



OBM

Ted Strickland
Governor

J. Pari Sabety
Director

September 10, 2010

MEMORANDUM TO: The Honorable Ted Strickland, Governor
The Honorable Lee Fisher, Lt. Governor

FROM: J. Pari Sabety, Director 

SUBJECT: Monthly Financial Report

This report contains information regarding Ohio's financial position through August 31, 2010 as well as highlights of regional and national economic indicators that are important to understanding the current state and direction of Ohio's economy. Monthly revenue and spending estimates have been updated to reflect the passage of Federal H.R. 1586 which included a six-month extension of an enhanced match for Medicaid (eFMAP) and Title IV-E programs.

Ohio's economy continued to show slow progress in emerging from the national recession in this month, as the unemployment rate continued to decline slowly. Taxes performed better than estimated, and we continue to see solid year-over-year growth. However, the timing of the recovery remains uncertain, as the latest economic indicators continue to give mixed signals.

The consensus is for slow growth in U.S. economic activity through year end with an increase over the course of 2011. Leading indicators remain consistent with uninterrupted growth, but have deteriorated recently to be consistent with a significant slowdown. Projections for real GDP have been lowered to 2% in the second half. Private sector employment continued to grow slowly in August, adding 54,000 jobs.

During the month of August, Ohio's General Revenue Fund (GRF) tax receipts totaled \$1,302.5 million, \$50.6 million (4.0%) above the monthly estimate. General Revenue Fund tax receipts for the year-to-date total \$2,503.5 million and are \$170.3 million (7.3%) greater than the same point a year ago. Tax sources reflective of current economic conditions, such as non-auto and auto sales taxes and the withholding component of personal income tax increased over August FY 2010 receipts. August FY 2011 GRF spending totaled \$3,025.3 million, \$138.6 million (4.8%) above estimate for the month.

ARRA Revenue and Disbursement Update. Attached to this report is an appendix detailing Ohio's monthly and cumulative receipts and expenditures of American Recovery and Reinvestment Act funds, including additional detail on State Fiscal Stabilization Funds (SFSF). Of the \$8.2 billion that the state is expected to receive during this three-year program, approximately \$4.9 billion has been received and \$4.8 billion has been expended.

MONTHLY FINANCIAL REPORT
TABLE OF CONTENTS

	<u>Page</u>
Highlights of National & Regional Economic Indicators	3
General Revenue Fund Receipts	10
August 2010 Analysis by Source	
Table 1: Revenue Actuals vs. Estimates	
Table 2: FY 2011 Revenue vs. FY 2010	
General Revenue Fund Disbursements	14
August 2010 Analysis by Use	
Table 3: Disbursement Actuals vs. Estimates	
Table 4: FY 2011 Disbursements vs. FY 2010	
GRF Fund Balance	19
ARRA Monthly Revenue & Disbursement Report	A-1

ECONOMIC SUMMARY

Economic Performance Overview

- Real GDP increased by a revised 1.6% in the second quarter after a 3.7% increase in the first quarter. Analysts have lowered expectations for growth in the second half to a rate of approximately 2%.
- Total employment decreased again in August due to the termination of temporary Census jobs. Private sector firms added modestly to payrolls. The unemployment rate increased from 9.5% to 9.6%, reflecting an influx of job seekers.
- Ohio employment increased by 1,800 jobs in July, despite another decrease in temporary census jobs. The unemployment rate decreased to 10.3% – the fourth decline in a row.
- Leading economic indicators remain consistent with continuing economic recovery both nationally and in Ohio, but point to a notable slowdown in the rate of growth nationally.

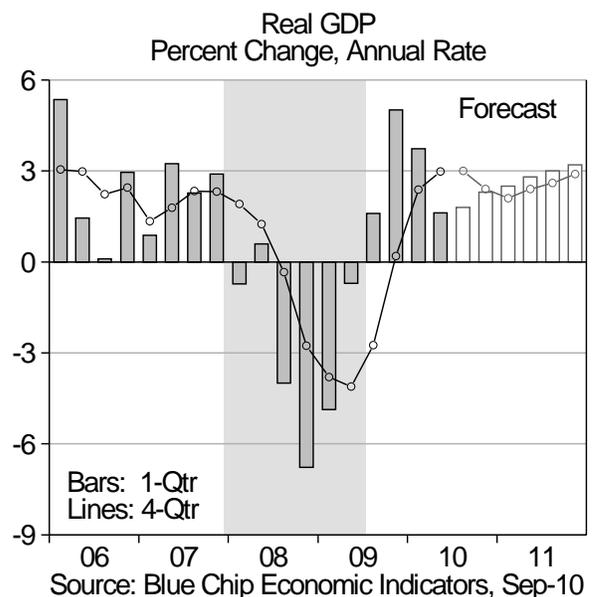
Economic Growth

Real GDP growth for the second quarter was revised down to 1.6% from the initial estimate of 2.4%. The increase was the fourth in a row, but left the level of activity still 1.3% below the peak achieved two years earlier.

During the past four quarters, real GDP has increased 3.0% – the fourth slowest first-year advance following the eleven post-war recoveries. Growth during the past year has been about the same as during the one-year recovery between the 1980 and 1981-82 recessions and modestly faster than during the recoveries from the last two recessions.

Growth in real personal consumption expenditures was revised up to 2.0% from the initial estimate of 1.6%, and the change in business inventories was revised down to \$63.2 billion from \$75.7 billion. The stronger consumer spending, however, resulted entirely from weather-related spending on energy goods. Year-over-year growth in consumption remains a very slow 1.7%.

Growth in real business investment in equipment and software was revised higher to 24.9% from the initial estimate of 21.9% – the third strong quarterly advance in a row. The durable goods report for July suggests that this trend is weakening during the third quarter. Investment

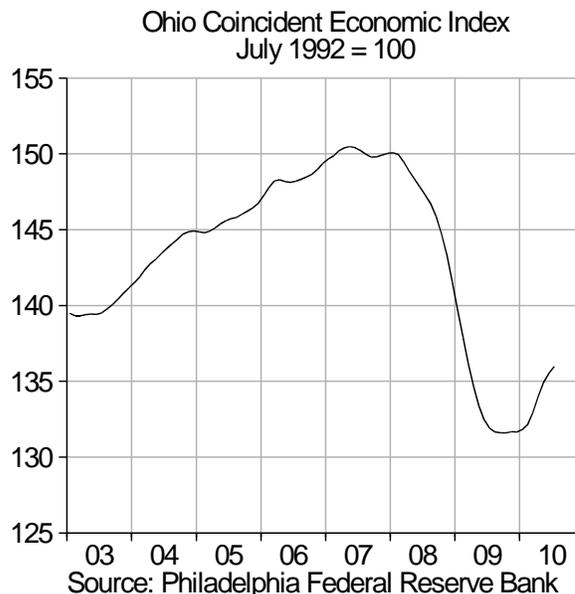


in non-residential structures was revised down to 0.4% from the initial estimate of 5.2%, but even this modest advance breaks a long string of substantial quarterly declines. Real net exports were revised sharply lower, reflecting both higher imports and lower exports than initially reported.

Growth in real final sales was revised down to 1.0% from 1.3%. Real final sales has increased for five straight quarters, but at an anemic annual rate of just 0.9%. In addition, much of the increase in activity during the second quarter occurred early in the period. Estimates of monthly real GDP declined in May and June.

The **Ohio Coincident Economic Index**, compiled by the Federal Reserve Bank of Philadelphia, increased 0.3% in July for the seventh consecutive monthly increase. The rise during the last six months has been the biggest since early in the recovery from the 1990-91 recession. The year-over-year increase in July of 3.1% was the best since June 2000.

The consensus is for slow growth in U.S. economic activity through year end with an increase over the course of 2011. The **Blue Chip Economic Indicators** projects an increase of 1.8% in real GDP in the third quarter and 2.3% in the fourth quarter, down from estimates of 2.4% and 2.7% a month ago. Quarterly growth is projected to rise to 2.5%, 2.8%, 3.0% and 3.2% in the four quarters of 2011.



Leading indicators remain consistent with uninterrupted growth, but have deteriorated recently to be consistent with a significant slowdown. After rising to a record high last October, the growth rate of **ECRI Weekly Leading Index** has been below -9.0% for each of the nine weeks through the end of August. Every time in the forty-two year history of the index that the growth rate has fallen to the current level or lower, the economy has been in recession. The level of the index has been essentially unchanged on balance for the last nine weeks, making possible a positive reversal in the growth rate in coming weeks.

The monthly **Leading Economic Index** compiled by the Conference Board increased 0.1% in July. The small increase followed two declines in the previous three months and left the index only marginally above its March level. The 6-month smoothed percent change decreased to 5.2% – the slowest since July 2009 – down from the peak for the cycle of 11.1% in March. The index has traced out similar patterns following the initial burst of growth in the early years of past recoveries and is consistent with continuing growth at a slower pace.

The **Ratio of the Coincident to Lagging Economic Index** slipped 0.1% in July after falling 0.2% in June. The 6-month smoothed rate of change fell to 3.3% from the peak for the cycle of

6.2% reached in December 2009 – the slowest rate of change since last October. The recent pattern of the ratio is consistent with a slowing in the rate of overall economic growth during the balance of the year.

The **Ohio Leading Indicator** also continued to trace out a pattern consistent with slow but continued growth. The index managed a ninth straight monthly gain in July, due mainly to improvement in housing valuations, single-family housing permits and initial jobless claims. Compared with a year earlier, the index was up by 1.7% – the third year-over-year increase in a row.



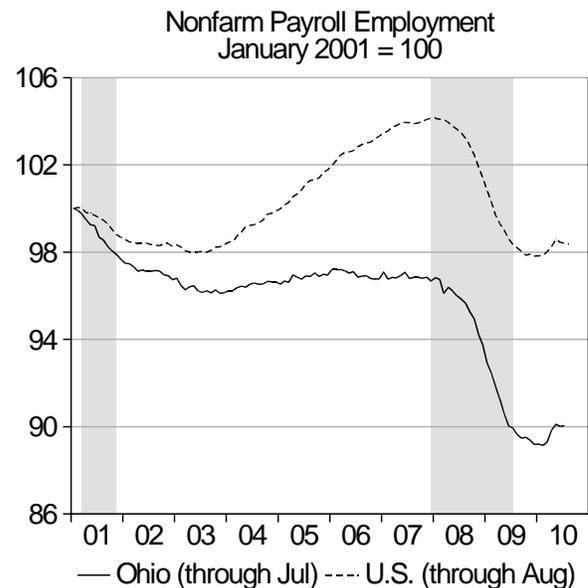
Employment

Private sector employment continued to grow slowly in August. **Total employment** decreased by 54,000 jobs, reflecting a 121,000 decrease in government jobs resulting primarily from the termination of temporary census positions. The change in total employment was revised upward by a total of 123,000 jobs in June and July. The share of industries reporting higher employment than a month ago fell to 53% – the lowest since January. The **unemployment rate** edged up to 9.6% in August from 9.5% in July.

Excluding the change in government jobs, employment increased by 54,000 jobs for the second month in a row. Private sector payrolls have increased by an average of only 95,000 jobs per month during the first eight months of the year. Manufacturing employment fell by 27,000 jobs. Construction employment increase by 19,000 jobs, but that included 10,000 workers returning from a strike.

The current recovery in labor markets is the weakest in many respects compared with other recoveries since World War II. Private sector employment, for example, has increased 0.7% since reaching its low for this cycle eight months ago, a bit less than following the 1990-91 and 2001 recessions and approximately one-fourth of the average increase during the previous recoveries.

Ohio employment increased by 1,800 jobs in July, lifting the year-to-date total to 48,400 jobs. Private sector payrolls increased by 10,500 jobs in July and 46,500 jobs year-to-date. Ohio employment gains were concentrated during



July in professional and business services (+5,200), construction (+3,300) and education and health services (+2,600). Government employment declined by 8,700 jobs, largely reflecting the termination of temporary census jobs.

Employment reached its low-point for this cycle in February at 5.0 million jobs, down from the peak in March 2006 by approximately 450,000 jobs. The unemployment rate edged down to 10.3% in July from the high for the cycle of 11.0% in March – the sixteenth consecutive month at or above 10.0%. The unemployment rate had reached a cyclical low of 5.3% in April 2006.

Employment increased during the twelve months ending in July in Ohio and each of the **contiguous states**. The year-over-year comparisons have improved markedly from the lows reached in 2009. Employment increased 1.7% in Indiana, 0.6% in Michigan, 0.5% in Kentucky, 0.3% in Pennsylvania and 0.1% in Ohio and West Virginia.

For the Ohio and contiguous state region, employment increased 0.5% during the same period, compared with no change for all states outside the region combined. July was the fourth month since November 2002 in which year-over-year growth in Ohio and contiguous state employment was greater than growth in the rest of the country.

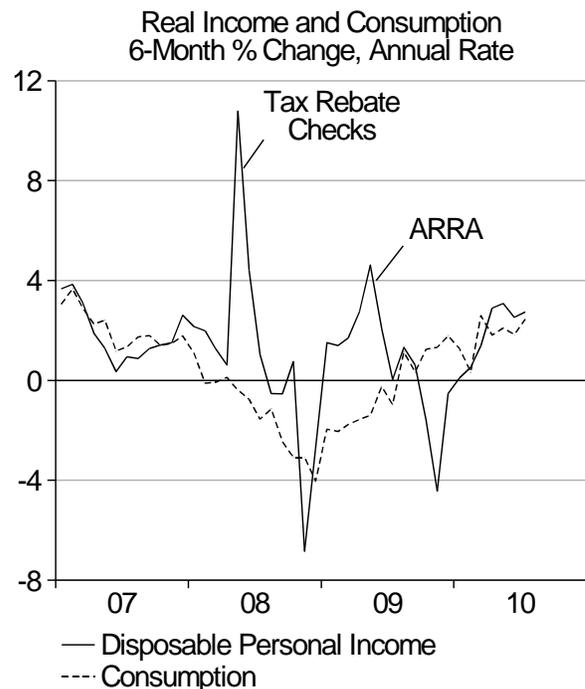
Consumer Income and Consumption

Personal income and personal consumption expenditures picked up in July after a lackluster June, rising by 0.2% and 0.4%, respectively. Compared with a year earlier, income was higher by 3.0% – the best since October 2008 – and spending was up by 3.4%. The saving rate dipped slightly to 5.9% from 6.2%, but remained in the elevated range of the past two years.

Wage and salary disbursements increased 0.3% in July, more than offsetting the 0.1% decline in June. Compared with a year earlier, wages were higher by 1.7%. The larger increase in personal income than in wages reflects the increase in transfer payments.

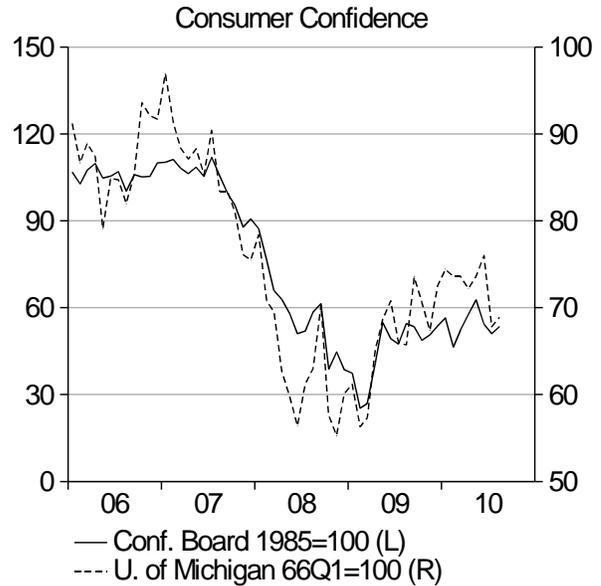
Personal consumption expenditures were lifted by a 1.0% increase in spending for durable goods, which reflected a 3.4% rise in sales of light motor vehicle units during the month. **Retail sales** increased 0.4% in July, reflecting the rise in auto sales and higher sales at gasoline stations. Excluding autos and gas, retail sales decreased 0.1%.

Chain store sales increased 2.1% from July to August, according to the International Council of Shopping Centers. Compared with a year earlier, sales were higher by 3.2%. Year-over-



year growth decelerated in all categories except for wholesale clubs, where growth increased to 6.4%. Sales at department stores and luxury outlets increased by larger percentage amounts than for all chain stores. Sales at discount and drug stores increased by less than for the total.

Consumer confidence changed little in August, according to both the Conference Board and Reuters\University of Michigan. Readings remain near or below average readings in past recessions. For example, the Conference Board index of Consumer Confidence was still 22.3% below the average reading during recessions, and the Reuters/University of Michigan index of Consumer Sentiment was just below the recession average.



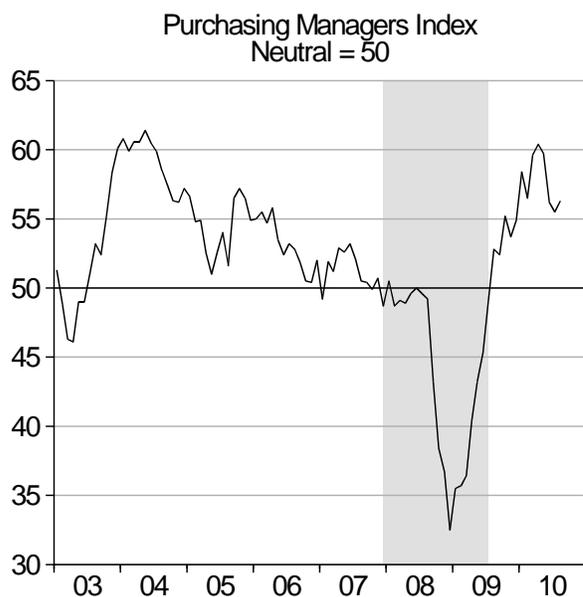
Manufacturing

Industrial production increased by 1.0% in July after a 0.1% setback in June. Production was higher by 7.7% from a year earlier – the seventh positive year-over-year comparison in a row, although down a bit from the 8.2% year-over-year gain in July. Manufacturing output increased 1.1% on the month.

The large increase in production in July reflected a surge in vehicle production and solid gains across much of the rest of manufacturing. Motor vehicle assemblies increased by 13.7% on a seasonally adjusted basis to 45.9% higher than the year earlier level. Production of high-technology goods increased 0.8% on the month.

Manufacturing output in and around Ohio was mainly steady or down slightly during the six weeks ending at the end of August, according to the Cleveland Federal Reserve Bank. A notable exception is the steel industry, in which most firms reported that volume was stable or increasing. A majority of manufacturers in the area expected production levels to stay at current levels for the near term.

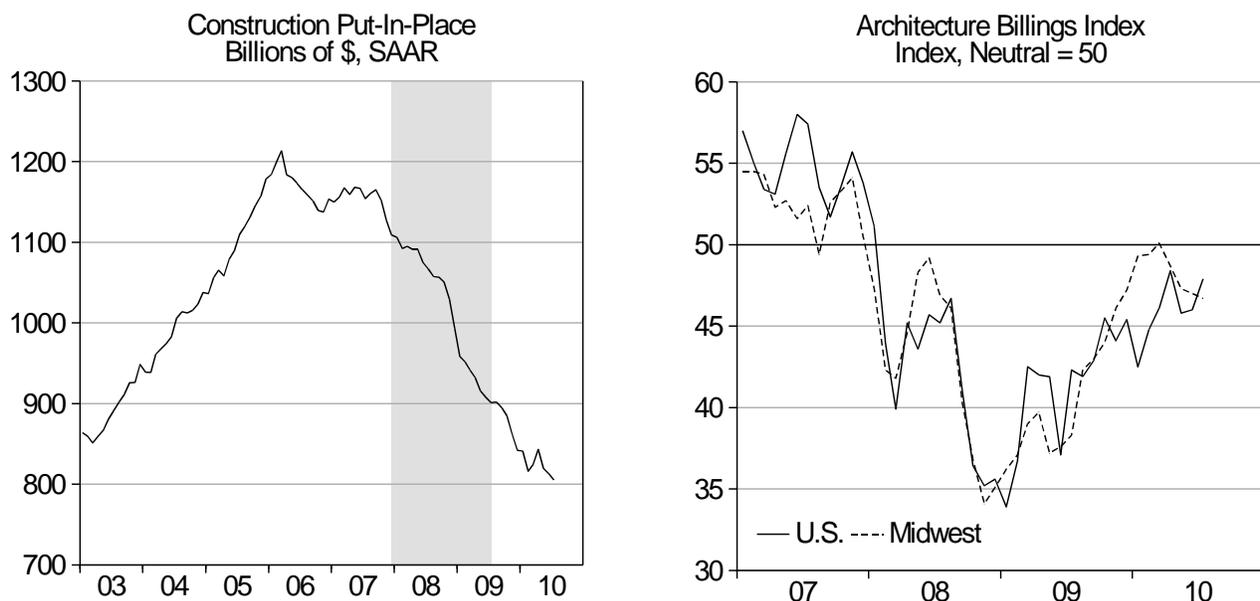
Information about where manufacturing is heading during the remainder of the summer and in the fall remains mixed. Although reports from **purchasing managers** at manufacturing firms improved to the best reading since May, the more-forward-looking components of the



overall index continued to deteriorate. Reports of new orders, the speed of supplier deliveries and order backlogs pointed to moderately less widespread strength in manufacturing during August.

Construction

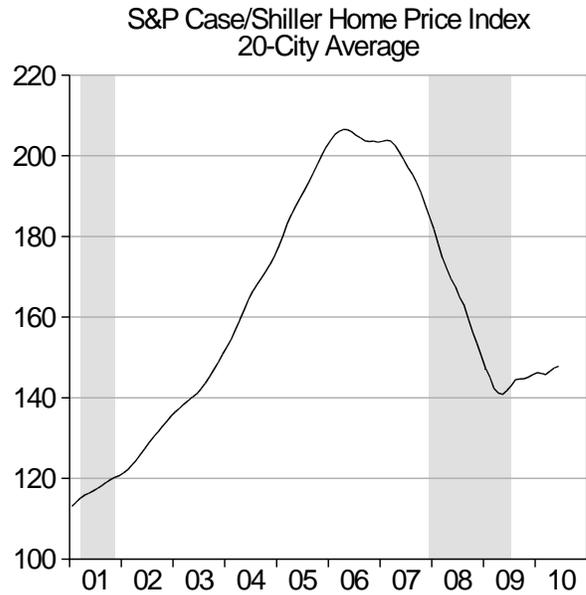
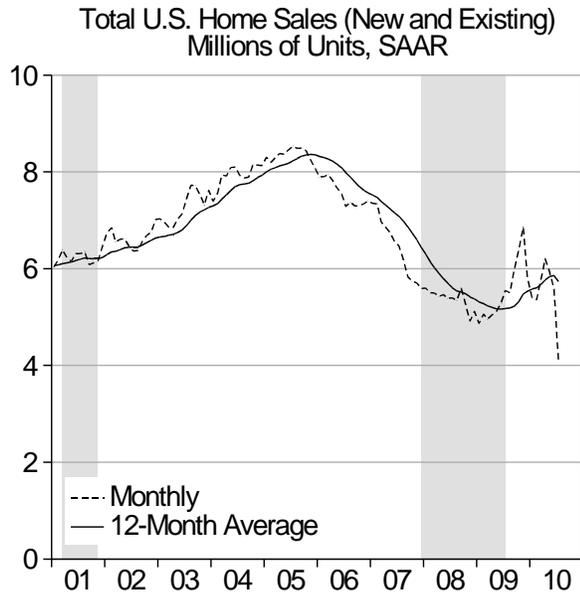
Total **construction put-in-place** decreased 1.0% in July – the third monthly decline in a row. Construction fell 0.8% in June and 2.8% in May. A rise of 0.8% in nonresidential construction was more than offset by a decline of 2.6% in residential construction. Compared with a year earlier, total construction was down by 10.7%.



Non-residential construction put-in-place was boosted by gains in power (+8.3%) and communication (+4.7). Construction put-in-place declined in manufacturing (-4.8%), office (-3.3%) and commercial (-2.3%). The **Architecture Billings Index** from the American Institute of Architects improved for the second month in a row in July, extending the uneven but substantial string of increases that began in February 2009. The Inquiries for New Work index fell, as did the Billings Index for the Midwest.

Non-residential builders in and around Ohio reported some improvement in construction activity during late July and August, according to the Cleveland Federal Reserve Bank. Activity was reported as the same or better than a year ago on a widespread basis. Backlogs are reasonably healthy, but most contractors expect little change in business conditions during the next six to twelve months, citing weakness in inquiries and uncertainty about economic growth.

Residential real estate activity continues to exhibit the after-effects of federal incentives for home purchase and the housing bubble. **Housing starts** edged up by 1.7% despite a 4.2% drop in single-family starts. Permits issued for single-family construction fell by 1.2%. On a 3-month moving average basis, total housing starts fell 7.4% from June to July, and the year-over-year comparison fell into negative territory for the first time since December.



Home sales fell sharply in July, due to the expiration of tax credits for home purchase. Sales of existing homes decreased 27.2% to a 15-year low, despite record fixed 30-year mortgage rates. Sales of new homes fell 12.4% to an all-time low. The forward-looking **pending home sales** index rebounded 5.2% in July after falling a total of 31.9% in the two previous months to an all-time low in June.

Home prices increased 0.3% in June, according to the S&P/Case-Shiller index for twenty large metro areas. Prices had declined modestly in February and March and more than recouped those declines in April and May. Home prices could be weaker than indicated, in part because the most recent data point precedes the expiration of the tax credit program.

Combined with still-high inventories of homes on the market, weak sales will maintain downward pressure on prices and construction. The number of existing homes for sale increased 2.5% during July, rising to a record 12.5 months' worth of supply at the current pace of sales. The inventory unsold new homes was unchanged at a more than 50-year low.

REVENUES

During the month of August, **GRF receipts totaled \$2,162.9 million** which was \$50.1 million (2.3%) below the estimate. This negative overall variance was the result of lower than estimated federal grants and transfers which combined to more than offset better than expected performance across most tax sources. For the month, tax receipts totaled \$1,302.5 million, which was \$50.7 million (4.0%) above estimate, while non-tax receipts and transfers totaled \$860.3 million and were \$94.3 million (9.9%) and \$6.5 million (53.9%) below estimates respectively.

On Tuesday, August 31, 2010, \$31.0 million in revenues were deposited into the State Treasury, but were not recognized in the State accounting system because of a server malfunction. The system servers were restored in the early hours of September 1, 2010, and the revenue was appropriately recorded in the books and records as received on August 31, 2010 through a journal entry on September 8, 2010, prior to month end closing.

Category	Includes:	YTD Variance	% Variance
Tax receipts	Sales & use, personal income, corporate franchise, public utility, kilowatt hour, foreign & domestic insurance, other business & property taxes, cigarette, soft drink, alcoholic beverage, liquor gallonage, estate & horse racing	\$50.7 million	4.0%
Non-tax receipts	Federal grants, earnings on investments, licenses & fees, other income, intrastate transfers	(\$94.3 million)	(9.9%)
Transfers	Budget stabilization, liquor transfers, capital reserve, other	(\$6.5 million)	(53.9%)
TOTAL REVENUE VARIANCE:		(\$50.1 million)	(2.3%)

Better than expected receipts across most tax sources, but most notably in the sales & use taxes and personal income taxes, resulted in an August performance that exceeded estimates by \$50.7 million (4.0%). On a year-over-year basis, total tax receipts for August were \$108.8 million greater than that for the same month a year ago, thus generating year-over-year growth of 9.1%. The largest contributors to this year-over-year growth were the non-auto sales tax and personal income tax receipts which were 12.5% and 8.8%, respectively, above receipts for the same month in 2009. For the fiscal year-to-date, total tax receipts exceed those for the same period in 2009, by \$170.3 million (7.3%), with the two sales taxes and the personal income tax combining to drive this growth.

The overages in sales tax and personal income tax through the first two months of FY 2011 are a continuation of the trend seen in FY 2010. Although the income tax as a whole was below estimate in FY 2010, it was attributable to the annual tax due payments and the quarterly

estimated payments. Withholding was above estimate in FY 2010, as it was again in July and August.

<u>Individual Sources Above Estimate</u>		<u>Individual Sources Below Estimate</u>	
Auto Sales Tax	\$5.4	Public Utility Tax	(\$14.2)
Non-Auto Sales Tax	\$33.0	Federal Grants	(\$83.8)
Personal Income Tax	\$16.1	License and Fees	(\$6.7)
Corporate Franchise Tax	\$2.6	Other Income	(\$3.8)
Kilowatt Hour Tax	\$2.3	Liquor Transfers	(\$12.0)
Cigarette Tax	\$5.6	Other Sources Below Estimate	(\$0.3)
Transfers In – Other	\$5.5		
Other Sources Above Estimate	\$0.2		
Total above	\$70.7	Total below	(\$120.8)

Non-Auto Sales and Use Tax

Non-auto sales receipts totaled \$536.4 million in August, exceeding the monthly estimate by \$33.0 million (6.6%). The managed care company portion of the tax contributed approximately \$21.3 million to the total receipts in August. On a year-over-year basis, this tax is outperforming FY 2010 levels, coming in at \$113.0 million (11.1%) above collections from the same period a year ago. After adjusting for the fact that managed care revenues were not part of the tax base last July and August, baseline growth was 6.3 percent during the first two months of the fiscal year. While the recent growth in the non-auto sales tax receipts is encouraging, the next few months will help determine if a persistent trend has developed.

Auto Sales Tax

August auto sales tax receipts totaled \$93.5 million, which was \$5.4 million (6.1%) above the monthly estimate. This tax also performed well relative to last fiscal year as August receipts were \$1.9 million (2.1%) above receipts for the same month a year ago. The continuing trend of strong monthly performance has contributed to a positive year-to-date variance of \$7.7 million (4.5%) over the same period in FY 2010.

Personal Income Tax

August personal income tax receipts totaled \$540.7 million, exceeding the estimate by \$16.1 million (3.1%). Among the components, withholding was the main driver of this improved performance with a positive variance of \$20.1 million (3.6%) relative to the estimate. While this positive growth in withholding receipts is in line with an improving labor market, it remains to be seen if this will be sustained in the coming months.

On a year-over-year basis, personal income tax receipt collections during the first two months of FY 2010 were \$44.8 million (4.6%) above the corresponding level in FY 2010. Employer withholding by itself grew by \$49.3 million (4.5%) over last year for July and August. OBM

will closely monitor the performance of this tax in the months ahead. The first quarterly estimated payment of FY 2011 is due September 15th.

FY2011 PERSONAL INCOME TAX RECEIPTS BY COMPONENT (\$ in millions)						
	ESTIMATE	ACTUAL	\$ VAR	FY 2011	FY 2010	\$ VAR
	AUG	AUG	AUG	Y-on-Y	Y-on-Y	Y-on-Y
Withholding	\$566.2	\$586.3	\$20.1	\$1,144.9	\$1,095.6	\$49.3
Quarterly Est.	\$8.9	\$11.9	\$3.1	\$24.9	\$20.8	\$4.1
Trust Payments	\$0.7	\$0.4	(\$0.4)	\$0.9	\$1.1	(\$0.2)
Annual Returns & 40 P	\$10.0	\$8.3	(\$1.7)	\$15.2	\$16.6	(\$1.4)
Other	\$7.1	\$6.4	(\$0.7)	\$13.8	\$13.9	(\$0.1)
Less: Refunds	(\$21.1)	(\$24.3)	(\$3.1)	(\$61.15)	(\$61.15)	(\$0.0)
Local Distr.	(\$47.1)	(\$48.2)	(\$1.2)	(\$109.14)	(\$102.23)	(\$6.9)
Net to GRF	\$524.6	\$540.7	\$16.1	\$1,029.4	\$984.6	\$44.8

Corporate Franchise Tax

Corporate franchise tax receipts for the month of August were \$0.1 million, compared to the monthly estimate of -\$2.4 million. This is a result of actual refunds being lower than estimated.

Commercial Activity Tax

In FY 2011, receipts from the commercial activity tax (CAT) will continue to be distributed to non-GRF funds to reimburse school districts and local governments for the phase-out of the tangible personal property tax. During the month of August, CAT receipts totaled \$304.7 million, an amount \$20.9 million (7.3%) above the monthly estimate of \$283.8 million. Through the first two months of the year, total CAT receipts year are \$346.9 million, or \$20.9 (6.4%) above the year-to-date estimate.

Public Utility Tax

Public utility tax receipts during the month of August totaled \$30.5 million, which was \$14.2 million (31.8%) below the monthly estimate. This weaker-than-expected performance is primarily due to lower-than-anticipated natural gas prices as well as consumers moving away from purchasing natural gas from the suppliers covered under this tax.

Kilowatt Hour Tax

Kilowatt-hour tax receipts during the month of August totaled \$19.1 million, which was \$2.3 million (13.6%) above the monthly estimate. This variance indicates a rebound in the demand for electricity driven perhaps partly by hotter than normal weather during the summer of 2010.

Cigarette Tax

Cigarette tax receipts during the month of August totaled \$71.5 million, which was \$5.6 million (8.5%) above the monthly estimate. On a year-over-year basis, cigarette tax receipts were 2.7% lower this month than the same month a year ago.

GRF non-tax receipts totaled \$854.8 million in August, with the performance coming in \$94.3 million (9.9%) below the estimate. This negative variance is attributable to receiving \$83.8 million less in federal grants than were estimated, primarily due to revenue being drawn in September due to the timing of the final Medicaid payment of the month.

GRF transfers during the month of August totaled \$5.5 million and were \$6.5 million (53.9%) below the estimate of \$12.0 million. This variance in transfers is due primarily to a delay in the processing of a liquor profits transfer of \$12.0 million at the end of August. As a result of this delay, this variance will be made in up in September as OBM anticipates two transfers during the course of the month.

Table 1
GENERAL REVENUE FUND RECEIPTS
ACTUAL FY 2011 VS ESTIMATE FY 2011
(\$ in thousands)

REVENUE SOURCE	Month				Year-to-Date			
	ACTUAL	ESTIMATE	\$ VAR	% VAR	ACTUAL	ESTIMATE	\$ VAR	% VAR
	AUGUST	AUGUST			Y-T-D	Y-T-D		
TAX RECEIPTS								
Non-Auto Sales & Use	536,445	503,425	33,020	6.6%	1,128,419	1,095,400	33,019	3.0%
Auto Sales & Use	93,470	88,080	5,391	6.1%	177,690	172,300	5,390	3.1%
Subtotal Sales & Use	629,915	591,505	38,410	6.5%	1,306,110	1,267,700	38,410	3.0%
Personal Income	540,730	524,648	16,082	3.1%	1,029,381	1,013,299	16,082	1.6%
Corporate Franchise	134	(2,436)	2,570	105.5%	(5,430)	(8,000)	2,570	32.1%
Commercial Activity Tax	0	0	0	N/A	0	0	0	N/A
Public Utility	30,458	44,680	(14,222)	-31.8%	30,478	44,700	(14,222)	-31.8%
Kilowatt Hour	19,133	16,838	2,295	13.6%	31,695	29,400	2,295	7.8%
Foreign Insurance	(229)	(0)	(229)	N/A	(179)	50	(229)	-458.7%
Domestic Insurance	0	0	0	N/A	134	134	0	0.1%
Other Business & Property Tax	3	0	3	N/A	129	126	3	2.2%
Cigarette	71,466	65,844	5,622	8.5%	94,223	88,600	5,622	6.3%
Alcoholic Beverage	7,585	7,687	(102)	-1.3%	10,497	10,600	(103)	-1.0%
Liquor Gallonage	3,343	3,118	225	7.2%	6,425	6,200	225	3.6%
Estate	0	0	0	N/A	0	0	0	N/A
Horse Racing	0	0	0	N/A	0	0	0	N/A
Total Tax Receipts	1,302,540	1,251,885	50,655	4.0%	2,503,463	2,452,810	50,653	2.1%
NON-TAX RECEIPTS								
Federal Grants	847,530	931,344	(83,814)	-9.0%	1,676,314	1,782,289	(105,975)	-5.9%
Earnings on Investments	0	0	0	N/A	0	0	0	N/A
License & Fees	6,673	13,339	(6,666)	-50.0%	7,634	14,300	(6,666)	-46.6%
Other Income	571	4,420	(3,849)	-87.1%	1,029	4,879	(3,849)	-78.9%
ISTV'S	15	15	0	0.0%	96	96	0	0.0%
Total Non-Tax Receipts	854,789	949,118	(94,330)	-9.9%	1,685,074	1,801,565	(116,491)	-6.5%
TOTAL REVENUES	2,157,329	2,201,003	(43,674)	-2.0%	4,188,536	4,254,374	(65,838)	-1.5%
TRANSFERS								
Budget Stabilization	0	0	0	N/A	0	0	0	N/A
Liquor Transfers	0	12,000	(12,000)	-100.0%	13,000	25,000	(12,000)	-48.0%
Transfers In - Capital Reserve	0	0	0	N/A	0	0	0	N/A
Transfers In - Other	5,536	0	5,536	N/A	11,643	6,106	5,537	90.7%
Temporary Transfers In	0	0	0	N/A	0	0	0	N/A
Total Transfers	5,536	12,000	(6,464)	-53.9%	24,643	31,106	(6,463)	-20.8%
TOTAL SOURCES	2,162,865	2,213,003	(50,138)	-2.3%	4,213,179	4,285,480	(72,301)	-1.7%

Table 2
GENERAL REVENUE FUND RECEIPTS
ACTUAL - FY 2011 VERSUS FY 2010
(\$ in thousands)

REVENUE SOURCE	Month				Year-to-Date			
	AUGUST	AUGUST	\$	%	ACTUAL	ACTUAL	\$	%
	FY 2011	FY 2010	VAR	VAR	FY 2011	FY 2010	VAR	VAR
TAX RECEIPTS								
Non-Auto Sales & Use	536,445	476,781	59,664	12.5%	1,128,419	1,015,386	113,034	11.1%
Auto Sales & Use	93,470	91,538	1,933	2.1%	177,690	169,973	7,717	4.5%
Subtotal Sales & Use	629,915	568,319	61,597	10.8%	1,306,110	1,185,359	120,751	10.2%
Personal Income	540,730	497,119	43,611	8.8%	1,029,381	984,568	44,813	4.6%
Corporate Franchise	134	(4,130)	4,265	103.2%	(5,430)	(13,778)	8,348	60.6%
Commercial Activity Tax	0	0	0	N/A	0	0	0	N/A
Public Utility	30,458	33,976	(3,518)	-10.4%	30,478	34,114	(3,637)	-10.7%
Kilowatt Hour	19,133	15,994	3,140	19.6%	31,695	25,560	6,135	24.0%
Foreign Insurance	(229)	51	(280)	-548.6%	(179)	(285)	105	37.0%
Domestic Insurance	0	229	(228)	-99.9%	134	53	81	152.8%
Other Business & Property Tax	3	40	(37)	-92.5%	129	97	31	32.1%
Cigarette	71,466	73,464	(1,997)	-2.7%	94,223	99,953	(5,730)	-5.7%
Alcoholic Beverage	7,585	5,377	2,208	41.1%	10,497	10,981	(484)	-4.4%
Liquor Gallonage	3,343	3,283	60	1.8%	6,425	6,277	148	2.4%
Estate	0	8	(8)	-100.0%	0	238	(238)	-100.0%
Horse Racing	0	0	0	N/A	0	0	0	N/A
Total Tax Receipts	1,302,540	1,193,729	108,811	9.1%	2,503,463	2,333,138	170,324	7.3%
NON-TAX RECEIPTS								
Federal Grants	847,530	557,660	289,870	52.0%	1,676,314	1,286,652	389,662	30.3%
Earnings on Investments	0	0	0	N/A	0	0	0	N/A
License & Fee	6,673	12,292	(5,618)	-45.7%	7,634	12,760	(5,126)	-40.2%
Other Income	571	(2,075)	2,645	127.5%	1,029	6,603	(5,574)	-84.4%
ISTV'S	15	(18)	34	185.4%	96	(149)	245	164.8%
Total Non-Tax Receipts	854,789	567,859	286,930	50.5%	1,685,074	1,305,866	379,207	29.0%
TOTAL REVENUES	2,157,329	1,761,588	395,741	22.5%	4,188,536	3,639,005	549,532	15.1%
TRANSFERS								
Budget Stabilization	0	0	0	N/A	0	0	0	N/A
Liquor Transfers	0	14,000	(14,000)	-100.0%	13,000	27,000	(14,000)	-51.9%
Transfers In - Capital Reserve	0	0	0	N/A	0	0	0	N/A
Transfers In - Other	5,536	814	4,723	580.5%	11,643	978	10,665	1090.7%
Temporary Transfers In	0	0	0	N/A	0	0	0	N/A
Total Transfers	5,536	14,814	(9,277)	-62.6%	24,643	27,978	(3,335)	-11.9%
TOTAL SOURCES	2,162,865	1,776,402	386,463	21.8%	4,213,179	3,666,982	546,197	14.9%

DISBURSEMENTS

August 2010 GRF disbursements, across all fund uses, were \$3,025.2 million. This was \$138.6 million (4.8%) above estimate for the month. On a year to date basis, total GRF disbursements are \$5,912.3 million, which is \$139.4 million (2.4%) above estimate. Details of the year to date disbursements are provided in the table below.

Category	Description	YTD Disbursements
Expenditures and transfers between agencies (ISTVs)	State agency operations, subsidies, tax relief, debt service payments, and pending payroll (if applicable)	\$5,343.2
Transfers	Temporary or permanent transfers out of the GRF that are not agency expenditures	\$569.1
TOTAL GRF DISBURSEMENTS:		\$5,912.3

GRF disbursements are reported according to functional reporting categories and this section contains information regarding each category.

Primary, Secondary and Other Education

The Department of Education disbursed \$573.8 million in the month of August, which was \$4.4 million (0.8%) above the monthly estimate. Year-to-date disbursements were \$1,430.4 million, which is \$4.4 million (0.3%) above the estimate for the year.

Higher Education

August disbursements for Higher Education were \$192.4 million, which was \$2.6 million (1.3%) below the estimate for the month. Year-to-date disbursements are \$442.7 million, which is \$2.7 million (0.6%) below the estimate.

Public Assistance and Medicaid

August expenditures in this category, which include all GRF expenditures by the Department of Job & Family Services (ODJFS), were \$1,232.9 million, which was \$62.6 million (5.3%) above the monthly estimate.

Medicaid

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

Expenditures

GRF disbursements year-to-date for the Medicaid program are \$2,296.9 million, which is \$69.2 million (6.3%) above estimate, and \$90.6 million (4.1%) above the same point in time in the

prior year. Disbursements for the month of August were \$1,170.0 million, which was \$69.2 million (6.3%) above estimate and \$37.1 million (3.3%) above the same period in the prior year.

All funds disbursements year-to-date are \$2,324.5 million, which is \$24.2 million (1.1%) above estimate, and \$117.5 million (5.3%) above disbursements for the same point in time in the prior year. Disbursements for August were \$1,197.3 million, which was \$24.2 million (1.1%) above projected expenditures and \$117.5 million (5.3%) above the same period in the prior year.

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

	August Projection	August Actual	Variance	Variance %
GRF	\$ 1,100,822,781	\$ 1,169,990,086	\$ 69,167,305	6.28%
Non-GRF	\$ 72,273,377	\$ 27,321,134	\$ (44,952,243)	-62.20%
All Funds	\$ 1,173,096,157	\$ 1,197,311,220	\$ 24,215,062	2.06%

Specific variances across all funding sources include:

Nursing Facilities – Disbursements for the month of August for the Nursing Facility category were \$230.7 million, which was \$4.3 million (1.8%) below projected expenditures. This is primarily due to a lower than projected number of bed days, and higher than expected recipient liability collections.

Managed Care - CFC– Disbursements for the CFC portion of the Managed Care category in the month of August were \$295.8 million, which was \$13.7 million (4.9%) above projected expenditures. This is primarily due to a higher than projected enrollment in this category, which will be discussed in greater detail in the next section.

Caseload

Total caseload for the month of July, the most recent month available, was 2.13 million covered persons, which was an increase of 14,073 persons over the month of June. This number includes select non-Medicaid programs, such as the Breast and Cervical Cancer program, and represents the 31st consecutive month of growth, the longest instance of sustained increase in nine years. The Covered Families and Children (CFC) program increased by 11,959 persons, for a July total of 1.62 million persons. The Aged, Blind and Disabled (ABD) program decreased by 2 people, for an April total of 399.7 thousand covered lives.

Beginning this month, the Qualified Medicare Beneficiary (QMB) and Specified Low Income Medicare Beneficiary (SLMB) programs have moved from the ABD category to the “Non-Medicaid” group. These two programs, totaling 95,589 covered lives in the month of July, account for the decrease in total ABD population as compared to previous months.

Total enrollment for the same period last year was 1.96 million covered persons, including 1.50 million persons in the CFC program and 384.4 thousand people in the ABD category. This represents total Medicaid growth over the last twelve months of 152.8 thousand covered lives.

CFC showed an increase of 11,959 persons to 1.62 million covered lives, and continues to be the main driver of caseload in the Medicaid program. Enrollment in this category was 1,580 (0.1%) over total projected enrollment. The Healthy Families and the Healthy Families expansion categories, the core eligibility groups of the Medicaid program, continue to be the major factor in caseload increases, accounting for nearly all of the total increase.

The ABD program showed a decrease of 2 people to a total of 399.7 thousand covered lives. As noted above, this category no longer includes the QMB and SLMB programs, which account for 95,589 people in July. Under the previous categorization methodology, the ABD program would have shown total enrollment of 495.3 thousand covered lives. July enrollment was 5,212 persons (1.32%) over total projected enrollment for this category.

Public Assistance and Non-Medicaid

This sub-category includes, but is not limited to, the following types of expenditures: social services such as adoption assistance and disability financial assistance; state match for federal child care and TANF grants; administrative support expenses including payroll and equipment; and county administration for public assistance programs.

- ODJFS, non-Medicaid, General Revenue Fund disbursements totaled \$62.8 million for the month of August. In the aggregate, GRF spending was \$6.6 million (9.5%) lower than the monthly estimate. Major variances within individual line items were attributable to the following:
 - For ALI 600321 (Support Services), disbursements were \$1.6 million under estimate. This is primarily due to payroll, maintenance, and central administration expenses being less than projected. In addition, prior year invoices were not paid as originally planned.
 - Disbursements for ALI 600410 (TANF State) were \$4.1 million below the monthly estimate in August. This is primarily due to a revised maintenance of effort amount for federal fiscal year 2010. After disbursement estimates were prepared and submitted, a more refined maintenance of effort amount became available, requiring a lower than projected disbursement of state share funds.
 - For ALI 600521 (Family Stability Subsidy), disbursements were \$1.6 million over the monthly estimate. This is primarily due to county draws being higher than anticipated.

Health and Human Services

This category includes GRF expenditures for the following state agencies: Aging, Mental Health, Developmental Disabilities, ODADAS, and Health. 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.

August 2010 expenditures in this category were \$81.0 million, which was \$4.9 million (5.7%) below the monthly estimate. Significant notes include:

- For the year-to-date, the Department of Health disbursements total \$22.4 million, which is \$0.8 million (3.7%) below the monthly estimate.
- August 2010 disbursements for the Department of Health totaled \$13.7 million. On a year-over-year basis, disbursements were \$0.8 million (6.0%) below estimate. This is primarily attributable to the following:
 - The AIDS Prevention and Treatment line item (440-444) was \$0.5 million under estimate. This was due to more federal funds being used in lieu of GRF.
 - The Federally Qualified Health Centers line item (440-465) was \$0.7 million above estimate due to a payment being made in August that was planned for September.
 - The Bureau for Children with Medical Handicaps line item (440-505) was \$0.5 million below estimate. This was due to a payment moving into September that was originally planned for August.
- For the year, the Department of Aging disbursements total \$34.9 million, which is above estimate by \$0.1 million (0.3%). August 2010 disbursements for the Department of Aging totaled \$12.1 million. When compared to August estimates, in aggregate, actual disbursements were \$0.1 million (0.9%) above estimate.
- The Department of Mental Health disbursed \$29.6 million in the month of August, which is \$.6 million (1.8%) under the monthly estimate.
- The Department of Developmental Disabilities disbursed \$22.0 million in the month of August, which is \$3.3 million (13.1%) below the monthly estimate. \$2.0 million of this variance is due to the timing of the ICF/MR (Intermediate Care Facilities for the Mentally Retarded) franchise fee payment from the 322647 line item. The first quarter payment to the Department of Job and Family Services was estimated to occur in August but will likely process in the month of September. Due to the timing of the submission of Medicaid waiver claims, the Department was \$1 million under estimate in the Martin Waiver line item 322504.

Justice and Public Protection

This category includes GRF expenditures by the Department of Rehabilitation & Corrections (DRC) and the Department of Youth Services (DYS). In the aggregate, August expenditures in this category were \$133.4 million, which was \$8.2 million (6.6%) more than the monthly estimate. Significant notes from the subcategories include:

- The Department of Rehabilitation and Correction (DRC) disbursed \$102.5 million in the month of August, which was \$8.1 million (8.6%) more than the \$94.4 million estimate

for the month. This variance is primarily the result of three Ohio State University medical bills being paid in August.

- The Department of Youth Services (DYS) disbursed \$14.1 million in the month of August, which was equal to the \$14.1 million estimate for the month.

General Government

For August 2010, General Government disbursements were \$23.4 million, which was \$2.5 million (9.8%) below the monthly estimate.

Community and Economic Development

August expenditures in this category were \$6.9 million, which was \$1.0 million (12.7%) below the monthly estimate.

Tax Relief and Other

August disbursements for tax relief totaled \$103.8 million and were \$6.1 million (5.6%) below the \$109.9 million monthly estimate. Of the amount disbursed, \$68.2 million was paid to local governments, while \$29.8 million was paid to school districts. For the year to date, total tax relief payments have totaled \$106.0 million and are also \$6.0 million (5.9%) below the year to date estimate. These payments are made to local governments and school districts to reimburse for revenues foregone as a result of the 10 percent and 2.5 percent rollback, as well as the homestead exemption.

Debt Service

August debt service exceeded the monthly estimate by \$64.8 million as a result of the early transfer of funds from the GRF to the Common Schools Bond Service Fund. This transfer of the debt service funds was expected to be made in early September, but instead was processed in late August. The variance from the estimate will be fully offset in September.

FUND BALANCE

Table 5 describes the General Revenue Fund (GRF) ending fund balance for FY 2011. Based on the estimated revenue for FY 2011 and the estimated FY 2011 disbursements, transfers, and encumbrances, the current GRF ending fund balance for FY 2011 is an estimated \$153.9 million.

The GRF ending fund balance should not be considered as a balance available for expenditure in FY 2011 nor should it be considered as equivalent to the FY 2011 surplus calculation as defined in Section 131.44 of the Ohio Revised Code. There are a number of known risks to achieving this ending GRF balance, including the outcome of litigation involving the disposition of tobacco settlement proceeds and the performance of the economy.

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

FUND BALANCE
GENERAL REVENUE FUND
FY 2011
(\$ in thousands)

July 1, 2010 Beginning Cash Balance	\$ 510,401
Plus FY 2011 Estimated Revenues	17,090,500
Plus FY 2011 Estimated Federal Revenues	8,370,930
Plus FY 2011 Estimated Transfers to GRF	1,372,840
Total Sources Available for Expenditure & Transfer	27,344,671
Less FY 2011 Estimated Disbursements	25,997,490
Less FY 2011 Estimated Total Encumbrances as of June 30, 2010	278,465
Less FY 2011 Estimated Transfers Out	914,800
Total Estimated Uses	27,190,756
 FY 2011 ENDING FUND BALANCE	 153,915

Table 3
GENERAL REVENUE FUND DISBURSEMENTS
ACTUAL FY 2011 VS ESTIMATE FY 2011
(\$ in thousands)

Functional Reporting Categories Description	MONTH				YEAR-TO-DATE			
	ACTUAL	ESTIMATED	\$	%	YTD	YTD	\$	%
	AUGUST	AUGUST	VAR	VAR	ACTUAL	ESTIMATE	VAR	VAR
Primary, Secondary and Other Education	578,926	573,835	5,091	0.9%	1,444,205	1,439,114	5,091	0.4%
Higher Education	192,394	195,006	(2,612)	-1.3%	417,853	420,465	(2,612)	-0.6%
Public Assistance and Medicaid	1,232,874	1,170,307	62,567	5.3%	2,424,405	2,361,837	62,567	2.6%
Health and Human Services	81,008	85,878	(4,870)	-5.7%	246,621	251,491	(4,870)	-1.9%
Justice and Public Protection	133,351	125,132	8,219	6.6%	393,677	385,458	8,219	2.1%
Environmental Protection and Natural Resources	5,440	4,702	738	15.7%	14,590	13,851	738	5.3%
Transportation	5,716	5,746	(30)	-0.5%	6,445	6,475	(30)	-0.5%
General Government	23,357	25,884	(2,527)	-9.8%	65,162	67,690	(2,527)	-3.7%
Community and Economic Development	6,959	7,975	(1,016)	-12.7%	14,649	15,665	(1,016)	-6.5%
Tax Relief and Other	103,760	109,907	(6,148)	-5.6%	105,643	111,791	(6,148)	-5.5%
Capital Outlay	24	0	24	N/A	24	0	24	N/A
Debt Service	93,918	29,072	64,846	223.1%	209,946	145,100	64,846	44.7%
Pending Payroll	0	0	0	N/A	0	0	0	N/A
Total Expenditures & ISTV's	2,457,726	2,333,445	124,281	5.3%	5,343,219	5,218,937	124,281	2.4%
Transfers Out:								
OPER TRF OUT-OTH	37,266	21,218	16,048	75.6%	38,831	22,018	16,813	76.4%
OPER TRF OUT-TEMPORARY	530,270	532,000	(1,730)	-0.3%	530,270	532,000	(1,730)	N/A
Total Transfers (Out)	567,536	553,218	14,318	2.6%	569,101	554,018	15,083	2.7%
Total Fund Uses	3,025,262	2,886,663	138,600	4.8%	5,912,320	5,772,955	139,365	2.4%

Table 4
GENERAL REVENUE FUND DISBURSEMENTS
ACTUAL FY 2011 VS ACTUAL FY 2010
(\$ in thousands)

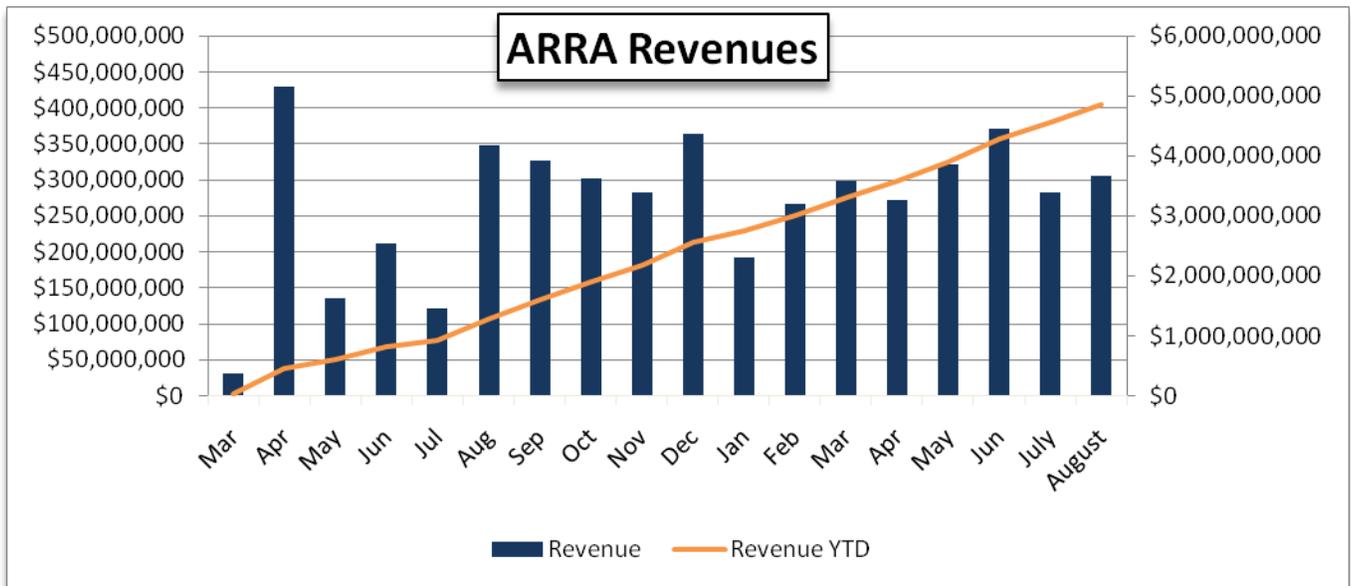
Functional Reporting Categories Description	MONTH				YEAR-TO-DATE			
	AUGUST FY 2011	AUGUST FY 2010	\$ VAR	% VAR	ACTUAL FY 2011	ACTUAL FY 2010	\$ VAR	% VAR
Primary, Secondary and Other Education	578,926	306,552	272,373	88.9%	1,444,205	1,195,960	248,245	20.8%
Higher Education	192,394	203,632	(11,238)	-5.5%	417,853	405,560	12,294	3.0%
Public Assistance and Medicaid	1,232,874	1,168,180	64,694	5.5%	2,424,405	2,334,348	90,057	3.9%
Health and Human Services	81,008	129,870	(48,862)	-37.6%	246,621	225,015	21,606	9.6%
Justice and Public Protection	133,351	137,839	(4,488)	-3.3%	393,677	389,303	4,374	1.1%
Environmental Protection and Natural Resources	5,440	8,166	(2,726)	-33.4%	14,590	16,782	(2,192)	-13.1%
Transportation	5,716	561	5,155	919.4%	6,445	1,978	4,466	225.8%
General Government	23,357	25,201	(1,844)	-7.3%	65,162	58,901	6,261	10.6%
Community and Economic Development	6,959	5,948	1,011	17.0%	14,649	14,615	34	0.2%
Tax Relief and Other	103,760	59,180	44,580	75.3%	105,643	128,449	(22,806)	-17.8%
Capital Outlay	24	100	(76)	-76.1%	24	100	(76)	-76.1%
Debt Service	93,918	90,830	3,088	3.4%	209,946	149,603	60,343	40.3%
Pending Payroll	0	0	0	N/A	0	0	0	N/A
Total Expenditures & ISTV's	2,457,726	2,136,058	321,668	15.1%	5,343,219	4,920,614	422,605	8.6%
Transfers Out:								
OPER TRF OUT-BUD STABILIZATION	0	0	0	N/A	0	0	0	N/A
OPER TRF OUT-OTH	37,266	24,874	12,392	49.8%	38,831	37,563	1,268	3.4%
OPER TRF OUT-TEMPORARY	530,270	541,794	(11,524)	-2.1%	530,270	541,794	(11,524)	-2.1%
Total Transfers (Out)	567,536	566,668	868	0.2%	569,101	579,357	(10,256)	-1.8%
Total Fund Uses	3,025,262	2,702,727	322,536	11.9%	5,912,320	5,499,971	412,349	7.5%

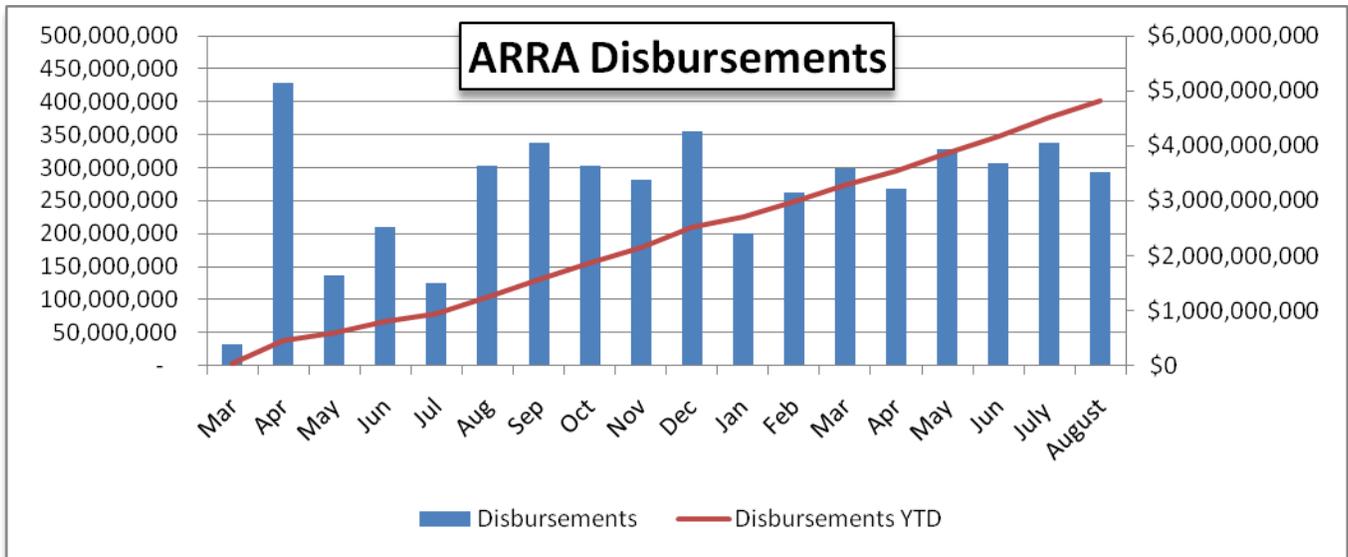
ARRA Monthly Revenue and Disbursements Report

ARRA Revenue and Disbursements by State Fiscal Year

On February 17, 2009, President Obama signed the American Recovery and Reinvestment Act into law. Ohio began receiving funds in March 2009 and has since received \$4.861 billion in federal revenue and disbursed \$4.809 billion as of August 31, 2010.

	Revenue	Disbursements
FY 2009	\$808,753,636	\$806,882,970
FY 2010	\$3,463,056,888	\$3,371,169,625
FY 2011	\$589,159,218	\$631,187,370
Total	\$4,860,969,742	\$4,809,239,965





**ARRA Revenue and Disbursements
for the month of August**

Revenue	Disbursements
\$306,139,038	\$293,138,377

August – Fiscal Year 2011

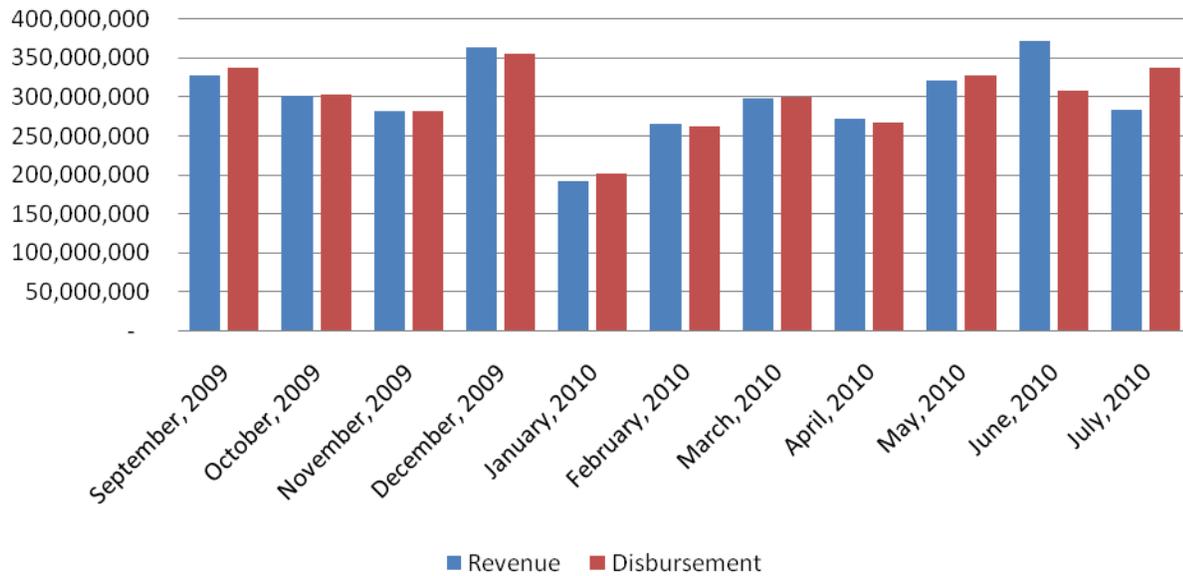
ARRA Revenue

August 2010 Federal ARRA revenue received by all state agencies was \$306.1 million. This was an increase of \$23.1 million or 8% from the month of July.

ARRA Disbursements

August 2010 Federal ARRA disbursements for all state agencies were \$293.1 million. This was a decrease of \$44.9 million or 13% from the month of July. The variance between the amount of revenue and disbursements is primarily due to the different reimbursement or expenditure practices by the administering federal agencies.

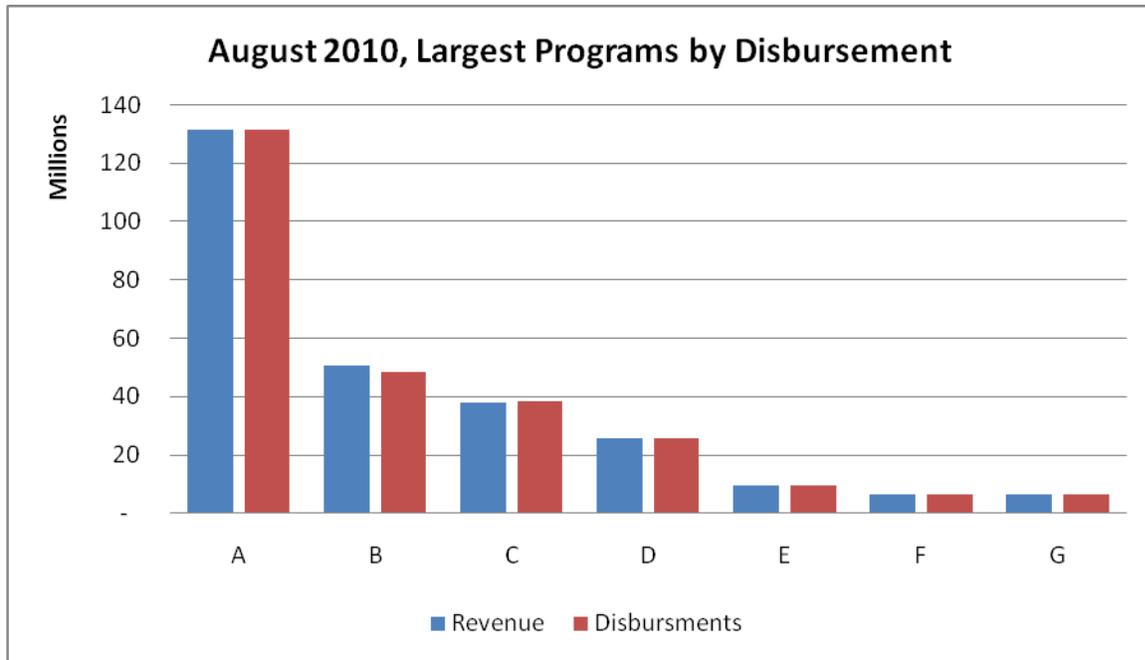
ARRA Revenue and Disbursements



	Sep	Oct	Nov	Dec	Jan	Feb
Revenue	327,301,022	301,192,405	282,183,655	363,341,536	191,882,605	265,621,851
Disbursements	337,749,828	302,907,634	282,545,148	355,229,309	201,038,310	261,516,518
	Mar	Apr	May	June	July	Aug
Revenue	298,249,769	272,408,432	321,110,146	371,389,127	283,020,180	306,139,038
Disbursements	299,521,424	267,704,305	328,255,930	307,641,883	338,048,993	293,138,377

Largest Amount of Activity by Program

During the month of August, there were more than 70 active federal stimulus grants in the State of Ohio. Of those programs, the seven highlighted below accounted for 90% of the funds disbursed.



	Program	Revenue	Disbursements
A	eFMAP	131,604,515	131,604,515
B	Department of Transportation - Highway Infrastructure	50,647,747	48,251,984
C	Department of Education SFSF - K-12 Education	38,117,603	38,263,410
D	Board of Regents SFSF - Higher Education	25,733,527	25,733,527
E	Department of Development - Home Weatherization Assistance Program	9,518,949	9,486,403
F	Department of Education IDEA - Part B	6,535,273	6,535,273
G	Department of Education - TITLE 1 Education	6,338,315	6,338,315

Breakdown of Largest Amount of Activity by Program

During the month of August, the Department of Job and Family Services disbursed 45% of ARRA funds through eFMAP. The Department of Transportation disbursed 17% of the ARRA funds for Highway Infrastructure projects, and the Department of Education disbursed 13% of ARRA funds for K-12 SFSF Education Programs.

