March 12, 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

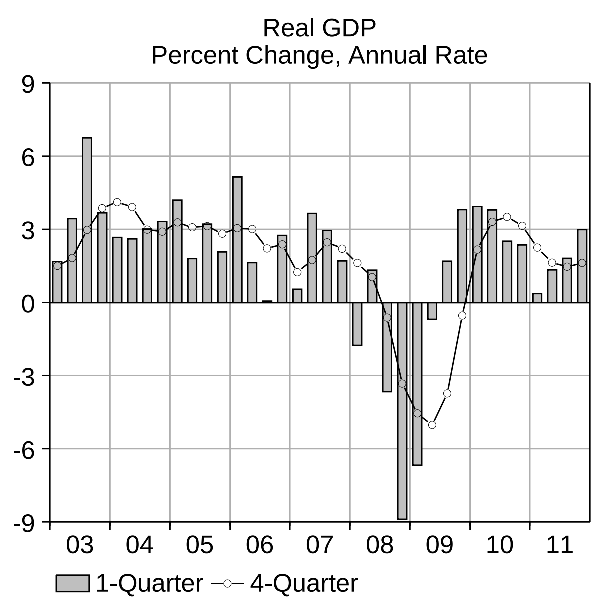
ECONOMIC SUMMARY

Economic Performance Overview

- Real GDP accelerated in the fourth quarter of 2011, rising 3.0% in the best showing since the second quarter of 2010.
- The labor market picture brightened further in February, as the level of employment increased by 227,000 jobs and the unemployment rate stayed at 8.3%.
- Ohio employment increased by 32,800 jobs in January and 62,500 jobs from January 2011 to January 2012. The Ohio unemployment rate dropped to 7.7% in January 2012, down from 9.0% in January 2011.
- Leading economic indicators remain consistent with moderate activity both nationally and in Ohio.

Economic Growth

Economic growth picked up in the fourth quarter of 2011 a bit more than initially reported. Real GDP growth was revised up from an initial estimate of 2.8% to 3.0% and was 1.6% above the year earlier level. The fourth-quarter growth rate, while in line with expectations and the best since the second quarter of 2010, still fell slightly short of the long-run trend. The economy has expanded for ten straight quarters and was 0.8% larger in the fourth quarter of 2011 than at 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 three most recent recovery periods are distinctly lower than growth rates in all previous recovery periods.

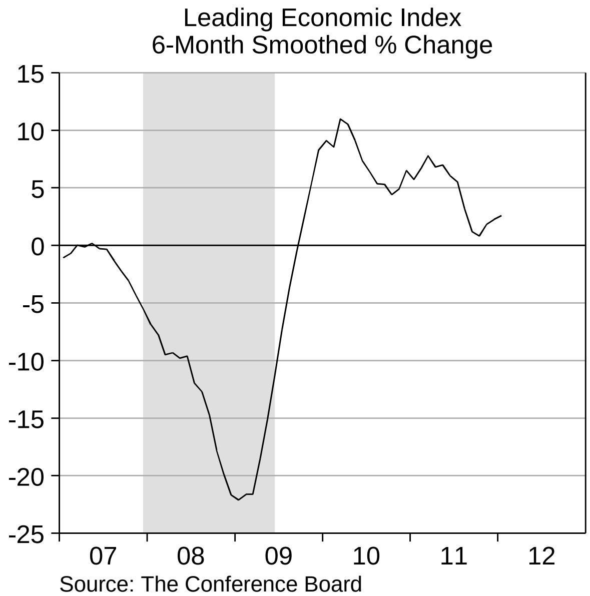
The composition of activity during the fourth quarter raised questions about the momentum in the economy as the first quarter began. The increase in real GDP from the third to the fourth quarter primarily reflected positive contributions from inventory accumulation, personal consumption expenditures, exports, nonresidential fixed investment, and residential 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.

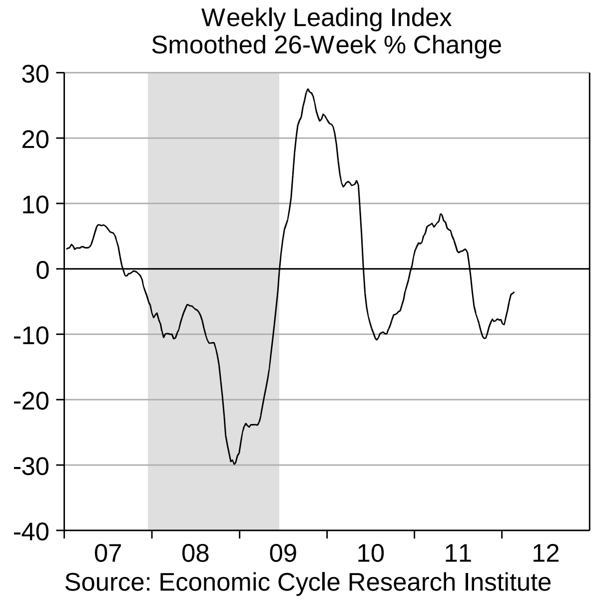
The acceleration in real GDP during the summer of 2011 primarily reflected larger additions to inventories and bigger increases in personal consumption expenditures and residential fixed investment. The deceleration in nonresidential fixed investment, decline in federal government spending, acceleration in imports, and larger decrease in state and local government spending tempered the acceleration in GDP.

The economy has performed markedly better than anticipated since late summer, and momentum in late 2011 appears to have carried over into 2012. 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 may also have inflated economic reports through the seasonal adjustment process. The sustained improvement across an array of indicators for a period of nearly half of a year, suggests that economic activity has picked up.

The Conference Board's composite business cycle indexes are mixed, but remain consistent with uninterrupted growth at a moderate pace. The **Leading Economic Index** increased for the fourth-straight month in January. The 6-month smoothed rate of change, which fell below 1.0% in October, rebounded to 2.6% in January. The ratio of coincident to lagging indexes – itself a leading indicator – decreased 0.2% in January after no change in December. At -1.0%, the 6-month smoothed rate of change of the ratio was negative for the tenth month in a row, but the recent pattern is not as severe as the pattern leading up to the 2007-09 recession.

The 4-week moving average of the **Weekly Leading Index** increased for the second week in a row in late February. The 26-week smoothed rate of change improved to -3.0%, up from a low of -10.7% in mid-October. The pattern in recent months is consistent with a slow rate of economic growth.





The Economic Cycle Research Institute (ECRI), which developed and publishes the index, announced to its subscribers on September 21st and recently reaffirmed that in combination with other indicators, the Weekly Leading Index points to recession. ECRI stood by its recession call again in recent days despite the recent improvement in economic reports, saying that its analysis indicates that the economy will enter a new recession by mid-year.

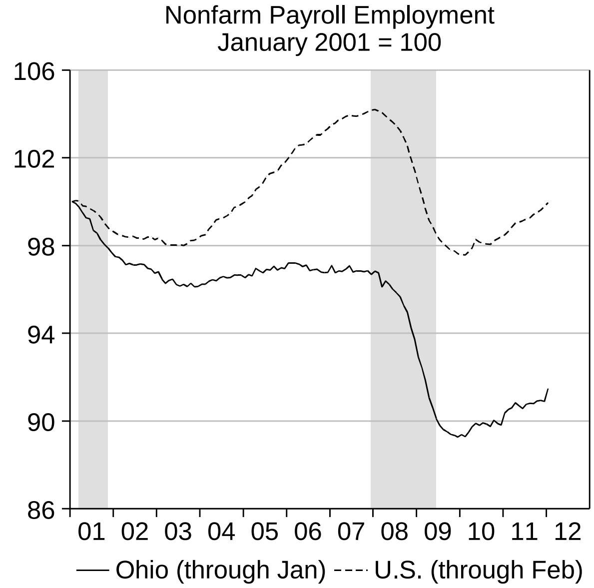
The consensus among forecasters, however, remains that the economy will expand again in 2012 and by a larger amount than in 2011. The *Blue Chip Economic Indicators* panel projected in early February that real GDP will expand by 2.2% in 2012 and 2.6% in 2013, up from 1.6% in 2011. The projection for 2012 is unchanged from January but up from a low of 2.0% in October. None of the more than 50 Blue Chip contributors projected a decline in real GDP for 2012.

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 0.3% in December for the 28th consecutive monthly increase in the revised data series. Some recent changes were revised 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 February as another month of moderate expansion in the economy. **Nonfarm payroll employment** increased by 227,000 jobs in February – slightly higher than expected. Private payrolls increased by 233,000 jobs, completing the best 3-month run of job growth since February-April 2011. In a now familiar pattern, the December and January increases were revised higher by 20,000 and 41,000, respectively. Employment gains averaged 168,000 jobs during the last twelve months.



The index of **aggregate hours worked** increased 0.6% in February, 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 March, the index will increase at an annual rate of 3.6% in the first quarter, predicting real GDP growth during the quarter. Meanwhile, **average hourly earnings** picked up slightly, rising 0.2% after increases of 0.1% in each of the three previous months. The year-over-year rate of change increased to 1.6% in February, but remained below 2.3% last July, and less than the approximately 3.0% 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 – and stayed there in February. The economy has never been in recession when the unemployment rate has been below its low point during the previous twelve months (it was flat at the January level in February), but the situation can change quickly.

The stabilization in the unemployment rate in February resulted from about equal increases in the labor force and employment during the month. During the year ending in February, the number of unemployed persons decreased by 945,000 – to the lowest level since January 2009. The percentage of workers not on temporary layoff stayed at 47.0% – the lowest since December 2008.

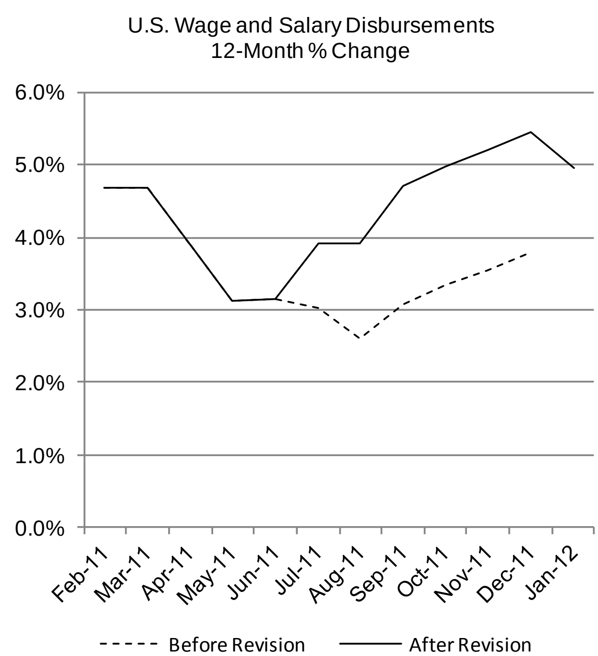
Nonetheless, the circumstances of those persons still without jobs remain difficult. At 20.3 weeks, the median **duration of unemployment** was still elevated in February near its all-time peak. The broadest measure of unemployment, which includes discouraged workers and those marginally attached to the work force was 14.9%. In addition, after falling to a 30-year low of 63.7% in January, the labor force participation rate edged up to 63.9% in February. A large share of the population is still neither working nor looking for work.

Employment gains were widespread, led by the professional and business services (+82,000), education and health care (+71,000), leisure and hospitality (+47,000) and manufacturing (+31,000) sectors. Subtracting from the overall increase were the construction (-13,000) and government (-6,000) sectors.

Ohio employment increased by 32,800 jobs in January, and was up 62,500 jobs from a year earlier. About one-half of the gains occurred in the first half of the year, and the other half occurred in January. The increases during January were broad-based, led by the leisure and hospitality (+6,800), construction (+6,200), education and health services (+5,300), and professional and business services (+5,300) sectors. The weakest showings were in the government (+100) and natural resources and mining (unchanged) sectors.

During the last twelve months, employment gains were led by the manufacturing (+17,700), trade, transportation and utilities (+16,000), educational and health services (+15,400), and professional and business services (+12,000) sectors. The construction sector added 4,500 jobs. Posting net job losses during the year were the government (-6,700) and financial activities (-700) sectors. Private sector employment increased by 69,200 jobs during the last twelve months.

<u>Consumer Income and Consumption</u>



Growth in **personal income** and **personal consumption expenditures** proceeded apace in early 2012. Most importantly, upward revisions to income during the second half of 2011 indicate a much healthier environment for consumer spending in the first half of 2012.

Personal income increased 0.3% in January, fueled by a 0.4% gain in wage and salary disbursements and despite a slight decline in transfers. Disposable income edged higher by just 0.1%. After adjustment for inflation, disposable income fell 0.1% and was only 0.6% higher than a year ago.

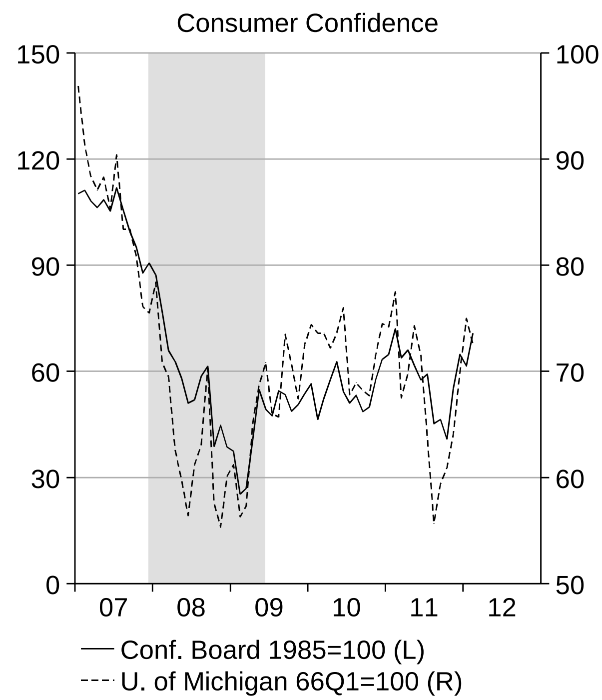
Consumer spending increased 0.2% after no change in December and a small 0.1% rise in November. Milder-than-usual weather is credited with boosting auto sales while hindering spending on apparel and energy. After adjustment for inflation, consumer spending was essentially flat for the third month in a row and only 1.6% higher than a year earlier.

In a bold stroke with very positive implications for spending in early 2012, personal income was revised substantially higher for the second half of 2011. As a result, the fourth-quarter savings rate was 4.5% rather than the 3.7% rate originally reported. The savings rate was 5.2% in the fourth quarter of 2010.

Driving the upward adjustment to income was the revision to wage and salary disbursements. The third-quarter change was revised up from 2.0% to 8.3%, and the fourth-quarter change was revised higher from 5.0% to 6.7%. As a result, revised wage and salary disbursements were 5.0% higher than a year earlier in January, compared with the unrevised 3.8% year-over-year increase for December.

Chain-store sales slipped 2.2% from January to February, according to the International Council of Shopping Centers, but the year-over-year comparison increased to 6.7%. The month-to-month decline was the largest in a year, but the year-over-year increase was the strongest since last June.

Spending patterns have been significantly influenced by the milder-than-usual weather, improving labor markets and the spike in gasoline prices and faster inflation. The median CPI published by the Federal Reserve Bank of Cleveland accelerated to 2.4% year-over-year in January from 0.5% as recently as October 2010, undercutting consumers' real spending power.



Survey measures of **consumer confidence** were mixed again in February, but generally confirmed the substantial improvement since late last summer and early last fall. The Conference Board index of consumer confidence increased in February to its highest level in a year after dipping in January. In contrast, the University of Michigan index of consumer sentiment retreated modestly in February after five-straight monthly improvements.

Taken as a group, assessments of current and expected conditions from both surveys indicate that consumer sentiment has improved markedly during the last six months. In combination with much better than previously reported income trends, stronger confidence will support higher levels of consumer spending into the spring.

Manufacturing

Manufacturing activity continued to expand in January. **Industrial production** was essentially unchanged, reflecting a large weather-related drop in utility output. Manufacturing output increased a strong 0.7% in January, following an upwardly revised 1.5% gain in December that lifted capacity utilization to 77.0% – its highest level since April 2008. The November decline in manufacturing output was revised up from -0.4% to -0.2%.

Manufacturing production was 16.6% above its recession low but still 7.2% below its pre-recession peak. Industrial production in manufacturing was 4.5% above the year earlier level, whereas overall industrial production was up 3.4% year-over-year.

Contributions from three sectors with a concentration of employment in Ohio were mixed during January. Production of primary metal decreased 0.6%, following large gains in the two previous months. Production of fabricated metal and machinery production was up 1.2% and 2.2%, respectively, extending the streak of monthly increases to four. Compared with a year earlier, production was up 7.4%, 9.4% and 8.2%, respectively, but still 10.2%, 10.3% and 5.3% 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 February. The Philadelphia Federal Reserve Bank's business conditions index increased for the third month in a row, due to increases in orders, shipments and prices paid. Similarly, the overall Empire State survey (Federal Reserve Bank of New York) improved for a fourth consecutive month, reflecting gains in shipments and prices paid.

Reports from **purchasing managers** in manufacturing across the country pointed to improving conditions for the 31st consecutive month in February. The overall index slipped from 54.1 to 52.4, but remained above the neutral level of 50. Other than reports of more widespread increases in exports and imports and a large jump in prices paid, sub-indexes declined during the month.

Reports of rising production were little changed from January, but reports of improving new orders and slowing supplier deliveries ebbed. In combination with the regional Federal Reserve Bank surveys, the report from purchasing managers continues to suggest that the momentum in manufacturing activity during the fourth quarter has continued through the winter.

Construction

Total **construction put-in-place** was little changed in January after a 1.4% increase in December. Excluding improvements to residential structures, which is volatile and often revised significantly, construction spending decreased 0.3%. Private construction was unchanged, with a 1.8% increase in residential construction offsetting a 1.5% decline in nonresidential construction. Public construction decreased 0.2%, cancelling out the upward revision to the December increase from 0.5% to 0.7%. Total construction activity was up 7.1% compared with a year earlier but remained 31.8% below the March 2006 peak.

Private nonresidential construction fell 1.5% in January, and the December gain was revised lower from 3.3% to 2.1%. Compared with a year earlier, private nonresidential construction was up 16.6%, 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 again in January after posting significant gains early last fall. The **Inquiries for New Work Index** edged down to 61.2, but remained well above the low of 52.6 last May. The **Billings Index for the Midwest** moved a bit higher to 53.7 – the best reading since January 2011.

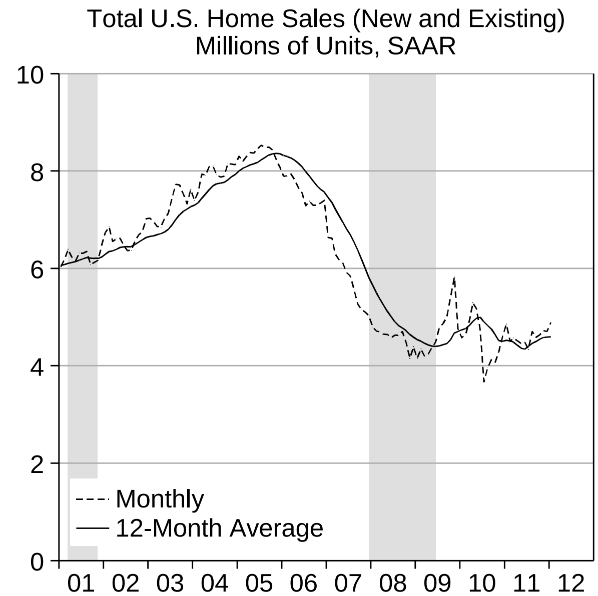
Private residential construction-put-in-place increased 1.8% in January, and the December gain that was originally reported as 0.8% was revised higher to 1.8%. The 3-month moving average of housing starts increased 3.5% in January for the ninth monthly gain in a row. Midwest housing starts increased 5.0% in January on a 3-month average basis. Permits increased 1.6% in January on a 3-month average basis for the fourth gain in a row. Midwest permits sank 1.3% in January on a 3-month moving average basis after no change in December and a 0.9% decrease in November.

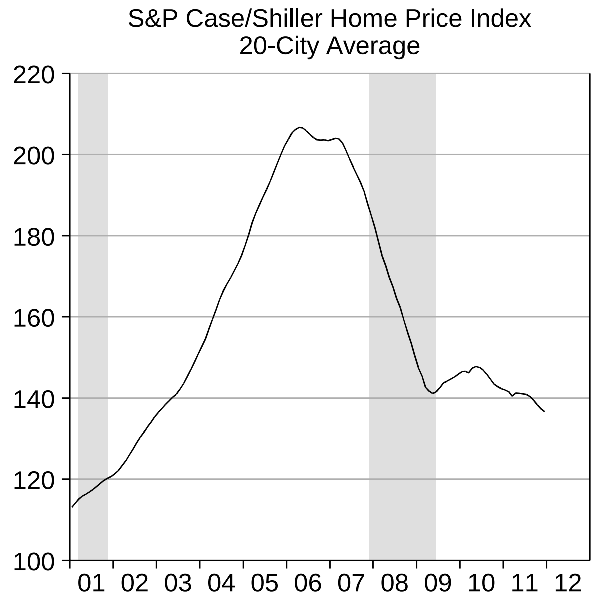
Despite some recent increases, home building activity remains on a low plateau, held back by a variety of factors. Home financing is widely available at attractive interest rates, but on more traditional and stringent terms. In addition, already problematic debt levels, large inventories of unoccupied houses in many markets, relatively soft labor market conditions and expectations of little or no price appreciation are restraining building and sales activity.

Sales of existing homes increased 1.9% in the U.S. and 1.4% in the Midwest to 4.1% and 8.5% 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 1.0% nationally but declined 8.7% in the Midwest on a 3-month average basis in January, 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 January for the seventh month in a row. The **inventory-to-sales ratio** dropped to 6.1 months – the lowest since April 2006. The ratio reached a peak of 12.1 months in July 2010. The inventory of newly built homes fell to a new all-time low in January. At 5.6 months, the inventory-to-sales ratio for newly built homes was the lowest since August 2003. The ratio is down to less than half of the 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 resumed their decline in the second half of the year. The 20-city composite home price index decreased 0.5% in December following declines of 0.7% each in the three previous months. The index was down 33.9% 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 third month in a row in December. Prices in Cleveland are off 20.3% from the 2006 peak.

REVENUES

February 2012 GRF receipts totaled $1,798.0 million and were $96.9 million (5.7%) above estimate. For the month, tax receipts totaled $1,099.7 million and were $40.0 million (3.8%) above the estimate, while non-tax receipts totaled $691.6 million and were $50.2 million (7.8%) above the estimate. Transfers were $160.4 million above the estimate of zero. Year-to-date variances by category are provided in the following table ($ in millions).

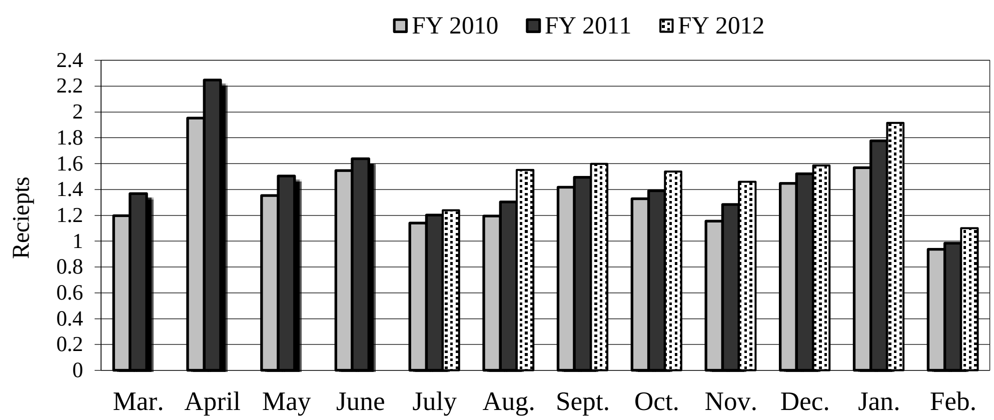
Category	Includes:	YTD Variance	% Variance
Tax receipts	Sales & use, personal income, corporate franchise, public utility, kilowatt hour, foreign & domestic insurance, other business & property taxes, cigarette, soft drink, alcoholic beverage, liquor gallonage, estate & horse racing	$187.2 million	1.6%
Non-tax receipts	Federal grants, earnings on investments, licenses & fees, other income, intrastate transfers	($676.7 million)	(11.4%)
Transfers	Budget stabilization, liquor transfers, capital reserve, other	$383.6 million	478.9%
TOTAL REVENUE VARIANCE:		($105.9 million)	(0.6%)

February tax sources were above the estimate by $40.0 million (3.8%). On a year-over-year basis, total tax receipts for February 2012 were $116.3 million (11.8%) greater than they were in February 2011. For fiscal year 2012 year-to-date, total tax collections are $1,034.6 million (9.4%) 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, withholding and lower-than-anticipated refunds.

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

Individual Sources Above Estimate		Individual Sources Below Estimate	
Non-Auto Sales Tax	$22.6	Corporate Franchise Tax	($25.1)
Auto Sales Tax	$9.6	Public Utility Tax	($3.0)
Personal Income Tax	$44.7	Kilowatt Hour Tax	($4.3)
Commercial Activity Tax	$5.0	MCF Tax	($1.8)
Cigarette Tax	$1.1	Foreign Insurance Tax	($8.9)
Liquor Gallonage	$0.2	Alcoholic Beverage Tax	($0.2)
Federal Grants	$49.1	Other Income	($2.3)
Earnings on Investments	$0.3	Other Sources Below Estimate	($0.0)
Licenses & Fees	$1.4		
ISTV's	$1.7		
Transfers In – Other	$160.4		
Other Sources Above Estimate	$0.1		
Total above	**$296.1**	**Total below**	**($45.5)**

Tax Revenue Comparison by Month
($ in billions)



Non-Auto Sales and Use Tax

Following a brief slip in December, the non-auto sales tax again outperformed the estimate in February as total receipts of $504.9 million exceeded the estimate by $22.6 million (4.7%). Year-to-date receipts for this tax source total $4,702.0 million and are $66.1 million (1.4%) above the estimate. On a year-over-year basis, receipts were $44.7 million (9.7%) above collections for February 2011, with fiscal year 2012 collections exceeding those of fiscal year 2011 by $250.6 million (5.6%).

The Non-Auto sales tax has shown both positive and negative deviations from estimate in recent months. A shortfall compared to the estimate in December was followed by a nearly equal overage compared to the estimate in January, essentially balancing out the two-month period. This was likely related to the timing of payments received. It is too soon to know the cause of the overage compared to the estimate in February as relevant data for the period has not yet been released.

Auto Sales Tax

Due to better-than-expected sales volumes, the auto sales tax continued its stronger-than-expected performance in February as receipts totaled $72.5 million and were $9.6 million (15.3%) above the monthly estimate. Year-to-date receipts for this tax source total $668.2 million and are $55.4 million (9.0%) above the estimate. On a year-over-year basis, auto sales tax receipts experienced an increase of $13.6 million (23.2%) over receipts for the same month a year ago, while year-to-date collections are 9.7% higher than for the first eight months of fiscal year 2011.

Personal Income Tax

During the month of February, personal income tax receipts totaled $263.8 million and were $44.7 million (20.4%) above the estimate. This better-than-expected performance is a result of lower-than-expected refunds, which were $45.4 million (11.4%) below the estimate. After a brief rebound in January, the withholding component reverted back to underperformance in February as receipts totaled $626.0 million and were $9.6 million (1.5%) below the estimate. February's performance adds to a year-to-date negative variance for the withholding component of this tax source, as it now trails the estimate by $58.5 million (1.1%). In addition to lower than expected refunds, payments associated with annual returns also helped offset the negative variance in withholding as they exceeded the estimate by $5.2 million (29.5%).

On a year-over-year basis, personal income tax receipts for February 2012 fell short of the February 2011 level by $21.2 million (7.5%), with most of the shortfall being accounted for by higher refunds this year, driven by a reduction in income tax rates. Refunds in this month were $83.8 million (31.1%) higher compared to last February. The withholding component, meanwhile, contributed positively to annual growth by $43.7 million (7.5%), as did smaller distributions to the Local Government Fund.

FY2012 PERSONAL INCOME TAX RECEIPTS BY COMPONENT ($ in millions)

	ESTIMATE FEB	ACTUAL FEB	$ VAR FEB	ESTIMATE Y-T-D	ACTUAL Y-T-D	$ VAR Y-T-D
Withholding	$635.6	$626.0	($9.6)	$5,175.1	$5,116.6	($58.5)
Quarterly Est.	$7.1	$9.5	$2.4	$767.7	$797.9	$30.2
Trust Payments	$1.2	$1.6	$0.4	$19.7	$21.6	$1.9
Annual Returns & 40 P	$17.6	$22.8	$5.2	$149.7	$167.1	$17.4
Other	$13.3	$14.7	$1.4	$72.7	$73.6	$0.9
Less: Refunds	($398.6)	($353.2)	$45.4	($711.6)	($627.4)	$84.2
Local Distr.	($57.1)	($57.6)	($0.5)	($392.2)	($395.3)	($3.1)
Net to GRF	**$219.1**	**$263.8**	**$44.7**	**$5,081.1**	**$5,154.1**	**$73.0**

Corporate Franchise Tax

Corporate franchise tax receipts for the month of February totaled -$11.1 million and were $25.1 million (179.4%) below the estimate of $14.0 million. The monthly variance is a result 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. For the year-to-date, receipts for this tax source now total $57.2 million and are $16.5 million (22.3%) below the estimate.

Commercial Activity Tax

February 2012 Commercial Activity Tax (CAT) receipts to the GRF totaled $88.9 million and were $5.0 million (5.9%) above the monthly estimate. All-funds CAT receipts for February totaled $351.2 million and were $4.6 million (1.3%) above the estimate of $346.6 million. Through the first nine months of the fiscal year, total GRF CAT receipts are $298.0 million, which is $20.6 million (7.4%) above the estimate, while all-funds CAT receipts are $1,203.6 million and $84.3 million (7.5%) above the estimate.

Public Utility Tax

February was another lackluster month for the public utility tax as receipts totaled $24.2 million and were $3.0 million (10.9%) below the estimate. On a year-to-date basis, total public utility tax receipts are $77.6 million and are $10.4 million (11.8%) below the estimate. On a year-over-year basis, receipts were $1.0 million below February 2011 levels and $4.0 million (4.9%) 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 the combination of lower-than-expected prices for natural gas and a mild winter.

Kilowatt-Hour Tax

Kilowatt-hour tax receipts during the month of February totaled $25.2 million and were $4.3 million (14.4%) below the estimate. As stated in previous monthly reports, this shortage is likely due to the milder weather throughout the year compared to previous years. Year-to-date receipts total $207.6 million and are $13.4 million (6.1%) below the estimate. On a year-over-year basis, receipts were $10.7 million (73.7%) 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.

Foreign Insurance Tax

Foreign insurance tax payments were due March 1st and thus estimates of receipts are split between the months of February and March. Receipts for this tax source during the month of February totaled $51.6 million and were $8.9 million below estimate of $60.5 million. This variance is attributable to the timing of receipts and processing of payments as more than $86.0 million in revenue was received during the first few days of March, while the monthly estimate is $72.0 million. Taken together, it appears that the combined receipts for February and March should slightly exceed the combined estimate.

Cigarette Tax

Cigarette tax receipts during the month of February totaled $59.6 million and were $1.1 million (1.9%) above the estimate, effectively neutralizing the January shortfall. Year-to-date cigarette tax receipts total $504.4 million and despite a string of four consecutive months of under-performance relative to estimate, are still $6.9 million (1.4%) above the year-to-date estimate. On a year-over-year basis, cigarette tax receipts were $1.6 million (2.8%) higher than for the same month a year ago, while fiscal year 2012 receipts to-date are $12.1 million (2.3%) lower than those of the same point in fiscal year 2011 – a performance that is in line with the 3.0 percent historical decline we have seen with this tax source.

GRF non-tax receipts totaled $691.6 million in February and were $50.2 million (7.8%) above the estimate. This is largely the result of higher-than-anticipated federal grants, which can be attributed to higher-than-estimated GRF Medicaid disbursements during the month of February. **GRF transfers** during the month of February were $160.4 million above the estimate of zero due to a coding mistake in correcting an erroneous transfer out of the GRF during the month. This error is being corrected and will be properly reflected in the April 10th report.

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

	MONTH				YEAR-TO-DATE			
REVENUE SOURCE	ACTUAL FEBRUARY	ESTIMATE FEBRUARY	$ VAR	% VAR	ACTUAL Y-T-D	ESTIMATE Y-T-D	$ VAR	% VAR
TAX RECEIPTS								
Non-Auto Sales & Use	504,874	482,300	22,574	4.7%	4,701,982	4,635,900	66,082	1.4%
Auto Sales & Use	72,496	62,900	9,596	15.3%	668,248	612,800	55,448	9.0%
Subtotal Sales & Use	577,370	545,200	32,170	5.9%	5,370,230	5,248,700	121,530	2.3%
Personal Income	263,771	219,096	44,674	20.4%	5,154,143	5,081,133	73,010	1.4%
Corporate Franchise	(11,117)	14,000	(25,117)	-179.4%	57,235	73,701	(16,466)	-22.3%
Commercial Activity Tax	88,859	83,900	4,959	5.9%	298,002	277,400	20,602	7.4%
Public Utility	24,242	27,200	(2,958)	-10.9%	77,600	87,999	(10,400)	-11.8%
Kilowatt Hour	25,249	29,500	(4,251)	-14.4%	207,559	221,000	(13,441)	-6.1%
MCF Tax	13,156	15,000	(1,845)	-12.3%	31,328	31,600	(272)	-0.9%
Foreign Insurance	51,647	60,500	(8,853)	-14.6%	186,129	190,699	(4,571)	-2.4%
Domestic Insurance	123	0	122	N/A	123	(1,100)	1,223	111.2%
Other Business & Property	10	0	10	N/A	(1,773)	(1,500)	(274)	-18.3%
Cigarette	59,622	58,500	1,122	1.9%	504,379	497,500	6,879	1.4%
Alcoholic Beverage	3,978	4,200	(222)	-5.3%	37,817	37,900	(83)	-0.2%
Liquor Gallonage	2,806	2,600	206	7.9%	26,438	24,900	1,538	6.2%
Estate	0	0	0	N/A	36,084	28,200	7,883	28.0%
Total Tax Receipts	1,099,715	1,059,696	40,019	3.8%	11,985,293	11,798,133	187,160	1.6%
NON-TAX RECEIPTS								
Federal Grants	679,531	630,439	49,092	7.8%	5,180,389	5,303,528	(123,140)	-2.3%
Earnings on Investments	296	0	296	N/A	2,711	2,900	(189)	-6.5%
License & Fees	8,040	6,636	1,404	21.2%	33,609	32,405	1,203	3.7%
Other Income	760	3,014	(2,254)	-74.8%	10,084	569,916	(559,831)	-98.2%
ISTV'S	2,997	1,342	1,655	123.3%	13,066	7,783	5,283	67.9%
Total Non-Tax Receipts	691,624	641,431	50,193	7.8%	5,239,859	5,916,533	(676,674)	-11.4%
TOTAL REVENUES	1,791,339	1,701,128	90,211	5.3%	17,225,152	17,714,665	(489,513)	-2.8%
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	160,363	0	160,363	N/A	210,467	10,598	199,869	N/A
Temporary Transfers In	0	0	0	N/A	180,718	0	180,718	N/A
Total Transfers	160,363	0	160,363	N/A	463,685	80,098	383,587	478.9%
TOTAL SOURCES	1,951,702	1,701,128	250,575	14.7%	17,688,837	17,794,763	(105,926)	-0.6%

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

REVENUE SOURCE	MONTH: FEBRUARY FY 2012	MONTH: FEBRUARY FY 2011	MONTH: $ VAR	MONTH: % VAR	YEAR-TO-DATE: ACTUAL FY 2012	YEAR-TO-DATE: ACTUAL FY 2011	YEAR-TO-DATE: $ VAR	YEAR-TO-DATE: % VAR
TAX RECEIPTS								
Non-Auto Sales & Use	504,874	460,223	44,651	9.7%	4,701,982	4,451,412	250,570	5.6%
Auto Sales & Use	72,496	58,860	13,637	23.2%	668,248	608,904	59,344	9.7%
Subtotal Sales & Use	577,370	519,083	58,288	11.2%	5,370,230	5,060,316	309,915	6.1%
Personal Income	263,771	285,006	(21,235)	-7.5%	5,154,143	4,831,916	322,227	6.7%
Corporate Franchise	(11,117)	13,385	(24,502)	-183.1%	57,235	70,390	(13,155)	-18.7%
Commercial Activity Tax	88,859	0	88,859	N/A	298,002	0	298,002	N/A
Public Utility	24,242	25,200	(958)	-3.8%	77,600	81,616	(4,016)	-4.9%
Kilowatt Hour	25,249	14,533	10,716	73.7%	207,559	108,284	99,275	91.7%
MCF Tax	13,156	0	13,156	N/A	31,328	0	31,328	N/A
Foreign Insurance	51,647	61,462	(9,814)	-16.0%	186,129	193,762	(7,633)	-3.9%
Domestic Insurance	123	1	122	N/A	123	(1,022)	1,145	112.0%
Other Business & Property	10	14	(4)	-26.4%	(1,773)	(993)	(781)	-78.7%
Cigarette	59,622	58,003	1,619	2.8%	504,379	516,480	(12,102)	-2.3%
Alcoholic Beverage	3,978	4,081	(103)	-2.5%	37,817	37,122	695	1.9%
Liquor Gallonage	2,806	2,688	118	4.4%	26,438	25,349	1,089	4.3%
Estate	0	0	0	N/A	36,084	27,436	8,648	31.5%
Total Tax Receipts	1,099,715	983,455	116,260	11.8%	11,985,293	10,950,656	1,034,637	9.4%
NON-TAX RECEIPTS								
Federal Grants	679,531	726,707	(47,177)	-6.5%	5,180,389	5,720,854	(540,466)	-9.4%
Earnings on Investments	296	0	296	N/A	2,711	4,664	(1,953)	-41.9%
License & Fee	8,040	6,988	1,052	15.1%	33,609	31,290	2,319	7.4%
Other Income	760	724	36	5.0%	10,084	140,927	(130,843)	-92.8%
ISTV'S	2,997	2,321	676	29.1%	13,066	13,460	(394)	-2.9%
Total Non-Tax Receipts	691,624	736,741	(45,117)	-6.1%	5,239,859	5,911,196	(671,337)	-11.4%
TOTAL REVENUES	1,791,339	1,720,196	71,143	4.1%	17,225,152	16,861,852	363,300	2.2%
TRANSFERS								
Budget Stabilization	0	0	0	N/A	0	0	0	N/A
Liquor Transfers	0	13,000	(13,000)	N/A	72,500	98,000	(25,500)	-26.0%
Transfers In - Other	160,363	262	160,101	N/A	210,467	23,225	187,242	806.2%
Temporary Transfers In	0	0	0	N/A	180,718	383,000	(202,282)	-52.8%
Total Transfers	160,363	13,262	147,101	1109.2%	463,685	504,225	(40,540)	-8.0%
TOTAL SOURCES	1,951,702	1,733,458	218,245	12.6%	17,688,837	17,366,077	322,760	1.9%

DISBURSEMENTS

February 2012 GRF disbursements, across all fund uses, totaled $1,991.3 million and were $185.6 million (10.3%) above the estimate. Year-to-date disbursements by category are provided in the following table:

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)	($396.3 million)	(2.1%)
Transfers	Temporary or permanent transfers out of the GRF that are not agency expenditures	$365.8 million	103.2%
TOTAL DISBURSEMENTS VARIANCE:		($30.4 million)	(0.2%)

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. February disbursements in this category totaled $297.7 million and were $17.2 million (6.1%) above the estimate.

Year-to-date expenditures for the Department of Education alone equal $4,358.6 million and are $27.8 million (0.6%) above the estimate. Disbursements for the month of February totaled $295.3 million, which was $17.1 million (6.1%) above the estimate. Expenditures for the school foundation program (ALI 200502 – Pupil Transportation and ALI 200550 – Foundation Funding) totaled $264.1 million and were $17.7 million (7.2%) 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 February and similar expected variances for some months going forward.

Higher Education

February disbursements for Higher Education totaled $186.8 million and were $2.4 million (1.3%) below the estimate for the month. Year-to-date disbursements are $1,440.7 million, which is $15.0 million (1.0%) below the estimate. February disbursements in the National Guard Scholarship program were below the monthly estimate by $0.8 million while disbursements in the Choose Ohio First Scholarship program were below the monthly estimate by $0.3 million. Monthly variances in both scholarship programs were due to February requests for reimbursement from higher education institutions that differed from estimates.

Public Assistance and Medicaid

February disbursements in this category, which include all GRF expenditures by the Ohio Department of Job and Family Services (ODJFS), totaled $1,129.8 million and were $49.2 million (4.6%) above the monthly estimate. Year-to-date expenditures totaled $8,810.9 million and were $322.6 million (3.5%) below the estimate.

Public Assistance and Non-Medicaid

ODJFS non-Medicaid disbursements totaled $65.3 million for the month of February and were $1.3 million (2.0%) above the estimate. The Temporary Assistance for Needy Families (TANF) Block grant extension ended on February 29, 2012, but the grant was re-authorized at the end the month. ODJFS received funding associated with the new TANF grant in early March. As a result, in order to maintain funding for services, the Ohio Works First (OWF) and child care subsidies were funded from the GRF in February instead of the federal grant. This resulted in variances in line items 600413, 600410, and 600535. Overall, major variances were attributable to the following:

- Child Care Match/Maintenance of Effort payments (ALI 6006413) were $4.6 million (499.3%) higher than the estimate due to higher-than-expected GRF child care payments made within the line item.
- TANF State subsidy expenses (ALI 600410) were $2.5 million (100.0%) above the estimate due to Ohio Works First (OWF) payments being funded at a higher-than-expected level from the line item.
- Early Care and Education disbursements (ALI 600535) were $2.2 million (6.5%) above estimate due to higher-than-expected child care disbursements funded within the line item as well as the start-up of the new child care provider time and attendance system. State and county reconciliations related to this new payment method are expected to be resolved in the coming months.
- Support Services expenditures (ALI 600321) were $2.9 million (68.9%) below the estimate due to agency central administration expenses being lower-than-anticipated for the month.
- Disability Financial Assistance subsidy payments (ALI 600511) were $2.1 million (90.8%) below than the estimate due to general caseloads being lower-than-expected and the unexpected posting of refunds as negative expenditures during the county quarterly closeout process.
- Administration – Local disbursements (ALI 600502) were $1.9 million (70.2%) below the estimate due to more county subsidies being disbursed from the line item earlier in the fiscal year than originally estimated.
- Entitlement Administration – Local county subsidy expenses (ALI 600521) were $1.4 million (32.4%) below the estimate due to lower-than-anticipated county draw requests made within this line item.

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 are $8,278.8 million, which is $295.8 million (3.5%) below the estimate, and $796.3 million (10.6%) above the same point in the previous fiscal year. Disbursements for the month of February totaled $1,064.5 million and were $47.94 million (4.7%) above the estimate and $101 million (10.5%) above the same point in the previous fiscal year.

All funds disbursements year-to-date are $9,808.7 million, which is $417.4 million (4.1%) below the estimate and $537.7 (5.5%) above disbursements for the same point in the previous fiscal year. Disbursements for the month of February totaled $1,234.2 million and were $36.6 million (2.9%) below the estimate and $59.6 million (4.8%) above the same month in the previous fiscal year.

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

	February Projection	February Actual	Variance	Variance %
GRF	$ 1,016,537,987	$ 1,064,475,302	$ 47,937,315	4.7%
Non-GRF	$ 254,253,251	$ 169,726,205	$ (84,527,046)	-33.2%
All Funds	$ 1,270,791,238	$ 1,234,201,507	$ (36,589,731)	-2.9%

Above estimate spending in the GRF is primarily the result of shifting anticipated non-GRF costs to the GRF related to a reconciliation of Nursing Facility franchise fees. When reconciling fiscal year 2011 collections with allowable limits, it was discovered that the state collected an additional $22.0 million, which needed to be returned to the nursing facilities. This repayment was not anticipated in the original disbursement estimates, leading to the need to cover this variance with GRF funds. In addition, assessments from hospitals have been delayed pending CMS approval of a state plan amendment. These delays have also temporarily shifted additional spending to GRF.

Categorical Variances

Payments across nearly all categories of service have been below initial estimates. Following 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 is unclear at this time what portion of this variance will be offset by increased payments in future months. Variances are discussed below:

Managed Care ABD and CFC – The variance within managed care accounts for $20.5 million of the $36.6 million underspend for the month. The variance was driven primarily by lower than projected managed care rates that went into effect for calendar year 2012.

Medicare Part B – Within the Medicare Buy-In category, under-spending totaled $8.6 million in February. This is primarily attributable to reductions in Medicare Part B rates that went into effect in January.

Caseload

January caseload data are not currently available due to continued data revisions related to the categorization of consumers. Discussion of caseload data will resume when data are available. Total caseload for the month of December, the most recent month available, was 2.12 million covered persons, including 1.62 million people in the Covered Families and Children (CFC) category, 385.4 thousand in the Aged, Blind and Disabled (ABD) program and 103.9 thousand in the Premium Assistance category.

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.

February disbursements in this category totaled $47.0 million and were $18.2 million (27.9%) below the estimate for the month. Year-to-date disbursements total $707.0 million and are $1.6 million (0.2%) below the estimate.

<u>Department of Health</u>
Year-to-date disbursements for the Department of Health total $52.5 million, which is $2.1 million (3.8%) below the estimate. February disbursements totaled $2.9 million and were $5.7 million (66.7%) below the estimate. This is primarily attributable to the following:

- The Immunizations line was above the estimate by $0.9 million due to purchases of immunizations being made earlier than planned.
- The AIDS Prevention and Treatment line was below the estimate by $0.5 million due to payments to sub-recipients being made in March which were originally scheduled for February.
- The Help Me Grow line was below the estimate by $5.7 million. This was due to payments to sub-grantees being made later than originally planned.
- The Bureau for Children with Medical Handicaps line was below the estimate by $0.3 million due to payments to sub-grantees being made in March which were originally scheduled for February.

<u>Department of Aging</u>
Year-to-date disbursements for the Department of Aging are $8.7 million, which is $0.5 million (5.7%) below the estimate. February disbursements totaled $1.3 million and were $0.1 million (9.0%) above the estimate. This is primarily attributable to additional GRF disbursements in Senior Community Services to offset expected federal funds that were not yet available.

<u>Department of Mental Health</u>
Department of Mental Health disbursements totaled $19.8 million during the month of February and were $12.7 million (39.0%) below the estimate. The variance is primarily

attributable to the timing of Medicaid disbursements as spending in the Mental Health Medicaid Match line item was $11.3 million (69.0%) below the estimate. In January, 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, which had the effect of pulling forward disbursements planned for future months, including February. DMH expects to meet their estimate for the fiscal year.

Department of Alcohol and Drug Addiction Services

Department of Alcohol and Drug Addiction Services disbursements totaled $2.0 million in the month of February and were $0.8 million (62%) above the estimate. The variance is attributable to above-estimate spending in the Medicaid Match line item of $0.8 million (64.0%) as a result of the need to offset a delay in federal reimbursement and ensure payment for Medicaid services. The department expects to meet their estimate for the fiscal year.

Department of Developmental Disabilities

February disbursements for the Department of Developmental Disabilities totaled $17.4 million and were $0.5 million (3.0%) below the estimate. The variance is mainly attributable to the Medicaid State Match line item. Expenditures within this line item were approximately $0.5 million (2.8%) below the estimate due 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 year-to-date are $1,242.7 million, which is $71.2 million (5.4%) below the estimate. In the month of February, disbursements totaled $118.4 million and were $10.9 million (8.4%) below the estimate.

Department of Rehabilitation and Correction

February disbursements for the Department of Rehabilitation and Correction totaled $92.1 million and were $11.4 million (11.0%) less than the $103.5 million estimate for the month. This variance was largely caused by lower payroll costs resulting from an agency-wide hiring freeze and a mild winter resulting in lower utility bills.

Department of Youth Services

February disbursements for the Department of Youth Services totaled $11.3 million and were $1.3 million (13.1%) more than the $9.9 million estimate for the month. This variance was due to four Community Correction Facility (CCF) payments being made in February that were scheduled for January.

General Government

Year-to-date expenditures in the General Government category are $192.4 million, which is $16.1 million (7.7%) below the estimate. February disbursements for this category totaled $15.1 million and were $0.3 million (1.8%) above the estimate.

Department of Administrative Services

In February, disbursements for the Department of Administrative Services totaled $2.8 million, and were $1.7 million (146.9%) more than estimated. This occurred because fiscal year 2012 rental rates for the buildings the department manages have been finalized. As a result, the department was able to bill its GRF line item that pays rent for GRF-supported agencies, veterans' organizations, and vacant space for the first, second and third quarters altogether. Now that billing is caught up, future quarters' disbursements from this line item should be in line with the estimates.

Tax Relief and Other

Payments from the tax relief category are 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. February disbursements for tax relief totaled -$5,000 and were $223,000 below the $218,000 monthly estimate. Due to a correction of a duplicate expenditure from a prior month, the disbursements for the month of February were negative. Corrections of this type are made in OAKS as a negative expenditure so as not to overstate expenditures or revenues where cash is returned to the fund. These events occur regularly but since January and February are typically light months in terms of tax relief payments, they are more readily apparent. Year-to-date, total tax relief payments have totaled $870.0 million and are $22.6 million (2.7%) above the year-to-date estimate. Since the estimates are weighted slightly toward the second half of the fiscal year, OBM will monitor the disbursements of these lines closely during the remainder of the year to see if the year to date pattern of being over estimate continues.

Table 3

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

Functional Reporting Categories Description	MONTH ACTUAL FEBRUARY	MONTH ESTIMATED FEBRUARY	MONTH $ VAR	MONTH % VAR	YEAR-TO-DATE YTD ACTUAL	YEAR-TO-DATE YTD ESTIMATE	YEAR-TO-DATE $ VAR	YEAR-TO-DATE % VAR
Primary, Secondary and Other Education	297,680	280,507	17,173	6.1%	4,392,729	4,366,299	26,430	0.6%
Higher Education	186,778	189,225	(2,448)	-1.3%	1,440,698	1,455,718	(15,020)	-1.0%
Public Assistance and Medicaid	1,129,752	1,080,504	49,248	4.6%	8,810,903	9,133,456	(322,553)	-3.5%
Health and Human Services	46,960	65,140	(18,179)	-27.9%	706,979	708,610	(1,630)	-0.2%
Justice and Public Protection	118,435	129,323	(10,887)	-8.4%	1,242,708	1,313,874	(71,166)	-5.4%
Environmental Protection and Natural Resource	3,369	3,095	273	8.8%	51,142	50,753	389	0.8%
Transportation	710	1,158	(448)	-38.7%	6,628	8,435	(1,808)	-21.4%
General Government	15,058	14,796	262	1.8%	192,404	208,462	(16,057)	-7.7%
Community and Economic Development	4,648	5,398	(749)	-13.9%	55,904	69,098	(13,194)	-19.1%
Tax Relief and Other	(5)	218	(223)	-102.5%	870,045	847,477	22,568	2.7%
Capital Outlay	0	0	0	N/A	120	0	120	N/A
Debt Service	34,293	34,306	(13)	0.0%	274,152	278,487	(4,335)	-1.6%
Total Expenditures & ISTV's	1,837,678	1,803,670	34,008	1.9%	18,044,414	18,440,669	(396,255)	-2.1%
Transfers Out:								
Operating Transfer Out	153,668	2,097	151,570	N/A	482,891	354,425	128,466	36.2%
Temporary Transfer Out	0	0	0	N/A	237,356	0	237,356	N/A
Total Transfers Out	153,668	2,097	151,570	N/A	720,246	354,425	365,822	103.2%
Total Fund Uses	1,991,346	1,805,767	185,579	10.3%	18,764,660	18,795,093	(30,433)	-0.2%

Table 4

GENERAL REVENUE FUND DISBURSEMENTS

ACTUAL FY 2012 VS ACTUAL FY 2011

($ in thousands)

Functional Reporting Categories Description	MONTH FEBRUARY FY 2012	MONTH FEBRUARY FY 2011	MONTH $ VAR	MONTH % VAR	YEAR-TO-DATE ACTUAL FY 2012	YEAR-TO-DATE ACTUAL FY 2011	YEAR-TO-DATE $ VAR	YEAR-TO-DATE % VAR
Primary, Secondary and Other Education	297,680	531,530	(233,850)	-44.0%	4,392,729	4,806,848	(414,118)	-8.6%
Higher Education	186,778	214,253	(27,475)	-12.8%	1,440,698	1,655,163	(214,465)	-13.0%
Public Assistance and Medicaid	1,129,752	995,640	134,113	13.5%	8,810,903	8,019,050	791,853	9.9%
Health and Human Services	46,960	59,882	(12,921)	-21.6%	706,979	772,336	(65,356)	-8.5%
Justice and Public Protection	118,435	114,957	3,479	3.0%	1,242,708	1,315,220	(72,513)	-5.5%
Environmental Protection and Natural Resource	3,369	3,426	(57)	-1.7%	51,142	51,965	(823)	-1.6%
Transportation	710	814	(103)	-12.7%	6,628	10,729	(4,101)	-38.2%
General Government	15,058	14,050	1,008	7.2%	192,404	186,904	5,500	2.9%
Community and Economic Development	4,648	4,363	285	6.5%	55,904	65,440	(9,536)	-14.6%
Tax Relief and Other	(5)	3	(8)	-298.0%	870,045	846,685	23,360	2.8%
Capital Outlay	0	0	0	N/A	120	24	96	402.1%
Debt Service	34,293	29,811	4,482	15.0%	274,152	355,720	(81,568)	-22.9%
Total Expenditures & ISTV's	1,837,678	1,968,727	(131,049)	-6.7%	18,044,414	18,086,085	(41,671)	-0.2%
Transfers Out:								
Operating Transfer Out	153,668	220	153,448	N/A	482,891	49,622	433,269	873.1%
Temporary Transfer Out	0	0	0	N/A	237,356	945,711	(708,356)	-74.9%
Total Transfers Out	153,668	220	153,448	N/A	720,246	995,333	(275,087)	-27.6%
Total Fund Uses	1,991,346	1,968,947	22,399	1.1%	18,764,660	19,081,418	(316,758)	-1.7%

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**

OBM staff that contributed to the development of this report were:

Jim Bennett, Benjamin Boettcher, Jim Coons, Paul DiNapoli, Maddie Forrester, Rebecca Gray, Kurt Kauffman, Sári Klepacz, Isabel Louis, Matthew Martin, Jeff Newman, Lawrence Parson, Steven Peishel, Penny Rader, Aaron Rausch, Daniel Schreiber, Lillian Stockell, John Welsh, and Chris Whistler.