OBM

July 10, 2014

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

FROM: Timothy S. Keen, Director TK

SUBJECT: Monthly Financial Report

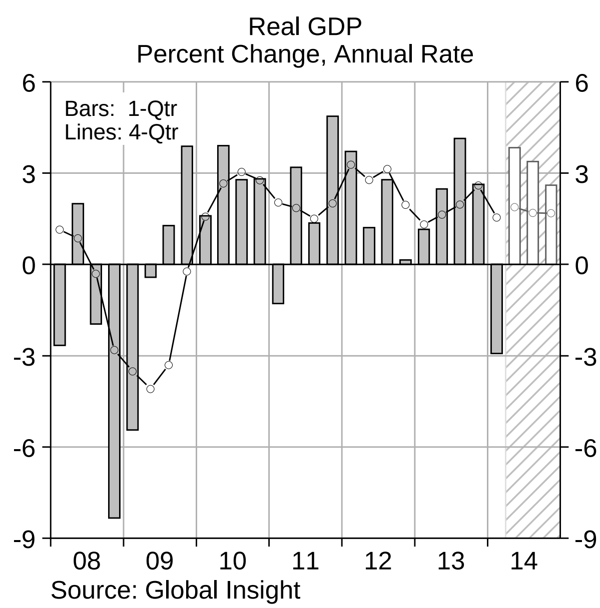
ECONOMIC SUMMARY

Economic Performance Overview

- The change in first-quarter real GDP was revised downward to a decrease of 2.9% – the first quarterly decline in three years. Related data indicate that growth resumed in the second quarter.
- U.S. employment increased by 288,000 jobs in June and the unemployment rate fell to 6.1%.
- Ohio employment increased by 2,900 jobs in May and the unemployment rate fell to 5.5% – the lowest point since before the 2007-09 recession.
- Leading economic indicators remain consistent with uninterrupted growth at a modest pace across the country and in Ohio despite the setback in overall growth during the first quarter.

Economic Growth

The economy shrank at an annual rate of 2.9% in the first quarter, according to the second revision of **real GDP**, down from the previous estimate of -1.0%. Although the decrease was the largest quarterly drop in the historical record during an economic expansion, other major economic indicators show that the overall economy resumed growing during the second quarter, and forecasters continue to project growth through year end and during 2015.



The decrease was entirely accounted for by a significant slowdown in inventory accumulation, which subtracted 1.7 points from real GDP growth, and exports, which subtracted 1.2 points from growth. The negative contribution from inventories resulted from a return to a normal pace of inventory accumulation after two quarters of unusually large inventory buildup. The negative contribution from exports resulted from the 8.9% annualized decrease in exports – the largest during an expansion since the fourth quarter of 1977. Declines in all other major categories besides consumer spending combined to offset the 0.7% positive contribution to overall growth from consumer spending.

Source: The Conference Board

The downward revision to the change in real GDP during the first quarter primarily reflected downward revisions to personal consumption expenditures and to exports. In addition, imports were revised upward, which reduced the estimate of goods and services produced domestically. Although consumer spending was revised lower largely across the board, the majority of the adjustment resulted from a downward revision to expenditures on health care services. The revision was caused by inaccurate assumptions underlying the previous estimate regarding spending on medical services related to the Affordable Care Act. The downward adjustment to exports reflected weaker-than-anticipated overseas sales of both goods and services. Potential weakness in overseas markets is a key external risk to the growth outlook.

Corporate profits continued to increase at a modest pace in the first quarter, excluding the effects of expiring tax act provisions. Corporate profits from current production decreased 9.1% before tax and 13.0% after tax, but the declines were entirely due to the expiration of investment incentives created by the American Taxpayer Relief Act of 2012. Without these effects, profits increased 1.3% in the first quarter, following increases of 2.1% in each of three previous quarters. Profits are widely expected to have resumed rising in the second quarter and to continue rising in subsequent quarters, as they have following similar tax-related declines in the past, most recently in the first quarter of 2012.

The weakness in first-quarter real GDP and profits from current production is not evident in other major economic indicators. In particular, leading indicators remain consistent with uninterrupted growth through the summer. The rate of change in **ECRI's Weekly Leading Index** remained in the mid-single digits through June, pointing toward uninterrupted economic growth ahead.

At the same time, the composite **Leading Economic Index** from the Conference Board remains strong. The index tacked a 0.5% increase in May onto gains of 0.3% in April and 1.0% in March. The 6-month smoothed rate of change has been above 5% in each of the last nine months and at roughly 6% for the most recent three months.

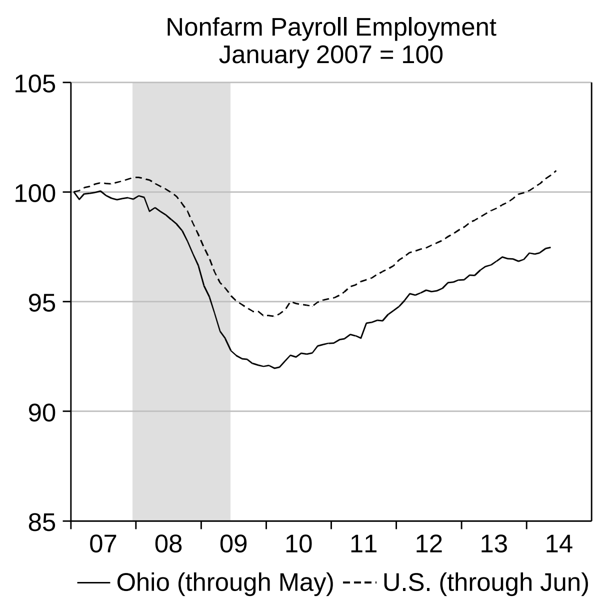
According to the **Ohio Coincident Economic Index**, compiled by the Federal Reserve Bank of Philadelphia, the Ohio economy has expanded at a solid pace in recent months. The index increased at an annual rate of 5.7% during the six months ending in May, up from 2.9% during the six months ending this past December. 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.

Source: Philadelphia Federal Reserve Bank

The diffusion of changes in the Coincident Economic Index across the 50 states was mixed, but generally positive in May. The index increased for 40 states compared with the month before, down from 46 states in April. The number of states registering increases compared with the period three months earlier has been stable at 46 since March. 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** was 2.3% in May – the seventh month in a row near or above 2%. The index, which is compiled by the Federal Reserve Bank of Philadelphia, is designed to predict the rate of increase in the coincident index during the next six months. It reached a recent low of 0.8% last July. 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 summer and into fall.

The diffusion of positive readings in the individual leading indexes also from the Federal Reserve Bank of Philadelphia across states was stable in May. The number of states with negative readings increased to six from four states in April (Alaska, Louisiana, Vermont, Virginia, West Virginia, and Wyoming). The recent pattern remains consistent with continued economic expansion.



<u>Employment</u>

Labor markets continued to strengthen in June, as **nonfarm payrolls** increased by 288,000 jobs, and the changes in the two previous months were revised higher by a total of 29,000 jobs. The monthly change in payrolls averaged 272,000 in the second quarter and has averaged 231,000 year-to-date. During 2013, the average monthly change in employment was 194,000.

The **unemployment rate** decreased from 6.3% in May to 6.1% in June, partly due to an increase in employment but mainly due to a decrease in the labor force. The broadest measure of unemployment, which includes people who would like to work but have stopped looking because of poor prospects, edged down again but remained elevated at 12.1%. Average hourly earnings increased by 0.2%. Aggregate hours worked increased 0.2% in June but 3.8% annualized for the quarter.

The increase in payrolls during June was broad-based. Employment in professional and business services increased by 67,000 jobs. Retail trade added 40,000 jobs and leisure and hospitality and education and health services added 39,000 jobs and 38,000 jobs, respectively. Construction employment increased by 6,000 jobs and manufacturing employment increased by 16,000 jobs. Government employment expanded by 26,000 jobs. Among major sectors, employment declined only in other services (-6,000).

Ohio employment increased by 2,900 jobs in May. Year-to-date, Ohio employment is higher by 29,400 jobs, with the increases concentrated in professional and business services (+13,500), manufacturing (+7,300), other services (+4,500), and leisure and hospitality (+2,600). Employment is lower on the year only in financial activities (-1,700) and information (-600).

The **Ohio unemployment rate** fell to 5.5% – the lowest level since April 2007. The unemployment rate was 7.1% at the start of the year. The reduction in the unemployment rate since August of last year resulted both from a decline in the number of unemployed people (-116,081) and a rise in the number of employed people (+75,058). The difference represents the number of people who exited the labor force.

Among the **contiguous states**, year-over-year employment growth was strongest in West Virginia (+3.1%), compared with increases in Indiana (+1.8%), Pennsylvania (+1.1%), Kentucky and Ohio (+0.9%), and Michigan (+0.6%). Year-over-year growth in manufacturing was 1.8% in Ohio. Among the contiguous states, manufacturing employment increased 2.8% in Indiana, 1.5% in Michigan, and 0.2% in West Virginia and decreased 0.9% in Pennsylvania and 0.3% in Kentucky.

Consumer Income and Consumption

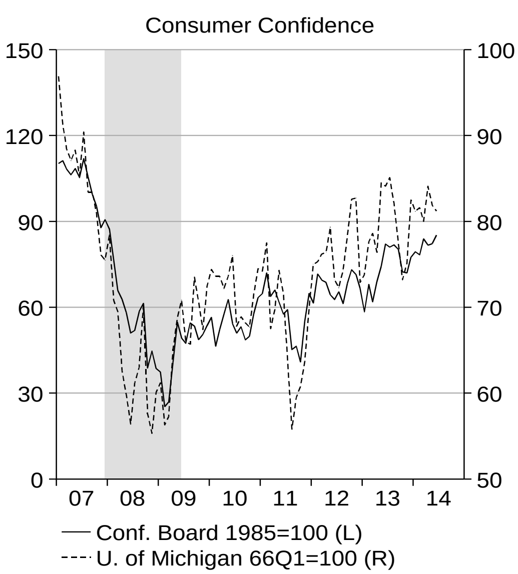
Personal income has picked up in recent months, rising 0.4% in May after gains of 0.3% and 0.5% in April and March, respectively. Wage and salary disbursements, which account for more than one-half of personal income, have followed a similar pattern. Compared with a year earlier, personal income was 3.5% higher in May and wage and salary disbursements were 3.8% higher.

Ohio personal income increased 4.3% in the first quarter at an annualized rate, compared with an increase of 3.1% nationally. Fourth-quarter growth in Ohio personal income was revised higher from 2.4% to 2.8%, lifting the change over the most recent four quarters to 3.1%. Personal income was 3.5% higher than a year earlier nationally. Ohio wage and salary disbursements grew 3.5% in the first quarter, but fourth-quarter growth was revised down from 3.5% to 2.4%. The slower growth in personal income in Ohio than nationally during the most recent four quarters is the result of a pause last summer that appears to have passed.

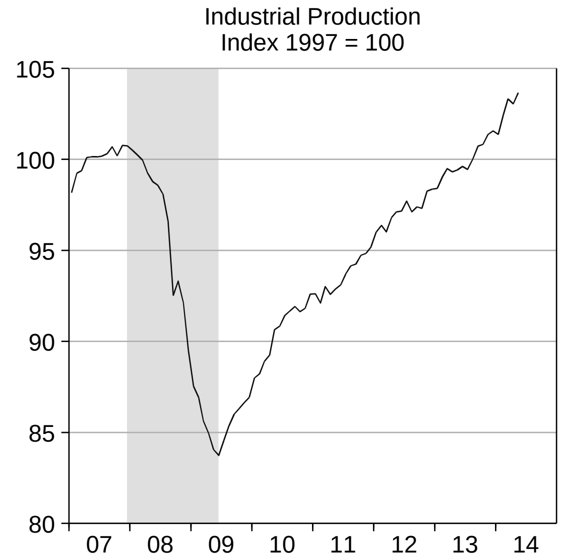
In contrast to the recent trend in income at the national level, **personal consumption expenditures** softened, rising just 0.2% in May after no change in April. Spending on durable goods recovered 0.7% in May after a 0.9% decline in April that reflected a 2.4% decrease in purchases of light motor vehicles. Durable goods spending likely increased in June, due to the 1.3% increase in purchases of light motor vehicles to an annual rate of 16.9 million units – the fastest pace of sales in any month since July 2006. Increases in spending on non-durable goods and services were small in May – 0.2% for non-durables and the second 0.1% increase in a row for services. The result of recent patterns in income and spending has been a 2-month rise in the **saving rate** from 4.2% in March to 4.8% in May – the highest since the 5.1% mark last September.

Spending has been notably weak after adjustment for inflation. **Real consumer spending** fell 0.2% in April and 0.1% in May, again due to declines in spending on non-durable goods and services. The weak start to the quarter almost ensures that the annualized increase in real consumer spending in the second quarter was lower than 2%. A key factor behind the weakness is the recent acceleration in prices of food and gasoline. Consumers spend less than one-fifth of disposable income on food and gasoline combined, according to IHS Global Insight, but large price increases in a short time can have a notable effect on most households.

Consumer confidence might be negatively affected in the near term by the higher prices for food and gasoline. In June, the Conference Board Consumer Confidence Index increased from 82.2 to 85.2 – the highest mark since January 2008. Assessments of both current conditions and expectations improved. The Reuters/University of Michigan Index of Consumer Sentiment improved a bit from 81.9 to 82.5 in June, remaining below the recent high of 85.1 last July. Despite substantial gains in recent years, the major indexes and their primary components remain below their respective averages during previous expansions.



Manufacturing



Industrial production increased 0.6% in May and the April change that was initially reported as a 0.6% decline was revised up to a 0.3% decline. Manufacturing output followed a similar pattern rising 0.6% after an upwardly revised 0.1% decline in April. Utility output declined 0.8% after a 4.5% decline in April, while mining output increased 1.3%. Compared with a year earlier, industrial production was higher by 4.3% and manufacturing output was higher by 3.6%.

Of particular importance to the **Ohio economy**, light motor vehicle assemblies increased 1.1% to a seasonally adjusted annual rate of 11.3 million units in May – the highest rate since December and up from the average of 10.9 million units during the previous twelve months. Outside of motor vehicles, production across other industries that are important to Ohio was mixed on the month. Production of **primary metal** decreased by 0.1% in May, production of **fabricated metal** was up 0.7%, and production of **machinery** increased 1.1%. Employment gains in primary metal and machinery nationally in June suggest that production increased in June. Employment in the fabricated metal industry was unchanged in June. 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.

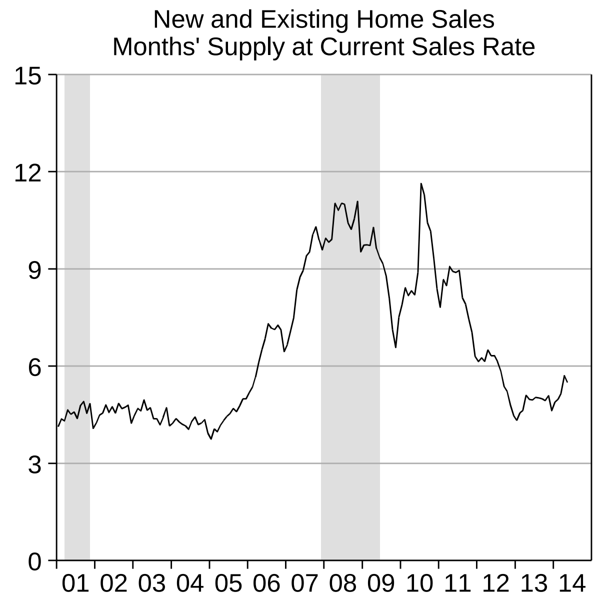
Purchasing managers at manufacturing firms reported essentially the same degree of improvement in activity in June as the month before. The **purchasing managers index** was 55.3 in June, compared with 55.4 in May. Readings near 50.0 are considered neutral, representing a balance between reports of rising and falling activity. The New Orders index increased from 56.9 to 58.9. The Production index edged down from 61.0 to 60.0.

The recent patterns in the purchasing managers index and its sub-indexes, along with reports from regional surveys of manufacturing activity, point to continued growth in manufacturing production from what increasingly appears to have been a temporary setback in April.

Construction

Construction put-in-place inceased by only 0.1% in May, but the April increase was revised up from 0.2% to 0.8%. Construction was up 6.6% from a year ago. From the low point in February 2011, construction spending has increased 26.6%, or 7.5% annualized during the 39 months ending in May 2014. Despite this gain, the pace of construction remains 21.2% below the March 2006 peak.

Private construction fell 0.3% in May – the fourth decline in the last five months – but was still 9.0% above the year earlier level. **Residential construction** fell 1.5%, reflecting a 1.4% decline in single-family construction and a 0.6% decline in multi-family construction. **Nonresidential construction** increased by 1.1%. Compared with a year earlier, private residential construction was higher by 7.5% and nonresidential construction was higher by 10.7%. The year-over-year gain in nonresidential construction reflected increases in Power (+29.7%), Office (+23.3%), and Lodging (+12.0%). Nonresidential construction declined from a year earlier in Education (-9.4%), Healthcare (-7.7%), and Religious (-2.9%).



The weakness in housing that became evident several months ago gave way to growth in April and May, strongly suggesting that severe weather was the main culprit behind the slowdown. **Housing starts** increased 2.5% across the country on a 3-month moving average basis in May on top of an upwardly revised 6.3% increase in April. Midwest starts increased 10.6% after a 44.0% increase in April. The more-forward-looking **housing permits** were down slightly in May across the country after a 4.1% increase in April, but permits increased 7.3% in the Midwest for the third monthly gain in a row.

Both **existing home sales** and **new home sales** increased in May on a 3-month moving average basis. Sales of existing homes increased 2.1% nationally and 4.2% in the Midwest, while sales of newly built homes increased 5.7% nationally and 9.7% in the Midwest. The gains are in contrast to weak activity during the harsh winter. Continued low mortgage rates, somewhat easier financing terms and stronger job gains should support housing sales through the summer.

The inventory of existing homes for sale increased again in May to its highest level since August 2012, but the number of months' supply at the current sales rate edged down to 5.6 months. The **inventory of new homes for sale** was little changed in absolute terms and decreased to 4.5 months of supply at the current pace of sales. In both cases, the inventory dynamics indicate a healthy relationship between supply and demand.

Home prices increased for the twenty-seventh straight month in April, according to the S&P/Case-Shiller Index of prices in 20 major markets. The index was 10.8% above its year ago level and 25.0% above its recession trough, but remained 16.9% below the peak reached in April 2006. Home prices in Cleveland built on the March increase in April, increasing by 1.0%. Cleveland prices are 11.3% above the trough that occurred in February 2012, but 15.1% below the peak that occurred in July 2006.

REVENUES

June **GRF receipts totaled $2,469.4 million** and were $46.5 million (1.8%) below the estimate. Monthly tax receipts totaled $1,686.9 million and were $17.1 million (1.0%) above the estimate, while non-tax receipts totaled $433.3 million and were $46.5 million (9.7%) below estimate. Variances for the fiscal year to date by category are provided in the following table ($ 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	$175.5 million	0.9%
Non-tax receipts	Federal grants, earnings on investments, licenses & fees, other income, intrastate transfers	($302.5 million)	-3.4%
Transfers	Budget stabilization, liquor transfers, capital reserve, other	$32.1 million	8.6%
TOTAL REVENUE VARIANCE:		**($94.9 million)**	**-0.3%**

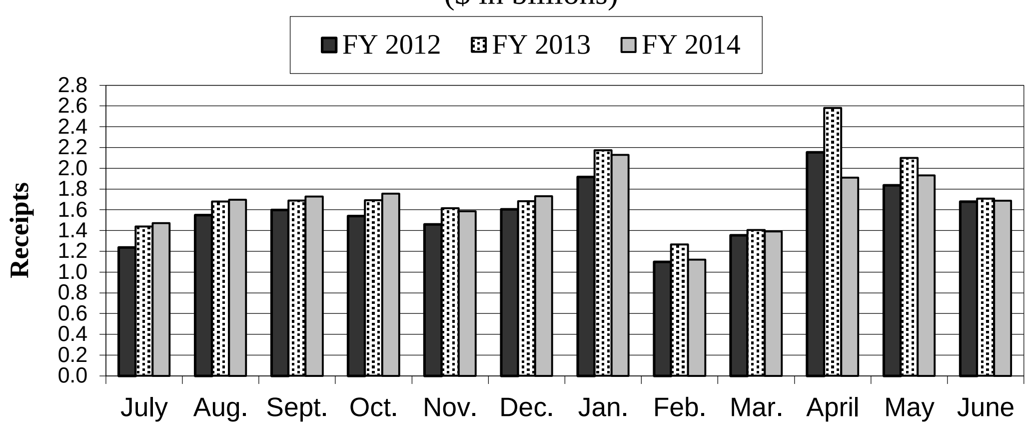
On a year-over-year basis, monthly receipts were $235.0 million (10.5%) higher than they were in June of the previous fiscal year, from a combination of lower tax receipts due to tax policy changes and almost twice as much revenue in non-tax receipts sources, including federal grants, Other Income and Intra-State Revenue Transfers (ISTVs). As in past months, a decrease of $121.8 million (13.9%) in personal income tax receipts, when compared to June of the previous fiscal year, was partially offset by an increase in sales and use tax receipts of $73.2 (10.0%) 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 $11.1 million (93.6%) in domestic insurance tax receipts due to a combination of delayed June payments and refunds was off-set by year-over-year cigarette tax receipts of $7.5 million (13.2%) and the new financial institutions tax collections of $26.5 million.

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

Individual Revenue Sources Above Estimate		**Individual Revenue Sources Below Estimate**	
Personal Income Tax	$41.3	Federal Grants	($42.5)
Financial Institutions Tax	$8.1	Non-Auto Sales & Use Tax	($16.7)
Commercial Activity Tax	$4.7	Domestic Insurance Tax	($12.8)
ISTV's	$1.8	Licenses and Fees	($5.4)
		Transfers In –Other	($10.2)
		Temporary Transfers In	($6.9)
Earnings	$1.0	Cigarette Tax	($4.5)
		Auto Sales & Use Tax	($1.6)
		Natural Gas Distribution Tax (MCF)	($1.4)
		Other Income	($1.3)
		Alcoholic Beverage Tax	($1.0)
Other Sources Above Estimate	$1.4	Other Sources Below Estimate	($0.5)
Total above	**$58.3**	**Total below**	**($104.9)**

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

Tax Revenue Comparison by Month
($ in billions)



Non-Auto Sales and Use Tax

June non-auto sales and use tax collections totaled $700.1 million and were $16.7 million (2.3%) below estimate. A weaker than expected performance throughout the fiscal year created a total shortfall of $66.6 million (0.8%), though almost half the variance was due to an unanticipated refund for prior year collections ($32 million) issued in February of this year. Without that one-time refund activity, and considering the strong performance in the auto sales tax throughout the fiscal year, the sales and use tax category as a whole would have actually ended the fiscal year over estimates by $1.1 million, or about one hundredth of a percent.

On a year-over-year basis, June 2014 receipts were $57.6 million (9.0%) above collections in June 2013. The positive variance was 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.) Non-auto sales tax collections ended the year $607.8 million (8.3%) above receipts for fiscal year 2013.

Auto Sales Tax

June auto sales and use tax collections slowed down compared to previous months as receipts missed monthly estimates by $1.6 million (1.5%). Nationally, light-vehicle sales continued to surge in June and reached the highest monthly level since July 2006 at 16.9 million units, an increase from the 16.7 million units sold in May. Given that there is a slight lag between the sale of an auto and when the state receives the tax, the following months could reflect a surge in auto sales tax collections.

Total collections for this fiscal year topped at $1,209.9 million and were $35.7 million (3.0%) above estimates, reflecting a healthy recovery in auto sales in Ohio for fiscal year 2014. On a year-over-year basis, monthly receipts were considerably higher than the same month in the previous year. Fiscal year 2014 collections were $113.2 million (10.3%) higher than for fiscal year 2013. 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

June personal income tax receipts totaled $755.4 million and were $41.3 million (5.8%) above the estimate. The majority of the tax's components exceeded estimate in June, however the major contributor to this positive performance was the quarterly estimated payments component that totaled $191.7 million and exceeded the estimate by $33.2 million (21.0%). This component finished the fiscal year with an overage of $106.4 million (9.8%).

Refunds continued the year-long trend of being below the estimate in June, and thus contributing to the overall positive variance. June refunds totaled $38.6 million and were $8.8 million (18.6%) short of the estimate of $47.4 million. As mentioned in earlier 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 the autumn of fiscal year 2015.

Payments associated with annual returns returned to positive territory in June as receipts totaled $ 12.5 million and were $4.5 million (56.7%) above the estimate of $8.0 million. For the second month in a row withholding component has slid below the estimate, albeit to a lesser extent compared to last month. The receipts for this component totaled $606.0 million and were $4.0 million (0.7%) below the estimate.

On a year-over-year basis, monthly personal income tax receipts were $121.8 million (13.9%) lower than in the same point of the previous fiscal year. The major contributor to this decline was the quarterly estimated payments component, which ended $78.8 million (29.1%) lower than for the same month in the previous fiscal year. The withholding component accounted for the second largest portion of this decline with receipts decreasing by $18.5 million (3.0%). Further contributing were the increases in refunds and the distributions to the local government fund, which respectively ended $18.8 million (94.7%) and $2.5 million (8.1%) higher than those of June 2013.

FY2014 PERSONAL INCOME TAX RECEIPTS BY COMPONENT ($ in millions)						
	ESTIMATE JUNE	ACTUAL JUNE	$ VAR JUNE	ESTIMATE Y-T-D	ACTUAL Y-T-D	$ VAR Y-T-D
Withholding	$610.0	$606.0	($4.0)	$7,881.9	$7,916.0	$34.1
Quarterly Est.	$158.5	$191.7	$33.2	$1,087.8	$1,194.2	$106.4
Trust Payments	$6.2	$7.6	$1.4	$70.0	$65.4	($4.6)
Annual Returns & 40 P	$8.0	$12.5	$4.5	$1,005.1	$804.0	($201.1)
Other	$13.5	$9.4	($4.1)	$160.7	$124.5	($36.2)
Less: Refunds	($47.4)	($38.6)	$8.8	($2,013.1)	($1,691.9)	$321.2
Local Distr.	($34.7)	($33.2)	$1.5	($342.7)	($347.3)	($4.6)
Net to GRF	**$714.1**	**$755.4**	**$41.3**	**$7,849.7**	**$8,064.9**	**$215.2**

Year-to-date for fiscal year 2014, personal income tax receipts were $8,064.9 million and were $215.2 million (2.7%) above estimate and $1,442.9 million (15.2%) below total fiscal year 2013 collections. With the exception of refunds, all other components of personal income tax have summed to an amount lower in absolute value for fiscal year 2014 than in 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 FY 2013 income tax revenues (but depressing fiscal year 2014 revenues). A year-over-year comparison by component is provided in the table below:

FY 2014 PERSONAL INCOME TAX RECEIPTS GROWTH ($ in millions)			
Income Tax Components	FY 2013	FY 2014	Year-over-year $ Change
Withholding	$8,121.9	$7,916.0	($205.9)
Quarterly Est.	$1,426.7	$1,194.2	($232.5)
Trust Payments	$102.9	$65.4	($37.5)
Annual Returns & 40 P	$1,380.5	$804.0	($576.5)
Other	$144.5	$124.5	($20.0)
Less: Refunds	($1,304.3)	($1,691.9)	($387.6)
Local Distr.	($364.4)	($347.3)	$17.1
Net to GRF	**$9,507.8**	**$8,064.9**	**($1,442.9)**

Corporate Franchise Tax

As noted in previous months' reports, although corporate franchise tax has been eliminated, prior year settlement activity continues. This results in 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. For the fiscal year 2014 as a whole corporate franchise tax receipts totaled -$11.4 million compared to the estimate of zero, and were $273.3 million (104.3%) lower than the collection for the fiscal year 2013.

Financial Institutions Tax

June receipts totaled $26.5 million and were $8.1 million (44.0%) 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 May 31st, which resulted in spill-over effects into June. Combining the two months' performances provides a clearer picture – the combined receipt for May and June totaled $49.5 million and $12.0 million (19.5%) lower than the combined estimate of $61.5 million. For the fiscal year 2014, the first year of collections from this new tax, financial institutions tax totaled $197.8 million and was below the yearly estimate by $7.2 million (3.5%).

Commercial Activity Tax

June commercial activity tax (CAT) receipts to the GRF totaled $8.0 million and were $4.7 million (143.8%) above the estimate of $3.3 million. Overall, CAT receipts in fiscal year 2014 totaled $794.2 million and were $17.7 million (2.2%) below the estimate for the year. Part of the yearly under-performance is due to higher than expected credits taken against the tax.

All-funds CAT receipts for June (net of refunds and attorney general fees) totaled $15.7 million and were $9.0 million (134.4%) above the $6.7 million estimate. All-funds receipts for the year-to-date totaled $1,700.6 million and were $78.4 million (4.4 %) below the estimate.

As compared to the prior fiscal year, GRF CAT receipts gained only $4.2 million (0.5%). Meanwhile, all-funds CAT receipts have increased by $107.9 million (6.8%) 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 ($80.9 million year-to-date).

Kilowatt-Hour Tax

June kilowatt hour tax receipts totaled $18.2 million and were $0.1 million (0.7%) below estimate, after three months of stronger-than-expected performance. Despite some strong months, collections for fiscal year 2014 were below the estimate by $4.2 million (1.3%), contributing an yearly total of $306.3 million to the General Revenue Fund. On a year-over-year basis, the performance of this tax source was marginally the same, both for the month of June and for the entire fiscal year.

Natural Gas Distribution Tax (MCF Tax)

There were no natural gas distribution tax receipts recorded in June, despite an estimate of $1.4 million planned for the month. Nevertheless, yearly collections for the natural gas distribution tax were $16.1 million (26.8%) above the $60.0 million estimate for fiscal year 2014. This strong performance was most likely a consequence of the long, harsh winter and the resulting increased demand for natural gas heating, as receipts were $18.3 million (31.7%) above the amount collected in fiscal year 2013.

Domestic Insurance Tax

June receipts for the domestic insurance tax totaled $0.8 million and were $12.8 million (94.4%) below the estimate. A delay in one large payment of $6.7 million due in June combined with some smaller outstanding payments accounted for some of this shortfall. Year-to-date, domestic insurance tax receipts ended the fiscal year at $196.9 million, which was $11.4 million (5.5%) below the estimate, and were $9.5 million (4.6%) below the level reached in the previous fiscal year. Above-mentioned delays in June payments combined with refunds to the tune of $4.7 million paid out in this tax during fiscal year 2014 add up to this yearly shortfall.

Cigarette Tax

Cigarette tax receipts for June totaled $64.4 million and were $4.5 million (6.5%) below the estimate of $68.9 million. For the fiscal year 2014, cigarette tax receipts totaled $814.0 million and were $4.4 million (0.5%) below the yearly estimate. On a year-over-year basis, June 2014 cigarette tax receipts were $7.5 million (13.2%) above the level for the same month of the previous fiscal year, while year-to-date collections were $13.5 million (1.6%) below the level reached in fiscal year 2013.

GRF non-tax receipts totaled $433.3 million in June and were $46.5 million (9.7%) below the estimate. The majority of this shortfall was due to a $42.5 million (9.2%) negative variance in federal grants that can be primarily attributed to lower than estimated GRF Medicaid spending. Also contributing to the variance were license and fee and other income receipts, which were a combined $6.7 million below estimate.

June GRF transfers totaled $349.3 million and were $17.1 million (4.7%) below estimate. Total transfers for this fiscal year totaled $405.7 million and were 32.1 million (8.6%) 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)

	MONTH				YEAR-TO-DATE			
REVENUE SOURCE	**ACTUAL JUNE**	**ESTIMATE JUNE**	**$ VAR**	**% VAR**	**ACTUAL Y-T-D**	**ESTIMATE Y-T-D**	**$ VAR**	**% VAR**
TAX RECEIPTS								
Non-Auto Sales & Use	700,128	716,800	(16,672)	-2.3%	7,955,923	8,022,500	(66,577)	-0.8%
Auto Sales & Use	104,881	106,500	(1,619)	-1.5%	1,209,879	1,174,200	35,679	3.0%
Subtotal Sales & Use	805,009	823,300	(18,291)	-2.2%	9,165,802	9,196,700	(30,898)	-0.3%
Personal Income	755,432	714,100	41,332	5.8%	8,064,922	7,849,700	215,222	2.7%
Corporate Franchise	388	0	388	N/A	(11,380)	0	(11,380)	N/A
Financial Institutions Tax	26,497	18,400	8,097	44.0%	197,837	205,000	(7,163)	-3.5%
Commercial Activity Tax	8,046	3,300	4,746	143.8%	794,205	811,939	(17,734)	-2.2%
Public Utility	125	200	(75)	-37.7%	106,012	100,000	6,012	6.0%
Kilowatt Hour	18,164	18,300	(136)	-0.7%	306,294	310,450	(4,156)	-1.3%
MCF Tax	0	1,400	(1,400)	N/A	76,110	60,000	16,110	26.8%
Foreign Insurance	(1,670)	(1,400)	(270)	-19.3%	286,483	277,700	8,783	3.2%
Domestic Insurance	760	13,600	(12,840)	-94.4%	196,894	208,300	(11,406)	-5.5%
Other Business & Property	166	0	166	N/A	785	0	785	N/A
Cigarette	64,411	68,900	(4,489)	-6.5%	813,984	818,400	(4,416)	-0.5%
Alcoholic Beverage	4,771	5,800	(1,029)	-17.7%	55,519	55,000	519	0.9%
Liquor Gallonage	3,802	3,600	202	5.6%	41,832	41,000	832	2.0%
Estate	968	300	668	222.6%	39,391	25,000	14,391	57.6%
Total Tax Receipts	1,686,868	1,669,800	17,068	1.0%	20,134,689	19,959,189	175,500	0.9%
NON-TAX RECEIPTS								
Federal Grants	419,189	461,715	(42,525)	-9.2%	8,575,562	8,863,000	(287,437)	-3.2%
Earnings on Investments	4,955	4,000	955	23.9%	17,304	12,000	5,304	44.2%
License & Fees	632	6,000	(5,368)	-89.5%	57,303	72,000	(14,697)	-20.4%
Other Income	5,439	6,775	(1,336)	-19.7%	21,830	32,900	(11,070)	-33.6%
ISTV'S	3,042	1,250	1,792	143.3%	20,406	15,000	5,406	36.0%
Total Non-Tax Receipts	433,257	479,740	(46,484)	-9.7%	8,692,406	8,994,900	(302,494)	-3.4%
TOTAL REVENUES	**2,120,124**	**2,149,540**	**(29,416)**	**-1.4%**	**28,827,096**	**28,954,089**	**(126,994)**	**-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	349,298	359,468	(10,170)	-2.8%	400,194	366,668	33,526	9.1%
Temporary Transfers In	0	6,945	(6,945)	N/A	5,516	6,945	(1,429)	-20.6%
Total Transfers	349,298	366,413	(17,115)	N/A	405,710	373,613	32,097	8.6%
TOTAL SOURCES	**2,469,422**	**2,515,953**	**(46,531)**	**-1.8%**	**29,232,806**	**29,327,702**	**(94,896)**	**-0.3%**

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

	MONTH				YEAR-TO-DATE			
REVENUE SOURCE	**JUNE FY 2014**	**JUNE FY 2013**	**$ VAR**	**% VAR**	**ACTUAL FY 2014**	**ACTUAL FY 2013**	**$ VAR**	**% VAR**
TAX RECEIPTS								
Non-Auto Sales & Use	700,128	642,531	57,597	9.0%	7,955,923	7,348,162	607,761	8.3%
Auto Sales & Use	104,881	89,265	15,615	17.5%	1,209,879	1,096,689	113,189	10.3%
Subtotal Sales & Use	805,009	731,797	73,212	10.0%	9,165,802	8,444,851	720,951	8.5%
Personal Income	755,432	877,266	(121,835)	-13.9%	8,064,922	9,507,826	(1,442,903)	-15.2%
Corporate Franchise	388	(12,072)	12,460	-103.2%	(11,380)	261,905	(273,285)	-104.3%
Financial Institutions Tax	26,497	0	26,497	N/A	197,837	0	197,837	N/A
Commercial Activity Tax	8,046	3,034	5,011	165.2%	794,205	789,983	4,222	0.5%
Public Utility	125	108	16	15.1%	106,012	96,666	9,346	9.7%
Kilowatt Hour	18,164	18,945	(781)	-4.1%	306,294	307,231	(937)	-0.3%
MCF Tax	0	196	(196)	N/A	76,110	57,804	18,306	31.7%
Foreign Insurance	(1,670)	(2,393)	723	30.2%	286,483	274,637	11,846	4.3%
Domestic Insurance	760	11,811	(11,051)	-93.6%	196,894	206,371	(9,477)	-4.6%
Other Business & Property	166	4,177	(4,011)	-96.0%	785	38,640	(37,855)	-98.0%
Cigarette	64,411	56,905	7,506	13.2%	813,984	827,440	(13,456)	-1.6%
Alcoholic Beverage	4,771	7,547	(2,777)	-36.8%	55,519	56,499	(980)	-1.7%
Liquor Gallonage	3,802	3,659	143	3.9%	41,832	40,648	1,184	2.9%
Estate	968	4,675	(3,707)	-79.3%	39,391	105,202	(65,811)	-62.6%
Total Tax Receipts	1,686,868	1,705,655	(18,788)	-1.1%	20,134,689	21,015,701	(881,012)	-4.2%
NON-TAX RECEIPTS								
Federal Grants	419,189	221,207	197,982	89.5%	8,575,562	7,525,842	1,049,720	13.9%
Earnings on Investments	4,955	3,125	1,830	58.6%	17,304	10,450	6,854	65.6%
License & Fee	632	742	(110)	-14.9%	57,303	70,231	(12,928)	-18.4%
Other Income	5,439	481	4,958	1031.3%	21,830	511,692	(489,861)	-95.7%
ISTV'S	3,042	(1,591)	4,633	-291.2%	20,406	22,754	(2,349)	-10.3%
Total Non-Tax Receipts	433,257	223,963	209,293	93.4%	8,692,406	8,140,970	551,437	6.8%
TOTAL REVENUES	**2,120,124**	**1,929,618**	**190,506**	**9.9%**	**28,827,096**	**29,156,671**	**(329,575)**	**-1.1%**
TRANSFERS								
Budget Stabilization	0	0	0	N/A	0	0	0	N/A
Liquor Transfers	0	79,000	(79,000)	N/A	0	167,000	(167,000)	N/A
Transfers In - Other	349,298	225,763	123,535	N/A	400,194	235,014	165,181	70.3%
Temporary Transfers In	0	0	0	N/A	5,516	0	5,516	N/A
Total Transfers	349,298	304,763	44,535	N/A	405,710	402,014	3,696	0.9%
TOTAL SOURCES	**2,469,422**	**2,234,381**	**235,041**	**10.5%**	**29,232,806**	**29,558,684**	**(325,879)**	**-1.1%**

DISBURSEMENTS

June GRF disbursements, across all uses, totaled $1,967.0 million and were $25.4 million (1.3%) above estimate. This was primarily attributable to higher than estimated disbursements in the Property Tax Reimbursements category that were partially offset by lower than estimated disbursements in the Primary and Secondary Education and Medicaid categories. On a year-over-year basis, June total uses were $526.6 million (36.6%) higher than those of the same month in the previous fiscal year, with the Medicaid and Property Tax Reimbursements categories largely responsible for the increase. Year-to-date variances by category are provided in the table below. While fiscal year 2014 disbursements were $1,068.9 million (3.4%) below the estimate, it is important to note that the disbursement estimates only consider expected spending within the fiscal year. In addition to disbursements, agencies are also permitted to encumber resources for obligations incurred in fiscal year 2014. While these encumbrances are not reflected in the disbursements, resources must be reserved for the actual payment of these obligations in the future.

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)	($1,081.7 million)	-3.6%
Transfers	Temporary or permanent transfers out of the GRF that are not agency expenditures	$12.8 million	1.0%
TOTAL DISBURSEMENTS VARIANCE:		**($1,068.9 million)**	**-3.4%**

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. June disbursements for this category totaled $444.4 million and were $82.4 million (15.6%) below the estimate. Expenditures for the school foundation program totaled $418.8 million and were $83.4 million (16.6%) below the estimate. This negative variance in the foundation program disbursements was expected and offset higher than anticipated disbursements that occurred earlier in the fiscal year.

Actual fiscal year 2014 disbursements totaled $6,762.7 million and were $15.0 million (0.2%) below the estimate. Including encumbrances, fiscal year 2014 obligations (disbursements plus encumbrances) totaled $6,901.0 million and were $36.0 million (0.5%) below the estimate. However, per language in H.B. 59, $10 million of this variance has been reappropriated for fiscal year 2015 in the Ohio Educational Computer Network line item for middle mile connectivity. The fiscal year 2014 obligations total reflects encumbrances of $139.2 million made by the Department of Education for payments that will be made against fiscal year 2014 funds in fiscal year 2015. These encumbrances are necessary as the final reconciliation payments to schools occur after the fiscal year ends.

Higher Education

June disbursements for Higher Education totaled $163.1 million and were $2.2 million (1.4%) above the estimate for the month. Year-to-date disbursements totaled $2,085.0 million, which was $17.4 million (0.8%) below the estimate. The below-estimate disbursements were partially offset by encumbrances totaling $24.7 million that were $10.1 million above estimate. Including encumbrances, fiscal year 2014 obligations (disbursements plus encumbrances) totaled $2,109.7 million and were $7.3 million (0.4%) below the estimate. The majority of the monthly variance was due to spending in the Ohio National Guard and Ohio College Opportunity Grant Scholarship Programs being above the monthly estimate by $1.7 million as a result of higher than expected requests for reimbursement from higher education institutions.

On a year-over-year basis, disbursements in this category were $1.8 million (1.1%) lower than for the same month in the previous fiscal year while year-to-date expenditures were $40.8 million (2.0%) 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. June disbursements in this category totaled $1.9 million and were $0.4 million (18.1%) below estimate. Fiscal year 2014 disbursements totaled $50.6 million and were $3.7 million (6.8%) below the estimate of $54.3 million.

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

Fiscal year 2014 GRF disbursements for the Medicaid Program totaled $13,570.5 million and were $871.9 million (6.0%) below the estimate and $988.9 million (7.9%) above the same point in the previous fiscal year. Furthermore year-end encumbrances totaled $68.1 million, which was $74.1 million below estimate. GRF Disbursements in June totaled $728.1 million and were $31.0 million (4.1%) below the estimate and $371.7 million (104.3%) above disbursements in the same month of the previous fiscal year.

June all-funds disbursements totaled $1,906.5 million and were $133.1 million (7.5%) above the estimate and $490.9 million (34.7%) above disbursements in the same month of the previous fiscal year.

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

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

	June Projection	June Actual	Variance	Variance %
GRF	$ 758.9	$ 728.1	$ (30.9)	-4.1%
Non-GRF	$ 1,014.5	$ 1,178.5	$ 164.0	16.2%
All Funds	$ 1,773.4	$ 1,906.5	$ 133.1	7.5%

Categorical Variances

MyCare Ohio – Expenditures within this new managed care group were $170.3 million below the estimate for the month due to a change in the rollout of the program.

Nursing Facility – Expenditures within this category were $62.3 million above the estimate for the month. 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.

Medicaid Extension – Medicaid benefits were extended to certain Ohioans who were previously ineligible effective January 1, 2014. In June, expenditures in this 100% federally-funded, non-GRF category totaled $183.3 million. Year-to-date expenditures totaled $512.0 million and represent 91.2% of the $561.7 million appropriated for this fiscal year.

Enrollment

Total June enrollment across all categories was 2.68 million. The most significant components are the Covered Families and Children (CFC) category, which increased by 20,883 persons to a June total of 2.02 million persons, and the Aged, Blind and Disabled (ABD) category, which decreased by 1,499 people to a June total of 434,851 covered lives.

Individuals covered under Medicaid extension (eligibility group VIII) totaled 285,553 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 432,464 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.

June disbursements in this category totaled $53.2 million and were $3.8 million (7.6%) above estimate for the month.

<u>Department of Job and Family Services</u>
June disbursements for the Ohio Department of Job and Family Services totaled $33.8 million and were $5.5 million (19.3%) above estimate. This variance was attributable to several lines. Program Support was $6.3 million (120.9%) above estimate due to general ledger adjustments that were completed to offset lower than estimated revenue from the Unemployment Insurance grant. Child Support-Local disbursements were $1.3 million (668.2%) above estimate due to county fund requests being higher than anticipated. Disability Financial Assistance disbursements were $4.0 million (1574.9%) above estimate due to the process for offsetting county collections in order to properly account for expenditures. Family Assistance-Local disbursements were $1.6 million (93.6%) above estimate due to county draws being higher than anticipated. Finally, Early Care and Education disbursements were $10.0 million (94.5%) below estimate due to changes in the disbursement schedule as a result of the federal shutdown, as discussed in previous reports. Department disbursements for the fiscal year were $671.9 million, which was $21.2 million (3.1%) below estimate. This difference was encumbered for the payment of obligations that were incurred in fiscal year 2014 that will not be paid until fiscal year 2015.

<u>Department of Mental Health and Addiction Services</u>
June disbursements for the Department of Mental Health and Addiction Services totaled $9.5 million and were $2.7 million (22.5%) below estimate. This was due primarily to lower than expected expenditures in the Hospital Services appropriation line item. Year-to-date, the Department disbursed $351.1 million (excluding Medicaid and debt service expenditures captured in other areas of this report), which was $6.2 million (1.7%) below estimate.

Justice and Public Protection

This category includes non-debt service GRF expenditures by the Department of Rehabilitation & Correction, the Department of Youth Services, the Attorney General, judicial agencies, and other justice-related entities. June disbursements in this category totaled $135.7 million and were $1.7 million (1.2%) below the projected totals.

Department of Rehabilitation and Correction
Department of Rehabilitation and Correction disbursements totaled $98.3 million in June, and were $2.5 million (2.5%) below the estimate. This variance was attributable to lower than expected costs for institutional medical services. Department disbursements for the fiscal year were $1,409.2 million, which was $29.0 million (2.0%) below estimate. These below-estimate disbursements were offset by encumbrances totaling $44.4 million, which was $30.9 million above estimate.

Department of Youth Services
Department of Youth Services disbursements totaled $21.0 million in June, and were $2.4 million (12.9%) above the estimate. This variance resulted from higher than anticipated disbursements for the RECLAIM Ohio program during the month. These costs were lower than anticipated during April and May. Department disbursements for the fiscal year were $202.6 million, which was $3.1 million (1.5%) below estimate. These below-estimate disbursements were offset by encumbrances totaling $4.3 million, which was $1.7 million above estimate.

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. June disbursements in this category totaled $23.0 million and were $4.7 million (17.1%) below the estimate.

Department of Administrative Services
June disbursements for the Department of Administrative Services totaled $0.9 million and were $2.4 million (72.7%) below the estimate. This occurred because DAS charged its rent line item for GRF-supported state agencies and vacant space in the state office towers managed by DAS before June when the final payments were initially anticipated. Disbursements for fiscal year 2014 totaled $29.0 million and were $0.5 million (1.7%) below the estimate.

Department of Natural Resources
June disbursements for the Department of Natural Resources totaled $2.3 million and were $2.3 million (50.2%) below estimate. Year-to-date disbursements were $52.8 million which was $0.6 million (1.1%) below the estimate. The monthly variance was attributable to the Parks and Recreation line being below estimate by $2.1 million due to having spent the majority of GRF funds in previous months.

Development Services Agency
June disbursements for the Development Services Agency totaled $4.2 million and were $2.5 million (149.9%) above estimate. Year-to-date disbursements were $37.7 million and were $5.8 million (13.4%) 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 June.

Department of Taxation
June disbursements for Operating Expenses at the Department of Taxation totaled $5.0 million and were $0.4 million (7.3%) below the estimate for the month. Year-to-date disbursements were $63.6 million and were $7.1 million (10.1%) below the estimate. The agency encumbered a total of $2.0 million at the end of the fiscal year. 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 virtually the same as June of the previous fiscal year, while year-over-year disbursements were $6.4 million (9.2%) lower than 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. June disbursements of property tax reimbursements totaled $327.6 million and were $135.4 million (70.4%) above the estimate for the month. This variance is due to reimbursement requests being received from counties later than anticipated and as a result disbursements estimated for earlier months occurred in June. For the entire fiscal year, property tax reimbursement distributions totaled $1,785.2 million and were $20.2 million (1.1%) below the estimate of $1,805.4 million. This underspending was anticipated and reflected in appropriation changes in H.B. 483 (Mid-Biennium Review).

Debt Service

This category contains all debt service expenditures made from the GRF. June debt services on bonds funding the School Facilities Commission's School Building Assistance Program payments totaled $65.6 million and were $4.1 million (5.9%) below the estimate. For the fiscal year, debt service spending was $53.8 million below the estimate which already reflected some expected lapses. This underspending was anticipated and reflected in appropriation changes in H.B. 483 (MBR).

Transfers Out

June transfers out of the GRF totaled $24.4 million and were $8.4 million (52.4%) above estimate. This overage was primarily due to the timing of a $22.3 million transfer from the General Revenue Fund to the Managed Care Performance Payment fund.

Table 3

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

Functional Reporting Categories Description	MONTH				YEAR-TO-DATE			
	ACTUAL JUNE	ESTIMATED JUNE	$ VAR	% VAR	YTD ACTUAL	YTD ESTIMATE	$ VAR	% VAR
Primary and Secondary Education	444,425	526,818	(82,393)	-15.6%	6,762,680	6,777,688	(15,009)	-0.2%
Higher Education	163,096	160,876	2,221	1.4%	2,085,040	2,102,423	(17,382)	-0.8%
Other Education	1,914	2,337	(423)	-18.1%	50,551	54,263	(3,711)	-6.8%
Medicaid	728,063	759,033	(30,970)	-4.1%	13,570,528	14,442,456	(871,928)	-6.0%
Health and Human Services	53,229	49,459	3,771	7.6%	1,235,828	1,270,356	(34,527)	-2.7%
Justice and Public Protection	135,666	137,377	(1,710)	-1.2%	1,836,987	1,879,513	(42,526)	-2.3%
General Government	23,017	27,758	(4,740)	-17.1%	348,556	371,220	(22,663)	-6.1%
Property Tax Reimbursements	327,567	192,210	135,356	70.4%	1,785,239	1,805,440	(20,201)	-1.1%
Capital Outlay	0	20	(20)	N/A	0	20	(20)	N/A
Debt Service	65,627	69,733	(4,106)	-5.9%	1,226,413	1,280,179	(53,766)	-4.2%
Total Expenditures & ISTV's	**1,942,605**	**1,925,620**	**16,986**	**0.9%**	**28,901,823**	**29,983,557**	**(1,081,734)**	**-3.6%**
Transfers Out:								
BSF Transfer Out	0	0	0	N/A	995,930	995,930	0	0.0%
Operating Transfer Out	24,408	16,017	8,392	52.4%	268,721	261,439	7,282	2.8%
Temporary Transfer Out	0	0	0	N/A	5,516	0	5,516	N/A
Total Transfers Out	**24,408**	**16,017**	**8,392**	**52.4%**	**1,270,167**	**1,257,369**	**12,798**	**1.0%**
Total Fund Uses	**1,967,014**	**1,941,636**	**25,377**	**1.3%**	**30,171,990**	**31,240,926**	**(1,068,936)**	**-3.4%**

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

Functional Reporting Categories Description	**MONTH**				**YEAR-TO-DATE**			
	JUNE FY 2014	**JUNE FY 2013**	**$ VAR**	**% VAR**	**ACTUAL FY 2014**	**ACTUAL FY 2013**	**$ VAR**	**% VAR**
Primary and Secondary Education	444,425	382,592	61,833	16.2%	6,762,680	6,523,222	239,457	3.7%
Higher Education	163,096	164,871	(1,775)	-1.1%	2,085,040	2,044,282	40,758	2.0%
Other Education	1,914	2,685	(771)	-28.7%	50,551	50,939	(388)	-0.8%
Medicaid	728,063	356,344	371,720	104.3%	13,570,528	12,581,650	988,878	7.9%
Health and Human Services	53,229	54,689	(1,460)	-2.7%	1,235,828	1,151,791	84,037	7.3%
Justice and Public Protection	135,666	137,450	(1,784)	-1.3%	1,836,987	1,804,581	32,406	1.8%
General Government	23,017	21,392	1,626	7.6%	348,556	347,963	593	0.2%
Property Tax Reimbursements	327,567	166,255	161,312	97.0%	1,785,239	1,746,542	38,697	2.2%
Capital Outlay	0	0	0	N/A	0	137	(137)	N/A
Debt Service	65,627	54,561	11,067	20.3%	1,226,413	1,188,229	38,184	3.2%
Total Expenditures & ISTV's	**1,942,605**	**1,340,838**	**601,767**	**44.9%**	**28,901,823**	**27,439,338**	**1,462,485**	**5.3%**
Transfers Out:								
BSF Transfer	0	0	0	N/A	995,930	235,096	760,834	323.6%
Operating Transfer Out	24,408	99,609	(75,201)	-75.5%	268,721	218,500	50,221	23.0%
Temporary Transfer Out	0	0	0	N/A	5,516	0	5,516	N/A
Total Transfers Out	**24,408**	**99,609**	**(75,201)**	**-75.5%**	**1,270,167**	**453,596**	**816,570**	**180.0%**
Total Fund Uses	**1,967,014**	**1,440,448**	**526,566**	**36.6%**	**30,171,990**	**27,892,935**	**2,279,055**	**8.2%**

FUND BALANCE

Table 5 describes the General Revenue Fund (GRF) ending fund balance for FY 2014 and is based on the actual revenue for FY 2014 and the actual FY 2014 disbursements, transfers, and encumbrances. The GRF ending fund balance for FY 2014 is $1,277.4 million.

The calculation and disposition of the GRF ending fund balance is governed by the provisions of Ohio Revised Code Section 131.44 and Section 512.70 of H.B. 59 (main operating budget), as amended by H.B. 483 of the 130th General Assembly. From the ending balance, $300.0 million will be transferred to the Medicaid Reserve Fund and $229.0 million will be transferred to the Small Business Deduction Augmentation Fund. Amounts remaining in the GRF will support the acceleration of across-the-board Personal Income Tax cuts, support the FY 2015 budget, and provide for an FY 2015 GRF ending balance. The FY 2015 ending balance is expected to exceed the target of 0.5% of the previous year's revenue. The specific amounts attributed to each element will not be known until FY 2015 revenue revisions and disbursement estimates are completed for inclusion in the August Monthly Financial Report.

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

July 1, 2013 Beginning Cash Balance	**$ 2,639,250**
Plus FY 2014 Actual Revenues	20,251,533
Plus FY 2014 Actual Federal Revenues	8,575,562
Plus FY 2014 Actual Transfers to GRF	405,710
Total Sources Available for Expenditure & Transfer	**31,872,055**
Less FY 2014 Actual Disbursements	28,901,823
Less FY 2014 Actual Total Encumbrances as of June 30, 2014	422,685
Less FY 2014 Actual Transfers Out	1,270,167
Total Actual Uses	**30,594,675**
FY 2014 UNENCUMBERED ENDING FUND BALANCE	**1,277,381**

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

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