



July 11, 2013

MEMORANDUM TO: The Honorable John R. Kasich, Governor  
The Honorable Mary Taylor, Lt. Governor

FROM: Timothy S. Keen, Director **TK**

SUBJECT: Monthly Financial Report

## ECONOMIC SUMMARY

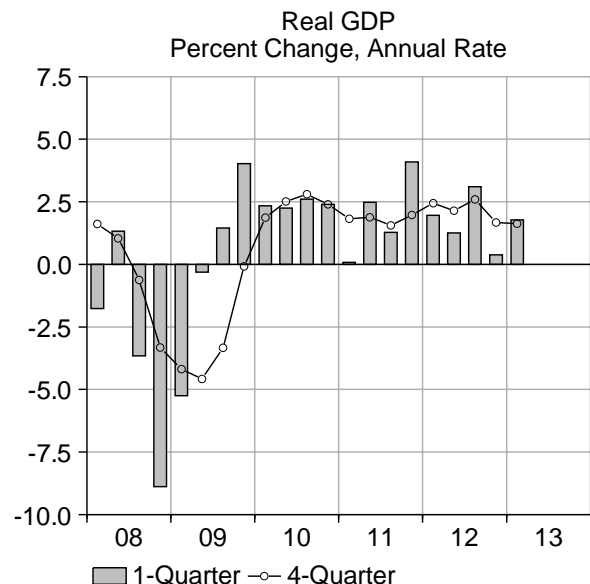
### Economic Performance Overview

- Real GDP expanded 1.8% in the first quarter, following a 0.4% gain in the fourth quarter. Year-over-year growth remained subdued 1.6%.
- U.S. employment increased by 195,000 jobs in June and by an average of 202,000 per month during the most recent six months. The unemployment rate remains at 7.6%.
- Ohio employment increased by 32,100 jobs in May and is up by 38,900 jobs year-to-date. The Ohio unemployment rate remained at 7.0% in May – 0.6 percentage points below the national unemployment rate.
- Leading economic indicators remain consistent with uninterrupted growth at a modest pace across the country and especially in Ohio.

### Economic Growth

**Real GDP** growth was revised down to 1.8% in the first quarter from the previous estimate of 2.4%. The growth rate was higher than the 0.4% change recorded for the fourth quarter, but well below the 3.1% advance in the third quarter. Compared with a year earlier, real GDP was up by 1.6%. The underlying rate of growth is probably closer to the 1.1% compound annual growth rate during the past half-year, reflecting the fact that expectations regarding tax law changes caused shifting in income around year end.

Since the expansion officially began in the second quarter of 2009, real GDP has advanced at an annual rate of 2.1% – the slowest pace during the first fifteen quarters of any expansion that has lasted at least that long during the post-war period. In contrast, real GDP grew at a compound annual rate of 3.2% on average during the first fifteen quarters of the expansions following the 1990-91 and 2001 recessions.



The downward revision to first-quarter growth reflected a reduction in growth in consumption and a decline rather than an increase in exports. The increase in nonresidential construction was also revised downward. The largest factor behind the revision was a reduction in the rate of growth in consumer spending on services from 3.1% to 1.7%. The increase in the payroll tax rate may have played a role in slowing the rate of increase in spending; however, spending on services still grew faster than during the second half of 2012. The change in exports was revised from an increase of 2.9% to a decrease of 1.1%, creating the first back-to-back quarterly declines in exports since the end of the recession.

Growth during the first quarter still was driven largely by consumer spending, inventory accumulation and housing construction. Business investment in equipment and software and housing construction also made positive contributions. Business investment in structures retreated by 8.3% after a 16.7% increase in the fourth quarter that was preceded by little change in the previous two quarters. Government spending, primarily federal defense, but also state and local government, subtracted from overall growth. In addition, net exports declined, as a larger share of domestic demand was satisfied by goods and services that were produced overseas.

The acceleration in growth from the fourth quarter reflected faster growth in consumer spending (despite higher taxes that went into effect at the start of the year and seemingly widespread concern over automatic adjustments to federal government spending), the change in business inventories, which swung from a decline in the fourth quarter to an increase in the first quarter, and a smaller decline in federal defense spending than in the fourth quarter. Working against the acceleration in overall growth in the first quarter were slowdowns in business fixed investment (in both structures and equipment and software), a somewhat smaller increase in housing construction, and a smaller decline in imports than in the previous quarter.

**Real final sales** growth slowed for the second quarter in a row to 1.2% from 1.9% in the fourth quarter and 2.4% in the third quarter, compared with the previous estimate of 1.8%. Since the expansion officially began in the second quarter of 2009, real final sales has increased at an annual rate of only 1.6% – the slowest pace by a notable margin among expansions in the post-war period that have lasted for at least fifteen quarters.

The consensus among forecasters is that real GDP growth remained slow in the second quarter. The average level of industrial production during April and May was marginally below the average level during the first quarter. Retail sales in April and May were only 2.3% above the average first-quarter level. Forecasters estimate that real GDP expanded at about the same pace in the second quarter as in the first quarter, and project



gradual increases in the quarter-to-quarter growth rate, reaching 3.0% in the fourth quarter of 2014, according to the *Blue Chip* consensus.

Leading indicators remain consistent with slow but uninterrupted growth through 2013. The 4-week moving average of the **Weekly Leading Index** decreased in six of the seven weeks ending June 21, reducing the 6-month smoothed rate of change to 5.8% compared with the recent peak of 8.8% reached at the end of January. Nonetheless, the index points toward continued growth immediately ahead.

The composite **Leading Economic Index** from the Conference Board increased 0.1% in May after a 0.8% rise in April. The index decreased 0.3% in March. The May increase was driven by positive contributions from only three components – interest rate spread, stock prices and leading credit index. The 6-month smoothed rate of change was 3.1%, down from 3.3% in April but up from a recent low of 0.8% last August.

The **ratio of the coincident index to lagging index** – itself a leading indicator – slipped 0.2% in May after no change in April. The index has declined in three of the most recent five months. The recent pattern is the most worrisome of the leading indicators.

The Ohio economy continued to make progress through May, according to the **Ohio Coincident Economic Index**, compiled by the Federal Reserve Bank of Philadelphia. The index increased 0.1% in May, following monthly gains of 0.1% during the three previous months. Compared with a year earlier, the index was higher by 1.8%, down from a recent high of 5.4% last May. The state coincident index combines four state-level indicators to summarize current economic conditions. The four components are nonfarm payroll employment, average hours worked in manufacturing, the unemployment rate and real wage and salary disbursements.

Across the 50 states, the Coincident Economic Index was higher than one month earlier in 33 states and higher than three months earlier in 43 states, down from 43 states and 47 states, respectively, in April. The diffusion of increases and decreases across states in the past has been a reliable and timely indicator of changes in economic growth, and continues to suggest uninterrupted growth at a strengthening pace in the Ohio and national economies.

The companion **Ohio Leading Economic Index** remained below 1.0% in May for the second consecutive month after being below 2.0% during the previous three months. The index, which is compiled by the Federal Reserve Bank of Philadelphia, is designed to predict the rate of increase in the coincident index during the next six months. Index values have been revised significantly on occasion, but as it stands the recent pattern is consistent with ongoing expansion of the Ohio economy through the spring and summer but at a slower pace than early in 2012. The diffusion of positive readings has been fairly broad in recent months, but the number of states with a negative reading increased to nine in May – the most in two years but still well below the threshold that would signal an impending downturn in the business cycle.

## Employment

**Nonfarm payroll employment** increased by 195,000 jobs in June. The April and May increases were revised up to 199,000 and 195,000, respectively, but the number of people working part-time for economic reasons increased by 322,000. Employment growth averaged 202,000 per month during the most recent six months, up from 180,000 during the previous six months.

The **unemployment rate** was unchanged at 7.6%, near where it has stood since March. The rate is down from 8.2% in June 2012. The **U-6 unemployment rate**, which includes people who are working part-time because they could not get a full-time job or have stopped looking for work, increased back to its February level of 14.3%.

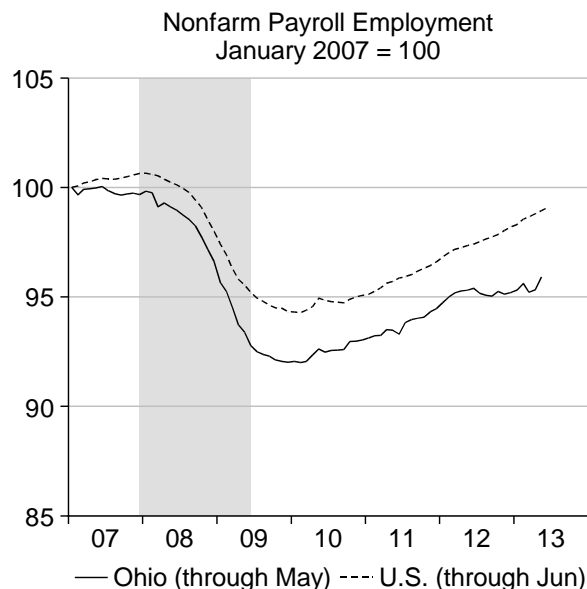
**Total hours worked** increased 0.2% for the second month in a row in June, but the quarterly average was held back by the 0.2% decrease in April. Labor input increased at an annual rate of 1.4% during the quarter, suggesting that real GDP growth during the quarter was in line with expectations below 2%.

All of the net increase in employment occurred in private service-producing sectors for the second month in a row, as government employment fell by 7,000 jobs. Manufacturing employment fell by 6,000 jobs – the fourth straight monthly decline. Construction employment increased 13,000 jobs on top of a 7,000 job gain in May – the second decline in a row and the third decline in the last four months.

Employment increases in June again were led by leisure and hospitality (+75,000), professional and business services (+53,000), and trade, transportation and utilities (+45,000). The gain in trade, transportation and utilities was concentrated in the retail industry (+37,000). Education and health services employment increased 13,000 jobs.

**Ohio employment** increased by 32,100 jobs in May following a 6,200 job increase in April. For the year, employment is higher by 38,900 jobs, or 0.8%. Compared with a year earlier, employment is higher by 33,200 jobs. The Ohio unemployment rate stayed at 7.0% in May, down from 7.1% in March. The rate was 7.3% in May 2012 and 8.8% in May 2011. The Ohio unemployment rate was 0.6 percentage points below the national unemployment rate in May.

During the twelve months ending in May, increases in Ohio employment were the result of net private sector growth of 38,800 jobs. Most notably, increases in educational and health services (+17,500), leisure and hospitality (+11,500), manufacturing (+8,200), professional and business



services (+2,400) and financial activities (+2,100) combined to offset a decrease of 4,200 jobs in construction. Weakness was concentrated in the government sector, where state, local, and federal government employment decreased by 5,600 jobs.

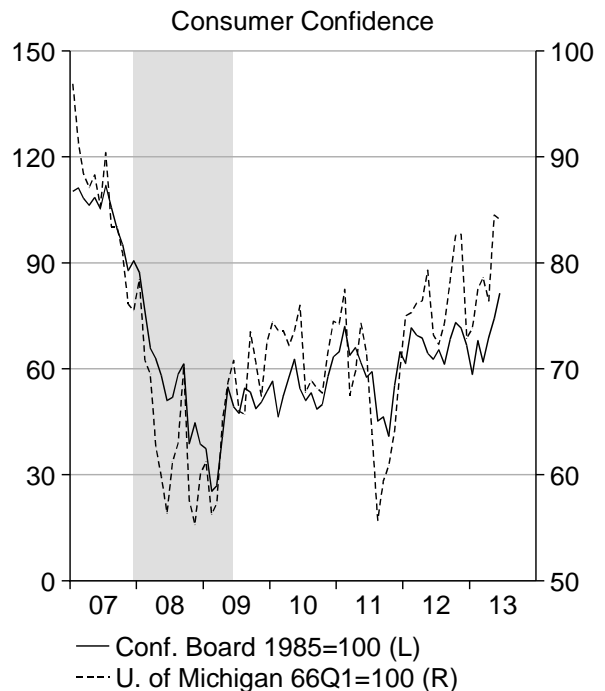
Among the **contiguous states**, year-over-year employment growth was strongest in Indiana (+1.4%) and Michigan (+1.2%), compared with increases in Kentucky (+0.8%), Ohio (+0.6%), West Virginia (+0.5%) and Pennsylvania (+0.1%). Year-over-year growth in manufacturing was 1.2% in Ohio. Among the contiguous states, manufacturing employment increased 3.3% in Michigan, 2.7% in Kentucky, and 1.2% in Indiana and declined 0.8% in West Virginia and 0.1% in Pennsylvania.

### **Consumer Income and Consumption**

Personal income and consumption gained strength in May after a series of large monthly swings around year-end caused by tax planning. **Personal income** increased 0.5% to 3.3% above the year earlier level – back in line with the year-over-year trend this time last year. Disposable personal income also was higher by 0.5% but only 2.2% above the prior year level. Wage and salary disbursements increased 0.3% to 3.7% above the prior year level.

**Personal consumption expenditures** rebounded 0.3% in May, recouping the decline in April. Compared with a year ago, spending was higher by 2.9%. After adjustment for inflation, personal consumption increased 0.2% to 1.8% year-over-year. The saving rate was 3.2% in May – down from 3.9% in May 2012, but up from below 3% at the beginning of the year. Consumers have increased spending by less this year than incomes have increased.

Consumer spending presumably has benefited from the improvements in labor markets, which include a notable decline in the pace of layoffs, and wage gains that exceed inflation. In addition, gains in net worth arising from increases in prices of houses and financial assets, such as stocks and bonds, have supported spending out of current income.



**Consumer confidence** has made impressive gains in recent months both in terms of views regarding current conditions and expectations. The Conference Board index increased in June to its highest level since January 2008. The Reuters/University of Michigan index dipped a bit from the May level but was otherwise the highest since July 2007. The indexes from both sources for current and prospective conditions were considerably higher in June than the average during recessions with the exception of the Conference Board’s measure of current conditions, which was approximately at the recession average. The June levels were still below the average

levels observed during previous expansions, but have increased significantly from their lows in December/January.

## **Manufacturing**

Industrial activity softened in the late winter and early spring. **Industrial production** was unchanged in May after a 0.4% decline in April, continuing the nearly flat trajectory during the past year. The index grew at an annual pace of just 1.1% during the most recent six months, down from 2.1% during the previous six-month period.

Manufacturing production has followed a similar pattern. The index edged higher by 0.1% in May after declining in both March and April and three of the most recent six months. The index increased at a 1.8% pace during the most recent six months – about the same as during the previous six-month period.

Of particular importance to the Ohio economy, production of motor vehicles and parts increased 0.7% in May and the April decline was revised from -1.3% to -0.4%. Also important to Ohio, production of primary metal fell by 1.0%, production of fabricated metal was essentially unchanged, and production of machinery fell by 0.4%. Together, the four industries accounted for almost one-half of manufacturing jobs in Ohio and one out of every thirteen private sector jobs in the state (before seasonal adjustment).

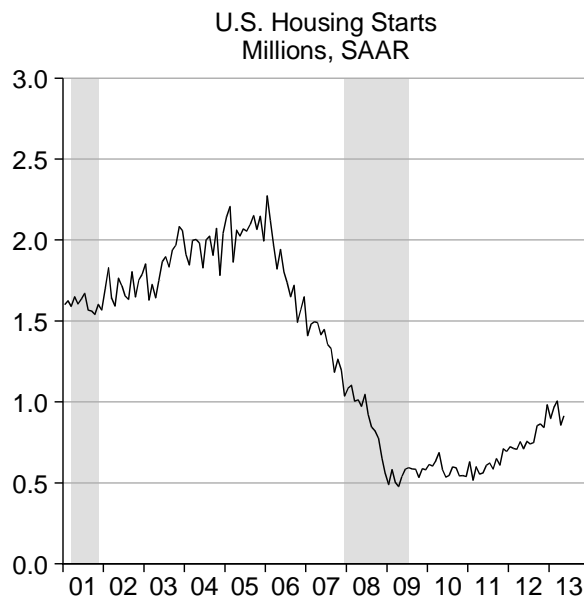
**Factory shipments** increased 1.0% in May after back-to-back declines in March and April. The year-over-year change improved to 1.3%. The growth rate is down from the low to mid teen percentages two years ago, indicating that business investment is losing momentum. **New orders** increased 2.1% in May after a 1.3% increase in April to 3.6% above the year earlier level. New orders in the key non-defense capital goods excluding aircraft category increased 1.5% – the third monthly rise in a row – to 3.6% above the year ago level.

After a noteworthy decline to a full point below the neutral level of 50 in May, the **purchasing managers index** returned to above 50 to 50.9. The index has been in a tight range just above neutral during the most recent thirteen months, averaging 51.1. The recent pattern of the purchasing managers index appears to be consistent with continued moderate to slow growth in manufacturing activity, especially in light of the improvements in key regional Federal Reserve Bank surveys of business conditions.



## Construction

Total **construction put-in-place** increased 0.5% in May. Excluding residential improvements, which is poorly estimated and often revised significantly, construction increased 0.3% in May. Total private construction was unchanged in May, as a 1.2% increase in residential construction was offset by a 1.4% decrease in nonresidential construction. From a year earlier, total construction increased 5.4% (5.1% excluding improvements) and private construction increased by 10.6%. Private residential construction increased 23.1% year-over-year, while private nonresidential construction decreased 0.9%. Total public construction was down 4.7% year-over-year.



Housing construction was mixed across property types and geographic areas in late winter and early spring. **Housing starts** across the country decreased 1.9% in May on a 3-month moving average basis to 27.8% higher than a year earlier. The more forward-looking measure of permits issued advanced 0.8% on a 3-month moving average basis to 22.6% higher than a year earlier. Permits were 80.4% above the low reached in May 2009, but remained 57.1% below the peak reached in September 2005 on a 3-month moving average basis.

In the Midwest, housing starts in May retreated by a modest 0.7% after a 15.7% increase in April that followed three large monthly declines in a row. The current pace of starts is about the same as last October. Permits issued in the Midwest tacked 1.5% in May onto the 4.1% gain in April after three straight monthly setbacks. Midwest permits were 77.9% above the low reached in April 2009, but remained 60.6% below the peak reached in November 2003 on a 3-month moving average basis.

The ongoing revival in home prices, likely fueled by low mortgage rates and improving labor market conditions, was 11.1% above the year earlier level. The recent pattern has been similar across the Midwest where existing home sales are up 13.7% from a year earlier. **Sales of newly built homes** increased 2.3% on a 3-month moving average basis across the country in May, while sales of newly built homes in Ohio jumped by 9.1%. National sales were 30.2% above the year earlier level. Midwest sales were 47.1% above a year earlier.

The **inventory of homes for sale** – both existing and newly built – increased in May. The number of existing homes on the market increased to 2.22 million, which at the May pace of sales would require 5.1 months to be sold. The number of new homes for sale increased to 161,000, and the number of months required to clear the inventory at the May sales pace was 4.1 months. For both existing and new homes, the length of time necessary to sell all homes on the market at the current pace of sales is in line with historical averages.

**Home prices** increased for the fifteenth straight month in April, according to the S&P/Case-Shiller Index of prices in 20 major markets. The 1.7% increase was the fourth in a row greater than 1% and lifted the index to 12.0% above the year earlier level. Even so, the index was 24.8% below the peak reached seven years ago. Home prices in Cleveland increased 0.1% in April. Cleveland home prices have increased for nine straight months and are 4.8% higher than a year earlier and 6.3% above the cyclical low point, but remain 16.1% below the peaked reached in January 2006.



## **REVENUES**

**NOTE:** Estimates reflected in the revenue tables are based on July 2012 OBM revisions and do not include or reflect updated fiscal year 2013 annual estimates contained in the Executive Budget for fiscal years 2014-2015.

June **GRF receipts totaled \$2,234.4 million** and were \$156.2 million (6.5%) below the estimate. Monthly tax receipts totaled \$1,705.7 million and were \$63.9 million (3.6%) below the estimate, while non-tax receipts totaled \$224.0 million and were \$355.8 million (61.4%) below the estimate. Variances for the entire fiscal year by category are provided in the following table (\$ in millions).

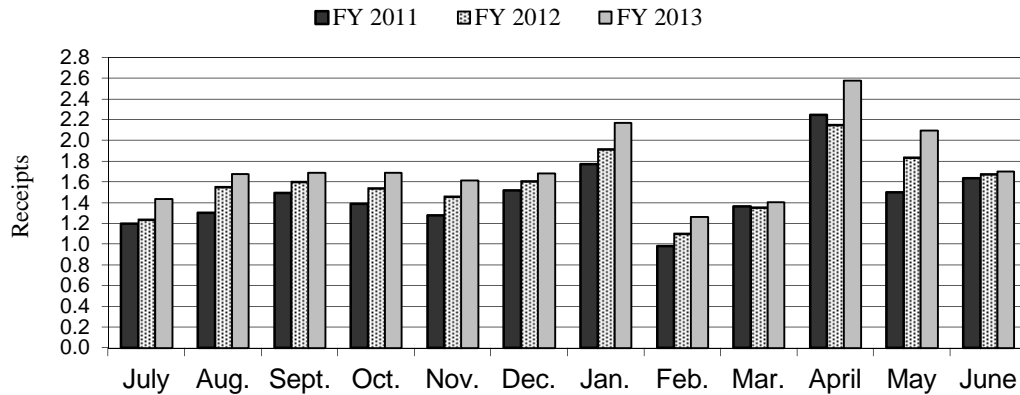
<b>Category</b>	<b>Includes:</b>	<b>YTD Variance</b>	<b>% Variance</b>
Tax receipts	Sales & use, personal income, corporate franchise, commercial activity, MCF, public utility, kilowatt hour, foreign & domestic insurance, other business & property taxes, cigarette, alcoholic beverage, liquor gallonage, & estate	\$671.7 million	3.3%
Non-tax receipts	Federal grants, earnings on investments, licenses & fees, other income, intrastate transfers	-\$109.9 million	(1.3%)
Transfers	Budget stabilization, liquor transfers, capital reserve, other	\$214.5 million	114.4%
<b>TOTAL REVENUE VARIANCE:</b>		<b>\$776.4 million</b>	<b>2.7%</b>

Timing related issues with the domestic insurance tax (payments expected in June were received in May) and a large refund in the corporate franchise tax, combined with a number of smaller variances in June, resulted in tax receipts falling \$63.8 million (3.6%) short of the monthly estimate. On a year-over-year basis, monthly tax receipts were \$28.0 million (1.7%) higher than they were in June 2012, with the largest contribution to this year-over-year growth attributable to the personal income tax. For the fiscal year in its entirety, tax receipts totaled \$21,015.7 million and were \$671.7 million (3.3%) above estimate and \$2,010.5 million (10.6%) above fiscal year 2012 totals.

GRF Revenue Sources Relative to Monthly Estimates - June 2013  
(\$ in millions)

<b>Individual Sources Above Estimate</b>		<b>Individual Sources Below Estimate</b>	
Personal Income Tax	\$18.1	Non-Auto Sales Tax	(\$0.8)
Alcoholic Beverage Tax	\$2.1	Auto Sales Tax	(\$5.1)
Estate Tax	\$2.8	Corporate Franchise Tax	(\$17.1)
Earnings on Investments	\$1.6	Kilowatt Hour Tax	(\$0.9)
Liquor Transfers	\$60.0	MCF Tax	(\$2.3)
Transfers In – Other	\$203.4	Foreign Insurance Tax	(\$1.6)
Other Sources Above Estimate	\$0.5	Domestic Insurance Tax	(\$41.3)
		Other Business and Property Tax	(\$6.7)
		Cigarette Tax	(\$11.4)
		Federal Grants	(\$342.9)
		Other Income	(\$7.1)
		ISTVs	(\$7.2)
		Other Sources Below Estimate	(\$0.4)
<b>Total above</b>	<b>\$288.5</b>	<b>Total below</b>	<b>(\$444.8)</b>

Tax Revenue Comparison by Month  
(\$ in billions)



### Non-Auto Sales and Use Tax

Following a strong May, the non-auto sales tax continued its erratic performance in June as receipts totaled \$642.5 million and were \$0.8 million (0.1%) below estimate. For the fiscal year in its entirety, non-auto sales tax receipts totaled \$7,348.2 million and were \$1.8 million (0.0%) below the estimate of \$7,350.0 million. On a year-over-year basis, June 2013 receipts were \$20.5 million (3.3%) above those of June 2012 with total fiscal year 2013 receipts \$314.6 million (4.5%) higher than those in fiscal year 2012.

## Auto Sales Tax

Breaking a string of better than expected performances, the auto sales tax fell short of the estimate in June as receipts totaled \$89.3 million and fell \$5.1 million (5.4%) short of the estimate. For all of fiscal year 2013, auto sales tax receipts totaled \$1,096.7 million and exceeded the estimate of \$1,075.0 million by \$21.7 million (2.0%). On a year-over-year basis, June 2013 receipts were \$1.5 million (1.7%) above those of June 2012, while total fiscal year 2013 receipts were \$43.2 million (4.1%) higher than those in fiscal year 2012.

## Personal Income Tax

June personal income tax receipts totaled \$877.3 million and were \$18.1 million (2.1%) above the estimate. The primary contributor to this positive performance was the quarterly estimated payments component that totaled \$270.6 million and exceeded the estimate by \$36.7 million (15.7%).

The overall positive variance was decreased as a result of shortfalls in two other components-withholding and payments associated with annual returns. The withholding component totaled \$624.4 million and was below the estimate by \$16.3 million (2.5%), while payments associated with annual returns totaled \$11.7 million and was below the estimate by \$4.5 million (27.8%). Continuing the recent trend, June refunds again exceeded the estimate, albeit to a lesser extent compared to the past four months, and lowered the overall positive overage for the month of June. Refunds in June totaled \$19.8 million and exceeded the estimate by \$1.6 million (8.9%).

On a year-over-year basis, monthly personal income tax receipts were \$38.2 million (4.5%) above the June 2012 level. The major contributor to this growth was the quarterly estimated payments component, which ended \$26.7 million (10.9%) higher than for the same month in the previous fiscal year. Further contributing was the reduction in the distributions to the local government fund, which ended \$20.0 million (39.4%) lower than those of June 2012 as a result of changes contained in H.B. 153 of the 129<sup>th</sup> General Assembly.

FY2013 PERSONAL INCOME TAX RECEIPTS BY COMPONENT (\$ in millions)						
	ESTIMATE	ACTUAL	\$ VAR	ESTIMATE	ACTUAL	\$ VAR
	JUNE	JUNE	JUNE	Y-T-D	Y-T-D	Y-T-D
Withholding	\$640.7	\$624.4	(\$16.3)	\$8,034.9	\$8,121.9	\$87.0
Quarterly Est.	\$233.9	\$270.6	\$36.7	\$1,199.8	\$1,426.7	\$226.9
Trust Payments	\$6.2	\$7.6	\$1.4	\$57.9	\$102.9	\$45.0
Annual Returns & 40 P	\$16.2	\$11.7	(\$4.5)	\$1,081.2	\$1,380.5	\$299.3
Other	\$11.2	\$13.5	\$2.3	\$144.4	\$144.5	\$0.1
Less: Refunds	(\$18.2)	(\$19.8)	(\$1.6)	(\$1,196.2)	(\$1,304.3)	(\$108.1)
Local Distr.	(\$30.8)	(\$30.7)	\$0.1	(\$352.0)	(\$364.4)	(\$12.4)
<b>Net to GRF</b>	<b>\$859.2</b>	<b>\$877.3</b>	<b>\$18.1</b>	<b>\$8,970.0</b>	<b>\$9,507.8</b>	<b>\$537.8</b>

Total personal income tax receipts for fiscal year 2013 in its entirety were \$9,507.8 million and were \$537.8 million (6.0%) above estimate and \$1,074.9 million (12.7%) above total fiscal year 2012 collections. The majority of this annual growth was driven by the withholding, payments associated with annual returns, and quarterly estimated payments components, as well as the reduction in distributions to the local government fund. A year-over-year comparison by component is provided in the table below:

<b>FY 2013 PERSONAL INCOME TAX RECEIPTS GROWTH (\$ in millions)</b>			
<b>Income Tax Components</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>Year-Over-Year \$ Change</b>
Withholding	\$7,712.6	\$8,121.9	\$409.3
Quarterly Est.	\$1,252.7	\$1,426.7	\$174.0
Trust Payments	\$58.0	\$102.9	\$44.9
Annual Returns & 40 P	\$1,097.2	\$1,380.5	\$283.3
Other	\$144.4	\$144.5	\$0.1
Less: Refunds	(1,231.2)	(1,304.3)	(73.1)
Local Distr.	(600.7)	(364.4)	236.3
<b>Net to GRF</b>	<b>\$8,432.9</b>	<b>\$9,507.8</b>	<b>\$1,074.9</b>

### **Corporate Franchise Tax**

Corporate franchise tax receipts for the month of June totaled -\$12.1 million while the estimate was positive collection of \$5.0 million as refunds against this tax source turned out to be higher than anticipated in June.

For the fiscal year 2013 as a whole, corporate franchise tax receipts totaled \$261.9 million and were \$111.9 million (74.6%) above estimate and \$144.8 million (123.7%) higher than the collection for fiscal year 2012. As noted in previous months' reports, refund activity for the fiscal year in its entirety were not as high as expected and that, combined with a number of unexpected one-time settlements, drove the performance of the tax.

### **Commercial Activity Tax**

June commercial activity tax (CAT) receipts to the GRF totaled \$3.0 million and were \$0.3 million (12.4%) above the estimate. The all-funds CAT receipts for June totaled \$5.3 million and were \$0.1 million below the \$5.4 million estimate. Fiscal year 2013 GRF CAT receipts totaled \$790.0 million and were \$60.0 million (7.1%) below estimate, while all-funds CAT receipts totaled \$1,592.3 million and were \$122.5 million (7.2%) below estimate. While a portion of the CAT annual shortfall is attributable to slower than expected growth in the tax, a considerable portion is attributable to a statutory change made in H.B. 508 with respect to the \$1 million gross receipts exclusion. The law change allowed taxpayers to take the exclusion all at once on the first tax return of the calendar year, instead of claiming \$250,000 per quarter. While this change is revenue-neutral over the long-term, the timing of the bill's effective date has

resulted in a one-time loss in fiscal year 2013, since the payments prior to May were on the old schedule of \$250,000 per quarter and then for the May payment the \$1 million exclusion took effect.

### **Kilowatt-Hour Tax**

June kilowatt hour receipts totaled \$18.9 million and were \$0.9 million (4.3%) below the estimate, bringing the fiscal year total to \$307.2 million, which was \$2.2 million (0.7%) above the estimate. On a year-over-year basis, this tax source was \$9.6 million (103.0%) above the June 2012 level, while total fiscal year 2013 receipts were \$12.4 million (4.2%) above those in fiscal year 2012.

### **Domestic Insurance Tax**

Reversing the larger-than-expected receipt of domestic insurance tax payments in May, June receipts totaled only \$11.8 million and were \$41.3 million (77.8%) below the estimate. Despite this negative monthly variance, the tax still exceeded the annual estimate totaling \$206.4 million or \$11.4 million (5.8%) above the estimate. On a year-over-year basis, June receipts were marginally higher than those in June 2012 (\$0.3 million), while total fiscal year 2013 receipts were \$17.3 million (9.1%) above those in fiscal year 2012.

### **Other Business and Property Tax**

Other business and property tax receipts for June totaled \$4.2 million and were \$6.7 million (61.7%) below estimate. As discussed in the last two monthly reports, this variance is the result of a streamlining of the administration of the primary component of this tax category, the Dealers in Intangibles Tax. The result of the Department of Taxation taking over collection responsibility for this tax from the Treasurer was an acceleration of collections into April, which in the past occurred in May and June. Despite the timing-related May and June shortfalls in this tax, annual receipts totaled \$38.6 million and were \$13.6 million (54.6%) above estimate. On a year-over-year basis, June receipts for this tax were \$4.3 million (50.8%) lower than for the same month in fiscal year 2012, while total annual receipts were \$18.8 million (94.4%) above those in fiscal year 2012. OBM believes that at least a portion of the stronger-than-expected performance of this tax is attributable to taxpayer settlements to clear up outstanding liabilities for a tax that is being eliminated at the end of the fiscal year.

### **Cigarette Tax**

Cigarette tax receipts for the month of June totaled \$56.9 million and were \$11.4 million (16.7%) below the estimate of \$68.3 million. For the fiscal year, receipts totaled \$827.4 million and were \$12.4 million (1.5%) above the estimate. On a year-over-year basis, June 2013 cigarette tax receipts were \$15.2 million (21.1%) below those of June 2012, while year-to-date fiscal year 2013 receipts were \$15.7 million (1.9%) lower than the same point in the previous fiscal year, a decline that is smaller than the 3.0 percent decline we have seen with this tax source in recent years.

**GRF non-tax receipts** totaled \$224.0 million in June and were \$355.8 million (61.4%) below the estimate, primarily due to lower than expected federal grants driven by lower than estimated Medicaid payments from the GRF. For the fiscal year in its entirety, non-tax receipts totaled \$8,141.0 million and were \$109.9 million (1.3%) below estimate. This shortfall is due to lower than expected federal grants driven by lower than estimated GRF Medicaid payments. Federal grants fell \$625.5 million (7.7%) short of the annual estimate and more than offset the \$478.7 million positive variance in other income that was largely the result of the completion of the JobsOhio liquor transaction. June **GRF transfers** totaled \$304.8 million and were \$263.4 million above the estimate for the month and increased the annual variance to \$214.5 million (114.4%) above the estimate. Contributing to these larger than expected transfers were excess CAT proceeds and one final liquor profits transfer generated from profits occurring prior to the completion of the JobsOhio transaction.

**Table 1**  
**GENERAL REVENUE FUND RECEIPTS**  
**ACTUAL FY 2013 VS ESTIMATE FY 2013**  
(\$ in thousands)

REVENUE SOURCE	MONTH				YEAR-TO-DATE			
	ACTUAL JUNE	ESTIMATE JUNE	\$ VAR	% VAR	ACTUAL Y-T-D	ESTIMATE Y-T-D	\$ VAR	% VAR
<b>TAX RECEIPTS</b>								
Non-Auto Sales & Use	642,531	643,300	(769)	-0.1%	7,348,162	7,350,000	(1,838)	0.0%
Auto Sales & Use	89,265	94,400	(5,135)	-5.4%	1,096,689	1,075,000	21,689	2.0%
Subtotal Sales & Use	<u>731,797</u>	<u>737,700</u>	<u>(5,903)</u>	<u>-0.8%</u>	<u>8,444,851</u>	<u>8,425,000</u>	<u>19,851</u>	<u>0.2%</u>
Personal Income	877,266	859,204	18,063	2.1%	9,507,826	8,970,000	537,826	6.0%
Corporate Franchise	(12,072)	5,000	(17,072)	-341.4%	261,905	150,000	111,905	74.6%
Commercial Activity Tax	3,034	2,700	334	12.4%	789,983	850,000	(60,017)	-7.1%
Public Utility	108	300	(192)	-63.9%	96,666	115,000	(18,334)	-15.9%
Kilowatt Hour	18,945	19,800	(855)	-4.3%	307,231	305,000	2,231	0.7%
MCF Tax	196	2,500	(2,304)	-92.2%	57,804	60,000	(2,196)	-3.7%
Foreign Insurance	(2,393)	(800)	(1,593)	-199.1%	274,637	270,000	4,637	1.7%
Domestic Insurance	11,811	53,100	(41,289)	-77.8%	206,371	195,000	11,371	5.8%
Other Business & Property	4,177	10,900	(6,723)	-61.7%	38,640	25,000	13,640	54.6%
Cigarette	56,905	68,300	(11,395)	-16.7%	827,440	815,000	12,440	1.5%
Alcoholic Beverage	7,547	5,400	2,147	39.8%	56,499	58,000	(1,501)	-2.6%
Liquor Gallonage	3,659	3,500	159	4.5%	40,648	40,000	648	1.6%
Estate	4,675	1,900	2,775	146.0%	105,202	66,000	39,202	59.4%
Total Tax Receipts	<u>1,705,655</u>	<u>1,769,504</u>	<u>(63,848)</u>	<u>-3.6%</u>	<u>21,015,701</u>	<u>20,344,000</u>	<u>671,701</u>	<u>3.3%</u>
<b>NON-TAX RECEIPTS</b>								
Federal Grants	221,207	564,121	(342,913)	-60.8%	7,525,842	8,151,329	(625,487)	-7.7%
Earnings on Investments	3,125	1,500	1,625	108.3%	10,450	5,500	4,950	90.0%
License & Fees	742	928	(186)	-20.0%	70,231	46,000	24,231	52.7%
Other Income	481	7,614	(7,133)	-93.7%	511,692	33,000	478,692	1450.6%
ISTV'S	(1,591)	5,628	(7,219)	-128.3%	22,754	15,000	7,754	51.7%
Total Non-Tax Receipts	<u>223,963</u>	<u>579,790</u>	<u>(355,827)</u>	<u>-61.4%</u>	<u>8,140,970</u>	<u>8,250,829</u>	<u>(109,859)</u>	<u>-1.3%</u>
<b>TOTAL REVENUES</b>	<b>1,929,618</b>	<b>2,349,293</b>	<b>(419,675)</b>	<b>-17.9%</b>	<b>29,156,671</b>	<b>28,594,829</b>	<b>561,842</b>	<b>2.0%</b>
<b>TRANSFERS</b>								
Budget Stabilization	0	0	0	N/A	0	0	0	N/A
Liquor Transfers	79,000	19,000	60,000	315.8%	167,000	160,000	7,000	4.4%
Transfers In - Other	225,763	22,334	203,429	N/A	235,014	27,500	207,514	754.6%
Temporary Transfers In	0	0	0	N/A	0	0	0	N/A
Total Transfers	<u>304,763</u>	<u>41,334</u>	<u>263,429</u>	<u>637.3%</u>	<u>402,014</u>	<u>187,500</u>	<u>214,514</u>	<u>114.4%</u>
<b>TOTAL SOURCES</b>	<b>2,234,381</b>	<b>2,390,627</b>	<b>(156,246)</b>	<b>-6.5%</b>	<b>29,558,684</b>	<b>28,782,329</b>	<b>776,356</b>	<b>2.7%</b>

**Table 2**  
**GENERAL REVENUE FUND RECEIPTS**  
**ACTUAL FY 2013 VS ACTUAL FY 2012**  
(\$ in thousands)

<u>REVENUE SOURCE</u>	<u>MONTH</u>				<u>YEAR-TO-DATE</u>			
	<u>JUNE FY 2013</u>	<u>JUNE FY 2012</u>	<u>\$ VAR</u>	<u>% VAR</u>	<u>ACTUAL FY 2013</u>	<u>ACTUAL FY 2012</u>	<u>\$ VAR</u>	<u>% VAR</u>
<b>TAX RECEIPTS</b>								
Non-Auto Sales & Use	642,531	622,030	20,501	3.3%	7,348,162	7,033,523	314,638	4.5%
Auto Sales & Use	89,265	87,764	1,501	1.7%	1,096,689	1,053,479	43,211	4.1%
Subtotal Sales & Use	<u>731,797</u>	<u>709,794</u>	<u>22,002</u>	<u>3.1%</u>	<u>8,444,851</u>	<u>8,087,002</u>	<u>357,849</u>	<u>4.4%</u>
Personal Income	877,266	839,110	38,156	4.5%	9,507,826	8,432,909	1,074,916	12.7%
Corporate Franchise	(12,072)	(5,280)	(6,792)	-128.6%	261,905	117,079	144,825	123.7%
Commercial Activity Tax	3,034	7,535	(4,501)	-59.7%	789,983	417,130	372,853	89.4%
Public Utility	108	103	6	5.6%	96,666	113,894	(17,228)	-15.1%
Kilowatt Hour	18,945	9,330	9,615	103.0%	307,231	294,829	12,402	4.2%
MCF Tax	196	14,152	(13,956)	-98.6%	57,804	60,191	(2,387)	-4.0%
Foreign Insurance	(2,393)	(1,232)	(1,161)	-94.3%	274,637	266,488	8,149	3.1%
Domestic Insurance	11,811	11,473	338	2.9%	206,371	189,072	17,299	9.1%
Other Business & Property	4,177	8,491	(4,314)	-50.8%	38,640	19,872	18,768	94.4%
Cigarette	56,905	72,100	(15,195)	-21.1%	827,440	843,180	(15,740)	-1.9%
Alcoholic Beverage	7,547	5,688	1,859	32.7%	56,499	57,615	(1,116)	-1.9%
Liquor Gallonage	3,659	3,537	122	3.4%	40,648	39,438	1,210	3.1%
Estate	4,675	2,821	1,854	65.7%	105,202	66,522	38,681	58.1%
Total Tax Receipts	<u>1,705,655</u>	<u>1,677,622</u>	<u>28,033</u>	<u>1.7%</u>	<u>21,015,701</u>	<u>19,005,221</u>	<u>2,010,480</u>	<u>10.6%</u>
<b>NON-TAX RECEIPTS</b>								
Federal Grants	221,207	479,626	(258,419)	-53.9%	7,525,842	7,362,952	162,890	2.2%
Earnings on Investments	3,125	1,387	1,738	125.3%	10,450	5,370	5,080	94.6%
License & Fee	742	746	(4)	-0.6%	70,231	65,299	4,932	7.6%
Other Income	481	126,035	(125,554)	-99.6%	511,692	139,099	372,593	267.9%
ISTV'S	(1,591)	9,135	(10,726)	-117.4%	22,754	25,207	(2,453)	-9.7%
Total Non-Tax Receipts	<u>223,963</u>	<u>616,929</u>	<u>(392,965)</u>	<u>-63.7%</u>	<u>8,140,970</u>	<u>7,597,928</u>	<u>543,042</u>	<u>7.1%</u>
<b>TOTAL REVENUES</b>	<b>1,929,618</b>	<b>2,294,551</b>	<b>(364,932)</b>	<b>-15.9%</b>	<b>29,156,671</b>	<b>26,603,148</b>	<b>2,553,522</b>	<b>9.6%</b>
<b>TRANSFERS</b>								
Budget Stabilization	0	0	0	N/A	0	0	0	N/A
Liquor Transfers	79,000	0	79,000	N/A	167,000	92,500	74,500	80.5%
Transfers In - Other	225,763	215,001	10,762	N/A	235,014	263,976	(28,962)	-11.0%
Temporary Transfers In	0	0	0	N/A	0	225,859	(225,859)	N/A
Total Transfers	<u>304,763</u>	<u>215,001</u>	<u>89,762</u>	<u>N/A</u>	<u>402,014</u>	<u>582,335</u>	<u>(180,321)</u>	<u>-31.0%</u>
<b>TOTAL SOURCES</b>	<b>2,234,381</b>	<b>2,509,552</b>	<b>(275,170)</b>	<b>-11.0%</b>	<b>29,558,684</b>	<b>27,185,483</b>	<b>2,373,201</b>	<b>8.7%</b>



## ***DISBURSEMENTS***

June 2013 GRF disbursements, across all fund uses, totaled \$1,440.4 million and were \$431.3 million (23.0%) below estimate. Full fiscal year disbursement variances by category are provided in the table below. While fiscal year 2013 disbursements were \$1,148.7 million below the estimate, it is important to note that the disbursement estimates only consider expected spending within the fiscal year. Agencies are also permitted to encumber resources for fiscal year 2013 obligations; while these encumbrances are not reflected in the disbursements, resources must be reserved to pay these obligations in the future.

<b>Category</b>	<b>Description</b>	<b>YTD Variance</b>	<b>% Variance</b>
Expenditures and transfers between agencies (ISTVs)	State agency operations, subsidies, tax relief, debt service payments, and pending payroll (if applicable)	(\$1,148.7 million)	(4.0%)
Transfers	Temporary or permanent transfers out of the GRF that are not agency expenditures	\$60.6 million	15.4%
<b>TOTAL DISBURSEMENTS VARIANCE:</b>		<b>(\$1,088.1 million)</b>	<b>(3.8%)</b>

GRF disbursements are reported according to functional categories. This section contains information describing spending and variances within each of these categories.

### **Primary, Secondary and Other Education**

This category includes expenditures made by the Department of Education, the eTech Ohio Commission, the Ohio State School for the Blind, and the Ohio School for the Deaf, as well as disbursements made to libraries and arts organizations. June disbursements in this category totaled \$385.3 million and were \$106.6 million (38.3%) above the estimate.

June disbursements for the Department of Education alone totaled \$382.6 million and were \$106.3 million (38.5%) above the estimate. Expenditures for the school foundation program totaled \$362.5 million and were \$104.6 million (40.6%) above the estimate. The variance in the foundation program, as well as other line items which contain subsidy payments to school districts, was due to a delay in processing a related cash transfer. This cash transfer, which occurred at the beginning of June rather than the end of May, was completed before payments to school districts were scheduled to be made; thus, districts were not affected.

Actual fiscal year 2013 disbursements totaled \$6,523.2 million and were \$40.8 million (0.6%) below the estimate. Including encumbrances, fiscal year 2013 obligations (disbursements and encumbrances) totaled \$6,624.6 million and were \$9.1 million (0.1%) below the estimate. This total reflects encumbrances of \$101.4 million made by the Department of Education for payments that will be made against fiscal year 2013 funds in fiscal year 2014. These encumbrances are necessary as the final reconciliation payments to schools occur after the fiscal year ends.

## **Higher Education**

June disbursements for Higher Education totaled \$164.9 million and were \$5.5 million (3.5%) above the estimate. The monthly variance is due to disbursements in the Choose Ohio First and Ohio National Guard Scholarship Programs, which were above the monthly estimate by \$8.3 million. This variance was partially offset by spending in the Ohio College Opportunity Grant Program, which was below the monthly estimate by \$2.7 million.

Fiscal year 2013 disbursements totaled \$2,101.9 million and were \$25.3 million (1.2%) below the estimate. The yearly variance is primarily due to spending in the Choose Ohio First Scholarship Program (which was below the annual estimate by \$10.5 million), the Ohio College Opportunity Grant Program (which was below the annual estimate by \$8.4 million), and the Ohio National Guard Scholarship Program (which was below the annual estimate by \$3.7 million). Of the fiscal year 2013 disbursement variance, \$20.8 million is encumbered among the three scholarship programs noted above and another \$2.4 million is encumbered among the Board of Regents' other GRF line items. Total fiscal year 2013 expenditures were \$1.0 million (0.05%) lower than total fiscal year 2012 expenditures.

## **Public Assistance and Medicaid**

June disbursements in this category, which include all GRF expenditures by the Ohio Department of Job and Family Services (ODJFS), totaled \$359.9 million and were \$570.2 million (61.3%) below the monthly estimate. Total fiscal year disbursements totaled \$12,794.8 million and were \$933.5 million (6.8%) below estimate.

### Public Assistance and Non-Medicaid

ODJFS, Non-Medicaid, General Revenue Fund (GRF) disbursements totaled \$39.0 million for the month of June and were \$10.9 million (38.7%) above the estimate. Fiscal year 2013 disbursements totaled \$758.5 million and were \$44.5 million (5.5%) below original projections. Major monthly variances were attributable to the following:

- Program Support disbursements were \$5.5 million (348.7%) above estimate due to higher than estimated monthly payroll expenditures within the line item.
- Child Care State/Maintenance of Effort subsidy disbursements were \$3.7 million (170.1%) above estimate due to the correction of the General Ledger coding error mentioned in the May 2013 monthly report.
- Early Care and Education subsidy disbursements were \$2.9 million (48.9%) above projection due to higher than estimated child care payments made from the line item.
- Family Assistance Programs disbursements were \$1.4 million (548.2%) above estimate due to higher than estimated payroll expenditures being coded to the line item.
- Information Technology Projects disbursements were \$1.2 million (19.2%) above estimate due to the receipt and payment of a child support IT contract in June instead of in July 2013 as originally planned.
- Adoption Service subsidy payments were \$2.0 million (98.7%) below estimate due to adoption assistance payments being lower than anticipated for the month.
- Health Care Program expenditures were \$1.1 million (55.9%) below estimate due to lower than estimated office operating expenses for the month.

## Medicaid

This sub-category includes expenditures by the Department of Job and Family Services for Medicaid services contained primarily in the 600525 line item. Please note that administrative costs related to the ODJFS program are included in the previous sub-category.

### *Expenditures*

Fiscal year 2013 GRF disbursements for the ODJFS portion of the Medicaid Program were \$12,030.3 million, which is \$883.0 million (6.8%) below the estimate and \$344.0 million (2.9%) above the same point in the previous fiscal year. Disbursements in June totaled \$320.9 million and were \$569.1 million (63.9%) below the estimate and \$405.5 million (55.8%) below disbursements in June 2012. In previous months, due to a delay in the collection of certain assessments, payments normally made from non-GRF funds were instead paid by the GRF. An opposite effect was observed in May and June due to collection of the assessments.

Fiscal year 2013 all funds disbursements were \$15,056.5 million and were \$949.2 million (5.9%) below the estimate and \$290.1 million (2.0%) above the previous fiscal year. All funds disbursements for the month of June totaled \$1,196.1 million and were \$175.4 million (12.8%) below the estimate and \$28.6 (2.3%) below disbursements in June 2012.

The chart below shows the current month's disbursement variance by funding source:

	<b>June Projection</b>	<b>June Actual</b>	<b>Variance</b>	<b>Variance %</b>
<b>GRF</b>	\$ 889,967,913	\$ 320,902,190	\$ (569,065,723)	-63.9%
<b>Non-GRF</b>	\$ 481,561,140	\$ 875,243,146	\$ 393,682,006	81.8%
<b>All Funds</b>	\$ 1,371,529,053	\$ 1,196,145,336	\$ (175,383,717)	-12.8%

### *Categorical Variances*

Managed Care ABD and CFC – The \$119.6 million negative variance within managed care ABD and CFC accounts for much of the total monthly underspend. The below estimate spending in this category is driven by lower-than-anticipated capitation payments, delivery payments, and caseload. In addition, amounts were included in the disbursement estimates for expenditures related to the Affordable Care Act's physician fee schedule increase; however, information regarding the implementation of the policy was updated after disbursement estimates were finalized. For the fiscal year, this category contributed \$669.8 million to the overall annual variance, driven mainly by the factors listed above.

Department of Aging Waivers – Another negative variance was observed in the Aging Waivers category. In June, PACE and PASSPORT/Choices experienced lower-than-expected caseload volume. In addition, the service cost per consumer enrolled in PASSORT/Choices was lower than projected. This contributed \$14.3 million to the overall negative variance. For the fiscal year, this category contributed \$121.3 million to the overall annual variance, driven mainly by these factors.

## *Caseload*

Total June enrollment across all categories was 2.39 million. The most significant components are the Covered Families and Children (CFC) category, which decreased by 9,822 persons to a June total of 1.69 million persons, and the Aged, Blind and Disabled (ABD) category, which increased by 5,791 people to a June total of 413.9 thousand covered lives.

Total enrollment across all categories for the same period last year was 2.32 million covered persons, including 1.73 million persons in the CFC category and 396.5 thousand people in the ABD category. Please note that these data are subject to revision.

## **Health and Human Services**

This category includes GRF expenditures for the following state agencies: Health, Aging, Mental Health, Developmental Disabilities, and ODADAS. Examples of expenditures in this category include: administration of the state's psychiatric hospitals; operating subsidies to county boards of developmental disabilities; various immunization programs; and Ohio's long term care ombudsman program. To the extent that these agencies spend GRF to support Medicaid services, that spending is reflected in this category instead of the previous category.

June disbursements in this category totaled \$51.1 million and were \$13.4 million (35.7%) above the estimate. Fiscal year 2013 disbursements totaled \$969.8 million and were \$4.5 million (0.5%) above the original estimate and on a year-over-year basis, disbursements within this category were \$5.0 million (0.5%) higher than disbursements for fiscal year 2012.

### Department of Health

June disbursements totaled \$6.7 million and were \$2.0 million (42.4%) above estimate. Major monthly variances within individual line items were due to compensation for prior-month under-spending, mainly within the Immunizations and Federally Qualified Health Centers line items.

For the fiscal year, disbursements totaled \$81.5 million and were \$7.7 million (8.7%) below estimate. The variance is primarily attributable to lagged spending within the Help Me Grow line item, which was \$3.8 million (11.2%) below estimate due to the move to a fee-for-service model and the distribution of funding directly to providers, resulting in slower spending. Several other programs were unable to distribute subsidy payments or complete contracts in a timely manner. Services were not disrupted, however, as the under spending is a result of incomplete transactions that will post in the following fiscal year.

### Department of Aging

June disbursements for the Department of Aging totaled \$0.9 million and were \$0.1 million (9.0%) above estimate for the month. The variance is due to Operating Expenses disbursements, which were \$0.1 million (49.4%) above estimate for the month in order to make up for slower spending throughout the year. For the fiscal year, disbursements totaled \$14.8 million, showing no variance from the estimate.

### Department of Mental Health

June disbursements for the Department of Mental Health totaled \$13.9 million and were \$3.4 million (31.7%) above estimate. The variance is primarily attributable to spending in the Hospital Services line item, which was \$3.2 million (30.1%) above estimate due to the timing of the posting of payroll.

Disbursements for the fiscal year totaled \$304.4 million and were \$2.3 million (0.7%) below estimate. The variance is primarily attributable to expenditures within in the Hospital Services line item, which were \$1.2 million (0.6%) below estimate due to lower-than-expected staffing levels at the regional psychiatric hospitals. Additionally, spending in the Lease-Rental Payments line item was \$0.6 million (3.6%) below estimate due to lower-than-anticipated debt service payments charged to the department.

### Department of Alcohol and Drug Addiction Services

June disbursements for the Department of Alcohol and Drug Addiction Services totaled \$0.07 million and were \$0.07 million (100%) above the estimate. The variance is due to spending in the Treatment Services line item, which was \$0.07 million above estimate due to subsidy payments being made in June rather than in July as expected. For the fiscal year, disbursements totaled \$7.9 million and showed no variance from the estimate.

### Department of Developmental Disabilities

June disbursements for the Department of Developmental Disabilities totaled \$27.4 million and were \$8.2 million (30.1%) above estimate. The variance is primarily attributable to expenditures within the Medicaid State Match line item, which were \$7.8 million (42.1%) above original estimate due to higher than expected Transitions Developmental Disabilities (TDD) waiver and Intermediate Care Facilities for Individuals with Intellectual Disabilities (ICF/IID) program costs. In early fiscal year 2013, the administration of the TDD waiver and ICF/IID program transferred from the Department of Job and Family Services to DODD. Due to revised cost estimates, additional resources, which were not a part of the original projections, were recently transferred to DODD. As a result, Medicaid State Match line item disbursements were below revised disbursement estimates.

Disbursements for the fiscal year totaled \$516.3 million and were \$14.2 million (2.7%) below revised estimates. The variance is primarily attributable to the encumbrance of fewer than anticipated funds for Medicaid-related payments that will be made against fiscal year 2013 funds in fiscal year 2014. Additionally, spending in the Lease-Rental Payments line item was \$0.6 million (3.6%) below estimate due to lower-than-anticipated debt service payments charged to the department.

### **Justice and Public Protection**

This category includes GRF expenditures by the Department of Rehabilitation & Correction and the Department of Youth Services. June disbursements in this category totaled \$137.5 million and were \$1.1 million (0.8%) above the estimate. Fiscal year 2013 disbursements totaled \$1,930.1 million and were \$72.7 million (3.6%) below the estimate, and on a year-over-year

basis, disbursements within this category were \$67.2 million (3.6%) higher than disbursements for fiscal year 2012.

#### Department of Rehabilitation and Correction

Department of Rehabilitation and Correction disbursements totaled \$100.0 million in June and were \$1.7 million (1.7%) below the estimate. This variance was largely in the Medical Services line, due to cost savings initiatives in medical services.

Department of Rehabilitation and Correction disbursements totaled \$1.50 billion in fiscal year 2013, and were \$60.7 million (3.9%) below the \$1.56 billion estimate. The department made a number of encumbrances during fiscal year 2013 that will be realized in fiscal year 2014, resulting in the annual variance. Additionally, there were reduced personnel costs along with costs savings initiatives throughout the year, contributing to the variance.

#### Department of Youth Services

Department of Youth Services disbursements totaled \$18.9 million in June and were \$222,000 (1.2%) above the estimate.

Department of Youth Services disbursements totaled \$224.8 million in fiscal year 2013 and were \$7.6 million (3.3%) below the \$232.4 million estimate. While the department encumbered approximately \$2.7 million in expenses that will be realized in fiscal year 2014, the variance is largely caused by lower than anticipated personnel spending in the main RECLAIM Ohio line.

#### **Environmental Protection and Natural Resources**

June disbursements in this category totaled \$2.0 million and were \$16.0 million (89.0%) below the estimate. This variance is primarily attributable to the May payment to the City of Cleveland for the mutual termination of a lease agreement for Cleveland Metro Parks, which was included in the June estimates. Fiscal year 2013 disbursements totaled \$83.5 million and were \$0.8 million (0.9%) below the estimate and on a year-over-year basis, disbursements within this category were \$13.4 million (19.2%) higher than disbursements for fiscal year 2012.

#### Department of Natural Resources

Fiscal year 2013 disbursements for the Department of Natural Resources totaled \$106.2 million and were \$0.7 million (0.6%) below estimate. June disbursements totaled \$1.9 million and were \$2.0 million (103.3%) below estimate. The monthly variance is primarily attributable to the following:

- Healthy Lake Erie disbursements were over estimate by \$0.2 million due to program activity in June that had been planned for earlier in the year.
- Division of Parks and Recreation disbursements were below estimate by \$2.1 million due to more state special revenue funds being used in June in lieu of GRF funds.
- Division of the Chief Engineer disbursements were over estimate by \$0.2 million due to payments being made in June that were originally planned in April.
- Division of Soil and Water Resources disbursements were below estimate by \$0.2 million due to payments being made earlier in the year that were planned for June.

## **Transportation**

June disbursements in this category totaled \$0.4 million and were \$0.7 million (66.5%) below the estimate. Fiscal year 2013 disbursements totaled \$9.0 million and were \$2.0 million (18.1%) below the estimate and on a year-over-year basis, disbursements within this category were \$1.3 million (12.8%) lower than disbursements for fiscal year 2012.

## **General Government**

June disbursements in this category totaled \$16.2 million and were \$1.0 million (6.7%) above the estimate. Fiscal year 2013 disbursements totaled \$310.3 million and were \$27.8 million (8.2%) below the estimate and on a year-over-year basis, disbursements within this category were \$37.4 million (13.7%) higher than disbursements for fiscal year 2012. The fiscal year 2013 variance was the result of lower than expected spending across several agencies, including Taxation, Administrative Services, Legislative Service Commission, the House of Representatives and the Senate.

## **Community and Economic Development**

June disbursements in this category totaled \$2.8 million and were \$0.9 million (24.2%) below the estimate. Fiscal year 2013 disbursements totaled \$78.2 million and were \$18.8 million (19.4%) below the estimate and on a year-over-year basis, disbursements within this category were \$12.1 million (13.4%) lower than disbursements for fiscal year 2012. The monthly and yearly variances are primarily attributable to lower than expected grant reimbursements for the Development Services Agency.

### Development Services Agency

Development Services Agency disbursements were \$1.1 million (37.2%) below estimate due to the combination of a lower than anticipated number of grant reimbursements being paid, and the later-than-anticipated awarding of a grant, which caused funds to be encumbered without sufficient time for disbursement in June.

For the fiscal year, the Development Services Agency disbursements totaled \$37.4 million and were \$16.0 million (30.0%) below estimate. The lower than anticipated disbursements were due largely to the lower than anticipated number of grant reimbursements being paid out over the year.

## **Tax Relief and Other**

June disbursements for the Tax Relief and Other category totaled \$166.2 million and were \$23.2 million (12.2%) below estimate. Payments made under this category are comprised of death benefits subsidy payments made by the Treasurer of State to the Ohio Police and Fire Retirement System and property tax relief payments made to local governments and school districts. Fiscal year 2013 disbursements totaled \$1,767.1 million and were \$12.4 million (0.7%) below the estimate. On a year-over-year basis, disbursements in this category were \$38.6 million (2.2%) above disbursements in fiscal year 2012.

Payments from the tax relief category are made to local governments and school districts to reimburse these entities for revenues foregone as a result of the 10.0 percent and 2.5 percent

rollback, as well as the homestead exemption. June disbursements for tax relief were \$166.3 million and were \$0.4 million (less than 0.1%) below the monthly estimate of \$166.6 million. For the fiscal year in its entirety, tax relief payments totaled \$1,746.5 million and were \$10.6 million (0.6%) above estimate and required an increase in appropriations for both the local government and school district property tax relief line items using language contained in H.B. 153.

### **Debt Service**

June disbursements in this category totaled \$54.6 million and were \$2.7 million (4.8%) below the estimate. Fiscal year 2013 disbursements totaled \$820.3 million and were \$20.2 million (2.4%) below the estimate and on a year-over-year basis, disbursements within this category were \$451.8 million (122.6%) higher than disbursements for fiscal year 2012. The year-over-year growth is the result of an end to debt restructuring beginning in fiscal year 2013.



**Table 3**  
**GENERAL REVENUE FUND DISBURSEMENTS**  
**ACTUAL FY 2013 VS ESTIMATE FY 2013**  
(\$ in thousands)

Functional Reporting Categories Description	MONTH				YEAR-TO-DATE			
	ACTUAL	ESTIMATED	\$	%	YTD	YTD	\$	%
	JUNE	JUNE	VAR	VAR	ACTUAL	ESTIMATE	VAR	VAR
Primary, Secondary and Other Education	385,277	278,674	106,603	38.3%	6,574,162	6,613,951	(39,789)	-0.6%
Higher Education	164,871	159,372	5,499	3.5%	2,101,896	2,127,182	(25,286)	-1.2%
Public Assistance and Medicaid	359,936	930,116	(570,179)	-61.3%	12,794,750	13,728,227	(933,477)	-6.8%
Health and Human Services	51,097	37,659	13,438	35.7%	969,788	965,238	4,549	0.5%
Justice and Public Protection	137,450	136,380	1,070	0.8%	1,930,146	2,002,853	(72,707)	-3.6%
Environmental Protection and Natural Resources	1,984	18,007	(16,023)	-89.0%	83,494	84,291	(797)	-0.9%
Transportation	351	1,046	(695)	-66.5%	9,006	11,001	(1,995)	-18.1%
General Government	16,243	15,224	1,019	6.7%	310,335	338,171	(27,836)	-8.2%
Community and Economic Development	2,815	3,715	(900)	-24.2%	78,189	97,008	(18,819)	-19.4%
Tax Relief and Other	166,202	189,394	(23,193)	-12.2%	1,767,070	1,779,513	(12,443)	-0.7%
Capital Outlay	0	20	(20)	N/A	137	20	117	586.4%
Debt Service	54,559	57,297	(2,738)	-4.8%	820,312	840,557	(20,245)	-2.4%
<b>Total Expenditures &amp; ISTV's</b>	<b>1,340,784</b>	<b>1,826,903</b>	<b>(486,119)</b>	<b>-26.6%</b>	<b>27,439,285</b>	<b>28,588,012</b>	<b>(1,148,727)</b>	<b>-4.0%</b>
<b>Transfers Out:</b>								
Operating Transfer Out	99,609	44,814	54,795	122.3%	453,596	392,981	60,615	15.4%
Temporary Transfer Out	0	0	0	N/A	0	0	0	N/A
<b>Total Transfers Out</b>	<b>99,609</b>	<b>44,814</b>	<b>54,795</b>	<b>122.3%</b>	<b>453,596</b>	<b>392,981</b>	<b>60,615</b>	<b>15.4%</b>
<b>Total Fund Uses</b>	<b>1,440,394</b>	<b>1,871,717</b>	<b>(431,324)</b>	<b>-23.0%</b>	<b>27,892,881</b>	<b>28,980,993</b>	<b>(1,088,113)</b>	<b>-3.8%</b>

**Table 4**  
**GENERAL REVENUE FUND DISBURSEMENTS**  
**ACTUAL FY 2013 VS ACTUAL FY 2012**  
(\$ in thousands)

Functional Reporting Categories Description	MONTH				YEAR-TO-DATE			
	JUNE FY 2013	JUNE FY 2012	\$ VAR	% VAR	ACTUAL FY 2013	ACTUAL FY 2012	\$ VAR	% VAR
Primary, Secondary and Other Education	385,277	530,712	(145,436)	-27.4%	6,574,162	6,457,827	116,335	1.8%
Higher Education	164,871	160,392	4,479	2.8%	2,101,896	2,102,675	(779)	0.0%
Public Assistance and Medicaid	359,936	770,667	(410,731)	-53.3%	12,794,750	12,465,712	329,038	2.6%
Health and Human Services	51,097	51,334	(237)	-0.5%	969,788	964,820	4,967	0.5%
Justice and Public Protection	137,450	130,800	6,650	5.1%	1,930,146	1,862,984	67,163	3.6%
Environmental Protection and Natural Resources	1,984	997	987	99.0%	83,494	70,072	13,421	19.2%
Transportation	351	1,154	(803)	-69.6%	9,006	10,334	(1,328)	-12.8%
General Government	16,243	13,397	2,846	21.2%	310,335	272,949	37,386	13.7%
Community and Economic Development	2,815	3,998	(1,182)	-29.6%	78,189	90,247	(12,058)	-13.4%
Tax Relief and Other	166,202	48,005	118,197	246.2%	1,767,070	1,728,464	38,607	2.2%
Capital Outlay	0	20	(20)	N/A	137	140	(3)	-1.9%
Debt Service	54,559	29,200	25,359	86.8%	820,312	368,527	451,785	122.6%
<b>Total Expenditures &amp; ISTV's</b>	<b>1,340,784</b>	<b>1,740,676</b>	<b>(399,891)</b>	<b>-23.0%</b>	<b>27,439,285</b>	<b>26,394,750</b>	<b>1,044,535</b>	<b>4.0%</b>
<b>Transfers Out:</b>								
Operating Transfer Out	99,609	48,901	50,709	N/A	453,596	424,399	29,198	6.9%
Temporary Transfer Out	0	0	0	N/A	0	237,356	(237,356)	N/A
<b>Total Transfers Out</b>	<b>99,609</b>	<b>48,901</b>	<b>50,709</b>	<b>103.7%</b>	<b>453,596</b>	<b>661,754</b>	<b>(208,158)</b>	<b>-31.5%</b>
<b>Total Fund Uses</b>	<b>1,440,394</b>	<b>1,789,576</b>	<b>(349,183)</b>	<b>-19.5%</b>	<b>27,892,881</b>	<b>27,056,504</b>	<b>836,377</b>	<b>3.1%</b>

## ***FUND BALANCE***

Table 5 describes the General Revenue Fund (GRF) ending fund balance for FY 2013 and is based on the actual revenue for FY 2013 and the actual FY 2013 disbursements, transfers, and encumbrances. The GRF ending fund balance for FY 2013 is \$2,278.2 million.

The calculation and disposition of the GRF ending fund balance is governed by the provisions of Ohio Revised Code Section 131.44 and Section 512.70 of HB 59 (main operating budget) of the 130<sup>th</sup> General Assembly. The ending fund balance includes a carryover balance of 0.5% of FY 2013 GRF revenues, or \$147.8 million. Of the remaining amount, \$995.9 million is transferred to the Budget Stabilization Fund (BSF) pursuant to Ohio Revised Code Section 131.44 and \$963.1 is carried over to FY 2014 to accelerate the permanent income tax cuts contained in the budget bill.

The table below shows the disposition of the FY 2013 ending cash balance.

<b>Disposition of FY 2013 Ending Cash Balance</b>	
Ending Cash Balance as of June 30, 2013	\$2,639.2
Less Outstanding Encumbrances	\$361.0
Total Unencumbered Cash Balance	\$2,278.2
Less 0.5% Requirement	\$147.8
Actual Surplus Ending Balance	\$2,130.4
Less End of Year Transfers Out	171.4
<b>Less Budget Stabilization Fund Transfer</b>	<b>\$995.9</b>
<b>HB 59 Section 512.70 Reserve</b>	<b>\$963.1</b>

FUND BALANCE  
GENERAL REVENUE FUND  
FISCAL YEAR 2013  
(\$ in thousands)

<b>July 1, 2012 Beginning Cash Balance</b>	<b>\$ 973.4</b>
Plus FY 2013 Actual Revenues	21,630,829
Plus FY 2013 Actual Federal Revenues	7,525,842
Plus FY 2013 Actual Transfers to GRF	402,014
<b>Total Sources Available for Expenditure &amp; Transfer</b>	<b>30,352,130</b>
Less FY 2013 Actual Disbursements	27,439,285
Less FY 2013 Actual Total Encumbrances as of June 30, 2013	361,047
Less FY 2013 Actual Transfers Out	453,596
<b>Total Actual Uses</b>	<b>28,253,928</b>
<b>FY 2013 UNENCUMBERED ENDING FUND BALANCE</b>	<b>2,278,202</b>

OBM staff that contributed to the development of this report were:

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