



July 10, 2012

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

FROM: Timothy S. Keen, Director TK

SUBJECT: Monthly Financial Report

ECONOMIC SUMMARY

Economic Performance Overview

- Real GDP expanded at an annual rate of 1.9% in the first quarter, down from 3.0% in the fourth quarter. Forecasters expect growth to improve but remain below 3.0% each quarter well into 2013.
- National job growth remained subdued in June. Nonfarm payrolls increased by 80,000 jobs. The U.S. unemployment rate remained at 8.2%.
- Ohio employment increased by 19,600 jobs in May, bringing the year-to-date growth in employment to 64,600. The Ohio unemployment rate dropped to 7.3% in May to 0.9 percentage 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

The final estimate of **real GDP** growth in the first quarter of 2012 remained at 1.9%, down from 3.0% in the fourth quarter of 2011. Final sales growth was revised modestly higher. Inventory accumulation was revised downward. Corporate profits posted the first decline since the fourth quarter of 2008, largely reflecting weak sales overseas. Recent patterns in production and spending indicate that growth continued at a similar pace in the second quarter of 2012.

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 1.8% in the first quarter, up from 1.1% in the fourth quarter. 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.

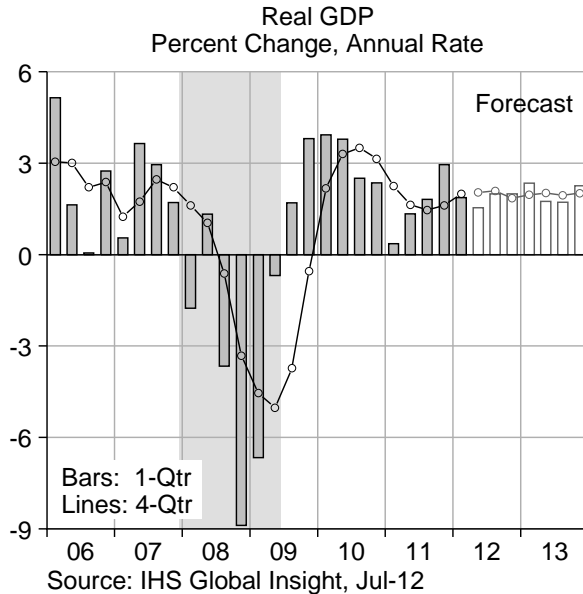
Although economic activity increased by a smaller amount in the first quarter than in the fourth quarter, the mix of activity was somewhat more promising. More than one half of growth in the fourth quarter came from unsold goods that were added to inventories. In contrast, first-quarter growth was fueled 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 subtracted from overall growth while nonresidential fixed investment in structures was essentially unchanged. Federal defense and non-defense spending declined during the first 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 overall growth, increased for the fifth consecutive quarter.

The much milder than normal weather during the winter probably boosted activity in sectors ranging from consumer spending to housing construction – a factor that did not recur in the second quarter and might have had 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.

IHS Global Insight estimates that real GDP slowed to 1.5% in the second quarter and predicts that growth will continue at a 2.0% pace in the second half of the year and remain below 2.5% through 2013. The economic forecasting firm cites the potential for a disruptive exit by Greece from the Eurozone as a key risk, but assumes that Congress will avoid the “fiscal cliff” posed by looming tax increases by extending current policies through 2013. The firm noted the weakening in manufacturing, but also cited recovery in construction and the positive effects on consumer spending of the recent large pullback in the price of gasoline.

According to *Blue Chip Financial Forecasts*, the consensus is that real GDP expanded by 2.2% in the second quarter and will continue



to grow at a modest pace thereafter, picking up but remaining below 3.0% through 2013. Leading indicators remain consistent with slow but 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 ten of the eleven weeks ending June 22nd before increasing at the end of the month. The 6-month smoothed rate of change still declined to -3.7%.

The composite **Leading Economic Index** from the Conference Board increased 0.3% in May after a decline of 0.1% in April. The ratio of the coincident index to lagging index – itself a leading indicator – declined 0.1% in May for the third straight decline to 0.7% below the year earlier level.

The Ohio economy continued to make progress through May. The **Ohio Coincident Economic Index**, compiled by the Federal Reserve Bank of Philadelphia, increased 0.3% in May for the 33rd consecutive monthly increase. The 12-month rate of change was 5.6% in May – up from a recent low of 3.3% last June and the highest since January 1998. The index combines four state-level indicators to summarize current economic conditions. The four components are nonfarm payroll employment, average hours worked in manufacturing, the unemployment rate and real wage and salary disbursements.

The companion **Ohio Leading Economic Index** remained above 2.0% for the eighth straight month in May. The index was 2.7% in May while the April level was revised down from 2.9% to 2.0%. The index, which is compiled by the Federal Reserve Bank of Philadelphia, is designed to predict the rate of increase in the coincident index during the next six months. The index has been below zero in all but one month when the economy was in recession since 1982. Index values have been revised significantly on occasion, but as it stands the recent pattern is squarely consistent with ongoing expansion of the Ohio economy.

Employment

Growth in **nonfarm payroll employment** remained subdued in June with nonfarm payrolls rising by 80,000 jobs. Job growth averaged 75,000 per month in the second quarter of 2012, down from 226,000 per month in the first quarter. The deceleration in employment almost certainly reflected the mild winter weather which boosted first-quarter activity at the expense of second-quarter activity, but probably also reflected a weakening in the demand for labor that to an extent is probably related to weakening overseas demand.

The **unemployment rate** remained at 8.2% in June and averaged 8.2% in the second quarter and during the first half of 2012 after falling from 9.4% in December 2010 to 8.5% in December 2011. The broader U-6 unemployment rate increased to 14.9%, up from 14.5% in February.

The **length of the workweek** increased, aggregate hours worked expanded, and average hourly earnings increased moderately. Aggregate hours increased 0.9% at an annual rate in the second quarter, up slightly from 0.5% in the first quarter, suggesting that overall economic growth continued at a slow pace through the spring quarter.

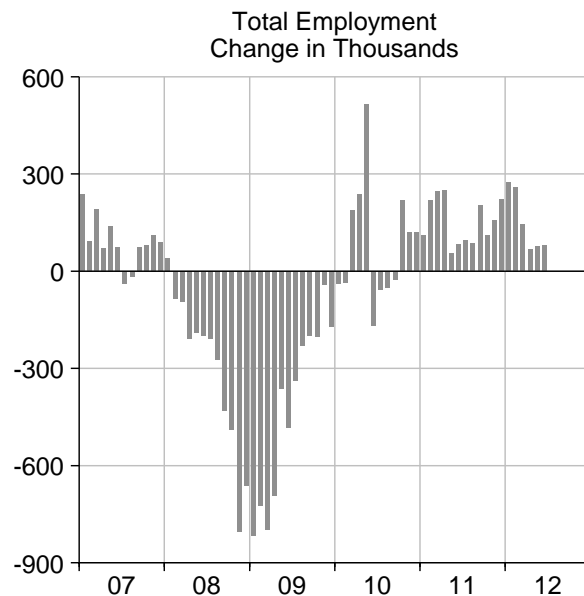
Employment changed modestly across sectors. More than half of the gains occurred in professional and business services (+47,000), with approximately half of those gains having occurred at temporary help agencies (+25,000). Manufacturing employment increased for the ninth straight month, but by only 11,000 jobs. Construction employment increased 57,000 jobs (+2,000) after four consecutive monthly declines. Employment in leisure and hospitality increased by 13,000 jobs, while information (-8,000) and government employment (-4,000) both decreased.

Ohio employment increased by 19,600 jobs in May and the previously reported decrease of 3,400 jobs was revised up to a decrease of 2,000 jobs. Employment is up 64,600 jobs year-to-date through May and is up 75,700 jobs from a year earlier. The March-April declines followed two solid monthly gains in January-February totaling 52,200 jobs. 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 largely positive during May. Increases were led by manufacturing (+6,400), professional and business services (+4,500), educational and health services (+4,300), and leisure and hospitality (+2,900). Employment declined in trade, transportation and utilities (-2,100) and government (-1,000).

During the last twelve months, employment gains were led by manufacturing (+21,600), educational and health services (+21,300), trade, transportation and utilities (+16,500), and professional and business services (+10,800). Employment declined in leisure and hospitality (-5,900) and in financial activities (-900). Private sector employment increased by 73,300 jobs during the last twelve months.

Among the **contiguous states**, year-over-year employment growth was strongest in Indiana (+2.2%) and Kentucky (+2.0%), followed by Ohio (+1.5%), Michigan (+1.2%), West Virginia (+0.8%), and Pennsylvania (+0.5%). For the Ohio and contiguous state region, employment increased 1.3% during the year ending in May, compared with 1.4% outside the region. Growth in regional employment has outpaced growth outside the region since the trough in employment in February 2010 by 3.3% for Ohio and contiguous states to 2.8% for all other states.



Consumer Income and Consumption

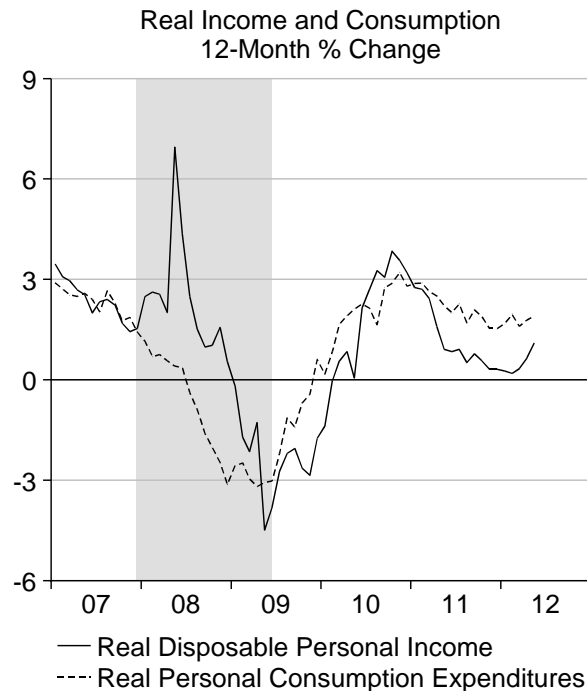
Personal income outpaced personal consumption expenditures in May for the third month in a row. Despite no change in wage and salary disbursements, both personal income and disposable

personal income increased 0.2% in May. Real disposable personal income increased a faster 0.3% due to declines in energy and food prices that pulled down the overall price index during the month.

Ohio personal income increased 3.6% in the first quarter as Ohio wage and salary disbursements increased 4.2%. In comparison, U.S. personal income increased 3.8% and U.S. and wage and salary disbursements increased 3.0% during the first quarter. Both Ohio personal income and wage and salary disbursements were revised slightly higher for 2011. Even so, year-over-year growth in personal income slowed to 3.7% from 4.5% in the fourth quarter even as growth in wage and salary disbursements stayed just above 5.0%.

So far this year, the better growth in wage and salary disbursements in Ohio in part reflects better growth in employment. Ohio employment increased 1.3% from December through May, compared with only a 0.6% rise in U.S. employment.

Personal consumption expenditures were unchanged in May, following back-to-back increases of 0.1% in March and April. Consumption increased 1.0% in February. Spending on durable goods declined in March, April and May, reflecting lower unit sales of light motor vehicles. Spending on nondurable goods declined in both April and May.



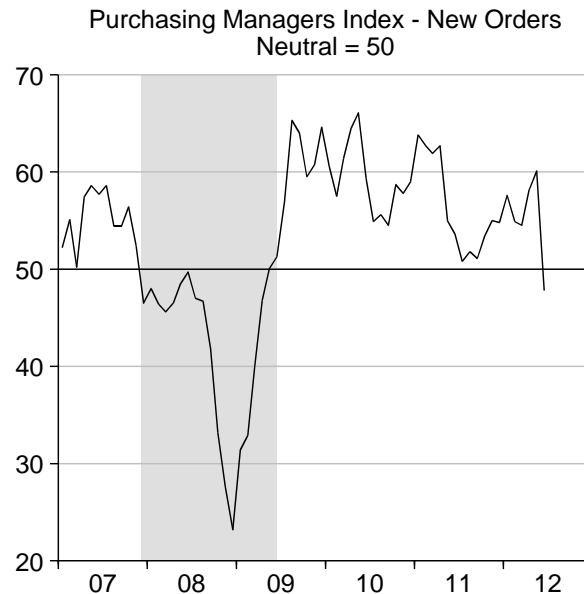
The slowdown in personal consumption expenditures during the three months ending in May partly corrects for rapid spending growth during the previous three months that pulled the savings rate down from 4.0% to 3.4%. Personal consumption expenditures grew 6.5% in the earlier period and slowed to 0.7% in the most recent three months. Personal income grew 4.4% and 3.3%, respectively. As a result, the savings rate increased back to 3.9% in May. On a year-over-year basis, spending has still outstripped income, rising 3.5% compared with a 2.9% rise in income.

The factors influencing income and driving spending remain the same. The leveling off in aggregate weekly hours and, in May, a dip in average hourly earnings has constrained growth in income. At the same time, the positive effects of mild winter weather and an early Easter on spending through March have dissipated. In addition, ongoing de-leveraging, concerns about the Eurozone debt crisis, increased volatility in financial markets and still-lackluster labor markets appear to be weighing on **consumer confidence**. Readings on the Consumer Confidence Index from the Conference Board and the Consumer Sentiment Index from the University of Michigan declined from February-March to May.

Manufacturing

Industrial activity has slowed so far in the spring. **Industrial production** dipped 0.1% in May after a 1.0% rise in April that followed a 0.5% drop in March. During the three months ending in May, industrial production slowed to an annual rate of 1.3% from 8.0% during the previous three months. Production increased at a 4.0% rate during the three-month period prior to that.

Manufacturing output fell 0.4% in May after a 0.7% rise in April that followed a 0.6% decline in March. During the most recent three-month period, manufacturing production decreased at an annual rate of 1.2% after rising at an annual rate of 14.2% during the previous three-month period. Production increased at a 3.7% annual rate during the three-month period prior to that.



Slower manufacturing activity continued in June. Surveys of manufacturers by the Federal Reserve Banks of New York and Philadelphia found sharp deteriorations in both orders and shipments during June. Likewise, the June **ISM survey** of purchasing managers at manufacturing firms revealed about an even split between those reporting rising activity and those reporting falling activity, but reports of new orders and order backlogs fell steeply.

Some of the slowdown appears to be related to the mild winter weather that might have boosted activity during the winter at the expense of the spring. But another important factor appears to be the unfolding economic slowdown in Europe and perhaps China. The ISM production index decreased but remained just above neutral in June and the import orders index remained several points above 50.0 for the seventh straight month while export orders eroded sharply between February and June.

Factory orders improved by 0.7% in May, but some prominent surveys of regional activity deteriorated badly again in June. The Philadelphia Federal Reserve Bank survey found a steep drop-off in reported activity, falling to its lowest level since last year. The New York Federal Reserve Bank survey responses also deteriorated during June.

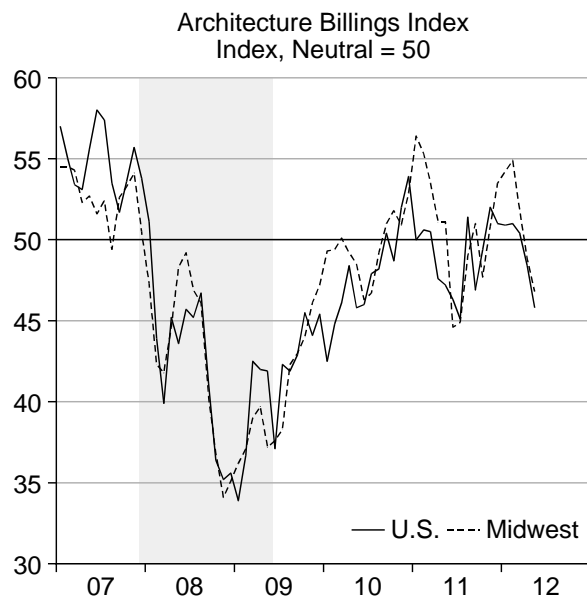
Construction

Total **construction put-in-place** increased 0.9% in May for the third month in a row after declines in January and February that occurred despite favorable weather. Private construction increased 1.6% overall, reflecting a 3.0% increase in residential building and a 0.4% increase in nonresidential building. Public construction decreased by 0.4% to the lowest level in almost six years.

Total construction in April was up 7.0% year-over-year and 11.3% from what looks increasingly with each passing month like the cycle low in March 2011, but remains 31.6% below its pre-recession peak.

Private nonresidential construction increased 0.2% in May and the April change was revised from a decrease to an increase of 0.9%. Compared with a year earlier, private nonresidential construction was up 18.6%, having traced out a clear cyclical trough at the beginning of 2011. Seven of the eleven categories that comprise the nonresidential segment increased by double digit percentages during the year ending in May, led by power (+35.2%), lodging (+29.4%), education (+27.4%), and manufacturing (+26.8%). Construction put-in-place fell in religious (-14.6%), amusement and recreation (-10.4%), and communication (-4.2%).

The **Architecture Billings Index** from the American Institute of Architects stayed below the neutral 50 level in May and weakened to its lowest level since last July. The **Inquiries for New Work Index** and the **Billings Index for the Midwest** also both fell in May to their lowest levels since July. The inquiries index remained above neutral while the Midwest billings index was below neutral for the second straight month.



Private residential construction-put-in-place increased a healthy 3.0% in May, but the April increase was revised down from an initial estimate of 2.8% to 1.7%. Excluding improvements, residential construction increased by 0.5%. The 3-month moving average of housing starts fell slightly in May but was the second highest reading since November 2008. Midwest housing starts moved up 3.5% in May after a 6.9% increase in April that followed a 16.2% decrease in March. Permits increased 3.3% in May – the third increase in a row on a 3-month moving average basis. Midwest permits increased 0.6% in May for the fourth monthly gain in a row. Compared with a year ago, U.S. permits were higher by 26.8% and Midwest permits were higher by 24.6%.

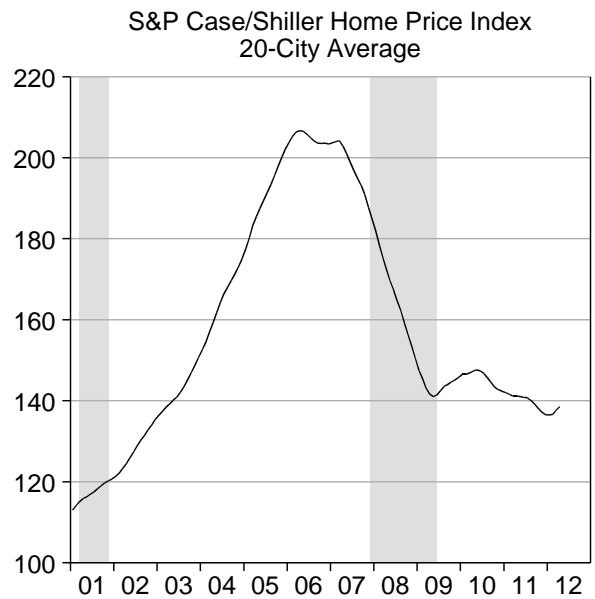
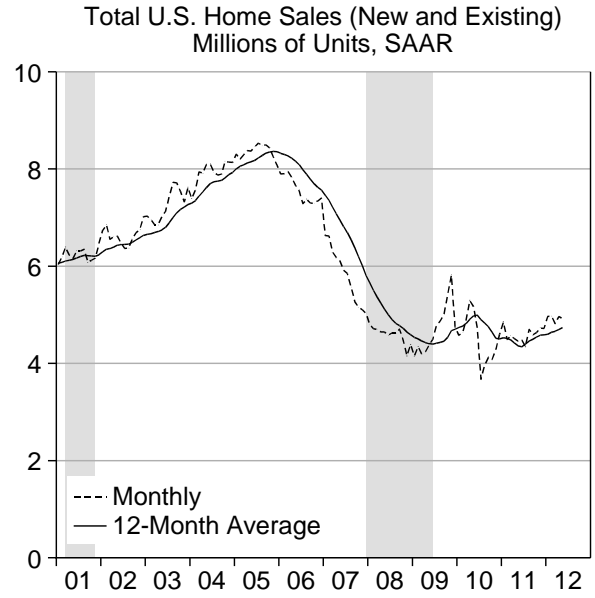
Despite these recent gains, home building activity remains on a low plateau, held back by a variety of factors. Home financing is widely available at attractive interest rates, which for some loan products have reached all-time lows, but on more stringent traditional terms. In addition, already problematic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

Sales of existing homes were little changed again across the country and the Midwest in May on a 3-month average basis. In fact, 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 decreased 5.1% in the Midwest. The Midwest decrease was the fourth in the last five months. Sales activity remains on a plateau that is far below peak levels of a few years ago.

The inventory of existing homes for sale was stable in May near the highest level since last November. The **inventory-to-sales ratio** edged up to 6.6 months, still well below the extreme levels of recent years and close to the normal level of four months to five months, but up from six months in January. The inventory of newly built homes was also stable in May after falling to an all-time low in March. At 4.7 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 increased for the third month in a row in April, according to the S&P/Case-Shiller 20-city composite home price index. The index increased 0.7% in April – the same as in March – after a 0.1% rise in February. The index was still down 33.0% from the all-time peak reached in April 2006. The price index for Cleveland increased 0.6% in April after a 0.8% rise in March. Prices in Cleveland still are off 20.1% from the 2006 peak. Home prices across Ohio fell 0.7% in March after four straight monthly increases according to the Federal Home Loan Mortgage price index.



REVENUES

June 2012 GRF receipts totaled \$2,509.6 million and were \$51.4 million (2.1%) above estimate. Monthly tax receipts totaled \$1,677.6 million and were \$1.5 million (0.1%) above estimate, while non-tax receipts and transfers totaled \$616.9 million and \$215.0 million and were \$93.8 million (13.2%) below and \$143.7 million (201.4%) above the respective estimates. Final fiscal year 2012 variances by category are provided in the following table (\$ in millions).

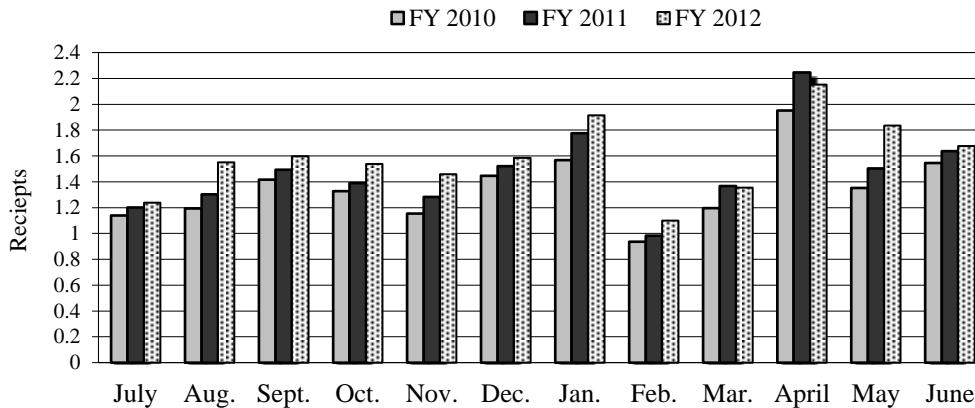
Category	Includes:	Final FY 2012 Variance	% Variance
Tax receipts	Sales & use, personal income, corporate franchise, public utility, kilowatt hour, foreign & domestic insurance, other business & property taxes, cigarette, soft drink, alcoholic beverage, liquor gallonage, estate & horse racing	\$399.0 million	2.1%
Non-tax receipts	Federal grants, earnings on investments, licenses & fees, other income, intrastate transfers	(\$817.7 million)	(9.7%)
Transfers	Budget stabilization, liquor transfers, capital reserve, other	\$430.9 million	284.6%
TOTAL REVENUE VARIANCE:		\$12.2 million	0.0%

Due to timing issues with the domestic insurance tax and unexpected refunds for the dealers in intangibles tax, June tax receipts exceeded estimate, but only by \$1.5 million (0.1%) despite strength in both the non-auto sales and personal income taxes. On a year-over-year basis, June 2012 tax receipts were \$40.2 million (2.5%) higher than in June 2011. For fiscal year 2012 in its entirety, tax receipts totaled \$19,005.2 million and were \$399.0 million (2.1%) above estimate. The better-than-expected performance in tax receipts helped to offset negative variances in non-tax receipts of \$817.7 million (9.7%), that resulted from the combination of a delay in the receipt of \$500.0 million in Other Income from JobsOhio for leasing the privilege to operate the state's liquor enterprise until at least fiscal year 2013, as well as \$239.8 million in lower-than-expected federal grants resulting from Medicaid under-spending. For fiscal year 2012 in its entirety, total tax collections were \$1,299.0 million (7.3%) higher than in fiscal year 2011, with the largest contributors to this year-over-year growth coming in the non-auto sales tax, personal income tax, commercial activity tax, and kilowatt hour tax receipts. Personal income tax receipt growth was driven by withholding, quarterly estimated payments, and lower-than-expected refunds, while the growth in the commercial activity and kilowatt hour tax receipts was attributable primarily to allocation changes of those state tax receipts contained in HB 153.

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

Individual Sources Above Estimate		Individual Sources Below Estimate	
Non-Auto Sales Tax	\$40.2	Auto Sales Tax	(\$2.8)
Personal Income Tax	\$37.9	Corporate Franchise Tax	(\$10.6)
Commercial Activity Tax	\$1.8	Kilowatt Hour Tax	(\$11.3)
MCF Tax	\$14.1	Domestic Insurance Tax	(\$61.9)
Kilowatt Hour Tax	\$8.6	Other Business & Property	(\$8.6)
Cigarette Tax	\$1.8	Federal Grants	(\$76.0)
Domestic Insurance Tax	\$40.9	Earnings on Investments	(\$1.4)
Cigarette Tax	\$1.8	Other Income	(\$25.5)
ISTV's	\$9.0	Other Sources Below Estimate	(\$1.3)
Transfers In – Other	\$143.7		
Other Sources Above Estimate	\$1.3		
Total above	\$250.9	Total below	(\$199.5)

Tax Revenue Comparison by Month
(\$ in billions)



Non-Auto Sales and Use Tax

The non-auto sales tax continued its pattern of above-estimate monthly performances as receipts totaled \$622.0 million and exceeded the estimate by \$40.2 million (6.9%). For fiscal year 2012, non-auto sales tax receipts totaled \$7,033.5 million and were \$141.4 million (2.1%) above the estimate. On a year-over-year basis, monthly receipts were \$69.3 million (12.5%) above collections for June 2011, with total fiscal year 2012 collections exceeding those of fiscal year 2011 by \$432.2 million (6.5%). Fiscal year 2012 saw above-estimate monthly collections in all but four months. Some of the overage is due to an expansion in Medicaid Health Insuring Corporations (MHIC) collections, resulting in an extra \$65.6 million throughout the fiscal year.

Auto Sales Tax

Auto sales tax performance slipped a bit during the month of June, breaking a string of nine consecutive months above estimate. June receipts totaled \$87.8 million and were \$2.8 million (3.1%) below the monthly estimate, while better-than-expected sales throughout the year resulted in total fiscal year 2012 receipts of \$1,053.5 million that exceeded the estimate by \$76.8 million (7.9%). On a year-over-year basis, auto sales tax receipts are \$6.9 million (7.3%) lower than receipts for the same month a year ago, while total fiscal year 2012 collections are \$76.5 million (7.8%) higher than those of fiscal year 2011.

Personal Income Tax

Personal income tax receipts totaled \$839.1 million during the month of June and were \$37.9 million (4.7%) above the estimate. While all components of the tax were positive relative to their respective monthly estimates, the withholding component had the highest overage in dollar terms, totaling \$624.9 million or \$11.5 million (1.9%) above estimate, marking only the third month in fiscal year 2012 (October and January being the others) in which withholding receipts exceeded the estimate. Quarterly estimated payments also exceeded the monthly estimate by \$7.6 million (3.2%), while refunds continued to follow the pattern of the past few months falling below estimate by \$11.9 million (39.6%).

On a year-over-year basis, income tax receipts for June 2012 exceeded those of June 2011 by \$63.3 million (8.2%), with most of the growth being accounted for in the withholding (5.5%) and quarterly estimated payments (3.2%) components. For fiscal year 2012 in its entirety, income tax receipts finished \$286.4 million (3.5%) above estimate and \$312.6 million (3.8%) above total fiscal year 2011 collections. The majority of the annual growth was driven by the withholding and quarterly estimated payments components of the tax.

FY2012 PERSONAL INCOME TAX RECEIPTS BY COMPONENT (\$ in millions)						
	ESTIMATE	ACTUAL	\$ VAR	ESTIMATE	ACTUAL	\$ VAR
	JUNE	JUNE	JUNE	Y-T-D	Y-T-D	Y-T-D
Withholding	\$613.4	\$624.9	\$11.5	\$7,820.2	\$7,712.6	(\$107.6)
Quarterly Est.	\$236.3	\$243.9	\$7.6	\$1,212.0	\$1,252.7	\$40.7
Trust Payments	\$5.1	\$6.3	\$1.2	\$57.2	\$58.0	\$0.8
Annual Returns & 40 P	\$17.1	\$21.6	\$4.5	\$1,069.7	\$1,097.2	\$27.5
Other	\$10.1	\$11.2	\$1.1	\$133.4	\$144.4	\$11.0
Less: Refunds	(\$30.1)	(\$18.2)	\$11.9	(\$1,551.4)	(\$1,231.2)	\$320.2
Local Distr.	(\$50.7)	(\$50.7)	(\$0.1)	(\$594.6)	(\$600.7)	(\$6.1)
Net to GRF	\$801.2	\$839.1	\$37.9	\$8,146.5	\$8,432.9	\$286.4

Corporate Franchise Tax

Corporate franchise tax receipts for the month of June were -\$5.3 million and were \$10.6 million (199.6%) below the estimate of \$5.3 million. As noted in previous months' reports, 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 fiscal year in its entirety, receipts for this tax source totaled \$117.1 million and were \$102.9 million (46.8%) below the estimate. On a year-over-year basis, June 2012 receipts for this tax source were \$10.3 million (204.6%) below those of June 2011. Fiscal year 2012 receipts fell short of fiscal year 2011 receipts by \$119.6 million (50.5%).

Commercial Activity Tax

June Commercial Activity Tax (CAT) receipts to the GRF totaled \$7.5 million and were \$1.9 (32.2%) above the monthly estimate. With June’s performance, total annual GRF CAT receipts were \$417.1 million, which was \$41.9 million (11.2 %) above the annual estimate of \$375.2 million. All-funds CAT receipts for June totaled \$12.9 million and were \$7.2 million (35.9%) below the \$20.1 million estimate. For the fiscal year in its entirety, all-funds CAT receipts totaled \$1,653.3 million and were \$160.5 million (10.8%) above the \$1,492.8 million estimate. In terms of year-over-year growth, all-funds CAT receipts for fiscal year 2012 increased by \$203.2 million (14.0%) over fiscal year 2011.

Public Utility Tax

The public utility tax continued to underperform relative to the estimate during the month of June as receipts totaled \$103,000 and were \$497,000 (82.9%) below the estimate. Fiscal year 2012 public utility tax receipts totaled \$113.9 million and were \$20.8 million (15.4%) below the estimate. On a year-over-year basis, June 2012 receipts were \$390,000 (79.2%) below those of June 2011. Total fiscal year 2012 receipts for this tax source were \$10.9 million (8.8%) lower than 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

June receipts for the kilowatt-hour tax reflect a correction to a coding error which appeared in the May report in which \$11.6 million was incorrectly coded to the kilowatt hour tax instead of the MCF tax. As a result of this correction, kilowatt hour tax receipts during the month of June totaled \$9.3 million and were \$11.3 million (54.7%) below the estimate. When factoring in the coding error correction however, June receipts would have been slightly above estimate. Fiscal year 2012 receipts totaled \$294.8 million and were \$21.5 million (6.8%) below the estimate, largely as a result of milder than expected weather during the course of the fiscal year. On a year-over-year basis, June 2012 receipts were \$268,000 (3.0%) higher than the same month in the previous fiscal year. Fiscal year 2012 receipts were \$141.0 million (91.6%) higher than those of fiscal year 2011, with this significant year-over-year growth largely the result of changes in distributions prescribed in H.B. 153.

MCF Tax

June receipts for the MCF tax (“natural gas distribution”) totaled \$14.2 million and were \$14.1 million above the monthly estimate. This variance is primarily due to the correction of an \$11.6 million revenue coding error that occurred during the month of May involving the kilowatt hour

and MCF taxes. Fiscal year 2012 receipts totaled \$60.2 million and were \$5.8 million (8.8%) below the estimate, a performance that is attributable to reduced natural gas consumption during the recent mild winter. On a year-over-year basis, June 2012 receipts were \$14.2 million greater than those of fiscal year 2011, while total fiscal year 2012 collections were \$60.2 million greater than those of fiscal year 2011. 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 modified this distribution, requiring that for fiscal year 2012 and thereafter, 100% of the MCF tax receipts were to be credited to the GRF.

Foreign Insurance Tax

June receipts for the foreign insurance tax totaled -\$1.2 million and were \$832,000 (208.3%) below the estimate of -\$400,000. For the fiscal year in its entirety, foreign insurance tax receipts totaled \$266.5 million and were \$14.4 million (5.7%) above the estimate. On a year-over-year basis, this tax source was \$847,000 (220.0%) below collections the same month in the previous fiscal year. Fiscal year 2012 collections were \$10.2 million (4.0%) higher than those of fiscal year 2011.

Domestic Insurance Tax

Domestic insurance tax receipts totaled \$11.5 million during the month of June and were \$61.9 million (84.4%) below the estimate. This monthly variance is largely due to the timing of the mailing of billings and the return of the payments, as estimates assumed a greater proportion of total billings would be received in the month of June. This is attributable to the loose billing and payment schedule for this tax as the Department of Insurance must certify the amount of billings to the Treasurer of State no later than the first Monday in May (May 2nd). The Treasurer of State then has up to twenty days after certification to send out the bills. Those billed then have twenty to thirty days from the mailing date to submit payment. Fiscal year 2012 receipts totaled \$189.1 million and were \$24.6 million (11.5%) below estimate - a performance that is largely due to the merger of an Ohio insurance company with its out of state parent. Previously this company had paid the domestic insurance tax, but due to the merger, it is now making its payments under the foreign insurance tax. On a year-over-year basis, June receipts were \$80.2 million (87.5%) below the same month in the previous fiscal year, while total fiscal year 2012 receipts were \$297,000 (0.2%) below collections for fiscal year 2011.

Other Business & Property Tax

June receipts for this tax source totaled \$8.5 million and were \$8.6 million (50.3%) below the estimate. This is the result of a number of large refunds occurring during the month that were for multiple tax years. Fiscal year 2012 receipts totaled \$19.9 million and were \$18.1 million (47.7%) below the estimate. On a year-over-year basis, June receipts for this tax source were \$13.5 million (61.3%) below collections in the same month of the previous fiscal year. Fiscal year 2012 receipts are \$6.2 million (23.6%) below those of fiscal year 2011.

Cigarette Tax

The cigarette tax exceeded the monthly estimate again in the month of June as receipts totaled \$72.1 million and were \$1.8 million (2.6%) above the estimate. Total fiscal year 2012 cigarette tax receipts totaled \$843.2 million and were \$24.9 million (3.0%) above the estimate. On a year-over-year basis, cigarette tax receipts were \$4.5 million (5.8%) lower than for the same month a year ago, while fiscal year 2012 receipts are \$12.4 million (1.5%) lower than those of fiscal year 2011 – a decline that is approximately half of the 3.0 percent decline we have seen with this tax source in recent years.

GRF non-tax receipts totaled \$616.9 million in June and were \$93.8 million (13.2%) below the estimate. This is largely the result of lower-than-anticipated federal grant and other income receipts. For the year to date, the other income category was \$588.9 million below estimate due largely to not receiving the JobsOhio payment of \$500.0 million for leasing the privilege to operate the state's liquor enterprise. Additionally, \$75.0 million in other income estimated for the sale of a number of state correctional facilities (including \$25.0 million in June) was not fully received, with the \$54.2 million that was actually received being recorded in the Transfers In – Other category. **GRF transfers** during the month of June were \$143.7 million (201.4%) above the estimate and were largely the result of a transfer to the GRF of \$130.0 million from excess funds in the School District and Local Government Property Tax Replacement Funds. These funds receive 75.0% of commercial activity tax receipts, and due to the strong performance of that tax source, excess moneys were available for transfer. Also contributing to both the monthly and year-to-date variance was the previously noted sale of a state correctional facility, a payment initially estimated to be received in the other income category.

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
	JUNE	JUNE			Y-T-D	Y-T-D		
TAX RECEIPTS								
Non-Auto Sales & Use	622,030	581,800	40,230	6.9%	7,033,523	6,892,100	141,423	2.1%
Auto Sales & Use	87,764	90,600	(2,836)	-3.1%	1,053,479	976,700	76,779	7.9%
Subtotal Sales & Use	709,794	672,400	37,394	5.6%	8,087,002	7,868,800	218,202	2.8%
Personal Income	839,110	801,226	37,884	4.7%	8,432,909	8,146,500	286,409	3.5%
Corporate Franchise	(5,280)	5,300	(10,580)	-199.6%	117,079	220,000	(102,921)	-46.8%
Commercial Activity Tax	7,535	5,700	1,835	32.2%	417,130	375,200	41,931	11.2%
Public Utility	103	600	(497)	-82.9%	113,894	134,700	(20,806)	-15.4%
Kilowatt Hour	9,330	20,600	(11,270)	-54.7%	294,829	316,300	(21,471)	-6.8%
MCF Tax	14,152	100	14,052	N/A	60,191	66,000	(5,810)	-8.8%
Foreign Insurance	(1,232)	(400)	(832)	-208.3%	266,488	252,100	14,388	5.7%
Domestic Insurance	11,473	73,400	(61,927)	-84.4%	189,072	213,700	(24,628)	-11.5%
Other Business & Property	8,491	17,100	(8,609)	-50.3%	19,872	38,000	(18,128)	-47.7%
Cigarette	72,100	70,300	1,800	2.6%	843,180	818,300	24,881	3.0%
Alcoholic Beverage	5,688	4,900	788	16.1%	57,615	56,600	1,015	1.8%
Liquor Gallonage	3,537	3,200	337	10.5%	39,438	37,000	2,438	6.6%
Estate	2,821	1,700	1,120	65.9%	66,522	63,000	3,521	5.6%
Total Tax Receipts	1,677,622	1,676,126	1,496	0.1%	19,005,221	18,606,200	399,020	2.1%
NON-TAX RECEIPTS								
Federal Grants	479,626	555,663	(76,037)	-13.7%	7,362,952	7,602,748	(239,796)	-3.2%
Earnings on Investments	1,387	2,750	(1,363)	-49.6%	5,370	7,900	(2,530)	-32.0%
License & Fees	746	562	184	32.8%	65,299	62,000	3,299	5.3%
Other Income	126,035	151,576	(25,541)	-16.9%	139,099	728,000	(588,901)	-80.9%
ISTV'S	9,135	156	8,979	N/A	25,207	15,000	10,207	68.0%
Total Non-Tax Receipts	616,929	710,707	(93,779)	-13.2%	7,597,928	8,415,648	(817,720)	-9.7%
TOTAL REVENUES	2,294,551	2,386,834	(92,283)	-3.9%	26,603,148	27,021,848	(418,700)	-1.5%
TRANSFERS								
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	215,001	71,334	143,666	201.4%	263,976	81,932	182,044	222.2%
Temporary Transfers In	0	0	0	N/A	225,859	0	225,859	N/A
Total Transfers	215,001	71,334	143,666	N/A	582,335	151,432	430,903	284.6%
TOTAL SOURCES	2,509,552	2,458,168	51,383	2.1%	27,185,483	27,173,280	12,203	0.0%

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

REVENUE SOURCE	MONTH				YEAR-TO-DATE			
	JUNE	JUNE	\$	%	ACTUAL	ACTUAL	\$	%
	FY 2012	FY 2011	VAR	VAR	FY 2012	FY 2011	VAR	VAR
TAX RECEIPTS								
Non-Auto Sales & Use	622,030	552,773	69,257	12.5%	7,033,523	6,601,287	432,237	6.5%
Auto Sales & Use	87,764	94,638	(6,874)	-7.3%	1,053,479	976,949	76,530	7.8%
Subtotal Sales & Use	709,794	647,411	62,383	9.6%	8,087,002	7,578,235	508,767	6.7%
Personal Income	839,110	775,847	63,263	8.2%	8,432,909	8,120,323	312,586	3.8%
Corporate Franchise	(5,280)	5,049	(10,330)	-204.6%	117,079	236,633	(119,554)	-50.5%
Commercial Activity Tax	7,535	0	7,535	N/A	417,130	0	417,130	N/A
Public Utility	103	493	(390)	-79.2%	113,894	124,836	(10,942)	-8.8%
Kilowatt Hour	9,330	9,062	268	3.0%	294,829	153,875	140,954	91.6%
MCF Tax	14,152	0	14,152	N/A	60,191	0	60,191	N/A
Foreign Insurance	(1,232)	(385)	(847)	-220.0%	266,488	256,269	10,218	4.0%
Domestic Insurance	11,473	91,634	(80,161)	-87.5%	189,072	189,369	(297)	-0.2%
Other Business & Property	8,491	21,944	(13,453)	-61.3%	19,872	26,026	(6,154)	23.6%
Cigarette	72,100	76,579	(4,479)	-5.8%	843,180	855,610	(12,430)	-1.5%
Alcoholic Beverage	5,688	4,839	849	17.5%	57,615	55,370	2,245	4.1%
Liquor Gallonage	3,537	3,232	305	9.4%	39,438	37,615	1,822	4.8%
Estate	2,821	1,708	1,113	65.2%	66,522	72,081	(5,559)	-7.7%
Total Tax Receipts	1,677,622	1,637,414	40,208	2.5%	19,005,221	17,706,243	1,298,978	7.3%
NON-TAX RECEIPTS								
Federal Grants	479,626	485,146	(5,520)	-1.1%	7,362,952	8,428,972	(1,066,019)	-12.6%
Earnings on Investments	1,387	1,784	(398)	-22.3%	5,370	7,088	(1,717)	-24.2%
License & Fee	746	393	353	89.8%	65,299	58,959	6,340	10.8%
Other Income	126,035	755	125,280	N/A	139,099	143,928	(4,829)	-3.4%
ISTV'S	9,135	270	8,864	N/A	25,207	25,944	(737)	-2.8%
Total Non-Tax Receipts	616,929	488,349	128,580	26.3%	7,597,928	8,664,891	(1,066,963)	-12.3%
TOTAL REVENUES	2,294,551	2,125,763	168,788	7.9%	26,603,148	26,371,134	232,015	0.9%
TRANSFERS								
Budget Stabilization	0	0	0	N/A	0	0	0	N/A
Liquor Transfers	0	15,000	(15,000)	N/A	92,500	153,000	(60,500)	-39.5%
Transfers In - Other	215,001	226,478	(11,477)	-5.1%	263,976	256,876	7,100	2.8%
Temporary Transfers In	0	240,595	(240,595)	N/A	225,859	982,264	(756,405)	-77.0%
Total Transfers	215,001	482,073	(267,073)	-55.4%	582,335	1,392,140	(809,805)	-58.2%
TOTAL SOURCES	2,509,552	2,607,836	(98,285)	-3.8%	27,185,483	27,763,273	(577,790)	-2.1%

DISBURSEMENTS

June 2012 GRF disbursements, across all fund uses, totaled \$1,789.6 million and were \$150.0 million (7.7%) below estimate. Full fiscal year disbursement variances by category are provided in the table below. While fiscal year 2012 disbursements were \$555.2 million below the estimate, it is important to note that the disbursement estimates only consider expected spending within the fiscal year. Agencies are also permitted to encumber resources for fiscal year 2012 obligations; and while these encumbrances are not reflected in the disbursements, resources must be reserved to pay these obligations in the future.

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)	(\$809.4 million)	(3.0%)
Transfers	Temporary or permanent transfers out of the GRF that are not agency expenditures	\$254.3 million	62.4%
TOTAL DISBURSEMENTS VARIANCE:		(\$555.2 million)	(2.0%)

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, E-tech, the Ohio State School for the Blind, and the Ohio School for the Deaf. June disbursements in this category totaled \$530.7 million and were \$5.0 million (0.9%) below the estimate.

June disbursements for the Department of Education alone totaled \$527.9 million and were \$5.4 million (1.0%) below the estimate. The foundation payment reconciliation process resulted in lower-than-projected monthly expenditures in the latter half of the year. Total estimated obligations for the Department of Education, including prior year encumbrances, were \$6,528.0 million. Actual fiscal year 2012 disbursements totaled \$6,409.1 million and were \$65.5 million (1.0%) below the estimate. Including encumbrances, fiscal year 2012 obligations (disbursements and encumbrances) totaled \$6,547.0 million, and were \$19.0 million (0.3%) above the estimate. This total reflects encumbrances of \$96.0 million made by the Department of Education for payments that will be made against fiscal year 2012 funds in fiscal year 2013. These encumbrances are necessary as the final reconciliation payments to schools occur after the fiscal year ends.

Higher Education

Fiscal year 2012 disbursements for higher education totaled \$2,102.7 million and were \$25.2 million (1.2%) below the estimate. June disbursements totaled \$160.4 million and were \$7.4 million (4.4%) below the monthly estimate. The fiscal year variance is primarily a result of

lower-than-expected disbursements in the Choose Ohio First Scholarship, National Guard Scholarship, and Ohio College Opportunity Grant line items. Of the fiscal year 2012 disbursement variance, \$10.8 million is encumbered by the Choose Ohio First Scholarship and \$11.1 million of unspent Ohio College Opportunity Grant appropriation will be re-appropriated to fiscal year 2013 per temporary language within Section 371.50.10 of H.B. 153.

Public Assistance and Medicaid

June disbursements in this category, which include all GRF expenditures by the Ohio Department of Job and Family Services (ODJFS), totaled \$770.7 million and were \$60.2 million (7.2%) below the monthly estimate. Total fiscal year disbursements totaled \$12,465.7 million and were \$535.4 million (4.1%) below estimate.

Public Assistance and Non-Medicaid

ODJFS, Non-Medicaid, General Revenue Fund (GRF) disbursements totaled \$38.2 million for the month of June and were \$14.4 million (27.4%) below the estimate. End-of-year disbursements totaled \$760.9 million and were \$61.4 million (7.5%) below original projections. Major monthly variances were attributable to the following:

- Early Care and Education (ALI 600535) subsidy expenses were \$17.9 million (94.5%) below estimate due to higher-than-expected child care payments being funded from this line item throughout the fiscal year which reduced available funding for June.
- TANF State/Maintenance of Effort (ALI 600410) subsidy payments were \$4.0 million (84.8%) below the estimate. This was primarily attributable to higher-than-expected disbursements made throughout the fiscal year which reduced available funding in this line item for the month of June.
- Adoption Services (ALI 600528) subsidy payments were \$1.3 million (82.8%) below the estimate due to an Adoption Assistance payment not being paid with fiscal year 2012 funds as originally planned.
- Program Support (ALI 600321) expenditures were \$4.1 million (57.8%) above the estimate for the month of June. Due to contract, supplies, and maintenance under spending since January 2012, the agency focused on year-end invoice processing and payments which resulted in higher-than-expected operational expenses within the line item.
- Child Care State/Maintenance of Effort (ALI 600413) child care expenditures were \$2.3 million (100.3%) above estimate due to the line item being used to make the final child care provider payment for the month at a higher percentage than originally expected.
- Child, Family, and Adult Community & Protective Services (ALI 600533) payments were \$1.1 million (34.9%) above the estimate due to county expenditures made within the line item being higher than expected.
- Family Assistance Programs (ALI 600421) expenditures were \$1.0 million (447.0%) above estimate due to an unexpected agency payroll adjustment posted in June.

Medicaid

This sub-category includes expenditures by the Department of Job and Family Services for Medicaid services contained primarily in the 600525 line item. Please note that administrative costs related to the ODJFS program are included in the previous sub-category.

Expenditures

GRF disbursements for the Medicaid program in fiscal year 2012 totaled \$11,686.3 million and were \$486.5 million (4.0%) below the estimate and \$1,045.5 million (9.8%) above those of fiscal year 2011. Disbursements for the month of June totaled \$726.4 million and were \$51.7 million (6.6%) below the estimate and \$82.0 million (12.7%) above the same month in the previous fiscal year.

All funds disbursements for the fiscal year totaled \$14,766.4 million and were \$589.6 million (3.8%) below the estimate and \$802.0 (5.7%) above disbursements in the previous fiscal year. Disbursements for the month of June totaled \$1,224.7 million and were \$48.9 million (3.8%) below the estimate and \$22.9 million (1.8%) below the same month in the previous fiscal year.

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

	June Projection	June Actual	Variance	Variance %
GRF	\$ 778,151,294	\$ 726,437,062	\$ (51,714,232)	-6.6%
Non-GRF	\$ 495,492,959	\$ 498,275,217	\$ 2,782,258	0.6%
All Funds	\$ 1,273,644,253	\$ 1,224,712,280	\$ (48,931,974)	-3.8%

In fiscal year 2012, payments across nearly all categories of service were below estimates. Following the implementation of MITS in August 2011, it has been 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. In order to account for the liabilities expected to be delayed until fiscal year 2013, \$160 million was made in new encumbrances. These liabilities include managed care delivery payments, nursing facility claims, and Medicare Part D claims.

Specific categorical variances include:

Managed Care ABD and CFC – The variance within managed care accounts for \$31.1 million of the \$48.9 million in 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 \$8.9 million in June. 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 41,732 persons to a June total of 1.73 million persons. The Aged, Blind and Disabled (ABD) program decreased by 10,407 people to a June total of 396.0 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 period last year was 2.17 million covered persons, including 1.65 million persons in the CFC program and 407.0 thousand people in the ABD category. This represents total program increase over the last twelve months of 151.4 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.

June disbursements in this category totaled \$51.3 million and were \$8.8 million (20.7%) above the estimate for the month. Fiscal year 2012 disbursements totaled \$964.8 million and were \$8.1 million (0.8%) below the estimate.

Department of Health

June disbursements totaled \$7.1 million and were \$0.3 million (3.6%) below estimate. For the fiscal year, disbursements totaled \$81.4 million and were \$0.7 million (0.8%) below estimate. Major monthly variances within individual line items were attributable to the following:

- Immunizations disbursements were \$1.0 million above the estimate due to a vaccine purchase completed earlier in the year as opposed to a large planned year-end encumbrance.
- AIDS Prevention and Treatment disbursements were a total of \$0.6 million below the estimate. This amount was encumbered for the following fiscal year for a drug purchase scheduled for August.

Department of Aging

June disbursements totaled \$1.2 million and were \$0.2 million (25.9%) above estimate. The difference is primarily attributable to higher spending in the Long-Term Care Budget - State line which offset lower-than-expected spending over the year.

For the fiscal year, disbursements totaled \$13.8 million and were \$0.5 million (3.2%) below estimate. Due to the timing of certain June Area Agencies on Aging subsidy requests, \$0.1 million in State Long Term Ombudsman payments was encumbered during fiscal year 2012 for disbursement in July of fiscal year 2013.

Department of Mental Health

June disbursements for the Department of Mental Health totaled \$22.8 million and were \$11.8 million (108.2%) above the estimate. The variance is primarily attributable to spending in the Medicaid Match line item, which was \$10.6 million (100.0%) above estimate due to the timing of Medicaid payments originally expected to be disbursed earlier in the year. Also contributing to the variance was spending within the Hospital Services line item, which was \$1.1 million (10.5%) above estimate due to end of fiscal year spending of open encumbrances.

Disbursements for the fiscal year totaled \$483.2 million and were \$2.7 million (0.6%) below estimate. This variance is primarily attributable to the Hospital Services line item, which was \$1.0 million (0.5%) below estimate, and to the Central Administration line item, which was \$0.8 million (4.7%) below estimate. Both of these variances were caused by payroll estimates being slightly lower than anticipated. Additionally, spending in the Lease-Rental payments line item was \$0.7 million (3.8%) below estimate due to a lower-than-anticipated debt service payment charged to the department.

Department of Alcohol and Drug Addiction Services

June disbursements for the Department of Alcohol and Drug Addiction Services totaled just under \$12,000 and were \$1.2 million (99.0%) below estimate. The variance is primarily attributable to lower-than-expected spending in the Medicaid Match line item, which was \$1.2 million (100.0%) under estimate. In October, the department disbursed \$7.4 million to local boards to fund Medicaid expenditures, which was earlier than originally planned.

Disbursements for the fiscal year totaled \$36.3 million and were \$0.3 million (0.7%) above estimate. The variance is largely attributable to expenditures within the Medicaid Match line item, which were \$0.3 million (2.3%) above estimate due to the timing of Medicaid payments. A prior year encumbrance of \$0.5 million spent in July 2011 for Medicaid payments accounts for this overage.

Department of Developmental Disabilities

June disbursements for the Department of Developmental Disabilities totaled \$17.9 million and were \$0.2 million (1.0%) above the estimate. The variance is primarily attributable to expenditures within the Medicaid State Match line item, which were \$0.2 million (1.2%) over estimate due to the timing of Medicaid expenditures expected to be disbursed earlier in the fiscal year.

Disbursements for the fiscal year totaled \$302.9 million and were \$1.5 million (0.5%) below the estimate. The variance is largely attributable to the Martin Settlement line item, which was \$0.8 million (18.2%) below estimate as a result of lower-than-anticipated state match amounts for provision of home and community-based Medicaid services. Additionally, spending in the Lease-Rental payments line item was \$0.7 million (3.8%) below estimate due to a lower-than-anticipated debt service payment charged to the department.

Justice and Public Protection

Disbursements in the Justice and Public Protection category for the fiscal year were \$1,863.0 million, which is \$73.7 million (3.8%) below the estimate. In the month of June, disbursements totaled \$130.8 million and were \$5.0 million (4.0%) above the estimate.

Department of Rehabilitation and Correction

Department of Rehabilitation and Correction disbursements totaled \$1.43 billion in fiscal year 2012 and were \$68.0 million (4.5%) below the estimate. The department made a number of encumbrances during fiscal year 2012 that will be realized in fiscal year 2013, resulting in the annual variance. Additionally, there were reduced personnel costs through the year due to recent reduced operational need.

Department of Youth Services

Department of Youth Services disbursements totaled \$223.8 million in fiscal year 2012 and were \$3.0 million (1.3%) below the \$226.8 million estimate.

General Government

June disbursements for the General Government category totaled \$13.4 million and were \$0.8 million (5.4%) below the estimate. Fiscal year 2012 expenditures were \$273.0 million, which is \$20.3 million (6.9%) below the estimate.

Department of Natural Resources

For the fiscal year, the Department of Natural Resources disbursements totaled \$74.3 million and were \$0.3 million (0.4%) below estimate.

June 2012 disbursements for the Department of Natural Resources totaled \$1.0 million and were \$2.1 million (68.3%) below the estimate. This is primarily attributable to the following:

- The Division of Parks and Recreation line item was \$1.7 million below the estimate. This was due to increased utilization of non-GRF funds given higher GRF spending earlier in the year.
- The Division of Soil and Water line item was \$0.4 million below the estimate due to increased utilization of non-GRF funds given higher GRF spending earlier in the year.

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. June disbursements for tax relief totaled \$48.0 million and were \$116.5 million (70.8%) below the \$164.5 million monthly estimate. For the fiscal year in its entirety, tax relief payments totaled \$1,728.5 million and were \$10.4 million (0.6%) above the annual estimate. The payments in excess of estimate were driven by tax relief distributions to local governments by the Department of Taxation. This line item finished the fiscal year \$22.1 million (3.6%) above estimate and required an increase in appropriations using authority granted in H.B. 153. Tax relief payments to school districts through the Department of Education offset the increase in payments to local governments somewhat, as that line item finished the fiscal year \$11.7 million (1.1%) below estimate.

Debt Service

Debt service disbursements in June totaled \$29.2 million and were \$1.9 million (6.2%) below estimate. For the fiscal year, debt service spending is \$368.5 million, which is \$47.5 million (11.8%) below estimate. This variance is a result of continued low interest rates on the state's variable rate debt.

Temporary Transfers Out

Fiscal year 2012 temporary transfers out totaled \$237.4 million in fiscal year 2012 and were \$237.4 million above the estimate of zero. This variance is attributable to a timing-related issue surrounding the timeline for making tangible personal property tax replacement payments to local governments and school districts and the processing of the November commercial activity tax (CAT) payment which funds those payments. By statute, the state was required to make the replacement payments not later than November 20th, which in 2011 fell on a weekend and thus had to be processed in advance. Since the large November CAT payment was not due until November 15th and had not finished processing, in order to comply with the requirement, two large temporary transfers out of the GRF were necessary in November using authority granted in H.B. 153.

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	\$	%
	JUNE	JUNE	VAR	VAR	ACTUAL	ESTIMATE	VAR	VAR
Primary, Secondary and Other Education	530,712	535,715	(5,003)	-0.9%	6,457,827	6,523,987	(66,160)	-1.0%
Higher Education	160,392	167,797	(7,405)	-4.4%	2,102,675	2,127,844	(25,169)	-1.2%
Public Assistance and Medicaid	770,667	830,826	(60,159)	-7.2%	12,465,712	13,001,116	(535,404)	-4.1%
Health and Human Services	51,334	42,523	8,811	20.7%	964,820	972,901	(8,080)	-0.8%
Justice and Public Protection	130,800	125,829	4,971	4.0%	1,862,984	1,936,730	(73,746)	-3.8%
Environmental Protection and Natural Resource	997	3,074	(2,078)	-67.6%	70,072	70,463	(391)	-0.6%
Transportation	1,154	1,160	(6)	-0.5%	10,334	13,384	(3,050)	-22.8%
General Government	13,397	14,158	(761)	-5.4%	272,949	293,254	(20,306)	-6.9%
Community and Economic Development	3,998	7,254	(3,256)	-44.9%	90,247	106,969	(16,722)	-15.6%
Tax Relief and Other	48,005	164,523	(116,518)	-70.8%	1,728,464	1,741,507	(13,043)	-0.7%
Capital Outlay	20	0	20	N/A	140	0	140	N/A
Debt Service	29,200	31,121	(1,921)	-6.2%	368,527	416,027	(47,500)	-11.4%
Total Expenditures & ISTV's	1,740,676	1,923,980	(183,304)	-9.5%	26,394,750	27,204,181	(809,431)	-3.0%
Transfers Out:								
Operating Transfer Out	48,901	15,625	33,276	213.0%	424,399	407,475	16,923	4.2%
Temporary Transfer Out	0	0	0	N/A	237,356	0	237,356	N/A
Total Transfers Out	48,901	15,625	33,276	213.0%	661,754	407,475	254,279	62.4%
Total Fund Uses	1,789,576	1,939,605	(150,028)	-7.7%	27,056,504	27,611,656	(555,152)	-2.0%

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

Functional Reporting Categories Description	MONTH				YEAR-TO-DATE			
	JUNE	JUNE	\$	%	ACTUAL	ACTUAL	\$	%
	FY 2012	FY 2011	VAR	VAR	FY 2012	FY 2011	VAR	VAR
Primary, Secondary and Other Education	530,712	273,178	257,534	94.3%	6,457,827	6,740,044	(282,218)	-4.2%
Higher Education	160,392	180,193	(19,800)	-11.0%	2,102,675	2,410,989	(308,314)	-12.8%
Public Assistance and Medicaid	770,667	677,789	92,878	13.7%	12,465,712	11,425,794	1,039,917	9.1%
Health and Human Services	51,334	46,693	4,640	9.9%	964,820	1,099,120	(134,300)	-12.2%
Justice and Public Protection	130,800	133,013	(2,213)	-1.7%	1,862,984	1,940,199	(77,215)	-4.0%
Environmental Protection and Natural Resource	997	2,430	(1,433)	-59.0%	70,072	72,410	(2,338)	-3.2%
Transportation	1,154	623	531	85.2%	10,334	13,367	(3,033)	-22.7%
General Government	13,397	17,244	(3,847)	-22.3%	272,949	275,479	(2,530)	-0.9%
Community and Economic Development	3,998	6,911	(2,913)	-42.2%	90,247	103,244	(12,997)	-12.6%
Tax Relief and Other	48,005	99,938	(51,933)	-52.0%	1,728,464	1,691,043	37,420	2.2%
Capital Outlay	20	0	20	N/A	140	24	116	485.8%
Debt Service	29,200	25,524	3,675	14.4%	368,527	475,892	(107,365)	-22.6%
Total Expenditures & ISTV's	1,740,676	1,463,537	277,139	18.9%	26,394,750	26,247,606	147,143	0.6%
Transfers Out:								
Operating Transfer Out	48,901	3,461	45,439	N/A	424,399	74,635	349,763	468.6%
Temporary Transfer Out	0	0	0	N/A	237,356	1,106,837	(869,481)	-78.6%
Total Transfers Out	48,901	3,461	45,439	13	661,754	1,181,472	(519,718)	-44.0%
Total Fund Uses	1,789,576	1,466,998	322,578	22.0%	27,056,504	27,429,078	(372,574)	-1.4%

FUND BALANCE

Table 5 describes the General Revenue Fund (GRF) ending fund balance for FY 2012 and is based on the actual revenue for FY 2012 and the actual FY 2012 disbursements, transfers, and encumbrances. The GRF ending fund balance for FY 2012 is \$371.0 million.

The calculation and disposition of the GRF ending fund balance is governed by the provisions of Ohio Revised Code Section 131.44. The ending fund balance includes a carryover balance of 0.5% of FY 2012 GRF revenues, or \$135.9 million. The remaining \$235.1 million was transferred to the Budget Stabilization Fund (BSF).

The table below shows the disposition of the FY 2012 ending cash balance.

Disposition of FY 2012 Ending Cash Balance	
Ending Cash Balance as of June 30, 2012	\$973.4
Less Outstanding Encumbrances	\$602.4
Total Unencumbered Cash Balance	<u>\$371.0</u>
Less 0.5% Requirement	\$135.9
Actual Surplus Ending Balance	<u>\$235.1</u>
Budget Stabilization Fund Transfer	\$235.1

FUND BALANCE
GENERAL REVENUE FUND
FISCAL YEAR 2012
(\$ in thousands)

July 1, 2011 Beginning Cash Balance	\$ 844,467
Plus FY 2012 Actual Revenues	19,240,196
Plus FY 2012 Actual Federal Revenues	7,362,952
Plus FY 2012 Actual Transfers to GRF	582,335
Total Sources Available for Expenditure & Transfer	28,029,950
Less FY 2012 Actual Disbursements	26,394,750
Less FY 2012 Actual Total Encumbrances as of June 30, 2012	602,422
Less FY 2012 Actual Transfers Out	661,754
Total Actual Uses	27,658,926
FY 2012 UNENCUMBERED ENDING FUND BALANCE	371,024

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