June 11, 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

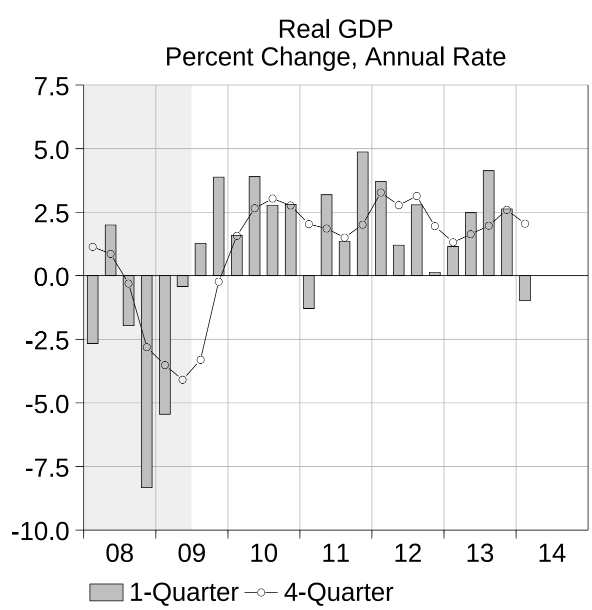
ECONOMIC SUMMARY

Economic Performance Overview

- Revised estimates of GDP for the first quarter resulted in GDP declining rather than increasing as reported in the initial estimate. Real GDP posted its first quarterly decline in three years in the first quarter, falling 1.0%, but related data point toward a strong rebound in the current quarter.
- U.S. employment increased by 217,000 jobs in May, reaching a new all-time high 76 months after the previous peak. The unemployment rate was unchanged at 6.3%.
- Ohio employment increased by 12,600 jobs in April for a year-to-date increase of 28,700 jobs. The Ohio unemployment rate decreased 0.4 points to 5.7% in April – the lowest level since February 2008.
- Leading economic indicators remain consistent with uninterrupted growth at a modest pace across the country and in Ohio despite broad-based weakness across other indicators attributed to the particularly harsh winter weather.

Economic Growth

The economy shifted into reverse in the first quarter, according to revised figures. **Real GDP** decreased at annual rate of 1.0% instead of increasing by 0.1% as originally reported. International trade data released after the GDP report would suggest an additional downward revision will occur when final figures are announced next month. The decrease is an abrupt reversal from the acceleration in growth from the first half to the second half of 2013. The **consensus among economic forecasters** is that real GDP growth will pick up over the balance of the year, starting with a growth rate well above 3% in the current quarter.



Despite the one-quarter decline, the economy very likely remains in a period of economic expansion, albeit at a modest pace. Compared with a year earlier, real GDP was higher by 2.0%, and the change in the 4-quarter average of real GDP from the same quarter a year earlier – a transformation that helps to smooth out transitory fluctuations – increased to 2.1% from 1.9% in the fourth quarter and a recent low of 1.7% in last year's third quarter.

Some forecasters have emphasized the similarity between the first quarter of 2014 and the first quarter of 2011, which was the last time that real GDP declined. Real GDP dropped by 1.3% in the first quarter of 2011 before rebounding strongly and growing 3.2% on average over the last three quarters. In 2014, as in 2011, a late Easter contributed to shifting some economic activity from the first to the second quarter.

Real final sales of domestic product, which excludes the effect of the change in inventories, advanced 0.6%, down from 2.7% in the fourth quarter. Real final sales to domestic purchasers, which excludes the inventory effect and sales abroad, expanded by 1.6%, the same as in the fourth quarter. The continued growth in real final sales to domestic purchasers – even at the modest pace – suggests that the abrupt reversal in real GDP during the quarter was due to temporary factors.

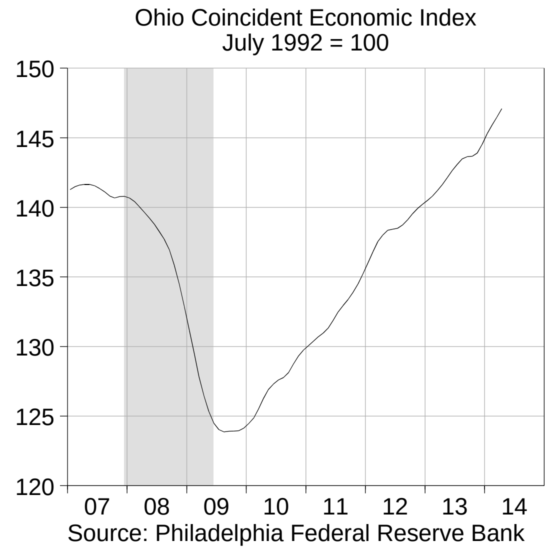
The decrease in real GDP during the first quarter was broad-based, resulting from negative contributions from private inventory investment, exports, nonresidential fixed investment, state and local government spending and investment in residential structures. Imports, which are subtracted from other components of GDP to arrive at the total, decreased. The second quarterly rise in personal consumption expenditures in excess of 3% contributed 2.1 points to first-quarter growth, which was more than offset by inventories and exports, which subtracted 1.6 points and 0.8 points, respectively. Inventories still increased, but by less than half the fourth quarter pace. Exports swung from a 9.5% annualized increase in the fourth quarter to a 6.0% annualized decrease in the first quarter.

The shift in the change in real GDP from positive in the fourth quarter to negative in the first quarter primarily reflected the downturn in exports and the larger decrease in inventory investment, and downturns in nonresidential fixed investment and in state and local government spending. The upturn in federal government spending partly offset the negative factors. The downward revision in real GDP from the initial estimate primarily reflected the downward revision to private inventory investment and the upward revision to imports. The upward revision to exports partly offset these negative factors.

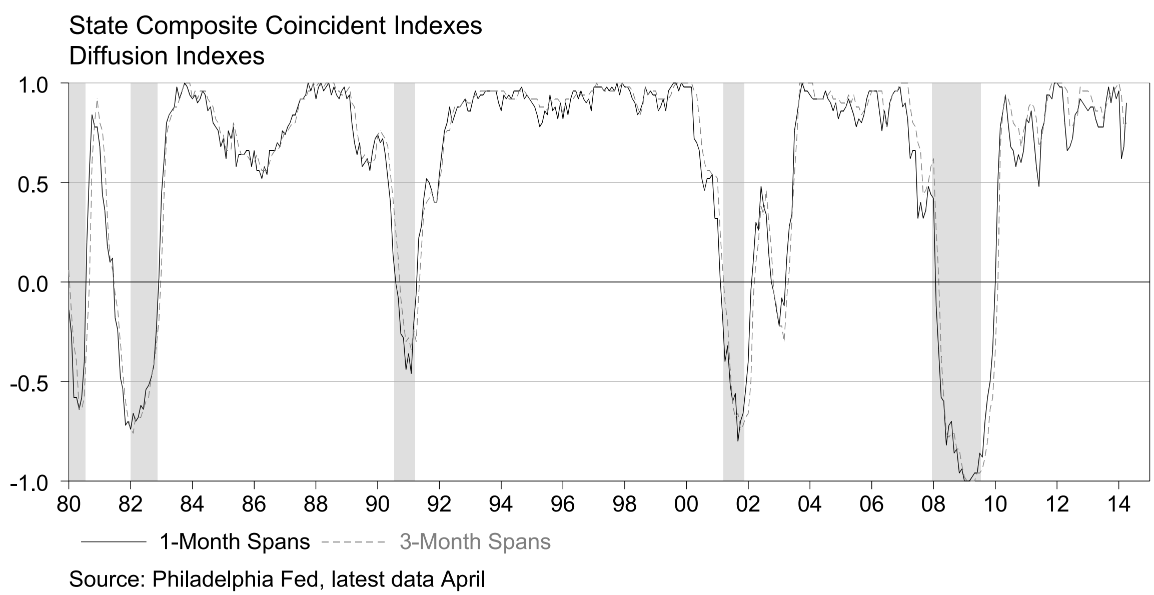
Economic activity in and around Ohio expanded at a modest pace during early May, according to a survey of contacts in the region by the Federal Reserve Bank of Cleveland.

Leading indicators remain consistent with uninterrupted growth into 2014, despite the decrease in real GDP during the first quarter. The 4-week moving average of **ECRI's Weekly Leading Index** increased during each of the thirteen weeks ending May 23, lifting the 26-week smoothed rate of change to 5.3% – the fastest since about this time last year. 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 continues to gain strength. The index tacked a 0.4% increase in April onto the March gain of 1.0% that was revised up from 0.8%, extending the string of no monthly decreases to thirteen. The 6-month smoothed rate of change has been above 5% in each of the last eight months and above 6% in the most recent two months. Five out of the ten components made positive contributions during April, led by the interest rate spread, building permits and the Conference Board's Leading Credit Index.



According to the **Ohio Coincident Economic Index**, compiled by the Federal Reserve Bank of Philadelphia, the Ohio economy has expanded at a solid pace in recent months. The index increased at an annual rate of 5.4% during the five months ending in April, up from 2.1% during the previous 5-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.

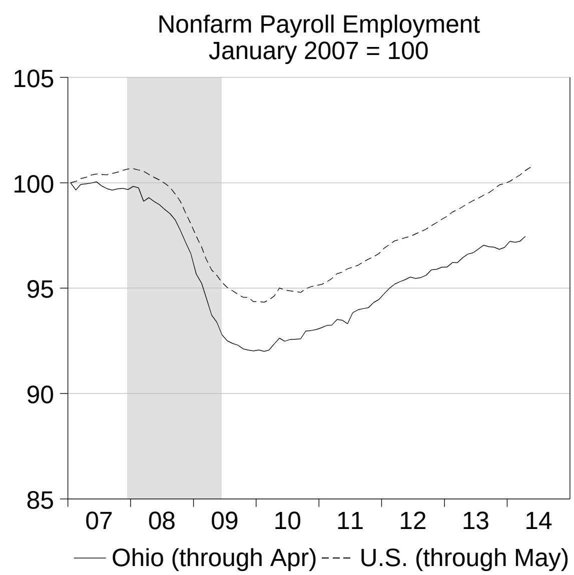


The diffusion of 1-month changes in the Coincident Economic Index across the 50 states (shown above) improved in April, as expected. The indexes for 47 states increased, while the indexes for only two states decreased. In March, the indexes for 40 states increased and the indexes for six states decreased. The diffusion improved modestly over 3-month spans, with the indexes for 45 states increasing and the indexes for five states decreasing. In March, the indexes for 44 states increased. The diffusion of increases and decreases across states in the past has been a reliable and timely indicator of turning points in the business cycle, and continues to suggest uninterrupted growth in the Ohio and national economies.

The companion **Ohio Leading Economic Index** increased to 2.3% in April – its best performance since December. 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 reached a recent low of 0.6% last September. 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 Federal Reserve Bank of Philadelphia across states improved markedly in April, as expected. The number of states with negative readings decreased to two (Alabama and Louisiana) and the number with negative readings for March was revised down from eleven to seven. The recent pattern remains consistent with continued economic expansion.

Employment

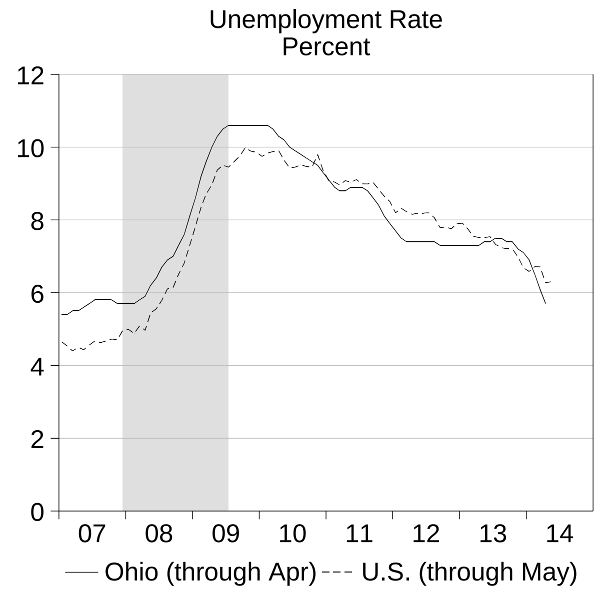


Labor markets continued to strengthen in May. **Nonfarm payrolls** increased by 217,000 jobs. The initial March change was revised down slightly to an increase of 282,000 jobs. The initial estimated February increase of 203,000 jobs was unrevised. The monthly change in payrolls has averaged 214,000 year-to-date and averaged 197,000 per month during the twelve months prior to May.

Fifty-one months after reaching a trough in February 2010, total nonfarm payroll employment topped the previous peak established in January 2008. During the 25 months from January 2008 to February 2010, employment decreased by 8.7 million jobs, or an average of 348,000 jobs per month. During the 51 months from February 2010 to May 2014, employment increased by 8.8 million jobs, or an average of 173,000 jobs per month.

The jobs recovery remains uneven. Employment is still lower than at its peak by 1.9 million jobs, or 13.6%, in manufacturing and by 1.7 million jobs, or 22.3%, in construction. The sectors with the largest increases above the previous peak are education and health services (1.7 million), professional and business services (1.1 million), and leisure and hospitality (1.0 million). Employment is still below its previous peak in government (808,000), finance, insurance and real estate (471,000), trade, transportation and utilities (392,000) and information (385,000).

The increase in payrolls during May was broad-based. Education and health services employment increased by 63,000 jobs, largely driven by hiring in health care and social assistance. Professional and business services increased by 55,000 jobs, largely driven by hiring in professional and technical services and temporary help services. Leisure and hospitality employment increased by 39,000 jobs, almost entirely due to hiring at food services and drinking places. Employment in wholesale trade, retail trade, and transportation and warehousing all increased moderately. Employment in manufacturing and construction increased modestly.



The **unemployment rate** was unchanged at 6.3% in May, after falling by 0.4 points in April. The unemployment rate is down by 3.7 points from the peak of 10.0% in October 2009, but the percentage of the working age population employed, which is now 58.9%, is lower than at the end of the recession and remains below the pre-recession peak of 63.4%.

Ohio employment increased by 12,600 jobs in April, and the March increase was revised higher from 600 jobs to 2,700 jobs. So far in calendar year 2014, Ohio employment is higher by 28,700 jobs. During April, trade, transportation and utilities (+6,200), government (+4,600), other services (+2,900) and manufacturing (+2,100) accounted for more than all of the increase. Employment in educational and health services (-2,800), professional and business services (-900), and financial activities (-100) decreased during the month.

During the 12-month period ending in April, total nonfarm employment growth was 55,300 jobs, while private sector employment actually increased by somewhat more than that, at 59,900 jobs. Gains were widespread, with professional and business services (+18,900), manufacturing (+11,500), leisure and hospitality (+8,900), construction (+7,600), trade, transportation and utilities (+7,500) and educational health services (+6,700) accounting for more than all of the increase. Employment was lower on the year in government (-4,600), financial activities (-4,100), and information (-800).

Employment in and around Ohio continued to pick up in construction and manufacturing during May, according to the Federal Reserve Bank of Cleveland survey. Staffing firms reported stable trends in job openings and placements and numerous vacancies in manufacturing and oil and gas industries.

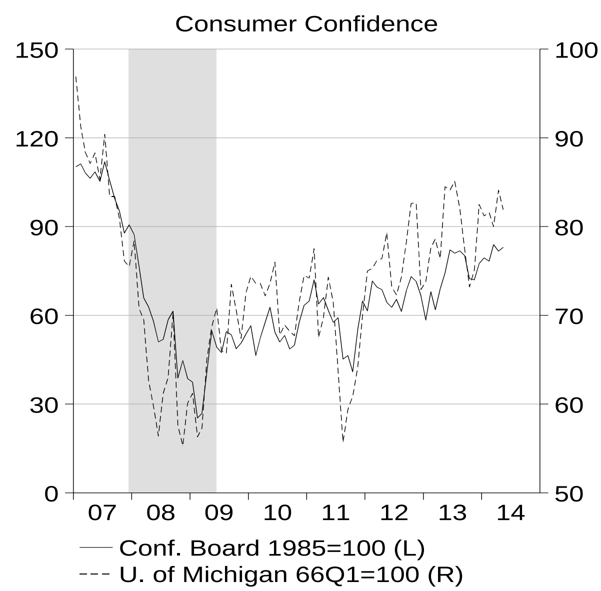
The **Ohio unemployment rate** decreased 0.4 points in April for the sixth straight monthly decline to 1.7 points below the October 2013 level. The Ohio unemployment rate has not been this low since February 2008 –two months after the 2007-09 recession began (according to the dates set by the National Bureau of Economic Research). The reduction in the unemployment rate since October of last year resulted both from a decline in the number of unemployed people (-95,882) and a rise in the number of employed people (+74,569). The difference between those amounts, or 21,313, represents the estimated number of Ohioans who exited the labor force.

Among the **contiguous states**, year-over-year employment growth was strongest in Indiana (+1.6%) and Ohio (+1.1%), compared with weaker increases in West Virginia (+0.8%), Michigan (+0.6%), Pennsylvania (+0.6%), and Kentucky (+0.3%). Year-over-year growth in manufacturing was 1.7% in Ohio. Among the contiguous states, manufacturing employment increased 2.7% in Indiana and 1.7% in Michigan, and decreased 0.9% in Pennsylvania, 0.5% in Kentucky, and 0.4% in West Virginia.

Consumer Income and Consumption

Personal income increased 0.3% in April, following gains of 0.5% in March and 0.4% in February. Wage and salary disbursements, which accounts for approximately one-half of personal income, increased 0.2% in April, after gains of 0.6% in March and 0.3% in February. 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 0.3% in April after gains of 0.5% in March and 0.3% in February. Compared with a year ago, personal income was higher by 3.6% and wage and salary disbursements were also higher by 3.7%.

Personal consumption expenditures decreased 0.1% in April, evening out the very large 1.0% increase in March. Spending for durable goods decreased 0.5% in April after large gains in February and March, reflecting the pattern of auto sales in recent months. Sales of light motor vehicles decreased 2.3% in April after a 6.9% increase in March. Auto sales increased 4.6% in May to an annual rate of 16.7 million units – the highest rate since May 2007. The small step back in spending while incomes continued to increase boosted the saving rate back to just shy of its February level of 4.1%.



Consumer confidence was mixed in May, as the Conference Board index and its main components increased while the Reuters/University of Michigan index of consumer sentiment and its main components deteriorated slightly. Both the Conference Board and Reuters/University of Michigan indexes are up notably since the recent lows of last October-November, but still off their highs of the last year. In general, consumer confidence has made an erratic, moderate recovery during the expansion, but remains in between average recession and expansion readings. For example, the latest Conference Board index value was 19.4% above its historical average during periods of recession, but was still 15.1% below its average during periods of expansion. As long as employment continues to grow, it is likely that consumer confidence will remain on the mend, and support additional gains in household spending.

Manufacturing

Industrial production pulled back after two very strong months, decreasing 0.6% in April. Mining output increased 1.4%. Utility output decreased 5.3%, reflecting a return to more normal weather. Manufacturing output decreased 0.4%, but upward revisions to prior months left the level only 0.1% below the previously reported March level. Compared with a year earlier, industrial production was higher by 3.5% and manufacturing output was higher by 2.9% – a bit slower, but in line with year-over-year comparisons in recent months.

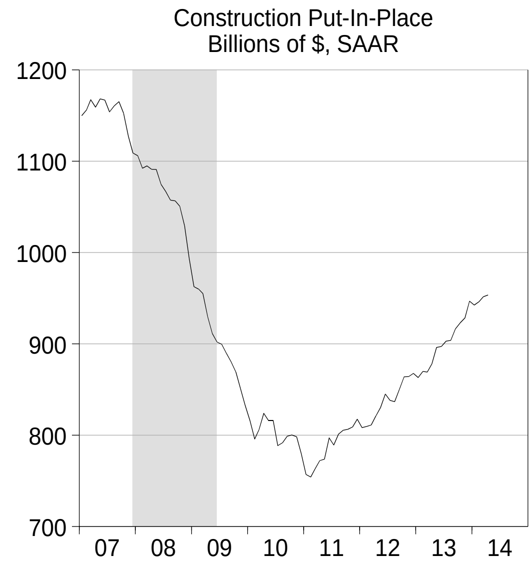
Of particular importance to the **Ohio economy**, motor vehicle assemblies decreased 5.3% to a seasonally adjusted annual rate of 11.7 million units in April, but remained well above the depressed December level of 8.7 million units. Outside of motor vehicles, production across other industries that are important to Ohio was generally weaker on the month. Production of **primary metal** decreased by 1.6% in April, production of **fabricated metal** was flat, and production of **machinery** decreased 1.6%. However, employment gains in these three industries nationally in May suggest that production increased in May. 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.

New orders and production increased modestly during late April and early May, according to the Federal Reserve Bank of Cleveland survey. The strongest demand was evident in aerospace, motor vehicle, oil and gas, and residential construction markets. Steel shipments have grown slightly in recent months, and growth is expected to pick up during the balance of the year. Businesses in the region have growing confidence in the European economy but question the outlook for the Chinese economy. In general, the survey found optimism regarding the U.S. economic outlook.

Purchasing managers at manufacturing firms reported more widespread improvement in activity for the fourth straight month in May, further indicating that the weakness in January was a temporary weather-related episode. The **purchasing managers index** increased to 55.4 in May from 54.9 in April and a recent low of 51.3 in January. Readings near 50.0 are considered neutral, representing a balance between reports of rising and falling activity. Both the important New Orders and Production sub-indexes posted noteworthy gains in May, with the New Orders index rising to 56.9 and the Production index rising to 61.0.

The recent patterns in the purchasing managers index and its sub-indexes, along with reports from regional surveys of manufacturing activity, point to a rebound in manufacturing production from what was likely a temporary setback in April.

Construction



Construction put-in-place inceased by 0.2% in April after rising 0.6% in March and 0.4% in February. Construction was up 8.6% from a year ago. From the low point in February 2011, construction spending has increased 26.4%, or 7.7% annualized during the 38 months ending in April 2014. Despite this gain, the pace of construction remains 21.4% below the March 2006 peak.

Private construction was up 11.7% year-over-year, while public construction was up just 1.2%. Propelled by both single-family and multi-family categories, private residential construction was higher by 17.2% year-over-year. Nonresidential construction increased 5.6% from April 2013, fueled by office (+25.6%), communication (+21.4%), lodging (+17.2%), amusement and recreational (+15.9%), transportation (+12.2), and commercial (+8.1%). Only the religious (-5.2%) and healthcare (-3.5%) sectors posted year-over-year declines among nonresidential categories.

The weakness in housing that became evident several months ago gave way to growth in April, strongly suggesting that severe weather was the main culprit behind the previous weakness. **Housing starts** increased 5.5% across the country on a 3-month moving average basis in April. Midwest starts increased 16.7% from a year ago after very large declines each month during January-March. Both single-family and multi-family starts contributed to the increase across the country and in the Midwest. The more-forward-looking **housing permits** increased 4.1% in April on a 3-month moving average basis after three consecutive monthly declines. The strength came entirely from the multi-family segment. Activity in the Midwest exhibited a similar pattern, with total permits up 2.7%.

Existing home sales remained soft in April on a 3-month moving average basis. Sales were slightly higher than a month earlier across the country and slightly lower in the Midwest. The slight uptick in sales nationally ended a 6-month string of declines. The slight downtick in Midwest sales was the seventh straight decline. Compared with a year earlier, existing home sales were lower in April both nationally and in the Midwest. Realtors have reported that a shortage of available homes is holding back sales in many markets. **Sales of newly built homes** decreased for the third month in a row in April on a 3-month moving average basis, while new home sales jumped 20.0% in the Midwest.

Inventory of existing homes for sale increased in April to its highest level since August 2012, lifting the number of months' supply at the current sales rate to 5.9 months, also the highest since August 2012. Perhaps the added supply will facilitate more sales in the months ahead. The **inventory of new homes for sale** was little changed in absolute terms and decreased to 5.3 months of supply at the current pace of sales.

Home prices increased for the twenty-sixth straight month in March, according to the S&P/Case-Shiller Index of prices in 20 major markets. The index was 12.4% above its year ago level and 25.0% above its recession trough, but remained 17.0% below the peak reached in April 2006. Home prices in Cleveland rebounded 1.2% in March, following a 0.4% decrease in February, to the highest level since November 2008. Cleveland prices are 10.0% above the trough that occurred in February 2012, but 13.2% below the peak that occurred in January 2006.

REVENUES

May **GRF receipts totaled $2,409.7 million** and were $358.8 million (13.0%) below the estimate. Monthly tax receipts totaled $1,931.4 million and were $100.7 million (5.0%) below the estimate, while non-tax receipts totaled $477.6 million and were $258.6 million (35.1%) below estimate. Variances for the fiscal year to date by category are provided in the following table ($ in millions).

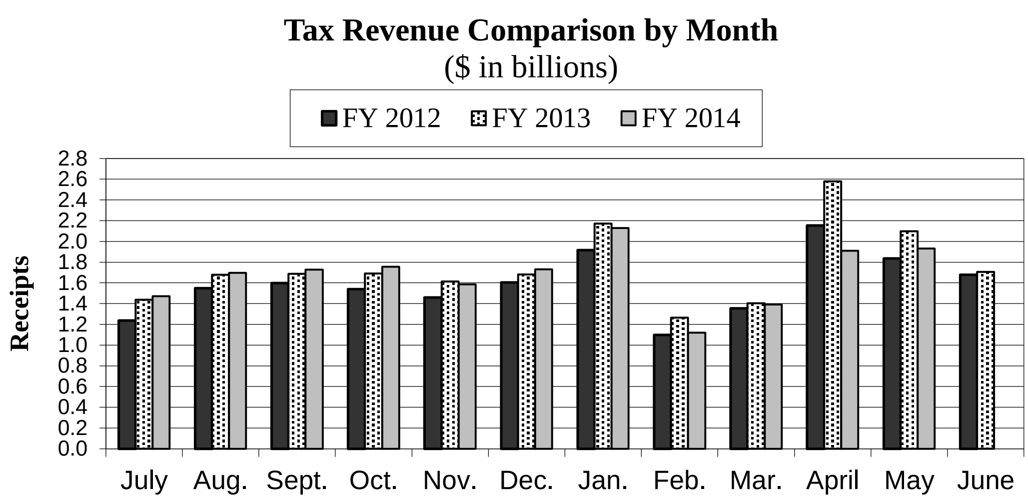
Category	Includes:	YTD Variance	% Variance
Tax receipts	Sales & use, personal income, corporate franchise, financial institutions, commercial activity, MCF, public utility, kilowatt hour, foreign & domestic insurance, other business & property taxes, cigarette, alcoholic beverage, liquor gallonage, & estate	$158.4 million	0.9%
Non-tax receipts	Federal grants, earnings on investments, licenses & fees, other income, intrastate transfers	($256.0 million)	-3.0%
Transfers	Budget stabilization, liquor transfers, capital reserve, other	$49.2 million	683.5%
TOTAL REVENUE VARIANCE:		**($48.4 million)**	**-0.2%**

On a year-over-year basis, monthly receipts were $202.0 million (7.7%) lower than they were in May of the previous fiscal year, as some revenue sources decreased due both to tax policy changes and timing differences between the two fiscal years. A decrease of $190.1 million (26.0%) in personal income tax receipts, when compared to May of the previous fiscal year, was partially offset by an increase in sales and use tax receipts of $36.4 (4.8%) The decrease in the income tax was due to several factors; 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 of $250,000 per taxpayer), 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 $42.4 million (99.9%) in corporate franchise tax receipts due to the tax's elimination was compensated about half as much by the new financial institutions tax collections of $23.0 million.

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

Individual Revenue Sources Above Estimate		**Individual Revenue Sources Below Estimate**	
Natural Gas Distribution Tax (MCF)	$8.0	Federal Grants	($250.7)
Auto Sales & Use Tax	$4.6	Personal Income Tax	($80.1)
Public Utility Tax	$2.5	Financial Institutions Tax	($20.1)
Domestic Insurance Tax	$2.5	Non-Auto Sales & Use Tax	($11.7)
Kilowatt-Hour Tax	$2.0	Commercial Activity Tax	($10.1)
Cigarette Tax	$1.3	Licenses and Fees	($5.0)
		Other Income	($1.7)
		ISTV's	($1.2)
Other Sources Above Estimate	$1.7	Other Sources Below Estimate	($0.7)
Total above	**$22.5**	**Total below**	**($381.3)**

(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

May non-auto sales and use tax collections totaled $685.8 million and were $11.7 million (1.7%) below estimate after two continuous months of over-performance. A weaker than expected performance throughout the fiscal year has created a year-to-date shortfall now at $49.9 million (0.7%). The year to date shortfall is mainly due to unanticipated refund activity for prior year collections ($32 million) in February of this year. Without that one-time refund activity, the shortfall would be only $17.9 million, or 0.2%.

On a year-over-year basis, May 2014 receipts were $36.1 million (5.6%) above the $649.7 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.) For the fiscal year, non-auto sales tax collections are up $550.2 million, or 8.2%, from the year before.

Auto Sales Tax

May auto sales and use tax revenues continued to perform better than estimated with receipts totaling $110.7 million and exceeding the estimate by $4.6 million (4.3%). Nationally, light-vehicle sales surged in May reaching 16.7 million units, after dropping slightly to 16.0 million units (seasonally adjusted annual rate) in April from 16.3 million units in March. This is the highest level of sales since February 2007. Given that there is a slight lag between the sale of an auto and when the state receives the tax, a large portion of May sales activity should be reflected in June 2014 revenues.

Year-to-date collections remained above estimate and the overage grew further to $37.3 million (3.5%), signaling a continuing healthy trend in auto sales. On a year-over-year basis, monthly receipts were only slightly higher than the same month in the previous year, while year-to-date receipts stayed almost the same at $97.6 million (9.7%) 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

May personal income tax receipts totaled $540.3 million and were $80.1 million (12.9%) below the $620.4 million estimate. Unlike April where payments associated with annual returns accounted for more than the entirety of the variance, May experienced weakness across most of the components of the tax with the exception of refunds and local government distributions which were both lower than estimated.

The largest contributor to the May shortfall was the withholding component of the tax as receipts totaled $639.4 million and were $23.5 million (3.5%) short of the estimate. This broke a string of three consecutive months in which this component had performed better than estimated and as a result, the year-to-date positive variance for this component was reduced to $38.1 million (0.5%).

Monthly withholding is somewhat volatile and the results can be difficult to interpret. Looking at the numbers on a quarterly basis helps to smooth out some of the volatility associated with factors such as differences in the number of business days in the same months in different years. When viewed quarterly, income tax withholding has actually been quite consistent so far in FY 2014. Year-to-year growth rates for the first three quarters, adjusted for the 9 percent rate cut that began in September, were 5.6%, 5.4%, and 6.3%, respectively. The quarterly variances from the estimate were $4.0 million, $14.3 million, and $22.0 million.

As in April, payments associated with annual returns again made a substantial contribution to the monthly shortfall as receipts totaled $11.3 million and were $22.4 million (66.5%) below the estimate of $33.7 million. This performance 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 quarterly estimated payments and trusts were other components with a negative variance, with respective shortfalls of $17.7 million (65.5%), and $11.7 million (82.6%).

Refunds have been below the estimate every month of fiscal year 2014. The peak variance was in January, and April also had a large variance. The deviation from estimate is now tapering off. May refunds totaled $101.1 million and were $3.1 million (3.0%) short of the estimate of $104.2 million. As mentioned in the previous two monthly 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, May personal income tax receipts were $190.1 million (26.0%) below the May 2013 level. The withholding component accounted for the largest portion of this decline with receipts decreasing by $76.1 million (10.6%). Payments associated with annual returns accounted for the next largest decline registering $38.2 million (77.2%) lower than the level of the same month of the prior fiscal year. This shortfall is presumably due to the 8.5% tax rate cut, combined with the 50% small business income tax deduction enacted in H.B. 59. The quarterly estimated payments and trusts also showed substantial year-over-year declines of $35.4 million (79.2%) and $23.1 (90.4%) million respectively compared to the level of the same month in the prior fiscal year. Refunds also contributed to the total decline, by being $27.4 million (37.2%) higher than the level recorded in May of the previous fiscal year.

Year-to-date, personal income tax receipts for the first eleven months in fiscal year 2014 exceeded the estimate by $173.9 million (2.4%) but were $1,321.1 million (15.3%) 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 MAY	ACTUAL MAY	$ VAR MAY	ESTIMATE Y-T-D	ACTUAL Y-T-D	$ VAR Y-T-D
Withholding	$662.9	$639.4	($23.5)	$7,271.9	$7,310,0	$38.1
Quarterly Est.	$27.0	$9.3	($17.7)	$929.3	$1,002.5	$73.2
Trust Payments	$14.1	$2.4	($11.7)	$63.8	$57.8	($6.0)
Annual Returns & 40 P	$33.7	$11.3	($22.4)	$997.1	$791.5	($205.6)
Other	$21.0	$11.4	($9.6)	$147.2	$115.2	($32.0)
Less: Refunds	($104.2)	($101.1)	$3.1	($1,965.7)	($1,653.3)	$312.4
Local Distr.	($34.1)	($32.5)	($1.6	($308.0)	($314.1)	($6.1)
Net to GRF	**$620.4**	**$540.3**	**($80.1)**	**$7,135.6**	**$7,309.5**	**$173.9**

Corporate Franchise Tax

As noted in previous months' reports, although the corporate franchise tax has been eliminated, prior year settlement activity continues. This results in a 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, May 2014 receipts for this tax source were $42.4 million (99.9%) below those of May 2013.

Financial Institutions Tax

May receipts totaled $23.0 million and were $20.1 million (46.6%) below the estimate. Similar to March, the payment was due on the last day of the month and OBM anticipates that a substantial portion will spill over into June and that in assessing performance it is necessary to look at the combined May and June results. Year-to-date receipts totaled $171.3 million and were $15.3 million (8.2%) below estimate.

Commercial Activity Tax

May commercial activity tax (CAT) receipts to the GRF totaled $162.2 million and were $10.1 million (5.8%) below the estimate of $172.3 million. May's under performance is primarily due to higher than expected credits against the tax. As a result of the May shortfall, year-to-date GRF CAT receipts now total $786.2 million and are $22.5 million (2.8%) below estimate.

All-funds CAT receipts for May (net of refunds and attorney general fees) totaled $364.2 million and were $30.4 million (7.7%) below the $394.6 million estimate. All-funds receipts for the year-to-date totaled $1685.2 million and were $87.1 million (4.9 %) below the estimate.

Year-to-date, GRF CAT receipts have decreased from fiscal year 2013 by $0.8 million (0.1%), while all-funds CAT receipts have increased by $97.6 million (6.1%) 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 ($$80.9 million year-to-date).

Kilowatt-Hour Tax

May kilowatt hour tax receipts totaled $21.1 million and were $2.0 million (10.3%) above estimate for the third month in a row. Year-to-date collections continued to improve but remained below the estimate by $4.0 million (1.4%). On a year-over-year basis, this tax source was $4.9 million (30.4%) above the $16.2 million collected in May of the previous fiscal year. However, year-to-date collections continue to lag last year's by a marginal amount (0.1%).

Natural Gas Distribution Tax (MCF Tax)

May natural gas distribution tax receipts totaled $34.8 million and were $8.0 million (29.7%) above the $26.8 million estimate. Year-to-date receipts from the natural gas distribution tax increased to $76.1 million and were $17.5 million (29.9%) above the estimate. This strong performance was most likely a consequence of the long, harsh winter and the resulting increased demand for natural gas heating.

Cigarette Tax

Cigarette tax receipts for May totaled $127.7 million and were $1.3 million (1.0%) above the estimate of $126.4 million. For the fiscal year, collections are almost exactly at the estimate, with an overage of $0.1 million. On a year-over-year basis, May 2014 cigarette tax receipts were $12.7 million (9.0%) below the level for the same month of the previous fiscal year while year-to-date collections are now $21.0 million (2.7%) below the level in the corresponding period of fiscal year 2013.

GRF non-tax receipts totaled $477.6 million in May and were $258.6 million (35.1%) below the estimate. The majority of this shortfall was due to a $250.7 million (34.5%) negative variance in federal revenue that can be primarily attributed to lower than estimated GRF Medicaid spending. Also contributing to the variance was license and fee, other income and ISTV's that were a combined $8.0 million below estimate.

May GRF transfers totaled $0.7 million and were slightly above estimate. Year-to-date transfers total $56.4 million and are $49.2 million (683.5%) 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 MAY	MONTH ESTIMATE MAY	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	685,797	697,500	(11,703)	-1.7%	7,255,795	7,305,700	(49,905)	-0.7%
Auto Sales & Use	110,665	106,100	4,565	4.3%	1,104,998	1,067,700	37,298	3.5%
Subtotal Sales & Use	796,462	803,600	(7,138)	-0.9%	8,360,793	8,373,400	(12,607)	-0.2%
Personal Income	540,322	620,400	(80,078)	-12.9%	7,309,490	7,135,600	173,890	2.4%
Corporate Franchise	59	0	59	N/A	(11,768)	0	(11,768)	N/A
Financial Institutions Tax	22,994	43,100	(20,106)	-46.6%	171,341	186,600	(15,259)	-8.2%
Commercial Activity Tax	162,229	172,300	(10,071)	-5.8%	786,160	808,639	(22,479)	-2.8%
Public Utility	33,518	31,000	2,518	8.1%	105,887	99,800	6,087	6.1%
Kilowatt Hour	21,064	19,100	1,964	10.3%	288,130	292,150	(4,020)	-1.4%
MCF Tax	34,765	26,800	7,965	29.7%	76,110	58,600	17,510	29.9%
Foreign Insurance	(13,105)	(12,400)	(705)	-5.7%	288,152	279,100	9,052	3.2%
Domestic Insurance	195,981	193,500	2,481	1.3%	196,134	194,700	1,434	0.7%
Other Business & Property	123	0	123	N/A	619	0	619	N/A
Cigarette	127,717	126,400	1,317	1.0%	749,573	749,500	73	0.0%
Alcoholic Beverage	4,741	4,000	741	18.5%	50,748	49,200	1,548	3.1%
Liquor Gallonage	3,356	3,300	56	1.7%	38,030	37,400	630	1.7%
Estate	1,201	1,000	201	20.1%	38,424	24,700	13,724	55.6%
Total Tax Receipts	1,931,426	2,032,100	(100,674)	-5.0%	18,447,822	18,289,389	158,433	0.9%
NON-TAX RECEIPTS								
Federal Grants	475,881	726,574	(250,693)	-34.5%	8,156,373	8,401,285	(244,912)	-2.9%
Earnings on Investments	0	0	0	N/A	12,350	8,000	4,350	54.4%
License & Fees	958	6,000	(5,042)	-84.0%	56,672	66,000	(9,328)	-14.1%
Other Income	725	2,375	(1,650)	-69.5%	16,391	26,125	(9,734)	-37.3%
ISTV'S	1	1,250	(1,249)	-100.0%	17,364	13,750	3,614	26.3%
Total Non-Tax Receipts	477,564	736,199	(258,636)	-35.1%	8,259,150	8,515,160	(256,010)	-3.0%
TOTAL REVENUES	**2,408,990**	**2,768,299**	**(359,309)**	**-13.0%**	**26,706,971**	**26,804,549**	**(97,577)**	**-0.4%**
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	708	200	508	254.2%	50,896	7,200	43,696	606.9%
Temporary Transfers In	0	0	0	N/A	5,516	0	5,516	N/A
Total Transfers	708	200	508	N/A	56,412	7,200	49,212	683.5%
TOTAL SOURCES	**2,409,698**	**2,768,499**	**(358,801)**	**-13.0%**	**26,763,383**	**26,811,749**	**(48,365)**	**-0.2%**

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

	MONTH				YEAR-TO-DATE			
REVENUE SOURCE	**MAY FY 2014**	**MAY FY 2013**	**$ VAR**	**% VAR**	**ACTUAL FY 2014**	**ACTUAL FY 2013**	**$ VAR**	**% VAR**
TAX RECEIPTS								
Non-Auto Sales & Use	685,797	649,672	36,125	5.6%	7,255,795	6,705,630	550,165	8.2%
Auto Sales & Use	110,665	110,362	303	0.3%	1,104,998	1,007,424	97,574	9.7%
Subtotal Sales & Use	796,462	760,034	36,428	4.8%	8,360,793	7,713,054	647,739	8.4%
Personal Income	540,322	730,437	(190,116)	-26.0%	7,309,490	8,630,559	(1,321,069)	-15.3%
Corporate Franchise	59	42,437	(42,378)	-99.9%	(11,768)	273,977	(285,745)	-104.3%
Financial Institutions Tax	22,994	0	22,994	N/A	171,341	0	171,341	N/A
Commercial Activity Tax	162,229	157,902	4,327	2.7%	786,160	786,949	(789)	-0.1%
Public Utility	33,518	28,056	5,461	19.5%	105,887	96,557	9,330	9.7%
Kilowatt Hour	21,064	16,151	4,913	30.4%	288,130	288,286	(156)	-0.1%
MCF Tax	34,765	29,676	5,089	17.1%	76,110	57,608	18,502	32.1%
Foreign Insurance	(13,105)	(11,895)	(1,210)	-10.2%	288,152	277,029	11,123	4.0%
Domestic Insurance	195,981	189,610	6,371	3.4%	196,134	194,560	1,574	0.8%
Other Business & Property	123	853	(730)	-85.6%	619	34,463	(33,844)	-98.2%
Cigarette	127,717	140,416	(12,699)	-9.0%	749,573	770,535	(20,962)	-2.7%
Alcoholic Beverage	4,741	3,604	1,136	31.5%	50,748	48,952	1,797	3.7%
Liquor Gallonage	3,356	3,210	146	4.6%	38,030	36,989	1,041	2.8%
Estate	1,201	8,095	(6,894)	-85.2%	38,424	100,527	(62,104)	-61.8%
Total Tax Receipts	1,931,426	2,098,587	(167,161)	-8.0%	18,447,822	19,310,046	(862,224)	-4.5%
NON-TAX RECEIPTS								
Federal Grants	475,881	503,948	(28,067)	-5.6%	8,156,373	7,304,635	851,738	11.7%
Earnings on Investments	0	0	0	N/A	12,350	7,326	5,024	68.6%
License & Fee	958	3,495	(2,537)	-72.6%	56,672	69,489	(12,818)	-18.4%
Other Income	725	5,633	(4,909)	-87.1%	16,391	511,211	(494,820)	-96.8%
ISTV'S	1	4	(3)	-85.0%	17,364	24,346	(6,982)	-28.7%
Total Non-Tax Receipts	477,564	513,080	(35,516)	-6.9%	8,259,150	7,917,006	342,143	4.3%
TOTAL REVENUES	**2,408,990**	**2,611,667**	**(202,677)**	**-7.8%**	**26,706,971**	**27,227,052**	**(520,081)**	**-1.9%**
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	708	0	708	N/A	50,896	9,251	41,645	450.2%
Temporary Transfers In	0	0	0	N/A	5,516	0	5,516	N/A
Total Transfers	708	0	708	N/A	56,412	97,251	(40,839)	-42.0%
TOTAL SOURCES	**2,409,698**	**2,611,667**	**(201,969)**	**-7.7%**	**26,763,383**	**27,324,303**	**(560,920)**	**-2.1%**

DISBURSEMENTS

May GRF disbursements, across all uses, totaled $2,246.1 million and were $239.7 million (9.6%) below estimate. This was primarily attributable to lower than estimated disbursements in the Medicaid category being partially offset by higher than estimated disbursements in the Property Tax Reimbursements and Health and Human Services categories. On a year-over-year basis, May total uses were $57.5 million (2.6%) higher than those of the same month in the previous fiscal year, with the Property Tax Reimbursements category largely responsible for the increase. 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)	($1,098.7 million)	-3.9%
Transfers	Temporary or permanent transfers out of the GRF that are not agency expenditures	$4.4 million	0.4%
TOTAL DISBURSEMENTS VARIANCE:		**($1,094.3 million)**	**-3.7%**

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. May disbursements for this category totaled $469.6 million and were $68.8 million (12.8%) below the estimate. Expenditures for the school foundation program totaled $450.4 million and were $68.7 million (13.2%) below the estimate. This negative variance in the foundation program disbursements was expected and offset higher than anticipated disbursements that occurred during the first half of the fiscal year.

Year-to-date expenditures for this category totaled $6,318.3 million and were $67.4 million (1.1%) above the estimate. This was largely driven by the school foundation program, which had year-to-date expenditures of $5,852.1 million and was $114.8 million (2.0%) 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 again in June and the combination of disbursements and encumbrances should end the fiscal year very near to the estimate.

Higher Education

May disbursements for Higher Education totaled $175.6 million and were $17.5 million (9.0%) below the estimate for the month. Year-to-date disbursements were $1,921.9 million, which was $19.6 million (1.0%) below the estimate. The most significant monthly variance was due to spending in the Ohio National Guard, Ohio College Opportunity Grant, and Choose Ohio First Scholarship Programs being below the monthly estimate by $8.2 million as a result of lower than expected requests for reimbursement from higher education institutions. A slightly smaller portion of the monthly variance, $6.2 million, was due to timing associated with a lower than expected number of invoices received and paid in May. Finally, the remainder 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.

On a year-over-year basis, disbursements in this category were $7.1 million (4.2%) higher than for the same month in the previous fiscal year while year-to-date expenditures were $42.5 million (2.3%) 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. May disbursements in this category totaled $2.6 million and were $0.2 million (9.9%) above estimate.

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.

Expenditures

Year-to-date GRF disbursements for the Medicaid Program totaled $12,842.5 million and were $841.0 million (6.1%) below the estimate and $617.2 million (5.0%) above the same point in the previous fiscal year. GRF Disbursements in May totaled $836.9 million and were $340.8 million (28.9%) below the estimate and $26.2 million (3.2%) above disbursements in the same month of the previous fiscal year.

May all-funds disbursements totaled $2,206.5 million and were $209.7 million (10.5%) above the estimate and $206.2 million (10.3%) above disbursements at this point in the previous fiscal year. The May underage currently observed in the GRF corresponds to much of the overage in the non-GRF as certain expenditures were temporarily shifted to non-GRF funds.

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)

	May Projection	May Actual	Variance	Variance %
GRF	$ 1,177.7	$ 836.9	$ (340.8)	-28.9%
Non-GRF	$ 819.1	$ 1,369.6	$ 550.5	67.2%
All Funds	$ 1,996.8	$ 2,206.5	$ 209.7	10.5%

Categorical Variances

MyCare Ohio – Expenditures within this new managed care group were $148.8 million below the estimate due to a change in the rollout of the program.

Nursing Facility – Expenditures within this category were $59.7 million above the estimate. This corresponds with the negative variance observed within the MyCare Ohio category as it was expected certain Nursing Facility expenditures would shift into that category as the program began to come online.

Hospital UPL – This non-GRF category was $239.2 million above estimate in May due to the timing of payments originally scheduled in April, but made in May. Year-to-date, this category was $12.6 million (2.5%) below estimate.

Medicaid Extension – Medicaid benefits were extended to certain Ohioans who were previously ineligible effective January 1, 2014. In May, expenditures in this 100% federally-funded, non-GRF category totaled $155.1 million. Year-to-date expenditures totaled $328.7 million and represent 58.5% of the $561.7 million appropriated for this fiscal year.

Enrollment

Total May enrollment across all categories was 2.62 million. The most significant components are the Covered Families and Children (CFC) category, which increased by 18,338 persons to a May total of 1.96 million persons, and the Aged, Blind and Disabled (ABD) category, which decreased by 644 people to a May total of 435,527 covered lives.

Individuals covered under Medicaid extension (eligibility group VIII) totaled 243,230, 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 1.68 million persons in the CFC category and 428,167 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.

May disbursements in this category totaled $111.8 million and were $58.8 million (110.8%) above estimate for the month.

Department of Job and Family Services
May disbursements for the Ohio Department of Job and Family Services totaled $59.5 million and were $31.2 million (110.1%) above estimate. This variance was attributable to several lines. First, Program Support was $3.7 million (74.2%) below estimate due to an adjustment entry from May of the previous fiscal year not occurring during May of this fiscal year as anticipated. Second, Early Care and Education was $24.8 million (467.4%) above estimate due to changes in the disbursement schedule as a result of the federal shutdown, as discussed in previous reports. Finally, TANF State/Maintenance of Effort disbursements were $11.8 million above estimate due to $10.0 million of county administration disbursements being made in May instead of the beginning of the quarter as previously anticipated, and $1.7 million in disbursements being made for the Ohio Works Now program. Year-to-date disbursements were $638.1 million and were $26.7 million (4.0%) below estimate. This variance was due partly to lower than estimated disbursements in Program Support and Information Technology Projects.

Department of Health
May disbursements for the Department of Health totaled $10.3 million and were $4.4 million (75.3%) above estimate for the month. May's variance was primarily driven by Help Me Grow disbursements being $2.0 million (76.2%) above estimate due to subsidy payments occurring earlier than originally estimated. These subsidy payments, which were originally intended to be encumbered in fiscal year 2014 and disbursed in fiscal year 2015, have instead been disbursed this fiscal year. As a result, the Department will have lower than expected encumbrances, but total spending is expected to meet estimates at year-end. The remaining variance is attributable to smaller variances in multiple lines, as disbursements planned for earlier in the fiscal year were made in May instead. Year-to-date disbursements were $68.1 million and were $7.8 million (10.3%) below estimate.

Department of Mental Health and Addiction Services

May disbursements for the Department of Mental Health and Addiction Services totaled $38.7 million and were $23.6 million (155.1%) above estimate. This was due primarily to $26.0 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 May instead.

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. May disbursements in this category totaled $123.3 million and were $7.9 million (6.0%) below the projected totals.

Department of Rehabilitation and Correction

Department of Rehabilitation and Correction disbursements totaled $95.4 million in May, and were $5.4 million (5.4%) below the estimate. This variance was attributable to lower than expected costs for institutional medical services. Department disbursements year-to-date were $1,310.9 million, which was $26.4 million (2.0%) below 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 $9.0 million in May, and were $1.9 million (17.6%) below the estimate. This variance resulted from lower than anticipated disbursements for the RECLAIM Ohio program during the month. Department disbursements year-to-date were $181.6 million, which was $5.5 million (2.9%) 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. May disbursements in this category totaled $24.0 million and were $0.3 million (1.3%) below the estimate.

Department of Administrative Services

The Department of Administrative Services (DAS) disbursements totaled $2.9 million in May and were $2.3 million (381.9%) 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 May, DAS continued catching 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 due to the delayed rental rates.

Department of Natural Resources

May disbursements for the Department of Natural Resources totaled $3.9 million and were $0.35 million (8.3%) below estimate. Year-to-date disbursements were $50.5 million which was $1.8 million (3.6%) above the estimate. The monthly variance was attributable to the Soil and Water Resources line being below estimate by $0.3 million (95.7%) due to spending less from the GRF than planned.

Development Services Agency

May disbursements for the Development Services Agency totaled $2.3 million and were $0.4 million (23.5%) above estimate. Year-to-date disbursements were $33.4 million and were $8.5 million (20.3%) below the estimate. Monthly variances were attributable to the Technology Programs and Grants line being above estimate due to higher than anticipated reimbursements being paid in May.

Department of Taxation

May disbursements for Operating Expenses at the Department of Taxation totaled $4.8 million and were $1.1 million (18.3%) below the estimate for the month. Year-to-date disbursements were $58.7 million, which was $6.8 million (10.3%) below the estimate. The monthly and year-to-date under spending reflects payroll savings resulting from attrition and planned efficiencies.

On a year-over-year basis, disbursements for operations were slightly below May of the previous fiscal year, while year-to-date expenditures were $6.7 million (10.3%) 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. May disbursements of property tax reimbursements totaled $478.8 million and were $127.4 million (36.2%) above the estimate. This variance was due to reimbursement requests being received from counties later than anticipated and as a result disbursements estimated for earlier months occurred in May. Through May, property tax reimbursement distributions totaled $1,457.7 million and were $155.6 million (9.6%) below the estimate of $1,613.2 million. As spending estimated for earlier months continues to catch up, it is expected that June will also be above estimate while 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. May debt service payments totaled $12.4 million and were $1.9 million (13.2%) below the estimate of $14.3 million. This month’s lease/rental payments included $11.1 million for the Department of Developmental Disabilities and Mental Health and Addiction Services and $1.2 million for the Department of Natural Resources. Year-to-date, the debt service category disbursed $1,160.8 million and was $49.7 million (4.1%) below the estimate of $1,210.4 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 appropriations.

Transfers Out

May transfers out of the GRF totaled $11.1 million and were above estimate by that amount due to a transfer for Hospital/Vendor Offsets to the Health Care Services Administration fund. This transfer occurred in May but had been scheduled for earlier in the fiscal year.

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

	MONTH				YEAR-TO-DATE			
Functional Reporting Categories Description	**ACTUAL MAY**	**ESTIMATED MAY**	**$ VAR**	**% VAR**	**YTD ACTUAL**	**YTD ESTIMATE**	**$ VAR**	**% VAR**
Primary and Secondary Education	469,613	538,426	(68,813)	-12.8%	6,318,255	6,250,871	67,384	1.1%
Higher Education	175,568	193,017	(17,450)	-9.0%	1,921,944	1,941,547	(19,603)	-1.0%
Other Education	2,566	2,334	232	9.9%	48,638	51,926	(3,288)	-6.3%
Medicaid	836,894	1,177,702	(340,808)	-28.9%	12,842,465	13,683,423	(840,958)	-6.1%
Health and Human Services	111,807	53,040	58,767	110.8%	1,182,599	1,220,897	(38,298)	-3.1%
Justice and Public Protection	123,347	131,259	(7,912)	-6.0%	1,701,321	1,742,136	(40,815)	-2.3%
General Government	23,981	24,305	(324)	-1.3%	325,539	343,462	(17,923)	-5.2%
Property Tax Reimbursements	478,845	351,485	127,360	36.2%	1,457,672	1,613,230	(155,557)	-9.6%
Capital Outlay	0	0	0	N/A	0	0	0	N/A
Debt Service	12,392	14,275	(1,883)	-13.2%	1,160,786	1,210,446	(49,660)	-4.1%
Total Expenditures & ISTV's	**2,235,013**	**2,485,843**	**(250,830)**	**-10.1%**	**26,959,218**	**28,057,937**	**(1,098,719)**	**-3.9%**
Transfers Out:								
BSF Transfer Out	0	0	0	N/A	995,930	995,930	0	0.0%
Operating Transfer Out	11,071	0	11,071	N/A	244,312	245,422	(1,110)	-0.5%
Temporary Transfer Out	0	0	0	N/A	5,516	0	5,516	N/A
Total Transfers Out	**11,071**	**0**	**11,071**	**N/A**	**1,245,758**	**1,241,352**	**4,406**	**0.4%**
Total Fund Uses	**2,246,084**	**2,485,843**	**(239,759)**	**-9.6%**	**28,204,976**	**29,299,290**	**(1,094,313)**	**-3.7%**

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

	MONTH				YEAR-TO-DATE			
Functional Reporting Categories Description	**MAY FY 2014**	**MAY FY 2013**	**$ VAR**	**% VAR**	**ACTUAL FY 2014**	**ACTUAL FY 2013**	**$ VAR**	**% VAR**
Primary and Secondary Education	469,613	613,642	(144,029)	-23.5%	6,318,255	6,140,631	177,624	2.9%
Higher Education	175,568	168,422	7,145	4.2%	1,921,944	1,879,411	42,533	2.3%
Other Education	2,566	2,381	186	7.8%	48,638	48,254	383	0.8%
Medicaid	836,894	810,706	26,188	3.2%	12,842,465	12,225,307	617,158	5.0%
Health and Human Services	111,807	82,235	29,572	36.0%	1,182,599	1,097,102	85,497	7.8%
Justice and Public Protection	123,347	126,253	(2,906)	-2.3%	1,701,321	1,667,131	34,190	2.1%
General Government	23,981	38,136	(14,156)	-37.1%	325,539	326,571	(1,032)	-0.3%
Property Tax Reimbursements	478,845	324,955	153,890	47.4%	1,457,672	1,580,288	(122,616)	-7.8%
Capital Outlay	0	0	0	N/A	0	137	(137)	N/A
Debt Service	12,392	13,879	(1,487)	-10.7%	1,160,786	1,133,668	27,118	2.4%
Total Expenditures & ISTV's	**2,235,013**	**2,180,609**	**54,404**	**2.5%**	**26,959,218**	**26,098,500**	**860,718**	**3.3%**
Transfers Out:								
BSF Transfer	0	0	0	N/A	995,930	235,096	760,834	323.6%
Operating Transfer Out	11,071	8,008	3,063	38.2%	244,312	118,890	125,422	105.5%
Temporary Transfer Out	0	0	0	N/A	5,516	0	5,516	N/A
Total Transfers Out	**11,071**	**8,008**	**3,063**	**N/A**	**1,245,758**	**353,987**	**891,772**	**251.9%**
Total Fund Uses	**2,246,084**	**2,188,618**	**57,467**	**2.6%**	**28,204,976**	**26,452,487**	**1,752,489**	**6.6%**

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 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	29,983,557
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	**286,958**

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

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