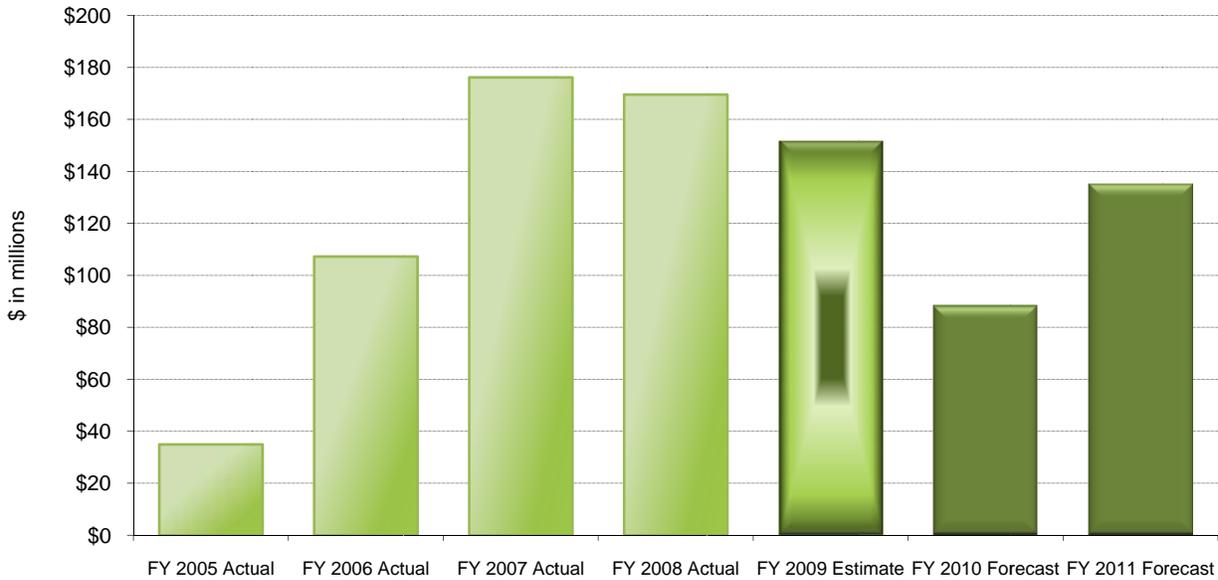


Earnings on Investments

GRF Revenues from the Earnings on Investments
(in millions)



	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Estimate	FY 2010 Forecast	FY 2011 Forecast
Revenue	\$35.0	\$107.3	\$176.2	\$169.6	\$151.4	\$88.4	\$135.2
Growth	94.7%	206.6%	64.2%	-3.8%	-10.7%	-41.6%	52.9%

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 of state investment objectives, delegation of authority, and asset diversification policy, and restrict the types of investments allowed. 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. Among 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.

In FY 2009, earnings on investments are estimated to decrease to \$151.4 million from \$169.6 million in FY 2008 because of decreasing interest rates on short and medium-term investment instruments and lower estimated fund balances than in previous fiscal years. The increase in earnings on investments after FY 2006 is largely due to higher interest rates and transfers of all interest earned by all funds to the GRF

(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).

In FY 2010 and FY 2011 interest rates are expected to rise. Estimated fund balances are expected to decrease in FY 2010 but increase in FY 2011. Baseline earnings on investments for FY 2010 and FY 2011 are estimated at \$88.4 million and \$135.2 million, respectively. The calculations for the baseline forecast were based on interest rate estimates and the estimated state funds balance that will be available for investment.