Budget Footnotes

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STATUS OF THE GRF

ISSUE UPDATES

TRACKING THE ECONOMY

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STATUS OF THE GRF

HIGHLIGHTS

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

GRF tax revenues are nearly 1% above estimate through the first half of FY 2012, despite weaker than expected collections in December. But the economic recovery has been slow, nationally, and many forecasters have lowered their forecasts of economic growth in 2012 and 2013. This month's Tracking the Economy article compares the most recent Global Insight economic forecast for Ohio to its forecast from May, when the current biennial budget was entering the final stages of the legislative process.

Also, while GRF tax receipts through December grew 9.5% compared with the first half of FY 2011, part of the growth is attributable to changes made in the budget to sharing of tax revenue with local governments. This month's Revenues report examines the impact of those changes on overall tax revenue growth.

Through December 2011, GRF sources totaled $13.35 billion:

- Revenue from the personal income tax was $17.6 million below estimate;
- Sales and use tax receipts were $60.4 million above estimate.

Through December 2011, GRF uses totaled $14.77 billion:

- Program expenditures were $377.4 million below estimate, due primarily to Public Assistance and Medicaid ($302.9 million) and Justice and Public Protection ($54.8 million).

Table 1: General Revenue Fund Sources
Preliminary Actual vs. Estimate
Month of December 2011
($ in thousands)
(Actual based on report run in OAKS Actuals Ledger on January 6, 2012)

	Actual	Estimate*	Variance	Percent
STATE SOURCES				
TAX REVENUE				
Auto Sales	$80,201	$67,200	$13,001	19.3%
Nonauto Sales and Use	$648,679	$666,600	-$17,921	-2.7%
Total Sales and Use Taxes	$728,879	$733,800	-$4,921	-0.7%
Personal Income	$750,955	$772,766	-$21,810	-2.8%
Corporate Franchise	$3,697	-$4,500	$8,197	182.2%
Public Utility	-$680	$1,300	-$1,980	-152.3%
Kilowatt Hour Excise	$21,661	$22,300	-$639	-2.9%
Natural Gas Consumption (MCF)	$2	$0	$2	--
Commercial Activity Tax	$602	$2,500	-$1,898	-75.9%
Foreign Insurance	$6	$0	$6	--
Domestic Insurance	$4	$0	$4	--
Business and Property	$4	-$1,000	$1,004	100.4%
Cigarette	$71,211	$73,900	-$2,688	-3.6%
Alcoholic Beverage	$4,635	$4,300	$335	7.8%
Liquor Gallonage	$3,195	$3,000	$195	6.5%
Estate	$1,308	$900	$408	45.3%
Total Tax Revenue	**$1,585,479**	**$1,609,266**	**-$23,787**	**-1.5%**
NONTAX REVENUE				
Earnings on Investments	$4	$0	$4	---
Licenses and Fees	$966	$768	$198	25.8%
Other Revenue	$3,937	$2,077	$1,860	89.5%
Total Nontax Revenue	**$4,907**	**$2,845**	**$2,062**	**72.5%**
TRANSFERS				
Liquor Transfers**	$14,500	$14,500	$0	0.0%
Budget Stabilization	$0	$0	$0	---
Other Transfers In	$56,426	$0	$56,426	---
Total Transfers In	**$70,926**	**$14,500**	**$56,426**	**389.1%**
TOTAL STATE SOURCES	**$1,661,311**	**$1,626,611**	**$34,700**	**2.1%**
Federal Grants	$642,470	$631,073	$11,396	1.8%
TOTAL GRF SOURCES	**$2,303,781**	**$2,257,684**	**$46,097**	**2.0%**

* Tax estimates of the Office of Budget and Management as of September 2011.
**Liquor Transfers based on a report run in OAKS as of January 4, 2012.
Detail may not sum to total due to rounding.

Table 2: General Revenue Fund Sources
Preliminary Actual vs. Estimate
FY 2012 as of December 31, 2011
($ in thousands)
(Actual based on report run in OAKS Actuals Ledger on January 6, 2012)

	Actual	Estimate*	Variance	Percent	FY 2011	Percent Change
STATE SOURCES						
TAX REVENUE						
Auto Sales	$511,260	$476,600	$34,660	7.3%	$476,764	7.2%
Nonauto Sales and Use	$3,512,017	$3,486,300	$25,717	0.7%	$3,353,125	4.7%
Total Sales and Use Taxes	$4,023,277	$3,962,900	$60,377	1.5%	$3,829,889	5.0%
Personal Income	$3,917,132	$3,934,757	-$17,625	-0.4%	$3,635,529	7.7%
Corporate Franchise	$6,007	-$4,299	$10,307	239.7%	-$4,043	248.6%
Public Utility	$55,307	$60,800	-$5,492	-9.0%	$56,416	-2.0%
Kilowatt Hour Excise	$157,027	$165,100	-$8,074	-4.9%	$81,278	93.2%
Natural Gas Consumption (MCF)	$18,170	$14,700	$3,470	23.6%	$0	---
Commercial Activity Tax	$196,507	$184,000	$12,507	6.8%	$0	---
Foreign Insurance	$134,249	$130,099	$4,150	3.2%	$132,230	1.5%
Domestic Insurance	$61	-$1,100	$1,162	105.6%	-$1,023	106.0%
Business and Property	-$1,783	-$1,500	-$284	-18.9%	-$1,006	-77.3%
Cigarette	$378,529	$371,600	$6,929	1.9%	$388,100	-2.5%
Alcoholic Beverage	$29,829	$29,000	$830	2.9%	$28,473	4.8%
Liquor Gallonage	$19,473	$18,400	$1,073	5.8%	$18,652	4.4%
Estate	$35,808	$28,000	$7,808	27.9%	$27,270	31.3%
Total Tax Revenue	**$8,969,595**	**$8,892,458**	**$77,138**	**0.9%**	**$8,191,766**	**9.5%**
NONTAX REVENUE						
Earnings on Investments	$1,206	$1,250	-$44	-3.5%	$3,156	-61.8%
Licenses and Fees	$20,071	$17,236	$2,834	16.4%	$15,933	26.0%
Other Revenue	$16,383	$22,129	-$5,746	-26.0%	$150,920	-89.1%
Total Nontax Revenue	**$37,660**	**$40,615**	**-$2,956**	**-7.3%**	**$170,010**	**-77.8%**
TRANSFERS						
Liquor Transfers**	$72,632	$69,500	$3,132	4.5%	$77,439	-6.2%
Budget Stabilization	$0	$0	$0	---	$0	---
Other Transfers In	$229,561	$10,598	$218,964	2066.1%	$362,961	-36.8%
Total Transfers In	**$302,193**	**$80,098**	**$222,096**	**277.3%**	**$440,400**	**-31.4%**
TOTAL STATE SOURCES	**$9,309,448**	**$9,013,171**	**$296,278**	**3.3%**	**$8,802,176**	**5.8%**
Federal Grants	$4,037,470	$4,186,686	-$149,216	-3.6%	$4,369,280	-7.6%
TOTAL GRF SOURCES	**$13,346,919**	**$13,199,857**	**$147,061**	**1.1%**	**$13,171,456**	**1.3%**

* Tax estimates of the Office of Budget and Management as of September 2011.

**Liquor Transfers based on a report run in OAKS as of January 4, 2012.

Detail may not sum to total due to rounding.

REVENUES

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

Overview

Through December, FY 2012 tax receipts were $77.1 million above estimates.

Halfway through the year, FY 2012 total GRF sources were $147.1 million (1.1%) above the estimates released by the Office of Budget and Management in September 2011. Tax receipts were $77.1 million ahead of projected revenues, nontax state-source receipts were $219.1 million above estimates, and federal grants were short of estimates by $149.2 million. Tables 1 and 2 show GRF sources for the month of December and for FY 2012 through December, 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 such as Medicaid that receive federal funding.

For the month of December 2011, total GRF sources of $2.30 billion were $46.1 million (2.0%) above estimate, mostly due to a positive variance of $56.4 million in other transfers in.[1] That positive variance was reduced by a deficit of $23.8 million in tax receipts. State-source receipts and federal grants were above estimates by $34.7 million and $11.4 million, respectively.

December GRF tax receipts were $23.8 million below estimates.

In December, GRF tax receipts totaled $1.59 billion. All primary tax sources were below estimate: the personal income tax, by $21.8 million, the sales and use tax, by $4.9 million, and the cigarette tax, by $2.7 million. Receipts were also short of estimate by $1.9 million for the commercial activity tax (CAT) and by $2.0 million for the public utility excise tax. Receipts were $1.0 million above anticipated revenues for the business and property tax. Corporate franchise tax receipts were $3.7 million, when net refunds to taxpayers of $4.5 million were expected, resulting in a positive variance of $8.2 million.

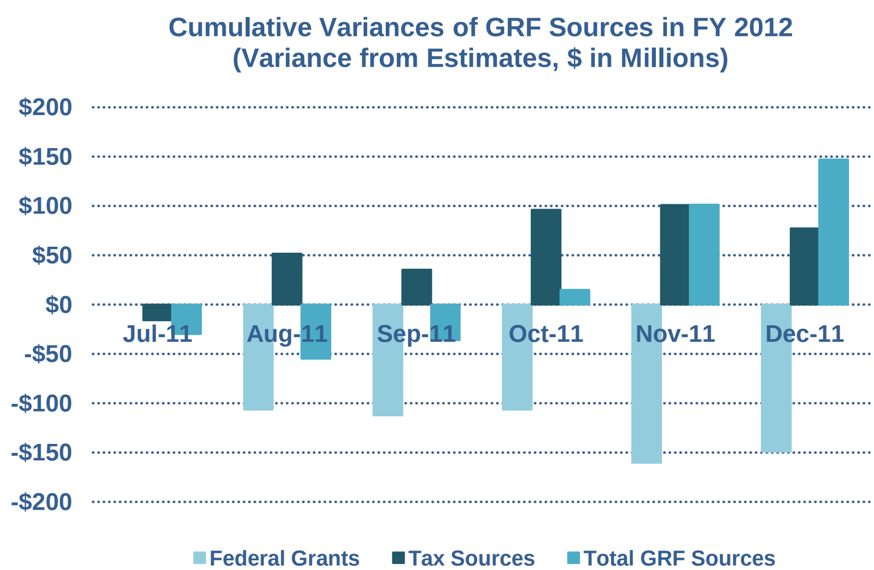
Through December, FY 2012 GRF sources were $13.35 billion. State-source GRF receipts of $9.31 billion were $296.3 million ahead of projections, mostly due to a positive variance of $222.1 million in transfers in. December results decreased the year-to-date positive

[1] Insufficient balances in CAT-related tangible personal property tax replacement funds (the School District Tangible Property Tax Replacement Fund and the Local Government Tangible Property Tax Replacement Fund) required GRF funds in previous months. Other transfers in November and December were reimbursements to the GRF of moneys previously advanced to the replacement funds.

variance in tax receipts to $77.1 million, down from $100.9 million at the end of November. Shortfalls of $3.0 million in nontax revenues and $149.2 million in federal grants reduced the positive variance of state-source GRF receipts. The deficit in federal grants may be partially due to timing issues related to the implementation of the new Medicaid Information Technology System and expenditures for certain human services programs.

Through December, FY 2012 federal grants were $149.2 million below estimates.

The year-to-date positive variance in GRF tax revenues was due to higher than anticipated receipts from the sales and use tax ($60.4 million), the CAT ($12.5 million), the cigarette tax ($6.9 million), the estate tax ($7.8 million), the foreign insurance tax ($4.2 million), the natural gas consumption tax ($3.5 million), the corporate franchise tax ($10.3 million), the domestic insurance tax ($1.2 million), and the liquor gallonage tax ($1.1 million). Year-to-date receipts were below estimates for the personal income tax ($17.6 million), the kilowatt hour tax ($8.1 million), and the public utility excise tax ($5.5 million). The graph below shows the cumulative variances against estimate for federal grants, tax sources, and total GRF sources.



Through December, federal grants were $331.8 million below such receipts in FY 2011.

FY 2012 year-to-date GRF sources increased $175.5 million compared to receipts in the corresponding period in FY 2011. An increase of $507.3 million in state-source receipts was partially offset by a decrease of $331.8 million in federal grants.[2] The increase in state-source receipts

[2] The American Recovery and Reinvestment Act of 2009 (ARRA) boosted FY 2011 federal grants, a portion of which was deposited in the GRF. ARRA

Through December, FY 2012 tax receipts were $777.8 million greater than such receipts in FY 2011.

About 42% of the fiscal year's gain in tax receipts was due to tax changes in H.B. 153, the current budget act.

was due to a gain of $777.8 million in GRF tax receipts. The increase in tax receipts was partially reduced by decreases in nontax revenue and transfers in totaling $270.6 million.

Through December, FY 2012 GRF receipts from the personal income tax and the sales and use tax were above the previous year's levels, respectively, by $281.6 million and $193.4 million. Receipts also increased for the kilowatt hour tax ($75.7 million), the corporate franchise tax ($10.1 million), the estate tax ($8.5 million), the foreign insurance tax ($2.0 million), the alcoholic beverage tax ($1.4 million), and the domestic insurance tax ($1.1 million). Tax sources with year-to-year revenue decreases included the cigarette tax ($9.6 million) and the public utility excise tax ($1.1 million). The large year-over-year increase in tax receipts was due, in part, to the ongoing economic recovery. However, a substantial portion of the increase was due to changes in H.B. 153 to the allocation of tax receipts.

H.B. 153 modified the calculation of distributions of state tax money to the Public Library Fund (PLF) and the Local Government Fund (LGF), generally reducing amounts distributed to local governments. These provisions increased FY 2012 GRF tax receipts by about $112.5 million compared to previous law.[3] H.B. 153 also increased the shares of receipts distributed to the GRF from the CAT, the kilowatt hour tax, and the natural gas consumption tax, with corresponding decreases to local government funds that share revenues from those tax sources. (Those local government funds are used to reimburse local governments for lost revenues for the phase-out and reductions in tangible personal property taxes.) The GRF share of CAT receipts increased from 5.3% to 25%, that of the kilowatt hour tax from 63% to 88%, and that of the natural gas consumption tax from 0% to 100%. These changes increased GRF receipts, respectively, by $154.1 million, $44.6 million, and $18.2 million. Collectively, H.B. 153 changes increased GRF tax receipts by about $329.4 million, about 42% of the FY 2012 increase in tax revenue.

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revenues are no longer available, so that federal grants in FY 2012 are expected to be below the level of FY 2011.

[3] LGF distributions are debited from personal income tax receipts; PLF distributions are debited from the kilowatt hour tax (50%) and the nonauto sales and use tax (50%). Thus, H.B. 153 enhanced GRF receipts from all three tax sources this fiscal year.

Personal Income Tax

For the second consecutive month, the personal income tax was below estimate. Following a shortfall of $18.7 million in November, December GRF receipts from the personal income tax of $751.0 million were $21.8 million (2.8%) below estimate. Those receipts were, however, $26.2 million (3.6%) above receipts in December 2010. Personal income tax revenue is equal to gross collections after subtracting both refunds and distributions to the Local Government Fund (LGF). Gross collections are the sum of employer withholding, quarterly estimated payments,[4] trust payments, payments associated with annual returns, and miscellaneous payments.

In December, employer withholding and miscellaneous payments were below estimates, respectively, by $32.8 million (4.6%) and $3.2 million (28.8%). In the previous month, employer withholding and annual returns payments were below estimates, respectively, by $25.7 million (3.9%) and $2.5 million (21.0%). These subpar performances of employer withholding were the primary reasons for the negative variances in personal income tax receipts in the last two months.

The GRF received $3.92 billion from the personal income tax in FY 2012. The revenue shortfall in December turned a year-to-date positive variance of $4.2 million at the end of November, into a deficit of $17.6 million for the first half of FY 2012. Total FY 2012 GRF receipts were $281.6 million (7.7%) above receipts during the corresponding period in FY 2011. The table below summarizes FY 2012 income tax revenue variances from estimates and annual changes by component.

Through December, FY 2012 GRF income tax receipts were $17.6 million below estimates.

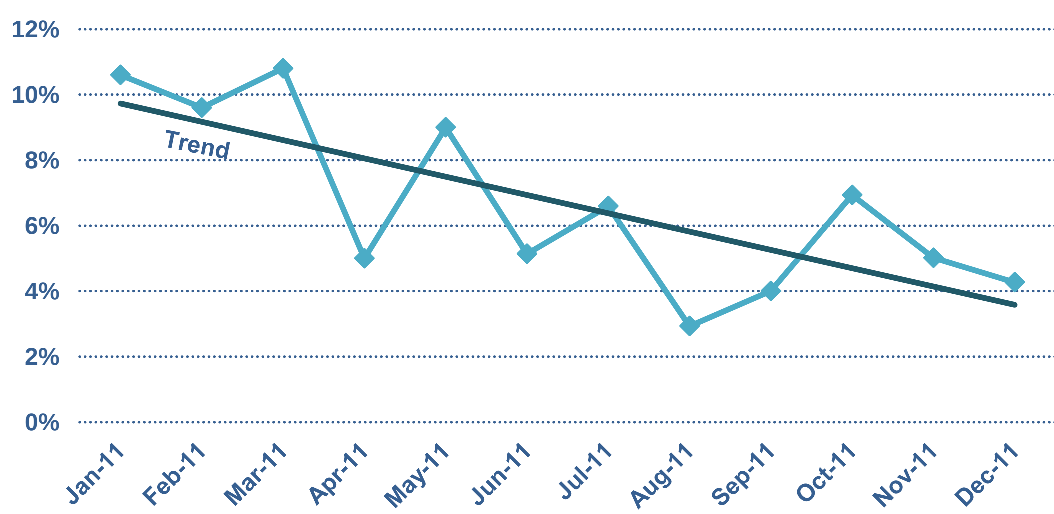
[4] Quarterly estimated payments are made by taxpayers who expect to be underwithheld by more than $500. Payments are due on or before April 15, June 15, and September 15 of the tax year and January 15 of the following year. Most estimated payments are made by high-income taxpayers.

FY 2012 Year-to-Date Income Tax Revenue Variances and Changes by Component				
Category	Year-to-Date Variance from Estimate		Year-to-Date Changes from FY 2011	
	Amount ($ in millions)	Percentage (%)	Amount ($ in millions)	Percentage (%)
Withholding	-$58.2	-1.5%	$144.6	4.0%
Quarterly Estimated Payments	$10.6	2.4%	$56.2	14.5%
Trust Payments	$1.0	9.8%	$2.5	28.5%
Annual Return Payments	$12.7	10.8%	$18.1	16.3%
Miscellaneous Payments	-$2.0	-3.9%	-$0.7	-1.3%
Gross Collections	-$35.9	-0.8%	$220.8	5.3%
Less Refunds	-$20.5	-11.3%	-$22.4	-12.2%
Less Local Government Fund Distribution	$2.2	0.8%	-$38.4	-11.8%
Income Tax Revenue	-$17.6	-0.4%	$281.6	7.7%

Through December, FY 2012 employer withholding was $144.6 million above similar receipts in FY 2011.

Year to date, FY 2012 gross collections increased $220.8 million (5.3%) compared to the corresponding period in FY 2011. Revenues from employer withholding were $144.6 million (4.0%) above receipts in this category last year. The graph below shows monthly changes, on a year-ago basis, in withholding receipts in CY 2011. Though the graph shows a downward trend in the growth rate, Ohio payrolls on this basis continue to expand, but at slower pace than earlier in the year. Growth in withholding receipts in the second half of the year was, on average, half that of the first six months of 2011.

Monthly Withholding Receipts Trend
Actual vs. Prior Year
(Three-month Moving Average)



Quarterly estimated payments, the second most important income tax component after employer withholding, increased $56.2 million (14.5%). Payments from annual returns increased $18.1 million (16.3%). Refunds to taxpayers and distributions to the LGF were, respectively, $22.4 million and $38.4 million below amounts in those categories in the first half of FY 2011.

Through December, FY 2012 GRF sales and use tax receipts were $60.4 million above estimates.

Sales and Use Tax

For the second time this fiscal year, the sales and use tax was below estimate, despite another strong monthly performance by the auto sales and use tax component. December GRF receipts from the sales and use tax of $728.9 million were $4.9 million (0.7%) below estimate, but $21.5 million (3.0%) above receipts in December 2010. Through December, FY 2012 GRF sales and use tax receipts totaled $4.02 billion, $60.4 million (1.5%) above estimate and $193.4 million (5.0%) above receipts in the corresponding period last year. For analysis and forecasting, the sales and use tax is separated into two parts: auto and nonauto. Auto sales and use tax collections[5] 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

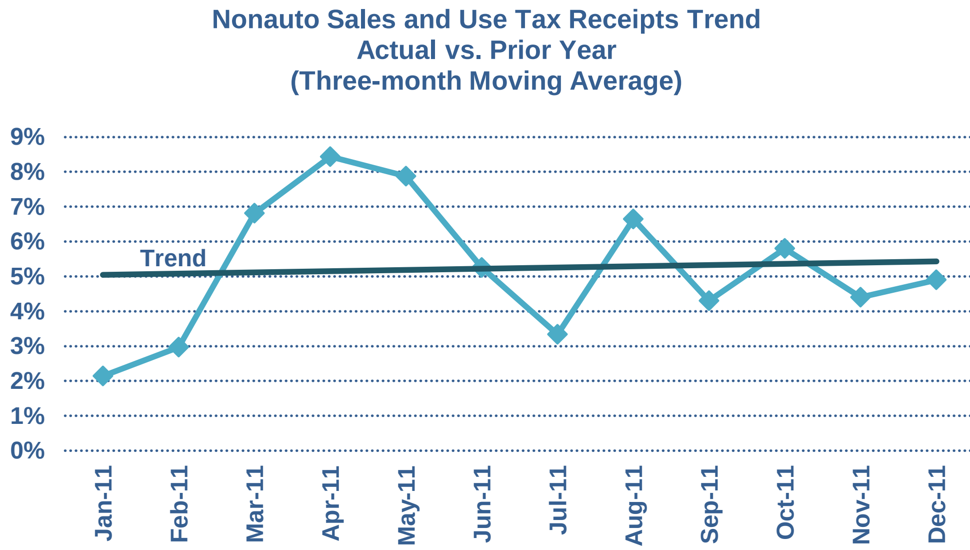
December receipts from the nonauto sales and use tax were $17.9 million below estimate.

Monthly receipts from the nonauto sales and use tax were $648.7 million, $17.9 million (2.7%) below estimate, and $8.5 million (1.3%) above December 2010 receipts. Through December, FY 2012 GRF nonauto sales and use tax receipts were $3.51 billion. Those receipts were $25.7 million (0.7%) above estimate, and $158.9 million (4.7%) above receipts in the corresponding period in FY 2011. FY 2012's growth in receipts includes about $20.9 million in additional revenues from the reduction in distributions to the PLF, and $27.1 million in increased receipts from Medicaid health insuring corporations, nearly 20% above such receipts in FY 2011 through December.

The nonauto sales and use tax base continues to expand, reflecting better overall economic conditions and increased credit availability than last year, though growth in employee compensation declined in the most recent months, and spending has been supported by a declining personal

[5] 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.

savings rate. Reductions in unemployment insurance payments may also be affecting sales tax receipts. Nationwide, sales at the largest retailers (excluding Walmart)[6] on a year-ago basis grew 3.3%, on average, in the last quarter, down from 5.0% in the July to September quarter. The graph below shows the trend in monthly receipts in CY 2011 against prior-year receipts in the same month.



Through December, FY 2012 auto sales and use tax receipts were $34.7 million above estimates.

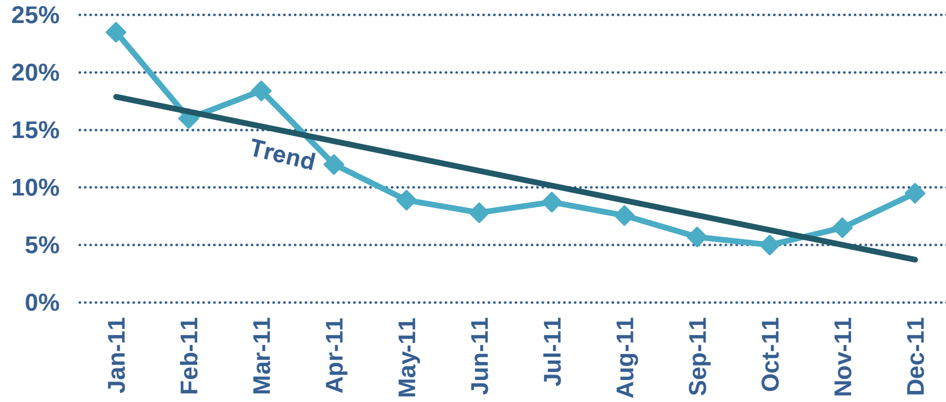
Auto Sales and Use Tax

GRF receipts from the auto sales and use tax of $80.2 million in December were $13.0 million (19.3%) above both estimate and December 2010 receipts. For the fiscal year, auto sales and use tax receipts to the GRF totaled $511.3 million, $34.7 million (7.3%) above estimate and $34.5 million (7.2%) above receipts through December in FY 2011.

The graph below, which compares monthly auto sales and use tax receipts with year-ago receipts in the same period, shows a sustained downward trend in the growth rate, though receipts on this basis do continue to grow.

[6] Data are from the International Council of Shopping Centers, and are reported on a comparable store basis for stores open both this year and last.

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



Light vehicle sales (autos and light trucks) closed out the year with another strong month. In December 2011, nationwide sales of light motor vehicles were at a 13.5 million unit seasonally adjusted annual rate, down from a 13.6 million unit rate in November, but 8% higher than in the same month last year. For the year, sales of autos and light trucks totaled 12.7 million units, about 10% over sales in 2010. The monthly sales pace in December topped 13 million for the fourth consecutive month, a positive sign for 2012; sales this year are projected to be between 13.5 million and 14 million units by most forecasting firms and manufacturers.

Cigarette and Other Tobacco Products Tax

GRF receipts from the cigarette and other tobacco products tax of $71.2 million in December 2011 were $2.7 million (3.6%) below estimate and $6.0 million (7.7%) below receipts in the corresponding period in FY 2011.

Through December, FY 2012 receipts of $378.5 million were $6.9 million (1.9%) above estimates. Receipts from cigarette sales were $350.6 million, and sales of products other than cigarettes provided $27.9 million. Compared to FY 2011, total receipts were $9.6 million (2.5%) below receipts in the corresponding period. Receipts from the sale of cigarettes decreased $11.7 million and those from the sale of other tobacco products increased $2.1 million. Generally, cigarette tax receipts experience a sustained downward trend on a year-ago basis.

Through December, FY 2012 cigarette tax receipts were $6.9 million above estimates.

Kilowatt Hour Tax

GRF receipts from the kilowatt hour tax of $21.7 million in December 2011 were $0.6 million (2.9%) below estimate, but $14.1 million (186.3%) above receipts in the corresponding period in FY 2011. For the fiscal year, GRF revenues totaled $157.0 million. Those receipts were $8.1 million (4.9%) below estimate and $75.7 million (93.2%) above receipts through December in FY 2011. FY 2012's growth in GRF receipts includes additional revenues of $20.9 million from the reduction in distributions to the PLF, and $44.6 million from the increase in the share of tax receipts to the GRF. Though FY 2012 year-to-date GRF kilowatt hour tax receipts were 93.2% above receipts in the corresponding period a year ago, total (all funds) kilowatt hour tax receipts were up only about 4%.

Through December, FY 2012 GRF CAT receipts were $12.5 million above estimates.

Commercial Activity Tax

December GRF receipts from CAT of $0.6 million were $1.9 million (75.9%) below estimate. CAT receipts to the GRF in FY 2012 totaled $196.5 million, $12.5 million (6.8%) above estimate. Overall, FY 2012 total (all funds) CAT receipts of $799.9 million were $82.5 million (11.5%) above receipts in the first half of FY 2011. Through FY 2011, revenues from the tax were not deposited into the GRF as they were fully earmarked for reimbursing school districts and other local governments for the reductions and phase-out of local taxes on most tangible personal property.

Table 3: General Revenue Fund Uses
Preliminary Actual vs. Estimate
Month of December 2011
($ in thousands)
(Actual based on OAKS reports run January 6, 2012)

PROGRAM	**Actual**	**Estimate***	**Variance**	**Percent**
Primary, Secondary, and Other Education	$514,878	$534,034	-$19,156	-3.6%
Higher Education	$161,486	$163,610	-$2,123	-1.3%
Total Education	$676,364	$697,644	-$21,279	-3.1%
Public Assistance and Medicaid	$909,523	$929,022	-$19,498	-2.1%
Health and Human Services	$50,436	$59,638	-$9,201	-15.4%
Total Welfare and Human Services	$959,960	$988,659	-$28,700	-2.9%
Justice and Public Protection	$120,957	$127,776	-$6,820	-5.3%
Environment and Natural Resources	$2,531	$3,980	-$1,449	-36.4%
Transportation	$744	$730	$14	1.9%
General Government	$17,579	$20,141	-$2,562	-12.7%
Community and Economic Development	$4,988	$6,602	-$1,614	-24.4%
Capital	$0	$0	$0	---
Total Government Operations	$146,800	$159,229	-$12,430	-7.8%
Tax Relief and Other	$415	$3,024	-$2,609	-86.3%
Debt Service	$13,101	$14,371	-$1,270	-8.8%
Total Other Expenditures	$13,516	$17,395	-$3,878	-22.3%
Total Program Expenditures	**$1,796,640**	**$1,862,927**	**-$66,287**	**-3.6%**
TRANSFERS				
Budget Stabilization	$0	$0	$0	---
Other Transfers Out	$6,281	$6,550	-$269	-4.1%
Total Transfers Out	$6,281	$6,550	-$269	-4.1%
TOTAL GRF USES	**$1,802,921**	**$1,869,477**	**-$66,556**	**-3.6%**

* September 2011 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 2012 as of December 31, 2011
($ in thousands)
(Actual based on OAKS reports run January 6, 2012)

PROGRAM	Actual	Estimate*	Variance	Percent	FY 2011	Percent Change
Primary, Secondary, and Other Education	$3,529,957	$3,541,738	-$11,781	-0.3%	$3,448,817	2.4%
Higher Education	$1,091,718	$1,100,502	-$8,784	-0.8%	$1,255,749	-13.1%
Total Education	$4,621,675	$4,642,240	-$20,565	-0.4%	$4,704,566	-1.8%
Public Assistance and Medicaid	$6,765,252	$7,068,106	-$302,854	-4.3%	$5,993,559	12.9%
Health and Human Services	$557,982	$551,601	$6,381	1.2%	$574,008	-2.8%
Total Welfare and Human Services	$7,323,234	$7,619,707	-$296,473	-3.9%	$6,567,567	11.5%
Justice and Public Protection	$949,023	$1,003,792	-$54,769	-5.5%	$999,480	-5.0%
Environment and Natural Resources	$42,440	$41,476	$964	2.3%	$42,598	-0.4%
Transportation	$5,265	$6,120	-$854	-14.0%	$8,911	-40.9%
General Government	$160,207	$174,721	-$14,514	-8.3%	$154,212	3.9%
Community and Economic Development	$53,230	$57,882	-$4,653	-8.0%	$55,835	-4.7%
Capital	$120	$0	$120	---	$24	402.1%
Total Government Operations	$1,210,284	$1,283,991	-$73,706	-5.7%	$1,261,059	-4.0%
Tax Relief and Other	$865,060	$842,035	$23,025	2.7%	$841,655	2.8%
Debt Service	$185,268	$194,918	-$9,650	-5.0%	$282,549	-34.4%
Total Other Expenditures	$1,050,328	$1,036,953	$13,375	1.3%	$1,124,203	-6.6%
Total Program Expenditures	**$14,205,521**	**$14,582,890**	**-$377,370**	**-2.6%**	**$13,657,396**	**4.0%**
TRANSFERS						
Budget Stabilization	$246,899	$246,899	$0	0.0%	$0	---
Other Transfers Out	$316,720	$85,991	$230,729	268.3%	$987,697	-67.9%
Total Transfers Out	$563,619	$332,890	$230,729	69.3%	$987,697	-42.9%
TOTAL GRF USES	**$14,769,139**	**$14,915,780**	**-$146,641**	**-1.0%**	**$14,645,093**	**0.8%**

* September 2011 estimates of the Office of Budget and Management.
Detail may not sum to total due to rounding.

Table 5: FY 2012 Medicaid Expenditures
($ in thousands)
(Actuals based on OAKS report run on January 9, 2012)

Medicaid (600525) Payments by Service Category	December Actual	December Estimate	December Variance	December Percent Variance	Year to Date Actual thru Dec	Year to Date Estimate thru Dec	Year to Date Variance	Year to Date Percent Variance
Managed Care Plans	$588,798	$590,836	-$2,038	-0.3%	$3,034,036	$3,087,679	-$53,643	-1.7%
Nursing Facilities	$197,540	$203,668	-$6,128	-3.0%	$1,219,536	$1,258,468	-$38,932	-3.1%
Prescription Drugs	$37,706	$40,954	-$3,248	-7.9%	$645,474	$662,090	-$16,616	-2.5%
Hospitals	$110,591	$107,131	$3,460	3.2%	$624,979	$722,011	-$97,032	-13.4%
Aging Waivers	$45,012	$50,979	-$5,967	-11.7%	$321,027	$306,401	$14,626	4.8%
ICFs/MR	$49,244	$46,080	$3,164	6.9%	$280,136	$280,782	-$646	-0.2%
ODJFS Waivers	$23,971	$26,125	-$2,154	-8.2%	$158,204	$174,718	-$16,514	-9.5%
Physicians	$21,373	$26,190	-$4,817	-18.4%	$139,683	$171,356	-$31,673	-18.5%
All Other	$130,352	$131,035	-$683	-0.5%	$788,935	$824,450	-$35,515	-4.3%
Total Payments	$1,204,587	$1,222,997	-$18,410	-1.5%	$7,212,010	$7,487,954	-$275,944	-3.7%
Total Offsets (non-GRF)	-$362,148	-$360,250	-$1,898	0.5%	-$966,647	-$981,271	$14,624	-1.5%
Total 600525 (net of offsets)	$842,439	$862,747	-$20,308	-2.4%	$6,245,363	$6,506,683	-$261,320	-4.0%
Medicare Part D (600526)	$19,592	$23,198	-$3,606	-15.5%	$117,336	$135,965	-$18,629	-13.7%
Total GRF	**$862,031**	**$885,945**	**-$23,914**	**-2.7%**	**$6,362,699**	**$6,642,648**	**-$279,949**	**-4.2%**
Total All Funds	**$1,224,179**	**$1,246,195**	**-$22,016**	**-1.8%**	**$7,329,346**	**$7,623,919**	**-$294,573**	**-3.9%**

Estimates from the Ohio Department of Job and Family Services (ODJFS)

ICFs/MR - Intermediate Care Facilities for the Mentally Retarded

EXPENDITURES

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

For the first half of FY 2012, total GRF uses were below estimate by $146.6 million.

For the first six months of FY 2012, GRF program expenditures totaled $14.21 billion, $377.4 million below the estimate released by the Office of Budget and Management (OBM) in September 2011. Year-to-date GRF transfers out totaled $563.6 million, $230.7 million above estimate. GRF uses as a whole were $14.77 billion, $146.6 million below estimate. Tables 3 and 4 show GRF uses for the month of December and for FY 2012 through December, respectively.

Categories with significant year-to-date negative variances were Public Assistance and Medicaid ($302.9 million) and Justice and Public Protection ($54.8 million). Categories with significant year-to-date positive variances that partially offset those negative variances included Transfers Out ($230.7 million) and Tax Relief and Other ($23.0 million). The variances in these four categories are briefly discussed below.

Public Assistance and Medicaid

Year-to-date GRF expenditures for Public Assistance and Medicaid totaled $6.77 billion, $302.9 million (4.3%) below estimate. Medicaid, including both state and federal shares, accounts for 94% of expenditures in this program category. Table 5 details Medicaid GRF expenditures by service category and also summarizes Medicaid expenditures across all funds. (Medicaid is mainly funded with the GRF but is also supported by various non-GRF funds.) As seen from the table, Medicaid GRF expenditures for the year to date totaled $6.36 billion, which was $279.9 million (4.2%) below estimate. Across all funds, year-to-date Medicaid expenditures amounted to $7.33 billion, which was $294.6 million (3.9%) below estimate.

According to the Ohio Department of Job and Family Services, the most likely explanation for the negative variance continues to be the implementation of the new Medicaid Information Technology System (MITS), which may be causing timing issues with payments to certain providers. The categories most affected are Hospitals with a negative variance of $97.0 million (13.4%) for the year to date, Physicians with a negative variance of $31.7 million (18.5%), and Medicare Part D with a negative variance of $18.6 million (13.7%). Also contributing to the negative year-to-date variance, Managed Care Plan expenditures were below estimate by $53.6 million (1.7%).

Justice and Public Protection

Year-to-date GRF expenditures for Justice and Public Protection totaled $949.0 million, $54.8 million (5.5%) below estimate. The Department of Rehabilitation and Correction (DRC), the largest agency within this program category, contributed $45.4 million to the total negative variance. The second largest agency, the Department of Youth Services (DYS), contributed another $6.4 million. The negative variances in DRC and DYS were largely due to a higher than expected personnel vacancy rate related to the organizational restructuring occurring in these two agencies. According to the Department of Administrative Services' monthly state employee head count report, for the first six months of FY 2012 the average number of individuals on the DRC payroll was 12,694 per month, a decrease of 701 (5.2%) individuals from the average for the same period in FY 2011. For DYS, the monthly average was 1,543 for FY 2012, compared with 1,865 for FY 2011, a decrease of 322 (17.3%) individuals. DRC and DYS employ about 25% of state employees. The majority of their GRF appropriations are used to pay for payroll costs.

The positive variances in GRF transfers out were largely due to a timing issue.

Transfers Out

Year-to-date GRF transfers out were $230.7 million above estimate. This positive variance was largely related to temporary GRF cash transfers made in November in order to reimburse school districts and local governments for tangible personal property (TPP) tax losses. The GRF is to be reimbursed by commercial activity tax (CAT) receipts, which are the funding source of TPP reimbursement payments and are deposited into non-GRF funds. Before the month of December ended, $180.7 million in CAT receipts had already been transferred back into the GRF to partially reimburse the GRF. These transfers in are recorded in tables 1 and 2 in the Revenues section of this report.

Tax Relief and Other

GRF expenditures for the Tax Relief and Other program category totaled $865.1 million for the first six months of FY 2012, $23.0 million (2.7%) above estimate. The vast majority of funds in this category are used to make property tax relief reimbursement payments through two GRF appropriation items: item 200901, Property Tax Allocation, in the Ohio Department of Education budget for making payments to schools and item 110901, Property Tax Allocation, in the Ohio Department of Taxation budget for making payments to other local governments. Reimbursements based on the August (2011) property tax settlement, which is the first of two settlements occurring during a fiscal year, were completed in December. Expenditures for these two GRF appropriation items were $854.4 million, $23.0 million (2.8%) higher than the OBM estimates for these two items for the first six months of FY 2012.

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

ISSUE UPDATES

OCC Appropriation Reduction Allocated to Benefit Electric Utility Consumers

—Russ Keller, Economist, 614-644-1751

On December 14, the Public Utilities Commission of Ohio (PUCO) ordered that $2,856,907 in FY 2012 assessments on public utilities be used to reduce the universal service rider paid by Ohio's electric utility consumers. H.B. 153 reduced the FY 2012 appropriation for the Office of the Consumers' Counsel (OCC) by $2,856,907, compared with its FY 2011 appropriation. Section 749.10 of H.B. 153 required PUCO to determine an appropriate methodology to distribute the reduction amount to the benefit of customers of public utilities. Funding for OCC is derived solely from an assessment on public utilities imposed under R.C. 4911.18, with the amount of the assessment determined by the OCC appropriation. The reduction in the OCC appropriation reduces the costs of Ohio's public utilities, but rates that utilities charge their customers may be based on a higher assessment amount. Section 749.10 of H.B. 153 was intended to ensure that the reduction in the OCC appropriation would result in savings for utility customers, not create windfall profits for utilities. Under the PUCO order, utilities essentially will pay the same assessment amount that they paid for FY 2011, but the assessment will be allocated in part for funding OCC and in part for reducing the universal service rider on electric utility bills.

The electric universal service rider is collected by electric distribution utilities and credited to the Universal Service Fund (Fund 5M40), which is used by the Department of Development (DOD). Fund 5M40 supports the Percentage of Income Payment Plan (PIPP) Program, which allows households at or below 150% of the federal poverty level to pay installments of their electric bills using a set percentage of their monthly income. DOD uses moneys in Fund 5M40 to reimburse utility companies for the cost of the energy used by PIPP customers.

State Board of Education Adopts Ohio Teacher Evaluation System Framework

—Edward M. Millane, Senior Budget Analyst, 614-995-9991

In November, the State Board of Education adopted the Ohio Teacher Evaluation System (OTES) framework. Adoption of the framework is mandated by H.B. 153, which also requires each school district and educational service center (ESC), as well as each community school and STEM school receiving Race to the Top funds, to adopt a teacher evaluation policy that conforms to the framework by July 1, 2013. H.B. 153 requires 50% of each teacher evaluation to be based on student academic growth as measured by value-added data derived from the state achievement assessments when applicable and, when not applicable, from other assessments identified by the State Board.[7] Furthermore, H.B. 153 requires employers to use teacher evaluations to inform decisions about retention, promotion, and removal of poorly performing teachers.

The framework adopted by the State Board uses a matrix to rate a teacher as either "accomplished," "proficient," "developing," or "ineffective." The Board's matrix is recreated below. According to the matrix, the growth of each teacher's students will be determined to be either above expected levels, at expected levels, or below expected levels. Likewise, a teacher's performance will be rated from 1 (lowest rating) to 4 (highest rating). In order for a teacher to be rated as "accomplished" the teacher's students' growth must be above expected levels and the teacher must be rated either a 4 or 3 on the teacher performance measures.

OTES Framework Matrix

		Teacher Performance Measures			
		4	**3**	**2**	**1**
Student Growth Measures	**Above**	Accomplished	Accomplished	Proficient	Developing
	Expected	Proficient	Proficient	Developing	Developing
	Below	Developing	Developing	Ineffective	Ineffective

In October, the Ohio Department of Education (ODE) launched a pilot project to test out the OTES model. Participants in the project include 117 school districts, 17 community schools, three ESCs, and two joint vocational school districts.

ODE Assumes Sponsorship of Ashe Culture Center Community Schools

—Michele Perch, Budget Analyst, 614-644-1262

The Ohio Department of Education (ODE) has assumed temporary sponsorship of eight community schools formerly sponsored by the Ashe Culture Center. H.B. 364 of the 124th General Assembly gave the State Board of Education the authority to revoke a sponsor's approval to sponsor community schools under certain conditions and to assume temporary sponsorship of the former sponsor's community schools until the schools' governing authorities obtain new sponsors.[8] This is the first time the Board has used this authority to revoke a sponsor's approval. Ashe's sponsorship authority was revoked because the organization failed to comply with state law governing

[7] Currently, value-added data from achievement assessments should be available for teachers of 4th through 8th grades in the subjects of mathematics and reading.

[8] R.C. 3314.015(C).

community school sponsors, specifically the requirement that a sponsor must have at least $500,000 in assets in order to operate. All of the former Ashe Culture Center schools are required to find new sponsors by June of 2013. The former Ashe schools, located in northeastern Ohio, are listed in the table below.

Former Ashe Culture Center Schools Sponsored by ODE			
School	**Status**	**School**	**Status**
Cleveland Community School	Operating	Phoenix Village Academy Primary 1	Suspended
Elite Academy of the Arts*	Operating	Phoenix Village Academy Primary 2	Operating
Lion of Judah Academy	Operating	Phoenix Village Academy Secondary 1	Operating
Marcus Garvey Academy*	Operating	Villaview Community School	Operating

*These schools are required to close by June of 2012 due to poor academic performance.

On November 14, the Controlling Board approved the creation of the Community Schools Temporary Sponsorship Fund (Fund 5KY0) and allocated from the fund $215,000 in FY 2012 and $83,000 in FY 2013 to support the Board's sponsorship duties. The allocation is funded by a sponsorship fee charged to each of the operating community schools. The fee is equal to 3% of each school's operating revenue and is deposited into Fund 5KY0. The fund supports ODE's Office of Community Schools, which is responsible for monitoring each community school and issuing monthly reviews, providing technical assistance, and conducting on-site visits.

In addition to this authority provided by H.B. 364 to temporarily sponsor certain community schools, H.B. 153 permits new start-up and existing community schools to apply directly to ODE for sponsorship. As of the middle of December 2011, ODE had received six sponsorship applications under the H.B. 153 provision for new start-up community schools, none of which had yet been approved, and two inquiries from existing community schools.

Board of Regents Develops Ohio High Speed Research Network

—Mary Turocy, Senior Budget Analyst, 614-466-2927

On December 12, the Controlling Board approved the release of $8.1 million in Third Frontier capital funding to the Board of Regents (BOR) for development of the Ohio High Speed Research Network. The Network will consist of a 100 gigabits per second[9] high speed data corridor stretching across the state through Cleveland, Columbus, Dayton, and Cincinnati. According to BOR, the project will support JobsOhio's efforts to retain existing Ohio companies and entice new science and research companies to the state. The Network will be accessible to Ohio's public and

[9] For comparison, a standard T1 connection has a data transfer rate of 1.544 megabits per second and 1 gigabit per second = 1,000 megabits per second.

private institutions of higher education, nonprofits such as hospitals and research facilities, and private industries. The $8.1 million in state Third Frontier funding will cover the Network's hardware and other capital needs. BOR estimates that an additional $2 million to $4 million will be needed to establish the Network's research and innovation centers at several Ohio universities. That additional funding will be provided by the host universities and by private industry sources.

State Funding for Second Harvest Food Banks Totals $14.5 Million in FY 2012

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

In December, the executive announced that up to $2.0 million in Temporary Assistance to Needy Families (TANF) Block Grant funding will be distributed to the Ohio Association of Second Harvest Food Banks through the Governor's Office of Faith-based and Community Initiatives (GOFBCI). This $2.0 million will be in addition to $12.5 million in other funding that the Association is expected to receive in FY 2012. H.B. 153 requires that the Ohio Department of Job and Family Services (ODJFS) provide the Association with $8.5 million of non-GRF funding in each fiscal year.[10] This funding is provided mainly from the federal TANF Block Grant and Social Services Block Grant. H.B. 153 also appropriates $4.0 million for the Association from GRF line item 600540, Second Harvest Food Banks.

The $2.0 million announced in December is part of $6.5 million that will be used by the GOFBCI for food programs, after-school programs, and other initiatives. The executive order also earmarks up to $1.0 million for After-School All-Stars, which provides after-school and summer programs for low-income youth in the Columbus area. The remaining $3.5 million will be used to issue competitive grants to various local charities and nonprofit organizations for providing other assistance services.

Ohio Works First Cash Benefits Increase 3.6% in 2012

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

Beginning January 2012, Ohio Works First (OWF) cash assistance benefits will increase 3.6%. For a family of three this increases the monthly benefit from $434 to $450. The table below shows monthly benefit amounts in 2011 and amounts in 2012 after the increase.

[10] This is the amount of non-GRF funding provided to the Association in FY 2011.

OWF Monthly Benefits, 2011 and 2012		
Assistance Group Size	2011 Monthly Benefit	2012 Monthly Benefit
1	$259	$268
2	$355	$368
3	$434	$450
4	$536	$555
5	$627	$650
6	$698	$723

State law requires OWF benefits to be increased every January by the same percentage as the cost-of-living adjustment (COLA) made by the federal Social Security Administration (SSA) for Social Security benefits. The COLA used by SSA is the percentage change in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) from the third quarter of the last year a COLA was determined to the third quarter of the current year. If there is no increase, there can be no COLA.

The last annual COLA increase for OWF benefits went into effect January 2009, which increased benefits by 5.8% in that year. Benefits held level in 2010, as the CPI-W decreased from the third quarter of 2008 to 2009. Benefits also remained flat in 2011, as the index increased slightly from the third quarter of 2009 to 2010, but not above the level from the third quarter of 2008. In the third quarter of 2011, the index rose 3.6% above the level from the third quarter of 2008, which increases benefits by that percentage beginning January 2012.

OWF benefits are funded through the federal TANF Block Grant and the state maintenance of effort dollars. To be eligible for OWF an assistance group must have at least one child and family income must be less than 50% of the federal poverty guidelines (about $9,265 annually for a family of three). Benefits are limited to 36 months but, in some cases, may be extended up to 60 months due to hardship.

Legal Rights Service Begins Transition to Nonprofit Organization

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

In December, the Ohio Legal Rights Service (OLRS) began its transition to a nonprofit organization by filing articles of incorporation with the Ohio Secretary of State. The newly formed nonprofit organization is called the Ohio Disability Rights Law and Policy Center, Inc. H.B. 153 required that the formation of a new nonprofit entity be completed by December 31, 2011 and that OLRS fully transition to a nonprofit organization by October 1, 2012. In the meantime, OLRS may subcontract with the nonprofit to facilitate a gradual transition.

H.B. 153 appropriates total GRF funding of $239,258 for FY 2012 and $60,064 for FY 2013 for OLRS. It also allows OLRS to use its GRF appropriations to support the costs of transitioning to a nonprofit organization. Transition costs may include conveying assets and property and making adjustments to bookkeeping, accounting, and other administrative functions. Current OLRS employees may be rehired by the nonprofit organization during the transition process to carry out some of these functions. According to the OLRS Executive Director, federal grants received for protection and advocacy cases are not allowed to be used for the direct costs of the transition

2011 Ohio State Fair Posts Profit of Over $450,000

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

The Ohio Expositions Commission reported a profit of just over $450,000 from the 2011 State Fair. Overall revenue from the event, held from July 27 through August 7, was approximately $8.0 million. Of this amount, $5.3 million (66.2%) was derived from admissions fees, ticket sales for entertainment and attractions, and exhibit space rental. The remaining $2.7 million (33.8%) came from event sponsorships, parking and camping fees, and other sources such as concessions and livestock auction revenues. Expenses were approximately $7.6 million, with payroll and entertainment contracts accounting for $4.8 million (63.2%) of that amount. The remaining $2.8 million (36.8%) in expenses were for prizes, advertising, fairground maintenance, supplies, utilities, and other items. More than 833,000 individuals attended this year's State Fair, up from 2010 attendance of just over 812,000.

The Expositions Commission's total budget for FY 2012 is approximately $13.6 million. Of this amount, just under $13.4 million is funded by revenues from the State Fair and 155 other events held on the state fairgrounds throughout the year. The remaining $250,000 in funding comes from a GRF subsidy to support the Junior Fair that is held in conjunction with the State Fair. However, if income from State Fair admissions is especially weak because of bad weather, or an unforeseen emergency occurs, the Expositions Commission may tap the State Fair Reserve Fund to support operations. The last time the Commission used this authority was in 2002. As of December 14, 2011, the reserve fund had a cash balance of approximately $125,000.

Round 11 of Clean Ohio Revitalization Program Totals $27.5 Million for 15 Brownfield Cleanup Projects

—Brian D. Hoffmeister, Senior Budget Analyst, 614-644-0089

On December 12, 2011, the Controlling Board approved Round 11 of funding through the Clean Ohio Revitalization Program. The 15 brownfield revitalization awards included in this latest round of funding total just over $27.5 million, which will be used for demolition, remediation, and other cleanup activities on brownfield sites that will eventually be redeveloped for another use. The awards include 12 regular awardees receiving grants totaling $23.4 million and three Sustainable Reinvestment Pilot Track awardees receiving grants totaling just under $4.2 million. The Sustainable Reinvestment Pilot Track is a pilot program within the Clean Ohio Revitalization Fund that offers awards of up to $1.5 million for cleanup and infrastructure on properties where future development will fit into the categories of Sustainable Infrastructure such as signature parks and green infrastructure, Urban Waterfronts, and Cleanfield/Brightfield sites to be used for wind and solar energy projects.

The 15 grants issued in Round 11 range from $3 million to just over $660,000, and add to the $27.7 million already issued in FY 2012 under Round 10 of the Clean Ohio Revitalization Program. The following table lists the projects funded in Round 11 by the amount of the grant, divided into regular Clean Ohio Revitalization Grants and Sustainable Reinvestment Pilot Track awards. According to the Department of Development, Round 12 of the Clean Ohio Revitalization Program will award up to $20 million in May of 2012.

Clean Ohio Revitalization Program Round 11 Awards		
Grantee	**Project Property**	**Amount**
Regular Clean Ohio Revitalization Awards		
City of Columbus	Former Timken Site	$3,000,000
City of Cleveland	Miceli-Lograsso Development Company III Expansion	$2,999,941
City of Akron	Former Goodyear Power House Property	$2,953,196
City of Norwood	Former American Laundry Property	$2,489,574
City of Dayton	Goodwill Easter Seals Project	$2,198,345
Cuyahoga County	Viking Hall Block Property	$2,000,000
City of Xenia	Former Hooven & Allison Cordage Company Property	$1,982,787
City of Youngstown	Former Wean United Facility	$1,775,418
City of Kent	800 Mogadore Road	$1,342,210
City of Sandusky	Former Apex Manufacturing Property	$1,094,089
City of Toledo	Plabell Rubber Property	$865,700
City of Cincinnati	Calmego West Expansion Project	$662,922
	Subtotal – Regular Clean Ohio Revitalization Program	***$23,364,182***

Clean Ohio Revitalization Program Round 11 Awards		
Grantee	**Project Property**	**Amount**
Sustainable Reinvestment Pilot Track Awards		
City of Toledo	UpTown Park	$1,500,000
Miami County	Piqua Power Plant Waterfront Redevelopment	$1,404,362
Hamilton County	Lick Run – South Fairmount Neighborhood	$1,246,740
	Subtotal – Sustainable Reinvestment Pilot Track	***$4,151,102***
	Total – Clean Ohio Revitalization Program Round 11	**$27,515,284**

Ohio Granted Nearly $23 Million in Settlement Concerning the Drug Vioxx

—Jamie L. Doskocil, Senior Budget Analyst, 614-387-0477

On November 22, 2011, the U.S. Department of Justice announced the civil settlement of a multi-state case involving both criminal charges and civil claims against the pharmaceutical company Merck Sharp & Dohne. The settlement totals nearly $1 billion and will be disbursed to Medicaid-participating states. Ohio's share of the settlement is $22,793,287. The money will be largely disbursed to the Department of Job and Family Services, with a small portion being retained by the Office of the Attorney General to offset the costs to participate in the case. The Attorney General argued that due to the false representations made by the makers of the drug, Ohio's Medicaid Program paid for prescriptions that should not have been authorized and that Vioxx would not have been approved for inclusion in the prescription formulary if all the necessary information concerning the drug had been disclosed to the U.S. Food and Drug Administration (FDA).

The case against Merck Sharp & Dohne stemmed from allegations that Merck marketed its drug Vioxx for uses not approved by the FDA, misrepresented the cardiovascular safety issues relating to the drug, and otherwise made false and misleading representations about Vioxx. The drug was voluntarily withdrawn from the marketplace in September 2004.

Death Row Relocation is Expected to Reduce Incidents of Inmate Violence

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

In a move that is expected to reduce incidents of inmate violence, the Department of Rehabilitation and Correction (DRC) has begun the process of relocating and consolidating its men's death row population. Death row inmates are being moved from the Ohio State Penitentiary (Youngstown) and the Mansfield Correctional Institution to vacant high-security units at the Chillicothe Correctional Institution. By relocating death row, more than 200 high-security cells at Youngstown and Mansfield can be utilized to more effectively segregate the most violent and difficult to manage inmates from those two facilities' general population.

The move, which is expected to be completed by January 2012, will also generate an annual savings of about $1.2 million. Nearly all of the expected savings will come from a net reduction of 18 correction officers from security positions that would otherwise have been needed for the death row units at Youngstown and Mansfield. A secondary source of savings will be the shorter trip from Chillicothe to the Southern Ohio Correctional Facility in Lucasville for the carrying out of a death sentence. Including vehicles, security, overnight expenses, and overtime, the trips from Youngstown and Mansfield to Lucasville cost $1,181 and $406, respectively. The trip from Chillicothe to Lucasville will be around $104.

Ohio currently has 147 death row inmates, with 115 and 29 males located at Youngstown and Mansfield, respectively. These 144 male inmates will be relocated to Chillicothe. Two male death row inmates with serious medical conditions will remain at DRC's Franklin Medical Center. The lone female death row inmate will remain at the Ohio Reformatory for Women in Marysville.

TRACKING THE ECONOMY

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

Overview

Indicators during the past month generally show growth of the economy continuing and likely strengthening somewhat.

Indicators during the past month generally show growth of the economy continuing and likely strengthening somewhat. Private-sector employment growth picked up in December and unemployment fell. Ohio's unemployment rate fell in November. Hiring plans for the current quarter nationwide are modestly higher, the number of job openings has been trending upward gradually, and initial claims for unemployment insurance have declined. However, local government employment continued to fall through December. The pace of motor vehicle sales strengthened in last year's fourth quarter. Purchasing managers' reports suggest that business activity rose in December. Industrial production fell in November following a sizable gain in October. Housing starts and sales continued weak through November, but apartment construction is up from earlier lows. In last year's third quarter, inflation-adjusted gross domestic product (real GDP) rose at a 1.8% rate, up from slower growth in the year's first half. Inflation has eased.

A summary of economic forecasts is appended at the end of this section, comparing the outlook in December with that last May, which was the basis in part for LSC's forecast of state revenue for consideration by the Conference Committee in finalizing the operating budget.[11] The projections for the economic variables shown are from the forecasting firm Global Insight. Overall, the December forecast is for slower economic growth than anticipated in May.

At its December meeting, the policy-setting group within the U.S. central bank, the Federal Open Market Committee (FOMC), agreed to hold monetary policy unchanged. The Fed's target short-term interest rate, the federal funds rate, was kept in a range of zero to 0.25%, and the post-meeting statement reiterated that the committee expected conditions to warrant keeping this rate exceptionally low at least through mid-2013. Programs to extend the average maturity of the Fed's portfolio of U.S. Treasury securities, and to reinvest proceeds from maturing securities in the portfolio, were also continued. In a change from past

[11] The Conference Committee used OBM's forecast to finalize the current operating budget.

practice, the group decided to begin publishing committee members' projections for the target federal funds rate, starting with the next meeting at the end of January.

Fiscal policy developments include a two-month extension of a cut in the payroll (social security) tax on employees and of the Emergency Unemployment Compensation program. The extensions were enacted in late December; both provisions had been scheduled to expire at the end of 2011.

The National Economy

Employment and Unemployment

U.S. total nonfarm payroll employment rose by 200,000 in December, and unemployment as a percent of the labor force declined to 8.5%, lowest since early 2009. Trends in total nonfarm payroll employment and the unemployment rate are shown in Chart 1.

U.S. total nonfarm payroll employment rose by 200,000 in December.

Chart 1: U.S. Employment and Unemployment

Payroll employment gains in December were widespread among private-sector industries. The couriers and messengers industry added 42,000 employees, which the U.S. Bureau of Labor Statistics (BLS) suggested may have resulted from increased online purchasing related to the holiday season. Other industries that added to employment during the month included retail trade (28,000), food services and drinking places (24,000), health care (23,000), durable goods manufacturing (23,000), and mining (7,000). These increases are after adjustment for typical seasonal fluctuations in industry employment. Local governments continued to reduce employment (-14,000). Total nonfarm payroll employment has risen 2.7 million (2.1%) since reaching a post-recession low in

Unemployment as a percent of the labor force declined to 8.5%, lowest since early 2009.

February 2010, but remains 6.1 million (4.4%) lower than its all-time peak in January 2008.

The number of people estimated to be unemployed declined in December to 13.1 million.[12] With the release of the December figures, BLS revised seasonal factors from 2007 on. This annual revision did not change overall unemployment rates in most months, and changes were small in those months in which changes were made. The cyclical peak in the unemployment rate was still in October 2009, but was revised down from 10.1% to 10.0%.

Various statistics indicate that labor market conditions are improving but are still difficult. The unemployed in December included 5.6 million persons out of work for more than six months, the lowest that this seasonally adjusted figure has been since September 2009, but far above levels recorded prior to 2009. The number of people working part time for economic reasons declined to 8.1 million, the fewest since January 2009, but high relative to numbers before 2008. These are people who worked 34 or fewer hours per week because of inability to find full-time work, unfavorable business conditions, or slack work. The number of so-called "discouraged workers," people who want a job and do not have one, but who are not actively looking for work because they think no work is available for them, declined in every month last year compared with the year-earlier month (the figures are not seasonally adjusted), and totaled about 0.9 million in December. The December level is high relative to historical data, but the history only goes back to 1994.

Another indicator of improvement in labor markets has been the recent trend in initial claims for unemployment insurance. The nationwide, seasonally adjusted total for initial claims was 372,000 in the week ending December 31. Initial claims were at or below 400,000 in nine of the latest ten weeks, and in a total of 18 weeks in 2011, after being higher than this since mid-2008.

Business and government had about 3.3 million job openings as of the end of October, according to BLS. In combination with the unemployment statistics, this implies more than four unemployed persons in that month for each job opening. The number of job openings has risen since mid-year 2009, by about 1.2 million, but remains about 1.1 million lower than at the end of 2007. Hiring has increased since the

[12] This estimate, based on a survey of about 60,000 households, includes people without jobs who actively sought work in the most recent four weeks and those on temporary layoffs.

end of the 2007-2009 recession but remains slow compared with pre-recession rates. Layoffs and discharges have fallen to low rates.

A survey of hiring intentions for the 2012 first quarter among a large sample of U.S. employers, conducted by the Manpower organization, found that 14% expected to add to employment and 9% planned to reduce payrolls. The rest either anticipated no change in staffing or were undecided at the time of the survey, which was posted on December 12. The current quarter is the ninth consecutive quarter in which planned additions to staff have exceeded reductions, following three quarters of reductions in 2009 (based on seasonally adjusted data). But the net hiring outlook, the percent planning additions to staff minus that planning reductions, remains well below levels reported for 2004-2007.

Production, Shipments, and Inventories

Real GDP rose at a 1.8% annual rate in the third quarter of 2011, revised downward slightly (0.2 percentage point) from the previous estimate. Economic growth was stronger than in last year's first half but below rates of increase in the previous five quarters. With the downward revision, real GDP in the latest quarter remained slightly above its previous peak in the fourth quarter of 2007, at the start of the 2007-2009 recession. The most rapid growth in the 2011 third quarter was in nonresidential fixed investment, followed by exports. Motor vehicle output picked up after slowing in the second quarter. State and local government spending fell in the third quarter, continuing a downtrend underway since late 2007. Inventory accumulation slowed abruptly, measured in current dollars, and inventories declined after adjustment for inflation.

Real GDP rose at a 1.8% annual rate in the third quarter of 2011.

The industrial production index fell 0.2% in November after increasing 0.7% in October. Manufacturing output declined 0.4% in November, while small increases were reported in production at mines and utilities. Production of motor vehicles and parts fell 3.4% after a similar increase the month before. Output fell in a number of other industries in November, and factory output excluding motor vehicles and parts declined 0.2%. Total manufacturing production in November was 3.8% higher than a year earlier, and 14% higher than at the recession trough in June 2009, but remained 9% below its peak in December 2007.

The dollar value of manufacturers' new orders rose 1.8% in November, after small declines in the previous two months. Year-to-date new orders were 12% higher than during January-November 2010. Factory shipments edged up slightly (less than 0.1%) in November, the sixth consecutive monthly increase, and were 12% higher on a year-to-date basis than a year earlier. The backlog of manufacturers' unfilled orders rose 1.3% from October to November, and was 7.9% higher than in November 2010. Factory inventories rose 0.5% in November, and were 11% higher than a year earlier.

Manufacturing activity increased in December, as indicated by a survey of purchasing managers by the Institute for Supply Management (ISM). More of the purchasing executives said that production and new orders rose in the latest month than noted declines. Seasonally adjusted indexes for production and new orders rose to their highest levels since April. Order backlogs declined, however, for the seventh consecutive month. Prices paid for factory inputs by the purchasing managers fell for the third straight month. A separate ISM survey of purchasing managers in industries other than manufacturing showed continued growth of business activity and new orders, and contraction in order backlogs for the third consecutive month. Prices paid rose for the 29th consecutive month.

Consumer Spending

Personal income nationwide rose 0.1% in November, in current dollars, and was 3.9% higher than a year earlier. Private wage and salary disbursements were 4.1% higher than year-earlier levels, while government wages and salaries were only 0.1% higher. Transfer payments to persons, in total, declined slightly (-0.3%) over the past year, after increases in earlier years, reflecting reductions in payments from Medicaid and unemployment insurance programs. Personal income after taxes in November was 2.4% higher than a year earlier measured in current dollars, and 0.1% lower after adjustment for inflation.

Fourth quarter light vehicle sales averaged a million units higher, at an annual rate, than the third quarter average.

Personal consumption expenditures also rose 0.1% in November, in current dollars, rising to 4.3% higher than a year earlier. Personal saving has been declining, as growth of consumer outlays has been faster than increases in after-tax incomes. Growth of consumer spending in the fourth quarter through November, from the third quarter, was at an annual rate of about 2.7%, adjusted for inflation, with most of the growth in purchases of durable goods.

U.S. sales of light motor vehicles in December were at a 13.5 million unit seasonally adjusted annual rate, down slightly from a 13.6 million unit rate in November, the strongest sales month since August 2009 when sales were boosted by the federal "Cash for Clunkers" program. Fourth quarter light vehicle sales averaged a million units higher, at an annual rate, than the third quarter average, a 36% rate of increase. Light vehicle sales are well up from their lows, but still short of strong levels prior to the recession. On a calendar year basis, 2009 was the low point for light vehicle sales, at 10.4 million units. In 2007 and earlier years, sales exceeded 16 million units.

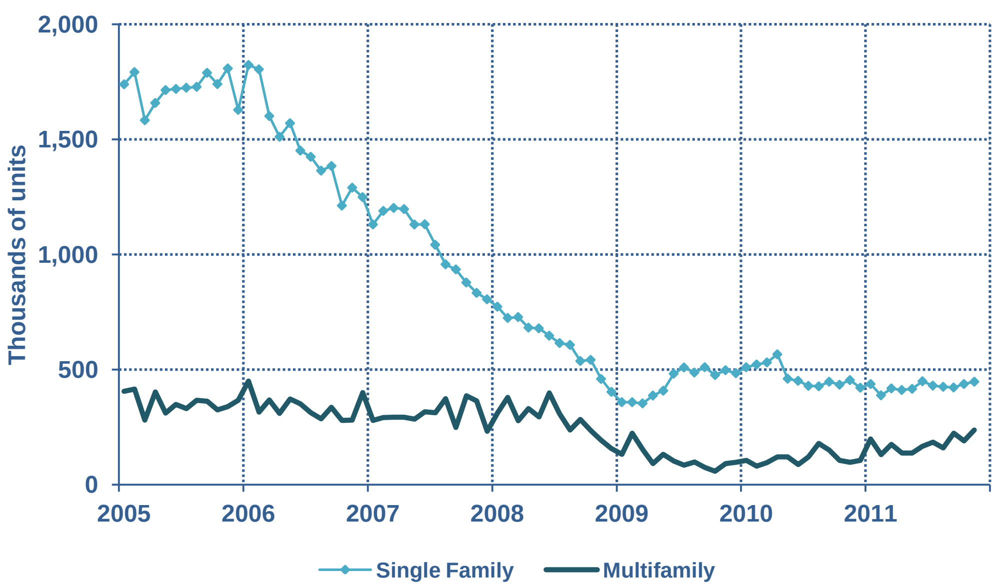
Sales at large retailers that report their results monthly were 3.5% higher in December than a year earlier, on a comparable store basis, in a tabulation by the International Council of Shopping Centers (ICSC). Sales were very uneven by retailer, according to ICSC, with a number of apparel stores blaming weather for soft demand, which was said to have prompted increased price discounting. Comparable store sales include only sales at locations open in both the current and year-earlier months, thus excluding growth resulting from opening additional locations. These results exclude WalMart, the largest general merchandise retailer in the U.S., as well as a number of other retailers that do not release public reports on their sales each month.

Housing starts rose 9% in November, seasonally adjusted, but remained at a low rate compared with starts in past years prior to 2005.

Construction and Real Estate

Housing starts rose 9% in November, seasonally adjusted, but remained at a low rate compared with starts in past years prior to 2005. Starts on construction of new housing units are up from lows of more recent years, particularly for apartments. Through the first 11 months of 2011, housing starts were 2% higher than in the year-earlier period, with starts on single-family residences 10% lower than a year earlier while starts on structures with five or more residential units were 60% higher. Trends in starts on homes and on multi-unit residential structures are shown in Chart 2. Both categories include rental as well as owner-occupied units.

Chart 2: Housing Starts



New home sales rose 2% in November but remained at historically low levels.

New home sales rose 2% in November but remained at historically low levels. The pace of new homes sales this year appears almost certain to set a new all-time low for this series maintained since 1963. Year-to-date sales of new houses were 6% below sales in the year-earlier period.

Sales of homes reported by the National Association of Realtors (NAR) rose 4% in November. For the year to date, sales were 2% higher than a year earlier. Sales have been trending upward in recent months, though comparisons are distorted by the now-expired federal income tax credits for home buyers that shifted purchases into late 2009 and the first half of 2010. Along with the November figures, NAR released rebenchmarked estimates of home sales from 2007 forward. The rebenchmarking lowered annual sales in 2007-2010 by 11% to 16%.[13]

These NAR home sales figures represent transactions that have been completed. A separate series from NAR, the pending home sales index, tends to lead closings and is based on a sample of contract signings. This index rose 7% in November to the highest level since April 2010, when contract signings were elevated ahead of expiration of the federal tax credit.

Housing prices remain soft, but prices are above lows early last year, according to one broad monthly index, or are declining more slowly than in the approximately two years to mid-2009, according to another. A monthly, seasonally adjusted index of housing prices published by the Federal Housing Finance Administration declined 0.2% from September to October. This index is based on purchase prices of houses that secure loans owned or guaranteed by Fannie Mae or Freddie Mac. The nationwide average index was about 1% higher than its recent low last March, but 19% lower than its peak in 2007, and about at its level in 2004. Another index of U.S. housing prices, the S&P/Case-Shiller index for 20 cities, declined 0.6% from September to October, seasonally adjusted, and was 33% lower than its peak in 2006 and around its level in 2003. Most of the decline in this index from the peak occurred between about mid-2007 and mid-2009.

[13] The NAR statistics, covering sales of single-family homes and condominium units, are based on reports from local boards of realtors, adjusted to include estimated sales of homes (other than new homes) by owners who do not make use of the services of realtors, and to exclude estimated sales of new homes by builders through realtors.

Loans for home purchases are very affordable, for those who can qualify for them. Contract interest rates on 30-year fixed-rate mortgage loans have averaged 4% or less since early November, in the Freddie Mac weekly survey of lenders, the lowest on records that start in 1971.

Spending on construction rose in November, reaching a level 6% higher than the recent low point in March 2011, seasonally adjusted. This measure of overall construction activity remained 31% lower, at a seasonally adjusted annual rate, than in 2006, the peak year. Private nonresidential construction activity accounted for most of the increase since March, and rose to 14% above its low in January 2011 but was 32% below spending in peak year 2008. Private residential construction put in place increased in November to 8% higher than at its trough in July but remained 60% lower than in 2006. Public construction spending in November was 3% higher than at its recent low point in July, but was down 10% from the pace in peak year 2009.

Inflation

The consumer price index (CPI) was unchanged in November, seasonally adjusted, after falling 0.1% in October. Compared with its level a year earlier, the CPI was 3.4% higher, down from an increase of 3.9% in September, the largest year-over-year rise since 2008. The slowdown reflects declines in consumer energy prices in November and October. Gasoline prices, which account for nearly 5% of the CPI, fell in both months. Food prices rose slightly in November. The CPI for all items less food and energy increased 0.2% in November, and was 2.2% higher than a year earlier, the most rapid rise in this measure since 2008.

The consumer price index (CPI) was unchanged in November, seasonally adjusted, after falling 0.1% in October.

The nationwide average price of regular gasoline declined to $3.23 per gallon on December 19, in the U.S. Energy Information Administration's weekly survey, before rising in the latest two weeks to $3.30 per gallon on January 2. The U.S. average price peaked at $3.97 per gallon last May. In Ohio, the average price of a gallon of regular gasoline rose from $3.11 on December 19 to $3.37 on January 2.

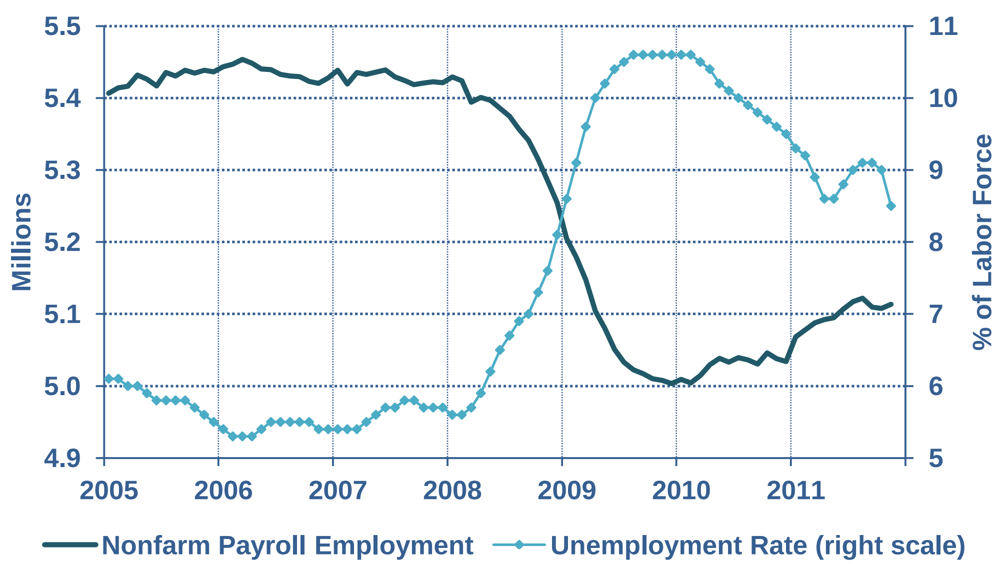
The producer price index (PPI) for finished goods rose 0.3% in November, after declining 0.3% the month before. Most of the November increase was attributable to a 1.0% increase in food prices. The PPI for finished energy goods and that for finished goods other than food and energy each rose 0.1% in November. Compared with a year earlier, the PPI for finished goods was 5.7% higher in November, its smallest year-over-year rise since last March. At earlier stages in the production process, intermediate goods prices rose 0.2% in November and crude materials prices rose 3.8%. The November increase in crude materials prices was led by a 23% jump in the price of crude petroleum. Compared with a year earlier, the PPI for intermediate goods was 7.7% higher in November, the smallest year-over-year rise in this index since January 2011, and the PPI for crude materials was 15.1% higher, larger than the 12.6% year-over-year increase the month before.

Ohio's unemployment rate fell sharply from 9.0% in October to 8.5% in November.

The Ohio Economy

Ohio's unemployment rate fell sharply from 9.0% in October to 8.5% in November. This statewide unemployment rate was at its lowest level since the end of 2008. Total nonfarm payroll employment in the state rose 6,000 (0.1%) from October to November, and was 75,600 (1.5%) higher in November than a year earlier. Trends in the statewide unemployment rate and in total nonfarm payroll employment are shown in Chart 3.

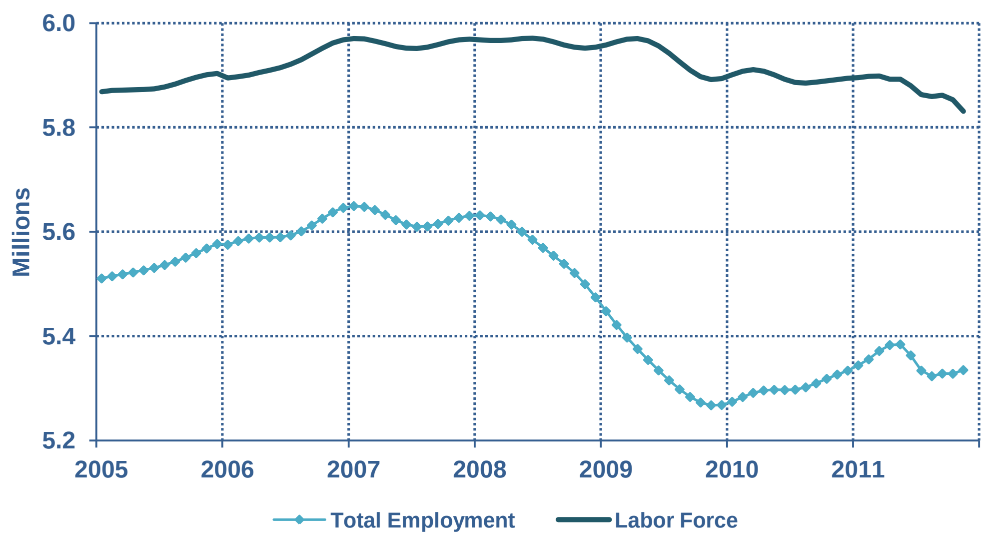
Chart 3: Ohio Employment and Unemployment



Most of the increase in the number of employees on nonfarm payrolls during the past year was in service-providing industries, though the rate of growth was higher in goods-producing industries, at 2.5%, than in the service sector, 1.3%. Increases in employment from a year ago were widespread among industry groups. The industry group with the largest decline in the number of employees was local government.

The number of unemployed Ohioans fell to an estimated 496,000 in November, the lowest number since December 2008, and down from a peak of 627,000 in August 2009. Only part of the decline in unemployment during this period can be attributed to people finding jobs in Ohio. Most of the reduction in the number counted as unemployed is a result of people no longer being in the state's labor force, neither employed nor actively looking for work in Ohio. These trends are shown in Chart 4, in which the vertical distance between the lines for total employment[14] in the state and for the labor force represents the number of people counted as unemployed. Clearly the number considered unemployed in the state would be higher if the labor force had not declined, i.e., if more people without jobs had continued to actively look for work. The decline in Ohio's labor force has been sharper than for the nation as a whole. Ohio's labor force fell by 2.3% from its peak in June 2008 to November 2011. The nation's labor force declined a much smaller 0.6% from its October 2008 peak to November.

Chart 4: Ohio Employment and Labor Force



Declines in unemployment rates from October to November were widespread among Ohio metropolitan areas. The Columbus area continued to have the lowest unemployment rate, at 6.6% in November. The Steubenville-Weirton (West Virginia) metropolitan area continued to have the highest unemployment rate, at 9.7%. These rates are not seasonally adjusted, unlike the statewide rates cited above.

Growth of personal income in Ohio slowed in the third quarter to only 0.2% (seasonally adjusted, at a quarterly rate). Personal income

Growth of personal income in Ohio slowed in the third quarter to only 0.2%.

[14] Please note that data on employment used in discussions of unemployment and the labor force come from a different source than data on payroll employment shown in Chart 3. This explains the differences in the employment numbers shown in the two charts. Among other differences, the employment measure shown in Chart 4 includes agricultural workers and the self-employed.

As of July 1, 2011, Ohio remained the seventh largest state with 3.7% of the nation's population.

growth in the state exceeded that for the total of all 50 states plus the District of Columbia, which grew 0.1%. These figures compare with income gains during the previous four quarters averaging more than 1% for both Ohio and the nation, and failed to keep up with inflation. Income growth was held down by a two-week strike in August by 45,000 workers (nationwide) at Verizon and by other job losses in the information industry. Also, earnings fell in Ohio from employment in the state and local government category (the two levels of government employment are not shown separately in the report on personal income from the U.S. Bureau of Economic Analysis). Earnings in Ohio declined as well from federal civilian employment. Personal income gains in the state were reported in most other industry groups, including health care; professional, scientific, and technical services; durable goods manufacturing; administrative services, which includes temporary help firms; construction; and management of companies.

Unit sales of homes reported by the Ohio Association of Realtors were 11% higher in November than a year earlier, the fifth consecutive increase from the year-earlier month. However, on a year-to-date basis, unit home sales in the state were 1% lower than in the first 11 months of 2010. The average price of homes sold in January-November 2011 was about $129,000, 3% lower than a year earlier.

The U.S. Bureau of the Census estimates that Ohio's population was 11,544,951 as of July 1, 2011, an increase of 0.1% from the state's population as reported in the 2010 census. Ohio remained the seventh largest state with 3.7% of the nation's population. Among states estimated to have gained population since the 2010 census, Ohio's growth was the slowest. Three states are estimated to have lost population: Maine, Michigan, and Rhode Island. The fastest growing states were Texas, Utah, and Alaska, and the District of Columbia's population grew faster than that of any state. Net migration out of Ohio is estimated to have reduced the state's population by about 33,000 (0.3%) during this period, nearly offsetting the natural increase in population (births minus deaths).

Economic Forecast Comparison

The tables below compare the December baseline economic forecasts from Global Insight with that organization's forecasts used by LSC in predicting FY 2012-FY 2013 state revenues for the Conference Committee hearings last June on the operating budget. The predictions for Conference Committee were based primarily upon Global Insight's baseline forecasts released in May 2011. The updated Global Insight forecasts generally show slower growth of the economy than did the earlier predictions. Economic forecasting is inherently uncertain, and LSC's forecasts for state tax revenues, based in part on the Global Insight forecasts, could in consequence also be either higher or lower than actual receipts.

Years shown in the tables are calendar years. Quarterly changes, the first line in each table, are from the preceding quarter. Changes shown in the second line compare average values for the four quarters ending in the second calendar quarter, coinciding with Ohio's fiscal year, with average values for the four quarters one year earlier. The unemployment rate tables show average unemployment rates for the quarters indicated (first line) and for the four quarters ending in the second quarter (second line).

U.S. Gross Domestic Product

Global Insight has revised its outlook for U.S. real GDP in FY 2012 and FY 2013 downward since last May by about a percentage point, from 2.9% annual average growth to 1.8%. That organization's latest commentary cites excess debt and conditions in U.S. markets restraining the domestic economy, and notes also economic slowdowns abroad and concerns about sovereign-debt defaults.

U.S. Real GDP Growth

Global Insight Forecast	2011 Q1	2011 Q2	2011 Q3	2011 Q4	2012 Q1	2012 Q2	2012 Q3	2012 Q4	2013 Q1	2013 Q2	2013 Q3	2013 Q4
	percent change at annual rate											
Conference Committee	1.8	3.3	3.2	3.8	2.6	2.3	2.7	3.0	2.0	3.3	3.2	3.0
		2.7				3.0				2.7		
December 2011	0.4	1.3	2.0	2.6	1.7	1.3	1.5	2.0	2.3	3.2	3.1	3.5
		2.6				1.7				1.9		

Ohio Gross Domestic Product

Along with slower economic growth on average nationwide, Global Insight is forecasting slower growth in Ohio's economy. The state's economy continues to expand through FY 2013 but at a somewhat slower rate on average than the U.S.

Ohio Real GDP Growth

Global Insight Forecast	2011 Q1	2011 Q2	2011 Q3	2011 Q4	2012 Q1	2012 Q2	2012 Q3	2012 Q4	2013 Q1	2013 Q2	2013 Q3	2013 Q4
	percent change at annual rate											
Conference Committee	3.4	3.0	3.0	3.2	2.5	1.9	2.2	2.5	1.9	2.9	2.5	2.5
		2.7				2.9				2.3		
December 2011	3.1	1.8	1.5	1.4	1.7	1.0	0.8	1.2	1.9	2.6	2.7	2.7
		2.7				1.7				1.3		

Ohio Personal Income

Growth of income to Ohio residents was also revised lower. Personal income is an important factor helping to determine growth in revenue from the personal income tax and the sales and use tax. Slower growth projections for it suggest the possibility that recent experience of GRF revenues exceeding estimates may not hold up through the end of the biennium, or even through FY 2012.

Ohio Personal Income Growth

Global Insight		2011				2012				2013		
Forecast	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	percent change at annual rate											
Conference	8.8	4.7	3.6	3.7	0.1	3.9	3.9	4.1	3.4	4.3	3.8	3.9
Committee		4.4				4.0				3.4		
December	7.1	5.0	0.5	2.2	4.3	3.2	3.1	3.0	2.4	3.7	3.7	3.7
2011		4.8				3.3				3.2		

Ohio Unemployment Rate

Global Insight's forecast for the unemployment rate in Ohio shows a small and very gradual decline in the rate, on balance, through the end of 2013. The December forecast appears to have been completed prior to release of the figures for November, which as noted above show a sharp drop in the statewide average unemployment rate to 8.5%.

Ohio Unemployment Rate

Global Insight		2011				2012				2013		
Forecast	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	percent of the labor force											
Conference	9.2	9.0	8.9	8.8	8.7	8.6	8.5	8.4	8.4	8.3	8.1	8.0
Committee		9.4				8.7				8.4		
December	9.2	8.7	9.1	8.9	8.9	8.8	8.8	8.9	8.8	8.8	8.7	8.6
2011		9.3				8.9				8.8		