Budget Footnotes

A NEWSLETTER OF THE OHIO LEGISLATIVE SERVICE COMMISSION DECEMBER 2010

STATUS OF THE GRF

HIGHLIGHTS

—Jean J. Botomogno, Senior Economist, 614-644-7758

According to recently released data by the U.S. Bureau of Economic Analysis, inflation-adjusted Ohio gross domestic product fell 0.7% in 2008 and 2.7% in 2009, confirming the two-year stretch was one of the worst on record. However, Ohio's economy is on the mend. Compared to a year earlier, private-sector employment, average weekly hours, and average hourly earnings were all higher, and the unemployment rate lower, this fiscal year.

Overall, total GRF tax receipts continued their upward trajectory and were $214.7 million above estimate for the year to date through November.

Through November 2010, GRF sources totaled $10.89 billion:

- Revenue from the personal income tax was $66.6 million above estimate;
- Sales and use tax receipts were $109.5 million above estimate.

Through November 2010, GRF uses totaled $13.72 billion:

- Public Assistance and Medicaid spending was $591.4 million above estimate, largely due to a timing issue;
- Spending on all other programs was $13.8 million above estimate.

VOLUME 34, NUMBER 4

STATUS OF THE GRF

ISSUE UPDATES

TRACKING THE ECONOMY

Legislative Service Commission
77 South High Street, 9th Floor
Columbus, Ohio 43215

Telephone: (614)466-3615

Table 1: General Revenue Fund Sources
Preliminary Actual vs. Estimate
Month of November 2010
($ in thousands)
(Actual based on report run in OAKS Actuals Ledger on December 7, 2010)

	Actual	Estimate*	Variance	Percent
STATE SOURCES				
TAX REVENUE				
Auto Sales	$73,433	$58,200	$15,233	26.2%
Nonauto Sales and Use	$539,208	$529,600	$9,608	1.8%
Total Sales and Use Taxes	$612,641	$587,800	$24,841	4.2%
Personal Income	$556,152	$524,600	$31,551	6.0%
Corporate Franchise	$2,076	-$19,600	$21,676	110.6%
Public Utility	$22,717	$27,300	-$4,583	-16.8%
Kilowatt Hour Excise	$6,913	$12,000	-$5,086	-42.4%
Commercial Activity Tax**	$0	$0	$0	---
Foreign Insurance	$68	-$100	$168	167.6%
Domestic Insurance	$0	$0	$0	---
Business and Property	-$134	$0	-$134	---
Cigarette	$66,649	$65,000	$1,649	2.5%
Alcoholic Beverage	$4,060	$4,600	-$540	-11.7%
Liquor Gallonage	$3,139	$3,100	$39	1.3%
Estate	$8,077	$12,000	-$3,923	-32.7%
Total Tax Revenue	**$1,282,355**	**$1,216,700**	**$65,656**	**5.4%**
NONTAX REVENUE				
Earnings on Investments	$2	$0	$2	---
Licenses and Fees	$5,048	$650	$4,398	676.6%
Other Revenue	$3,694	$8,200	-$4,506	-55.0%
Total Nontax Revenue	**$8,744**	**$8,850**	**-$106**	**-1.2%**
TRANSFERS				
Liquor Transfers***	$295	$12,000	-$11,705	-97.5%
Budget Stabilization	$0	$0	$0	---
Other Transfers In	$235,733	$293,000	-$57,267	-19.5%
Total Transfers In	**$236,027**	**$305,000**	**-$68,973**	**-22.6%**
TOTAL STATE SOURCES	**$1,527,126**	**$1,530,550**	**-$3,423**	**-0.2%**
Federal Grants	$740,532	$679,622	$60,911	9.0%
TOTAL GRF SOURCES	**$2,267,659**	**$2,210,171**	**$57,488**	**2.6%**

* Tax estimates of the Office of Budget and Management received September 2010.
**Commercial activity tax receipts in FY 2011 are non-GRF.
***Liquor Transfers based on a report run in OAKS as of Nov 30, 2010
Detail may not sum to total due to rounding.

Table 2: General Revenue Fund Sources
Preliminary Actual vs. Estimate
FY 2011 as of November 30, 2010
($ in thousands)
(Actual based on report run in OAKS Actuals Ledger on December 7, 2010)

	Actual	Estimate*	Variance	Percent	FY 2010	Percent Change
STATE SOURCES						
TAX REVENUE						
Auto Sales	$409,520	$386,200	$23,320	6.0%	$378,764	8.1%
Nonauto Sales and Use	$2,712,959	$2,626,800	$86,159	3.3%	$2,497,362	8.6%
Total Sales and Use Taxes	$3,122,479	$3,013,000	$109,479	3.6%	$2,876,126	8.6%
Personal Income	$2,910,773	$2,844,200	$66,573	2.3%	$2,763,433	5.3%
Corporate Franchise	$247	-$37,600	$37,847	100.7%	-$54,157	100.5%
Public Utility	$55,193	$74,500	-$19,307	-25.9%	$56,785	-2.8%
Kilowatt Hour Excise	$73,713	$72,200	$1,513	2.1%	$66,182	11.4%
Commercial Activity Tax**	$0	$0	$0	---	$0	---
Foreign Insurance	$132,192	$132,650	-$458	-0.3%	$132,704	-0.4%
Domestic Insurance	-$1,038	$134	-$1,172	-874.3%	$1,133	-191.6%
Business and Property	-$335	$126	-$461	-366.3%	$123	-373.0%
Cigarette	$310,914	$294,800	$16,114	5.5%	$330,108	-5.8%
Alcoholic Beverage	$24,244	$24,300	-$56	-0.2%	$23,943	1.3%
Liquor Gallonage	$15,604	$15,100	$504	3.3%	$15,296	2.0%
Estate	$26,358	$22,200	$4,158	18.7%	$20,239	30.2%
Total Tax Revenue	**$6,670,345**	**$6,455,610**	**$214,735**	**3.3%**	**$6,231,912**	**7.0%**
NONTAX REVENUE						
Earnings on Investments	$3,154	$20,500	-$17,346	-84.6%	$11,611	-72.8%
Licenses and Fees	$15,284	$22,011	-$6,727	-30.6%	$19,904	-23.2%
Other Revenue	$15,341	$24,790	-$9,449	-38.1%	$26,972	-43.1%
Total Nontax Revenue	**$33,779**	**$67,301**	**-$33,522**	**-49.8%**	**$58,487**	**-42.2%**
TRANSFERS						
Liquor Transfers***	$51,439	$60,000	-$8,561	-14.3%	$57,000	-9.8%
Budget Stabilization	$0	$0	$0	---	$0	---
Other Transfers In	$248,062	299,106	-$51,044	-17.1%	$341,700	-27.4%
Total Transfers In	**$299,500**	**$359,106**	**-$59,606**	**-16.6%**	**$398,700**	**-24.9%**
TOTAL STATE SOURCES	**$7,003,625**	**$6,882,017**	**$121,608**	**1.8%**	**$6,689,099**	**4.7%**
Federal Grants	$3,885,880	$3,936,666	-$50,786	-1.3%	$3,262,708	19.1%
TOTAL GRF SOURCES	**$10,889,504**	**$10,818,682**	**$70,821**	**0.7%**	**$9,951,808**	**9.4%**

* Tax estimates of the Office of Budget and Management received September 2010.

**Commercial activity tax receipts in FY 2011 are non-GRF.

***Liquor Transfers based on a report run in OAKS as of Nov 30, 2010

Detail may not sum to total due to rounding.

REVENUES

—Jean J. Botomogno, Senior Economist, 614-644-7758

Overview

November tax receipts were $65.7 million above estimate.

November GRF sources of $2.27 billion were $57.5 million above projections due to a positive variance of $60.9 million in federal grants, partly offset by a shortfall of $3.4 million in state-source receipts. Tables 1 and 2 show GRF sources for the month of November and FY 2011, respectively. GRF sources consist of state-source receipts, which include tax revenue, nontax revenue, and transfers in, and federal grants, which are primarily federal reimbursements for human service programs such as Medicaid and Temporary Assistance for Needy Families (TANF) that receive federal funding.

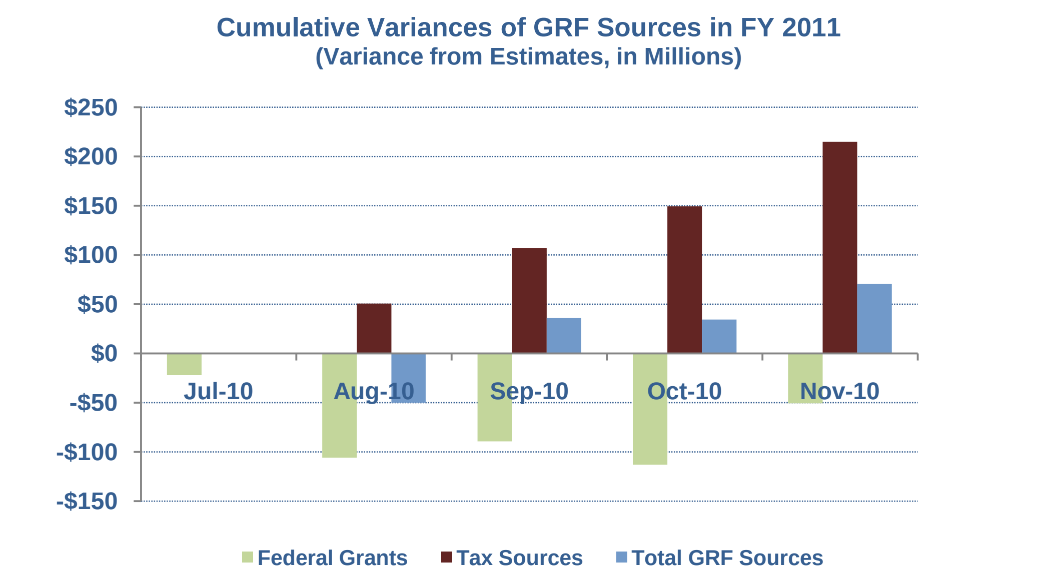
GRF tax receipts continued their upward trajectory in November. Except in July 2010, tax receipts have been above expectations each month in FY 2011. Receipts of $1.28 billion in November exceeded estimates by $65.7 million, increasing the year-to-date positive variance to $214.7 million, up from $149.1 million at the end of October 2010. The personal income tax, the sales and use tax, and the cigarette tax were above estimate, respectively, by $31.6 million, $24.8 million, and $1.6 million. Corporate franchise tax receipts were $2.1 million, though net refunds of $19.6 million were anticipated for the month. Most remaining tax sources were below estimates, including shortfalls of $5.1 million for the kilowatt hour tax, $4.6 million for the public utility excise tax, and $3.9 million for the estate tax. A deficit of $69.0 million in transfers in reduced the positive variance in tax receipts. Liquor transfers were $11.7 million below estimate, and other transfers in (related to temporary transfers from the commercial activity tax) were $57.3 million below estimate. These two negative variances were due to timing issues that are likely to reverse in December.

FY 2011 GRF tax receipts through November were $214.7 million above estimate.

Through November, FY 2011 total GRF sources of $10.89 billion were $70.8 million above estimate. State-source receipts of $7.00 billion were above estimate by $121.6 million. This positive variance was partially offset by a shortfall of $50.8 million in federal grants. Though year-to-date state-source receipts were 1.8% above estimate from strong tax receipts, nontax revenues and transfers in were $93.1 million below projections (primarily from the timing issue mentioned above). The sales and use tax was above estimate by $109.5 million, the personal income tax by $66.6 million, and the cigarette tax by $16.1 million. The kilowatt hour tax and the estate tax were also above estimate, respectively, by

$1.5 million, and $4.2 million.[1] Corporate franchise tax revenues through November were $0.2 million, while net refunds of $37.6 million were anticipated,[2] creating a positive variance of $37.8 million. The public utility excise tax fell short of estimate by $19.3 million (due mostly to lower than expected natural gas prices), and the negative variance for the domestic insurance tax was $1.2 million. Receipts for the remaining taxes varied from estimates by small amounts. The graph below shows the cumulative variance against estimate for federal grants, tax sources, and total GRF sources.

FY 2011 GRF sources through November were $70.8 million above estimate.



FY 2011 year-to-date GRF sources increased $937.7 million compared to receipts in the corresponding period in FY 2010, from both higher federal grants ($623.2 million) and tax receipts ($438.4 million). Those gains were reduced by $123.9 million in lower receipts from nontax sources and transfers in this fiscal year. Receipts from the sales and use tax and the personal income tax were above the levels of FY 2010 by $246.4 million and $147.3 million, respectively. Other taxes with notable year-to-year revenue increases included the kilowatt hour tax

[1] According to the Tax Department, the kilowatt hour's positive variance will be erased by unanticipated refunds from overpaid taxes in the previous fiscal years. Refunds totaling $8.0 million are to be made in November, December, and January. Also, the estate tax variance in the coming months is likely to be reduced due to some timing issues.

[2] Corporate franchise tax payments are due in the second half of the fiscal year. Through December, receipts are from late payments or payments due to audit findings. But those payments are generally less than refunds from tax overpayment or other tax reconciliations.

($7.5 million) and the estate tax ($6.1 million). Corporate franchise tax receipts were $0.2 million in FY 2011, while net refunds through November in FY 2010 were $54.2 million, thus yielding a positive variance of $54.4 million. Compared to FY 2010, year-to-date receipts in FY 2011 declined noticeably for the cigarette tax ($19.2 million), the domestic insurance tax ($2.2 million), and the public utility tax ($1.6 million).

Through November, FY 2011 GRF income tax receipts were $66.6 million above estimate.

Personal Income Tax

November GRF receipts from the personal income tax of $556.2 million were $31.6 million (6.0%) above estimate and $62.6 million (12.7%) above receipts in November 2009. Through November, the GRF received $2.91 billion from the personal income tax in FY 2011. This amount was $66.6 million (2.3%) above estimate and $147.3 million (5.3%) above receipts in the corresponding period in FY 2010. Personal income tax revenue is equal to gross collections after subtracting both refunds and distributions to the Local Government Fund. Gross collections are the sum of withholding, quarterly estimated payments,[3] trust payments, payments associated with annual returns, and miscellaneous payments.

FY 2011 Year-to-Date
Income Tax Revenue Variances and Changes by Component

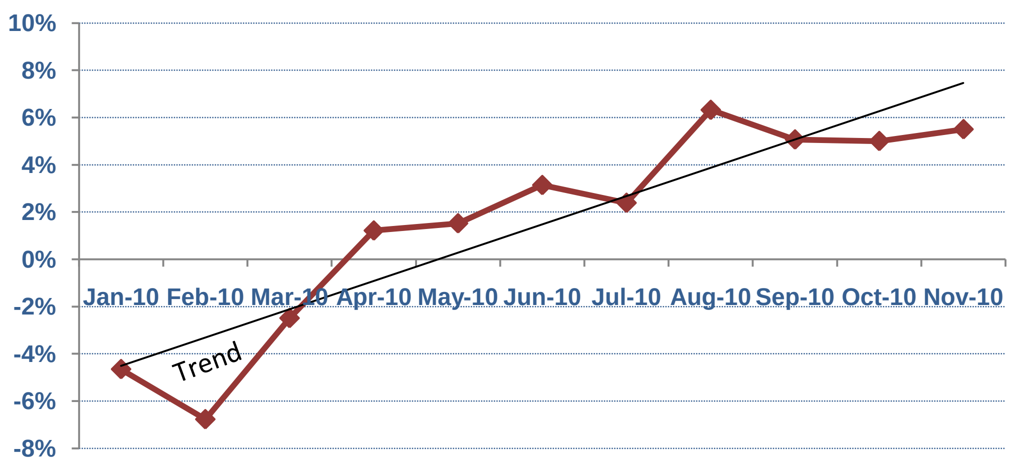
Category	Year-to-Date Variance from Estimate		Year-to-Date Changes from FY 2010	
	Amount ($ in millions)	Percentage (%)	Amount ($ in millions)	Percentage (%)
Withholding	$66.4	2.3%	$141.3	5.1%
Quarterly Estimated Payments	$2.4	0.9%	$10.0	3.8%
Trust Payments	-$2.6	-27.5%	-$2.1	-24.0%
Annual Return Payments	-$10.1	-8.8%	-$9.8	-8.6%
Miscellaneous Payments	$6.0	18.1%	$6.7	20.5%
Gross Collections	$62.2	2.1%	$146.1	4.6%
Less Refunds	-$11.7	-6.7%	-$18.9	-10.5%
Less Local Government Fund Distribution	$7.3	2.7%	$17.6	6.9%
Income Tax Revenue	$66.6	2.3%	$147.3	5.3%

[3] Quarterly estimated payments are made by taxpayers who expect to be underwithheld by more than $500. Payments are due on or before April 15, June 15, and September 15 of the tax year and January 15 of the following year.

The table above summarizes FY 2011 income tax revenue variances from estimates and annual changes by components. All components, except receipts from trusts subject to the personal income tax and annual returns, contributed to the positive variance against estimates and to higher income tax collections this year. Also, through November, refunds were lower, and distributions to local governments higher, than corresponding amounts in FY 2010.

Year to date, employer withholding was $141.3 million (5.1%) above withholding receipts through the first five months in FY 2010, though employment gains remain mediocre and unemployment high. However, as improvements in the labor market have softened recently, the growth in monthly withholding receipts has fallen from its recent peak as shown in the graph below.

Monthly Withholding Receipts Trend
Actual vs. Prior Year
(Three-Month Moving Average)



FY 2011 year-to-date sales and use tax receipts were $109.5 million above estimate.

Sales and Use Tax

The sales and use tax recovery continued in November 2010. Sales and use tax receipts of $612.6 million were $24.8 million (4.2%) above estimate, mostly due to another strong performance of the auto sales and use tax. Receipts were $25.1 million (4.3%) above receipts in November 2009. Through November, FY 2011 GRF sales and use tax receipts of $3.12 billion were $109.5 million (3.6%) above estimate and $246.4 million (8.6%) above receipts in the corresponding period in FY 2010.

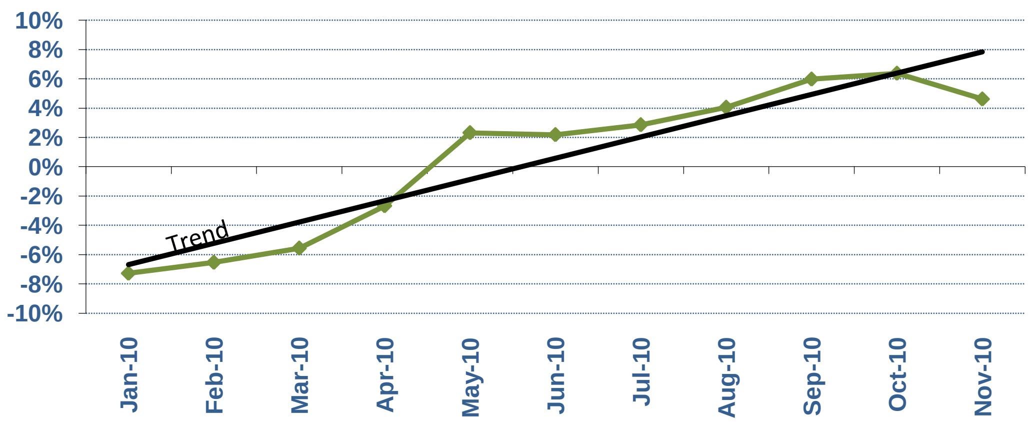
For analysis and forecasting, the sales and use tax is separated into two parts: auto and nonauto. Auto sales and use tax collections[4] generally arise from the sale of motor vehicles while nonauto sales and use tax collections arise from other sales. However, auto taxes arising from leases are paid at the lease signing and are mostly recorded under the nonauto tax instead of the auto tax. Year to date, both components of the sales tax are performing above expectations.

Nonauto Sales and Use Tax

FY 2011 year-to-date nonauto sales and use tax receipts were $86.2 million above estimate.

GRF nonauto sales and use tax receipts were $539.2 million in November 2010, $9.6 million (1.8%) above estimate and $5.5 million (1.0%) above November 2009 receipts. For the fiscal year, year-to-date GRF nonauto sales and use tax receipts of $2.71 billion were $86.2 million (3.3%) above estimate and $215.6 million (8.6%) above receipts through November in FY 2010. The increase from FY 2010 to FY 2011 reflects an expansion of the tax base, i.e., it includes payments for health care services provided by Medicaid health insuring corporations.[5] Since this expansion occurred one year ago, the year-to-date year over year variance should decrease slowly in the coming months. Excluding receipts from the base expansion, year-to-date nonauto sales and use tax baseline tax receipts grew about 5%.

Nonauto Sales and Use Tax Baseline Receipts Trend
Actual vs. Prior Year
(Three-Month Moving Average)



[4] The clerks of court generally make auto sales and use tax payments on Monday for taxes collected during the preceding week on motor vehicles, watercraft, and outboard motors titled. Therefore, auto sales and use tax receipts largely reflect vehicles sold and titled during the month.

[5] New taxes were imposed on health care services provided by Medicaid health insuring corporations starting on November 1, 2009 (H.B. 1, the operating budget act for the current biennium). Those services are newly taxed under the sales and use tax and the insurance taxes.

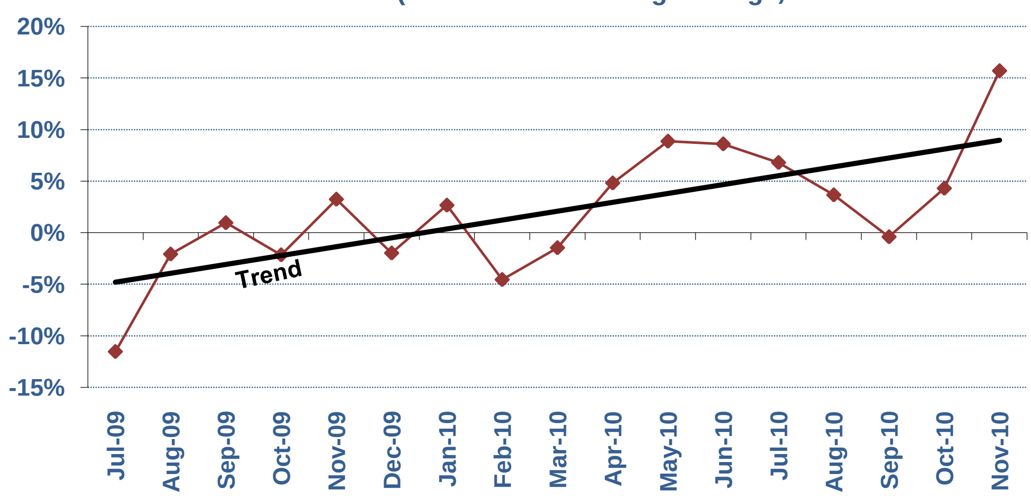
The graph above shows the trend in nonauto sales and use tax baseline receipts in calendar year 2010. The growth in baseline tax receipts versus receipts a year earlier weakened in November. However, retailers' reports for October and November offered some evidence that consumer spending might be gaining momentum despite higher gasoline prices and stubbornly high unemployment rates, and consumers are parting with their money for more than necessities. U.S. retail sales, excluding vehicle and gasoline sales, grew 5.2% in October compared to the same month a year earlier. Sales at 30 large multi-store retailers were 5.8% higher in November than a year ago, on a same-store basis, a four-year high. The expansion of the nonauto sales and use tax base continues, though at the current rate, nonauto taxable spending may not reach its pre-recession level for another couple of years.

FY 2011 year-to-date auto sales tax receipts were $23.3 million above estimate.

Auto Sales and Use Tax

Auto sales and use tax receipts of $73.4 million in November were $15.2 million (26.2%) above estimate and $19.5 million (36.3%) above receipts in November 2009. Comparison of this month's receipts to November 2009 was favorable due to reduced auto sales last year as demand for vehicles fell after the "Cash for Clunkers" federal incentive in the summer of 2009. Year-to-date, FY 2011 GRF receipts from the auto sales tax of $409.5 million were $23.3 million (6.0%) above estimate and $30.8 million (8.1%) above receipts in FY 2010 through November 2009. The graph below compares monthly receipts with year-ago receipts in the corresponding month.

Auto Sales and Use Tax Receipts Trend
Actual vs. Prior Year
(Three-Month Moving Average)



FY 2011 year-to-date cigarette tax receipts were $16.1 million above estimate.

FY 2011 year-to-date CAT receipts were $33.7 million above estimate.

In November, national auto and light truck sales of 12.2 million units (at an annualized rate) were marginally above sales in October. Overall, sales this quarter are on average one million units higher than the average sales rate in the first three quarters of 2010. The higher sales pace in recent months is occurring as pent-up demand built during the recession is released and as credit availability loosens gradually. In the last six months, auto sales and use tax receipts have grown, on average, almost 10% compared to receipts in the same period in 2009; and, with the traditional year-end incentives, the auto industry is likely to end 2010 on a strong note.

Cigarette and Other Tobacco Products Tax

Receipts from the tax on cigarettes and other tobacco products were $66.6 million in November 2010, $1.6 million (2.5%) above estimate and $2.5 million (3.6%) below November 2009 receipts. Through November, FY 2011 receipts of $310.9 million were $16.1 million (5.5%) above estimate and $19.2 million (5.8%) below FY 2010 receipts through November 2009. Receipts from cigarette sales were $289.7 million. Sales of products other than cigarettes provided $21.2 million. Compared to FY 2010 through November, receipts from the sale of cigarettes declined $19.6 million (6.2%) and those from the sale of other tobacco products increased about $0.5 million (2.2%). Receipts from the cigarette and other tobacco products tax are the third-largest tax revenue source in FY 2011, after the personal income tax and the sales and use tax.

Commercial Activity Tax

The second quarterly commercial activity tax (CAT) payment of FY 2011 was due in November. Receipts were $309.9 million, $20.1 million (6.9%) above estimate, and $38.5 million (14.2%) above receipts in November 2009. Through November, FY 2011 receipts of $707.3 million were $33.7 million (4.8%) above estimate and $63.8 million (9.9%) above receipts through November in FY 2010. After declining in FY 2010, the first two quarterly CAT payments (August and November) suggest strong growth in taxable gross receipts this fiscal year. Through FY 2011, revenues from the tax are not deposited into the GRF as they are earmarked for reimbursing school districts and other local governments for the reductions and phase-out of local taxes on most tangible personal property (TPP). CAT receipts are distributed to the School District Tangible Property Tax Replacement Fund (70%) and to the Local Government Tangible Property Tax Replacement Fund (30%). If CAT receipts are insufficient for the reimbursements, current law requires a GRF subsidy to the two funds. In FY 2010, the subsidy totaled $281.9 million.

Table 3: General Revenue Fund Uses
Preliminary Actual vs. Estimate
Month of November 2010
($ in thousands)
(Actual based on OAKS reports run December 10, 2010)

PROGRAM	**Actual**	**Estimate***	**Variance**	**Percent**
Primary, Secondary, and Other Education	$587,998	$583,590	$4,408	0.8%
Higher Education	$264,308	$260,065	$4,243	1.6%
Total Education	$852,306	$843,655	$8,652	1.0%
Public Assistance and Medicaid	$1,472,316	$922,905	$549,411	59.5%
Health and Human Services	$73,893	$68,422	$5,471	8.0%
Total Welfare and Human Services	$1,546,209	$991,327	$554,882	56.0%
Justice and Public Protection	$120,149	$170,879	-$50,730	-29.7%
Environment and Natural Resources	$14,463	$15,790	-$1,327	-8.4%
Transportation	$325	$391	-$66	-16.8%
General Government	$16,617	$20,663	-$4,046	-19.6%
Community and Economic Development	$6,098	$8,324	-$2,227	-26.8%
Capital	$0	$43	-$43	-100.0%
Total Government Operations	$157,651	$216,090	-$58,438	-27.0%
Tax Relief and Other	$201,773	$131,060	$70,713	54.0%
Debt Service	$0	$0	$0	---
Total Other Expenditures	$201,773	$131,060	$70,713	54.0%
Total Program Expenditures	**$2,757,939**	**$2,182,132**	**$575,807**	**26.4%**
TRANSFERS				
Budget Stabilization	$0	$0	$0	---
Other Transfers Out	$0	$0	$0	---
Total Transfers Out	$0	$0	$0	---
TOTAL GRF USES	**$2,757,939**	**$2,182,132**	**$575,807**	**26.4%**

* September 2010 estimates of the Office of Budget and Management.
Detail may not sum to total due to rounding.

Table 4: General Revenue Fund Uses
Preliminary Actual vs. Estimate
FY 2011 as of November 30, 2010
($ in thousands)
(Actual based on OAKS reports run December 10, 2010)

PROGRAM	**Actual**	**Estimate***	**Variance**	**Percent**	**FY 2010**	**Percent Change**
Primary, Secondary, and Other Education	$3,137,146	$3,139,221	-$2,074	-0.1%	$3,324,664	-5.6%
Higher Education	$1,067,009	$1,046,963	$20,046	1.9%	$1,051,479	1.5%
Total Education	$4,204,155	$4,186,184	$17,971	0.4%	$4,376,143	-3.9%
Public Assistance and Medicaid	$5,796,360	$5,204,950	$591,410	11.4%	$4,668,173	24.2%
Health and Human Services	$518,371	$528,597	-$10,226	-1.9%	$487,748	6.3%
Total Welfare and Human Services	$6,314,731	$5,733,547	$581,184	10.1%	$5,155,920	22.5%
Justice and Public Protection	$876,276	$897,587	-$21,311	-2.4%	$898,936	-2.5%
Environment and Natural Resources	$40,995	$38,986	$2,009	5.2%	$47,751	-14.1%
Transportation	$8,147	$7,985	$162	2.0%	$8,471	-3.8%
General Government	$134,782	$145,078	-$10,296	-7.1%	$140,453	-4.0%
Community and Economic Development	$48,504	$55,837	-$7,333	-13.1%	$48,651	-0.3%
Capital	$24	$128	-$104	-81.3%	$255	-90.6%
Total Government Operations	$1,108,728	$1,145,601	-$36,873	-3.2%	$1,144,518	-3.1%
Tax Relief and Other	$841,486	$795,389	$46,097	5.8%	$878,728	-4.2%
Debt Service	$267,518	$270,649	-$3,131	-1.2%	$188,625	41.8%
Total Other Expenditures	$1,109,003	$1,066,038	$42,965	4.0%	$1,067,353	3.9%
Total Program Expenditures	**$12,736,618**	**$12,131,371**	**$605,247**	**5.0%**	**$11,743,935**	**8.5%**
TRANSFERS						
Budget Stabilization	$0	$0	$0	---	$0	---
Other Transfers Out	$985,513	$903,300	$82,212	9.1%	$1,021,326	-3.5%
Total Transfers Out	$985,513	$903,300	$82,212	9.1%	$1,021,326	-3.5%
TOTAL GRF USES	**$13,722,131**	**$13,034,671**	**$687,460**	**5.3%**	**$12,765,262**	**7.5%**

* September 2010 estimates of the Office of Budget and Management.
Detail may not sum to total due to rounding.

Table 5: FY 2011 Medicaid Expenditures
($ in thousands)
(Actuals based on OAKS report run on December 7, 2010)

Medicaid (600525) Payments by Service Category	November Actual	November Estimate	November Variance	November Percent Variance	Year to Date Actual thru Nov	Year to Date Estimate thru Nov	Year to Date Variance	Year to Date Percent Variance
Managed Care Plans	$814,388	$405,161	$409,227	101.0%	$2,473,937	$2,018,839	$455,098	22.5%
Nursing Facilities	$227,302	$233,690	-$6,388	-2.7%	$1,129,395	$1,148,304	-$18,909	-1.6%
Prescription Drugs	$159,563	$190,712	-$31,149	-16.3%	$703,888	$782,920	-$79,032	-10.1%
Hospitals	$153,549	$147,493	$6,056	4.1%	$639,858	$660,438	-$20,580	-3.1%
ICFs/MR	$46,380	$46,280	$100	0.2%	$232,840	$228,333	$4,507	2.0%
ODJFS Waivers	$30,463	$36,391	-$5,928	-16.3%	$139,675	$160,873	-$21,198	-13.2%
Physicians	$31,857	$33,894	-$2,037	-6.0%	$139,510	$147,316	-$7,806	-5.3%
All Other	$152,617	$141,845	$10,772	7.6%	$653,060	$658,601	-$5,541	-0.8%
Total Payments	$1,616,119	$1,235,466	$380,653	30.8%	$6,112,163	$5,805,624	$306,539	5.3%
Total Offsets (non-GRF)	-$225,255	-$398,035	$172,780	-43.4%	-$690,283	-$1,000,728	$310,445	-31.0%
Total 600525 (net of offsets)	$1,390,864	$837,431	$553,433	66.1%	$5,421,880	$4,804,896	$616,984	12.8%
Medicare Part D (600526)	$16,441	$20,213	-$3,772	-18.7%	$61,246	$60,563	$683	1.1%
Total GRF	**$1,407,305**	**$857,644**	**$549,661**	**64.1%**	**$5,483,126**	**$4,865,459**	**$617,667**	**12.7%**
Total All Funds	**$1,632,560**	**$1,255,679**	**$376,881**	**30.0%**	**$6,173,409**	**$5,866,187**	**$307,222**	**5.2%**

Estimates from the Ohio Department of Job and Family Services (ODJFS)

ICFs/MR - Intermediate Care Facilities for the Mentally Retarded

EXPENDITURES

*—Russ Keller, Economist, 614-644-1751**

For the first five months of FY 2011, GRF uses were $687.5 million above estimate due largely to timing issues.

Overview

Through November, FY 2011 GRF uses totaled $13.72 billion, $687.5 million (5.3%) above the estimate released by the Office of Budget and Management (OBM) in September 2010. Of this variance, $575.8 million occurred in the month of November, due primarily to an earlier than expected monthly payment to Medicaid managed care plans. The $491.8 million payment to managed care plans for the month of December was booked into the state accounting system on November 30, accounting for the majority of the monthly and year-to-date positive variances in GRF uses. Managed care plans are expected to post a large negative variance in December and help reduce GRF uses' year-to-date positive variance.

Tables 3 and 4 show GRF uses for the month of November and for FY 2011 through November, respectively. GRF uses mainly consist of program expenditures but also include transfers out. For the first five months of FY 2011, GRF program expenditures were $12.74 billion, $605.2 million above estimate, and transfers out were $985.5 million, $82.2 million above estimate.

Public Assistance and Medicaid had the largest year-to-date positive variance at $591.4 million, followed by Transfers Out ($82.2 million) and Tax Relief and Other ($46.1 million). These positive variances were partially offset by a $21.3 million negative variance in Justice and Public Protection. The variances in these four categories are briefly explained below.

Public Assistance and Medicaid

GRF expenditures for the Public Assistance and Medicaid program category were $591.4 million (11.4%) above estimate for the first five months of FY 2011, of which $549.4 million was due to spending in November. Medicaid, including both state and federal shares, accounts for about 95% of year-to-date GRF expenditures in this program category. Table 5 details Medicaid GRF expenditures by service category. Medicaid GRF expenditures for the year to date totaled $5.48 billion, which was $617.7 million (12.7%) above estimate due largely to a positive variance of $549.7 million (64.1%) in November. The November variance was caused by a payment timing issue and by lower than estimated non-GRF Medicaid expenditures (shown as offsets in the table).

As shown in Table 5, GRF expenditures for the Managed Care Plans category were $409.2 million (101.0%) above estimate in November, a main contributing factor to this category's $455.1 million (22.5%) year-to-date positive variance. The Ohio Department of Job and Family Services (ODJFS) moved the December managed care plan payment ($491.8 million) to November to ensure that the payment was made before the transition from the existing Medicaid Management Information System to the new Medicaid Information Technology System.

Non-GRF Medicaid expenditures were $310.4 million (31.0%) below estimate for the year to date. Of this amount, $179.7 million was attributable to litigation that has resulted in the unavailability of funds from the tobacco settlement that were authorized for Medicaid expenditures in H.B. 1. These funds include $47.2 million in tobacco funds and $132.5 million in related federal Medicaid reimbursement. Medicaid estimates assumed that the state would expend tobacco funds each month in FY 2011 starting in August.

Non-GRF Medicaid expenditures were $310.4 million below estimate for the year to date due to litigation of tobacco settlement funds.

Somewhat offsetting the positive variance in GRF Medicaid expenditures, Prescription Drug expenditures were $79.0 million (10.1%) below their year-to-date estimate, mainly due to lower than estimated drug costs and utilization. Other categories that had relatively large year-to-date negative variances include ODJFS Waivers ($21.2 million), Hospitals ($20.6 million), and Nursing Facilities ($18.9 million).

Tax Relief and Other

The Tax Relief and Other program category yielded a positive variance of $70.7 million (54.0%) for the month of November, bringing this program category's year-to-date positive variance to $46.1 million (5.8%). The property tax relief reimbursements are made twice per year, one based on the February property tax settlement and the other one based on the August property tax settlement. Reimbursements based on the August 2010 property tax settlement will be complete in December; the last county submitted its reimbursement request in early November. Tax relief expenditures for the August settlement will total $817.7 million, $32.2 million (4.1%) higher than the OBM estimate for tax relief expenditures for the first six months of FY 2011 and representing 51.2% of the OBM tax relief expenditure estimate for the whole fiscal year.

Transfers Out

The year-to-date positive variance of $82.2 million (9.1%) in Transfers Out at the end of November was the same as at the end of October; no transfers out were made in November. Through the first five months of FY 2011, GRF transfers out totaled $985.5 million, $70.7 million

GRF transfers out will finish FY 2011 above estimate.

(7.7%) above OBM's estimate for transfers out for the entire fiscal year. This indicates that the Transfers Out category will finish the year with a relatively large positive variance.

As noted in the previous issue of *Budget Footnotes*, the year-to-date positive variance in Transfers Out was largely related to temporary GRF cash transfers made in October in order to reimburse school districts and local governments for tangible personal property (TPP) tax losses. The GRF is to be reimbursed by commercial activity tax (CAT) receipts, which are deposited into non-GRF funds and are the funding source of TPP reimbursement payments. However, if the CAT does not generate sufficient receipts to fully fund the required reimbursement amount, the GRF may not be fully reimbursed. Current law requires the GRF to be used to make up any CAT shortfalls.

Justice and Public Protection

GRF expenditures in the Justice and Public Protection program category were $21.3 million (2.4%) below the year-to-date estimate, due to a $50.7 million negative variance in the month of November. The Department of Rehabilitation and Correction (DRC) accounted for $15.7 million of the $21.3 million year-to-date negative variance in this program category. The negative variance occurred in two GRF appropriation items within the DRC budget: item 505321, Institution Medical Services ($8.8 million), and item 502321, Mental Health Services ($9.5 million). Items 505321 and 502321 fund medical and mental health services to inmates. Spending from these two items varies depending on the monthly incidence of inmate illnesses.

Prior-Year Encumbrances

As reported in the July issue of *Budget Footnotes*, state agencies carried into FY 2011 more than $371 million in encumbered funds that were originally appropriated for fiscal years prior to FY 2011. An agency generally has five months to spend prior year encumbrances for operating expenses. Any unspent operating expense encumbrances will lapse at the end of the five-month period and will become part of the GRF cash balance once OBM cancels the encumbrance. Subject to the approval of the Director of Budget and Management, an agency may carry funds encumbered for purposes other than operating expenses beyond the five-month period. Encumbrances for some grant and aid payments may be carried for several months or even years.

Prior-Year Encumbrances by Agency ($ in millions)				
Agency	Prior-Year Encumbrances as of July 1, 2010	Amount Expended	Outstanding Encumbrances as of Dec. 1, 2010	Amount Lapsed
Education	$122.3	$60.9	$59.9	$1.5
Job & Family Services	$117.8	$32.8	$63.1	$21.9
Development	$48.5	$15.9	$31.4	$1.3
Rehabilitation and Correction	$24.7	$22.7	$0.8	$1.2
Regents	$10.9	$6.3	$4.6	$0.0
All Other Agencies	$46.8	$32.7	$10.0	$4.0
Total	**$371.1**	**$171.3**	**$169.8**	**$30.0**

As shown in the table above, as of December 1, 2010, $171.3 million (46.2%) of the $371.1 million in total encumbrances was spent, $169.8 million was still outstanding, and the remaining $30.0 million lapsed. Of the $169.8 million in total outstanding encumbrances, $96.6 million (56.9%) was originally appropriated for FY 2010 and $50.6 million (29.8%) was originally appropriated for FY 2009. ODJFS had the largest share (37.2%) of the total outstanding encumbrances, followed by the Department of Education (ODE) at 35.3% and the Department of Development (DOD) at 18.5%. Together, these three agencies had $154.3 million (90.9%) of the $169.8 million in total outstanding encumbrances.

As of December 1, 2010, outstanding prior-year encumbrances totaled $169.8 million.

Medicaid alone accounted for $45.8 million (72.6%) of ODJFS's total outstanding encumbrances. Foundation funding accounted for $49.7 million (83.1%) of ODE's total outstanding encumbrances. This money will be used for the final adjustments of FY 2010 school foundation aid, which will occur sometime in early 2011. The vast majority of DOD's outstanding encumbrances were for various economic development grants. Many of these grant programs are operated on a reimbursement basis, under which grantees have to carry out the programs and certify that certain requirements or objectives have been met before they are reimbursed by the state. For example, a grantee may be awarded grants in FY 2010 but not receive them until FY 2011 or later, depending on the scope of the project.

** Todd A. Celmar, Economist, 614-466-7358 contributed to this report.*

ISSUE UPDATES

Department of Education Awarded a Four-Year $400 Million Race to the Top Grant

—Andrew Plagenz, Budget Analyst, 614-728-4815

In August, the U.S. Department of Education (USDOE) announced that Ohio has been selected to receive $400 million from Round 2 of the federal Race to the Top program. The Ohio Department of Education (ODE) will administer the grant over a four-year period beginning in FY 2011. Approximately half of the awarded funds will be used by ODE for statewide education reform work centered on the program's four focus areas: standards and assessments, data systems to support instruction, great teachers and leaders, and turning around the lowest achieving schools. ODE anticipates hiring approximately 32 new employees to implement and administer the associated programs. The remaining half of the awarded funds will be distributed to nearly 500 school districts and community schools that have agreed to participate in the program. Per program guidelines, individual award amounts were calculated based on each school's share of statewide Title IA grant allocations. Additionally, ODE has established a funding floor that guarantees that participating school districts receive at least $100,000 and participating community schools receive at least $25,000.

ODE received Controlling Board approval on November 22, 2010, to create a new fund and to establish appropriation authority in the amount of $100 million in line item 200665, Race to the Top, for FY 2011. This will enable ODE to begin drawing down funding as it is made available to the state by the USDOE. As of November 2010, $50 million has been made available. The remaining balance of the award will be made available after the USDOE receives and approves scopes of work from ODE and all participating schools. The deadline for submission of final scopes of work was November 22, 2010.

423 Providers Receive Reimbursement through the Medicaid Schools Program

—Emily W.H. Gephart, Budget Analyst, 614-644-7762

Since the inception of the Medicaid Schools Program (MSP), 423 MSP providers have received federal reimbursement for services provided to Medicaid-eligible children with Individualized Education Programs (IEPs). This includes 386 school districts, 35 community schools, the Ohio State School for the Blind, and the Ohio School for the Deaf. MSP replaces the schools' participation in the former Community

Alternative Funding System, which was terminated at the end of June 2005. Federal fiscal year (FFY) 2010 (October 1, 2009 – September 30, 2010) is the first full year of implementation of MSP. For services provided during FFY 2010 through July 2010, reimbursements have totaled approximately $20.0 million. However, as the reimbursement process can be lengthy, final reimbursements will likely be considerably higher than this amount.

Higher Educational Facility Commission Increased Bond Financings in FY 2010

—Mary Turocy, Budget Analyst, 614-466-2927

In FY 2010, the Higher Educational Facility Commission issued $1.57 billion in bonds on behalf of Ohio colleges, universities, and health care systems – more than four times the $360.3 million financed in FY 2009. The FY 2010 financings were issued on behalf of 13 colleges and universities, and three health care systems. Of the bond funds issued in FY 2010, 75.4% were issued on the behalf of the three health care systems: Summa Health System (11.7%), University Hospitals Health System (12.4%), and the Cleveland Clinic Health System (51.3%). The Commission helps independent nonprofit colleges, universities, hospitals, and health care systems obtain construction capital at lower costs than otherwise might be available to them. Because it is a state agency, interest paid by the Commission to the bondholders is exempt from state and federal income taxes, allowing the bonds to be issued at lower interest rates, effectively enabling the Commission to charge the institutions and hospitals capital financing rates that are lower than commercial market rates.

As of June 30, 2010, the total principal amount of debt outstanding to the Commission was $4.15 billion, an increase of 39.3% over FY 2009. The bond debt issued by the Commission is held by the state; however, the state makes no payments and is not liable in case of default. Instead, the colleges, universities, hospitals, or health systems lease the assisted facility from the Commission and pay rent in amounts needed to make all principal and interest payments and retire the bonds. The Commission receives no GRF money; it is supported entirely by fee revenue. As of June 30, 2010, the Commission has a balance of $302,198 in its State Special Revenue fund.

Noninterest Cash Transferred to Support School Facilities Commission Operations

—Edward Millane, Budget Analyst, 614-995-9991

In November 2010, $2.7 million in cash, including cash that was not generated from earnings on investments, was transferred from the Public School Building Fund (Fund 7021) to the Ohio School Facilities Commission Fund (Fund 5E30) to support the operating expenses of the School Facilities Commission (SFC). Typically, SFC operations are supported by quarterly cash transfers from interest earnings deposited into Fund 7021, the School Building Assistance Fund (Fund 7032), and the Educational Facilities Trust Fund (Fund N087). H.B. 1 permits SFC, with approval from the Controlling Board, to transfer cash not generated from interest from Fund 7021 and Fund N087 to Fund 5E30 if the Executive Director of SFC determines that interest earnings are insufficient to support its operations. This is the first time that SFC has made use of the H.B. 1 provision. According to the Controlling Board request for authorization of the transfer, two factors contributing to the need to use noninterest cash are: (1) cash remaining in Fund N087 is from the tobacco securitization and the interest on these funds is transferred to the GRF, and (2) the cash balance in Fund 7032 was transferred to the GRF at the end of FY 2010 pursuant to H.B. 1.

Seven Coal Research and Development Projects Funded with Bond Proceeds Authorized in H.B. 554 of the 127th General Assembly

—Russ Keller, Economist, 614-644-1751

As authorized by H.B. 554 of the 127th General Assembly, in FY 2010 the state issued almost $10 million in general obligation bonds to fund seven coal research and development projects. The largest amount ($3.2 million) awarded by the Air Quality Development Authority went to a pilot project at The Ohio State University (OSU) to demonstrate a process where coal (or biomass) is converted into electricity or hydrogen while efficiently capturing almost all carbon dioxide emissions. The second largest award is a $1.4 million grant to OSU, which is using the funds to demonstrate a new method to reclaim abandoned mines. The two mines used for this demonstration are located in Coshocton and Jefferson counties, respectively. The other five projects were funded with grants that were less than $1 million each; two of them also involve OSU.

An additional $30 million was issued in FY 2010 and awarded to AMP-Ohio, which is a nonprofit wholesale power supplier and services provider for municipal electric systems. AMP-Ohio originally planned to use the $30 million award for a 1,000 megawatt coal-fired generation facility, which would incorporate newly designed ammonia scrubbing emission control technology, in Meigs County. The company announced in November of 2009 that it would continue to develop the proposed Meigs

County facility, but the facility would not be a pulverized coal facility with newly designed pollution-control technology as originally planned. As a result, the $30 million bonds were legally defeased[6] in April 2010 when the Office of Budget and Management (OBM) placed the bond proceeds in an irrevocable escrow. That escrow will make the principal and interest payments on the bonds until maturity in 2014. After the defeasance, those bonds were no longer considered debt of the state.

H.B. 554 authorized a total of $66 million bonding authority for coal research and development projects. About $26 million of this authority remains unused as of November 2010.

ODADAS Awarded a Four-Year $13.0 Million Access to Recovery Grant

—Jim Ramey, Budget Analyst, 614-644-5231

In October 2010, the U.S. Substance Abuse and Mental Health Services Administration awarded the Ohio Department of Alcohol and Drug Addiction Services (ODADAS) a four-year $13.0 million Access to Recovery (ATR) grant. These funds will allow ODADAS to sustain and expand Ohio's ATR program. The ATR program provides addiction treatment and recovery services to individuals re-entering the community following incarceration or other criminal justice system involvement. Services include temporary housing, job training, recovery support services, and transportation assistance. Individuals with income up to 200% of the federal poverty guidelines ($21,660 for one individual) are eligible to receive services if they have a history of criminal justice involvement and they have had a treatment assessment within the past year. In January 2010, the program also began serving Ohio National Guard and other military service members affected by substance abuse and addiction. National Guard and military members are not subject to the income limits or criminal justice involvement criteria.

The ATR program began in 2007 with a three-year $13.9 million grant. Since that time, the program has served more than 6,400 Ohioans in the four participating counties (Cuyahoga, Mahoning, Stark and Summit). Services were suspended in September when the previous grant expired. ODADAS plans to resume services under the new grant and expand services to Lorain County by December 31, 2010. Other planned program expansions include offering family counseling and services to adolescents, adding 12 additional treatment providers, and partnering with 28 new faith-based and community service organizations. ODADAS expects to serve more than 9,200 clients over the four-year grant period, including 600 adolescents.

[6] Defeasance is the annulment of a contract or deed; it can occur when a condition necessary for fulfillment of the contract does not occur thereby making the agreement void.

Ohio's Workforce Investment Act Funds Total $223.8 Million in FY 2011

—Todd A. Celmar, Economist, 614-466-7358

Ohio's federal Workforce Investment Act (WIA) funding for FY 2011 totals $223.8 million, including $127.6 million in annual WIA allocation, $66.4 million in carry-over WIA dollars,[7] and $29.8 million in unexpended WIA stimulus money. The total funding level for FY 2011 represents a decrease of 33% or $112.2 million from the level of funding available for FY 2010. This decrease can be attributed to spending down American Recovery and Reinvestment Act (ARRA) stimulus funds and a reduction in Ohio's annual WIA allocation. Under ARRA, Ohio received $138.0 million in additional WIA funds that could be expended over a three-year period. The state expended $8.8 million in FY 2009 and $99.4 million in FY 2010, leaving $29.8 million available for FY 2011. In addition, Ohio's annual WIA allocation was reduced from $140.4 million in FY 2010 to $127.6 million in FY 2011, a 9.1% reduction. This reduction is due to Ohio having relatively lower proportions of economically disadvantaged individuals compared with other states than in the previous year and a decrease in the total WIA annual allocation amount.

WIA dollars primarily fund locally based employment and training services under three different programs – Adult, Youth, and Dislocated Worker. The state is divided into 20 workforce investment areas that are each governed by a local board. These local boards have flexibility in designing plans and using WIA dollars in ways that best serve their local areas. The majority of the state's WIA funding is allocated to the local boards. The Ohio Department of Job and Family Services (ODJFS) retains 15% of the state's total allotment for statewide use and may retain up to 25% of the dislocated worker allocation for Rapid Response. The dollars retained for Rapid Response allow ODJFS to provide additional assistance to local areas experiencing mass layoffs.

Public Safety Awards $7.2 Million in Federal JAG Program Grants

—Sara D. Anderson, Senior Budget Analyst, 614-728-4812

The Department of Public Safety's Office of Criminal Justice Services has awarded a total of $7.2 million in FY 2010 federal Edward Byrne Memorial Justice Assistance Grant (JAG) Program moneys to fund projects designed to support crime prevention and control activities, including $7.0 million for 148 local projects and $180,000 for six state-level projects.[8] The individual award amounts range from a high

[7] Generally, WIA allocations may be expended within three years.

[8] A complete list of funded projects can be found at: http://www.ocjs.ohio.gov/FY2010_JAGFundingDecisions.pdf. In addition to these federal funds that are passed through

of $170,000 for a multi-jurisdictional law enforcement task force in Cleveland to $8,562 for a state-level battered women's program. The table below summarizes the number and the location of the local project awards by county. Of the awarded total, units of local government received the largest portion ($4.96 million), followed by nonprofit or faith-based associations ($1.96 million) and state governmental units ($250,000). The state requires each grant recipient to provide a 25% match.

Location of FY 2010 JAG Program Awards by County
(Total: $7.0 million)

County (# Grants)	Amount	County (# Grants)	Amount	County (# Grants)	Amount
Adams (2)	$62,285	Greene (4)	$172,903	Montgomery (4)	$198,377
Allen (6)	$257,514	Guernsey (2)	$74,649	Noble (1)	$50,000
Ashtabula (2)	$67,577	Hamilton (8)	$369,809	Ottawa (1)	$47,131
Athens (8)	$322,224	Hancock (2)	$69,245	Pike (1)	$34,978
Auglaize (1)	$33,900	Hardin (1)	$36,970	Putnam (1)	$80,000
Belmont (1)	$30,425	Henry (1)	$36,983	Richland (2)	$182,000
Butler (4)	$141,369	Highland (3)	$98,840	Ross (2)	$158,500
Clermont (2)	$118,658	Hocking (2)	$69,755	Scioto (2)	$108,837
Columbiana (1)	$52,926	Jackson (1)	$50,312	Stark (4)	$164,180
Cuyahoga (6)	$349,512	Lake (4)	$199,083	Summit (5)	$214,398
Defiance (1)	$66,400	Lawrence (1)	$64,125	Trumbull (2)	$137,955
Delaware (3)	$138,117	Licking (4)	$227,083	Tuscarawas (1)	$60,000
Fairfield (4)	$176,274	Logan (3)	$131,279	Union (2)	$71,251
Fayette (1)	$18,746	Lorain (1)	$119,699	Vinton (1)	$23,012
Franklin (12)	$680,000	Lucas (7)	$225,000	Warren (1)	$68,400
Fulton (1)	$49,211	Mahoning (6)	$275,234	Washington (2)	$74,532
Gallia (1)	$30,000	Marion (1)	$47,473	Wayne (2)	$177,675
Geauga (2)	$72,446	Medina (4)	$186,760	Wood (1)	$20,000

Public Safety Awards $4.3 Million in Federal STOP Violence Against Women Grants

—Sara D. Anderson, Senior Budget Analyst, 614-728-4812

The Department of Public Safety's Office of Criminal Justice Services has awarded a total of $4.3 million in FY 2010 federal STOP Violence Against Women Formula Grant Program moneys to fund projects to improve the criminal justice system's response to violence against women and enhance services for victims.[9] These

the state, another $4.78 million will be awarded directly to local jurisdictions in the state by the federal Bureau of Justice Assistance.

[9] A complete list of funded projects can be found at: http://www.ocjs.ohio.gov/FY2010_VAWAFundingDecisions.pdf.

awards include $4.1 million for 100 local projects and $173,000 for a state-level project. The table below summarizes the number and the location of the local project awards by county. Of the awarded total, units of local government received the largest portion ($2.8 million), followed by nonprofit, nongovernmental victim service providers ($1.3 million). All funded projects are required to provide a cash or in-kind match of at least 25%.

The largest individual award amounts are going to the regional planning units (RPUs) of Franklin ($560,171), Cuyahoga ($509,171), and Lucas ($234,519) counties. RPUs provide criminal justice funding plans and technical assistance to their respective counties. Local applicants in Cuyahoga, Franklin, and Lucas counties are required to apply for STOP Violence Against Women Formula Grant Program funding through their county RPUs.

Location of FY 2010 STOP Violence Against Women Grant Awards by County (Total: $4.1 million)

County (# Grants)	Amount	County (# Grants)	Amount	County (# Grants)	Amount
Adams (1)	$45,000	Franklin (2)	$575,815	Portage (2)	$59,830
Allen (2)	$65,000	Geauga (4)	$99,033	Preble (1)	$30,000
Ashland (1)	$30,000	Greene (2)	$99,170	Putnam (2)	$60,000
Ashtabula (1)	$20,000	Guernsey (1)	$27,966	Richland (2)	$30,000
Athens (5)	$190,819	Hamilton (5)	$146,373	Shelby (1)	$40,000
Belmont (1)	$44,598	Henry (3)	$60,000	Stark (8)	$282,105
Brown (1)	$22,941	Jefferson (1)	$19,104	Summit (5)	$137,382
Butler (4)	$112,600	Lake (4)	$146,036	Trumbull (2)	$40,000
Clark (2)	$40,000	Lorain (2)	$42,908	Tuscarawas (1)	$23,234
Clermont (2)	$25,770	Lucas (2)	$250,163	Union (1)	$41,096
Coshocton (1)	$33,672	Madison (1)	$20,000	Van Wert (1)	$40,000
Cuyahoga (2)	$524,814	Mahoning (4)	$100,000	Vinton (1)	$13,588
Delaware (2)	$50,000	Marion (3)	$94,477	Washington (2)	$59,787
Erie (1)	$44,243	Miami (1)	$27,621	Wayne (2)	$50,000
Fayette (4)	$97,651	Montgomery (2)	$40,000	Wood (2)	$79,456

Southern Ohio Agriculture and Community Development Foundation Awards $1.87 Million in Agricultural Development Grants

—Terry Steele, 614-387-3319

In late October, the Southern Ohio Agricultural and Community Development Foundation awarded $1.87 million under the Agricultural Development Grant Program. This program offers competitive grants to tobacco farmers who undertake projects that expand or diversify their businesses into nontobacco-related agricultural markets. To qualify for funding, farmers must submit business plans and demonstrate their own financial commitment to the projects. The grants can be used to reimburse recipients for the costs of goods or equipment directly related to business transition plans, labor costs, and acquisition costs of certain types of livestock. Growers within the 22 burley tobacco producing counties in southern Ohio are eligible. The grants are issued in two tiers. Under Tier 1 grants, farmers may seek reimbursement for 50% of eligible expenses, with a cap of $5,000. Tier 2 allows for reimbursement of 50% of eligible costs but with a cap of $25,000. Because of the higher award levels, applicants for Tier 2 must meet stricter qualifying criteria. Their applications must also include current and future year cash flow projections. The October awards included 40 Tier 1 grants totaling $170,000 and 79 Tier 2 grants totaling $1.7 million. These grants are supported by an endowment fund established as part of the 1998 Tobacco Master Settlement Agreement between the state and major tobacco manufacturers.

In addition to the Agricultural Development Grant Program, the Foundation oversees two other grant programs. The Educational Assistance Grant Program offers tobacco growers and their dependents tuition assistance if they are enrolled in undergraduate or graduate programs in fields other than tobacco farming, and reimbursements for nondegree programs. The Economic Development Grant Program is targeted toward communities affected by the reduction in demand for tobacco and provides financial assistance to projects that create, retain, or expand job opportunities for residents in these areas. Eligible recipients include political subdivisions and businesses. The Foundation has set aside $2.25 million to support these two grant programs in FY 2011.

Since FY 2010, all three of the Foundation's grant programs and associated operating expenses have been entirely supported by an endowment fund and the investment and interest earnings associated with that fund. This fund is not subject to the General Assembly's appropriation process. Previously, the Foundation was appropriated funding based on the stream of revenue derived from the 1998 Tobacco Master Settlement Agreement between the states and major tobacco manufacturers. Ohio's share of these proceeds has been securitized and set aside for public school and higher education facilities construction.

The State's Primary Occupational Licensing Fund Maintains Healthy Cash Balance

—Nick Thomas, Budget Analyst, 614-466-6285

The Occupational Licensing and Regulatory Fund (Fund 4K90), the primary operating fund for 26 of the state boards and commissions that regulate various professions in Ohio, finished FY 2010 with an unobligated cash balance of $37.4 million, a decrease of $1.3 million (3.4%) from the beginning cash balance of $38.7 million. Income for the fiscal year, principally derived from license and registration fees, fell by $9.2 million (24.0%), from $38.3 million in FY 2009 to $29.1 million in FY 2010. Most of this decline can be attributed to differences in license renewal cycles, especially among many of the larger boards and commissions that renew licenses on a biennial basis during odd-numbered fiscal years. Expenditures totaled $29.6 million in FY 2010, approximately $0.6 million (2.1%) higher than prior year expenditures of $29.0 million. Payroll, fringe benefits, and purchased services accounted for nearly three quarters of overall operating expenses. The remainder was for supplies, maintenance, equipment, cash transfers, and other miscellaneous items.

In addition to Fund 4K90, there are 18 other funds also used to support the operations of the state's occupational licensing and regulatory boards and commissions. Information on all 19 funds, as well as other pertinent licensing data, is summarized in the Legislative Service Commission's annual report on occupational licensing and regulatory boards. The FY 2010 report can be viewed at www.lsc.state.oh.us by clicking on Publications and then Occupational Licensing and Regulatory Board Report under Staff Research Reports.

TRACKING THE ECONOMY

—Phil Cummins, Senior Economist, 614-387-1687

Overview

The economy continues to expand, though employment gains remain mediocre, unemployment is high, and construction activity is at low levels. Third quarter inflation-adjusted gross domestic product (real GDP) growth was revised upward to a 2.5% annual rate. Several indicators point to further economic growth in the current quarter and into next year. Job openings in October and hiring plans for next year's first quarter rose to the highest levels since 2008. Factory production and shipments rose in October. Business activity evidently expanded further in November, based on purchasing managers' surveys. Consumer spending also rose through October, and probably gained again in November based on sales reports from large retailers. Motor vehicle sales continue to recover. In Ohio, employment rose in October, and the statewide unemployment rate fell to its lowest level since March 2009. Inflation remains low at the finished goods level, but commodity prices continue to rise.

The economy continues to expand and indicators point to further economic growth in the current quarter and next year.

The nation's central bank began buying about $75 billion of U.S. Treasury securities each month, a change in policy adopted at the November meeting of its Federal Open Market Committee. An attachment to the minutes of that meeting shows that Federal Reserve decision makers had revised downward their expectations for economic growth since their forecasts were last published. Growth of real GDP in 2010, projected at 3.0% to 3.5% in June, was revised to 2.4% to 2.5%. In 2011, real GDP growth of 3.0% to 3.6% was forecast, down from 3.5% to 4.2% expected in June. The national unemployment rate next year was projected in an 8.9% to 9.1% range, up from 8.3% to 8.7% anticipated five months earlier.[10]

The National Economy

Employment and Unemployment

Nonfarm payroll employment nationwide was little changed in November, rising only 39,000 (0.03%) from the month before. Employment in October was revised upward by 38,000. Unemployment

Nonfarm payroll employment nationwide was little changed in November. Unemployment rose to 9.8% of the labor force.

[10] Ranges cited are measures of central tendency of the forecasts submitted by the meeting participants.

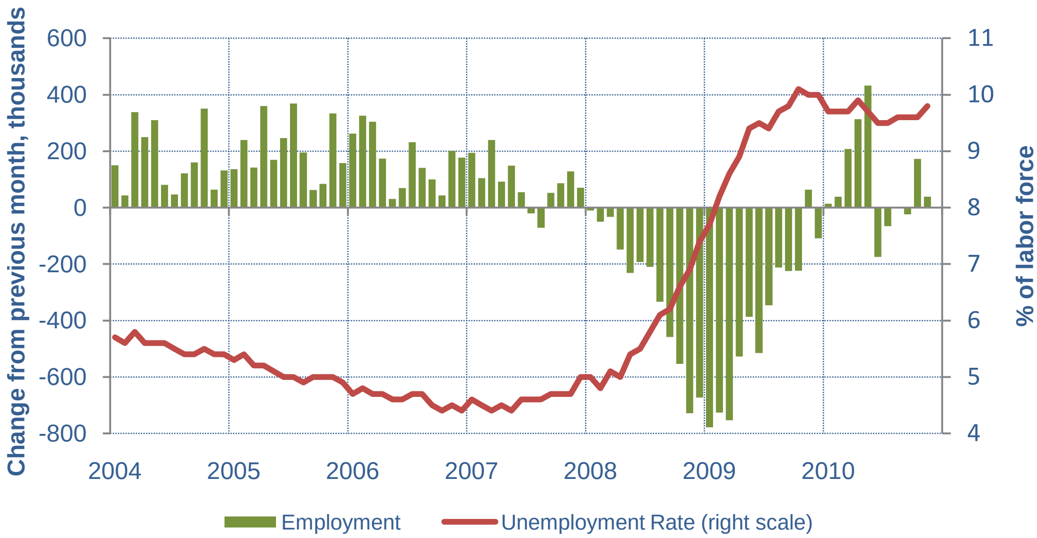
rose to 9.8% of the labor force from 9.6% in the previous three months. The month-to-month change in total nonfarm payroll employment and the unemployment rate are shown in Chart 1.

Private-sector employment increased 50,000 in November. Employment increased in November in temporary help services and health care, and decreased in retail trade, seasonally adjusted. The number of temporary help jobs rose 40,000 in November, and was nearly 0.5 million higher than at the industry's recent low in September 2009. Health care employment was up by 19,000 in November, about in line with the steady month-to-month gains in this industry registered year after year. Retailers hired fewer seasonal workers than usual in November, hence seasonally adjusted employment fell. Employment declined by 9,000 in department stores and by 5,000 in furniture and home furnishings stores.

Employment changes in other industries during the month were small. Manufacturing employment fell by 13,000 (0.1%) in November, the fourth consecutive monthly decline following increases earlier in the year from the recession low point in December 2009. Factory employment in the U.S. has trended lower since the all-time peak in 1979. The rate of decline steepened in the past decade. Construction employment fell by 5,000 (0.1%) in November, seasonally adjusted, and has fluctuated this year just above the cyclical low reached in February, 28% less than the all-time peak in 2006. Local government employment fell by 14,000 (0.1%) in November.

The number of people counted as unemployed (persons without jobs who had looked for work in the preceding four weeks) rose by 276,000 in November to 15.1 million, the highest number since April, and up from 14.6 million in July. The increase in the number of unemployed persons reflects population growth, an increase in the number of persons who want jobs, and an absence of the employment increases that would have provided jobs for all who wanted them. In November, the employed included 9.0 million persons with part-time jobs who would have preferred full-time employment. An additional 1.3 million people were so-called "discouraged workers" who were not employed or counted as unemployed, and who wanted jobs but were not looking for work because they believed no jobs were available for them.

Chart 1: U.S. Nonfarm Payroll Employment and Unemployment



In October, the number of job openings nationwide rose to 3.4 million, the most since August 2008, though still well short of peaks early in the decade in excess of five million. The number of unemployed persons per job opening fell to 4.4, down from a peak of 6.2 in November 2009. About 4.2 million workers were hired in October, little changed from the month before and well below the rate of hiring through most of 2008 and before. Layoffs and other discharges fell to the lowest rate since 2006. Voluntary departures from jobs, though up from the trough in 2009, also remain low.

In October, the number of job openings nationwide rose to the most since August 2008.

A survey of U.S. employers' hiring plans by Manpower Inc. indicated that 14% planned to increase employment with their organizations and 10% planned reductions in staff. After allowance for typical seasonal patterns, this is the most favorable report in any period since 2008. The net percentage planning additions to employment remained well below levels reached in past business cycle expansions. The hiring outlook improved in the four regions of the country including the Midwest.

Production, Shipments, and Inventories

The nation's real GDP grew in the third quarter at a 2.5% annual rate, revised upward from 2.0% reported initially. The third quarter rise was the fifth consecutive quarterly increase from the recession trough in the second quarter of 2009. Real GDP fell 4.1% in the recession, from the 2007 fourth quarter to the 2009 second quarter, and through the third quarter of 2010 had risen 3.6% from this low point, a recovery equal to about 84% of the decline during the recession. Increases were reported in the third quarter in consumer spending, business investment in equipment and software, inventories, exports, and government spending. Fixed investment fell in structures, both nonresidential and residential. Imports rose.

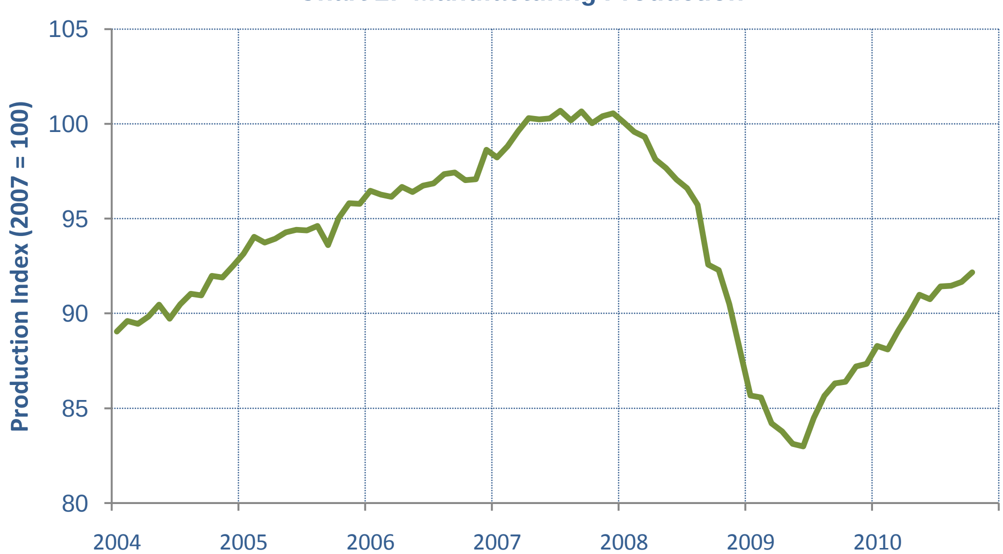
Corporate profits were reported along with the revised GDP figures. In the third quarter, corporate profits were 28% higher than in the year-earlier quarter. Year-to-date corporate profits were 34% higher than a year earlier. In all of 2009, corporate profits fell slightly (less than 1%) from the year before and were 22% lower than in peak year 2006.

Manufacturing production rose 0.5% in October.

Industrial production was unchanged in October, seasonally adjusted, after falling 0.2% in September. The total index was held down in both months by declines in utility output; unseasonably warm weather in October lowered heating demand. Manufacturing production rose 0.5% in October, with increases in most major categories of durable goods and some types of nondurable goods. Since reaching a low point in June 2009, manufacturing output has risen about 11%, retracing more than half of an 18% decline from the all-time peak in mid-2007. The downturn and partial recovery in manufacturing output are shown in Chart 2.

The dollar value of manufacturers' shipments rose 0.3% in October, following a 0.7% increase in September. However, factory new orders, often volatile, fell 0.9% in October after rising 3.0% in September. The backlog of unfilled orders increased 0.6% in October and 1.3% in September. Manufacturers' inventories rose 0.9% in October following a 1.1% increase in September.

Chart 2: Manufacturing Production



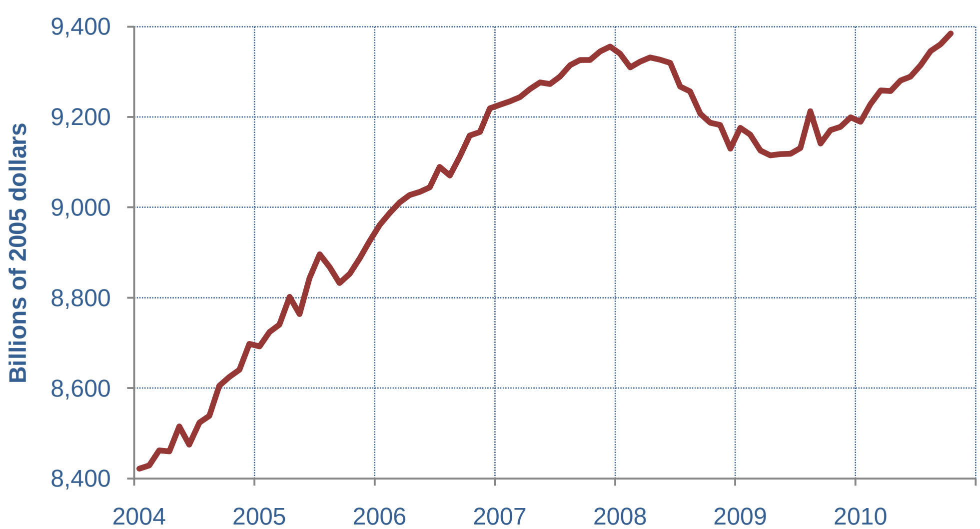
Manufacturing activity expanded again in November, according to the monthly survey of purchasing managers conducted by the Institute for Supply Management (ISM). More survey respondents reported increases in production, new orders, employment, and inventories than noted declines. Order backlogs fell, however, for the third consecutive month. Increases in prices paid were widespread, and comments from respondents indicated concern about price pressures. A comparable ISM survey of industries other than manufacturing showed growth of business activity, new and unfilled orders, employment, and inventories, along with further increases in prices paid.

Personal consumption expenditures rose 0.4% in October.

Consumer Spending

Personal income rose 0.5% in October, reflecting increases in wages and salaries as well as in most other components. Compared with a year earlier, personal income in October was 4.1% higher, including a 4.0% increase in wage and salary disbursements in private industry, and a 0.6% increase in government wages and salaries. Transfers to persons from government social benefit programs were 7.1% higher in October than a year earlier, but increases have slowed recently as benefits paid under unemployment compensation programs have fallen. Personal consumption expenditures rose 0.4% in October measured in dollars, and 0.3% adjusted for inflation. Real consumer spending in October was 2.3% higher than a year earlier, and has risen above the peak at the end of the last business cycle expansion, as shown in Chart 3.

Chart 3: Personal Consumption Expenditures



Retail and food service sales rose 1.2% in October after increasing 0.7% in September. The gains were led by increased sales at motor vehicle dealers. Sizable month-to-month gains were also reported for building material and garden equipment and supplies dealers, with lesser gains for sporting goods, hobby, book, and music stores, for nonstore (catalog and Internet) retailers, and for clothing stores. Sales fell in October at furniture and home furnishing stores, at electronics and appliance stores, and at department stores. Total retail and food service sales in October were 7.3% higher than a year earlier.

Sales of cars and light trucks in November were at a 12.2 million unit seasonally adjusted annual rate, the same as in October. Apart from August 2009, when a federal stimulus program ("Cash for Clunkers") temporarily boosted motor vehicle deliveries, sales in the latest two months were the strongest since September 2008.

Housing starts nationwide fell 12% from September to October.

Sales of large general merchandise stores, specialty apparel and goods retailers, and drug stores that release results monthly were 5.6% higher in November than a year earlier, in Bank of Tokyo-Mitsubishi UFJ's compilation of these reports. This was the strongest gain in three years, apart from a large increase in March related to the timing of Easter. Figures are based on the dollar value of sales, on a same-store basis excluding store locations that were not open in both the current and year-earlier month.

Construction and Real Estate

Housing starts nationwide fell 12% from September to October, seasonally adjusted, reflecting a sharp drop in the number of units in apartment buildings. The rate of housing starts remained higher than last year's all-time low, on records kept since 1959, but was very weak, only one-fourth of the rate in 2005, the recent peak year. The number of housing units under construction fell to its lowest level on records kept from 1970 to the present.

New home sales fell 8% from September to October, seasonally adjusted. Sales of new homes in October were 29% lower than a year earlier; year-to-date sales were 14% below a year earlier. Sales have remained at low levels following the end of the federal tax credit program that boosted home sales in late 2009 and the first half of 2010. The median price of new homes sold nationwide in October was $194,900, lower than a year earlier by 9%.

Home sales reported by the National Association of Realtors (NAR), which include mostly homes that were previously occupied, fell 2% from September to October, and were 26% lower than a year earlier. Year-to-date sales, January through October, were 3% lower than in the year-earlier period. In all of 2009, sales were 27% lower than in 2005, the peak year, but were 5% higher than in 2008. NAR notes that affordability conditions, including very low mortgage interest rates, are conducive to home sales, but stringent loan underwriting standards are limiting those who can qualify to buy homes in this market. The median price of home sales closed nationwide in October was $170,500, about 1% lower than a year earlier.

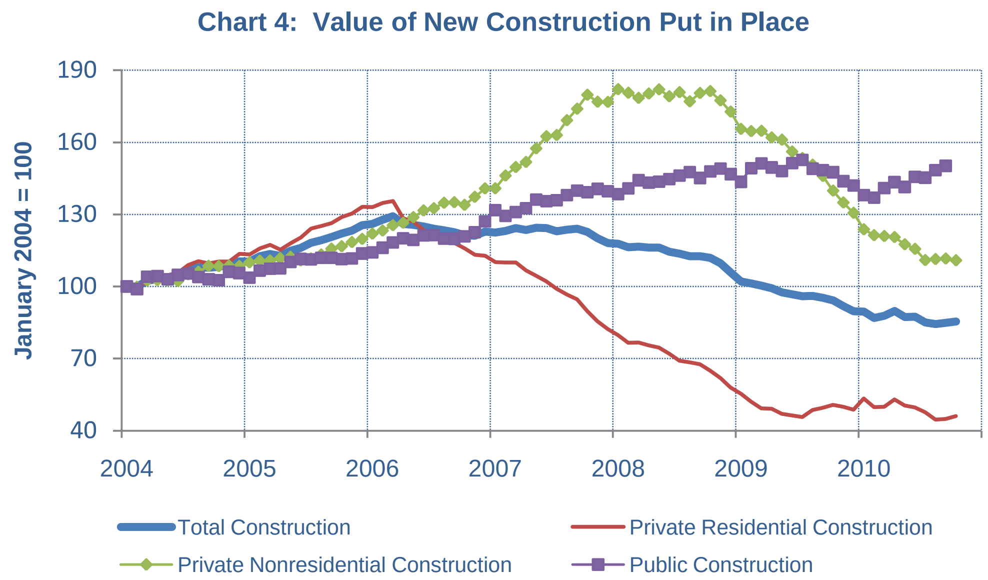
The pending home sales index, also from NAR, was higher in October by 10%. This series tracks contract signings rather than closings, and tends to lead home sales by one to two months.

Housing prices declined 0.7% in September and fell in three of the latest four months, after rising earlier in 2010, as indicated by an index compiled by the Federal Housing Finance Agency. According to the index, home prices were 3.4% lower in September than a year earlier. The index is based on transactions involving conventional mortgages for single-family properties purchased or securitized by Fannie Mae or Freddie Mac. Housing prices nationwide, on average, were around levels of the second half of 2004. Another indicator of housing prices, Standard & Poor's Case-Shiller index for 20 metropolitan areas, declined 0.7% in September after falling 0.2% in August, and was 0.6% higher in September than a year earlier.

Mortgage interest rates remain low but have risen over the past three weeks. The nationwide average commitment rate on 30-year conventional fixed-rate mortgages rose to 4.61% in the week ended December 9, in Freddie Mac's weekly survey, up from a low of 4.17% in the week ended November 11. Bond market yields have risen over this period.

Construction spending nationwide rose 0.7% in October, the second consecutive monthly increase after declines in most months since the peak in March 2006. From this peak to the low point in August 2010, total construction spending fell by more than one-third. The decline is shown in Chart 4, in which the dollar value of new construction put in place in January 2004 is set equal to 100 for the total and for three components. From March 2006 through August 2010, private residential construction spending fell by two-thirds, but has since risen about 3%. Private nonresidential construction declined again in October, to the lowest level since 2005. Public construction spending expanded in October, and has risen 10% since a low point last February.

Construction spending nationwide rose 0.7% in October, the second consecutive monthly increase.



Excluding food and energy, consumer prices were unchanged in October, for the third consecutive month.

Inflation

The consumer price index for all items rose 0.2% in October, mainly reflecting higher gasoline prices. Household energy and food prices also rose. Excluding food and energy, consumer prices were unchanged in October, for the third consecutive month. Compared with a year earlier, the all-items consumer price index was 1.2% higher, and the index excluding food and energy prices was 0.6% higher, the smallest 12-month change on record for this inflation measure which starts in 1957.

Gasoline prices have continued to rise.

Gasoline prices have continued to rise. The nationwide average retail price for regular gasoline on Monday, December 6, was $2.958 in the Energy Information Administration's weekly survey. This is the highest that this average price has been since October 2008.

The producer price index (PPI) for finished goods rose 0.4% in October, reflecting higher gasoline prices as well as higher prices for some other energy products. Price indexes for finished foods and for finished goods other than foods and energy fell in October. Compared with a year earlier, the PPI for finished goods was 4.3% higher. At earlier stages in the production process, the PPI for intermediate goods rose 1.2% in October and the PPI for crude materials rose 4.3%. Both increases were broad based across food, energy, and other types of products. The PPI for intermediate goods was 6.4% higher than a year earlier and the PPI for crude materials was 17% higher.

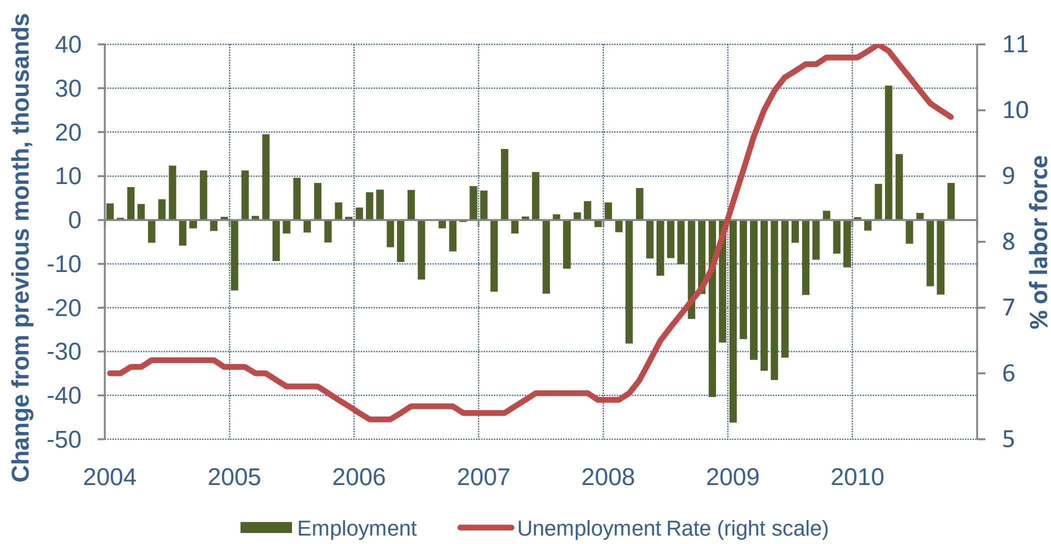
The Ohio Economy

Employment on Ohio nonfarm payrolls increased by 8,400 (0.2%) in October, seasonally adjusted, after decreasing 17,000 in September and 15,100 in August. Total nonfarm payroll employment reached a low point in February and has risen by 26,300 (0.5%) on balance since then, about 6% of the number of jobs lost since a peak in 2006.[11] The number of people unemployed declined to 588,000 in October, or 9.9% of the labor force, down from 11% last March and the state's lowest unemployment rate since March 2009. Month-to-month changes in total nonfarm payroll employment and the level of the unemployment rate are shown in Chart 5.

The number of people unemployed declined to 588,000 in October, 9.9% of the labor force, Ohio's lowest unemployment rate since March 2009.

Nonfarm payroll employment was 6,000 (0.1%) higher in October than a year earlier, including 4,500 more jobs in goods production and 1,500 more positions in service-sector jobs. The largest year-over-year gains were in administrative, support, and waste services; durable goods manufacturing; health care and social assistance; and arts, entertainment, and recreation. Private-sector employment in Ohio was 0.4% higher in October, while average weekly hours of persons employed were 2.4% higher than a year earlier and average hourly earnings were 1.7% higher, implying a 4.6% year-over-year increase in aggregate private-sector earnings, based on the data in the payroll employment report.

Chart 5: Ohio Nonfarm Payroll Employment and Unemployment



The economy in this region grew modestly in the six weeks through November 19, according to the Federal Reserve Bank of

[11] The all-time peak for Ohio nonfarm payroll employment was in 2000.

Inflation-adjusted Ohio gross domestic product fell 0.7% in 2008 and 2.7% in 2009.

Cleveland.[12] Factory production and new orders were stable or rose in the latest period. Demand for steel is being driven by the energy, auto, and heavy equipment industries. Growth in offshore markets is outpacing domestic demand. Dealer sales of motor vehicles rose in October, while sales by retailers in most other lines of business were flat or slightly lower. Construction, both residential and nonresidential, remains sluggish. Freight transport volumes rose.

The number of homes sold in Ohio during October, reported by the Ohio Association of Realtors, was 31% lower than a year earlier. In the first ten months of 2010, unit sales were 2% lower than in the year-earlier period. The federal tax credit program supported home sales in late 2009 and the first half of 2010. The average transaction price in the state during the first ten months of this year was about $133,900, 3% higher than a year earlier.

Ohio gross domestic product totaled $471.3 billion in 2009, according to the recently released estimate from the source agency, the U.S. Bureau of Economic Analysis (BEA). Figures for earlier years were revised back to 1963. As a percentage of national gross domestic product, Ohio's share was 3.3%, the same as in 2008, down from 4.0% in 1998. Ohio's economy ranked eighth in size among the states. Inflation-adjusted Ohio gross domestic product fell 0.7% in 2008 and 2.7% in 2009, as shown in Chart 6. Declines in manufacturing and construction accounted for most of the decline in 2009, and more than all of the decline in 2008. Real GDP fell in all eight BEA regions of the country in 2009, with the sharpest decline in the Great Lakes region that includes Ohio. Among neighboring states, real GDP in 2009 fell 3.4% in Illinois, 3.6% in Indiana, 1.8% in Kentucky, 5.2% in Michigan, and 1.0% in Pennsylvania, but rose 0.7% in West Virginia. Despite the recession, real GDP grew in 2009 in ten states, and was about unchanged in two others, due in part to growing activity in mining, agriculture, or government.

[12] These comments are based on the Federal Reserve Bank of Cleveland's section of a Federal Reserve System publication, the Beige Book, which summarizes information obtained from business and other outside contacts. Inputs to the current issue were gathered through November 19. The region covered by the Cleveland bank includes all of Ohio and parts of Kentucky, Pennsylvania, and West Virginia.

Chart 6: Ohio Gross Domestic Product