OBM

Ted Strickland
Governor

J. Pari Sabety
Director

July 10, 2010

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, 2010 as well as highlights of regional and national economic indicators that are important to understanding the current state and direction of Ohio's economy.

The economy is growing at a slower pace than previously reported, with first quarter real GDP growth revised downward to 2.7% following estimates of 3.0% and 3.2% in May and April, respectively. Consensus forecasts of the rate of real GDP growth for the remainder of this year have moderated to about 2.75%, with growth slightly above that level expected for the second quarter. Nationally, private employment continued its trend of slow growth while total employment decreased due to the termination of temporary government Census workers. Recent Ohio employment trends are markedly better than the nation as a whole with Ohio employment increasing by 17,100 jobs in May following a strong 30,600 new jobs in April – the best two-month gain on record dating back to 1990.

The close of June also marked the close of FY 2010 which was marked by signs of economic recovery but overshadowed by the depth of impact of the worst national recession in more than 50 years. Ohio's FY 2010 General Revenue Fund (GRF) tax receipts fell $860.1 million (5.0%) below FY 2009 collections. Compared to FY 2008, just two years ago, the State has lost more than $3.19 billion (16.4%) of its GRF tax receipt base. Estimates of FY 2010 GRF tax receipts were extremely close to actual performance as the volatile recessionary environment eased. Tax receipts for the fiscal year fell short of estimates by just $121.5 million or 0.7%.

Total FY 2010 GRF spending remained under tight control with nearly all programmatic categories of spending below estimate. Public Assistance and Medicaid experienced the most significant under-spending, ending FY 2010 $455.9 million (4.6%) below estimate.

The State ended FY 2010 with an unobligated GRF ending fund balance of $139.1 million. For more detail on the fund balance results and balancing measures, see the ***GRF Fund Balance*** section of this report.

ARRA Revenue and Disbursement Update. Attached to this report is an appendix detailing Ohio's monthly and cumulative receipts and expenditures of American Recovery and Reinvestment Act funds, including additional detail on State Fiscal Stabilization Funds (SFSF). Of the $8.2 billion that the state is expected to receive during this three-year program, approximately $4.27 billion has been received and $4.19 billion has been expended.

MONTHLY FINANCIAL REPORT
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ECONOMIC SUMMARY

Economic Performance Overview

- Real GDP increased 2.7% in the first quarter after a 5.6% increase in the fourth quarter. Analysts expect growth to continue at a rate of 2.75% in the second half after a somewhat stronger growth rate for the second quarter.
- Overall employment decreased due to the termination of temporary government Census jobs, but private sector employment continued to grow, albeit slowly. The unemployment rate fell to a new low for this cycle of 9.5% in June, apparently reflecting a large reduction in the number of people looking for work.
- Ohio employment posted a sizable gain in May following the large April increase and the May unemployment rate decreased to 10.7%.
- Leading economic indicators remain consistent with continuing economic recovery both nationally and in Ohio, but point to a notable slowdown in the rate of growth nationally.

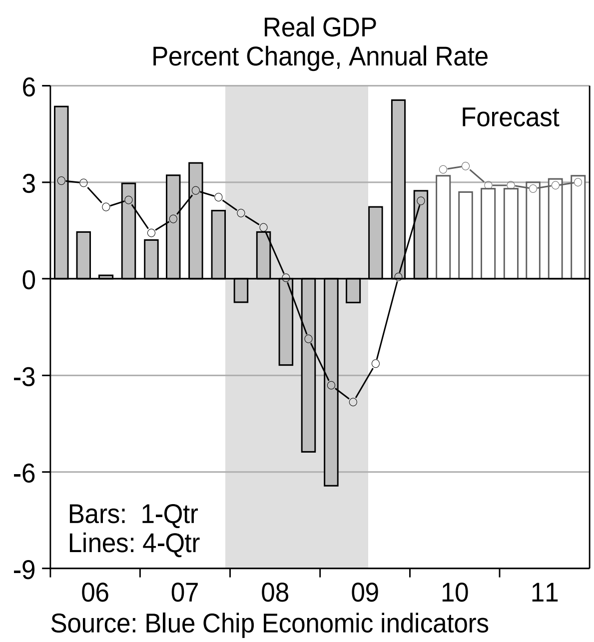
Economic Growth

The economy is slowing more than previously reported. **Real GDP** expanded only 2.7% in the first quarter, instead of the 3.0% reported in May and the 3.2% originally reported in April. The downward revision primarily reflected downward adjustments to personal consumption expenditures and net exports that were partly offset by an upward revision to inventory investment.

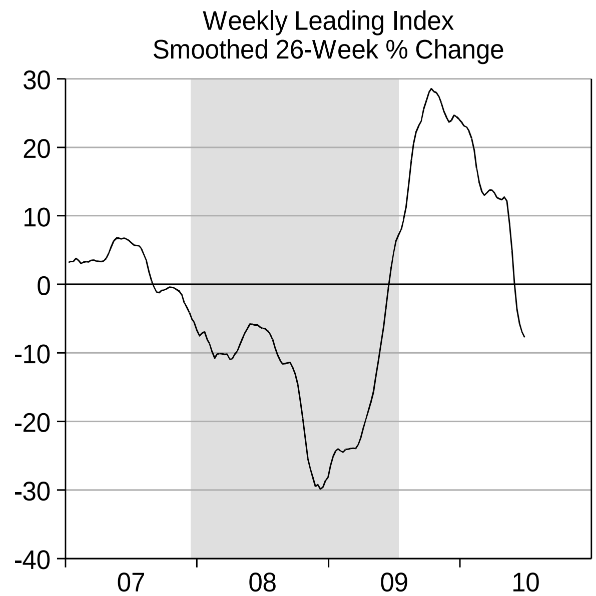
The revised first quarter growth rate is less than one-half the 5.6% fourth quarter growth rate. Compared with a year earlier, real GDP was up by 2.4%, but remained 1.3% below the peak for the last cycle that was reached in the second quarter of 2008.

Real final sales grew only 0.8% in the first quarter – down from the previous estimate of 1.4%. Real final sales has increased for four consecutive quarters, but at only an annual rate of 1.2%, ranking the last year as the weakest first-year recovery in real final sales from the recession-low among the eleven recessions since World-War II.

The consensus among forecasters is for continued moderate growth through year end at a pace of approximately 2¾%, according to *Blue Chip Economic Indicators*. Leading indicators remain consistent with uninterrupted growth, but have deteriorated recently to be consistent with a significant slowdown.



After rising to a record high last October, the growth rate of ECRI **Weekly Leading Index** fell to -7.7% in late June. The normal cyclical pattern is a rapid rise that typically begins before the end of recession followed by a significant slowdown in the growth rate of the indicator early in the subsequent recovery period. That pattern has played out again in this cycle, and points to slower economic growth in the second half.



Source: Economic Cycle Research Institute

Every time in the forty-two year history of the Weekly Leading Index that the growth rate has fallen to -7.7% or lower, the economy has been in recession. Declines in the growth rate to -6.8% in late 1987 and -5.0% in late 2002, however, were not followed by recession. In the current case, the failure of growth to rise as high as predicted by the indicator at the beginning of this recovery and the absence of confirming patterns in other leading indicators suggest that renewed recession is not the most likely path.

The **Leading Economic Index** increased 0.4% in May after no change in April. The index has not declined on a month-to-month basis since March 2009, but the 6-month smoothed percent change decreased to 8.2%, down from the peak for the cycle of 11.0% in March. The Ratio of the Coincident to Lagging Economic Index increased 0.5% in May – the third straight solid increase. Although the 6-month smoothed rate of change was positive for the tenth straight month, it fell to 5.1% from 6.2% last December. The recent pattern of the ratio is consistent with a slowing in the rate of overall economic growth during the balance of the year.

The **Ohio Leading Indicator** increased for the seventh straight month in May, lifted mainly by improvement in initial claims for unemployment insurance and the longer workweek in manufacturing. Compared with a year earlier, the index was up by 0.3% - the first year-over-year increase since December 2007.

The **Ohio Coincident Economic Index**, compiled by the Federal Reserve Bank of Philadelphia, increased 0.9% in May after a 0.8% rise in April for the fifth consecutive monthly increase. The back-to-back increase was the biggest since early in the long and strong recovery from the 1981-82 recession. The year-over-year increase in May of 1.3% was the largest since July 2007.

Employment

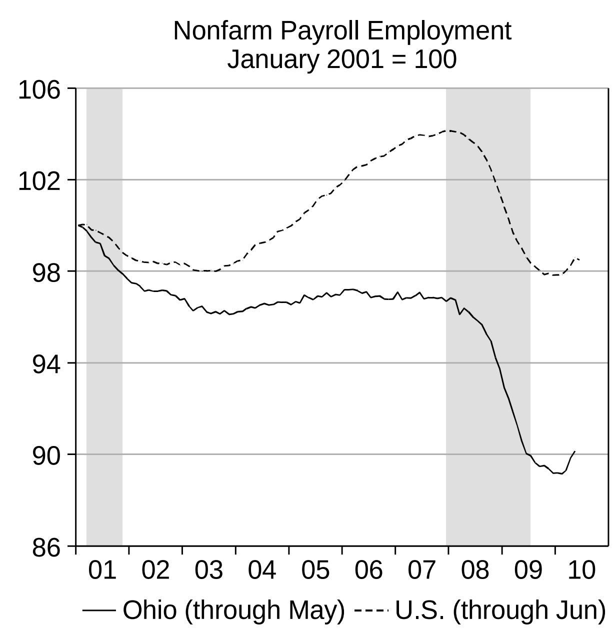
Private sector employment continued to grow slowly in June. **Total employment** decreased by 125,000 jobs, reflecting a 208,000 decrease in government jobs resulting primarily from the termination of temporary Census positions. Excluding the change in government jobs, employment increased by 83,000, up from 33,000 jobs in May but down from 241,000 jobs in April. Private sector payrolls increased by an average of 119,000 jobs per month in the second quarter, up from 79,000 jobs per month in the first quarter. In comparison, private sector payrolls decreased by 478,000 jobs in the second quarter of 2009.

The recovery in labor markets remains extremely slow compared with other recoveries since World War II, but about in line with the recoveries from the 1990-91 and 2001 recessions. Private sector employment has increased 0.7% since reaching its low for this cycle six months ago. This compares with increases of 0.6% and 0.4% following the 1990-91 and 2001 recessions, respectively.

The **unemployment rate** decreased 0.2 percentage points to 9.5% in May to 0.6 percentage points below the peak for the cycle of 10.1% reached last October, reflecting a decrease of 652,000 in the number of unemployed people looking for work. Every time in the past that the unemployment rate has declined 0.4 percentage points or more following the onset of recession, the economy has been in a durable recovery.

The **U-6 unemployment rate**, which includes unemployed people who have given up looking for work and people working part-time because they cannot find full-time jobs, edged down to 16.5%, down from the peak of 17.4% last October. But the median **duration of unemployment** increased to a new record of 25.5 weeks.

The length of the workweek for private sector workers remained at 33.4 hours in June – up from the low for the cycle of 33.0 hours last October – but the manufacturing workweek shortened from 41.5 hours in May to 41.0 hours in June and manufacturing overtime fell from 4.0 hours to 3.8 hours. Combined with trends in employment, the changes to the workweek pushed up aggregate hours worked by private sector workers marginally during June, but resulted in a 1.2% decline in aggregate hours worked in manufacturing.



Ohio employment increased by 17,100 jobs in May following a 30,600 job increase in April (originally reported as a 37,300 job increase) – the best two-month gain on record back to 1990 – reflecting strong two-month increases in manufacturing (+17,000), leisure and hospitality (+6,700), construction (+5,900), and professional and business services

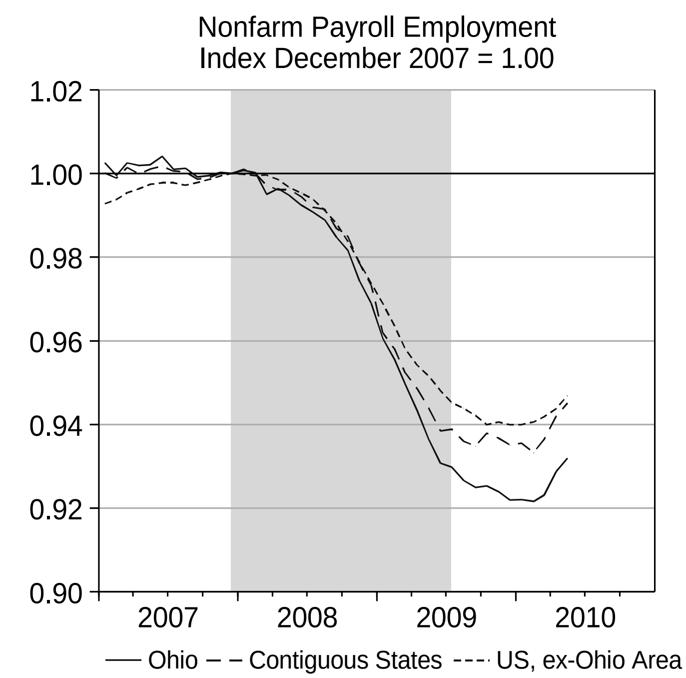
(+2,700). Ohio employment has increased by 54,100 jobs year-to-date, with the strongest gains coming in government (+23,500), manufacturing (+21,300), and professional and business services (+14,700).

Employment reached its low-point for this cycle in February at 5.0 million jobs, which was down from the peak in March 2006 by approximately 450,000 jobs. The unemployment rate edged down to 10.7% in May from the high for the cycle of 11.0% in March – the fourteenth consecutive month at or above 10.0%. The unemployment rate had reached a cyclical low of 5.3% in May 2006.

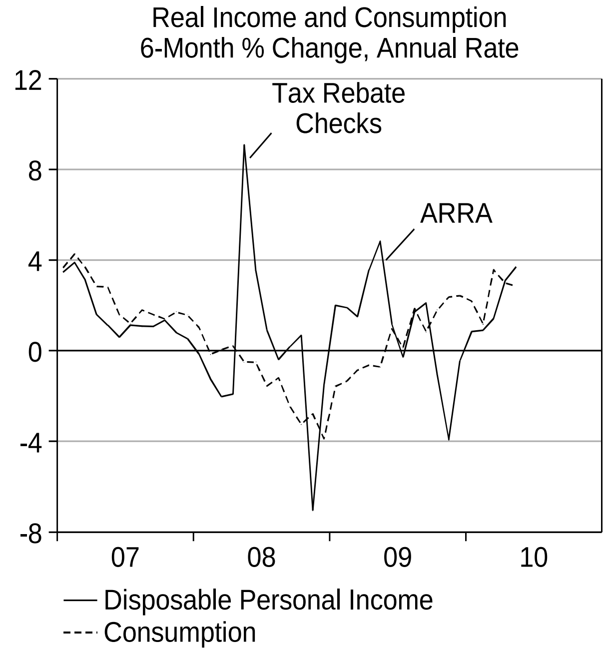
Of the eleven **Ohio Metropolitan Statistical Areas**, only Youngstown (+800), Sandusky (+700) and Toledo (+700) added jobs during the twelve months ended in May. Employment fell by the largest amounts in Cincinnati (-10,400), Columbus (-8,900) and Akron (-7,300). In general, year-over-year comparisons continued to improve.

The change in employment during the twelve months ending in May was mixed in Ohio and each of the **contiguous states**, but the year-over-year comparisons have improved markedly from the lows reached in 2009. Employment fell 0.6% in Michigan and 0.5% in Ohio and West Virginia and increased 0.9% in Indiana, 0.7% in Kentucky and 0.1% in Pennsylvania.

For the Ohio and contiguous state region, employment was unchanged during the same period, compared with a decline of 0.5% for all states outside the region combined. May was the second month since November 2002 in which year-over-year growth in Ohio and contiguous state employment was greater than growth in the rest of the country.



Consumer Income and Consumption



Personal income increased and consumer spending ticked up in May. Personal income increased 0.4% in May, and the April change was revised up to 0.5%. Compared with a year earlier, personal income was higher by 1.6% – the fifth positive year-over-year comparison in a row, but down from 2.9% in March and 2.6% in April. Wage and salary disbursements increased 0.5% in May – the seventh month without a decrease – but to only 0.7% above the year earlier level. Federal transfer payments continued to boost personal income and support personal consumption expenditures.

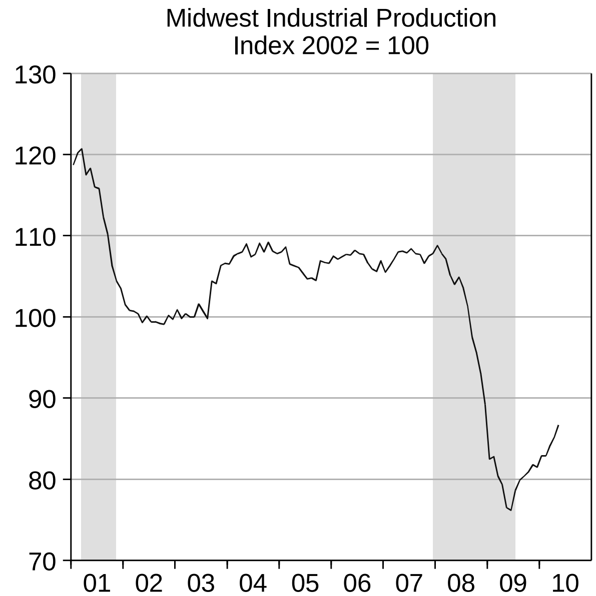
Ohio wage and salary income increased in the first quarter of 2010, the first increase since the third quarter of 2008. Prior to the first quarter, Ohio wage and salary income had fallen for five consecutive quarters, dropping $14.3 billion (6.3%) from its peak in the third quarter of 2008.

Personal consumption expenditures increased 0.2% in May, reflecting higher spending on durable goods (sales of light motor vehicles increased 3.7% to 11.6 million units at a seasonally adjusted annual rate) and services. Spending on nondurable goods fell 0.9%. Compared with a year earlier, consumer spending was higher by 4.6%. The savings rate increased to 4.0% - the highest since last August.

Chain store sales increased 3.0% in June from a year ago, accelerating from the 2.6% gain in May, according to the International Council of Shopping Centers. Warm weather and the late timing of Memorial Day are believed to have boosted sales during June. Every store category reported higher sales. Department stores and luxury outlets posted the strongest results, with sales up by 5.9% and 8.8%, respectively. Despite the favorable year-over-year comparison, the report suggests that total retail sales declined during June, reflecting a decline in seasonally adjusted gasoline prices, further decline in sales at building supply stores after a strong run-up, and a decline in motor vehicle sales.

Consumer confidence deteriorated in June, according to the Conference Board, as both assessments of current conditions and expectations retreated significantly. The overall index was 23.2% below the average level in past recessions, and the expectations index was only 3.0% above the average level observed in past recessions. Home buying intentions decreased to near the historic low. Plans to purchase a major appliance fell to the lowest level since January 1995. Plans to purchase a motor vehicle decreased to an all-time low of 3.7% dating back to 1967, and new car buying intentions fell to a record low of 1.2%.

Manufacturing



Industrial production increased by a strong 1.2% in May, but appears to have experienced little or no increase in June, based on average hours worked in manufacturing, initial jobless claims and the purchasing managers new orders index during June. Weather, which raised utility output, and a jump in motor vehicle production boosted overall activity.

Manufacturing production increased 0.9% in May after rising 0.9% in April and 1.2% in March. Compared with a year earlier, industrial production was higher by 7.6% – the best year-over-year comparison since January 1998. Of special significance for Ohio, production of primary metals, fabricated metals and machinery increased by 2.3%, 1.9% and 2.0%, respectively in May. Together, these three industries account for just under one-third of manufacturing employment in Ohio. Production of motor vehicles and parts increased by 5.5% in May.

Midwest manufacturing output increased 1.7% in May, according to the Federal Reserve Bank of Chicago. The year-over-year change in production increased from 4.7% in March to 13.3% in May. Production increased in all four sectors in May. Although Midwest manufacturing output remained 20.3% below the January 2008 peak, it has increased 13.8% from the cyclical low reached last June.

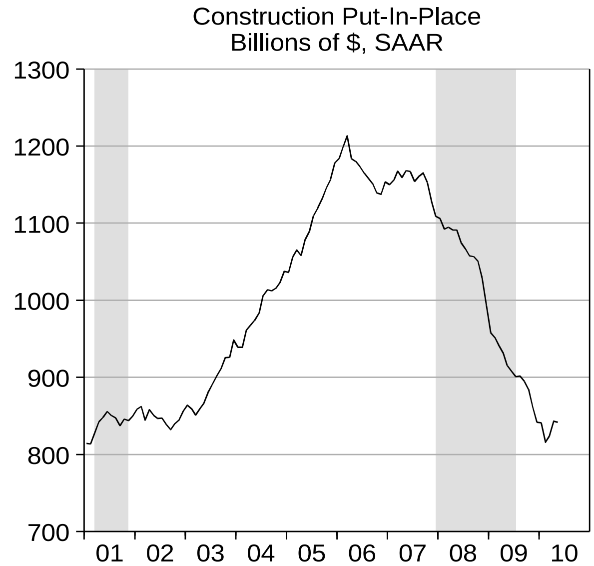
Capacity utilization in U.S. manufacturing increased to 71.5% from 70.8%, up significantly from the low of 65.1% reached last June, but approximately still at or below the troughs in all previous post-war recessions, except for the 1981-82 downturn.

Reports from **purchasing managers** at manufacturing firms deteriorated for the second month in a row in June, although they remained consistent with overall economic growth. Reports of rising new orders and production both declined notably. The prices component dropped a startling 20.5 points in June – the largest one-month decline in the history of the index dating back to 1947, except for the 23.5 point drop in September 2008 when the financial crisis erupted.

Factory orders and shipments both decreased in May after a strong string of advances. The declines were concentrated in the petroleum and commercial aircraft industries, outside of which both orders and shipments increased. The year-over-year comparisons for both orders and shipments in the non-defense capital goods excluding aircraft sector were solid at 19.2% and 11.0%, respectively.

Construction

Total **construction put-in-place** decreased 0.2% in May following very strong gains of 2.3% in April and 1.0% in March. Compared with a year earlier, construction was still down by 8.0%. Revisions to data since 2004 indicate that the downturn in construction activity was even deeper than previously reported, but show that activity has recently stabilized.

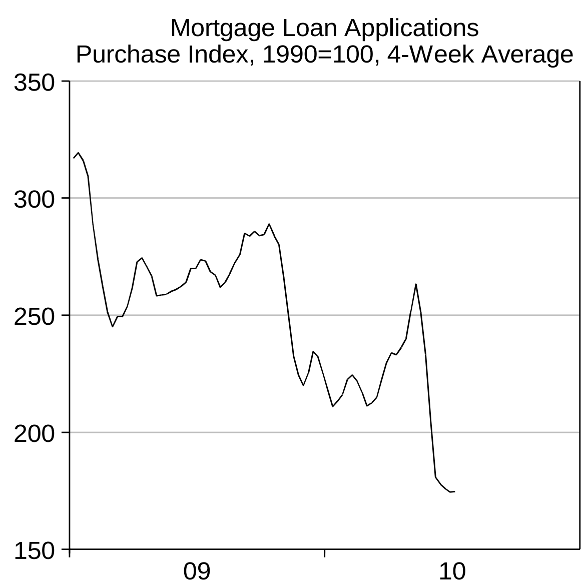


Non-residential construction put-in-place was little changed in May following increases of 1.1% and 1.3% in April and March, respectively. The only notable increases during May occurred in religious and communications properties and areas related to infrastructure. Construction of office buildings declined 1.5% to 33.8% below the year earlier level, reflecting high vacancy rates.

The **Architecture Billings Index** from the American Institute of Architects declined in May to 45.8, approximately the average level during the most recent eight months. The most recent reading above the neutral level of 50 occurred in January 2008. The Billings Index for the Midwest edged down to 48.5 in May. The New Inquiries Index declined significantly, but remained well above 50.

The expiration of tax credits for housing purchases has undermined housing activity. **Housing starts** fell sharply in May and permits declined significantly for the second month in a row. Activity slowed in both single-family and multi-family categories. Midwest housing starts increased in both April and May, although permits declined in both months.

The declines in housing construction reflect the drop-off in home sales. **New home sales** fell a startling 32.7% in May following very strong increases of 14.7% and 12.1% in April and March, respectively. New home sales fell 16.7% in the Midwest, following gains exceeding 20% in each of the two preceding months. The number of newly constructed homes for sale fell to a cycle-low of 213,000 in May, but the number of months required for those homes to be sold at the current pace increased as the result of the drop in new home sales.



Existing **home sales** fell 2.2% in May following two months of solid gains. Sales in the

Midwest were unchanged from April. Compared with a year earlier, sales were 19.2% higher across the country and 22.0% higher in the Midwest. The number of existing homes on the market declined modestly and the number of months required for those homes to be sold at the current sales pace edged down.

Reflecting the difficult labor market conditions, strained household balance sheets and little prospect of near term price appreciation, the Mortgage Bankers Association index of **mortgage applications** to purchase homes points toward further weakness in home sales in coming months. The index has decreased nearly 40% since October 2009 to its lowest level on a 4-week moving average basis since early 1997.

Home prices have leveled off in recent months following an 8-month stretch of increases from June 2009 to January 2010. According to the S&P Case/Shiller index of **home prices** in 20 metro markets, prices increased 0.4% in April after dipping 0.2% in March and 0.1% in February.

Risks facing housing include that potential effect on prices of the shadow inventory of homes pending foreclosure that is not included in the homes for sale tallies but could be put on the market this year. In addition, the current wave of adjustable mortgage rate resets could lift defaults and foreclosures and suppress prices when unemployment is already high and a large percentage of mortgage balances exceed the value of the home.

REVENUES

The monthly and fiscal year GRF revenue estimates contained in this report reflect the December passage of H.B. 318.

June GRF receipts were $2,465.7 million which was $149.2 million (6.4%) above estimate. This positive variance was the result of a combination of better-than-expected performance in the auto sales, personal income, corporate franchise, and cigarette taxes, as well as the correction of a timing issue with the domestic insurance tax. This performance combined to more than offset lower-than-expected receipts from transfers and as a result reduced the year-to-date underperformance in both tax receipts and total sources. For the fiscal year as a whole, total GRF revenue was $621.3 million (2.4%) below estimate, with the majority of that variance attributable to weaker-than-estimated income tax receipts and federal revenue foregone as a result of lower-than-estimated Medicaid spending.

Category	Description	YTD Variance ($ in millions)	YTD % Variance
Tax receipts	Sales & use, personal income, corporate franchise, public utility, kilowatt-hour, foreign & domestic insurance, other business & property taxes, cigarette, soft drink, alcoholic beverage, liquor gallonage, estate & horse racing	($121.5)	(0.7%)
Non-tax receipts	Federal grants, investment earnings, licenses & fees, other income, intrastate transfers	($354.2)	(4.6%)
Transfers	Budget stabilization, liquor transfers, capital reserve, other	($145.5)	(9.3%)
TOTAL YTD REVENUE VARIANCE:		($621.3)	(2.4%)

The stronger-than-expected performance of June tax receipts and the positive impact of a resolved timing issue within the domestic insurance tax combined to reduce the FY 2010 tax revenue shortfall to $121.5 million, just 0.7% below the annual estimate. Tax sources that exceeded estimate for the month of June included the auto sales, personal income, corporate franchise, kilowatt-hour, domestic insurance, and cigarette taxes. Positive variances in those taxes combined to more than offset weaker-than-expected performance in the non-auto, foreign insurance, and estate taxes. For the fiscal year as a whole, strong performance of the auto sales, corporate franchise, and cigarette taxes helped to offset a $232.1 million shortfall in the personal income tax that resulted from weaker-than-expected quarterly payments in January and final payments in April. On a year-over-year basis, tax receipts for the month of June were $111.8 million (7.8%) higher than a year ago. For the fiscal year as a whole, tax receipts were $860.1 million (5.0%) below FY 2009 collections and a remarkable $3.19 billion (16.4%) below FY 2008 levels.

Individual Sources Above Monthly Estimate		Individual Sources Below Monthly Estimate	
Auto Sales Tax	$10.3	Non-auto Sales Tax	($6.1)
Personal Income Tax	$45.3	Foreign Insurance Tax	($1.1)
Corporate Franchise Tax	$12.6	Estate Tax	($1.4)
Kilowatt-hour Tax	$3.1	Earnings on Investments	($18.6)
Domestic Insurance Tax	$50.6	ISTV's	($2.4)
Other Business and Property Tax	$6.3	Temporary Transfers In	($76.8)
Cigarette Tax	$15.8	Other Sources Below Estimate	($0.1)
Federal Grants	$36.8		
Liquor Transfers	$5.0		
Transfers In – Other	$68.3		
Other Sources Above Estimate	$1.6		
Total above:	**$255.7**	**Total below:**	**($106.5)**

Non-Auto Sales and Use Tax

June non-auto sales receipts totaled $523.9 million and were $6.1 million (1.2%) below estimate. The underperformance in Ohio receipts in June may be mirroring the slowed growth rates experienced in national retail sales last month. On a year-over-year basis, non-auto tax receipts were $19.5 million (3.9%) greater this month than the same month a year ago. For the fiscal year as a whole, receipts were $44.7 million (0.7%) lower than in FY 2009, but tracked closely against the estimate ending the fiscal year with a negative variance of just $7.3 million (0.1%).

The non-auto sales tax had been showing strong upward momentum since February. In general, the growth trend in the tax has been moving upward since the August trough. There were interruptions in the upward movement in November and February. At this point, it is unclear whether June is a temporary break in the trend, or a sign of slowing.

As this report has noted throughout the latter part of FY 2010, the year-to-year comparisons are complicated by the addition of Medicaid health insuring corporation (MHIC) premiums to the sales tax base. The GRF received eight months of MHIC sales tax collections in FY 2010 (November through June), in an estimated amount of about $170 million. The estimated GRF share of the MHIC sales tax for FY 2010 was only $138 million.

Auto Sales Tax

Strong auto sales tax performance continued into the last month of the fiscal year. June receipts totaled $81.7 million, exceeding the monthly estimate by $10.3 million (14.4%) and contributed to a positive annual variance of $89.5 million (11.3%). Receipts were also $1.2 million (1.5%) greater than the same month last fiscal year and exceeded total FY 2009 collections by $9.2 million (1.1%).

Personal Income Tax

Personal income tax receipts in June totaled $744.1 million, exceeding the monthly estimate by $45.3 million (6.5%). The primary contributor to this better-than-expected performance was withholding, which was $49.0 million (9.0%) above the estimate. The June withholding overage more than made up for the May shortfall, which reaffirms the belief that the May shortfall resulted from a timing issue regarding how the end of month payments happened to fall. May and June withholding on a combined basis exceeded the estimate by $34.7 million. Quarterly estimated payments also experienced a positive variance in June of $5.5 million (2.8%) relative to the estimate.

On a year-over-year basis, personal income tax receipts for June were $62.4 million (9.2%) above the June 2009 level. Looking at year-over-year quarterly performance of the tax during fiscal year 2010, growth rates showed steady improvement from a negative 14.3% in the first quarter of the year to a positive 5.7% in the fourth quarter. However, for FY 2010 as a whole, income tax receipts were $232.1 million (3.1%) below the annual estimate, and $380.8 million (5.0%) below FY 2009 collections.

FY 2010 PERSONAL INCOME TAX RECEIPTS BY COMPONENT ($ in millions)

	ESTIMATE June	ACTUAL June	$ VAR June	ESTIMATE Y-T-D	ACTUAL Y-T-D	$ VAR Y-T-D
Withholding	$543.5	$592.5	$49.0	$6,861.2	$6,926.7	$65.5
Quarterly Est.	$198.0	$203.5	$5.5	$1,100.0	$996.3	($103.7)
Trust Payments	$5.3	$4.0	($1.3)	$46.8	$41.0	($5.8)
Annual Returns & 40 P	$14.3	$13.1	($1.2)	$1,241.1	$938.3	($302.8)
Other	$12.1	$9.7	($2.4)	$82.8	$105.7	$22.9
Less: Refunds	($18.8)	($24.7)	($5.9)	($1,213.9)	($1,120.2)	$93.7
Local Distr.	($55.6)	($54.0)	$1.6	($638.7)	($640.4)	($1.7)
Net to GRF	**$698.8**	**$744.1**	**$45.3**	**$7,479.3**	**$7,247.2**	**($232.1)**

Corporate Franchise Tax

Corporate franchise tax receipts for the month of June were $18.6 million compared to the monthly estimate of $6.0 million. Growth in financial institution net worth continues to drive this positive variance in corporate franchise tax revenue. 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 is not 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. While the CAT posted a negative variance in June with receipts of $5.5 million ($6.7 million below estimate), the performance of the tax over the last three months was positive as receipts exceeded estimates by approximately $47.0 million. Despite that late-year performance however, the CAT finished the fiscal year at $1.342 billion or $58 million below estimate. As a result, the GRF had to absorb this additional reimbursement cost.

Kilowatt-Hour Tax

The kilowatt-hour tax during the month of June posted receipts of $9.4 million, or $3.2 million (50.9%) above the estimate. This positive performance against the June estimate helped to offset the year-to-date shortfall as tax receipts for FY 2010 were $9.9 million (6.0%) below estimate. As mentioned in previous monthly reports, this negative variance is attributable largely to the relatively weak demand for electricity due to broader economic factors.

Public Utility Tax

The public utility tax during the month of June totaled less than $1 million in receipts and was slightly above estimate. For the year as a whole, the tax finished $43.3 million (24.0%) below estimate. This weaker-than-expected performance is primarily due to lower-than-anticipated natural gas prices.

Domestic Insurance Tax

Domestic insurance tax receipts in June were $50.6 million above estimate, helping to erase most of the timing induced shortfall that occurred in May. For the fiscal year as a whole, receipts for the tax were $20.3 million (11.2%) below estimate, with approximately $11.6 million of this variance in the managed care plans, combined with baseline declines in Property and Casualty ($4.4 million), Life and Health Insurers ($2.3 million), and HIC's ($1.4 million).

Cigarette Tax

The cigarette tax recorded another strong month relative to estimates as June receipts totaled $89.8 million which were $15.8 million (21.4%) above the estimate. As a result of another positive month, cigarette tax receipts exceeded the annual estimate by $63.9 million (7.8%). Despite the strong year-to-date performance versus the estimate, cigarette tax receipts finished the year $37.9 million (4.1%) below FY 2009 collections.

GRF non-tax receipts totaled $348.5 million in June, which was $16.7 million (5.0%) above the estimate. This positive performance relative to the estimate is largely attributable to higher than estimated federal grants, which offset lower-than-estimated receipts from earnings on investments.

GRF transfers during the month of June totaled $571.2 million and were $3.5 million (0.6%) below the estimate. This variance is due to a number of offsetting positive and negative variances, with the largest being temporary transfers-in which came in $76.8 million (39.8%) below estimate. These temporary transfers-in were intended to reimburse the GRF for earlier cash advances to school districts and local governments as a result of the phase out of the tangible personal property tax. Due to CAT receipts being insufficient to fully reimburse the GRF for these property tax replacement payments, temporary transfers to the GRF finished the year $152.8 million (16.3%) below estimate. Partially offsetting the negative variance in temporary transfers were transfers in – other, which were above estimate in June by $68.3 million as a result of transfers completed in June that were originally estimated to occur in prior months. For the fiscal year, transfers in – other were $16.7 million (3.4%) below the estimate as transfers attributable to costs savings days were $43.4 million below estimate. This negative variance was partially offset by larger-than-estimated transfers from other sources including tobacco interest proceeds and miscellaneous transfers from other non-GRF funds.

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

REVENUE SOURCE	Month				Year-to-Date			
	ACTUAL JUNE	ESTIMATE JUNE	$ VAR	% VAR	ACTUAL Y-T-D	ESTIMATE Y-T-D	$ VAR	% VAR
TAX RECEIPTS								
Non-Auto Sales & Use	523,868	530,000	(6,132)	-1.2%	6,194,494	6,201,753	(7,259)	-0.1%
Auto Sales & Use	81,743	71,475	10,268	14.4%	882,877	793,400	89,477	11.3%
Subtotal Sales & Use	605,612	601,475	4,137	0.7%	7,077,372	6,995,153	82,219	1.2%
Personal Income	744,088	698,800	45,288	6.5%	7,247,224	7,479,299	(232,075)	-3.1%
Corporate Franchise	18,583	6,000	12,583	209.7%	141,748	100,000	41,749	41.7%
Commercial Activity Tax	0	0	0	N/A	0	0	0	N/A
Public Utility	711	552	159	28.8%	136,739	180,000	(43,261)	-24.0%
Kilowatt Hour	9,353	6,200	3,153	50.9%	156,289	166,202	(9,913)	-6.0%
Foreign Insurance	(2,137)	(1,011)	(1,127)	-111.4%	250,776	250,000	776	0.3%
Domestic Insurance	61,944	11,386	50,558	444.0%	161,676	182,000	(20,324)	-11.2%
Other Business & Property Tax	8,748	2,453	6,295	256.6%	27,250	24,000	3,250	13.5%
Cigarette	89,800	73,986	15,814	21.4%	886,875	823,000	63,875	7.8%
Alcoholic Beverage	5,588	5,031	557	11.1%	56,092	58,000	(1,908)	-3.3%
Liquor Gallonage	3,125	3,141	(17)	-0.5%	36,544	36,000	544	1.5%
Estate	574	2,002	(1,428)	-71.3%	55,024	61,500	(6,476)	-10.5%
Horse Racing	0	0	0	N/A	0	0	0	N/A
Total Tax Receipts	1,545,989	1,410,016	135,973	9.6%	16,233,609	16,355,154	(121,545)	-0.7%
NON-TAX RECEIPTS								
Federal Grants	213,373	176,617	36,757	20.8%	6,898,824	7,184,127	(285,303)	-4.0%
Earnings on Investments	2,909	21,500	(18,591)	-86.5%	28,701	79,750	(51,049)	-64.0%
License & Fees	853	969	(115)	-11.9%	66,211	61,800	4,411	7.1%
Other Income	131,135	130,099	1,037	0.8%	287,445	303,000	(15,555)	-5.1%
ISTV'S	236	2,649	(2,413)	-91.1%	13,333	20,000	(6,667)	-33.3%
Total Non-Tax Receipts	348,507	331,832	16,674	5.0%	7,294,515	7,648,677	(354,163)	-4.6%
TOTAL REVENUES	1,894,496	1,741,849	152,647	8.8%	23,528,124	24,003,831	(475,708)	-2.0%
TRANSFERS								
Budget Stabilization	0	0	0	N/A	0	0	0	N/A
Liquor Transfers	16,000	11,000	5,000	45.5%	167,000	143,000	24,000	16.8%
Transfers In - Capital Reserve	0	0	0	N/A	0	0	0	N/A
Transfers In - Other	438,971	370,676	68,295	18.4%	469,115	485,840	(16,725)	-3.4%
Temporary Transfers In	116,188	192,966	(76,778)	-39.8%	786,054	938,866	(152,812)	-16.3%
Total Transfers	571,158	574,642	(3,484)	-0.6%	1,422,169	1,567,706	(145,537)	-9.3%
TOTAL SOURCES	2,465,654	2,316,491	149,163	6.4%	24,950,292	25,571,537	(621,245)	-2.4%

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

REVENUE SOURCE	Month				Year-to-Date			
	JUNE FY 2010	JUNE FY 2009	$ VAR	% VAR	ACTUAL FY 2010	ACTUAL FY 2009	$ VAR	% VAR
TAX RECEIPTS								
Non-Auto Sales & Use	523,868	504,420	19,448	3.9%	6,194,494	6,239,178	(44,683)	-0.7%
Auto Sales & Use	81,743	80,550	1,194	1.5%	882,877	873,638	9,239	1.1%
Subtotal Sales & Use	605,612	584,970	20,642	3.5%	7,077,372	7,112,816	(35,445)	-0.5%
Personal Income	744,088	681,679	62,408	9.2%	7,247,224	7,627,989	(380,765)	-5.0%
Corporate Franchise	18,583	57,627	(39,043)	-67.8%	141,748	520,771	(379,022)	-72.8%
Commercial Activity Tax	0	0	0	N/A	0	0	0	N/A
Public Utility	711	566	145	25.5%	136,739	184,516	(47,776)	-25.9%
Kilowatt Hour	9,353	4,792	4,561	95.2%	156,289	135,946	20,343	15.0%
Foreign Insurance	(2,137)	(1,008)	(1,129)	-111.9%	250,776	249,214	1,563	0.6%
Domestic Insurance	61,944	9,723	52,221	537.1%	161,676	155,347	6,329	4.1%
Other Business & Property Tax	8,748	2,570	6,178	240.4%	27,250	25,062	2,188	8.7%
Cigarette	89,800	83,121	6,679	8.0%	886,875	924,764	(37,889)	-4.1%
Alcoholic Beverage	5,588	4,942	646	13.1%	56,092	57,050	(958)	-1.7%
Liquor Gallonage	3,125	3,135	(11)	-0.3%	36,544	35,800	744	2.1%
Estate	574	2,092	(1,518)	-72.6%	55,024	64,403	(9,379)	-14.6%
Horse Racing	0	0	0	N/A	0	0	0	N/A
Total Tax Receipts	1,545,989	1,434,209	111,780	7.8%	16,233,609	17,093,678	(860,069)	-5.0%
NON-TAX RECEIPTS								
Federal Grants	213,373	530,424	(317,050)	-59.8%	6,898,824	6,850,656	48,168	0.7%
Earnings on Investments	2,909	15,839	(12,930)	N/A	28,701	137,135	(108,434)	-79.1%
License & Fee	853	664	190	28.6%	66,211	65,835	377	0.6%
Other Income	131,135	33,041	98,094	296.9%	287,445	79,779	207,667	260.3%
ISTV'S	236	4,144	(3,908)	-94.3%	13,333	24,649	(11,316)	-45.9%
Total Non-Tax Receipts	348,507	584,111	(235,604)	-40.3%	7,294,515	7,158,054	136,461	1.9%
TOTAL REVENUES	1,894,496	2,018,320	(123,824)	-6.1%	23,528,124	24,251,731	(723,608)	-3.0%
TRANSFERS								
Budget Stabilization	0	1,012,289	(1,012,289)	N/A	0	1,012,289	(1,012,289)	N/A
Liquor Transfers	16,000	13,000	3,000	23.1%	167,000	163,000	4,000	2.5%
Transfers In - Capital Reserve	0	0	0	N/A	0	0	0	N/A
Transfers In - Other	438,971	406,407	32,564	8.0%	469,115	666,401	(197,286)	-29.6%
Temporary Transfers In	116,188	145,769	(29,581)	-20.3%	786,054	591,080	194,974	33.0%
Total Transfers	571,158	1,577,465	(1,006,307)	-63.8%	1,422,169	2,432,770	(1,010,601)	-41.5%
TOTAL SOURCES	2,465,654	3,595,785	(1,130,131)	-31.4%	24,950,292	26,684,501	(1,734,208)	-6.5%

DISBURSEMENTS

The monthly and fiscal year GRF spending estimates for elementary and secondary education reflect the passage in December of H.B. 318 which delayed the final installment of the personal income tax rate reduction from 2009 until 2011.

June 2010 GRF disbursements, across all fund uses, were $907.0 million. This was $274.3 million (23.2%) below estimate for the month. On a year-to-date basis, total GRF disbursements were $24,141.4 million, which is $669.9 million (2.7%) below estimate. Year-to-date disbursements by category are provided in the following table ($ in millions).

Category	Description	YTD Disbursements	YTD Variance
Expenditures and transfers between agencies (ISTVs)	State agency operations, subsidies, tax relief, debt service payments, and pending payroll (if applicable)	$24,141.4	($669.9)
Transfers	Temporary or permanent transfers out of the GRF that are not agency expenditures	$1,033.0	($41.4)
TOTAL GRF DISBURSEMENTS:		$25,174.4	($711.3)

GRF disbursements are reported according to functional categories and this section contains information describing spending and variances within each of those categories.

Primary, Secondary and Other Education

This category includes expenditures made by the Department of Education, E-tech, the Ohio State School for the Blind, and the School for the Deaf. Expenditures in this category for the month of June totaled $216.6 million which was $19.1 million (8.1%) below the monthly estimate.

- June expenditures by the Department of Education totaled $215.1 million and were $18.5 million or 7.9% below estimate. Variances for the month can be attributed to Foundation Funding (ALIs 200502, 200550 and 200551), which was $13.3 million (6.3%) below the estimate for the month. Year-to-date expenditures for the Department are $44.0 million (0.7%) below estimates.

Higher Education

June disbursements for Higher Education were $179.2 million, a variance of $22.9 million (11.3%) below the estimate for the month. Year-to-date disbursements were $2,424.1 million, representing a variance totaling $7.36 million (0.3%) below the estimate. The monthly variance is due to an appropriation adjustment to the Federal Stimulus portion of the State Share of Instruction. The appropriation adjustment was made to ensure that the state will meet the Maintenance of Effort and Use of Funds provisions of the American Recovery and Reinvestment Act (ARRA). Additionally, the variance is due to below estimate spending in the Ohio College Opportunity Grant program of $7.6 million. June payments for this program were limited due to delays in invoices being sent to the campuses. Therefore, remaining fiscal year 2010 obligations were encumbered and will be disbursed in July.

Public Assistance and Medicaid

June expenditures in this category, which include all GRF expenditures by the Department of Job & Family Services (ODJFS), were $192.5 million. Expenditures were $62.3 million (24.5%) below estimate for the month. Year-to-date expenditures total $9,421.9 million, which is $455.9 million (4.6%) below estimates. The following discussion of spending and variances to date addresses Public Assistance and Non-Medicaid programs separate from Medicaid.

<u>Medicaid</u>
This sub-category includes expenditures by the Department of Job and Family Services for Medicaid services contained primarily in the 600525 line item. Please note that administrative costs related to the ODJFS program are included in the previous sub-category.

Expenditures

GRF disbursements in FY 2010 for the Medicaid program were $8,611.3 million, which is $410.1 million (4.5%) below estimate, and $1,625.7 million (15.9%) below FY 2009 spending. Disbursements for the month of June were $162.6 million, which was $74.4 million (31.4%) below estimate and $538.8 million (76.8%) below the same period in the prior year. The variances in GRF disbursements relative to FY 2009 are partly due to increased use of Non-GRF resources in the Medicaid program as part of the FY 2010 budget plan. The final scheduled fee-for-service payment of $78.6 million was paid on July 1st rather than June 28th.

All funds disbursements year-to-date are $12,533.3 million, which is $559.4 million (4.3%) below estimate, and $321.5 million (2.6%) above disbursements for the same point in time in the prior year. Disbursements for June were $1,093.5 million, which was $124.0 million (10.2%) below projected expenditures and $71.9 million (6.6%) above the same period in the prior year.

The chart below shows the current month's disbursement variance by funding source ($ in millions):

	June Estimate	June Actual	Variance	Variance %
GRF	$ 236.9	$ 162.6	$ (74.4)	-31.4%
Non-GRF	$ 980.5	$ 930.9	$ (49.6)	-5.1%
All Funds	$ 1,217.4	$ 1,093.5	$ (124.0)	-10.2%

Caseload

Total caseload for the month of May, the most recent month available, was 2.10 million covered persons, which was an increase of 6,056 persons over the month of April. This number includes the State Fund Only programs, such as the Breast and Cervical Cancer program, and represents the 29th consecutive month of growth. The Covered Families and Children (CFC) program increased by 2,201 persons, for a total of 1.60 million persons enrolled as of May. The Aged, Blind and Disabled (ABD) program increased by 1,509 persons, for an April total of 489.7 thousand covered lives.

Total enrollment for the same period last year was 1.94 million covered persons, including 1.48 million persons in the CFC program and 466.2 thousand people in the ABD category. This represents an increase of 158.6 thousand covered lives over the same point in the prior year.

CFC showed an increase of 2,201 persons to 1.60 million covered lives, and continues to be the main driver of caseload in the Medicaid program. Enrollment in this category was 10,935 (.68%) under total projected enrollment. The Healthy Families and the Healthy Families expansion categories, the core eligibility groups of the Medicaid program, continue to be the major factor in caseload increases.

The ABD program showed an increase of 1,509 persons to a total of 489.7 thousand covered lives. This was 6,332 persons (1.31%) over total projected enrollment for this category. As has been the case in previous months, much of the increase is accounted for by higher enrollment in the Qualified Medicare Beneficiary (QMB) and the Special Low-Income Medicare Beneficiary (SLMB) premium assistance programs.

The remainder of the increase is primarily due to an increase in the Reinstatement of Medicaid for Public Institution Recipients (RoMPIR), which allows individuals enrolled in Medicaid prior to entrance into a public institution to reinstate their coverage upon release, thereby eliminating a potential gap in health coverage. Total caseload for the month of May was 4,925, an increase of 2,334 persons over April.

<u>Public Assistance and Non-Medicaid</u>

- ODJFS, non-Medicaid, General Revenue Fund disbursements totaled $29.9 million for the month of June. In the aggregate, GRF spending was $12.4 million (70.4%) higher than the disbursement estimates for the month. Major variances within individual line items were attributable to the following:
  - The Children, Family, and Adult Community & Protective Services line item (ALI 600533) spending was $8.4 million above monthly estimates. Line item county draws were lower-than-expected during the beginning of the fiscal year but increased to higher than estimates as other funds were exhausted.
  - The Entitlement Administration line item (ALI 600521) disbursements were $3.5 million higher than agency estimates. The original estimate to fully expend the funds by January 2010 did not occur, mainly due to lower than anticipated county spending within the line item at the beginning of the fiscal year.
  - The Adoption Services line item (ALI 600528) spending was $3.2 million higher than original estimates due to additional adoption assistance reimbursement payments made to counties for the month.
  - The Child Care Match/Maintenance of Effort line item (ALI 600413) subsidy disbursements were $2.6 million above agency estimates. This was attributable to higher-than-expected child care provider payments within the line item due to the new state provider payment system.

- The Early Care and Education line item (ALI 600535) subsidy spending was $1.2 million higher than original estimates. This was attributable to higher than anticipated child provider payments within the line item due to the new state child care payment system.
- The Computer Projects line item (ALI 600416) expenditures were $3.6 million lower than disbursement estimates due to lower than anticipated contract and payroll spending during the month.
- The Disability Financial Assistance line item (ALI 600511) spending was $3.3 million lower than line item estimates for the month. This was mainly due to the quarterly county finance closeout reconciliation process and lower-than-estimated subsidy payments.
- Over/under spending across remaining GRF line items also contributed to the variance.

Health and Human Services

This category includes GRF expenditures for the following state agencies: Aging, Mental Health, Developmental Disabilities, ODADAS, and Health. 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.

June expenditures in this category were $29.6 million, which was $11.8 million (28.4%) below estimate for the month. The year-to-date actual disbursements are $1,017.0 million, which is $30.7 million (2.9%) below the estimate.

- For the year-to-date, the Department of Health disbursements total $86.8 million, which is under estimate by $5.4 million (5.8%).
- June disbursements for the Department of Health totaled $3.8 million and were $3.1 million (45.1%) below estimate. This is primarily attributable to the following: The Immunizations line item (ALI 440418) was below estimate by $0.4 million due to timing of payments in previous months. Additionally, the Bureau for Children with Medical Handicaps line item (ALI 440505) was under estimate by $2.2 million due to payments being made in April that were originally scheduled to be made in June.
- For the year, the Department of Aging disbursements total $116.8 million, which is below estimate by $1.9 million (1.6%).
- June 2010 disbursements for the Department of Aging totaled $8.6 million and were $0.1 million (1.7%) below estimate with no significant line item variances.
- The Department of Mental Health disbursed $2.7 million in the month of June, which is $5.5 million (67.1%) under the estimate. About $6.0 million of under estimate spending is in the Community and Hospital Mental Health Services line item (ALI 334408). The Department shifted some payroll expenditures off of this GRF line item and onto non-GRF resources. GRF disbursements for FY 2010 totaled $445.6 million, which is $8.9

million, or 1.9% under the estimate. The variance is primarily attributable to cost savings days and human resources related savings.

- The Department of Developmental Disabilities disbursed $11.3 million in the month of June, which is $0.2 million (17.5%) below the estimate. GRF disbursements for FY 2010 totaled $294.6 million, which is $10.4 million (1.9%) under the estimate, with $6.3 million of this variance in the Martin Settlement line item (ALI 322504). The Department will encumber these funds in order to pay claims submitted in FY 2011 for Individual Options (IO) waiver services provided in FY 2010.

Justice and Public Protection

June expenditures in the Justice and Public Protection category were $99.2 million, which was $38.6 million (28.0%) below estimate for the month. The year-to-date disbursements are $1,933.6 million, which is $67.6 million (3.4%) below the estimate.

- Disbursements in the Corrections category totaled $87.2 million in the month of June, which was $33.7 million (27.9%) less than the estimate of $120.9 million for the month.
- The Department of Rehabilitation and Correction disbursed $71.4 million in the month of June, which was $28.4 million (28.4%) less than the $99.8 million estimate for the month. This variance is primarily the result of an additional payroll being included in the monthly estimate.
- The Department of Youth Services disbursed $18.8 million in the month of June, which was $5.3 million (25.3%) less than the $21.1 million estimate for the month. This variance is primarily the result of an additional payroll period being included in the monthly estimate.

General Government

For June 2010, General Government disbursements were $8.8 million which was $8.1 million (48.1%) below the monthly estimate of $16.9 million. Year-to-date actual expenditures are $283.2 million, which is $17.9 million (5.9%) below the estimate.

Community and Economic Development

For the month of June, disbursements in this category were $3.6 million which was $1.9 million (112%) above the estimate. Year-to-date, community and economic development related general revenue fund disbursements total $108.3 million, which is $11.5 million (11.9%) above the estimate.

- For the month of June, the Department of Development disbursed $3.0 million in GRF, which is $3.3 million (52.0%) below the estimate, with lower-than-expected disbursements in the Rapid Outreach Grants (ALI 195412) and Third Frontier Action Fund (ALI 195422).

Tax Relief and Other

June disbursements for the tax relief portion of this category totaled $138.4 million and were $1.8 million (1.3%) above the estimate of $136.6 million. For the fiscal year, total tax relief payments have totaled $1,690.5 million, which was $38.3 million (2.3%) above the year-to-date estimate of $1,652.2 million. 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 property tax rollbacks, as well as the homestead exemption.

Debt Service

Spending on debt service ended the fiscal year $59.7 million (13.0%) below the estimate. Much of that under-spending was due to completion of the second debt service restructuring transaction earlier than expected, which resulted in about $35 million in savings being pulled forward into FY 2010 from FY 2011. The remaining $24.7 million in under-spending was generated by refunding transactions, later issuance dates for certain bond sales, and much lower than anticipated market interest rates.

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

Functional Reporting Categories Description	MONTH ACTUAL JUNE	MONTH ESTIMATED JUNE	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	216,554	235,663	(19,109)	-8.1%	6,743,373	6,789,897	(46,524)	-0.7%
Higher Education	179,245	187,348	(8,103)	-4.3%	2,424,091	2,431,346	(7,255)	-0.3%
Public Assistance and Medicaid	192,518	254,863	(62,345)	-24.5%	9,421,903	9,877,804	(455,901)	-4.6%
Health and Human Services	29,584	41,344	(11,760)	-28.4%	1,016,960	1,047,611	(30,651)	-2.9%
Justice and Public Protection	99,246	137,863	(38,617)	-28.0%	1,933,600	2,001,234	(67,634)	-3.4%
Environmental Protection and Natural Resources	982	3,298	(2,315)	-70.2%	80,284	82,536	(2,252)	-2.7%
Transportation	840	946	(105)	-11.1%	17,473	16,630	844	5.1%
General Government	8,757	16,858	(8,101)	-48.1%	283,228	301,118	(17,890)	-5.9%
Community and Economic Development	3,588	1,696	1,893	111.6%	108,320	96,814	11,506	11.9%
Tax Relief and Other	138,367	169,582	(31,216)	-18.4%	1,711,360	1,706,138	5,221	0.3%
Capital Outlay	0	0	0	N/A	380	0	380	N/A
Debt Service	32,015	26,815	5,200	19.4%	400,453	460,183	(59,730)	-13.0%
Pending Payroll	0	0	0	N/A	0	0	0	N/A
Total Expenditures & ISTV's	**901,697**	**1,076,276**	**(174,578)**	**-16.2%**	**24,141,425**	**24,811,310**	**(669,885)**	**-2.7%**
Transfers Out:								
OPER TRF OUT-OTH	5,271	105,000	(99,729)	N/A	61,655	135,477	(73,822)	-54.5%
OPER TRF OUT-TEMPORARY	0	0	0	N/A	971,337	938,866	32,471	3.5%
Total Transfers (Out)	**5,271**	**105,000**	**(99,729)**	**N/A**	**1,032,992**	**1,074,343**	**(41,351)**	**-3.8%**
Total Fund Uses	**906,968**	**1,181,276**	**(274,308)**	**-23.2%**	**25,174,417**	**25,885,653**	**(711,236)**	**-2.7%**

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

	MONTH				YEAR-TO-DATE			
Functional Reporting Categories Description	**JUNE FY 2010**	**JUNE FY 2009**	**$ VAR**	**% VAR**	**ACTUAL FY 2010**	**ACTUAL FY 2009**	**$ VAR**	**% VAR**
Primary, Secondary and Other Education	216,554	355,574	(139,020)	-39.1%	6,743,373	7,005,036	(261,663)	-3.7%
Higher Education	179,245	172,963	6,282	3.6%	2,424,091	2,632,584	(208,493)	-7.9%
Public Assistance and Medicaid	192,518	732,569	(540,051)	-73.7%	9,421,903	11,108,523	(1,686,620)	-15.2%
Health and Human Services	29,584	40,903	(11,319)	-27.7%	1,016,960	1,194,590	(177,629)	-14.9%
Justice and Public Protection	99,246	99,764	(519)	-0.5%	1,933,600	2,088,135	(154,535)	-7.4%
Environmental Protection and Natural Resources	982	729	253	34.7%	80,284	89,600	(9,317)	-10.4%
Transportation	840	1,674	(834)	-49.8%	17,473	21,433	(3,959)	-18.5%
General Government	8,757	8,073	684	8.5%	283,228	354,436	(71,207)	-20.1%
Community and Economic Development	3,588	5,007	(1,419)	-28.3%	108,320	146,297	(37,977)	-26.0%
Tax Relief and Other	138,367	94,150	44,217	47.0%	1,711,360	1,526,226	185,134	12.1%
Capital Outlay	0	25	(25)	N/A	380	312	68	21.8%
Debt Service	32,015	27,973	4,042	14.5%	400,453	616,248	(215,795)	-35.0%
Pending Payroll	0	0	0	N/A	0	0	0	N/A
Total Expenditures & ISTV's	**901,697**	**1,539,406**	**(637,708)**	**-41.4%**	**24,141,425**	**26,783,420**	**(2,641,995)**	**-9.9%**
Transfers Out:								
OPER TRF OUT-BUD STABILIZATION	0	0	0	N/A	0	0	0	N/A
OPER TRF OUT-OTH	5,271	384	4,886	1271.2%	61,655	244,087	(182,432)	-74.7%
OPER TRF OUT-TEMPORARY	0	0	0	N/A	971,337	604,470	366,868	60.7%
Total Transfers (Out)	**5,271**	**384**	**4,886**	**1271.2%**	**1,032,992**	**848,557**	**184,435**	**21.7%**
Total Fund Uses	**906,968**	**1,539,790**	**(632,822)**	**-41.1%**	**25,174,417**	**27,631,977**	**(2,457,560)**	**-8.9%**

FUND BALANCE

Table 5 describes the General Revenue Fund (GRF) unobligated ending fund balance for FY 2010 and compares those actual results to the post H.B. 318 estimate. Based on actual revenue for FY 2010 and actual FY 2010 disbursements, transfers, and encumbrances, the FY 2010 GRF ending fund balance was $139.1 million ($52.9 million below estimate). That ending fund balance reflected the following results and balancing measures:

Revenues and Transfers In

- Total GRF revenue sources of $24,950.3 million fell short of the annual estimate by $621.3 million (2.7%).
    - Most of this shortfall was in federal receipts which fell short of estimate by $285.3 million as a result of significant under-spending in Medicaid. Additionally, underperformance in the CAT contributed to temporary transfers-in falling short of estimate by $152.8 million.
    - Tax receipts as a whole were in line with estimates coming in just $121.5 million (0.7%) below estimate.
        - ✓ Underperformance in the April income tax filings contributed to the income tax shortfall of $232.1 million for the year. Other below-estimate tax sources included the non-auto sales ($7.3 million), public utility ($43.3 million), and domestic insurance ($20.3 million).
        - ✓ Tax sources performing above estimate include auto sales ($89.4 million), corporate franchise ($41.7 million) and cigarette ($63.9 million).
    - Outside of the shortfall in temporary transfers-in noted above, other transfers in were a mix of positive and negative variances that in total were close to estimate.
        - ✓ Special non-GRF fund transfers totaled $76.0 million ($18.5 million above estimate).
        - ✓ Other transfers-in included: $200 million from the School Facilities Commission, $167 million in liquor profits ($24 million above estimate), $89.6 million from the kilowatt-hour tax ($12.8 million under estimate), $61.6 million in interest on the tobacco bond proceeds ($21.6 million above estimate) and $27.6 million from cost savings days ($43.4 million below estimate).

Disbursements and Transfers Out

- Total GRF spending (including encumbrances) and transfers out of $25,545.7 million was $568.8 million under the estimate of $26,114.1 million.
    - The primary categories of under spending were Medicaid ($410M - including the $78.7 million fee for service payment that was made on July 1st instead of June 28th), debt service ($59.7 million); education ($25 million), controlling Board unemployment compensation line item ($27 million), and miscellaneous cancelled encumbrances.
    - Transfers out were $41.4 million below estimate.

The FY 2010 GRF ending fund balance should not be considered as a balance available for expenditure in FY 2011 nor should it be considered as equivalent to the FY 2010 surplus calculation as defined in Section 131.44 of the Ohio Revised Code.

It is important to note that the GRF ending fund balance will be impacted by any GRF expenditures or transfers that may be authorized by the General Assembly or by the Controlling Board during the course of the fiscal year.

FUND BALANCE
GENERAL REVENUE FUND
FY 2010
($ in thousands)

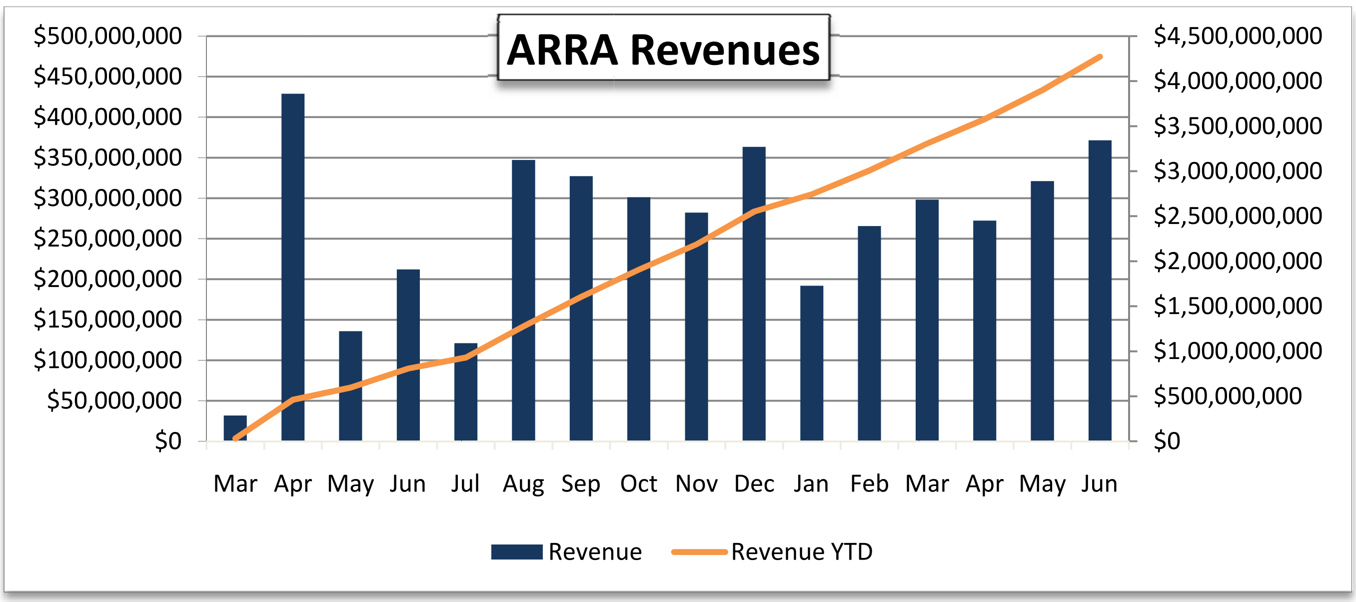
	ESTIMATE	ACTUAL	VARIANCE
JULY 1, 2009 BEGINNING CASH BALANCE	**$734,526**	**$734,526**	**$0**
PLUS FY 2010 STATE REVENUES	$16,819,704	$16,629,300	$(190,404)
PLUS FY 2010 FEDERAL REVENUES	$7,184,127	$6,898,824	$(285,303)
PLUS FY 2010 TRANSFERS TO GRF	$1,567,706	$1,422,169	$(145,537)
TOTAL SOURCES AVAILABLE FOR EXPENDITURE AND TRANSFER	**$26,306,063**	**$25,684,818**	**$(621,245)**
LESS FY 2010 DISBURSEMENTS	$24,746,286	$24,141,425	$(604,861)
LESS OUTSTANDING ENCUMBRANCES AS OF JUNE 30, 2010	$293,454	$371,280	$77,826
LESS FY 2010 TRANSFERS OUT	$1,074,343	$1,032,992	$(41,351)
TOTAL USES	**$26,114,084**	**$25,545,697**	**$568,836**
FY 2010 ENDING FUND BALANCE	**$191,980**	**$139,121**	**$(52,859)**

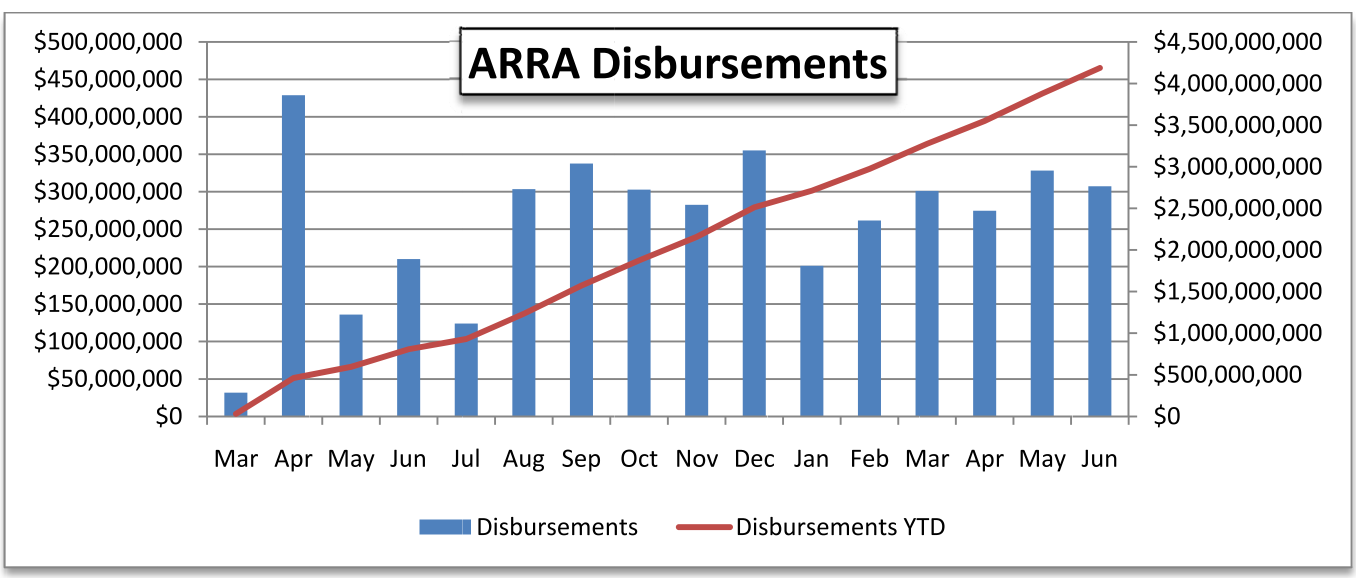
ARRA Monthly Revenue and Disbursements Report

ARRA Revenue and Disbursements by State Fiscal Year

On February 17, 2009, President Obama signed the American Recovery and Reinvestment Act into law. Ohio began receiving funds in March 2009 and has since received $4.272 billion in federal revenue and disbursed $4.187 billion as of June 30, 2010.

	Revenue	Disbursements
FY 2009	$808,753,636	$806,882,970[i]
FY 2010	$3,463,000,439	$3,379,977,609
Total	**$4,271,754,075**	**$4,186,860,579**





ARRA Revenue and Disbursements
for the month of June

Revenue	Disbursements
$371,389,127	$307,294,330

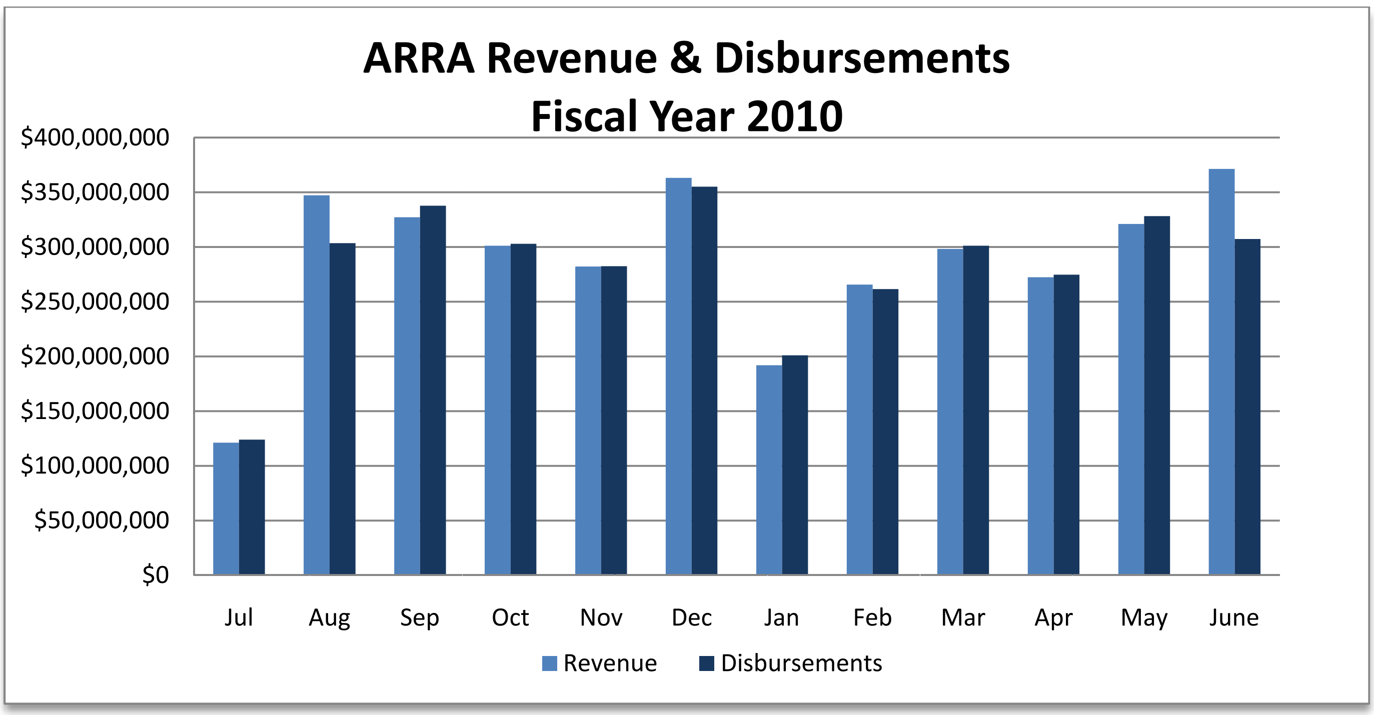
June – Fiscal Year 2010

ARRA Revenue

June 2010 Federal ARRA revenue received by all state agencies was $371.4 million. This was an increase of $50.3 million or 15.7% from the month of May.

ARRA Disbursements

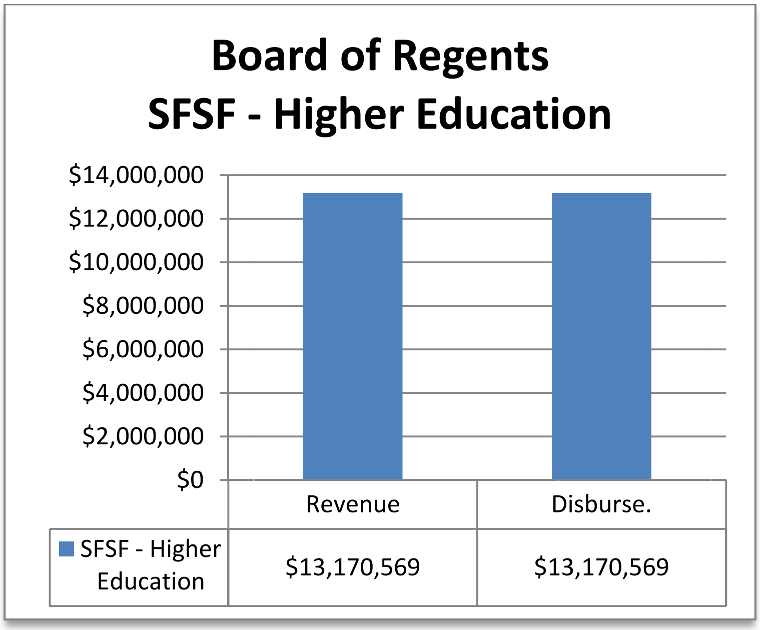
June 2010 Federal ARRA disbursements for all state agencies were $307.3 million. This was a decrease of $21.0 million or 6.4% from the month of May. The variance between the amounts of revenue and disbursements is primarily due to the different reimbursement or expenditure practices used by the administering federal agencies. Additionally, the variance was affected by the State's year-end close process which ended disbursements for the fiscal year effective June 18th.

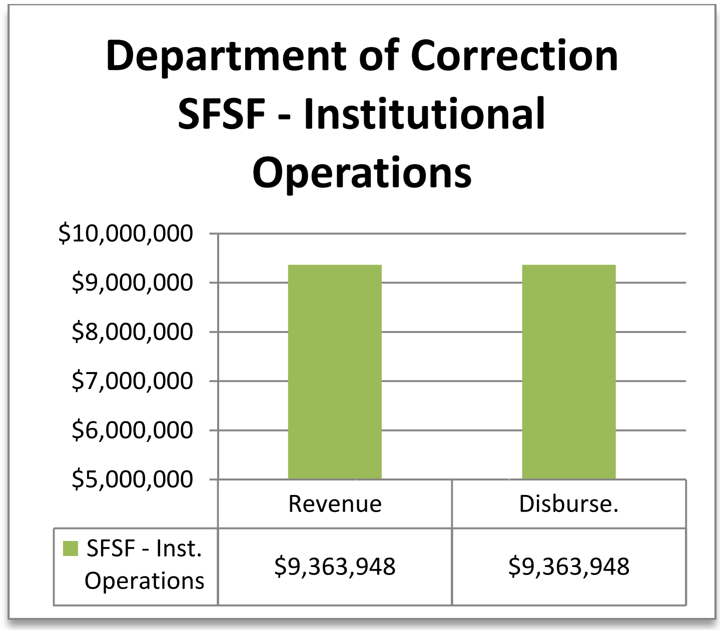


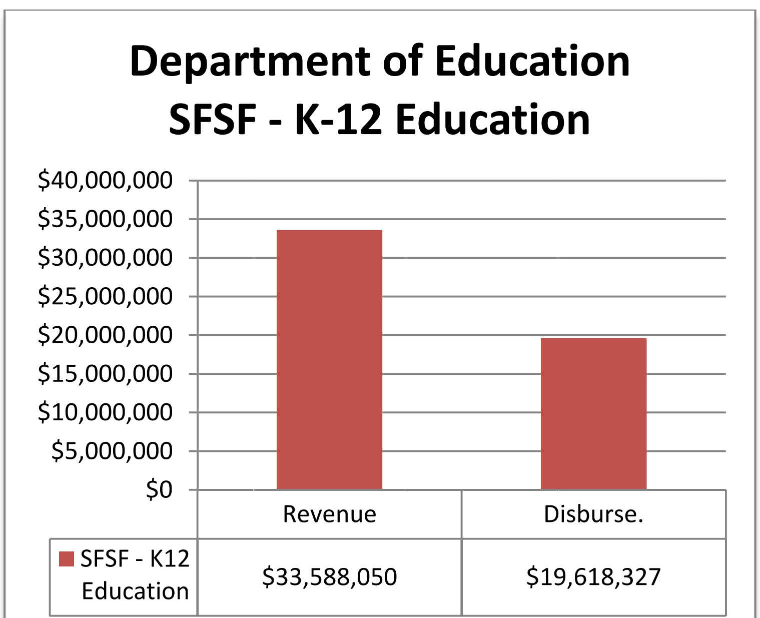
	Jul	Aug	Sep	Oct	Nov	Dec
Revenue	121,147,508	347,228,832	327,301,022	301,200,043	282,192,521	363,345,331
Disbursements	121,842,461	301,490,365	335,516,284	301,140,027	281,274,771	353,650,774
	Jan	Feb	Mar	Apr	May	June
Revenue	191,912,355	265,629,638	298,287,270	272,668,887	321,110,146	371,389,127
Disbursements	199,545,729	260,936,055	299,072,619	274,914,450	328,255,930	307,294,330

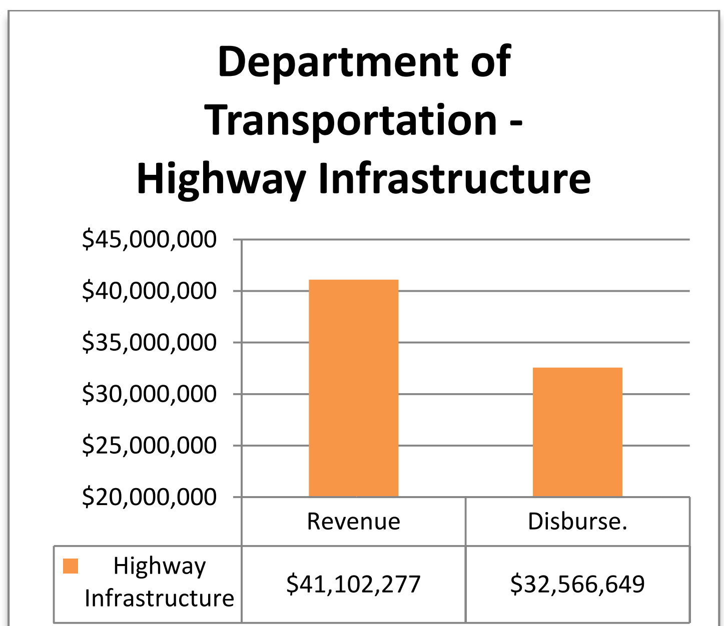
Largest Amount of Activity by Program

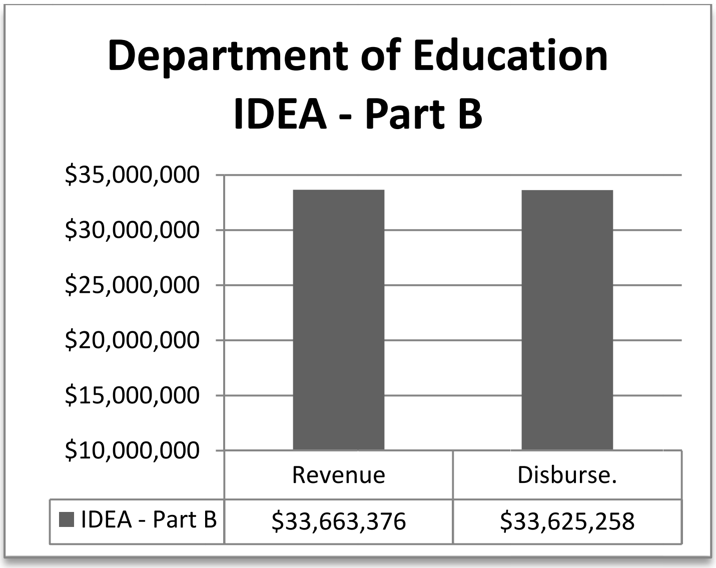
During the month of June, there were more than 70 active federal stimulus grants in the State of Ohio. Of those programs, the seven highlighted below accounted for 81.2% of the funds disbursed.

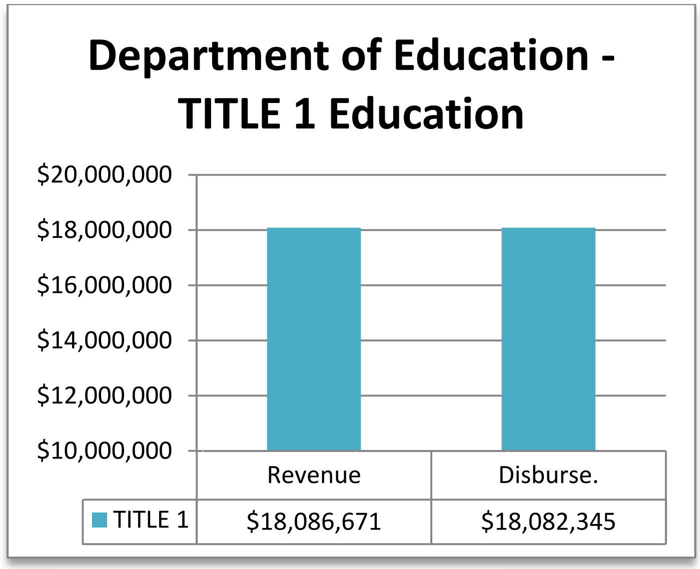


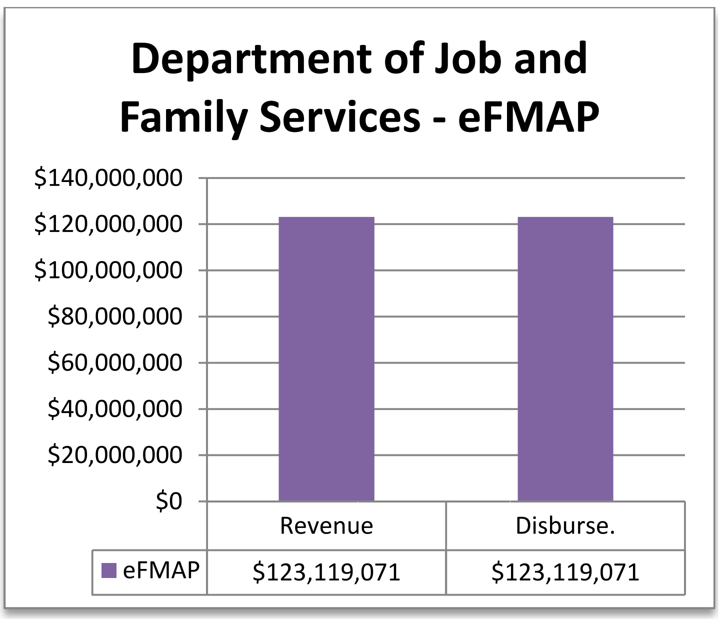







Department of Education
IDEA - Part B
$35,000,000
$30,000,000
$25,000,000
$20,000,000
$15,000,000
$10,000,000
Revenue
Disburse.
IDEA - Part B
$33,663,376
$33,625,258


Department of Education -
TITLE 1 Education
$20,000,000
$18,000,000
$16,000,000
$14,000,000
$12,000,000
$10,000,000
Revenue
Disburse.
TITLE 1
$18,086,671
$18,082,345


Department of Job and
Family Services - eFMAP
$140,000,000
$120,000,000
$100,000,000
$80,000,000
$60,000,000
$40,000,000
$20,000,000
$0
Revenue
Disburse.
eFMAP
$123,119,071
$123,119,071

State Fiscal Stabilization Fund Overview

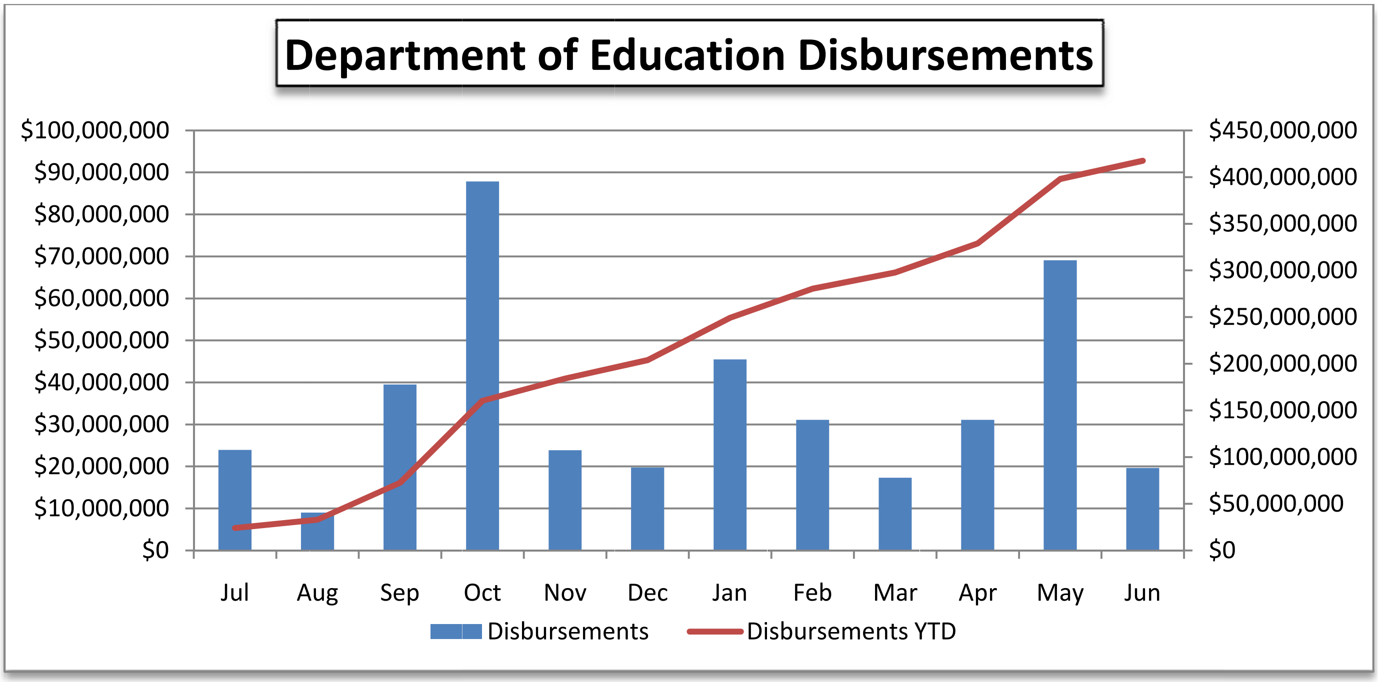
The State of Ohio has been awarded $1,789,376,483 in State Fiscal Stabilization Funds (SFSF) through ARRA. Of this amount, $1,463,709,963 is from the Education Stabilization Fund (ESF) and $325,666,520 is from the Government Services Fund (GSF). The ESF is to be used by the state to restore support for elementary and secondary education and public higher education. The GSF is intended to be used to support public safety and other government services, which can include support for education.

H.B. 1, the state's FY 2010-2011 operating budget, originally included appropriations for the SFSF. Controlling Board request #OBM0100041, which was approved on April 19, 2010, modified the allocations for each agency to ensure the state would meet the maintenance of effort (MOE) and Use of Funds provisions of ARRA for FY10. The modifications did not result in an overall change to the SFSF appropriations for the state as a whole.

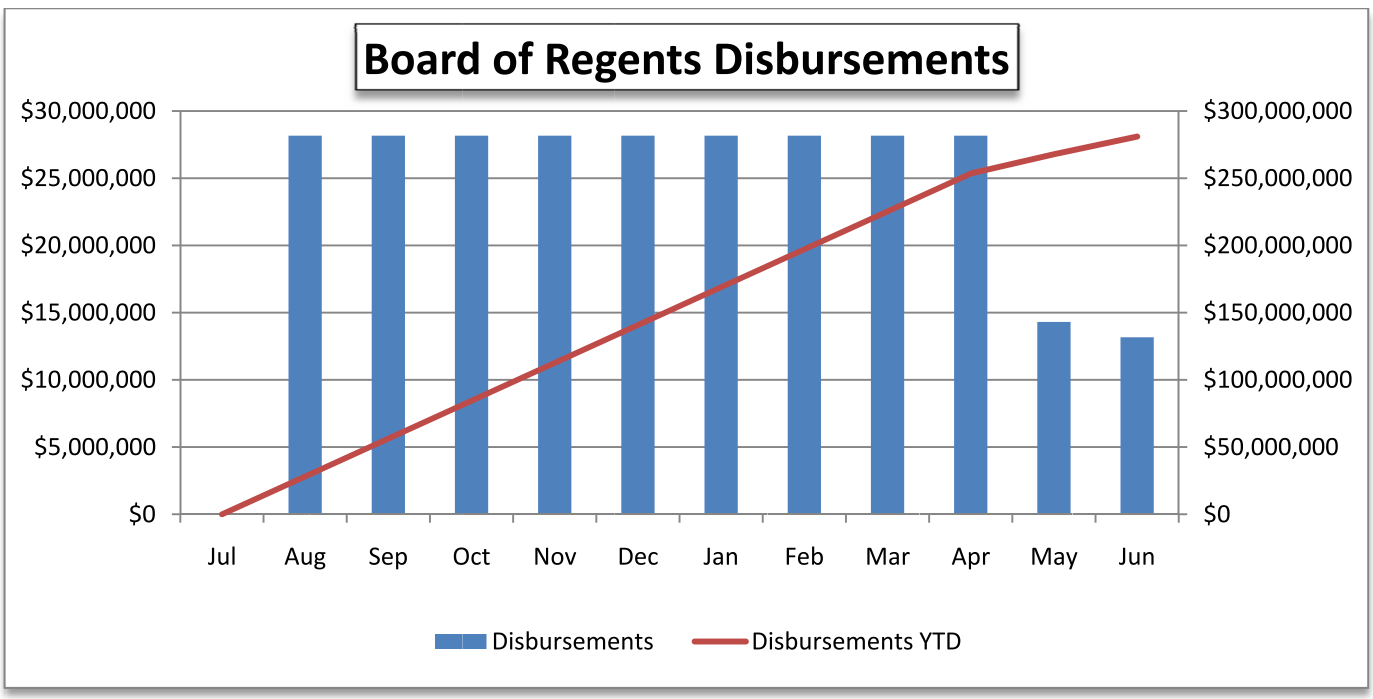
Agency	ALI	FY 2010	FY 2011	Total
Department of Education (ESF)	200551	$417,583,913	$457,449,362	$845,033,275
Board of Regents (ESF/GSF)	235644	$281,022,236	$308,802,662	$618,676,688
Department of Rehabilitation and Correction (GSF)	501620	$110,029,321	$214,488,988	$325,666,519

The appropriation for the Department of Education is being used to distribute ESF funds to local education agencies (LEAs) through the state's elementary and secondary education funding formula, the Ohio Evidence-Based Model (OEBM). The Board of Regents' appropriation is being used to distribute ESF funds to public institutions of higher education (IHEs) through the higher education funding formula, the State Share of Instruction (SSI). Finally, the Department of Rehabilitation and Correction's appropriation is being used to support payroll with the GSF.

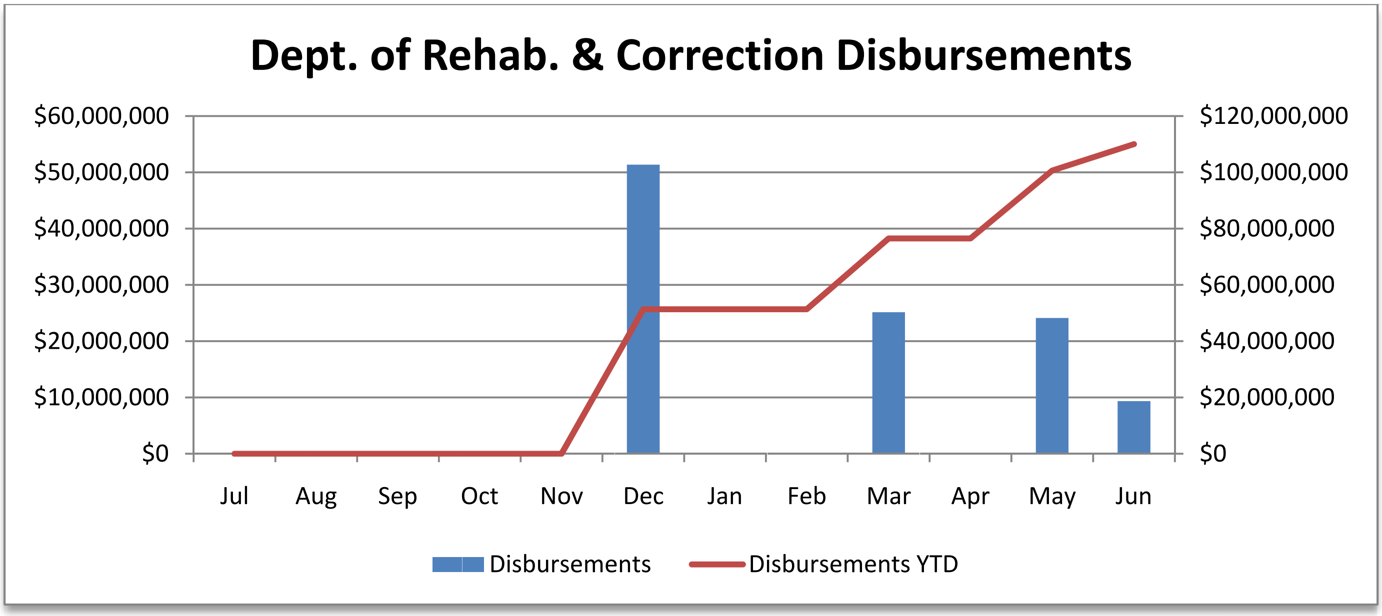
Through June 2010, the state has disbursed $808.6 million in SFSF ($417.6 million from the Department of Education (ESF), $281.0 million from the Board of Regents (GSF/ESF) and $110.0 from the Department of Corrections (GSF)).



Department of Education Disbursements
$100,000,000
$90,000,000
$80,000,000
$70,000,000
$60,000,000
$50,000,000
$40,000,000
$30,000,000
$20,000,000
$10,000,000
$0
$450,000,000
$400,000,000
$350,000,000
$300,000,000
$250,000,000
$200,000,000
$150,000,000
$100,000,000
$50,000,000
$0
Jul
Aug
Sep
Oct
Nov
Dec
Jan
Feb
Mar
Apr
May
Jun
Disbursements
Disbursements YTD



Board of Regents Disbursements
$30,000,000
$25,000,000
$20,000,000
$15,000,000
$10,000,000
$5,000,000
$0
$300,000,000
$250,000,000
$200,000,000
$150,000,000
$100,000,000
$50,000,000
$0
Jul
Aug
Sep
Oct
Nov
Dec
Jan
Feb
Mar
Apr
May
Jun
Disbursements
Disbursements YTD



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[i] The expenditure amount was revised to reflect the following three additional programs that were excluded in previous reports due to a difference in coding practices: CFDAs 93.658, 93.659 and 10.551. A change in the reporting methodology now enables both types of coding to be included. In each ARRA report through May 2010, the FY2009 total expenditure was under-reported by $11.3 million. The difference is the total amount of expenditure in the three excluded programs.