



## MEMORANDUM

June 11, 2012

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

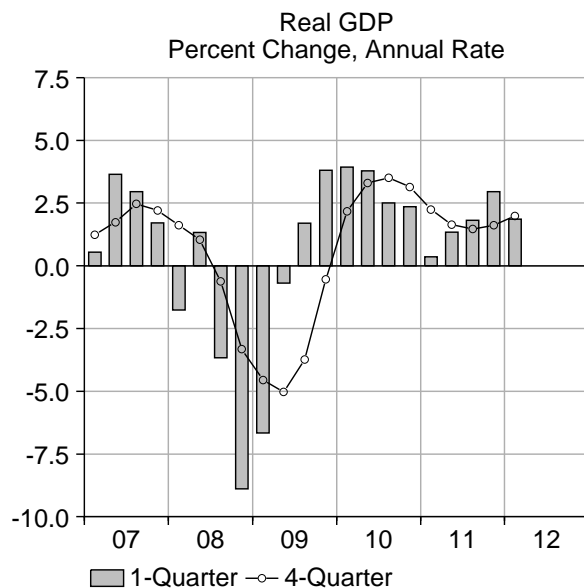
#### Economic Performance Overview

- Real GDP growth slowed to a revised 1.9% in the first quarter from 3.0% in the fourth quarter. Forecasters expect growth to improve but remain below 3.0% each quarter well into 2013.
- Job growth slowed further in May, in part due to unusual weather patterns that boosted activity during the winter at the expense of the spring. The unemployment rate edged up to 8.2% from 8.1%, reflecting an influx of job seekers into the labor force.
- Ohio employment decreased by 3,400 jobs in April, bringing the year-to-date rise in employment to 43,600. The Ohio unemployment rate dropped to 7.4% in April to 0.7 points below the national rate.
- Leading economic indicators have weakened recently, but remain consistent with uninterrupted growth at a modest pace both nationally and in Ohio.

#### Economic Growth

**Real GDP** growth slowed to a downwardly revised 1.9% in the first quarter of 2012 from an initial estimate of 2.2% and 3.0% in the fourth quarter of 2011. Upward revisions in investment in nonresidential structures, investment in equipment and software, and exports were more than offset by downward revisions in investment in business inventories and government spending.

The economy was 2.0% larger than in the first quarter of 2011 and has grown at a compound



annual rate of only 2.4% during the eleven quarters of economic expansion that began in mid-2009 – the slowest pace by a slim margin at the eleven-quarter mark among all expansions during the post-war period.

**Real final sales** expanded by 1.7% in the first quarter of 2012, up from 1.1% in the fourth quarter of 2011. During the last eleven quarters, real final sales has increased at an annual rate of only 1.7% – the slowest pace by a notable margin among expansions in the post-war period that have lasted for at least eleven quarters.

Although economic activity increased by a smaller amount in the first quarter of 2012 than in the fourth quarter of 2011, the mix of activity was somewhat more promising. More than one half of growth in the fourth quarter came from unsold goods that were added to inventories. In contrast, first-quarter growth was fueled by personal consumption expenditures, exports, housing, additional inventory accumulation, and nonresidential fixed investment. By itself, consumer spending accounted for 1.9 percentage points of overall growth in the quarter.

Government spending and nonresidential fixed investment in structures subtracted from overall growth. Federal defense and non-defense spending declined during the quarter, as did state and local government expenditures and investment in nonresidential structures. Investment in equipment and software increased for the eleventh consecutive quarter, but by the smallest amount. Imports, which are automatically counted in spending by category and are therefore subtracted from the total, increased for the fifth consecutive quarter.

The slowdown from the fourth quarter of 2012 to the first quarter of 2011 primarily reflected the smaller increase in inventory accumulation and the larger decline in investment in nonresidential structures that were only partly offset by faster growth in consumer spending and exports.

The much milder than normal weather during the winter probably boosted activity in sectors ranging from consumer spending to housing construction – a factor that will not likely recur in the second quarter and that could have the opposite effect. In addition, the relatively early Easter probably added to consumer spending in the first quarter at the expense of the second quarter.

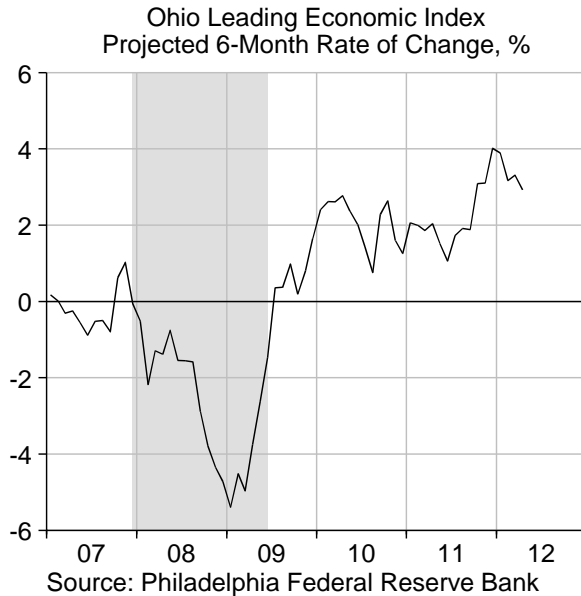
The consensus is that real GDP will continue to grow at a modest pace in the current quarter, picking up but remaining below 3.0% through 2013, according to *Blue Chip Financial Forecasts*. Leading indicators remain consistent with uninterrupted growth. After thirteen straight weekly increases through the first week of April, the 4-week moving average of the **Weekly Leading Index** decreased in all but one of the subsequent seven weeks. The 6-month smoothed rate of change dipped to -0.6% for the first negative reading in nine weeks.

The composite **Leading Economic Index** from the Conference Board decreased 0.1% in April for the first setback since last September. The March increase was revised down slightly to 0.3%. The ratio of the coincident index to lagging index – itself a leading indicator – declined 0.3% in April to 0.5% below the year earlier level.

The Ohio economy continued to make progress through April. The **Ohio Coincident Economic Index**, compiled by the Federal Reserve Bank of Philadelphia, increased 0.6% in April for the

32<sup>nd</sup> consecutive monthly increase. The 12-month rate of change was 5.8% in April – up from a recent low of 3.6% last July and the highest since February 1998. The index combines four state-level indicators to summarize current economic conditions. The four components are nonfarm payroll employment, average hours worked in manufacturing, the unemployment rate, and real wage and salary disbursements.

The companion **Ohio Leading Economic Index** remained near or above 3.0% for the seventh straight month in April. The index was 2.9% in April, and the March level was revised up from 2.3% to 3.3%. The index, which is compiled by the Federal Reserve Bank of Philadelphia, is designed to predict the rate of increase in the coincident index during the next six months. Since 1982, the index has been below zero in all but one month when the economy was in recession. Index values have been revised significantly on occasion, but as it stands the recent pattern is squarely consistent with ongoing expansion of the Ohio economy.

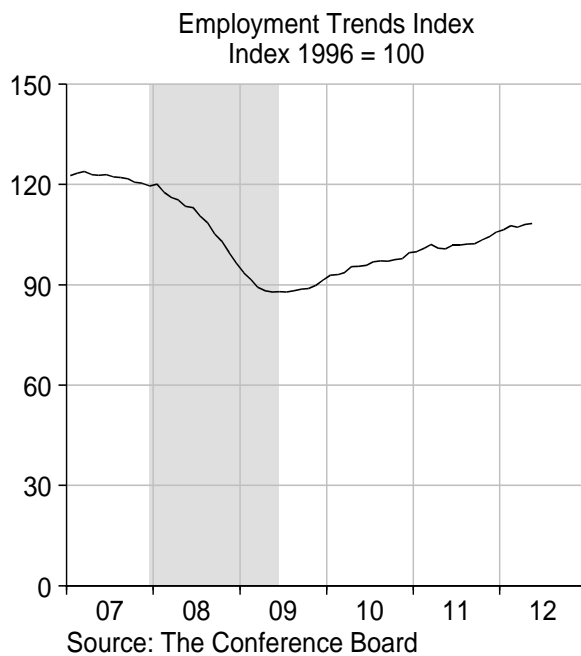


**Employment**

Growth in **nonfarm payroll employment** slowed further in May, and growth in previous months was revised downward. Employment increased by 69,000 jobs in May. Growth was revised down from 115,000 jobs to 77,000 jobs in April and from 154,000 jobs to 143,000 jobs in March.

Weather is widely believed to have significantly influenced recent patterns in major economic indicators including labor market measures. Extremely mild weather boosted reports during the winter months at the expense of April and possibly May. Early spring activity across a broad range of indicators including employment was probably artificially depressed by unusually cold weather, higher gasoline prices and the early Easter.

Job growth averaged 96,000 per month during the past three months, down from 205,000 during the previous six months. The underlying trend is probably somewhere in between because the six-month average might be inflated somewhat by the positive weather-effects.



Further suggesting that the recent slowdown in job growth is transitory, the **Employment Trends Index** produced by the Conference Board moved higher in May, and remained at a level that has been associated with growth in labor markets and the overall economy in the past.

The **unemployment rate** ticked up one notch to 8.2% from 8.1%. The rise in the unemployment resulted from a larger increase in the labor force than in employment during the month, which led to an increase of 220,000 in the number of unemployed people.

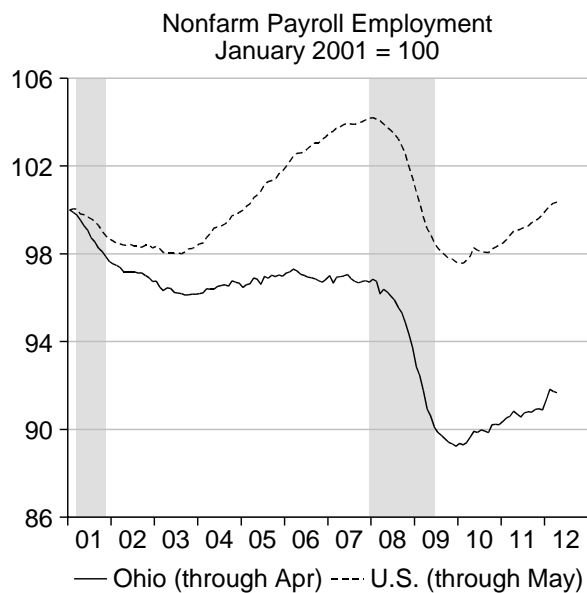
The **length of the workweek** was unchanged, but aggregate hours worked inched higher due to growth in employment. If aggregate hours are unchanged in June at the May level, then the annualized quarterly change will be approximately 0.5%, suggesting that real GDP has continued to increase at a modest pace in the second quarter.

**Average hourly earnings** increased slipped by 0.1% in May – the first decline since last August. Compared with a year earlier, earnings were higher by only 1.4%.

Despite the decline in the unemployment rate in recent years, the circumstances of those without jobs remains difficult. At 20.1 weeks, the median **duration of unemployment** has just recently fallen back to the elevated level from late 2009 after reaching a new all-time high of 25.0 weeks in June 2010. In addition, at 63.8% in May the labor force participation rate remained near a 30-year low (although up from 63.6% in April), indicating that a large share of the population is still either not working or not looking for work.

Changes in employment levels across sectors were mixed. Notable gains occurred in trade, transportation and utilities (+54,000), driven by transit and ground passenger transportation (+20,100) and wholesale (+15,900). Employment increased by 46,000 jobs in educational and health services largely due to a 34,000 increase in health care and social assistance employment. Manufacturing employment increased by 12,000 jobs.

Employment declines were led by the construction (-28,000) and government (-13,000) sectors. Within construction, losses were concentrated in specialty trade contractors (-17,700) and heavy and civil engineering construction (-11,200). Government employment declines occurred across federal, state and local entities with declines at the state and local levels being concentrated in education. Employment in the leisure and hospitality sector declined by 9,000 jobs, reflecting a 16,600 decline in employment in amusements, gambling and recreation.



**Ohio employment** decreased by 3,400 jobs in April, but the previously reported 9,500 job loss in March was revised up to a decrease of 5,200 jobs. Employment is up 43,600 jobs year-to-date through April and is up 47,200 jobs from a year earlier. The March-April declines followed two solid monthly gains in January-February totaling 52,200 jobs. As with national employment, it is possible that the very mild winter weather boosted job counts in those months at the expense of reported job growth in the spring.

Month-to-month changes in employment across sectors were mixed during April. Decreases were led by trade, transportation and utilities (-4,700), leisure and hospitality (-2,000), manufacturing (-1,400), and financial activities (-1,400). Increases were concentrated in professional and business services (+1,900) and education and health services (+1,500).

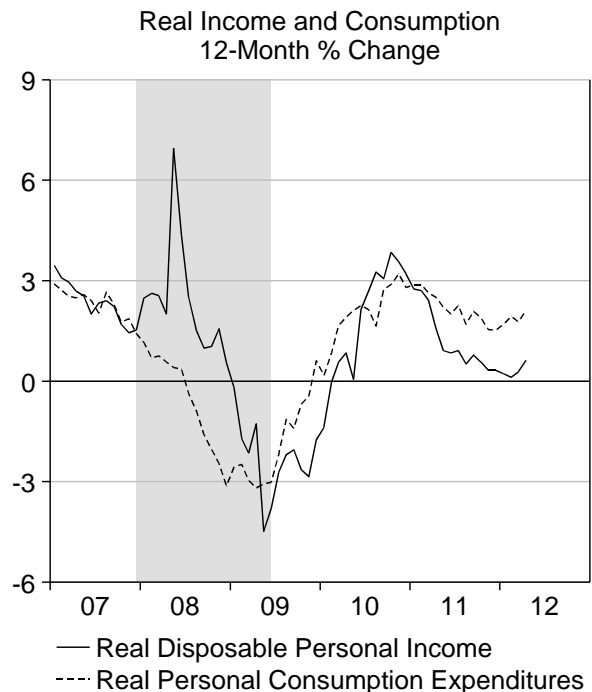
During the last twelve months, employment gains were led by trade, transportation and utilities (+16,600), manufacturing (+16,600), educational and health services (+16,500), and professional and business services (+7,300). Employment declined in leisure and hospitality (-8,200), government (-3,100), and financial activities (-2,800). Private sector employment increased by 50,300 jobs during the last twelve months.

Among the **contiguous states**, year-over-year employment growth was strongest in Indiana (+1.9%) and Kentucky (+1.8%), followed by Michigan (+1.5%), Ohio (+0.9%), West Virginia (+0.8%), and Pennsylvania (+0.7%). For the Ohio and contiguous state region, employment increased 1.2% during the year ending in April, compared with 1.4% outside the region. Growth in regional employment has outpaced growth outside the region since the trough in employment in February 2012 by 3.3% for Ohio and contiguous states to 2.8% for all other states.

**Consumer Income and Consumption**

**Personal income** continued to grow in April, and the year-over-year comparison remained stable for a second month. Personal income increased 0.2% in April following a 0.4% gain in March. Compared with a year earlier, personal income was higher by 2.8%, down from a 6.0% increase in February 2011. The increase in wage and salary disbursements slowed to 0.2% in April to 3.4% above the year earlier level. The March change was revised up from 0.1% to 0.3%. After adjustment for inflation, disposable personal income increased 0.2% for the second month in a row, following two months of no change. Real disposable income was higher by only 0.6% from a year earlier.

**Personal consumption expenditures** increased 0.3% in April. The March gain was revised



down from 0.3% to 0.2%. Compared with a year earlier, consumption was up by 4.0%, which is the weakest year-over-year comparison since August 2010. Households have financed growth in spending in part by reducing saving out of current income from approximately 5.0% a year ago to 3.8% in March. Mild weather in March and the early timing of Easter are believed to have supported spending in March at the expense of April.

Retailers in the Cleveland Federal Reserve District reported that sales in April and May were steady, and increased by mid-single digits from year earlier levels. Nonetheless, some retailers reported middle-income households as financially stressed. Auto dealers said that sales of new vehicles were good and that commercial truck sales were strong. There were some reports of slower passenger car sales that were attributed to a lull in sales incentives.

Survey measures of **consumer confidence** were mixed in May and remained at relatively low levels even after notable improvements during the winter. The Conference Board index of consumer confidence retreated for the third month in a row, as both expectations and assessments of current conditions deteriorated somewhat. The University of Michigan index of consumer sentiment meanwhile, increased to its highest level since just before the 2007-2009 recession began, reflecting improvement in expectations and assessments of current conditions.

Considered 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 appears likely to support current high levels of consumer spending through the spring and into the summer.

## **Manufacturing**

**Industrial production** was buffeted by the unusual weather pattern during the spring, rising 1.1% in April after a 0.6% decline in March that was originally reported as no change. Utility output increased by 4.5% in April as temperatures swung from abnormally high in March to almost average in April. Despite the weather-related fluctuations, industrial production increased to 5.2% above the year earlier level – the best showing since March 2011. Total industrial production was 16.7% above the recession low, but still 3.3% below the pre-recession peak.

**Manufacturing production** increased 0.6% in April after a decline of 0.5% in March. Compared with a year earlier, manufacturing output was up by 5.8% – also the best year-over-year showing since March 2011. Production in previous months was revised slightly lower. As a result, growth in manufacturing production during the first quarter was revised down from 10.4% to 9.8%.

Excluding high-technology and motor vehicles, production increased just 0.2% in April after a 0.7% setback in March. Motor vehicle production increased 3.9% as light vehicle production increased to a 10.36 million unit rate in April, up from a 9.78 million unit rate in March.

Reports of increases in activity from purchasing managers in manufacturing outweighed reports

of decreases in activity in May, but by a slightly smaller margin than in April. The **Purchasing Managers Index** slipped from 54.8 in April to 53.5 in May, remaining above the neutral level of 50.0 for the 34<sup>th</sup> consecutive month. The production component fell from 61.0 to 55.6, but the new orders component increased from 58.2 to 60.2.

**Factory orders** fell 0.3% in April for the first monthly decline since last September. Transportation equipment was a key source of weakness. New orders fell 0.6% in April after a 2.1% decline in March for the third decline in four months. New orders for nondefense capital goods excluding aircraft – considered to be a core measure of activity – have followed a similar pattern, falling in four of the past six months to just above the November level.

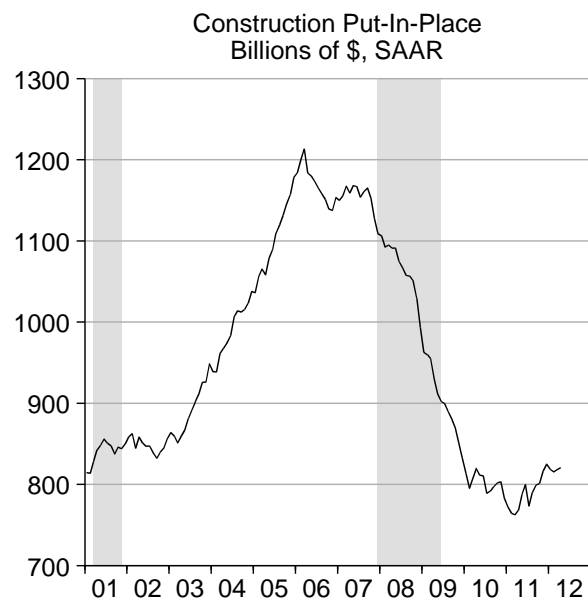


**Manufacturers in and around Ohio** reported mainly steady new orders during the six weeks ending in late May, according to the Federal Reserve Bank of Cleveland survey. A few sources cited a weakening in orders from Europe, whereas most reported that orders were above year earlier levels. In addition, the outlook among manufacturers in the region has grown more positive in the last few months, reflecting better activity levels in construction, energy and transportation.

Manufacturing appears to have been mixed across other regions during May. The Philadelphia Federal Reserve Bank survey found a small improvement in shipments was outweighed by deterioration in orders and prices paid. In contrast, the New York Federal Reserve Bank survey turned up better overall conditions, reflecting stronger orders and shipments.

**Construction**

Total **construction put-in-place** increased modestly in April for the second month in a row after declines in January and February that occurred despite favorable weather. Excluding the poorly estimated residential improvements segment, construction decreased 0.2%. Private construction increased 1.2% overall, reflecting a 2.8% increase in residential building and a 0.2% decrease in nonresidential building. Public construction decreased by 1.4% – the



fifth monthly decline in a row.

Total construction in April was up 6.8% year-over-year and 7.6% from what looks increasingly with each passing month like the cycle low in March 2011, but still remains 32.4% below its pre-recession peak.

**Private nonresidential construction** decreased 0.2% in April, but the February and March levels were revised higher. Compared with a year earlier, private nonresidential construction was up 17.4%, having traced out a clear cyclical trough at the beginning of 2011. Nine of the eleven categories that comprise the nonresidential segment increased by double digit percentages during the year ending in April, led by education (+27.5%) and manufacturing (+26.8%).

The **Architecture Billings Index** from the American Institute of Architects weakened in April to its lowest level since last September and below the neutral level of 50.0. The **Inquiries for New Work Index** and the **Billings Index for the Midwest** also both fell in April to their lowest levels since September and October, respectively. The inquiries index remained above neutral while the Midwest billings index was at essentially the neutral mark.

**Private residential construction-put-in-place** increased a healthy 2.8% in April. The March gain was revised slightly lower. Excluding improvements, residential construction increased by a still-notable 2.1%. The 3-month moving average of housing starts was essentially flat for the third month in a row at just over 700,000 units at an annual pace. Midwest housing starts rebounded 6.5% in April from an upwardly revised 15.4% decline in March on a 3-month average basis. Permits increased 1.4% in April on a 3-month average basis for the seventh gain in a row. Midwest permits increased 3.7% in April on top of the 5.4% increase in March.

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

**Sales of existing homes** were little changed across the country and the Midwest in April 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** increased slightly on a 3-month average basis nationally and increased 4.6% in the Midwest. The Midwest increase, however, followed very large decreases during the three previous months despite very favorable weather conditions. Sales activity remains on a plateau that is far below peak levels of a few years ago.

The inventory of existing homes for sale increased in April to the highest level since last November, lifting the **inventory-to-sales ratio** to 6.6 months, still 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 edged back up to its February level in April after falling to an all-time low in March. At 5.1 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** ticked higher across the country for a second month in a row in March, according to the S&P/Case-Shiller index. The 20-city composite home price index increased 0.1% for the first back-to-back monthly increase since April and May 2010. The index was still down 33.8% from the all-time peak reached in April 2006. The price index for Cleveland increased 0.7% in March for the first gain since September. Prices in Cleveland are 20.6% off from the 2006 peak.

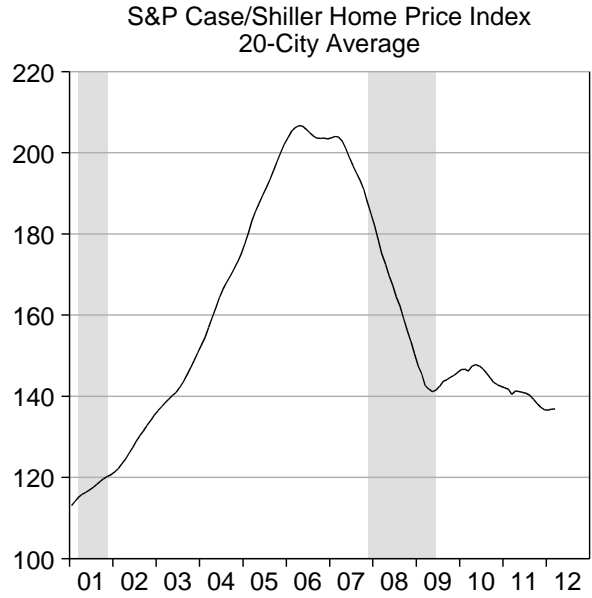


Table 1  
GENERAL REVENUE FUND RECEIPTS  
ACTUAL FY 2012 VS ESTIMATE FY 2012  
(\$ in thousands)

REVENUE SOURCE	MONTH				YEAR-TO-DATE			
	ACTUAL	ESTIMATE	\$ VAR	% VAR	ACTUAL	ESTIMATE	\$ VAR	% VAR
	MAY	MAY			Y-T-D	Y-T-D		
<b>TAX RECEIPTS</b>								
Non-Auto Sales & Use	580,656	571,200	9,456	1.7%	6,411,493	6,310,300	101,193	1.6%
Auto Sales & Use	97,081	87,500	9,581	11.0%	965,715	886,100	79,614	9.0%
Subtotal Sales & Use	677,737	658,700	19,037	2.9%	7,377,208	7,196,400	180,808	2.5%
Personal Income	635,446	609,520	25,926	4.3%	7,593,799	7,345,274	248,525	3.4%
Corporate Franchise	32,287	56,400	(24,113)	-42.8%	122,360	214,701	(92,341)	-43.0%
Commercial Activity Tax	97,595	78,000	19,595	25.1%	409,595	369,500	40,096	10.9%
Public Utility	34,277	45,500	(11,223)	-24.7%	113,792	134,100	(20,308)	-15.1%
Kilowatt Hour	23,306	14,700	8,606	58.5%	285,499	295,700	(10,201)	-3.4%
MCF Tax	11,348	30,200	(18,852)	-62.4%	46,038	65,900	(19,862)	-30.1%
Foreign Insurance	(11,597)	(11,800)	203	-1.7%	267,719	252,499	15,220	6.0%
Domestic Insurance	177,449	136,500	40,949	30.0%	177,599	140,300	37,299	26.6%
Other Business & Property	12,975	22,400	(9,425)	-42.1%	11,381	20,900	(9,519)	45.5%
Cigarette	129,439	127,600	1,839	1.4%	771,080	748,000	23,080	3.1%
Alcoholic Beverage	4,364	4,500	(136)	-3.0%	51,927	51,700	227	0.4%
Liquor Gallonage	3,067	3,100	(33)	-1.1%	35,901	33,800	2,100	6.2%
Estate	7,381	12,100	(4,719)	-39.0%	63,701	61,300	2,401	3.9%
Total Tax Receipts	1,835,073	1,787,420	47,652	2.7%	17,327,598	16,930,074	397,525	2.3%
<b>NON-TAX RECEIPTS</b>								
Federal Grants	630,449	637,679	(7,230)	-1.1%	6,883,326	7,047,085	(163,758)	-2.3%
Earnings on Investments	1	0	1	N/A	3,984	5,150	(1,166)	-22.6%
License & Fees	5,989	753	5,236	695.3%	64,553	61,438	3,115	5.1%
Other Income	1,085	2,109	(1,024)	-48.5%	13,064	576,424	(563,360)	-97.7%
ISTV'S	4	1,097	(1,093)	-99.6%	16,072	14,844	1,229	8.3%
Total Non-Tax Receipts	637,528	641,638	(4,110)	-0.6%	6,980,999	7,704,941	(723,942)	-9.4%
TOTAL REVENUES	2,472,600	2,429,059	43,542	1.8%	24,308,598	24,635,014	(326,417)	-1.3%
<b>TRANSFERS</b>								
Budget Stabilization	0	0	0	N/A	0	0	0	N/A
Liquor Transfers	0	0	0	N/A	92,500	69,500	23,000	33.1%
Transfers In - Other	0	0	0	N/A	48,975	10,598	38,378	362.1%
Temporary Transfers In	45,141	0	45,141	N/A	225,859	0	225,859	N/A
Total Transfers	45,141	0	45,141	N/A	367,334	80,098	287,236	358.6%
TOTAL SOURCES	2,517,741	2,429,059	88,683	3.7%	24,675,931	24,715,112	(39,181)	-0.2%

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

REVENUE SOURCE	MONTH				YEAR-TO-DATE			
	MAY	MAY	\$	%	ACTUAL	ACTUAL	\$	%
	FY 2012	FY 2011	VAR	VAR	FY 2012	FY 2011	VAR	VAR
<b>TAX RECEIPTS</b>								
Non-Auto Sales & Use	580,656	513,015	67,641	13.2%	6,411,493	6,048,514	362,980	6.0%
Auto Sales & Use	97,081	83,534	13,548	16.2%	965,715	882,310	83,404	9.5%
Subtotal Sales & Use	677,737	596,548	81,189	13.6%	7,377,208	6,930,824	446,384	6.4%
Personal Income	635,446	559,962	75,483	13.5%	7,593,799	7,344,475	249,324	3.4%
Corporate Franchise	32,287	53,755	(21,468)	-39.9%	122,360	231,584	(109,225)	-47.2%
Commercial Activity Tax	97,595	0	97,595	N/A	409,595	0	409,595	N/A
Public Utility	34,277	42,177	(7,900)	-18.7%	113,792	124,343	(10,551)	-8.5%
Kilowatt Hour	23,306	2,677	20,629	770.5%	285,499	144,813	140,686	97.1%
MCF Tax	11,348	0	11,348	N/A	46,038	0	46,038	N/A
Foreign Insurance	(11,597)	(11,996)	398	-3.3%	267,719	256,654	11,065	4.3%
Domestic Insurance	177,449	94,427	83,023	87.9%	177,599	97,735	79,865	81.7%
Other Business & Property	12,975	5,075	7,900	155.7%	11,381	4,082	7,299	-178.8%
Cigarette	129,439	130,048	(609)	-0.5%	771,080	779,031	(7,951)	-1.0%
Alcoholic Beverage	4,364	4,406	(42)	-0.9%	51,927	50,530	1,396	2.8%
Liquor Gallonage	3,067	3,139	(72)	-2.3%	35,901	34,383	1,517	4.4%
Estate	7,381	22,543	(15,162)	-67.3%	63,701	70,374	(6,672)	-9.5%
Total Tax Receipts	1,835,073	1,502,761	332,312	22.1%	17,327,598	16,068,829	1,258,769	7.8%
<b>NON-TAX RECEIPTS</b>								
Federal Grants	630,449	798,810	(168,361)	-21.1%	6,883,326	7,943,826	(1,060,499)	-13.3%
Earnings on Investments	1	0	1	N/A	3,984	5,303	(1,320)	-24.9%
License & Fee	5,989	553	5,436	983.8%	64,553	58,566	5,987	10.2%
Other Income	1,085	677	408	60.2%	13,064	143,173	(130,109)	-90.9%
ISTV'S	4	1,898	(1,894)	-99.8%	16,072	25,674	(9,601)	-37.4%
Total Non-Tax Receipts	637,528	801,938	(164,410)	-20.5%	6,980,999	8,176,541	(1,195,542)	-14.6%
TOTAL REVENUES	2,472,600	2,304,698	167,902	7.3%	24,308,598	24,245,370	63,227	0.3%
<b>TRANSFERS</b>								
Budget Stabilization	0	0	0	N/A	0	0	0	N/A
Liquor Transfers	0	12,000	(12,000)	N/A	92,500	138,000	(45,500)	-33.0%
Transfers In - Other	0	0	0	N/A	48,975	30,398	18,577	61.1%
Temporary Transfers In	45,141	0	45,141	N/A	225,859	741,668	(515,810)	-69.5%
Total Transfers	45,141	12,000	33,141	276.2%	367,334	910,066	(542,732)	-59.6%
TOTAL SOURCES	2,517,741	2,316,698	201,043	8.7%	24,675,931	25,155,437	(479,505)	-1.9%

## ***REVENUES***

May 2012 GRF receipts totaled \$2,517.7 million and were \$88.7 million (3.7%) above estimate. Monthly tax receipts totaled \$1,835.1 million and were \$47.7 million (2.7%) above the estimate, while non-tax receipts and transfers totaled \$637.5 million and \$45.1 million and were \$4.1 million (0.6%) below and \$45.1 million above the respective estimates. Year-to-date variances by category are provided in the following table (\$ in millions).

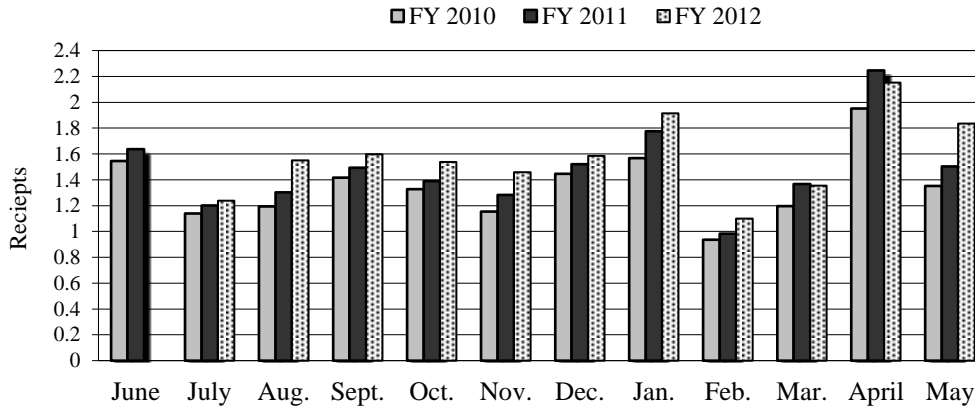
<b>Category</b>	<b>Includes:</b>	<b>YTD Variance</b>	<b>% Variance</b>
Tax receipts	Sales & use, personal income, corporate franchise, public utility, kilowatt hour, foreign & domestic insurance, other business & property taxes, cigarette, soft drink, alcoholic beverage, liquor gallonage, estate & horse racing	\$397.5 million	2.3%
Non-tax receipts	Federal grants, earnings on investments, licenses & fees, other income, intrastate transfers	(\$723.9 million)	(9.4%)
Transfers	Budget stabilization, liquor transfers, capital reserve, other	\$287.2 million	358.6%
<b>TOTAL REVENUE VARIANCE:</b>		<b>(\$39.2 million)</b>	<b>(0.2%)</b>

May tax receipts were above the estimate by \$47.7 million (2.7%). On a year-over-year basis, May 2012 tax receipts were \$332.3 million (22.1%) higher than in May 2011. For fiscal year 2012 year-to-date, total tax collections are \$1,258.8 million (7.8%) 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 withholding, quarterly estimated payments, and lower-than-anticipated refunds.

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

<b>Individual Sources Above Estimate</b>		<b>Individual Sources Below Estimate</b>	
Non-Auto Sales Tax	\$9.5	Corporate Franchise Tax	(\$24.1)
Auto Sales Tax	\$9.6	Public Utility Tax	(\$11.2)
Personal Income Tax	\$25.9	MCF Tax	(\$18.9)
Commercial Activity Tax	\$19.6	Other Business & Property	(\$9.4)
Kilowatt Hour Tax	\$8.6	Alcoholic Beverage Tax	(\$0.1)
Foreign Insurance Tax	\$0.2	Estate Tax	(\$4.7)
Domestic Insurance Tax	\$41.0	Federal Grants	(\$7.2)
Cigarette Tax	\$1.8	Other Income	(\$1.0)
Licenses & Fees	\$5.2	ISTV's	(\$1.1)
Temporary Transfers In	\$45.1		
<b>Total above</b>	<b>\$166.5</b>	<b>Total below</b>	<b>(\$77.8)</b>

Tax Revenue Comparison by Month  
(\$ in billions)



### Non-Auto Sales and Use Tax

The non-auto sales tax returned to its pattern of above estimate monthly performance in May as receipts totaled \$580.7 million and exceeded the estimate by \$9.5 million (1.7%). Year-to-date non-auto sales tax receipts total \$6,411.5 million and are \$101.2 million (1.6%) above the estimate. On a year-over-year basis, May 2012 receipts were \$67.6 million (13.2%) above collections for May 2011, with collections through the first eleven months of fiscal year 2012 exceeding those of the same period for fiscal year 2011 by \$363.0 million (6.0%).

## Auto Sales Tax

Again driven by continued stronger-than-expected vehicle sales, the auto sales tax continued its better-than-expected performance in May, as receipts totaled \$97.1 million and were \$9.6 million (11.0%) above the monthly estimate. Year-to-date receipts through the first eleven months of the fiscal year total \$965.7 million, which is \$79.6 million (9.0%) above the estimate. On a year-over-year basis, May auto sales tax receipts were \$13.5 million (16.2%) over receipts for the same month a year ago, while year-to-date collections are \$83.4 million (9.5%) higher than for the first eleven months of fiscal year 2011.

## Personal Income Tax

Due largely to a timing issue with quarterly estimated payments that was identified in the April report, the personal income tax exceeded the May estimate by \$25.9 million (4.3%), as receipts totaled \$635.4 million. The withholding component continued to show weakness in May, albeit to a lesser extent compared than in the last three months, as receipts totaled \$661.1 million and were \$7.7 million (1.1%) below the estimate. Payments from annual returns also experienced a negative variance in May finishing \$11.3 million (27.9%) short of the estimate. As has been the pattern throughout the year, refunds were \$18.1 million (23.6%) below estimate, helping to offset the weakness in withholding and annual returns. As noted in last month's report, a quarterly estimated payment that was due in April was instead posted on the first day of May resulting in a shortfall in that component in April and an overage of \$25.4 million (208.1%) in May. Combining the results of the two months, the variance for this component exceeded the combined estimate by \$2.6 million (1.4%).

On a year-over-year basis, income tax receipts for May 2012 exceeded the May 2011 level by \$75.5 million (13.5%), with most of this growth being accounted for by the withholding (7.3%) and quarterly estimated payment (218.5%) components. While the 7.3 percent year-over-year growth in the withholding component appears strong relative to recent months, due to the presence of an additional pay in day in May 2012, the estimate for the month assumed year-over-year growth of 8.5 percent.

FY2012 PERSONAL INCOME TAX RECEIPTS BY COMPONENT (\$ in millions)						
	ESTIMATE	ACTUAL	\$ VAR	ESTIMATE	ACTUAL	\$ VAR
	MAY	MAY	MAY	Y-T-D	Y-T-D	Y-T-D
Withholding	\$668.8	\$661.1	(\$7.7)	\$7,206.8	\$7,087.7	(\$119.1)
Quarterly Est.	\$12.2	\$37.6	\$25.4	\$975.7	\$1,008.8	\$33.1
Trust Payments	\$16.4	\$15.9	(\$0.5)	\$52.1	\$51.7	(\$0.4)
Annual Returns & 40 P	\$40.5	\$29.2	(\$11.3)	\$1,052.6	\$1,075.6	\$23.0
Other	\$18.8	\$21.7	\$2.9	\$123.3	\$133.1	\$9.8
Less: Refunds	(\$76.9)	(\$58.8)	\$18.1	(\$1,521.3)	(\$1,213.0)	\$308.3
Local Distr.	(\$70.3)	(\$71.3)	(\$1.0)	(\$543.9)	(\$550.0)	(\$6.0)
<b>Net to GRF</b>	<b>\$609.5</b>	<b>\$635.4</b>	<b>\$25.9</b>	<b>\$7,345.3</b>	<b>\$7,593.8</b>	<b>\$248.5</b>

## **Corporate Franchise Tax**

Corporate franchise tax receipts for the month of May totaled \$32.3 million and were \$24.1 million (42.8%) below the estimate of \$56.4 million. As in previous months, 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 \$122.4 million, which is \$92.3 million (43.0%) below the estimate.

## **Commercial Activity Tax**

May Commercial Activity Tax (CAT) receipts to the GRF totaled \$97.6 million and were \$19.6 million (25.1%) above the monthly estimate. With May’s performance, year-to-date GRF CAT receipts total \$409.6 million which is \$40.1 million (10.9%) above the year-to-date estimate and \$34.4 million above the \$375.2 million estimate for the entire fiscal year. All-funds CAT receipts for May totaled \$370.5 million and were \$74.5 million (25.2%) above the \$296.0 million estimate. For the year-to-date, all-funds CAT receipts are \$1,640.4 million which is \$167.8 million (11.4%) above estimate. The total estimate for fiscal year 2012 is \$1,490.0 million, so all-funds CAT receipts for the year are already \$147.6 million above this estimate, with June’s collections yet to be received.

## **Public Utility Tax**

The public utility tax continued to underperform relative to the estimate in May as receipts totaled \$34.3 and were \$11.2 million (24.7%) below the estimate. On a year-to-date basis, total public utility tax receipts are \$113.8 million which is \$20.3 million (15.1%) below the estimate. On a year-over-year basis, receipts were \$7.9 million (18.7%) below May 2011 levels and \$10.6 million (8.5%) 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 as well as an unusually mild winter.

## **Kilowatt-Hour Tax**

Due to an \$11.6 million revenue coding error with MCF tax receipts, the kilowatt-hour tax appears to have totaled \$23.3 million in May which was \$8.6 million (58.5%) above the estimate. However, factoring in the coding error, which has been corrected and will be reflected in the June monthly report, the kilowatt hour tax was actually \$3.0 million short of the May estimate, a performance that is likely due to the milder weather throughout the year compared to previous years. On a year-over-year basis, receipts were \$20.6 million (770.5%) 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.

## **MCF Tax**

May receipts for the MCF tax (“natural gas distribution”) totaled \$11.3 million and were \$18.9 million (62.4%) below the monthly estimate. As discussed in the kilowatt hour tax narrative,

much of this variance is due to a revenue coding error that has since been corrected and will be reflected in the June monthly report. While the coding error accounts for a majority of the monthly shortfall, the tax would still have been short of the May estimate by approximately \$7.3 million, a performance that is attributable to reduced natural gas consumption during the recent mild winter. Year-to-date receipts are \$46.0 million which is \$19.9 million (30.1%) below estimate, a negative variance that when adjusted for the revenue coding error is reduced to \$8.3 million. Prior to fiscal year 2012, receipts from the MCF tax were distributed to the School District Property Tax Replacement Fund (68.7%) and the Local Government Property Tax Replacement Fund (31.3%). H.B. 153 of the 129<sup>th</sup> General Assembly modified this distribution, requiring that for fiscal year 2012 and thereafter, 100% of the MCF tax receipts were to be credited to the GRF.

### **Domestic Insurance Tax**

Due to a larger-than-expected portion of domestic insurance tax receipts being received in May, receipts totaled \$177.4 million and exceeded the estimate by \$40.9 million (30.0%). As a result of the larger than expected May payment, June payments should be below estimate by a similar amount. Year-to-date receipts for this tax total \$177.6 million and are \$37.3 million (26.6%) above the estimate. On a year-over-year basis, receipts were \$83.0 million (87.9%) above the same month in the previous fiscal year, while year-to-date 2012 receipts are \$79.9 million (81.7%) above collections for the first eleven months of fiscal year 2011.

### **Cigarette Tax**

The cigarette tax exceeded the monthly estimate again in May as the \$129.4 million in receipts were \$1.8 million (1.4%) above the estimate. Year-to-date cigarette tax receipts total \$771.1 million and are \$23.1 million (3.1%) above the estimate. On a year-over-year basis, cigarette tax receipts were \$0.6 million (0.5%) lower than for the same month a year ago, while fiscal year 2012 receipts to-date are \$8.0 million (1.0%) lower than those of the same point in fiscal year 2011 – a decline that is lower than the 3.0 percent historical decline we have seen with this tax source.

**GRF non-tax receipts** totaled \$637.5 million in May and were \$4.1 million (0.6%) below the estimate. This is largely the result of lower-than-anticipated federal grants and other income. **GRF transfers** during the month of May were \$45.1 million above the estimate of zero and were the result of a temporary transfer back to the GRF for an advance made earlier in the fiscal year to the Local Government Tangible Personal Property Tax Replacement Fund.



## **DISBURSEMENTS**

May 2012 General Revenue Fund (GRF) disbursements, across all fund uses, total \$2,488.2 million and were \$182.8 million (7.9%) above the estimate. Year-to-date disbursements by category are provided in the following table:

<b>Category</b>	<b>Description</b>	<b>YTD Variance</b>	<b>% Variance</b>
Expenditures and transfers between agencies (ISTVs)	State agency operations, subsidies, tax relief, debt service payments, and pending payroll (if applicable)	(\$626.1 million)	(2.5%)
Transfers	Temporary or permanent transfers out of the GRF that are not agency expenditures	\$221.0 million	56.4%
<b>TOTAL DISBURSEMENTS VARIANCE:</b>		<b>(\$405.1 million)</b>	<b>(1.6%)</b>

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. May disbursements in this category totaled \$438.0 million and were \$62.9 million (12.6%) below the estimate.

Year-to-date expenditures for the Department of Education alone equal \$5,881.2 million and are \$60.0 million (1.0%) below the estimate. Disbursements for the month of May totaled \$435.0 million, which was \$63.7 million (12.8%) below the estimate. Expenditures for the school foundation program (ALI 200502 – Pupil Transportation and ALI 200550 – Foundation Funding) totaled \$412.1 million, which was \$64.7 million (13.6%) 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. While these fluctuations will continue through the month of June, OBM expects the line item to be fully disbursed by the end of the fiscal year.

### **Higher Education**

Year-to-date disbursements for higher education total \$1,942.3 million and are \$17.8 million (0.9%) below the estimate as a result of lower-than-expected disbursements in the Choose Ohio First Scholarship, National Guard Scholarship, and Ohio College Opportunity Grant line items. May disbursements for Higher Education were \$177.6 million and were \$1.0 million (0.5%) above the estimate for the month.

## **Public Assistance and Medicaid**

Year-to-date expenditures totaled \$11,695.0 million and were \$475.2 million (3.9%) below estimate. May disbursements in this category, which include all GRF expenditures by the Ohio Department of Job and Family Services (ODJFS), totaled \$1,040.3 million which was \$38.3 million (3.5%) below the monthly estimate.

### Public Assistance and Non-Medicaid

ODJFS, Non-Medicaid GRF disbursements totaled \$43.9 million for the month of May and were \$5.5 million (11.1%) below the estimate. Major variances within individual line items were attributable to the following:

- Child Care Match/Maintenance of Effort disbursements (ALI 600413) were \$4.7 million (36.4%) below estimate. This was due to child care payments being heavily shifted to federal funding sources, which was not originally planned. Despite the May variance, the department expects that the line item will be fully obligated by the end of the fiscal year.
- Computer Projects disbursements (ALI 600416) were \$1.7 million (23.9%) below estimate due to the agency not receiving Department of Administrative Services Office of Information Technology invoices as planned.
- Disability Financial Assistance subsidy disbursements (ALI 600511) were \$2.1 million (88.4%) below estimate primarily as a result of County Finance & Technical Assistance closeout adjustments totaling \$1.5 million.
- Temporary Assistance for Needy Families (TANF) State subsidy disbursements (ALI 600410) were \$2.2 million (237.8%) above estimate as line item subsidy expenses originally planned for June were disbursed in May. This was done to ensure that all necessary payments were made prior to the end of the fiscal year.
- Child, Family, and Adult Community & Protective Services disbursements (ALI 600533) were \$1.7 million (177.4%) above estimate due to county subsidy expenses being higher than anticipated.

### 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 \$10,959.9 million, which is \$434.8 million (3.8%) below the estimate, and \$963.5 million (9.6%) above the same point in the previous fiscal year. Disbursements for the month of May totaled \$989.9 million and were \$39.3 million (3.8%) below the estimate and \$81.4 million (9.0%) above the same point in the previous fiscal year.

**All funds disbursements** year-to-date are \$13,541.6 million, which is \$540.7 million (3.8%) below the estimate and \$824.8 (6.5%) above disbursements for the same point in the previous fiscal year. Disbursements for the month of May totaled \$1,216.3 million and were \$44.8

million (3.6%) below the estimate and \$62.7 million (5.4%) below the same month in the previous fiscal year.

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

	<b>May Projection</b>	<b>May Actual</b>	<b>Variance</b>	<b>Variance %</b>
<b>GRF</b>	\$ 1,029,182,273	\$ 989,864,747	\$ (39,317,526)	-3.8%
<b>Non-GRF</b>	\$ 231,938,049	\$ 226,456,251	\$ (5,481,798)	-2.4%
<b>All Funds</b>	\$ 1,261,120,322	\$ 1,216,320,998	\$ (44,799,324)	-3.6%

### *Categorical Variances*

Year-to-date, 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. The May variance was primarily driven by the following:

- Managed Care ABD and CFC – The variance within managed care accounts for \$36.7 million of the total \$44.8 million in under-spending 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 May. This is primarily attributable to reductions in Medicare Part B rates that went into effect in January.

### *Caseload*

As noted in previous reports, caseload data had not been available consistently following the implementation of MITS. Below is a discussion of the caseload information that is currently available. It is important to note that the data below is subject to change and updates. In addition, data from August forward uses MITS as the original data source, while the older budget estimates and actuals were generated from, or based upon, the previous MMIS. As there is more than one data source, the differences between actuals and projections, as well as changes in caseload totals before and after August 1, 2011, will be partially driven by differences in the source data. For instance, data was cleaned up during the conversion process from MMIS to MITS.

The Covered Families and Children (CFC) category increased by 7,653 persons to a May total of 1.68 million persons. The Aged, Blind, and Disabled (ABD) program increased by 3,377 people to a May total of 408.6 thousand covered lives. Please note that total Medicaid caseload numbers are subject to revision as data are finalized, so numbers may not tie precisely month to month.

Total enrollment for the same month last year was 2.17 million covered persons, including 1.65 million persons in the CFC program and 406.5 thousand people in the ABD category. This represents total program increase over the last twelve months of 103.0 thousand covered lives. As previously noted, this comparison is being made using data from two different sources.

## **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.

Year-to-date disbursements are \$913.5 million, which is \$16.9 million (1.8%) below the estimate. May disbursements in this category totaled \$59.2 million and were \$3.9 million (6.2%) below the estimate for the month.

### Department of Health

Year-to-date disbursements for the Department of Health total \$74.2 million and are \$0.4 million (0.5%) below estimate. May disbursements totaled \$7.8 million and were \$1.8 million (18.3%) below estimate. This is primarily attributable to overspending in previous months in the Ohio Early Start line.

### Department of Aging

Year-to-date disbursements for the Department of Aging total \$12.6 million and are \$0.7 million (5.2%) below estimate. May disbursements totaled \$0.9 million and were \$0.4 million (29.2%) below estimate. The variance for the month can be attributed to a higher volume of subsidies paid out in previous months under the Senior Community Services line.

### Department of Mental Health

Year-to-date Department of Mental Health disbursements total \$454.0 million and are \$21.0 million (4.4%) below estimate. May disbursements totaled \$21.5 million and were \$0.3 million (1.2%) over estimate. The variance is primarily attributable to spending in the Hospital Services line item, which was \$0.8 million (6.3%) over estimate due primarily to several maintenance projects not originally anticipated for May, as well as higher than expected utility costs. Also contributing to the variance was the Lease-Rental line item, which was \$0.7 million (9.1%) below estimate as a result of a lower-than-anticipated debt service payment charged to the department. The Research Program Evaluation line item was \$0.2 million (917%) over estimate due to the final payment processing of various projects.

### Department of Alcohol and Drug Addiction Services

Year-to-date Department of Alcohol and Drug Addiction Services disbursements total \$36.3 million and are \$1.5 million (4.2%) above estimate. May disbursements totaled \$78,000 and were \$1.1 million (93.6%) below estimate. The variance is primarily attributable to lower-than-expected spending in the Medicaid Match line item, which was \$1.2 million (96.1%) under

estimate. In October, the department disbursed \$7.4 million to local boards to fund Medicaid expenditures, which was earlier than originally planned. The department expects to meet the estimate for the fiscal year.

#### Department of Developmental Disabilities

Year-to-date Department of Developmental Disabilities disbursements total \$285.0 million and are \$1.7 million (0.6%) below estimate. May disbursements totaled \$24.3 million and were \$1.0 million (4.0%) below estimate. The variance is primarily attributable to expenditures within the Lease-Rental Payments line item, which were \$0.7 million (9.1%) under estimate due to a lower-than-anticipated debt service payment charged to the department. The variance is also attributable to expenditures within the Medicaid State Match line item, which were \$0.3 million (1.8%) below estimate due to developmental center payroll costs being below projection during the month.

#### **Justice and Public Protection**

Disbursements in the Justice and Public Protection category for the year-to-date total \$1,732.2 million and are \$78.7 million (4.3%) below the estimate. May disbursements totaled \$138.1 million and were \$24.7 million (21.8%) above the estimate.

#### Department of Rehabilitation and Correction

Department of Rehabilitation and Correction disbursements totaled \$109.5 million in the month of May, which was \$20.2 million (22.7%) above the \$89.2 million estimate. This variance was largely caused by payments to community halfway house programs planned for April that posted in May, as well as expedited payments to medical providers in preparation for fiscal year end.

#### Department of Youth Services

Department of Youth Services disbursements totaled \$12.6 million in the month of May and were \$4.6 million (57.2%) above the \$7.9 million estimate. This variance was largely caused by payments to community correctional facilities anticipated in April that posted in May.

#### **General Government**

Year-to-date disbursements in the General Government category total \$259.6 million and are \$19.5 million (7.0%) below the estimate. May disbursements totaled \$19.5 million and were \$5.4 million (37.9%) above the estimate.

#### Department of Natural Resources

Year-to-date Department of Natural Resources disbursements total \$73.3 million, which is over estimate by \$1.8 million (2.5%). May disbursements totaled \$9.4 million and were \$0.3 million (3.2%) under estimate. This is primarily attributable to the following:

- The Wildlife Central Support line item was over estimate by \$0.5 million due to a payment being made in May which was originally planned for April.
- The Division of Parks and Recreation line item was under estimate by \$0.5 million due to seasonal help being hired in April which had originally been planned in May.

### Department of Administrative Services

Department of Administrative Services disbursements totaled \$5.2 million during the month of May and were \$0.5 million (9.7%) above the estimate. This occurred because the department billed a GRF line item that pays rent for GRF-supported agencies and vacant space in May for fourth quarter rent, rather than March as originally estimated.

### **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. Year-to-date tax relief payments total \$1,680.5 million and are \$103.5 million (6.6%) above the estimate. May disbursements totaled \$595.7 million and were \$256.8 million (75.8%) above the \$338.9 million monthly estimate. Despite the large monthly variance swings throughout the fiscal year, OBM anticipates that final disbursements will only finish slightly above estimate and that a slight increase in appropriation (as authorized by H.B. 153), will be necessary to support these payments.

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

Functional Reporting Categories Description	MONTH				YEAR-TO-DATE			
	ACTUAL	ESTIMATED	\$	%	YTD	YTD	\$	%
	MAY	MAY	VAR	VAR	ACTUAL	ESTIMATE	VAR	VAR
Primary, Secondary and Other Education	438,039	500,944	(62,904)	-12.6%	5,927,114	5,988,272	(61,157)	-1.0%
Higher Education	177,552	176,582	971	0.5%	1,942,282	1,960,047	(17,765)	-0.9%
Public Assistance and Medicaid	1,040,279	1,078,545	(38,266)	-3.5%	11,695,045	12,170,290	(475,245)	-3.9%
Health and Human Services	59,233	63,121	(3,888)	-6.2%	913,487	930,378	(16,891)	-1.8%
Justice and Public Protection	138,130	113,422	24,708	21.8%	1,732,184	1,810,900	(78,717)	-4.3%
Environmental Protection and Natural Resource	9,405	9,739	(335)	-3.4%	69,075	67,389	1,687	2.5%
Transportation	1,036	1,186	(150)	-12.6%	9,180	12,224	(3,044)	-24.9%
General Government	19,506	14,148	5,358	37.9%	259,551	279,096	(19,545)	-7.0%
Community and Economic Development	9,317	6,705	2,612	39.0%	86,249	99,715	(13,466)	-13.5%
Tax Relief and Other	595,695	338,907	256,789	75.8%	1,680,459	1,576,984	103,474	6.6%
Capital Outlay	0	0	0	N/A	120	0	120	N/A
Debt Service	0	0	0	N/A	339,327	384,906	(45,579)	-11.8%
<b>Total Expenditures &amp; ISTV's</b>	<b>2,488,193</b>	<b>2,303,298</b>	<b>184,894</b>	<b>8.0%</b>	<b>24,654,074</b>	<b>25,280,201</b>	<b>(626,127)</b>	<b>-2.5%</b>
<b>Transfers Out:</b>								
Operating Transfer Out	16	2,097	(2,082)	-99.3%	375,498	391,851	(16,353)	-4.2%
Temporary Transfer Out	0	0	0	N/A	237,356	0	237,356	N/A
<b>Total Transfers Out</b>	<b>16</b>	<b>2,097</b>	<b>(2,082)</b>	<b>-99.3%</b>	<b>612,853</b>	<b>391,851</b>	<b>221,003</b>	<b>56.4%</b>
<b>Total Fund Uses</b>	<b>2,488,208</b>	<b>2,305,396</b>	<b>182,813</b>	<b>7.9%</b>	<b>25,266,927</b>	<b>25,672,051</b>	<b>(405,124)</b>	<b>-1.6%</b>

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

Functional Reporting Categories Description	MONTH				YEAR-TO-DATE			
	MAY FY 2012	MAY FY 2011	\$ VAR	% VAR	ACTUAL FY 2012	ACTUAL FY 2011	\$ VAR	% VAR
Primary, Secondary and Other Education	438,039	517,365	(79,326)	-15.3%	5,927,114	6,466,866	(539,751)	-8.3%
Higher Education	177,552	190,570	(13,017)	-6.8%	1,942,282	2,230,797	(288,514)	-12.9%
Public Assistance and Medicaid	1,040,279	974,859	65,420	6.7%	11,695,045	10,748,006	947,039	8.8%
Health and Human Services	59,233	91,527	(32,293)	-35.3%	913,487	1,052,427	(138,940)	-13.2%
Justice and Public Protection	138,130	166,403	(28,273)	-17.0%	1,732,184	1,807,186	(75,002)	-4.2%
Environmental Protection and Natural Resource	9,405	10,261	(857)	-8.3%	69,075	69,981	(906)	-1.3%
Transportation	1,036	727	309	42.5%	9,180	12,744	(3,564)	-28.0%
General Government	19,506	18,732	774	4.1%	259,551	258,234	1,317	0.5%
Community and Economic Development	9,317	7,660	1,657	21.6%	86,249	96,333	(10,084)	-10.5%
Tax Relief and Other	595,695	375,899	219,796	58.5%	1,680,459	1,591,105	89,354	5.6%
Capital Outlay	0	0	0	N/A	120	24	96	402.1%
Debt Service	0	0	0	N/A	339,327	450,367	(111,041)	-24.7%
<b>Total Expenditures &amp; ISTV's</b>	<b>2,488,193</b>	<b>2,354,002</b>	<b>134,191</b>	<b>5.7%</b>	<b>24,654,074</b>	<b>24,784,069</b>	<b>(129,996)</b>	<b>-0.5%</b>
<b>Transfers Out:</b>								
Operating Transfer Out	16	0	16	N/A	375,498	71,174	304,324	427.6%
Temporary Transfer Out	0	161,125	(161,125)	N/A	237,356	1,106,837	(869,481)	-78.6%
<b>Total Transfers Out</b>	<b>16</b>	<b>161,125</b>	<b>(161,110)</b>	<b>(1)</b>	<b>612,853</b>	<b>1,178,011</b>	<b>(565,157)</b>	<b>-48.0%</b>
<b>Total Fund Uses</b>	<b>2,488,208</b>	<b>2,515,127</b>	<b>(26,919)</b>	<b>-1.1%</b>	<b>25,266,927</b>	<b>25,962,080</b>	<b>(695,153)</b>	<b>-2.7%</b>



## ***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 \$152.5 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)

<b>July 1, 2011 Beginning Cash Balance</b>	<b>\$ 844,467</b>
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
<b>Total Sources Available for Expenditure &amp; Transfer</b>	<b>28,017,747</b>
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	407,475
<b>Total Estimated Uses</b>	<b>27,865,253</b>
<b>FY 2012 ENDING FUND BALANCE</b>	<b>152,494</b>

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

Astrid Arca, Jim Bennett, Benjamin Boettcher, Jim Coons, Paul DiNapoli, Maddie Forrester, Rebecca Gray, Joshua Hope, Kurt Kauffman, Deanna Kimball, Sári Klepacz, Isabel Louis, Matthew Martin, Jeff Newman, Katherine Nickey, Lawrence Parson, Steven Peishel, Leslie Piatt, Penny Rader, Aaron Rausch, Daniel Schreiber, Lillian Stockell, and Chris Whistler.