OBM

Ted Strickland
Governor

J. Pari Sabety
Director

August 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 July 31, 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. This month's report compares data on a year-over-year basis, and estimates for revenue and spending will be provided in the September monthly report.

Ohio's economy continued to show slow progress in emerging from the national recession in this month, as the unemployment rate continued to decline slowly. While some indicators look negative, others are pointing in a positive direction.

For instance, Federal Reserve Chairman Ben Bernanke recently told Congress that the economic outlook remains "unusually uncertain," referring to this pattern in the national economy. The national economy is continuing to grow at a slow pace, with second quarter real GDP growth 2.4% following a 3.7% growth rate in the first quarter. It is expected that growth will continue at a rate of 2.8% in the second half of the year. Ohio employment decreased by 1,500 in June following two strong increases in April and May totaling 45,600 jobs – the best two-month gain on record since 1990.

During the month of July, Ohio's General Revenue Fund (GRF) tax receipts totaled $2,050.3 million, $159.7 million (8.4%) above the amount of receipts collected the same month a year ago. On a year-over-year comparative basis, most tax sources in July performed better than in the same month a year ago. Tax sources reflective of current economic conditions, such as non-auto and auto sales taxes and the withholding component of personal income tax increased over July 2009 receipts.

July fiscal year 2011 GRF spending totaled $2,887.1 million. GRF spending for Medicaid increased 5.0% over fiscal year 2010 and was primarily attributable to payment timing issues and a larger caseload. It is important to note that spending for July 2010 increased over July 2009 and that this is attributable to temporary continuing resolution budgets.

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 $4.6 billion has been received and $4.5 billion has been expended.

MONTHLY FINANCIAL REPORT
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ECONOMIC SUMMARY

Economic Performance Overview

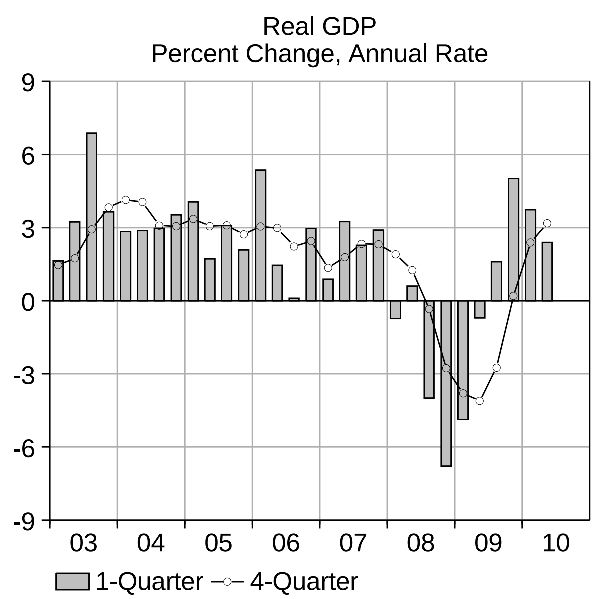
- Real GDP increased 2.4% in the second quarter after a 3.7% increase in the first quarter. Analysts expect growth to continue at a rate of 2.8% in the second half.
- Employment decreased due to the termination of temporary Census jobs, but also grew more slowly than recently in the private sector. The unemployment rate stayed at 9.5% in July, again reflecting a large reduction in the number of people looking for work.
- Ohio employment dipped in June, mainly due to a decrease in the number of temporary census jobs. The unemployment rate decreased to 10.5% in June.
- 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 remains on a path toward slower growth. **Real GDP** expanded only 2.4% in the second quarter. This increase was the fourth in a row, but left the level of activity still 1.1% below the peak achieved two years earlier.

The economy fell further during the recession than originally reported, according to revised data. Real GDP fell by 4.1% from peak to trough, rather than the 3.8% decline originally reported. Growth was slower than previously indicated in the fourth quarter of last year, but faster in the first quarter of 2010.

During the past four quarters, real GDP has increased 3.2% – the fourth slowest first-year advance among the eleven post-war recoveries. Growth during the past year has been about the same as during the one-year recovery between the 1980 and 1981-82 recessions and modestly faster than during the recoveries from the last two recessions.



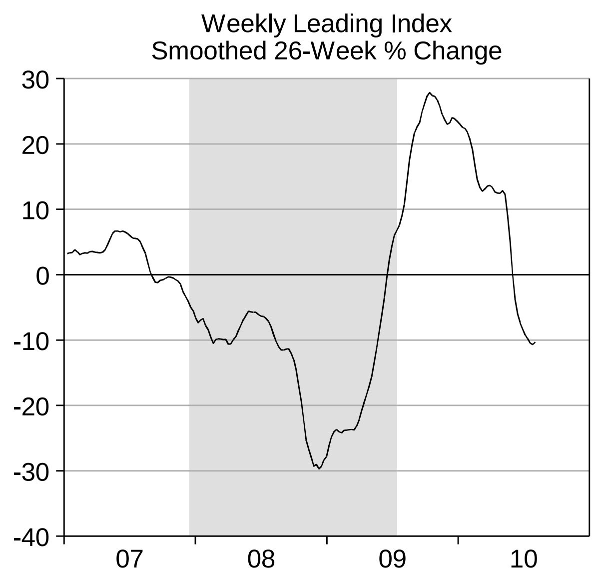
About 60% of increases in production during the past year went to rebuild business inventories. Final sales of domestic product increased just 1.2% in the past year – weaker than the first-year rebound in recoveries from all post-war recessions except 2001. The average first-year growth rate of final sales was 5.0% in the recoveries that followed the nine recessions prior to 2001.

A key reason for the slow take-off from the 2007-09 recession has been modest growth in personal consumption expenditures, which increased 1.6% in the second quarter and has increased by 2.0% or less in each of the three previous quarters. Strong rebounds in fixed business investment and housing contributed to growth, but a surge in imports indicates that much of the modest additional demand was met by production overseas. Real GDP growth also depended heavily on an unsustainable 9.2% increase in federal government outlays.

The consensus among forecasters is for continued moderate growth through year end at a pace of approximately 2.8%, 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 -10.7% in late July. 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.

Every time in the forty-two year history of the Weekly Leading Index that the growth rate has fallen to -10.7% 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 economic 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 pointing to recession now suggests that renewed recession is not the most likely path.

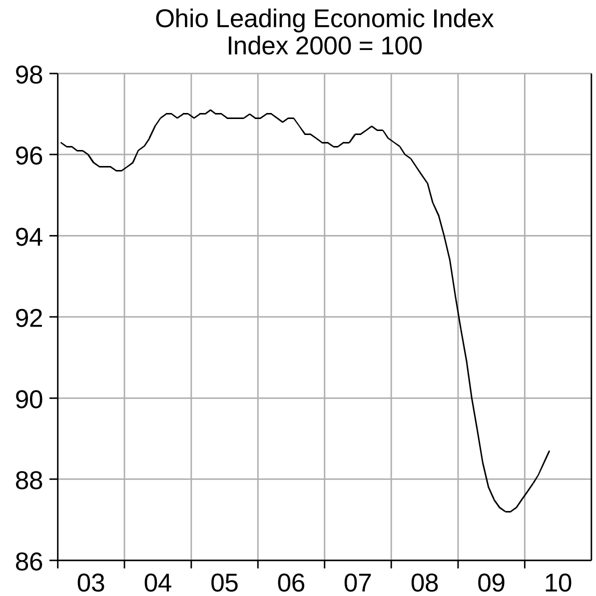


Source: Economic Cycle Research Institute

The **Leading Economic Index** decreased 0.2% in June after a 0.5% increase in May and a 0.1% decrease in April. The 6-month smoothed percent change decreased to 6.5% – the slowest since last August – down from the peak for the cycle of 11.1% in March. The index has traced out similar patterns following the initial burst of growth in the early years of past recoveries and is consistent with continuing growth at a slower pace.

The **Ratio of the Coincident to Lagging Economic Index** slipped 0.1% in June following three solid monthly gains. The 6-month smoothed rate of change fell to 4.6% from the peak for the cycle of 6.2% reached in December 2009 – the slowest rate of change since last October. 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** also continued to trace out a pattern consistent with slow growth. The index managed an eighth straight month in June, lifted mainly by improvement housing valuations and single-family housing permits. Compared with a year earlier, the index was up by 1.1% - the second year-over-year increase in a row.



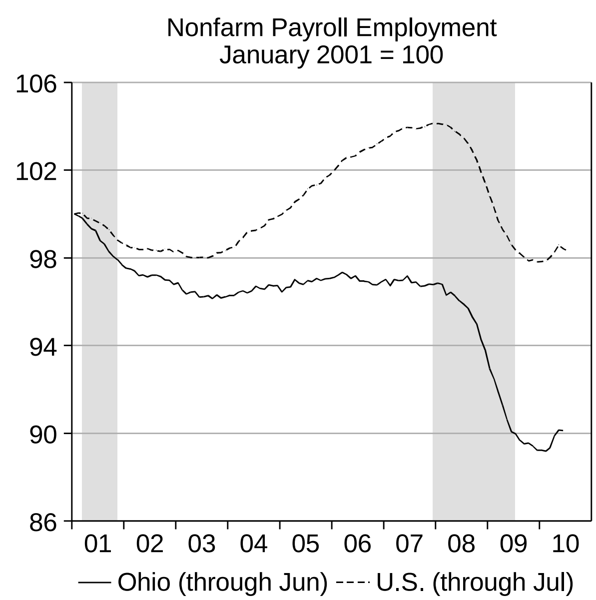
The **Ohio Coincident Economic Index**, compiled by the Federal Reserve Bank of Philadelphia, increased 0.6% in June for the sixth consecutive monthly increase. The increase since February has been the biggest since early in the recovery from the 1990-91 recession. The year-over-year increase of 2.5% in June was the largest since October 2004.

<u>Employment</u>

Private sector employment continued to grow slowly in July. **Total employment** decreased by 131,000 jobs, reflecting a 202,000 decrease in government jobs resulting primarily from the termination of temporary Census positions. The change in total employment was revised downward by a total of 97,000 jobs in May and June.

Excluding the change in government jobs, employment increased by 71,000 jobs, up from an average of 41,000 during May and June but down from an average of 200,000 jobs in March and April. Private sector payrolls have increased by an average of only 90,000 jobs per month during the first seven months of the year.

The **length of the workweek** increased marginally, lifting **aggregate hours worked**. But employment at temporary help services firms – seen as a leading indicator of hiring trends – fell 5,600 jobs in the first decline since last September. In addition, **initial jobless claims** jumped in the final week of July to the highest level since early April, and before that, early February. The 4-week moving average of initial jobless claims has fluctuated in a narrow, flat range all year, indicating little improvement in job market conditions.

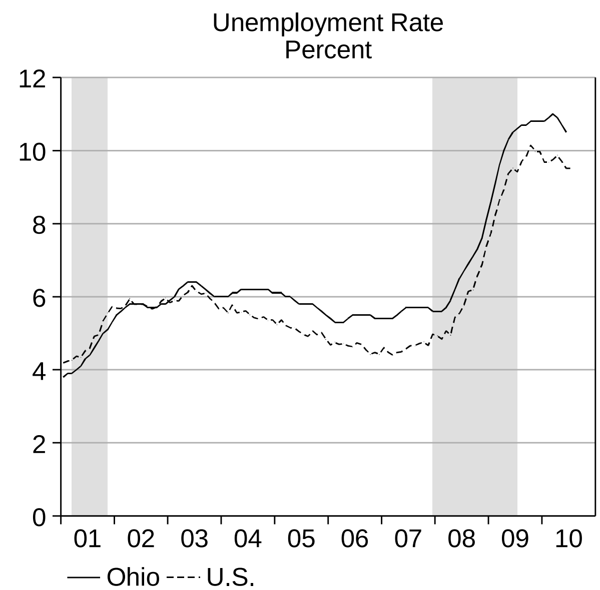


The recovery in labor markets remains

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 0.6% since reaching its low for this cycle seven months ago, the same as following the 1990-91 and 2001 recessions.

In contrast, the increase during the first seven months following the trough averaged 2.4% – or about four times as fast – in the previous eight cycles. The pattern of much weaker labor markets in the most recent three episodes than during the previous eight episodes was even more pronounced when measured from the date of the business cycle trough instead of the low point in employment.

The **unemployment rate** was unchanged at 9.5% in June, down 0.6 percentage points from the peak for the cycle of 10.1% reached last October. On an encouraging note, the economy has always been in a durable recovery when the unemployment rate has declined by 0.6 percentage points or more from its peak following the onset of recession. But it is important to note that without the large decline in the labor force during the past three months, the unemployment rate would have increased to a new high for the cycle.



Ohio employment decreased by 1,500 in June following two strong increases in April and May totaling 45,600 jobs – the best two-month gain on record back to 1990. Private sector payrolls increased by 8,900 jobs. Government employment fell by 10,400 jobs following a Census-fueled hiring increase of 17,000 jobs in May.

Ohio employment increased during June in leisure and hospitality (+4,500), financial activities (+2,000), professional and business services (+1,700) and trade, transportation and utilities (+1,200). Manufacturing (+300) and construction (+200) employment each increased for the fourth consecutive month.

Employment reached its low-point for this cycle in February at 5.0 million jobs, down from the peak in March 2006 by approximately 450,000 jobs. The unemployment rate edged down to 10.5% in June from the high for the cycle of 11.0% in March – the fifteenth consecutive month at or above 10.0%. The unemployment rate had reached a cyclical low of 5.3% in May 2006.

The upturn in employment in Ohio has become evident among **Ohio's Metropolitan Statistical Areas.** Cleveland (+4,100), Youngstown (+2,300) and Toledo (+1,200) added jobs during the twelve months ended in June. Employment fell by the largest amounts in Columbus (-9,400), Dayton (-4,300) and Cincinnati (-4,100). In general, year-over-year comparisons continued to improve.

Employment increased during the twelve months ending in June in Ohio and each of the **contiguous states**, except for West Virginia (-0.8%). The year-over-year comparisons have improved markedly from the lows reached in 2009. Employment increased 1.5% in Kentucky, 1.4% in Indiana, 0.6% in Michigan, 0.4% in Pennsylvania and 0.1% in Ohio.

For the Ohio and contiguous state region, employment increased 0.5% during the same period, compared with a decline of 0.1% for all states outside the region combined. June was the third 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.

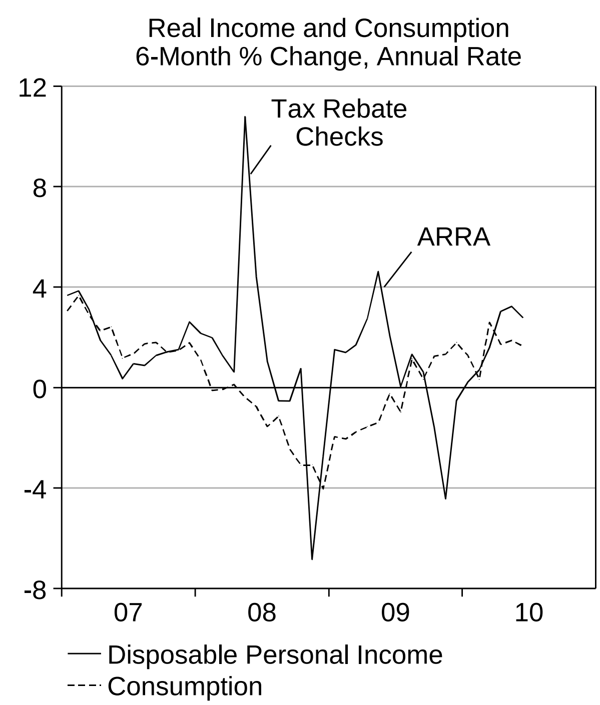
Consumer Income and Consumption

Personal income and personal consumption expenditures ended the first quarter on a weak note and the saving rate increase to a new high for the year. Personal income was unchanged in June from May. Wage and salary disbursements decreased 0.1%, in the first monthly drop since last September. Compared with a year earlier, personal income was higher by 2.6% and wage and salary disbursements were up only 1.2%.

Personal consumption expenditures were also unchanged from May to June, and were modestly lower than in March. The year-over-year rate of change in consumption slowed from 4.0% in March to 3.1% in June. After adjustment for inflation, consumption was up only 1.7% from a year earlier. Weakness was broad-based in June, as spending on durable goods, nondurable goods and services increased modestly or declined during the month.

Consumer spending in and around Ohio was generally flat or slightly higher in late spring according to the Cleveland Federal Reserve Bank. Spending on apparel and food was stable, while spending on discretionary items was weaker. Motor vehicle dealers reported a slowdown in sales and do not expect a rebound soon. Used vehicle sales held up reasonably well, but some sources reported greater difficulty in arranging financing for customers.

Benchmark data revisions lifted the saving rate to 6.4% in June. The rate of saving peaked at 8.2% on a monthly basis shortly after what turned out to be the resolution of the financial crisis in May 2009. At an average of 5.6% since Bear Stearns failed in spring 2008, the saving rate is as high as it has been since 1994-95. Presumably, households are saving more out of current income out of concern about the economic and financial market environment.



Chain store sales decreased 0.8% from June to July, according to the International Council of Shopping Centers. Compared with a year earlier, sales were higher by 2.8%. Warm weather and the late timing of Memorial Day are believed to have boosted sales during June at the expense of sales in July.

Consumer confidence deteriorated further in July, according to both the Conference Board and Reuters\University of Michigan. The overall measures from both sources fell to their lowest levels since November. A key factor in both surveys was a dimmer view of the future. In a stark indication of consumers' moods, assessments of current conditions, expectations and the overall indexes were below the respective average levels observed during past recessions.

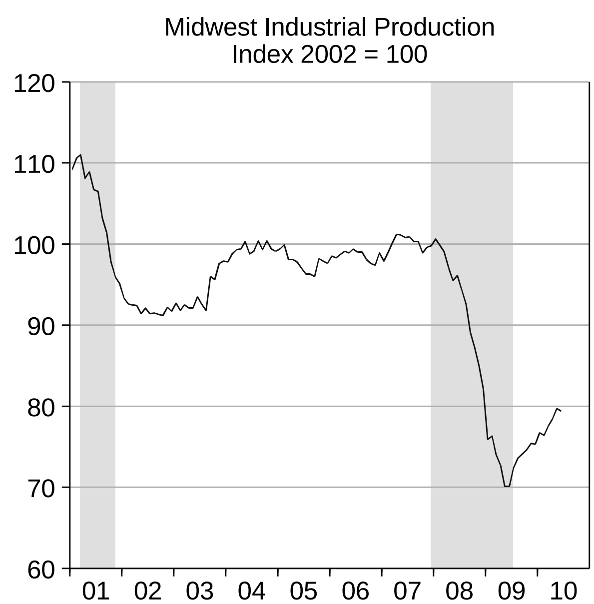
Manufacturing

Industrial production increased by only 0.1% in June after a 1.3% increase in May. Production was higher by 8.2% from a year earlier – the sixth positive year-over-year comparison in a row and the best since January 1998. A weather-related 2.4% increase in utility output masked a 0.4% decrease in manufacturing production. Production advanced in high-technology, but declined in motor vehicles and parts after a strong advance the month before.

Weakness was also evident in **Midwest manufacturing** during the spring, as output fell by 0.5% in June, according to the Federal Reserve Bank of Chicago. Production of steel and machinery fell, while output of motor vehicles and resources increased. Even so, regional production levels remained 13.3% above the year earlier level, due primarily to strong advances in the March-May period.

Manufacturing activity in and around Ohio was reported to have leveled off or declined during mid-June to late July, according to the Cleveland Federal Reserve Bank. Manufacturers who reported higher production attributed the increases to seasonal factors. A large majority of respondents to the bank's survey said that demand growth seen earlier this year was weakening, and expect production to stabilize or decline modestly. Steel producers reported a slight decline in volume. Construction volume was reported as very weak. Motor vehicle production was reported as stable after a substantial year-over-year gain.

Businesses in adjoining regions have reported similar weakness. Overall activity declined markedly in July, judging by the overall indexes compiled by the Philadelphia Federal Reserve Bank and the New York Federal Reserve Bank. Measures of orders and shipments declined in both regions.



Information about where manufacturing is heading this summer is mixed. Reports from **purchasing managers** at manufacturing firms deteriorated further in July, especially regarding production and new orders. Both components remained above the neutral level of 50 but fell to the lowest level since last June. In contrast, aggregate **hours worked in manufacturing** increased by 0.5% in July due to a 36,000 increase in employment and a slight lengthening in the workweek.

Construction

Total **construction put-in-place** increased 0.1% in June and was up 0.3% excluding residential improvements, which are poorly estimated. Compared with a year earlier, construction was still down by 7.9%.

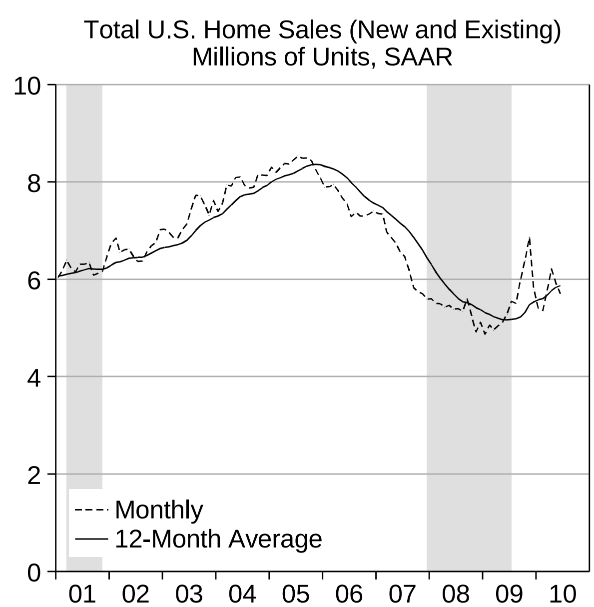
Nonresidential construction put-in-place increased 0.4% in June and **residential construction** declined by 0.4%. The **Architecture Billings Index** from the American Institute of Architects improved modestly in June, pointing to a continued advance in nonresidential construction in the months ahead. **Pending home sales** dropped in June to a new all-time low both across the country and in the Midwest. Combined with still-high inventories of homes on the market, the softening in sales will keep downward pressure on residential construction.

Housing activity is still being buffeted by the expiration of tax credits for housing purchases. **New home sales** increased moderately in June, but **sales of existing homes** and **housing starts** decreased again.

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 by approximately 40% since October 2009 to its lowest level on a 4-week moving average basis since early 1997.

Home prices increased in April and May in the S&P Case/Shiller index for 20 major cities. Prices had stalled by this measure in February and March after increasing in eight consecutive months. Compared with a year ago, prices were higher by 4.6%.

Risks facing housing include the potential effect on prices of the shadow inventory of homes pending foreclosure that could be put on the market this year. In addition the current wave of adjustable mortgage rate resets could lift defaults, foreclosures and prices when unemployment is already high and a large percentage of mortgage balances exceed home values.



REVENUES

OBM is currently in the process of preparing monthly revenue and disbursement estimates for FY 2011. As a result, monthly estimates for all revenue sources for the month of July are equal to actual receipts. During the month of July**, GRF receipts totaled $2,050.3 million** which was $159.7 million (8.4%) above the amount of receipts collected last July**.** This year over year growth is almost entirely attributable to a combination of the growth of the sales taxes and federal grants.

Category	**Includes:**	**Year over Year 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	$61.5 million	5.4%
Non-tax receipts	Federal grants, earnings on investments, licenses & fees, other income, intrastate transfers	$92.3 million	12.5%
Transfers	Budget stabilization, liquor transfers, capital reserve, other	$5.9 million	45.1%
TOTAL REVENUE VARIANCE:		$159.7 million	8.4%

Non-Auto Sales and Use Tax

Non-auto sales receipts totaled $592.0 million in July, with the managed care company portion of the tax contributing approximately $25.6 million to the total. Encouraging was the year-over-year comparison in which non-auto sales tax collections were $53.4 million (9.9%) higher than for the same month a year ago. After adjusting for the additional revenue from managed care companies, the tax still saw growth of 5.2 percent.

Auto Sales Tax

July auto sales tax receipts totaled $84.2 million continuing to reflect the performance that occurred in the second half of FY 2010. On a year-over-year basis, July receipts saw continued growth as collections were $5.8 million (7.4%) above July 2009 receipts.

Personal Income Tax

Personal income tax receipts in July 2010 totaled $488.7 million, an increase of $1.2 million (0.2%) compared to last July. Withholding was nearly flat compared with last year because of one fewer pay-in day this year. After adjusting for the number of pay-in days, the underlying growth rate in withholding for the month would have been 2.5 percent to 3 percent.

FY2010 PERSONAL INCOME TAX RECEIPTS BY COMPONENT ($ in millions)				
	ACTUAL		**VARIANCE**	
	JULY 10	**JULY 09**	**$**	**%**
Withholding	$558.6	$558.3	$0.3	0.1%
Quarterly Est.	$12.9	$11.9	$1.0	8.4%
Trust Payments	$0.6	$0.4	$0.2	50.0%
Annual Returns &40P	$6.9	$6.6	$0.3	4.5%
Other	$7.4	$6.8	$0.6	8.8%
Less: Refunds	($36.9)	($40.0)	$3.1	7.8%
Local Distr.	($60.9)	($56.5)	($4.4)	-7.8%
Net to GRF	**$488.7**	**$487.4**	**$1.2**	**0.3%**

Corporate Franchise Tax

Corporate franchise tax receipts for the month of July were -$5.6 million, compared to -$9.6 million in July 2009 due to refunds. Much of the refund activity this July is due to payments erroneously made by companies no longer subject to the corporate franchise tax, which expired last year for all companies except financial institutions and their related entities.

Commercial Activity Tax

In FY 2011, 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 $42.0 million, an amount $24.4 million (72.1%) above the $36.2 million that was collected in the same month a year ago. As the first payment date for this tax in FY 2011 is August 10th, OBM will be closely monitoring collections to assess the extent to which the year-over-year increase may be a matter of the timing of payments.

Kilowatt Hour Tax

Kilowatt-hour tax receipts during the month of July totaled $12.6 million, which on a year-over-year basis represented an increase of $2.9 million (31.3%) when compared with the same month a year ago.

Cigarette Tax

Following a very strong end to FY 2010, cigarette tax receipts during the month of July totaled $22.8 million and were $3.7 million (14.1%) lower this month than the same month a year ago.

Alcoholic Beverage Tax

The alcoholic beverage tax was $2.6 million (48.0%) below last year's collections. This underperformance was primarily attributable to timing issues. Most of the year-over-year difference will be recorded in August.

GRF non-tax receipts totaled $830.3 million in July, with actual for the month being the estimate. On a year-over-year basis, non-tax receipts were $92.3 million (12.5%) above the amount posted in July 2009. This variance is primarily due to an increase in federal revenue received as reimbursement for Medicaid expenditures.

GRF transfers for the month of July totaled $19.1 million, with most of that coming in the form of liquor profits transfers. On a year over year basis, GRF transfers in July were $5.9 million (45.1%) above transfers for the same month a year ago.

Table 1
GENERAL REVENUE FUND RECEIPTS
ACTUAL FY 2011 VS ESTIMATE FY 2011
($ in thousands)

REVENUE SOURCE	Month: ACTUAL JULY	Month: ESTIMATE JULY	Month: $ VAR	Month: % VAR	Year-to-Date: ACTUAL Y-T-D	Year-to-Date: ESTIMATE Y-T-D	Year-to-Date: $ VAR	Year-to-Date: % VAR
TAX RECEIPTS								
Non-Auto Sales & Use	591,975	591,975	0	0.0%	591,975	591,975	0	0.0%
Auto Sales & Use	84,220	84,220	0	0.0%	84,220	84,220	0	0.0%
Subtotal Sales & Use	676,194	676,194	0	0.0%	676,194	676,194	0	0.0%
Personal Income	488,651	488,651	0	0.0%	488,651	488,651	0	0.0%
Corporate Franchise	(5,564)	(5,564)	0	0.0%	(5,564)	(5,564)	0	0.0%
Commercial Activity Tax	0	0	0	N/A	0	0	0	N/A
Public Utility	20	20	0	0.0%	20	20	0	0.0%
Kilowatt Hour	12,562	12,562	0	0.0%	12,562	12,562	0	0.0%
Foreign Insurance	50	50	0	0.0%	50	50	0	0.0%
Domestic Insurance	134	134	0	0.0%	134	134	0	0.0%
Other Business & Property Tax	126	126	0	0.0%	126	126	0	0.0%
Cigarette	22,756	22,756	0	0.0%	22,756	22,756	0	0.0%
Alcoholic Beverage	2,913	2,913	0	0.0%	2,913	2,913	0	0.0%
Liquor Gallonage	3,082	3,082	0	0.0%	3,082	3,082	0	0.0%
Estate	0	0	0	N/A	0	0	0	N/A
Horse Racing	0	0	0	N/A	0	0	0	N/A
Total Tax Receipts	1,200,923	1,200,923	0	0.0%	1,200,923	1,200,923	0	0.0%
NON-TAX RECEIPTS								
Federal Grants	828,784	828,784	0	0.0%	828,784	828,784	0	0.0%
Earnings on Investments	0	0	0	N/A	0	0	0	N/A
License & Fees	961	961	0	0.0%	961	961	0	0.0%
Other Income	459	459	0	0.0%	459	459	0	0.0%
ISTV'S	81	81	0	0.0%	81	81	0	0.0%
Total Non-Tax Receipts	830,285	830,285	0	0.0%	830,285	830,285	0	0.0%
TOTAL REVENUES	2,031,208	2,031,208	0	0.0%	2,031,208	2,031,208	0	0.0%
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	6,106	6,106	0	0.0%	6,106	6,106	0	0.0%
Temporary Transfers In	0	0	0	N/A	0	0	0	N/A
Total Transfers	19,106	19,106	0	0.0%	19,106	19,106	0	0.0%
TOTAL SOURCES	2,050,314	2,050,314	0	0.0%	2,050,314	2,050,314	0	0.0%

Table 2

GENERAL REVENUE FUND RECEIPTS
ACTUAL - FY 2011 VERSUS FY 2010
($ in thousands)

REVENUE SOURCE	Month JULY FY 2011	Month JULY FY 2010	Month $ VAR	Month % VAR	Year-to-Date ACTUAL FY 2011	Year-to-Date ACTUAL FY 2010	Year-to-Date $ VAR	Year-to-Date % VAR
TAX RECEIPTS								
Non-Auto Sales & Use	591,975	538,605	53,370	9.9%	591,975	538,605	53,370	9.9%
Auto Sales & Use	84,220	78,436	5,784	7.4%	84,220	78,436	5,784	7.4%
Subtotal Sales & Use	676,194	617,040	59,154	9.6%	676,194	617,040	59,154	9.6%
Personal Income	488,651	487,449	1,202	0.2%	488,651	487,449	1,202	0.2%
Corporate Franchise	(5,564)	(9,647)	4,083	42.3%	(5,564)	(9,647)	4,083	42.3%
Commercial Activity Tax	0	0	0	N/A	0	0	0	N/A
Public Utility	20	139	(119)	-85.8%	20	139	(119)	-85.8%
Kilowatt Hour	12,562	9,566	2,996	31.3%	12,562	9,566	2,996	31.3%
Foreign Insurance	50	(336)	385	114.8%	50	(336)	385	-114.8%
Domestic Insurance	134	(176)	310	176.2%	134	(176)	310	176.2%
Other Business & Property Tax	126	57	69	120.2%	126	57	69	120.2%
Cigarette	22,756	26,489	(3,733)	-14.1%	22,756	26,489	(3,733)	-14.1%
Alcoholic Beverage	2,913	5,604	(2,692)	-48.0%	2,913	5,604	(2,692)	-48.0%
Liquor Gallonage	3,082	2,994	88	2.9%	3,082	2,994	88	2.9%
Estate	0	229	(229)	-100.0%	0	229	(229)	-100.0%
Horse Racing	0	0	0	N/A	0	0	0	N/A
Total Tax Receipts	1,200,923	1,139,409	61,514	5.4%	1,200,923	1,139,409	61,514	5.4%
NON-TAX RECEIPTS								
Federal Grants	828,784	728,992	99,793	13.7%	828,784	728,992	99,793	13.7%
Earnings on Investments	0	0	0	N/A	0	0	0	N/A
License & Fee	961	469	492	105.0%	961	469	492	105.0%
Other Income	459	8,678	(8,219)	-94.7%	459	8,678	(8,219)	-94.7%
ISTV'S	81	(130)	211	162.0%	81	(130)	211	162.0%
Total Non-Tax Receipts	830,285	738,008	92,277	12.5%	830,285	738,008	92,277	12.5%
TOTAL REVENUES	2,031,208	1,877,417	153,791	8.2%	2,031,208	1,877,417	153,791	8.2%
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	6,106	164	5,942	3618.9%	6,106	164	5,942	3618.9%
Temporary Transfers In	0	0	0	N/A	0	0	0	N/A
Total Transfers	19,106	13,164	5,942	45.1%	19,106	13,164	5,942	45.1%
TOTAL SOURCES	2,050,314	1,890,581	159,733	8.4%	2,050,314	1,890,581	159,733	8.4%

DISBURSEMENTS

July 2010 GRF disbursements, across all fund uses, were $2,887.1 million.

Category	Description	YTD Disbursements
Expenditures and transfers between agencies (ISTVs)	State agency operations, subsidies, tax relief, debt service payments, and pending payroll (if applicable)	$2,885.5
Transfers	Temporary or permanent transfers out of the GRF that are not agency expenditures	$1.6
TOTAL GRF DISBURSEMENTS:		$2,887.1

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 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 July totaled $865.3 million.

- July 2010 expenditures by the Department of Education totaled $856.7 million and were $26.4 million (2.9%) below the July 2009 disbursement. This variance is primarily due to lower disbursements in the Foundation Funding line items (ALIs 200500, 200502 and 200551) than in the previous fiscal year.

Higher Education

July disbursements for Higher Education were $225.5 million, representing a variance of $23.6 million (11.7%) above disbursements in the same month a year ago. This variance is primarily due to the federal ARRA SFSF payments, totaling $25.7 million in July of fiscal year 2011. These payments were disbursed after July in fiscal year 2010.

Public Assistance and Medicaid

July expenditures in this category, which include all GRF expenditures by the Department of Job & Family Services (ODJFS), were $1,192 million. 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 for the Medicaid program for the month of July 2010 were $1,127.0 million, which was $53.5 million (5.0%) larger than disbursements in the same period a year ago.

All funds disbursements for July 2010 were $1,127.2 million, which was $53.5 million (5.0%) higher than expenditures in July of fiscal year 2009.

The chart below shows the current month's disbursement variance by funding source:

		July FY2011		July FY2010		Variance	Variance %
GRF	$	1,126,950,273	$	1,073,457,608	$	53,492,665	5.0%
Non-GRF	$	224,352	$	252,342	$	(27,990)	-11.1%
All Funds	$	1,127,174,625	$	1,073,709,950	$	53,464,675	5.0%

The year-over-year variance is attributable to two main factors. First, a payment of $78.6 million originally scheduled to be paid in June 2010 was instead paid in July 2010. A similar action was taken in the previous year when a payment of $70.9 million was paid in July instead of June due to timing issues. Secondly, the Medicare Part D payment of $22.6 million was not made in July 2010 because of the application of eFMAP to that program earlier in the calendar year. July represented the last month that no Part D payment would need to be made due to the retroactive credit. The remaining variance is due primarily to caseload increases over the fiscal year.

Caseload

Total caseload for the month of June, the most recent month available, was 2.11 million covered persons, which was an increase of 15,294 people of the month of May. This number includes the State Fund Only programs, such as the Breast and Cervical Cancer program, and represents the 30th consecutive month of caseload growth. Covered Families and Children (CFC) increased by 10,847 covered lives to a total of 1.60 million, and the Aged, Blind and Disabled (ABD) population increased by 2,599 to a June total of 492.4 thousand people.

Total enrollment for the same period in the prior year was 1.96 million persons, including 1.48 million people in CFC and 468.8 thousand people in the ABD category. This represents an increase of 148,038 covered lives over the same point in the prior year.

As has been seen in previous months, the largest driver of the increase in the CFC category were the Healthy Families and Healthy Families Expansion programs, which are the core eligibility programs in CFC, accounting for nearly all of the increase.

The ABD category continues to see the majority of its increase in the two main Medicare premium assistance programs, the Qualified Medicare Beneficiary (QMB) and the Specified Low Income Medicare Beneficiary (SLMB) programs.

Public Assistance and Non-Medicaid

- ODJFS, non-Medicaid, General Revenue Fund disbursements totaled $64.6 million for the month of July. In the aggregate, GRF spending for July 2010 was $28.1 million (30.3%) lower than July 2009 disbursements. Major variances within individual line items were attributable to the following:

    - TANF State line item (ALI 600410) disbursements decreased 100% from $38.2 million in July fiscal year 2010. At that time, Ohio Works First (OWF) subsidy payments were made within the line item to meet FFY 2009 TANF Maintenance of Effort (MOE) requirements. This payment was not necessary for the month of July.
    - The Computer Projects line item (ALI 600416) expenditures were $1.7 million lower than this time last year due to decreased IT payroll cost pool percentages within the line item.
    - The Children and Families Services line item (ALI 600523), spending was $1.0 million lower than July fiscal year 2010 due to lower subsidy payments disbursed compared to last fiscal year.
    - The Early Care and Education line item (ALI 600535) subsidy expenses increased to $10.1 million compared to July of the previous year in order to meet FFY 2010 MOE requirements.
    - Child Care Match/Maintenance of Effort line item (ALI 600413) disbursements were $1.2 million higher than July 2009 spending in order to meet the Child Care Development Fund FFY 2010 state match.

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 expenditures in this category were $165.6 million.

- For the year-to-date in fiscal year 2011, the Department of Health disbursements total $8.5 million, which is $6.6 million (334.8%) above fiscal year 2010 disbursements. This is primarily attributable to the following:
    - The Mothers and Children Safety Net Services line item (ALI 440416) was above fiscal year 2010 by $0.7 million. This was due to a change in the start of the federal grant period (March to July).
    - The Healthy Ohio line item (ALI 440437) was above fiscal year 2010 by $0.5 million. This was due to the impact of operating under the continuing resolution budgets in fiscal year 2010.
    - The AIDS Prevention and Treatment line item (ALI 440444) was above fiscal year 2010 by $1.1 million. This was due to operating under the continuing resolution budgets and increases in program costs (medications and enrollment).

  - The Bureau for Children with Medical Handicaps line item (ALI 440505) was above fiscal year 2010 by $3.0 million due to the impact of operating under the continuing resolution budgets.
  - The Targeted Health Care Services Over 21 line item (ALI 440507) was above fiscal year 2010 by $0.6 million due to operating under the continuing resolution budgets.

- In fiscal year 2011, the Department of Aging disbursements total $22.9 million, which is $9.5 million (70.9%) above fiscal year 2010 disbursements. This is primarily attributable to the following:
  - The Senior Community Services line item (ALI 490411) was $0.3 million below fiscal year 2010 disbursements. This was attributable to fewer payments being made from the previous year given the timing of the availability of the senior community block grant funds.
  - The Long Term Care Budget – State line item (ALI 490423) was $9.8 million above fiscal year 2010 disbursements, due to enrollment management being implemented in fiscal year 2010, leading to lower expenses. In addition, this line item has a larger GRF appropriation in fiscal year 2011, and more GRF funds are being used in lieu of federal funds.

- The Department of Mental Health disbursed $78.2 million in the month of July, which was $26.3 million (50.8%) greater than funds disbursed in July of the previous year. In July 2009, the disbursement of the quarterly subsidy was delayed until August due to operating under continuing budget resolutions. However, the fiscal year 2011 disbursements for July are in line with the disbursement pattern experienced in fiscal year 2009. The current variance between fiscal year 2010 and fiscal year 2011 is primarily attributable to the following line items: the Local Mental Health Systems of Care line item (ALI 335505) that disbursed $4.1 million more than in July fiscal year 2010 and the Community and Hospital Mental Health Services line item (ALI 334408) that disbursed $22.1 million more than in July of fiscal year 2010.

- The Department of Mental Retardation and Developmental Disabilities disbursed $44.9 million in the month of July, which is $27.1 million greater than spending in July of fiscal year 2010. In July of fiscal year 2010, the disbursement of the quarterly subsidy was delayed until August due to operating under continuing budget resolutions, but the fiscal year 2011 disbursements for July are in line with the disbursement pattern experienced in fiscal year 2009.

  The current variance between fiscal year 2010 and fiscal year 2011 is primarily attributable to the following line items, disbursing more than in July 2010 than in July of 2009:
  - The Residential and Support Services line item (ALI 322416) that disbursed $3.6 million more;
  - The Family Support Services, line item (ALI 322451) that disbursed $1.6 million more;

- The County Board Subsidies line item (ALI 322501) that disbursed $16.3 million more; and
- The Tax Equity, line item (ALI 322503) that disbursed $3.5 million more than in the previous fiscal year.

Justice and Public Protection

July expenditures in the Justice and Public Protection category were $260.3 million.

- Disbursements in the Corrections category totaled $240.1 million in the month of July in fiscal year 2011, which was $42.0 million (21.2%) more than in July of fiscal year 2010.

- The Department of Rehabilitation and Correction disbursed $188.0 million in the month of July of fiscal year 2011, which was $45.0 million (31.5%) more than in July of fiscal year 2010. In July of fiscal year 2010, disbursements were limited to payroll and emergency expenses due to operating under continuing budget resolutions, but the fiscal year 2011 disbursements for July are in line with the disbursement pattern experienced in fiscal year 2009.

- The Department of Youth Services disbursed $52.1 million in the month of July of fiscal year 2011, which was $3.0 million (5.5%) less than in July of the previous fiscal year.

Community and Economic Development

For the month of July, disbursements in this category were $7.7 million.

- For the month of July in fiscal year 2011, the Department of Development disbursed $5.94 million in General Revenue Funds, which is $1.4 million (13.4%) below disbursements for July of fiscal year 2010. The largest factor in this reduction was the elimination of the Discover Ohio! program (ALI 195521) after the end of the continuing resolution period last July.

Tax Relief and Other

July disbursements in fiscal year 2011 for tax relief totaled $1.9 million and were $67.4 million below the $69.3 million disbursed during the same month a year ago. This notable drop in terms of year-over-year disbursements was the result of reimbursement requests for fiscal year 2009 that were submitted late in the fiscal year and not paid out until early fiscal year 2010. 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 rollbacks, as well as the homestead exemption.

Table 3
GENERAL REVENUE FUND DISBURSEMENTS
ACTUAL FY 2011 VS ESTIMATE FY 2011
($ 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	865,279	865,279	0	0.0%	865,279	865,279	0	0.0%
Higher Education	225,459	225,459	0	0.0%	225,459	225,459	0	0.0%
Public Assistance and Medicaid	1,191,530	1,191,530	0	0.0%	1,191,530	1,191,530	0	0.0%
Health and Human Services	165,613	165,613	0	0.0%	165,613	165,613	0	0.0%
Justice and Public Protection	260,326	260,326	0	0.0%	260,326	260,326	0	0.0%
Environmental Protection and Natural Resources	9,150	9,150	0	0.0%	9,150	9,150	0	0.0%
Transportation	729	729	0	0.0%	729	729	0	0.0%
General Government	41,805	41,805	0	0.0%	41,805	41,805	0	0.0%
Community and Economic Development	7,690	7,690	0	0.0%	7,690	7,690	0	0.0%
Tax Relief and Other	1,883	1,883	0	0.0%	1,883	1,883	0	0.0%
Capital Outlay	0	0	0	N/A	0	0	0	N/A
Debt Service	116,028	116,028	0	0.0%	116,028	116,028	0	0.0%
Pending Payroll	0	0	0	N/A	0	0	0	N/A
Total Expenditures & ISTV's	**2,885,493**	**2,885,493**	**0**	**0.0%**	**2,885,493**	**2,885,493**	**0**	**0.0%**
Transfers Out:								
OPER TRF OUT-OTH	1,565	1,565	0	0.0%	1,565	1,565	0	0.0%
OPER TRF OUT-TEMPORARY	0	0	0	N/A	0	0	0	N/A
Total Transfers (Out)	**1,565**	**1,565**	**0**	**0.0%**	**1,565**	**1,565**	**0**	**0.0%**
Total Fund Uses	**2,887,058**	**2,887,058**	**0**	**0.0%**	**2,887,058**	**2,887,058**	**0**	**0.0%**

Table 4
GENERAL REVENUE FUND DISBURSEMENTS
ACTUAL FY 2011 VS ACTUAL FY 2010
($ in thousands)

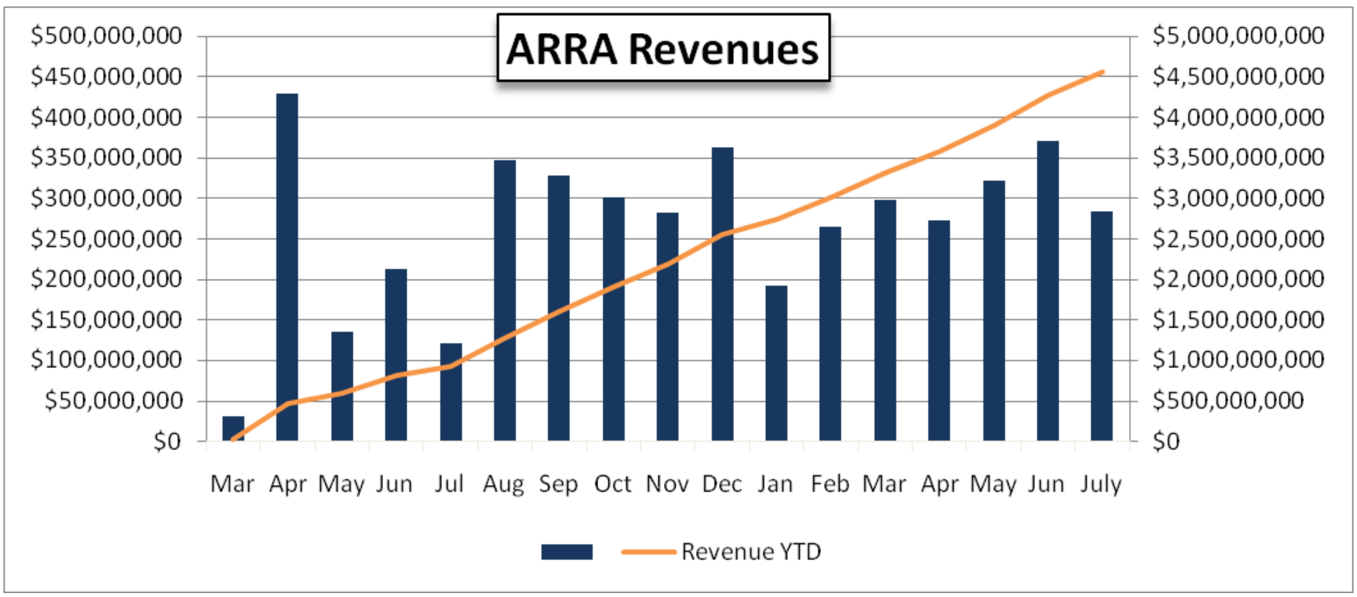
Functional Reporting Categories Description	MONTH				YEAR-TO-DATE			
	JULY FY 2011	JULY FY 2010	$ VAR	% VAR	ACTUAL FY 2011	ACTUAL FY 2010	$ VAR	% VAR
Primary, Secondary and Other Education	865,279	889,407	(24,128)	-2.7%	865,279	889,407	(24,128)	-2.7%
Higher Education	225,459	201,928	23,532	11.7%	225,459	201,928	23,532	11.7%
Public Assistance and Medicaid	1,191,530	1,166,168	25,362	2.2%	1,191,530	1,166,168	25,362	2.2%
Health and Human Services	165,613	95,146	70,468	74.1%	165,613	95,146	70,468	74.1%
Justice and Public Protection	260,326	251,464	8,862	3.5%	260,326	251,464	8,862	3.5%
Environmental Protection and Natural Resources	9,150	8,616	534	6.2%	9,150	8,616	534	6.2%
Transportation	729	1,418	(689)	-48.6%	729	1,418	(689)	-48.6%
General Government	41,805	33,700	8,105	24.1%	41,805	33,700	8,105	24.1%
Community and Economic Development	7,690	8,667	(977)	-11.3%	7,690	8,667	(977)	-11.3%
Tax Relief and Other	1,883	69,269	(67,386)	-97.3%	1,883	69,269	(67,386)	-97.3%
Capital Outlay	0	0	0	N/A	0	0	0	N/A
Debt Service	116,028	58,773	57,255	97.4%	116,028	58,773	57,255	97.4%
Pending Payroll	0	0	0	N/A	0	0	0	N/A
Total Expenditures & ISTV's	**2,885,493**	**2,784,556**	**100,937**	**3.6%**	**2,885,493**	**2,784,556**	**100,937**	**3.6%**
Transfers Out:								
OPER TRF OUT-BUD STABILIZATION	0	0	0	N/A	0	0	0	N/A
OPER TRF OUT-OTH	1,565	12,689	(11,124)	-87.7%	1,565	12,689	(11,124)	-87.7%
OPER TRF OUT-TEMPORARY	0	0	0	N/A	0	0	0	N/A
Total Transfers (Out)	**1,565**	**12,689**	**(11,124)**	**-87.7%**	**1,565**	**12,689**	**(11,124)**	**-87.7%**
Total Fund Uses	**2,887,058**	**2,797,244**	**89,814**	**3.2%**	**2,887,058**	**2,797,244**	**89,814**	**3.2%**

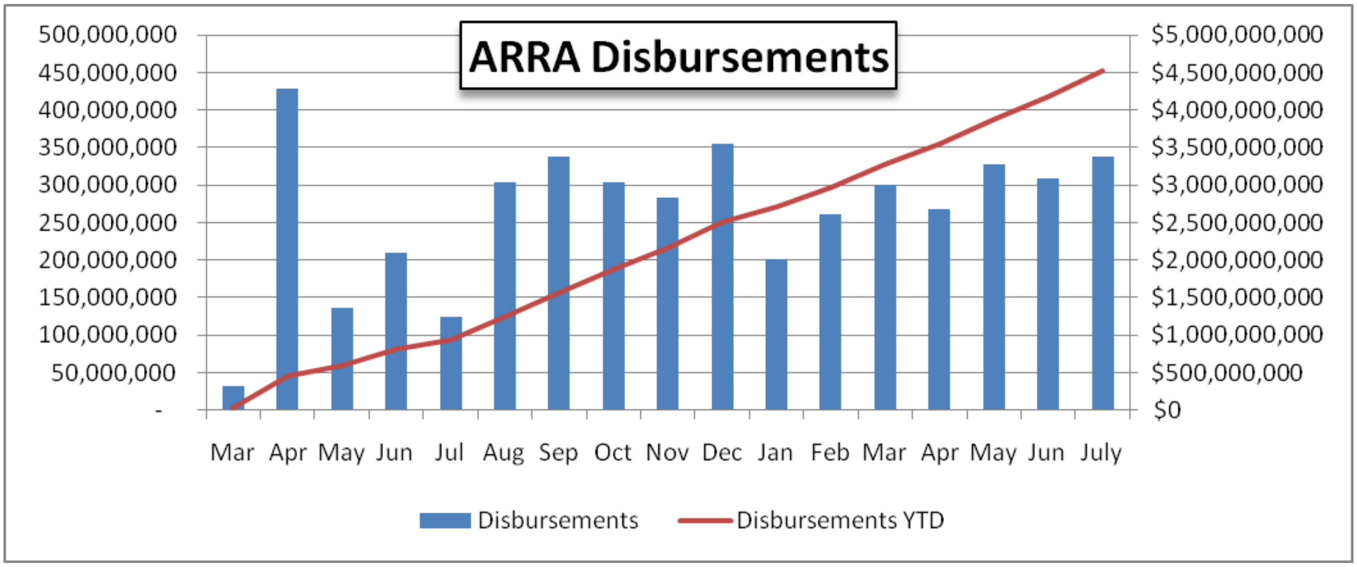
ARRA Monthly Revenue and Disbursements Report

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 $4.555 billion in federal revenue and disbursed $4.517 billion as of July 31, 2010.

	Revenue	Disbursements
FY 2009	$808,753,636	$806,882,970
FY 2010	$3,463,056,888	$3,372,015,092
FY 2011	$283,020,180	$338,563,323
Total	**$4,554,830,704**	**$4,517,461,386**





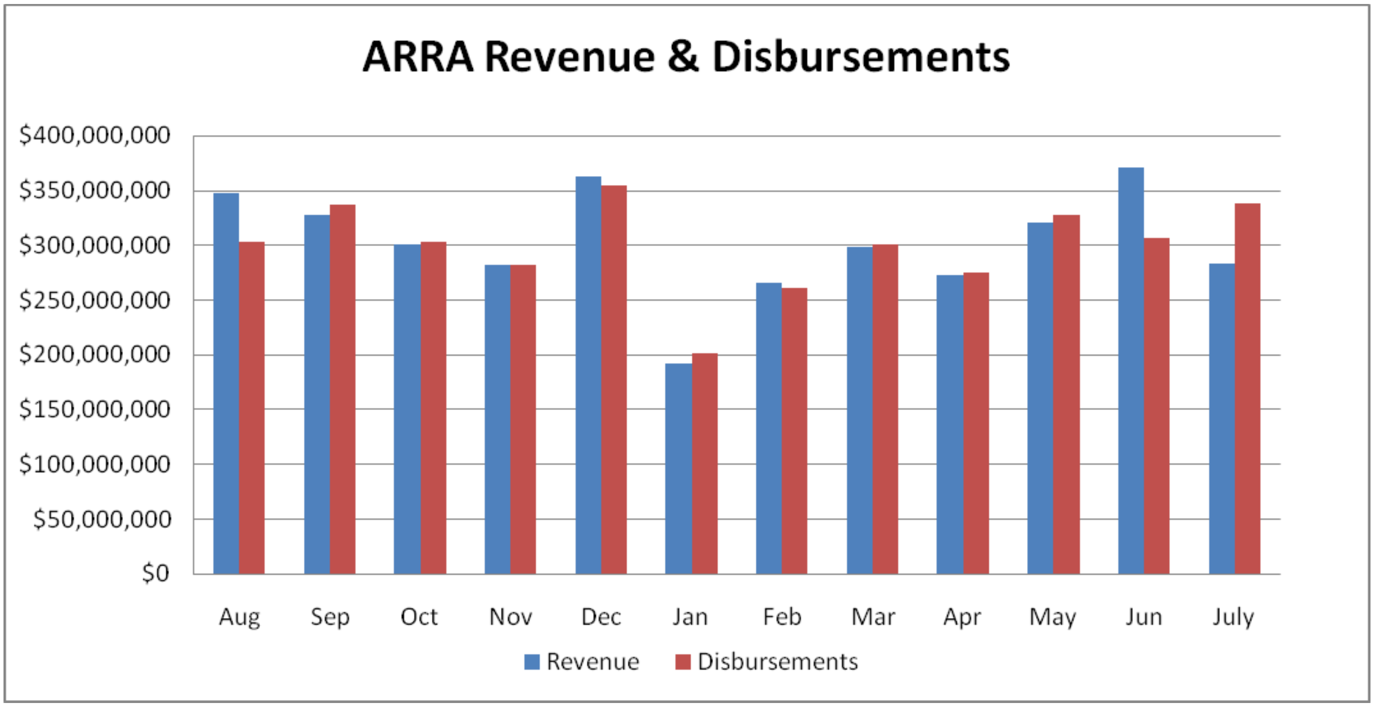
ARRA Revenue and Disbursements
for the month of July

Revenue	Disbursements
$283,020,180	$338,563,323

July – Fiscal Year 2011

ARRA Revenue
July 2010 Federal ARRA revenue received by all state agencies was $283.0 million. This was a decrease of $88.4 million or 24% from the month of June.

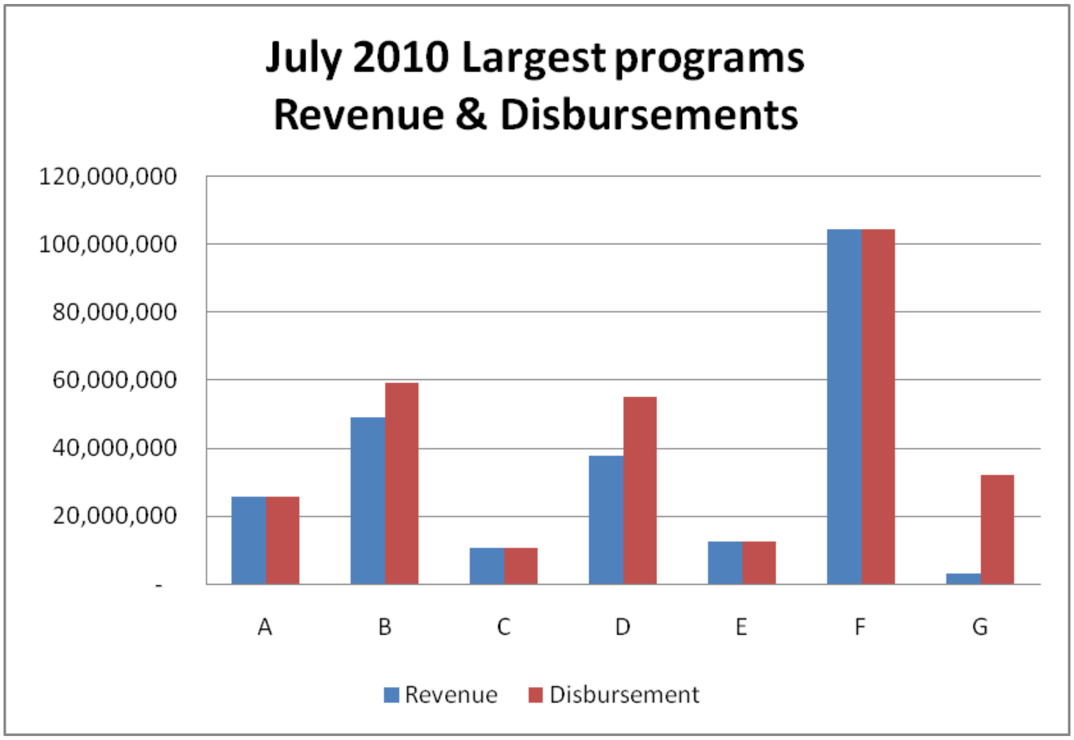
ARRA Disbursements
July 2010 Federal ARRA disbursements for all state agencies were $338.6 million. This was an increase of $31.2 million or 10% from the month of June. The variance between the amount of revenue and disbursements is primarily due to the different reimbursement or expenditure practices by the administering federal agencies.



	Aug	Sep	Oct	Nov	Dec	Jan
Revenue	$347,228,832	$327,301,022	$301,192,405	$282,183,655	$363,341,536	$191,882,605
Disbursements	$303,538,958	$337,749,828	$302,907,634	$282,545,148	$355,229,309	$201,038,310
	Feb	**Mar**	**Apr**	**May**	**June**	**July**
Revenue	$265,621,851	$298,249,769	$272,408,432	$321,110,146	$371,389,127	$283,020,180
Disbursements	$261,516,518	$299,542,701	$267,704,305	$328,255,930	$308,031,106	$338,563,323

Largest Amount of Activity by Program

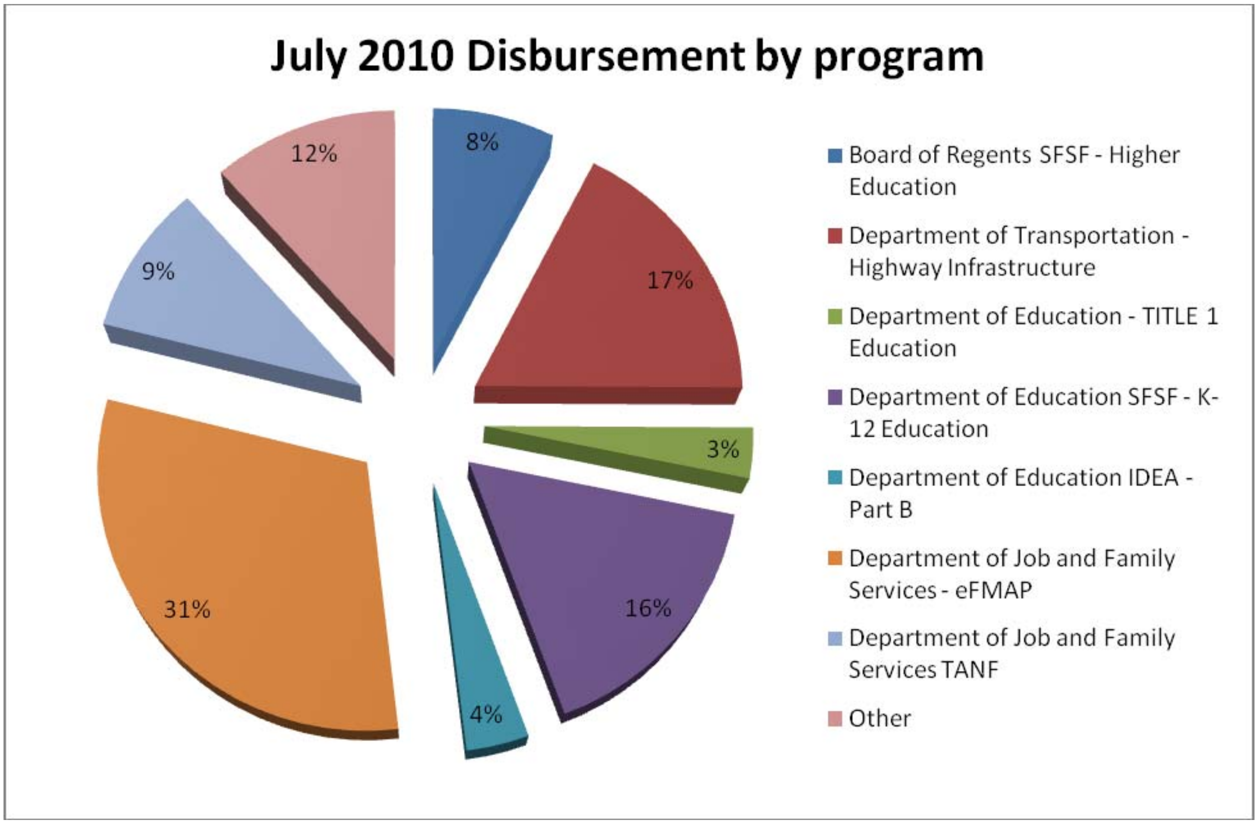
During the month of July, there were more than 70 active federal stimulus grants in the State of Ohio. Of those programs, the seven highlighted below accounted for 88% of the funds disbursed. The Department of Job and Family Services TANF program shows a discrepancy between revenue and disbursements because of timing due to the end of the state fiscal year. The revenue posted in June; the disbursements occurred in July. The Department of Corrections SFSF program is not reported because it did not receive any funds in this reporting period.



	Program	Disbursement	Revenue
A:	Board of Regents SFSF - Higher Education	$25,733,527	$25,733,527
B:	Department of Transportation - Highway Infrastructure	$59,184,490	$49,137,081
C:	Department of Education - TITLE 1 Education	$10,627,847	$10,623,034
D:	Department of Education SFSF - K-12 Education	$54,934,948	$37,919,105
E:	Department of Education IDEA - Part B	$12,424,735	$12,519,519
F:	Department of Job and Family Services - eFMAP	$104,258,284	$104,258,284
G:	Department of Job and Family Services TANF	$32,212,881	$3,248,863

Breakdown of Largest Amount of Activity by Program

During the month of July, the Department of Job and Family Services disbursed 31% of ARRA funds through eFMAP. The Department of Transportation disbursed 17% for Highway Infrastructure projects, and the Department of Education 16% for K-12 SFSF Education Programs.



State Fiscal Stabilization Fund Overview

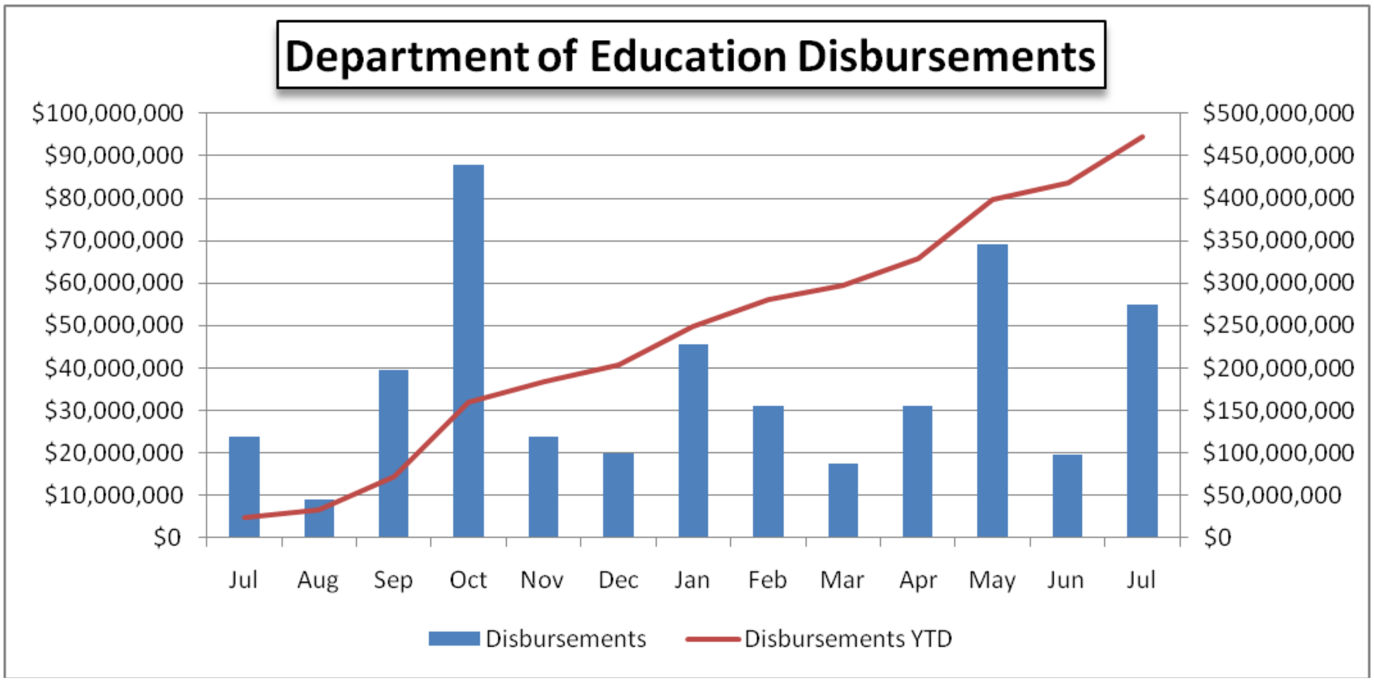
The State of Ohio has been awarded $1,789,376,483 in State Fiscal Stabilization Funds (SFSF) through ARRA. Of this amount, $1,463,709,963 is from the Education Stabilization Fund (ESF) and $325,666,520 is from the Government Services Fund (GSF). The ESF is to be used by the state to restore support for 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.

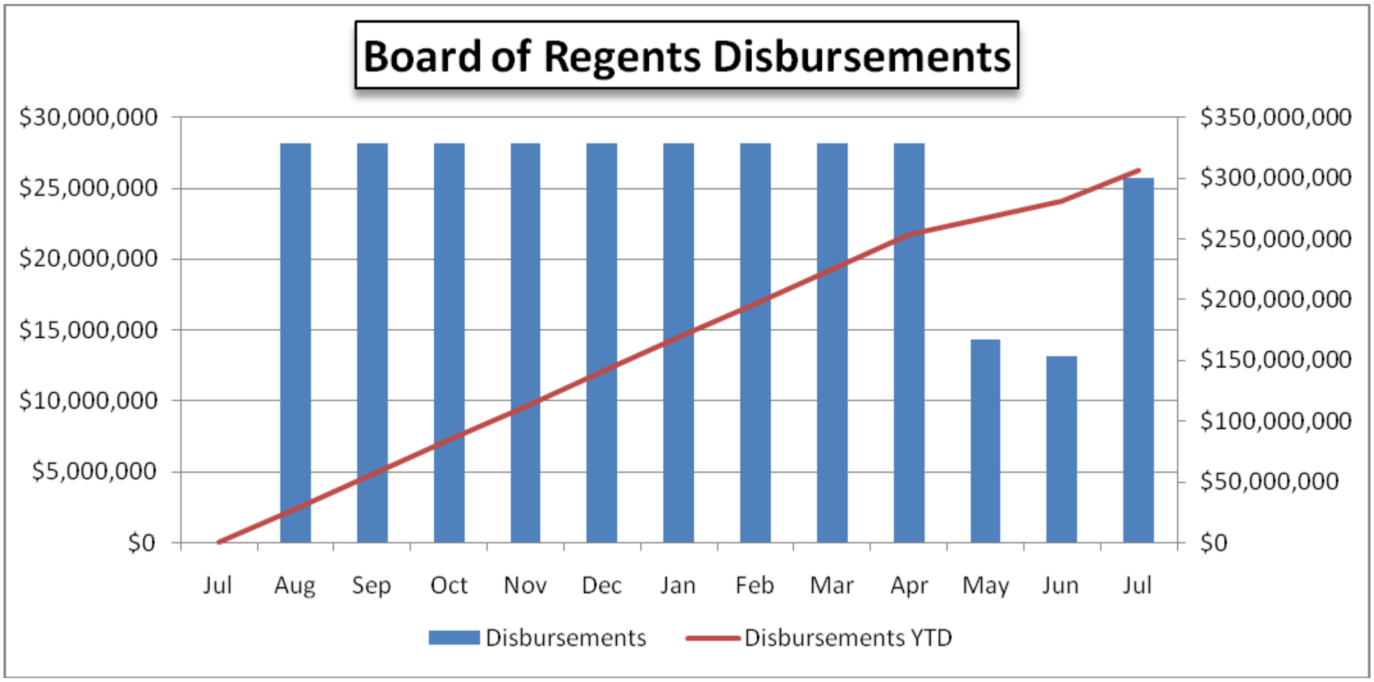
H.B. 1, the state's FY 2010-2011 operating budget, originally included appropriations for the SFSF. Controlling Board request #OBM0100041, which was approved on April 19, 2010, modified the allocations for each agency to ensure the state would meet the maintenance of effort (MOE) and Use of Funds provisions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

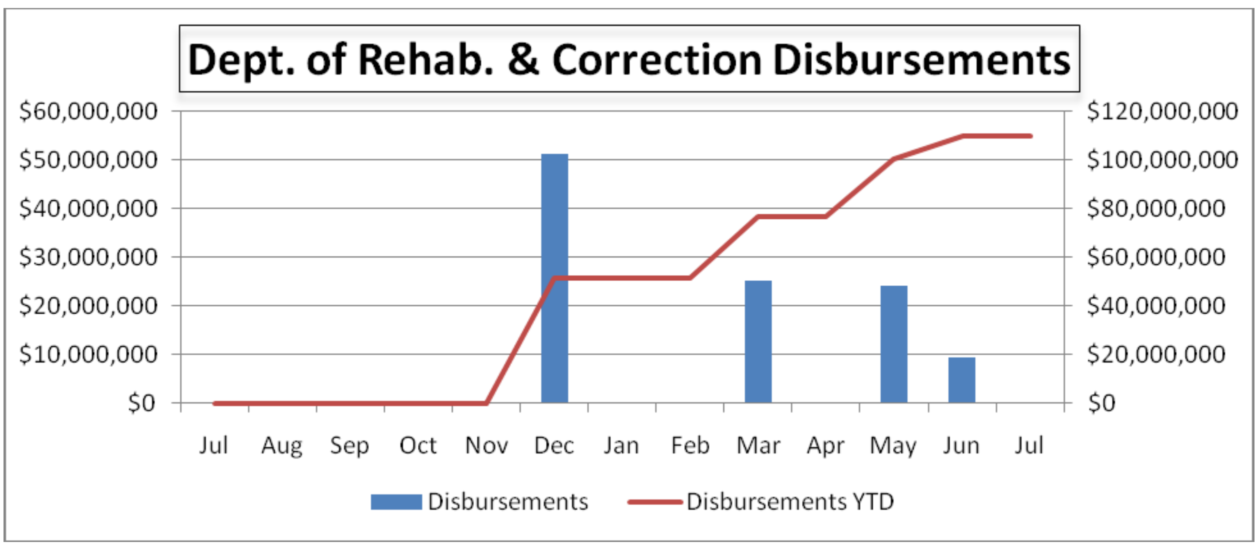
Agency	ALI	FY 2010	FY 2011	Total
Department of Education (ESF)	200551	$417,583,913	$457,449,362	$875,033,275
Board of Regents (ESF/GSF)	235644	$281,022,236	$308,802,662	$589,824,898
Department of Rehabilitation and Correction (GSF)	501620	$110,029,321	$214,488,988	$324,518,309

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 July 2010, the state has disbursed $889.3 million in SFSF ($472.5 million from the Department of Education (ESF), $306.8 million from the Board of Regents (GSF/ESF) and $110.0 million from the Department of Corrections (GSF)).




Board of Regents Disbursements
$30,000,000
$25,000,000
$20,000,000
$15,000,000
$10,000,000
$5,000,000
$0
$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 Jul
Disbursements
Disbursements YTD


Dept. of Rehab. & Correction Disbursements
$60,000,000
$50,000,000
$40,000,000
$30,000,000
$20,000,000
$10,000,000
$0
$120,000,000
$100,000,000
$80,000,000
$60,000,000
$40,000,000
$20,000,000
$0
Jul Aug Sep Oct Nov Dec Jan Feb Mar Apr May Jun Jul
Disbursements
Disbursements YTD