



October 10, 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

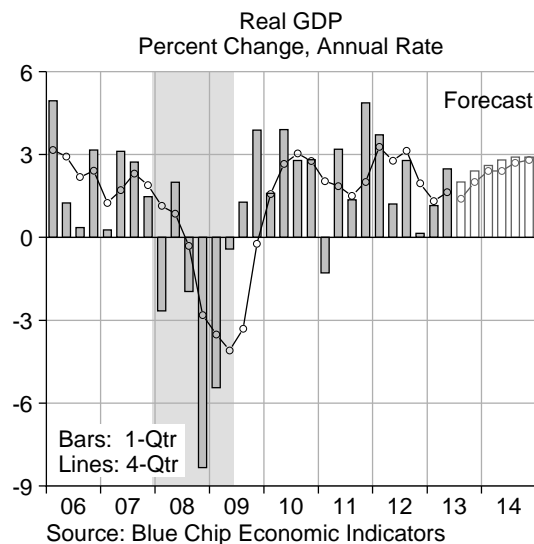
Economic Performance Overview

- Real GDP expanded at an annual rate of 2.5% in the second quarter, following gains of 1.1% in the first quarter and only 0.1% in last year's fourth quarter. Year-over-year growth was a subdued 1.6%. Forecasters project a gradual increase in the rate of growth from approximately 2.0% in the third quarter to near 3.0% by the end of 2014.
- U.S. employment growth appears to have continued on the recent moderate growth track, judging by indicators of labor market activity.
- Ohio employment decreased by 8,200 jobs in August and the July change was revised downward. Ohio employment is up 25,600 jobs year-to-date. The Ohio unemployment rate increased to 7.3% in August, up from 7.2% in July.
- Leading economic indicators remain consistent with uninterrupted growth at a modest pace across the country and especially in Ohio.

Editor's Note: Data and commentary for some employment and housing related sections are not updated due to the unavailability of some government websites to which access has temporarily been suspended.

Economic Growth

Real GDP expanded 2.5% in the second quarter, according to the final estimate, following gains of 1.1% in the first quarter and only 0.1% in last year's fourth quarter. Year-over-year growth was a subdued 1.6%. Since the expansion officially began in the second quarter of 2009, real GDP has advanced at an annual rate of 2.2% – the slowest pace during the first sixteen 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 3.4% on average during the first sixteen quarters of the expansions following the 1990-91 and 2001 recessions.



Growth in the second quarter was driven by personal consumption expenditures, exports, private inventory investment, investment in plant and equipment and nonresidential structures, and investment in residential structures. Federal government spending subtracted from overall GDP growth. Stronger growth in imports indicated that a greater share of domestic demand was satisfied by goods and services that were produced overseas.

The acceleration in second quarter real GDP resulted from the shift from falling to rising nonresidential fixed investment and exports, a smaller decrease in federal government spending than in the first quarter, and an upturn in state and local government spending. Faster growth in imports and slowdowns in private inventory investment and personal consumption expenditures subtracted from the change in real GDP.

Real GDP is estimated to have expanded at an annual pace of 2.0% in the third quarter and is projected to expand 2.4% in the fourth quarter, according to the October *Blue Chip Financial Forecasts* consensus. However, this near-term forecast is now subject to considerably more uncertainty given concerns over the impacts of the federal government shutdown and the debt ceiling.

Third quarter economic growth is estimated to have been restrained by growth in consumer spending of less than 2%. Consumption of services was especially soft while consumption of goods appears to have remained healthy, supported by continuing strength in sales of light motor vehicles. Judging from shipments of capital goods, business investment also appears to have been soft in the third quarter. Housing construction probably remained strong over the summer, but grew somewhat more slowly than in the spring. Business inventories are expected to have subtracted from GDP growth in the third quarter, but net exports are likely to have added to growth during the quarter after subtracting in the second quarter.

Leading indicators remain consistent with slow but uninterrupted growth into 2014. The 4-week moving average of the Economic Cycle Research Institute (ECRI) **Weekly Leading Index** increased in each of the five weeks ending in late September and eleven of the twelve most recent weeks. The 6-month smoothed rate of change increased to 4.8%, but remained below the recent peak of 7.4% in early May. The index continues to point to continued growth immediately ahead.

The composite **Leading Economic Index** from the Conference Board increased 0.7% in August after a 0.5% increase in July. Eight of the ten components made positive contributions in August, led by interest rate spreads and the ISM New Orders Index. The leading index is up 4.2% from a year earlier and 4.6% on a smoothed 6-month rate of change basis.



The **ratio of the coincident index to lagging index** – itself a leading indicator – decreased 0.1% in August, and the July increase was revised down 0.1 point to 0.2%. The index has been flat or has declined in five of the past twelve months and remains down 0.2% from a year earlier. The recent pattern is the most worrisome of the leading indicators, but remains an outlier among leading indicators.

The Ohio economy continued to make progress through August, according to the **Ohio Coincident Economic Index** compiled by the Federal Reserve Bank of Philadelphia. The index increased 0.3% in August. Compared with a year earlier, the index was higher by 2.5%, down from a recent high of 5.5% 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 in August than one month earlier in 40 states, up from 38 states in July. The index was higher than three months earlier in 42 states – the same as in July. The diffusion of increases and decreases across states in the past has been a reliable and timely indicator of turning points in the business cycle, and continues to suggest uninterrupted growth in the Ohio and national economies.

The companion **Ohio Leading Economic Index** decreased to 1.0% in August, and remained below 3% for the nineteenth straight month. 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 fall but at a slower pace than early in 2012.

The diffusion of positive readings had been fairly broad until May and June, when the number of states for which the index was negative increased to double-digits. The number of states with negative readings returned to a low level of four in August.

Employment

The release of the Employment Situation Report for September has been temporarily delayed due to the federal government shutdown. However, other measures suggest that labor markets remained on the slow path of improvement. Weekly **initial jobless claims** – a good measure of layoff activity – decreased to an average of 305,000 per week during the four weeks ending in late September from an average of 328,750 per week during the previous four-week period. The most recent reading was the lowest since spring 2007. The **Challenger Job-Cut Report** for September is consistent with the message of the drop in initial jobless claims.



According to the **ISM survey** of purchasing managers, the breadth of hiring in manufacturing increased in September to the highest level since June 2012. Hiring among non-manufacturing firms was less widespread than in August, but remained above neutral.

The **ADP Employment Report** indicated that private payrolls increased by 166,000 jobs during September, up from 159,000 in August and generally in line with recent readings. During the previous six months, private sector payrolls increased by an average of 167,000 per month, according to the government report, so that the ADP report points toward a continuation of recent labor market trends during September.

Ohio employment decreased by 8,200 jobs in August, and the June decline was revised lower from -12,500 to -8,400. The August decline reduces the year-to-date increase to 25,600 jobs and the year-over-year change to +32,500 jobs. Private-sector employment gains for the year to date are slightly higher at +26,900 jobs, with a year-over-year change of +39,800 jobs. The Ohio unemployment rate increased 0.1 point to 7.3% in August after no change in July. The rate is up from the low for the cycle of 6.7% that was reached last December, and was at the same level as the national rate in August.

During the twelve months ending in August, increases in Ohio employment were led by educational and health services (+13,100), professional and business services (+9,900), and leisure and hospitality (+7,400). Weakness was concentrated in the government sector, where employment decreased 7,300 jobs year-over-year, and construction, where employment was down 6,100 jobs year-over-year. Employment also was lower in information (-2,300). Manufacturing employment was higher by 3,100 jobs from a year earlier.

Among the **contiguous states**, year-over-year employment growth was strongest in Indiana and Michigan (+1.7%), compared with increases in Kentucky (+1.2%), West Virginia (+1.0%), Pennsylvania (+0.7%) and Ohio (+0.6%). Year-over-year growth in manufacturing was 0.5% in Ohio. Among the contiguous states, manufacturing employment increased 3.3% in Michigan, 1.0% in West Virginia, 0.8% in Indiana, declined 0.7% in Kentucky, and was unchanged in Pennsylvania.

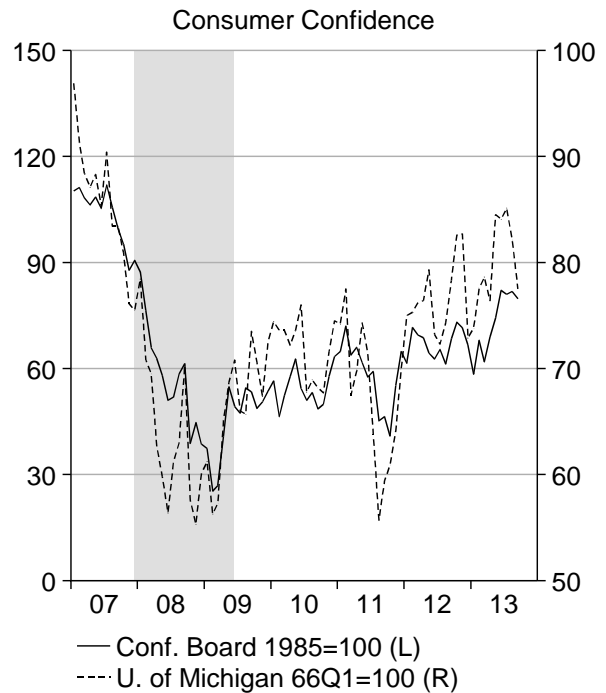
Consumer Income and Consumption

Personal income and consumption strengthened in August after a weak July. **Wage and salary disbursements** increased 0.4%, more than reversing the 0.3% decline in July. Personal income also increased 0.4%, fueling a 0.3% rise in personal consumption spending. Disposable personal income increased 0.5%, and the saving rate inched up to 4.6%. After adjusting for inflation, real disposable income increased 0.3% in August and real personal consumption expenditures rose 0.2%.

Compared with a year earlier, personal income is higher by 3.3%, wage and salary disbursements are higher by 3.5%, and disposable income is higher by 2.8%. After adjusting for inflation of 1.2% year-over-year, as measured with the personal consumption chain-type price index, personal income is up 2.5%, wage and salary disbursements are up 2.3%, and disposable personal income is up 1.6%.

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, may have supported spending out of current income to some degree. Still-high gasoline prices – although lower than earlier in the year – have limited improvement in real consumer spending.

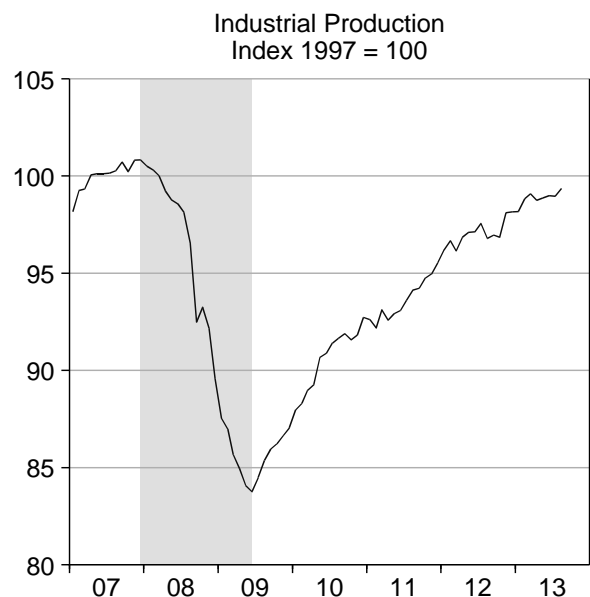
Despite some modest deterioration again in September, **consumer confidence** essentially held onto the impressive gains made last winter and spring both in terms of views regarding current conditions and expectations. The Conference Board index edged down in September, as deterioration in expectations offset improvement in the assessment of current conditions. The Reuters/University of Michigan index posted a larger decrease, as assessments of the both the future and current conditions retreated for a second straight month. In general, these key measures of consumer attitudes remain consistent with uninterrupted economic growth near the recent pace.



Manufacturing

Industrial production rebounded 0.4% in August after no change in July. Manufacturing production jumped by 0.7% after a downwardly revised change of -0.4% the month before. Year-over-year comparisons remain moderate, with industrial production up just 2.7% and manufacturing higher by only 2.6%. A number of related indicators continue to suggest that activity will continue to improve.

Of particular importance to the Ohio economy, production of **motor vehicles** and parts increased 5.2% in August, more than reversing the 4.5% decline in July. Motor vehicle assemblies increased 11.1% to a seasonally adjusted annual rate of 10.9 million units in August – the second highest monthly pace (after June) since the recession.



Also important to Ohio, production of **primary metal** decreased by 0.3 in August after a strong July, production of **fabricated metal** increased 0.4%, and production of **machinery** increased 0.8%. Together with the motor vehicle industry, these three industries account for almost one-half of manufacturing jobs in Ohio and approximately one out of every thirteen private sector jobs in the state, before seasonal adjustment.

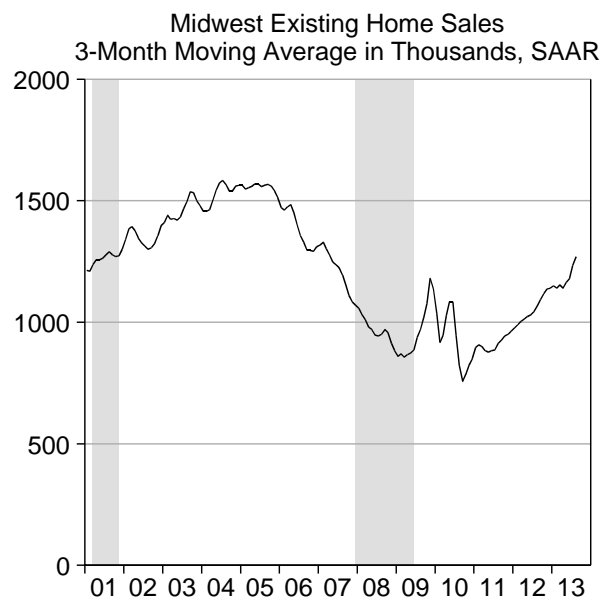
Telegraphing further improvements in industrial activity, the **purchasing managers index** increased for the third straight month and remained comfortably above the neutral level again in September. The index had dropped to a full point below the neutral level of 50 in May, generating some concerns about the sector. In addition, the **Philadelphia Federal Reserve survey** of business activity improved notably in September and the **New York Fed survey** remained positive, pointing to an improving trend in industrial activity.

Construction

The picture of the construction sector is limited by the temporary delay of regularly scheduled data releases from the federal government, but the available data suggest that recent trends continued in August.

Existing home sales increased 2.2% across the country in August and 3.0% in the Midwest on a three-month moving average basis – a bit below the increases in the previous month but still large enough to lift the year-over-year comparisons to 15.0% and 19.1%, respectively.

The **inventory of existing homes for sale** increased very slightly again in August to 2.28 million. At the August pace of sales, 4.9 months would be required for the current inventory to be sold, in line with the pre-crisis historical average.



Home prices increased for the eighteenth straight month in July, according to the S&P/Case-Shiller Index of prices in 20 major markets. The 0.6% increase was the tenth in a row at least that large and lifted the index to 12.3% above the year earlier level. Even so, the index was 23.0% below the peak reached seven years ago. Home prices in Cleveland decreased 0.2% in July after similar declines in May and June. Cleveland home prices are 3.9% higher than a year earlier, but remain 16.3% below the peaked reached in January 2006.

REVENUES

September **GRF receipts totaled \$2,496.8 million** and were \$129.0 million (4.9%) below the estimate. Monthly tax receipts totaled \$1,727.8 million and were \$11.6 million (0.7%) above the estimate, while non-tax receipts totaled \$769.0 million and were \$140.4 million (15.4%) below estimate. Variances for the entire fiscal year by category are provided in the following table (\$ in millions).

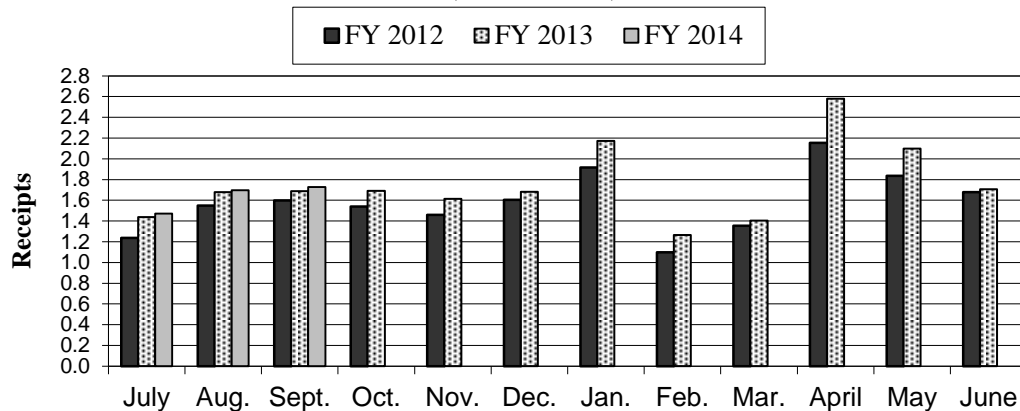
Category	Includes:	YTD Variance	% Variance
Tax receipts	Sales & use, personal income, corporate franchise, commercial activity, MCF, public utility, kilowatt hour, foreign & domestic insurance, other business & property taxes, cigarette, alcoholic beverage, liquor gallonage, & estate	(\$43.6 million)	-0.9%
Non-tax receipts	Federal grants, earnings on investments, licenses & fees, other income, intrastate transfers	(\$102.1 million)	-4.3%
Transfers	Budget stabilization, liquor transfers, capital reserve, other	\$2.1 million	37.8%
TOTAL REVENUE VARIANCE:		(\$143.7 million)	-2.0%

On a year-over-year basis, monthly receipts were \$140.0 million (5.9%) higher than they were in September 2012, primarily as a result of a \$110.7 million (16.9%) year-over-year increase in federal grants. Total September tax receipts were \$40.0 million (2.4%) higher than a year ago. The positive variance is attributable to growth in the non-auto sales and use tax, as well as in the personal income tax. Growth in auto sales and use tax and estate tax receipts also contributed to the year-over-year increase. Year-over-year declines occurred for the commercial activity, kilowatt hour, and domestic insurance taxes. The corporate franchise tax also experienced a decline; however this was due to its recent elimination.

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

Individual Sources Above Estimate		Individual Sources Below Estimate	
Auto Sales Tax	\$3.7	Non-Auto Sales Tax	(\$2.7)
Personal Income Tax	\$12.2	Kilowatt Hour Tax	(\$6.6)
Estate Tax	\$10.0	Foreign Insurance Tax	(\$2.6)
		Domestic Insurance Tax	(\$1.0)
		Cigarette Tax	(\$2.0)
		Federal Grants	(\$132.7)
		License and Fees	(\$4.6)
		Other Income	(\$1.9)
		ISTV's	(\$1.3)
Other Sources Above Estimate	\$0.8	Other Sources Below Estimate	(\$0.6)
Total above	\$26.7	Total below	(\$156.0)

Tax Revenue Comparison by Month
(\$ in billions)



Non-Auto Sales and Use Tax

September non-auto sales and use tax receipts totaled \$588.3 million and were \$2.7 million (0.5%) below estimate. On a year-over-year basis, September 2013 receipts were \$27.0 million (4.8%) above those of September 2012. Faltering consumer confidence at the national level could help explain September's tax revenue performance relative to the estimate. However, the September shortfall in the non-auto sales tax was smaller than the July or August shortfalls. OBM will continue to closely monitor the performance of this tax in the months ahead.

Auto Sales Tax

Auto sales tax receipts exceeded the estimate in September as receipts totaled \$102.1 million and were \$3.7 million (3.7%) above estimate for the month. On a year-over-year basis, monthly receipts were \$13.8 million (15.6%) higher than receipts for the same month in the previous year reflecting continued strength in auto sales. Tax receipts in this category continue a strong trend,

despite a slight slowdown compared to August, which is mostly due to the effect of Labor Day weekend sales which were allotted to August.

Personal Income Tax

Driven by the withholding component and lower than estimated refunds, the personal income tax exceeded the estimate in September as receipts totaled \$912.3 million and were \$12.2 million (1.4%) above the estimate.

Unlike the first two months in fiscal year 2014, the withholding component in September exceeded the estimate by \$20.6 million (3.4%) with receipts of \$625.6 million compared to an estimate of \$605.0 million. Withholding grew by 2.0% from the prior September, despite the fact that a 9% withholding rate cut went into effect in September, as part of the HB 59 tax reduction package (the withholding rate cut is slightly higher than the 8.5% reduction in statutory tax rates for taxable year 2013). Because employers had some discretion about when they began withholding at lower rates, it is not clear exactly how close to a full 9% impact the September cut actually was.

Also adding to the positive performance during the month were refunds, which totaled \$20.2 million and were \$10.2 million (33.7%) less than the estimate of \$30.4 million. The positive performance of withholding and refund components were offset in part by a shortfall in quarterly estimated payments, which totaled \$294.1 million and were \$19.3 million (6.2%) below estimate. One possible explanation for the performance of the quarterly estimated payments component could be earlier-than-anticipated adjustments in reaction to the small business exemption changes contained in the most recent budget bill, H.B. 59. While the estimates constructed for the monthly report assumed that almost all of the impact of that change would be felt later in the year, it is possible that some taxpayers adjusted their September payments rather than waiting.

On a year-over-year basis, September personal income tax collections were \$26.7 million (3.0%) above the September 2012 level. Despite the fact that estimated payments were below estimate, they actually showed the largest year-over-year growth, with receipts that were \$14.3 million (5.1%) above the same month a year ago. Year-to-date, personal income tax receipts for the first quarter of fiscal year 2014 exceeded the estimate by \$1.8 million (0.1%) and were higher by \$65.4 million (3.1%) than the level in the corresponding quarter of fiscal year 2013.

FY2014 PERSONAL INCOME TAX RECEIPTS BY COMPONENT (\$ in millions)						
	ESTIMATE	ACTUAL	\$ VAR	ESTIMATE	ACTUAL	\$ VAR
	SEPT	SEPT	SEPT	Y-T-D	Y-T-D	Y-T-D
Withholding	\$605.0	\$625.6	\$20.6	\$1,945.1	\$1,949.1	\$4.0
Quarterly Est.	\$313.4	\$294.1	(\$19.3)	\$349.2	\$327.5	(\$21.7)
Trust Payments	\$7.8	\$8.9	\$1.1	\$9.2	\$9.6	\$0.4
Annual Returns & 40 P	\$26.2	\$26.1	(\$0.1)	\$50.5	\$53.5	\$3.0
Other	\$7.6	\$7.0	(\$0.6)	\$25.7	\$21.9	(\$3.8)
Less: Refunds	(\$30.4)	(\$20.2)	\$10.2	(\$95.3)	(\$75.9)	\$19.4
Local Distr.	(\$29.5)	(\$29.2)	\$0.3	(\$85.5)	(\$85.0)	\$0.5
Net to GRF	\$900.1	\$912.3	\$12.2	\$2,198.9	\$2,200.7	\$1.8

Corporate Franchise Tax

As noted in the August report, although the corporate franchise tax has been eliminated, prior year settlement activity continues, and has resulted in refunds of \$0.1 million in September, while the estimate for the tax is zero. Small amounts of refund and other settlement activity are likely to occur in the months ahead. On a year-over-year basis, September 2013 receipts for this tax source were \$28.4 million (100.4%) below those of September 2012.

Commercial Activity Tax

September commercial activity tax (CAT) receipts to the GRF totaled \$1.8 million and were \$0.7 million (60.3%) above estimate. All-funds CAT receipts for September totaled \$2.0 million and were \$0.1 million (4.8%) below the \$2.1 million estimate. On a year-over-year basis, GRF CAT receipts were \$4.9 million (73.7%) below the September 2012 level, while all-funds CAT receipts were essentially even with September 2012 collections. As mentioned in last month's report, OBM is concerned about the performance of the tax and will closely monitor it in the months ahead.

Kilowatt-Hour Tax

September kilowatt hour receipts totaled \$26.8 million and were \$6.6 million (19.8%) below the \$33.4 million estimate. On a year-over-year basis, this tax source was \$6.7 million (20.0%) below the September 2012 level of \$33.5 million. OBM believes that both the monthly shortfall and the year-over-year decline in this tax source reflect lower-than-expected residential electricity-use as a result of mild weather.

Foreign Insurance Tax

September foreign insurance tax receipts totaled \$3.1 million and were \$2.6 million (45.8%) below estimate. While a tax payment equal to half of the previous year tax liability is due October 15, a small portion of that payment is usually received in late September. The estimate for October is \$135.9 million and it is expected that October's receipts will meet or exceed that

amount and that the combined payments for September and October should be close to the combined estimate of \$141.6 million.

Cigarette Tax

Cigarette tax receipts for the month of September totaled \$74.2 million and were \$2.0 million (2.7%) below the estimate of \$76.2 million. Year-to-date, the net variance for the first quarter of FY 2014 is negative \$1.0 million (0.6%). On a year-over-year basis, September 2013 cigarette tax receipts were \$5.3 million (7.6%) above the level for the same month of the previous fiscal year.

GRF non-tax receipts totaled \$769.0 million in September and were \$140.4 million (15.4%) below estimate primarily due to lower than estimated federal grants. This shortfall in federal grants was the result of a combination of lower than estimated Medicaid spending from the GRF and the receipt of federal funds in early October that were anticipated for September. On a year-over-year basis, September's receipts were \$110.0 million (16.7%) higher than September 2012. There were no September **GRF transfers**, though only \$0.2 million was scheduled for the month. Year-over-year, the transfers were \$10.0 million below September 2012 receipts due to the transfer of liquor profits that occurred in fiscal year 2013 that are no longer received due to the lease of the state's liquor enterprise to JobsOhio.

Table 1
GENERAL REVENUE FUND RECEIPTS
ACTUAL FY 2014 VS ESTIMATE FY 2014
(\$ in thousands)

REVENUE SOURCE	MONTH				YEAR-TO-DATE			
	ACTUAL	ESTIMATE	\$ VAR	% VAR	ACTUAL	ESTIMATE	\$ VAR	% VAR
	SEPTEMBER	SEPTEMBER			Y-T-D	Y-T-D		
TAX RECEIPTS								
Non-Auto Sales & Use	588,308	591,000	(2,692)	-0.5%	1,861,292	1,894,100	(32,808)	-1.7%
Auto Sales & Use	102,054	98,400	3,654	3.7%	315,388	299,700	15,688	5.2%
Subtotal Sales & Use	690,362	689,400	962	0.1%	2,176,679	2,193,800	(17,121)	-0.8%
Personal Income	912,340	900,100	12,240	1.4%	2,200,703	2,198,900	1,803	0.1%
Corporate Franchise	(99)	0	(99)	N/A	2,046	0	2,046	N/A
Financial Institutions Tax	0	0	0	N/A	0	0	0	N/A
Commercial Activity Tax	1,763	1,100	663	60.3%	192,105	219,939	(27,834)	-12.7%
Public Utility	(6)	0	(6)	N/A	25,853	26,500	(647)	-2.4%
Kilowatt Hour	26,789	33,400	(6,611)	-19.8%	80,339	91,050	(10,711)	-11.8%
MCF Tax	12	0	12	N/A	13,553	11,900	1,653	13.9%
Foreign Insurance	3,088	5,700	(2,612)	-45.8%	4,489	5,900	(1,411)	-23.9%
Domestic Insurance	3	1,000	(997)	-99.7%	57	1,000	(943)	-94.3%
Other Business & Property	8	0	8	N/A	37	0	37	N/A
Cigarette	74,179	76,200	(2,021)	-2.7%	164,024	165,000	(976)	-0.6%
Alcoholic Beverage	4,347	4,600	(253)	-5.5%	14,205	15,000	(795)	-5.3%
Liquor Gallonage	3,699	3,400	299	8.8%	10,722	10,300	422	4.1%
Estate	11,332	1,300	10,032	771.7%	12,134	1,300	10,834	833.4%
Total Tax Receipts	1,727,818	1,716,200	11,618	0.7%	4,896,946	4,940,589	(43,643)	-0.9%
NON-TAX RECEIPTS								
Federal Grants	767,066	899,798	(132,732)	-14.8%	2,270,778	2,355,189	(84,411)	-3.6%
Earnings on Investments	0	0	0	N/A	0	0	0	N/A
License & Fees	1,444	6,000	(4,556)	-75.9%	9,364	18,000	(8,636)	-48.0%
Other Income	503	2,375	(1,872)	-78.8%	4,233	7,125	(2,892)	-40.6%
ISTV'S	0	1,250	(1,250)	N/A	(2,443)	3,750	(6,193)	-165.1%
Total Non-Tax Receipts	769,013	909,423	(140,410)	-15.4%	2,281,932	2,384,064	(102,132)	-4.3%
TOTAL REVENUES	2,496,831	2,625,623	(128,792)	-4.9%	7,178,878	7,324,653	(145,775)	-2.0%
TRANSFERS								
Budget Stabilization	0	0	0	N/A	0	0	0	N/A
Liquor Transfers	0	0	0	N/A	0	0	0	N/A
Transfers In - Other	0	200	(200)	N/A	7,719	5,600	2,119	37.8%
Temporary Transfers In	0	0	0	N/A	0	0	0	N/A
Total Transfers	0	200	(200)	N/A	7,719	5,600	2,119	37.8%
TOTAL SOURCES	2,496,831	2,625,823	(128,992)	-4.9%	7,186,597	7,330,253	(143,656)	-2.0%

Table 2
GENERAL REVENUE FUND RECEIPTS
ACTUAL FY 2014 VS ACTUAL FY 2013
(\$ in thousands)

REVENUE SOURCE	MONTH				YEAR-TO-DATE			
	SEPTEMBER FY 2014	SEPTEMBER FY 2013	\$ VAR	% VAR	ACTUAL FY 2014	ACTUAL FY 2013	\$ VAR	% VAR
TAX RECEIPTS								
Non-Auto Sales & Use	588,308	561,265	27,043	4.8%	1,861,292	1,811,450	49,841	2.8%
Auto Sales & Use	102,054	88,285	13,769	15.6%	315,388	282,786	32,601	11.5%
Subtotal Sales & Use	690,362	649,550	40,812	6.3%	2,176,679	2,094,237	82,443	3.9%
Personal Income	912,340	885,644	26,696	3.0%	2,200,703	2,135,331	65,372	3.1%
Corporate Franchise	(99)	28,299	(28,398)	-100.4%	2,046	46,701	(44,655)	-95.6%
Financial Institutions Tax	0	0	0	N/A	0	0	0	N/A
Commercial Activity Tax	1,763	6,692	(4,929)	-73.7%	192,105	202,605	(10,499)	-5.2%
Public Utility	(6)	0	(6)	N/A	25,853	25,060	793	3.2%
Kilowatt Hour	26,789	33,484	(6,695)	-20.0%	80,339	90,714	(10,375)	-11.4%
MCF Tax	12	0	11	N/A	13,553	10,216	3,337	32.7%
Foreign Insurance	3,088	2,958	130	4.4%	4,489	4,318	171	4.0%
Domestic Insurance	3	4,533	(4,530)	-99.9%	57	4,753	(4,696)	-98.8%
Other Business & Property	8	1	7	678.1%	37	216	(179)	-82.8%
Cigarette	74,179	68,908	5,271	7.6%	164,024	162,075	1,948	1.2%
Alcoholic Beverage	4,347	4,019	328	8.2%	14,205	15,197	(992)	-6.5%
Liquor Gallonage	3,699	3,514	186	5.3%	10,722	10,341	382	3.7%
Estate	11,332	204	11,128	5451.6%	12,134	1,827	10,307	564.1%
Total Tax Receipts	1,727,818	1,687,806	40,012	2.4%	4,896,946	4,803,591	93,355	1.9%
NON-TAX RECEIPTS								
Federal Grants	767,066	656,370	110,697	16.9%	2,270,778	2,196,100	74,678	3.4%
Earnings on Investments	0	0	0	N/A	0	0	0	N/A
License & Fee	1,444	2,106	(662)	-31.4%	9,364	9,812	(448)	-4.6%
Other Income	503	579	(76)	-13.1%	4,233	2,437	1,796	73.7%
ISTV'S	0	0	0	N/A	(2,443)	22	(2,465)	N/A
Total Non-Tax Receipts	769,013	659,054	109,959	16.7%	2,281,932	2,208,370	73,562	3.3%
TOTAL REVENUES	2,496,831	2,346,861	149,971	6.4%	7,178,878	7,011,961	166,917	2.4%
TRANSFERS								
Budget Stabilization	0	0	0	N/A	0	0	0	N/A
Liquor Transfers	0	10,000	(10,000)	N/A	0	38,000	(38,000)	N/A
Transfers In - Other	0	0	0	N/A	7,719	8,872	(1,153)	-13.0%
Temporary Transfers In	0	0	0	N/A	0	0	0	N/A
Total Transfers	0	10,000	(10,000)	N/A	7,719	46,872	(39,153)	-83.5%
TOTAL SOURCES	2,496,831	2,356,861	139,971	5.9%	7,186,597	7,058,833	127,764	1.8%

DISBURSEMENTS

September 2013 GRF disbursements, across all fund uses, totaled \$2,820.4 million and were \$137.5 million (4.7%) below estimate. This was primarily attributable to lower disbursements in the Medicaid and Property Tax Reimbursements categories. On a year-over-year basis, September disbursements were \$77.0 million (2.8%) higher than those of the same month in the previous fiscal year. Year-to-date variances by category are provided in the table below.

Category	Description	YTD Variance	% Variance
Expenditures and transfers between agencies (ISTVs)	State agency operations, subsidies, tax relief, debt service payments, and pending payroll (if applicable)	(\$187.0 million)	-2.3%
Transfers	Temporary or permanent transfers out of the GRF that are not agency expenditures	(\$5.0 million)	-0.4%
TOTAL DISBURSEMENTS VARIANCE:		(\$192.0 million)	-2.0%

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

Primary and Secondary Education

This category now contains only GRF spending for the Ohio Department of Education, minus property tax reimbursements. September disbursements for this category totaled \$570.9 million and were \$43.2 million (8.2%) above the estimate. Expenditures for the school foundation program totaled \$552.6 million and were \$44.1 million (8.7%) above the estimate.

The variance in the foundation funding line item is due to normal fluctuations between the actual Average Daily Membership (ADM) and estimated ADM for the month. The Department of Education will continue to use estimates until the finalization of the October ADM count for fiscal year 2014 and the implementation of the new school funding system in October.

Higher Education

September disbursements for Higher Education totaled \$167.0 million and were \$34.1 million (16.9%) below the estimate for the month. Year-to-date disbursements are \$480.5 million, which is \$36.8 million (7.1%) below the estimate. The monthly and yearly variances are due to a decision by the Board of Regents to implement a more robust subsidy distribution and monitoring process beginning in fiscal year 2014, resulting in a temporary delay in the distribution of a portion of their subsidy line items.

On a year-over-year basis, disbursements in this category were \$10.0 million (5.7%) lower than in the same month in the previous fiscal year while year-to-date expenditures are \$25.1 million (5.0%) lower than at the same point in the previous fiscal year.

Other Education

This category includes non-debt service expenditures made by the Broadcast Education Media Commission, Ohio Facilities Construction Commission, Ohio State School for the Blind, Ohio School for the Deaf, as well as disbursements made to libraries, cultural, and arts organizations. September disbursements in this category totaled \$8.0 million and were \$3.8 million (92.8%) above estimated spending. The variance in this category is primarily attributable to the disbursement of the Ohio Historical Society's subsidy appropriation in late September rather than early October as estimated.

Medicaid

As discussed in previous Monthly Financial Reports, this category includes all Medicaid disbursements from the H.B. 59-created "650 series" Medicaid line items. As such, the category includes all Medicaid spending on services and program support by the following six agencies: the new Department of Medicaid (651 prefix), the Department of Mental Health and Addiction Services (652), the Department of Developmental Disabilities (653), the Department of Health (654), the Department of Job and Family Services (655), and the Department of Aging (656).

While this line item restructuring was done to greatly improve the transparency of Medicaid spending across state agencies, it does create a one-time challenge for year-over-year comparisons by month. That is because a number of line items that contained Medicaid spending in fiscal year 2013 (and prior) also included non-Medicaid spending. While we can determine the annual Medicaid spending within these "mixed use" lines for fiscal year 2013, it is very difficult to determine the Medicaid/non-Medicaid breakdown by month. Therefore, fiscal year 2013 monthly expenditures were established to enable year-over-year comparisons by applying the respective line item's annual percentage of Medicaid spending to the monthly actual spending.

Expenditures

Year-to-date GRF disbursements for the Medicaid Program were \$3,922.0 million, which is \$87.6 million (2.2%) below the estimate and \$ 236.1 million (6.4%) above the same point in the previous fiscal year. GRF disbursements in September totaled \$1,246.5 million which is \$47.8 million (3.7%) below estimate and \$72.4 million (6.2%) above disbursements in 2012.

September all funds disbursements totaled \$1,638.0 million and were \$78.2 million (4.6%) below the estimate and \$186.5 million (12.8%) above this point in the previous fiscal year.

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

	September Projection	September Actual	Variance	Variance %
GRF \$	1,294.3	\$ 1,246.5	\$ (47.8)	-3.7%
Non-GRF \$	421.9	\$ 391.5	\$ (30.4)	-7.2%
All Funds \$	1,716.2	\$ 1,638.0	\$ (78.2)	-4.6%

Categorical Variances

All Other – September spending in this category was \$22.5 million below estimate mainly due to certain waiver claims not being realized as quickly as expected.

ACA Physician Fee Increase – Expenditures grouped into this category were \$13.4 million below estimate in September as the programmatic pathways for this ACA-mandated increase are still being established within the care community.

Aging Waivers – September spending on Medicaid waiver programs administered by the Department of Aging was \$8.2 million below estimate. This can mainly be attributed to lower per member costs than anticipated.

Caseload

Total September enrollment across all categories was 2.4 million. The most significant components are the Covered Families and Children (CFC) category, which decreased by 9,827 persons to a September total of 1.67 million persons, and the Aged, Blind and Disabled (ABD) category, which decreased by 2,143 people to a September total of 433,420 covered lives.

Total enrollment across all categories for the same period last year was 2.5 million covered persons, including 1.8 million persons in the CFC category and 409,270 people in the ABD category. Please note that these data are subject to revision.

Health and Human Services

This category includes non-debt service GRF expenditures for the following state agencies: Job and Family Services, Health, Aging, Developmental Disabilities, Mental Health and Addiction Services, and others. Examples of expenditures in this category include: child care, TANF, 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 the previous category.

September disbursements in this category totaled \$65.1 million and were \$5.3 million (7.5%) below projected spending for the month.

Department of Job and Family Services

The Ohio Department of Job and Family Services (ODJFS) GRF disbursements totaled \$32.4 million for the month of September and were \$2.5 million (7.0%) below estimate. This is compared to August disbursements of \$53.4 million which were \$19.6 million (26.9%) below estimate. Selected major variances in the month of September were attributable to the following:

- Child Care State/Maintenance of Effort disbursements were above estimate by \$5.2 million (297.2%) due to an MOE adjustment that was processed in September instead of May 2013 as anticipated.
- Child Support—Local disbursements were below estimate by \$1.4 million (28.3%) due to county draws being lower than expected.

- Information Technology Project disbursements were below estimate by \$3.9 million (51.6%) as a result of not having received anticipated invoices in the month of September.

Department of Health

September 2013 disbursements for the Department of Health totaled \$7.4 million, which was \$1.0 million below estimated expenditures for the month. This is primarily attributable to the following major variances:

- The Infant Vitality disbursements have not been spent thus far and were \$172,000 below reported estimates. This line item was created in House Bill 59 and the associated programs are still in their early stages and are not yet operating. However, spending is predicted to begin in future months.
- The Mothers and Children Safety Net Services program disbursements were \$153,000 below projections, as the department distributed subsidies earlier than predicted. This variance is expected to be offset in future months.

Department of Developmental Disabilities

September disbursements for the Department of Developmental Disabilities totaled roughly \$163,000 and were \$106,000 (186%) above estimated expenditures. This variance is largely in the Screening and Early Intervention line, where encumbrances anticipated to be paid in August were paid in September.

Department of Mental Health and Addiction Services

September disbursements for the Department of Mental Health and Addiction Services totaled \$19.4 million and were \$0.1 million (0.7%) below estimate.

Justice and Public Protection

This category includes non-debt service GRF expenditures by the Department of Rehabilitation & Correction, the Department of Youth Services, the Attorney General, judicial agencies, and other justice-related entities. September disbursements in this category totaled \$120.0 million and were \$15.3 million (11.3%) lower than the projected totals.

Department of Rehabilitation and Correction

Department of Rehabilitation and Correction disbursements totaled \$94.1 million in September, and were \$8.6 million (8.4%) below the estimate. This variance is attributable to lower than anticipated payroll expenses in the Institutional Operations appropriation line. Department disbursements year-to-date are \$369.9 million, which is 4.9 percent greater than the year-to-date estimate. This variance is within the normal range of agency disbursements during the fiscal year.

Department of Youth Services

Department of Youth Services disbursements totaled \$9.2 million in September, and were \$3.9 million (29.9%) below the estimate. This variance is attributable to lower than anticipated expenses in the RECLAIM Ohio appropriation line. Department disbursements year-to-date are \$70.3 million, which is 1.9 percent less than the year-to-date estimate. This variance shows the department's commitment to sound financial management.

General Government

This category includes non-debt service GRF expenditures by the Department of Natural Resources, Development Services Agency, Department of Agriculture, Department of Taxation, Office of Budget and Management, the remaining statewide elected officials, legislative agencies, and others. September disbursements in this category totaled \$26.0 million and were \$6.5 million (20.1%) below the estimate.

Department of Natural Resources

September disbursements for the Department of Natural Resources totaled \$4.4 million and were \$1.1 million below estimate (20.7%). Year-to-date disbursements are \$21.5 million which is \$0.4 million (1.9%) above the estimate. Major monthly variances were attributable to the following:

- The Healthy Lake Erie Program line was below estimate by \$0.7 million due to payments being made in October which were originally planned for September.
- The Soil and Water Resources line was below estimate by \$0.3 million due to payments being made in August which were planned for September.

Ohio Expositions Commission

The Ohio Expositions Commission disbursements totaled \$0.1 million and were \$0.2 million (62.4%) below estimate due mostly to the Junior Fair Subsidy being disbursed one month earlier than anticipated.

Department of Administrative Services

The Department of Administrative Services September disbursements totaled \$0.4 million and were \$3.3 million (88.6%) below the estimate. This occurred chiefly because \$2.8 million in rent bills for GRF-supported state agencies and vacant space in state buildings managed by DAS did not post in September as anticipated. DAS is awaiting federal approval of method changes for calculating building rental rates. As a result, the fiscal year 2014 rates for these buildings are not yet finalized, thereby delaying this expense.

Property Tax Reimbursements

Payments from the property tax reimbursements 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. September disbursements of property tax subsidies were \$246.1 million and were \$69.6 million (22.0%) below the monthly estimate of \$315.7 million. For the year-to-date, property tax subsidy payments total \$304.5 million and are \$62.4 million (17.0%) below estimate. Both the monthly and year-to-date variances are the result of fewer counties than anticipated submitting requests for reimbursement at this point in time. This variance should decrease over the next three months and end the first half of the fiscal year close to the estimate.

Debt Service

This category contains all debt service expenditures made from the GRF. September disbursements in this category totaled \$370.7 million and were \$1.0 million (0.3%) below the \$371.6 million in estimate.

Transfers Out

No transfers out of the GRF were performed in September, which was \$5.0 million (100%) less than expected.

Table 3
GENERAL REVENUE FUND DISBURSEMENTS
ACTUAL FY 2014 VS ESTIMATE FY 2014
(\$ in thousands)

Functional Reporting Categories Description	MONTH				YEAR-TO-DATE			
	ACTUAL	ESTIMATED	\$	%	YTD	YTD	\$	%
	SEPTEMBER	SEPTEMBER	VAR	VAR	ACTUAL	ESTIMATE	VAR	VAR
Primary and Secondary Education	570,944	527,794	43,150	8.2%	1,701,425	1,690,607	10,818	0.6%
Higher Education	166,992	201,050	(34,058)	-16.9%	480,498	517,259	(36,761)	-7.1%
Other Education	7,960	4,128	3,832	92.8%	17,967	15,286	2,681	17.5%
Medicaid	1,246,534	1,294,317	(47,783)	-3.7%	3,922,047	4,009,622	(87,576)	-2.2%
Health and Human Services	65,142	70,417	(5,274)	-7.5%	323,424	345,940	(22,516)	-6.5%
Justice and Public Protection	120,008	135,355	(15,346)	-11.3%	495,800	479,744	16,056	3.3%
General Government	25,986	32,528	(6,541)	-20.1%	94,982	99,134	(4,152)	-4.2%
Property Tax Reimbursements	246,139	315,703	(69,564)	-22.0%	304,477	366,846	(62,369)	-17.0%
Capital Outlay	0	0	0	N/A	0	0	0	N/A
Debt Service	370,688	371,642	(953)	-0.3%	683,831	687,006	(3,175)	-0.5%
Total Expenditures & ISTV's	2,820,394	2,952,931	(132,538)	-4.5%	8,024,450	8,211,443	(186,994)	-2.3%
Transfers Out:								
BSF Transfer Out	0	0	0	N/A	995,930	995,930	0	0.0%
Operating Transfer Out	0	5,011	(5,011)	N/A	196,995	202,006	(5,011)	-2.5%
Temporary Transfer Out	0	0	0	N/A	0	0	0	N/A
Total Transfers Out	0	5,011	(5,011)	-100.0%	1,192,925	1,197,936	(5,011)	-0.4%
Total Fund Uses	2,820,394	2,957,942	(137,548)	-4.7%	9,217,375	9,409,379	(192,005)	-2.0%

Table 4
GENERAL REVENUE FUND DISBURSEMENTS
ACTUAL FY 2014 VS ACTUAL FY 2013
(\$ in thousands)

Functional Reporting Categories Description	MONTH				YEAR-TO-DATE			
	SEPTEMBER	SEPTEMBER	\$	%	ACTUAL	ACTUAL	\$	%
	FY 2014	FY 2013	VAR	VAR	FY 2014	FY 2013	VAR	VAR
Primary and Secondary Education	570,944	507,098	63,845	12.6%	1,701,425	1,832,299	(130,875)	-7.1%
Higher Education	166,992	177,023	(10,031)	-5.7%	480,498	505,571	(25,072)	-5.0%
Other Education	7,960	7,253	707	9.7%	17,967	15,796	2,170	13.7%
Medicaid	1,246,534	1,174,143	72,391	6.2%	3,922,047	3,685,900	236,147	6.4%
Health and Human Services	65,142	70,701	(5,559)	-7.9%	323,424	286,641	36,782	12.8%
Justice and Public Protection	120,008	171,677	(51,668)	-30.1%	495,800	526,465	(30,665)	-5.8%
General Government	25,986	35,431	(9,445)	-26.7%	94,982	96,924	(1,942)	-2.0%
Property Tax Reimbursements	246,139	273,298	(27,159)	-9.9%	304,477	385,509	(81,032)	-21.0%
Capital Outlay	0	69	(69)	N/A	0	137	(137)	N/A
Debt Service	370,688	295,622	75,066	25.4%	683,831	585,034	98,797	16.9%
Total Expenditures & ISTV's	2,820,394	2,712,314	108,079	4.0%	8,024,450	7,920,276	104,173	1.3%
Transfers Out:								
BSF Transfer	0	0	0	N/A	995,930	235,096	760,834	323.6%
Operating Transfer Out	0	31,068	(31,068)	N/A	196,995	91,278	105,717	115.8%
Temporary Transfer Out	0	0	0	N/A	0	0	0	N/A
Total Transfers Out	0	31,068	(31,068)	-100.0%	1,192,925	326,374	866,551	265.5%
Total Fund Uses	2,820,394	2,743,382	77,012	2.8%	9,217,375	8,246,651	970,724	11.8%

FUND BALANCE

Table 5 describes the estimated General Revenue Fund (GRF) ending fund balance for FY 2014. Based on the estimated revenue sources for FY 2014 and the estimated FY 2014 disbursements, transfers, and encumbrances, the GRF ending fund balance for FY 2014 is an estimated \$287.1 million.

The GRF ending fund balance should not be considered as a balance available for expenditure in FY 2014 nor should it be considered as equivalent to the FY 2014 surplus calculation as defined in Section 131.44 of the Ohio Revised Code.

It is important to note that the GRF ending fund balance will be impacted by any GRF expenditures or transfers that may be authorized by the General Assembly or by the Controlling Board during the course of the fiscal year.

FUND BALANCE
GENERAL REVENUE FUND
FISCAL YEAR 2014
(\$ in thousands)

July 1, 2013 Beginning Cash Balance	\$ 2,639,250
Plus FY 2014 Actual Revenues	20,091,089
Plus FY 2014 Actual Federal Revenues	8,863,000
Plus FY 2014 Actual Transfers to GRF	373,613
Total Sources Available for Expenditure & Transfer	31,966,951
Less FY 2014 Actual Disbursements	29,983,436
Less FY 2014 Actual Total Encumbrances as of June 30, 2014	439,068
Less FY 2014 Actual Transfers Out	1,257,369
Total Actual Uses	31,679,873
FY 2014 UNENCUMBERED ENDING FUND BALANCE	287,078

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