0 million |

Year-to-date expenditures and interagency transfers were 0.3% 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 June expenditures in this category were \$355.6 million, representing a variance of \$53.1 million (17.5%) above the estimate. For the fiscal year, expenditures were \$19.6 million or 0.3% below estimate.

June disbursements by the Department of Education totaled \$354.6 million and were \$55.2 million (16%) above estimate. Variances for the month can be attributed primarily to expenditures for Ohio Core Support (\$2.6 million above estimate), transportation (\$7.1 million above estimate) and foundation payments to school districts that were \$47.4 million above estimate. Property Tax Allocation disbursements totaled \$88.6 million in June.

Higher Education

June disbursements for Higher Education were \$173.0 million, representing a variance of \$9.9 million (5.4%) below the estimate for the month. Year-to-date disbursements were \$2,650.3 million, representing a variance totaling \$24.6 million (0.9%) above the estimate. Disbursements from the Access Challenge, Success Challenge, Urban University, College Readiness & Access, and the Teacher Improvement Initiatives programs were \$6.3 million less than anticipated for the month. This variance is a result of budget recalibrations and the unpredictable nature of requests for payment from campuses.

Public Assistance and Medicaid

June expenditures in this category, which includes all GRF expenditures by the Department of Job & Family Services (ODJFS), were \$732.6 million or 13.6% 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 FY 2009, ODJFS non-Medicaid General Revenue Fund disbursements totaled \$871.5 million.

June 2009 disbursements for ODJFS non-Medicaid totaled \$68.9 million. When compared to June FY 2009 disbursement estimates, in aggregate, actual disbursements were \$15.2 million (32.8%) under estimate. The following attribute the variance:

- Approximately \$7.5 million in under-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 \$2.4 million in under-spending was in the Support Services line item 600321. This was primarily due to lower than projected payroll and lower than projected expenses for back-office functions.
- Approximately \$1.0 million in under-spending was in the Computer Projects line item 600416. This was primarily due vendor contact payments for network administration, Medicaid Management Information System (MMIS), Statewide Automated Child Welfare Information System (SACWIS), and County Financial Information System (CFIS) not being made as anticipated.
- Approximately \$3.4 million in under-spending was in the Child Support Administrative Subsidy line item 600502. This was primarily due to the correction of an accounting system error.

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 June totaled \$10,237 million, which was \$150.8 million (1.5%) below the revised estimate and \$512.7 million (4.8%) below the original estimate prepared at the beginning of FY 2009. GRF disbursements in June were \$701.4 million, which was \$91.8 million (11.6%) below the revised estimate and \$177.1 million (20.2%) 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 \$891.2 million (8.7%) higher.

June disbursements compared to the same month in FY 2008 were \$366.1 million (50.8%) higher.

Year-to-date all funds disbursements through the month of June totaled \$12,212 million, which was \$157.5 million (1.3%) under the revised projections and \$191.6 million (1.5%) below the original estimate prepared at the beginning of FY 2009. All funds disbursements for the month of June totaled \$1,021 million, which was \$92.5 million (8.3%) below the revised estimate and \$66.4 million (6.1%) below the original projection prepared at the beginning of FY 2009. Year-to-date disbursements as compared to the same period in FY08 were \$891.2 million (8.7%) higher. June disbursements compared to the same month in FY08 were \$366.1 million (55.9%) higher.

Due to timing issues associated with the close of the fiscal year, the final fee for service payment of \$70.9 million originally planned to be disbursed in June 2009 was instead posted in July 2009. The timing of this transaction accounts for year-over-year variance and the variance versus estimate. In addition, this report shows a large variance compared to the same period in the previous year. This is due to the fact that approximately \$434 million in managed care and fee for service payments expected to be disbursed in June 2008 were instead paid in July 2008. Finally, the difference between the variances between the original and revised estimate seen in the year to date GRF disbursement is primarily due to increased use of non-GRF funds per Budget Directive #11.

Other notable variances across all funding sources include:

- *ODJFS Waivers*: Disbursements for JFS administered waivers (Transitions, Transitions Carve-out, and Home Care) were \$23.5 million in June, which was \$4.1 million under revised projections, and \$3.4 million under the original estimate. Caseload and cost per claim continue to be lower than expected. The variance is also caused in part due to the \$70.9 million payment moved to July 2009 noted above.
- *Inpatient Hospital*: Medicaid inpatient hospital disbursements continue to be under projections. Disbursements for the month of June totaled \$87.5 million, which were \$36.5 million under revised projections and \$9.5 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. The variance is also caused in part due to the \$70.9 million payment moved to July 2009 noted above.

Caseload

Total Medicaid caseload for the month of May (the most recent data available) was 1.95 million covered persons, which was an increase of 11,316 people from the previous month, and 33,501 over projected enrollment. This represents the 17th consecutive month of caseload growth. This also reflects a decrease in rate of caseload increase, which had increased by an average of approximately 19,000 consumers per month over the previous three months. ODJFS will continue to monitor caseload to determine if this is part of an emerging trend or a single occurrence.

The Covered Families and Children (CFC) category caseload increased by 11,307 persons in May. Total CFC enrollment for the month of May was 1.47 million persons, which was 39,783 (2.8%) over projection. Fee-For-Service (FFS) enrollment declined by 8,010 consumers, while

Managed Care enrollment increased by 19,317 people. The largest categorical increase was seen in Healthy Families Expansion, a core eligibility group, with an additional 9,001 members.

The Aged Blind and Disabled (ABD) category increased by 260 persons in the month of May, for a total enrollment of 466,819 consumers, which was 6,230 (1.3%) under projection. The largest increase was in the Special Low-Income Medicare Beneficiary program (SLMB) of 770 people, which was partially offset by a decrease in the core eligibility group.

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.

June expenditures in this category were \$40.9 million, which was \$12.7 million (23.7%) below estimate. Significant notes include:

- For FY 2009, the Department of Health disbursements totaled \$72.9 million, which is under estimate by \$6.3 million (8%). June 2009 disbursements for the Department of Health totaled \$8.0 million. When compared to June 2009 estimates, in aggregate, actual disbursements were \$2.1 million (21%) below estimate. This is primarily attributable to the following: The Immunizations line item 440418 was under estimate by \$600,000, owing to payments for vaccines for Hepatitis B, Diphtheria, Tetanus, Polio, and others not being made as anticipated. The AIDS Prevention and Treatment line item 440444 was under estimate by \$450,000 and the Help Me Grow line 440459 was under budget by \$2.65 million due to spending controls implemented by the department. The Bureau for Children with Medical Handicaps line item 440505 was over estimate by \$1.5 million. This was due to subsidy payments originally projected for previous months being made in June.
- For the year, the Department of Aging disbursements total \$171.3 million, which was below estimate by \$2.8 million (1.6%). June 2009 disbursements for the Department of Aging totaled \$7.2 million. When compared to June 2009 estimates, in aggregate, actual disbursements were \$2.7 million (27%) below estimate. The under-spending was primarily attributable to the PASSPORT line item 490403, which alone was under estimate by \$2.4 million as more federal funds were used than planned. The remaining under-spending (approximately \$500,000) was due to less administrative spending than planned.
- The Department of Mental Health (DMH) disbursed \$7.3 million in the month of June, which was \$24.7 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 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. In addition to the -\$15.0 million variance in the 334408 line item was a \$10.6 million negative 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 Developmental Disabilities (DMR) disbursed \$15.0 million in the month of June, which was \$1.1 million over the estimate. The variance is attributable to various line items.

Environmental Protection & Natural Resources

June expenditures under this category totaled \$729,000 and below the \$2.4 million estimated for the month. Within this category and largely accounting for the variance, the Department of Natural Resources expended a total of \$712,000, resulting in a variance of \$2.1 million (75%) below the anticipated June expenditure. The variance is due in large part to \$1.2 million in under-spending by the Parks and Recreation line item, as well as \$562,000 in under-spending by the Divisions of Forestry and Soil & Water Conservation Districts. The under spending in these line items is the result of payroll funds being disbursed from non-general revenue funds rather than the general revenue fund as originally anticipated.

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, June expenditures in this category were \$99.8 million, which was \$9.0 million (8.3%) above estimate for the month. For the fiscal year, expenditures were just 0.4% above estimate. Significant notes from the subcategories include:

- Disbursements in the Corrections category totaled \$81.4 million in the month of June, which was \$10.0 million (10.9%) less than the \$91.4 million estimate for the month.
 - The Department of Rehabilitation and Correction (DRC) disbursed \$73.5 million in the month of June, which was \$2.3 million (3.2%) more than the estimate.
 - The Department of Youth Services (DYS) disbursed \$7.9 million in the month of June, which was \$8.3 million (60.7%) less than estimate. This variance is due to the agency originally planning an additional payroll in the month of June, that was actually recorded in May.

Transportation

For FY 2009, the Department of Transportation disbursements were \$21.4 million; less than \$1.0 million below the estimate.

Community & Economic Development

June expenditures in this category were \$5.0 million, which was \$3.0 million (37.7%) below estimate for the month. Notable variance within this category was attributable to the Department of Development.

For FY 2009, the Department of Development GRF disbursements were \$106.5 million, which was \$8.9 million or 9.3% above the estimate. For the month of June the Department of Development disbursed \$4.2 million, which is \$2.9 million or 41% below the estimate. The variance was due primarily to the timing of roughly \$1 million in Discover Ohio media purchase

payments. The funds have been encumbered and will likely be disbursed throughout the first quarter of Fiscal Year 2010.

In addition to Discover Ohio, the Department of Development was below estimate in appropriation line items, Thomas Edison (195401), Rapid Outreach (195412), Regional Offices & Economic Development (195415), and the Governor's Office of Appalachia (195416). These variances were the result of lower than anticipated grant reimbursements.

Tax Relief & Other

June tax relief disbursements totaled \$94.2 million, which was \$36.2 million below the monthly estimate. 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% and 2.5% 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.

Debt Service

For FY 2009, disbursements for debt service were \$67.3 million or 9.8% or below estimate. The variance was largely accounted for in June when debt service expenditures reflected a restructuring of the state's outstanding GRF-backed obligations. Albeit modest in size, the restructuring was carefully developed nonetheless to ensure that the final term of the new debt did not exceed the final term of the existing debt, to keep the term of the financing equal to or less than the useful life of the financed assets, and to maintain the rapid amortization of the state's total GRF-backed debt.

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 | \$ | % |
| | JUNE | JUNE | VAR | VAR | ACTUAL | ESTIMATE | VAR | VAR |
| Primary, Secondary and Other Education | 355,574 | 302,522 | 53,052 | 17.5% | 7,005,036 | 7,024,625 | (19,589) | -0.3% |
| Higher Education | 172,963 | 204,950 | (31,987) | -15.6% | 2,632,584 | 2,611,651 | 20,934 | 0.8% |
| Public Assistance and Medicaid | 732,569 | 848,361 | (115,792) | -13.6% | 11,108,523 | 11,309,013 | (200,490) | -1.8% |
| Health and Human Services | 40,903 | 53,617 | (12,714) | -23.7% | 1,194,590 | 1,199,752 | (5,163) | -0.4% |
| Justice and Public Protection | 99,764 | 108,760 | (8,995) | -8.3% | 2,088,135 | 2,080,781 | 7,354 | 0.4% |
| Environmental Protection and Natural Resources | 729 | 2,404 | (1,675) | -69.7% | 89,600 | 89,078 | 522 | 0.6% |
| Transportation | 1,674 | 1,232 | 443 | 35.9% | 21,433 | 22,410 | (978) | -4.4% |
| General Government | 8,073 | 17,491 | (9,418) | -53.8% | 354,436 | 366,727 | (12,291) | -3.4% |
| Community and Economic Development | 5,007 | 8,041 | (3,034) | -37.7% | 146,297 | 140,996 | 5,301 | 3.8% |
| Tax Relief and Other | 94,150 | 130,368 | (36,218) | -27.8% | 1,526,226 | 1,347,712 | 178,513 | 13.2% |
| Capital Outlay | 25 | 513 | (488) | -95.2% | 312 | 555 | (243) | -43.8% |
| Debt Service | 27,973 | 83,388 | (55,416) | -66.5% | 616,248 | 683,518 | (67,270) | -9.8% |
| Pending Payroll | 0 | 0 | 0 | N/A | 0 | 0 | 0 | N/A |
| Total Expenditures & ISTV's | 1,539,406 | 1,761,649 | (222,243) | -12.6% | 26,783,420 | 26,876,820 | (93,399) | -0.3% |
| Transfers Out: | | | | | | | | |
| OPER TRF OUT-OTH | 384 | 0 | 384 | N/A | 244,087 | 236,136 | 7,951 | 3.4% |
| OPER TRF OUT-TEMPORARY | 0 | 0 | 0 | N/A | 604,470 | 620,705 | (16,235) | -2.6% |
| Total Transfers (Out) | 384 | 0 | 384 | N/A | 848,557 | 856,841 | (8,285) | -1.0% |
| Total Fund Uses | 1,539,790 | 1,761,649 | (221,859) | -12.6% | 27,631,977 | 27,733,661 | (101,684) | -0.4% |

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 | 355,574 | 231,031 | 124,544 | 53.9% | 7,005,036 | 6,876,892 | 128,145 | 1.9% |
| Higher Education | 172,963 | 168,462 | 4,501 | 2.7% | 2,632,584 | 2,548,826 | 83,758 | 3.3% |
| Public Assistance and Medicaid | 732,569 | 384,880 | 347,689 | 90.3% | 11,108,523 | 10,274,835 | 833,688 | 8.1% |
| Health and Human Services | 40,903 | 52,194 | (11,291) | -21.6% | 1,194,590 | 1,278,394 | (83,804) | -6.6% |
| Justice and Public Protection | 99,764 | 92,836 | 6,928 | 7.5% | 2,088,135 | 2,063,545 | 24,590 | 1.2% |
| Environmental Protection and Natural Resources | 729 | 1,797 | (1,068) | -59.4% | 89,600 | 101,584 | (11,984) | -11.8% |
| Transportation | 1,674 | 445 | 1,230 | 276.5% | 21,433 | 22,627 | (1,194) | -5.3% |
| General Government | 8,073 | 12,516 | (4,444) | -35.5% | 354,436 | 357,730 | (3,294) | -0.9% |
| Community and Economic Development | 5,007 | 9,849 | (4,842) | -49.2% | 146,297 | 133,771 | 12,526 | 9.4% |
| Tax Relief and Other | 94,150 | 66,777 | 27,374 | 41.0% | 1,526,226 | 1,406,925 | 119,300 | 8.5% |
| Capital Outlay | 25 | 0 | 25 | N/A | 312 | 146 | 166 | 114.3% |
| Debt Service | 27,973 | 78,004 | (50,031) | -64.1% | 616,248 | 656,507 | (40,259) | -6.1% |
| Pending Payroll | 0 | 0 | 0 | N/A | 0 | 0 | 0 | N/A |
| Total Expenditures & ISTV's | 1,539,406 | 1,098,791 | 440,615 | 40.1% | 26,783,420 | 25,721,783 | 1,061,638 | 4.1% |
| Transfers Out: | | | | | | | | |
| OPER TRF OUT-BUD STABILIZATION | 0 | 0 | 0 | N/A | 0 | 0 | 0 | N/A |
| OPER TRF OUT-OTH | 384 | (53,064) | 53,449 | -100.7% | 244,087 | 215,622 | 28,465 | 13.2% |
| OPER TRF OUT-TEMPORARY | 0 | 122,672 | (122,672) | N/A | 604,470 | 472,777 | 131,693 | 27.9% |
| Total Transfers (Out) | 384 | 69,608 | (69,224) | N/A | 848,557 | 688,399 | 160,158 | 23.3% |
| Total Fund Uses | 1,539,790 | 1,168,399 | 371,391 | 31.8% | 27,631,977 | 26,410,182 | 1,221,795 | 4.6% |

FUND BALANCE

Table 5 describes the General Revenue Fund (GRF) FY 2009 final ending fund balance. Based on the actual revenue for FY 2009 and the actual FY 2009 disbursements, transfers, and encumbrances, the GRF ending fund balance for FY 2009 was \$389.1 million.

This amount includes the required year end carryover balance as defined in Section 131.44 of the Ohio Revised Code, which for FY 2009 is \$133.4 million.

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

| | |
|---|---------------------|
| July 1, 2008 Beginning Cash Balance | \$ 1,682,002 |
| Plus FY 2009 Actual Revenues | 17,401,075 |
| Plus FY 2009 Actual Federal Revenues | 6,850,656 |
| Plus FY 2009 Actual Transfers to GRF | 2,432,770 |
| Total Sources Available for Expenditure & Transfer | 28,366,503 |
| Less FY 2009 Actual Disbursements | 26,783,420 |
| Less FY 2009 Actual Total Encumbrances as of June 30, 2009 | 345,423 |
| Less FY 2009 Actual Transfers Out | 848,557 |
| Total Actual Uses | 27,977,400 |
| FY 2009 ENDING FUND BALANCE | 389,103 |
| One half of one percent target ending fund balance | 133,423 |
| Excess / (Shortfall) | 255,681 |