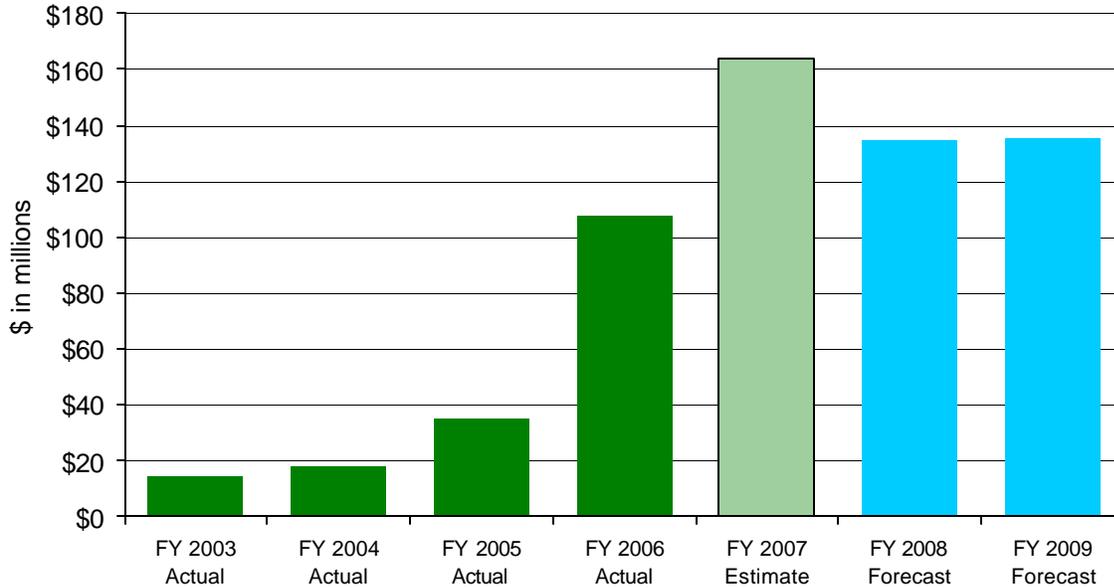


Earnings on Investments

GRF Revenues from the Earnings on Investments
(in millions)



	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
	Actual	Actual	Actual	Actual	Estimate	Forecast	Forecast
Revenue	\$14.2	\$18.0	\$35.0	\$107.3	\$164.0	\$134.6	\$135.3
Growth	-82.0%	26.8%	94.4%	206.6%	52.9%	-17.9%	0.5%

In FY 2007, earnings on investments are estimated to increase to \$164.0 million from \$107.3 million in FY 2006 because of increasing interest rates on short and medium-term investment instruments and slightly higher estimated fund balances than in previous fiscal years. The increase in earnings on investment for FY 2006 and the estimated increase for FY 2007 are largely accredited to higher interest rates and temporary changes in Am. Sub. H.B. 66 of the 126th General Assembly. The enacted bill allows the Director of the Office of Budget and Management to transfer to the GRF all interest earned by all funds except for interest earned by funds that are restricted or protected by the Ohio Constitution, federal tax law, or the federal Cash Management Improvement Act.

Earnings are expected to decrease in FY 2008 but increase slightly in FY 2009 as interest rates are expected to decline in FY 2008 but rise slightly in FY 2009. Estimated fund balances are expected to increase slightly in both fiscal years. In FY 2008, earnings on investments are estimated to decrease from \$164.0 million to \$134.6 million. In FY 2009, earnings on investments are estimated to increase to \$135.3 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 the funds as the number one investment priority. State law and investment policy provide an outline on the state investment objectives, delegation of authority, and 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 the GRF unless stated otherwise in the Ohio Revised Code.