OBM

March 11, 2013

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

FROM: Timothy S. Keen, Director TK

SUBJECT: Monthly Financial Report

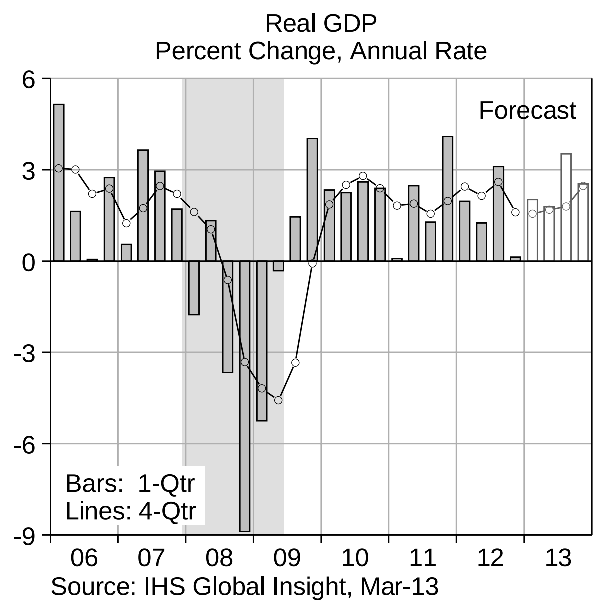
ECONOMIC SUMMARY

Economic Performance Overview

- Real GDP growth was essentially unchanged in the fourth quarter of 2012 following a 3.1% increase in the third quarter.
- U.S. nonfarm employment increased by 236,000 jobs in February and has averaged 205,000 per month during the past four months. The unemployment rate decreased by 0.2 points to 7.7% – the lowest level since December 2008.
- Ohio nonfarm employment increased by 3,800 jobs in January and increased by 29,100 jobs since January 2012. The Ohio unemployment rate increased to 7.0% to 0.9 percentage points below the national unemployment rate in January.
- Leading economic indicators have weakened recently, but remain consistent with uninterrupted growth at a modest pace across the country and especially in Ohio.

Economic Growth

Real GDP increased by 0.1% in the fourth quarter of 2012, a slight upward revision from the initial report of a 0.1% decrease. Real GDP grew at an annualized pace of approximately 1.5% in the second half of the year, reflecting the 3.1% growth rate in the third quarter. Compared with a year earlier, real GDP was higher by just 1.6%, continuing the pattern of year-over-year deceleration that began in 2011. The consensus among analysts is that the lack of growth in real GDP during the fourth quarter resulted from one-time factors, and therefore does not represent the onset of sustained and broadening weakness in the economy.



Since the expansion officially began in the second quarter of 2009, real GDP has advanced at an annual rate of 2.1% – the slowest pace during the first fourteen quarters of any expansion during the post-war period. In contrast, real GDP grew at a compound annual rate of 3.1% on average during the first fourteen quarters of expansion following the 1990-91 and 2001 recessions.

The lack of growth in real GDP in the fourth quarter primarily reflected negative contributions from the change in business inventories, federal defense spending and exports. Inventories increased, but by less than in the third quarter, subtracting 1.6 percentage points from real GDP growth. Real defense spending decreased at an annual rate of 22.0%, subtracting 1.3 percentage points from growth. Exports fell 3.9% in the first decline since the first quarter of 2009, subtracting 0.6 percentage points from growth.

These negative contributions were essentially offset by positive contributions from personal consumption expenditures, business investment in equipment and software, and investment in residential structures. Imports, which are automatically counted in spending within each category and are then backed out by being subtracted from the total, declined.

Real final sales growth slowed to 1.7% in the fourth quarter of 2012 from 2.4% in the third quarter. Without the unusually large drop in defense spending, growth in real final sales would have been little changed from the third quarter. Since the expansion officially began in the second quarter of 2009, real final sales has increased at an annual rate of only 1.6% – the slowest pace by a notable margin among expansions in the post-war period that have lasted for at least fourteen quarters.

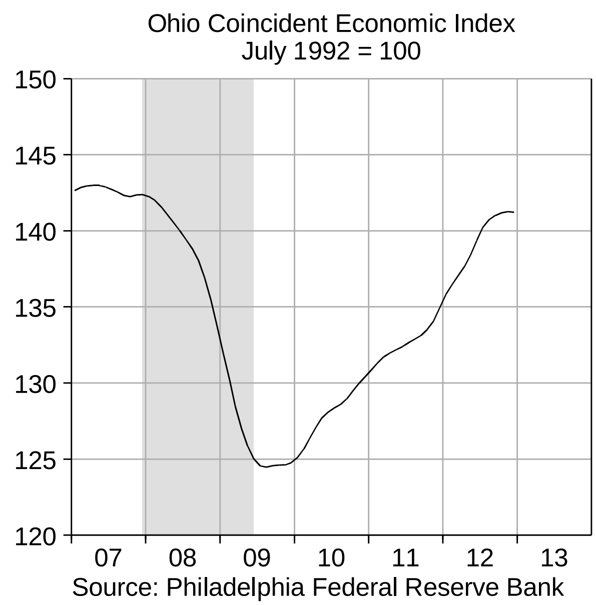
The deceleration in activity during the fourth quarter resulted primarily from the smaller addition to business inventories and the decreases in federal defense spending, exports, and local government spending. The decreases were only partly offset by the upturn in business investment in equipment and software and the acceleration in personal consumption expenditures.

The consensus among forecasters is that real GDP growth is resuming in the first quarter of 2013. Forecasters project that real GDP is growing at about a 2.0% annual pace during the first half of 2013, and will accelerate modestly but remain below 3.0% through mid-2014, according to the March *Blue Chip Financial Forecasts* consensus.

Leading indicators remain consistent with slow but uninterrupted growth through 2013. The 4-week moving average of the **Weekly Leading Index** decreased in each of the three weeks ending February 22nd, reducing the 6-month smoothed rate of change from 8.9% at the beginning of the month to 6.8%. Even so, the index points toward continued growth immediately ahead.

The composite **Leading Economic Index** from the Conference Board tacked a 0.2% gain in January on top of a 0.5% increase in December. The 6-month smoothed rate of change increased to 2.1% – the best since May. The recent pattern in the index is consistent with uninterrupted economic growth, albeit at a modest pace.

The **ratio of the coincident index to the lagging index** – itself a leading indicator – has turned up since October after an extended period of weakness. The index was unchanged in January, but increased 1.0% in November and 0.9% in December, based on revised data. The ratio has had a long lead time at business cycle peaks in the past. The recent pattern is consistent with the current slow pace of economic growth, but not with a near-term recession, particularly in context with other leading indicators.

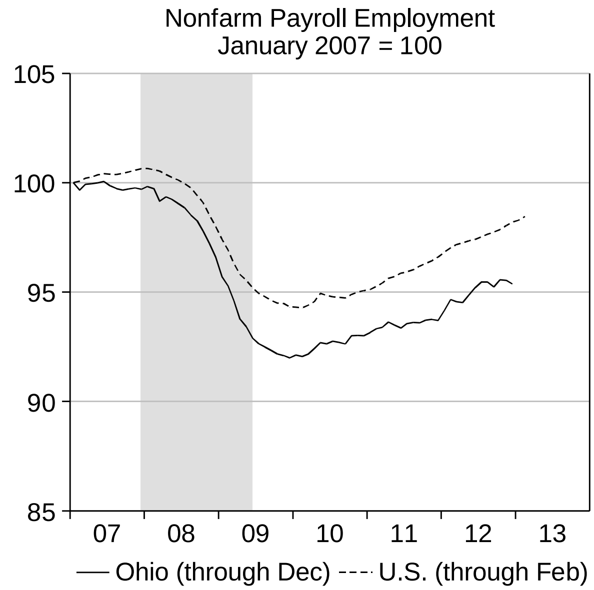


Despite slow growth at the national level over the summer, the Ohio economy continued to make progress through December. The **Ohio Coincident Economic Index**, compiled by the Federal Reserve Bank of Philadelphia, was essentially unchanged for the second month in a row in December, following a long string of increases. The state coincident 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 12-month rate of change in the Ohio Coincident Economic Index was 4.7% in December – down from a recent peak of 5.9% last September, but still up from the low of 3.1% reached in November 2011. The rate of change was notably lower during the most recent four months than during the previous four months. However, the index was higher than one month and three months earlier in 32 states. The diffusion of increases and decreases across states has been a reliable indicator of changes in economic growth in the past and currently points to uninterrupted growth in the Ohio and national economies.

The companion **Ohio Leading Economic Index** fell to 0.4% in December – the fifth straight month below 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 was 3.0% or higher during the April-June period. Index values have been revised significantly on occasion, but as it stands, the recent pattern is consistent with ongoing expansion of the Ohio economy through the winter and spring though at a slower pace than in the most recent six months. The diffusion of positive readings has been fairly broad in recent months, with the index being greater than zero in 38 states in December, down from 44 states in November.

<u>Employment</u>



National **nonfarm payroll employment** increased by 236,000 jobs in a broad-based gain in February. Employment growth in December and January was revised down by a total of 15,000 jobs, but has averaged 205,000 jobs per month during the most recent four months.

The national **unemployment rate** decreased 0.2 percentage points to 7.7% in February, reflecting a 170,000 job increase in total employment, as measured by the survey of households, and a 130,000 job decrease in the labor force. The labor force participation rate fell back to its all-time low of 63.5%, and the median duration of unemployment increased from 16.0 weeks in January to 17.8 weeks in February. In addition, the broadest measure of unemployment edged down 0.1 percentage points to a new low for the cycle of 14.3%, indicating that the labor market still has far to recover.

The **length of the workweek** among private workers increased to 34.5 hours, and increased by 0.2 hours to 41.9 hours in manufacturing during January. Manufacturing overtime hours increased by 0.1 hour to 4.3 hours per week. As a result of the increase in employment and the lengthening of the workweek, **aggregate hours worked** increased by a solid 0.5% and is on track for an annualized increase of approximately 3.0% during the first quarter of 2013. **Average hourly earnings** increased by 0.2% to 2.1% above the year earlier level, compared with inflation of 1.6% during the twelve months ending in January.

Employment gains in February were led by professional and business services, where the number of jobs increased by 73,000. In a compelling sign that the upturn in residential construction is sustainable, the construction sector added 48,000 jobs in February. Employment gains in construction have averaged 30,000 jobs per month during the most recent five months. Other major sectors posting gains in employment during February included trade, transportation and utilities (+30,000), education and health services (+24,000), and leisure and hospitality (+24,000). Temporary help employment, which is viewed as somewhat of a leading indicator of total employment and is included in professional and business services, reversed a one-month decrease in January, rising by 16,000 jobs in February. Government employment declined by 10,000 jobs.

Ohio employment increased by 3,800 jobs in January, following a 1,500 decline in November that was preceded by a 17,900 job gain in October. Employment increased by 29,100 jobs from January 2012. The Ohio unemployment rate increased from 6.7% to 7.0% in January – after having held below 7.0% for three consecutive months. The rate is down from 7.6% in January 2012 and 0.9 percentage points below the January national unemployment rate.

Month-to-month changes in Ohio employment across sectors were skewed toward gains during January. Employment increased in educational and health services (+8,000), construction (+2,100), manufacturing (+1,600), and information (+1,600). Employment losses were led by trade, transportation, and utilities (-4,300), financial activities (-3,200), and professional and business services (-1,200).

During the twelve months ending in January, Ohio employment increased in all major sectors except government (-11,100) and information (-900). The largest year-over-year employment increases occurred in education and health services (+17,000), manufacturing (+9,300), leisure and hospitality (+8,900), trade, transportation and utilities (+5,200), professional and business services (+2,900), other services (+1,800), and financial activities (+1,000). Private sector employment increased by 29,100 jobs.

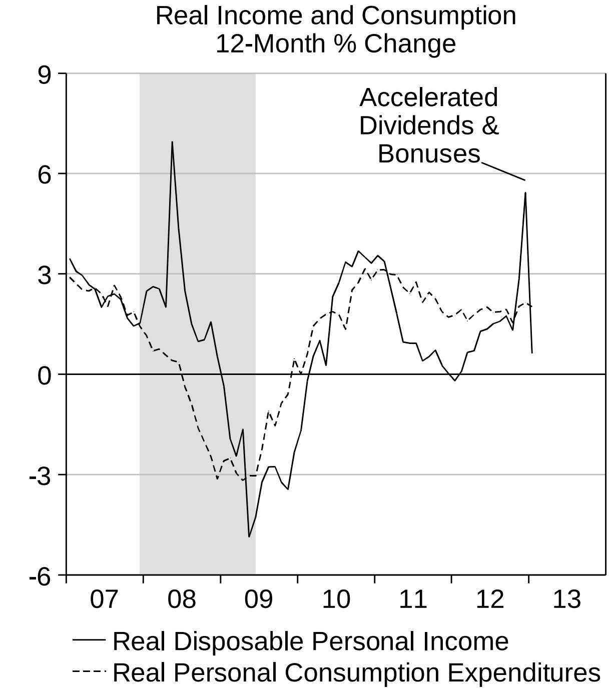
Among the **contiguous states**, year-over-year employment growth was strongest in Indiana (+2.0%), Ohio (+1.8%), and Kentucky (+1.6%), followed by Pennsylvania (+0.7%) and Michigan (+0.3%). Employment decreased 1.8% in West Virginia. Year-over-year growth in manufacturing was 2.4% in Ohio. Among the contiguous states, manufacturing employment increased 3.7% in Indiana, 3.3% in Michigan, 1.0% in Pennsylvania, 0.7% in Kentucky and decreased 4.5% in West Virginia. Also contributing to the decline in total employment in West Virginia was a large decline in mining and logging employment.

Consumer Income and Consumption

Tax planning wreaked havoc with personal income during December and January, as households and businesses jockeyed to shelter income from higher tax rates. Spending proceeded normally, as households based outlays on the normal pace of income. Beneath it all, the trend toward moderate gains in income and spending were unchanged.

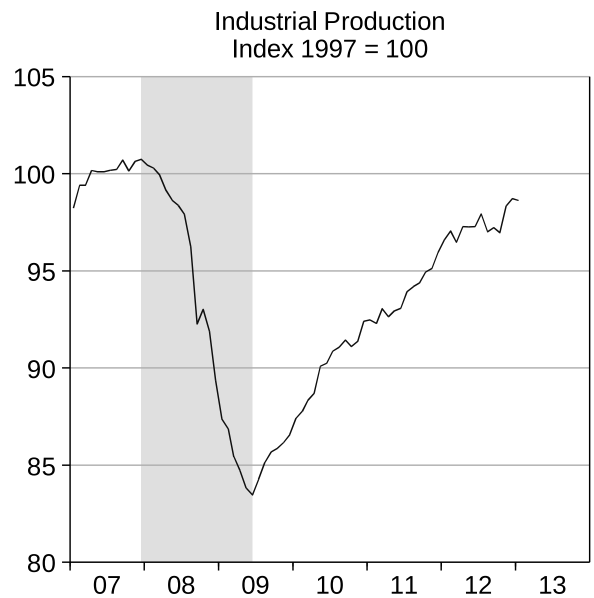
Wage and salary income jumped 1.1% in November and 0.9% in December as bonus payments were accelerated from January into 2012 to avoid higher tax rates. **Personal income** decreased 3.6% in January after rising 2.6% in December and 1.1% in November. In addition to accelerated bonuses, personal income benefited from accelerated dividends and special dividends paid by many companies. On a 3-month moving average basis, which irons out the year-end tax positioning, personal income was 4.6% higher in January than a year earlier – the second best year-over-year increase in the past sixteen months.

Despite the whipsaw in income in recent months, **personal consumption expenditures** plowed forward, as households looked through the temporary nature of the fluctuations in income. Spending increased 0.2% in January to 3.2% above the year earlier level. Spending growth remains ahead of inflation which has slowed during the past two years from 4.7% year-over-year in January 2011 and 4.2% in January 2012.



Consumer confidence deteriorated generally from fall into winter, but bottomed-out and improved in January and February. The Conference Board consumer confidence index fell to more than year-long lows in January, in terms of both assessments of current conditions and future conditions, but then rebounded in February. The Reuters/University of Michigan survey basically held ground in January and recouped much of the recent loss in February. With labor markets slack but steady and inflation and interest rates low, the twists and turns in negotiations over taxes and spending in Washington might be the main cause of fluctuations in consumer attitudes.

Manufacturing



Industrial production edged lower in January by 0.1%, but upward revisions to fourth quarter activity kept the recent modest uptrend in place. Utility output increased 3.5% in January after a 4.5% drop in December and unusually mild weather gave way to normal temperatures. Manufacturing production fell by 0.4% due mostly to weaker vehicle output aimed at adjusting somewhat elevated inventories. Compared with a year ago, industrial production was up by 2.1%, and manufacturing production was up by only 1.7%.

Of particular importance to the Ohio economy, production of primary metal has weakened recently with the year-over-year rate of change falling from 7.9% in January 2012 to -5.1% in January 2013. Growth in production of machinery and in fabricated metal, which are also important for the Ohio economy, remained steady, but somewhat weaker on a year-over-year basis.

Durable goods orders fell 5.2% in January after rising 3.7% in December, reflecting large swings in the defense and aircraft industries. Defense orders were down 59.9% in January, and aircraft orders fell 34.0%, presumably reflecting pending restraint on federal spending arising from the sequester. Excluding aircraft and defense, durable goods orders increased 1.7% after a 0.7% rise in December. Core capital goods orders rose a very strong 6.3%, with machinery accounting for essentially all of the increase.

Purchasing managers in manufacturing have finally broken out of their funk, indicating that the recent turbulence in manufacturing output is likely to be followed by somewhat better growth. The Purchasing Managers Index from the Institute of Supply Management increased for the third month in a row to 54.2 – the best showing by a narrow margin since June 2011. The increase was broad-based, with Backlog of Orders hitting 55.0, New Export Orders reaching 53.5, New Orders rising to 57.8, and Production hitting 57.6.

<u>Construction</u>

Total **construction put-in-place** decreased 2.1% in January, but most of the decline reflected a bunching of private power plant project completions in November and December at the expense of January activity. Excluding power plants, total construction was off 0.7% in January following a more normal average monthly gain of 0.7% during the three previous months. From a year earlier, total construction increased 7.1%, up from a slim year-over-year gain of 0.5% in January 2012.

Since last March, the mix of activity shifted significantly away from non-residential toward residential. After increasing by 8.5% in residential and 8.6% in non-residential during the year ending March 2012, construction put-in-place accelerated to 21.5% for residential and decelerated to 1.9% for non-residential. The difference was even larger in terms of annual rates of change, underscoring the resurgence in residential construction in recent months.

The **Architecture Billings Index** from the American Institute of Architects strengthened in January to its best level since before the recession began in 2007, possibly signaling a pickup in activity in coming months. The **Inquiries for New Work Index** also strengthened in January, rising to 63.2, compared with a neutral level of 50.0. In contrast, the **Billings Index for the Midwest** slipped in January back to its November level of 54.4 after having risen to 55.7 in December, but still remained well above neutral.

Housing construction continued to improve in January, in part aided by weather patterns. **Housing starts** were unchanged for the month on a 3-month moving average basis, but were 27.2% higher than a year earlier. However permits, which are affected less by weather and are more forward-looking, increased 2.1% on a 3-month moving average basis – the seventh straight monthly increase. Permits were 30.6% higher than in January 2012 on this basis.

In the Midwest, housing permits increased 1.4% in January on a 3-month moving average basis, recouping only a portion of the 10.8% decrease in December. Still, Midwest permits were 41.6% higher than in January 2012. Midwest starts dropped 12.2% in January on a 3-month moving average basis, erasing more than the total increase during the previous five months, but remaining 16.1% above the year earlier level.

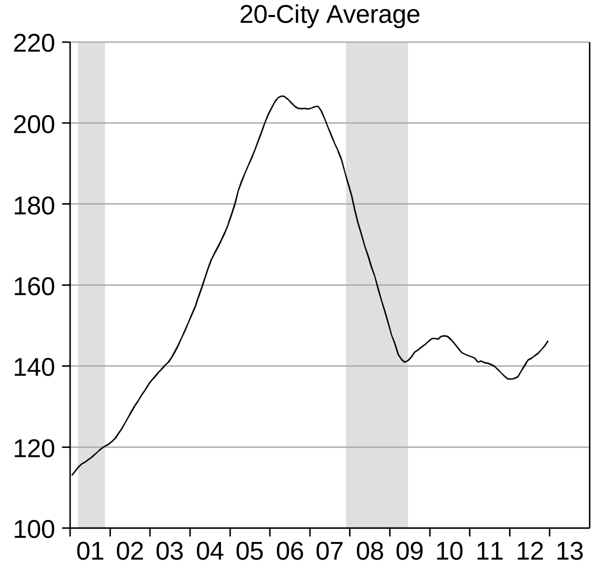
Sales of existing homes increased 0.6% in January on a 3-month moving average basis after a 0.8% rise in December that was revised down from an originally reported increase of 1.7%. Compared with a year ago, existing home sales were higher by 11.3% across the country and by 17.7% in the Midwest.

Sales of newly built homes increased 6.4% in January on a 3-month moving average basis, and the December change was revised up from a decrease of 0.9% to a decline of 0.1%. Compared with a year ago, new homes sales were up 20.2% in January. In the Midwest, new home sales resumed the decline that began last September, taking the 3-month moving average to -10.4% below the year earlier level.

The **inventory of existing homes** declined further in January to the lowest level since December 1999. Relative to the pace of sales, the inventory of unsold homes fell to 4.2 months – just below the 1999-2005 average of 4.4 months. The **inventory of new homes** was unchanged in January, but relative to the pace of sales the inventory fell to 4.1 months – exactly the average during 1999-2005. The return of the inventory of homes on the market to normal levels is an important indication of the improvement in the housing sector.

Home prices posted the eleventh-straight monthly increase in December, according to the S&P/Case-Shiller 20-city composite home price index. The index increased 0.9% in December, and the November increase was revised slightly higher to 0.7%, lifting the total increase to 6.9% since the cyclical low point reached in January. The index was still down 29.2% from the all-time peak reached in April 2006. Home prices in Cleveland increased 0.6% in December, and the November comparison was revised up from no change to an increase of 0.1%. Cleveland home prices have increased for five straight months and are 2.9% higher than a year earlier, 4.1% above the cyclical low point, but remain 18.5% below the peaked reached in January 2006.

S&P Case/Shiller Home Price Index
20-City Average



REVENUES

NOTE: Estimates reflected in the revenue tables are based on July 2012 OBM revisions and do not include or reflect updated fiscal year 2013 annual estimates contained in the Executive Budget for fiscal years 2014-2015.

February **GRF receipts totaled $2,487.2 million** and were $541.5 million (27.8%) above the estimate. Monthly tax receipts totaled $1,264.6 million and were $9.9 million (0.8%) below the estimate, while non-tax receipts totaled $1,222.6 million and were $562.4 million (85.2%) above the estimate. Year-to-date variances by category are provided in the following table ($ in millions).

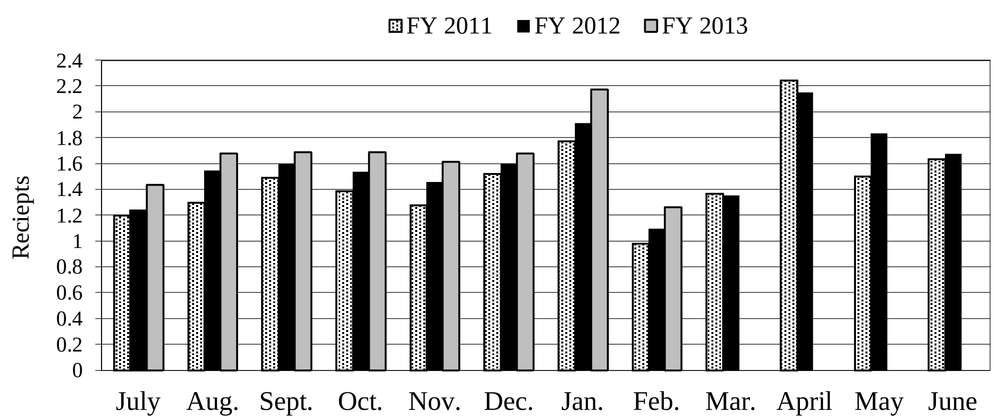
Category	**Includes:**	**YTD Variance**	**% Variance**
Tax receipts	Sales & use, personal income, corporate franchise, commercial activity, MCF, public utility, kilowatt hour, foreign & domestic insurance, other business & property taxes, cigarette, alcoholic beverage, liquor gallonage, & estate	$276.3 million	2.1%
Non-tax receipts	Federal grants, earnings on investments, licenses & fees, other income, intrastate transfers	$450.8 million	8.0%
Transfers	Budget stabilization, liquor transfers, capital reserve, other	($6.9 million)	(6.6%)
TOTAL REVENUE VARIANCE:		$720.3 million	3.9%

February tax receipts fell short of the estimate as a result of higher-than-expected personal income tax refunds and a shortfall in the foreign insurance tax. On a year-over-year basis, monthly receipts were $164.9 million (15.0%) higher than they were in February 2012, with the largest contributions to this year-over-year growth attributable to the non-auto sales tax, corporate franchise tax, and commercial activity tax.

GRF Revenue Sources Relative to Monthly Estimates - February 2013
($ in millions)

Individual Sources Above Estimate		Individual Sources Below Estimate	
Non-Auto Sales Tax	$22.8	Personal Income Tax	($55.4)
Auto Sales Tax	$6.8	Commercial Activity Tax	($11.8)
Corporate Franchise Tax	$78.4	MCF Tax	($6.2)
Kilowatt Hour Tax	$5.7	Foreign Insurance Tax	($51.0)
Cigarette Tax	$3.5	Alcoholic Beverage Tax	($2.1)
Federal Grants	$59.4	Liquor Transfers	($11.0)
License & Fees	$1.5	Other Sources Below Estimate	($0.9)
Other Income	$494.2		
ISTV's	$7.3		
Other Sources Above Estimate	$0.2		
Total above	**$679.8**	**Total below**	**($138.3)**

Tax Revenue Comparison by Month
($ in billions)



Non-Auto Sales and Use Tax

As in January, the non-auto sales tax continued its erratic performance as February non-auto sales tax receipts totaled $547.3 million and exceeded the estimate by $22.8 million (4.3%), nearly making up for the $26.1 million January shortfall. Year-to-date, this tax source is $26.6 million (0.5%) below the estimate. On a year-over-year basis, February 2013 receipts were $42.4 million (8.4%) above those of February 2012. Fiscal year 2013 year-to-date receipts are $205.5 million (4.4%) higher than those at the same point in fiscal year 2012. Due to the continued erratic performance of this tax source, OBM continues to closely monitor its performance.

Auto Sales Tax

Auto sales tax receipts for the month of February totaled $71.2 million and were $6.8 million (10.6%) above the estimate. Year-to-date, auto tax receipts are $10.4 million (1.5%) above the estimate. On a year-over-year basis, February 2013 receipts were $1.3 million (1.8%) below those of February 2012, while fiscal year 2013 year-to-date receipts are $20.6 million (3.1%) higher than the same point in the previous fiscal year.

Personal Income Tax

February personal income tax receipts totaled $267.2 million and were $55.4 million (17.2%) below the estimate. As discussed in the January monthly report however, this result is largely due to a delay in the start of the filing season at the federal level. Due to the relatively late resolution of the "fiscal cliff" negotiations, the Internal Revenue Service did not begin accepting returns prior to January 30th. This federal delay has had a carry-through effect on state tax return filings as most taxpayers file their state and federal returns at the same time. Tax return filings and their associated payments and refunds that otherwise would have occurred in January have therefore been pushed forward into later months. The direct result is that the majority of the February shortfall is due to higher-than-anticipated refunds. Refunds in February totaled $379.5 million and exceeded the estimate by $51.3 million (15.6%). As noted in the February monthly report, January refunds were well below estimate due to the aforementioned federal delay. When combined with the January performance, refunds for January and February combined were still $35.5 million (8.0%) below the combined two months' estimate. As a result, the higher-than-estimated refunds experienced in February will likely continue for the next few months as the correction for January continues. Payments associated with annual returns totaled $4.3 million in February and were $18.5 million (81.2%) below the estimate. This component was the second biggest contributor to the shortfall in total personal income tax receipts.

Compensating for the shortfalls detailed above was the withholding component, which totaled $660.4 million in February and was $23.2 million (3.6%) above the estimate. When looking at January and February combined, this component totaled $1.47 billion and was $11.5 million (0.8%) above the combined estimate. Total personal income tax receipts for January and February combined were $1.5 billion and were $152.2 million (11.3%) above the combined estimate.

On a year-over-year basis, monthly personal income tax receipts were $3.4 million (1.3%) higher than the February 2012 level. The withholding component was the main contributor to this growth with receipts that were $34.4 million (5.5%), higher than the same month in the previous fiscal year. Further contributing to this growth were reductions in distributions to the local government fund that were $22.8 million (39.6%) lower than those of February 2012 (as a result of changes contained in H.B. 153 of the 129th General Assembly).

The year-over-year growth was tempered by lower-than-expected receipts in annual payments which came $18.5 million (81.2%) below the February 2012 level. Refunds were $26.3 million (7.4%) higher than February 2012 level, reducing the overall year-over-year growth. Year-to-date, personal income tax receipts for the first eight months of fiscal year 2013 are $5,782.2

million which is $228.4 million (4.1%) above estimate and $628.1 million (12.2%) higher than the February 2012 level.

FY2013 PERSONAL INCOME TAX RECEIPTS BY COMPONENT ($ in millions)						
	ESTIMATE FEB	**ACTUAL FEB**	**$ VAR FEB**	**ESTIMATE Y-T-D**	**ACTUAL Y-T-D**	**$ VAR Y-T-D**
Withholding	$637.2	$660.4	$23.2	$5,359.6	$5,422.9	$63.3
Quarterly Est.	$9.5	$9.1	($0.4)	$763.1	$911.9	$148.8
Trust Payments	$1.6	$1.3	($0.3)	$21.7	$53.1	$31.4
Annual Returns & 40 P	$22.8	$4.3	($18.5)	$167.1	$137.4	($29.7)
Other	$14.7	$6.4	($8.3)	$73.7	$67.0	($6.7)
Less: Refunds	($328.2)	($379.5)	($51.3)	($602.4)	($576.0)	$26.4
Local Distr.	($35.1)	($34.8)	$0.3	($229.0)	($234.1)	($5.1)
Net to GRF	**$322.5**	**$267.2**	**($55.4)**	**$5,553.8**	**$5,782.2**	**$228.4**

Corporate Franchise Tax

Corporate franchise tax receipts for the month of February totaled $72.4 million and were $78.4 million (1,306.1%) above the estimate. As discussed in the January monthly report, some payments expected in January were instead processed in early February. When looking at January and February combined, receipts totaled $100.5 million and were $44.5 million (79.4%) above the combined estimate.

Year-to-date corporate franchise tax receipts are $96.1 million (171.7%) above the estimate and were $94.9 million (165.8%) higher than those at the same point in fiscal year 2012. As noted in previous months' reports, refund activity for the fiscal year-to-date has not been as high as expected, which combined with a number of unexpected one-time settlements has driven the year-to-date performance higher both relative to the estimate and relative to the fiscal year 2012 performance.

Commercial Activity Tax

February commercial activity tax (CAT) receipts to the GRF totaled $173.9 million and were $11.8 million (6.3%) below the estimate. On a year-over-year basis, February 2013 GRF CAT receipts were $85.1 million (95.7%) higher than those of February 2012, largely due to provisions contained in H.B. 153 of the 129th General Assembly that modified the distribution of CAT receipts, with the portion of total receipts being allocated to the GRF increasing from 25.0 percent in fiscal year 2012 to 50.0 percent in fiscal year 2013. The all-funds CAT receipts for February totaled $346.8 million and were $27.8 million below the $374.6 million estimate. On a year-to-date basis, total GRF CAT receipts are $604.2 million, which is $18.5 million (3.0%) below the estimate, while all-funds CAT receipts are $1,219.8 million and are $36.3 million (2.9%) below the estimate of $1,256.1 million.

Kilowatt-Hour Tax

February kilowatt hour receipts totaled $33.2 million and were $5.7 million (20.6%) above the estimate, bringing the year-to-date total to $215.3 million which was $0.6 million (0.3%) above the estimate. This is the first month since July 2012 that the year-to-date variance from the estimate for this tax has been positive. On a year-over-year basis, this tax source was $7.9 million (31.3%) above the February 2012 level, while year-to-date fiscal year 2013 receipts are $7.7 million (3.7%) above the level at the same point in the previous fiscal year.

MCF Tax

February MCF tax receipts ("natural gas distribution") totaled $6.9 million and were $6.3 million (47.5%) below the estimate. Earlier in the calendar year, this tax source experienced monthly shortages due to a milder-than-anticipated winter. Fiscal year-to-date receipts are $7.4 million (23.6%) below the estimate. Due to the short history of this tax source being deposited into the GRF, OBM will monitor its performance in the coming months in order to determine what factors drove the February variance.

Foreign Insurance Tax

February receipts for the foreign insurance tax totaled $7.5 million and were $51.0 million (87.1%) below the estimate. The shortfall appears to be mainly due to some processing issues in the Treasurer's Office arising from a recently introduced e-pay system. OBM anticipates a compensating overage in next month's receipts. Fiscal year-to-date receipts are $150.4 million, which is $46.0 million (23.4%) below the estimate. On a year-over-year basis, monthly receipts are $44.1 million (85.4%) below those of February 2012, while year-to-date fiscal year 2013 receipts are $35.7 million (19.2%) below those at the same point in the previous fiscal year.

Cigarette Tax

Cigarette tax receipts for the month of February totaled $56.9 million and were $3.5 million (6.5%) above the estimate, bringing the year-to-date total to $495.3 million which was $2.5 million (0.5%) above the estimate. On a year-over-year basis, February 2013 cigarette tax receipts were $2.8 million (4.6%) lower than those of February 2012, while year-to-date fiscal year 2013 receipts are $9.1 million (1.8%) lower than the same point in the previous fiscal year, a decline that is well below the 3.0 percent decline we have seen with this tax source in recent years.

GRF non-tax receipts totaled $1,222.6 million in February and were $562.4 million (85.2%) above the estimate primarily due to an overage in federal grants and a one-time transfer of $495.0 million to the GRF from the transfer of the liquor enterprise to JobsOhio. This payment was originally expected in fiscal year 2012 but did not occur until February 2013. For the year-to-date, non-tax receipts are $450.8 million (8.0%) above the estimate. Due to the completion of the JobsOhio liquor transaction, no liquor profits transfers occurred during the month of February. As a result, **GRF transfers** were $11.0 million below estimate for the month and for the year-to-date total of $97.3 million, or $6.9 million (6.6%) below the estimate.

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

REVENUE SOURCE	MONTH				YEAR-TO-DATE			
	ACTUAL FEBRUARY	ESTIMATE FEBRUARY	$ VAR	% VAR	ACTUAL Y-T-D	ESTIMATE Y-T-D	$ VAR	% VAR
TAX RECEIPTS								
Non-Auto Sales & Use	547,313	524,500	22,813	4.3%	4,907,438	4,934,000	(26,562)	-0.5%
Auto Sales & Use	71,226	64,400	6,826	10.6%	688,799	678,400	10,399	1.5%
Subtotal Sales & Use	618,539	588,900	29,639	5.0%	5,596,237	5,612,400	(16,163)	-0.3%
Personal Income	267,162	322,517	(55,355)	-17.2%	5,782,225	5,553,811	228,414	4.1%
Corporate Franchise	72,363	(6,000)	78,363	1306.1%	152,139	56,000	96,139	171.7%
Commercial Activity Tax	173,940	185,700	(11,760)	-6.3%	604,191	622,700	(18,509)	-3.0%
Public Utility	23,000	23,800	(800)	-3.4%	68,005	73,700	(5,695)	-7.7%
Kilowatt Hour	33,160	27,500	5,660	20.6%	215,279	214,700	579	0.3%
MCF Tax	6,875	13,100	(6,225)	-47.5%	23,834	31,200	(7,366)	-23.6%
Foreign Insurance	7,534	58,500	(50,966)	-87.1%	150,416	196,400	(45,984)	-23.4%
Domestic Insurance	0	100	(100)	N/A	4,625	(400)	5,025	1256.2%
Other Business & Property	65	0	65	N/A	436	(1,200)	1,636	136.4%
Cigarette	56,865	53,400	3,465	6.5%	495,317	492,800	2,517	0.5%
Alcoholic Beverage	2,034	4,100	(2,066)	-50.4%	34,093	38,500	(4,407)	-11.4%
Liquor Gallonage	2,948	2,900	48	1.6%	27,364	26,900	464	1.7%
Estate	117	0	117	N/A	73,696	34,000	39,696	116.8%
Total Tax Receipts	1,264,602	1,274,517	(9,915)	-0.8%	13,227,858	12,951,511	276,347	2.1%
NON-TAX RECEIPTS								
Federal Grants	710,539	651,115	59,424	9.1%	5,526,128	5,575,728	(49,600)	-0.9%
Earnings on Investments	0	0	0	N/A	4,448	2,500	1,948	77.9%
License & Fees	7,414	5,874	1,540	26.2%	24,508	23,668	840	3.5%
Other Income	495,653	1,439	494,214	N/A	502,971	19,025	483,945	N/A
ISTV'S	8,999	1,748	7,251	414.9%	21,314	7,619	13,695	179.7%
Total Non-Tax Receipts	1,222,605	660,177	562,428	85.2%	6,079,369	5,628,541	450,828	8.0%
TOTAL REVENUES	**2,487,207**	**1,934,694**	**552,513**	**28.6%**	**19,307,227**	**18,580,052**	**727,176**	**3.9%**
TRANSFERS								
Budget Stabilization	0	0	0	N/A	0	0	0	N/A
Liquor Transfers	0	11,000	(11,000)	N/A	88,000	99,000	(11,000)	-11.1%
Transfers In - Other	0	0	0	N/A	9,251	5,166	4,085	79.1%
Temporary Transfers In	0	0	0	N/A	0	0	0	N/A
Total Transfers	0	11,000	(11,000)	N/A	97,251	104,166	(6,915)	-6.6%
TOTAL SOURCES	**2,487,207**	**1,945,694**	**541,513**	**27.8%**	**19,404,478**	**18,684,218**	**720,260**	**3.9%**

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

REVENUE SOURCE	MONTH FEBRUARY FY 2013	MONTH FEBRUARY FY 2012	MONTH $ VAR	MONTH % VAR	YEAR-TO-DATE ACTUAL FY 2013	YEAR-TO-DATE ACTUAL FY 2012	YEAR-TO-DATE $ VAR	YEAR-TO-DATE % VAR
TAX RECEIPTS								
Non-Auto Sales & Use	547,313	504,874	42,439	8.4%	4,907,438	4,701,982	205,456	4.4%
Auto Sales & Use	71,226	72,496	(1,270)	-1.8%	688,799	668,248	20,551	3.1%
Subtotal Sales & Use	618,539	577,370	41,168	7.1%	5,596,237	5,370,230	226,007	4.2%
Personal Income	267,162	263,771	3,391	1.3%	5,782,225	5,154,143	628,082	12.2%
Corporate Franchise	72,363	(11,117)	83,481	750.9%	152,139	57,235	94,904	165.8%
Commercial Activity Tax	173,940	88,859	85,080	95.7%	604,191	298,002	306,189	102.7%
Public Utility	23,000	24,242	(1,242)	-5.1%	68,005	77,600	(9,595)	-12.4%
Kilowatt Hour	33,160	25,249	7,912	31.3%	215,279	207,559	7,720	3.7%
MCF Tax	6,875	13,156	(6,281)	-47.7%	23,834	31,328	(7,494)	-23.9%
Foreign Insurance	7,534	51,647	(44,113)	-85.4%	150,416	186,129	(35,713)	-19.2%
Domestic Insurance	0	123	(123)	N/A	4,625	123	4,502	N/A
Other Business & Property	65	10	55	552.5%	436	(1,773)	2,210	124.6%
Cigarette	56,865	59,622	(2,757)	-4.6%	495,317	504,379	(9,061)	-1.8%
Alcoholic Beverage	2,034	3,978	(1,944)	-48.9%	34,093	37,817	(3,724)	-9.8%
Liquor Gallonage	2,948	2,806	142	5.1%	27,364	26,438	926	3.5%
Estate	117	0	117	N/A	73,696	36,084	37,612	104.2%
Total Tax Receipts	1,264,602	1,099,715	164,887	15.0%	13,227,858	11,985,293	1,242,565	10.4%
NON-TAX RECEIPTS								
Federal Grants	710,539	679,531	31,009	4.6%	5,526,128	5,180,389	345,740	6.7%
Earnings on Investments	0	296	(296)	N/A	4,448	2,711	1,737	64.1%
License & Fee	7,414	8,040	(625)	-7.8%	24,508	33,609	(9,101)	-27.1%
Other Income	495,653	760	494,893	N/A	502,971	10,084	492,886	N/A
ISTV'S	8,999	2,997	6,001	200.2%	21,314	13,066	8,248	63.1%
Total Non-Tax Receipts	1,222,605	691,624	530,982	76.8%	6,079,369	5,239,859	839,510	16.0%
TOTAL REVENUES	**2,487,207**	**1,791,339**	**695,868**	**38.8%**	**19,307,227**	**17,225,152**	**2,082,075**	**12.1%**
TRANSFERS								
Budget Stabilization	0	0	0	N/A	0	0	0	N/A
Liquor Transfers	0	0	0	N/A	88,000	72,500	15,500	21.4%
Transfers In - Other	0	153,668	(153,668)	N/A	9,251	202,643	(193,392)	-95.4%
Temporary Transfers In	0	0	0	N/A	0	180,718	(180,718)	N/A
Total Transfers	0	153,668	(153,668)	N/A	97,251	455,861	(358,610)	-78.7%
TOTAL SOURCES	**2,487,207**	**1,945,006**	**542,201**	**27.9%**	**19,404,478**	**17,681,013**	**1,723,465**	**9.7%**

DISBURSEMENTS

February 2013 GRF disbursements, across all fund uses, totaled $2,205.1 million and were $76.6 million (3.6%) above estimate. On a year-over-year basis, disbursements for February 2013 were $207.0 million (10.4%) higher than those of February 2012, and this was primarily attributable to higher disbursements in the primary education category. Year-to-date variances by category are provided in the table below:

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)	($177.1 million)	(0.9%)
Transfers	Temporary or permanent transfers out of the GRF that are not agency expenditures	($5.7 million)	(1.7%)
TOTAL DISBURSEMENTS VARIANCE:		($182.8 million)	(0.9%)

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, as well as disbursements made to libraries and arts organizations. February disbursements in this category totaled $631.6 million and were $39.5 million (6.7%) above the estimate.

February disbursements for the Department of Education alone totaled $629.2 million and were $39.6 million (6.7%) above the estimate. Expenditures for the school foundation program totaled $526.4 million and were $36.3 million (7.4%) above the estimate. The variance in the foundation funding line item is due to the Department of Education using fiscal year 2013 October Average Daily Membership (ADM) rather than estimated ADM to make payments to school districts, which results in some variability. Additionally, the department made larger than anticipated disbursements out of the Ohio Education Computer Network and School Lunch Match line items. However, year-to-date disbursements for these line items are still less than year-to-date estimates.

Higher Education

February disbursements for Higher Education totaled $197.2 million and were $6.7 million (3.5%) above the estimate. Year-to-date disbursements are $1,440.9 million, which is $7.8 million (0.5%) below the estimate. The monthly variance is due primarily to a one-time decision to disburse two subsidy line items on a bi-annual schedule rather than a quarterly schedule, as was originally reflected in the agency disbursement estimates. On a year-over-year basis, disbursements in this category were $10.4 million (5.6%) higher than for the same month in the previous fiscal year while year-to-date expenditures are nearly equal to those at the same point in fiscal year 2012.

Public Assistance and Medicaid

February disbursements in this category, which include all GRF expenditures by the Ohio Department of Job and Family Services (ODJFS), totaled $1,134.1 million and were $58.4 million (5.4%) above the estimate. Fiscal year-to-date expenditures are $9,304.5 million, which is $93.0 million (1.0%) below estimate.

Public Assistance and Non-Medicaid

ODJFS, Non-Medicaid, General Revenue Fund (GRF) disbursements totaled $42.6 million for the month of February and were $3.9 million (8.4%) below the estimate. Major monthly variances were attributable to the following:

- Disability Financial Assistance (ALI 600511) subsidy disbursements were $2.3 million (98.8%) below estimate. This is a result of $1.3 million in program refunds being reported as negative expenditures within the line item, thereby reducing overall line item expenses.
- TANF State/Maintenance of Effort (ALI 600410) subsidy disbursements were $1.8 million (11.1%) below estimate due to lower-than-anticipated Ohio Works First cash assistance payments made during the month. The department plans to disburse all line item funds by the end of the fiscal year to ensure the federal TANF Maintenance of Effort is met.
- Early Care and Education (ALI 600535) child care disbursements were $1.7 million (27.1%) below estimate. This can be attributed to the agency reducing line item disbursements for the month in order to better align with overall year-to-date estimates. The department plans to disburse all line item funds by the end of the fiscal year to ensure federal TANF and Child Care & Development Fund Maintenance of Effort requirements are met.
- Family Assistance – Local (ALI 600521) disbursements were $1.7 million (46.7%) above estimate due to higher-than-anticipated line item county expenditures for the month.

Medicaid

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

Expenditures

GRF disbursements year-to-date for the ODJFS portion of the Medicaid Program are $8,814.9 million, which is $30.1 million (0.3%) below estimate and $536.2 million (6.5%) above the same point in the previous fiscal year. Disbursements in February totaled $1,091.5 million and were $62.4 million (6.1%) above the estimate and $27.0 million (2.5%) above disbursements in

February 2012. Due to a delay in the collection of certain assessments, payments normally made from non-GRF funds were instead paid by the GRF. An opposite effect is expected in future months when the assessments are collected.

All funds year-to-date disbursements equal $10,008.8 million and are $460.7 million (4.4%) below the estimate and $200.1 million (2.0%) above the same point in the previous fiscal year. All funds disbursements for the month of February totaled $1,282.4 million and were $80.1 million (5.9%) below the estimate and $48.2 (3.9%) above disbursements in February 2012.

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

	February Projection	February Actual	Variance	Variance %
GRF	$ 1,029,129,265	$ 1,091,481,534	$ 62,352,269	6.1%
Non-GRF	$ 333,368,984	$ 190,933,394	$ (142,435,590)	-42.7%
All Funds	$ 1,362,498,249	$ 1,282,414,928	$ (80,083,321)	-5.9%

Categorical Variances

Managed Care ABD and CFC – The $63.3 million negative variance within managed care CFC accounts for much of the total monthly underspend. The below estimate spending in this category is driven by lower-than-anticipated capitation payments, delivery payments, and caseload. The ABD category saw a lower caseload than expected which led to reduced spending. Moreover, expected expenditures related to the Affordable Care Act's physician fee schedule increase were included in the disbursement estimates. The final rule, released in November of 2012, after the disbursement estimates were finalized, changed the assumptions for the implementation of this increase through managed care, which has led to a lower than expected payment each month. This change accounts for $28.4 million of the variance within this category in this month, and is expected to continue at a similar lever through the remainder of the fiscal year.

Department of Aging Waivers – Another negative variance was observed in the Aging Waivers category. In February, PACE and PASSPORT/Choices experienced lower-than-expected caseload volume. Furthermore, the service cost per consumer enrolled in PASSORT/Choices was lower than projected. This contributed $10.9 million to the overall negative variance.

Caseload

Total February enrollment across all categories was 2.36 million. The most significant components are the Covered Families and Children (CFC) category, which decreased by 4,244 persons to a February total of 1.69 million persons, and the Aged, Blind and Disabled (ABD) category, which increased by 3,668 people to a February total of 389.4 thousand covered lives.

Total enrollment across all categories for the same period last year was 2.21 million covered persons, including 1.67 million persons in the CFC category and 407.3 thousand people in the ABD category. Please note that these data are subject to revision.

Health and Human Services

This category includes GRF expenditures for the following state agencies: Health, Aging, Mental Health, Developmental Disabilities, and ODADAS. Examples of expenditures in this category include: administration of the state's psychiatric hospitals; operating subsidies to county boards of developmental disabilities; various immunization programs; and Ohio's long term care ombudsman program. To the extent that these agencies spend GRF to support Medicaid services, that spending is reflected in this category instead of the previous category.

February disbursements in this category totaled $67.0 million and were $4.2 million (6.7%) above the estimate. On a year-over-year basis, this category was $20.1 million (42.7%) higher than the same month in the previous fiscal year. Year-to-date disbursements are $678.1 million, which is $22.7 million (3.2%) below the estimate.

<u>Department of Health</u>
February disbursements for the Department of Health totaled $7.4 million and were $2.5 million (49.7%) above estimate. Year-to-date expenditures are $51.9 million, which is $11.9 million (18.7%) below the estimate. Major monthly variances within individual line items were attributable to the following:

- Immunizations disbursements were $3.6 million above estimate as the department finalizes additional large vaccine purchases originally scheduled for previous months.
- Mothers and Children Safety Net Services disbursements were $0.4 million above estimate as the department continues to release funds to sub-grantees that comply with programmatic requirements, working to bring actual disbursements in line with overall year-to-date estimates.
- Help Me Grow disbursements were $0.9 below estimate because of a new fee for service model implementation (as opposed to a per child allocation), and the department began providing funding directly to providers (instead of directly to Ohio Family and Children First Councils, which then distributed funding to providers). Providers have not fully adjusted to these changes yet, so spending has lagged behind the original estimates.
- Federally Qualified Health Centers disbursements were $0.7 million below estimate because the department must first receive and approve reporting information from the state's FQHCs before distributing subsidy to these entities. Receipt and approval of the reporting information occurred later than originally planned.

<u>Department of Aging</u>
February disbursements for the Department of Aging totaled $1.5 million and were $0.2 million (11.1%) above estimate for the month. The variance can be attributed to higher subsidy payments disbursed by Senior Community Services, which had been lagging in past months compared to estimates. Year-to-date expenditures are $9.3 million, which is $0.5 million (5.6%) below estimate.

<u>Department of Mental Health</u>
February disbursements for the Department of Mental Health totaled $17.2 million and were $1.9 million (12.4%) above estimate. Year-to-date expenditures are $212.6 million, which is

$13.6 million (6.0%) below the estimate. Major monthly variances within individual line items were attributable to the following:

- Local Mental Health System of Care disbursements were $1.0 million (100%) above estimate due to the payment of Shared Services vouchers in February that were expected to occur in January.
- Disbursements within the Hospital Services line item were $0.6 million (4.6%) above estimate due to the second of two annual hospital pharmacy payments being made in February rather than in January.

<u>Department of Developmental Disabilities</u>
February disbursements for the Department of Developmental Disabilities totaled $37.2 million and were $0.3 million (0.9%) below the estimate. The variance is a result of lower-than-anticipated spending in the Medicaid State Match line item, which was $0.3 million (0.9%) below the estimate as result of slightly lower-than-predicted Transitions Waiver and ICF/IID program expenditures. Medicaid State Match line item disbursements are $0.3 million (0.1%) above estimate for the year. Year-to-date expenditures for the department as a whole are $360.1 million, which is $1.3 million (0.3%) below estimate.

Justice and Public Protection

This category includes GRF expenditures by the Department of Rehabilitation & Correction and the Department of Youth Services. February disbursements in this category totaled $118.0 million and were $11.5 million (8.9%) below the estimate. On a year-over-year basis, this category was $0.5 million (0.4%) lower than the same month in the previous fiscal year. Year-to-date disbursements are $1,305.6 million, which is $46.4 million (3.4%) below the estimate.

<u>Department of Rehabilitation and Correction</u>
Department of Rehabilitation and Correction disbursements totaled $94.9 million in February and were $7.6 million (7.4%) below the estimate. This variance was largely in the Institutional Services and Medical Services lines, due to an overall decrease in personnel, a mild winter, and cost savings initiatives in medical services.

<u>Department of Youth Services</u>
Department of Youth Services disbursements totaled $9.8 million in February and were $1.1 million (10.4%) below the estimate. This variance was largely in the RECLAIM Ohio line due to lower than anticipated personnel spending and payments expected in February being paid in March.

General Government

February disbursements for the General Government category totaled $14.3 million and were $0.7 million (4.4%) below the estimate. On a year-over-year basis, this category was $0.7 million (4.9%) below the same month in the previous fiscal year. Year-to-date disbursements are $208.8 million, which is $23.8 million (10.2%) below the estimate.

Department of Administrative Services

The Department of Administrative Services (DAS) disbursements totaled $3.1 million during the month of February and were $2.5 million (374.9%) over the estimate. This occurred because $2.4 million in rent bills for GRF-supported state agencies, veterans organizations, and vacant space in state buildings managed by DAS, which was expected in prior months, posted in February. The fiscal year 2013 rates for these buildings were completed in February, allowing the delayed expenses from prior months to be billed and paid.

Tax Relief and Other

Payments from the tax relief category are made to local governments and school districts to reimburse these entities for revenues foregone as a result of the 10.0 percent and 2.5 percent rollback, as well as the homestead exemption. January disbursements for tax relief were approximately -$45,000 and were $56,000 below the monthly estimate of $11,066. The negative amounts disbursed for tax relief in February are a result of corrections to payments from prior months. For the year-to-date, tax relief payments total $871.2 million and are $7.6 million (0.9%) above estimate.

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

Functional Reporting Categories Description	MONTH ACTUAL FEBRUARY	MONTH ESTIMATED FEBRUARY	MONTH $ VAR	MONTH % VAR	YEAR-TO-DATE YTD ACTUAL	YEAR-TO-DATE YTD ESTIMATE	YEAR-TO-DATE $ VAR	YEAR-TO-DATE % VAR
Primary, Secondary and Other Education	631,578	592,061	39,516	6.7%	4,523,537	4,486,864	36,673	0.8%
Higher Education	197,202	190,521	6,681	3.5%	1,440,899	1,448,703	(7,804)	-0.5%
Public Assistance and Medicaid	1,134,094	1,075,671	58,422	5.4%	9,304,530	9,397,499	(92,969)	-1.0%
Health and Human Services	67,016	62,806	4,210	6.7%	678,051	700,720	(22,668)	-3.2%
Justice and Public Protection	117,961	129,466	(11,505)	-8.9%	1,305,600	1,351,957	(46,357)	-3.4%
Environmental Protection and Natural Resources	3,038	3,043	(5)	-0.2%	50,298	52,206	(1,908)	-3.7%
Transportation	460	748	(288)	-38.6%	6,792	7,157	(365)	-5.1%
General Government	14,318	14,978	(660)	-4.4%	208,780	232,589	(23,809)	-10.2%
Community and Economic Development	4,063	5,292	(1,230)	-23.2%	56,379	66,490	(10,111)	-15.2%
Tax Relief and Other	(45)	11	(56)	-502.4%	886,736	879,295	7,440	0.8%
Capital Outlay	0	0	0	N/A	137	0	137	N/A
Debt Service	35,388	45,228	(9,840)	-21.8%	575,773	591,136	(15,363)	-2.6%
Total Expenditures & ISTV's	**2,205,072**	**2,119,826**	**85,246**	**4.0%**	**19,037,512**	**19,214,616**	**(177,104)**	**-0.9%**
Transfers Out:								
Operating Transfer Out	4	8,621	(8,617)	-100.0%	332,263	337,931	(5,668)	-1.7%
Temporary Transfer Out	0	0	0	N/A	0	0	0	N/A
Total Transfers Out	**4**	**8,621**	**(8,617)**	**N/A**	**332,263**	**337,931**	**(5,668)**	**-1.7%**
Total Fund Uses	**2,205,076**	**2,128,448**	**76,629**	**3.6%**	**19,369,775**	**19,552,547**	**(182,771)**	**-0.9%**

Table 4

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

	MONTH				YEAR-TO-DATE			
Functional Reporting Categories Description	**FEBRUARY FY 2013**	**FEBRUARY FY 2012**	**$ VAR**	**% VAR**	**ACTUAL FY 2013**	**ACTUAL FY 2012**	**$ VAR**	**% VAR**
Primary, Secondary and Other Education	631,578	297,680	333,898	112.2%	4,523,537	4,392,729	130,807	3.0%
Higher Education	197,202	186,778	10,425	5.6%	1,440,899	1,440,698	201	0.0%
Public Assistance and Medicaid	1,134,094	1,129,752	4,341	0.4%	9,304,530	8,810,903	493,626	5.6%
Health and Human Services	67,016	46,960	20,056	42.7%	678,051	706,979	(28,928)	-4.1%
Justice and Public Protection	117,961	118,435	(475)	-0.4%	1,305,600	1,242,708	62,893	5.1%
Environmental Protection and Natural Resources	3,038	3,369	(330)	-9.8%	50,298	51,142	(844)	-1.7%
Transportation	460	710	(250)	-35.3%	6,792	6,628	164	2.5%
General Government	14,318	15,058	(740)	-4.9%	208,780	192,404	16,376	8.5%
Community and Economic Development	4,063	4,648	(586)	-12.6%	56,379	55,904	475	0.8%
Tax Relief and Other	(45)	(5)	(39)	-713.4%	886,736	870,045	16,690	1.9%
Capital Outlay	0	0	0	N/A	137	120	17	14.4%
Debt Service	35,388	34,293	1,095	3.2%	575,773	274,152	301,621	110.0%
Total Expenditures & ISTV's	**2,205,072**	**1,837,678**	**367,394**	**20.0%**	**19,037,512**	**18,044,414**	**993,098**	**5.5%**
Transfers Out:								
Operating Transfer Out	4	160,363	(160,359)	-100.0%	332,263	490,714	(158,451)	-32.3%
Temporary Transfer Out	0	0	0	N/A	0	237,356	(237,356)	N/A
Total Transfers Out	**4**	**160,363**	**(160,359)**	**N/A**	**332,263**	**728,070**	**(395,807)**	**-54.4%**
Total Fund Uses	**2,205,076**	**1,998,042**	**207,035**	**10.4%**	**19,369,775**	**18,772,484**	**597,292**	**3.2%**

FUND BALANCE

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

The GRF ending fund balance should not be considered as a balance available for expenditure in FY 2013 nor should it be considered as equivalent to the FY 2013 surplus calculation as defined in Section 131.44 of the Ohio Revised Code.

It is important to note that the GRF ending fund balance will be impacted by any GRF expenditures or transfers that may be authorized by the General Assembly or by the Controlling Board during the course of the fiscal year.

NOTE: The Fund Balance is based on the fiscal year 2013 estimates prepared in July 2012 and does not include or reflect fiscal year 2013 annual updates contained in the Executive Budget for fiscal years 2014-2015.

FUND BALANCE
GENERAL REVENUE FUND
FISCAL YEAR 2013
($ in thousands)

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

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

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