



April 10, 2012

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

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

SUBJECT: Monthly Financial Report

ECONOMIC SUMMARY

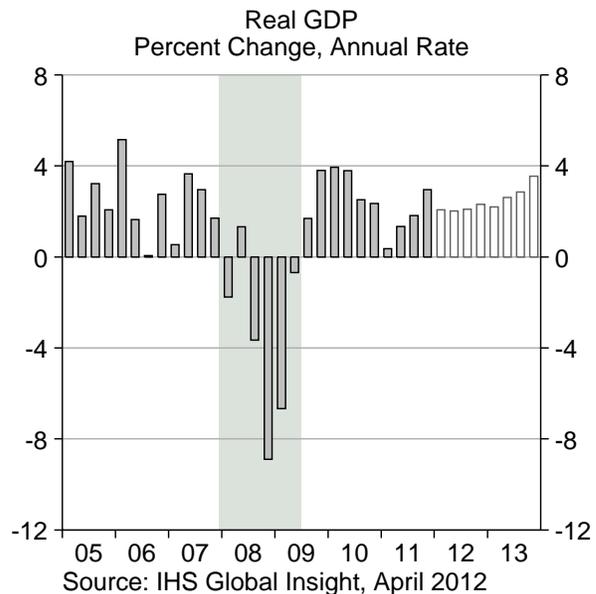
Economic Performance Overview

- Real GDP accelerated in the fourth quarter, rising 3.0% in the best showing since the second quarter of 2010.
- Job growth slowed by half in March, probably due in part to effects of weather on the seasonal adjustment process that boosted gains in previous months. The unemployment rate moved down a notch to 8.2% from 8.3%, reflecting the withdrawal of job seekers from the labor force.
- Ohio employment increased by 28,300 jobs in February and 73,500 jobs from February 2011 to February 2012. The Ohio unemployment rate dropped to 7.6% in February 2012, down from 9.0% in January 2011 and 10.6% in January 2010.
- Leading economic indicators have improved markedly since last fall, and are consistent with moderate activity both nationally and in Ohio.

Economic Growth

Economic growth in the fourth quarter of 2011 picked up a bit more than initially reported. The final estimate of real GDP growth remained at 3.0%, up from the initial estimate of 2.8%. The fourth-quarter growth rate was in line with expectations and the best since the second quarter of 2010, but still fell slightly short of the long-run trend. Through the fourth quarter, the economy expanded for ten straight quarters and was 0.8% larger 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 most recent three 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, but the trajectory of employment, earnings and production through the winter indicates that the economic expansion continued through the winter. A large inventory swing – from a decrease in the third quarter to an increase in the fourth quarter – accounted for 60.0% of the gain in real GDP during the fourth quarter. Inventory accumulation probably did not have a large effect on real GDP in the first quarter, but other sources of growth materialized.

The consensus estimate for first-quarter 2012 real GDP growth is approximately 2.0% to 2.5%, but recent patterns in some key monthly indicators, such as the Purchasing Managers Index and aggregate hours worked, are consistent with first-quarter GDP growth of 3.0% or higher. In addition, leading indicators have improved significantly recently. Typical of the somewhat lower consensus, IHS Global Insight estimated that real GDP increased 2.1% in the first quarter and that growth will continue at 2.0% to 2.25% for the next four quarters.

The 4-week moving average of the **Weekly Leading Index** increased for the twelfth week in a row at the end of March, lifting the 6-month smoothed rate of change to +1.0%, up from a low of -10.6% in the middle of last October. The Economic Cycle Research Institute (ECRI), which developed and publishes the index, continues to stand by its forecast that a recession will begin in the first half of this year.

As of February, however, the composite **Leading Economic Index** from the Conference Board had increased for five consecutive months, although the ratio of the coincident index to lagging index – itself a leading indicator – has been essentially flat for the past year.



In the meantime, the pace of expansion in the Ohio economy has improved. The **Ohio Coincident Economic Index**, compiled by the Federal Reserve Bank of Philadelphia, increased 0.7% in February for the 30th consecutive monthly increase. The 12-month rate of change was 5.2% in February – up from a recent low of 3.8% in October and the highest since May 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

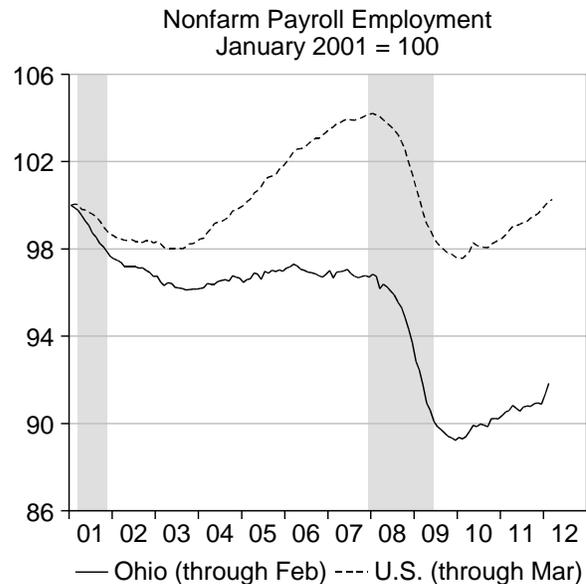
unemployment rate, and real wage and salary disbursements.

The companion **Ohio Leading Economic Index** was 2.7% in February, and figures for previous months were revised notably higher. 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.

Employment

Growth in **nonfarm payroll employment** slowed in March, but remained at a substantial 120,000 jobs. The slowdown from an average of 246,000 during the previous three months at least in part reflected the more normal weather in March. Milder than usual winter weather is believed to have boosted economic statistics in January and February. The unemployment rate moved down a notch to 8.2% in February from 8.3% in January, but the decline resulted from the exit by job seekers from the labor force.

Private payrolls increased by 121,000 jobs – the weakest since last August. At 188,000 jobs, the average monthly change in employment during the past six months was the best (other than for the six months ending in February) since May 2006. The February employment change was revised upward by 13,000 and the January change was revised downward by 9,000.



The index of **aggregate hours worked** increased only 0.1% in March, and the February change was revised down from 0.6% to 0.3%. Nonetheless, hours worked increased at an annual pace of 4.1% in the first quarter, pointing to a stronger real GDP growth rate than is widely predicted.

The continued drop in the **unemployment rate** underscores the promising trend in employment. After staying 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 before edging down by 0.1% in March. The economy has never been in recession when the unemployment rate has been below its low point during the previous twelve months, but the situation can change quickly.

Despite the decline in the unemployment rate in recent years, the circumstances of those remaining without jobs remains difficult. At 19.9 weeks, the median **duration of unemployment** is only back down to its February 2010 level and still a multiple of the historical norm. The broadest measure of unemployment, which includes discouraged workers and those marginally attached to the work force fell 0.4 percentage points, but was still elevated at 14.5%.

In addition, at 63.8% in March the labor force participation rate remained near a 30-year low, indicating that a large share of the population is still neither working nor looking for work.

Employment gains were fairly widespread across business sectors, led by leisure and hospitality (+39,000), manufacturing (+37,000), education and health services (+37,000), and professional and business services (+31,000). Sectors with declines in employment included retail trade (-34,000) and information services (-9,000). Employment at temporary help agencies fell by 8,000 after a string of increases. Government employment was essentially flat for the third straight month after a long string of sizable declines.

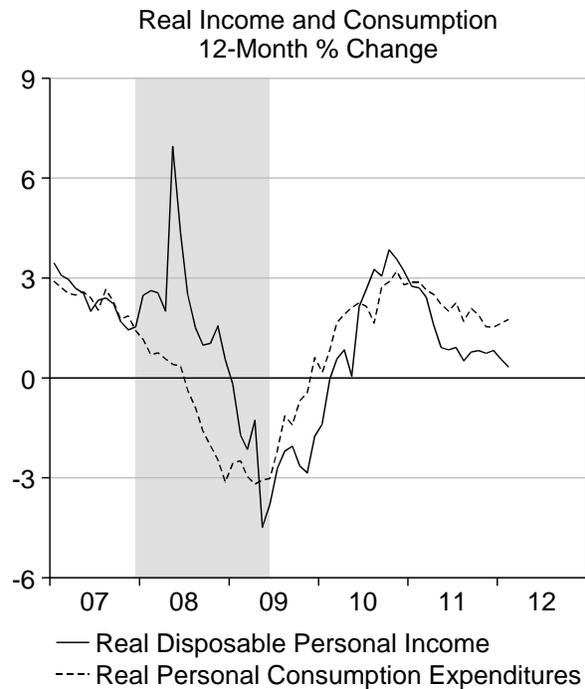
Ohio employment increased by 28,300 jobs in February, and was up 73,500 jobs from a year earlier. The increases during the month were very broad-based, led by trade, transportation and utilities (+7,400), government (+4,700), construction (+4,200), educational and health services (+3,300), and other services (+3,300). Only financial activities (-1,100) and information (-200) posted declines.

During the last twelve months, employment gains were led by trade, transportation and utilities (+21,500), manufacturing (+18,600), educational and health services (+15,900), construction (+7,300), and professional and business services (+7,100). Employment declined by 2,200 jobs each in the information and government sectors. Private sector employment increased by 75,700 jobs during the last twelve months.

Consumer Income and Consumption

Personal income continued to grow in February, but year-over-year comparisons deteriorated further. Personal income increased 0.2% in February, and the January increase was revised lower to 0.2%. Compared with a year earlier, personal income was up by 3.2%, down from a 6% increase in February 2011. Wage and salary disbursements increased 0.3% in February after a 0.4% increase in January. After adjustment for inflation, disposable personal income fell 0.1% – the second monthly decline in a row and the third in four months. Real disposable income was higher by only 0.3% from a year earlier.

Personal consumption expenditures accelerated in February, due partly to a 6.4% increase in light motor vehicle unit sales to a 15.0 million unit annual rate. The sales pace slowed in March to 14.3 million units. The rise in the price of gasoline toward \$4.00 per gallon and above in some locations likely restrained spending on other items, while milder-than-usual



weather likely boosted spending.

Compared with a year earlier, consumption stayed at the 4.1% pace of the prior two months but remained below the July 2011 peak of 5.1%. Households have sustained growth in spending in part by reducing saving out of current income from 5.0% in February 2011 to 3.7% in February 2012. Notice in the chart on page 4 that the year-over-year change in spending has outpaced income for the past year.

Survey measures of **consumer confidence** held steady in March after notable improvements since last October. The Conference Board index of consumer confidence faded a bit, as expectations declined and assessments of current conditions improved slightly. The University of Michigan index of consumer sentiment showed a similar pattern, but the composite index improved slightly to the highest level since February 2011.

Taken as a group, assessments of current and expected conditions from both surveys indicate that consumer sentiment has improved markedly during the last half-year. In combination with much better than previously reported income trends in the second half of last year, greater confidence should support higher levels of consumer spending through the spring and into the summer.

Chain-store sales jumped 3.7% month-over-month in March, but remained below the January level, according to the International Council of Shopping Centers. Still, year-over-year growth remained at 4.1% for a second consecutive month. Spending has been supported by stronger labor markets in recent months and the earlier Easter on April 8th this year, compared with April 24th last year.

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 and 2.3% in February from 0.5% as recently as October 2010, undercutting consumers' real spending power.

Manufacturing

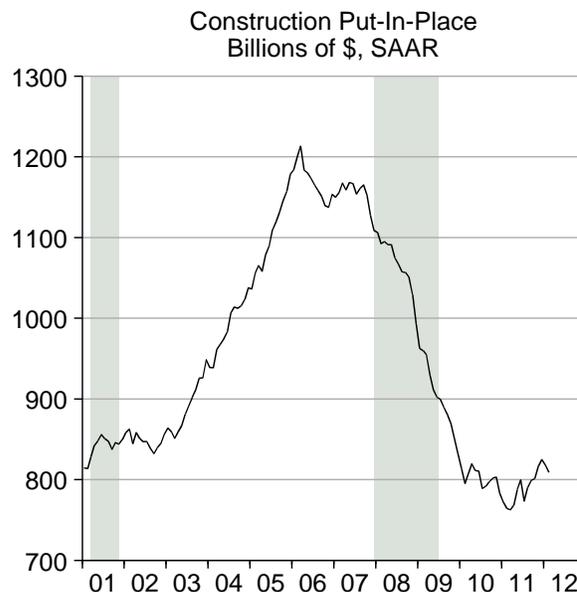
Manufacturing activity continued to expand in February and probably again in March. Overall **industrial production** was unchanged in February, but the January change was revised up to 0.4% from the initial report of no change, which reflected a large weather-related drop in utility output. Manufacturing output increased 0.3% in February after an upwardly revised 0.9% rise in January and a 1.5% rise in December.

Compared with a year earlier, manufacturing production was up 5.1% and 17.4% above its recession low, but still 6.6% below its pre-recession peak. Total industrial production was 4.0% above the year earlier level and 15.1% above the recession low, but still 4.5% below the pre-recession peak.

Contributions from three sectors with a concentration of employment in Ohio were mixed during February. Primary metal production decreased 1.2%, but January was revised up from -0.6% to

+2.1%. Output of fabricated metal products increased 1.8%, but production of machinery slipped 0.3% after two strong increases. Compared with a year earlier, production was up 9.7%, 10.8% and 8.1%, respectively, but still 9.1%, 8.8% and 5.6% below their respective pre-recession peaks.

Midwest manufacturing output increased 1.2% in January after an upwardly revised gain of 2.2% in December, according to the Federal Reserve Bank of Chicago. The increase reflected production gains in three of the four sectors: auto (+4.0%), steel (+0.9%), and machinery (+1.1%). Resource production declined 0.9% for the second monthly setback in three months. Compared with a year earlier, Midwest manufacturing production was up by 8.9%, down from the peak growth rate so far for this cycle of 14.6% in June 2010. The level of Midwest production in January was 31.9% above the low in June 2009, but still 11.1% below the peak in January 2008.



In a promising sign, regional Federal Reserve Bank surveys of manufacturing activity in the Northeast improved again in March. The Federal Reserve Bank of Philadelphia’s business conditions index increased for the fourth month in a row, despite decreases in the orders and shipments indexes. Similarly, the overall Empire State survey (Federal Reserve Bank of New York) improved for a fourth consecutive month, also despite weaker readings on both orders and shipments.

Reports from **purchasing managers** in manufacturing across the country pointed to improving conditions for the 32nd consecutive month in March. The overall index advanced slightly from 52.4 to 53.4, climbing further above the neutral level of 50. The new orders component was marginally weaker at 54.5, but production advanced from 55.3 to 58.3. Although reports from purchasing managers in manufacturing changed little from February to March, they indicate that the momentum in manufacturing activity during the fourth quarter continued throughout the first quarter.

Construction

Total **construction put-in-place** decreased for the second month in a row in February, despite relatively mild winter weather. Declines in nonresidential activity combined with essentially flat residential activity, pulling down total spending by 1.1% in February after a 0.8% decrease in January. Total construction in February was still up 5.8% year-over-year and 6.1% from what looks increasingly with each passing month like the cycle low in March 2011, but remains 33.3% below its pre-recession peak.

Excluding improvements to residential structures, which is volatile and often revised

significantly, construction spending decreased 1.5% in February after a 0.5% decline in January. Private construction fell 0.8% after a 1.3% decline in January, with flat residential construction failing to offset a 1.6% decline in nonresidential construction. Public construction decreased 1.7% after marginal changes in the two previous months.

Private nonresidential construction fell 1.6% in February and the January change was revised down from -1.5% to -2.3%. Compared with a year earlier, private nonresidential construction was up 14.5%, 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 February after posting significant gains early last fall. The **Inquiries for New Work Index** increased to its highest level since January 2007, except for last November. The **Billings Index for the Midwest** also moved higher, reaching its best level since January 2011.

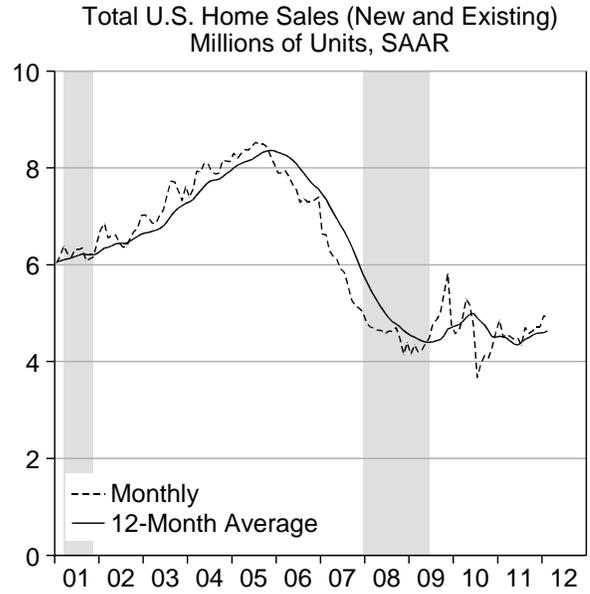
Private residential construction-put-in-place was unchanged in February, and the January change was revised down from the initial report of a 1.8% increase to a 0.1% decrease. The 3-month moving average of housing starts decreased 0.3% in February after nine straight monthly increases. Midwest housing starts increased 1.9% in February on a 3-month average basis. Permits increased 1.7% in February on a 3-month average basis for the fifth gain in a row. Midwest permits rebounded 4.8% in February after two monthly declines and one unchanged month during the three previous months.

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 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 increased 1.4% in the U.S. and in the Midwest to 4.4% and 9.5% above year earlier levels, respectively, on a 3-month average basis. Despite the large fluctuations recently, the pace of existing home sales has changed little, on balance during the past four years. **Sales of new homes** were down 0.9% nationally but declined 7.4% in the Midwest on a 3-month average basis in February after a 5.7% decline in January. Sales activity remains on a plateau that is far below peak levels of a few years ago.

The inventory of existing homes for sale rose modestly in February on top of a slight increase in January that followed a long string of declines. The **inventory-to-sales ratio** moved back up to 6.4 months, but remained well below the extreme levels of recent years and close to the normal level of 4 months to 5 months. The inventory of newly built homes remained at its all-time low in February. At 5.8 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, which temporarily stabilized last spring after a long string of substantial declines, according to the S&P/Case-Shiller index, resumed their decline in the second half of the year, but might have begun to stabilize once again. The 20-city composite home price index was unchanged in January after a 0.5% decrease in December. During September-November, prices fell by 0.7% each month. The index was down 33.9% from the all-time peak reached in April 2006. The price index for Cleveland decreased 0.7% for the fourth month in a row in January. Prices in Cleveland are off 20.8% from the 2006 peak.



REVENUES

Total March 2012 GRF receipts totaled \$1,891.2 million and were \$80.8 million (4.1%) below estimate. Monthly tax receipts totaled \$1,354.8 million and were \$78.3 million (6.1%) above the estimate, while non-tax receipts and transfers totaled \$690.1 million and -\$153.7 million and were \$5.4 million (0.8%) and \$153.7 million below the respective estimates. Year-to-date variances by category are provided in the following table (\$ in millions).

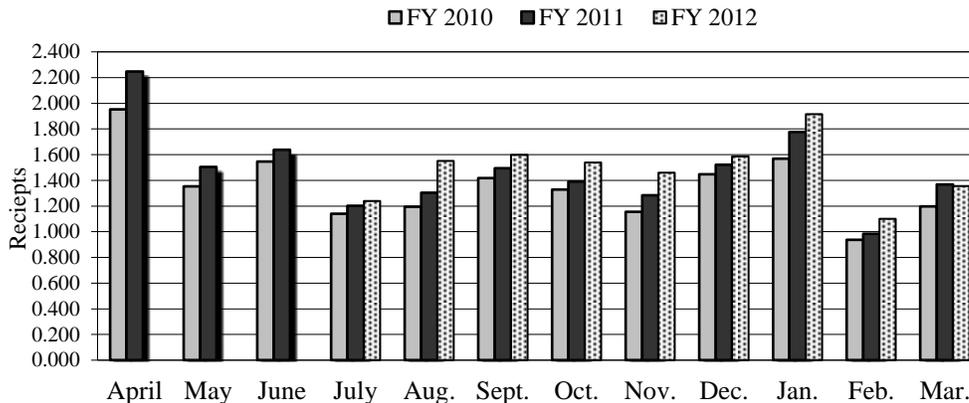
Category	Includes:	YTD Variance	% Variance
Tax receipts	Sales & use, personal income, corporate franchise, public utility, kilowatt hour, foreign & domestic insurance, other business & property taxes, cigarette, soft drink, alcoholic beverage, liquor gallonage, estate & horse racing	\$265.4 million	2.0%
Non-tax receipts	Federal grants, earnings on investments, licenses & fees, other income, intrastate transfers	(\$682.1 million)	(10.3%)
Transfers	Budget stabilization, liquor transfers, capital reserve, other	\$222.1 million	277.3%
TOTAL REVENUE VARIANCE:		(\$194.6 million)	(1.0%)

March tax receipts were above the estimate by \$78.3 million (6.1%). On a year-over-year basis, March 2012 tax receipts were \$14.0 million (1.0%) lower than they were in March 2011. For fiscal year 2012 year-to-date, total tax collections are \$1,020.7 million (8.3%) higher than at the same point in fiscal year 2011. The largest contributors to this year-over-year growth are the non-auto sales tax, personal income tax, and the commercial activities tax (CAT). Personal income tax receipt growth was driven by growth in quarterly estimated payments and lower-than-anticipated refunds.

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

<u>Individual Sources Above Estimate</u>		<u>Individual Sources Below Estimate</u>	
Auto Sales Tax	\$7.1	Non-Auto Sales Tax	(\$1.8)
Personal Income Tax	\$68.7	Corporate Franchise Tax	(\$20.9)
Commercial Activity Tax	\$1.6	Kilowatt Hour Tax	(\$2.2)
Public Utility Tax	\$1.4	Domestic Insurance Tax	(\$4.9)
Foreign Insurance Tax	\$20.7	Federal Grants	(\$7.4)
Other Business & Property	\$0.2	Other Income	(\$1.9)
Cigarette Tax	\$7.4	Transfers In – Other	(\$153.7)
Alcoholic Beverage Tax	\$0.5		
Liquor Gallonage Tax	\$0.3		
Estate Tax	\$0.2		
Licenses & Fees	\$3.9		
Total above	\$112.0	Total below	(\$192.8)

Tax Revenue Comparison by Month
(\$ in billions)



Non-Auto Sales and Use Tax

Non-auto sales tax receipts fell slightly short of the estimate in March with receipts totaling \$509.2 million, or \$1.8 million (0.4%) below estimate. Year-to-date non-auto sales tax receipts total \$5,211.2 million and are \$64.2 million (1.2%) above the estimate. On a year-over-year basis, receipts were \$16.8 million (3.4%) above collections for March 2011, with collections through the first three quarters of fiscal year 2012 exceeding those of the same period for fiscal year 2011 by \$267.3 million (5.4%).

Auto Sales Tax

Driven by continued stronger-than-expected vehicle sales, the auto sales tax continued its better-than-expected performance in March, as receipts totaled \$96.1 million and were \$7.1 million (8.0%) above the monthly estimate. Year-to-date receipts through the first three quarters of the fiscal year now total \$764.3 million and are \$62.5 million (8.9%) above the estimate. On a year-over-year basis, auto sales tax receipts experienced an increase of \$3.1 million (3.3%) over receipts for the same month a year ago, while year-to-date collections are 8.9% higher than for the first three quarters of fiscal year 2011.

Personal Income Tax

During the month of March, personal income tax receipts totaled \$511.0 million, and were \$68.7 million (15.5%) above estimate. As with the month of February, the March overage was primarily due to lower-than-expected refunds, which were \$102.6 million (27.9%) below estimate. This continued performance of the refund component more than made up for weakness in withholding with regard to the monthly estimate. March withholding receipts totaled \$689.9 million and were \$29.3 million (4.1%) below the estimate of \$719.2 million. The weakness in March withholding added to the year-to-date negative variance in the component, which now stands at \$87.7 million (1.5%) below estimate. Also offset by the lower-than-expected refunds were payments associated with annual returns, which were \$6.2 million (7.0%) below the monthly estimate.

On a year-over-year basis, personal income tax receipts for March 2012 fell short of the March 2011 level by \$31.3 million (5.8%), with most of the difference being accounted for by payments associated with annual returns that were \$21.2 million (20.4%) lower than in March 2011. Refunds also contributed to this year-over-year drop in monthly receipts, as they were \$17.7 million (7.2%) higher than in March 2011.

FY2012 PERSONAL INCOME TAX RECEIPTS BY COMPONENT (\$ in millions)						
	ESTIMATE	ACTUAL	\$ VAR	ESTIMATE	ACTUAL	\$ VAR
	MAR	MAR	MAR	Y-T-D	Y-T-D	Y-T-D
Withholding	\$719.2	\$689.9	(\$29.3)	\$5,894.3	\$5,806.6	(\$87.7)
Quarterly Est.	\$20.0	\$20.2	\$0.2	\$787.7	\$818.2	\$30.5
Trust Payments	\$1.0	\$1.0	(\$0.0)	\$20.7	\$22.6	\$1.9
Annual Returns & 40 P	\$89.0	\$82.8	(\$6.2)	\$238.7	\$249.8	\$11.1
Other	\$16.2	\$18.4	\$2.2	\$88.9	\$92.0	\$3.1
Less: Refunds	(\$367.2)	(\$264.6)	\$102.6	(\$1,078.8)	(\$892.1)	\$186.7
Local Distr.	(\$35.9)	(\$36.6)	(\$0.7)	(\$428.1)	(\$431.9)	(\$3.8)
Net to GRF	\$442.3	\$511.0	\$68.7	\$5,523.4	\$5,665.1	\$141.7

Corporate Franchise Tax

Corporate franchise tax receipts for the month of March totaled \$34.9 million and were \$20.9 million (37.4%) below the estimate of \$55.8 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, total receipts for this tax source are \$92.1 million and are \$37.4 million (28.8%) below the estimate.

Commercial Activity Tax

March 2012 Commercial Activity Tax (CAT) receipts to the GRF totaled \$3.3 million and were \$1.6 million (95.8%) above the monthly estimate. All-funds CAT receipts for March totaled \$14.5 million and were \$7.6 million (110.8%) above the estimate of \$6.9 million. Through the first three quarters of the fiscal year, total GRF CAT receipts are \$301.3 million, which is \$22.2 million (8.0%) above the estimate, while all-funds CAT receipts are \$1,218.0 million and \$91.9 million (8.2%) above the estimate.

Public Utility Tax

March was a positive month for the public utility tax as receipts totaled \$1.9 million and were \$1.4 million (280.5%) above the estimate. On a year-to-date basis, total public utility tax receipts are \$79.5 million and are \$9.0 million (10.2%) below the estimate. On a year-over-year basis, receipts were \$1.5 million above March 2011 levels and \$2.6 million (3.1%) 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 continued lower-than-expected prices for natural gas.

Kilowatt-Hour Tax

Kilowatt-hour tax receipts during the month of March totaled \$30.4 million and were \$2.3 million (7.0%) 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 \$238.0 million and are \$15.7 million (6.2%) below the estimate. On a year-over-year basis, receipts were \$11.0 million (56.8%) 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.

Domestic Insurance Tax

With no payments received in March, the domestic insurance tax was \$4.9 million below estimate. While domestic insurance tax payments are not due until May, some relatively small payments have occurred during March in recent years – a history that is reflected in the monthly estimates for this tax. While no such payments were received this March, OBM anticipates that the amount estimated will be fully made up in May and June collections.

Foreign Insurance Tax

Foreign insurance tax payments were due March 1st and as a result, estimates of receipts are split between the months of February and March. Receipts for this tax during the month of March totaled \$92.7 million and were \$20.7 million above the estimate of \$72.0 million. This variance is attributable to timing and processing of payments as more than \$86.0 million in revenue was received during the first few days of March. Taken together, the combined receipts for February and March exceeded the combined estimate for those months.

Cigarette Tax

Following four consecutive months of failing to meet the estimate and a slight overage in February, cigarette tax receipts rebounded further in March totaling \$66.1 million and exceeding the estimate by \$7.4 million (12.5%). Year-to-date cigarette tax receipts total \$570.4 million and are \$14.2 million (2.6%) above the year-to-date estimate. On a year-over-year basis, cigarette tax receipts were \$0.6 million (0.9%) higher than for the same month a year ago, while fiscal year 2012 receipts to-date are \$11.5 million (2.0%) lower than those of the same point in fiscal year 2011 – a decline that is slightly lower than the 3.0 percent historical decline we have seen with this tax source. Despite the over-performance in February and March, given the string of negative months experienced with this tax through the middle of the fiscal year, OBM will continue to closely monitor the performance of the tax throughout the remainder of the year.

GRF non-tax receipts totaled \$690.1 million in March and were \$5.4 million (0.8%) below the estimate. This is largely the result of lower-than-anticipated federal grants and other income. **GRF transfers** during the month of March were \$153.7 million below the estimate of zero due to a mistake made in correcting a prior month erroneous transfer out of the GRF, an issue that was discussed in the March 12, 2012 monthly report.

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

REVENUE SOURCE	MONTH				YEAR-TO-DATE			
	ACTUAL	ESTIMATE	\$ VAR	% VAR	ACTUAL	ESTIMATE	\$ VAR	% VAR
	MARCH	MARCH			Y-T-D	Y-T-D		
TAX RECEIPTS								
Non-Auto Sales & Use	509,167	511,000	(1,833)	-0.4%	5,211,149	5,146,900	64,249	1.2%
Auto Sales & Use	96,101	89,000	7,101	8.0%	764,349	701,800	62,549	8.9%
Subtotal Sales & Use	605,268	600,000	5,268	0.9%	5,975,498	5,848,700	126,798	2.2%
Personal Income	510,997	442,268	68,729	15.5%	5,665,140	5,523,401	141,739	2.6%
Corporate Franchise	34,905	55,800	(20,895)	-37.4%	92,140	129,501	(37,360)	-28.8%
Commercial Activity Tax	3,328	1,700	1,628	95.8%	301,330	279,100	22,230	8.0%
Public Utility	1,904	500	1,404	280.5%	79,504	88,500	(8,996)	-10.2%
Kilowatt Hour	30,420	32,700	(2,280)	-7.0%	237,980	253,700	(15,720)	-6.2%
MCF Tax	0	0	0	N/A	31,328	31,600	(272)	-0.9%
Foreign Insurance	92,706	72,000	20,707	28.8%	278,835	262,699	16,136	6.1%
Domestic Insurance	14	4,900	(4,886)	-99.7%	137	3,800	(3,662)	-96.4%
Other Business & Property	175	0	175	N/A	(1,598)	(1,500)	(98)	-6.6%
Cigarette	66,057	58,700	7,357	12.5%	570,436	556,200	14,236	2.6%
Alcoholic Beverage	4,719	4,200	519	12.4%	42,537	42,100	437	1.0%
Liquor Gallonage	3,027	2,700	327	12.1%	29,465	27,600	1,865	6.8%
Estate	1,300	1,100	200	18.2%	37,383	29,300	8,083	27.6%
Total Tax Receipts	1,354,822	1,276,568	78,254	6.1%	13,340,115	13,074,700	265,415	2.0%
NON-TAX RECEIPTS								
Federal Grants	669,367	676,756	(7,389)	-1.1%	5,849,756	5,980,284	(130,529)	-2.2%
Earnings on Investments	0	0	0	N/A	2,711	2,900	(189)	-6.5%
License & Fees	20,181	16,286	3,895	23.9%	53,790	48,691	5,098	10.5%
Other Income	534	2,440	(1,906)	-78.1%	10,618	572,356	(561,738)	-98.1%
ISTV'S	1	2	(1)	-42.6%	13,067	7,785	5,282	67.8%
Total Non-Tax Receipts	690,083	695,484	(5,401)	-0.8%	5,929,942	6,612,016	(682,075)	-10.3%
TOTAL REVENUES	2,044,905	1,972,052	72,853	3.7%	19,270,057	19,686,717	(416,660)	-2.1%
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	(153,668)	0	(153,668)	N/A	48,975	10,598	38,378	362.1%
Temporary Transfers In	0	0	0	N/A	180,718	0	180,718	N/A
Total Transfers	(153,668)	0	(153,668)	N/A	302,193	80,098	222,096	277.3%
TOTAL SOURCES	1,891,237	1,972,052	(80,814)	-4.1%	19,572,250	19,766,814	(194,564)	-1.0%

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

REVENUE SOURCE	MONTH				YEAR-TO-DATE			
	MARCH	MARCH	\$	%	ACTUAL	ACTUAL	\$	%
	FY 2012	FY 2011	VAR	VAR	FY 2012	FY 2011	VAR	VAR
TAX RECEIPTS								
Non-Auto Sales & Use	509,167	492,408	16,759	3.4%	5,211,149	4,943,820	267,329	5.4%
Auto Sales & Use	96,101	93,021	3,080	3.3%	764,349	701,925	62,424	8.9%
Subtotal Sales & Use	605,268	585,429	19,839	3.4%	5,975,498	5,645,745	329,753	5.8%
Personal Income	510,997	542,310	(31,314)	-5.8%	5,665,140	5,374,227	290,913	5.4%
Corporate Franchise	34,905	70,323	(35,417)	-50.4%	92,140	140,713	(48,572)	-34.5%
Commercial Activity Tax	3,328	0	3,328	N/A	301,330	0	301,330	N/A
Public Utility	1,904	448	1,456	325.5%	79,504	82,064	(2,560)	-3.1%
Kilowatt Hour	30,420	19,401	11,019	56.8%	237,980	127,685	110,295	86.4%
MCF Tax	0	0	0	N/A	31,328	0	31,328	N/A
Foreign Insurance	92,706	73,209	19,497	26.6%	278,835	266,971	11,864	4.4%
Domestic Insurance	14	4,316	(4,301)	-99.7%	137	3,294	(3,156)	-95.8%
Other Business & Property	175	0	175	N/A	(1,598)	(993)	(605)	-61.0%
Cigarette	66,057	65,459	598	0.9%	570,436	581,939	(11,504)	-2.0%
Alcoholic Beverage	4,719	4,015	704	17.5%	42,537	41,137	1,399	3.4%
Liquor Gallonage	3,027	2,781	246	8.8%	29,465	28,130	1,336	4.7%
Estate	1,300	1,056	244	23.1%	37,383	28,492	8,892	31.2%
Total Tax Receipts	1,354,822	1,368,747	(13,925)	-1.0%	13,340,115	12,319,403	1,020,712	8.3%
NON-TAX RECEIPTS								
Federal Grants	669,367	1,074,933	(405,566)	-37.7%	5,849,756	6,795,787	(946,032)	-13.9%
Earnings on Investments	0	0	0	N/A	2,711	4,664	(1,953)	-41.9%
License & Fee	20,181	16,932	3,249	19.2%	53,790	48,221	5,568	11.5%
Other Income	534	994	(460)	-46.3%	10,618	141,921	(131,303)	-92.5%
ISTV'S	1	5	(3)	-75.0%	13,067	13,465	(398)	-3.0%
Total Non-Tax Receipts	690,083	1,092,862	(402,780)	-36.9%	5,929,942	7,004,058	(1,074,116)	-15.3%
TOTAL REVENUES	2,044,905	2,461,609	(416,704)	-16.9%	19,270,057	19,323,461	(53,404)	-0.3%
TRANSFERS								
Budget Stabilization	0	0	0	N/A	0	0	0	N/A
Liquor Transfers	0	0	0	N/A	72,500	98,000	(25,500)	-26.0%
Transfers In - Other	(153,668)	0	(153,668)	N/A	48,975	23,225	25,750	110.9%
Temporary Transfers In	0	319,000	(319,000)	N/A	180,718	702,000	(521,282)	-74.3%
Total Transfers	(153,668)	319,000	(472,668)	-148.2%	302,193	823,225	(521,032)	-63.3%
TOTAL SOURCES	1,891,237	2,780,609	(889,372)	-32.0%	19,572,250	20,146,686	(574,436)	-2.9%

DISBURSEMENTS

March 2012 GRF disbursements, across all fund uses, total \$1,892.2 million and were \$348.4 million (15.5%) below 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)	(\$588.9 million)	(2.8%)
Transfers	Temporary or permanent transfers out of the GRF that are not agency expenditures	\$217.9 million	61.1%
TOTAL DISBURSEMENTS VARIANCE:		(\$371.0 million)	(1.8%)

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. March disbursements in this category totaled \$557.9 million and were \$44.9 million (7.4%) below the estimate.

Year-to-date expenditures for the Department of Education alone equal \$4,912.4 million and are \$19.0 million (0.4%) below the estimate. Disbursements for the month of February totaled \$553.8 million, which was \$46.8 million (7.8%) below the estimate. Expenditures for the school foundation program (ALI 200502 – Pupil Transportation and ALI 200550 – Foundation Funding) totaled \$471.6 million and were \$47.1 million (9.1%) below the estimate. The variance in the foundation funding line item is due to normal fluctuations between actual Average Daily Membership (ADM) and estimated ADM for the month. The pupil transportation variance can be attributed to a payment from a prior year encumbrance that was not executed during the month of March as planned.

Higher Education

March disbursements for Higher Education totaled \$162.5 million and were \$5.2 million (3.1%) below the estimate. Year-to-date disbursements are \$1,603.2 million, which is \$20.3 million (1.2%) below the estimate. March disbursements in the Ohio College Opportunity Grant program were below the estimate by \$3.4 million while disbursements in the Choose Ohio First Scholarship program were below the estimate by \$1.7 million. Monthly variances in both scholarship programs were due to March requests for reimbursement from higher education institutions that differed from the estimates.

Public Assistance and Medicaid

March disbursements in this category, which include all GRF expenditures by the Ohio Department of Job and Family Services (ODJFS), totaled \$988.3 million. This was \$43.8 million (4.2%) below the monthly estimate. Year-to-date expenditures totaled \$9,799.2 million and were \$366.3 million (3.6%) below estimate.

Public Assistance and Non-Medicaid

ODJFS, Non-Medicaid, General Revenue Fund (GRF) disbursements totaled \$61.6 million for the month of March and were \$10.6 million (14.7%) below the estimate. Major variances within individual line items were attributable to the following:

- TANF State subsidy expenditures were \$5.8 million (16.4%) below estimate due to lower-than-expected Ohio Works First (OWF) caseload and associated payments.
- Computer Projects expenditures were \$2.3 million (35.7%) below estimate. This was due to a delay in establishing expected Medicaid Information Technology System (MITS) maintenance, support, and enhancement contract encumbrances. Additionally, ODJFS did not receive Department of Administrative Services Office of Information Technology invoices as expected during the month.
- Early Care and Education subsidy expenditures were \$1.6 million (20.3%) below estimate due to a higher than estimated percentage of child care provider payments being funded from federal Child Care and Development Fund (CCDF) and Temporary Assistance for Needy Families (TANF) block grants.
- Entitlement Administration – Local county subsidy expenditures were \$2.9 million (101.1%) above estimate due to higher-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 \$9,205.4 million, which is \$328.9 million (3.5%) below the estimate, and \$435.9 million (5.0%) above the same point in the previous fiscal year. Disbursements for the month of March totaled \$926.6 million and were \$33.2 million (3.5%) below the estimate and \$360.4 million (28.0%) below the same point in the previous fiscal year.

All funds disbursements year-to-date are \$11,022.4 million, which is \$454.0 million (4.0%) below the estimate and \$126.4 (1.1%) above disbursements for the same point in the previous fiscal year. Disbursements for the month of March totaled \$1,213.6 million and were \$36.7 million (2.9%) below the estimate and \$411.4 million (33.9%) below the same month in the previous fiscal year. It should be noted that in order to leverage a higher FMAP rate, payments previously budgeted for April 2011 were rescheduled for March 2011. This accounts for much of the year-over-year variance.

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

	March Projection	March Actual	Variance	Variance %
GRF	\$ 959,782,421	\$ 926,637,076	\$ (33,145,345)	-3.5%
Non-GRF	\$ 290,515,455	\$ 286,998,712	\$ (3,516,743)	-1.2%
All Funds	\$ 1,250,297,876	\$ 1,213,635,788	\$ (36,662,088)	-2.9%

Categorical Variances

Year-to-date, payments across nearly all categories of service have been below initial estimates. Due to the ongoing implementation of MITS, 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 and what part is caused by other factors. It is also unclear at this time what portion of this variance will be offset by increased payments in future months. However, the percentage variance in several fee-for-service categories has significantly decreased in recent months. For example, hospital payments have been over estimate the last two months.

Managed Care ABD and CFC – The variance within managed care accounts for \$25.3 million of the \$36.7 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 to \$8.4 million in March. This is primarily attributable to reductions in Medicare Part B rates that went into effect in January.

Caseload

February caseload data are not currently available due to continued data revisions including those 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.

March disbursements in this category totaled \$62.3 million and were \$2.2 million (3.7%) above the estimate for the month. Year-to-date disbursements are \$769.3 million, which is \$0.6 million (0.1%) above the estimate.

Department of Health

Year-to-date disbursements for the Department of Health are \$59.8 million, which is \$2.4 million (4.2%) above estimate. March disbursements totaled \$7.3 million and were \$4.5 million (57.1%) above estimate. This is primarily attributable to the following:

- Help Me Grow was over estimate by \$5.1 million. This is due to payments to sub-grantees being made in March that were originally scheduled for February.
- The Bureau for Children with Medical Handicaps line was below estimate by \$0.2 million due to payments to sub-grantees originally scheduled for March being made in April.

Department of Aging

Year-to-date disbursements for the Department of Aging are \$9.9 million, which is \$0.6 million (5.8%) below estimate. March disbursements totaled \$1.2 million and were \$0.1 million (6.8%) below estimate. This is primarily attributable to payments in the State Long Term Care Ombudsman line intended to be made in March being delayed until April. An offsetting variance is expected in this line next month.

Department of Mental Health

Department of Mental Health disbursements totaled \$30.6 million during the month and were \$2.9 million (8.6%) below estimate. The variance is primarily attributable to the timing of Medicaid disbursements, which were \$3.6 million (20.5%) below estimate. As noted in previous months, the department disbursed additional funds in January to the county boards to cover delays in the collection of federal funds and ensure full payment of Medicaid claims. This had the effect of pulling forward disbursements planned for future months, including March. The department expects to meet the estimate for the fiscal year.

Department of Alcohol and Drug Addiction Services

Department of Alcohol and Drug Addiction Services disbursements totaled \$1.3 million in the month of March and were \$72,000 (5.7%) above estimate. The variance is primarily attributable to above-estimate spending in the Medicaid Match line item of \$82,000 (6.7%) to offset a delay in federal reimbursement and ensure timely payment for Medicaid services.

Department of Developmental Disabilities

March disbursements for the Department of Developmental Disabilities totaled \$18.6 million and were \$0.8 million (4.7%) above estimate. The variance is primarily attributable to expenditures within the Medicaid State Match line item, which were approximately \$0.7 million (4.2%) over the estimate due to developmental center payroll costs being above projection during the month.

Justice and Public Protection

Disbursements in the Justice and Public Protection category for the year-to-date are \$1,408.3 million, which is \$74.2 million (5.0%) below the estimate. In the month of March, disbursements totaled \$165.6 million and were \$3.0 million (1.8%) below the estimate.

Department of Rehabilitation and Correction

The Department of Rehabilitation and Correction disbursements totaled \$127.5 million in the month of March, which was \$3.9 million (3.0%) less than the \$131.4 million estimate. This variance was largely caused by lower payroll costs resulting from an agency-wide hiring freeze.

Department of Youth Services

The Department of Youth Services disbursements totaled \$20.4 million in the month of March, which was approximately \$150,000 (0.7%) more than the \$20.2 million estimate for the month.

General Government

Year-to-date expenditures are \$221.6 million, which is \$23.7 million (9.7%) below the estimate. February disbursements for the General Government category totaled \$29.2 million and were \$7.6 million (20.7%) below the estimate.

Department of Administrative Services

The Department of Administrative Services disbursements totaled \$16.7 million during the month of March and were \$6.6 million (28.3%) below the estimate. This variance occurred primarily because agencies will be billed for tenancy in most buildings the department manages in April rather than March as initially estimated. In addition, refunding bonds the state recently issued offset \$0.7 million of the department's estimated March lease rental payments.

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. March disbursements for tax relief totaled \$15.4 million and were \$62.5 million below the \$78.9 million monthly estimate. Year-to-date, tax relief payments have totaled \$869.8 million and are \$40.0 million (4.0%) below the year-to-date estimate. Despite the monthly and year-to-date variance, OBM still anticipates that final disbursements will be very close to the estimate as payments estimated to occur in March will occur in the April through June time frame. As discussed in previous monthly reports, since disbursements had been running above estimate through the first half of the fiscal year, OBM will continue to closely monitor these disbursements.

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

Functional Reporting Categories Description	MONTH				YEAR-TO-DATE			
	ACTUAL	ESTIMATED	\$	%	YTD	YTD	\$	%
	MARCH	MARCH	VAR	VAR	ACTUAL	ESTIMATE	VAR	VAR
Primary, Secondary and Other Education	557,850	602,750	(44,900)	-7.4%	4,950,579	4,969,049	(18,470)	-0.4%
Higher Education	162,488	167,731	(5,242)	-3.1%	1,603,186	1,623,448	(20,262)	-1.2%
Public Assistance and Medicaid	988,259	1,032,034	(43,775)	-4.2%	9,799,163	10,165,490	(366,328)	-3.6%
Health and Human Services	62,315	60,108	2,207	3.7%	769,294	768,717	577	0.1%
Justice and Public Protection	165,599	168,618	(3,019)	-1.8%	1,408,306	1,482,491	(74,185)	-5.0%
Environmental Protection and Natural Resource	3,110	3,107	3	0.1%	54,252	53,860	392	0.7%
Transportation	869	1,386	(517)	-37.3%	7,497	9,822	(2,325)	-23.7%
General Government	29,195	36,831	(7,636)	-20.7%	221,600	245,293	(23,693)	-9.7%
Community and Economic Development	16,865	17,778	(913)	-5.1%	72,768	86,875	(14,107)	-16.2%
Tax Relief and Other	15,417	77,949	(62,532)	-80.2%	885,462	925,426	(39,964)	-4.3%
Capital Outlay	0	0	0	N/A	120	0	120	N/A
Debt Service	43,914	70,236	(26,321)	-37.5%	318,066	348,723	(30,656)	-8.8%
Total Expenditures & ISTV's	2,045,882	2,238,527	(192,646)	-8.6%	20,090,295	20,679,196	(588,901)	-2.8%
Transfers Out:								
Operating Transfer Out	(153,668)	2,097	(155,765)	N/A	337,047	356,522	(19,475)	-5.5%
Temporary Transfer Out	0	0	0	N/A	237,356	0	237,356	N/A
Total Transfers Out	(153,668)	2,097	(155,765)	N/A	574,402	356,522	217,881	61.1%
Total Fund Uses	1,892,214	2,240,625	(348,411)	-15.5%	20,664,698	21,035,718	(371,020)	-1.8%

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

Functional Reporting Categories Description	MONTH				YEAR-TO-DATE			
	MARCH	MARCH	\$	%	ACTUAL	ACTUAL	\$	%
	FY 2012	FY 2011	VAR	VAR	FY 2012	FY 2011	VAR	VAR
Primary, Secondary and Other Education	557,850	596,231	(38,381)	-6.4%	4,950,579	5,403,079	(452,500)	-8.4%
Higher Education	162,488	189,618	(27,129)	-14.3%	1,603,186	1,844,780	(241,594)	-13.1%
Public Assistance and Medicaid	988,259	1,338,276	(350,016)	-26.2%	9,799,163	9,357,326	441,837	4.7%
Health and Human Services	62,315	53,611	8,704	16.2%	769,294	825,947	(56,653)	-6.9%
Justice and Public Protection	165,599	152,902	12,696	8.3%	1,408,306	1,468,123	(59,817)	-4.1%
Environmental Protection and Natural Resource	3,110	3,366	(256)	-7.6%	54,252	55,332	(1,079)	-2.0%
Transportation	869	470	399	84.7%	7,497	11,200	(3,703)	-33.1%
General Government	29,195	37,325	(8,130)	-21.8%	221,600	224,230	(2,630)	-1.2%
Community and Economic Development	16,865	17,494	(630)	-3.6%	72,768	82,934	(10,166)	-12.3%
Tax Relief and Other	15,417	109,101	(93,684)	-85.9%	885,462	955,786	(70,324)	-7.4%
Capital Outlay	0	0	0	N/A	120	24	96	402.1%
Debt Service	43,914	58,471	(14,557)	-24.9%	318,066	414,191	(96,125)	-23.2%
Total Expenditures & ISTV's	2,045,882	2,556,867	(510,985)	-20.0%	20,090,295	20,642,951	(552,656)	-2.7%
Transfers Out:								
Operating Transfer Out	(153,668)	21,426	(175,093)	N/A	337,047	71,047	266,000	374.4%
Temporary Transfer Out	0	0	0	N/A	237,356	945,711	(708,356)	-74.9%
Total Transfers Out	(153,668)	21,426	(175,093)	N/A	574,402	1,016,758	(442,356)	-43.5%
Total Fund Uses	1,892,214	2,578,292	(686,078)	-26.6%	20,664,698	21,659,710	(995,012)	-4.6%

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, Deanna Kimball, Sári Klepacz, Isabel Louis, Matthew Martin, Jeff Newman, Lawrence Parson, Steven Peishel, Leslie Piatt, Penny Rader, Aaron Rausch, Daniel Schreiber, Lillian Stockell, John Welsh, and Chris Whistler.