Budget Footnotes

A NEWSLETTER OF THE OHIO LEGISLATIVE SERVICE COMMISSION NOVEMBER 2009

STATUS OF THE GRF

HIGHLIGHTS

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

The national economy expanded in the third quarter at a surprisingly robust 3.5% annual rate. A number of other economic indicators are also pointing toward renewed expansion, but labor market indicators remain negative, with U.S. unemployment reaching 10.2% in October.

GRF revenues have been quite close to estimates so far in FY 2010. Year-to-date tax revenues are 0.4% above estimate, and year-to-date total GRF sources are 0.2% below estimate. The corresponding receipts for October, though, were both below estimate by 1.4% ($18.4 million) and 1.6% ($33.7 million), respectively.

Through October 2009, GRF sources totaled $7.93 billion:

- Revenue from the personal income tax was $50.5 million (2.3%) above estimate;
- Nonauto sales and use tax receipts were $30.3 million (1.5%) below estimate.

Through October 2009, GRF uses totaled $10.54 billion:

- Program expenditures were $97.9 million (1.0%) above estimate, due primarily to positive variances in Primary, Secondary, and Other Education ($188.8 million) and Tax Relief and Other ($180.7 million).

VOLUME 33, NUMBER 3

STATUS OF THE GRF

ISSUE UPDATES

TRACKING THE ECONOMY

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Table 1: General Revenue Fund Sources
Preliminary Actual vs. Estimate
Month of October 2009
($ in thousands)
(Actual based on report run in OAKS Actuals Ledger on November 9, 2009)

	Actual	Estimate*	Variance	Percent
STATE SOURCES				
TAX REVENUE				
Auto Sales	$62,275	$70,620	-$8,345	-11.8%
Nonauto Sales and Use	$483,389	$491,524	-$8,135	-1.7%
Total Sales and Use Taxes	$545,664	$562,144	-$16,480	-2.9%
Personal Income	$546,224	$540,200	$6,024	1.1%
Corporate Franchise	-$5,000	$3,000	-$8,000	-266.7%
Public Utility	$1,923	$1,755	$167	9.5%
Kilowatt Hour Excise	$12,925	$15,132	-$2,207	-14.6%
Commercial Activity Tax**	$0	$0	$0	---
Foreign Insurance	$128,704	$124,661	$4,044	3.2%
Domestic Insurance	$1,240	$116	$1,125	970.3%
Business and Property	$4	$95	-$91	-95.4%
Cigarette	$80,307	$72,837	$7,470	10.3%
Alcoholic Beverage	$4,689	$5,192	-$502	-9.7%
Liquor Gallonage	$2,928	$2,806	$122	4.4%
Estate	$7,806	$17,900	-$10,094	-56.4%
Total Tax Revenue	**$1,327,415**	**$1,345,837**	**-$18,422**	**-1.4%**
NONTAX REVENUE				
Earnings on Investments	$11,580	$18,500	-$6,920	-37.4%
Licenses and Fees	$5,452	$5,210	$242	4.7%
Other Revenue	$14,799	$5,800	$8,999	155.2%
Total Nontax Revenue	**$31,831**	**$29,510**	**$2,321**	**7.9%**
TRANSFERS				
Liquor Transfers	$15,000	$12,000	$3,000	25.0%
Budget Stabilization	$0	$0	$0	---
Other Transfers In	$1,373	$0	$1,373	---
Total Transfers In	**$16,373**	**$12,000**	**$4,373**	**36.4%**
TOTAL STATE SOURCES	**$1,375,620**	**$1,387,347**	**-$11,728**	**-0.8%**
Federal Grants	$728,763	$750,771	-$22,008	-2.9%
TOTAL GRF SOURCES	**$2,104,383**	**$2,138,118**	**-$33,735**	**-1.6%**

* Tax estimates of the Office of Budget and Management released August 2009.
**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 October 31, 2009
($ in thousands)
(Actual based on report run in OAKS Actuals Ledger on November 9, 2009)

	Actual	Estimate*	Variance	Percent	FY 2009	Percent Change
STATE SOURCES						
TAX REVENUE						
Auto Sales	$324,870	$312,981	$11,889	3.8%	$338,189	-3.9%
Nonauto Sales and Use	$1,963,677	$1,993,947	-$30,271	-1.5%	$2,170,067	-9.5%
Total Sales and Use Taxes	$2,288,547	$2,306,929	-$18,381	-0.8%	$2,508,256	-8.8%
Personal Income	$2,269,844	$2,219,300	$50,544	2.3%	$2,653,220	-14.4%
Corporate Franchise	-$8,639	-$6,039	-$2,600	43.1%	$46,293	-118.7%
Public Utility	$36,048	$48,077	-$12,029	-25.0%	$49,265	-26.8%
Kilowatt Hour Excise	$54,765	$62,812	-$8,048	-12.8%	$48,577	12.7%
Commercial Activity Tax**	$0	$0	$0	---	$0	---
Foreign Insurance	$132,816	$128,973	$3,843	3.0%	$128,553	3.3%
Domestic Insurance	$1,402	-$704	$2,106	-299.2%	$7,744	-81.9%
Business and Property	$106	$382	-$276	-72.3%	$321	-67.0%
Cigarette	$260,939	$241,601	$19,339	8.0%	$274,925	-5.1%
Alcoholic Beverage	$19,612	$20,360	-$747	-3.7%	$20,058	-2.2%
Liquor Gallonage	$12,177	$12,024	$153	1.3%	$11,917	2.2%
Estate	$9,465	$22,303	-$12,838	-57.6%	$23,404	-59.6%
Total Tax Revenue	**$5,077,082**	**$5,056,016**	**$21,065**	**0.4%**	**$5,772,534**	**-12.0%**
NONTAX REVENUE						
Earnings on Investments	$11,602	$18,500	-$6,898	-37.3%	$51,374	-77.4%
Licenses and Fees	$19,509	$19,821	-$312	-1.6%	$19,266	1.3%
Other Revenue	$24,341	$20,053	$4,289	21.4%	$21,730	12.0%
Total Nontax Revenue	**$55,452**	**$58,374**	**-$2,922**	**-5.0%**	**$92,370**	**-40.0%**
TRANSFERS						
Liquor Transfers	$57,000	$50,000	$7,000	14.0%	$57,000	0.0%
Budget Stabilization	$0	$0	$0	---	$0	---
Other Transfers In	$19,946	37,664	-$17,718	-47.0%	$5,681	251.1%
Total Transfers In	**$76,946**	**$87,664**	**-$10,718**	**-12.2%**	**$62,681**	**22.8%**
TOTAL STATE SOURCES	**$5,209,480**	**$5,202,054**	**$7,425**	**0.1%**	**$5,927,585**	**-12.1%**
Federal Grants	$2,725,125	$2,750,936	-$25,810	-0.9%	$2,386,152	14.2%
TOTAL GRF SOURCES	**$7,934,605**	**$7,952,990**	**-$18,386**	**-0.2%**	**$8,313,737**	**-4.6%**

* Tax estimates of the Office of Budget and Management released August 2009.

**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

October GRF sources were $33.7 million below estimate.

Through the first four months of FY 2010, GRF revenues are tracking very close to estimate. GRF tax revenues are 0.4% above estimate for the year, while total GRF sources are just 0.2% below estimate. For the first time this fiscal year, though, year-to-date total GRF sources have fallen below the estimate made by the Office of Budget and Management. October's performance turned the positive variance of $15.3 million through the first quarter of FY 2010 into a negative one of $18.4 million. Total GRF sources of $2.10 billion in October 2009 were $33.7 million below expectation, primarily due to a shortfall of $22.0 million in federal grants. Tables 1 and 2 show GRF sources for the month of October and for FY 2010 through October, 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 service programs that receive federal funding.[1]

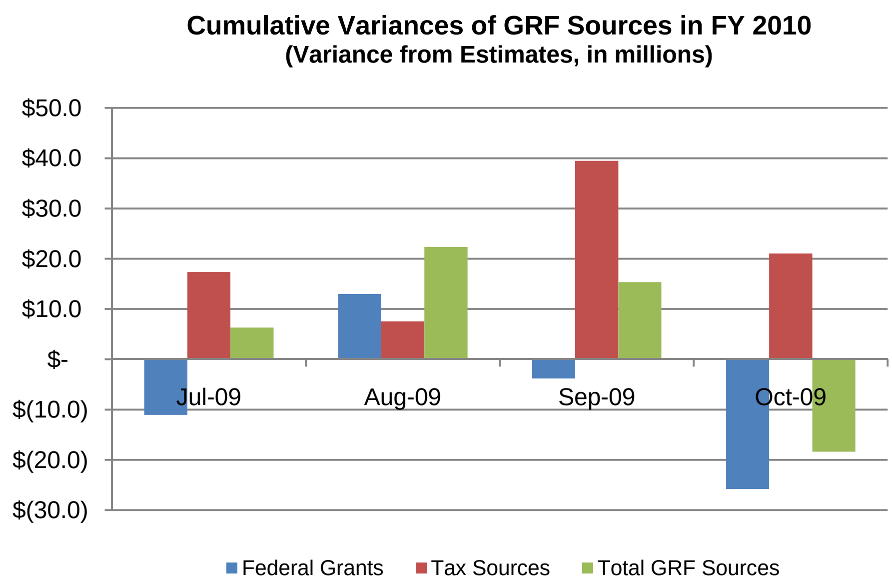
Year-to-date GRF tax revenues were $21.1 million above estimate and $695.5 million below FY 2009 receipts.

GRF tax sources of $1.33 billion were $18.4 million below estimate in October, due to a shortfall of $16.5 million in sales and use tax revenues. The cigarette tax and the personal income tax were $7.5 million and $6.0 million above estimate, respectively. The foreign insurance tax was above estimate by $4.0 million. The estate tax was $10.1 million below expectation, in part due to a timing issue that is expected to reverse next month. The auto sales and use tax gave back $8.3 million of the gains of the previous two months. The corporate franchise tax was below estimate by $8.0 million and the kilowatt hour tax's shortfall was $2.2 million. A gain of $6.7 million from nontax sources and transfers partially offset the shortfall in tax revenues.

Through October, FY 2010 total GRF sources of $7.93 billion were $18.4 million below estimate. The following graph shows the cumulative variance against estimate for federal grants, tax sources, and total GRF sources. State-source receipts of $5.21 billion were above estimate by $7.4 million, and federal grants of $2.73 billion were below estimate by $25.8 million. Total tax revenues of $5.08 billion were $21.1 million above estimate. The following tax sources were above estimate: the personal income tax ($50.5 million), the cigarette tax ($19.3 million), the

[1] The primary such programs are Medicaid and Temporary Assistance for Needy Families (TANF).

foreign insurance tax ($3.8 million), and the domestic insurance tax ($2.1 million). Tax sources below estimate were the sales and use tax ($18.4 million), the public utility excise tax ($12.0 million), the kilowatt hour tax ($8.0 million), the estate tax ($12.8 million), and the corporate franchise tax ($2.6 million).



October income tax receipts were $6.0 million above estimate and $99.5 million below last year's levels.

Compared to FY 2009, FY 2010 year-to-date GRF sources declined $379.1 million from a reduction of $695.5 million in tax receipts. The reduction in tax receipts was partially balanced by an increase of $339.0 million in federal grants due to higher receipts this year from the American Recovery and Reinvestment Act (the federal stimulus bill of February 2009). Receipts from the personal income tax and the sales and use tax were below the levels of 2009 by a total of $603.1 million, about 87% of the total decrease in tax receipts. Other taxes with notable year-to-year revenue variances included decreases of $54.9 million in corporate franchise tax receipts, $14.0 million in cigarette tax receipts, $13.9 million in estate tax receipts, and $13.2 million in public utility excise tax receipts, and increases of $6.2 million in kilowatt hour tax receipts and $4.3 million in foreign insurance tax receipts. The decline in receipts from the income tax and the corporate franchise tax were both due in significant part to tax changes made by H.B. 66 of the 126th General Assembly.

Personal Income Tax

October GRF receipts from the personal income tax of $546.2 million were $6.0 million (1.1%) above estimate and $99.5 million (15.4%) below receipts in October 2008. Receipts from this tax have exceeded estimate, although modestly, in each month of the current fiscal year. Through October, the GRF received $2.27 billion from the personal income tax in FY 2010. This amount was $50.5 million (2.3%) above estimate and $383.4 million (14.4%) below receipts during the corresponding months of FY 2009. Personal income tax revenue is equal to gross collections after subtracting both refunds and distributions to the local government funds. Gross collections are the sum of withholding, quarterly estimated payments,[2] trust payments, payments associated with annual returns, and miscellaneous payments.

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	$40.2	1.8%	-$269.4	-10.8%
Quarterly Estimated Payments	$6.6	2.6%	-$125.3	-32.6%
Trust Payments	-$3.7	-30.1%	-$4.6	-35.0%
Annual Return Payments	$2.0	2.1%	-$28.9	-22.9%
Miscellaneous Payments	$4.1	19.7%	$4.1	19.8%
Gross Collections	$49.1	2.1%	-$424.1	-14.5%
Less Refunds	-$4.1	-2.9%	-$3.6	-2.6%
Less Local Government Fund Distribution	$2.7	1.3%	-$37.1	-15.3%
Income Tax Revenue	$50.5	2.3%	-$383.4	-14.4%

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 $40.2 million (1.8%) above estimate through October in FY 2010. However, it was $269.4 million (10.8%) below FY 2009 receipts through October from both increasing unemployment, as well as the final 4.2% reduction in tax rates enacted by H.B. 66 of the 126th General Assembly. Excluding the effect of the rate reduction, FY 2010 payrolls have declined by more than 5% compared to payrolls in the same period in FY 2009. Significant job losses are continuing, although the pace may be abating from the levels of earlier months this year.

[2] 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.

Sales and Use Tax

October 2009 sales and use tax receipts of $545.7 million were $16.5 million (2.9%) below estimate and $44.2 million (7.5%) below receipts in October 2008. Through October, FY 2010 GRF receipts of $2.29 billion were $18.4 million (0.8%) below estimate and $219.7 million (8.8%) below FY 2009 receipts in the same period. Glimmers of recovery in housing, manufacturing, and auto sales have yet to reassure consumers as unemployment continues to grow and household spending remains constrained.

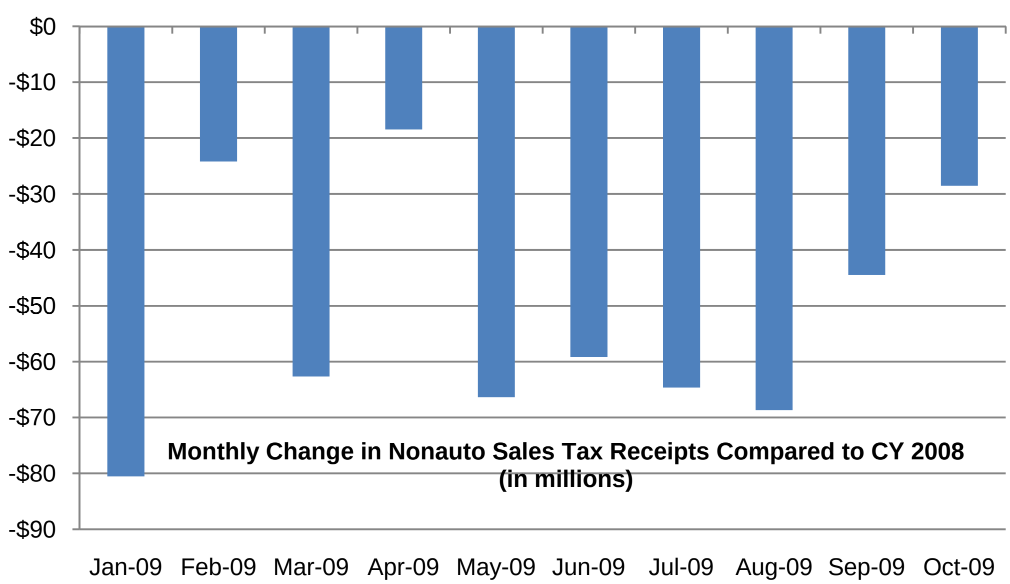
For analysis and forecasting, the sales and use tax is separated into two parts: auto and nonauto. Auto sales and use tax collections[3] generally arise from the sale of motor vehicles while nonauto sales and use tax collections arise from other sales. However, auto taxes arising from leases are paid at the lease signing and are mostly recorded under the nonauto tax, instead of the auto tax.

October sales tax receipts were $16.5 million below estimate and $44.2 million below the FY 2009 level.

Nonauto Sales and Use Tax

Nonauto sales and use tax receipts were $483.4 million in October 2009, $8.1 million (1.7%) below estimate and $28.5 million (5.6%) below October 2008 receipts. For the fiscal year, year-to-date nonauto sales and use tax receipts of $1.96 billion were $30.3 million (1.5%) below estimate and $206.4 million (9.5%) below receipts through October in FY 2009. The nonauto sales and use tax base has been decreasing for several months.

Year-to-date nonauto sales tax receipts were $30.3 million below estimate.



[3] 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.

The graph above shows the variance in monthly receipts against prior-year receipts in the same month in CY 2009. Double-digit negative growth rates have been recorded for most of CY 2009. However, shoppers appear to be returning slowly to stores as U.S. retail sales picked up modestly in September and October 2009, the best retail sales performance since April 2008. This relative improvement is partly reflected in nonauto sales and use tax receipts in the last two months. The variance compared to year-ago receipts fell below 10% in September (8.7%) and in October (5.6%).

Auto Sales and Use Tax

Auto sales and use tax receipts of $62.3 million in October 2009 were $8.3 million (11.8%) below estimate and $15.7 million (20.1%) below receipts in October 2008. The sharp pull back in auto sales in September (due to advanced purchases fueled by the "cash for clunkers" federal program[4]) contributed to reduced auto sales tax receipts in October 2009, though receipts from this tax source are still ahead of estimate for the fiscal year. Through October, FY 2010 auto sales and use tax receipts of $324.9 million were $11.9 million (3.8%) above estimate, but they have fallen $13.3 million (3.9%) below receipts through October in FY 2009.

Nationwide sales of light vehicles in October, at an annualized rate of 10.4 million units, were up from 9.2 million units in September 2009 and up 0.2% from October 2008's level. Sales are still depressed, but they are improved compared to the average level of 9.6 million units of the first six months of 2009.

Cigarette and Other Tobacco Products Tax

Receipts from the tax on cigarettes and other tobacco products were $80.3 million, $7.5 million (10.3%) above estimate and $4.9 million (5.8%) below October 2008 receipts. Through October, FY 2010 receipts of $260.9 million were $19.3 million (8.0%) above estimate and $14.0 million (5.1%) below FY 2009 receipts through October 2008. Receipts from cigarette sales were $243.5 million. Sales of products other than cigarettes provided $17.4 million. Compared to FY 2009, receipts from the sale of cigarettes declined $16.5 million and those from the sale of other tobacco products increased about $2.5 million. Receipts from this tax source have been surprisingly robust so far in FY 2010. Receipts from the cigarette and other tobacco products tax are the third-largest tax

[4] The federal incentive program provided buyers a credit of up to $4,500 toward the purchase of a new vehicle as an incentive to turn in older, less fuel-efficient vehicles in the summer of 2009.

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 CFT for nonfinancial corporations has been eliminated, and the tax has become a tax on the net worth of financial institutions. Except for filing amended returns and other reconciliations of tax accounts in FY 2010, the CFT report for 2009 was generally the last one for nonfinancial corporations. In October 2009, CFT refunds exceeded receipts by $5.0 million. Net receipts of $3.0 million were expected for the month. Through October, FY 2010 CFT actual refunds exceeded estimated refunds by $2.6 million. Comparisons with monthly receipts in the previous fiscal year are not meaningful.[5]

Year-to-date cigarette tax receipts were above estimate by $19.3 million.

Commercial Activity Tax

As part of the five-year phase-in of the commercial activity tax (CAT) that was 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 Office of Budget and Management, CAT receipts in October were $48.4 million, $9.0 million (22.8%) above estimate and $15.2 million (45.8%) above receipts in October 2008. Year-to-date CAT receipts of $372.1 million were $5.0 million (1.4%) above estimate, and $8.5 million (2.3%) above receipts through October 2008 in FY 2009.

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.

Year-to-date CAT receipts were $5.0 million above estimate.

[5] A large portion of the CFT tax base has been eliminated by the phase-out. In tax year 2008, the tax liability of financial institutions was less than 10% of total CFT tax liability.

Table 3: General Revenue Fund Uses
Preliminary Actual vs. Estimate
Month of October 2009
($ in thousands)
(Actual based on OAKS reports run November 3, 2009)

PROGRAM	**Actual**	**Estimate***	**Variance**	**Percent**
Primary, Secondary, and Other Education	$997,707	$768,085	$229,622	29.9%
Higher Education	$179,503	$191,549	-$12,046	-6.3%
Total Education	$1,177,210	$959,635	$217,576	22.7%
Public Assistance and Medicaid	$972,110	$1,044,849	-$72,739	-7.0%
Health and Human Services	$141,425	$145,334	-$3,909	-2.7%
Total Welfare and Human Services	$1,113,535	$1,190,183	-$76,648	-6.4%
Justice and Public Protection	$186,108	$198,436	-$12,327	-6.2%
Environment and Natural Resources	$6,254	$5,145	$1,109	21.6%
Transportation	$3,861	$4,946	-$1,085	-21.9%
General Government	$17,936	$17,389	$546	3.1%
Community and Economic Development	$5,798	$6,847	-$1,049	-15.3%
Capital	$0	$0	$0	---
Total Government Operations	$219,957	$232,764	-$12,806	-5.5%
Tax Relief and Other	$276,957	$89,152	$187,805	210.7%
Debt Service	$23,160	$27,152	-$3,992	-14.7%
Total Other Expenditures	$300,117	$116,304	$183,813	158.0%
Total Program Expenditures	**$2,810,820**	**$2,498,885**	**$311,935**	**12.5%**
TRANSFERS				
Budget Stabilization	$0	$0	$0	---
Other Transfers Out	$430,616	$399,066	$31,550	7.9%
Total Transfers Out	$430,616	$399,066	$31,550	7.9%
TOTAL GRF USES	**$3,241,436**	**$2,897,951**	**$343,485**	**11.9%**

* 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 October 31, 2009
($ in thousands)
(Actual based on OAKS reports run November 3, 2009)

PROGRAM	**Actual**	**Estimate***	**Variance**	**Percent**	**FY 2009**	**Percent Change**
Primary, Secondary, and Other Education	$2,730,256	$2,541,429	$188,826	7.4%	$2,676,046	2.0%
Higher Education	$770,386	$787,188	-$16,802	-2.1%	$835,366	-7.8%
Total Education	$3,500,641	$3,328,617	$172,025	5.2%	$3,511,412	-0.3%
Public Assistance and Medicaid	$3,835,868	$4,051,127	-$215,259	-5.3%	$4,273,688	-10.2%
Health and Human Services	$415,874	$432,337	-$16,463	-3.8%	$479,460	-13.3%
Total Welfare and Human Services	$4,251,742	$4,483,465	-$231,723	-5.2%	$4,753,147	-10.5%
Justice and Public Protection	$733,672	$748,019	-$14,347	-1.9%	$829,760	-11.6%
Environment and Natural Resources	$28,415	$27,318	$1,098	4.0%	$36,422	-22.0%
Transportation	$6,344	$7,564	-$1,221	-16.1%	$5,494	15.5%
General Government	$117,432	$119,700	-$2,268	-1.9%	$164,916	-28.8%
Community and Economic Developmen	$40,411	$41,671	-$1,260	-3.0%	$60,963	-33.7%
Capital	$255	$0	$255	---	$7	3611.8%
Total Government Operations	$926,529	$944,272	-$17,743	-1.9%	$1,097,562	-15.6%
Tax Relief and Other	$650,735	$470,073	$180,662	38.4%	$653,083	-0.4%
Debt Service	$188,625	$193,908	-$5,283	-2.7%	$302,250	-37.6%
Total Other Expenditures	$839,360	$663,981	$175,379	26.4%	$955,333	-12.1%
Total Program Expenditures	**$9,518,272**	**$9,420,335**	**$97,938**	**1.0%**	**$10,317,454**	**-7.7%**
TRANSFERS						
Budget Stabilization	$0	$0	$0	---	$0	---
Other Transfers Out	$1,021,208	$967,366	$53,842	5.6%	$835,268	22.3%
Total Transfers Out	$1,021,208	$967,366	$53,842	5.6%	$835,268	22.3%
TOTAL GRF USES	**$10,539,481**	**$10,387,701**	**$151,780**	**1.5%**	**$11,152,723**	**-5.5%**

* 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 2009
($ in thousands)

Medicaid (600-525) Payments by Service Category	October Actual	October Estimate	October Variance	October Percent Variance	Year to Date Actual thru Oct	Year to Date Estimate thru Oct	Year to Date Variance	Year to Date Percent Variance
Nursing Facilities	$222,112	$227,138	-$5,026	-2.2%	$859,966	$908,933	-$48,967	-5.4%
ICFs/MR	$44,954	$44,800	$154	0.3%	$179,812	$181,204	-$1,392	-0.8%
Inpatient Hospitals	$81,812	$88,175	-$6,363	-7.2%	$366,273	$397,578	-$31,305	-7.9%
Outpatient Hospitals	$30,576	$31,394	-$818	-2.6%	$138,452	$147,002	-$8,550	-5.8%
Physicians	$24,464	$26,843	-$2,379	-8.9%	$108,836	$125,948	-$17,112	-13.6%
Prescription Drugs	$36,643	$40,040	-$3,397	-8.5%	$168,926	$190,572	-$21,646	-11.4%
ODJFS Waivers	$25,017	$27,144	-$2,127	-7.8%	$111,366	$122,073	-$10,707	-8.8%
MCP - CFC	$312,608	$315,736	-$3,128	-1.0%	$1,220,391	$1,220,461	-$70	0.0%
MCP - ABD	$148,544	$149,517	-$973	-0.7%	$555,493	$560,073	-$4,580	-0.8%
Medicare Buy-In	$27,046	$27,171	-$125	-0.5%	$107,453	$108,147	-$694	-0.6%
All Other	$86,338	$82,913	$3,425	4.1%	$356,716	$378,852	-$22,136	-5.8%
DA Medical	$691	$601	$90	15.0%	$2,830	$2,799	$31	1.1%
Total Payments	$1,040,805	$1,061,472	-$20,667	-1.9%	$4,176,514	$4,343,642	-$167,128	-3.8%
Offsets								
Drug Rebates	-$5,600	-$5,633	$33	-0.6%	-$17,128	-$17,173	$45	-0.3%
Revenue and Collections	-$9,010	-$9,100	$90	-1.0%	-$26,974	-$27,488	$514	-1.9%
ICF/MR Franchise Fees	-$1,500	-$1,500	$0	0.0%	-$4,501	-$4,501	$0	0.0%
NF Franchise Fees	$0	$0	$0	0.0%	$0	$0	$0	0.0%
IMD/DSH Payments	$0	$0	$0	0.0%	-$65,000	-$65,000	$0	0.0%
MCP Assessments	-$19,960	-$19,960	$0	0.0%	-$69,115	-$69,115	$0	0.0%
Health Care Federal	-$99,308	-$99,641	$333	-0.3%	-$481,029	-$482,237	$1,208	-0.3%
Total Offsets	-$135,378	-$135,834	$456	-0.3%	-$663,747	-$665,514	$1,767	-0.3%
Total 600-525 (net of offsets)	$905,427	$925,638	-$20,211	-2.2%	$3,512,767	$3,678,128	-$165,361	-4.5%
Medicare Part D (600-526)	$22,390	$22,454	-$64	-0.3%	$87,790	$89,392	-$1,602	-1.8%
Total GRF	**$927,817**	**$948,092**	-$20,275	**-2.1%**	**$3,600,557**	**$3,767,520**	-$166,963	**-4.4%**
Total All Funds	**$1,063,195**	**$1,083,926**	-$20,731	**-1.9%**	**$4,264,304**	**$4,433,034**	-$168,730	**-3.8%**

Source: Ohio Department of Job & Family Services.

ICFs/MR - Intermediate Care Facilities for the Mentally Retarded
ODJFS - Ohio Department of Job and Family Services
MCP - Managed Care Plan
CFC - Covered Families and Children
ABD - Aged, Blind, and Disabled
DA Medical - Disability Medical Assistance
NF - Nursing Facilities
IMD/DSH - Institutions for Mental Disease/Disproportionate Share

EXPENDITURES

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

Overview

Tables 3 and 4 show GRF uses for the month of October and for FY 2010 through October, respectively. For October, total GRF uses of $3.24 billion were $343.5 million above the estimate published by the Office of Budget and Management (OBM) in September 2009. Through October, FY 2010 GRF uses of $10.54 billion were $151.8 million above estimate.

Through October, FY 2010 GRF uses of $10.54 billion were $151.8 million above estimate.

GRF uses consist primarily of program expenditures but also include transfers out. For the first four months of FY 2010, GRF program expenditures amounted to $9.52 billion (90.3% of total uses) and transfers out amounted to $1.02 billion (9.7% of total uses). The year-to-date GRF program expenditures were $97.9 million (1%) above estimate. The two program categories contributing the most to this positive variance were Primary, Secondary, and Other Education, with a positive variance of $188.8 million, and Tax Relief and Other, with a positive variance of $180.7 million. Program categories with major offsetting negative variances include Public Assistance and Medicaid, with a negative variance of $215.3 million, Higher Education, with a negative variance of $16.8 million, Health and Human Services, with a negative variance of $16.5 million, and Justice and Public Protection, with a negative variance of $14.3 million. Together these six program categories explain 91.8% of the total year-to-date variance in program expenditures. The variances in these categories are discussed briefly below.

Positive Variances

The positive variance in the Primary, Secondary, and Other Education program category of $188.8 million (7.4%) was the result of a positive variance of $229.6 million (29.9%) in October. This variance was primarily caused by higher than expected state aid payments in October. The higher payments were due to a change in the payment methodology used by the Ohio Department of Education (ODE). The overall effect seems to be to pay out state aid to certain districts earlier in the fiscal year, although no change is made to the total annual state aid amount. Implementation of this new method caused a one-time increase in state aid payments in October that will be offset by lower payments throughout the year.

The positive variance in the Tax Relief and Other program category of $180.7 million (38.4%) was also primarily due to a positive variance in

Year-to-date expenditures for Medicaid were $3,600.6 million, $167.0 million (4.4%) below estimate.

October ($187.8 million, 210.7%). According to OBM, the October variance was due to reimbursement payments being requested and paid earlier than estimated. The year-to-date variance is expected to be reduced in future months. As can be seen from Table 4, payments in FY 2010 year to date are consistent with those made in FY 2009 – expenditures for the first four months of FY 2010 were only $2.3 million (0.4%) below expenditures for the first four months of FY 2009. This category includes spending on the Homestead Exemption, which was expanded by H.B. 119 of the 127th General Assembly. This expansion reached full implementation in FY 2009. Further analysis of the Homestead Exemption can be found in the Issue Updates section of this publication.

Negative Variances

The Public Assistance and Medicaid category was below estimate $215.3 million for the year, and was approximately $437.8 million lower than expenditures at this time one year ago. This negative variance includes a negative variance of $72.7 million for the month of October. Medicaid spending comprises the vast majority of expenditures for this category, and Table 5 details Medicaid expenditures by service category. For October, GRF Medicaid expenditures totaled $927.8 million, $20.3 million (2.1%) below estimate. Year-to-date expenditures for Medicaid were $3,600.6 million, $167.0 million (4.4%) below estimate. Year-to-date expenditures for the Nursing Facilities category were below estimate by $49.0 million (5.4%). This variance is mainly due to the later than expected implementation of the per diem reimbursement rate increases included in H.B. 1. The rate changes were subject to the approval of the federal government and were recently implemented for October payments. The Inpatient Hospital category had the second largest year-to-date negative variance at $31.3 million (7.9%). This variance is mainly attributable to lower than estimated costs per person. Negative variance in other categories is partially the result of overall Medicaid caseloads being below estimate. Other categories that had significant negative year-to-date variances included All Other ($22.1 million), Prescription Drugs ($21.6 million), and Physicians ($17.1 million). The All Other category includes payments for many small service categories.

The negative year-to-date variance in the Higher Education category totaled $16.8 million (2.1%). This variance was primarily the result of lower than expected spending on the Ohio College Opportunity Grant (OCOG). According to the Board of Regents (BOR), the restructuring of OCOG by H.B. 1 has delayed payments for the 2009-2010 academic year. These payments are now expected to begin in December with expenditures returning to estimated levels by February 2010.

The negative year-to-date variance in the Health and Human Services category of $16.5 million (3.8%) is a result of the buildup of relatively small monthly variances over the first part of this year in the various agencies and line items that comprise this category. On the other hand, the negative year-to-date variance in the Justice and Public Protection category of $14.3 million (1.9%) is mainly a result of a negative variance of $12.3 million in October, $10.2 million of which is from underspending by the Department of Rehabilitation and Correction.

** Todd Celmar, Economist, 614-466-7358, contributed to the Medicaid section of this Expenditures report; Mary Morris, Budget Analyst, 614-466-2927, contributed to the Higher Education section; and Emily W.H. Gephart, Budget Analyst, 614-644-7762, contributed to the Primary and Secondary Education section.*

ISSUE UPDATES

Rehabilitation and Correction Expended $38.0 Million for Halfway House Beds

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

In FY 2009, the Department of Rehabilitation and Correction expended $38.0 million to contract with private not-for-profit vendors to operate 26 halfway house facilities in seven regions. These 26 facilities provided about 1,700 beds and served more than 7,000 offenders in FY 2009. The table below summarizes the FY 2009 halfway house expenditures by region. As seen from the table, there was little variation in per bed per day cost among the seven regions. On average, the cost was $61.34 per bed per day.

Halfway houses are community-based residential programs for adult offenders under the supervision of the courts of common pleas or the state's Adult Parole Authority. The offenders served by halfway houses in FY 2009 include the following three groups:

- 36%, or 2,582 offenders, were sentenced directly by the courts of common pleas as the result of a probation violation or as part of a court-ordered sanction in which the judge seeks to avoid incarcerating an offender.
- 33%, or 2,332 offenders, were under "transitional control," a program where certain inmates, upon approval of the Ohio Parole Board and the sentencing judge, are transferred to a halfway house to complete their final 180 days of incarceration as part of the process by which the offender re-enters and transitions back into community.
- 31%, or 2,194 offenders, were under parole or post-release control supervision because they needed some form of treatment or they had no place to go and no outside family or other support system.

FY 2009 Halfway House Bed Expenditures by Region

Region	Total Beds	Total Cost	Per Bed Per Day Cost	Total Offenders
Akron	248	$5,492,021	$60.67	1,423
Chillicothe	128	$2,809,129	$60.13	441
Cincinnati	378	$8,712,259	$63.15	1,441
Cleveland	422	$9,338,541	$60.63	1,930
Columbus	273	$6,091,620	$61.13	1,135
Lima	137	$3,016,288	$60.32	479
Mansfield	112	$2,554,599	$62.49	259
Totals	**1,698**	**$38,014,457**	**$61.34**	**7,108**

Rehabilitation and Correction Expended Almost $26 Million in FY 2009 to Divert Offenders from State Prisons and Local Jails

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

In FY 2009, the Department of Rehabilitation and Correction expended $25.9 million to support Community Correction Act (CCA) programs, including 47 prison diversion programs in 42 counties and 112 jail diversion programs in 80 counties. Each CCA program is under the control of a local correction planning board, which is comprised of local officials representing all sectors of the county criminal justice system. These CCA programs permit courts to impose community-based nonresidential sanctions, in lieu of more expensive prison and jail sentences, to certain nonviolent felony and misdemeanant offenders. In FY 2009, the prison diversion programs served 10,114 offenders with an average annual cost of $1,636 per offender while the jail diversion programs served 20,859 offenders with an average annual cost of $446 per offender. In comparison, the average annual cost to incarcerate an offender in state prison was approximately $25,000, and the average annual cost to incarcerate an offender in a full service local jail was about $22,000. Furthermore, the CCA programs allow some offenders to continue to be gainfully employed, which enables them to pay ordered obligations. The table below summarizes the income earned by diverted offenders in FY 2009 as well as the court ordered restitution, court costs/fines, and child support paid by those offenders.

Income Earned and Obligations Paid by Offenders Under Prison and Jail Diversion Programs, FY 2009

Category	Prison Diversion	Jail Diversion
Income Earned	$24.57 million	$41.15 million
Restitution Paid	$0.87 million	$0.39 million
Court Costs/Fines Paid	$2.07 million	$2.49 million
Child Support Paid	$0.91 million	$0.80 million

$15.7 million in Federal Funds Leveraged through Pathways in FY 2009

—Deauna Hale, Budget Analyst, 614-995-0142

In FY 2009, the Rehabilitation Services Commission (RSC) leveraged $15.7 million in federal vocational rehabilitation funding through the Pathways Program. Under the program, RSC partnered with local governments to leverage the federal match. Participating local government entities were each required to invest at least $200,000. Sixteen entities provided a total of $4.2 million in FY 2009. For every $1 in local funds, RSC received $3.69 in federal match. The table below details the investment by each entity, the federal dollars leveraged, and the number of individuals served in FY 2009.

The goals of the program are to increase the number of individuals placed into competitive employment, increase those individuals' wages, and identify new methods of providing services to individuals with disabilities. The program provides a full spectrum of services, improves the educational outcomes of certain students with significant disabilities (those currently enrolled in secondary public schools or who quit school before age 22), improves access to public post-secondary programs for students with disabilities, and increases vocational rehabilitation outreach to veterans with disabilities. In FY 2009, services were provided to about 3,100 individuals.

Pathways Program for FY 2009			
Local Government Entity	**Local Investment**	**Federal Funds**	**Individuals Served**
City of Akron	$200,000	$738,967	116
Coshocton County Board of Developmental Disabilities	$200,000	$738,967	139
Cuyahoga County Board of Developmental Disabilities	$500,000	$1,847,418	297
Franklin County ADAMH Board	$200,000	$738,967	115
Franklin County Board of Developmental Disabilities	$381,451	$1,409,399	116
Hamilton County Mental Health Services and Recovery Board	$325,000	$1,200,822	208
Lucas County Mental Health Services and Recovery Board	$300,000	$1,108,451	227
Lucas County Board of Developmental Disabilities	$247,500	$914,472	159
Mahoning County Educational Service Center	$290,000	$1,071,502	190
Mahoning County Mental Health Board	$200,000	$738,967	303
Montgomery County ADAMH Board	$250,000	$923,709	145
Richland County Board of Developmental Disabilities/Newhope	$200,000	$738,967	87
Stark County College	$200,000	$738,967	148
Stark County Mental Health Services and Recovery Board	$265,800	$982,087	316
Summit County ADAMH Board	$280,000	$1,034,554	400
Washington County Board of Developmental Disabilities	$200,000	$738,967	148
Total	**$4,239,751**	**$15,665,183**	**3,114**

Disability Financial Assistance Caseload Declined 14% in FY 2009

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

The Disability Financial Assistance (DFA) caseload declined 14% in FY 2009, from 17,850 recipients in July 2008 to 15,380 in June 2009. This decline is due in part to the Ohio Department of Job and Family Services' (ODJFS) stricter application of Social Security Administration guidelines for determining disability. Caseloads have also declined as a result of more DFA recipients being approved for federal Social Security Disability Insurance (SSDI) payments. DFA applicants must apply for SSDI; individuals are disenrolled from DFA once approved for SSDI.

DFA, a state-only funded program, provides cash benefits to persons who are unemployable due to physical or mental impairment, and who are not eligible for other public assistance programs that are supported in whole or in part by federal funds (for example, Ohio Works First cash assistance or Supplemental Security Income). Eligibility is limited to individuals age 60 and older who are determined disabled or who received financial assistance under DFA in June 2003. The program provides a maximum cash benefit of $115 per month for one person and $159 per month for an assistance group of two people. This benefit is not time limited.

In FY 2009, the average monthly caseload for DFA was 16,600 with a total cost of $26.7 million. ODJFS estimates that average monthly caseloads will increase to 18,900 in FY 2010 and 20,600 in FY 2011 mainly due to forecasted economic conditions, enrollment trends, and the processing of back-logged applications. For FY 2010 and FY 2011, H.B. 1 appropriates $29.4 million and $30.8 million, respectively, for the program.

Department of Agriculture Awards $725,000 in Grants for 17 Projects That Promote the Sale of Ohio Specialty Crops

—Terry Steele, Budget Analyst, 614-387-3319

To date in FY 2010, the Ohio Department of Agriculture has awarded 17 grants totaling almost $725,000 to promote the sale of specialty crops under the federal Specialty Crop Block Grant Program. The grants are awarded through a Request for Proposal (RFP) process in which applications are evaluated on their potential to increase the competitiveness of specialty crops, which include fruits, vegetables, dried fruit, tree nuts, and nursery crops. The awards are distributed from the Cooperative Contracts Fund (Fund 3820), which serves as the repository for several of the Department's federally supported operating and grant programs. The Department received approximately $810,000 in additional federal funding for the Specialty Crop Block Grant Program in mid-October of this year. The projects awarded funding so far in FY 2010 are summarized in the table below.

Grant Awards Under the Specialty Crop Block Grant Program, FY 2010 Year-to-Date

Recipient	Purpose of Grant	Amount
Ohio Produce Growers and Marketers Association	To develop a three-tiered food safety standard for specialty crops	$40,000
	To teach Ohio fruit and vegetable growers how to minimize potential fresh food borne disease organisms	$10,000
Appalachian Center for Economic Networks	To create an association for Appalachian specialty farmers	$43,500
Mid-Ohio Food Bank	To identify specialty food crops to serve various ethnic communities	$36,307
Ohio Grape Industries Committee	To continue Ohio Wine TV regional videos	$28,000
Ohio Wine Producers Association	To support networking meetings for in-state wine producers	$10,000
Ohio State University	To conduct a survey of institutional food service providers to enhance specialty crop business	$50,417
	To conduct a feasibility study of developing specialty crop cooperatives	$35,000
	To provide continuing education sessions dealing with safe practices in fresh fruit and vegetable production	$35,000
	To develop a new small fruit industry for commercial ribes production in Ohio	$47,600
	To provide scientific data in support of food safety recommendations	$99,370
	To conduct applied research that will lead to new weed control technology for brambles	$50,050
Ohio Department of Education	To increase knowledge and consumption of in-state specialty crops among children and adults	$53,459
Center for Innovative Food Technology	To identify aspects of urban production that increase potential harmful microorganisms	$35,000
Innovative Farmers of Ohio	To explore the production of pumpkin seed as a locally grown snack food	$33,670
Midwest Apple Foundation	To provide qualified local assistance to growers to evaluate seedling apple trees	$56,400
Wooster Local Foods Cooperative	To establish an on-line order system and central distribution market	$59,929
	Total	**$723,702**

Ohio Housing Finance Agency Kicks Off Grants for Grads Program

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

On October 19, the Ohio Housing Finance Agency (OHFA) began accepting applications for the Grants for Grads Program. Created in H.B. 1, the program provides grants of up to 2.5% of the home purchase price to certain recent college graduates who buy their first home in Ohio. The grant money can be used for the down payment, closing costs, or other pre-closing out-of-pocket expenses associated with the purchase. The program is funded by $1.0 million in proceeds generated from tax-exempt mortgage revenue bonds. These proceeds are the primary source of funding for OHFA's First-Time Homebuyer Program and are not subject to appropriations of the General Assembly.

Eligible grant recipients must have (1) graduated from an Ohio high school, (2) earned an associate's, bachelor's, master's, doctorate, or other postgraduate degree within 18 months before applying for the program, (3) met income criteria and purchase price limits for OHFA's First-Time Homebuyer Program (these limits vary by county), and (4) completed an approved homebuyer education course. Grant recipients must also have secured a mortgage from an OHFA-approved lender and applied for the grant before closing on the home. Eligible recipients also qualify for an annual interest rate of 5.5% on mortgages under OHFA's First-Time Homebuyer Program.

Grants will be issued as a second mortgage with a 0% interest rate and no payment due as long as recipients reside in their homes for a minimum of five years. However, recipients who move out of their homes and into another state within five years must repay a portion of the grant to OHFA according to the schedule below.

Time Resided in Home	Percentage of Grant to be Repaid
Less than 1 year	100%
1-2 years	80%
2-3 years	60%
3-4 years	40%
4-5 years	20%

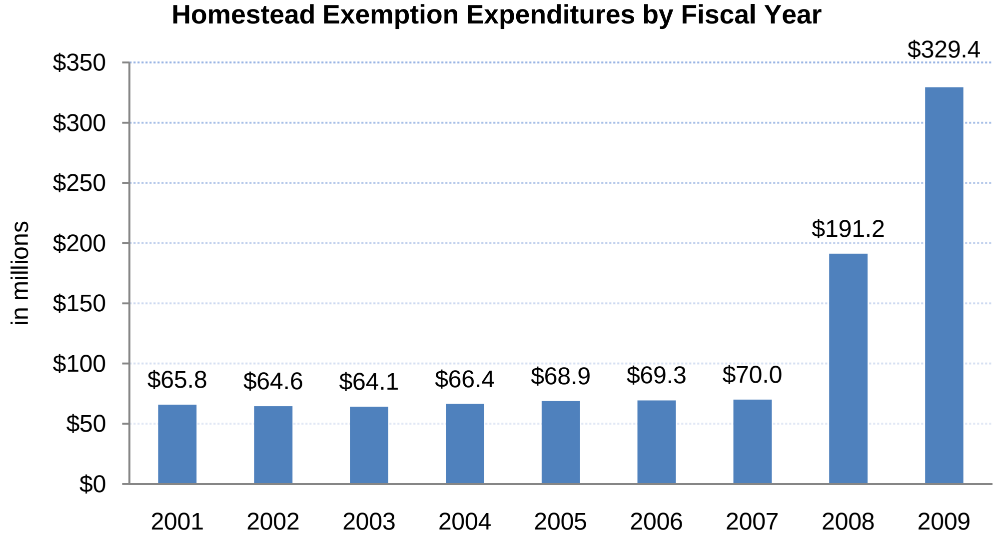
Expanded Homestead Exemption Reached Full Implementation in FY 2009

—Russ Keller, Economist, 614-644-1751

Homestead Exemption expenditures totaled $329.4 million in FY 2009. This reflects the first full year of implementation of the H.B. 119 (127th General Assembly) policy removing income qualifications from the eligibility criteria. This new policy was first implemented in the second half of FY 2008. Expenditures increased $121.2 million (173.1%) in FY 2008 and an additional $138.2 million (72.3%) in FY 2009 (see the chart below). Excluding the effect of this policy change, Homestead Exemption expenditure growth would be largely predicated on two factors: (1) the increase in Ohio's senior citizen population and (2) the growth in effective property tax rates. Based on these two factors, growth is expected to be in the range of 1.5% to 2.0% per year over the next three years, similar to the growth rates from FY 2001 to FY 2007.

The Homestead Exemption provides property tax relief to homeowners age 65 and older and to permanently and totally disabled Ohioans, and in its current form does so regardless of their income. The exemption allows property owners to shield up to $25,000 of the market value of their homestead (a dwelling and up to one acre of land) from property taxation. According to the Department of Taxation, the Homestead Exemption saves a typical homeowner about $400 per year. The state reimburses school districts and local governments for the revenue loss from the Homestead Exemption (and the 2.5% and the 10% property tax rollbacks) through GRF appropriations. School districts are reimbursed through an appropriation in the Department of Education's budget, while local governments receive their reimbursement through the Department of Taxation's budget.

Homestead Exemption Expenditures by Fiscal Year



Department of Education Begins Distributing State Aid to Schools Based on New Funding Formula

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

With the second payment in October, the Ohio Department of Education (ODE) began distributing state aid to school districts using the new school funding formula enacted in H.B. 1. The first seven of the semimonthly payments were based on the FY 2009 funding formula to give ODE time to create a new system for the calculation and distribution of state aid under the new formula. Future payments will be adjusted so that the total aid paid to each district for FY 2010 equals the amount calculated for the district under the new formula.

As directed by H.B. 1, ODE has developed a form displaying the components of each payment. H.B. 1 names this form the PAthway to Student Success (PASS) form. The PASS form for each district and the state is posted on ODE's web site.[6] According to the October #2 PASS form (October 23, 2009), total state aid for FY 2010 is estimated to be approximately $6.5 billion.

Youngstown State University Re-establishes Timely Retirement Contributions

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

In its FY 2009 fourth quarter financial report, Youngstown State University (YSU) detailed its first quarter in over a year without any late retirement payments. R.C. 3345.72 requires all state-assisted institutions of higher education to submit a quarterly financial report to the Board of Regents, the Office of Budget and Management, the Legislative Service Commission, and the chair and ranking minority member of the House of Representatives and Senate finance committees. In the first through third quarters of FY 2009, YSU made 16 late pension contributions to employee retirement programs, including the Ohio Public Employees Retirement System (PERS) and the State Teachers Retirement System of Ohio (STRS). YSU indicates that the late payments in FY 2008 were largely due to complications in the implementation of the campus's new computer system. The complications caused a backlog in payments that resulted in delays. With the resolution of the computing issues, the number of untimely payments has decreased to only four instances in the third quarter of FY 2009. YSU indicates that the third quarter delays were due to administrative and personnel errors and the university has since tightened processes to ensure timely payment. PERS and STRS penalty fees for all late payments amount to about $100,000 over FY 2008 and FY 2009 combined.

[6] www.ode.state.oh.us, search for "PASS" or follow the links Finance – State Funding for Schools – District Payment Reports – PASS Reports.

Capital Expenditures Totaled $1.71 Billion in FY 2009

—Wendy Zhan, Deputy Director, 614-728-4814

In FY 2009, the state incurred a total of $1.71 billion in capital expenditures. The two tables below show FY 2009 capital expenditures by agency and by fund, respectively. As seen from the tables, the School Facilities Commission had the largest share of the FY 2009 capital expenditures at $1.05 billion (61.5%). These expenditures, which were paid out of moneys appropriated to funds 7032, 7021, and N087, support the on-going partnership between the state and school districts for classroom facilities construction and renovation. The Board of Regents had $284.2 million (16.7%) in capital expenditures to support state-assisted colleges and universities in their facilities needs. These expenditures were paid out of Fund 7034. Together, K-12 and higher education accounted for over $1.33 billion (78.2%) of the total capital expenditures in FY 2009.

FY 2009 Capital Expenditures by Agency	
Agency Name	**FY 2009**
School Facilities Commission	$1,049,650,212
Board of Regents	$284,159,378
Public Works Commission	$165,862,191
Development	$36,890,995
Natural Resources	$36,483,785
Rehabilitation and Correction	$25,264,532
Administrative Services	$23,509,752
Cultural Facilities Commission	$17,489,181
Youth Services	$11,223,369
Adjutant General	$10,797,632
Agriculture	$10,468,677
Developmental Disabilities	$10,361,414
Mental Health	$7,691,458
eTech Ohio	$3,987,515
Public Safety	$3,033,282
Expositions Commission	$2,460,135
Capitol Square Review and Advisory Board	$1,768,448
Alcohol and Drug Addiction Services	$1,550,000
Commerce	$1,109,065
Veterans Services	$723,638
Budget and Management	$585,929
Transportation	$550,000
Ohio Veterans' Home	$438,672
Job and Family Services	$178,075
School for the Blind	$3,230
Total	**$1,706,240,566**

FY 2009 Capital Expenditures by Fund	
Fund Code and Name	**FY 2009**
7032 - School Building Program Assistance	$1,023,550,886
7034 - Higher Education Improvement	$288,146,893
7038 - State Capital Improvements	$126,018,531
7026 - Administrative Building	$48,834,023
7040 - State Capital Improvement Revolving Loan	$27,443,153
7003 - Clean Ohio Revitalization	$27,358,437
7027 - Adult Correctional Building	$25,264,532
N087 - Education Facilities Trust	$19,697,079
7033 - Mental Health Facilities Improvement	$19,602,873
7030 - Cultural and Sports Facilities Building	$17,489,181
7035 - Parks and Recreation Improvement	$16,161,040
7056 - Clean Ohio Conservation	$12,400,507
7028 - Juvenile Correctional Building	$11,223,369
7012 - Job Ready Site Development	$9,532,558
7031 - Ohio Parks and Natural Resources	$8,037,807
7021 - Public School Building	$6,402,247
7086 - Waterways Safety	$5,184,913
3420 - Army National Guard Service Contract	$3,919,102
7061 - Clean Ohio Trail	$3,297,507
7057 - Clean Ohio Agricultural	$2,285,302
5460 - State Fire Marshal	$1,109,065
6040 - Ohio Veterans' Home Improvement	$891,204
7015 - Wildlife	$703,753
5U80 - Community Match Armories	$607,754
7036 - State Highway Safety	$359,617
3190 - Nursing Home - Federal	$271,106
GRF - General Revenue	$270,052
4A90 - Unemployment Compensation Special Administration	$178,075
Total	**$1,706,240,566**

TRACKING THE ECONOMY

—Phil Cummins, Economist, 614-387-1687

Overview

National output rose in the third quarter.

Total national output rose in the third quarter of calendar year 2009, after declining for four consecutive quarters and in five of the last six quarters. Employment, however, continued to fall through October and the national unemployment rate rose to the highest level since 1983. Factory production increased through September and probably in October also. Consumer spending fell back in September following the end of federal tax incentives for motor vehicle sales, but initial reports on consumer spending in October were positive. Housing market indicators were generally positive in October and will continue to be supported by the extension and expansion of a federal tax incentive program. Inflation remains under control. In Ohio, payroll employment continued to fall through the latest month, and declines in the statewide unemployment rate appear to be a result of some persons without jobs ceasing to look for work here. Home sales in the state remain lower than a year earlier.

Monthly statistical indicators of the state of the national economy continue to show a mixed picture. Industrial production and business sales, adjusted for inflation, have risen from lows in June. Industrial production in September was 2.8% higher than at the June low, and in October likely rose further, as indicated by purchasing managers' reports. Sales of business (manufacturers, wholesalers, and retailers) were 0.7% higher in August, the latest month reported on this basis. But employment and personal incomes fell to new lows in the latest months. The number of employees on nonfarm payrolls declined to its recession low in October. Personal income, adjusted to exclude transfer payments and for inflation, was at its recession low in September.

Following its meeting on November 3 and 4, the central bank's Federal Open Market Committee (FOMC) held its short-term interest rate target for federal funds unchanged at zero to 0.25%, and reiterated that it expects that rate to remain exceptionally low for an extended period. The FOMC said it will continue to use a wide range of tools to promote economic recovery, though it pared back the amount of planned purchases of agency debt, citing limited availability of these securities. The FOMC expects economic growth to strengthen while inflation remains subdued.

The National Economy

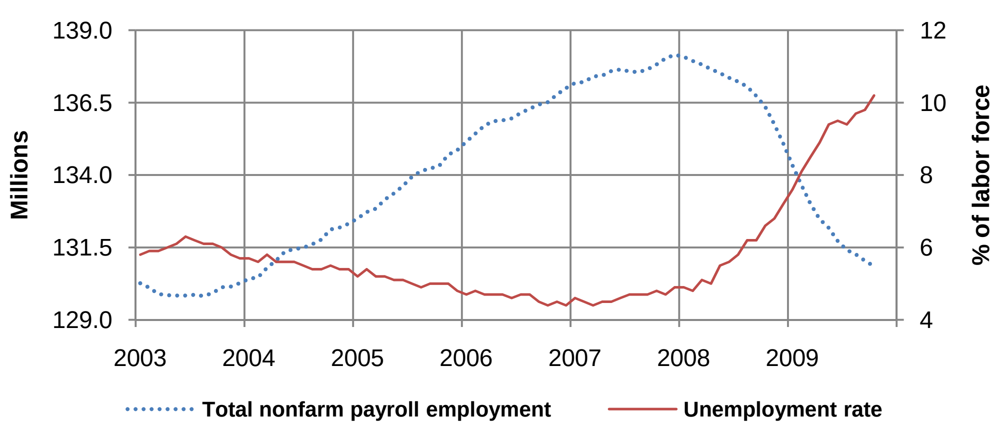
Employment and Unemployment

Nationwide employment continued to decline in October, and unemployment rose to 10.2% of the labor force, its highest rate since 1983. Nonfarm payroll employment declined by 190,000 in October, and has fallen 7.3 million since the December 2007 peak, at the start of the recession. Total employment in October was lower than in 2000; private sector employment is lower than in 1999. However, the rate of job loss in recent months has been much smaller than last fall through the first half of this year, when job losses in many months exceeded 500,000. In the latest month, 62,000 jobs were lost in the construction industry, mainly in nonresidential rather than residential construction where job losses were concentrated earlier. The number of manufacturing jobs declined 61,000 in October and the number of jobs with retailers fell 40,000. Health care continued to add workers, increasing employment by 29,000. Employment with temporary help firms rose 34,000 in October, to 44,000 higher than in July.

Employment nationwide continued to decline through October.

The number of persons counted as unemployed in the U.S. rose to 15.7 million in October, up from 7.5 million at the start of the recession. Of those unemployed in October, 5.6 million had been out of work for more than six months. Persons employed included 9.3 million working part-time who would have preferred full-time work, double the number at the start of the recession. Among persons neither employed nor looking for jobs, 808,000 were counted as "discouraged workers," who wanted to work and were available for work, but were not looking for work because they believed no jobs were available. The number of discouraged workers has more than doubled in the past two years. The number of people in the labor force, either employed or looking for work, has declined by 1.1 million, or 0.7%, since May.

Chart 1: National Employment and Unemployment



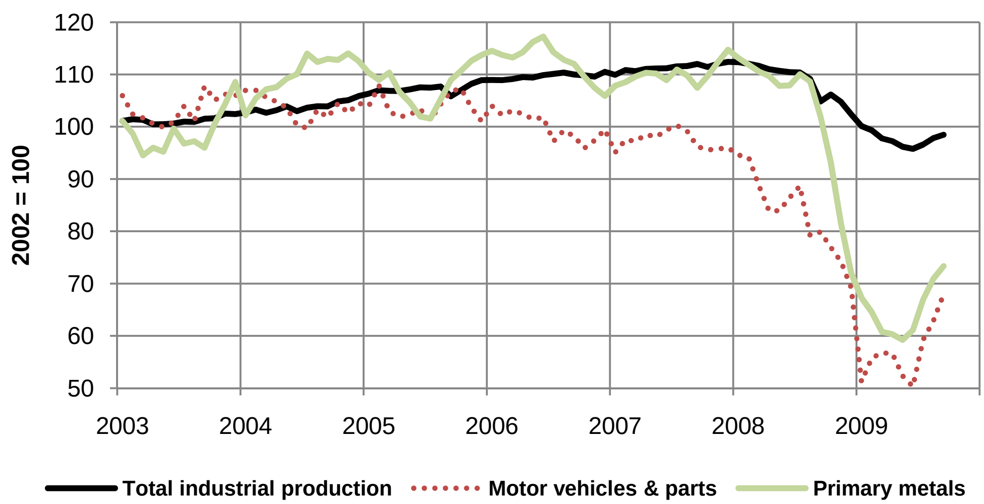
Industrial production increased in September for the third consecutive quarter.

Production, Shipments, and Inventories

Third quarter U.S. gross domestic product rose at a 3.5% annual rate, after declining in each of the previous four quarters by a total of 3.8%. These figures exclude changes due to inflation. The 3.8% drop is the largest decline from a year earlier in quarterly GDP records that start in 1947, though much larger declines took place in the 1930s, for which only annual GDP estimates are available. In the latest quarter, consumer spending and residential fixed investment rose, driven higher in part by the federal programs supporting motor vehicle sales ("cash for clunkers") and home sales (tax rebates for some home buyers). Exports increased after four quarters of declines, and federal government spending rose, but spending by state and local governments fell. The rate of inventory liquidation remained rapid but moderated somewhat from that in the second quarter. Business investment in equipment rose, mainly reflecting stronger spending for information processing equipment and software, while investment in private nonresidential structures fell. Imports increased after declining for seven quarters.

Industrial production rose for the third consecutive month in September after declining in most months since the December 2007 peak. Motor vehicle and parts production has surged 35% from the low point in June, when it was depressed not only by the dismal pace of sales but also by General Motors' and Chrysler's transitions through bankruptcy. Production has risen also in most other industries, for the first time since 2007. Part of this improvement in other industries includes increased production at auto industry suppliers.

Chart 2: Industrial Production
Seasonally Adjusted



The dollar value of manufacturers' shipments rose 0.8% in September and has increased 2.7% from the recent seasonally adjusted low point in May. Manufacturers' new orders rose 0.9% in September, to 4.1% higher than in March, the recession low. Unfilled orders continued to contract, falling 0.4% in September to 11% lower than a year earlier, when backlogs reached an all-time high. Factory inventories continued to be reduced, declining 1.0% to 12% lower than the peak 13 months earlier.

The manufacturing expansion continued in October.

The upturn in manufacturing activity evidently continued in October, as indicated by the monthly survey conducted by the Institute for Supply Management (ISM). More purchasing managers reported increases in production, new orders, and backlogs of unfilled orders during the month than reported decreases. Employment rose, according the survey respondents, after 14 months of declines. Those reporting inventory reductions outnumbered those reporting inventory increases, but by the smallest margin since August 2008. Those paying higher prices outnumbered those paying lower prices for the fourth consecutive month.

A comparable ISM nonmanufacturing survey showed growth in October in business activity or production, new orders, and order backlogs, but further contraction in employment and inventories. Survey respondents' comments about the economy were characterized as mixed and mostly cautious.

Consumer Spending

Personal consumption expenditures fell back in September by 0.6%, adjusted for inflation, after increasing 1.0% in August. These fluctuations were attributable mainly to changes in purchases of motor vehicles and parts in response to the federal "cash for clunkers" tax incentive program, which ended August 24. For the third quarter, consumer spending grew at the strongest pace since early 2007, also mostly attributable to the stronger sales of motor vehicles and parts.

Sales of cars and light trucks in October rose from the weak pace in September, following the end of the federal sales incentive program. Light vehicles sold at a 10.4 million unit seasonally adjusted annual rate last month, up from 9.2 million units in September. Sales remain well short of the nearly 15 million unit pace averaged over the past three decades.

Sales of large retailers, on a same-store basis, were 1.8% higher in October than a year earlier, in the Bank of Tokyo-Mitsubishi's

Housing starts and sales have risen from lows earlier this year.

compilation.[7] This follows a 0.4% year-over-year sales increase in September, the first increase in more than a year. The figures exclude sales at Wal-Mart, the largest retailer, which last spring stopped reporting results monthly.

Consumer credit outstanding continued to decline rapidly in September. Total consumer credit, other than real estate loans, fell at a 7% annual rate in September, seasonally adjusted, and has fallen 5% in the past year. Revolving credit outstanding, chiefly credit cards, contracted at more than a 13% annual rate in the latest two months, and was 9% lower than a year earlier.

Construction and Real Estate

Housing starts rose 0.5% in September, remaining around the pace at which new housing units have been started since June, seasonally adjusted. The rate of housing starts in the latest month was 23% higher than at the low point in April, but 28% lower than a year earlier and 74% below the recent peak in 2006. The housing market may receive an additional impetus from the extension and expansion of the home buyer federal tax credit for contracts entered into through April 2010, with purchases closed by the end of June.

New home sales in September, down 4% from the sales pace in August, were 22% higher than in January, when the sales rate, seasonally adjusted, was lowest. Sales of new homes were 71% lower in September than at the 2005 peak. Builders continued to make progress in paring inventories, but inventories nevertheless remain excessive relative to the current weak pace of sales. The median number of months that completed homes had been for sale since completion was reported to be 13, up from 9 in 2008 and 6 in 2007.

Home sales reported by the National Association of Realtors (NAR), generally previously owned homes, rose 9% in September, seasonally adjusted, to the strongest pace in more than two years. The NAR attributed the strengthening in sales in part to the federal tax credit. Distressed sales, including foreclosures and short sales, were 29% of all sales closed in September.

The value of construction put in place in September rose 1%, as private residential construction increased 4%, continuing an upturn underway since June. Private nonresidential construction, in contrast, fell 2% and has declined 16% since October 2008. Public construction

[7] Same-store sales comparisons include only sales at stores open in both a given month and the month a year earlier.

increased 1% in September, continuing to trend upward. Year-to-date public construction was 5% higher than a year earlier. The total value of year-to-date construction put in place, including private as well as public construction, was 12% lower than a year earlier.

Inflation

Consumer prices rose 0.2% in September. The index for all items was 1.3% lower than in September 2008 mainly because of a 22% decline in energy prices during that period. Excluding prices for energy and food, consumer prices in September were 1.5% higher than a year earlier. Large price declines in the past year occurred in prices for gasoline and household fuels, also in public transportation and lodging away from home. However, prices for these products and services generally have risen in recent months. Notably higher prices than a year ago were reported for tobacco and smoking products, education, and medical care.

The consumer price index for September was lower than a year earlier mainly because of lower energy prices.

The producer price index for finished goods fell 0.6% in September, and was 4.8% lower than a year earlier. Much of the drop in the total finished goods index over the past year occurred in last year's fourth quarter, reflecting the fall in energy prices. At earlier stages in the production process, intermediate materials prices in September were 12% lower than a year earlier, and crude materials prices were 32% lower. Though fuels registered large declines during this period, other commodity and intermediate goods prices fell in the recession, but have risen in recent months.

One indicator of pressures on businesses to raise prices historically has been trends in their labor costs, taking account not only of compensation changes but also of labor productivity. Recently, the estimated expansion of output of the economy in the third quarter and the continued decline in employment imply outsized gains in measured productivity, or output per hour. In the nonfarm business sector, output per hour of all persons jumped in the third quarter at a 9.5% annual rate, compared with the second quarter, and was 4.3% higher in the third quarter than a year earlier. Hourly compensation has been nearly flat over the past year, rising only 0.5%. As a result, nonfarm business' costs for labor, stated on a per-unit-of-output basis, fell 3.6% from the third quarter of 2008 to the latest quarter, the largest year-over-year decline in this series estimated since 1947. Recent trends appear unsustainable longer term, as output and labor hours rarely change in opposite directions for long. However, following the 1990-1991 recession, total hours worked continued to decline for a year after the recession ended and output growth resumed. After the 2001 recession, productivity growth remained elevated longer than usual, continuing to be rapid in the second year of the expansion.

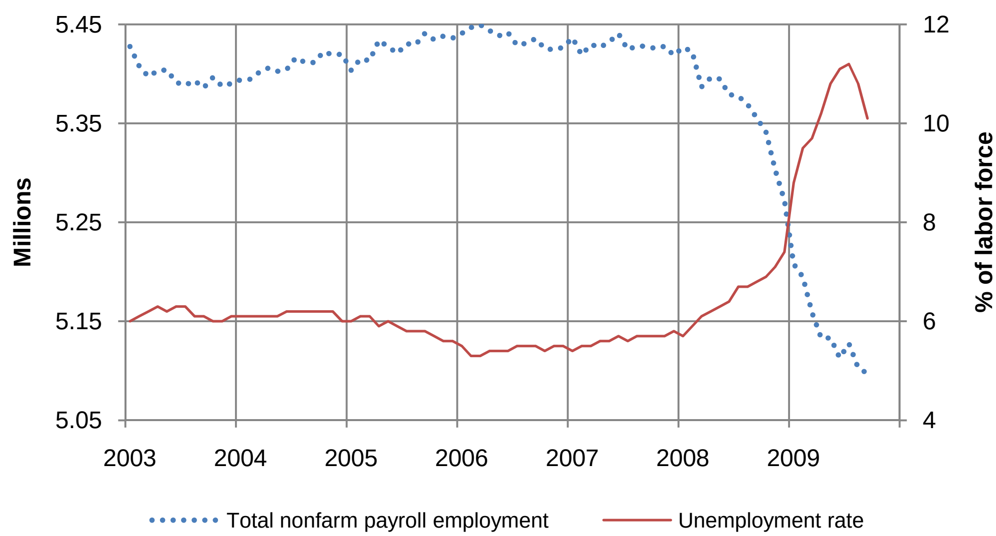
The Ohio Economy

Nonfarm payroll employment in Ohio fell 5,900, or 0.1%, in September, as employment in durable goods manufacturing declined 4,500 and the number of jobs in construction and in parts of the service sector also fell. Compared with September 2008, payroll employment declines totaled 258,000 (or 4.8%), including 116,000 fewer jobs in manufacturing, 35,000 fewer jobs in construction, and 107,000 fewer jobs in the service sector.

The number of Ohioans unemployed and actively seeking work in September totaled 594,000, or 10.1%, of the labor force, down from a peak in July of 666,000, or 11.2%, of the labor force. Surprisingly, in view of the decline in payroll employment, total employment in Ohio rose 17,000 in September, the first increase since 2007.[8] Ohio's labor force, consisting of Ohioans age 16 and older who are either employed or actively seeking work, has declined 111,000, or nearly 2%, since February. This drop presumably reflects in part decisions by people previously employed or seeking work in this state to take jobs or look for work elsewhere, return to school, or stop looking for work until job prospects improve.

Personal income increased in the second quarter in 36 states including Ohio. The increases were generally attributable to higher

Chart 3: Ohio Employment and Unemployment



[8] The two are estimated separately, and the total employment estimate includes self-employed persons and agricultural workers, who are not on nonfarm payrolls.

transfer payments, including payments under the American Recovery and Reinvestment Act of 2009 and higher unemployment benefits. Personal income rose 0.6% in Ohio from the previous quarter, the first increase in a year, and 0.2% nationwide (at quarterly rates, not annualized).

The Ohio Association of Realtors reported that unit sales in September were 6% below a year earlier. For the first nine months of 2009, sales were 13% lower than in the year-earlier period. The average sales price in the state in September was about unchanged from a year earlier.

The Beige Book report on business conditions in the Cleveland Federal Reserve District[9] released in October said that factory production was steady to up slightly. New home sales showed modest gains. Commercial and industrial construction remained slow with credit availability a problem. Retail sales were unchanged to slightly higher. The volume of freight transported had increased. Reports on employment were mixed, with more efforts to hire temporary rather than permanent employees.

[9] The Cleveland Federal Reserve District includes Ohio and parts of Kentucky, Pennsylvania, and West Virginia. Cleveland's section of the Beige Book is one of twelve reports contributed by the banks that comprise the Federal Reserve System. Reports are based on information from contacts outside the system.