OBM

May 12, 2014

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

FROM: Timothy S. Keen, Director TK

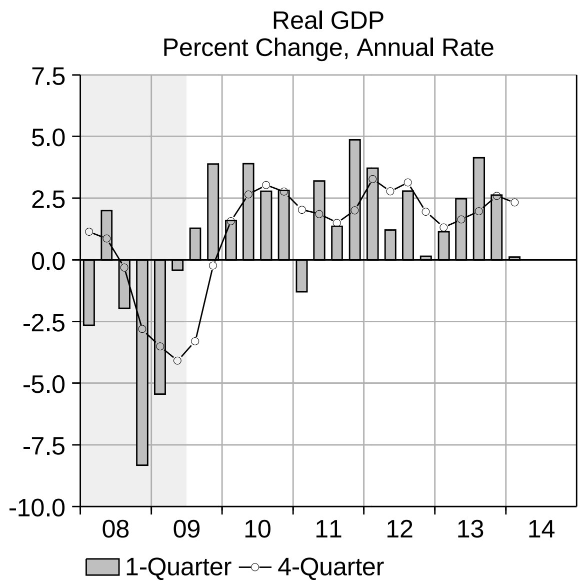
SUBJECT: Monthly Financial Report

ECONOMIC SUMMARY

Economic Performance Overview

- Real GDP was essentially flat in the first quarter, and subsequent data releases suggest that future revisions will show that GDP declined. Still, forecasters expect solid growth in the current quarter and thereafter.
- U.S. employment increased by 288,000 jobs in April. The unemployment rate fell by 0.4 percentage points to 6.3%, although the size of the decline owed much to one of the largest ever monthly declines in the labor force as many unemployed people stopped looking for work.
- Ohio employment increased by 600 jobs in March for a year-to-date increase of 14,000 jobs. The Ohio unemployment rate decreased 0.4 percentage points for the second month in a row in March to 6.1% – the lowest level since April 2008.
- Leading economic indicators remain consistent with uninterrupted growth at a modest pace across the country and in Ohio.

Economic Growth



Economic growth temporarily ground to a halt in the first quarter. **Real GDP** was essentially unchanged, rising at an annual rate of only 0.1%. Data on other key indicators released since the GDP report suggest that upcoming revisions might reveal that real GDP actually declined during the quarter. Compared with a year earlier, real GDP was higher by 2.3%, which is the average year-over-year growth for the latest 17 quarters of the recovery. On a quarter-to-quarter basis, growth slowed after having accelerated to an annual pace of 3.4% in the second half from 1.8% in the first half of 2013.

Real final sales of domestic product, which excludes the effect of the change in inventories, advanced 0.7%, down from 2.7% in the fourth quarter. Real final sales to domestic purchasers, which excludes the inventory effect and sales abroad, expanded by 1.5%, about the same as in the fourth quarter. The continued growth in real final sales to domestic purchasers – even at a modest pace – suggests that the abrupt slowdown in real GDP during the quarter was due to temporary factors.

Growth in the first quarter was driven by an increase in personal consumption expenditures that was partly offset by negative contributions from a number of categories: exports, inventory accumulation, nonresidential fixed investment, residential fixed investment, and state and local government spending. Federal government spending added marginally to growth during the quarter. Imports, which are subtracted from other components of GDP to arrive at the total, decreased.

The **deceleration in first quarter** real GDP primarily resulted from the slowdown in exports and in nonresidential fixed investment, a decrease in inventory accumulation, a slowdown in personal consumption expenditures, and the decline in state and local government spending. The upturn in federal government spending and the decrease in imports were partial offsets to the slowdown.

The 3.0% increase in personal consumption expenditures was similar in size to the 3.3% increase in the fourth quarter, but most of the increase represented one-time factors. Spending on services increased by 4.4%, reflecting higher heating costs due to the severe winter weather and greater spending on health care due to the Affordable Care Act. Utility bills will almost certainly decline by more than the usual seasonal amount in the current quarter, and the ramp up in health care spending will likely not be repeated.

The **current economic expansion** will reach its fifth anniversary in June, at which point it will have lasted exactly as long as the average of the previous ten expansions, dating back to the one that started in October 1949. But the length of expansions has varied greatly, so simply knowing that the current expansion is equal to the average is not very informative by itself.
The longest expansion in the post-war period lasted from March 1991 to March 2001. Next to the one-year upturn from July 1980 to July 1981 – which some view as a brief respite within a recessionary period that stretched from January 1980 until November 1982 instead of as a normal expansion – the shortest expansion lasted two years, from April 1958 to April 1960.

Growth Rates During Expansions
That Lasted at Least 18 Quarters
During 1949Q2-2014Q1

Recovery	Annualized Growth Rates	
Beginning in	Real GDP	Real Final Sales
1961Q1	6.0%	5.7%
1975Q1	4.4%	4.2%
1982Q4	4.9%	4.6%
1991Q1	3.2%	3.1%
2001Q4	3.0%	2.7%
Mean	4.3%	4.1%
Median	4.4%	4.2%
2009Q2	2.2%	1.8%

Source: Bureau of Labor Statistics

The current expansion is still just a youngster by relatively recent standards. The three previous expansions, starting with the one that began in

November 1982, averaged 7.9 years, or 58% longer than this expansion will have lasted in June. It is reassuring to note that researchers have shown that postwar expansions seem to not be duration dependent, that is, they are not inherently more likely to end as they get older. More importantly, there is no evidence of the type of shocks that have in the past helped to precipitate the end of expansion.

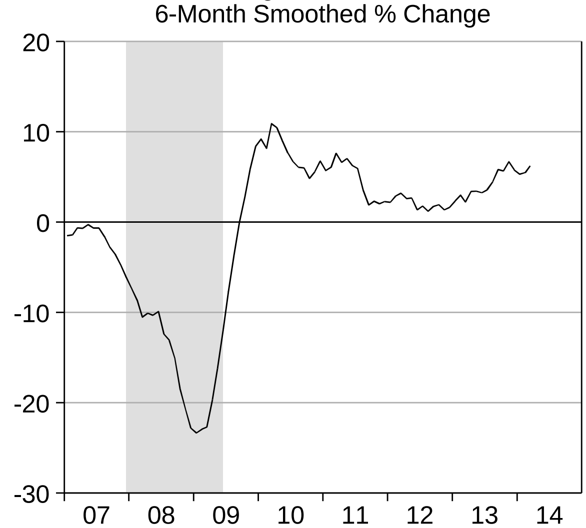
The usual suspects in the demise of previous economic expansions have been a tightening in monetary policy to address rising inflation and large increases in energy costs. The Federal Reserve still seems far away from even starting to unwind its easy monetary policy, let alone beginning to tighten policy. Energy costs are quite elevated by historical standards, but what really seems to matter from a business cycle perspective more than levels is the size and direction of shifts. The last big increase in the price of energy occurred – not surprisingly – in 2007-08, as the economy was headed for a recession. Since then, energy prices have been on a plateau – not good for household budgets, but not threatening to the expansion.

Longevity aside, the fruits of the current expansion have been relatively meager. 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 nineteen 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 3.1% on average during the first nineteen 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 1.8%, compared with approximately 2.9% during the previous two expansions.

Leading indicators remain consistent with uninterrupted growth in 2014. The 4-week moving average of **ECRI's Weekly Leading Index** increased during each of the nine weeks ending April 25, lifting the 26-week smoothed rate of change to 4.2%. The recovery in recent months 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 gained strength. The index tacked a 0.8% increase in March on top of a 0.5% increase in February, extending the string of no monthly decreases to twelve and lifting the 6-month smoothed rate of change to 6.2%. Seven out of the ten components made positive contributions during March, and three of those seven were very significant. The strongest contributions came from the average length of the workweek of production workers, initial claims for unemployment compensation, and the interest rate spread.

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 5.4% during the four months ending in March, up from 1.6% during the previous 4-month period (in fact, Ohio's growth rate is tenth highest in the nation across those four months). 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 remained modestly weak in March with the indexes for nine states recording decreases. The indexes for seven states were lower than three months earlier. The diffusion of changes weakened approximately to this level on two other occasions during this expansion before strengthening again, however. 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 it so far continues to suggest uninterrupted growth in the Ohio and national economies.

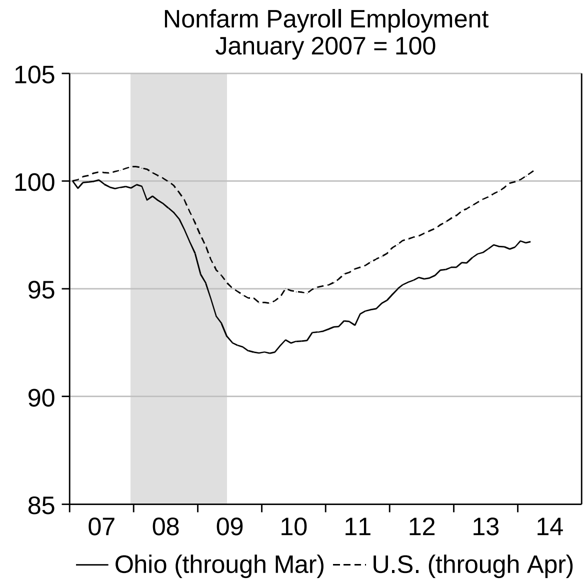
The companion **Ohio Leading Economic Index** remained at 1.9% in March. The February rate was revised down from an initial estimate of 2.5%. The index, which is also compiled by the Federal Reserve Bank of Philadelphia, is designed to predict the rate of increase in the coincident index during the next six months. It had reached a recent low of 0.6% 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 spring and into summer.

The diffusion of positive readings in the individual leading indexes from the Philadelphia Federal Reserve Bank across states also weakened in March, falling below zero in eleven states. The number of states with negative readings increased to double-digits for a single month in September 2010 and to nine in May 2011. It 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 to include all 50 states by late 2008. 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 will pick up over the balance of the year. Global Insight, for example, predicts real GDP growth of 3.5% during the current (second) quarter and growth of 2.7% to 3.0% during the balance of the year, rising to above 3% during 2015.

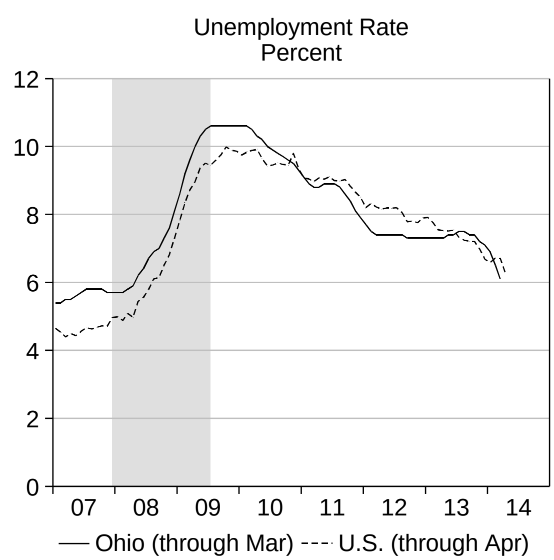
Employment

Labor markets continued to strengthen in April, as the effects of the severe winter weather receded. **Nonfarm payrolls** increased by 288,000 jobs, and the February and March increases were revised higher by a total of 36,000 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). The monthly change in employment averaged 238,000 jobs during February-April, somewhat above the average of 204,000 jobs during January-November, before the severe weather hit.



Job growth was strongest in professional and business services (+75,000), which includes the temporary help category (+24,000), education and health services (+40,000), retail (+35,000), construction (+32,000), and leisure and hospitality (+28,000). Government employment was up by 15,000 employees, and manufacturing employment increased by 12,000 jobs.

The U.S. **unemployment rate** fell by a large 0.4 percentage points in April to 6.3% – its lowest mark since September 2008. The broadest measure of unemployment, which includes discouraged workers and those working part-time for economic reasons, fell by the same amount to 12.3%. The large drop in the unemployment rate resulted primarily from the fourth largest 1-month decrease in the labor force dating back to 1948. The expiration at the end of last year of extended unemployment compensation might have contributed to the decline in the labor force, although decomposition of net labor force changes into entry and exit amounts shows that the April weakness was primarily the result of a very low number of labor force entrants, not a large number of exits. Suggesting that the decline in the unemployment rate is not an unequivocal sign of strength in labor markets, the labor force participation rate fell back to the low point for the cycle of 62.8% and the employment-to-population ratio was at a depressed level of 58.9%.



The average **length of the workweek** for all nonfarm employees was unchanged at 34.5 hours, while the average length of the workweek in manufacturing slipped to 40.8 hours. Manufacturing overtime hours held steady at 3.5. **Aggregate hours worked** increased 0.3% in April after a 0.7% increase in March, fully recouping the weather-related weakness in recent months. Even if aggregate hours are unchanged in May and June, the annual rate of increase for the quarter will be 3.0%, pointing toward a solid increase in real GDP in the second quarter.

Ohio employment increased by 600 jobs in March, and the February change was revised higher from a decrease of 4,600 jobs to a decrease of 2,300 jobs. Year-to-date, Ohio employment is higher by 14,000 jobs. Manufacturing employment decreased by 3,500 jobs, but construction rebounded by 4,600 jobs. Leisure and hospitality added 4,800 jobs, and professional and business services and educational and health services added 3,200 jobs and 2,400 jobs, respectively. Government employment decreased by 3,200 jobs.

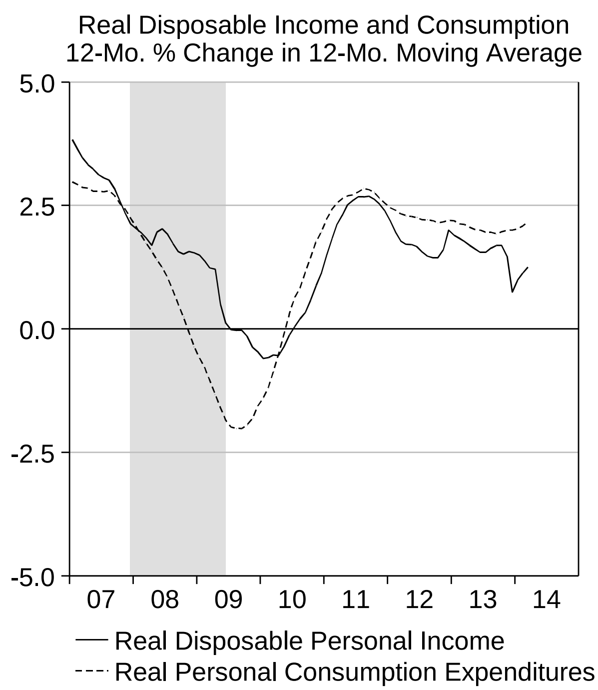
During the twelve months ending in March, employment growth was widespread, with professional and business services (+23,400), leisure and hospitality (+15,800), educational and health services (+14,300), and manufacturing (+11,100) leading the way. Construction added 9,500 jobs during the twelve months, while government (-8,900), financial activities (-3,600), and information (-1,800) all shed jobs.

The **Ohio unemployment rate** decreased 0.4 percentage points in March to 6.1% – the lowest level since April 2008. The 1.4 percentage point reduction in the unemployment rate since August of last year resulted largely from a decline in the number of unemployed people (-79,673) and a rise in the number of employed people (+65,726).

Among the **contiguous states**, year-over-year employment growth was strongest in Indiana (+1.6%) and Ohio (+1.0%), compared with smaller increases in Michigan (+0.5%), West Virginia (+0.4%), and Pennsylvania (+0.3%). Employment was lower than a year earlier by 0.2% in Kentucky. Year-over-year growth in manufacturing was 1.5% in Ohio. Among the contiguous states, manufacturing employment increased 2.6% in Indiana and 2.1% in Michigan, and decreased 1.2% in West Virginia, 0.8% in Kentucky and 0.7% in Pennsylvania.

<u>Consumer Income and Consumption</u>

Personal income increased 0.9% in March, following gains of 0.4% each in January and February. Wage and salary disbursements, which accounts for approximately one-half of personal income, increased 0.6%, after gains of 0.4% and 0.3% in January and February, respectively. Personal income has been boosted this year by additions to Personal Current Transfer Receipts from implementation of the Affordable Care Act (ACA). Excluding all transfer payments, personal income increased 0.2% in January, 0.3% in February, and 0.5% in March. Compared with a year ago, personal income was higher by 3.4% and wage and salary disbursements were also higher by 3.7%.

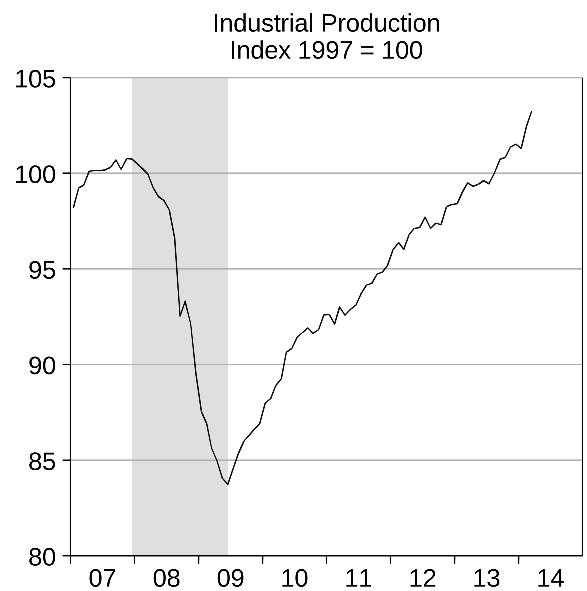


Personal consumption expenditures increased 0.9% in March on top of the 0.5% rise in February. Spending for durable goods increased 2.6% in March after a 1.1% increase in February as unit sales of light motor vehicles increased 6.9% to an annual pace of 16.4 million units. Auto sales declined in April, but remained at a relatively high level of 16.0 million units at an annual rate. Spending on non-durable goods and services increased by 0.8% and 0.7%, respectively. The strong growth in spending pulled the saving rate down to 3.8% – the lowest level since January 2013. Large increases in spending on big-ticket durable goods are often associated with a temporary dip in the saving rate.

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 continued to strengthen for the most part into March and April. The University of Michigan indexes reached their highest levels since late last spring/early last summer. The Conference Board measures increased notably from January/February to March/April and are much higher than a year earlier. Together, the two surveys reflect the ongoing improvement in labor markets and household finances.

Manufacturing



Industrial production increased 0.7% in March. The February gain that was originally reported as 0.6% was revised up to 1.2%. Capacity use topped 79% for the first time since June 2008. Manufacturing output increased 0.5% and the February gain as revised higher from 0.9% to 1.5%. Utility output increased 1.0%, reflecting the still-colder-than-normal weather. Mining output increased 1.5%, reflecting increased coal, oil and gas production. Compared with a year earlier, industrial production was higher by 3.8% and manufacturing output was higher by 2.8% – major improvements from the previous month.

Of particular importance to the **Ohio economy**, motor vehicle assemblies increased 6.3% to a seasonally adjusted annual rate of 12.1 million units in March – up sharply from December and the best single month since March 2006. Outside of motor vehicles, production across other industries that are important to Ohio was weaker on the month. Production of **primary metal** decreased by 1.5% in March, production of **fabricated metal** decreased 0.1%, and production of **machinery** decreased 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.

Purchasing managers at manufacturing firms reported more widespread improvement in activity for the third straight month in April, further indicating that the weakness in January was a temporary weather-related episode. The **purchasing managers index** increased to 54.9 in April from 53.7 in March. The new orders index was stable at 55.1, and the production index dipped only slightly to 55.7 from 55.9. Readings near 50.0 are considered neutral, indicating a balance between reports of rising and falling activity. Thus, these readings above 50 indicate increasing economic activity.

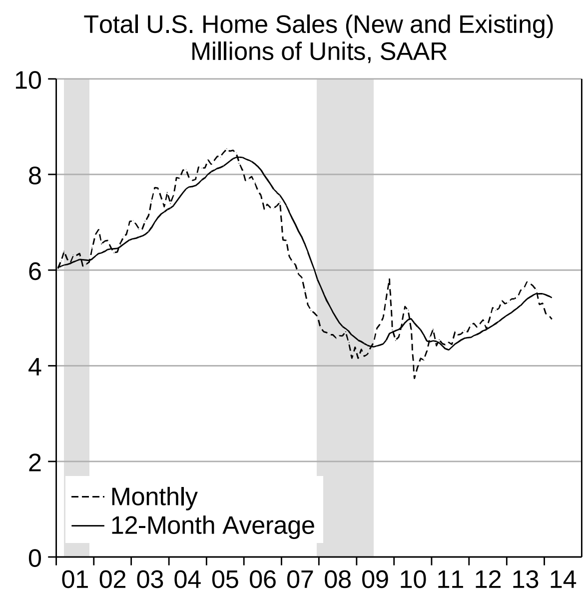
Construction

Construction put-in-place increased by 0.2% in March, and the January and February changes were both revised lower. The weak 3-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 25.0%, or 7.5% annualized during the 37 months ending in March 2014. Despite this gain, the pace of construction remains 22.3% below the March 2006 peak.

Compared with a year earlier, total construction put-in-place was higher by 8.4% in March. Private construction was up 12.5%, while public construction was down 0.8%. Propelled by both single-family and multi-family categories, private residential construction was higher by 16.0% year-over-year. Nonresidential construction increased 8.6% from March 2013, fueled by communication (+33.5%), lodging (+30.4%), transportation (+19.8), office (+13.5%), amusement and recreational (+10.7%) and commercial (+9.3%). Only religious (-19.0%) and healthcare (-3.2%) posted year-over-year declines among nonresidential categories.

The weakness in housing that became evident several months ago continued in March. **Housing starts** decreased 2.7% across the country on a 3-month moving average basis in March. Both single-family and multi-family starts posted weather-related declines across the Midwest in March after very large declines in January and February, on a 3-month moving average basis.

Housing permits were flat across the country in March on a 3-month moving average basis after little change in February. Single-family permits declined, while multi-family permits increased. Activity in the Midwest exhibited a similar pattern, except that total permits increased by 6.2%. In light of steady growth in employment and still-low mortgage rates, the recent weakness in residential construction appears related to the severe weather. But recent evidence suggests that rising home prices and higher mortgage rates than a year ago have also had an effect.



Existing home sales decreased across the country and in the Midwest for the sixth month in a row on a 3-month moving average basis. Nationally, sales were 13.5% lower in March than in September on a

3-month moving average basis. In the Midwest, sales were 18.9% lower than in September. New home sales have been stronger, with the 3-month moving averages rising 11.9% across the country but falling 4.6% from September in the Midwest.

Inventory of existing homes for sale remained relatively stable again in March. 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 6.0 months of supply at the current pace of sales.

Home prices increased for the twenty-fifth straight month in February, according to the S&P/Case-Shiller Index of prices in 20 major markets. The index was 12.9% above its year ago level and 23.4% above its recession trough, but remained 18.1% below the peak reached in April 2006.

REVENUES

April **GRF receipts totaled $2,778.5 million** and were $69.6 million (2.6%) above the estimate. Monthly tax receipts totaled $1,909.2 million and were $111.7 million (5.5%) below the estimate, while non-tax receipts totaled $866.3 million and were $178.6 million (26.0%) above estimate. Variances for the fiscal year to date by category are provided in the following table ($ in millions).

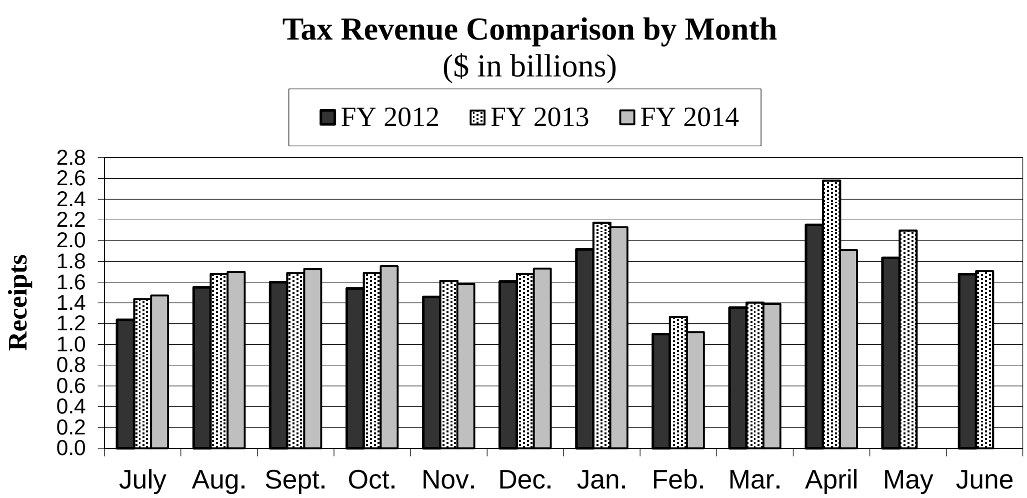
Category	Includes:	YTD Variance	% Variance
Tax receipts	Sales & use, personal income, corporate franchise, financial institutions, commercial activity, MCF, public utility, kilowatt hour, foreign & domestic insurance, other business & property taxes, cigarette, alcoholic beverage, liquor gallonage, & estate	$259.1 million	1.6%
Non-tax receipts	Federal grants, earnings on investments, licenses & fees, other income, intrastate transfers	$2.6 million	0.0%
Transfers	Budget stabilization, liquor transfers, capital reserve, other	$48.7 million	695.8%
TOTAL REVENUE VARIANCE:		**$310.4 million**	**1.3%**

On a year-over-year basis, monthly receipts were $456.1 million (14.1%) lower than they were in April of the previous year, as some revenue sources decreased due both to tax policy changes and timing differences between the two fiscal years. A large decrease of $754.0 million (45.2%) in personal income tax receipts, when compared to April of the previous fiscal year, was partially offset by an increase in sales and use tax receipts of $114.0 (15.6%) The decrease in the income tax was in part due to the impact of the 9% cut in withholding rates implemented in September 2013, the impacts of the 2013 tax rate cuts (8.5%) and the small business deduction (50% of business income, up to a cap), and the impact on fiscal year 2013 of taxpayers accelerating income into tax year 2012 in response to federal tax law changes. A large year-over-year decrease of $35.1 million (120.7%) in corporate franchise tax receipts due to the tax's elimination was compensated two-thirds of the way by the new financial institutions tax collections of $23.7 million. The increase in non-tax receipts was largely due to a jump in federal Medicaid reimbursements relative to April of last year.

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

Individual Sources Above Estimate		Individual Sources Below Estimate	
Federal Grants	$169.0	Personal Income Tax	($156.9)
Financial Institutions Tax	$20.4	Corporate Franchise Tax	($6.0)
Auto Sales & Use Tax	$12.6	Foreign Insurance Tax	($4.1)
Non-Auto Sales & Use Tax	$8.9	Other Income	($1.6)
ISTV's	$8.4	Cigarette Tax	($1.3)
Commercial Activity Tax	$7.3		
Estate Tax	$4.4		
Transfers In	$2.8		
Kilowatt-Hour Tax	$2.1		
Earnings	$1.4		
Licenses and Fees	$1.3		
Other Sources Above Estimate	$0.9	Other Sources Below Estimate	($0.1)
Total above	**$239.6**	**Total below**	**($170.0)**

(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

April non-auto sales and use tax collections followed last month's healthy trend and were above estimate, this time by $8.9 million (1.3%) for a total $711.6 million in tax receipts for the month. A stronger-than-expected performance allowed the year-to-date shortfall to drop further from $47.1 million last month to $38.2 million (0.6%) by the end of April. The year to date shortfall is now almost equal to the one time refund of prior year collections ($32 million) in February.

On a year-over-year basis, April 2014 receipts were $95.8 million (15.6%) above the $615.8 million collected in the same month of 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

April auto sales and use tax revenues continued to perform better than estimated with receipts totaling $132.2 million exceeding the estimate by $12.6 million (10.5%). Strong sales in March likely contributed to the above estimate performance, given there is a slight lag between the sale of an auto and when the state receives the tax. Nationally, light-vehicle sales dropped slightly to 16.0 million units (seasonally adjusted annual rate) in April from 16.3 million units last month. Auto sales still show a healthy trend, especially considering this is the first time since the Great Recession that demand for light-vehicles remained above 16.0 million units for two months in a row.

Year-to-date collections remained above estimate and the overage grew further to $32.7 million (3.4%), signaling the winter slowdown is no longer depressing auto sales. On a year-over-year basis, monthly receipts were again considerably healthier than same month in the previous year, while year-to-date receipts grew to $97.3 million (10.8%) 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

April personal income tax receipts totaled $902.2 million and were $156.9 million (14.8%) below the estimate. The payments associated with annual returns accounted for more than the entire shortfall. This component totaled $519.5 million and was $222.8 million (30.0%) below the estimate of $742.3 million. This could be partly attributed to the delayed impact of an income tax deduction enacted in H.B. 59 for small business income, although at this point it is difficult to disentangle the extent to which the shortfall is tied to the small business exemption versus other factors.

The withholding component of the tax exceeded the estimate for a third month in a row following three consecutive months with a shortfall. April receipts for this component totaled $684.5 million and were $21.4 million (3.2%) above the estimate of $663.1 million. As a result, the year-to-date positive variance for this component has increased to $61.6 million (0.9%). The quarterly estimated payments and trusts were other components with a positive variance, with respective overages of $28.2 million (27.4%), and $10.7 million (58.4%).

Refunds have continued the past few months' trend of registering lower-than-estimated levels, though the deviation appears to be tapering. April refunds totaled $453.8 million and were $11.0 million (2.3%) short of the estimate of $464.7 million. Recalling the discussion in last two months' reports regarding the uncertain timing of the impacts of the various income tax reductions enacted by H.B. 59, OBM expects that the questions about the impacts may not be completely resolved until extension returns are filed in early months of fiscal year 2015.

On a year-over-year basis, April personal income tax receipts were $745.0 million (45.2%) below the April 2013 level. Payments associated with annual returns have accounted for more than two-thirds of this decline registering $571.6 million (52.4%) lower than the level of the same month of the prior fiscal year, presumably due to the 8.5% tax rate cut, combined with 50% income tax deduction, for up to the first $250,000 of income from certain sources, allowed for small business income enacted in H.B. 59. The quarterly estimated payments also showed a decline of $47.4 million (26.5%) compared to the level of the same month in the prior fiscal year. Refunds also contributed to the total decline, by being $137.6 million (43.5%) higher than the level recorded in April of the previous fiscal year.

Year-to-date, personal income tax receipts for the first ten months in fiscal year 2014 exceeded the estimate by $254.0 million (3.9%) but were $1,130.9 million (14.3%) lower than the level in the corresponding period of fiscal year 2013. Lower collections in the current year compared to the prior year were primarily due to tax rate cuts and the new small business income deduction enacted for tax year 2013 in H.B. 59. Year-over-year income growth may have also been subdued by 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 APR	ACTUAL APR	$ VAR APR	ESTIMATE Y-T-D	ACTUAL Y-T-D	$ VAR Y-T-D
Withholding	$663.1	$684.5	$21.4	$6,609.0	$6,670.6	$61.6
Quarterly Est.	$103.0	$131.2	$28.2	$902.3	$993.1	$90.8
Trust Payments	$18.3	$29.0	$10.7	$49.7	$55.3	$5.6
Annual Returns & 40 P	$742.3	$519.5	($222.8)	$963.4	$780.2	($183.2)
Other	$18.1	$15.6	($2.5)	$126.2	$103.7	($22.5)
Less: Refunds	($464.7)	($453.8)	$10.9	($1,861.5)	($1,552.2)	$309.3
Local Distr.	($21.0)	($23.8)	($2.8)	($273.9)	($281.6)	($7.7)
Net to GRF	**$1,059.1**	**$902.2**	**($156.9)**	**$6,515.2**	**$6,769.2**	**$254.0**

Corporate Franchise Tax

As noted in previous months' reports, although corporate franchise tax has been eliminated, prior year settlement activity continues, which resulted in refunds of $6.0 million in April. 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, April 2014 receipts for this tax source were $35.1 million (120.7%) below those of April 2013.

Financial Institutions Tax

April receipts totaled $23.7 million and were $20.4 million above the estimate. As mentioned in last month's report, this overage should be viewed along with the shortfall of last month, since the due date was March 31st, which resulted in spill-over effects into April. Combining the two month's performances provides a clearer picture – the combined receipt for March and April totaled $64.8 million and was marginally lower than the combined estimate of $65.6 million. Year-to-date receipts totaled $148.4 million and exceeded the estimate by $4.9 million (3.4%).

Commercial Activity Tax

April commercial activity tax (CAT) receipts to the GRF totaled $31.6 million and were $7.3 million (29.9%) above the estimate of $24.3 million. With April's overage, the year-to-date GRF CAT receipts total $623.9 million and are now $12.4 million (1.9%) below estimate.

All-funds CAT receipts for April (net of refunds) totaled $58.6 million and were $9.6 million (19.6%) above the $49.0 million estimate. All-funds receipts for the year-to-date totaled $1,321.0 million and were $56.7 million (4.1%) below the estimate.

Year-to-date, GRF CAT receipts have decreased from fiscal year 2013 by $5.1 million (0.8%), while all-funds CAT receipts have increased by $48.3 million (3.8%) 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

April kilowatt hour tax receipts totaled $30.9 million and were $2.1 million (7.3%) above estimate for the second month in a row. Year-to-date collections continued to improve but remained below the estimate by $6.0 million (2.2%). On a year-over-year basis, this tax source was significantly above the $25.7 million collected in April 2013. However, year-to-date collections continue to lag last year's by $5.1 million (-1.9%).

Natural Gas Distribution Tax (MCF Tax)

April natural gas distribution tax receipts totaled $4.7 million and were $0.9 million (22.8%) above the estimate. Year-to-date receipts from the natural gas distribution tax increased to $41.3 million and were $9.5 million (30.0%) above the estimate. This strong performance was most likely a consequence of the long, harsh winter.

Cigarette Tax

Cigarette tax receipts for April totaled $66.9 million and were $1.3 million (2.0%) below the estimate of $68.2 million. On a year-over-year basis, April 2014 cigarette tax receipts were $4.8 million (6.7%) below the level for the same month of the previous fiscal year. Year-to-date, the collection for the first ten months of fiscal year 2014 was lower than the estimate by $1.2 million (0.2%), and was $8.3 million (1.3%) below the level in the corresponding period of fiscal year 2013.

GRF non-tax receipts totaled $866.3 million in April and were $178.6 million (26.0%) above estimate. The majority of this overage was due to a $169.0 million (57.2%) positive variance in federal revenue that can be primarily attributed to higher than estimated GRF Medicaid spending, as well as the composition of that spending (some of the overspending was in categories with high federal match rates). Adding to the variance was also $9.6 million in ISTV's which exceeded estimate by $8.4 million and is attributable to a deferred payment received from JobsOhio under the provisions of the liquor franchise transfer agreement.

April GRF transfers totaled $3.0 million and were $2.8 million above estimate. Year-to-date, transfers total $55.7 million and are $48.7 million (695.8%) 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				YEAR-TO-DATE			
	ACTUAL APRIL	ESTIMATE APRIL	$ VAR	% VAR	ACTUAL Y-T-D	ESTIMATE Y-T-D	$ VAR	% VAR
TAX RECEIPTS								
Non-Auto Sales & Use	711,629	702,700	8,929	1.3%	6,569,998	6,608,200	(38,202)	-0.6%
Auto Sales & Use	132,218	119,600	12,618	10.5%	994,334	961,600	32,734	3.4%
Subtotal Sales & Use	843,846	822,300	21,546	2.6%	7,564,331	7,569,800	(5,469)	-0.1%
Personal Income	902,218	1,059,100	(156,882)	-14.8%	6,769,169	6,515,200	253,969	3.9%
Corporate Franchise	(6,023)	0	(6,023)	N/A	(11,827)	0	(11,827)	N/A
Financial Institutions Tax	23,735	3,300	20,435	619.3%	148,347	143,500	4,847	3.4%
Commercial Activity Tax	31,572	24,300	7,272	29.9%	623,930	636,339	(12,409)	-1.9%
Public Utility	0	0	0	N/A	72,370	68,800	3,570	5.2%
Kilowatt Hour	30,897	28,800	2,097	7.3%	267,066	273,050	(5,984)	-2.2%
MCF Tax	4,665	3,800	865	22.8%	41,345	31,800	9,545	30.0%
Foreign Insurance	(3,174)	900	(4,074)	-452.7%	301,257	291,500	9,757	3.3%
Domestic Insurance	0	0	0	N/A	153	1,200	(1,047)	-87.2%
Other Business & Property	18	0	18	N/A	496	0	496	N/A
Cigarette	66,866	68,200	(1,334)	-2.0%	621,855	623,100	(1,245)	-0.2%
Alcoholic Beverage	4,752	4,700	52	1.1%	46,008	45,200	808	1.8%
Liquor Gallonage	3,341	3,400	(59)	-1.7%	34,674	34,100	574	1.7%
Estate	6,484	2,100	4,384	208.8%	37,223	23,700	13,523	57.1%
Total Tax Receipts	1,909,196	2,020,900	(111,704)	-5.5%	16,516,395	16,257,289	259,106	1.6%
NON-TAX RECEIPTS								
Federal Grants	844,688	675,664	169,024	25.0%	7,680,492	7,674,711	5,781	0.1%
Earnings on Investments	3,930	2,500	1,430	57.2%	12,350	8,000	4,350	54.4%
License & Fees	7,342	6,000	1,342	22.4%	55,714	60,000	(4,286)	-7.1%
Other Income	765	2,375	(1,610)	-67.8%	15,667	23,750	(8,083)	-34.0%
ISTV'S	9,619	1,250	8,369	669.5%	17,364	12,500	4,864	38.9%
Total Non-Tax Receipts	866,343	687,789	178,554	26.0%	7,781,586	7,778,961	2,625	0.0%
TOTAL REVENUES	**2,775,540**	**2,708,689**	**66,851**	**2.5%**	**24,297,982**	**24,036,250**	**261,732**	**1.1%**
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	2,973	200	2,773	1386.6%	50,188	7,000	43,188	617.0%
Temporary Transfers In	0	0	0	N/A	5,516	0	5,516	N/A
Total Transfers	2,973	200	2,773	N/A	55,704	7,000	48,704	695.8%
TOTAL SOURCES	**2,778,513**	**2,708,889**	**69,624**	**2.6%**	**24,353,685**	**24,043,250**	**310,436**	**1.3%**

Table 2

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

	MONTH				YEAR-TO-DATE			
REVENUE SOURCE	APRIL FY 2014	APRIL FY 2013	$ VAR	% VAR	ACTUAL FY 2014	ACTUAL FY 2013	$ VAR	% VAR
TAX RECEIPTS								
Non-Auto Sales & Use	711,629	615,794	95,835	15.6%	6,569,998	6,055,958	514,040	8.5%
Auto Sales & Use	132,218	114,015	18,202	16.0%	994,334	897,062	97,271	10.8%
Subtotal Sales & Use	843,846	729,809	114,037	15.6%	7,564,331	6,953,020	611,311	8.8%
Personal Income	902,218	1,647,242	(745,024)	-45.2%	6,769,169	7,900,122	(1,130,953)	-14.3%
Corporate Franchise	(6,023)	29,058	(35,082)	-120.7%	(11,827)	231,540	(243,367)	-105.1%
Financial Institutions Tax	23,735	0	23,735	N/A	148,347	0	148,347	N/A
Commercial Activity Tax	31,572	18,798	12,774	68.0%	623,930	629,047	(5,117)	-0.8%
Public Utility	0	0	0	N/A	72,370	68,501	3,868	5.6%
Kilowatt Hour	30,897	25,747	5,150	20.0%	267,066	272,135	(5,070)	-1.9%
MCF Tax	4,665	3,993	673	16.8%	41,345	27,932	13,413	48.0%
Foreign Insurance	(3,174)	368	(3,542)	-962.5%	301,257	288,924	12,333	4.3%
Domestic Insurance	0	1	(1)	-74.5%	153	4,949	(4,796)	-96.9%
Other Business & Property	18	28,806	(28,788)	-99.9%	496	33,610	(33,115)	-98.5%
Cigarette	66,866	71,699	(4,833)	-6.7%	621,855	630,118	(8,263)	-1.3%
Alcoholic Beverage	4,752	4,380	372	8.5%	46,008	45,347	661	1.5%
Liquor Gallonage	3,341	3,407	(66)	-1.9%	34,674	33,779	894	2.6%
Estate	6,484	16,433	(9,948)	-60.5%	37,223	92,432	(55,210)	-59.7%
Total Tax Receipts	1,909,196	2,579,740	(670,544)	-26.0%	16,516,395	17,211,459	(695,063)	-4.0%
NON-TAX RECEIPTS								
Federal Grants	844,688	645,385	199,303	30.9%	7,680,492	6,800,687	879,805	12.9%
Earnings on Investments	3,930	2,878	1,052	36.5%	12,350	7,326	5,024	68.6%
License & Fee	7,342	5,203	2,139	41.1%	55,714	65,994	(10,280)	-15.6%
Other Income	765	1,447	(682)	-47.1%	15,667	505,578	(489,911)	-96.9%
ISTV'S	9,619	1	9,618	N/A	17,364	24,342	(6,978)	-28.7%
Total Non-Tax Receipts	866,343	654,913	211,430	32.3%	7,781,586	7,403,926	377,660	5.1%
TOTAL REVENUES	**2,775,540**	**3,234,653**	**(459,114)**	**-14.2%**	**24,297,982**	**24,615,385**	**(317,403)**	**-1.3%**
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	2,973	0	2,973	N/A	50,188	9,251	40,937	442.5%
Temporary Transfers In	0	0	0	N/A	5,516	0	5,516	N/A
Total Transfers	2,973	0	2,973	N/A	55,704	97,251	(41,547)	-42.7%
TOTAL SOURCES	**2,778,513**	**3,234,653**	**(456,141)**	**-14.1%**	**24,353,685**	**24,712,636**	**(358,951)**	**-1.5%**

DISBURSEMENTS

April GRF disbursements, across all uses, totaled $2,525.0 million and were $184.3 million (6.8%) below estimate. This was primarily attributable to lower than estimated disbursements in the Property Tax Reimbursement category being partially offset by higher than estimated disbursements in the Medicaid category. On a year-over-year basis, April total uses were $158.9 million (5.9%) lower than those of the same month in the previous fiscal year, with the Property Tax Reimbursements category 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)	($847.9 million)	-3.3%
Transfers	Temporary or permanent transfers out of the GRF that are not agency expenditures	($6.7 million)	-0.5%
TOTAL DISBURSEMENTS VARIANCE:		($854.6 million)	-3.2%

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. April disbursements for this category totaled $584.8 million and were $33.0 million (5.3%) below the estimate. Expenditures for the school foundation program totaled $531.4 million and were $14.9 million (2.7%) below the estimate.

Year-to-date expenditures for this category totaled $5,848.6 million and were $136.2 million (2.4%) above the estimate. This was largely driven by the school foundation program, which had year-to-date expenditures of $5,397.3 million and was $179.1 million (3.4%) 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

April disbursements for Higher Education totaled $174.1 million and were $9.5 million (5.8%) above the estimate for the month. Year-to-date disbursements were $1,746.4 million, which was $2.2 million (0.1%) below the estimate. The most significant monthly variance was due to spending in the Ohio National Guard and the Ohio College Opportunity Grant Scholarship Programs being above the monthly estimate by $4.7 million as a result of higher than expected requests for reimbursement from higher education institutions. A slightly smaller portion of the monthly variance, $3.0 million, was due to the disbursement of two subsidy line items in April rather than in May, as originally reflected in the agency disbursement estimates. Finally, the remainder of the monthly variance, $1.4 million, was due to timing associated with the receipt and payment of a single invoice in April that was originally estimated to be paid incrementally over the course of several months.

On a year-over-year basis, disbursements in this category were $9.6 million (5.8%) higher than for the same month in the previous fiscal year while year-to-date expenditures were $35.4 million (2.1%) 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. April disbursements in this category totaled $3.8 million and were $4.0 million (50.8%) below estimate. The variance in this category was partly attributable to the Ohio Historical Society's quarterly subsidy appropriation disbursing in March rather than in April, as discussed in last month's report.

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 $12,005.6 million and were $500.2 million (4.0%) below the estimate and $591.0 million (5.2%) above the same point in the previous fiscal year. GRF Disbursements in April totaled $1,295.3 million and were $182.3

million (16.4%) above the estimate and $100.2 million (8.4%) above disbursements in the same month of the previous fiscal year.

April all-funds disbursements totaled $1,682.6 million and were $194.6 million (10.4%) below the estimate and $127.5 million (8.2%) above disbursements at this point in the previous fiscal year. The April overage currently observed in the GRF corresponds to much of the underage in the non-GRF as certain expenditures are temporarily shifted to the GRF.

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)

	April Projection		April Actual		Variance		Variance %
GRF	$	1,113.0	$	1,295.3	$	182.3	16.4%
Non-GRF	$	764.2	$	387.4	$	(376.9)	-49.3%
All Funds	$	1,877.2	$	1,682.6	$	(194.6)	-10.4%

Categorical Variances

ACA Physician Fee Increase – Spending for this federally-mandated and 100% federally-funded increase was $95.9 million above the monthly estimate primarily due to the disbursement of certain provider-related costs not known at the time when estimates were finalized.

MyCare Ohio – Expenditures within this new managed care group were $128.9 million below the estimate due to a change in the rollout of the program.

Hospital UPL – This non-GRF category was $125.9 million under estimate due to the timing of a payment originally scheduled in April, but to be made later in the fiscal year.

Medicaid Extension – Medicaid benefits were extended to certain Ohioans who were previously ineligible effective January 1, 2014. In April, expenditures in this 100% federally-funded, non-GRF category totaled $94.6 million. Year-to-date expenditures totaled $173.6 million and represent 30.9% of the $561.7 million appropriated for this fiscal year.

Enrollment

Total April enrollment across all categories was 2.55 million. The most significant components are the Covered Families and Children (CFC) category, which increased by 23,815 persons to an April total of 1.88 million persons, and the Aged, Blind and Disabled (ABD) category, which decreased by 102 people to an April total of 436,085 covered lives.

Individuals covered under Medicaid extension (eligibility group VIII) totaled 184,671, and are included as part of the larger CFC category.

Total enrollment across all categories for the same period last year was 2.38 million covered persons, including 1.70 million persons in the CFC category and 422,126 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.

April disbursements in this category totaled $110.0 million and were $38.5 million (25.9%) below estimate for the month.

Department of Job and Family Services
The Ohio Department of Job and Family Services GRF disbursements in April totaled $68.9 million and were $4.7 million (6.4%) below estimate. Major variances for the month were attributable to TANF State/Maintenance of Effort disbursements, which were $3.9 million (15.3%) below estimate; Child Care State/Maintenance of Effort disbursements, which were $5.3 million (45.2%) above estimate; and Early Care and Education disbursements, which were $3.1 million (54.4%) below estimate. These were all due to changes in the disbursement schedules as a result of the federal shutdown, as discussed in previous reports. In addition, Information Technology disbursements were $1.5 million (35.6%) below estimate due to invoices not being received in April as previously anticipated. Year-to-date expenditures totaled $578.7 million and were $57.8 million (9.1%) below estimate. This variance is due partly to the changes in disbursement schedules as discussed above, and lower than estimated expenditures in Program Support and Information Technology Projects.

Department of Health
April disbursements for the Department of Health totaled $4.5 million and were $3.2 million (41.1%) below estimate for the month. April's variance was driven partly by Help Me Grow disbursements being $1.4 million (41.2%) below estimate due to planned expenditures for April occurring earlier in the fiscal year, and Federally Qualified Health Center disbursements being $0.7 million (99.8%) below estimate, though the funds have been encumbered for future disbursement. Year-to-date expenditures were $68.1 million, which were $2.0 million (2.8%) below estimates.

Opportunities for Ohioans with Disabilities
April disbursements for Opportunities for Ohioans with Disabilities totaled $1.5 million, which were $1.5 million above estimated expenditures for the month. This variance is primarily due to the Services for People with Disabilities program's disbursements totaling $1.5 million above estimate, as expenditures originally planned for earlier in the fiscal year were instead paid in April. Year-to-date expenditures were $15.6 million, which was $0.09 million (0.6%) below estimate.

Department of Mental Health and Addiction Services

April disbursements for the Department of Mental Health and Addiction Services totaled $15.1 million and were $31.6 million (67.7%) below estimate. This is due primarily to $29.2 million in subsidy payments initially expected to be paid in April in the Continuum of Care Services and Community Behavioral Health appropriation line items being paid in later months instead. It is expected that this variance will reverse itself by year-end.

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. April disbursements in this category totaled $180.4 million and were $33.5 million (15.7%) below the projected totals.

Department of Rehabilitation and Correction

Department of Rehabilitation and Correction disbursements totaled $148.3 million in April, and were $26.7 million (15.2%) below the estimate. This variance was attributable to the timing of the posting of a payroll in late-March that was estimated for early-April, as discussed in last month's report. Department disbursements year-to-date were $1,215.6 million, which was $21.0 million (1.7%) below 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 $14.4 million in April, and were $3.0 million (17.4%) below the estimate. This variance resulted from the timing of the posting of a payroll in late-March that was estimated for early-April, as discussed in last month's report. Department disbursements year-to-date were $172.6 million, which was $3.6 million (2.0%) below estimate. This variance is within the normal range of agency disbursements during the 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. April disbursements in this category totaled $31.8 million and were $7.1 million (18.2%) below the estimate.

Department of Administrative Services

The Department of Administrative Services (DAS) disbursements totaled $5.8 million in April and were $3.5 million (155.1%) above the estimate. This occurred because DAS changed its method for calculating building rental rates, per federal requirements. As a result, the fiscal year 2014 rates for these buildings were recently finalized. In April, DAS caught up on making rent payments from its GRF appropriations that pay rent for GRF-supported state agencies and vacant space in state buildings managed by DAS. This was expected following earlier months with underspending compared to estimates because of the delayed rental rates.

Department of Natural Resources

April disbursements for the Department of Natural Resources totaled $3.9 million and were $0.7 million below estimate (15.4%). Year-to-date disbursements are $46.6 million which is $2.1 million (4.7%) above the estimate. Monthly variances were attributable to the Parks and Recreation ($0.3 million) and the Forestry ($0.2 million) lines; both were under budget due to spending less from the GRF than planned.

Development Services Agency

April disbursements for the Development Services Agency totaled $1.4 million and were $2.1 million (60.5%) below estimate. Year-to-date disbursements totaled $31.1 million and were $8.9 million (22.3%) below the estimate. Monthly variances were attributable to the Business Development Grants, the Business Assistance, the Industrial Training Grants, and the Redevelopment Assistance lines being below estimate due to fewer than anticipated grant disbursements being paid in April. OBM expects this variance to decrease as more grant disbursements are paid in future months.

Department of Taxation

April disbursements for Operating Expenses at the Department of Taxation totaled $4.9 million and were $2.0 million (28.6%) below the estimate for the month. Year-to-date disbursements were $53.9 million, which was $5.7 million (9.6%) below the estimate. The monthly variance is due to a timing issue, since original April disbursements expected three pay periods, which actually happened in March. March was, in turn, over estimate. Year-to-date under spending reflects payroll savings resulting from attrition and planned efficiencies.

On a year-over-year basis, disbursements for operations were virtually the same as in April of the previous fiscal year, while year-to-date expenditures were $6.5 million (10.8%) lower than at the same point in the previous fiscal year.

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. April disbursements of property tax reimbursements totaled $64.2 million and were $268.0 million (80.7%) below the estimate. This variance is due to reimbursement requests being received from counties later than anticipated and as a result, OBM expects May disbursements to be well above estimate. Through April, property tax reimbursement distributions totaled $978.8 million and were $282.9 million (22.4%) below the estimate of $1,261.7 million. Following corrections for the timing based April variance, it is expected that total reimbursements will end the fiscal year approximately $20 million below estimate.

Debt Service

This category contains all debt service expenditures made from the GRF. April debt service payments totaled $58.2 million and were $7.6 million (11.5%) below the estimate of $65.8 million. Year-to-date, the debt service category disbursed $1,148.4 million and was $47.8

million (4.0%) below the estimate of $1,196.2 million. 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. The April variance is due to disbursements from the G.O. Higher Education and Job Ready Sites line items being below estimate by $5.5 million and $2.0 million respectively.

Transfers Out

April transfers out of the GRF totaled $22.3 million, which was $15.5 million (228.9%) above estimate. This variance is partly attributable to a transfer of $9.4 million made to the OAKS Support Organization Fund (Fund 5EB0) that was estimated to occur over two months (December and June). The remaining variance was the result of a higher than estimated transfer to the Managed Care Performance Fund (Fund 5KW0) that was estimated to occur in April.

Table 3

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

Functional Reporting Categories Description	MONTH ACTUAL APRIL	MONTH ESTIMATED APRIL	MONTH $ VAR	MONTH % VAR	YEAR-TO-DATE YTD ACTUAL	YEAR-TO-DATE YTD ESTIMATE	YEAR-TO-DATE $ VAR	YEAR-TO-DATE % VAR
Primary and Secondary Education	584,848	617,849	(33,001)	-5.3%	5,848,641	5,712,445	136,197	2.4%
Higher Education	174,084	164,555	9,529	5.8%	1,746,376	1,748,530	(2,153)	-0.1%
Other Education	3,823	7,776	(3,953)	-50.8%	46,071	49,592	(3,520)	-7.1%
Medicaid	1,295,285	1,113,031	182,254	16.4%	12,005,571	12,505,721	(500,150)	-4.0%
Health and Human Services	110,039	148,492	(38,453)	-25.9%	1,070,792	1,167,856	(97,064)	-8.3%
Justice and Public Protection	180,440	213,973	(33,533)	-15.7%	1,577,974	1,610,877	(32,903)	-2.0%
General Government	31,846	38,945	(7,099)	-18.2%	301,558	319,157	(17,599)	-5.5%
Property Tax Reimbursements	64,162	332,131	(267,969)	-80.7%	978,827	1,261,745	(282,917)	-22.4%
Capital Outlay	0	0	0	N/A	0	0	0	N/A
Debt Service	58,171	65,755	(7,584)	-11.5%	1,148,394	1,196,171	(47,777)	-4.0%
Total Expenditures & ISTV's	**2,502,698**	**2,702,507**	**(199,809)**	**-7.4%**	**24,724,205**	**25,572,094**	**(847,889)**	**-3.3%**
Transfers Out:								
BSF Transfer Out	0	0	0	N/A	995,930	995,930	0	0.0%
Operating Transfer Out	22,280	6,774	15,506	228.9%	233,241	245,422	(12,181)	-5.0%
Temporary Transfer Out	0	0	0	N/A	5,516	0	5,516	N/A
Total Transfers Out	**22,280**	**6,774**	**15,506**	**N/A**	**1,234,687**	**1,241,352**	**(6,666)**	**-0.5%**
Total Fund Uses	**2,524,978**	**2,709,280**	**(184,302)**	**-6.8%**	**25,958,892**	**26,813,447**	**(854,555)**	**-3.2%**

Table 4

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

	MONTH				YEAR-TO-DATE			
Functional Reporting Categories Description	**APRIL FY 2014**	**APRIL FY 2013**	**$ VAR**	**% VAR**	**ACTUAL FY 2014**	**ACTUAL FY 2013**	**$ VAR**	**% VAR**
Primary and Secondary Education	584,848	578,922	5,926	1.0%	5,848,641	5,526,989	321,653	5.8%
Higher Education	174,084	164,463	9,621	5.8%	1,746,376	1,710,989	35,387	2.1%
Other Education	3,823	4,955	(1,132)	-22.9%	46,071	45,874	198	0.4%
Medicaid	1,295,285	1,195,041	100,243	8.4%	12,005,571	11,414,601	590,970	5.2%
Health and Human Services	110,039	129,702	(19,663)	-15.2%	1,070,792	1,014,867	55,925	5.5%
Justice and Public Protection	180,440	158,427	22,013	13.9%	1,577,974	1,540,878	37,096	2.4%
General Government	31,846	28,726	3,120	10.9%	301,558	288,435	13,123	4.5%
Property Tax Reimbursements	64,162	355,566	(291,403)	82.0%	978,827	1,255,333	(276,505)	-22.0%
Capital Outlay	0	0	0	N/A	0	137	(137)	N/A
Debt Service	58,171	67,764	(9,593)	-14.2%	1,148,394	1,119,789	28,605	2.6%
Total Expenditures & ISTV's	**2,502,698**	**2,683,567**	**(180,868)**	**-6.7%**	**24,724,205**	**23,917,891**	**806,314**	**3.4%**
Transfers Out:								
BSF Transfer	0	0	0	N/A	995,930	235,096	760,834	323.6%
Operating Transfer Out	22,280	277	22,003	7938.5%	233,241	110,882	122,359	110.4%
Temporary Transfer Out	0	0	0	N/A	5,516	0	5,516	N/A
Total Transfers Out	**22,280**	**277**	**22,003**	**N/A**	**1,234,687**	**345,978**	**888,709**	**256.9%**
Total Fund Uses	**2,524,978**	**2,683,844**	**(158,865)**	**-5.9%**	**25,958,892**	**24,263,869**	**1,695,023**	**7.0%**

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 Estimated Revenues	20,091,089
Plus FY 2014 Estimated Federal Revenues	8,863,000
Plus FY 2014 Estimated Transfers to GRF	373,613
Total Sources Available for Expenditure & Transfer	**31,966,951**
Less FY 2014 Estimated Disbursements	29,983,537
Less FY 2014 Estimated Total Encumbrances as of June 30, 2014	439,068
Less FY 2014 Estimated Transfers Out	1,257,369
Total Estimated 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.