OBM

Ted Strickland
Governor

J. Pari Sabety
Director

August 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 July 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.

Several economic indicators suggest that the national recession may be realizing its trough and a recovery – albeit a weak recovery – may begin by the end of the summer. Positive developments during the second quarter of CY 2009 include the slowdown in the rate of decline in nonresidential fixed investment and the largest-ever drawdown in inventories as a percent of previous-period final sales. At the same time, GDP has contracted for four consecutive quarters, which is the longest period of sustained decline since World War II.

Ohio's tax receipts for July may be characterized with the same sort of guarded optimism. For the first time in ten months, Ohio's tax receipts exceeded estimates on an aggregate basis; however, total tax receipts were approximately 11% below July 2008 levels. OBM and the Department of Taxation will continue to monitor closely both the tax receipts and macroeconomic benchmarks that may signal gradual progress toward recovery.

The revenue section of this report contains detailed information regarding the performance of individual tax sources. The disbursements section of this report contains July's actual GRF expenditures but category-specific estimates are not yet completed for FY 2009. The estimates will be included in the September 10th report.

MONTHLY FINANCIAL REPORT
TABLE OF CONTENTS

ECONOMIC SUMMARY

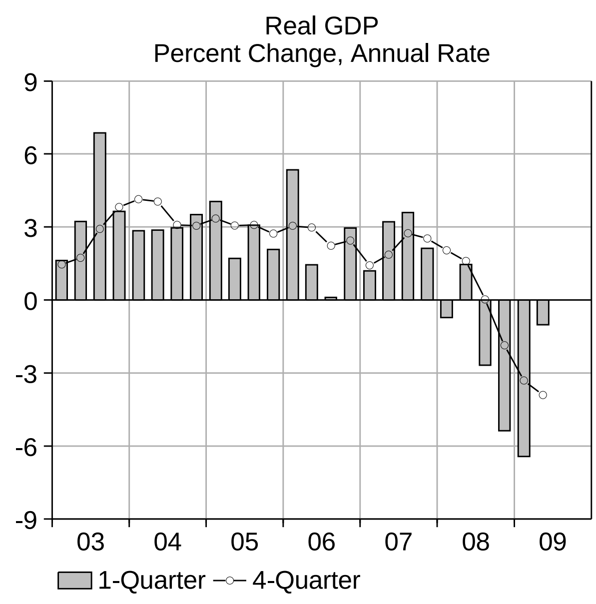
The economy contracted in the second quarter and for the fourth consecutive quarter. Real GDP is widely projected to increase modestly in the third quarter. Employment remained in a downtrend through July and the unemployment rate stayed near its high for the cycle, at 9.4% in the U.S. in July and 11.1% in Ohio in June. Leading economic indicators suggest that an economic recovery will begin nationally before the end of the summer. Economists expect the recovery from the 2007-09 recession to be weak by historical standards, as were the recoveries from the 1990-91 and 2001 recessions. The pace of economic recovery in Ohio will depend heavily on the fate of the motor vehicle industry.

Overview of Economic Performance

- While some leading economic indicators point toward early stages of recovery, the consensus is that the recovery will be weaker than average.
- Total U.S. employment decreased by 247,000 jobs in July, the smallest decline since last August. The unemployment rate, at 9.4%, remains at the highest level since 1983.
- Consumer confidence decreased somewhat in July, but the trends still appears to be improving relative to the extreme lows registered in February.

Economic Growth

The economy contracted at an annual rate of 1.0% in the second quarter. The change in first quarter real GDP was revised lower to -6.4% and the fourth quarter change was revised up to -5.4%. Since the peak in the second quarter of 2008, real GDP has decreased by 3.9%, exceeding all other post-World War II peak-to-trough and 4-quarter declines.

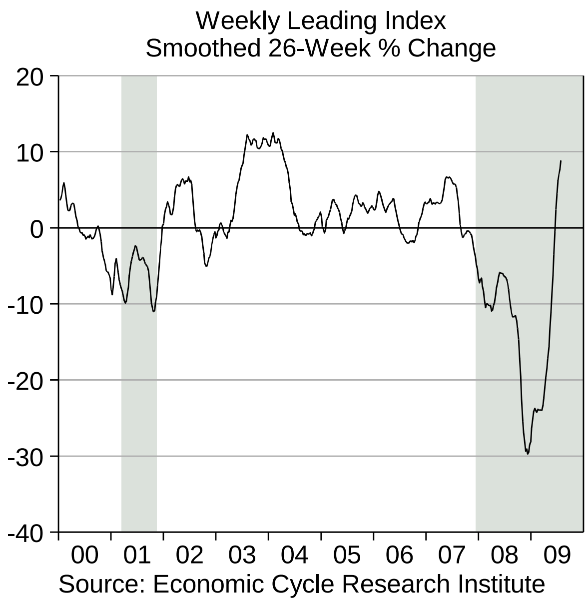


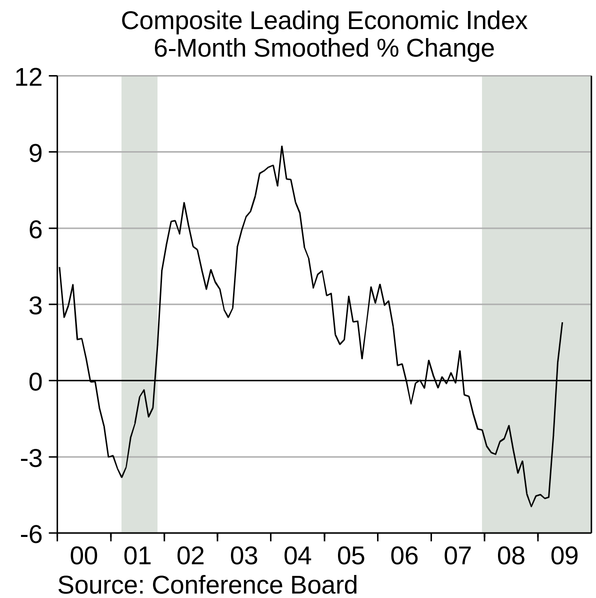
Real GDP decreased in each of the past four quarters and four of the past six quarters. The economy had not previously contracted in four straight quarters in the quarterly dataset beginning in 1947. GDP declined in four quarters during the severe 1981-82 recession, but not in any two consecutive quarters. GDP declined in five quarters during the severe 1973-75 recession, but only in three consecutive quarters. In contrast, real GDP declined in only two quarters each during the 1990-91 and 2001 recessions.

Contributing to the decrease in real GDP during the first quarter, in order of the amount subtracted, were personal consumption expenditures, investment in residential structures, change in private inventories, investment in business equipment and software and investment in nonresidential structures. Positive contributions were made, in order of the amount contributed, by net exports and government consumption and investment.

Positive developments during the quarter include:
- the slowdown in the rate of decline in nonresidential fixed investment and
- the largest-ever drawdown in inventories as a percent of previous-period final sales.

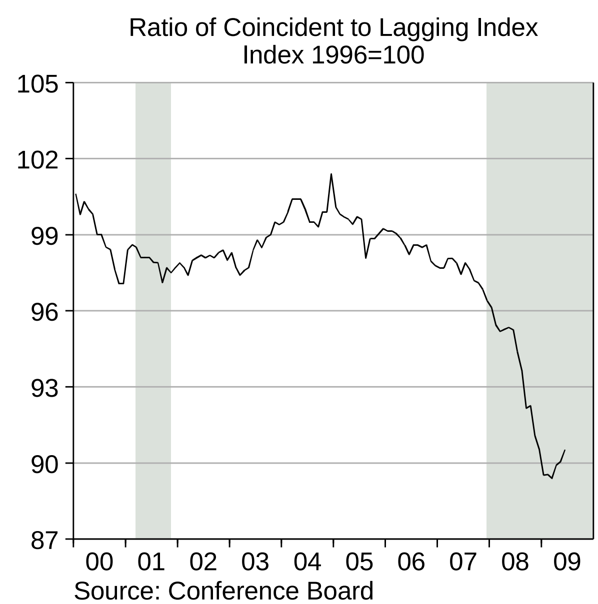
Nonresidential fixed investment, which includes investment in structures and equipment, decreased at an alarming annual rate of 39.2% in the first quarter. The rate of decline improved to 8.9% in the second quarter. The size of inventory drawdown is likely a prelude to a snap-back in production during the second half.





Leading economic indicators convincingly point to a near-term trough in the economy. The Weekly Leading Index (WLI) developed by the Economic Cycle Research Institute (ECRI) has staged an unprecedented rebound during the past eight months. After falling to a record low -29.7% in early December 2008 (roughly half-again as deep as any previous decline), the smoothed growth rate increased to +8.8% as of late-July. Every such rebound in the WLI in the past has correctly signaled the end of recession.

In addition, two monthly leading economic indicators also point unequivocally to recovery. The Leading Economic Index (LEI) increased for the third straight month in June, and the rate of change increased to +2.3%, up from a cycle low of -5.0% last November. Another indicator – the ratio of the Coincident Index to the Lagging Index has flashed a recovery signal by also increasing in each of the three months ending in June. Every time the LEI rate of change and the ratio have rebounded following a period of recession as they have recently, the economy has begun to recover in short order.

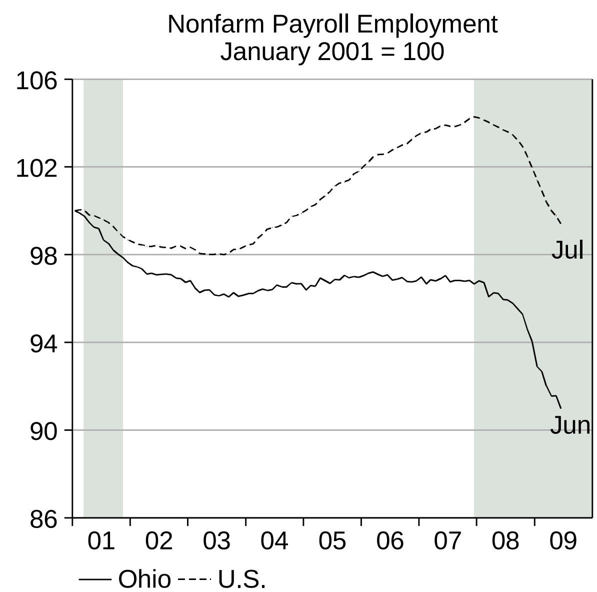


The consensus is that the recovery will be weaker than average. The *Blue Chip Economic Indicators* panel projected in early July that the economy will expand by only about 2% during the first year of recovery. That would be weaker than the first-year recovery from every one of the ten previous recessions, during which growth averaged almost 7%. The economy expanded only 2.3% following the 2001 recession and only 2.7% following the 1990-91 recession – the two most recent recessions.

Employment

The rate of job loss moderated in July after a temporary acceleration in June. The length of the workweek increased 0.1 hours from the all-time record low set in June, leaving total hours worked flat during the month. The unemployment rate dipped 0.1 percentage point to 9.4% in the first decrease since April 2008. Average hourly earnings increased 0.2% and the year-over-year rate of change fell to 2.5%.

Total employment decreased by 247,000 jobs in July, the smallest decline since last August. The total loss since December 2007 increased to 6.7 million jobs. Job losses were widespread in July, with fewer than one-in-three of 271 industries reporting higher payrolls than in June. Higher employment compared with June was reported by a little more than 20% of 83 manufacturing industries.



The **unemployment rate** decreased 0.1 percentage points to 9.4% – still the highest level since August 1983. The increase was reduced by a 422,000 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, was 16.3% – near the all-time high of 16.5%.

In an indication of ongoing weakness in the demand for labor, the length of the workweek remained unchanged at 33.0 hours. Total hours worked were flat in July, 2.3% at an annual rate below the second quarter average. If hours worked stay at the July level throughout the quarter, another large increase in productivity – which appears likely – would be necessary to avoid a decline in real GDP.

Initial jobless claims decreased slightly in the week ending August 1, and the 4-week moving average also declined. Although job losses remain high, the weekly tally has been below its 4-week moving average most of the time since late March, underscoring the relative improvement in labor markets. At 550,000 claimants in the most recent week, initial claims remain well above the normal level of approximately 325,000.

The steep rate of job loss resumed in Ohio in June after a brief respite in May. **Ohio employment** decreased by 33,000 jobs during the month, bringing the year-to-date job loss to 171,700 jobs. Employment has decreased by 279,000 jobs, or 5.2%, during the twelve months ending in June. The June decline was led by a drop of 15,400 jobs in manufacturing and included declines in all major sectors except information (+500) and financial activities (+1,100).

Of the eleven **Ohio Metropolitan Statistical Areas**, only Sandusky added jobs (+700) during the twelve months ended in June. Employment fell by the largest amounts in Cleveland (-63,200), Cincinnati (-44,700) and Toledo (-24,600). Columbus lost 15,900 jobs.

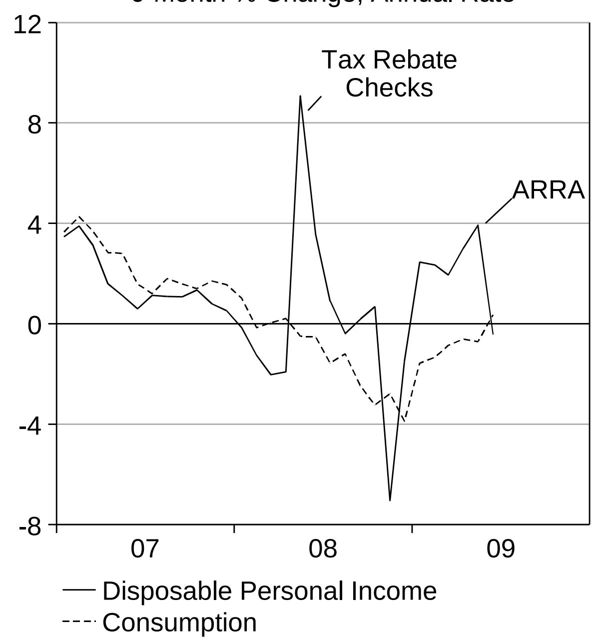
Employment fell substantially in Ohio and each of the **contiguous states** during the year ending in June. The declines were larger in states with a higher concentration of employment in manufacturing and smaller in states with a higher concentration of employment in mining. Employment fell 8.1% in Michigan, 5.2% in Indiana and Ohio, 4.4% in Kentucky, 3.0% in Pennsylvania and 2.9% in West Virginia. For the region as a whole, employment was down 5.0% during the same period, compared with a decline of 4.0% for all states outside the region combined.

Consumer Income and Consumption

Personal income fell 1.3% in June, retracing the 1.3% increase in May caused by transfer payments from the American Recovery and Reinvestment Act (ARRA). Compared with a year earlier, personal income was down 3.4% – the sixth straight monthly year-over-year decline and the largest for this cycle. Excluding the effects of ARRA, personal income declined 0.1% in June and by a smaller amount in May.

The benchmark revisions to the National Income and Product Accounts confirm that incomes fell much farther than previously reported. For example, revised personal income decreased 8.0% annualized in the first quarter, compared with the previous estimate of a 2.3% decrease. The adjusted data match emp-loyment trends more accurately and help explain why personal income tax pay-ments have been weaker than previously reported income numbers suggested.

Real Income and Consumption
6-Month % Change, Annual Rate



Personal consumption expenditures increased 0.4% in June. The May increase was revised lower from 0.3% to 0.1%. Consumers cut back on spending in both March and April. Consumers saved 4.6% of disposable income, down from 6.2% in May, but still well above the rate experienced during much of the 2000s.

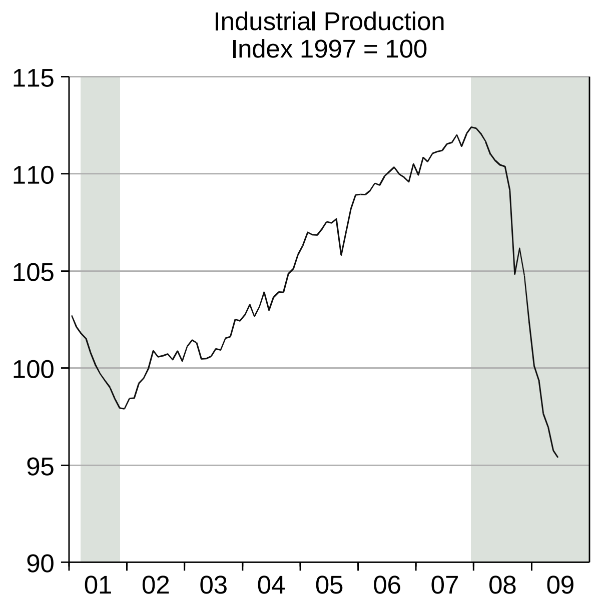
The Cash-for-Clunkers program boosted consumer spending in July and early in August. The sales pace of light motor vehicles jumped to an annual rate of 11.2 million units in July from an average of 9.6 million units during the previous six months. Outside of the auto sector, same-store sales at retailers increased 2.3% in July, following a decrease of 1.0% in June. Compared with a year earlier, however, same-store sales still were lower by 5.1%.

Consumer attitudes deteriorated somewhat in July, according to the Reuters/University of Michigan and the Conference Board surveys. Both assessments of current conditions and expectations softened. Nonetheless, the trend still appears to be toward improving consumer confidence relative to the extreme lows registered in February.

Manufacturing

Industrial production decreased 0.4% in June, down 13.6% from June 2008. The monthly performance was the best since the 1.3% increase in October 2008, which reflected recovery from weather and strike disturbances. The June decline was the best clean report since July 2008, when production decreased 0.1%.

Even so, industrial production was weak in June. Output declined in all three major sectors: manufacturing, utilities and mining. Production in motor vehicles and parts fell 2.6%, as assemblies of new vehicles slid 5.0%. Midwest industrial production decreased in three out of the four main sectors, according to the Federal Reserve Bank of Chicago.



Compared with a year earlier, U.S. manufacturing production was lower by 15.5% and below the pre-recession peak by 17.5% – another new record. The second-worst showing was the 15.3% decline in the nasty 1973-75 recession, followed by the 14.3% in the 1957-58 recession.

The 2008-09 recession will have ended when industrial production increases and the increase survives revisions. Industrial production reached its low point within one month of the end of each of the previous ten recessions dating back to 1948-49. The trough in production coincided with the trough in the economy on seven occasions, preceded it by one month on one occasion (1953-54), and followed it by one month on two occasions (1973-75 and 1981-82).

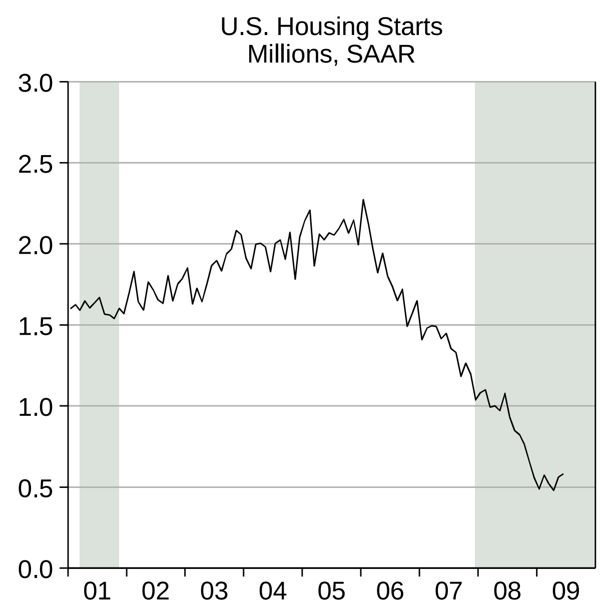
Purchasing managers at manufacturing companies reported better conditions yet again in July. The overall index increased from 44.8 to 48.9 – the best level since August, before the financial crisis unfolded. The new orders index, which topped the neutral level of 50 for the first time in May, increased to 55.3 – its best level since July 2007. The production index increased to 57.9 – its best level since June 2007. In a very strong report from purchasing managers, all other sub-components of the overall index improved during July.

Construction

Construction put-in-place increased 0.3% in June, following a 0.8% decrease in May. Compared with a year earlier, construction put-in-place was down 10.2%, somewhat better than the cycle low of -11.7% in March. Single-family home construction increased for the first time in forty months. Multi-family housing construction fell sharply.

Private nonresidential construction decreased 0.5% in June after a 0.4% decrease in May. Nonresidential construction was off by 4.8% versus a year earlier, the sixth straight negative year-over-year comparison. The **Architecture Billings Index** (ABI) compiled by the American Institute of Architects slid in June to the lowest mark since February, indicating additional weakness in nonresidential construction in the months ahead.

As suggested by the value of construction put-in-place, housing markets are beginning to make a slow turn for the better. The Case-Shiller **home price index** for 20 major cities posted only a marginal decline in May – the smallest in more than two years. **Housing starts** added 3.6% in June to the 17.3% increase in May. In the Midwest, housing starts jumped by one-third in June. U.S. **new home sales** increased in each of the last two months, and **existing home sales** have increase for three straight months. The National Association of Realtors' **Pending Home Sales Index** has increased for five straight months.



GENERAL REVENUE FUND RECEIPTS

For the August 10th report, OBM has prepared monthly revenue estimates for GRF taxes only. Monthly estimates for the remaining revenue sources will be completed in time for the September 10th report. As a result, estimates for the month of July for all non-tax sources are equal in the table to actual receipts. During the month of July**, total GRF receipts totaled $1,890.6 million** which was $17.4 million (0.9%) above estimates**.** This positive variance was driven entirely by the performance of **GRF tax receipts** which totaled $1,139.4 million and was $17.4 million, or 1.6% above estimates.

Category	Includes:	YTD Variance	% Variance
Tax receipts	Sales & use, personal income, corporate franchise, public utility, kilowatt hour, foreign & domestic insurance, other business & property taxes, cigarette, soft drink, alcoholic beverage, liquor gallonage, estate & horse racing	$17.4 million	1.6%
Non-tax receipts	Federal grants, earnings on investments, licenses & fees, other income, intrastate transfers	$0.0 million	0.0%
Transfers	Budget stabilization, liquor transfers, capital reserve, other	$0.0 million	0.0%
TOTAL REVENUE VARIANCE:		$17.4 million	0.9%

Driving the positive performance of tax receipts for the month of July was better than estimated performance in the personal income and cigarette taxes, which together combined to bring in $22.0 million more than estimated and thereby offset a $5.4 million negative variance in the non-auto sales tax. The remaining tax sources combined brought in a total of $86.7 million and were above estimates by less than $1 million.

Individual Sources Above Estimate		Individual Sources Below Estimate	
Personal Income Tax	$11.6	Non-Auto Sales Tax	($5.5)
Cigarette Tax	$10.5	Kilowatt Hour Tax	($1.0)
Other Sources Above Estimate	$2.1	Other Sources Below Estimate	($0.3)
Total above	**$24.2**	**Total below**	**($6.8)**

Non-Auto Sales and Use Tax

Non-auto sales tax receipts totaled $538.6 million in the month of July, falling slightly below the estimates by $5.5 million (1.0%). While revenue was very close to the estimate, this was more the result of low estimates than improved performance as the non-auto sales tax continues to struggle. Specifically, on a year-over-year basis, the tax experienced a negative variance of $64.7 million (10.7%) relative to the same month last fiscal year - a year over year decrease that is consistent with the performance of this tax in the second half of FY 2009. Continued declines in this tax are likely the result of several factors. Two factors that have been mentioned frequently by national economic analysts are: (i) the need for households to rebuild their balance sheets in order to meet savings targets for such things as retirement and college education; (ii) hesitancy to spend on non-essential items in times of high unemployment and resulting fears of job loss and/or hours cutbacks.

Auto Sales Tax

In July, auto sales tax receipts totaled $78.4 million and exceeded estimates by $536,000 (0.7%). On a year-over-year basis, receipts for the auto sales tax were $9.3 million (10.6%) below the performance for the same month last fiscal year. Due to timing lag in the receipt of funds, virtually no additional revenues are recognized in July as a result of the government cash for clunkers program. Instead, these anticipated revenues are included in the estimates for August through November. It should also be noted that total estimated receipts for auto sale tax for the fiscal year assume no additional revenue due to the cash for clunker program. This is because the annual estimates were done before the program had been enacted. Given the expansion of the program that was passed by Congress in early August, there is a good chance that auto sales tax revenues in excess of what has been projected will be forthcoming.

Personal Income Tax

Personal income tax receipts were marginally higher than estimate in July 2009, with receipts totaling $487.4 million or $11.5 million (2.4%) above the monthly estimate. Driving this positive variance was withholding which totaled $558.3 million and was $12.7 million or 2.3% above the estimate. Despite being above estimate, withholding receipts were still 10.5 percent below last year. Adjusting for the withholding rate cut (an effective cut of five percent), baseline withholding dropped by about 5.5 percent. While this is still a significant negative number, it is two to three percent better than declines in the latter part of FY 2009.

FY2010 PERSONAL INCOME TAX RECEIPTS BY COMPONENT ($ in millions)

	ESTIMATE JULY	ACTUAL JULY	$ VAR JULY	ACTUAL JULY 09	ACTUAL JULY 08	$ VAR
Withholding	$545.6	$558.3	$12.7	$558.3	$624.1	($65.8)
Quarterly Est.	$12.3	$11.9	($0.4)	$11.9	$17.7	($5.8)
Trust Payments	$0.9	$0.4	($0.5)	$0.4	$0.9	($0.5)
Annual Returns & 40 P	$11.0	$6.6	($4.4)	$6.6	$11.0	($4.4)
Other	$5.8	$6.8	$1.0	$6.8	$5.8	$1.0
Less: Refunds	($43.7)	($40.0)	$3.7	($40.0)	($43.7)	$3.7
Local Distr.	($56.0)	($56.5)	($0.5)	($56.5)	($72.6)	$16.1
Net to GRF	**$475.9**	**$487.4**	**$11.5**	**$487.4**	**$543.2**	**($55.7)**

Corporate Franchise Tax

Corporate franchise receipts for the month of July at negative $9.6 million as a result of refunds issued. While negative for the month, the amount of refunds issued was actually below the estimate by $0.4 million or 3.5%. As Fiscal Year 2010 is the final year for completing the phase out of this tax for most taxpayers, comparing the performance on a year-over-year basis will not be meaningful.

Commercial Activity Tax

In FY 2010, receipts from the commercial activity tax (CAT) will continue to be distributed to non-GRF funds to reimburse school districts and local governments for the phase out of the tangible personal property tax. During the month of July, CAT receipts totaled $18.6 million, an amount $14.0 million below that which was collected in the same month a year ago. As the first payment date for this tax in FY 2010 is August 10th, OBM will be closely monitoring collections to assess the extent to which the year-over-year decline may be a matter of the timing of payments.

Kilowatt Hour Tax

The kilowatt hour tax during the month of July posted total receipts of $9.6 million which were $1.0 million (9.8%) below estimate. This variance attributable largely to the relatively weak demand for electricity driven by what has to date been a milder than expected summer.

Cigarette Tax

The cigarette tax posted receipts of $26.5 million during the month of July which was $10.5 million (65.6%) above estimates. While the performance of this tax at the end of FY 2009 was stronger than expected, OBM believes that a large portion of the overage in July may be due at least in part to the timing of payments and the possibility that some payments estimated for August may have actually been remitted in July (collections on July 31 were $11.2 million). As a result, OBM will monitor this tax throughout August to determine if in fact the sizeable July overage is in part the result of timing and if so, to what extent.

GRF non-tax receipts totaled $738.0 million in July, with actual for the month being the estimate. On a year over year basis, non tax receipts were and were $97.6 million below the amount posted in July 2008 (11.7%). This variance is primarily due to a drop in federal revenue received as reimbursement for Medicaid expenditures. **GRF transfers** for the month of July totaled $13.2 million, with most of that coming in the form of liquor profits transfers. On a year over year basis, GRF transfers in July were $6.9 million below transfers for the same month a year ago.

Table 1
GENERAL REVENUE FUND RECEIPTS
ACTUAL FY 2010 VS ESTIMATE FY 2010
($ in thousands)

	Month				Year-to-Date			
REVENUE SOURCE	ACTUAL JULY	ESTIMATE JULY	$ VAR	% VAR	ACTUAL Y-T-D	ESTIMATE Y-T-D	$ VAR	% VAR
TAX RECEIPTS								
Non-Auto Sales & Use	538,607	544,100	(5,493)	-1.0%	538,607	544,100	(5,493)	-1.0%
Auto Sales & Use	78,436	77,900	536	0.7%	78,436	77,900	536	0.7%
Subtotal Sales & Use	617,042	622,000	(4,958)	-0.8%	617,042	622,000	(4,958)	-0.8%
Personal Income	487,449	475,900	11,549	2.4%	487,449	475,900	11,549	2.4%
Corporate Franchise	(9,647)	(10,000)	353	-3.5%	(9,647)	(10,000)	353	-3.5%
Commercial Activity Tax	0	0	0	N/A	0	0	0	N/A
Public Utility	139	0	139	N/A	139	0	139	N/A
Kilowatt Hour	9,566	10,600	(1,034)	-9.8%	9,566	10,600	(1,034)	-9.8%
Foreign Insurance	(336)	(100)	(236)	235.8%	(336)	(100)	(236)	235.8%
Domestic Insurance	(176)	(700)	524	-74.9%	(176)	(700)	524	-74.9%
Other Business & Property Tax	57	0	57	N/A	57	0	57	N/A
Cigarette	26,489	16,000	10,489	65.6%	26,489	16,000	10,489	65.6%
Soft Drink	0	0	0	N/A	0	0	0	N/A
Alcoholic Beverage	5,604	5,400	204	3.8%	5,604	5,400	204	3.8%
Liquor Gallonage	2,994	2,900	94	3.2%	2,994	2,900	94	3.2%
Estate	229	0	229	N/A	229	0	229	N/A
Horse Racing	0	0	0	N/A	0	0	0	N/A
Total Tax Receipts	1,139,411	1,122,000	17,411	1.6%	1,139,411	1,122,000	17,411	1.6%
NON-TAX RECEIPTS								
Federal Grants	728,992	728,992	0	0.0%	728,992	728,992	0	0.0%
Earnings on Investments	0	0	0	N/A	0	0	0	N/A
License & Fees	469	469	0	0.0%	469	469	0	0.0%
Other Income	8,676	8,676	0	0.0%	8,676	8,676	0	0.0%
ISTV'S	(130)	(130)	0	0.0%	(130)	(130)	0	0.0%
Total Non-Tax Receipts	738,006	738,006	0	0.0%	738,006	738,006	0	0.0%
TOTAL REVENUES	1,877,417	1,860,006	17,411	0.9%	1,877,417	1,860,006	17,411	0.9%
TRANSFERS								
Budget Stabilization	0	0	0	N/A	0	0	0	N/A
Liquor Transfers	13,000	13,000	0	0.0%	13,000	13,000	0	0.0%
Transfers In - Capital Reserve	0	0	0	N/A	0	0	0	N/A
Transfers In - Other	164	164	0	0.0%	164	164	0	0.0%
Temporary Transfers In	0	0	0	N/A	0	0	0	N/A
Total Transfers	13,164	13,164	0	0.0%	13,164	13,164	0	0.0%
TOTAL SOURCES	1,890,581	1,873,170	17,411	0.9%	1,890,581	1,873,170	17,411	0.9%

Table 2
GENERAL REVENUE FUND RECEIPTS
ACTUAL - FY 2010 VERSUS FY 2009
($ in thousands)

	Month				Year-to-Date			
REVENUE SOURCE	JULY FY 2010	JULY FY 2009	$ VAR	% VAR	ACTUAL FY 2010	ACTUAL FY 2009	$ VAR	% VAR
TAX RECEIPTS								
Non-Auto Sales & Use	538,607	603,366	(64,760)	-10.7%	538,607	603,366	(64,760)	-10.7%
Auto Sales & Use	78,436	87,774	(9,338)	-10.6%	78,436	87,774	(9,338)	-10.6%
Subtotal Sales & Use	617,042	691,140	(74,098)	-10.7%	617,042	691,140	(74,098)	-10.7%
Personal Income	487,449	543,161	(55,712)	-10.3%	487,449	543,161	(55,712)	-10.3%
Corporate Franchise	(9,647)	26,670	(36,318)	-136.2%	(9,647)	26,670	(36,318)	-136.2%
Commercial Activity Tax	0	0	0	N/A	0	0	0	N/A
Public Utility	139	0	139	N/A	139	0	139	N/A
Kilowatt Hour	9,566	6,108	3,458	56.6%	9,566	6,108	3,458	56.6%
Foreign Insurance	(336)	(59)	(277)	469.2%	(336)	(59)	(277)	469.2%
Domestic Insurance	(176)	(611)	435	-71.2%	(176)	(611)	435	-71.2%
Other Business & Property Tax	57	(47)	104	-222.4%	57	(47)	104	-222.4%
Cigarette	26,489	18,043	8,446	46.8%	26,489	18,043	8,446	46.8%
Soft Drink	0	0	0	N/A	0	0	0	N/A
Alcoholic Beverage	5,604	5,305	299	5.6%	5,604	5,305	299	5.6%
Liquor Gallonage	2,994	2,885	108	3.8%	2,994	2,885	108	3.8%
Estate	229	42	187	446.7%	229	42	187	446.7%
Horse Racing	0	0	0	N/A	0	0	0	N/A
Total Tax Receipts	1,139,411	1,292,638	(153,228)	-11.9%	1,139,411	1,292,638	(153,228)	-11.9%
NON-TAX RECEIPTS								
Federal Grants	728,992	823,668	(94,677)	-11.5%	728,992	823,668	(94,677)	-11.5%
Earnings on Investments	0	0	0	N/A	0	0	0	N/A
License & Fee	469	5,971	(5,502)	-92.2%	469	5,971	(5,502)	-92.2%
Other Income	8,676	5,978	2,698	45.1%	8,676	5,978	2,698	45.1%
ISTV'S	(130)	30	(160)	-535.7%	(130)	30	(160)	-535.7%
Total Non-Tax Receipts	738,006	835,647	(97,641)	-11.7%	738,006	835,647	(97,641)	-11.7%
TOTAL REVENUES	1,877,417	2,128,285	(250,868)	-11.8%	1,877,417	2,128,285	(250,868)	-11.8%
TRANSFERS								
Budget Stabilization	0	0	0	N/A	0	0	0	N/A
Liquor Transfers	13,000	15,000	(2,000)	-13.3%	13,000	15,000	(2,000)	-13.3%
Transfers In - Capital Reserve	0	0	0	N/A	0	0	0	N/A
Transfers In - Other	164	5,065	(4,900)	-96.8%	164	5,065	(4,900)	-96.8%
Temporary Transfers In	0	0	0	N/A	0	0	0	N/A
Total Transfers	13,164	20,065	(6,900)	-34.4%	13,164	20,065	(6,900)	-34.4%
TOTAL SOURCES	1,890,581	2,148,349	(257,769)	-12.0%	1,890,581	2,148,349	(257,769)	-12.0%

GENERAL REVENUE FUND DISBURSEMENTS

July 2009 GRF disbursements, across all fund uses, were $ 2,797.2 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)	$ 2,784.5 million
Transfers	Temporary or permanent transfers out of the GRF that are not agency expenditures	$ 12.7 million
TOTAL GRF DISBURSEMENTS:		$ 2,797.2 million

GRF disbursements are reported according to functional reporting categories and this section contains information regarding each category. Typically the section contains an explanation of significant variances to the month's estimates; however, because GRF disbursement estimates are not yet finalized for FY 2010, this month's references to any relevant variances will relate to last year's expenditures for the month of July.

Primary, Secondary, and Other Education

This category includes expenditures made by the Department of Education, E-tech, School for the Blind, and School for the Deaf. The July expenditures in this category were $889.4 million representing a variance of $232.7 million (35.4%) year-over-year.

July disbursements by the Department of Education totaled $883.1 million and were higher by $236.3 million (37%) on a year-over-year basis. Variances for the month can be attributed to the August foundation payment posting on July 31st. The year-to-date variance will be offset by August disbursements. Non-foundation expenditures were $14 million (15%) lower year-over-year.

Higher Education

July disbursements for Higher Education were $201.9 million, representing a variance of $22.0 million (12.2%) above disbursements in July of Fiscal Year 2009. This variance is primarily due to a large July lease-rental debt service payment. Of the Board of Regents' GRF appropriation line items, only seven posted expenses higher in July of fiscal year 2010 compared to July of fiscal year 2009.

Public Assistance and Medicaid

July expenditures in this category, which includes all GRF expenditures by the Department of Job & Family Services (ODJFS), were $1,166.2 million.

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

ODJFS non-Medicaid General Revenue Fund disbursements totaled $92.7 million for the month of July, which is $13.1 million (12%) higher than July 2008 disbursements. This is primarily attributable to the following:

- Temporary Assistance for Needy Family (TANF) and Child Care State match payments increased 100% to $41.5 million. In FY 2009, these disbursements were posted in August instead of July. Excluding this payment, JFS total disbursements were $32.1 million (40%) lower than FY 09.
- Entitlement Administration disbursements were $8.5 million lower than FY 09 due to interim budgets and a 33% decrease in appropriation from FY09 original House Bill 119 levels.
- Disbursements from the Support Services Administration line item were $3.5 million less than FY09. The department limited expenditures to payroll while the interim budgets were in effect.
- Children and Families Services disbursements were $5.4 million lower than FY 2009 due to a 23% decrease in appropriations from FY09 original House Bill 119 levels.
- Subsidies disbursed from the Administration-Local line item were $4.4 million less than subsidies disbursed in July 2008 due to the Department limiting disbursements during the period of interim budgets.
- Under spending across the remaining GRF line items also contributed to the variance.

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

GRF disbursements for the Medicaid program for the month of July were $1,073.5 million, which was $286.4 million (21.1%) below disbursements over the same period in the prior year.

All funds disbursements for July were $1,073.7 million, which was $286.2 million (21.0%) below expenditures in the previous July. In order to provide additional clarity, disbursements amounts will be shown in chart form in addition to the narrative. While the table currently shows disbursements as compared to the same period in the previous year, future iterations will show the variance compared to monthly estimates.

	July FY10	July FY09	Variance	Variance %
GRF	$ 1,073,457,608	$ 1,359,818,001	$ (286,360,393)	-21.1%
Non-GRF	$ 252,342	$ 86,538	$ 165,804	191.6%
All Funds	$ 1,073,709,950	$ 1,359,904,539	$ (286,194,589)	-21.0%

As noted in the July 10 Monthly Financial Report, the large year-over-year variance is primarily attributable to the fact that managed care and fee-fee-for service payments of approximately $434 million originally scheduled to be paid in June 2008 were instead paid in July 2008, resulting in increased expenditures as expenditures for both months posted in July. This is partially offset by a fee for service payment of $70.9 million originally slated to be disbursed in June 2009 was instead posted in July 2009 due to timing issues around the year end close.

Other notable variances across all funding sources include:

<u>Managed Care (CFC & ABD)</u> – Disbursements for Managed Care in July totaled $422.7 million, which was $308.9 million (42.2%) below the same period in the previous year. As noted above, this is due primarily to the fact that the June and July 2008 payments were both made in July.

<u>Prescription Drugs</u> – Prescription drugs in July showed an increase of $9.7 million (23%) over the same period in the previous year. This is due to an additional payment week in July 2009 (five in FY10, four in FY09).

Caseload

Due to work on an upgrade to the data system responsible for tracking caseload information, there is no updated information this month. The upgrade is expected to be completed within the next several weeks. A discussion of caseload trends will resume when those data are available.

Health and Human Services

This category includes GRF expenditures for the following state agencies: Aging, Mental Health, Developmental Disabilities, ODADAS, and Health. Examples of expenditures in this category include: administration of the state's psychiatric hospitals; operating subsidies to county boards of developmental disabilities; 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.

July 2009 expenditures in this category were $95.1 million. Significant notes include:

- July 2009 disbursements for the Department of Health totaled $2.3 million. When compared year-over-year with the July 2008 total of $10.9 million, the expenditures were lower by $8.6 million (79%). This is primarily attributable to the following:
  - The Mothers and Children Safety Net Services line (440-416) was lower by $2.6 million since no subsidies were paid in July due to the interim budgets.
  - The Immunizations line item was $2.7 million less than last year due to fewer encumbrances being carried into FY10 (and subsequently paid in July).
  - The Healthy Ohio line item was under FY09 by $500,000. This was due to the program having less money in FY10 in total, along with activities being delayed due to the interim budgets.
  - The Medically Handicapped Children line item was lower by $1.3 million as subsidy payments were delayed given the interim budgets.

- July 2009 disbursements for the Department of Aging totaled $13.4 million. When compared year-over-year with the July 2008 total of $15.0 million, the expenditures were lower by $1.6 million (10%). This is primarily attributable to the following:
  - The Long Term Care line item (490-423), which is the conglomeration of the PASSPORT, PACE, and Assisted Living lines (formerly 490-403, 490-421, and 490-422), was below FY09 by $2.5 million. This was due to federal funds absorbing more of the costs (including administration) in FY10 than in FY09.

This trend will continue in FY10 given the additional eFMAP funding and reduced GRF amounts.
  - The Residential State Supplement line was higher than FY09 by $0.9 million. This was due to the monthly payment being made in July in FY10; in FY09 the payment for July was made in August.

- The Department of Alcohol and Drug Addiction Services disbursed $6.2 million in the month of July, which is $3.4 million less than expenditures in July 2008. The variance is due to the decrease in GRF appropriation between fiscal years 2009 and 2010.

- The Department of Mental Health disbursed $50.8 million in the month of July, which is $28.6 million less than expenditures in July 2008. The variance is due to the delayed disbursement of subsidy to county boards across multiple line items and the decrease in GRF appropriation between fiscal years 2009 and 2010.

- The Department of Developmental Disabilities disbursed $17.8 million in the month of July, which is $33.4 million less than expenditures in July 2008. The variance is due to the delayed disbursement of subsidy to county boards across multiple line items.

Environmental Protection & Natural Resources

July expenditures under this category totaled $8.6 million. Within this total, the Department of Natural Resources expended a total of $8.6 million, which was $2.6 million below the July 2008 expenditure level. The primary factor in the under spending was $2.2 million in under spending by the Soil and Water Conservation Districts line item. The under spending in this line item is the result of subsidies being disbursed in August which had traditionally been disbursed in July due to the Continuing Resolutions that were in effect during the first half of July. The under spending is anticipated to be reconciled in the upcoming months.

Justice and Public Protection

This category includes GRF expenditures by the Department of Rehabilitation & Corrections (DRC) and the Department of Youth Services (DYS). In the aggregate, July expenditures in this category were $251.5 million, which was $30.3 million (10.7%) less than the amount disbursed in July of Fiscal Year 2009. Significant notes from the subcategories include:

- The Department of Rehabilitation and Correction (DRC) disbursed $143.1 million in the month of July, which was $57.3 million (28.6 percent) less than the $200.4 million disbursed in July of fiscal year 2009.

- The Department of Youth Services (DYS) disbursed $55.1 million in the month of July, which was $3.8 million (6.4 percent) less than the $58.9 million disbursed in July of fiscal year 2009.

Transportation

For July 2009, the Department of Transportation disbursements were $1.4 million, which was $224,000 (18.7%) above the disbursements in July 2008.

General Government

For July 2009, General Government disbursements were $33.7 million, which was $9.1 million (21.2%) below the disbursements in July 2008.

Community & Economic Development

July expenditures in this category were $8.7 million, which was $259,000 (3.1%) above disbursements in July 2008.

Tax Relief & Other

July disbursements for tax relief totaled $69.3 million, which was $56.1 million above the amounts disbursed in July 2008. Of the amount disbursed, $38.9 million was paid to school districts while $30.4 million was paid to local governments. The major factor in the sizeable year over year monthly increase was the receipt of certifications from two counties at the end of FY 2009. As processing of payments of the OAKS system had already ended in order to close out the fiscal year, these payments that would normally have been made in June were not made until July. These payments are made to local governments and school districts to reimburse for revenues foregone as a result of the 10 percent and 2.5 percent rollback, as well as the homestead exemption.

Debt Service

July expenditures in this category were $58.8 million, which was $61.4 million (51.1%) below disbursements in July 2008. The variance is attributed to the timing of scheduled payments.

Table 3
GENERAL REVENUE FUND DISBURSEMENTS
ACTUAL FY 2010 VS ESTIMATE FY 2010
($ in thousands)

Functional Reporting Categories Description	MONTH ACTUAL JULY	MONTH ESTIMATED JULY	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	889,407	0	889,407	N/A	889,407	0	889,407	N/A
Higher Education	201,928	0	201,928	N/A	201,928	0	201,928	N/A
Public Assistance and Medicaid	1,166,168	0	1,166,168	N/A	1,166,168	0	1,166,168	N/A
Health and Human Services	95,146	0	95,146	N/A	95,146	0	95,146	N/A
Justice and Public Protection	251,464	0	251,464	N/A	251,464	0	251,464	N/A
Environmental Protection and Natural Resources	8,616	0	8,616	N/A	8,616	0	8,616	N/A
Transportation	1,418	0	1,418	N/A	1,418	0	1,418	N/A
General Government	33,700	0	33,700	N/A	33,700	0	33,700	N/A
Community and Economic Development	8,667	0	8,667	N/A	8,667	0	8,667	N/A
Tax Relief and Other	69,269	0	69,269	N/A	69,269	0	69,269	N/A
Capital Outlay	0	0	0	N/A	0	0	0	N/A
Debt Service	58,773	0	58,773	N/A	58,773	0	58,773	N/A
Pending Payroll	0	0	0	N/A	0	0	0	N/A
Total Expenditures & ISTV's	**2,784,556**	**0**	**2,784,556**	**N/A**	**2,784,556**	**0**	**2,784,556**	**N/A**
Transfers Out:								
OPER TRF OUT-OTH	12,689	0	12,689	N/A	12,689	0	12,689	N/A
OPER TRF OUT-TEMPORARY	0	0	0	N/A	0	0	0	N/A
Total Transfers (Out)	**12,689**	**0**	**12,689**	**N/A**	**12,689**	**0**	**12,689**	**N/A**
Total Fund Uses	**2,797,244**	**0**	**2,797,244**	**N/A**	**2,797,244**	**0**	**2,797,244**	**N/A**

Table 4
GENERAL REVENUE FUND DISBURSEMENTS
ACTUAL FY 2010 VS ACTUAL FY 2009
($ in thousands)

	MONTH				YEAR-TO-DATE			
Functional Reporting Categories Description	**JULY 2010**	**JULY 2009**	**$ VAR**	**% VAR**	**ACTUAL 2010**	**ACTUAL 2009**	**$ VAR**	**% VAR**
Primary, Secondary and Other Education	889,407	656,684	232,723	35.4%	889,407	656,684	232,723	35.4%
Higher Education	201,928	179,946	21,982	12.2%	201,928	179,946	21,982	12.2%
Public Assistance and Medicaid	1,166,168	1,439,484	(273,316)	-19.0%	1,166,168	1,439,484	(273,316)	-19.0%
Health and Human Services	95,146	173,499	(78,354)	-45.2%	95,146	173,499	(78,354)	-45.2%
Justice and Public Protection	251,464	281,729	(30,265)	-10.7%	251,464	281,729	(30,265)	-10.7%
Environmental Protection and Natural Resources	8,616	11,223	(2,607)	-23.2%	8,616	11,223	(2,607)	-23.2%
Transportation	1,418	1,194	224	18.7%	1,418	1,194	224	18.7%
General Government	33,700	42,758	(9,058)	-21.2%	33,700	42,758	(9,058)	-21.2%
Community and Economic Development	8,667	8,408	259	3.1%	8,667	8,408	259	3.1%
Tax Relief and Other	69,269	13,122	56,147	427.9%	69,269	13,122	56,147	427.9%
Capital Outlay	0	0	0	N/A	0	0	0	N/A
Debt Service	58,773	120,158	(61,385)	-51.1%	58,773	120,158	(61,385)	-51.1%
Pending Payroll	0	0	0	N/A	0	0	0	N/A
Total Expenditures & ISTV's	**2,784,556**	**2,928,205**	**(143,649)**	**-4.9%**	**2,784,556**	**2,928,205**	**(143,649)**	**-4.9%**
Transfers Out:								
OPER TRF OUT-BUD STABILIZATION	0	0	0	N/A	0	0	0	N/A
OPER TRF OUT-OTH	12,689	217,093	(204,404)	-94.2%	12,689	217,093	(204,404)	-94.2%
OPER TRF OUT-TEMPORARY	0	0	0	N/A	0	0	0	N/A
Total Transfers (Out)	**12,689**	**217,093**	**(204,404)**	**-94.2%**	**12,689**	**217,093**	**(204,404)**	**-94.2%**
Total Fund Uses	**2,797,244**	**3,145,297**	**(348,053)**	**-11.1%**	**2,797,244**	**3,145,297**	**(348,053)**	**-11.1%**