OBM

April 10, 2014

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

FROM: Timothy S. Keen, Director TK

SUBJECT: Monthly Financial Report

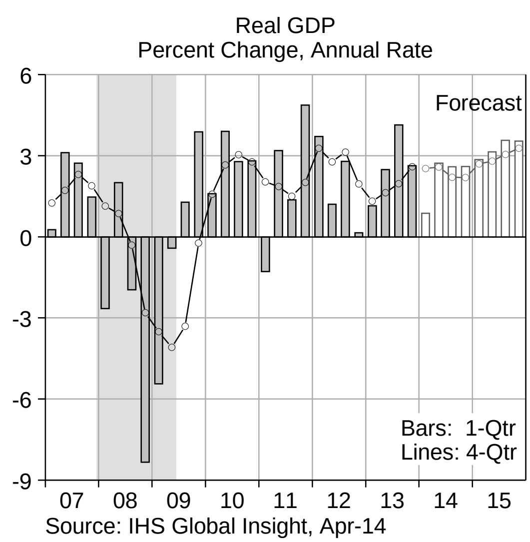
ECONOMIC SUMMARY

Economic Performance Overview

- Real GDP expanded at a revised annual rate of 2.6% in the fourth quarter, down from the initially-reported 3.2% and 4.1% rate in the fourth quarter. Year-over-year growth was 2.6%. Analysts estimate that growth slowed significantly in the first quarter but expect it to rise above 3% by the second half of the year.
- U.S. employment increased by 192,000 jobs in March, suggesting that weather effects are receding. The unemployment rate remained at 6.7% for a second month, but approximately one half million people joined the labor and found jobs in March.
- Ohio employment decreased by 4,600 in February, probably reflecting the severe winter weather. The Ohio unemployment rate decreased by 0.4 percentage points to 6.5% in February – the lowest level since June 2008.
- Leading economic indicators remain consistent with uninterrupted growth at a modest pace across the country and in Ohio despite broad-based weakness across indicators attributed to the particularly harsh winter weather.

Economic Growth

Real GDP expanded at an annual rate of 2.6% in the fourth quarter, according to the final revision. Growth was 4.1% in the third quarter. For all of 2013, the year as a whole, real GDP growth slowed to 1.9% from 2.8% in 2012 even as activity accelerated in the second half of 2013. Real GDP increased at an annual rate of 3.4% from the second quarter to the fourth quarter, up from 1.8% during the previous two quarters.



Since the expansion officially began in the second quarter of 2009, real GDP has advanced at an annual rate of 2.4% – the slowest pace during the first eighteen 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 eighteen quarters of the relatively moderate expansions following the 1990-91 and 2001 recessions. The performance of final sales, calculated by excluding the change in inventories from GDP, during the current expansion has been even weaker, with growth of only 1.9%, compared with approximately 3.0% during the previous two expansions.

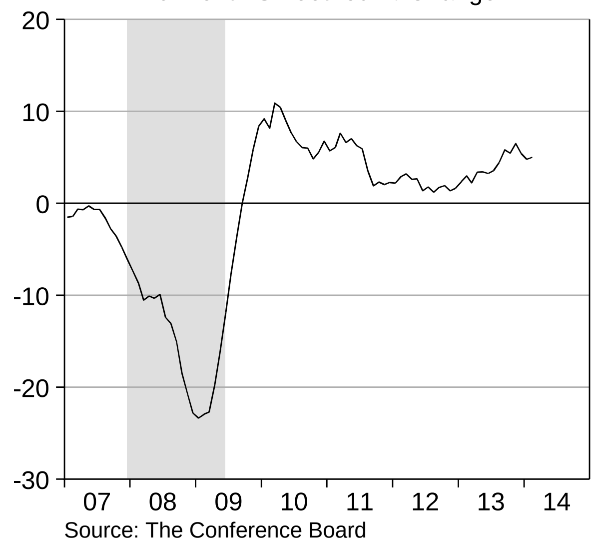
Growth in the fourth quarter was driven by personal consumption expenditures, exports, and nonresidential fixed investment. Federal government spending and investment in residential structures subtracted from overall GDP growth. Imports, which are subtracted from other components of GDP to arrive at the total, increased.

The **deceleration in fourth quarter** real GDP primarily resulted from the slowdown in private inventory investment, the larger decrease in federal government spending, and the downturns in investment in residential structures and state and local government spending. Faster growth in exports, personal consumption expenditures, and nonresidential fixed investment and the deceleration in import growth partially offset the effects of slower growth or outright decreases in other categories.

Leading indicators remain consistent with uninterrupted growth into 2014. The 4-week moving average of **ECRI's Weekly Leading Index** remained unchanged during the week ending March 28, lifting the 26-week smoothed rate of change to 3.0% from 1.8% only a month earlier. The recovery in recent weeks likely reflects the receding effects of severe winter weather and points toward uninterrupted economic growth ahead.

At the same time, the composite **Leading Economic Index** from the Conference Board has remained solid. The index managed a 0.5% increase in February and has increased at an annual rate of 5.4% during the most recent six months. Only four out of the ten components made positive contributions during February, but three of those four were very significant. The strongest contributions again came from the interest rate spread, the leading credit index, and building permits. The recent gains in the index resulted in a 6-month smoothed rate of change of 5.0% in February – down from a spike up to 6.5% in November, but up from the trough of 1.2% in August 2012.

Leading Economic Index
6-Month Smoothed % Change



Source: The Conference Board

According to the **Ohio Coincident Economic Index**, compiled by the Federal Reserve Bank of Philadelphia, the Ohio economy has picked up in recent months. The index increased at an annual rate of 4.1% during the three months ending in February, up from 1.4% during the previous 3-month period. 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.

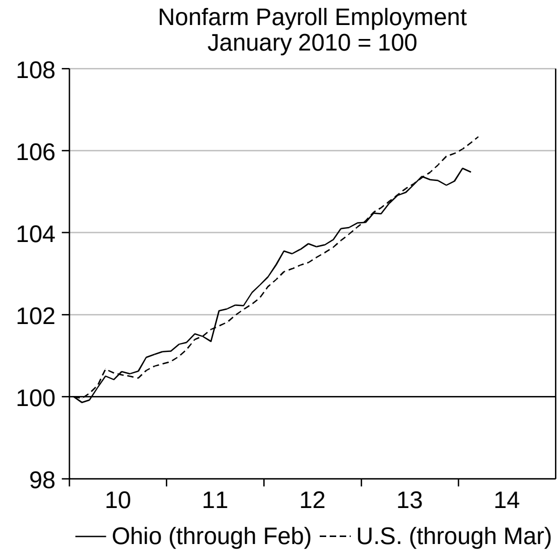
The diffusion of 1-month changes in the Coincident Economic Index across the 50 states weakened in February with only 40 states recording increases and 10 recording decreases. The diffusion of changes weakened approximately to this level on two other occasions during this expansion before strengthening again, however. In addition, the diffusion of 3-month changes remained positive, with increases in 49 states and a decrease in only one state. 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 national economy, and therefore in the Ohio economy as well.

The companion **Ohio Leading Economic Index** registered its strongest reading since January 2012, increasing to 2.5% in February. 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. It had reached a recent low of 0.8% last September. At one point before revision, the August value had been slightly negative. 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.

The diffusion of positive readings in the individual leading indexes from the Philadelphia Federal Reserve Bank across states also weakened in February. The leading index was negative for seven states, up from none in November. A brief spike in this indicator has happened before without an economic downturn. For example, the number of states with negative readings increased to double-digits for a single month in September 2010 and again in May 2011. Before the last recession, in contrast, the diffusion index increased to double-digits in April 2007, eight months before the onset of the 2007-09 recession, and kept climbing for a year and a half until it included all 50 states by late 2008. So, the recent softening bears watching, but appears to be a reflection of temporary weather-related effects.

The **consensus of economic forecasters** is that real GDP growth slowed appreciably in the quarter just ended and will pick up over the balance of the year. Global Insight, for example, estimates that real GDP expanded at only 0.9% in the first quarter, due to the weather, adjustments in production to manage inventories, and offsets to temporary developments in capital spending and exports late last year. Global Insight predicts real GDP growth of 2.5% to 2.75% during the balance of 2014, rising to above 3% during the final three quarters of 2015.

Employment



Labor markets picked up their pace in March, as the effects of the severe winter weather receded. **Nonfarm payrolls** increased by 192,000 jobs, and the February and January counts were revised higher by a total of 37,000 jobs. The recent pattern is highly consistent with the severe winter weather having been responsible for the slower pace of job growth during December and January, (gains of 84,000 jobs and 144,000 jobs, respectively). Only 612,000 workers were employed part-time because of weather, as opposed to almost seven million the month before. The monthly change in employment averaged 195,000 jobs in February and March, compared with only a slightly higher average of 204,000 jobs during January-November.

Job growth was strongest in professional and business services (+57,000), which includes the temporary help category (+29,000), education and health services (+34,000), leisure and hospitality (+29,000), and retail trade (+21,000). Government employment was unchanged after a 9,000 job increase in February, but compared with an average decline of 4,000 jobs during the previous twelve months.

Trends in unemployment were mixed. The **unemployment rate** remained at 6.7% for a second month after having dipped for a single month to 6.6% in January. The broadest measure of unemployment, which includes discouraged workers and those working part-time for economic reasons (the “U6” unemployment rate), was 12.7%. But the labor market attracted approximately one half million people in March, and almost that many found jobs. The labor force participation rate ticked higher, and the average and median duration of unemployment both decreased.

The average length of the workweek for all nonfarm employees increased to 34.5 hours, while the average length of the workweek in manufacturing increased to 41.1 hours. Manufacturing overtime hours also increased 0.1 hour to 3.5 hours. **Aggregate hours worked** increased 0.7% in March, in part recouping the weather-related weakness in recent months. For the quarter, aggregate hours worked increased at an annual rate of 1.6%. Barring any change in productivity during the quarter, that would translate into about the same pace of economic growth.

Ohio employment decreased by 4,600 in February after increases totaling 20,600 in December and January. Year-to-date, Ohio employment is higher by 11,100 jobs. The 8,100 job decline in construction employment and the 1,200 job decline in leisure and hospitality employment in February suggest that the weakness was related to severe winter weather. In addition, government employment decreased by 4,000 jobs, more than offsetting the 3,300 job increase in January, and employment in financial activities decreased by 2,300 jobs.

Manufacturing remained a source of strength, with employment rising by 3,700 jobs, following increases of 2,300 jobs and 2,900 jobs in December and January, respectively. Employment also increased in education and health services (+2,600), trade, transportation and utilities (+2,400), and professional and business services (+1,400)

The **Ohio unemployment rate** decreased 0.4 percentage points in February to 6.5% – the lowest level since June 2008. The full percentage point reduction in the unemployment rate since August of last year resulted from a 56,439 person decrease in the number of unemployed that was closely matched by a 53,219 person increase in total employment. The labor force was little changed, down by 3,220 people.

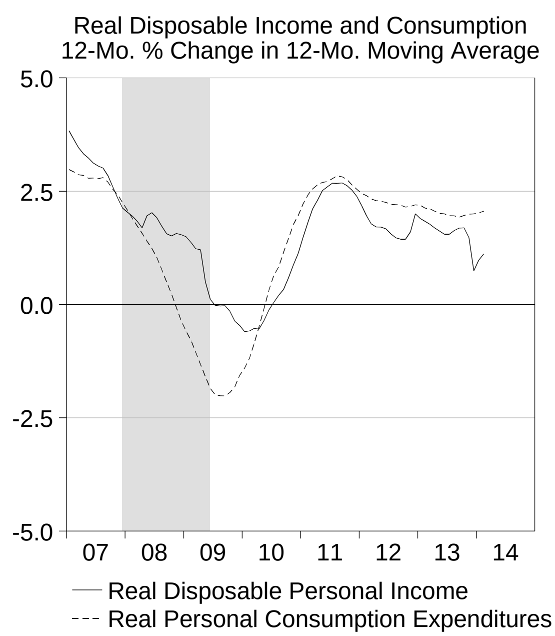
Among the **contiguous states**, year-over-year employment growth was strongest in Indiana (+1.5%) and Ohio (+1.0%), compared with increases in Michigan (+0.6%), Pennsylvania (+0.4%), and West Virginia (+0.2%). Employment was lower than a year earlier by 0.3% in Kentucky. Year-over-year growth in manufacturing was 1.9% in Ohio. Among the contiguous states, manufacturing employment increased 3.1% in Michigan, 2.6% in Indiana, and decreased 1.6% in West Virginia, 1.2% in Pennsylvania and 0.7% in Kentucky.

Consumer Income and Consumption

Personal income increased 0.3% in February – the same as in January. Wage and salary disbursements, which accounts for approximately one-half of personal income, increased 0.2%, after an upwardly revised 0.3% increase in January. Personal income was boosted by additions to Personal Current Transfer Receipts from implementation of the Affordable Care Act (ACA). Excluding all transfer payments, personal income increased 0.1% in January and 0.2% in February. Compared with a year ago, personal income was higher by 3.1% and wage and salary disbursements were also higher by 3.1%.

Personal consumption expenditures increased 0.3% in February, and the January increase was revised down from 0.4% to 0.2%. Spending for durable goods edged down 0.2%, following declines of 0.5% in January and 2.6% in December. Spending on non-durable goods and services increased by 0.3%. The saving rate was little changed, edging higher to 4.3%, near the level of the previous three months but a bit lower than the average during the seven months prior to that.

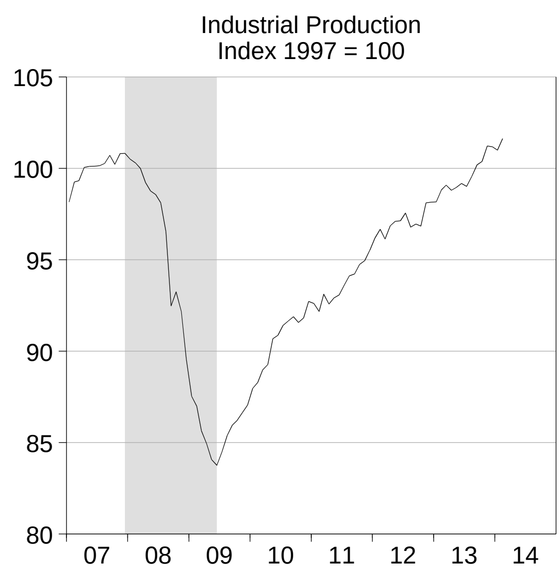
As shown in the nearby chart, the smoothed rates of change in real income and in consumption have diverged in recent months. Income growth has dropped off and spending growth has held steady. The pattern of consumption is typically smoother than that of income, as households look beyond temporary increases and decreases in income when planning spending.



Consumer confidence was mixed in February, as measured by the Conference Board and the University of Michigan surveys. The Conference Board measure improved smartly to the best level since the beginning of the 2007-2009 recession. The development reflected a large improvement in expectations coupled with a recently much improved assessment of current conditions. The University of Michigan measure deteriorated marginally, as a modest improvement in the assessment of current conditions partly offset a small decline in expectations. Survey measures of consumer confidence may provide important insight into the state of the economy while other measures of economic activity are buffeted by weather. As such, the January and February readings from the consumer confidence measures are evidence that economic fundamentals have continued to improve despite temporary weakness in some indicators due to the harsh winter weather.

Manufacturing

Industrial production increased 0.6% in February, more than recouping the 0.2% decrease in January. Mining and utility output changed little in February. With regard to the recent history, production was unchanged in December, but then weather boosted utility output in January, and there was no fall-off in February, as weather remained severe. Manufacturing output increased 0.8% in February after a 0.9% decrease in January, as motor vehicle output rebounded by 4.8% after a 5.2% decrease in January.



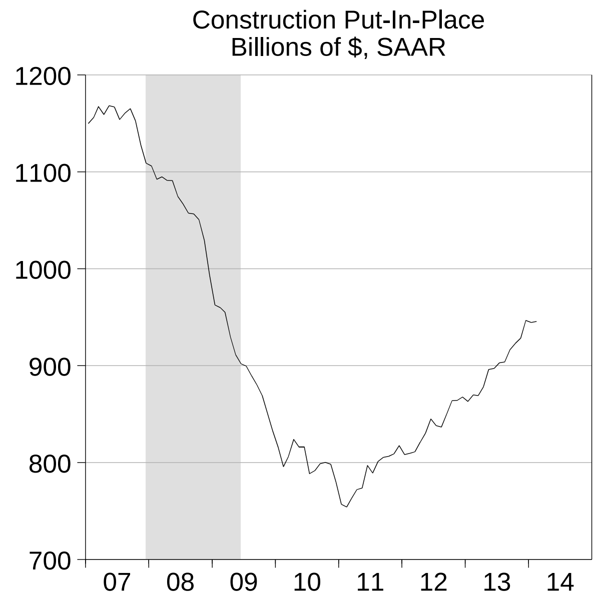
Compared with a year earlier, industrial production was higher by 2.8% while manufacturing output was higher by only 1.5%. Capacity use increased by 0.3 percentage points to 78.8%, and was higher than all other months – except November – since July 2008. Capacity utilization remains 1.3% below its long-run 40 year average.

Of particular importance to the **Ohio economy**, motor vehicle assemblies increased 7.5% to a seasonally adjusted annual rate of 11.1 million units in February – up sharply from January and in line with the average during the last five months of 2013. Production across other industries that are important to Ohio was generally positive for the month. Production of **primary metal** decreased by 0.9% in February, production of **fabricated metal** increased 1.3%, and production of **machinery** increased 1.5%. 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.

Purchasing managers at manufacturing firms reported positive activity in March for the second straight month, further indicating that the weakness in January was a temporary weather-related episode. The **purchasing managers index** increased to 53.7 in March from 53.2 in February. The index had averaged 56.3 during the six months ending in December – well above the neutral level of 50. The new orders index increased from 54.5 to 55.1, and the production index increased from a one-month dip below 50 to 48.2 (presumably due to the difficult weather) to 55.9.

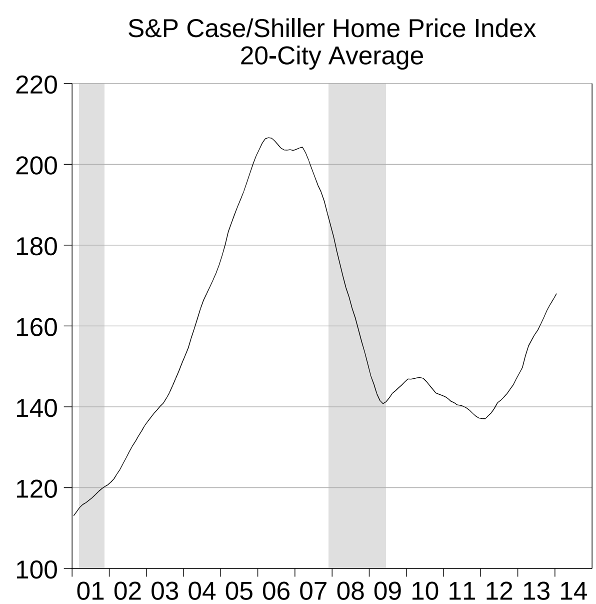
<u>Construction</u>

Construction put-in-place inceased by 0.1% in February, and the January change was revised down from +0.1% to -0.2%. The weak 2-month showing followed growth at a 12.1% annual pace during the nine months ending in December. From the low point in February 2011, construction spending has increased 25.4%, or at an annual rate of 7.8% during the 36 months ending in February 2014. Despite this gain, the pace of construction remains 22.1% below the monthly peak reached in March 2006.



Compared with a year earlier, total construction put-in-place was higher by 8.7% in February. Private construction was up 13.0%, while public construction was down 1.0%. Propelled by both single-family and multi-family categories, private residential construction was higher by 13.5%. Nonresidential construction increased 12.5% from February 2013, fueled by communication (+51.5%), lodging (+40.0%), office (+19.0%) and commercial (+10.7%). Only religious (-22.2%) and healthcare (-5.3%) posted declines among nonresidential categories.

Housing starts decreased 6.4% across the country on a 3-month moving average basis in February. Both single-family and multi-family starts posted weather-related declines across the Midwest in February, down 31.7% and 14.1%, respectively, on a 3-month moving average basis. **Housing permits** were flat across the country in February on a 3-month moving average basis, as permits for single-family houses were down 2.9% but permits for multi-family units were up 5.4%. Permit activity was lower in the Midwest for both single-family houses (-5.8%) and multi-family units (-6.5%). In light of steady growth in employment and still-low mortgage rates, the recent weakness in residential construction activity appears strongly related to the severe weather.



Existing home sales decreased across the country and in the Midwest for the fifth month in a row on a 3-month moving average basis. Nationally, sales were 11.8% lower in February than in September on a 3-month moving average basis. In the Midwest, sales were 16.8% lower than in September. New home sales have been stronger, with the 3-month moving averages rising 14.8% across the country and 3.5% from September in the Midwest.

Inventory of existing homes for sale remained relatively stable again in February. Available existing homes for sale increased marginally to a still-low level of only 5.2 months of supply at the current pace of sales. The **inventory of new homes for sale** moved slightly higher in absolute terms and increased to 5.2 months of supply at the current pace of sales.

Home prices increased for the twenty-third straight month in January, according to the S&P/Case-Shiller Index of prices in 20 major markets. The index was 13.3% above its year ago level and 22.6% above its recession trough, but remained 18.7% below the peak reached in April 2006.

REVENUES

March **GRF receipts totaled $2,056.3 million** and were $73.1 million (3.4%) below the estimate. Monthly tax receipts totaled $1,391.2 million and were $153.5 million (12.4%) above the estimate, while non-tax receipts totaled $665.1 million and were $226.3 million (25.4%) below estimate. Variances for the fiscal year to date by category are provided in the following table ($ in millions).

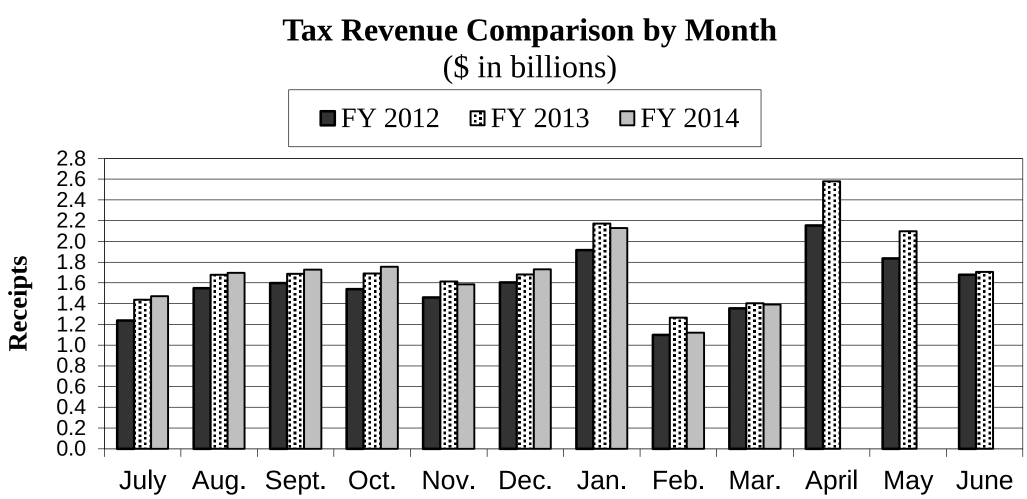
Category	Includes:	YTD Variance	% Variance
Tax receipts	Sales & use, personal income, corporate franchise, financial institutions, commercial activity, MCF, public utility, kilowatt hour, foreign & domestic insurance, other business & property taxes, cigarette, alcoholic beverage, liquor gallonage, & estate	$370.8 million	2.6%
Non-tax receipts	Federal grants, earnings on investments, licenses & fees, other income, intrastate transfers	($175.9 million)	(2.5%)
Transfers	Budget stabilization, liquor transfers, capital reserve, other	$45.9 million	675.4%
TOTAL REVENUE VARIANCE:		**$240.8 million**	**1.1%**

On a year-over-year basis, monthly receipts were $17.2 million (0.8%) lower than they were in March of the previous year, as different revenue sources decreased mostly due to timing differences between the two fiscal years. A large year-over-year decrease of $46.0 million (91.5%) in corporate franchise tax receipts due to the tax's elimination was almost offset by the new financial institutions tax collections of $41.1 million. A large increase in sales and use tax receipts of $99.1 (15.8%) more than offset a decline of $88.2 million (18.7%) in personal income tax receipts, when compared to March of the previous fiscal year. The decrease in the income tax was largely the impact of the 9% cut in withholding rates implemented in September 2013, and the impacts of the 2013 tax rate cuts (8.5%) and the small business deduction (50% of business income, up to a cap). The drop in non-tax receipts was the result of the state receiving a payment from JobsOhio for leasing the state's liquor franchise in March of last year. As planned, there were no liquor profits transfers this month, since the liquor enterprise and its profits have been leased to JobsOhio.

GRF Revenue Sources Relative to Monthly Estimates – March 2014
($ in millions)

Individual Sources Above Estimate		**Individual Sources Below Estimate**	
Personal Income Tax	$130.0	Federal Grants	($246.4)
Foreign Insurance Tax	$23.4	Financial Institutions Tax	($21.2)
Licenses and Fees	$21.8	Commercial Activity Tax	($6.9)
Non-Auto Sales & Use Tax	$16.5	ISTV's	($1.2)
Corporate Franchise Tax	$4.3		
Auto Sales & Use Tax	$3.7		
Kilowatt-Hour Tax	$1.8		
Public Utility Tax	$1.3		
Other Sources Above Estimate	$1.3	Other Sources Below Estimate	($1.5)
Total above	**$204.2**	**Total below**	**($277.2)**

(Note: Due to rounding of individual sources, the combined sum of sources above and below estimate may differ slightly from the total variance.)



Non-Auto Sales and Use Tax

Following a weak February that was exacerbated by a large refund against prior year activity, March non-auto sales and use tax receipts bounced back totaling $614.5 million and exceeding the estimate by $16.5 million (2.8%). As a result of the relative strength of the tax in March, the year-to-date shortfall shrank to $47.1 million (0.8%). The weaker performance in this category has been attributed to extreme winter conditions; the expectation is that collections will continue to recover as the weather improves.

On a year-over-year basis, March 2014 receipts were $81.8 million (15.4%) above the $532.7 million collected in the previous fiscal year. The positive variance is a function of both growth in the tax base and of the rate change enacted in H.B. 59. (The state tax rate increased from 5.5% to 5.75% in September, which has since boosted collections by approximately 4.5% relative to last year.)

Auto Sales Tax

March auto sales and use tax revenues recovered after falling short of the estimate last month, finishing $3.7 million (3.5%) above the estimate, for a total of $111.5 million for the month. Nationally, new auto sales increased to 16.4 million units (seasonally adjusted annual rate) from 15.3 million units last March. These stronger sales helped the auto sales tax exceed estimate in March, and should help boost April collections also, as there is some lag between auto sales and tax collections.

Year-to-date collections remained above estimates by $20.1 million (2.4%), despite the slowdown in recent months, which could be attributed to extreme winter conditions. On a year-over-year basis, monthly receipts were considerably healthier than in March of the previous year, while year-to-date receipts were $79.1 million (10.1%) above collections for the same period in the prior fiscal year. As mentioned in the non-auto sales tax section, this year-over-year increase was partly due to the rate change enacted in H.B. 59.

Personal Income Tax

March personal income tax receipts totaled $382.5 million and were $130.0 million (51.5%) above the estimate. Following the trend in the last two months, the majority of this overage was due to lower-than-estimated refunds. March refunds totaled $373.0 million and were $98.0 million (20.8%) short of the estimate of $471.0 million. Last month's report contained a detailed discussion of the uncertain timing of the impacts of the various income tax reductions enacted by H.B. 59, and the March results yield further evidence of that uncertainty. As the tax filing season progresses, OBM will get a clearer picture of the impact of the tax reductions, but questions about the impacts may not be completely resolved until extension returns are filed (with payments or refund requests) in the early part of fiscal year 2015.

The withholding component was over estimate for a second month in a row following a three-month-trend of shortfall. March receipts for this component totaled $678.2 million and were $27.0 million (4.2%) above the estimate of $651.2 million. The year-to-date variance has also remained in positive territory, exceeding the estimate by $40.3 million (0.7%). Payments associated with annual returns and quarterly estimated payments also contributed to the overage, finishing $5.0 million (8.9%) and $4.2 million (34.5%) over their respective estimates. The only component with a shortfall (exceeding $1.0 million) in March was the miscellaneous component with $2.6 million (12.3%) below the estimate. This category, which consists mostly of attorney general collections of income tax due, is volatile from month to month and thus difficult to estimate.

On a year-over-year basis, March personal income tax receipts were $88.2 million (18.7%) below the March 2013 level. The refunds were the main source of this decline, being $69.4 million (22.9%) higher than the level recorded in the same month of the previous fiscal year.

Payments associated with annual returns also pulled back by $16.5 million (21.3%) compared to the same month of the prior fiscal year, presumably primarily due to the 8.5% tax rate cut.

Year-to-date, personal income tax receipts for the first three quarters of fiscal year 2014 exceeded the estimate by $410.9 million (7.5%) but were $385.9 million (6.2%) below the level in the corresponding period of the previous fiscal year. Lower collections in the current year compared to the prior year were primarily due to tax rate cuts and the new small business deduction enacted for tax year 2013 in H.B. 59. Year-over-year income growth may have also been reduced by the aftermath of an acceleration of income into tax year 2012 to avoid federal tax increases, thus boosting fiscal year 2013 income tax revenues (but depressing fiscal year 2014 revenues).

FY2014 PERSONAL INCOME TAX RECEIPTS BY COMPONENT ($ in millions)						
	ESTIMATE MAR	**ACTUAL MAR**	**$ VAR MAR**	**ESTIMATE Y-T-D**	**ACTUAL Y-T-D**	**$ VAR Y-T-D**
Withholding	$651.2	$678.2	$27.0	$5,945.9	$5,986.2	$40.3
Quarterly Est.	$12.2	$16.4	$4.2	$799.3	$861.9	$62.6
Trust Payments	$1.5	$0.8	($0.7)	$31.4	$26.4	($5.0)
Annual Returns & 40 P	$56.2	$61.2	$5.0	$221.1	$260.7	$39.6
Other	$21.4	$18.8	($2.6)	$108.1	$88.1	($20.0)
Less: Refunds	($471.0)	($373.0)	$98.0	($1,396.8)	($1,098.4)	$298.4
Local Distr.	($19.0)	($19.9)	($0.9)	($252.9)	($257.9)	($5.0)
Net to GRF	**$252.5**	**$382.5**	**$130.0**	**$5,456.1**	**$5,867.0**	**$410.9**

Corporate Franchise Tax

As noted in previous months' reports, although corporate franchise tax has been eliminated, prior year settlement activity continues, which resulted in receipts of $4.3 million in March. Thus there continues to be some small amount of monthly activity for this tax, whether settlement payments or refunds, which by definition create variances, since the estimates for this tax are now zero. On a year-over-year basis, March 2014 receipts for this tax source were $46.0 million (91.5%) below those of the same month in the previous fiscal year.

Financial Institutions Tax

March receipts totaled $41.1 million and were $21.2 million (34.0%) below the estimate. In a repeat of the performance of the January FIT payment, when the shortfall was attributed to the timing issue of due date falling at the end of that month which was then made up in next month, the March shortfall also is likely attributable to the due date of the March payment falling on the 31^{st}. The posting of some receipts expected in March may now occur in early April. Based on results seen early in the month of April, OBM expects combined collections for March and April to at least meet the two-month estimate for the tax.

Commercial Activity Tax

Due to refund activity no net commercial activity tax (CAT) revenue was transferred to the GRF in March, thus falling short of the $6.9 million estimate. Year-to-date GRF CAT receipts remained unchanged at $592.4 million and fell further below estimate to $19.7 million (3.2%).

All-funds CAT receipts for February (net of refunds) totaled $6.0 million and were $8.0 million below the $14.0 million estimate. All-funds receipts for the year-to-date totaled $1,261.5 million and were $67.2 million (5.1%) below the estimate.

Year-to-date, GRF CAT receipts have decreased from fiscal year 2013 by $17.9 million (2.9%), while all-funds CAT receipts have increased by $36.0 million (2.9%) from the previous fiscal year. The explanation for the decline in GRF receipts, while all-funds revenues have grown, is that starting with November, some CAT receipts are being deposited in the new motor fuel fund. Thus, the 50% share of CAT revenues going to the GRF is now being calculated against a smaller base that excludes motor fuel related collections ($52.3 million year-to-date).

Kilowatt-Hour Tax

March kilowatt hour tax receipts totaled $34.1 million and were $1.8 million (5.6%) above estimate for the month, after coming in under estimate in February. Year-to-date collections therefore improved slightly but remained below the estimate by $8.1 million (3.3%). On a year-over-year basis, this tax source was $3.0 million (9.7%) above the March 2013 level, yet year-to-date collection for the first three quarters in fiscal year 2014 was $10.2 million (4.1%) below collections for the same time period last fiscal year.

Natural Gas Distribution Tax (MCF Tax)

There were neither planned nor realized tax receipts for this source in March. Year-to-date receipts from the natural gas distribution tax remain at $36.7 million and were $8.7 million (31.0%) above the estimate. This strong performance was most likely a consequence of the frigid temperatures experienced this winter.

Foreign Insurance Tax

March receipts for the foreign insurance tax totaled $128.6 million and were $23.4 million (22.2%) above the estimate. As mentioned in last month's report, due to timing issues associated with the March 1st due date, a portion of the payments estimated for February spilled over into March. In order to correct for timing issues, it is best to combine the February and March estimates and receipts. In doing this, we see that the combined receipts for February and March totaled $157.8 million and exceeded the combined estimate by $9.9 million (6.7%).

Cigarette Tax

Cigarette tax receipts for March totaled $64.1 million and were $0.9 million (1.4%) above the estimate of $63.2 million. On a year-over-year basis, March 2014 cigarette tax receipts were $1.0 million (1.6%) above the level for the same month of the previous fiscal year. Year-to-date, the collection for the first three quarters of the fiscal year marginally exceeded the estimate by $0.1 million (0.0%), and was $3.4 million (0.6%) below the level in the corresponding period of fiscal year 2013.

GRF non-tax receipts totaled $665.1 million in March and were $226.3 million (25.4%) below estimate, despite a $21.8 million (363.8%) overage in License and Fees revenue. More than the entirety of the shortfall in non-tax receipts was due to a $246.4 million (27.9%) negative variance in federal revenue that can be attributed to $247.1 million less than estimated in Medicaid reimbursement received under the federal grants line. This variance in Medicaid reimbursement was due to lower than expected Medicaid spending from the GRF in March.

As mentioned, license and fee revenue exceeded estimates by $21.8 million in March greatly reducing the year-to-date variance from $27.5 million below the estimate at the end of February to $5.6 million below the estimate at the end of March. On a year-over-year basis, March non-tax receipts were only $4.5 million (0.7%) lower than in March of the previous fiscal year.

There were no GRF transfers for March. Year-to-date, transfers remained unchanged at $52.7 million and were $45.9 million (675.4%) above estimates, mostly due to November’s transfer back of $34.6 million in CAT revenue into the GRF, following the determination that the original fiscal year 2013 transfer of revenue from the GRF to the motor fuel fund had been too high. This reconciliation, required by statute, was made once actual tax return data became available.

Table 1

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

REVENUE SOURCE	MONTH ACTUAL MARCH	MONTH ESTIMATE MARCH	MONTH $ VAR	MONTH % VAR	YEAR-TO-DATE ACTUAL Y-T-D	YEAR-TO-DATE ESTIMATE Y-T-D	YEAR-TO-DATE $ VAR	YEAR-TO-DATE % VAR
TAX RECEIPTS								
Non-Auto Sales & Use	614,519	598,000	16,519	2.8%	5,858,369	5,905,500	(47,131)	-0.8%
Auto Sales & Use	111,527	107,800	3,727	3.5%	862,116	842,000	20,116	2.4%
Subtotal Sales & Use	726,046	705,800	20,246	2.9%	6,720,485	6,747,500	(27,015)	-0.4%
Personal Income	382,501	252,500	130,001	51.5%	5,866,951	5,456,100	410,851	7.5%
Corporate Franchise	4,296	0	4,296	N/A	(5,804)	0	(5,804)	N/A
Financial Institutions Tax	41,098	62,300	(21,202)	-34.0%	124,611	140,200	(15,589)	-11.1%
Commercial Activity Tax	0	6,900	(6,900)	N/A	592,359	612,039	(19,680)	-3.2%
Public Utility	2,201	900	1,301	144.6%	72,370	68,800	3,570	5.2%
Kilowatt Hour	34,116	32,300	1,816	5.6%	236,169	244,250	(8,081)	-3.3%
MCF Tax	0	0	0	N/A	36,680	28,000	8,680	31.0%
Foreign Insurance	128,597	105,200	23,397	22.2%	304,431	290,600	13,831	4.8%
Domestic Insurance	4	200	(196)	-98.2%	153	1,200	(1,047)	-87.3%
Other Business & Property	2	0	2	N/A	478	0	478	N/A
Cigarette	64,098	63,200	898	1.4%	554,989	554,900	89	0.0%
Alcoholic Beverage	4,535	5,100	(565)	-11.1%	41,256	40,500	756	1.9%
Liquor Gallonage	3,091	3,100	(9)	-0.3%	31,333	30,700	633	2.1%
Estate	609	200	409	204.7%	30,739	21,600	9,139	42.3%
Total Tax Receipts	1,391,193	1,237,700	153,493	12.4%	14,607,199	14,236,389	370,810	2.6%
NON-TAX RECEIPTS								
Federal Grants	635,413	881,836	(246,423)	-27.9%	6,835,804	6,999,047	(163,242)	-2.3%
Earnings on Investments	0	0	0	N/A	8,420	5,500	2,920	53.1%
License & Fees	27,830	6,000	21,830	363.8%	48,372	54,000	(5,628)	-10.4%
Other Income	1,871	2,375	(504)	-21.2%	14,902	21,375	(6,473)	-30.3%
ISTV'S	4	1,250	(1,246)	-99.7%	7,745	11,250	(3,505)	-31.2%
Total Non-Tax Receipts	665,117	891,461	(226,344)	-25.4%	6,915,243	7,091,172	(175,929)	-2.5%
TOTAL REVENUES	2,056,311	2,129,161	(72,850)	-3.4%	21,522,442	21,327,561	194,881	0.9%
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	47,215	6,800	40,415	594.3%
Temporary Transfers In	0	0	0	N/A	5,516	0	5,516	N/A
Total Transfers	0	200	(200)	N/A	52,730	6,800	45,930	675.4%
TOTAL SOURCES	2,056,311	2,129,361	(73,050)	-3.4%	21,575,172	21,334,361	240,812	1.1%

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

	MONTH				YEAR-TO-DATE			
REVENUE SOURCE	MARCH FY 2014	MARCH FY 2013	$ VAR	% VAR	ACTUAL FY 2014	ACTUAL FY 2013	$ VAR	% VAR
TAX RECEIPTS								
Non-Auto Sales & Use	614,519	532,726	81,793	15.4%	5,858,369	5,440,164	418,205	7.7%
Auto Sales & Use	111,527	94,248	17,279	18.3%	862,116	783,047	79,069	10.1%
Subtotal Sales & Use	726,046	626,974	99,072	15.8%	6,720,485	6,223,211	497,273	8.0%
Personal Income	382,501	470,655	(88,154)	-18.7%	5,866,951	6,252,880	(385,930)	-6.2%
Corporate Franchise	4,296	50,342	(46,046)	-91.5%	(5,804)	202,481	(208,285)	-102.9%
Financial Institutions Tax	41,098	0	41,098	N/A	124,611	0	124,611	N/A
Commercial Activity Tax	0	6,058	(6,058)	N/A	592,359	610,249	(17,890)	-2.9%
Public Utility	2,201	497	1,705	343.3%	72,370	68,501	3,868	5.6%
Kilowatt Hour	34,116	31,109	3,007	9.7%	236,169	246,388	(10,219)	-4.1%
MCF Tax	0	106	(106)	N/A	36,680	23,940	12,740	53.2%
Foreign Insurance	128,597	138,140	(9,543)	-6.9%	304,431	288,556	15,875	5.5%
Domestic Insurance	4	324	(320)	-98.9%	153	4,949	(4,796)	-96.9%
Other Business & Property	2	4,368	(4,367)	-100.0%	478	4,805	(4,327)	-90.1%
Cigarette	64,098	63,102	996	1.6%	554,989	558,419	(3,430)	-0.6%
Alcoholic Beverage	4,535	6,874	(2,339)	-34.0%	41,256	40,967	289	0.7%
Liquor Gallonage	3,091	3,008	83	2.8%	31,333	30,372	961	3.2%
Estate	609	2,304	(1,694)	-73.6%	30,739	76,000	(45,261)	-59.6%
Total Tax Receipts	1,391,193	1,403,860	(12,667)	-0.9%	14,607,199	14,631,718	(24,519)	-0.2%
NON-TAX RECEIPTS								
Federal Grants	635,413	629,174	6,240	1.0%	6,835,804	6,155,302	680,502	11.1%
Earnings on Investments	0	0	0	N/A	8,420	4,448	3,972	89.3%
License & Fee	27,830	36,283	(8,453)	-23.3%	48,372	60,791	(12,419)	-20.4%
Other Income	1,871	1,160	710	61.2%	14,902	504,131	(489,229)	-97.0%
ISTV'S	4	3,028	(3,024)	-99.9%	7,745	24,342	(16,597)	-68.2%
Total Non-Tax Receipts	665,117	669,644	(4,527)	-0.7%	6,915,243	6,749,013	166,230	2.5%
TOTAL REVENUES	2,056,311	2,073,504	(17,193)	-0.8%	21,522,442	21,380,731	141,711	0.7%
TRANSFERS								
Budget Stabilization	0	0	0	N/A	0	0	0	N/A
Liquor Transfers	0	0	0	N/A	0	88,000	(88,000)	N/A
Transfers In - Other	0	0	0	N/A	47,215	9,251	37,964	410.4%
Temporary Transfers In	0	0	0	N/A	5,516	0	5,516	N/A
Total Transfers	0	0	0	N/A	52,730	97,251	(44,521)	-45.8%
TOTAL SOURCES	2,056,311	2,073,504	(17,193)	-0.8%	21,575,172	21,477,982	97,190	0.5%

DISBURSEMENTS

March GRF disbursements, across all uses, totaled $1,910.4 million and were $639.5 million (25.1%) below estimate. This was primarily attributable to lower than estimated disbursements in both the Primary and Secondary Education and Medicaid categories. On a year-over-year basis, March total uses were $299.9 million (13.6%) lower than those of the same month in the previous fiscal year, with the Primary and Secondary Education and Debt Service categories largely responsible for the decrease. 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)	($648.1 million)	-2.8%
Transfers	Temporary or permanent transfers out of the GRF that are not agency expenditures	($22.2 million)	-1.8%
TOTAL DISBURSEMENTS VARIANCE:		($670.3 million)	-2.8%

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 GRF spending for the Ohio Department of Education, minus property tax reimbursements. March disbursements for this category totaled $296.9 million and were $248.3 million (45.5%) below the estimate. Expenditures for the school foundation program totaled $275.6 million and were $247.2 million (47.3%) below the estimate. This negative variance in the foundation program disbursements was due to only one foundation payment being distributed during the month of March, rather than two as originally estimated. From a timing aspect, this single payment offset the extra payment from January, as mentioned in last month’s report.

Year-to-date expenditures for this category totaled $5,263.8 million and were $169.2 million (3.3%) above the estimate. This was largely driven by the school foundation program, which had year-to-date expenditures of $4,865.9 million and was $194.0 million (4.2%) above the estimate. The year-to-date variance in the foundation funding line items was due to the implementation of the new school funding system enacted in H.B. 59 during the months of October and November, as well as the use of current year, rather than prior year, student count data. Most districts received increases in funding under the new formula and/or with additional students reported for the current year. Additionally, when the Department of Education calculates a funding increase on an annual basis, increases include retroactive payments for the already completed portion of the fiscal year. Disbursements should be less than planned each month for the remainder of the fiscal year.

Higher Education

March disbursements for Higher Education totaled $168.3 million and were $0.1 million (0.1%) above the estimate for the month. Year-to-date disbursements were $1,572.3 million, which was $11.7 million (0.7%) below the estimate.

On a year-over-year basis, disbursements in this category were $5.1 million (3.1%) higher than for the same month in the previous fiscal year while year-to-date expenditures were $25.8 million (1.7%) higher 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, the Ohio Facilities Construction Commission, the Ohio State School for the Blind, the Ohio School for the Deaf, as well as disbursements made to libraries, cultural, and arts organizations. March disbursements in this category totaled $7.5 million and were $5.5 million (269.5%) above estimate. The variance in this category was primarily attributable to the Ohio Historical Society's quarterly subsidy appropriation disbursing in March rather than in April, as well as the disbursement of three previously unpaid quarterly payments in the Broadcast Education Media Commission's Ohio Government Telecommunications Studio line.

Medicaid

As discussed in previous reports, this new category includes all Medicaid disbursements from the H.B. 59-created "650 series" Medicaid line items. Therefore, this category includes all Medicaid spending on services and program support by the following six agencies: the new Department of Medicaid (651 prefix), the merged 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.

<u>Expenditures</u>

Year-to-date GRF disbursements for the Medicaid Program totaled $10,710.3 million and were $682.4 million (6.0%) below the estimate and $490.7 million (4.8%) above the same point in the previous fiscal year. GRF March disbursements totaled $1,034.5 million and were $358.6 million (25.7%) below the estimate and $7.5 million (0.7%) above disbursements in the same month of the previous fiscal year.

March all-funds disbursements totaled $1,984.0 million and were $326.9 million (14.1%) below the estimate and $543.6 million (37.7%) above disbursements at this point in the previous fiscal year.

The chart below shows the current month's disbursement variance by funding source. Please note that estimates are based on appropriations as passed in H.B. 59.

(In millions, totals may not add due to rounding)

	March Projection		March Actual		Variance		Variance %
GRF	$	1,393.1	$	1,034.5	$	(358.6)	-25.7%
Non-GRF	$	917.8	$	949.5	$	31.7	3.5%
All Funds	$	2,310.9	$	1,984.0	$	(326.9)	-14.1%

Categorical Variances

Hospital UPL – This category was $125.9 million below estimate due to the timing of a payment that was originally scheduled in March, but will be made later in the fiscal year.

Health Homes for Individuals with Severe and Persistent Mental Illness – March spending within this category was $28.4 million below estimate primarily due to an adjustment in the program rollout timeline to work with stakeholders.

Managed Care – Managed care expenditures were $100.4 million below the estimate. $52.5 million of this negative variance can be attributed to a change in the rollout of the MyCare Ohio program. Most of the remaining variance can be attributed to lower than budgeted caseload.

ACA Physician Fee Increase – Spending for this federally-mandated and 100% federally-funded increase was $71.1 million under this month's estimate primarily due to the timing of these payments.

Medicaid Extension – Medicaid benefits were extended to certain Ohioans who were previously ineligible effective January 1, 2014. In March, expenditures in this 100% federally-funded, non-GRF category totaled $60.7 million. Year-to-date expenditures totaled $78.9 million and represent 14.1% of the $561.7 million appropriated for this fiscal year.

Enrollment

Total March enrollment across all categories was 2.48 million. The most significant components are the Covered Families and Children (CFC) category, which increased by 29,750 persons to a March total of 1.80 million persons, and the Aged, Blind and Disabled (ABD) category, which increased by 737 people to a March total of 439,129 covered lives.

Individuals covered under Medicaid extension (eligibility group VIII) totaled 106,238, and are included as part of the larger CFC category.

Total enrollment across all categories for the same period last year was 2.37 million covered persons, including 1.69 million persons in the CFC category and 418,446 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.

March disbursements in this category totaled $89.5 million and were $15.0 million (20.1%) above estimate for the month.

<u>Department of Aging:</u>
March disbursements for the Department of Aging totaled $1.1 million and were $0.1 million (13.7%) above estimate for the month. Year-to-date expenditures are $8.5 million, which is $0.2 million (1.9%) above estimate.

<u>Department of Job and Family Services</u>
The Ohio Department of Job and Family Services GRF disbursements in March totaled $54.2 million and were $7.6 million (16.2%) above estimate. Selected major variances were attributable to the following:

- TANF State/Maintenance of Effort disbursements were $8.6 million (54.3%) above estimate due to an adjustment to the disbursement for county administration originally scheduled for January being completed in March, despite lower than estimated Ohio Works First caseloads for the month.
- Child Care State/Maintenance of Effort disbursements were $2.3 million (43.4%) below estimate due to the change in the disbursement schedule resulting from the federal shutdown.
- Early Care and Education disbursements were $5.1 million (112.6%) above estimate in order to reduce the year-to-date variance and bring total GRF disbursements back in alignment with the original plan, which was previously modified as a result of the federal shutdown.
- Family Assistance-Local disbursements were $2.0 million (53.0%) below estimate due to county draws being lower than anticipated.
- Child, Family, and Adult Community Protective Services disbursements were $1.0 million (80.2%) below estimate due to the Community & Protective Services allocation for Cuyahoga County being made in February instead of March as anticipated.

Department of Health
March disbursements for the Department of Health totaled $6.2 million and were $0.6 million (11.4%) above estimate for the month. This variance was driven by Immunizations program disbursements which were $1.0 million (389.0%) above estimate, as disbursements planned for earlier in the fiscal year were made in March instead.

Department of Mental Health and Addiction Services
March disbursements for the Department of Mental Health and Addiction Services totaled $23.6 million and were $7.4 million (31.3%) above estimate. This variance was due to payments in the Continuum of Care Services ($2.2 million) line being paid in March rather than earlier, as previously expected, and higher than anticipated spending ($6.4 million above estimate) in the Hospital Services line due to a third pay period being recorded in March, when it was originally estimated for April.

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. March disbursements in this category totaled $166.5 million and were $37.2 million (28.8%) above the projected totals.

Department of Rehabilitation and Correction
Department of Rehabilitation and Correction disbursements totaled $129.3 million in March, and were $28.5 million (28.3%) above the estimate. The monthly variance was a result of a third pay period being recorded in March, when it was originally estimated for April. Department disbursements year-to-date were $1,067.3 million, which was $5.6 million (0.5%) above estimate. This variance was within the normal range of agency disbursements during the fiscal year.

Department of Youth Services
Department of Youth Services disbursements totaled $14.8 million in March, and were $4.9 million (49.8%) above the estimate. The monthly variance was a result of a third pay period being recorded in March, when it was originally estimated for April. Department disbursements year-to-date were $158.2 million, which was $0.5 million (0.3%) below estimate.

Department of Transportation
Department of Transportation disbursements totaled $2.3 million in March, and were $1.6 million (237.3%) above the estimate. In addition, department disbursements year-to-date were $11.7 million, which was $3.6 million (43.9%) above estimate. These variances result from a policy change which was implemented in January. In response to the needs of rural transit agencies, the department is distributing subsidies to these agencies in lump sum payments, rather than by equal monthly payments. Therefore, six months of payments which were budgeted for, and encumbered in fiscal year 2014, but planned for disbursement in fiscal year 2015 have been disbursed in this fiscal year.

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, non-judicial statewide elected officials, legislative agencies, and others. March disbursements in this category totaled $29.2 million and were $3.3 million (12.7%) above the estimate.

Department of Administrative Services
The Department of Administrative Services (DAS) disbursements totaled $2.2 million in March and were $0.9 million (30.5%) below the estimate. This occurred because DAS is changing its method for calculating building rental rates, per federal requirements. As a result, the fiscal year 2014 rates for these buildings have just been finalized, thereby delaying this expense. It is likely that future months will have GRF spending above what was estimated because of catching up on these rent payments delayed from earlier in the fiscal year.

Department of Natural Resources
March disbursements for the Department of Natural Resources totaled $3.7 million and were $0.3 million above estimate (7.0%). Year-to-date disbursements totaled $42.7 million and were $2.8 million (7.1%) above the estimate. Major monthly variances were attributable to the Parks and Recreation and the Forestry lines. Both were above estimate by $0.1 million, each due to spending more GRF than planned.

Development Services Agency
March disbursements for the Development Services Agency totaled $2.1 million (20.7%) and were $0.5 million below estimate. Year-to-date disbursements totaled $29.9 million and were $6.7 million (18.3%) below the estimate. Major monthly variances were attributable to the Business Development Grants line and the Industrial Training Grants line being below estimate due to fewer than anticipated reimbursements being paid in March.

Department of Taxation
March disbursements for Operating Expenses at the Department of Taxation totaled $6.0 million and were $0.8 million (16.0%) above the estimate for the month. Year-to-date disbursements totaled $49.0 million and were $3.7 million (7.1%) below the estimate. The monthly variance was a result of a third pay period being recorded in March, when it was originally estimated for April. Consequently, disbursements next month will most likely come under estimate. Year-to-date underspending reflects payroll savings resulting from attrition and planned efficiencies.

On a year-over-year basis, disbursements for operations were $0.8 million (12.5%) below the $6.8 million disbursed in March 2013, while year-to-date expenditures were $6.5 million (13.2%) lower than at the same point in fiscal year 2013.

Property Tax Reimbursements

Payments from the property tax reimbursement 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. March disbursements of property tax reimbursements totaled $21.6 million and were $4.8 million (18.2%) below the estimate for the month. While there were no Education property tax subsidy disbursements in March (versus an estimate of $12.9 million), Local Government property tax reimbursements totaled $21.6 million and exceeded the monthly estimate by $8.1 million. Through March, property tax reimbursement distributions totaled $914.7 million and were $15.0 million (1.6%) below the estimate of $929.6 million. Almost the entirety of this variance ($14.0 million) was in the Education line item. It is estimated that, in the aggregate, the line items should end the fiscal year approximately $20 million below estimate.

OBM's forecasts for property tax reimbursements are based on forecasts of both valuation and statewide average effective tax rates. Our working hypothesis to explain the variance is that effective tax rates have not increased as much as expected because the number of new levies has declined in recent years. OBM now expects reimbursements to fall short of the forecast for fiscal year 2014.

Debt Service

This category contains all debt service expenditures made from the GRF. March debt service payments totaled $95.8 million and were $84.8 million (46.9%) below the estimate of $180.7 million. Year-to-date, the debt service category disbursed $1,090.2 million and was $40.2 million (3.6%) below the estimate of $1,130.4 million.

The March monthly variance was primarily attributable to a payment from the G.O. Common Schools' line item being disbursed in February instead of March as estimated. The March estimate for Common Schools was $84.5 million with disbursements of zero. Additionally, the early disbursement in February totaled $74.8 million which would have still been below estimate had it hit in March as planned. For fiscal year 2014 as a whole, OBM is projecting debt service spending from the GRF to be approximately $60 million below the annual estimate.

Transfers Out

March transfers out of the GRF totaled $0.4 million, which was $4.1 million below estimate.

Table 3

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

	MONTH				YEAR-TO-DATE			
Functional Reporting Categories Description	ACTUAL MARCH	ESTIMATED MARCH	$ VAR	% VAR	YTD ACTUAL	YTD ESTIMATE	$ VAR	% VAR
Primary and Secondary Education	296,948	545,233	(248,285)	-45.5%	5,263,794	5,094,596	169,198	3.3%
Higher Education	168,349	168,250	99	0.1%	1,572,292	1,583,975	(11,682)	-0.7%
Other Education	7,504	2,031	5,473	269.5%	42,249	41,816	433	1.0%
Medicaid	1,034,484	1,393,070	(358,585)	-25.7%	10,710,286	11,392,690	(682,404)	-6.0%
Health and Human Services	89,529	74,568	14,961	20.1%	960,752	1,019,364	(58,612)	-5.7%
Justice and Public Protection	166,476	129,259	37,217	28.8%	1,397,534	1,396,905	629	0.0%
General Government	29,175	25,885	3,290	12.7%	269,712	280,212	(10,500)	-3.7%
Property Tax Reimbursements	21,611	26,416	(4,805)	-18.2%	914,665	929,614	(14,949)	-1.6%
Capital Outlay	0	0	0	N/A	0	0	0	N/A
Debt Service	95,848	180,661	(84,813)	-46.9%	1,090,222	1,130,416	(40,194)	-3.6%
Total Expenditures & ISTV's	1,909,924	2,545,372	(635,448)	-25.0%	22,221,507	22,869,588	(648,081)	-2.8%
Transfers Out:								
BSF Transfer Out	0	0	0	N/A	995,930	995,930	0	0.0%
Operating Transfer Out	447	4,500	(4,053)	-90.1%	210,961	238,648	(27,688)	-11.6%
Temporary Transfer Out	0	0	0	N/A	5,516	0	5,516	N/A
Total Transfers Out	447	4,500	(4,053)	N/A	1,212,407	1,234,579	(22,172)	-1.8%
Total Fund Uses	1,910,372	2,549,872	(639,500)	-25.1%	23,433,914	24,104,166	(670,253)	-2.8%

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

Functional Reporting Categories Description	MONTH				YEAR-TO-DATE			
	MARCH FY 2014	MARCH FY 2013	$ VAR	% VAR	ACTUAL FY 2014	ACTUAL FY 2013	$ VAR	% VAR
Primary and Secondary Education	296,948	459,845	(162,897)	-35.4%	5,263,794	4,948,067	315,727	6.4%
Higher Education	168,349	163,240	5,109	3.1%	1,572,292	1,546,526	25,766	1.7%
Other Education	7,504	5,604	1,900	33.9%	42,249	40,918	1,330	3.3%
Medicaid	1,034,484	1,027,017	7,467	0.7%	10,710,286	10,219,559	490,727	4.8%
Health and Human Services	89,529	113,871	(24,342)	-21.4%	960,752	885,165	75,588	8.5%
Justice and Public Protection	166,476	158,399	8,077	5.1%	1,397,534	1,382,451	15,083	1.1%
General Government	29,175	32,739	(3,564)	-10.9%	269,712	259,709	10,003	3.9%
Property Tax Reimbursements	21,611	28,612	(7,001)	24.5%	914,665	899,767	14,898	1.7%
Capital Outlay	0	0	0	N/A	0	137	(137)	N/A
Debt Service	95,848	207,485	(111,637)	-53.8%	1,090,222	1,052,025	38,198	3.6%
Total Expenditures & ISTV's	1,909,924	2,196,812	(286,888)	-13.1%	22,221,507	21,234,325	987,182	4.6%
Transfers Out:								
BSF Transfer	0	0	0	N/A	995,930	235,096	760,834	323.6%
Operating Transfer Out	447	13,438	(12,990)	-96.7%	210,961	110,605	100,356	90.7%
Temporary Transfer Out	0	0	0	N/A	5,516	0	5,516	N/A
Total Transfers Out	447	13,438	(12,990)	N/A	1,212,407	345,701	866,706	250.7%
Total Fund Uses	1,910,372	2,210,250	(299,878)	-13.6%	23,433,914	21,580,026	1,853,888	8.6%

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 $287.0 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	29,983,537
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	**31,679,973**
FY 2014 UNENCUMBERED ENDING FUND BALANCE	**286,978**

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

Jason Akbar, Astrid Arca, Jim Bennett, Benjamin Boettcher, Frederick Church, Jim Coons, Paul DiNapoli, Catherine Hookway, Joshua Hope, Kurt Kauffman, Sári Klepacz, Isabel Louis, Matthew Martin, Ashley Nelson, Jeff Newman, Katherine Nickey, Steven Peishel, Penny Rader, Katja Ryabtseva, Daniel Schreiber, Lillian Stockell, Chris Whistler, and Andrew White.