



February 10, 2012

MEMORANDUM TO: The Honorable John R. Kasich, Governor
The Honorable Mary Taylor, Lt. Governor

FROM: Timothy S. Keen, Director **TK**

SUBJECT: Monthly Financial Report

ECONOMIC SUMMARY

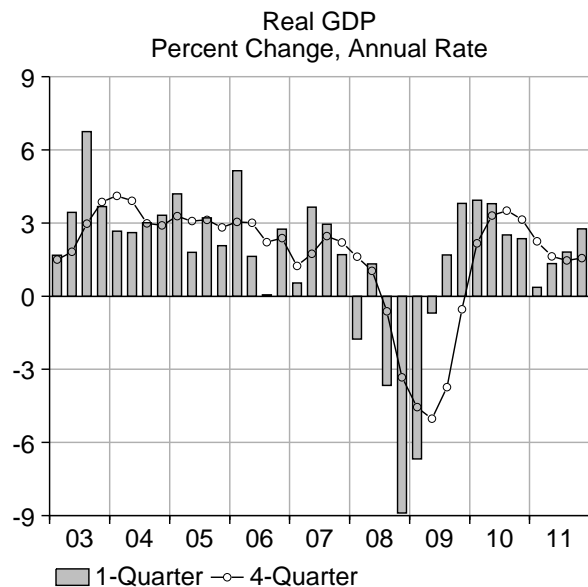
Economic Performance Overview

- Real GDP accelerated in the fourth quarter, rising 2.8% in the best showing since the second quarter of 2010.
- The labor market picture brightened further in January, as the level of employment increased by 243,000 jobs and the unemployment rate decreased to 8.3%.
- Ohio employment decreased by 3,300 jobs in the month of December but increased by 72,400 jobs over December 2010. The Ohio unemployment rate dropped to 8.1% in December, down 1.4 points from December 2010.
- Leading economic indicators remain consistent with moderate activity both nationally and in Ohio.

Economic Growth

During the fourth quarter of 2011, the economy limped to its second full calendar year of growth. Real GDP accelerated to an annual rate of 2.8% in the fourth quarter and was 1.6% higher than a year earlier. The fourth-quarter growth rate was in line with expectations and the best since the second quarter of 2010, but still fell slightly short of the long-run trend. The economy has expanded for ten straight quarters and was 0.7% larger in the fourth quarter than the previous all-time high in the fourth quarter of 2007.

The pace of real GDP growth since the recession officially ended in mid-2009 essentially matches the weakest performance among the nine other post-war expansions that have lasted for at least as long. The increase in real final sales has been the weakest in the post-war period by a notable margin. With respect to both real GDP and real



final sales, the rates of growth during the first ten quarters of the most recent three recovery periods are distinctly lower than growth rates in all previous recovery periods.

The composition of activity during the fourth quarter raises questions about the momentum in the economy as the first quarter began. The increase in real GDP from the third to the fourth quarter primarily reflected positive contributions from inventory accumulation, personal consumption expenditures, exports, residential fixed investment, and nonresidential fixed investment. These positive contributions were partly offset by negative contributions from federal government spending and state and local government spending. Imports, which are subtracted from the sum of other components of GDP to avoid double-counting, increased.

The acceleration in real GDP during the summer primarily reflected larger additions to inventories and bigger increases in personal consumption expenditures and residential fixed investment. The deceleration in nonresidential fixed investment, decline in federal government spending, acceleration in imports, and a larger decrease in state and local government spending tempered the acceleration in GDP.

The economy has performed markedly better than anticipated since late summer. There is some legitimate question as to whether the improvement is partly illusory and partly temporary. Some have speculated that the sharp deterioration in the economy in the fall of 2008 and winter of 2009 skewed seasonal adjustment factors in a way that causes economic reports to be artificially inflated. In addition, the milder-than-usual winter so far could also have inflated economic reports through the seasonal adjustment process.

The Conference Board's composite business cycle indexes are mixed, but in combination do not signal a near-term recession. The **Leading Economic Index** was restructured with the December 2011 release. The index increased for the third straight month in December, but the 6-month smoothed rate of change – while still positive – is much closer to zero than it was for the old index. The ratio of coincident to lagging indexes – itself a leading indicator – was unchanged in December after six declines in ten months. The ratio is down 0.5% from a year earlier.

The 4-week moving average of the **Weekly Leading Index** increased for the third week in a row in late January. The 26-week smoothed rate of change improved to -5.2% after slipping back to -8.6% a few weeks ago. The rate of change had reached a low of -12.1% in mid-October. The pattern in recent months is consistent with the slow rate of economic growth, but is not by itself sufficient indication of near-term recession.

The Economic Cycle Research Institute (ECRI), which developed and publishes the index,



announced to its subscribers on September 21st that in combination with other indicators, the Weekly Leading Index points to recession. ECRI has continued to stand by its recession call despite the recent improvement in economic reports, saying that its analysis indicates that the economy will enter a new recession either in the first or second quarter of 2012.

The consensus among forecasters, however, remains that the economy will expand again in 2012 and by a larger amount than in 2011. The *Blue Chip Economic Indicators* panel projects that real GDP will expand by 2.2% in 2012 after expanding by 1.6% in 2011. The projection for 2012 is unchanged from December but up from a low of 2.0% in October. None of the 56 Blue Chip contributors projected a decline in real GDP for 2012 in early January.

In the meantime, the pace of expansion in the Ohio economy has improved modestly. The **Ohio Coincident Economic Index**, compiled by the Federal Reserve Bank of Philadelphia, increased by 0.3% in December for the 28th consecutive monthly increase in the revised data series. Some recent changes included revisions from small declines to increases. The 12-month rate of change was 3.5% in December, down from a recent peak of 4.6% in February. The index combines four state-level indicators to summarize current economic conditions. The four components are nonfarm payroll employment, average hours worked in manufacturing, the unemployment rate, and real wage and salary disbursements.



The companion **Ohio Leading Economic Index** deteriorated moderately to 1.1% in December from a downwardly revised 2.1% in November. The initial November estimate was 2.7%. The index was essentially zero in July raising the possibility that the Ohio economy was on the brink of recession. The index – also compiled by the Federal Reserve Bank of Philadelphia – is designed to predict the rate of increase in the coincident index during the next six months. The index was as high as 3.0% in December 2010.

Employment

Recent trends in labor markets continued through the fall and into winter, marking January as another month of moderate expansion in the economy. National **nonfarm payroll employment** increased by 243,000 jobs in January. Private payrolls increased by 257,000 jobs – the best showing since a 3-month run of greater than 200,000 monthly job gains in February-April 2011. The November and December increases were also revised upward. Employment gains averaged 152,000 jobs per month in 2011.

The index of **aggregate hours worked** increased by 0.6% in January, continuing the string of solid advances late last summer and through the fall. The trajectory of recent increases is such

that, even if total hours are unchanged in February and March, the index will increase at an annual rate of 3.1% in the first quarter. Meanwhile, **average hourly earnings** remained lackluster, rising 0.1% for the third consecutive month. The year-over-year rate of change slowed to 1.5% in January, down from 2.3% last July, and less than the approximately 2.0% increase in consumer prices during the same period.

The continued drop in the **unemployment rate** underscores the promising trend in employment. After hanging within 0.1 percentage points of 9.0% in each of the first ten months of 2011, the unemployment rate dropped 0.2 percentage points each in November, December and January to 8.3% – the lowest mark since January 2009. The economy has never been in recession when the unemployment rate has been below its low point during the previous twelve months (it was lower by 0.2 percentage points in January), but the situation can change quickly.

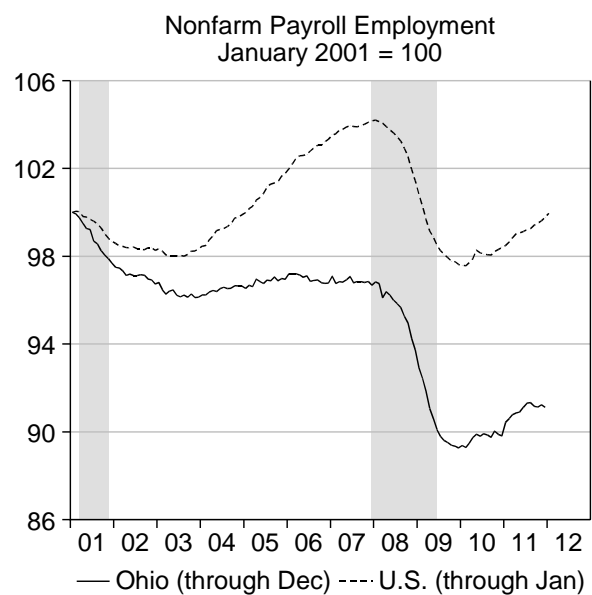
The decrease in the unemployment rate in January resulted from a larger gain in employment than in the total labor force. During the year ending in January, the number of unemployed decreased by 1.2 million to 12.8 million – the lowest since January 2009. The percentage of workers not on temporary layoff fell to 47.0% – the lowest since December 2008.

Nonetheless, the circumstances of those remaining without jobs remain difficult. At 21.1 weeks, the median **duration of unemployment** was still elevated in January near its all-time peak. The broadest measure of unemployment, which includes discouraged workers and those marginally attached to the work force, was 15.1%. In addition, as many analysts have noted, the labor force participation rate fell to a 30-year low of 63.7% in January, reflecting a large share of the population that is neither working nor looking for work.

Employment gains were widespread, led by professional and business services (+70,000), manufacturing (+50,000), leisure and hospitality (+44,000), and education and health services (+36,000). Subtracting from the overall increase were government (-14,000), information (-13,000), and financial activities (-5,000).

Ohio employment decreased by 3,300 jobs in December, but increased 72,400 jobs from December 2010 to December 2011. All of those gains occurred during the first two-thirds of the year, as employment declined by 12,100 jobs from August to December. The decline in employment occurred outside manufacturing, which added 4,400 jobs during the four months, and outside government, which added 900 jobs. Weakness during the final one-third of the year was concentrated in leisure and hospitality (-9,200), professional and business services (-7,200), and construction (-5,500).

During the full year, employment gains were led by educational and health services (+24,600),



trade, transportation and utilities (+19,400), manufacturing (+18,300), and professional and business services (+9,700). Construction added 5,200 jobs. Posting net job losses during the year were government (-6,700) and leisure and hospitality (-2,000). Private sector employment increased by 79,100 jobs in 2011.

Among the **contiguous states**, year-over-year employment growth was strongest in Kentucky and Michigan (+1.7%), followed by Ohio (+1.4%), West Virginia (+1.3%), Pennsylvania (+1.0%), and Indiana (+0.6%). For the Ohio and contiguous state region, employment increased by 1.3% during 2011, the same as for all states outside the region combined.

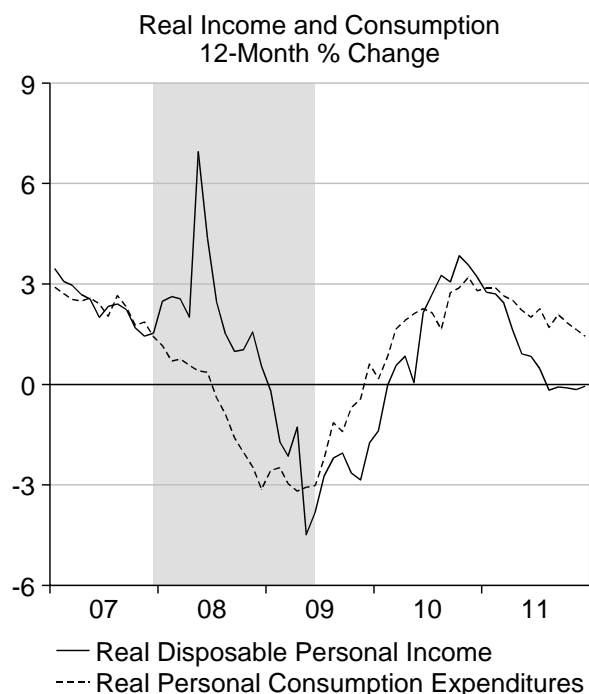
Outpacing the nation again in December, the **Ohio unemployment rate** declined 0.4 percentage points to 8.1% – the lowest rate since November 2008 and 0.4 percentage points below the national rate – after falling 0.5 percentage points in November. On average since 1970, the Ohio unemployment rate has been approximately 0.4 percentage points above the national unemployment rate. The two-month drop followed a four-month plateau near 9.0% that was preceded by a long string of declines from the peak of 10.6% reached in February 2010.

Consumer Income and Consumption

Personal income increased 0.5% in December, and **personal consumption expenditures** were flat, lifting the **savings rate** to 4.0% and reversing a 5-month decline. In the case of both income and spending, growth peaked on a year-over-year basis last year but remains ahead of inflation. Personal income was 3.8% higher than a year earlier in December. Spending was higher by 3.9%.

Disposable income increased 2.3% year-over-year in December, but was unchanged after adjusting for inflation. At the same time, real personal consumption expenditures increased 1.4% year-over-year. While incomes were flat, the rise in consumption was financed by borrowing and by reducing the amount saved out of current income, both signs of improved confidence among consumers.

Recent increases in spending appear to have carried over into 2012. **Chain-store sales** increased 3.3% from December to January, according to the International Council of Shopping Centers, lifting the year-over-year comparison to 4.8%. The December to January increase was the largest since March 2010. The year-over-year gains in discount, drug and wholesale clubs were much stronger in January than in December. The gains were weaker in apparel, department, and luxury.



After peaking at 3.9% in September, the year-over-year change in **consumer prices** moderated abruptly, with the level of the CPI for all items edging down slightly from September to December. For the year ending in December, consumer prices rose 3.0%. Core inflation was a tamer 2.2%, and the personal consumption deflator rose 2.4%. The median CPI compiled by the Federal Reserve Bank of Cleveland increased 2.3% last year. The slowing of price increases recently and the relatively low level of inflation might support consumer spending in the current quarter.

Survey measures of **consumer confidence** were mixed in January, but generally confirmed the substantial improvement since late last summer and early last fall. The Conference Board index of consumer confidence dipped in January after large gains in November and December. The weakness occurred in both assessments of current conditions and expectations. In contrast, the University of Michigan index of consumer sentiment improved for the fifth month in a row during January, based on better evaluations of current conditions and expectations. Despite the recent improvements, consumer confidence remains well below levels observed at this point in previous economic expansions.

Manufacturing

Industrial production increased for the tenth-straight quarter in the fourth period, rising 3.1% from the third quarter and 3.7% from the same quarter a year ago. Industrial production tacked on 0.4% in December. Capacity utilization increased in December back to the October level of 78.1% from 77.8% in November. Utility output posted a 2.7% weather-related drop. Manufacturing production increased 0.9% after a 0.4% auto-and-utility-related decline in November. Manufacturing production in December was 3.7% above the year earlier level and 14.9% above the recession trough, but remained 8.5% below the pre-recession peak.

Contributions from three sectors with a concentration of employment in Ohio were positive during December. Primary metal, fabricated metal and machinery production increased 3.2%, 1.1% and 2.1%, respectively. Compared with a year earlier, production was up 9.0%, 8.2% and 10.4%, respectively, but still 10.3%, 11.8% and 8.7% below their respective pre-recession peaks.

Midwest manufacturing output rebounded 1.7% in December after no change in November, which was originally reported as a 0.1% decline, according to the Federal Reserve Bank of Chicago. The increase reflected production gains in all four sectors: auto (+1.8%), steel (+2.4%), machinery (+2.5%) and resource (+0.9%). Compared with a year earlier, Midwest manufacturing production was up by 8.4%, down from the peak growth rate so far for this cycle of 14.6% in June 2010. The level of Midwest production in December was 28.0% above the low in June 2009 but still 13.8% below the peak in January 2008.

In a promising sign, regional Federal Reserve Bank surveys of manufacturing activity in the Northeast improved again in January. The Philadelphia Federal Reserve Bank's business conditions index increased for the second month in a row, due to higher prices paid as both orders and shipments indexes retreated somewhat. Similarly, the overall Empire State survey (Federal Reserve Bank of New York) improved for a third consecutive month, reflecting gains in

all three components.

Reports from **purchasing managers** in manufacturing across the country also improved during January. The Purchasing Managers Index increased to 54.1 in January to the highest level since June, lifted by strong improvements in the new orders, backlogs of orders, speed of supplier deliveries (slower) and higher prices paid. In combination with the regional Fed bank surveys, the report from purchasing managers suggests that the momentum in manufacturing activity during the fourth quarter carried over into 2012.

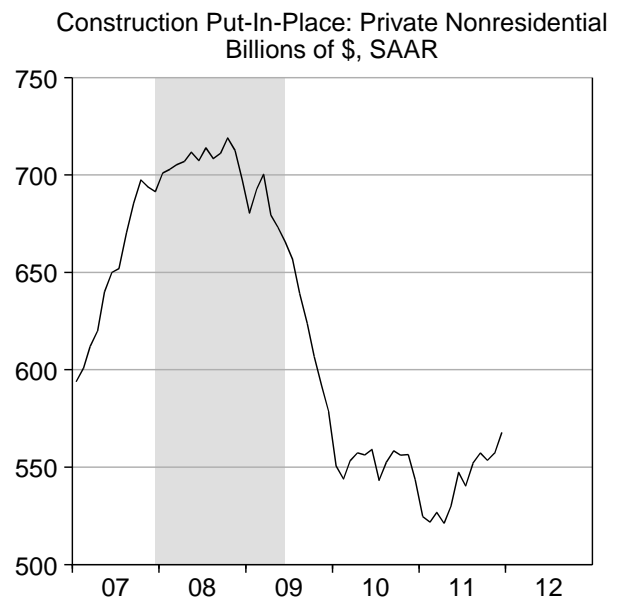
Construction

Total **construction put-in-place** increased 1.5% in December. Excluding improvements to residential structures, which is volatile and often revised significantly, construction spending increased 1.8%. Private construction increased 2.1% and public construction increased 0.5%. Compared with a year earlier, total construction activity was up 4.3% but still remained 32.7% below the March 2006 peak.

Private nonresidential construction jumped 3.3% in December, more than recouping a 0.5% decline in November. Compared with a year earlier, private nonresidential construction was up 11.4%, having traced out a clear cyclical trough at the beginning of 2011. The **Architecture Billings Index** from the American Institute of Architects held its ground in December after posting significant gains in October and November. The **Inquiries for New Work Index** dipped to 64.0 from 65.0 the month before, but remained well ahead of the 45.1 reading in July. The **Billings Index for the Midwest** moved higher to 53.1 – the best reading since February 2011.

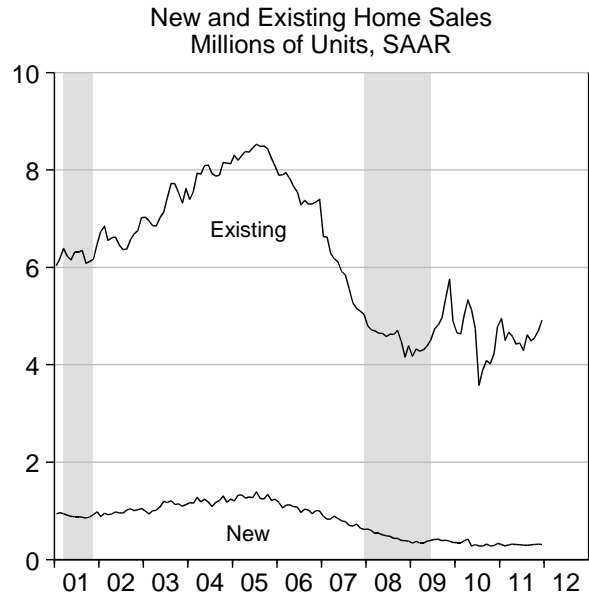
Private residential construction-put-in-place

increased 0.8% in December, but the November change was revised down from a 2.0% increase to a 0.3% decrease due mainly to a large downward revision to the initial estimate of improvements. The 3-month moving average of housing starts increased 0.6% in December for the eighth monthly gain in a row. Midwest housing starts increased 3.7% in December on a 3-month average basis. Permits increased 4.7% in December on a 3-month average basis for the third gain in a row. Midwest permits rebounded 0.9% in December on a 3-month moving



average basis, recouping a similar-size decline in November that followed a 6-month string of increases.

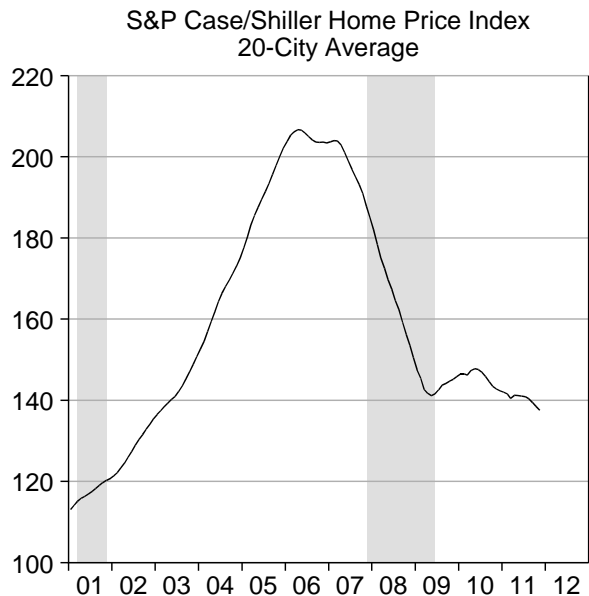
Home financing is widely available at attractive interest rates, but on more traditional terms. In addition, already problematic debt levels, large inventories of unoccupied houses in many markets, relatively soft labor market conditions, and expectations of little or no price appreciation are restraining building activity. Despite month-to-month swings, which are sometimes substantial, housing construction remains essentially flat at a historically low level.



Sales of existing homes increased 3.3% in the U.S. and 4.7% in the Midwest to 9.2% and 14.1% above year earlier levels, respectively, on a 3-month average basis. Despite the large fluctuations recently, the pace of existing home sales is little changed on balance during the past four years. **Sales of new homes** were up 0.5% nationally and 3.3% in the Midwest on a 3-month average basis in December, as sales activity continues to bounce along a plateau that is far below peak levels of a few years ago.

The inventory of existing homes for sale fell in December for the sixth month in a row. The **inventory-to-sales ratio** dropped to 6.2 months – the lowest since April 2006. The ratio reached a peak of 12.4 months in July 2010. The inventory of newly built homes fell to a new all-time low in December. At 6.1 months, the inventory-to-sales ratio was the lowest other than the 6.0 reading in November since before the housing crisis. The ratio is down from a peak of 12.2 months in January 2009.

Home prices temporarily stabilized in the spring after a long string of substantial declines, according to the S&P/Case-Shiller index, but began falling again in the summer and into the fall. The 20-city composite home price index decreased 0.7% each in September, October and November, extending the string of uninterrupted monthly declines to six. The index was down 33.5% from the all-time peak reached in April 2006. The price index for Cleveland – the only Ohio city in the index – decreased 0.2% for the second month in a row in November. Prices in Cleveland are off 20.2% from the 2006 peak.



REVENUES

January 2012 GRF receipts totaled \$2,389.1 million and were \$504.7 million (17.4%) below the estimate. For the month, tax receipts totaled \$1,916.0 million and were \$70.0 million (3.8%) above the estimate, while non-tax receipts totaled \$473.1 million and were \$574.7 million (54.8%) below the estimate. Transfers equaled the estimate of zero. Year-to-date variances by category are provided in the following table (\$ in millions).

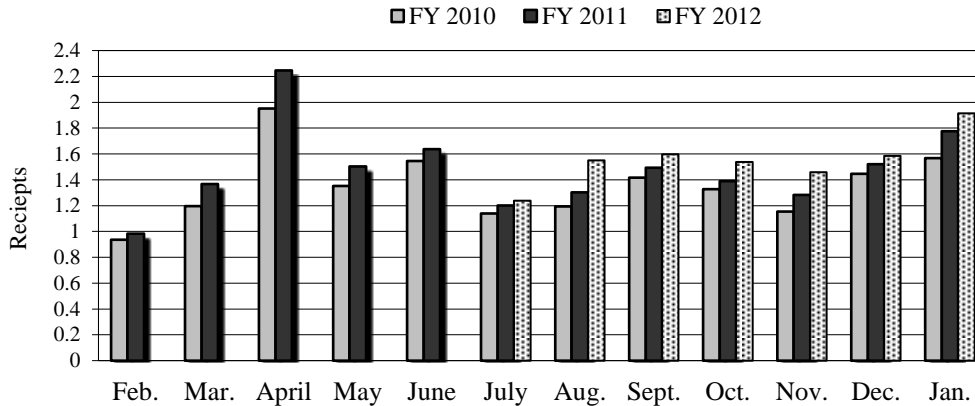
Category	Includes:	YTD Variance	% Variance
Tax receipts	Sales & use, personal income, corporate franchise, public utility, kilowatt hour, foreign & domestic insurance, other business & property taxes, cigarette, soft drink, alcoholic beverage, liquor gallonage, estate & horse racing	\$147.1 million	1.4%
Non-tax receipts	Federal grants, earnings on investments, licenses & fees, other income, intrastate transfers	(\$726.9 million)	(13.8%)
Transfers	Budget stabilization, liquor transfers, capital reserve, other	\$223.2 million	278.7%
TOTAL REVENUE VARIANCE:		(\$356.5 million)	(2.2%)

January tax sources totaled \$1,916.0 and were above estimate by \$70.0 million (3.8%). On a year-over-year basis, total tax receipts for January 2012 were \$140.5 million (7.9%) greater than they were in January 2011. For fiscal year 2012 year-to-date, total tax collections are \$918.4 million (9.2%) higher than at the same point in fiscal year 2011. The largest contributors to this year-over-year growth are the non-auto sales tax, personal income tax, and the commercial activities tax (CAT). Personal income tax receipt growth was driven by growth in quarterly estimated payments and lower-than-anticipated refunds.

GRF Revenue Sources Relative to Monthly Estimates
(\$ in millions)

<u>Individual Sources Above Estimate</u>		<u>Individual Sources Below Estimate</u>	
Non-Auto Sales Tax	\$17.8	Corporate Franchise Tax	(\$1.7)
Auto Sales Tax	\$11.2	Public Utility Tax	(\$1.9)
Personal Income Tax	\$46.0	Kilowatt Hour Tax	(\$1.1)
Commercial Activity Tax	\$3.1	MCF Tax	(\$1.9)
Liquor Gallonage	\$0.3	Cigarette Tax	(\$1.2)
ISTV's	\$1.7	Alcoholic Beverage Tax	(\$0.7)
Other Sources Above Estimate	\$0.2	Federal Grants	(\$23.0)
		Earnings on Investments	(\$0.4)
		License & Fees	(\$3.0)
		Other Income	(\$550.0)
		Other Sources Below Estimate	(\$0.0)
Total above	\$80.3	Total below	(\$585.0)

Tax Revenue Comparison by Month
(\$ in billions)



Non-Auto Sales and Use Tax

Following a brief slip in December, the non-auto sales tax outperformed the estimate in January with receipts totaling \$685.1 million, which was \$17.8 million (2.7%) above estimate. The January overage nearly equaled the December shortfall, effectively causing revenues for this tax source to hit the estimate for the two months combined. OBM analysis indicates that much of the December shortfall and January overage was due to a holiday-related delay in processing a portion of December receipts and as a result, those receipts were credited to January. Year-to-date receipts for this tax source total \$4,197.1 million and are \$43.5 million (1.0%) above the estimate. On a year-over-year basis, receipts were \$47.0 million (7.4%) above collections for January 2011, with fiscal year 2012 collections exceeding those of fiscal year 2011 by \$205.9 million (5.2%).

Auto Sales Tax

Consistent with national trends, the auto sales tax continued its stronger-than-expected performance in January, as receipts totaled \$84.5 million and were \$11.2 million (15.3%) above the monthly estimate. Year-to-date receipts for this tax source total \$595.8 million and are \$45.9 million (8.3%) above the estimate. On a year-over-year basis, auto sales tax receipts experienced an increase of \$11.2 million (15.3%) over receipts for the same month a year ago, while year-to-date collections are 8.3% higher than for the first seven months of fiscal year 2011.

Personal Income Tax

With better than expected performance across most of the components of the tax, January personal income tax receipts totaled \$973.2 million, and were \$46.0 million (5.0%) above estimate. The withholding component rebounded from the weakness experienced in recent months as it was \$9.4 million (1.2%) above estimate. Despite this stronger-than-expected performance however, it should be noted that for the year-to-date, the withholding component remains \$48.9 million (1.1%) below estimate. Considering the erratic performance of this component, as well as recent employment trends, OBM is closely monitoring this component of the tax.

Quarterly estimated payments also contributed significantly to the positive variance in January as receipts totaled \$345.6 million and were \$17.3 million (5.3%) above estimate. As in December, refunds were again lower-than-expected in January by \$18.3 million (13.9%), thus augmenting the overall positive performance of the tax relative to estimate.

On a year-over-year basis, personal income tax receipts for January 2012 exceeded the January 2011 level by \$61.9 million (6.8%), with much of this growth (\$54.4 million) coming from the withholding component. Also contributing to year-over-year growth was the quarterly estimated payments component, which was \$17.2 million (5.2%) ahead of receipts for the same month a year ago. While higher refunds this January – compared to January 2011 – have dampened this growth, a smaller distribution to the Local Government Fund in the corresponding period has boosted net annual growth in personal income tax revenue.

FY2012 PERSONAL INCOME TAX RECEIPTS BY COMPONENT (\$ in millions)						
	ESTIMATE	ACTUAL	\$ VAR	ESTIMATE	ACTUAL	\$ VAR
	JAN	JAN	JAN	Y-T-D	Y-T-D	Y-T-D
Withholding	\$748.4	\$757.8	\$9.4	\$4,539.5	\$4,490.6	(\$48.9)
Quarterly Est.	\$328.3	\$345.6	\$17.3	\$760.6	\$788.4	\$27.8
Trust Payments	\$8.2	\$8.7	\$0.5	\$18.5	\$20.0	\$1.5
Annual Returns & 40 P	\$15.0	\$14.5	(\$0.5)	\$132.1	\$144.3	\$12.2
Other	\$7.8	\$9.3	\$1.5	\$59.4	\$58.9	(\$0.5)
Less: Refunds	(\$131.3)	(\$113.0)	\$18.3	(\$313.0)	(\$274.2)	\$38.8
Local Distr.	(\$49.1)	(\$49.5)	(\$0.4)	(\$335.1)	(\$337.7)	(\$2.6)
Net to GRF	\$927.3	\$973.2	\$46.0	\$4,862.0	\$4,890.4	\$28.3

Corporate Franchise Tax

Corporate franchise tax receipts for the month of January totaled \$62.3 million, and were \$1.7 million (2.6%) below the estimate of \$64.0 million. For the year-to-date, receipts for this tax source now total \$68.4 million and are \$8.7 million (14.5%) above the estimate. As stated in previous monthly reports, monthly variances in this tax versus the estimate are attributable at least in part to changes in the tax base in H.B. 66 of the 126th General Assembly leading to lack of a long historical base to build estimates.

Commercial Activity Tax

January 2012 Commercial Activity Tax (CAT) receipts to the GRF totaled \$12.6 million and were \$3.1 million (33.0%) above the monthly estimate. All-funds CAT receipts for January totaled \$50.9 million and were \$12.3 million (31.9%) above the estimate of \$38.6 million. Through the first seven months of the fiscal year, total GRF CAT receipts are \$209.1 million, which is \$15.6 million (8.1%) above the estimate, while all-funds CAT receipts are \$852.4 million and \$79.6 million (10.3%) above the estimate.

Public Utility Tax

Due to refunds, January public utility tax receipts totaled -\$1.9 million and were \$1.9 million below the estimate. On a year-to-date basis, total public utility tax receipts are \$53.4 million and are \$7.4 million (12.2%) below the estimate. On a year-over-year basis, receipts were \$1.9 million below January 2011 levels and \$3.1 million (5.4%) lower than at the same point in the previous fiscal year. This continued underperformance relative to the estimate is believed to be primarily due to lower-than-expected prices for natural gas.

Kilowatt-Hour Tax

Kilowatt-hour tax receipts during the month of January totaled \$25.3 million and were \$1.1 million (4.2%) below the estimate. As stated in last month's report, this shortage is likely due to

the milder weather throughout the year compared to previous years. Year-to-date receipts total \$182.3 million and are \$9.2 million (4.8%) below the estimate. On a year-over-year basis, receipts were \$12.8 million (102.7%) higher than the same month in the previous fiscal year. This significant year-over-year growth is largely the result of changes in distributions made in H.B. 153.

Cigarette Tax

Cigarette tax receipts during the month of January totaled \$66.2 million and were \$1.1 million (1.7%) below the estimate. Year-to-date cigarette tax receipts total \$444.8 million and, despite a string of four consecutive months of under-performance relative to estimate, are still \$5.8 million (1.3%) above the year to date estimate. On a year-over-year basis, cigarette tax receipts were \$4.2 million (5.9%) lower than for the same month a year ago, while fiscal year 2012 receipts to-date are \$13.7 million (3.0%) lower than at the same point in fiscal year 2011 – a performance that is consistent with the 3.0 percent historical decline we have seen with this tax source. However, given the string of negative months experienced with this tax, OBM will closely monitor the performance of the tax throughout the remainder of the fiscal year to try and identify what factors are contributing to the recent trend of greater than expected declines in revenues.

GRF non-tax receipts totaled \$473.1 million in January and were \$574.7 million (54.8%) below the estimate. This is largely the result of lower-than-anticipated other income and federal grants. Receipts in other income that were originally estimated to be deposited in January were liquor transaction proceeds (\$500.0 million) and prison lease proceeds (\$50.0 million) that OBM anticipates will be deposited later in the fiscal year. **GRF transfers** during the month of January equaled the estimate of zero.

Table 1
GENERAL REVENUE FUND RECEIPTS
ACTUAL FY 2012 VS ESTIMATE FY 2012
(\$ in thousands)

REVENUE SOURCE	MONTH				YEAR-TO-DATE			
	ACTUAL	ESTIMATE	\$ VAR	% VAR	ACTUAL	ESTIMATE	\$ VAR	% VAR
	JANUARY	JANUARY			Y-T-D	Y-T-D		
TAX RECEIPTS								
Non-Auto Sales & Use	685,092	667,300	17,792	2.7%	4,197,109	4,153,600	43,509	1.0%
Auto Sales & Use	84,491	73,300	11,191	15.3%	595,751	549,900	45,851	8.3%
Subtotal Sales & Use	769,583	740,600	28,983	3.9%	4,792,860	4,703,500	89,360	1.9%
Personal Income	973,240	927,279	45,961	5.0%	4,890,372	4,862,036	28,336	0.6%
Corporate Franchise	62,345	64,000	(1,655)	-2.6%	68,352	59,701	8,652	14.5%
Commercial Activity Tax	12,636	9,500	3,136	33.0%	209,143	193,500	15,643	8.1%
Public Utility	(1,949)	0	(1,949)	N/A	53,358	60,800	(7,442)	-12.2%
Kilowatt Hour	25,284	26,400	(1,116)	-4.2%	182,310	191,500	(9,190)	-4.8%
MCF Tax	2	1,900	(1,898)	-99.9%	18,172	16,600	1,573	9.5%
Foreign Insurance	232	100	133	132.8%	134,482	130,199	4,282	3.3%
Domestic Insurance	(61)	0	(61)	N/A	0	(1,100)	1,101	100.0%
Other Business & Property	0	0	0	N/A	(1,783)	(1,500)	(284)	-18.9%
Cigarette	66,227	67,400	(1,173)	-1.7%	444,756	439,000	5,756	1.3%
Alcoholic Beverage	4,010	4,700	(691)	-14.7%	33,839	33,700	139	0.4%
Liquor Gallonage	4,159	3,900	259	6.6%	23,632	22,300	1,332	6.0%
Estate	275	200	75	37.6%	36,084	28,200	7,883	28.0%
Total Tax Receipts	1,915,983	1,845,979	70,004	3.8%	10,885,578	10,738,436	147,142	1.4%
NON-TAX RECEIPTS								
Federal Grants	463,388	486,403	(23,015)	-4.7%	4,500,858	4,673,089	(172,231)	-3.7%
Earnings on Investments	1,229	1,650	(421)	-25.5%	2,415	2,900	(485)	-16.7%
License & Fees	5,498	8,533	(3,035)	-35.6%	25,569	25,769	(200)	-0.8%
Other Income	1,273	551,212	(549,939)	-99.8%	9,324	566,902	(557,578)	-98.4%
ISTV'S	1,717	2	1,715	N/A	10,069	6,441	3,628	56.3%
Total Non-Tax Receipts	473,106	1,047,800	(574,694)	-54.8%	4,548,235	5,275,102	(726,866)	-13.8%
TOTAL REVENUES	2,389,088	2,893,779	(504,690)	-17.4%	15,433,813	16,013,538	(579,724)	-3.6%
TRANSFERS								
Budget Stabilization	0	0	0	N/A	0	0	0	N/A
Liquor Transfers	0	0	0	N/A	72,500	69,500	3,000	4.3%
Transfers In - Other	0	0	0	N/A	50,103	10,598	39,506	372.8%
Temporary Transfers In	0	0	0	N/A	180,718	0	180,718	N/A
Total Transfers	0	0	0	N/A	303,321	80,098	223,224	278.7%
TOTAL SOURCES	2,389,088	2,893,779	(504,690)	-17.4%	15,737,135	16,093,635	(356,501)	-2.2%

Table 2
GENERAL REVENUE FUND RECEIPTS
ACTUAL FY 2012 VS ACTUAL FY 2011
(\$ in thousands)

REVENUE SOURCE	MONTH				YEAR-TO-DATE			
	JANUARY	JANUARY	\$	%	ACTUAL	ACTUAL	\$	%
	FY 2012	FY 2011	VAR	VAR	FY 2012	FY 2011	VAR	VAR
TAX RECEIPTS								
Non-Auto Sales & Use	685,092	638,064	47,028	7.4%	4,197,109	3,991,189	205,920	5.2%
Auto Sales & Use	84,491	73,280	11,212	15.3%	595,751	550,044	45,707	8.3%
Subtotal Sales & Use	769,583	711,344	58,239	8.2%	4,792,860	4,541,233	251,627	5.5%
Personal Income	973,240	911,381	61,859	6.8%	4,890,372	4,546,910	343,462	7.6%
Corporate Franchise	62,345	61,048	1,297	2.1%	68,352	57,005	11,347	19.9%
Commercial Activity Tax	12,636	0	12,636	N/A	209,143	0	209,143	N/A
Public Utility	(1,949)	0	(1,949)	N/A	53,358	56,416	(3,058)	-5.4%
Kilowatt Hour	25,284	12,473	12,811	102.7%	182,310	93,751	88,560	94.5%
MCF Tax	2	0	2	N/A	18,172	0	18,172	N/A
Foreign Insurance	232	70	163	232.2%	134,482	132,300	2,181	1.6%
Domestic Insurance	(61)	0	(61)	N/A	0	(1,023)	1,023	100.0%
Other Business & Property	0	0	0	N/A	(1,783)	(1,006)	(777)	-77.3%
Cigarette	66,227	70,377	(4,150)	-5.9%	444,756	458,477	(13,721)	-3.0%
Alcoholic Beverage	4,010	4,568	(559)	-12.2%	33,839	33,041	798	2.4%
Liquor Gallonage	4,159	4,009	150	3.8%	23,632	22,661	972	4.3%
Estate	275	166	109	65.9%	36,084	27,436	8,648	31.5%
Total Tax Receipts	1,915,983	1,775,435	140,547	7.9%	10,885,578	9,967,201	918,377	9.2%
NON-TAX RECEIPTS								
Federal Grants	463,388	624,867	(161,479)	-25.8%	4,500,858	4,994,147	(493,289)	-9.9%
Earnings on Investments	1,229	1,523	(294)	-19.3%	2,415	4,664	(2,249)	-48.2%
License & Fee	5,498	8,369	(2,870)	-34.3%	25,569	24,302	1,267	5.2%
Other Income	1,273	402	871	216.5%	9,324	140,203	(130,879)	-93.3%
ISTV'S	1,717	5	1,712	N/A	10,069	11,139	(1,070)	-9.6%
Total Non-Tax Receipts	473,106	635,165	(162,059)	-25.5%	4,548,235	5,174,455	(626,220)	-12.1%
TOTAL REVENUES	2,389,088	2,410,600	(21,512)	-0.9%	15,433,813	15,141,656	292,157	1.9%
TRANSFERS								
Budget Stabilization	0	0	0	N/A	0	0	0	N/A
Liquor Transfers	0	8,000	(8,000)	N/A	72,500	85,000	(12,500)	-14.7%
Transfers In - Other	0	3,563	(3,563)	N/A	50,103	22,963	27,140	118.2%
Temporary Transfers In	0	39,000	(39,000)	N/A	180,718	383,000	(202,282)	-52.8%
Total Transfers	0	50,563	(50,563)	N/A	303,321	490,963	(187,642)	-38.2%
TOTAL SOURCES	2,389,088	2,461,163	(72,074)	-2.9%	15,737,135	15,632,619	104,516	0.7%

DISBURSEMENTS

January 2012 GRF disbursements, across all fund uses, total \$2,005.3 million and were \$68.2 million (3.3%) below the estimate. Year-to-date disbursements by category are provided in the following table (\$ in millions).

Category	Description	YTD Variance	% Variance
Expenditures and transfers between agencies (ISTVs)	State agency operations, subsidies, tax relief, debt service payments, and pending payroll (if applicable)	(\$430.3 million)	(2.6%)
Transfers	Temporary or permanent transfers out of the GRF that are not agency expenditures	\$214.3 million	60.8%
TOTAL DISBURSEMENTS VARIANCE:		(\$216.0 million)	(1.3%)

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

Primary, Secondary and Other Education

This category includes expenditures made by the Department of Education, the eTech Ohio Commission, the Ohio State School for the Blind, and the Ohio School for the Deaf. January disbursements in this category totaled \$565.1 million and were \$21.0 million (3.9%) above the estimate.

Year-to-date expenditures for the Department of Education alone equal \$4,052.5 million and are \$10.8 million (0.3%) above the estimate. Disbursements for the month of January totaled \$561.1 million, which was \$22.9 million (4.3%) above the estimate. Expenditures for the school foundation program (ALI 200502 – Pupil Transportation and ALI 200550 – Foundation Funding) totaled \$530.1 million and were \$24.8 million (4.9%) above the estimate. The variance is due primarily to the timing of the finalization of the FY12 payment. The department did not finalize its update of Average Daily Membership (ADM) data collected in October until December, resulting in lower than estimated disbursements in prior months. This year-to-date variance is expected to be offset by the higher-than-estimated disbursements in January and similar expected variances for some months going forward.

Higher Education

January disbursements for Higher Education totaled \$162.2 million and were \$3.8 million (2.3%) below the estimate for the month. Year-to-date disbursements total \$1,253.9 million and are \$12.6 million (1.0%) below the estimate. January disbursements in the Ohio College Opportunity Grant program were \$1.8 million below the monthly estimate while disbursements in the National Guard Scholarship program were \$1.2 million below the monthly estimate.

Monthly variances in both scholarship programs were due to January requests for reimbursement from higher education institutions that differed from estimates.

Public Assistance and Medicaid

January disbursements in this category, which include all GRF expenditures by the Ohio Department of Job and Family Services (ODJFS), totaled \$915.9 million and were \$68.9 million (7.0%) below the monthly estimate. Year-to-date expenditures total \$7,681.2 million and are \$371.8 million (4.6%) below the estimate.

Public Assistance and Non-Medicaid

ODJFS, non-Medicaid, General Revenue Fund (GRF) disbursements totaled \$64.3 million for the month of January and were \$5.1 million (7.4%) below the estimate. Major variances within individual line items were attributable to the following:

- Children and Families Services subsidy expenditures were \$4.4 million (27.8%) below the estimate primarily due to the quarterly State Child Protective Allocation (SCPA) county advance being \$3.8 million below the estimate.
- Child Care Match/Maintenance of Effort payments were \$3.3 million (64.0%) below the estimate due to an anticipated child care payment not being funded out of this line item as originally expected. This variance is planned to be offset in May and June 2012.
- Entitlement Administration – Local county subsidy expenses were \$2.1 million (28.5%) below the estimate due to lower-than-anticipated county draw requests made within this line item.
- Administration – Local disbursements were \$1.1 million (39.1%) below the estimate due to more county subsidies being disbursed from the line item earlier in the fiscal year than originally projected.
- Early Care and Education expenditures were \$4.0 million (49.6%) above the estimate due to higher-than-expected child care disbursements made within the line item. This was a result of the TANF Block Grant not being federally extended until December 23, 2011. Once the federal cash was available, ODJFS adjusted expenditures to the federal TANF Block Grant. The variance is expected to be offset in June.
- TANF State subsidy expenses were \$3.0 million (30.3%) above the estimate due to Ohio Works First (OWF) payments unexpectedly being funded within the line item. This was mainly a result of the TANF Block Grant delay previously noted.

Medicaid

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 year-to-date for the Medicaid program total \$7,214.3 million and are \$343.7 million (4.6%) below the estimate and \$695.2 million (10.7%) above the same point in the previous fiscal year. Disbursements for the month of January totaled \$851.6 million and

were \$63.8 million (7.0%) below the estimate and \$84.4 million (9.0%) below the same point in the previous fiscal year.

All funds disbursements year-to-date total \$8,574.5 million and are \$380.8 million (4.3%) below the estimate and \$478.1 (5.6%) above disbursements for the same point in the previous fiscal year. Disbursements for the month of January totaled \$1,224.8 million and were \$86.6 million (6.5%) below the estimate and \$0.7 million (0.1%) above the same month in the previous fiscal year.

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

	January Projection	January Actual	Variance	Variance %
GRF	\$ 915,350,026	\$ 851,576,942	\$ (63,773,084)	-7.0%
Non-GRF	\$ 416,038,467	\$ 393,182,206	\$ (22,856,261)	-5.5%
All Funds	\$ 1,331,388,493	\$ 1,244,759,148	\$ (86,629,345)	-6.5%

Categorical Variances

Disbursements in the month of January in the Managed Care categories, including the CFC and ABD populations, were \$572.1 million, which was \$17.9 million below projected expenditures. This variance increased from \$2.0 million under estimate for the month of December to \$17.9 million (3.0%) under estimate in January. The variance, which was higher than the \$2.0 million seen in December, was driven by lower than projected managed care rates that went into effect for calendar year 2012. Additional under-spending was seen within the Medicare Buy In category in January which disbursed \$30.5 million, which was \$8.4 million (21.7%) less than the January estimate. This increased under-spending is primarily attributable to reductions in Medicare Part B rates that went into effect in January.

Payments across nearly all categories of service have been below initial estimates. Because of the implementation of MITS in August 2011, it is difficult to assess what portion of the variance is due to the timing of claims submission and payment as a result of this change, or other factors. It remains unclear what portion of this variance will be offset by increased payments in future months.

Caseload

As noted in previous reports, caseload data had not been available in recent months due to the on-going implementation of MITS. The following is a discussion of the caseload information now available. It is important to note that this data is subject to change and updates. In addition, data from August forward uses MITS as the original data source, while the older budget estimates and actuals were generated from, or based upon, the previous MMIS. As there is more than one data source, the differences between actuals and projections as well as changes in caseload totals before and after August 1, 2011 will be partially driven by differences and reconciliations between the source data.

Total caseload for the month of December, the most recent month available, was 2.12 million covered persons, which represented a decrease of 1,278 persons from the month of November. Total caseload for the month of December was 91,535 (4.1%) covered lives under the estimate.

The Covered Families and Children (CFC) category decreased by 3,538 covered persons to a December total of 1.62 million people. The Aged, Blind and Disabled (ABD) program decreased by 813 people to a December total of 385.4 thousand covered lives. The Premium Assistance category increased by 2,342 persons to a December total of 103.9 thousand covered lives.

Total enrollment for the same point in the previous fiscal year was 2.15 million covered persons, including 1.63 million persons in the CFC program, 401.4 thousand people in the ABD category, and 100.6 in Premium Assistance. This represents total program decrease over the last twelve months of 30,841 thousand covered lives. It should be noted that some of the variance could be due to the change in data sources as previously discussed.

Health and Human Services

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

January disbursements in this category totaled \$104.1 million and were \$12.2 million (13.3%) above the estimate for the month. Year-to-date disbursements total \$660.0 million and are \$16.5 million (2.6%) above the estimate.

Department of Health

Year-to-date Department of Health disbursements total \$49.6 million and are \$3.6 million (7.9%) above the estimate. January disbursements totaled \$7.5 million and were \$4.2 million (125.0%) above the estimate. This is primarily attributable to the following:

- The Immunizations line item was \$2.5 million above the estimate due to purchases of vaccines being made earlier than planned to meet CDC requirements.
- The Help Me Grow line item was \$1.0 million above the estimate. This was due to payments being made in January which were originally planned for February.
- The Bureau for Children with Medical Handicaps line was \$0.4 million above the estimate due to more GRF funds being used in lieu of state special revenue funds.

Department of Aging

Year-to-date Department of Aging disbursements total \$7.4 million and are \$0.6 million (7.9%) below the estimate. January disbursements totaled \$1.9 million and were \$0.2 million (14.9%) above the estimate. There were no significant line item variances.

Department of Mental Health

The Department of Mental Health disbursed \$55.1 million in the month of January, which was \$9.7 million (21.3%) above the estimate. The majority of this variance is attributable to the Mental Health Medicaid Match ALI. Similar to the month of September, it was necessary for the department to disburse additional funds to the county boards to ensure full payment of Medicaid claims due to a delay in the collection of federal funds. As in the earlier months, this issue is related to timing of disbursements, and the department expects to meet the estimate for the fiscal year.

Department of Alcohol and Drug Addiction Services

The Department of Alcohol and Drug Addiction Services (ADA) disbursed \$3.0 million in the month of January, which is \$1.2 million (29.6%) below the estimate. The variance is attributable to below estimate spending in the Medicaid Match line item. As part of their continuing effort to align payment strategies with the Department of Mental Health, ADA disbursed \$7.4 million in October to the local boards to fund Medicaid expenditures, which was earlier than originally planned. The Department expects to meet the estimate for the fiscal year.

Department of Developmental Disabilities

The Department of Developmental Disabilities disbursed \$32.5 million in the month of January which is \$0.2 million (0.7%) below the estimate. This amount is mainly attributable to ALI 322407, Medicaid State Match. Expenditures within this line item were approximately \$0.2 million (1.1%) below the estimate and can be attributed to developmental center payroll costs being slightly below projections for the month.

Justice and Public Protection

Disbursements in the Justice and Public Protection category for the month of January totaled \$175.2 million and were \$5.5 million (3.0%) below the estimate. For the year-to-date, this category has disbursed \$1,124.3 million, which is \$60.3 million (5.1%) below the estimate.

Department of Rehabilitation and Correction

The Department of Rehabilitation and Correction disbursed \$134.6 million in the month of January, which was \$5.1 million (3.7%) less than the \$139.7 million estimate for the month. This variance was largely caused by lower payroll costs resulting from an agency-wide hiring freeze.

Department of Youth Services

The Department of Youth Services disbursed \$25.5 million in the month of January, which was \$0.4 million (1.4%) more than the \$25.1 million estimate for the month.

General Government

January disbursements for the General Government category totaled \$17.1 million and were \$1.8 million (9.5%) below the estimate. Year-to-date expenditures are \$177.3 million, which is \$16.3 million (8.4%) below the estimate.

Tax Relief and Other

Payments from the Tax Relief and Other category include both tax relief payments made to local governments and school districts to reimburse for revenues foregone as a result of the 10.0 percent and 2.5 percent rollback, as well as the homestead exemption, but also pension system subsidy payments made by the Treasurer of State. January disbursements under this category totaled \$5.0 million (almost exclusively for pension system subsidy payments) and were \$213,000 below the estimate, due to a variance in tax relief payments. Year-to-date, total payments under this category have totaled \$870.1 million and are \$22.8 million (2.7%) above the estimate, with the entirety of the variance attributable to higher than expected tax relief payments.

Table 3
GENERAL REVENUE FUND DISBURSEMENTS
ACTUAL FY 2012 VS ESTIMATE FY 2012
(\$ in thousands)

Functional Reporting Categories Description	MONTH				YEAR-TO-DATE			
	ACTUAL	ESTIMATED	\$	%	YTD	YTD	\$	%
	JANUARY	JANUARY	VAR	VAR	ACTUAL	ESTIMATE	VAR	VAR
Primary, Secondary and Other Education	565,092	544,054	21,039	3.9%	4,095,049	4,085,792	9,258	0.2%
Higher Education	162,203	165,990	(3,788)	-2.3%	1,253,920	1,266,492	(12,572)	-1.0%
Public Assistance and Medicaid	915,926	984,846	(68,920)	-7.0%	7,681,151	8,052,952	(371,801)	-4.6%
Health and Human Services	104,081	91,869	12,212	13.3%	660,019	643,470	16,549	2.6%
Justice and Public Protection	175,249	180,759	(5,510)	-3.0%	1,124,272	1,184,551	(60,279)	-5.1%
Environmental Protection and Natural Resource	5,334	6,182	(848)	-13.7%	47,774	47,658	116	0.2%
Transportation	652	1,158	(505)	-43.7%	5,918	7,278	(1,360)	-18.7%
General Government	17,140	18,945	(1,805)	-9.5%	177,346	193,665	(16,319)	-8.4%
Community and Economic Development	3,844	5,818	(1,974)	-33.9%	51,255	63,700	(12,445)	-19.5%
Tax Relief and Other	4,991	5,204	(213)	-4.1%	870,051	847,259	22,791	2.7%
Capital Outlay	0	0	0	N/A	120	0	120	N/A
Debt Service	46,702	49,263	(2,561)	-5.2%	239,859	244,181	(4,322)	-1.8%
Total Expenditures & ISTV's	2,001,215	2,054,088	(52,873)	-2.6%	16,206,735	16,636,998	(430,263)	-2.6%
Transfers Out:								
Operating Transfer Out	4,088	19,437	(15,349)	-79.0%	329,223	352,327	(23,104)	-6.6%
Temporary Transfer Out	0	0	0	N/A	237,356	0	237,356	N/A
Total Transfers Out	4,088	19,437	(15,349)	-79.0%	566,579	352,327	214,251	60.8%
Total Fund Uses	2,005,303	2,073,525	(68,222)	-3.3%	16,773,314	16,989,326	(216,012)	-1.3%

Table 4
GENERAL REVENUE FUND DISBURSEMENTS
ACTUAL FY 2012 VS ACTUAL FY 2011
(\$ in thousands)

Functional Reporting Categories Description	MONTH				YEAR-TO-DATE			
	JANUARY FY 2012	JANUARY FY 2011	\$ VAR	% VAR	ACTUAL FY 2012	ACTUAL FY 2011	\$ VAR	% VAR
Primary, Secondary and Other Education	565,092	826,501	(261,409)	-31.6%	4,095,049	4,275,318	(180,269)	-4.2%
Higher Education	162,203	185,161	(22,958)	-12.4%	1,253,920	1,440,910	(186,989)	-13.0%
Public Assistance and Medicaid	915,926	1,029,851	(113,925)	-11.1%	7,681,151	7,023,410	657,741	9.4%
Health and Human Services	104,081	138,447	(34,366)	-24.8%	660,019	712,454	(52,435)	-7.4%
Justice and Public Protection	175,249	200,784	(25,535)	-12.7%	1,124,272	1,200,264	(75,992)	-6.3%
Environmental Protection and Natural Resource	5,334	5,942	(608)	-10.2%	47,774	48,540	(766)	-1.6%
Transportation	652	1,004	(352)	-35.0%	5,918	9,916	(3,998)	-40.3%
General Government	17,140	18,642	(1,503)	-8.1%	177,346	172,854	4,492	2.6%
Community and Economic Development	3,844	5,242	(1,398)	-26.7%	51,255	61,077	(9,821)	-16.1%
Tax Relief and Other	4,991	5,028	(37)	-0.7%	870,051	846,682	23,368	2.8%
Capital Outlay	0	0	0	N/A	120	24	96	402.1%
Debt Service	46,702	43,360	3,342	7.7%	239,859	325,909	(86,050)	-26.4%
Total Expenditures & ISTV's	2,001,215	2,459,962	(458,747)	-18.6%	16,206,735	16,117,358	89,378	0.6%
Transfers Out:								
Operating Transfer Out	4,088	7,416	(3,328)	-44.9%	329,223	49,402	279,821	566.4%
Temporary Transfer Out	0	0	0	N/A	237,356	945,711	(708,356)	-74.9%
Total Transfers Out	4,088	7,416	(3,328)	-44.9%	566,579	995,113	(428,534)	-43.1%
Total Fund Uses	2,005,303	2,467,378	(462,075)	-18.7%	16,773,314	17,112,471	(339,157)	-2.0%

FUND BALANCE

Table 5 describes the estimated General Revenue Fund (GRF) ending fund balance for FY 2012. Based on the estimated revenue sources for FY 2012 and the estimated FY 2012 disbursements, transfers, and encumbrances, the GRF ending fund balance for FY 2012 is an estimated \$152.7 million.

The GRF ending fund balance should not be considered as a balance available for expenditure in FY 2012 nor should it be considered as equivalent to the FY 2012 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
FISCAL YEAR 2012
(\$ in thousands)

July 1, 2011 Beginning Cash Balance	\$ 844,467
Plus FY 2012 Estimated Revenues	19,419,100
Plus FY 2012 Estimated Federal Revenues	7,602,748
Plus FY 2012 Estimated Transfers to GRF	151,432
Total Sources Available for Expenditure & Transfer	28,017,747
Less FY 2012 Estimated Disbursements	27,204,170
Less FY 2012 Estimated Total Encumbrances as of June 30, 2012	253,608
Less FY 2012 Estimated Transfers Out	407,300
Total Estimated Uses	27,865,078
FY 2012 ENDING FUND BALANCE	152,669

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