Budget Footnotes

A NEWSLETTER OF THE OHIO LEGISLATIVE SERVICE COMMISSION

MAY 2010

STATUS OF THE GRF

HIGHLIGHTS

—Ross A. Miller, Chief Economist, 614-644-7768

GRF receipts from the personal income tax were disappointing in April, coming in $229 million below estimate. Preliminary reports indicate that a number of other states also experienced large shortfalls in April revenues. Ohio's shortfall means that FY 2010 year-to-date GRF tax revenues, which have been within 1% of estimate almost every month so far this year, fell to 1.6% below estimate. GRF expenditures have also been tracking below estimate. This negative variance should help to partially offset the revenue shortfall.

Nationwide, the economy has added more than a half million jobs in the most recent two months. Ohio's economy added nearly 5,000 jobs in March, but state level data are not yet available for April.

Through April 2010, GRF sources totaled $20.34 billion:

- Receipts from the income tax were $282.6 million below estimate;
- Receipts from the sales and use tax were $74.0 million above estimate.

Through April 2010, GRF uses totaled $21.74 billion:

- Public Assistance and Medicaid expenditures were $367.2 million below estimate;
- Due largely to timing, expenditures were below estimate in Primary, Secondary, and Other Education ($135.7 million), and Tax Relief and Other ($123.0 million).

VOLUME 33, NUMBER 9

STATUS OF THE GRF

ISSUE UPDATES

TRACKING THE ECONOMY

Legislative Service Commission
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Table 1: General Revenue Fund Sources
Preliminary Actual vs. Estimate
Month of April 2010
($ in thousands)
(Actual based on report run in OAKS Actuals Ledger on May 5, 2010)

	Actual	Estimate*	Variance	Percent
STATE SOURCES				
TAX REVENUE				
Auto Sales	$96,560	$76,053	$20,508	27.0%
Nonauto Sales and Use	$545,823	$506,000	$39,823	7.9%
Total Sales and Use Taxes	$642,384	$582,053	$60,331	10.4%
Personal Income	$1,177,496	$1,406,600	-$229,104	-16.3%
Corporate Franchise	$16,961	$10,000	$6,961	69.6%
Public Utility	$15	$7,082	-$7,067	-99.8%
Kilowatt Hour Excise	$12,808	$20,300	-$7,492	-36.9%
Commercial Activity Tax**	$0	$0	$0	—
Foreign Insurance	$252	-$7	$259	3689.1%
Domestic Insurance	-$148	$0	-$148	—
Business and Property	$138	-$692	$830	119.9%
Cigarette	$77,203	$65,793	$11,410	17.3%
Alcoholic Beverage	$5,722	$4,836	$885	18.3%
Liquor Gallonage	$2,968	$2,804	$164	5.9%
Estate	$18,023	$13,475	$4,547	33.7%
Total Tax Revenue	**$1,953,821**	**$2,112,244**	**-$158,423**	**-7.5%**
NONTAX REVENUE				
Earnings on Investments	$4,442	$20,250	-$15,808	-78.1%
Licenses and Fees	$6,365	$5,827	$538	9.2%
Other Revenue	$3,675	$6,000	-$2,325	-38.7%
Total Nontax Revenue	**$14,483**	**$32,077**	**-$17,594**	**-54.9%**
TRANSFERS				
Liquor Transfers	$14,274	$11,000	$3,274	29.8%
Budget Stabilization	$0	$0	$0	—
Other Transfers In	$7,682	$10,000	-$2,318	-23.2%
Total Transfers In	**$21,956**	**$21,000**	**$956**	**4.6%**
TOTAL STATE SOURCES	**$1,990,259**	**$2,165,321**	**-$175,062**	**-8.1%**
Federal Grants	$765,143	$872,299	-$107,156	-12.3%
TOTAL GRF SOURCES	**$2,755,402**	**$3,037,620**	**-$282,218**	**-9.3%**

* Revised tax estimates of the Office of Budget and Management received March 2010.

**Commercial activity tax receipts in FY 2010 are non-GRF.

Detail may not sum to total due to rounding.

Table 2: General Revenue Fund Sources
Preliminary Actual vs. Estimate
FY 2010 as of April 30, 2010
($ in thousands)
(Actual based on report run in OAKS Actuals Ledger on May 5, 2010)

	Actual	Estimate*	Variance	Percent	FY 2009	Percent Change
STATE SOURCES						
TAX REVENUE						
Auto Sales	$723,256	$659,965	$63,291	9.6%	$723,262	0.0%
Nonauto Sales and Use	$5,166,877	$5,156,153	$10,724	0.2%	$5,253,132	-1.6%
Total Sales and Use Taxes	$5,890,133	$5,816,118	$74,015	1.3%	$5,976,393	-1.4%
Personal Income	$6,074,956	$6,357,599	-$282,643	-4.4%	$6,536,444	-7.1%
Corporate Franchise	$73,261	$74,000	-$739	-1.0%	$408,632	-82.1%
Public Utility	$89,140	$126,599	-$37,459	-29.6%	$129,756	-31.3%
Kilowatt Hour Excise	$138,656	$156,402	-$17,746	-11.3%	$127,438	8.8%
Commercial Activity Tax**	$0	$0	$0	---	$0	---
Foreign Insurance	$263,105	$262,200	$905	0.3%	$261,380	0.7%
Domestic Insurance	$1,147	-$929	$2,076	223.5%	-$865	232.7%
Business and Property	$418	-$256	$674	263.5%	-$346	220.9%
Cigarette	$681,238	$638,422	$42,816	6.7%	$717,397	-5.0%
Alcoholic Beverage	$46,537	$47,352	-$815	-1.7%	$46,590	-0.1%
Liquor Gallonage	$30,388	$29,973	$415	1.4%	$29,784	2.0%
Estate	$45,033	$44,234	$799	1.8%	$46,365	-2.9%
Total Tax Revenue	**$13,334,012**	**$13,551,715**	**-$217,702**	**-1.6%**	**$14,278,970**	**-6.6%**
NONTAX REVENUE						
Earnings on Investments	$25,885	$58,250	-$32,365	-55.6%	$121,665	-78.7%
Licenses and Fees	$64,811	$59,231	$5,579	9.4%	$64,639	0.3%
Other Revenue	$164,237	$182,153	-$17,916	-9.8%	$57,606	185.1%
Total Nontax Revenue	**$254,932**	**$299,634**	**-$44,702**	**-14.9%**	**$243,910**	**4.5%**
TRANSFERS						
Liquor Transfers	$138,274	$121,000	$17,274	14.3%	$137,000	0.9%
Budget Stabilization	$0	$0	$0	---	$0	---
Other Transfers In	$698,502	837,564	-$139,062	-16.6%	$705,305	-1.0%
Total Transfers In	**$836,776**	**$958,564**	**-$121,788**	**-12.7%**	**$842,305**	**-0.7%**
TOTAL STATE SOURCES	**$14,425,721**	**$14,809,913**	**-$384,192**	**-2.6%**	**$15,365,184**	**-6.1%**
Federal Grants	$5,911,363	$6,268,604	-$357,241	-5.7%	$5,830,800	1.4%
TOTAL GRF SOURCES	**$20,337,084**	**$21,078,517**	**-$741,434**	**-3.5%**	**$21,195,984**	**-4.1%**

* Revised tax estimates of the Office of Budget and Management received March 2010.

**Commercial activity tax receipts in FY 2010 are non-GRF.

Detail may not sum to total due to rounding.

REVENUES

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

Overview

April GRF sources were $282.2 million below estimate.

Year-to-date GRF tax revenues were $217.7 million below estimate and $945.0 million below FY 2009 receipts.

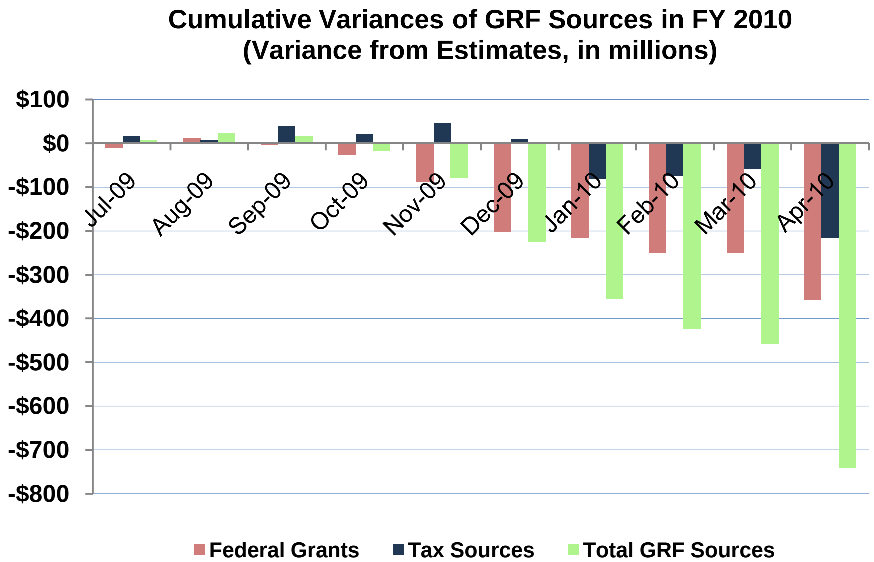
The state's balance sheet worsened in April due to the poor performance of the personal income tax, similarly to last year, though the size of the shortfall is smaller this year. April 2010 income tax receipts were $229.1 million (16.3%) below estimate. (They were $321.6 million below estimate in April 2009.) GRF tax revenues as a whole totaled $1.95 billion in April 2010, $158.4 million (7.5%) below estimate. The underperformance in April tax receipts brought the year-to-date negative variance in tax revenues, which stood at $59.3 million through March 2010, to $217.7 million (1.6%).

Total GRF sources in April were $2.76 billion, $282.2 million (9.3%) below estimate. Tables 1 and 2 show GRF sources for the month of April and for FY 2010 through April, respectively. GRF sources consist of state-source receipts, which include tax revenue, nontax revenue, and transfers in, and federal grants, which are federal reimbursements for human services programs that receive federal funding and grants from the American Recovery and Reinvestment Act of 2009. The deficit in April total GRF sources included shortfalls of $107.2 million in federal grants and $175.1 million in state-source receipts.

Though total GRF tax sources were below estimate, receipts from the sales and use tax and the cigarette tax were strong. Those tax sources were above estimate, respectively, by $60.3 million and $11.4 million. The corporate franchise tax and the estate tax were also above expectation, respectively, by $7.0 million and $4.5 million. Tax sources below estimate in April included the public utility tax and the kilowatt hour tax which were $7.1 million and $7.5 million, respectively, below projection. A negative variance of $16.6 million in nontax revenues and transfers added to the shortfall in tax revenues.

Through April, FY 2010 total GRF sources of $20.34 billion were $741.1 million (3.5%) below estimate. Federal grants were below estimate by $357.2 million, due primarily to a negative spending variance in Medicaid. State-source receipts of $14.43 billion were below estimate by $384.2 million, with lower than expected revenues from all categories. The fiscal year-to-date negative variance in transfers in of $121.8 million is a result, in large part, of a deficit of $76.0 million in anticipated temporary transfers into the GRF from receipts from the commercial activity tax (CAT). The graph below shows the cumulative variances against estimate for federal grants, tax sources, and total GRF sources.

For FY 2010 through April, tax sources above estimate included the sales and use tax ($74.0 million), cigarette tax ($42.8 million), and domestic insurance tax ($2.1 million). Tax sources below estimate included the personal income tax ($282.6 million), public utility excise tax ($37.5 million), and kilowatt hour tax ($17.7 million). Variances in receipts of the other tax sources were relatively small.



April income tax receipts were $229.1 million below estimate, but $48.1 million above last year's levels.

Compared to FY 2009, FY 2010 year-to-date GRF sources decreased $858.9 million, from a decrease of $945.0 million in tax receipts. Federal grants grew $80.6 million. Receipts from the personal income tax and the sales and use tax were below their year-to-date levels of 2009, respectively, by $461.5 million and $86.3 million. Other taxes with notable year-to-year revenue variances included decreases of $335.4 million in corporate franchise tax receipts, $40.6 million in public utility excise tax receipts, $36.2 million in cigarette tax receipts, and $1.3 million in estate tax receipts. The GRF received notable year-over-year increases of $11.2 million in kilowatt hour tax receipts, $2.0 million in domestic insurance tax receipts, and $1.7 million in foreign insurance tax receipts. The decline in receipts from the corporate franchise tax was due in significant part to tax changes made by H.B. 66 of the 126th General Assembly.

Personal Income Tax

April income tax receipts generally determine the overall performance of the personal income tax for a given fiscal year. Lower than expected income tax revenue in April made worse an already poor year for 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,[1] trust payments, payments associated with annual returns, and miscellaneous payments.

April GRF receipts from the personal income tax of $1.18 billion were $229.1 million (16.3%) below the revised estimate published in March 2010. The shortfall was due mostly to lower than anticipated taxes due with annual returns filed for tax year (TY) 2009. April 2010 income tax receipts were $48.1 million (4.3%) above receipts in April 2009. Employer withholding, quarterly estimated payments, trust payments, and miscellaneous payments were all higher, while refunds were lower in April 2010. Overall, gross collections were $9.6 million (0.7%) less than gross collections in April 2009. Recent improvement in Ohio's labor market can be seen in receipts from employer withholdings. Combined employer withholdings in March and April 2010 were $43.2 million (3.6%) above withholding receipts in the same two-month period in FY 2009, suggesting that the trend downward in Ohio employment might potentially have ended.[2]

April revenues increased the FY 2010 year-to-date personal income tax negative variance, which was $53.5 million through March, to $282.6 million through April. FY 2010 GRF receipts of $6.07 billion through April were $461.5 million (7.1%) below year-to-date receipts in the corresponding period in FY 2009.

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[1] 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. Most estimated payments are made by high-income taxpayers.

[2] The comparison of monthly withholding receipts to year-ago receipts in the same period provides an indication of the health of the Ohio labor market because withholding rates were identical in those months (a result of H.B. 318 enacted in December 2009).

FY 2010 Year-to-date Income Tax Revenue Variances and Changes by Component				
Category	Year-to-date Variance from Estimate		Year-to-date Changes from FY 2009	
	Amount ($ in millions)	Percentage (%)	Amount ($ in millions)	Percentage (%)
Withholding	$27.1	0.5%	-$432.7	-6.9%
Quarterly Estimated Payments	-$109.0	-12.2%	-$239.4	-23.4%
Trust Payments	$0.8	2.2%	-$2.3	-6.0%
Annual Return Payments	-$282.6	-23.7%	-$60.0	-6.2%
Miscellaneous Payments	$27.2	47.1%	$27.2	47.2%
Gross Collections	-$336.4	-4.5%	-$707.1	-8.5%
Less Refunds	-$60.9	-5.5%	-$189.7	-15.4%
Less Local Government Fund Distribution	$7.1	1.4%	-$55.9	-9.9%
Income Tax Revenue	-$282.6	-4.4%	-$461.5	-7.1%

The table above summarizes FY 2010 income tax revenue variances from estimate and annual changes by component. Employer withholding (which accounted for about 75% of gross collections in FY 2009) was $27.1 million (0.5%) above estimate through April in FY 2010, up from $12.9 million above estimate in the previous month. Year-to-date receipts from employer withholdings of $5.81 billion were $432.7 million (6.9%) below FY 2009 receipts through April from both increasing unemployment, and the final 4.2% reduction in tax rates enacted by H.B. 66 of the 126th General Assembly through December 2009. (Withholding rates are identical from January through April in both fiscal years due to H.B. 318.) Quarterly estimated payments were $109.0 million (12.2%) below estimate, but the underperformance was concentrated in the first two quarterly estimates of the fiscal year (September and January),[3] as taxpayers adjusted their quarterly estimates to lower annual income and lower than anticipated TY 2009 total tax liability. Quarterly estimated payments were $239.4 million (23.4%) below FY 2009 estimated payments through April 2009.

Year-to-date withholding receipts were $27.1 million above estimate.

[3] April quarterly estimated payments were $2.8 million below estimate and $1.5 million above April 2009 quarterly estimated payments.

Sales and Use Tax

Year-to-date sales and use tax receipts were $74.0 million above estimate.

April 2010 GRF sales and use tax receipts of $642.4 million were $60.3 million (10.4%) above estimate and $42.6 million (7.1%) above receipts in April 2009, from good performances from both the nonauto sales and use and the auto sales and use taxes. Through April, FY 2010 GRF receipts of $5.89 billion were $74.0 million (1.3%) above estimate and $86.3 million (1.4%) below FY 2009 receipts in the same period.

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.

Nonauto Sales and Use Tax

Year-to-date nonauto sales and use tax receipts were about $10.7 million above estimate.

Nonauto sales and use tax receipts of $545.8 million in April were $39.8 million (7.9%) above estimate and $31.7 million (6.2%) above April 2009 receipts. Receipts from the nonauto sales and use tax this month, for the first time in several months, were convincingly above receipts in the same period a year ago. For the fiscal year through April, year-to-date nonauto sales and use tax receipts of $5.17 billion were $10.7 million (0.2%) above estimate, but were $86.3 million (1.6%) below receipts in the corresponding period in FY 2009. FY 2010 receipts reflect the expansion of the tax base this year and include payments for health care services provided by Medicaid health insuring corporations.[5] Excluding the revenue from the base expansion, year-to-date taxable spending this fiscal year would be below last year's level by about 4.4%. However, in the last two months, receipts from the nonauto sales and use tax source were 1.3% above combined receipts in March and April of 2009. The graph below shows the variance in monthly receipts against prior-year receipts in the same month in FY 2009, excluding receipts from the base expansion.

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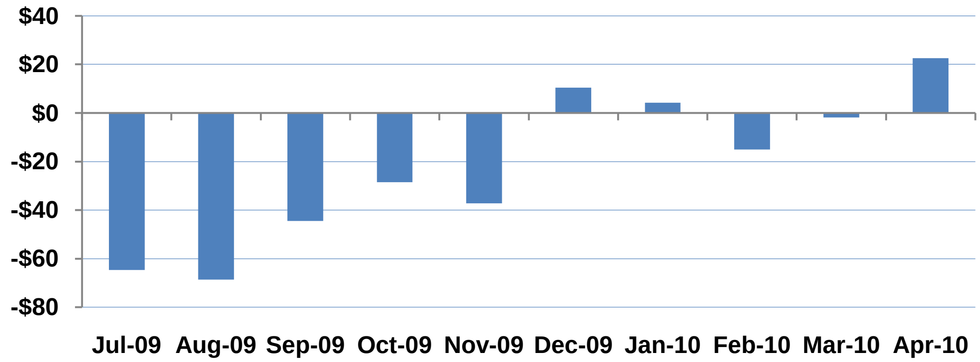
[4] The clerks of court generally make auto sales and use tax payments on Monday for taxes collected during the preceding week on motor vehicles, watercraft, and outboard motors titled. Therefore, auto sales and use tax receipts largely reflect vehicles sold and titled during the month.

[5] New taxes were imposed on health care services provided by Medicaid health insuring corporations starting on October 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.

Monthly Change from FY 2009 in Nonauto Sales Tax Receipts (Excluding Receipts from the Base Expansion, in millions)



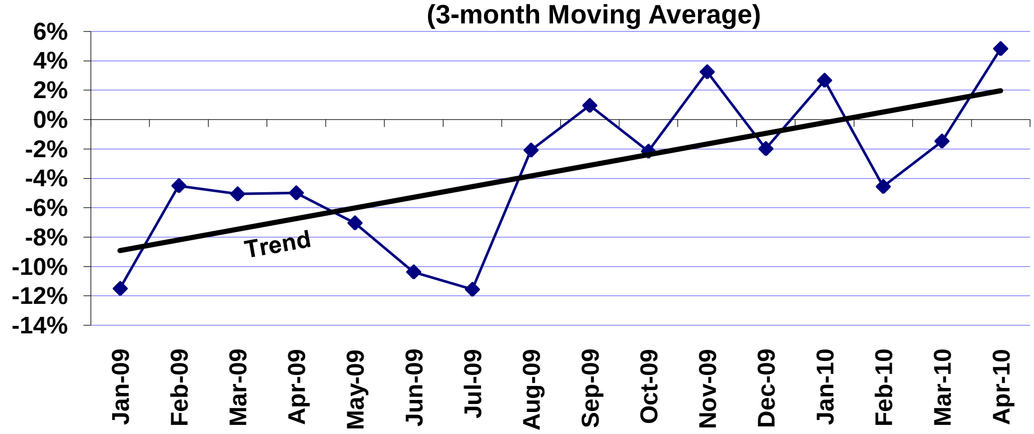
Year-to-date auto sales and use tax receipts were $20.5 million above estimate.

After a frugal 2009, consumers are slowly coming out of their hibernation and have begun to return to more normal buying habits. The economy is thawing from a deep freeze, labor markets are improving though they remain troubled, and nonauto sales and use tax receipts appear to be improving gradually. However, nationwide retail sales were soft in April, indicative of a still-cautious consumer.

Auto Sales and Use Tax

Auto sales and use tax receipts of $96.6 million in April 2010 were $20.5 million (27.0%) above estimate and $10.9 million (12.7%) above receipts in April 2009. Through April, FY 2010 auto sales and use tax receipts of $723.3 million were $63.3 million (9.6%) above estimate, and were about the same as receipts through April in FY 2009. A year after auto sales fell to their lowest levels in decades, the car business is showing signs of life. Nationwide, light vehicle sales continue to climb and attractive discounts are bringing more consumers to the showrooms. The graph below, which compares monthly auto sales and use tax receipts with year-ago receipts in the same period, shows an upward trend in auto sales and use tax receipts in the last few months.

Auto Sales and Use Tax Receipts Trend Actual vs. Prior Year (3-month Moving Average)



Year-to-date cigarette tax receipts were $42.8 million above estimate.

Cigarette and Other Tobacco Products Tax

Receipts from the tax on cigarettes and other tobacco products were $77.2 million, $11.4 million (17.3%) above estimate and $3.3 million (4.4%) above April 2009 receipts. Through April, FY 2010 receipts of $681.2 million were $42.8 million (6.7%) above estimate and $36.2 million (5.0%) below FY 2009 receipts through April 2009. Receipts from cigarette sales were $641.7 million. Sales of products other than cigarettes provided $39.5 million. Compared to FY 2009, year-to-date receipts from the sale of cigarettes declined $42.2 million (6.2%) and those from the sale of other tobacco products increased $6.0 million (18.1%). Receipts from the cigarette and other tobacco products tax are the third-largest tax revenue source in FY 2010, after the personal income tax and the sales and use tax.

Corporate Franchise Tax

As part of the five-year phase-out of the corporate franchise tax (CFT) that was enacted by H.B. 66 of the 126th General Assembly, the tax is now a tax on the net worth of financial institutions. The second major tax payment by financial institutions, due March 31, 2010, yielded CFT receipts of $17.0 million in April. Those receipts were $7.0 million (69.6%) above estimate. Combined receipts for March and April of $70.4 million were $30.4 million (75.9%) above estimate for the two-month period.

Year-to-date CFT receipts were $0.7 million below estimate.

Through April, however, FY 2010 CFT net receipts of $73.3 million were $0.7 million (1.0%) below estimate, due to $39.0 million in higher than expected net refunds in the first half of the fiscal year. Excluding those refunds, which are generally difficult to estimate, and including receipts from the first major CFT payment in January 2010, CFT payments were above estimate by about 40% in calendar year 2010. Comparisons with monthly receipts in the previous fiscal year are not meaningful.[6] The last major CFT tax payment is due May 31, 2010.

Commercial Activity Tax

As part of the five-year phase-in of the CAT enacted by H.B. 66 of the 126th General Assembly, FY 2010 is the first year in which CAT taxpayers pay 100% of their tax liability. According to the Department of Taxation, April receipts of $51.3 million were $32.1million (167.6%) above

[6] A large portion of the CFT tax base has been eliminated by the phase-out. In TY 2008, the tax liability of financial institutions was less that 10% of total CFT tax liability (before credits and reduction factors from H.B. 66).

estimate[7] and $37.1 million (261.3%) above receipts in April 2009. FY 2010 year-to-date receipts of $1.05 billion were $74.1 million (6.6%) below estimate and $78.0 million (8.0%) above FY 2009 receipts through April. The last major tax payment is due May 2010, but this tax will probably finish the year below expectations.

CAT receipts were below estimate by $74.1 million through April in FY 2010.

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. The GRF is used to make payments to school districts and local governments in August and September (temporary transfers out) and is reimbursed from CAT tax collections (temporary transfers in) during the fiscal year. Poor CAT receipts have resulted in a shortfall in temporary transfers in of $76 million through April 2010.

[7] April receipts might include payments ahead of the May 10, 2010 due date.

Table 3: General Revenue Fund Uses
Preliminary Actual vs. Estimate
Month of April 2010
($ in thousands)
(Actual based on OAKS reports run May 7, 2010)

PROGRAM	**Actual**	**Estimate***	**Variance**	**Percent**
Primary, Secondary, and Other Education	$559,292	$811,866	-$252,574	-31.1%
Higher Education	$180,397	$187,817	-$7,420	-4.0%
Total Education	$739,689	$999,683	-$259,994	-26.0%
Public Assistance and Medicaid	$582,640	$626,513	-$43,872	-7.0%
Health and Human Services	$132,869	$135,819	-$2,950	-2.2%
Total Welfare and Human Services	$715,510	$762,332	-$46,822	-6.1%
Justice and Public Protection	$183,232	$189,575	-$6,342	-3.3%
Environment and Natural Resources	$3,518	$3,977	-$459	-11.6%
Transportation	$1,555	$2,324	-$769	-33.1%
General Government	$16,455	$16,571	-$116	-0.7%
Community and Economic Development	$9,919	$17,585	-$7,666	-43.6%
Capital	$0	$0	$0	---
Total Government Operations	$214,679	$230,033	-$15,353	-6.7%
Tax Relief and Other	$237,996	$430,017	-$192,020	-44.7%
Debt Service	$34,137	$77,407	-$43,269	-55.9%
Total Other Expenditures	$272,134	$507,424	-$235,290	-46.4%
Total Program Expenditures	**$1,942,012**	**$2,499,471**	**-$557,459**	**-22.3%**
TRANSFERS				
Budget Stabilization	$0	$0	$0	---
Other Transfers Out	$596	$0	$596	---
Total Transfers Out	$596	$0	$596	---
TOTAL GRF USES	**$1,942,608**	**$2,499,471**	**-$556,863**	**-22.3%**

* September 2009 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 2010 as of April 30, 2010
($ in thousands)
(Actual based on OAKS reports run May 7, 2010)

PROGRAM	**Actual**	**Estimate***	**Variance**	**Percent**	**FY 2009**	**Percent Change**
Primary, Secondary, and Other Education	$5,800,437	$5,936,173	-$135,735	-2.3%	$5,937,669	-2.3%
Higher Education	$2,039,030	$2,033,036	$5,994	0.3%	$2,184,471	-6.7%
Total Education	$7,839,468	$7,969,209	-$129,741	-1.6%	$8,122,140	-3.5%
Public Assistance and Medicaid	$8,279,193	$8,646,367	-$367,174	-4.2%	$9,593,961	-13.7%
Health and Human Services	$913,873	$911,524	$2,349	0.3%	$1,076,746	-15.1%
Total Welfare and Human Services	$9,193,066	$9,557,890	-$364,825	-3.8%	$10,670,707	-13.8%
Justice and Public Protection	$1,671,917	$1,731,140	-$59,223	-3.4%	$1,816,747	-8.0%
Environment and Natural Resources	$71,702	$69,407	$2,295	3.3%	$83,211	-13.8%
Transportation	$15,359	$14,675	$683	4.7%	$18,034	-14.8%
General Government	$255,022	$266,628	-$11,606	-4.4%	$325,586	-21.7%
Community and Economic Developmen	$97,159	$89,284	$7,875	8.8%	$128,887	-24.6%
Capital	$330	$0	$330	---	$288	14.8%
Total Government Operations	$2,111,488	$2,171,134	-$59,646	-2.7%	$2,372,753	-11.0%
Tax Relief and Other	$1,202,034	$1,325,050	-$123,016	-9.3%	$1,216,883	-1.2%
Debt Service	$368,438	$433,368	-$64,930	-15.0%	$588,275	-37.4%
Total Other Expenditures	$1,570,472	$1,758,418	-$187,946	-10.7%	$1,805,159	-13.0%
Total Program Expenditures	**$20,714,493**	**$21,456,651**	**-$742,158**	**-3.5%**	**$22,970,758**	**-9.8%**
TRANSFERS						
Budget Stabilization	$0	$0	$0	---	$0	---
Other Transfers Out	$1,026,941	$969,343	$57,598	5.9%	$847,941	21.1%
Total Transfers Out	$1,026,941	$969,343	$57,598	5.9%	$847,941	21.1%
TOTAL GRF USES	**$21,741,434**	**$22,425,994**	**-$684,560**	**-3.1%**	**$23,818,699**	**-8.7%**

* September 2009 estimates of the Office of Budget and Management.
Detail may not sum to total due to rounding.

Table 5: Medicaid Spending in FY 2010
($ in thousands)

Medicaid (600525) Payments by Service Category	April Actual	April Estimate	April Variance	April Percent Variance	Year to Date Actual thru April	Year to Date Estimate thru April	Year to Date Variance	Year to Date Percent Variance
Nursing Facilities	$215,973	$230,965	-$14,992	-6.5%	$2,218,608	$2,277,879	-$59,271	-2.6%
ICFs/MR	$46,845	$46,315	$530	1.1%	$451,481	$452,991	-$1,510	-0.3%
Inpatient Hospitals	$90,796	$82,908	$7,888	9.5%	$881,485	$922,609	-$41,124	-4.5%
Outpatient Hospitals	$31,844	$32,605	-$761	-2.3%	$350,792	$349,300	$1,492	0.4%
Physicians	$25,478	$28,247	-$2,769	-9.8%	$277,960	$301,632	-$23,672	-7.8%
Prescription Drugs	$120,302	$147,041	-$26,739	-18.2%	$596,570	$707,381	-$110,811	-15.7%
ODJFS Waivers	$24,479	$27,425	-$2,946	-10.7%	$272,854	$297,109	-$24,255	-8.2%
MCP	$19,984	$25,424	-$5,440	-21.4%	$3,959,652	$4,032,335	-$72,683	-1.8%
All Other	$113,024	$113,927	-$903	-0.8%	$1,174,719	$1,195,090	-$20,371	-1.7%
DA Medical	$2	$26	-$24	-92.3%	$3,448	$5,172	-$1,724	-33.3%
Total Payments	$688,727	$734,883	-$46,156	-6.3%	$10,187,569	$10,541,498	-$353,929	-3.4%
Non-GRF Offsets	-$182,082	-$203,865	$21,783	-10.7%	-$2,815,148	-$2,885,167	$70,019	-2.4%
Total 600525 (net of offsets)	$506,645	$531,018	-$24,373	-4.6%	$7,372,421	$7,656,331	-$283,910	-3.7%
Medicare Part D (600526)	$0	$22,063	-$22,063	-100.0%	$173,855	$221,687	-$47,832	-21.6%
Total GRF	**$506,645**	**$553,081**	-$46,436	**-8.4%**	**$7,546,276**	**$7,878,018**	-$331,742	**-4.2%**
Total All Funds	**$688,727**	**$756,946**	-$68,219	**-9.0%**	**$10,361,424**	**$10,763,185**	-$401,761	**-3.7%**

Sources: Actuals based on OAKS reports run on May 7, 2010
Estimates from the Ohio Department of Job and Family Services

ICFs/MR - Intermediate Care Facilities for the Mentally Retarded
ODJFS - Ohio Department of Job and Family Services
MCP - Managed Care Plan
DA Medical - Disability Medical Assistance

EXPENDITURES

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

Overview

Tables 3 and 4 show GRF uses for the month of April and for FY 2010 through April, respectively. GRF uses consist primarily of program expenditures but also include transfers out. For April, GRF uses of $1.94 billion were $556.9 million (22.3%) below the estimate released by the Office of Budget and Management (OBM) in September 2009. Through April, FY 2010 GRF uses of $21.74 billion were $684.6 million (3.1%) below estimate. Year-to-date GRF program expenditures totaled $20.71 billion, which was $742.2 million (3.5%) below estimate. This negative variance was partially offset by a positive variance of $57.6 million (5.9%) in transfers out, which totaled $1.03 billion for the first ten months of FY 2010.

For the first ten months of FY 2010, GRF uses were $684.6 million below estimate.

Public Assistance and Medicaid had the largest year-to-date negative variance at $367.2 million, followed by Primary, Secondary, and Other Education ($135.7 million), Tax Relief and Other ($123.0 million), Debt Service ($64.9 million), and Justice and Public Protection ($59.2 million). Together, these five program categories posted a combined negative year-to-date variance of $750.1 million. The variances in each of these five program categories are briefly discussed below.

Public Assistance and Medicaid

Through April, GRF expenditures for Public Assistance and Medicaid were $367.2 million (4.2%) below estimate, of which $331.7 million occurred in Medicaid. Year-to-date GRF expenditures for Medicaid totaled $7.55 billion, which accounts for 91.1% of the $8.28 billion year-to-date expenditures for Public Assistance and Medicaid. Table 5 details Medicaid expenditures by service category.

GRF Medicaid expenditures were $331.7 million below their year-to-date estimate.

As seen from Table 5, expenditures were below their year-to-date estimates for all Medicaid service categories except Outpatient Hospitals, which had a small positive variance of $1.5 million. Thus far, the actual per person overall costs for providing Medicaid services were lower than the amounts used in the OBM estimate. Through February 2010, the latest month for which the data are currently available, average monthly Medicaid caseloads were approximately 11,680 (0.6%) below estimate. Categories with significant negative variances include Prescription Drugs ($110.8 million), Managed Care Plans ($72.7 million), Nursing Facilities ($59.3 million), and Medicare Part D ($47.8 million).

> Timing is the key contributing factor to the negative variances in the Primary, Secondary, and Other Education and Tax Relief and Other program categories.

Primary, Secondary, and Other Education

GRF expenditures for the Primary, Secondary, and Other Education program category totaled $5.80 billion through April, which was $135.7 million (2.3%) below estimate. This year-to-date negative variance was entirely due to a negative variance of $252.6 million (31.1%) in April. The April variance was primarily due to a timing issue regarding school foundation payments. The first of the bi-monthly foundation payments for the month of May was disbursed on May 7. The first payment was recorded as May expenditures in the state accounting system. The OBM estimate assumed the first payment would have to be booked into the accounting system at the end of April in order for the payment to be disbursed in early May. According to the April payment reports calculated by the Department of Education, FY 2010 foundation payments will total $6.81 billion for schools, which is largely on par with the estimates used for making appropriations in H.B. 1.

Tax Relief and Other

Expenditures for the Tax Relief and Other program categories were $123.0 million (9.3%) below estimate for the first ten months of FY 2010, which was largely due to the $192.0 million (44.7%) negative variance in April. Timing issues delayed the second half of property tax relief reimbursements. Approximately 44 counties were paid their February tax settlement reimbursements, and the remaining counties will be paid in May and June.

Debt Service

Expenditures for the Debt Service program category were $64.9 million (15.0%) below their year-to-date estimate, of which $43.3 million occurred in the month of April. Debt service expenditures for the Board of Regents and the Department of Development were below estimates by $37.2 million and $6.1 million, respectively, in April.

Justice and Public Protection

Through April, expenditures for the Justice and Public Protection program category were $59.2 million (3.4%) below estimate. Of this amount, the Department of Rehabilitation and Correction (DRC) and the Department of Youth Services account for $47.7 million and $10.4 million, respectively. As reported in prior issues of *Budget Footnotes*, DRC's expenditures for inmate medical and mental health services have been below their year-to-date estimates.

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

ISSUE UPDATES

Controlling Board Approves Construction Reform Demonstration Projects

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

On April 5, the Controlling Board approved the plan for three construction reform demonstration projects mandated in H.B. 318 of the 128th General Assembly. H.B. 318 requires the Chancellor of the Board of Regents to choose three capital construction projects that meet various criteria to use alternative methods of construction delivery. Generally, state-funded capital projects must award multiple prime contracts. This means that the state agency or institution contracts directly with providers of each major service, such as design, electrical, plumbing, construction, etc. H.B. 318 notwithstands the multiple prime requirement for the three demonstration projects, permitting them to use one or more of the following alternative methods: Construction Manager at Risk, Design Build, Design Assist, and General Contracting. These alternative methods reduce the number of contracts required for a project. The following table lists the three projects selected by the Chancellor and approved by the Controlling Board.

Construction Reform Demonstration Projects				
Institution	**Project Name**	**Phase Cost**	**State Cost**	**Type of Contract**
Central State University	Emery Hall Preservation and Restoration – Phase IV	$1.75 million	None	Construction Manager at Risk
University of Toledo	Bowman – Oddy Laboratories Building	$7.9 million	$2.0 million	Construction Manager at Risk
Ohio State University	ProjectONE – Core Phases	$658.3 million	None	Construction Manager at Risk, Design Assist

As can be seen from the table, all three projects will use Construction Manager at Risk, which is a delivery method that often entails a commitment by the construction manager to deliver the project within a guaranteed maximum price. The Ohio State University project will also use Design Assist, which involves early participation of the contractor in design and is seen as a formal process for architect-contractor collaboration. The three projects are expected to have their contracts bid before the end of FY 2010 and will require no state funds in future capital funding cycles. The Central State University and University of Toledo projects are to be completed in FY 2011 and FY 2012, respectively, and the Ohio State University project is expected to be completed by FY 2014. All projects must also meet requirements for Ohio's Encouraging Diversity, Growth, and Equity (EDGE) Program and the national Leadership in Energy and Environmental Design (LEED) Program.

Twenty-eight State Agencies Have Acquired Software Under Leveraged Enterprise Procurement Program

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

As of March 2010, 28 state agencies have procured approximately $1.16 million in computer software under the Leveraged Enterprise Purchase Program, a statewide IT procurement initiative created in H.B. 1. According to the Department of Administrative Services (DAS), the cost that agencies would have incurred to acquire this software independently would have been approximately $1.54 million. Taking into account the actual cost paid for the software under the new program, this equates to savings of slightly more than $380,000, or approximately 24.7%, on purchases made to date.

Under the Leveraged Enterprise Purchase Program, DAS gathers orders from state agencies for IT products, negotiates a price with vendors, invoices state agencies for the cost, and remits these amounts to the selected vendors. The program is operated jointly by the Office of Information Technology and the Office of Procurement Services within DAS. The Office of Information Technology ensures that the products meet agency specifications while the Office of Procurement Services negotiates the price and other details of the purchases. The first software purchase under the program was made in October 2009. As the program evolves, it will be expanded to include the acquisition of computer hardware.

Department of Development Increases Low-Interest Loans Awarded to Minority Businesses in FY 2010

—Brian Hoffmeister, Budget Analyst, 614-644-0089

Through March 2010, the Ohio Department of Development (ODOD) has increased the annual amount of loans awarded under the Minority Business Enterprise (MBE) Loan Program to $3.6 million from $595,000 for all of FY 2009. The MBE Loan Program offers low-interest loans to state-certified minority business enterprises for costs associated with land and real estate acquisition, new construction, renovations, and the purchase of machinery and equipment. Historically, the MBE Loan Program has seen a lower level of activity than ODOD's other business-related financial incentive programs. One of ODOD's strategic goals for the current biennium is to increase participation in the program.

To support increased loan activity, on April 19, 2010, the Controlling Board approved an appropriation increase for FY 2010 in line item 195646, Minority Business Enterprise Loan. This increase of $816,955 is in addition to an appropriation increase of $3.0 million approved by the Controlling Board in August 2009. Together, these increases bring the total appropriation for the MBE Loan Program for FY 2010 to

$5.3 million, up from the $1.5 million originally appropriated in H.B. 1. The $3.6 million in loans approved thus far are dominated by a $2.0 million loan to Anderson and DuBose, Inc. for a warehouse project in Warren. Additional MBE loan awards are anticipated in the last quarter of FY 2010. The program is mainly funded by loan principal and interest repayments deposited into the Minority Business Enterprise Loan Fund (Fund 4W10). The fund has been able to support increased loan activity because of a cash balance of approximately $6 million that accrued from loan repayments collected prior to calendar year 1995, when the program was shifted from the GRF to Fund 4W10.

Prison Brunch Increases Food Consumption but Still Expected to Produce Savings

—Joseph Rogers, Senior Budget Analyst, 614-644-9099

Although a new prison brunch program implemented by the Department of Rehabilitation and Correction (DRC) has increased inmate food consumption, DRC still expects net savings from the program. The program, which began in August 2009, provides two, instead of three, meals a day on weekends and state-recognized holidays at all correctional institutions. The separate breakfast and lunch meal services offered during the week are replaced by a brunch on weekends and holidays. Thus far, the result has been that more inmates are showing up for meals and consuming more food on brunch days than was the case when DRC offered separate meals for breakfast and lunch. Although this has increased the amount and, therefore, the total cost of food purchased by DRC, the brunch program has allowed DRC to utilize fewer food service workers on the weekends and holidays. It has also reduced the costs associated with utilities, paper products, and other supplies needed to operate the inmate food service program. Overall, DRC expects a net savings of around $1 million per year from the brunch program, primarily from the reduction in personnel costs. DRC's FY 2010 total budget for inmate food service operations is $83.0 million, of which about $34.4 million, or 41.5%, is allocated for personnel costs.

The creation of the brunch program stemmed from DRC's review of food service operations that revealed a majority of inmates chose to skip weekend and holiday breakfast and wait for the lunch meal service. Only about one-third of the inmates were eating breakfast on the weekends, and at times, as few as 15% of the inmate population was eating breakfast on any given day.

FY 2010 Lottery Profits Transfers on Track

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

Through March, the Ohio Lottery has transferred $533.8 million to the Lottery Profits Education Fund (Fund 7017) used by the Department of Education, which is $9.5 million above estimate. Year-to-date transfers were about 29% of total ticket sales of $1.85 billion. With one quarter left in the fiscal year, recent sales trends suggest the Ohio Lottery is likely to achieve budgeted transfers of $705 million for FY 2010. In FY 2009, transfers fell $38.6 million below expectations due largely to poor Keno sales.

On April 17th, Ohio became the 42nd state to sell Powerball, a multistate game. The introduction of Powerball will reduce sales of other games, including Mega Millions, another multistate game that was added in May 2002. However, the Ohio Lottery expects net sales gains of $30 million to $35 million per year across all games, depending on the level of jackpots of either multistate game, and an increase in net profits of about $10 million per year.

Through March, instant ticket sales of $1.02 billion were $4.6 million above sales in the corresponding period of FY 2009. Online[8] ticket sales of $0.83 billion were up $30.8 million, powered by increases of $31.1 million and $14.3 million, respectively, in Mega Millions and Keno sales. Higher Mega Millions sales this year were likely due to larger jackpots. Keno sales, though higher than in FY 2009, were still below estimates by about 27%. Sales of those two games have more than offset weaknesses in other games. The table below provides ticket sales for online games through March.

Online Lottery Ticket Sales Through March ($ in millions)										
	Pick 3	Pick 4	Rolling Cash 5	Kicker	Raffles to Riches	Classic Lotto	Mega Millions	E-Z Play	TEN-OH	KENO
FY 2010	$275.4	$150.6	$49.4	$19.0	$9.1	$34.6	$172.0	$23.6	$7.4	$86.1
FY 2009	$286.8	$155.1	$50.9	$15.7	$9.3	$29.8	$140.9	$28.0	$8.1	$71.8
$ Change	-$11.4	-$4.5	-$1.5	$3.2	-$0.1	$4.7	$31.1	-$4.4	-$0.7	$14.3
% Change	(4.0%)	(2.9%)	(2.9%)	20.4%	(1.4%)	15.9%	22.0%	(15.6%)	(8.5%)	19.9%

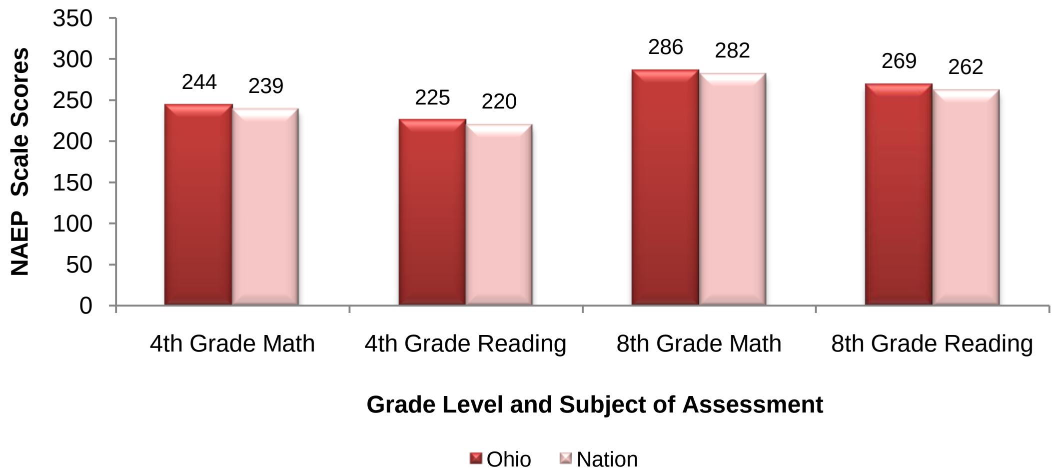
[8] These online games are played via a terminal at a Lottery sales agent. Those terminals are linked to Ohio Lottery headquarters computers. Online games do not refer to "Internet" lottery sales.

Ohio Students Continue to Score above the National Average on NAEP

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

Recently released scores from the 2009 National Assessment of Educational Progress (NAEP) show Ohio students continuing to score above the national average, although Ohio's scores have been stagnant over the last two years. NAEP assessments are given biennially in reading and mathematics in grades 4 and 8. The 2009 Ohio and national average scale scores[9] are shown in the chart below. Ohio's 2009 average scale scores on each of the four assessments are not significantly different than Ohio's 2007 scale scores.

NAEP Scale Scores, Ohio and Nation, 2009



NAEP is the only nationally representative assessment measuring primary and secondary student progress. The federal No Child Left Behind (NCLB) legislation mandates that all states receiving Title I funding participate in the NAEP assessments. A representative sample of schools and districts from each state is chosen for participation each time the assessments are administered. H.B. 1 requires participation from each Ohio school and school district selected in the sample. The Ohio Department of Education receives a grant from the National Center for Education Statistics, which is an arm of the U.S. Department of Education, to fund an NAEP state coordinator to provide technical assistance on the collection of data and to fund other data collection tasks associated with NAEP. An appropriation of $300,000 in each of fiscal years 2010 and 2011 is provided for this purpose in Fund 5U20, appropriation item 200685, National Education Statistics.

[9] A scale score is a conversion of a student's raw score on a test or a version of the test to a common scale that allows for numerical comparison between students.

School Health Services Advisory Council Issues Recommendations

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

In March, the School Health Services Advisory Council submitted to the Governor its recommendations on school nurses and school nurse wellness coordinators. H.B. 1 charged the Council with making recommendations on three topics. These topics and the Council's related recommendations are listed below:

1. The content of the course of instruction required to obtain a school nurse license under Section 3319.221 of the Revised Code.
    - No change in the licensure requirements for a school nurse;
    - Content of course instruction be guided by the *School Nurse Professional Pupil Services Licensure – Ohio Standards* developed by the Ohio School Nurse Licensure Taskforce and issued in January 2009.
2. The content of the course of instruction required to obtain a school nurse wellness coordinator license under Section 3319.221 of the Revised Code.
    - Licensure be implemented through an endorsement, requiring a currently valid school nurse license, three years of experience as a licensed practical nurse, completion of an approved preparation program that includes a practicum experience, and, beginning in January 2020, a master's degree;
    - Content of course instruction be guided by the *School Nurse Wellness Coordinator Endorsement – Ohio Standards* developed by the Council and issued as an appendix to the recommendations.
3. Best practices for the use of school nurses and school nurse wellness coordinators in providing for health and wellness programs for students and school employees.
    - School districts strive for a school nurse to student ratio of 1:750, with the ultimate goal of having one school nurse in every school;
    - School districts comply with R.C. 3313.68 by employing licensed school nurses to aid in the conduct and coordination of the school health service program or alternatively delegating this responsibility to the local Board of Health;
    - School districts strive to meet the goal of having at least one school nurse wellness coordinator in every school district.

The complete report is available at ODE's web site, www.ode.state.oh.us, search for "School Health Services Advisory Council Report."

Task Force Issues Recommendations to Upgrade and Operate MARCS

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

On April 1, 2010, the 17-member Multi-Agency Radio Communications System (MARCS) Task Force released its review of the organizational structure of, as well as the operational and capital funding options for the system. This review was required by H.B. 2 of the 128th General Assembly. As for the organizational structure, the Task Force recommends that MARCS remain within the Department of Administrative Services but certain changes be made to the composition of the MARCS Steering Committee. Regarding operational and capital funding options for MARCS, the Task Force makes the following five major recommendations: (1) upgrade the current MARCS platform, (2) eliminate MARCS user fees, (3) establish a MARCS back-up system, (4) leverage MARCS tower infrastructure to support broadband and other co-location projects, and (5) partner with large cities and counties that have "sophisticated communication systems in place."

The total estimated cost for upgrading the current MARCS platform is $205 million, which the Task Force recommends financing with the issuance of a revenue bond or a collection of $205 million from another revenue source. The MARCS infrastructure currently consists of 130 state-owned towers, 80 leased towers, over 47,000 radios, 75 computer-aided dispatch consoles, and close to 1,900 mobile data terminals (in-car computers).

The Task Force recommends eliminating user fees because it sees them as a "barrier to further state and local first responder participation." The user community consists of around 1,300 subscribing agencies, including 17 state agencies, more than 700 local and federal agencies, and other first responder and public safety agencies in the bordering counties of Michigan, Indiana, and West Virginia. User fees generate approximately $12 million annually, with about 8%, or $960,000, of that amount collected from local users. Although the Task Force does not propose a single plan for replacing user fees, it reviewed and notes the pros and cons of the following possible funding sources: (1) a monthly fee on wireless and landline phone lines, (2) an earmarked increase in the motor vehicle tax, (3) an increase in "sin taxes" (cigarettes, alcoholic beverages, liquor gallonage), (4) the possibility of federal grants, and (5) an increase in BMV-related fines and fees.

The full report is available at: www.das.ohio.gov→Divisions→Information Technology→MARCS Task Force Report.

Ohio Fails to Meet TANF Work Participation Rate

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

In February 2010, the federal Administration for Children and Families released federal fiscal year (FFY) 2008 work participation rates for families that receive cash assistance under Temporary Assistance for Needy Families (TANF). The data show that Ohio failed to meet the "all families" work requirement. As a result, the federal government has assessed Ohio with a penalty of $45.1 million.

This is the second consecutive year Ohio has failed to meet the all families work requirement. In FFY 2007, Ohio failed to meet both the all families and the "two-parent" families work requirements and was assessed a penalty of $32.8 million. Penalties are increased each subsequent year for failure to meet the work requirements. The penalties for FFY 2007 and FFY 2008 will be applied through a reduction in the state's TANF block grant[10] in FFY 2013 and FFY 2014 unless Ohio is granted exemptions due to the economic conditions during the years for which Ohio was penalized. If these exemptions are not granted, the state will have to replace the federal dollars lost through penalties with state money.

Generally, the TANF Program requires that 50% of all families and 90% of two-parent families that receive cash assistance participate in federally approved work activities. However, these required work participation rates are reduced if there is a decline in the state's cash assistance caseload compared to the base year, FFY 2005. Ohio's target and actual work participation rates for FFY 2007 and FFY 2008 are shown below.

TANF Work Participation Rates

	FFY 2007		FFY 2008	
	All Families	Two-Parent	All Families	Two-Parent
Target Rate	46.2	86.2	42.0	10.1
Actual Rate	23.7	29.3	24.5	27.9
Met Target	No	No	No	Yes

[10] Ohio's TANF block grant is $728 million annually.

$153.6 million Disbursed for TANF Earmarks in FY 2008-FY 2009 Biennium

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

In March 2010, the Ohio Department of Job and Family Services released finalized, and federally approved, data on the disbursement of $153.6 million of the $200.3 million earmarked for the 31 TANF initiatives funded in H.B. 119 of the 127th General Assembly. The $46.7 million remaining from the earmarks was used to help fund other programs for TANF-eligible families including cash assistance, noncash supports, and subsidized child care.

H.B. 119 TANF Earmarks, FY 2008-FY 2009 Biennium			
TANF Initiatives	**Funds Available**	**Funds Disbursed**	**Funds Remaining**
Home Energy Assistance Program	$60,000,000	$45,000,000	$15,000,000
Governor's Office of Faith Based & Community Initiatives	$26,000,000	$15,345,035	$10,654,965
Summer and After-School Programs	$20,000,000	$16,671,992	$3,328,008
Kinship Permanency Incentive Program	$20,000,000	$18,565,024	$1,434,976
Closing the Achievement Gap	$20,000,000	$15,319,849	$4,680,151
School Readiness Enrichment	$13,000,000	$9,500,000	$3,500,000
Adoption Promotion	$10,000,000	$7,823,943	$2,176,057
Independent Living Initiatives	$5,000,000	$3,728,999	$1,271,001
Ohio Alliance of Boys and Girls Clubs	$4,000,000	$3,985,143	$14,857
TANF Educational Awards Program	$4,000,000	$1,097,008	$2,902,992
Food Banks	$3,000,000	$3,000,000	$0
American Red Cross/Berea Children's Home	$2,063,000	$2,063,000	$0
Children's Hunger Alliance	$2,000,000	$1,917,067	$82,933
Accountability & Credibility Together	$2,000,000	$1,999,035	$965
WECO Home Program	$2,000,000	$1,020,043	$979,957
Economic & Community Development Institute	$1,300,000	$931,053	$368,947
Home Weatherization - Ohio Appalachian Development	$1,000,000	$986,132	$13,868
Big Brother Big Sisters	$1,000,000	$999,997	$3
Ohio Council of Urban Leagues	$1,000,000	$994,724	$5,276
Freestore Foodbank - BARIS Program	$800,000	$836,548	($36,548)
Center for Families & RapArt Youth Fellowship	$492,256	$460,473	$31,783
Parent Mentors (Department of Education)	$250,000	$223,187	$26,813
Chabad House	$250,000	$250,000	$0
A Cultural Exchange	$200,000	$113,847	$86,153
Talbert House	$200,000	$169,559	$30,441
American Academy of Pediatrics	$200,000	$188,300	$11,700

H.B. 119 TANF Earmarks, FY 2008-FY 2009 Biennium			
TANF Initiatives	**Funds Available**	**Funds Disbursed**	**Funds Remaining**
Court Clinic of Forensic Services	$200,000	$171,034	$28,966
Butler County Success Plan	$100,000	$100,000	$0
Providence House	$100,000	$85,500	$14,500
Early Childhood Education Pilot	$100,000	$46,946	$53,054
Family Service of the Cincinnati Area	$50,000	$24,518	$25,482
Total	**$200,305,256**	**$153,617,956**	**$46,687,300**

The organizations that implemented the initiatives listed above received their earmarked funds in the form of reimbursement for allowable expenditures. For expenditures to be considered allowable, they must relate to at least one of the four purposes of TANF, which are:

1. Assisting needy families so that children can be cared for in their own homes;
2. Reducing the dependency of needy parents by promoting job preparation, work, and marriage;
3. Preventing out-of-wedlock pregnancies; and
4. Encouraging the formation and maintenance of two-parent families.

TRACKING THE ECONOMY

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

Overview

The national economy continues to recover from the 2007-2009 recession. Financial markets remain on edge, notably about heavy sovereign debts of Greece and some other European economies. U.S. gross domestic product, adjusted for inflation (real GDP), rose at a 3.2% annual rate in this year's first quarter, the third consecutive quarter of expansion. Employment nationwide posted back-to-back sizable gains in March and April, but unemployment remains high, at 9.9% of the labor force last month. Factory production and shipments rose in March, and reports from purchasing managers indicate that activity continued to grow in April in manufacturing as well as other segments of the economy. Personal income and consumer spending rose in March, but initial reports on sales of large retail chains and on light motor vehicle sales in April indicate some slowing. Housing starts and sales rose in March, at least in part as a result of federal tax credits.

The national economy continues to recover.

Inflation at the finished goods and services level remains restrained, but commodity prices have risen substantially from recession levels. Pay increases continue to be very muted.

Employment in Ohio increased from February to March, from the lowest level since 1993. Unemployment statewide rose to 11% of the labor force, the highest statewide unemployment rate since 1983.

The Federal Reserve kept its policy interest rate unchanged last month at zero to 0.25%. In announcing this decision, the central bank's Open Market Committee reiterated its expectation that "exceptionally low levels" for the federal funds rate would be warranted "for an extended period." All but one of the special arrangements that the central bank made for injecting liquidity into U.S. financial markets during the recession have been closed, and the facility offering loans backed by commercial mortgage-backed securities will end June 30. In response to stresses in U.S. dollar short-term funding markets in Europe, the Federal Reserve on May 9 re-established temporary arrangements with four other central banks to facilitate provision of liquidity by those banks.

Most economies around the world are recovering from the downturn in 2008 and 2009. An International Monetary Fund (IMF) forecast for the world economy projects 4.2% growth in world output in

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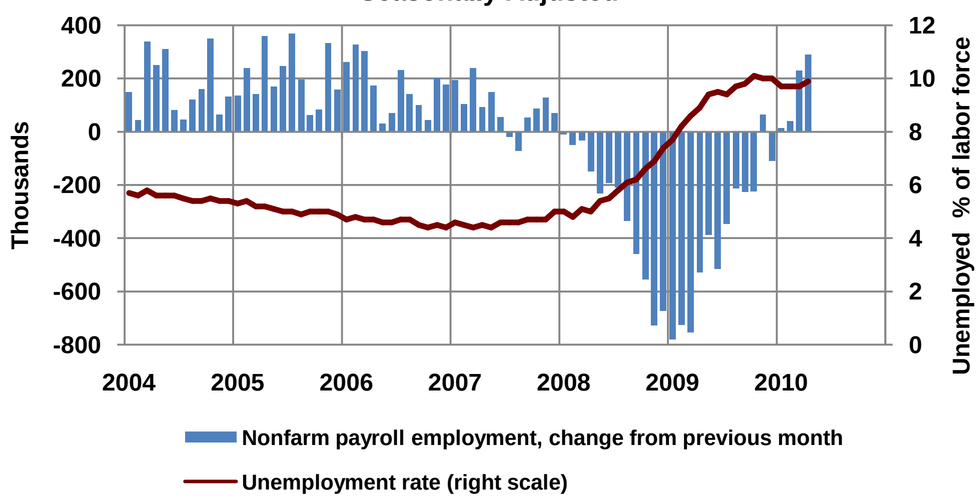
2010, revised upward by 1 percentage point from that organization's projection six months earlier.[11] The U.S. economy is projected to expand 3.1% in 2010, while most other large advanced economies are expected to grow more slowly than this, and some smaller European economies are expected to contract again this year. Less developed economies are, in most cases, seen growing more rapidly than the advanced economies. In 2011, the IMF anticipates world output growing 4.3%, with U.S. output growing 2.6%. The forecast reflects an expectation that damage to financial institutions and household balance sheets will continue to restrain growth.

The National Economy

Employment and Unemployment

Total nonfarm payroll employment nationwide rose 290,000 in April, the largest monthly gain since 2006, following an upward-revised gain of 230,000 in March. The number of people actively looking for work rose sharply in April, increasing the U.S. unemployment rate to 9.9% in April from 9.7% in January through March. The peak national unemployment rate for this cycle was 10.1% last October. The increase in payroll employment in April included 66,000 temporary workers hired for the decennial census. Private sector employment rose 231,000, including increases in manufacturing, professional and business services, health care, and leisure and hospitality. State and local government employment fell 6,000. Since the business cycle low in December, total

Chart 1: U.S. Employment and Unemployment Seasonally Adjusted



[11] International Monetary Fund, *World Economic Outlook: Rebalancing Growth*, April 2010.

nonfarm payroll employment has increased 573,000, including 483,000 private sector jobs. The 15.3 million persons unemployed in April included 6.7 million out of work for more than six months.

Production, Shipments, and Inventories

First quarter growth of real GDP, the broadest measure of national economic activity, reflected increases in consumer spending, business investment in equipment and software, federal outlays, and exports. Businesses added to inventories, after slashing them during the recession. Declines continued in investment in nonresidential structures. Residential fixed investment shrank after growing in last year's second half. State and local government spending fell. Imports continued to grow, after falling through last year's second quarter.

Total industrial production has risen every month since its recession low in June 2009.

Total industrial production rose only 0.1% in March as above normal temperatures for the month, after a cold February, sharply reduced demand for utility output (12% of the index). Total industrial production has risen every month since its recession low in June 2009. Manufacturing production rose 0.9% in March, and was 4.6% higher than a year earlier. Gains were reported for March and for the year's first quarter in both durable and nondurable goods manufacturing, the third consecutive quarterly increase for both of these sectors. Mining output rose in March.

The dollar value of manufacturers' shipments rose 2.2% in March, the seventh consecutive monthly increase. New orders rose 1.3% and increased in 11 of the past 12 months, but durable goods new orders fell 0.6% in March.[12] Factory inventories rose 0.3%, and increased in five of the last six months. Backlogs of unfilled orders fell 0.1% in March, but increased 1.0% excluding a large drop in unfilled orders for transportation equipment (aircraft orders are subject to wide swings from month to month).

Expansion in manufacturing continued in April, as indicated by the Institute for Supply Management's monthly survey of factory purchasing managers. Those reporting growth at their companies in production, new orders, and order backlogs outnumbered those reporting contraction. A seasonally adjusted index based on survey responses for production activity was at its highest level since 2004, and the new orders

[12] For nondurable goods, manufacturers' new orders as well as shipments rose 2.9% in March. The U.S. Census Bureau's data for nondurable goods manufacturers show new orders equal to shipments, and do not record unfilled orders.

index was at a high level. Increases in prices paid were the most widespread since July 2008. A comparable survey of purchasing managers for nonmanufacturing organizations showed growth in April in business activity and new orders, but contraction in order backlogs, accompanied by widespread increases in prices paid.

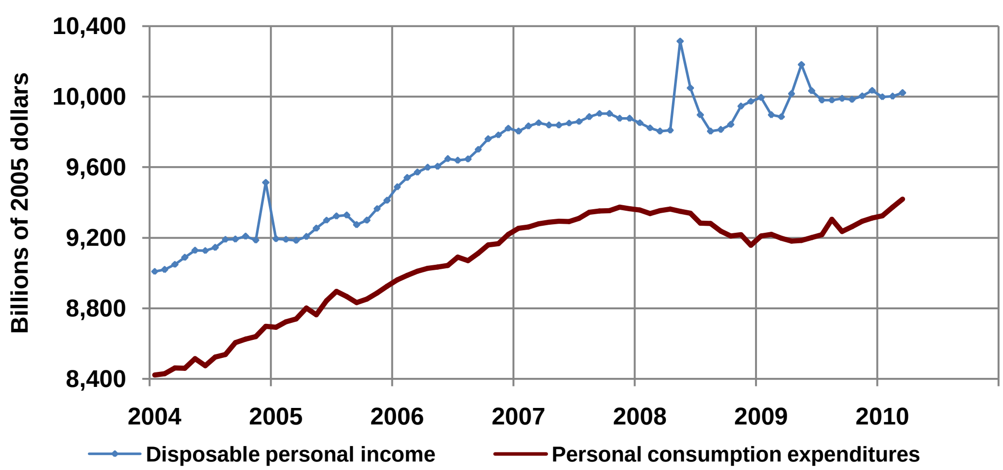
Business sales (manufacturers, wholesalers, and retailers), adjusted for inflation, rose 0.8% in February and have increased 4.2% from the business cycle low point in June 2009. Inventories of business, also adjusted for inflation, have risen in most months since September, and are estimated to have increased in February at the most rapid rate since 2006.

Personal income rose in March for the eighth consecutive month, and consumer spending rose for the sixth consecutive month.

Consumer Spending

Personal income rose in March for the eighth consecutive month, and consumer spending rose for the sixth consecutive month as outlays for durable goods increased sharply. Disposable (after tax) personal income and consumer spending for goods and services, adjusted for inflation, are shown in Chart 2.[13] Consumer spending has increased 2.9% since the low point in December 2008, and 2.0% since September of last year, adjusted for inflation, and disposable personal income has increased 2.2% since its low point in August 2008. The increase in disposable income since then is mainly a result of lower taxes and higher transfer payments. Total income from other sources declined through September 2009, then edged up in late 2009. Employee compensation, the largest component of personal income, began to grow this year.

Chart 2: Consumer Income and Spending



[13] Consumer spending shown here does not include some personal outlays, for nonmortgage interest, fees and fines paid to the government, and transfers to foreigners.

Retail sales rose strongly in March, increasing 1.6%, after a 0.5% rise in February. Higher motor vehicle sales accounted for a large part of last month's increase, but sales rose at most other types of stores, in March and in the first quarter.

In April, U.S. sales of cars and light trucks were at an 11.2 million unit seasonally adjusted annual rate, down from an 11.8 million unit rate in March. Sales of light motor vehicles in the first four months of calendar year 2010 were 17% higher than a year earlier, when spending was depressed during the recession. But the pace of sales remains well short of levels in earlier years. Light motor vehicle sales in the U.S. exceeded 15 million units every year from 1996 through 2007.

Housing construction remains far below levels in 2006 and before.

Sales at large retailers in April, on a same-store basis, were 0.5% higher than a year earlier, in a compilation of reports from 28 retail chains by Thomson Reuters, reported by Reuters news service. Comparisons on a same-store basis include only sales at store locations open in both the current and year-earlier month. The increase in April was the eighth consecutive monthly rise, following declines in the recession. April's weak performance, after a large year-over-year sales increase in March, was attributed to an early Easter this year. These figures do not include WalMart, the largest retailer, which no longer reports results monthly.

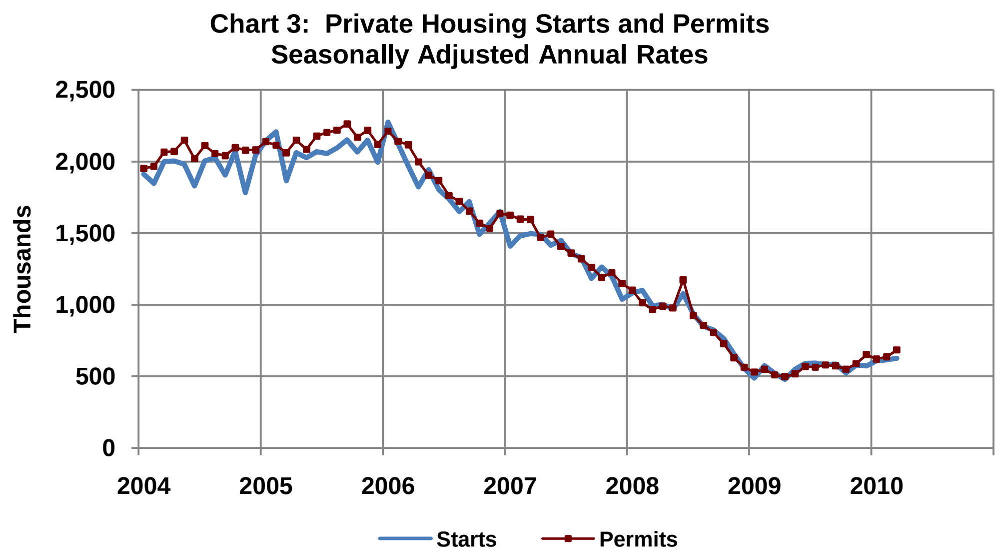
Consumer credit outstanding, excluding obligations backed by real estate, grew in the first quarter after shrinking 4.4% in 2009. Revolving credit, mostly credit cards, continued to contract through March.

Construction and Real Estate

Housing starts in March rose 2% to the highest rate since late 2008. Permits for new housing construction rose 8%, also reaching the highest rate since 2008. Housing construction remains far below levels in 2006 and before. The modest upturn in housing starts and permits is shown in Chart 3.

New home sales jumped 27% in March. Sales in February were the lowest in the history of this series, which begins in 1963. The new home sales figures represent signed contracts for transactions, and were likely boosted in March by the current federal program of tax credits for home purchases, for which the deadline to be in contract in order to qualify for the credit was April 30. The pace of new home sales in March was the highest since July 2009, and before that since September 2008 and earlier, but less than one-third of sales in peak year 2005.

Construction spending rose in March after trending downward for nearly four years.



Sales of homes reported by the National Association of Realtors (NAR) rose 7% in March, attributed in part to the homebuyer tax credit. These numbers from NAR represent transactions that have closed. The deadline for otherwise qualified buyers to close on their purchases is June 30 to satisfy the requirement for the federal tax credit. Listings of homes for sale at the end of March were below the year-earlier number for the twentieth consecutive month, and 22% below the record level in July 2008. The median home price nationwide in March was $170,700, 0.4% higher than a year earlier. Prices continue to be held down by sales of houses in foreclosure and other distressed sales. A separate series from NAR on pending home sales, an index of contracts entered into that leads closings, rose 5% in March after increasing 8% in February.

The total value of construction spending rose 0.2% in March, seasonally adjusted, after trending downward for nearly four years. The upturn was in public construction. Private residential construction put in place fell 1.1% in March, and has trended lower after a brief recovery in last year's second half. Private nonresidential construction activity declined 0.7% in March, and has trended lower since October 2008. Public construction spending rose 2.3% in March, but this followed seven consecutive months of declines. The largest increases in public construction outlays in March were in transportation, power, and highway and street projects.

Inflation

The consumer price index (CPI) rose 0.1% in March. The index was 2.3% higher in March than a year earlier. Much of the rise from February to March resulted from higher prices for fresh fruits and vegetables. Excluding food and energy prices, the CPI was unchanged in

March, and was 1.1% higher than in March 2009, the smallest year-over-year rise in this index since 2004.

The producer price index (PPI) for finished goods rose 0.7% in March, and the index level was 6.0% higher than in March 2009. However, excluding food and energy prices, the PPI for finished goods was only 0.9% higher than in March 2009. At earlier stages in the production and distribution process, the PPI for intermediate goods was 7.7% higher in March than a year earlier (4.0% higher excluding food and energy). The PPI for crude materials was 33% higher than in March 2009 (45% higher excluding food and energy).

Pay increases nationwide remain modest.

Pay increases nationwide remained modest on average through the first quarter, as measured by the Employment Cost Index from the U.S. Bureau of Labor Statistics (BLS). Wage and salary rates of workers in private industry plus state and local governments rose 1.5% in the 12 months ending in March. Including the employer cost of benefits, total compensation per hour worked in private industry plus state and local governments rose 1.7% in the latest 12 months. This is up slightly from a 1.5% increase in the 12 months to December, due in part to higher health and retirement benefit costs.

Another BLS measure of inflationary pressures shows continued declines in this year's first quarter in the cost to business for the labor to produce a unit of output. Productivity (output per hour) in nonfarm business rose at a 3.6% annual rate in the first quarter, after increasing 3.7% in 2009. Average hourly compensation, including pay and benefits, rose at a 1.9% annual rate in both periods. With productivity gains outpacing compensation increases, the average cost of the labor to produce a unit of output (unit labor costs) fell at a 1.6% annual rate in the first quarter, after declining 1.7% in 2009.

The Ohio Economy

Ohio total nonfarm payroll employment rose 4,900 (0.1%) in March. Total employment in February, about 5 million jobs, was at its lowest level since 1993. From February to March, employment rose 2,900 in manufacturing, 500 in construction, and 1,500 in the service sector. Unemployment in Ohio rose to 11.0% of the labor force in March, the highest statewide unemployment rate since 1983. Month-to-month changes in Ohio payroll employment, and the unemployment rate, are shown in Chart 4.

The Ohio Association of Realtors reported that in the first three months of 2010, the number of homes sold in Ohio was 4% higher than a year earlier. In March, unit sales were 15% higher, probably boosted by

Ohio total nonfarm payroll employment rose in March. Unemployment in Ohio rose to 11.0% of the labor force, highest since 1983.

the federal tax credit expiring in June. The average price of homes sold in Ohio in the first quarter was about $124,000, 13% higher than in January through March 2009.

Chart 4: Ohio Employment and Unemployment Seasonally Adjusted