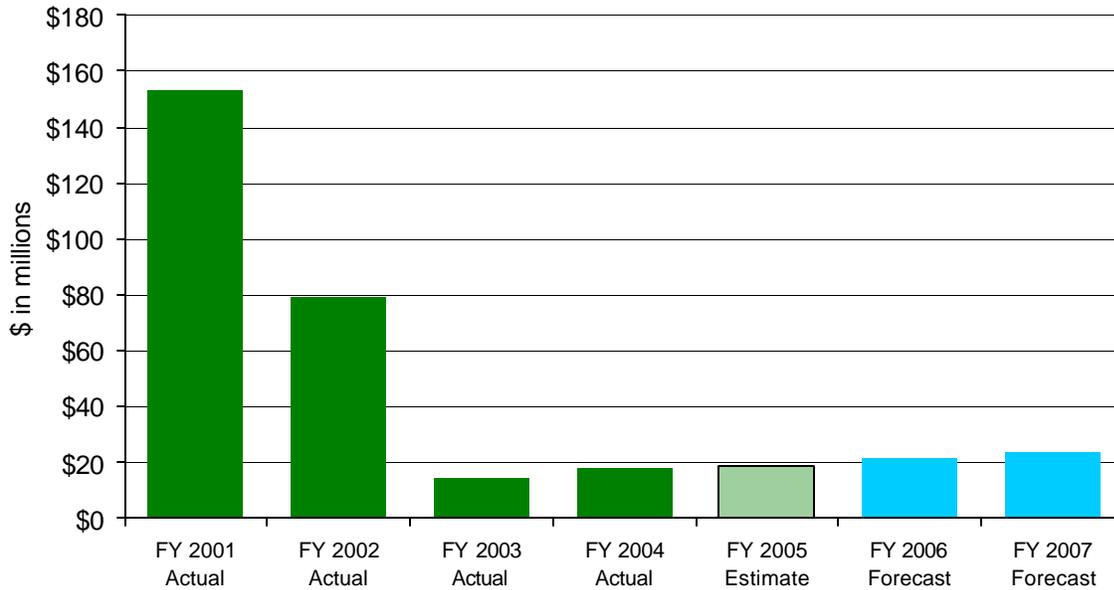


Earnings on Investments

GRF Revenues from the Earnings on Investments
(in millions)



| | FY 2001 Actual | FY 2002 Actual | FY 2003 Actual | FY 2004 Actual | FY 2005 Estimate | FY 2006 Forecast | FY 2007 Forecast |
|---------|-------------------|-------------------|-------------------|-------------------|---------------------|---------------------|---------------------|
| Revenue | \$153.3 | \$79.0 | \$14.2 | \$18.0 | \$18.9 | \$21.6 | \$23.8 |
| Growth | 25.1% | -48.5% | -82.0% | 26.8% | 5.1% | 14.2% | 10.0% |

In FY 2005, earnings on investments are estimated to increase slightly to \$18.9 million from \$18 million in FY 2004 because of increasing interest rates on short and medium-term investment instruments and higher estimated fund balances than in previous fiscal years. Earnings are expected to rebound in both FY 2006 and FY 2007 as interest rates increase and estimated fund balances increase. In FY 2006, earnings on investments are estimated to increase from \$18.9 million to \$21.6 million. In FY 2007, earnings on investments are estimated to increase by 10% to \$23.8 million.

The calculations for the forecast were based on interest rate estimates and the average state funds balance that will be available for investment. The Treasurer of State is responsible for managing the state's portfolio and investing state funds.

All state funds are invested conservatively with safety of funds as the number one investment priority. State law and investment policy provide an outline on the state investment objectives, delegation of authority, asset diversification policy, including specific types of allowable investments. Some of the allowable instruments are short-term and medium-term fixed-income instruments such as United States Treasury

securities, federal agency obligations, and highly rated commercial paper. Some of the instruments that are not allowable for state fund investment are domestic or international equities, real estate, and venture capital.

All earnings on investments from state funds are credited to GRF unless stated otherwise in the Ohio Revised Code.