OBM

July 10, 2015

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

FROM: Timothy S. Keen, Director TK

SUBJECT: Monthly Financial Report

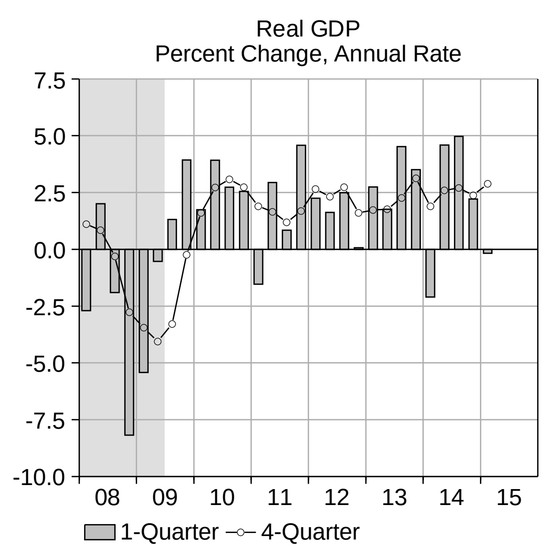
ECONOMIC SUMMARY

Economic Performance Overview

- The economy contracted in the first quarter for the third time during this expansion, as real GDP decreased 0.2% at an annual rate.
- U.S. employment increased by 223,000 jobs in June, below the average of 250,000 during the previous twelve months. The unemployment rate decreased 0.2 percentage points to 5.3% – its lowest level since it was on its way up in April 2008.
- Ohio employment increased by 12,000 jobs in May, and the unemployment rate was steady at 5.2%.
- The recent weakening in many measures of economic activity is likely the result of temporary factors. Forecasters anticipate a return to 2.0% to 3.0% growth beginning in the current quarter.

Economic Growth

The economy contracted by a small amount in the first quarter for the third decline during the economic expansion that began in June 2009. The change in **real GDP** was revised up from the preliminary estimate of -0.7% to -0.2%. Real GDP declined 2.1% in the first quarter of 2014 and 1.5% in the first quarter of 2011. The change was also barely positive in the fourth quarter of 2012. Compared with a year earlier, real GDP was up by 2.7%.



A number of analyses strongly suggest that the weakness in first-quarter real GDP in recent years reflects residual seasonality – regular seasonal fluctuations that have not been removed by the standard seasonal adjustment process. It is widely expected that future modifications to seasonal adjustment procedures will result in upward revisions to first-quarter changes in real GDP, likely including a revision of the most recent change into positive territory.

The decrease in first-quarter real GDP primarily reflected decreases in exports, investment in nonresidential structures, and state and local government gross investment. These decreases were partly offset by positive contributions by personal consumption expenditures, the change in nonfarm inventories, and investment in residential structures.

The swing from growth in the fourth quarter to contraction in the first quarter reflected a deceleration in personal consumption expenditures and shifts from modest growth in exports of goods and in investment in nonresidential structures to substantial decreases. State and local government spending also contributed to the reversal by contracting modestly after a modest increase in the fourth quarter.

Apart from apparent difficulties with seasonal adjustment, the weakness during the first quarter appears to have resulted in large part from temporary factors, including the more-harsh-than-usual weather; West Coast port disruptions; the strength in the foreign exchange value of the dollar that clearly affected exports; and cutbacks in energy-related investment due to the large and rapid drop in the price of oil in the second half of 2014.

Despite some deterioration over the winter, leading economic indicators still point to continued expansion. The **Leading Economic Index** from the Conference Board increased 0.7% in April and again in May, lifting the 6-month smoothed percent change to 5.2% – down from its peak of 7.2% last July, but up from the recent low of 4.4% in March and well above the zero level that would signal potential recession.

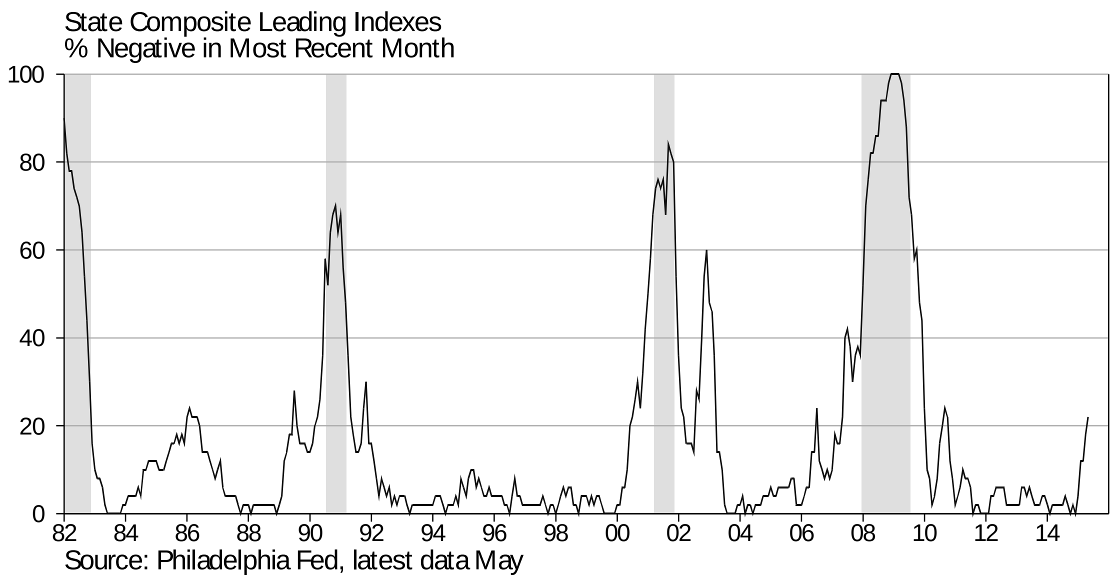
The 4-week moving average of the **Weekly Leading Index** from the Economic Cycle Research Institute continued its recent comeback, with increases during the last three weeks of June boosting the 6-month smoothed percent change to 1.4%. That is still well below the 5.0% pace of about a year ago, but is up notably from the low of -4.7% in early January.

Judging by the **Ohio Coincident Economic Index**, compiled by the Federal Reserve Bank of Philadelphia, the Ohio economy expanded at a modest pace again in May. The index increased 0.1%, matching the March and April gains. Momentum has slowed since last summer, as the year-over-year growth rate has declined from 6.5% last August to 3.9% in May. The index has typically been near or below zero around the times recessions have begun in the past.

The diffusion of changes in the Coincident Economic Index across the states – a leading indicator at past business cycle turning points – has deteriorated seriously in recent months. The index increased from the prior month for only 35 states and from three months prior for only 41 states, down notably from recent highs and the weakest since 2010. This pattern remains consistent with continued economic expansion, but further deterioration during the next few months would raise concerns about the state of the economy.

After falling into negative territory in March and April, the **Ohio Leading Economic Index** from the Philadelphia Federal Reserve rebounded in May to 1.2%. In addition, the negative readings for March and April were revised up to small positive values. The index had been as high as 3.6% as recently as May of last year. The index is designed to predict the rate of increase in the coincident index during the next six months.

The number of state leading indexes compiled by the Philadelphia Fed with positive readings has declined this year, from 50 last December to 39 in May. Although depressed, the number of positive state leading indexes remains above the threshold that has coincided with the onset of recession in the past. The number of states with positive readings fell to an average of 34 three months in advance of the most recent three recessions and to an average of 23 during the first month.

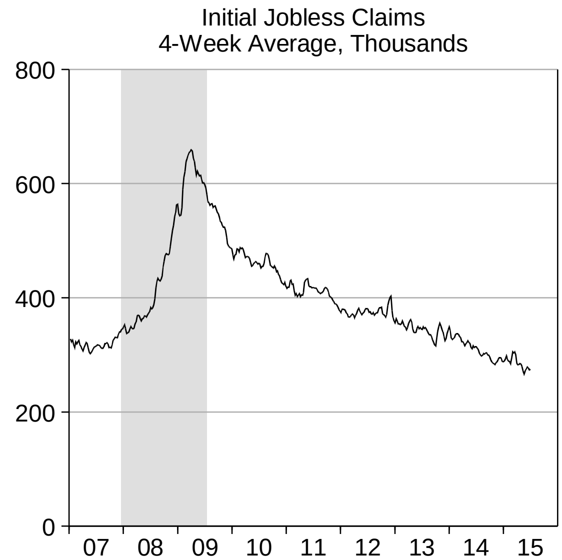


The consensus among economic forecasters is that the economy expanded in the second quarter and will strengthen modestly through year end. The **Blue Chip** consensus is that real GDP expanded by 2.9% in the second quarter. The range of the average of the bottom 10 and top 10 forecasts is 2.5% to 3.2%. The Atlanta Federal Reserve's GDPNow estimate of growth for the second quarter is 2.2%. GDPNow is an estimate of current-quarter real GDP growth that is updated as key indicators are released during the quarter.

Employment

Employment increased again in June and the unemployment rate declined, but wages were unchanged. **Nonfarm payrolls** increased but by a slower-than-recent 223,000 jobs in June. In addition, the April and May gains were revised lower by a total of 60,000 jobs. The increase in employment in June was little changed from the 226,000 average during the previous six months, but somewhat smaller than the 250,000 average during the previous twelve months.

Employment gains were widespread across industries, including professional and business services (+64,000), health care (+40,100), and retail (+32,900). Employment increased by 4,000 jobs in manufacturing, where employment growth downshifted in February and has not picked up, and was unchanged in government and construction. Mining was the only major industry in which employment declined.

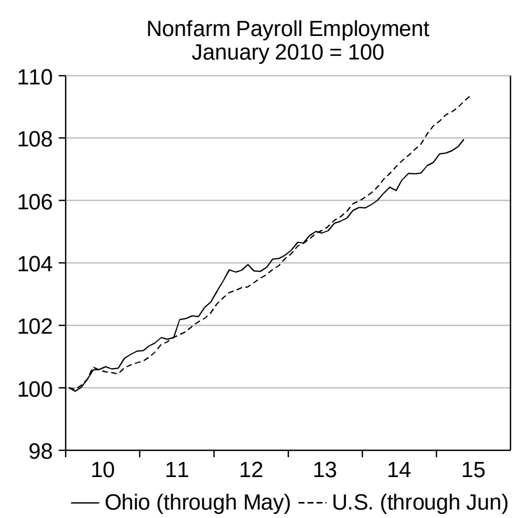


In addition to the monthly employment report, the recent pattern in weekly **initial claims** for unemployment compensation remains consistent with sound labor market fundamentals. The 4-week average was 274,750 at the end of June – near the 15-year low of 266,500 reached in the middle of the month. The recent pattern and current level are consistent with a healthy and expanding labor market and overall economy.

The **unemployment rate** decreased 0.2 percentage points to a new low for the expansion of 5.3%. The decrease resulted from a small decline in total employment and a larger decline in the labor force – people either employed or actively looking for work. The broadest measure of unemployment – the U-6 unemployment rate – which includes people who want to work but have stopped looking because of poor perceived prospects, declined 0.3 percentage points to 10.5% – the lowest level since June 2008 and a sign of improvement in the labor market.

At the same time, however, the labor force participation rate decreased 0.3 percentage points to 62.6%, marking the lowest involvement by the civilian non-institutional working-age population in the labor market since October 1977. The large exodus from the labor market in recent years reflects both demographic factors, such as the aging workforce, and economic factors, such as enhanced government transfer programs and relatively subdued growth in real labor compensation until very recently.

Ohio nonfarm payroll employment increased by 12,000 jobs in May. Ohio employment is higher by 37,100 jobs year-to-date. Changes were mixed across sectors during the month. The largest increases occurred in professional and business services (+6,300), trade, transportation and utilities (+4,000), other services (+2,400), and manufacturing (+1,500). The largest decreases occurred in leisure and hospitality (-2,400) and government (-1,300).



Compared with a year earlier, Ohio employment is higher by 76,700 jobs. The largest employment gains occurred in leisure and hospitality (+21,200), trade, transportation and utilities (+17,200), manufacturing (+17,100), and education and health services (+10,600). The only employment declines during the year ending in May occurred in government (-4,500), construction (-4,300), and information (-200).

Among the **contiguous states**, year-over-year employment growth was strongest in Michigan (+2.3%), followed by Indiana and Kentucky (+1.9%), Ohio (+1.4%), and Pennsylvania (+1.0%). Employment declined from a year earlier in West Virginia (-0.9%). Year-over-year growth in manufacturing employment was 2.7% in Ohio. Among the contiguous states, manufacturing employment increased 4.3% in Michigan, 2.6% in Indiana, 1.9% in Kentucky, 0.8% in Pennsylvania, and 0.6% in West Virginia.

The **Ohio unemployment rate** was unchanged at 5.2% in May. The rate has been below 5.3% for eight consecutive months. The number of unemployed people increased by 4,880 in May, while the number of employed people decreased by 1,709, and the labor force increased by 3,171 people. From December 2013, unemployment is down by 82,726 people, the number of employed people is up by 96,668, and the labor force is up by 13,942 people. The unemployment rate is down 0.5 percentage points from a year ago, and is less than one-half its peak level of 11.0% reached in January 2010.

Across the country in May, the unemployment rate decreased by a statistically significant amount in 3 states (Indiana, Connecticut, and Washington) and increased by a significant margin in only 3 states (North Carolina, Oklahoma, and South Dakota). The unemployment rate was lower than a year earlier by a statistically significant margin in 24 states and higher in no states.

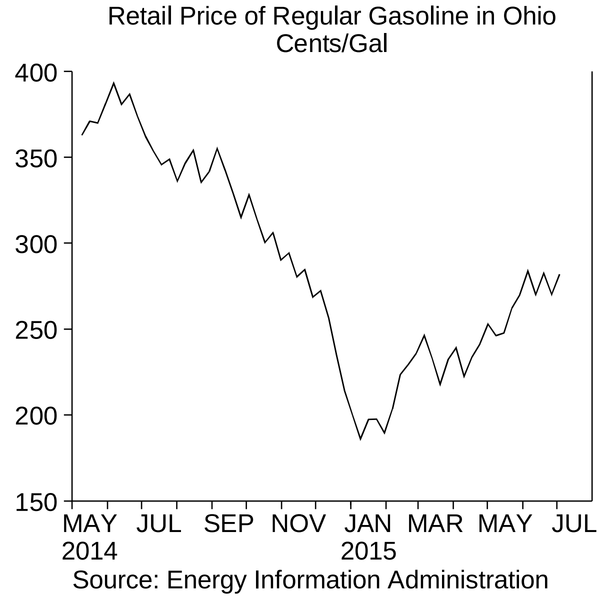
Consumer Income and Consumption

Consumer income and spending rebounded in April and May. **Personal income** increased 0.5% in May after a 0.5% rise in April that was preceded by no change in March. **Wage and salary disbursements** – the largest single component of personal income – also increased 0.5%. Compared with a year earlier, personal income was up 4.4% and wage and salary disbursements were up 5.0%, solid gains but both down a bit from recent peak rates.

Stronger income growth might be sustainable. The **Employment Cost Index** for Wages and Salaries posted the fourth quarterly increase of 2.3% to 2.7% in the first quarter, lifting the year-over-year change to 2.5% – the fastest rate of growth in labor compensation by this measure since the fourth quarter of 2008.

In comparison, the Consumer Price Index (CPI) was unchanged from a year earlier, even after increasing 0.4% in May. The flat year-over-year reading extended a string of flat or negative readings that began in January when sharply lower energy costs took hold. The core CPI was up 1.7% year-over-year, and the Median CPI from the Cleveland Federal Reserve was up 2.2% year-over-year. Both the core CPI and median CPI are used as measures of the underlying inflation rate, and suggest that the recent weakness in the overall price level is the temporary result of the energy price shift.

Personal consumption expenditures responded in May to recent improvement in income growth by accelerating to 0.9% from a modest gain of 0.1% in April that was revised up from no change. Spending on durable goods increased 2.2%, reflecting the 7.6% increase in unit **sales of light motor vehicles** during the month. In addition, the April change was revised upward from -0.7% to +0.1%. Auto sales declined 3.4% in June, but the annual sales pace remained above 17 million units. Spending on non-durable goods also accelerated to 1.7%, reversing the decline of 0.7% in April. Spending on services increased 0.3% in May and the April gain was revised modestly higher to 0.3%.



The large net decrease in the **price of gasoline** during the past year appears to be supporting consumer spending. Retail sales at gasoline service stations increased 3.7% in May after a 0.6% decline in April, reflecting an increase in the price of gasoline, yet were still lower than a year earlier by 18.6%. The price of regular gasoline in Ohio at the end of June was up 51.5% from the low point reached during the first week of January, but was still 28.3% below the recent peak at the beginning of last June.

C**onsumer confidence** rebounded sharply in June after weakening on balance during February-May. Notable improvement occurred in perceptions of both current and future conditions. The Conference Board measure jumped from 94.6 in May to 101.4 in June, only 2.4 points shy of the high for this expansion set in January. Similarly, the Index of Consumer Sentiment from the University of Michigan increased from 90.7 to 96.1, only 2.0 points below the recent peak reached in January 2015. The June readings from both surveys for assessments of both current and future conditions were comfortably above the corresponding averages during periods of economic expansion since 1978.

Manufacturing

Industrial production remained weak in May, falling 0.2% on the month. **Utility** output increased 0.2%. **Mining** output decreased 0.3%, reflecting the ongoing weakness in oil and gas drilling. **Manufacturing** output decreased 0.2%, with high-technology and motor vehicle industries the only pockets of strength. Compared with a year earlier, industrial production was up 1.4% and manufacturing output was up 1.8%.

The causes of recent weakness in manufacturing remain the strong dollar, which undermines U.S. exports and supports imports, and a slowdown in inventory accumulation.

Contrary to the recent pattern in manufacturing production, activity in the sector broadened again in June, according to the **Manufacturing ISM** *Report on Business*. The June PMI® increased to 53.5 – its highest mark since last December. The important index for New Orders increased slightly to 56.0, while the index for production dipped from 54.5 to 54.0. In both cases, the latest report points to broad-based improvements in manufacturing activity during June. Of the 18 manufacturing industries tracked by the survey, 11 reported growth in June. Respondents noted the avian flu has had a major effect on egg pricing, the automotive industry remains strong, demand is stable in the U.S. but has weakened in Europe and Asia, and the downturn in oil and gas markets continues to affect demand.

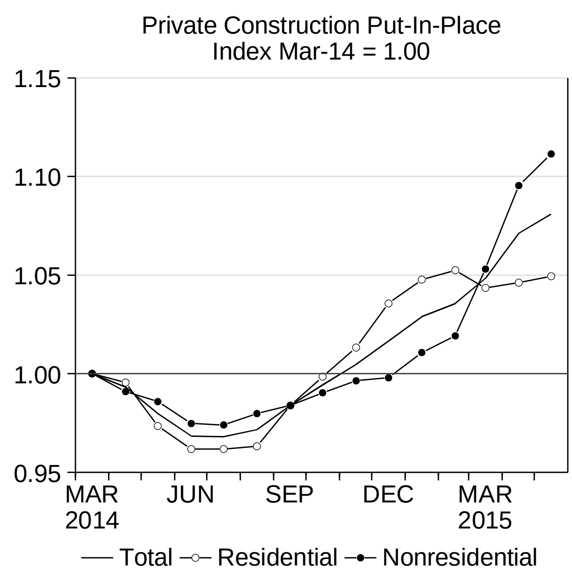
Factory orders and shipments were weak again in May, prompting some concern that the overall economy has entered a recession. The concerns are misplaced, considering the sustained downward direction of weekly initial jobless claims and continued growth in nonfarm payroll employment and consumer spending. More likely, the declines in factory shipments and orders during May are merely echoes of the temporary weakness in manufacturing.

Consistent with weakness in other measures of industrial activity, manufacturing employment growth was modest again in June. Employment increased by 4,000 jobs, the same as the average for the previous four months but down from the average of 26,000 jobs per month during the four months before that.

Activity in industries of particular importance to Ohio was mixed during May. Production of **primary metal** increased 0.7%, while production of **fabricated metal** decreased 0.2% and **production of machinery** increased 0.4%. 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. The large decline in the price of oil is expected to boost manufacturing production in other sectors during 2015, as cheaper energy adds more to demand for consumer-related goods than it subtracts from production of investment and energy-related goods.

Construction

Recent gains in **construction put-in-place** were sustained and extended in May as activity increased 0.8% on top of the 2.1% increase in April. Changes across sectors were mixed. For total construction, the April level was 8.2% higher than a year earlier. Benchmark revisions to construction data back to the beginning of 2013 generally resulted in stronger growth during the period.



Private construction increased 0.9% in May and the April change was revied up from 1.8% to 2.2%. Private residential construction put-in-place increased 0.3% for the second straight month. Single family construction was unchanged, while multi-family construction increased 0.2%. Private nonresidential construction increased by 1.5% and the April increase was revised up from 3.1% to 4.0%. Many market segments made positive contributions, but manufacturing accounted for almost all of the increase.

Public construction increased by 0.7% in May and the April increase was revised down from 3.3% to 1.7%. Public residential construction increased 1.1% in May. Public nonresidential construction increased 1.7%, with almost all of the gain coming in the highway and street segment.

The recent momentum in housing activity continued to build in May. **Housing starts** increased 4.5% in May on a 3-month moving average basis on top of a 2.9% increase in April. Single family starts increased 4.1% and multi-family starts increased 5.2%. Compared with a year earlier, housing starts were higher by 5.6%.

In the Midwest, starts rose 11.5% on a 3-month moving average basis, as both single-family (+7.9%) and multi-family (+20.2%) starts increased. The solid increases across the Midwest during March-May followed weakness in the second half of 2014 and over the winter that leave the level of activity still well below the year ago pace.

The generally more forward-looking **housing permits** were also positive in May. Permits increased 4.6% across the country on a 3-month moving average basis, while Midwest permits increased by 2.9%, reflecting a 4.5% increase in single-family and no change in multi-family.

Sales of existing houses increased both across the country (+3.0%) and in the Midwest (+5.1%) in May on a 3-month moving average basis. Inventories of existing homes for sale rose slightly in May in absolute terms but edged down to a 5.1-month supply at May's pace of sales. Compared with a year earlier, sales across the country were higher by 9.1% and sales in the Midwest were higher by 12.5%.

The **Pending Homes Sales Index**, which measures housing contract activity for single-family homes, condos, and co-ops and usually leads existing home sales by a month or two, increased 1.6% on a 3-month moving average basis. Pending Home Sales in the Midwest increased just 0.3% after a string of moderate increases during the previous three months.

Sales of newly built homes were little changed across the country (+0.1%), but increased 6.6% in the Midwest on a 3-month moving average basis. Inventories of new homes were unchanged in May in absolute terms and edged down relative to the current pace of sales to a 4.5-month supply. New home sales were 23.3% higher than a year earlier across the country but 2.0% lower in the Midwest.

Home prices edged down very slightly in April, ending a 10-month string of increases, according to the Case-Shiller national home price index. Home prices in Cleveland decreased 0.5% in April, ending a 7-month string of increases. Home prices increased 5.6% across the country from December 2013 to April 2015 to stand 24.8% above the cycle low reached in December 2011, but remained 7.6% below the all-time high set in February 2007.

REVENUES

NOTE: Estimates in the revenue tables are based on July 2014 OBM revisions and do not include or reflect updated fiscal year 2015 annual estimates contained in the Executive Budget for fiscal years 2016-2017.

June **GRF receipts totaled $3,113.8 million** and were $266.4 million (9.4%) above the estimate. Monthly tax receipts totaled $1,805.2 million and were $12.8 million (0.7%) below the estimate, while non-tax receipts totaled $691.3 million and were $303.1 million (78.1%) above the estimate. Variances for the fiscal year-to-date by category are provided in the following table ($ in millions).

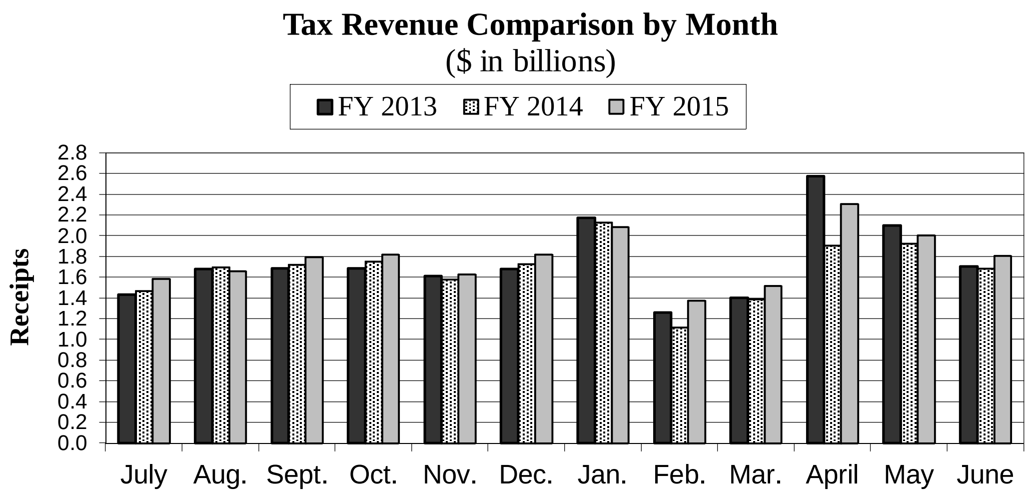
Category	Includes:	YTD Variance	% Variance
Tax receipts	Sales & use, personal income, corporate franchise, financial institutions, commercial activity, MCF, public utility, kilowatt hour, foreign & domestic insurance, other business & property taxes, cigarette, alcoholic beverage, liquor gallonage, & estate	$390.2 million	1.9%
Non-tax receipts	Federal grants, earnings on investments, licenses & fees, other income, intrastate transfers	$310.9 million	3.4%
Transfers	Budget stabilization, liquor transfers, capital reserve, other	($6.8 million)	-1.0%
TOTAL REVENUE VARIANCE:		**$694.3 million**	**2.3%**

On a year-over-year basis, monthly receipts were $644.4 million (26.1%) higher than in June of the previous fiscal year, mainly due to growth in federal grants revenue ($258.0 million, 61.5%), auto sales and use tax ($20.1 million, 19.1%), and the domestic insurance tax ($71.2 million, 9,371.0%).

GRF Revenue Sources Relative to Monthly Estimates – June 2015
($ in millions)

Individual Revenue Sources Above Estimate		Individual Revenue Sources Below Estimate	
Federal Grants	$308.2	Non-Auto Sales & Use Tax	($63.1)
Domestic Insurance Tax	$59.7	Personal Income Tax	($25.8)
Auto Sales & Use Tax	$15.4	Transfers In - Other	($23.8)
Cigarette Tax	$13.1	Foreign Insurance Tax	($16.1)
Commercial Activity Tax	$3.5	Other Income	($4.2)
Corporate Franchise Tax	$1.1		
Other Sources Above Estimate	$1.9	Other Sources Below Estimate	($3.6)
Total above	**$402.9**	**Total below**	**($136.6)**

(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

Due largely to the correction of a payment error in May in which approximately $55.0 million in domestic insurance tax receipts were incorrectly deposited under the non-auto sales tax, June non-auto sales and use tax collections of $690.3 million were $63.1 million (8.4%) below estimate. As the first quarter GDP growth rate was revised to negative 0.2%, Ohio's weak sales tax revenue performance for January-March seemed in line with national performance, and may have a common factor – extremely cold weather. Performance improved in the second quarter, bringing the total revenue for the year to $8,643.6 million, less than $1.0 million (0.0%) below the estimate.

On a year-over-year basis, June 2015 receipts were $9.8 million (1.4%) below collections in the same month of the previous fiscal year. If not for the correction of the erroneous deposit in May, June 2015 would have experienced an increase of approximately $45.0 million (6.5%) over June 2014. June comparisons are unaffected by the tax rate increase that took effect last fiscal year, although year-to-date comparisons are still influenced by the rate increase because of its impact on July through October results. Tax collections for fiscal year 2015 were $687.7 million (8.6%) greater than collections in fiscal year 2014. Growth in revenues from the prior year were influenced not only by the rate increase but also by strong growth in revenues from Medicaid Health Insuring Corporations (MHICs), through the channel of the sales tax on managed care premiums.

Total annual collections for the sales and use tax (including the auto sales tax) were $9,960.2 million and ended $51.2 million (0.5%) above the fiscal year 2015 estimate.

A pattern of negative correlations between non-auto sales tax revenues and auto sales tax revenues (when auto revenue was above estimate non-auto fell below) appeared throughout the year. This suggests that there could be consumer substitution between automobile purchases and those other goods and services taxed under the non-auto sales tax. Whether this pattern will persist beyond FY 2015 is uncertain.

Auto Sales Tax

June auto sales tax collections totaled $124.9 million and were $15.4 million (14.1%) above estimate. Overall annual revenue for the auto sales tax was $1,316.6 million, which was $52.1 million (4.1%) above the estimate for fiscal year 2015. National light vehicle sales sustained in June at 17.1 million units (SAAR), after May sales surged to their highest level in 10 years at 17.7 million units (SAAR). The strong light-vehicle market likely explains most of the surplus in revenue collections in June and for the year as a whole.

On a year-over-year basis, monthly receipts were $20.1 million (19.1%) above the amount collected in June of the previous fiscal year. For the year as a whole, collections were $106.7 million (8.8%) higher than in fiscal year 2014. As with the non-auto sales tax, June comparisons are unaffected by the tax rate increase that took effect last fiscal year, although year-to-date comparisons are still influenced by the rate increase because of its impact on July through October results.

Personal Income Tax

For a second consecutive month personal income tax receipts fell short of the estimate as June collections totaled $796.3 million and were $25.8 million (3.1%) below the estimate. Weaker than expected performance in the withholding ($21.5 million, 3.2%), miscellaneous ($3.0 million, 27.0%), and trust ($0.3 million, 5.2%) components, and larger than expected refunds ($18.0 million, 66.8%) combined to offset better than estimated collections in quarterly estimated payments ($13.2 million, 6.9%) and annual returns ($2.8 million, 23.7%). Total GRF collections finished fiscal year 2015 at $8,506.7 million and were $278.8 million (3.4%) above the estimate. Payments associated with annual returns accounted for more than the entirety of the variance as receipts totaled $1,000.2 million and were $298.8 million (40.8%) above estimate.

FY2015 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	$663.3	$641.8	($21.5)	$8,131.0	$8,111.9	($19.1)
Quarterly Est.	$191.8	$205.0	$13.2	$997.5	$1,095.5	$98.0
Trust Payments	$6.5	$6.2	($0.3)	$65.0	$70.6	$5.6
Annual Returns & 40 P	$11.9	$14.7	$2.8	$710.4	$1,000.2	$289.8
Other	$11.1	$8.1	($3.0)	$135.0	$107.8	($27.2)
Less: Refunds	($26.9)	($44.9)	($18.0)	($1,450.1)	($1,513.9)	($63.8)
Local Distr.	($35.6)	($34.6)	$1.0	($360.9)	($365.5)	($4.6)
Net to GRF	**$822.1**	**$796.3**	**($25.8)**	**$8,227.9**	**$8,506.6**	**$278.7**

On a year-over-year basis, June personal income tax receipts were $40.9 million (5.4%) above the June 2014 collections. Growth in the withholding ($35.9 million, 5.9%), quarterly estimated payments ($13.3 million, 6.9%), and payments associated with annual returns ($2.2 million, 17.6%) components combined to offset declines in the trust ($1.4 million, 18.4%) and miscellaneous ($1.3 million, 13.8%) components as well as increased refunds ($6.3 million, 16.3%).

Fiscal year 2015 personal income tax collections were $441.7 million (5.5%) higher than receipts from the previous year. Growth in payments associated with annual returns ($196.2 million, 24.4%), trust payments ($5.2 million, 8.0%), and withholding collections ($195.9 million, 2.5%), in addition to lower refunds ($178.0 million, 10.5%) contributed to this increase. Declines in quarterly estimated payments ($98.7 million, 8.3%) and miscellaneous revenue ($16.7 million, 13.4%) counteracted some of the growth. A year-over-year comparison by component is provided in the table below.

FY2015 PERSONAL INCOME TAX RECEIPTS GROWTH ($ in millions)			
Income Tax Components	**FY2014**	**FY2015**	**Year-over-year $ Change**
Withholding	$7,916.0	$8,111.9	$195.9
Quarterly Est.	$1,194.2	$1,095.5	($98.7)
Trust Payments	$65.4	$70.6	$5.2
Annual Returns & 40 P	$804.0	$1,000.2	$196.2
Other	$124.5	$107.8	($16.7)
Less: Refunds	(1,691.9)	(1,513.9)	$178.0
Local Distr.	(347.3)	(365.5)	($18.2)
Net to GRF	**$8,064.9**	**$8,506.6**	**$441.7**

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 some amount of monthly activity for this tax, whether settlement payments or refunds, which by definition create variances, since the estimate for this tax is now zero. Although these monthly variances have generally been small, readers of this report will recall that November was an exception due to considerable refund activity. June experienced some light settlement activity as receipts totaled $1.1 million, bringing the total variance for the fiscal year to $2.5 million.

Financial Institutions Tax

June receipts for the financial institutions tax totaled $28.8 million and were $0.7 million (2.5%) below the $29.5 million estimate. For the year as whole, revenues totaled $182.1 million and were $22.9 million (11.2%) below estimate. Most of the annual variance is due to after-the-fact adjustments to payments received in the previous fiscal year (FY 2014). Credits and deductions claimed on returns, after estimated payments were made, led to revenues being $22.8 million below estimate for the July-December period.

Commercial Activity Tax

The commercial activity tax (CAT) continued its strong performance as June receipts deposited in the GRF totaled $3.9 million and were $3.5 million (881.6%) above the estimate of $0.4 million. Fiscal year 2015 GRF CAT receipts totaled $854.0 million and were $81.5 million (10.6%) above estimate. For the year, growth in GRF CAT receipts was $59.8 million (7.5%).

All funds June CAT receipts (net of refunds, attorney general fees, and deposits to the motor fuel fund), meanwhile totaled $7.9 million and were $7.1 million (907.9%) above the estimate. Year-to-date, all funds receipts totaled $1,723.2 million and were $177.7 million (11.5%) above estimate. Year-over-year growth in all funds CAT receipts for the fiscal year were $38.9 million (2.3%) above the same period in the previous fiscal year. Once one adjusts fiscal year 2014 collections to remove $80.1 million in motor fuel deposit amounts (which are now subject to the petroleum activity tax), an apples-to-apples comparison of year-over-year performance results in an increase of $119.7 million (7.5%).

Energy Taxes

June kilowatt hour tax receipts totaled $16.4 million and were $0.9 million (5.3%) below the estimate. Public utility tax collections registered about $0.6 million in revenue in June, although the estimate for the month was zero. Both taxes lagged behind the estimate throughout the year: kilowatt hour tax collections for the year totaled $292.3 million and fell short of the estimate for fiscal year 2015 by $5.9 million (2.0%); public utility tax collections for the year totaled $97.5 million and were below the estimate by $7.5 million (7.2%).

In contrast, collections for the natural gas distribution tax for the year were $14.7 million (24.6%) above the estimate of $60.0 million for fiscal year 2015. The annual overage for this tax source managed to surpass the shortfall for both the kilowatt hour and public utility taxes by $1.3

million. Given the ease of access to natural gas and its declining cost, it is possible there is some consumer substitution reflected in tax collections for this source compared to other energy taxes, such as the kilowatt hour tax.

Year-over-year collections for June were negative for the kilowatt hour tax ($1.8 million, 9.8%) and positive for the natural gas distribution tax and public utility tax. Even though tax collections for the natural gas distribution tax exceeded estimates for fiscal year 2015, collections for all three energy taxes trailed behind prior year collections: the natural gas distribution tax collections were $1.4 million (1.8%) below collections in fiscal year 2014, the kilowatt-hour tax registered a $8.5 million (8.1%) decline compared with fiscal year 2014.

Foreign Insurance Tax

Due to credits against the tax that resulted in refunds on taxes paid in multiple years, June foreign insurance tax receipts totaled -$17.9 million and were $16.1 million (895.1%) below the -$1.8 million estimate. As a result, the total fiscal collections were reduced to $266.6 million and were $22.6 million (7.8%) below the estimate. While credits and refunds occur each year, the impact of multiple years of these offsets had a much greater impact than had been expected at the beginning of the fiscal year.

Domestic Insurance Tax

Due to the correction of domestic insurance tax receipts that were incorrectly credited to the non-auto sales tax in May, June domestic insurance tax receipts totaled $72.0 million and were $59.7 million (485.2%) above the estimate. For the fiscal year, total collections were $251.6 million and were $12.9 million (5.4%) above the estimate. The correction of the miscoding which occurred in early June has skewed the apparent performance of both the non-auto sales and domestic insurance tax in June, making the monthly performance of the tax appear much stronger than it actually was. Combining May and June gives us a better look at the recent performance of this tax. Doing so yields collections $7.4 million (3.1%) higher than estimate.

Cigarette and Other Tobacco Tax

The cigarette and other tobacco tax receipts rebounded with a strong June after a shortfall in three of the preceding four months. June receipts totaled $77.8 million and were $13.1 million (20.3%) above the estimate of $64.7 million. Year-over-year cigarette tax receipts were $13.4 million (20.8%) above the level for the same month of the previous fiscal year. Total fiscal year 2015 receipts were $808.2 million and were $14.1 million (1.8%) above the estimate, but $5.8 million (0.7%) below that of the previous fiscal year.

GRF non-tax receipts totaled $691.3 million in June and were $303.1 million (78.1%) above the estimate. Federal grants are by far the largest share of this category, accounting for most of the category overage, coming in $308.2 million (83.5%) above estimate. The federal revenue overage in June was related to higher than estimated Medicaid spending for the month.

Table 1
GENERAL REVENUE FUND RECEIPTS
ACTUAL FY 2015 VS ESTIMATE FY 2015
($ in thousands)

REVENUE SOURCE	MONTH ACTUAL JUNE	MONTH ESTIMATE JUNE	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	690,306	753,400	(63,094)	-8.4%	8,643,630	8,644,500	(870)	0.0%
Auto Sales & Use	124,942	109,500	15,442	14.1%	1,316,600	1,264,500	52,100	4.1%
Subtotal Sales & Use	815,248	862,900	(47,652)	-5.5%	9,960,230	9,909,000	51,230	0.5%
Personal Income	796,319	822,100	(25,781)	-3.1%	8,506,665	8,227,900	278,765	3.4%
Corporate Franchise	1,126	0	1,126	N/A	2,496	0	2,496	N/A
Financial Institutions Tax	28,755	29,500	(745)	-2.5%	182,134	205,000	(22,866)	-11.2%
Commercial Activity Tax	3,926	400	3,526	881.6%	853,987	772,500	81,487	10.5%
Petroleum Activity Tax	1,097	200	897	448.7%	5,533	20,000	(14,467)	-72.3%
Public Utility	559	0	559	N/A	97,473	105,000	(7,527)	-7.2%
Kilowatt Hour	16,388	17,300	(912)	-5.3%	292,327	298,200	(5,873)	-2.0%
Natural Gas Distribution	83	900	(817)	-90.8%	74,735	60,000	14,735	24.6%
Foreign Insurance	(17,911)	(1,800)	(16,111)	-895.1%	266,627	289,200	(22,573)	-7.8%
Domestic Insurance	71,980	12,300	59,680	485.2%	251,647	238,700	12,947	5.4%
Other Business & Property	293	0	293	N/A	794	0	794	N/A
Cigarette and Other Tobacco	77,815	64,700	13,115	20.3%	808,164	794,100	14,064	1.8%
Alcoholic Beverage	5,598	5,800	(202)	-3.5%	56,574	55,000	1,574	2.9%
Liquor Gallonage	3,855	3,700	155	4.2%	43,365	41,000	2,365	5.8%
Estate	43	0	43	N/A	3,071	0	3,071	N/A
Total Tax Receipts	1,805,175	1,818,000	(12,825)	-0.7%	21,405,823	21,015,600	390,223	1.9%
NON-TAX RECEIPTS								
Federal Grants	677,146	368,975	308,171	83.5%	9,301,325	8,990,764	310,561	3.5%
Earnings on Investments	5,244	5,500	(256)	-4.7%	23,141	20,000	3,141	15.7%
License & Fees	504	725	(221)	-30.5%	57,519	62,000	(4,481)	-7.2%
Other Income	8,461	12,619	(4,158)	-33.0%	33,647	32,000	1,647	5.1%
ISTV'S	(79)	377	(456)	-120.8%	10,005	10,000	5	0.0%
Total Non-Tax Receipts	691,276	388,196	303,080	78.1%	9,425,637	9,114,764	310,873	3.4%
TOTAL REVENUES	**2,496,450**	**2,206,196**	**290,255**	**13.2%**	**30,831,460**	**30,130,364**	**701,097**	**2.3%**
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	617,356	641,186	(23,830)	-3.7%	641,628	648,386	(6,758)	-1.0%
Temporary Transfers In	0	0	0	N/A	0	0	0	N/A
Total Transfers	617,356	641,186	(23,830)	-3.7%	641,628	648,386	(6,758)	-1.0%
TOTAL SOURCES	**3,113,806**	**2,847,382**	**266,425**	**9.4%**	**31,473,088**	**30,778,750**	**694,338**	**2.3%**

Table 2
GENERAL REVENUE FUND RECEIPTS
ACTUAL FY 2015 VS ACTUAL FY 2014
($ in thousands)

	MONTH				YEAR-TO-DATE			
REVENUE SOURCE	JUNE FY 2015	JUNE FY 2014	$ VAR	% VAR	ACTUAL FY 2015	ACTUAL FY 2014	$ VAR	% VAR
TAX RECEIPTS								
Non-Auto Sales & Use	690,306	700,128	(9,822)	-1.4%	8,643,630	7,955,923	687,707	8.6%
Auto Sales & Use	124,942	104,881	20,062	19.1%	1,316,600	1,209,879	106,721	8.8%
Subtotal Sales & Use	815,248	805,009	10,239	1.3%	9,960,230	9,165,802	794,428	8.7%
Personal Income	796,319	755,432	40,887	5.4%	8,506,665	8,064,922	441,743	5.5%
Corporate Franchise	1,126	388	738	190.1%	2,496	(11,380)	13,876	121.9%
Financial Institutions Tax	28,755	26,497	2,259	8.5%	182,134	197,837	(15,703)	-7.9%
Commercial Activity Tax	3,926	8,046	(4,119)	-51.2%	853,987	794,205	59,782	7.5%
Petroleum Activity Tax	1,097	0	1,097	N/A	5,533	0	5,533	N/A
Public Utility	559	125	435	348.6%	97,473	106,012	(8,539)	-8.1%
Kilowatt Hour	16,388	18,164	(1,776)	-9.8%	292,327	306,294	(13,966)	-4.6%
Natural Gas Distribution	83	0	83	N/A	74,735	76,110	(1,375)	-1.8%
Foreign Insurance	(17,911)	(1,670)	(16,242)	-972.8%	266,627	286,483	(19,856)	-6.9%
Domestic Insurance	71,980	760	71,220	9371.0%	251,647	196,894	54,753	27.8%
Other Business & Property	293	166	127	76.7%	794	785	10	1.2%
Cigarette and Other Tobacco	77,815	64,411	13,404	20.8%	808,164	813,984	(5,820)	-0.7%
Alcoholic Beverage	5,598	4,771	828	17.4%	56,574	55,519	1,055	1.9%
Liquor Gallonage	3,855	3,802	52	1.4%	43,365	41,832	1,532	3.7%
Estate	43	968	(924)	-95.5%	3,071	39,391	(36,320)	-92.2%
Total Tax Receipts	1,805,175	1,686,868	118,307	7.0%	21,405,823	20,134,689	1,271,134	6.3%
NON-TAX RECEIPTS								
Federal Grants	677,146	419,189	257,956	61.5%	9,301,325	8,575,562	725,762	8.5%
Earnings on Investments	5,244	4,955	289	5.8%	23,141	17,304	5,837	33.7%
License & Fee	504	632	(128)	-20.2%	57,519	57,303	216	0.4%
Other Income	8,461	5,439	3,022	55.6%	33,647	21,830	11,817	54.1%
ISTV'S	(79)	3,042	(3,120)	-102.6%	10,005	20,406	(10,401)	-51.0%
Total Non-Tax Receipts	691,276	433,257	258,019	59.6%	9,425,637	8,692,406	733,231	8.4%
TOTAL REVENUES	**2,496,450**	**2,120,124**	**376,326**	**17.8%**	**30,831,460**	**28,827,096**	**2,004,365**	**7.0%**
TRANSFERS								
Budget Stabilization	0	0	0	N/A	0	0	0	N/A
Liquor Transfers	0	0	0	N/A	0	0	0	N/A
Transfers In - Other	617,356	349,298	268,058	76.7%	641,628	400,194	241,433	60.3%
Temporary Transfers In	0	0	0	N/A	0	5,516	(5,516)	N/A
Total Transfers	617,356	349,298	268,058	76.7%	641,628	405,710	235,918	58.1%
TOTAL SOURCES	**3,113,806**	**2,469,422**	**644,384**	**26.1%**	**31,473,088**	**29,232,806**	**2,240,283**	**7.7%**

DISBURSEMENTS

June GRF disbursements, across all uses, totaled $1,832.3 million and were $124.4 million (7.3%) above estimate. This was primarily attributable to higher than estimated disbursements in the Medicaid and Primary and Secondary Education categories being partially offset by lower than estimated disbursements in the Property Tax Reimbursements and Health and Human Services categories. On a year-over-year basis, June total uses were $134.7 million (6.8%) lower than those of the same month in the previous fiscal year. Year-to-date variances by category are provided in the table below. While fiscal year 2015 disbursements were $57.4 million (0.2%) 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 2015. 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)	($80.9 million)	-0.3%
Transfers	Temporary or permanent transfers out of the GRF that are not agency expenditures	$23.5 million	3.9%
TOTAL DISBURSEMENTS VARIANCE:		**($57.4 million)**	**-0.2%**

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

Primary and Secondary Education

This category contains GRF spending for the Ohio Department of Education, minus property tax reimbursements. June disbursements for this category totaled $324.9 million and were $28.2 million (9.5%) above estimate. Expenditures for the school foundation program totaled $312.0 million and were $31.3 million (11.2%) above estimate. This variance was primarily attributable to the $40.0 million Catastrophic Cost Supplement payment that was originally planned for April, but disbursed in June. The supplement provides funding to support the higher costs associated with special education.

Actual fiscal year 2015 disbursements were $7,246.5 million, which was $21.9 million (0.3%) below estimate. Including encumbrances, fiscal year 2015 obligations (disbursements plus encumbrances) totaled $7,366.9 million and were $12.0 million (0.2%) below the estimate. The fiscal year 2015 obligations total reflects encumbrances of $120.4 million made by the Department of Education for payments that will be made against fiscal year 2015 funds in fiscal year 2016. These encumbrances are necessary as the final reconciliation payments to schools occur after the fiscal year ends.

Higher Education

June disbursements for the Higher Education category, which includes non-debt service GRF spending by the Board of Regents, totaled $170.6 million and were $3.7 million (2.2%) above estimate for the month. The majority of the monthly variance was due to spending in the Choose Ohio First and Ohio College Opportunity Programs above the monthly estimates by a total of $6.9 million as a result of higher than expected requests for reimbursement from higher education institutions, which was partially offset by spending in the Ohio National Guard Scholarship, College Readiness & Access, and the Technology Integration & Professional Development Programs below the monthly estimate by $3.2 million.

Actual fiscal year 2015 disbursements were $2,139.6 million, which was $1.1 million (0.1%) above estimate and $54.5 million (2.6%) higher than in fiscal year 2014. On a year-over-year basis, disbursements in this category were $7.6 million (4.6%) higher than for the same month in the previous fiscal year. Including encumbrances, fiscal year 2015 obligations (disbursements plus encumbrances) totaled $2,155.7 million and were $2.9 million (0.1%) below the estimate. The fiscal year 2015 obligations total reflects encumbrances of $16.1 million made by the Board of Regents for payments that will be made against fiscal year 2015 funds in fiscal year 2016.

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 $2.2 million and were $0.3 million (12.9%) below estimate. Actual fiscal year 2015 disbursements were $52.9 million, which was $3.8 million (6.7%) below estimate and $2.4 million (4.7%) higher than in fiscal year 2014. On a year-over-year basis, disbursements in this category were $0.3 million (15.7%) higher than for the same month in the previous fiscal year. Including encumbrances, fiscal year 2015 obligations (disbursements plus encumbrances) for the category totaled $62.1 million and were $0.8 million (1.3%) below the estimate. The fiscal year 2015 obligations total reflects encumbrances of $9.2 million made by agencies within the category for payments that will be made against fiscal year 2015 funds in fiscal year 2016.

Medicaid

This 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 Department of Medicaid (651 prefix), the Department of Mental Health and Addiction Services (652), the Department of Developmental Disabilities (653), the Department of Health (654), the Department of Job and Family Services (655), and the Department of Aging (656).

Please note that the total GRF disbursement estimates in fiscal year 2015, which were established in July 2014, are lower than the original appropriations by $845.6 million. Budgeted transfers and other projected lapses account for $148.7 million. The remaining $697.0 million is due to an adjustment for lower than expected caseload. While enrollment steadily increased each month in fiscal year 2014, the rate of growth was lower than initially expected and was a key driver of the lower than expected spending. This spending trend is expected to continue in fiscal year 2015, and the disbursement estimates have been adjusted accordingly.

Expenditures

June GRF disbursements for the Medicaid Program totaled $866.7 million and were $255.7 million (41.9%) above the estimate, and $138.6 million (19.0%) above the same month in the previous fiscal year. Year-to-date GRF disbursements for the Medicaid Program totaled $14,863.2 million and were $85.2 million (0.6%) above the estimate, and $1,292.7 million (9.5%) above the same point in the previous fiscal year. Including encumbrances, fiscal year 2015 obligations (disbursements plus encumbrances) for the Medicaid Program totaled $14,965.4 million and were $126.5 million above the estimate. The fiscal year 2015 obligations total reflects encumbrances of $102.2 million made by agencies within the category for payments that will be made against fiscal year 2015 funds in fiscal year 2016.

June all funds disbursements totaled $1,902.0 million and were $23.9 million (1.3%) above the estimate, and $4.5 million (0.2%) below disbursements in the same month of the previous fiscal year. Year-to-date all funds disbursements totaled $23,467.1 million and were $657.0 million (2.7%) below the estimate, and $2,608.0 million (12.5%) above disbursements at the same point of the previous fiscal year.

The June all funds variance was due primarily to greater than anticipated spending in the Managed Care-CFC spending category, resulting from enrollment, and in Nursing Facilities as the MyCare managed care program claims for this population have not yet shifted to managed care plans. This was offset, in part, by fee-for-service categories with lower than anticipated expenses such as hospitals, physicians and prescription drug, and three groups in the managed care program – Aged, Blind and Disabled (ABD)-Adults, ABD-Children, and MyCare Medicaid/Medicare dually-eligible. Payment of the Hospital Care Assurance program expenses, previously reported as being delayed, will not be completed until the next fiscal year.

Year-to-date all funds disbursements were below the estimate. This was due to lower-than-anticipated costs in the fee-for-service categories, along with lower-than-anticipated costs for the Health Homes program, and a managed care payment reconciliation that occurred in July 2014.

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

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

	June Projection	June Actual	Variance	Variance %
GRF	$ 610.9	$ 866.7	$ 255.7	41.9%
Non-GRF	$ 1,267.1	$ 1,035.3	$ (231.8)	-18.3%
All Funds	$ 1,878.1	$ 1,902.0	$ 23.9	1.3%

Enrollment

Total June enrollment across all categories was 3.04 million. The most significant components are the Covered Families and Children (CFC) category, which increased by 101,460 persons to a June total of 2.44 million persons, and the Aged, Blind and Disabled (ABD) category, which decreased by 2,416 persons to a June total of 406,538 covered lives. Individuals covered under Medicaid extension (eligibility group VIII) are included as part of the larger CFC category.

Total enrollment across all categories for the same period last year was 2.76 million covered persons, including 2.11 million persons in the CFC category and 433,160 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 $50.4 million and were $26.2 million (34.2%) below estimate for the month. Actual fiscal year 2015 disbursements were $1,249.8 million, which was $51.7 million (4.0%) below estimate and $14.0 million (1.1%) higher than in fiscal year 2014. On a year-over-year basis, disbursements in this category were $2.8 million (5.2%) lower than for the same month in the previous fiscal year. Including encumbrances, fiscal year 2015 obligations (disbursements plus encumbrances) for the category totaled $1,311.6 million and were $31.8 million (2.4%) below the estimate. Of this variance, $22.4 million was attributable to the Department of Job and Family Services, $5.0 million was attributable to the Department of Mental Health and Addiction Services, and $3.5 million was attributable to the Department of Health. The fiscal year 2015 obligations total reflects encumbrances of $61.8 million made by agencies within the category for payments that will be made against fiscal year 2015 funds in fiscal year 2016.

Department of Job and Family Services

June disbursements for the Department of Job and Family Services totaled $32.9 million and were $19.1 million (36.8%) below estimate. Of this variance, $16.8 million was attributable to Family and Children Services and Adult Protective Services appropriations being transferred from the Controlling Board in October and estimated to be disbursed in June instead being disbursed in earlier months. The remainder of the variance was primarily attributable to several lines. First, Early Care and Education disbursements were $12.2 million (86.1%) below estimate due to disbursements estimated for June being made in April and May instead. Second, Child Care State/Maintenance of Effort disbursements were $3.9 million (100.0%) below estimate due to a change in the disbursement schedule in order to meet federal requirements. Third, Program

Support disbursements were $1.2 million (46.7%) below estimate due to lower than estimated non-payroll expenditures. Fourth, TANF State/Maintenance of Effort disbursements were $11.4 million above an estimate of $0 due to $10.0 million in expenditures estimated for April being made in June instead, and $1.4 million in Ohio Works First cash assistance payments being made in June in order to meet the TANF maintenance of effort requirement. Fifth, Adoption Services disbursements were $2.0 million (2,120.6%) above estimate due to an additional county adoption assistance reimbursement payment being made that was not estimated for June. Finally, Disability Financial Assistance disbursements were $1.9 million (583.4%) above estimate due to higher than estimated county expenditures. Including encumbrances, fiscal year 2015 obligations (disbursements plus encumbrances) totaled $738.9 million and were $22.4 million (2.9%) below the estimate. The fiscal year 2015 obligations total reflects encumbrances of $39.7 million made for payments that will be made against fiscal year 2015 funds in fiscal year 2016.

Department of Mental Health and Addiction Services

June disbursements for the Department of Mental Health and Addiction Services totaled $7.4 million and were $8.6 million (53.7%) below estimate. This variance was attributable to Hospital Services disbursements being $6.8 million (58.1%) below estimate due to non-payroll disbursements estimated in June being made in earlier months, and Community Behavioral Health disbursements being $1.9 million (45.5%) below estimate due to the timing of county draws on block grant supplement funds. Including encumbrances, fiscal year 2015 obligations (disbursements plus encumbrances) totaled $346.1 million and were $5.0 million (1.4%) below the estimate. The fiscal year 2015 obligations total reflects encumbrances of $9.3 million made for payments that will be made against fiscal year 2015 funds in fiscal year 2016.

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 $128.3 million and were $6.6 million (4.9%) below estimate for the month. Actual fiscal year 2015 disbursements were $1,850.3 million, which was $38.2 million (2.0%) below estimate and $13.3 million (0.7%) higher than in fiscal year 2014. On a year-over-year basis, disbursements in this category were $7.3 million (5.4%) lower than for the same month in the previous fiscal year. Including encumbrances, fiscal year 2015 obligations (disbursements plus encumbrances) for the category totaled $1,910.2 million and were $23.5 million (1.2%) below the estimate. Of this variance, $11.7 million was attributable to the Department of Youth Services and $9.4 million was attributable to the Department of Rehabilitation & Correction. The fiscal year 2015 obligations total reflects encumbrances of $59.9 million made by agencies within the category for payments that will be made against fiscal year 2015 funds in fiscal year 2016.

Department of Rehabilitation & Correction

June disbursements for the Department of Rehabilitation and Correction totaled $94.9 million and were $4.2 million (4.3%) below estimate. This variance was primarily attributable to $7.6 million (10.7%) in lower than estimated disbursements for Institutional Operations due to the timing of payments being partially offset by $3.9 million (5,868.2%) in higher than estimated disbursements for Community Nonresidential Programs due to grant payments. Including encumbrances, fiscal year 2015 obligations (disbursements plus encumbrances) totaled $1,475.0 million and were $9.4 million (0.6%) below the estimate. The fiscal year 2015 obligations total reflects encumbrances of $48.8 million made for payments that will be made against fiscal year 2015 funds in fiscal year 2016.

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 $20.4 million and were $1.7 million (7.9%) below estimate. Actual fiscal year 2015 disbursements were $340.1 million, which was $14.7 million (4.1%) below estimate and $8.4 million (2.4%) lower than in fiscal year 2014. On a year-over-year basis, disbursements in this category were $2.6 million (11.2%) lower than for the same month in the previous fiscal year. Including encumbrances, fiscal year 2015 obligations (disbursements plus encumbrances) for the category totaled $395.7 million and were $2.6 million (0.7%) below the estimate. The fiscal year 2015 obligations total reflects encumbrances of $55.6 million made by agencies within the category for payments that will be made against fiscal year 2015 funds in fiscal year 2016.

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. Correcting for earlier than expected distributions occurring in previous months, June property tax reimbursements totaled $215.2 million and were $123.6 million (36.5%) below the estimate of $338.8 million. Actual fiscal year 2015 disbursements were $1,801.5 million and were $18.2 million (1.0%) below estimate.

Debt Service

June payments for debt service totaled $48.9 million and were $1.2 million (2.4%) below the estimate of $50.1 million. Actual fiscal year 2015 disbursements were $1,287.7 million and were $18.7 million (1.4%) below estimate. The entirety of the monthly variance was attributable to lower than estimated payments on Common Schools general obligation debt service, while the largest contributor to the annual variance was lower than estimated disbursements on general obligation infrastructure bonds.

Transfers Out

June transfers out totaled \$4.6 million and were \$3.5 million (43.4%) below estimate. Actual fiscal year 2015 transfers out totaled \$629.9 million and were \$23.5 million (3.9%) above estimate.

Table 3

GENERAL REVENUE FUND DISBURSEMENTS
ACTUAL FY 2015 VS ESTIMATE FY 2015
($ in thousands)

Functional Reporting Categories Description	MONTH ACTUAL JUNE	MONTH ESTIMATED JUNE	MONTH $ VAR	MONTH % VAR	YEAR-TO-DATE YTD ACTUAL	YEAR-TO-DATE YTD ESTIMATE	YEAR-TO-DATE $ VAR	YEAR-TO-DATE % VAR
Primary and Secondary Education	324,868	296,685	28,184	9.5%	7,246,517	7,268,445	(21,928)	-0.3%
Higher Education	170,647	166,930	3,717	2.2%	2,139,555	2,138,471	1,084	0.1%
Other Education	2,214	2,541	(327)	-12.9%	52,934	56,738	(3,805)	-6.7%
Medicaid	866,686	610,945	255,742	41.9%	14,863,212	14,778,038	85,173	0.6%
Health and Human Services	50,445	76,658	(26,213)	-34.2%	1,249,822	1,301,504	(51,682)	-4.0%
Justice and Public Protection	128,317	134,948	(6,631)	-4.9%	1,850,280	1,888,478	(38,198)	-2.0%
General Government	20,430	22,178	(1,748)	-7.9%	340,119	354,818	(14,700)	-4.1%
Property Tax Reimbursements	215,190	338,830	(123,641)	-36.5%	1,801,479	1,819,658	(18,179)	-1.0%
Capital Outlay	0	0	0	N/A	0	0	0	N/A
Debt Service	48,899	50,097	(1,199)	-2.4%	1,287,681	1,306,352	(18,670)	-1.4%
Total Expenditures & ISTV's	**1,827,695**	**1,699,812**	**127,883**	**7.5%**	**30,831,598**	**30,912,502**	**(80,903)**	**-0.3%**
Transfers Out:								
BSF Transfer Out	0	0	0	N/A	0	0	0	N/A
Operating Transfer Out	4,614	8,146	(3,532)	-43.4%	629,876	606,390	23,487	3.9%
Temporary Transfer Out	0	0	0	N/A	0	0	0	N/A
Total Transfers Out	**4,614**	**8,146**	**(3,532)**	**-43.4%**	**629,876**	**606,390**	**23,487**	**3.9%**
Total Fund Uses	**1,832,309**	**1,707,959**	**124,351**	**7.3%**	**31,461,475**	**31,518,891**	**(57,417)**	**-0.2%**

Table 4
GENERAL REVENUE FUND DISBURSEMENTS
ACTUAL FY 2015 VS ACTUAL FY 2014
($ in thousands)

Functional Reporting Categories Description	MONTH				YEAR-TO-DATE			
	JUNE FY 2015	JUNE FY 2014	$ VAR	% VAR	ACTUAL FY 2015	ACTUAL FY 2014	$ VAR	% VAR
Primary and Secondary Education	324,868	444,425	(119,557)	-26.9%	7,246,517	6,762,680	483,837	7.2%
Higher Education	170,647	163,096	7,551	4.6%	2,139,555	2,085,040	54,515	2.6%
Other Education	2,214	1,914	300	15.7%	52,934	50,551	2,382	4.7%
Medicaid	866,686	728,063	138,623	19.0%	14,863,212	13,570,528	1,292,683	9.5%
Health and Human Services	50,445	53,229	(2,784)	-5.2%	1,249,822	1,235,828	13,994	1.1%
Justice and Public Protection	128,317	135,666	(7,349)	-5.4%	1,850,280	1,836,987	13,293	0.7%
General Government	20,430	23,017	(2,587)	-11.2%	340,119	348,556	(8,438)	-2.4%
Property Tax Reimbursements	215,190	327,567	(112,377)	34.3%	1,801,479	1,785,239	16,240	0.9%
Capital Outlay	0	0	0	N/A	0	0	0	N/A
Debt Service	48,899	65,627	(16,729)	-25.5%	1,287,681	1,226,413	61,268	5.0%
Total Expenditures & ISTV's	**1,827,695**	**1,942,605**	**(114,910)**	**-5.9%**	**30,831,598**	**28,901,823**	**1,929,775**	**6.7%**
Transfers Out:								
BSF Transfer	0	0	0	N/A	0	995,930	(995,930)	N/A
Operating Transfer Out	4,614	24,408	(19,795)	-81.1%	629,876	268,721	361,156	134.4%
Temporary Transfer Out	0	0	0	N/A	0	5,516	(5,516)	N/A
Total Transfers Out	**4,614**	**24,408**	**(19,795)**	**N/A**	**629,876**	**1,270,167**	**(640,290)**	**-50.4%**
Total Fund Uses	**1,832,309**	**1,967,014**	**(134,704)**	**-6.8%**	**31,461,475**	**30,171,990**	**1,289,485**	**4.3%**

FUND BALANCE

Table 5 describes the General Revenue Fund (GRF) ending fund balance for FY 2015 and is based on the actual revenue for FY 2015 and the actual FY 2015 disbursements, transfers, and encumbrances. The GRF ending fund balance for FY 2015 is $1,711.7 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 512.30 of H.B. 64 (main operating budget) of the 131st General Assembly. After reserving $425.2 million for outstanding encumbrances, the unencumbered ending fund balance includes a carryover balance of 0.5% of FY 2015 GRF revenues, or $157.4 million. Under the provisions of Section 512.30 of H.B. 64, of the remaining amount, $393.0 million is carried over to FY 2016 to offset the first year costs of the permanent income tax cuts contained in the budget bill, $425.5 million is transferred to the Budget Stabilization Fund (BSF), and $302.2 million is transferred for other one-time uses. Under Section 131.44 of the Ohio Revised Code, $8.4 million in excess of the prescribed reservations and transfers identified in Section 512.30 is transferred to the Income Tax Reduction Fund.

The table below shows the disposition of the FY 2015 ending cash balance.

Disposition of FY 2015 Ending Cash Balance

Ending Cash Balance as of June 30, 2015	$1,711.7
Less Outstanding Encumbrances	$425.2
Total Unencumbered Cash Balance	$1,286.5
Less 0.5% Requirement	$157.4
Actual Surplus Ending Balance	$1,129.1
Disposition of Surplus:	
H.B. 64 Section 512.30 Reserve	$393.0
Budget Stabilization Fund Transfer*	$425.5
Other End of Year Transfers Out	$302.2
Less Income Tax Reduction Fund Transfer	$8.4

* Note that in accordance with Section 512.70 of H.B. 64, an additional $101.1 million is transferred from the Medicaid Reserve Fund to the Budget Stabilization Fund (BSF), bringing the total BSF transfer to $526.6 million.

Table 5
FUND BALANCE
GENERAL REVENUE FUND
FISCAL YEAR 2015
($ in thousands)

July 1, 2014 Beginning Cash Balance	**$ 1,700,065**
Plus FY 2015 Actual Revenues	21,530,136
Plus FY 2015 Actual Federal Revenues	9,301,325
Plus FY 2015 Actual Transfers to GRF	641,628
Total Sources Available for Expenditure & Transfer	**33,173,153**
Less FY 2015 Actual Disbursements	30,831,598
Less FY 2015 Actual Total Encumbrances as of June 30, 2015	425,210
Less FY 2015 Actual Transfers Out	629,876
Total Actual Uses	**31,886,685**
FY 2015 UNENCUMBERED ENDING FUND BALANCE	**1,286,469**

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