



October 11, 2011

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 appears to have continued at a lackluster pace in the third quarter after very slow growth in the first half. Concerns about recession have increased.
- The labor market picture deteriorated further in August, as the level of employment was unchanged. The unemployment rate remained at 9.1%. Employment gains in previous months were revised lower.
- Ohio employment was essentially unchanged (-700 jobs) in August, bringing the year-to-date increase to 82,300 jobs. The Ohio unemployment rate increased for the third month in a row to 9.1% following a long string of declines.
- Leading economic indicators remain consistent with weak activity both nationally and in Ohio, but have moved closer to signaling recession.

Economic Growth

Real GDP expanded at an annual rate of 1.3% in the second quarter following growth of 0.4% in the first quarter. The economy grew at an annual rate of only 0.8% from the fourth quarter of 2010 to the second quarter of 2011. Real GDP was 1.6% higher than a year earlier. The economy has expanded for eight consecutive quarters, but at a slower pace than in all but one of the other nine post-war expansions that lasted for at least two years, and the increase in real final sales has been the weakest in the post-war period.

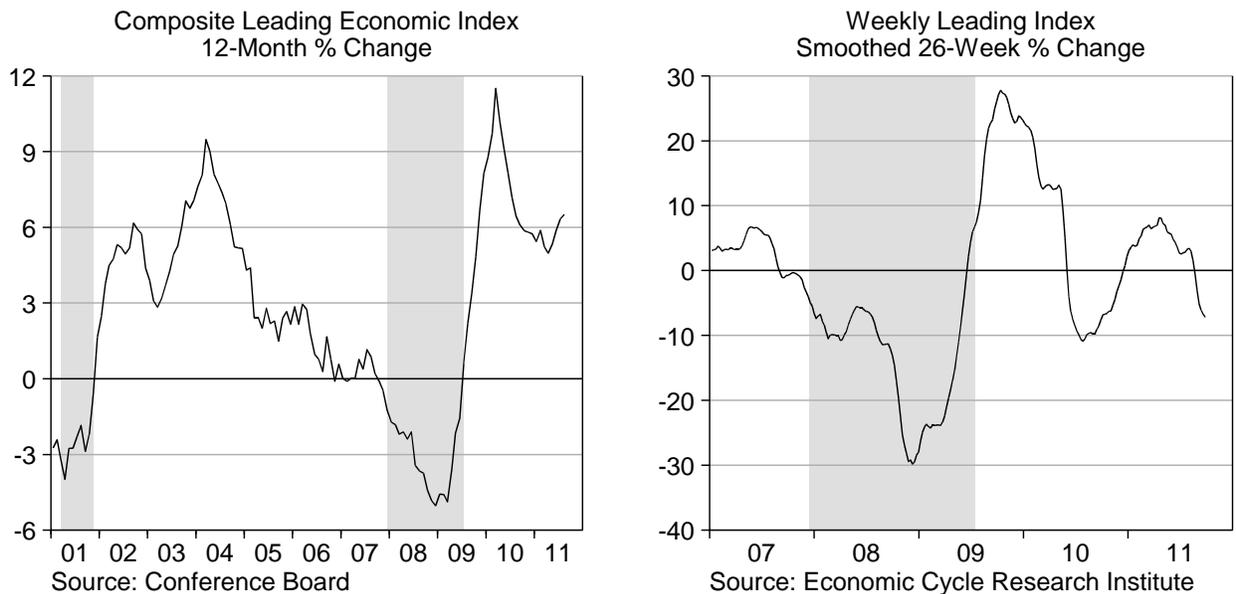
The increase in real GDP from the first to the second quarter primarily reflected positive contributions from nonresidential fixed investment, personal consumption expenditures, exports, and federal government spending. These positive contributions were partly offset by a negative contribution from state and local government spending and the change in business inventories. Imports, which are a subtraction in the calculation of GDP, increased.

The acceleration in real GDP during the spring primarily reflected the slowdown in imports, the upturn in federal government spending, and the acceleration in nonresidential fixed investment. In contrast, consumer spending slowed from 3.6% in the fourth quarter of 2010 to 2.1% in the

first quarter of 2011 and 0.7% in the second quarter, while private inventory investment decreased and exports slowed.

Although many economic measures show an economy in Ohio and across the country that is still expanding and is likely to continue expanding, recession warnings multiplied during the summer. In particular, the highly respected Economic Cycle Research Institute (ECRI) concluded in late September that a recession is unavoidable. In contrast, the *Blue Chip Economic Indicators* consensus is still for a continuation of uninterrupted growth for the foreseeable future.

Composite leading indexes are mixed, but in combination do not unequivocally signal a near-



term recession. The **Leading Economic Index** increased for the fourth consecutive month in August and has been tracing out a pattern that is consistent with a growth slowdown, but not a recession. The **ratio of coincident to lagging indexes** – itself a leading indicator – decreased 0.1% in August, and the July change was revised from a 0.1% increase to a 0.2% decrease. The August setback was the fifth in a row and the sixth in the last seven months.

Of increasing concern, the 4-week moving average of the **Weekly Leading Index** from ECRI continued its slide in the week ending September 23, pulling down the 6-month smoothed rate of change to -7.2%. The rate of change was more negative in the summer of 2010 without signaling recession. However, ECRI interprets the current slide as recessionary because it was preceded by a downturn in its Long Leading Index and other business cycle indicators.

The **Ohio Coincident Economic Index**, compiled by the Federal Reserve Bank of Philadelphia, was essentially unchanged in August following twenty consecutive monthly increases. The 12-month rate of change was 3.5%, down from a recent peak of 4.7% in March. The companion **Ohio Leading Economic Index**, however, was only 0.6% in August after temporarily dipping below zero to -0.2% in July. Designed to predict the rate of increase in the coincident index during the next six months, the leading index for Ohio is down from a recent peak of 3.2% in January. The path of the index in upcoming months warrants monitoring, as it has been a reliable indicator of economic weakness in the past.

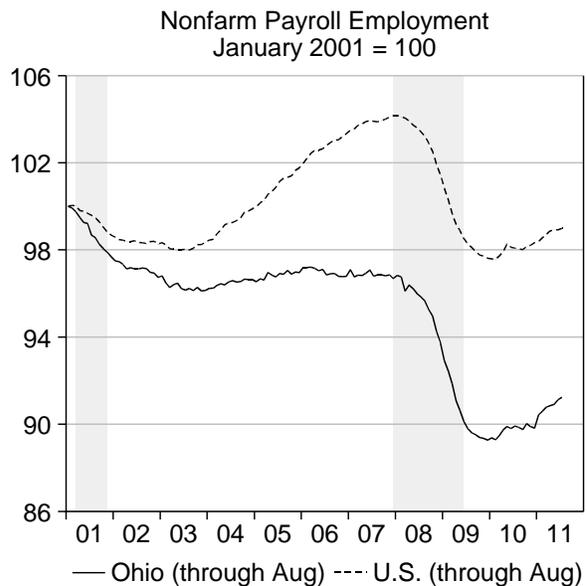


The consensus among economic forecasters is still for slightly better growth in the second half, but only because first-half growth was so slow. The *Blue Chip Economic Indicators* consensus for September is for real GDP growth of 1.9% in the third quarter and 2.1% in the fourth quarter. The average of the approximately 50 separate forecasts is for growth to remain below 3.0% in each of the four quarters of 2012. The September forecasts for the third and fourth quarters of 2011 were revised down from the August forecasts of 2.2% and 2.5%, respectively. The consensus forecast prepared in the months from January through July for third and fourth quarter growth ranged from 3.2% to 3.5%.

The Blue Chip panel puts the odds of a recession at one in three by the end of 2012, or almost exactly twice the observed frequency of recessions during the 768 months from January 1947 through December 2010. In addition, the consensus estimated that the long-run trend rate of real GDP growth is 2.3%, compared with an observed rate of 3.2% during 1947-2010.

Employment

Nonfarm payroll employment was exactly unchanged in August, and the June and July increases were revised lower by a total of 58,000 jobs, almost entirely in the government sector. The ADP Employment Report indicates that private payrolls increased by 91,000 jobs in September. The report has a spotty record of accuracy, and IHS Global Insight estimates that payrolls increased by 70,000 jobs. That would amount to another weak month for



labor markets, especially considering that returning strikers at Verizon will add 45,000 jobs to the total. Still, even a modest increase would indicate that the economy has not yet entered a recession.

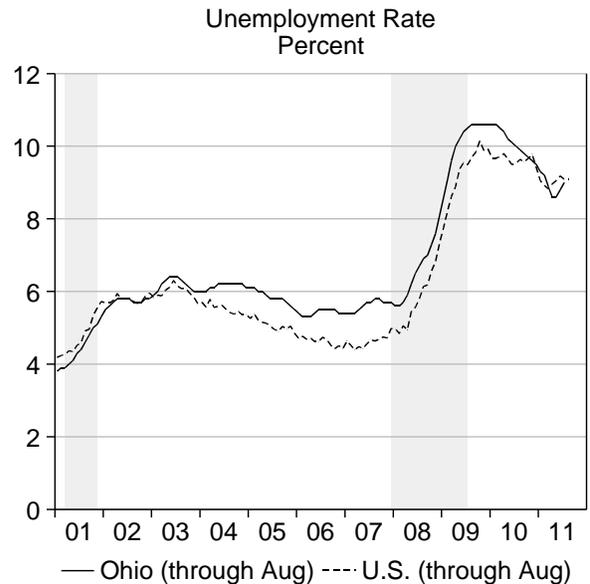
Of greater concern, Challenger, Gray & Christmas reported that layoff announcements surged 212.0% from a year earlier in September, with approximately one-half of the separations taking place in the public sector. Layoffs totaled 115,730 workers in September, up 126.0% from August. The recent pattern is similar to the one observed as the economy entered recession in the past.

In August, temporary developments added to and subtracted from nonfarm payroll employment, although the total likely would have risen by a modest amount without the special factors. Nonetheless, labor markets remain weak. Only 52.2% of all industries and 42.0% of manufacturing industries reported higher payrolls than in July, and the unemployment rate remained high at 9.1%. The length of the workweek fell in manufacturing and the entire private sector, and aggregate hours worked declined 0.3% from July. Average hourly earnings of private sector production and non-supervisory workers fell 0.1% to 1.8% above the year earlier level.

Across sectors, **nonfarm payroll employment** increased in education and health services (+34,000) and professional business services (+28,000). Temporary help employment increased by 5,000 jobs. Payrolls declined in information (-48,000) and government (-17,000), where most of the losses occurred in local government education (-13,700). Payrolls also declined in manufacturing (-5,000) and construction (-3,000). Manufacturing employment had increased by a total of 221,000 jobs during the previous nine months. Construction employment had increased by 51,000 jobs since its low in January 2011.

The latest data reinforce the picture of a slow growing economy in which layoffs have moderated but hiring has yet to pick up. After rising by 0.3 percentage points from March to June, the **unemployment rate** declined from 9.2% to 9.1% in July and stayed there in August. Weekly initial unemployment claims remain at a relatively high level, but have not spiked upward as would be expected if the economy were entering recession.

From its peak twenty-two months ago in October 2009, the unemployment rate has decreased by approximately one percentage point – a typical pattern at this stage in the business cycle during past half-century. During the current episode, however, an unusual decline in the labor force has accounted for 26.0% of the decline in the unemployment rate, with the balance resulting from an increase in employment. Every other instance of a decline in the unemployment rate of this size over a 22-month period since the early 1960s has been accompanied by an increase rather than a



decrease in the labor force, suggesting that labor markets are not as strong as implied by the decline in the unemployment rate since the peak for the cycle in October 2009.

The severity of unemployment also remained high. The average duration of unemployment in August was only 0.1 point below its record high of 40.4 weeks that was set in July. The median duration increased to 21.8 weeks – still elevated by historical standards and close to the all-time high of 25.5 weeks reached in June 2010. The broadest measure of unemployment, which includes people who have given up seeking a job because they do not expect to find one and people working part-time because they cannot find a full-time job, increased to 16.2%. In addition, the percentage of unemployed people who are not on temporary layoff was 50.0% in August, still close to the all-time high of 54.0% reached last September. Prior to the 2007-09 recession, the percentage had never been higher than 45.0%.

Ohio employment was essentially unchanged in August – down by 700 jobs. Private sector payrolls were exactly unchanged, as the decline in government employment accounted for the decline in total nonfarm payrolls. The July change was revised up from an increase of 6,500 jobs to a gain of 11,600 jobs – similar to the upward revision the month before for June. Ohio employment has increased by 82,300 jobs year-to-date, but remains 337,000 below the pre-recession peak that was set in March 2006.

Job gains were concentrated in other services (+3,200) and educational and health services (+2,300). Payroll declines were concentrated in professional and business services (-2,500) and manufacturing (-1,600). Employment increased by 900 jobs in construction – the third monthly gain in a row – and declined in trade, transportation and utilities (-1,300), information (-900) and financial activities (-800). During the year ending in July, Ohio employment gains were concentrated in educational and health services (+20,600), professional and business services (+16,100), manufacturing (+14,700) and construction (+10,400). Government (-9,000) and information (-900) were the only two areas with year-over-year employment declines in August.

The **Ohio unemployment rate** increased to 9.1% in August, matching the national rate. The increase was the third in a row and followed a long string of declines from the peak of 10.6% reached in February 2010. On average since 1970, the Ohio unemployment rate has been approximately 0.4 percentage points above the national unemployment rate.

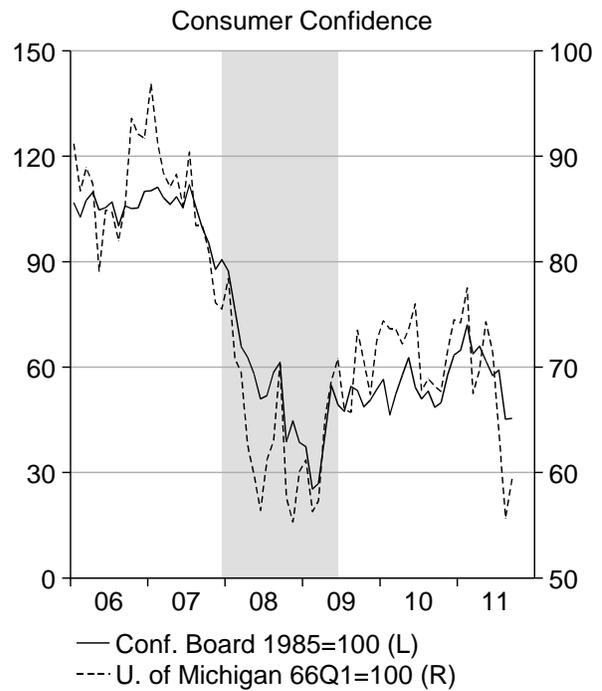
Among the **contiguous states**, year-over-year employment growth was strongest in Michigan (+2.1%), followed by Ohio (+1.6%), Kentucky (+1.2%), Pennsylvania (+1.0%) and West Virginia (+0.5%). Employment decreased 0.8% in Indiana. For the Ohio and the contiguous state region, employment increased 1.1% during the most recent twelve months, compared with a 0.9% increase for all states outside the region combined. The year-over-year change in employment in Ohio and the contiguous states has exceeded growth outside the region during the twenty months from January 2010 through August. Employment in the region has not grown faster than in the rest of the nation for as long as twenty months in at least twenty years.

Consumer Income and Consumption

Personal income and spending both weakened in August, and households saved slightly less for

the second month in a row. **Personal income** decreased 0.1% and the July change was revised down from 0.3% to 0.1%. Wage and salary disbursements, which comprise more than half of personal income, decreased by 0.2% and the July change was revised down from 0.4% to 0.3%. Compared with a year earlier, personal income was still higher by 4.5%, but the year-over-year comparison is well off of its peak of 6.0% in February. Wage and salary disbursements were higher than a year earlier by 3.3% – also down from a recent peak of 4.7%.

Growth in **personal consumption expenditures** slowed to 0.2% in August from 0.7% in July. The July change was originally reported as a 0.8% increase. After adjustment for inflation, consumption increased by just 0.1% to 1.5% above the year earlier level. The year-over-year change has slowed from a recent peak of 1.9%. Nominal spending on durable goods slipped 0.1% in August, in part reflecting a 0.9% decline in unit sales of light motor vehicles. Spending on nondurable goods and services increased by 0.3% and 0.2%, respectively. Light motor vehicle sales rebounded by 7.9% in September. Compared with a year earlier, total consumption was higher by 4.7% – down from the peak for the cycle of 5.1% reached in July.



Although still low by historical standards, inflation is undercutting consumer spending. The CPI accelerated from an annual rate of 0.5% during the six months ending in August 2010 to 3.6% during the half-year ending in August 2011. By this measure, inflation reached as high as 5.1% in April and May. Nominal average hourly earnings increased at an annual rate of only 1.6% during the six months ending in August 2011, crimping consumers' real buying power.

Ongoing difficulty in getting a job, weakness in housing prices, the hangover from the previous debt-buildup and higher prices for energy and other essentials are restraining income growth and the ability and willingness of consumers to spend. In response, **consumer confidence** has deteriorated notably since winter, particularly due to a worsening in expectations.

The Conference Board index of consumer confidence fell in August to its lowest level since April 2009 and 36.0% below the average level observed during previous recessions and failed to rebound in September. Assessments of both current and future conditions contributed to the recent sharp drop, and the assessment of current conditions fell again in September. The expectations index in August was also the lowest since April 2009 and 25.0% below the average level observed in past recessions and posted only a modest improvement in September. The current conditions index in September was the lowest only since January but was 53.0% below the level observed on average in past recessions. Readings from the University of Michigan index of consumer sentiment have traced a similar pattern with a bit more improvement in September than the Conference Board measures.

Ohio personal income and wage and salary disbursements remained solid in the second quarter. Personal income increased 5.0% at an annual rate following a 7.1% increase in the first quarter to 5.3% above the year earlier level. The first quarter change was revised down a bit from 7.7%. Wage and salary disbursements increased 6.3% following a 4.1% increase in the first quarter to 4.2% above the year earlier level. While the level of Ohio personal income was 3.3% above the record high established in the second quarter of 2008, wage and salary disbursements remained 0.5% below the record level established in the first quarter of 2008.

Manufacturing

Despite some indications of faltering manufacturing activity, **industrial production** managed a 0.2% increase in August. A weather-related drop in utility output subtracted from overall industrial production. Manufacturing activity added a 0.5% increase in August to a 0.6% gain in July. The bounce back during the summer marked a recovery in motor vehicle assemblies, which declined during April-June in the aftermath of the earthquake and tsunami in Japan. Total capacity utilization edged higher to 77.4%.

Production in three sectors with a concentration of employment in Ohio was mixed during August. Primary metal production increased 1.2%. Fabricated metal production was unchanged, and machinery production decreased 0.4%.

Midwest manufacturing output increased 0.6% in August, according to the Chicago Federal Reserve Bank. The July change was revised down from 0.5% to 0.3%. Production increased in the machinery (+1.3%), steel (+0.8%), and auto (+0.8%) sectors. Output decreased in the resource sector (-0.1%). Compared with a year earlier, Midwest manufacturing production was up by 7.6%, down from the peak growth rate so far for this cycle of 14.8% in June 2010. The level of Midwest production in July was 24.5% above



the low in June 2009 but still 16.1% below the peak in January 2008.

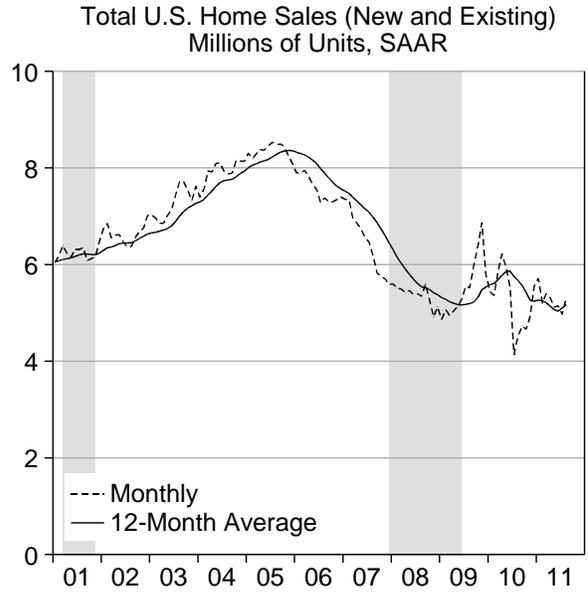
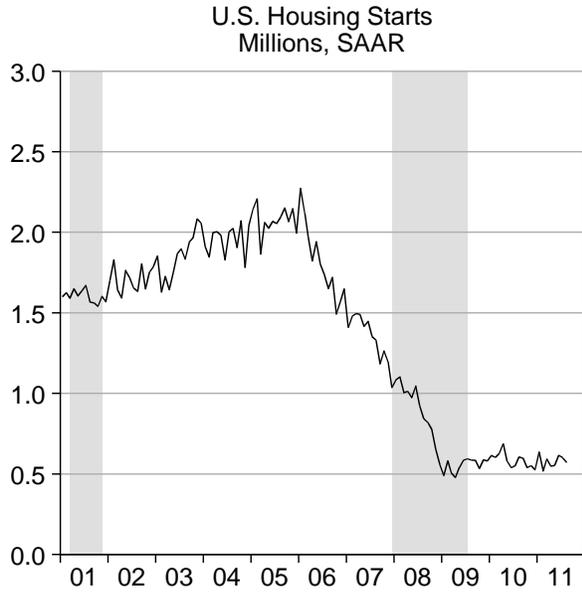
Reports from **purchasing managers** in manufacturing stabilized near neutral in September – a much better showing than some indicators had implied was likely. The Purchasing Managers Index increased to 51.6 in September from 50.6 in August and a similar reading in July. The New Orders index was unchanged at 49.6 – the third month in a row just below, but essentially at the neutral level of 50. The production index rebounded to 51.2 in September from a one-month dip below 50 to 48.6 in August. Deterioration in assessments by purchasing managers in manufacturing since the beginning of the year are consistent with the slowdown unfolding across the economy, but not consistent with recession at this point.

Construction

Total **construction put-in-place** increased 1.4% in August, approximately reversing the July decline. Private construction increased 0.4%. Public construction increased 3.1% in the largest monthly increase since February 2009. Total construction activity was up 0.9% compared with a year earlier but remained 34.1% below the March 2006 peak.

Private nonresidential construction increased by a modest 0.2%, but the June increase was revised up from 2.9% to 4.6% and the July increase was revised up from -0.4% to 0.3%. Compared with a year earlier, private nonresidential construction was up 7.0%. The **Architecture Billings Index** from the American Institute of Architects rebounded in August, possibly signaling better activity ahead. The index jumped from 45.1 in July to 51.4 in August – the best level since December 2010. The August reading was the first above the neutral level of 50 since March and followed the first four consecutive readings below 50 since August 2010. The **Inquiries for New Work Index** increased to 56.9, also the best since last December but still well off the peak of 62.3 reached in September 2010. The **Billings Index for the Midwest** improved from 48.0 to 49.0, but remained below 50 for the fifth straight month.

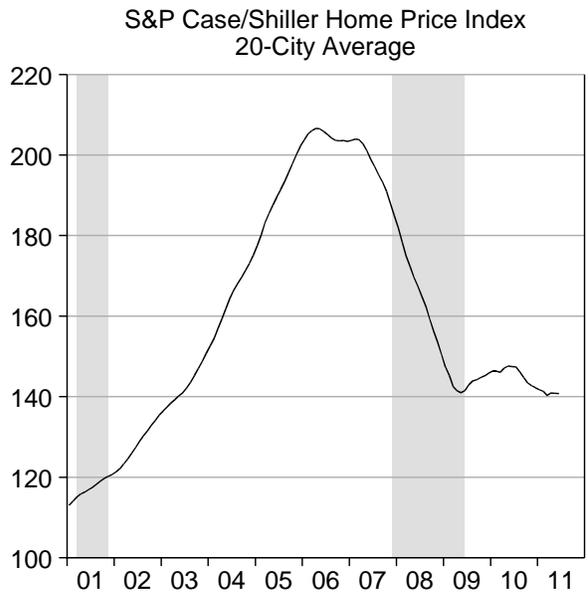
Private residential construction-put-in-place increased 0.7% in August following large declines of 3.2% in July and 2.0% in June. Housing starts in August decreased 5.0% across the country for the second decline in a row. Midwest starts increased 2.6% in August only partially recouping a 38.1% decline in July. Permits improved both across the country (+3.2%) and in the Midwest (+6.3%). Despite month-to-month swings, which are sometimes substantial, housing construction remains essentially flat at a historically low level.



Sales of existing homes increased 7.7% in the U.S. and 3.8% in the Midwest in August to 18.6% and 26.7% above year earlier levels, respectively. Despite the large recent fluctuations, the pace of existing home sales is little changed during the past three years. **Sales of new homes** were off 2.3% nationally and increased 65.6% in the Midwest. Even so, sales activity continues to bounce along a plateau that is far below peak levels of a few years ago.

The inventory of existing homes fell in August back to below the average during the previous ten months. The **inventory-to-sales ratio** dropped from 9.5 months to 8.5 months but remained above the low of 7.5 months that was reached in January. The inventory of newly built homes edged down slightly again in August to the lowest level on record. At 6.6 months, the inventory-to-sales ratio stayed at essentially the lowest level since before the housing crisis. The ratio is down from a peak of 12.2 months in January 2009.

Home prices stabilized over the summer after a long string of substantial declines, according to the S&P/Case-Shiller index. The 20-city composite home price index was unchanged in July for the third month in a row. The index was down 31.8% from the all-time peak reached in April 2006. The price index for Cleveland – the only Ohio city in the index – was unchanged in July following a string of declines during March-June. Prices in Cleveland are off 19.7% from the 2006 peak.



REVENUES

September 2011 **GRF receipts totaled \$2,410.5 million** and were \$19.5 million (0.8%) above the estimate. For the month, tax receipts totaled \$1,599.2 million and were \$16.3 million (1.0%) below the estimate, while non-tax receipts totaled \$764.0 million and were \$2.5 million (0.3%) below the estimate. Transfers totaled \$47.3 million and were \$38.3 million (426.0%) above the estimate. Year-to-date variances by category are provided in the following table (\$ in millions).

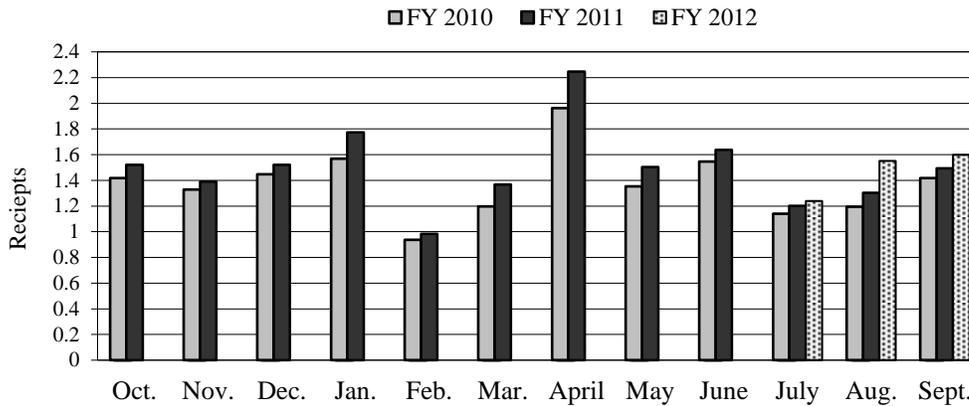
Category	Includes:	YTD Variance	% Variance
Tax receipts	Sales & use, personal income, corporate franchise, public utility, kilowatt hour, foreign & domestic insurance, other business & property taxes, cigarette, soft drink, alcoholic beverage, liquor gallonage, estate & horse racing	\$35.1 million	0.8%
Non-tax receipts	Federal grants, earnings on investments, licenses & fees, other income, intrastate transfers	(\$109.5 million)	(4.8%)
Transfers	Budget stabilization, liquor transfers, capital reserve, other	\$38.4 million	86.1%
TOTAL REVENUE VARIANCE:		(\$36.0 million)	(0.5%)

September tax sources were below the estimate by \$16.3 million (1.0%). On a year-over-year basis, total tax receipts for September were \$104.8 million (7.0%) greater than they were in September 2010. For fiscal year 2012 year-to-date, tax collections were \$388.8 million (9.7%) higher than at the same point in fiscal year 2011. The largest contributors to this year-over-year growth were the non-auto sales tax, personal income tax, and the commercial activities tax (CAT). Personal income tax receipt growth was driven by growth in quarterly estimated payments and payments associated with annual returns.

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

Individual Sources Above Estimate		Individual Sources Below Estimate	
Auto Sales Tax	\$8.7	Non-Auto Sales Tax	(\$18.5)
Commercial Activity Tax	\$0.7	Personal Income Tax	(\$11.5)
Kilowatt Hour Tax	\$0.8	Corporate Franchise Tax	(\$7.8)
Foreign Insurance Tax	\$1.6	Other Business & Property Tax	(\$1.9)
Domestic Insurance Tax	\$0.5	Estate Tax	(\$1.4)
Cigarette Tax	\$11.7	Federal Grants	(\$6.1)
Alcoholic Beverage Tax	\$0.4	Other Income	(\$0.4)
Liquor Gallonage Tax	\$0.2	ISTV's	(\$1.8)
Licenses & Fees	\$5.8		
Liquor Transfers	\$1.0		
Transfers-In Other	\$37.3		
Other Sources Above Estimate	\$0.1		
Total above	\$68.8	Total below	(\$49.3)

Tax Revenue Comparison by Month
(\$ in billions)



Non-Auto Sales and Use Tax

September non-auto sales tax receipts totaled \$511.0 million, and were \$18.5 million (3.5%) below the estimate. The negative variance in September is the result of a double MHIC payment made in August, which had the effect of pulling revenue into August that would otherwise have been received in September. Without the impact of the double August payment, receipts would have been over the estimate by approximately \$10.0 million. Year-to-date receipts for this tax source total \$1,718.2 million and are \$19.6 million (1.2%) above the estimate. On a year-over-year basis, receipts were \$0.5 million (0.1%) above collections for September 2010, with fiscal year 2012 collections thus far exceeding those at the same period in fiscal year 2011 by \$79.3 million (4.8%).

Auto Sales Tax

During the month of September, receipts for the auto sales tax totaled \$91.3 million and were above the monthly estimate by \$8.7 million (10.5%). The overage in this tax relative to the estimate is attributed to stronger-than-anticipated growth in auto sales. Year-to-date, this tax source is \$14.8 million (5.7%) above the estimate. On a year-over-year basis, auto sales tax receipts experienced an increase of \$8.6 million (10.5%) over receipts for the same month a year ago, while year-to-date growth is \$14.8 million (5.7%).

Personal Income Tax

Personal income tax receipts in September totaled \$858.0 million and were \$11.5 million (1.3%) below the estimate. The withholding component has continued to be weaker than expected with a negative variance of \$12.9 million (2.1%) during the month of September. Quarterly estimated payments were also lower than the estimate by \$6.3 million (2.3%) with a portion of this resulting from some earlier-than-expected payments being received in August. The combined negative variance of August and September for this component totaled \$3.2 million (1.1%). Payments associated with annual returns, with an overage of \$3.9 million (17.3%), combined with lower-than-estimated refunds (\$4.0 million, 17.5%) to soften the overall negative variance for the month.

On a year-over-year basis, personal income tax receipts for September 2011 were \$76.9 million (9.8%) above the September 2010 level. Quarterly estimated payments were the major contributor to this annual growth, as they were \$39.3 million (17.2%) higher than in the same month a year ago. The withholding component also continues its positive year-over-year growth as receipts were \$19.0 million (3.2%) higher than September 2010.

FY2012 PERSONAL INCOME TAX RECEIPTS BY COMPONENT (\$ in millions)						
	ESTIMATE	ACTUAL	\$ VAR	ESTIMATE	ACTUAL	\$ VAR
	SEP	SEP	SEP	Y-T-D	Y-T-D	Y-T-D
Withholding	\$624.8	\$611.9	(\$12.9)	\$1,831.5	\$1,808.1	(\$23.4)
Quarterly Est.	\$273.8	\$267.5	(\$6.3)	\$298.6	\$295.9	(\$2.7)
Trust Payments	\$6.1	\$6.4	\$0.3	\$7.1	\$7.6	\$0.5
Annual Returns & 40 P	\$22.6	\$26.5	\$3.9	\$37.8	\$46.9	\$9.1
Other	\$7.3	\$7.3	\$0.0	\$22.4	\$20.7	(\$1.7)
Less: Refunds	(\$22.8)	(\$18.8)	\$4.0	(\$82.0)	(\$73.2)	\$8.8
Local Distr.	(\$42.3)	(\$42.6)	(\$0.3)	(\$147.3)	(\$148.7)	(\$1.4)
Net to GRF	\$869.5	\$858.2	(\$11.3)	\$1,968.1	\$1,957.3	(\$10.8)

Corporate Franchise Tax

Corporate franchise tax receipts for the month of September were -\$1.7 million, compared to the estimate of \$6.1 million, as refunds continued to exceed collections. As the current year estimates are based in large part on past year's performance, it should be noted that this is only

the second year of the application of this tax to its revised base. As a result, there is limited history to rely on in estimating the monthly breakdown of receipts. Despite the monthly variance, OBM does not believe there is an issue with the tax receipts, as the vast majority of revenue is received in the second half of the fiscal year.

Commercial Activity Tax

During fiscal year 2012, 25.0% of receipts from the commercial activity tax (CAT) will be distributed into the General Revenue Fund with the remainder 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 September, GRF CAT receipts totaled \$2.4 million and were \$0.7 million (40.3%) above the monthly estimate of \$1.7 million. All-funds CAT receipts for September totaled \$10.4 million and were \$3.5 million (50.0%) above the estimate of \$6.9 million. Through the first quarter of the fiscal year, total GRF CAT receipts are \$97.0 million which is \$6.3 million (6.9%) above the estimate.

Due to an account mapping error in an OAKS general ledger report, the July and August monthly reports incorrectly identified a portion of the receipts that should have been credited as CAT receipts as corporate franchise tax receipts. As a result of this error, CAT receipts for July and August were understated by \$234,366 while corporate franchise tax receipts were overstated by the same amount. This error has been corrected in this monthly report and will not be an issue going forward.

Foreign Insurance Tax

September 2011 receipts for the foreign insurance tax totaled \$7.4 million and were \$1.6 million (26.9%) above the estimate. On a year-to-date basis, foreign insurance tax receipts are \$0.9 million (15.5%) above the estimate. Year-over-year, receipts are \$1.5 million (25.3%) higher than for the same month in the previous fiscal year.

Kilowatt-Hour Tax

Kilowatt-hour tax receipts during the month of September totaled \$36.6 million and were \$0.8 million (2.3%) above the estimate. Year-to-date receipts total \$88.6 million and are \$4.3 million (4.7%) below the estimate. On a year-over-year basis, receipts were \$15.9 million (77.1%) higher than the same month in the previous fiscal year. As discussed in previous monthly reports, this significant year-over-year growth is largely the result of changes in distributions made in the recently enacted budget.

MCF Tax

September receipts for the MCF tax (“natural gas distribution”) totaled \$4,000 and were \$4,000 above the estimate. Year-to-date receipts total \$13.2 million and are \$3.3 million (33.6%) above the estimate. Prior to fiscal year 2012, receipts from the MCF tax were distributed to the School District Property Tax Replacement Fund (68.7%) and the Local Government Property Tax Replacement Fund (31.3%). H.B. 153 of the 129th General Assembly modified this distribution,

requiring that for fiscal year 2012 and thereafter 100.0% of the MCF tax receipts to be credited to the GRF.

Cigarette Tax

Cigarette tax receipts during the month of September totaled \$84.6 million and were \$11.7 million (16.1%) above the estimate. Year-to-date receipts total \$175.0 million and are \$11.9 million (7.3%) above the estimate. On a year-over-year basis, cigarette tax receipts were \$8.5 million (11.1%) higher than for the same month a year ago. While this tax source normally experiences a 3.0% percent annual decline, fiscal year 2012 receipts are \$4.6 million (2.7%) higher than those of the same point in fiscal year 2011. OBM suspects that a portion of the overage may be due to certain payments being received earlier than estimated and as a result will monitor this source closely during the month of October to determine if that is in fact the issue.

GRF non-tax receipts totaled \$764.0 million in September and were \$2.5 million (0.3%) below the estimate. This is largely the result of lower-than-anticipated federal grants tied to lower-than-estimated Medicaid spending. **GRF transfers** during the month of September totaled \$47.3 million and were \$38.3 million (426.0%) above the monthly estimate due to the timing of a transfer that was not anticipated for the month.

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

REVENUE SOURCE	MONTH				YEAR-TO-DATE			
	ACTUAL	ESTIMATE	\$ VAR	% VAR	ACTUAL	ESTIMATE	\$ VAR	% VAR
	SEPTEMBER	SEPTEMBER			Y-T-D	Y-T-D		
TAX RECEIPTS								
Non-Auto Sales & Use	511,022	529,500	(18,478)	-3.5%	1,718,241	1,698,600	19,641	1.2%
Auto Sales & Use	91,283	82,600	8,683	10.5%	275,146	260,300	14,846	5.7%
Subtotal Sales & Use	602,305	612,100	(9,795)	-1.6%	1,993,387	1,958,900	34,487	1.8%
Personal Income	858,001	869,461	(11,460)	-1.3%	1,957,278	1,968,091	(10,813)	-0.5%
Corporate Franchise	(1,748)	6,100	(7,848)	-128.7%	(4,288)	400	(4,689)	-1170.8%
Commercial Activity Tax	2,385	1,700	685	40.3%	96,973	90,700	6,274	6.9%
Public Utility	140	(0)	141	N/A	33,172	32,899	273	0.8%
Kilowatt Hour	36,638	35,800	838	2.3%	88,561	92,900	(4,339)	-4.7%
MCF Tax	4	0	4	2119.8%	13,227	9,900	3,327	33.6%
Foreign Insurance	7,358	5,800	1,558	26.9%	6,470	5,600	870	15.5%
Domestic Insurance	23	(500)	524	104.7%	38	(300)	338	112.6%
Other Business & Property	(1,953)	(100)	(1,852)	-1848.7%	(1,792)	100	(1,892)	-1896.6%
Cigarette	84,611	72,900	11,710	16.1%	175,012	163,100	11,912	7.3%
Alcoholic Beverage	5,375	5,000	375	7.5%	15,771	15,700	71	0.5%
Liquor Gallonage	3,235	3,000	235	7.8%	9,894	9,300	593	6.4%
Estate	2,854	4,300	(1,445)	-33.6%	2,959	4,300	(1,341)	-31.2%
Total Tax Receipts	1,599,229	1,615,561	(16,332)	-1.0%	4,386,661	4,351,591	35,070	0.8%
NON-TAX RECEIPTS								
Federal Grants	754,504	760,591	(6,087)	-0.8%	2,135,038	2,247,595	(112,557)	-5.0%
Earnings on Investments	0	0	0	N/A	0	0	0	N/A
License & Fees	7,778	1,977	5,801	293.4%	11,874	8,621	3,253	37.7%
Other Income	1,669	2,081	(412)	-19.8%	3,414	5,742	(2,327)	-40.5%
ISTV'S	9	1,800	(1,791)	-99.5%	4,028	1,859	2,169	116.7%
Total Non-Tax Receipts	763,959	766,449	(2,490)	-0.3%	2,154,355	2,263,817	(109,462)	-4.8%
TOTAL REVENUES	2,363,188	2,382,010	(18,822)	-0.8%	6,541,015	6,615,408	(74,393)	-1.1%
TRANSFERS								
Budget Stabilization	0	0	0	N/A	0	0	0	N/A
Liquor Transfers	10,000	9,000	1,000	11.1%	35,000	34,000	1,000	2.9%
Transfers In - Other	37,337	0	37,337	N/A	47,990	10,598	37,392	352.8%
Temporary Transfers In	0	0	0	N/A	0	0	0	N/A
Total Transfers	47,337	9,000	38,337	426.0%	82,990	44,598	38,392	86.1%
TOTAL SOURCES	2,410,525	2,391,010	19,515	0.8%	6,624,005	6,660,005	(36,000)	-0.5%

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

REVENUE SOURCE	MONTH				YEAR-TO-DATE			
	SEPTEMBER	SEPTEMBER	\$	%	ACTUAL	ACTUAL	\$	%
	FY 2012	FY 2011	VAR	VAR	FY 2012	FY 2011	VAR	VAR
TAX RECEIPTS								
Non-Auto Sales & Use	511,022	510,508	514	0.1%	1,718,241	1,638,928	79,313	4.8%
Auto Sales & Use	91,283	82,637	8,646	10.5%	275,146	260,328	14,819	5.7%
Subtotal Sales & Use	602,305	593,146	9,159	1.5%	1,993,387	1,899,255	94,132	5.0%
Personal Income	858,001	781,108	76,893	9.8%	1,957,278	1,810,489	146,789	8.1%
Corporate Franchise	(1,748)	5,863	(7,611)	-129.8%	(4,288)	433	(4,722)	-1089.2%
Commercial Activity Tax	2,385	0	2,385	N/A	96,973	0	96,973	N/A
Public Utility	140	32	109	344.7%	33,172	30,509	2,663	8.7%
Kilowatt Hour	36,638	20,690	15,948	77.1%	88,561	52,385	36,176	69.1%
MCF Tax	4	0	4	N/A	13,227	0	13,227	N/A
Foreign Insurance	7,358	5,871	1,487	25.3%	6,470	5,692	778	13.7%
Domestic Insurance	23	(445)	469	105.2%	38	(311)	349	112.2%
Other Business & Property	(1,953)	(70)	(1,883)	-2703.9%	(1,792)	59	(1,851)	-3134.4%
Cigarette	84,611	76,160	8,451	11.1%	175,012	170,382	4,629	2.7%
Alcoholic Beverage	5,375	4,871	503	10.3%	15,771	15,369	402	2.6%
Liquor Gallonage	3,235	3,031	204	6.7%	9,894	9,456	438	4.6%
Estate	2,854	4,189	(1,335)	-31.9%	2,959	4,189	(1,230)	-29.4%
Total Tax Receipts	1,599,229	1,494,445	104,784	7.0%	4,386,661	3,997,907	388,753	9.7%
NON-TAX RECEIPTS								
Federal Grants	754,504	837,347	(82,843)	-9.9%	2,135,038	2,514,990	(379,952)	-15.1%
Earnings on Investments	0	0	0	N/A	0	0	0	N/A
License & Fee	7,778	1,999	5,779	289.1%	11,874	9,633	2,241	23.3%
Other Income	1,669	486	1,183	243.7%	3,414	1,515	1,900	125.4%
ISTV'S	9	3,114	(3,105)	-99.7%	4,028	3,211	817	25.5%
Total Non-Tax Receipts	763,959	842,946	(78,986)	-9.4%	2,154,355	2,529,349	(374,994)	-14.8%
TOTAL REVENUES	2,363,188	2,337,390	25,798	1.1%	6,541,015	6,527,256	13,759	0.2%
TRANSFERS								
Budget Stabilization	0	0	0	N/A	0	0	0	N/A
Liquor Transfers	10,000	27,000	(17,000)	-63.0%	35,000	40,000	(5,000)	-12.5%
Transfers In - Other	37,337	830	36,507	N/A	47,990	12,473	35,517	284.8%
Temporary Transfers In	0	0	0	N/A	0	0	0	N/A
Total Transfers	47,337	27,830	19,507	70.1%	82,990	52,473	30,517	58.2%
TOTAL SOURCES	2,410,525	2,365,220	45,305	1.9%	6,624,005	6,579,729	44,276	0.7%

DISBURSEMENTS

September 2011 GRF disbursements, across all fund uses, totaled \$2,521.2 million and were \$43.4 million (1.8%) above the estimate. Year-to-date disbursements by category are provided in the following table (\$ in millions).

Category	Description	YTD Disbursements	YTD Variance
Expenditures and transfers between agencies (ISTVs)	State agency operations, subsidies, tax relief, debt service payments, and pending payroll (if applicable)	\$7,546.3	(\$95.9)
Transfers	Temporary or permanent transfers out of the GRF that are not agency expenditures	\$330.7	\$4.4
TOTAL GRF DISBURSEMENTS:		\$7,877.0	(\$91.5)

GRF disbursements are reported according to functional categories. This section contains information describing spending and variances within each of these categories.

Primary, Secondary and Other Education

This category includes expenditures made by the Department of Education, E-tech, the Ohio State School for the Blind, and the Ohio School for the Deaf. September disbursements in this category totaled \$516.4 million and were \$2.3 million (0.1%) below the monthly estimate.

Disbursements for the Department of Education alone totaled \$508.4 million, which was \$0.4 million (0.1%) above the September estimate. Expenditures for the school foundation program (ALI 200502 – Pupil Transportation and ALI 200550 – Foundation Funding) totaled \$490.9 million and were \$5.9 million (1.2%) above the estimate. Lower-than-projected spending in Special Education Enhancements (ALI 200540) is due to timing of payments which is expected to be offset in the coming months. Year-to-date expenditures by the department are \$1,878.1 million, which is \$4.3 million (0.2%) below the estimate.

Higher Education

September disbursements for Higher Education totaled \$166.4 million and were \$8.2 million (4.7%) below the estimate for the month. Year-to-date disbursements were \$567.3 million and were \$5.6 million (1.0%) below the estimate. The monthly variance is due primarily to spending in the Ohio College Opportunity Grant, National Guard Scholarship, and Choose Ohio First Scholarship programs, which were below the monthly estimate by \$5.5 million.

Public Assistance and Medicaid

September disbursements in this category, which include all GRF expenditures by the Ohio Department of Job and Family Services (ODJFS), totaled \$1,119.8 million and were \$87.9

million (7.3%) below the monthly estimate. Year-to-date expenditures total \$3,559.9 million and are \$160.1 million (4.3%) below the estimate.

Public Assistance and Non-Medicaid

ODJFS, non-Medicaid, General Revenue Fund (GRF) disbursements totaled \$55.9 million for the month of September, which was \$5.9 million (9.6%) lower than the estimate. Major variances within individual line items were attributable to the following:

- Entitlement Administration – Local (ALI 600521) subsidy disbursements were \$5.5 million (41.4%) below the monthly projection due to lower-than-anticipated county entitlement program expenses.
- Early Care and Education (ALI 600535) subsidy payments were \$7.4 million (1,277.5%) above the estimate. Higher-than-anticipated child care payments were made out of this line item due to a cash shortage with the Temporary Assistance for Needy Families (TANF) federal block grant. ODJFS anticipates offsetting child care expenditures by the end of the fiscal year.
- Administration – Local (ALI 600502) expenditures were \$1.8 million (63.3%) above the estimate due to higher-than-anticipated county disbursements made for the month.
- Computer Projects (ALI 600416) expenses were \$2.4 million (18.5%) lower than the estimate. This was due to higher-than-anticipated prior period equipment encumbrances paid in August which were estimated for September.
- Support Services (ALI 600321) expenditures were \$0.9 million (18.2%) below the estimate for the month. This is primarily attributable to lower-than-anticipated maintenance spending made within the line item.
- Children and Families Services (ALI 600523) expenses were \$0.9 million (72.3%) below estimate mainly due to slower-than-anticipated prior year invoices received by the agency.
- Child, Family, and Adult Community & Protective Services (ALI 600523) disbursements were \$0.9 million (59.7%) below the estimate due to lower county subsidy expenses made from the line item.

Medicaid

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

Expenditures

GRF disbursements year-to-date for the Medicaid program are \$3,376.7 million, which is \$158.1 million (4.5%) below estimate, and \$132.2 million (4.1%) above the same point in time in the previous fiscal year. Disbursements for the month of September were \$1,064.0 million, which was \$82.0 million (7.2%) below estimate and \$116.4 million (12.3%) above the same period in the previous fiscal year.

All funds disbursements year-to-date are \$3,538.0 million, which is \$163.8 million (4.4%) below estimate, and \$107.2 million (3.0%) above disbursements for the same point in time in the previous fiscal year. Disbursements for September totaled \$1,144.5 million and were \$84.6

million (6.9%) below projected expenditures and \$38.3 million (3.3%) above the same period in the previous fiscal year.

Due to the on-going changeover to the MITS system, the timing of fee-for-service payments across nearly all categories has been delayed with regard to the initial estimates. Therefore at this time, it is difficult to assess what portion of the \$84.6 million variance can be attributed to this issue. It is expected that some or all of this variance will be offset by increased payments in future months.

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

	September Projection	September Actual	Variance	Variance %
GRF	\$ 1,145,929,014	\$ 1,063,968,648	\$ (81,960,366)	-7.2%
Non-GRF	\$ 83,173,685	\$ 80,576,161	\$ (2,597,524)	-3.1%
All Funds	\$ 1,229,102,699	\$ 1,144,544,809	\$ (84,557,890)	-6.9%

As noted above, timing issues related to the on-going implementation of MITS likely account for much of the variance found in the categories of service. Discussion of specific categorical variances will resume in future month's reports as the underlying reasons for the variances become clearer.

Caseload

Due to the ongoing implementation of MITS, August caseload data is not available at this time. Discussion of these data will resume in future months.

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.

September disbursements in this category totaled \$113.7 million and were \$63.6 million (126.7%) above estimates for the month. Year-to-date disbursements total \$355.2 million, which are \$56.7 million (19.0%) above the projected amounts.

Department of Health

The Department of Health disbursed \$2.8 million in September, which was \$2.9 million (50.1%) below estimate. This is primarily attributable to the Bureau for Children with Medical Handicaps line item (440505) which was below estimate by \$2.4 million as a result of state special revenue funds being used in lieu of GRF dollars. For the year to date, the Department of Health has disbursed \$17.4 million, which is \$8.7 million (33.2%) below the estimate.

Department of Aging

The Department of Aging disbursed \$0.5 million in September which was \$0.1 million (23.3%) below estimate. For the year to date, Aging has disbursed \$2.0 million which is \$0.2 million (10.2%) below the estimate. There were no significant line item variances.

Department of Mental Health

The Department of Mental Health disbursed \$87.7 million during the month of September, which is \$67.6 million (335.2%) above the estimate. The variance is attributable to above estimate spending in the Mental Health Medicaid Match (ALI 335501) line item. In July, the department disbursed \$64.2 million to county boards in order to cover Medicaid claims at 100.0%. The department estimated that the \$64.2 million GRF disbursement and the federal reimbursement earned from claims paid in the first quarter of the fiscal year would provide enough cash to the boards until October, when the department planned another GRF cash infusion of \$28.9 million to the boards. However, the timing of Medicaid claims being processed has been delayed due to coding errors within the MACSIS billing system. The department is working to correct the issue, which will allow it to request federal reimbursement and relieve the current pressures on the 335501 line item. It is expected that once federal reimbursement resumes that the spending targets for 335501 will be met by the close of the fiscal year.

Department of Developmental Disabilities

The Department of Developmental Disabilities disbursed \$17.5 million in the month of September, which is \$0.8 million (4.2%) below the estimate. In the Medicaid State Match (ALI 322407) line item, disbursements were \$0.5 million below the estimate. Due to system error, erroneous waiver provider payments were sent at the end of the month of August. The department began working with OBM to reverse these vouchers immediately, but this process continued into September. Additionally, \$0.2 million in below estimate spending from prior year encumbrances occurred in the Martin Settlement (ALI 322504) line item.

Justice and Public Protection

Disbursements in the Corrections category totaled \$148.2 million in the month of September, which was \$11.7 million (7.3%) below the \$159.9 million estimate for the month.

Department of Rehabilitation and Correction

The Department of Rehabilitation and Correction (DRC) disbursed \$113.4 million in the month of September, which was \$8.4 million (6.9%) less than the \$121.8 million estimate for the month. This variance is largely the result of a higher than normal employment vacancy rate due to organizational changes.

Department of Youth Services

The Department of Youth Services (DYS) disbursed \$18.1 million in the month of September, which was \$2.8 million (13.5%) less than the \$20.9 million estimate for the month. This variance is also the result of a higher than normal employment vacancy rate due to organizational changes.

General Government

September disbursements for the General Government category were \$49.7 million, which was \$6.0 million (10.7%) below the estimate for the month. Year-to-date expenditures total \$109.3 million and are \$8.5 million (7.2%) below projected amounts.

Department of Administrative Services

The Department of Administrative Services (DAS) disbursed \$38.3 million during the month of September, which was \$3.4 million (8.1%) below the estimate. This occurred because of one-time offsetting credits to planned debt service and building operations and maintenance payments to the Ohio Building Authority (OBA). A \$1.5 million debt service credit stems from the Capital Square Review and Advisory Board paying off the remaining outstanding principal from renovation of the Statehouse. The \$1.3 million building operations and maintenance credit stems from a one-time adjustment OBA makes every year, if necessary, to account for over- or under-collection from the previous fiscal year based on finalized costs of operating the state office towers for that prior year.

Department of Development

The Department of Development (DEV) disbursed \$5.2 million during the month of September, which was 46.0% below the \$9.7 million estimate for the month. The primary driver of this under-spending was DEV's assumption that \$1.5 million in prior year encumbrances in the Thomas Edison Program (ALI 195401) and \$3.5 million in Industrial Training Grants (ALI 195434) would be disbursed in September. The Rapid Outreach Grants (ALI 195412) line item exceeded the September estimate by \$445,000, largely as a result of the timing of payments, which were expected due to August's under-spending in the same line item.

Tax Relief and Other

September disbursements for tax relief totaled \$336.8 million and were \$106.6 million (46.3%) above the \$230.3 million monthly estimate. Of the amounts disbursed, \$97.2 million was paid to local governments, while \$239.7 million was paid to school districts. These amounts were \$11.5 million (13.4%) and \$95.1 million (65.7%) above the respective estimates for those line items. Year-to-date, tax relief payments have totaled \$409.5 million and are \$66.8 million (19.5%) above the estimate. As these payments are made based on when counties submit their information and individual counties may vary from year to year in terms of when they submit, monthly variances are not uncommon in this category. Due to the unique timing issue surrounding this spending category, OBM anticipates that the September variance will correct itself between now and November. These payments are made to local governments and school districts to reimburse for revenues foregone as a result of the 10.0 percent and 2.5 percent rollback, as well as the homestead exemption.

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

Functional Reporting Categories Description	MONTH				YEAR-TO-DATE			
	ACTUAL	ESTIMATED	\$	%	YTD	YTD	\$	%
	SEPTEMBER	SEPTEMBER	VAR	VAR	ACTUAL	ESTIMATE	VAR	VAR
Primary, Secondary and Other Education	516,379	514,129	2,250	0.4%	1,893,476	1,897,726	(4,250)	-0.2%
Higher Education	166,404	174,631	(8,227)	-4.7%	536,287	541,919	(5,631)	-1.0%
Public Assistance and Medicaid	1,119,836	1,207,751	(87,916)	-7.3%	3,559,980	3,720,110	(160,129)	-4.3%
Health and Human Services	113,723	50,172	63,551	126.7%	355,206	298,484	56,722	19.0%
Justice and Public Protection	148,176	159,916	(11,740)	-7.3%	494,371	526,216	(31,845)	-6.1%
Environmental Protection and Natural Resource	4,767	5,085	(319)	-6.3%	17,576	17,801	(226)	-1.3%
Transportation	469	3,017	(2,548)	-84.5%	1,500	3,971	(2,471)	-62.2%
General Government	49,654	55,625	(5,972)	-10.7%	109,349	117,814	(8,464)	-7.2%
Community and Economic Development	21,486	26,144	(4,658)	-17.8%	31,651	37,663	(6,013)	-16.0%
Tax Relief and Other	336,841	230,277	106,564	46.3%	409,549	342,788	66,761	19.5%
Capital Outlay	120	0	120	0.0%	120	0	120	0.0%
Debt Service	43,386	43,447	(62)	-0.1%	137,192	137,682	(490)	-0.4%
Total Expenditures & ISTV's	2,521,240	2,470,195	51,045	2.1%	7,546,257	7,642,173	(95,916)	-1.3%
Transfers Out:								
Operating Transfer Out	0	7,650	(7,650)	N/A	318,690	326,340	(7,650)	-2.3%
Temporary Transfer Out	0	0	0	0.0%	12,018	0	12,018	0.0%
Total Transfers Out	0	7,650	(7,650)	-100.0%	330,708	326,340	4,368	1.3%
Total Fund Uses	2,521,240	2,477,845	43,395	1.8%	7,876,965	7,968,513	(91,548)	-1.1%

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

Functional Reporting Categories Description	MONTH				YEAR-TO-DATE			
	SEPTEMBER	SEPTEMBER	\$	%	ACTUAL	ACTUAL	\$	%
	FY 2012	FY 2011	VAR	VAR	FY 2012	FY 2011	VAR	VAR
Primary, Secondary and Other Education	516,379	536,330	(19,951)	-3.7%	1,893,476	1,980,535	(87,059)	-4.4%
Higher Education	166,404	189,049	(22,645)	-12.0%	536,287	606,903	(70,615)	-11.6%
Public Assistance and Medicaid	1,119,836	978,965	140,871	14.4%	3,559,980	3,403,369	156,611	4.6%
Health and Human Services	113,723	52,251	61,472	117.6%	355,206	298,872	56,334	18.8%
Justice and Public Protection	148,176	136,784	11,392	8.3%	494,371	530,460	(36,089)	-6.8%
Environmental Protection and Natural Resource	4,767	4,642	124	2.7%	17,576	19,232	(1,656)	-8.6%
Transportation	469	745	(277)	-37.1%	1,500	7,190	(5,690)	-79.1%
General Government	49,654	33,500	16,154	48.2%	109,349	98,662	10,687	10.8%
Community and Economic Development	21,486	22,052	(566)	-2.6%	31,651	36,701	(5,051)	-13.8%
Tax Relief and Other	336,841	210,267	126,574	60.2%	409,549	315,910	93,639	29.6%
Capital Outlay	120	0	120	N/A	120	24	96	402.1%
Debt Service	43,386	16,923	26,462	156.4%	137,192	226,869	(89,677)	-39.5%
Total Expenditures & ISTV's	2,521,240	2,181,509	339,731	15.6%	7,546,257	7,524,728	21,529	0.3%
Transfers Out:								
Operating Transfer Out	0	772	(772)	N/A	318,690	39,603	279,087	704.7%
Temporary Transfer Out	0	0	0	N/A	12,018	530,270	(518,253)	-97.7%
Total Transfers Out	0	772	(772)	-100.0%	330,708	569,874	(239,166)	-42.0%
Total Fund Uses	2,521,240	2,182,281	338,959	15.5%	7,876,965	8,094,601	(217,637)	-2.7%

FUND BALANCE

Table 5 describes the estimated General Revenue Fund (GRF) ending fund balance for FY 2012. Based on the estimated revenue sources for FY 2012 and the estimated FY 2012 disbursements, transfers, and encumbrances, the GRF ending fund balance for FY 2012 is an estimated \$154.9 million.

The GRF ending fund balance should not be considered as a balance available for expenditure in FY 2012 nor should it be considered as equivalent to the FY 2012 surplus calculation as defined in Section 131.44 of the Ohio Revised Code.

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

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

July 1, 2011 Beginning Cash Balance	\$ 844,467
Plus FY 2012 Estimated Revenues	19,419,100
Plus FY 2012 Estimated Federal Revenues	7,602,748
Plus FY 2012 Estimated Transfers to GRF	151,432
Total Sources Available for Expenditure & Transfer	28,017,747
Less FY 2012 Estimated Disbursements	27,201,535
Less FY 2012 Estimated Total Encumbrances as of June 30, 2012	254,056
Less FY 2012 Estimated Transfers Out	407,300
Total Estimated Uses	27,862,891
FY 2012 ENDING FUND BALANCE	154,856

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