



August 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

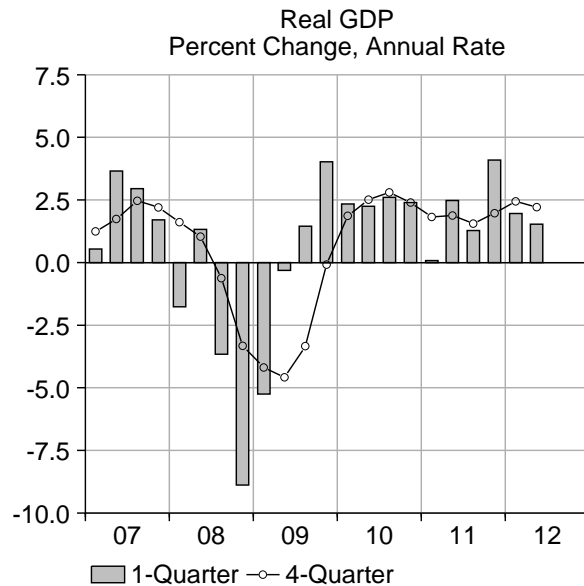
Economic Performance Overview

- Real GDP expanded at an annual rate of 1.5% in the second quarter of 2012, down from 2.0% in the first quarter and 3.0% in the fourth quarter of 2011. Forecasters expect growth to improve modestly but remain below 3.0% each quarter well into 2013.
- Labor markets firmed somewhat in July, as nonfarm payroll employment increased by 163,000 jobs. The unemployment rate inched up to 8.3% from 8.2%.
- Ohio employment increased by 18,400 jobs in June, bringing the year-to-date rise in employment to 81,600. In June, the Ohio unemployment rate dropped from 7.3% to 7.2% - a full point below the national rate.
- Leading economic indicators have weakened recently but remain consistent with modest, uninterrupted growth both nationally and in Ohio.

Economic Growth

As widely expected, **real GDP** growth slowed from a revised 2.0% in the first quarter of 2012 to 1.5% in the second quarter. Compared with a year ago, real GDP was up by 2.2%. The annual benchmark data revisions, which extended back to 2009, showed that the recession was somewhat less severe and that the recovery has been even weaker than previously reported. The peak-to-trough decrease in real GDP was 4.7% – still the largest of the post-war period. Since the trough in the second quarter of 2009, real GDP has increased at a compound annual rate of 2.2% – the slowest pace of the post-war period.

Growth in the second quarter resulted mainly



from increases in personal consumption expenditures, exports, business investment in plant and equipment, inventory accumulation, and housing investment. State and local government spending subtracted from overall growth while federal government spending, both for defense and nondefense categories, was little changed from the previous quarter. Imports, which are automatically counted in spending by category and are therefore subtracted from the total, increased at a faster pace than in the first quarter and at the fastest pace since the third quarter of 2010.

Real final sales growth slowed to 1.2% in the second quarter from 2.4% in the first quarter and from 1.5% in the fourth quarter of 2011. During the last eleven quarters, real final sales have increased at an annual rate of only 1.5% – the slowest pace by a notable margin among expansions in the post-war period that have lasted at least twelve quarters.

The slowdown in the second quarter from an already-slow pace reflects several factors, including the much milder than normal weather during the winter which probably boosted activity in sectors ranging from consumer spending to housing construction at the expense of activity in those sectors in the second quarter. More importantly for the outlook, the slowdown appears also to reflect weaker overseas demand for U.S. products, due to slower growth abroad and to the appreciation of the dollar, which makes U.S. goods and services more expensive in foreign currencies.

The consensus is that real GDP is expanding at a rate below 2.0% in the third quarter and will continue to grow at a modest pace thereafter, picking up but remaining below 3.0% through 2013, according to *Blue Chip Financial Forecasts*. Leading indicators remain consistent with slow but uninterrupted growth. After declining in ten of the eleven weeks ending in mid June, the 4-week moving average of the **Weekly Leading Index** increased in each of the four weeks ending in mid-July, lifting the 6-month smoothed rate of change from -3.4% to -1.6%.

The composite **Leading Economic Index** from the Conference Board increased 0.2% in June for the third gain in a row after a 0.2% decrease in March. The year-over-year rate of change remained relatively steady at 2.8%. The ratio of the coincident index to lagging index – itself a leading indicator – has been weaker recently and was unchanged in June. Compared with a year ago, the ratio was down by 0.8%.

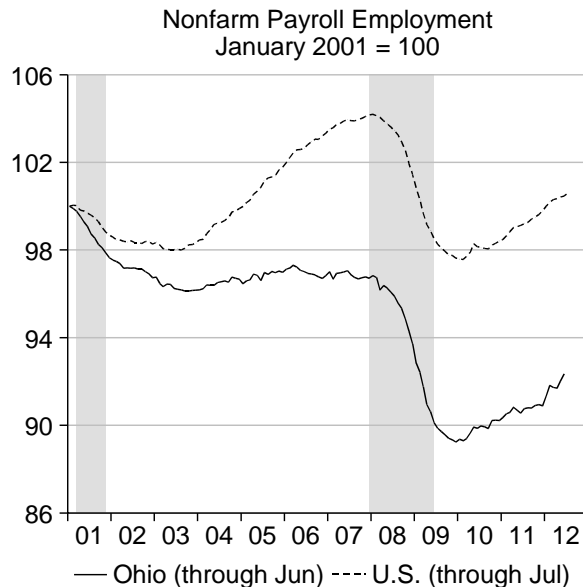
The Ohio economy continued to make progress through June. The **Ohio Coincident Economic Index**, compiled by the Federal Reserve Bank of Philadelphia, increased 0.4% in June for the 34th consecutive monthly increase. The 12-month rate of change was 5.5% in June – up from a recent low of 3.3% last June and the highest since January 1998. 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** remained above 2.0% for the eighth month out of the last nine months. The index was 2.6% in June, and the May value was revised up slightly to 2.9% while the April level was revised down slightly to 1.9%. The index, which is 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 has been below zero in all but one month when the economy was in recession since 1982. Index values have been revised significantly on occasion, but as it stands the recent pattern is consistent with ongoing expansion of the Ohio economy this summer.



Employment

Labor markets firmed somewhat in July, as national **nonfarm payroll employment** increased by 163,000 jobs – more than double the average during the previous three months. From September through February, job growth had averaged just under 200,000 per month. The **length of the workweek** was unchanged, aggregate hours worked expanded, and average hourly earnings increased moderately.



The **unemployment rate** increased from 8.2% to 8.3% in July. The level is the highest since February, but the 0.1 percentage point increase is not statistically significant. The month-to-month change in the unemployment rate has been a very timely indicator of the onset of recessions in the past. Absent a monthly increase of at least 0.3 percentage points, it is unlikely that a recession has begun. The broader U-6 unemployment rate, which includes discouraged workers and those working part-time because they have been unable to find full-time work also increased by 0.1 percentage points to 15.0% in July.

Employment gains were widespread across sectors, including professional and business services (+49,000), education and health services (+38,000), leisure and hospitality (+27,000), manufacturing (+25,000), trade, transportation and utilities (+14,000), information (+11,000), and financial (+1,000). Government employment decreased by 9,000 jobs.

Ohio employment increased by 18,400 jobs in June, and the previously reported May increase of 19,600 jobs was revised down slightly to a gain of 18,200 jobs. Employment is up 81,600 jobs year-to-date through June and up 100,000 jobs from June 2011, but remains 277,700 below the peak reached in March 2006. In June, the Ohio unemployment rate dropped from 7.3% to 7.2% - a full point below the national unemployment rate.

Month-to-month changes in employment across Ohio sectors were largely positive again during June. Increases were led by leisure and hospitality (+5,900), manufacturing (+4,700), and construction (+3,500), other services (+2,500) and trade, transportation and utilities (+2,400). Employment declined during the month in the information (-1,000) and government (-300) sectors.

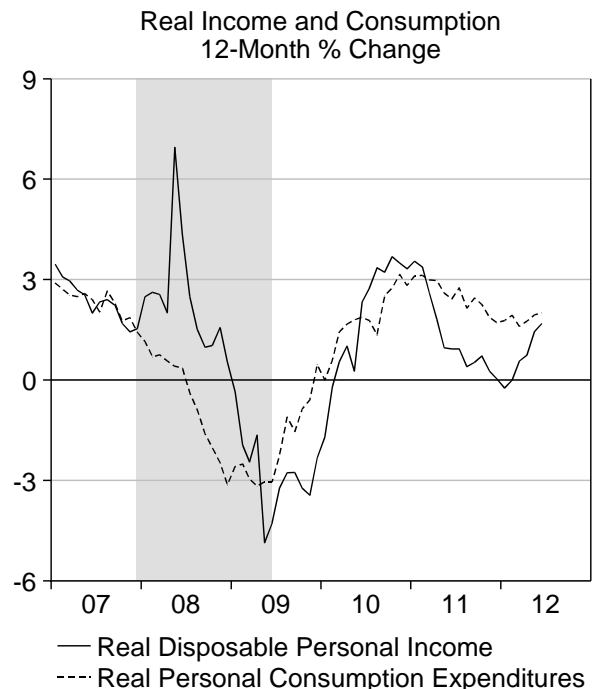
During the twelve months ending in June, employment gains were concentrated in manufacturing (+25,000), trade, transportation and utilities (+23,500), educational and health services (+19,600), and professional and business services (+14,400). Employment declined by 1,400 jobs in financial activities and was essentially unchanged in leisure and hospitality after a string of year-over-year declines. During the last twelve months, private sector employment increased by 97,700 jobs.

Among the **contiguous states**, year-over-year employment growth was strongest in Kentucky (+2.1%), Ohio (+2.0%), and Indiana (+1.8%), followed by West Virginia (+1.4%), Michigan (+1.3%) and Pennsylvania (+0.7%). For the Ohio and contiguous state region, employment increased 1.4% during the year ending in June, compared with 1.3% outside the region. For the Ohio and contiguous states region, growth in regional employment of 3.4% has outpaced growth outside the region since the trough in February 2010 compared with 2.9% for all other states.

Consumer Income and Consumption

Personal income increased 0.5% in June while **personal consumption expenditures** were unchanged. The **savings rate** increased from 4.0% to 4.4% in May and from 3.2% as recently as November 2011, as growth in income has outstripped growth in spending.

Growth in income was fueled by a 0.5% increase in wage and salary disbursements, reflecting modest increases in the number of people working, the length of the workweek, and average hourly earnings. Real disposable personal income increased 0.3% on top of a 0.5% increase in May. Real personal consumption expenditures were essentially unchanged during the period. Year-over-year, real personal consumption expenditures have increased by 2.0% compared with a 1.7% increase in real disposable personal income.



The slowdown in personal consumption expenditures has been broad-based. Spending on durable goods slipped 0.1%, even as unit sales of light motor vehicles increased 2.9%. Auto dealers in and around Ohio described auto sales as steady, according the Federal Reserve Bank of Cleveland, with sales of fuel-efficient vehicles doing particularly well. Spending on nondurable goods decreased 0.6%, and spending on services – which comprises about two-thirds of overall consumer spending – increased just 0.1%.

Measures of **consumer confidence** were mixed in July. The Conference Board index increased due to an improvement in expectations. The University of Michigan index decreased due to deterioration in expectations and despite a somewhat better view of current conditions. In general, consumer confidence remains low relative to the historical record. After the 2008-09 recession, the Conference Board index stood 5.2% below the average level observed in recessions, whereas the University of Michigan index was only 3.7% above the average level observed in past recessions.

Manufacturing

Industrial activity remains on a low trajectory and appears to be vulnerable to weakening overseas demand. **Industrial production** increased 0.4% in June, more than recouping the 0.2% decline in May. Production increased 0.8% in April after a 0.5% decline in March. As a result, industrial production has increased at a 1.3% pace in the most recent four months compared with a 6.7% pace during the previous four-month period.

Manufacturing production has followed the same see-saw pattern during the last four months, but stood only 0.1% above its February level in June. Among four industries with special importance for the Ohio economy, production of primary metal declined by 1.2% in June. Production of fabricated metal (+0.5%), machinery (+2.3%) and motor vehicles, and parts (+1.9%) increased.

Manufacturing firms in and around Ohio reported a slight increase in new orders and production in May and June, according to a survey by the Federal Reserve Bank of Cleveland. Some reported a weakening in orders from European customers. The outlook across firms was mixed. Steel producers have been trying to reduce inventories due to uncertainty about market conditions. Auto producers attributed some strengthening in activity to the abatement of supply chain issues.

Slower activity continued across the country in July. Surveys of manufacturers by the Federal Reserve Banks of New York and Philadelphia found better, but still weak orders and



shipments during July. Likewise, the July **ISM survey** of purchasing managers at manufacturing firms revealed about an even split between those reporting rising activity and those reporting falling activity, but reports of new orders and order backlogs were little changed in July after sharp declines in June.

Some of the slowdown appears to be related to the mild winter weather that might have boosted activity during the winter relative to the spring. Another important factor appears to be the unfolding economic slowdown in Europe and perhaps China. The ISM production index remained just above neutral in July after a large decline in June. The import orders index remained above 50 for the eighth straight month while export orders eroded sharply between February and July to notably below the neutral level of 50.

Factory orders decreased 0.5% in June, offsetting a downwardly revised 0.5% increase in May. The decline was broad-based across sectors, with new orders for durable goods and nondurable goods both falling. On a 3-month moving average basis, new orders peaked in February and declined by 2.2% through June.

Construction

Total **construction put-in-place** increased 0.4% in June, and the May increase was revised significantly higher from 0.9% to 1.6%. Construction put-in-place increased 0.9% in April. Excluding improvements to residential structures, construction increased 0.7%.

Private construction increased 1.3% overall, reflecting a 3.0% increase in residential building and a 3.4% increase in nonresidential building. Excluding improvements, residential building increased 3.1%. Public construction was unchanged in June after an upwardly revised increase of 0.4% in May, but remained near a long-time low.

Total construction in April was up 7.0% year-over-year and 12.9% from what looks increasingly with each passing month like the cycle low in March 2011, but remains 30.6% below its pre-recession peak.

Private nonresidential construction increased 0.1% in June, and previous levels were revised higher. Compared with a year earlier, private nonresidential construction was up 14.0%, having traced out a clear cyclical trough at the beginning of 2011. Five of the eleven categories that comprise the nonresidential segment increased by double-digit percentages during the year ending in June, led by power (+26.5%), lodging (+26.3%), manufacturing (+19.0%), and educational (+18.8%). Construction put-in-place fell in amusement and recreation (-10.6%) and communication (-1.7%).

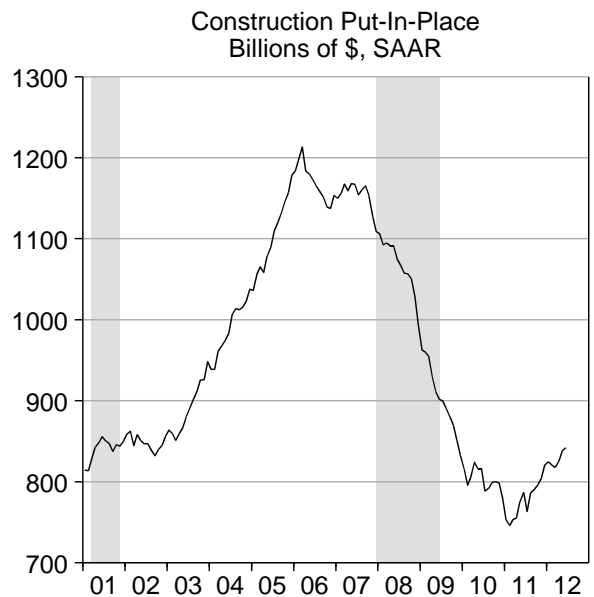
Nonresidential contractors in and around Ohio described business conditions as good and much better than a year earlier in a survey from the Federal Reserve Bank of Cleveland. A strengthening in inquiries is expected to boost backlogs. Builders have a positive outlook, but they registered concern about the upcoming elections and developments in Europe.

The **Architecture Billings Index** from the American Institute of Architects was little changed in June, remaining below the neutral 50 level and near its lowest level since last July. The **Inquiries for New Work Index** and the **Billings Index for the Midwest** were both also little changed in June, managing slight increases from their lowest levels since July. The inquiries index remained above neutral while the Midwest billings index was below neutral for the third straight month.

Private residential construction-put-in-place increased a healthy 1.3% in June, and the May increase was revised slightly higher to 3.1%. Excluding improvements, residential construction increased 3.1%. The 3-month moving average of housing starts increased 2.5% in June following a small one-month setback in May to the highest reading since November 2008.

Midwest housing starts moved the other direction, falling 4.3% in June. Permits decreased 0.6% in June on a 3-month moving average basis after three straight monthly increases totaling more than 8.0%. Midwest permits followed the trend, decreasing 3.3%

after four months without a decline. Compared with a year ago, U.S. permits were higher by 23.3%, and Midwest permits were higher by 17.8%. Builders in and around Ohio reported some slowing in activity in the spring, according to the Federal Reserve Bank of Cleveland survey. The outlook among homebuilders is less favorable than earlier in the year.



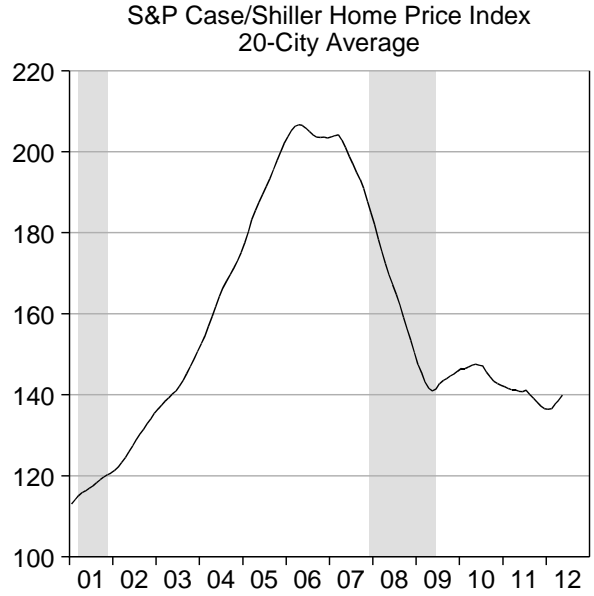
Despite these recent gains, home building activity remains on a low plateau, held back by a variety of factors. Home financing is widely available at attractive interest rates, which for some loan products have reached all-time lows, but on more stringent traditional terms. In addition, already problematic debt levels, large inventories of unoccupied houses in many markets, still-challenging labor market conditions, and expectations of little or no price appreciation are restraining building and sales activity.

Sales of existing homes were little changed across the country and the Midwest again in June on a 3-month average basis. In fact, despite the recent large fluctuations, the pace of existing home sales is little changed on balance during the past four years. **Sales of new homes** decreased slightly on a 3-month average basis nationally and increased 9.4% in the Midwest. The Midwest increase was only the second in the last six months. Sales activity remains on a plateau that is far below peak levels of a few years ago.

The inventory of existing homes for sale fell in June but remained near recent levels. The **inventory-to-sales ratio** edged up to 6.6 months, still well below the extreme levels of recent years and close to the normal level of 4-5 months, but up from 6.0 months in January. The inventory of newly built homes ticked up in June after falling to a new all-time low in May. At

4.9 months, the inventory-to-sales ratio for newly built homes was also well below extremes reached in recent years and close to the historical norm.

Home prices continued to show signs of revival, increasing for the fourth month in a row in May, according to the S&P/Case-Shiller 20-city composite home price index. The index increased 0.9% in May after gains of 0.8% in March and 0.7% in April. The index was still down 32.3% from the all-time peak reached in April 2006. The price index for Cleveland increased 0.7% in May after a 0.6% rise in April. Prices in Cleveland still are off 19.5% from the 2006 peak.



REVENUES

Revenue estimates for the month of July reflect revised projections for fiscal year 2013 developed by the Office of Budget and Management in conjunction with the Department of Taxation. These revised estimates reflect both an updated macroeconomic forecast as well as the performance of each revenue source during fiscal year 2012. As a result, fiscal year 2013 estimates for a number of revenue sources (notably the non-auto sales tax, auto sales tax, personal income tax, and commercial activities tax) have increased relative to the conference committee estimates, while the estimates for other sources (notably the corporate franchise tax, kilowatt hour tax, public utility tax, federal grants, and investment earnings) have decreased. A comparison by revenue source of the revised fiscal year 2013 estimates to the original H.B. 153 Conference Committee estimates is contained in the following table:

Fiscal Year 2013 GRF Revenue Estimate			
HB153 As Passed compared to July 2012 Revision			
(Dollars in Millions)			
Revenue Source	FY 2013 HB 153 June 2011	FY 2013 Revised July 2012	\$ Chg
<u>Tax Revenue</u>			
Auto Sales and Use	1,050.4	1,075.0	24.6
Non-Auto Sales and Use	7,375.0	7,350.0	(25.0)
Subtotal Sales and Use	8,425.4	8,425.0	(0.4)
Personal Income	8,891.2	8,970.0	78.8
Corporate Franchise	230.0	150.0	(80.0)
Commercial Activity Tax	758.5	850.0	91.5
Public Utility	144.9	115.0	(29.9)
Kilowatt Hour Tax	340.5	305.0	(35.5)
Natural Gas Consumption	66.0	60.0	(6.0)
Foreign Insurance	260.0	270.0	10.0
Domestic Insurance	223.4	195.0	(28.4)
Business and Property	38.0	25.0	(13.0)
Cigarette	789.7	815.0	25.3
Alcoholic Beverage	56.5	58.0	1.5
Liquor Gallonage	37.0	40.0	3.0
Estate	66.0	66.0	0.0
Total of Tax Revenue	20,327.1	20,344.0	16.9
<u>Non-Tax Revenue</u>			
Earnings on Investments	38.2	5.5	(32.7)
Licenses and Fees	62.0	46.0	(16.0)
Other Income	33.0	33.0	0.0
Interagency Transfers	15.0	15.0	0.0
Total of Non-Tax Revenue	148.2	99.5	(48.7)
<u>Transfers</u>			
BSF Transfer	0.0	0.0	0.0
Liquor Transfers	0.0	160.0	160.0
Transfer In - Other	27.5	27.5	0.0
Transfers In - Temporary	0.0	0.0	0.0
Total Transfers	27.5	187.5	160.0
Total Sources Excluding Federal Grants	20,502.8	20,631.0	128.2
Federal Grants Deposited in the GRF	8,462.8	8,151.4	(311.4)
Total Sources	28,965.6	28,782.4	(183.2)

July 2012 GRF receipts totaled \$2,159.5 million and were \$9.8 million (0.5%) above the estimate. Monthly tax receipts totaled \$1,436.2 million and were \$69.1 million (5.1%) above the estimate, while non-tax receipts and transfers totaled \$718.1 million and \$5.2 million and were \$44.3 million (5.8%) and \$15.0 million (74.4%) below the respective estimates. Year-to-date variances by category are provided in the following table (\$ in millions). As this is the first month of the fiscal year, monthly and year-to-date variances are the same.

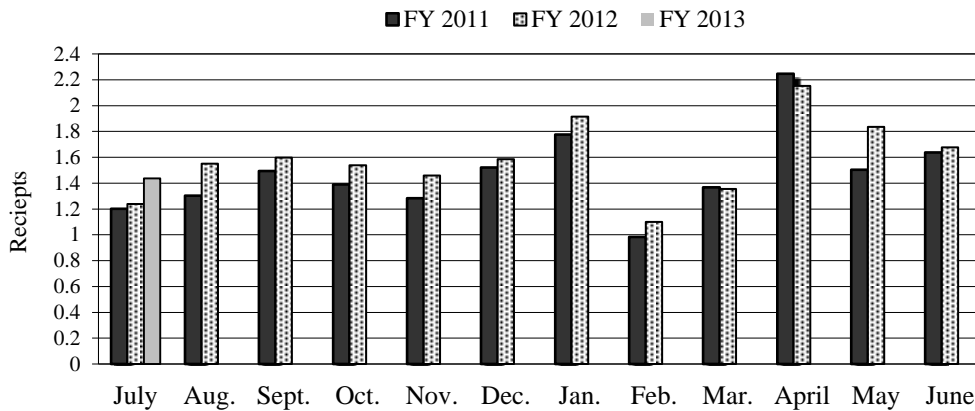
Category	Includes:	YTD Variance	% Variance
Tax receipts	Sales & use, personal income, corporate franchise, public utility, kilowatt hour, foreign & domestic insurance, other business & property taxes, cigarette, soft drink, alcoholic beverage, liquor gallonage, estate & horse racing	\$69.1 million	5.1%
Non-tax receipts	Federal grants, earnings on investments, licenses & fees, other income, intrastate transfers	(\$44.3 million)	(5.8%)
Transfers	Budget stabilization, liquor transfers, capital reserve, other	(\$15.0 million)	(74.4%)
TOTAL REVENUE VARIANCE:		\$9.8 million	0.5%

July tax receipts totaled \$1,436.2 million and exceeded the estimate by \$69.1 million (5.1%). On a year-over-year basis, July 2012 tax receipts were \$198.6 million (16.0%) higher than they were in June 2011. The largest contributors to this year-over-year growth were the non-auto sales tax, personal income tax, commercial activity tax, corporate franchise tax, and cigarette tax receipts. Personal income tax receipt growth was driven by withholding and quarterly estimated payments along with lower local government fund distributions as a result of changes in allocations made in H.B. 153.

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

Individual Sources Above Estimate		Individual Sources Below Estimate	
Non-Auto Sales Tax	\$23.0	Auto Sales Tax	(\$0.4)
Personal Income Tax	\$25.9	MCF Tax	(\$0.4)
Corporate Franchise Tax	\$8.5	Federal Grants	(\$44.3)
Commercial Activity Tax	\$7.0	Liquor Transfers	(\$15.0)
Kilowatt Hour Tax	\$0.8	Other Sources Below Estimate	(\$0.0)
Cigarette Tax	\$2.9		
Alcoholic Beverage Tax	\$0.8		
Other Sources Above Estimate	\$1.1		
Total above	\$69.9	Total below	(\$60.1)

Tax Revenue Comparison by Month
(\$ in billions)



Non-Auto Sales and Use Tax

July was another strong month for the non-auto sales tax as receipts totaled \$664.7 million and exceeded the estimate by \$23.0 million (3.6%). On a year-over-year basis, monthly receipts were \$57.0 million (9.4%) above collections for July 2011. This year-over-year growth is the result of a combination of both a large one-time refund paid in July 2011 that reduced net collections for that month as well as improving economic conditions.

Auto Sales Tax

Auto sales tax receipts fell marginally below the estimate for the second month in a row, as receipts totaled \$95.2 million and were \$0.4 million (0.4%) below the estimate. On a year-over-year basis, auto sales tax receipts are \$8.4 million (9.6%) higher than receipts for the same month a year ago. As a result of this lower-than-expected performance, OBM will monitor this tax source in months to come.

Personal Income Tax

Personal income tax receipts totaled \$593.5 million during the month of July and were \$25.9 million (4.6%) above estimate. Similar to June, the withholding component continued to be the major contributor to this overage, totaling \$626.2 million which was \$20.9 million (3.5%) above estimate. Other components with significant overages were miscellaneous (other) receipts, totaling \$4.2 million (88.4%) over estimate, followed by the quarterly estimated payments with an overage of \$1.9 million (14.6%).

On a year-over-year basis, personal income tax collections for July were \$98.6 million (19.9%) above the July 2011 level. The withholding component was the major contributor towards this growth with an increase of \$60.1 million (10.6%) over the same month a year ago, aided in part by one additional collection day in July 2012. Also contributing to the year-over-year growth

were reduced distributions to the local government fund as a result of changes contained in H.B. 153. As a result of these changes, local government fund distributions were \$33.2 million lower in July 2012 than they were in July 2011.

FY2013 PERSONAL INCOME TAX RECEIPTS BY COMPONENT (\$ in millions)						
	ESTIMATE	ACTUAL	\$ VAR	ACTUAL	ACTUAL	\$ VAR
	JULY	JULY	JULY	JULY 12	JULY 11	Y-over-Y
Withholding	\$605.3	\$626.2	\$20.9	\$626.2	\$566.1	\$60.1
Quarterly Est.	\$13.3	\$15.2	\$1.9	\$15.2	\$13.3	\$1.9
Trust Payments	\$0.8	\$0.4	-\$0.4	\$0.4	\$0.8	(\$0.3)
Annual Returns &40P	\$8.8	\$9.3	\$0.5	\$9.3	\$8.8	\$0.5
Other	\$4.7	\$8.9	\$4.2	\$8.9	\$4.7	\$4.1
Less: Refunds	(\$34.0)	(\$35.0)	(\$1.0)	(\$35.0)	(\$34.0)	(\$0.9)
Local Distr.	(\$31.3)	(\$31.6)	(\$0.2)	(\$31.6)	(\$64.8)	\$33.2
Net to GRF	\$567.6	\$593.5	\$25.9	\$593.5	\$494.9	\$98.6

Corporate Franchise Tax

Corporate franchise tax receipts for the month of July totaled \$6.5 million and were \$8.5 million (422.6%) above the estimate of -\$2.0 million. As noted in previous months' reports, a number of larger-than-anticipated refunds, which were comprised of refunds against the current tax base and more notably "legacy" refunds to former payers of the franchise tax, frequently caused receipts to fall below estimate during fiscal year 2012 and was the major factor in OBM's decision to significantly reduce the fiscal year 2013 estimate for this tax. While July refunds were not as high as anticipated, this is in part due to efforts near the end of fiscal year 2012 to process all the pending refunds that had been identified prior to the end of the fiscal year. One impact of this decision is that it reduced the level of refunds that had historically been paid out in July. As a result, OBM and the Department of Taxation expect refund activity to pick up in the coming months.

Commercial Activity Tax

July commercial activity tax (CAT) receipts to the GRF totaled \$25.2 million and were \$6.9 (37.9%) above the monthly estimate. On a year-over-year basis, GRF CAT receipts were \$16.4 million (184.9%) higher than for those of July 2011, largely due to provisions contained in H.B. 153 that modified the distribution of CAT receipts, with the portion of total receipts being allocated to the GRF increasing from 25 percent in fiscal year 2012 to 50 percent in fiscal year 2013. All-funds CAT receipts for July totaled \$56.2 million and were \$19.4 million (53.5%) above the \$36.6 million estimate. On a year-over-year basis, total CAT receipts increased by \$7.5 million (15.3%) over July 2011 levels. The large year-over-year growth in total CAT receipts may be due to a larger than expected portion of payments for the August returns being received in July.

Kilowatt-Hour Tax

July receipts for the kilowatt hour tax totaled \$24.1 million and were \$0.8 million (3.4%) above the estimate. On a year-over-year basis, this tax source was \$3.1 million (14.7%) higher in July 2012 than in the same month in the previous fiscal year.

MCF Tax

July receipts for the MCF tax (“natural gas distribution”) totaled \$0.9 million and were \$0.4 million (31.3%) below the monthly estimate. On a year-over-year basis, July 2012 receipts were \$0.4 million lower than those of June 2011. Throughout fiscal year 2012, receipts fell short of the monthly estimates due to a milder-than-usual winter. Prior to fiscal year 2012, receipts from the MCF tax were distributed to the School District Property Tax Replacement Fund (68.7%) and the Local Government Property Tax Replacement Fund (31.3%). H.B. 153 of the 129th General Assembly modified this distribution, requiring that for fiscal year 2012 and thereafter, 100.0% of the MCF tax receipts were to be credited to the GRF.

Cigarette Tax

Cigarette tax receipts exceeded the monthly estimate again in the month of July as receipts totaled \$15.9 million and were \$2.9 million (22.3%) above the estimate. On a year-over-year basis, cigarette tax receipts were \$5.7 million (55.4%) higher than for the same month a year ago.

GRF non-tax receipts totaled \$718.1 million in July and were \$44.3 million (5.8%) below the estimate. This is largely the result of lower-than-anticipated federal grants. **GRF transfers** during the month of July were \$15.0 million (74.4%) below the estimate due to a timing related issue with the processing of the monthly liquor profits transfer. This issue will be corrected in August.

Table 1
GENERAL REVENUE FUND RECEIPTS
ACTUAL FY 2013 VS ESTIMATE FY 2013
(\$ in thousands)

REVENUE SOURCE	MONTH				YEAR-TO-DATE			
	ACTUAL JULY	ESTIMATE JULY	\$ VAR	% VAR	ACTUAL Y-T-D	ESTIMATE Y-T-D	\$ VAR	% VAR
TAX RECEIPTS								
Non-Auto Sales & Use	664,650	641,700	22,950	3.6%	664,650	641,700	22,950	3.6%
Auto Sales & Use	95,237	95,600	(363)	-0.4%	95,237	95,600	(363)	-0.4%
Subtotal Sales & Use	<u>759,887</u>	<u>737,300</u>	<u>22,587</u>	3.1%	<u>759,887</u>	<u>737,300</u>	<u>22,587</u>	3.1%
Personal Income	593,517	567,577	25,940	4.6%	593,517	567,577	25,940	4.6%
Corporate Franchise	6,453	(2,000)	8,453	422.6%	6,453	(2,000)	8,453	422.6%
Commercial Activity Tax	25,233	18,300	6,933	37.9%	25,233	18,300	6,933	37.9%
Public Utility	9	0	9	N/A	9	0	9	N/A
Kilowatt Hour	24,097	23,300	797	3.4%	24,097	23,300	797	3.4%
MCF Tax	893	1,300	(407)	-31.3%	893	1,300	(407)	-31.3%
Foreign Insurance	11	(200)	211	105.4%	11	(200)	211	105.4%
Domestic Insurance	220	100	120	119.6%	220	100	120	119.6%
Other Business & Property	207	100	107	106.6%	207	100	107	106.6%
Cigarette	15,895	13,000	2,895	22.3%	15,895	13,000	2,895	22.3%
Alcoholic Beverage	5,738	4,900	838	17.1%	5,738	4,900	838	17.1%
Liquor Gallonage	3,445	3,300	145	4.4%	3,445	3,300	145	4.4%
Estate	603	100	503	502.6%	603	100	503	502.6%
Total Tax Receipts	<u>1,436,206</u>	<u>1,367,077</u>	<u>69,129</u>	5.1%	<u>1,436,206</u>	<u>1,367,077</u>	<u>69,129</u>	5.1%
NON-TAX RECEIPTS								
Federal Grants	716,449	760,767	(44,318)	-5.8%	716,449	760,767	(44,318)	-5.8%
Earnings on Investments	0	0	0	N/A	0	0	0	N/A
License & Fees	397	397	0	0.0%	397	397	0	0.0%
Other Income	1,272	1,272	0	0.0%	1,272	1,272	0	0.0%
ISTV'S	22	22	0	0.0%	22	22	0	0.0%
Total Non-Tax Receipts	<u>718,140</u>	<u>762,458</u>	<u>(44,318)</u>	-5.8%	<u>718,140</u>	<u>762,458</u>	<u>(44,318)</u>	-5.8%
TOTAL REVENUES	2,154,346	2,129,535	24,811	1.2%	2,154,346	2,129,535	24,811	1.2%
TRANSFERS								
Budget Stabilization	0	0	0	N/A	0	0	0	N/A
Liquor Transfers	0	15,000	(15,000)	N/A	0	15,000	(15,000)	N/A
Transfers In - Other	5,166	5,166	0	0.0%	5,166	5,166	0	0.0%
Temporary Transfers In	0	0	0	N/A	0	0	0	N/A
Total Transfers	<u>5,166</u>	<u>20,166</u>	<u>(15,000)</u>	-74.4%	<u>5,166</u>	<u>20,166</u>	<u>(15,000)</u>	-74.4%
TOTAL SOURCES	2,159,512	2,149,701	9,811	0.5%	2,159,512	2,149,701	9,811	0.5%

Table 2
GENERAL REVENUE FUND RECEIPTS
ACTUAL FY 2013 VS ACTUAL FY 2012
(\$ in thousands)

REVENUE SOURCE	MONTH				YEAR-TO-DATE			
	JULY FY 2013	JULY FY 2012	\$ VAR	% VAR	ACTUAL FY 2013	ACTUAL FY 2012	\$ VAR	% VAR
TAX RECEIPTS								
Non-Auto Sales & Use	664,650	607,665	56,985	9.4%	664,650	607,665	56,985	9.4%
Auto Sales & Use	95,237	86,863	8,374	9.6%	95,237	86,863	8,374	9.6%
Subtotal Sales & Use	<u>759,887</u>	<u>694,528</u>	<u>65,358</u>	9.4%	<u>759,887</u>	<u>694,528</u>	<u>65,358</u>	9.4%
Personal Income	593,517	494,905	98,612	19.9%	593,517	494,905	98,612	19.9%
Corporate Franchise	6,453	(2,045)	8,498	415.5%	6,453	(2,045)	8,498	415.5%
Commercial Activity Tax	25,233	8,858	16,376	184.9%	25,233	8,858	16,376	184.9%
Public Utility	9	0	9	N/A	9	0	9	N/A
Kilowatt Hour	24,097	21,013	3,083	14.7%	24,097	21,013	3,083	14.7%
MCF Tax	893	1,257	(364)	-28.9%	893	1,257	(364)	-28.9%
Foreign Insurance	11	(456)	466	102.4%	11	(456)	466	102.4%
Domestic Insurance	220	15	205	1407.2%	220	15	205	1407.2%
Other Business & Property	207	150	57	38.0%	207	150	57	38.0%
Cigarette	15,895	10,226	5,669	55.4%	15,895	10,226	5,669	55.4%
Alcoholic Beverage	5,738	5,840	(102)	-1.7%	5,738	5,840	(102)	-1.7%
Liquor Gallonage	3,445	3,256	189	5.8%	3,445	3,256	189	5.8%
Estate	603	105	498	475.9%	603	105	498	475.9%
Total Tax Receipts	<u>1,436,206</u>	<u>1,237,651</u>	<u>198,555</u>	16.0%	<u>1,436,206</u>	<u>1,237,651</u>	<u>198,555</u>	16.0%
NON-TAX RECEIPTS								
Federal Grants	716,449	1,016,135	(299,686)	-29.5%	716,449	1,016,135	(299,686)	-29.5%
Earnings on Investments	0	0	0	N/A	0	0	0	N/A
License & Fee	397	367	30	8.0%	397	367	30	8.0%
Other Income	1,272	645	627	97.3%	1,272	645	627	97.3%
ISTV'S	22	50	(28)	-56.2%	22	50	(28)	-56.2%
Total Non-Tax Receipts	<u>718,140</u>	<u>1,017,197</u>	<u>(299,057)</u>	-29.4%	<u>718,140</u>	<u>1,017,197</u>	<u>(299,057)</u>	-29.4%
TOTAL REVENUES	2,154,346	2,254,848	(100,502)	-4.5%	2,154,346	2,254,848	(100,502)	-4.5%
TRANSFERS								
Budget Stabilization	0	0	0	N/A	0	0	0	N/A
Liquor Transfers	0	0	0	N/A	0	0	0	N/A
Transfers In - Other	5,166	10,598	(5,432)	-51.3%	5,166	10,598	(5,432)	-51.3%
Temporary Transfers In	0	0	0	N/A	0	0	0	N/A
Total Transfers	<u>5,166</u>	<u>10,598</u>	<u>(5,432)</u>	-51.3%	<u>5,166</u>	<u>10,598</u>	<u>(5,432)</u>	-51.3%
TOTAL SOURCES	2,159,512	2,265,446	(105,934)	-4.7%	2,159,512	2,265,446	(105,934)	-4.7%

DISBURSEMENTS

At the beginning of each fiscal year OBM, in conjunction with each agency receiving GRF appropriations, undertakes the process of estimating GRF spending by month for the upcoming year. These spending estimates are built on a combination of H.B. 153 appropriation levels, as amended during the mid-biennium review, and also include estimated spending against encumbrances entered into in previous fiscal years. In addition to accounting for policy changes and spending to meet prior year encumbrances, OBM and the agencies also take this opportunity to review any changes in caseloads, payrolls, or other demands for services that might impact the level and pattern of spending during the coming year.

July 2012 GRF disbursements, across all fund uses, totaled \$3,230.9 million and were \$37.5 million (1.1%) below estimate. On a year-over-year basis, disbursements for July 2012 were \$372.5 million (10.3%) lower than those of July 2011. Year-to-date disbursements by category are provided in the table below. As this is the first month of the fiscal year, monthly and year-to-date variances are the same.

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)	(\$37.9 million)	(1.3%)
Transfers	Temporary or permanent transfers out of the GRF that are not agency expenditures	\$0.5 million	0.2%
TOTAL DISBURSEMENTS VARIANCE:		(\$37.5 million)	(1.1%)

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, eTech Ohio Commission, Ohio State School for the Blind, and the Ohio School for the Deaf. July disbursements in this category totaled \$845.8 million and were \$14.8 million (1.8%) above the estimate. On a year-over-year basis, this category was \$0.4 million (0.0%) lower than the same month in the previous fiscal year.

Disbursements for the Department of Education alone totaled \$840.6 million for the month of July and were \$15.1 million (1.8%) above the estimate. Expenditures for the school foundation program were \$804.6 million, which was \$18.4 million (2.3%) above the estimate. The variance in the foundation funding line item is primarily attributable to the earlier-than-expected payment to community colleges and universities for the Post-Secondary Enrollment Option (PSEO) program from funds encumbered from the prior year. The payments, which totaled approximately \$27.0 million, were disbursed in July, rather than in August as planned.

Higher Education

July disbursements for Higher Education totaled \$205.0 million and were \$3.2 million (1.6%) above estimate for the month. This variance is due to higher-than-expected requests for reimbursement in two financial aid line items, Choose Ohio First Scholarship and Ohio College Opportunity Grant. On a year-over-year basis, this category was \$6.7 million (3.4%) higher than the same month in the previous fiscal year.

Public Assistance and Medicaid

July disbursements in this category, which include all GRF expenditures by the Ohio Department of Job and Family Services (ODJFS), totaled \$1,341.2 million and were \$2.0 million (0.1%) below the monthly estimate.

Public Assistance and Non-Medicaid

ODJFS, Non-Medicaid, General Revenue Fund (GRF) disbursements totaled \$76.9 million for the month of July and were \$0.1 million (0.1%) higher than the estimate. Major monthly variances were attributable to the following:

- Information Technology Projects (ALI 600416) disbursements were \$3.2 million (67.0%) higher than estimate due to the agency receiving and paying more invoices on prior year equipment encumbrances than originally expected.
- Child Care State/Maintenance of Effort (ALI 600413) subsidies were \$1.7 million (18.0%) above the estimate due higher-than-expected child care payments. This is attributable to counties submitting child care back billing expenditures for end-of-fiscal-year reconciliation as well as the transition to summer child care rates for school aged children.
- Early Care and Education (ALI 600535) child care subsidy disbursements were \$1.6 million (34.1%) higher than estimate. This variance is also attributable to counties submitting back billing expenditures and the transition to summer child care rates.
- Family Assistance - Local (ALI 600521) county subsidy disbursements were \$2.9 million (38.4%) lower than estimate due to lower-than-expected county requests made from the line item. This is attributable to end-of-fiscal-year system processing as well as the implementation of the new County Finance Information System (CFIS) which resulted in fewer monthly county payment requests than anticipated.
- Program Support (ALI 600321) disbursements were \$3.0 million (66.5%) lower than estimate, primarily due to lower-than-projected rent and prior year administrative encumbrance expenditures made during the month.

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 for the ODJFS portion of the Medicaid program in July were \$1,264.3 million, which is \$2.1 million (0.2%) below the estimate, and \$401.5 million (\$24.1%) below disbursements in July 2011. The year-over-year variance was primarily due to the fact that two monthly managed care payments were made in July 2011 as a result of the acceleration of the August 2011 managed care payment ahead of the implement of MITS in August 2011. Thus, a similar but opposite year-over-year variance is expected in August 2012.

All funds disbursements for the month of July were \$1,264.7 million, which is \$2.9 million (0.2%) below the estimate and \$401.6 (24.1%) below disbursements in July 2011.

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

	July Projection	July Actual	Variance	Variance %
GRF	\$ 1,266,418,151	\$ 1,264,308,241	\$ (2,109,910)	-0.2%
Non-GRF	\$ 1,250,055	\$ 422,081	\$ (827,974)	-66.2%
All Funds	\$ 1,267,668,206	\$ 1,264,730,322	\$ (2,937,884)	-0.2%

It should be noted that fiscal year 2013 disbursement estimates for Medicaid have been developed consistent with Medicaid spending patterns in fiscal year 2012. Furthermore, the estimates incorporate the impact of several previously authorized transfers, most notably the transfer of the intermediate care facilities for individuals with intellectual disabilities (ICF/IID) program to the Department of Developmental Disabilities.

Caseload

Total July enrollment across all categories was 2.37 million. The most significant components are the Covered Families and Children (CFC) category, which increased by 37,723 persons to a July total of 1.76 million persons, and the Aged, Blind and Disabled (ABD) category, which decreased by 6,405 people to a July total of 387.7 thousand covered lives. By comparison, total enrollment across all categories for the same period last year was 2.17 million covered persons, most notably including 1.64 million persons in the CFC category and 406.3 thousand people in the ABD category. It is important to note that the data is subject to revision.

While this represents a total enrollment increase over the last twelve months of 199.8 thousand covered lives, it should be noted that this comparison is being made using data from two different sources. Because MITS, which refines categorization of enrollment, was implemented on August 1, 2011, the year-over-year caseload comparison in next month's report will have the same data source.

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.

July disbursements in this category totaled \$125.2 million and were \$6.4 million (4.9%) below the estimate for the month. On a year-over-year basis, this category was \$59.4 million (32.2%) lower than the same month in the previous fiscal year.

Department of Health

July 2012 disbursements for the Department of Health totaled \$9.4 million and were \$1.2 million (11.2%) below estimate. Major monthly variances within individual line items were attributable to the following:

- Help Me Grow disbursements were \$0.7 million below estimate mostly due to prior year encumbrances for contracts that were not expended as quickly as anticipated.
- Immunizations disbursements were \$0.4 million below estimate due to drug purchases that were expected to be made in July but will instead be made in future months.
- Public Health Laboratory disbursements were \$0.4 million below estimate due to a delay in the purchase of lab supplies and equipment. These purchases will be completed in future months.

Department of Aging

July 2012 disbursements for the Department of Aging totaled \$1.3 million and were \$0.1 million (9.5%) above estimate. This is primarily attributable to timing of payments in the Alzheimer's Respite and Long Term Care Budget – State line items.

Department of Mental Health

July disbursements for the Department of Mental Health totaled \$53.9 million and were \$887,000 (1.6%) below estimate. The variance is primarily attributable to spending in the Central Administration and Hospital Services line items, which were \$387,000 (19.1%) and \$405,000 (2.0%) below their respective estimates. This under-spending is due to contract timing. Most contracts begin in July and are therefore budgeted to begin then, but a few were held or not entered into the system in July as expected, leading to lower-than-anticipated spending within these line items.

Department of Alcohol and Drug Addiction Services

July disbursements for the Department of Alcohol and Drug Addiction Services totaled \$1.9 million and were \$17,600 (0.9%) below estimate. The variance is primarily attributable to lower-than-anticipated spending in the Treatment Services line item, which was approximately \$17,600 (1.0%) under estimate. This under spending is due to unallocated treatment subsidy awards under the Target Initiatives program that had an anticipated disbursement date of July. These are currently unassigned and will be provided to recipients at a later date.

Department of Developmental Disabilities

July disbursements for the Department of Developmental Disabilities totaled \$54.1 million and were \$22,000 (0.0%) below estimate. The variance is primarily attributable to expenditures

within the Central Administration line item, which were \$26,000 (5.3%) below estimate. This under spending is due to a Family and Children First payment to the Department of Mental Health that was anticipated for July but will likely be made in August. Note that the year-over-year growth from the July 2011 disbursements of \$40.0 million was largely due to the transfer of the ICF/IID program from ODJFS to the Department of Developmental Disabilities, as discussed earlier in this report.

Justice and Public Protection

This category includes GRF expenditures by the Department of Rehabilitation & Correction and the Department of Youth Services. In the month of July, disbursements in this category totaled \$212.9 million and were \$28.8 million (11.9%) below estimate. On a year-over-year basis, this category was \$6.8 million (3.3%) higher than the same month in the previous fiscal year.

Department of Rehabilitation and Correction

Department of Rehabilitation and Correction disbursements totaled \$147.8 million in July and were \$28.4 million (16.1%) below the estimate. This variance was largely caused by a lower-than-anticipated number of encumbrances being paid, particularly in the main Institutional Operations line. In addition, a number of Halfway House payments anticipated in July will instead be paid in August.

General Government

July disbursements for the General Government category totaled \$31.2 million and were \$12.4 million (28.4%) below estimate. On a year-over-year basis, this category was \$8.9 million (22.2%) lower than the same month in the previous fiscal year.

Department of Administrative Services

Department of Administrative Services (DAS) disbursements totaled \$12.8 million during the month of July and were \$13.4 million (51.1%) below the estimate. This occurred primarily as a result of lease rental payments for OAKS certificates of participation (COPS) that were split between July and August. The original estimate had the entire payment occurring in July. The remaining \$12.8 million will be applied at the beginning of August, which will cause a positive variance for that month.

Tax Relief and Other

Payments from the tax relief category are made to local governments and school districts to reimburse these entities for revenues foregone as a result of the 10.0 percent and 2.5 percent rollback, as well as the homestead exemption. July disbursements for tax relief totaled \$3.9 million and were \$3.0 million (321.2%) above the \$0.9 million monthly estimate due to a number of local government tax relief payment requests being received earlier than estimated. As these payments are made based on when counties submit their information, and individual counties may vary from year to year in terms of when they submit, monthly variances are not uncommon in this category. In addition to tax relief, this category also includes pension system subsidy payments made by the Treasurer of State. July disbursements for these payments were

\$5.7 million (88.9%) below the estimate due to a timing-related issue resulting from a delay in the receipt of the payment request from the Police and Fire Retirement System. Instead of July, the request was received in early August and thus August disbursements should be above estimate by the same amount as the July variance.

Debt Service

Debt service disbursements in July totaled \$156.1 million and were \$2.6 million (1.6%) below estimate. On a year-over-year basis, this category was \$90.0 million (136.4%) higher than the same month in the previous fiscal year.

Table 3
GENERAL REVENUE FUND DISBURSEMENTS
ACTUAL FY 2013 VS ESTIMATE FY 2013
(\$ in thousands)

Functional Reporting Categories Description	MONTH				YEAR-TO-DATE			
	ACTUAL	ESTIMATED	\$	%	YTD	YTD	\$	%
	JULY	JULY	VAR	VAR	ACTUAL	ESTIMATE	VAR	VAR
Primary, Secondary and Other Education	845,841	831,064	14,777	1.8%	845,841	831,064	14,777	1.8%
Higher Education	204,947	201,796	3,150	1.6%	204,947	201,796	3,150	1.6%
Public Assistance and Medicaid	1,341,162	1,343,155	(1,994)	-0.1%	1,341,162	1,343,155	(1,994)	-0.1%
Health and Human Services	125,237	131,633	(6,395)	-4.9%	125,237	131,633	(6,395)	-4.9%
Justice and Public Protection	212,853	241,620	(28,767)	-11.9%	212,853	241,620	(28,767)	-11.9%
Environmental Protection and Natural Resources	10,233	10,233	(1)	0.0%	10,233	10,233	(1)	0.0%
Transportation	943	455	487	107.1%	943	455	487	107.1%
General Government	31,205	43,606	(12,401)	-28.4%	31,205	43,606	(12,401)	-28.4%
Community and Economic Development	3,635	5,184	(1,550)	-29.9%	3,635	5,184	(1,550)	-29.9%
Tax Relief and Other	3,880	6,616	(2,736)	-41.4%	3,880	6,616	(2,736)	-41.4%
Capital Outlay	69	0	69	N/A	69	0	69	N/A
Debt Service	156,058	158,633	(2,575)	-1.6%	156,058	158,633	(2,575)	-1.6%
Total Expenditures & ISTV's	2,936,062	2,973,997	(37,936)	-1.3%	2,936,062	2,973,997	(37,936)	-1.3%
Transfers Out:								
Operating Transfer Out	294,855	294,441	414	0.1%	294,855	294,441	414	0.1%
Temporary Transfer Out	0	0	0	N/A	0	0	0	N/A
Total Transfers Out	294,855	294,441	414	0.1%	294,855	294,441	414	0.1%
Total Fund Uses	3,230,916	3,268,438	(37,522)	-1.1%	3,230,916	3,268,438	(37,522)	-1.1%

Table 4
GENERAL REVENUE FUND DISBURSEMENTS
ACTUAL FY 2013 VS ACTUAL FY 2012
(\$ in thousands)

Functional Reporting Categories Description	MONTH				YEAR-TO-DATE			
	JULY FY 2013	JULY FY 2012	\$ VAR	% VAR	ACTUAL FY 2013	ACTUAL FY 2012	\$ VAR	% VAR
Primary, Secondary and Other Education	845,841	846,209	(368)	0.0%	845,841	846,209	(368)	0.0%
Higher Education	204,947	198,268	6,678	3.4%	204,947	198,268	6,678	3.4%
Public Assistance and Medicaid	1,341,162	1,732,540	(391,378)	-22.6%	1,341,162	1,732,540	(391,378)	-22.6%
Health and Human Services	125,237	184,637	(59,399)	-32.2%	125,237	184,637	(59,399)	-32.2%
Justice and Public Protection	212,853	206,081	6,772	3.3%	212,853	206,081	6,772	3.3%
Environmental Protection and Natural Resources	10,233	6,942	3,290	47.4%	10,233	6,942	3,290	47.4%
Transportation	943	424	519	122.5%	943	424	519	122.5%
General Government	31,205	40,102	(8,897)	-22.2%	31,205	40,102	(8,897)	-22.2%
Community and Economic Development	3,635	4,669	(1,034)	-22.1%	3,635	4,669	(1,034)	-22.1%
Tax Relief and Other	3,880	5,352	(1,472)	-27.5%	3,880	5,352	(1,472)	-27.5%
Capital Outlay	69	0	69	N/A	69	0	69	N/A
Debt Service	156,058	66,024	90,034	136.4%	156,058	66,024	90,034	136.4%
Total Expenditures & ISTV's	2,936,062	3,291,247	(355,185)	-10.8%	2,936,062	3,291,247	(355,185)	-10.8%
Transfers Out:								
Operating Transfer Out	294,855	312,175	(17,320)	N/A	294,855	312,175	(17,320)	-5.5%
Temporary Transfer Out	0	0	0	N/A	0	0	0	N/A
Total Transfers Out	294,855	312,175	(17,320)	-5.5%	294,855	312,175	(17,320)	-5.5%
Total Fund Uses	3,230,916	3,603,422	(372,506)	-10.3%	3,230,916	3,603,422	(372,506)	-10.3%

FUND BALANCE

Table 5 describes the estimated General Revenue Fund (GRF) ending fund balance for FY 2013. Based on the estimated revenue sources for FY 2013 and the estimated FY 2012 disbursements, transfers, and encumbrances, the GRF ending fund balance for FY 2013 is an estimated \$552.0 million.

The GRF ending fund balance should not be considered as a balance available for expenditure in FY 2013 nor should it be considered as equivalent to the FY 2013 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 2013
(\$ in thousands)

July 1, 2012 Beginning Cash Balance	\$ 973,446
Plus FY 2013 Actual Revenues	20,443,500
Plus FY 2013 Actual Federal Revenues	8,151,329
Plus FY 2013 Actual Transfers to GRF	187,500
Total Sources Available for Expenditure & Transfer	29,755,775
Less FY 2013 Actual Disbursements	28,574,011
Less FY 2013 Actual Total Encumbrances as of June 30, 2013	236,790
Less FY 2013 Actual Transfers Out	392,981
Total Actual Uses	29,203,782
FY 2013 UNENCUMBERED ENDING FUND BALANCE*	551,993

*Note: Targeted one half of one percent year-end carryover balance is \$143.9 million

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