OBM

October 13, 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

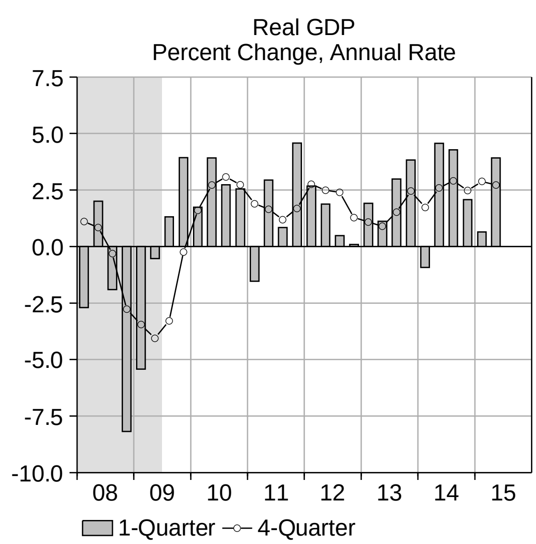
ECONOMIC SUMMARY

Economic Performance Overview

- The economy expanded by 3.9% in the second quarter, revised up from a previous estimate of 3.7%. This was significantly faster growth than the first-quarter gain of 0.6%.
- U.S. employment increased by 142,000 jobs in September, in line with the previous month but well below the average during the previous twelve months. The unemployment rate was unchanged at 5.1%.
- Ohio employment increased by 14,600 jobs in August and is up by 42,300 jobs year-to-date. The Ohio unemployment rate decreased by 0.3 percentage points to 4.7% – its lowest level since August 2001.
- Leading economic indicators continue to point toward uninterrupted economic expansion. Recent data indicate that growth continued in the third quarter, but at a slower pace. Forecasters project further growth in the fourth quarter.

Economic Growth

Real GDP growth for the second quarter was revised upward to 3.9% from the previous report of 3.7%. The economy has grown at an annual rate of 2.3% year-to-date, and is up by 2.7% from the second quarter of 2014. During the six years of economic expansion that began in the second quarter of 2009, real GDP has expanded at a compound annual rate of 2.2%, well below the rate during all previous expansions that lasted at least as long as the current expansion.



The increase in second-quarter real GDP primarily reflected increases in personal consumption expenditures, exports, nonresidential fixed investment, state and local government spending, and residential fixed investment. Imports, which are automatically included in these individual categories and then subtracted as a separate category, increased.

The acceleration from the first-quarter growth rate of 0.6% to the second-quarter growth rate of 3.9% reflected an upturn in exports, an acceleration in personal consumption expenditures, a deceleration in imports, an upturn in state and local government spending, and an acceleration in nonresidential fixed investment. Partially offsetting these positive effects was the deceleration in private inventory investment and in federal government spending.

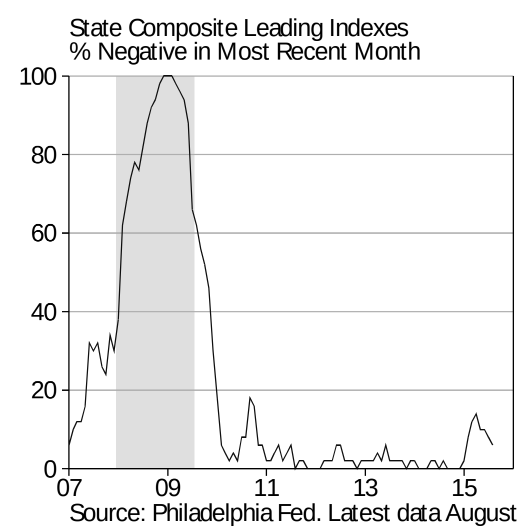
Despite recent weakening, leading economic indicators on balance still point to modest growth in real GDP. The **Leading Economic Index** from the Conference Board increased 0.1% in August after no change in July. The July figure was revised up from the original report of a decrease of 0.2%. The year-over-year rate of change has slowed during the past year, but remains at 4.4%, which is consistent with continued economic expansion. In contrast, the rate of change in the index regularly has turned negative in advance of recessions in the past.

The Ohio economy appears to have picked up over the summer as the **Ohio Coincident Economic Index**, compiled by the Federal Reserve Bank of Philadelphia, accelerated to 0.6% in August. The July increase was revised up from 0.4% to 0.5%. Compared with a year ago, the index was up 4.7%. This is lower than the 6.6% growth in the index as of September 2014 but strong enough to be consistent with solid economic growth in the state. The index is comprised solely of labor market indicators, but historically has closely tracked major turning points in the overall Ohio economy.

The diffusion of changes in the **Coincident Economic Index** across the states – a leading indicator at past business cycle turning points – changed little again in August, after deteriorating notably earlier in the year. The index increased from the prior month for 41 states and from three months prior for 44 states, down from the highs reached about a year ago. The recent pattern is the weakest since 2010, but remains consistent with continued economic expansion. Further deterioration during the next few months, however, might begin to raise concerns about the state of the national economy.

After falling to below 1.0% in March and April, the **Ohio Leading Economic Index** from the Philadelphia Federal Reserve has turned up notably during the most recent four months, reaching 4.1% in July and 3.7% in August – the best 2-month showing since January 2012. The index, which is designed to predict the rate of increase in the coincident index during the next six months, is often revised significantly, but currently points to an impending upturn in the Ohio economy.

After declining from 50 last December to 43 in April, the number of state leading indexes compiled by the Philadelphia Fed with positive readings increased to 47 in August. The number of positive readings remains well above the threshold that has coincided with the onset of recession in the past. For example, the number of states with positive readings fell to an average of 36 three months in advance of the most recent three recessions and to an average of 28 during the first month of those recessions.



Employment

U.S. employment increased again in September, and the unemployment rate and average hourly earnings were unchanged. **Nonfarm payrolls** increased by 142,000 jobs in September, below expectations of approximately 200,000, and not far above the downwardly revised gain of 136,000 in August. The average increase in employment during August and September is down notably from the average of 245,000 during the previous twelve months.

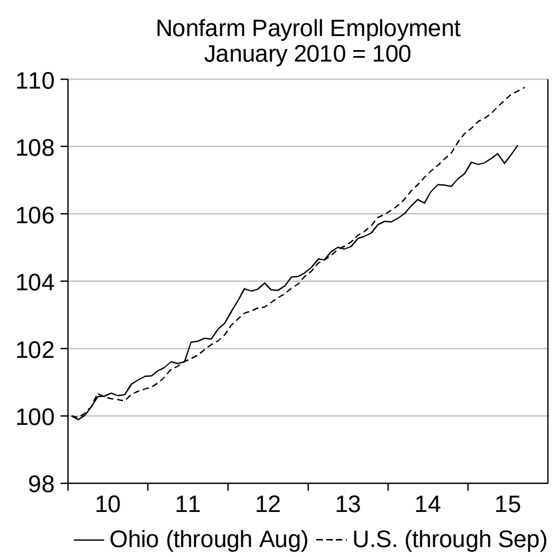
Employment gains were widespread **across industries**, led by leisure and hospitality (+35,000), health care (+34,400), professional and business services (+31,000), government (+24,000), and retail trade (+23,700). A number of sectors posted smaller increases. The only major sectors with decreases in employment were mining and logging (-12,000) and manufacturing (-9,000).

In addition to the monthly employment report, the recent pattern in weekly **initial claims** for unemployment compensation remains consistent with sound labor market fundamentals and an expanding overall economy. The 4-week average of initial claims was 270,500 in the week ending September 26th – not far above the 15-year low of 266,500 reached in the middle of May and the 27th straight week below 300,000.

The **unemployment rate** stayed at 5.1% for a second month as a decrease in the number of unemployed was offset by a decrease in the labor force. 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, and those who are involuntarily working part-time rather than full-time, declined 0.3 percentage points to 10.0% – the lowest level since May 2008.

Ohio nonfarm payroll employment increased by 14,600 jobs in August, and is up by 42,300 jobs year-to-date. The month-over-month increase was led by professional and business services (+5,700), trade, transportation, and utilities (+5,300), leisure and hospitality (+2,900), and construction (+2,700). In contrast, nonfarm payroll employment declined meaningfully in manufacturing (-2,300) and government (-2,200).

Compared with a year earlier, Ohio employment was higher by 58,600 jobs. The largest employment gains during the year occurred in trade, transportation, and utilities (+21,300), local government (+13,900), leisure and hospitality (+12,400), and manufacturing (+11,100). The only employment declines during the year ending in August occurred in construction (-11,300), mining (-1,100), and professional and business services (-700).



Among the **contiguous states**, year-over-year employment growth was strongest in Indiana (+2.5%), followed by Michigan (+2.2%), Kentucky (+1.8%), Ohio (+1.1%), and Pennsylvania (+1.0%). Employment declined from a year earlier in West Virginia (-2.6%).

Year-over-year growth in manufacturing employment was 1.6% in Ohio. Among the contiguous states, manufacturing employment increased 3.5% in Michigan, 2.2% in Indiana, 1.9% in Kentucky, and 0.6% in West Virginia, and decreased 0.4% in Pennsylvania.

The **Ohio unemployment rate** decreased in August by 0.3 percentage points to 4.7% – the lowest level since August 2001. The number of unemployed people decreased by 20,581 in August, while the number of employed people increased by 2,346 (this number is from the household survey and differs from the employer survey number shown above), and the labor force decreased by 18,235 people. Compared with a year ago, unemployment is down by 45,232 people, the number of employed people is up by 19,280, and the labor force is down by 25,952 people. The unemployment rate is down 0.7 percentage points from a year ago, and is less than one-half its peak level of 11.0% reached in January 2010.

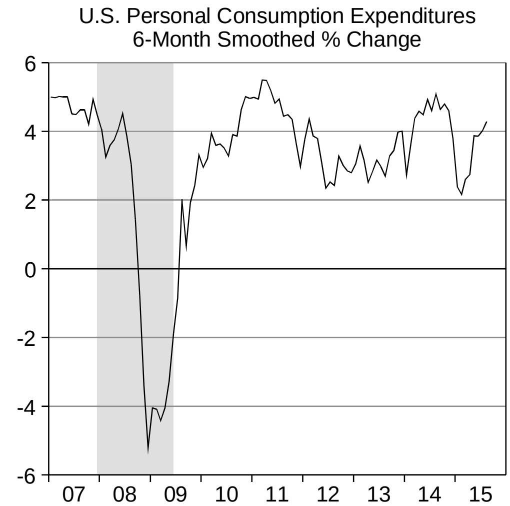
Across the country in August, the unemployment rate decreased by a statistically significant amount in eight states and increased by a significant margin in two states (New Mexico and Nebraska). The unemployment rate was lower than a year earlier by a statistically significant margin in 25 states and higher in only West Virginia.

Consumer Income and Consumption

Consumer income and spending continued to expand in August and have accelerated during the most recent five to six months, reflecting the large decline in gasoline prices during the past year and sustained improvements in labor markets. At the end of September, the price of regular unleaded gasoline was down 38% from its mid-2014 peak across the country and was down almost 40% across Ohio. During the most recent twelve months, nonfarm payroll employment has increased by an average of 229,000 jobs per month and the unemployment rate has descended from 5.9% to 5.1%.

Personal income increased 0.3% in August, with monthly growth averaging 0.4% for the past five months. **Wage and salary disbursements** – the largest single component of personal income – increased 0.5% in August on top of a 0.6% increase in July. Income has accelerated during the most recent five months from the previous four-month period, with personal income growth rising from 2.6% to 5.0% at an annual rate and wage and salary disbursements rising from 1.3% to 4.6%.

Inflation remains low, which has supported consumer spending. The **Consumer Price Index** (CPI) edged down by 0.1% in August after rising only 0.1% in July, keeping the year-over-year rate at 0.2%. Excluding the volatile food and energy categories as a means of assessing the underlying trend, the index is up 1.8% from a year ago. The Median CPI from the Federal Reserve Bank of Cleveland – arguably a more sophisticated measure of the underlying trend – is up 2.3% from a year ago.



Personal consumption expenditures continued to respond to the recent improvement in income growth. Spending increased 0.4% in August for an annual rate of increase of 5.7% during the 6-month period February-August, up from 0.7% during the previous 4-month period. Consumption was 3.5% higher in August than a year earlier.

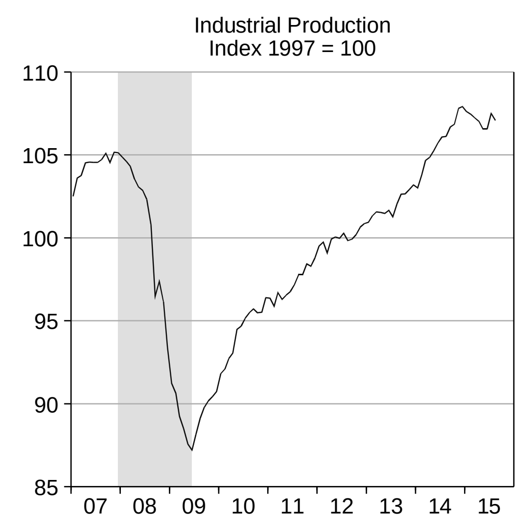
Spending on **durable goods** increased 0.9%, adding to a 1.1% increase in July, reflecting recent increases in auto sales. Unit **sales of light motor vehicles** increased 1.4% in August to an annual rate of 17.7 million units – the best since the second-highest monthly pace on record in July 2005 when automakers extended employee discounts to all buyers. The August increase came on top of a 3.0% increase in July and was followed by a 2.0% increase to 18.1 million units in September. Spending on **non-durable goods** decelerated to 0.2% growth in August, but the June and July increases were both revised up to 0.6%. Spending growth for **services** accelerated to 0.5% in August from 0.2% in July.

Consumer confidence was mixed in September, but generally solid and at a relatively high level. The Conference Board measure edged higher by 1.7% to 103.0, as a 4.6% increase in the assessment of present conditions more than outweighed a slight deterioration in expectations. The Reuters/University of Michigan gauge retreated with regard to both current assessments and expectations, with the composite index and both of its components down for the third straight month. Even so, in general these surveys indicate that confidence ranges from slightly below to well above historical averages during past economic expansions.

Looking forward, analysts expect moderate gains for the upcoming holiday season. Real personal consumption expenditures appear to have increased at an annual rate in excess of 3.0% during the third quarter and are projected to remain on that trajectory during the current quarter.

Manufacturing

The industrial sector remained sluggish in August, weighted down by the strong dollar, weakness in overseas economies, and continued adjustment in the oil patch at home. **Industrial production** decreased 0.4% in August, partly in response to the auto production calendar that boosted output in July at the expense of August. **Manufacturing** output decreased 0.5%, but excluding production of motor vehicles and parts, was unchanged. Manufacturing production was essentially unchanged from its level in October 2014. **Mining** output decreased 0.6% in August after a sizable gain in July, due to the ongoing adjustments to the drop in the price of oil. **Utility** output increased 0.6%. Compared with a year earlier, industrial production was up 0.9%, manufacturing output was up 1.4%, mining output was down 3.2%, and utility output was higher by 3.2%.



Purchasing managers at manufacturing firms reported that business expanded across the country for the 33rd consecutive month in September. The PMI® decreased 0.9 points to 50.2 – its lowest level since May 2013 and barely above the neutral level of 50. The New Orders Index fell 1.6 points to 50.1, and the Production Index decreased 1.8 points to 51.8.

The Backlog of Orders Index fell to 41.5, remaining below 50 for the fourth month in a row and at its lowest level since November 2012. The Supplier Deliveries Index edged down again to 50.2, just remaining in expansion territory. The New Export Orders Index was unchanged at 46.5 – also its fourth month in a row below 50 and its lowest level since May 2009.

Of the 18 industries tracked by the Manufacturing ISM *Report on Business*, seven reported growth in September, down from ten in August. Among the industries that are most important to Ohio in terms of employment share, Transportation Equipment, Primary Metals, Fabricated Metal Products, and Machinery, all reported contraction.

Construction

Overall construction activity picked up further in August. **Construction put-in-place** increased 0.7%, following a July gain of 0.4% that was revised downward from 0.7%. The August level was 13.7% higher than a year earlier – the best year-over-year gain since March 2006.

Private construction increased 0.7%, although the July change was revised down to 1.1% from an initial report of 1.3%. Private residential construction put-in-place increased 1.3%, while the July gain was revised down from 1.1% to 0.6%. Both single-family and multi-family construction increased, with multi-family accounting for the majority of the overall increase. Private nonresidential construction increased by 0.2% in August, and the July increase was revised slightly higher. The changes across industries were mixed, with Manufacturing, Lodging, and Health Care making the largest positive contributions and Commercial, Education, and Religious making the largest negative contributions.

Public construction increased 0.5% in August after a 1.3% decrease in July. Public residential construction increased 3.5% in August, more than reversing declines during the previous two months. Public nonresidential construction managed a gain of 0.4% after a 1.4% decline in July. More than all of the July decrease occurred in Power and Transportation.
The momentum in housing activity was sustained in August. **Housing starts** increased 1.6% in August on a 3-month moving average basis. Single-family starts increased 2.0% and multi-family starts increased 0.9%. Compared with a year earlier, housing starts were higher by 17.1%.

In the Midwest, starts rose 2.1% on a 3-month moving average basis, as single-family starts increased 1.2% and multi-family starts increased 4.1%. The increases in total housing starts across the Midwest during April-August followed weakness in the second half of 2014 and over the winter that leaves the level of activity still well below the year ago pace.

The generally more-forward-looking **housing permits** were a bit weaker in August. Total permits fell 2.2% on a 3-month moving average basis, as a 5.9% decline in multi-family permits outweighed a 0.9% increase in single-family permits. Housing permits in the Midwest increased by 0.8%, reflecting a 2.6% increase in multi-family permits that overshadowed a 0.3% decline in single-family permits.

Sales of existing houses were stable across the country (-0.1%) and higher in the Midwest (+0.3%) on a 3-month moving average basis. Inventories of existing homes for sale nationally edged slightly higher in August in absolute terms, lifting the months' supply at the current sales pace to 5.2 months. Compared with a year earlier, sales across the country were higher by 8.6%, and sales in the Midwest were higher by 8.9%.

Sales of newly built homes increased 2.6% in August across the country and were unchanged in the Midwest. The inventory of new homes for sale edged slightly higher in August to the highest absolute level since April 2010. Relative to the pace of sales, however, new home inventories dipped to a normal 4.7 months' supply. New home sales were 21.7% higher than a year earlier across the country and 16.4% higher than a year earlier in the Midwest.

Home prices posted their fourteenth straight monthly increase in July, rising by 0.4% – the largest monthly gain since February – according to the Case-Shiller national home price index. Home prices in Cleveland followed the same general pattern, rising 0.3% in August. Home prices increased 6.4% across the country from December 2013 to July 2015 to stand 25.6% above the cycle low reached in December 2011, but remained 7.0% below the all-time high set in February 2007.

REVENUES

September GRF receipts totaled $2,211.7 million and were $714.6 million (24.4%) below the estimate. Over 90% of that shortfall for the month was in one category, federal grants, where revenues were lower than estimate primarily due to accounting reasons. Monthly tax receipts totaled $1,795.6 million and were $33.8 million (1.8%) below the estimate, while non-tax receipts totaled $414.0 million and were $673.4 million (61.9%) below the estimate. All but $16 million of that non-tax shortfall was due to federal grants. Transfers were $7.4 million (78.8%) below estimate.

For the year-to-date, GRF revenues are $397.4 million, or 4.5%, below the estimate. Tax revenues account for only $19.5 million of that shortfall, and are 0.4% below estimate. Non-tax revenues are $365.7 million, or 11.0%, below estimate. All but $16.0 million of that shortfall is in federal grants. Finally, transfers are $12.2 million, or 6.9%, below estimate.

Variances for the fiscal year-to-date by category are provided in the following table ($ in millions).

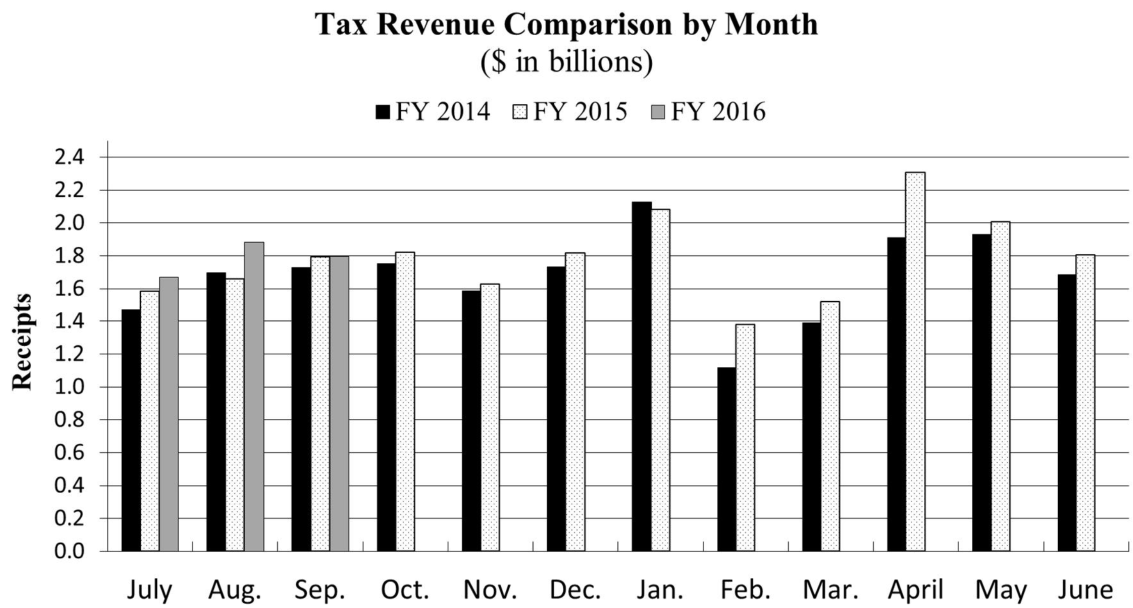
Category	Includes:	YTD Variance	% Variance
Tax receipts	Sales & use, personal income, corporate franchise, financial institutions, commercial activity, MCF, public utility, kilowatt hour, foreign & domestic insurance, other business & property taxes, cigarette, alcoholic beverage, liquor gallonage, & estate	($19.5 million)	-0.4%
Non-tax receipts	Federal grants, earnings on investments, licenses & fees, other income, intrastate transfers	($365.7 million)	-11.0%
Transfers	Budget stabilization, liquor transfers, capital reserve, other	($12.2 million)	-6.9%
TOTAL REVENUE VARIANCE:		**$397.4 million**	**-4.5%**

On a year-over-year basis, monthly receipts were $406.5 million (15.5%) lower than in September of the previous fiscal year, mainly due to a $390.8 million (48.7%) decline in federal grants revenue. More than $300.0 million in federal grant revenue that was deposited in the GRF in August was later determined to have been due to other state funds. In addition, about $250.0 million in grant revenue could not be shown as deposited into the GRF in September due to accounting system maintenance. This amount should instead show up as October revenue. All these temporary accounting issues aside, federal grants are expected to be significantly over the prior year amount in fiscal year 2016, since approximately $2.9 billion in additional federal Medicaid reimbursement is expected to be deposited into the GRF during the fiscal year, largely due to the costs and related federal reimbursements for persons enrolled under the “Group 8” Medicaid expansion program being shifted to the GRF, which results in federal reimbursement for “Group 8” Medicaid recipients being deposited into the GRF rather than into a non-GRF fund, as they were in fiscal year 2015. Beyond federal grants, there were large increases from the prior September in: the auto sales tax ($17.8 million, or 16.5%); the public utility excise tax ($15.8 million, or 99.6%); and the cigarette and other tobacco tax ($20.8 million, or 30.3%). The public utility tax change from last September is due to the fact that last September had a large refund attributable to several prior years' worth of activity. The cigarette tax change is due to the tax rate increase enacted in the biennial budget and the payment of "floor stocks tax" for cigarettes in inventory prior to the rate increase.

There were significant decreases from the prior September in the income tax ($44.2 million, or 5.0%) and in "other income" ($13.7 million, or 90.6%). The income tax decrease is due at least in part to the tax cuts enacted in the biennial budget. The decrease in other income is the result of a delayed payment associated with the lease of the state's liquor franchise.

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

Individual Revenue Sources Above Estimate		**Individual Revenue Sources Below Estimate**	
Auto Sales and Use Tax	$13.8	Non-Auto Sales and Use Tax	($1.8)
Corporate Franchise	$1.0	Personal Income Tax	($49.9)
Kilowatt Hour Tax	$1.5	Financial Institutions Tax	($1.1)
Foreign Insurance Tax	$2.5	Domestic Insurance	($2.1)
Cigarette and Other Tobacco Tax	$6.5	Alcoholic Beverage	($3.4)
		Federal Grants	($657.5)
		Other Income	($15.4)
		Transfers In - Other	($7.4)
Other Sources Above Estimate	$0.2	Other Sources Below Estimate	($1.5)
Total above	**$25.5**	**Total below**	**($740.0)**



Non-Auto Sales and Use Tax

September non-auto sales and use tax collections totaled $695.0 million and were $1.8 million (0.3%) below the estimate.

In fact, as mentioned in last month's report, the estimate for September may be somewhat overstated, because some of the expected loss due to the new sales tax holiday likely should have been recognized in the September estimate. As a result, September collections might have been above an estimate that recognized some sales tax holiday loss.

Even taking the $1.8 million shortfall at face value, based on the information available now, it would seem that the September result can be characterized as a pause after two months of strong performance. Although job growth has slowed somewhat over the past two months, labor market fundamentals still seem strong, there is some acceleration in wage growth, and energy costs and overall inflation remain low (please refer to the economic section of this report). All these factors tend to support continued growth in consumer spending.

For the year, even with the September shortfall, the non-auto sales tax is $52.7 million (2.4%) above the estimate.

As mentioned in issues of this report from fiscal year 2015, there may be some shifting in household spending between vehicles and all other items. Light vehicle sales have been extremely strong, and households may be reducing spending in other areas to finance vehicle purchases. This may have created some drag on September non-auto sales tax, which could persist into October as well.

September non-auto sales tax revenues were actually somewhat lower than they were last year ($9.0 million, or -1.3%). This is primarily due to collections based on Medicaid health insuring corporation (MHIC) premium payments being artificially inflated last September due to a delay in collections of payments due in August. For the year, non-auto sales tax collections are up by $122.6 million (5.8%) from the year before.

Auto Sales Tax

September auto sales and uses tax collections totaled $125.6 million and were $13.8 million (12.4%) above the estimate, resuming the pattern of strong results seen in fiscal year 2015. Light vehicle sales nationally have been extremely strong: in fact the sales numbers are at record levels except for a couple of exceptional months such as October 2001 when in the aftermath of the 9/11 disaster almost all automakers offered zero percent financing, and July 2005 when automakers extended employee discounts to all buyers. The table below shows national light vehicle sales for the past seven months. Note that not only are total sales at very high levels, but that much of the gain is in the higher-priced light truck segment, which also works to boost auto sales tax revenues.

U.S. Vehicle Sales in Millions, Seasonally Adjusted Annual Rate							
	Sep 15	Aug 15	Jul 15	Jun 15	May 15	Apr 15	Mar 15
Total	18.2	17.8	17.5	17.0	17.7	16.8	17.1
Auto	7.9	7.7	7.8	7.6	8.0	7.5	7.8
Light trucks	10.3	10.1	9.7	9.4	9.7	9.2	9.4

Auto sales tax collections in September were up by $17.8 million (16.5%) from a year ago. For the fiscal year-to-date, collections have increased by $27.8 million (8.3%).

Personal Income Tax

September personal income tax receipts totaled $833.6 million and were $49.9 million or 5.6% below the estimate. Negative variances in all of the personal income tax components, and higher than expected refunds, resulted in the monthly shortfall. The bulk of the shortfall was in three components: employer withholding ($21.3 million or 3.3%); quarterly estimated payments ($11.9 million or 4.8%); and refunds ($12.0 million or 68.0%).

Year-to-date personal income tax collections totaled $2,081.2 million and are $52.9 million or 2.5% below the estimate. September's withholding shortfall followed an August overage of almost the same amount and so brought year-to-date withholding collections in line with the year-to-date estimate. Trust payments ($2.7 million or 27.4%) and payments associated with annual returns ($0.8 million or 1.8%) continue to be above the year-to-date estimate. These overages, however, are more than offset by shortfalls in quarterly estimated payments ($18.7 million or 6.7%) and the miscellaneous category ($7.6 million or 40.4%) in combination with higher refunds ($30.9 million or 36.5%), producing the total negative variance.

FY2016 PERSONAL INCOME TAX RECEIPTS BY COMPONENT ($ in millions)						
	ACTUAL SEP	ESTIMATE SEP	$ VAR SEP	ACTUAL Y-T-D	ESTIMATE Y-T-D	$ VAR Y-T-D
Withholding	$629.1	$650.4	($21.3)	$1,960.9	$1,961.1	($0.2)
Quarterly Est.	$233.5	$245.4	($11.9)	$261.3	$280.0	($18.7)
Trust Payments	$7.9	$8.7	($0.8)	$12.5	$9.8	$2.7
Annual Returns & 40 P	$19.8	$24.0	($4.2)	$42.5	$41.7	$0.8
Other	$4.5	$5.4	($0.9)	$11.3	$18.9	($7.6)
Less: Refunds	($29.7)	($17.7)	($12.0)	($115.8)	($84.9)	($30.9)
Local Distr.	($31.4)	($32.7)	$1.3	($91.3)	($92.5)	$1.2
Net to GRF	**$833.6**	**$883.5**	**($49.9)**	**$2,081.2**	**$2,134.1**	**($52.9)**

The -5.6% variance was unusually large for a month not in the income tax filing season in the second half of the fiscal year. At this point, OBM does not have any additional insight into what caused the estimated payment shortfall. There is little evidence on the overage in refunds as well, although it is possible that it is tied to larger than expected refunds connected with late filers claiming the small business deduction. October is the last month for filing state and federal returns with extensions, and about $56 million in annual return revenue is expected. OBM will be closely monitoring these payments, and the income tax as whole, in the months ahead.

On a year-over-year basis September 2015 GRF income tax collections were $44.2 million or 5.0% below September 2014 collections as a consequence of the lower collections in each component and higher refunds. This is at least partly attributable to the cuts in tax rates and withholding rates contained in the biennial budget bill (H.B. 64).

Through September, year-to-date personal income tax collections were $26.3 million or 1.3% above the same point of the previous fiscal year. Withholding collections ($45.1 million or 2.4%) account for the majority of this overage in combination with trust payments ($1.9 million or 17.8%), payments associated with annual returns ($1.5 million or 3.7%), and lower refunds ($4.0 million or 3.3%). This growth, however, was offset by lower year-to-date collections in quarterly estimated payments ($10.6 million or 3.9%) and the miscellaneous category ($8.4 million or 42.6%). Again, this relatively low growth for the year is attributable in part to the enacted tax cuts.

Commercial Activity Tax

Commercial activity tax (CAT) September receipts deposited in the GRF were $6.5 million, or $0.6 million (9.0%) below the estimate of $7.1 million. For the year-to-date, GRF CAT collections are $30.6 million (9.8%) below the estimate. Based on the limited information available at this point, the shortfall seems to be largely due to an unexpected surge in refundable credits, after the claims of those credits had fallen in fiscal year 2015.

Despite the shortfall compared to estimate, both September and year-to-date GRF CAT revenues have increased substantially from fiscal year 2015. September collections are up $1.8 million (37.2%) from the same month of the previous fiscal year, and year-to-date collections are up by

$74.1 million (35.4%) from the same point in the previous fiscal year. This increase is due to a law change in H.B. 64 (the biennial budget bill) that increased the GRF share of total CAT receipts from 50 to 75 percent.

Since the GRF now gets 75% of all CAT collections (after adjustments such as attorney general fee collections on delinquent taxes and any lingering diversions to the motor fuel fund) there should not be much difference between the variances in GRF and all funds CAT revenues. This was the case in September. All funds CAT collections through September (net of refunds, attorney general fees, and deposits to the motor fuel fund) totaled $381.5 million and were $41.0 million below the estimate. The 9.7% shortfall is almost exactly the same as the 9.8% GRF shortfall.

The year-over-year change in all funds CAT receipts was a decline of $41.5 million (9.8%). In general, throughout fiscal year 2016 the all funds variances from the estimate and the all funds change from fiscal year 2015 will be very similar, as the all funds estimate for fiscal year 2016 is almost exactly equal to the fiscal year 2015 actual collections.

Kilowatt Hour Tax

September kilowatt hour (KWH) tax GRF collections totaled $33.0 million and were $1.5 million (4.9%) above the estimate. For the year, collections are $94.8 million, or $1.0 million (1.0%) above the estimate.

Relative to last year, KWH tax collections were $6.6 million (25.2%) higher in September, and are $16.1 million higher (20.5%) for the year-to-date. This increase is attributable to allocation changes contained in H.B. 64 which increased the portion of kilowatt hour tax receipts deposited in the GRF (prior to any subtractions for the public library fund, or PLF) from 88 percent to 100 percent.

Cigarette and Other Tobacco Tax

The cigarette and other tobacco tax collections exceeded the September estimate by $6.5 million (7.8%). This partially made up for a significant August shortfall of $24.1 million. However, for the year-to-date, cigarette and other tobacco tax collections are still $5.7 million (2.7%) below estimate.

In just three months, cigarette and other tobacco product (OTP) collections have bounced around relative to the estimates, being over in July, far short in August, and now over again in September. This seems to be related to the timing of the “floor stocks” tax associated with the H.B. 64 $0.35 per pack increase in the cigarette tax rate differing from what was estimated.

OBM now believes that the last significant amounts of cigarette floor stocks tax revenue will not be deposited into the GRF until October, and those deposits may be enough to wipe out the year-to-date shortfall.

As with the CAT, despite shortfalls relative to the estimate, the cigarette and OTP revenues increased substantially from last year, for both the month of September and the year-to-date. This is due to the $0.35 per pack cigarette tax rate increase in H.B. 64. Cigarette and OTP tax collections increased by $20.8 million (30.3%) from September of the previous fiscal year, and are up by $40.6 million (25.4%) for the year-to-date.

GRF Non-Tax Receipts

GRF non-tax receipts totaled $414.0 million in August and were $673.4 million (61.9%) below the estimate. As noted earlier in this report, the variance is almost entirely due to federal grants, which were $657.5 million (61.5%) below estimate. To briefly recapitulate the explanation from prior sections, the shortfall in federal grants was so large in September due to two factors. First, $329.0 million in federal grants that were initially allocated to the GRF in August were later allocated to other state funds. This would have happened in August if not for changes to the computer accounting system that delayed the usual August processing of these allocations of federal money. Second, the same computer accounting system changes delayed the processing of about $250.0 million in federal grant revenues that otherwise would have been deposited in the GRF in September, delaying them until October. It is OBM's expectation that by the end of October, all these delays in processing will have been corrected and any remaining variances in federal grants will be primarily the result of variances in Medicaid spending.

The other variances in non-tax revenues were broadly variations on the same theme, delays in receiving expected revenue. The other income category of revenues was $15.4 million below estimate due to a delay in receiving a payment of liquor profits revenue associated with the lease of the state's liquor enterprise. Transfers in to the GRF were $7.4 million below estimate due to a delay in receiving casino and racetrack relocation payments. These payments have now been received and will appear in October non-tax revenues.

Table 1

GENERAL REVENUE FUND RECEIPTS
ACTUAL FY 2016 VS ESTIMATE FY 2016
($ in thousands)

REVENUE SOURCE	MONTH ACTUAL SEPTEMBER	MONTH ESTIMATE SEPTEMBER	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	694,961	696,800	(1,839)	-0.3%	2,249,638	2,196,900	52,738	2.4%
Auto Sales & Use	125,638	111,800	13,838	12.4%	364,629	347,300	17,329	5.0%
Subtotal Sales & Use	820,599	808,600	11,999	1.5%	2,614,267	2,544,200	70,067	2.8%
Personal Income	833,602	883,500	(49,898)	-5.6%	2,081,152	2,134,100	(52,948)	-2.5%
Corporate Franchise	1,044	0	1,044	N/A	2,364	0	2,364	N/A
Financial Institutions Tax	(638)	500	(1,138)	-227.6%	(459)	300	(759)	-253.1%
Commercial Activity Tax	6,459	7,100	(641)	-9.0%	283,565	314,200	(30,635)	-9.8%
Petroleum Activity Tax	1,350	1,500	(150)	-10.0%	1,350	1,500	(150)	-10.0%
Public Utility	(65)	(200)	135	67.7%	28,194	25,200	2,994	11.9%
Kilowatt Hour	33,037	31,500	1,537	4.9%	94,779	93,800	979	1.0%
Natural Gas Distribution	(41)	0	(41)	N/A	12,060	12,100	(40)	-0.3%
Foreign Insurance	5,560	3,100	2,460	79.3%	5,522	4,100	1,422	34.7%
Domestic Insurance	0	2,100	(2,100)	-100.0%	6	4,900	(4,894)	-99.9%
Other Business & Property	7	0	7	N/A	28	0	28	N/A
Cigarette and Other Tobacco	89,359	82,900	6,459	7.8%	200,635	206,300	(5,665)	-2.7%
Alcoholic Beverage	1,621	5,000	(3,379)	-67.6%	12,041	14,600	(2,559)	-17.5%
Liquor Gallonage	3,673	3,800	(127)	-3.3%	11,333	11,200	133	1.2%
Estate	76	0	76	N/A	148	0	148	N/A
Total Tax Receipts	1,795,643	1,829,400	(33,757)	-1.8%	5,346,984	5,366,500	(19,516)	-0.4%
NON-TAX RECEIPTS								
Federal Grants	410,840	1,068,328	(657,488)	-61.5%	2,951,060	3,300,720	(349,661)	-10.6%
Earnings on Investments	0	0	0	N/A	0	0	0	N/A
License & Fees	1,765	2,271	(506)	-22.3%	7,911	8,643	(731)	-8.5%
Other Income	1,419	16,844	(15,425)	-91.6%	3,322	19,180	(15,858)	-82.7%
ISTV'S	0	0	0	N/A	573	0	573	N/A
Total Non-Tax Receipts	414,025	1,087,443	(673,418)	-61.9%	2,962,866	3,328,543	(365,677)	-11.0%
TOTAL REVENUES	2,209,668	2,916,843	(707,175)	-24.2%	8,309,850	8,695,043	(385,194)	-4.4%
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	1,991	9,400	(7,409)	-78.8%	165,064	177,300	(12,236)	-6.9%
Temporary Transfers In	0	0	0	N/A	0	0	0	N/A
Total Transfers	1,991	9,400	(7,409)	-78.8%	165,064	177,300	(12,236)	-6.9%
TOTAL SOURCES	2,211,659	2,926,243	(714,584)	-24.4%	8,474,914	8,872,343	(397,429)	-4.5%

Table 2

GENERAL REVENUE FUND RECEIPTS
ACTUAL FY 2016 VS ACTUAL FY 2015
($ in thousands)

	MONTH				YEAR-TO-DATE			
REVENUE SOURCE	SEPTEMBER FY 2016	SEPTEMBER FY 2015	$ VAR	% VAR	ACTUAL FY 2016	ACTUAL FY 2015	$ VAR	% VAR
TAX RECEIPTS								
Non-Auto Sales & Use	694,961	703,924	(8,963)	-1.3%	2,249,638	2,127,038	122,599	5.8%
Auto Sales & Use	125,638	107,856	17,782	16.5%	364,629	336,827	27,802	8.3%
Subtotal Sales & Use	820,599	811,780	8,819	1.1%	2,614,267	2,463,866	150,401	6.1%
Personal Income	833,602	877,781	(44,180)	-5.0%	2,081,152	2,054,879	26,273	1.3%
Corporate Franchise	1,044	5,622	(4,578)	-81.4%	2,364	7,058	(4,694)	-66.5%
Financial Institutions Tax	(638)	532	(1,170)	-219.9%	(459)	422	(882)	-208.8%
Commercial Activity Tax	6,459	4,707	1,752	37.2%	283,565	209,496	74,068	35.4%
Petroleum Activity Tax	1,350	0	1,350	N/A	1,350	0	1,350	N/A
Public Utility	(65)	(15,863)	15,798	99.6%	28,194	12,536	15,657	124.9%
Kilowatt Hour	33,037	26,390	6,647	25.2%	94,779	78,652	16,127	20.5%
Natural Gas Distribution	(41)	9	(50)	-552.7%	12,060	13,221	(1,161)	-8.8%
Foreign Insurance	5,560	2,777	2,782	100.2%	5,522	2,906	2,616	90.0%
Domestic Insurance	0	209	(208)	-99.9%	6	7,665	(7,660)	-99.9%
Other Business & Property	7	0	7	N/A	28	11	17	161.5%
Cigarette and Other Tobacco	89,359	68,588	20,771	30.3%	200,635	160,020	40,615	25.4%
Alcoholic Beverage	1,621	6,949	(5,328)	-76.7%	12,041	15,364	(3,323)	-21.6%
Liquor Gallonage	3,673	3,749	(77)	-2.0%	11,333	10,989	344	3.1%
Estate	76	15	61	397.5%	148	1,168	(1,020)	-87.3%
Total Tax Receipts	1,795,643	1,793,246	2,397	0.1%	5,346,984	5,038,255	308,729	6.1%
NON-TAX RECEIPTS								
Federal Grants	410,840	801,622	(390,781)	-48.7%	2,951,060	2,471,100	479,960	19.4%
Earnings on Investments	0	0	0	N/A	0	0	0	N/A
License & Fee	1,765	2,639	(874)	-33.1%	7,911	7,549	363	4.8%
Other Income	1,419	15,094	(13,674)	-90.6%	3,322	16,980	(13,657)	-80.4%
ISTV'S	0	10	(10)	-98.3%	573	12	561	4866.5%
Total Non-Tax Receipts	414,025	819,364	(405,339)	-49.5%	2,962,866	2,495,640	467,226	18.7%
TOTAL REVENUES	2,209,668	2,612,610	(402,942)	-15.4%	8,309,850	7,533,895	775,955	10.3%
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	1,991	5,501	(3,509)	-63.8%	165,064	10,503	154,561	1471.6%
Temporary Transfers In	0	0	0	N/A	0	0	0	N/A
Total Transfers	1,991	5,501	(3,509)	-63.8%	165,064	10,503	154,561	1471.6%
TOTAL SOURCES	2,211,659	2,618,111	(406,452)	-15.5%	8,474,914	7,544,398	930,516	12.3%

DISBURSEMENTS

September GRF disbursements, across all uses, totaled $2,631.0 million and were $281.8 million (9.7%) below estimate. This was primarily attributable to lower than estimated disbursements in the Debt Service and Medicaid categories being partially offset by higher than estimated disbursements in the Property Tax Reimbursements category. On a year-over-year basis, September total uses were $1,017.3 million (27.9%) lower than those of the same month in the previous fiscal year, with the Operating Transfer Out, Primary and Secondary Education, and Debt Service categories largely responsible for the decrease. Year-to-date variances by category are provided in the table below.

Category	Description	YTD Variance	% Variance
Expenditures and transfers between agencies (ISTVs)	State agency operations, subsidies, tax relief, debt service payments, and pending payroll (if applicable)	($208.0 million)	-2.2%
Transfers	Temporary or permanent transfers out of the GRF that are not agency expenditures	($0.9 million)	-0.1%
TOTAL DISBURSEMENTS VARIANCE:		**($208.8 million)**	**-2.0%**

GRF disbursements are reported according to functional categories. This section contains information describing GRF 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. September disbursements for this category totaled $206.0 million and were $27.9 million (11.9%) below estimate. Expenditures for the school foundation program totaled $201.0 million and were $17.5 million (8.0%) below estimate. This variance was primarily attributable to the timing of payments for school choice programs within the foundation funding line. Year-to-date disbursements were $1,790.4 million, which was $53.3 million (2.9%) below the estimate.

On a year-over-year basis, disbursements in this category were $272.3 million (56.9%) lower than for the same month in the previous fiscal year while year-to-date expenditures were $82.4 million (4.4%) lower than at the same point in fiscal year 2015.

Higher Education

September disbursements for the Higher Education category, which includes non-debt service GRF spending by the Department of Higher Education, totaled $194.3 million and were $7.1 million (3.5%) below estimate for the month. This variance was primarily attributable to $4.1 million in disbursements planned for September that were not made due to the implementation of a more robust subsidy distribution and monitoring process in fiscal year 2016 resulting in a temporary delay in the disbursement of subsidy line items and $2.1 million in lower than estimated requests for reimbursement from higher education institutions for the Ohio College

Opportunity Grant Scholarship Program, War Orphans Scholarship, and Choose Ohio First. Year-to-date disbursements were $546.6 million, which was $7.1 million (1.3%) below estimate.

On a year-over-year basis, disbursements in this category were $12.0 million (6.6%) higher than for the same month in the previous fiscal year while year-to-date expenditures were $16.3 million (3.1%) higher than at the same point in fiscal year 2015.

Other Education

This category includes non-debt service GRF 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.

September disbursements in this category totaled $8.1 million and were $0.1 million (0.9%) above estimate. Year-to-date disbursements were $24.6 million, which was $1.8 million (8.0%) above estimate. On a year-over-year basis, disbursements in this category were $1.0 million (10.8%) lower than for the same month in the previous fiscal year while year-to-date expenditures were $3.5 million (16.5%) higher than at the same point in fiscal year 2015.

Medicaid

This category includes all Medicaid spending on services and program support by the following six agencies: the Department of Medicaid, the Department of Mental Health and Addiction Services, the Department of Developmental Disabilities, the Department of Health, the Department of Job and Family Services, and the Department of Aging.

Please note that beginning in fiscal year 2016 Medicaid GRF disbursements include expenditures related to persons enrolled under the “Group 8” expansion program, which were previously funded from non-GRF sources. Although these persons will be 100% federally-funded during fiscal year 2016, during the last six months of the biennium the state will be required to assume five percent of their costs. For this reason the costs and related federal reimbursements for these persons was shifted into the GRF for the biennium.

<u>Expenditures</u>

September GRF disbursements for the Medicaid Program totaled $1,444.5 million and were $45.7 million (3.1%) below the estimate, and $58.1 million (4.2%) above disbursements for the same month in the previous fiscal year. Year-to-date GRF disbursements totaled $4,746.4 million and were $155.9 million (3.2%) below the estimate, and $603.4 million (14.6%) above disbursements for the same point in the previous fiscal year. This increase is attributed to the shifting of expenditures for persons enrolled under the “Group 8” expansion program to the GRF.

September all funds disbursements for the Medicaid Program totaled $1,890.5 million and were $116.5 million (5.8%) below the estimate, and $176.6 million (8.5%) below disbursements for the same month in the previous fiscal year. Year-to-date all funds disbursements totaled $6,408.6

million and were $258.9 million (3.9%) below the estimate, and $813.1 million (14.5%) above disbursements for the same point in the previous fiscal year.

The September all funds variance was due primarily to lower than anticipated costs in the fee-for-service categories and program administration. Below estimate spending in the fee-for-service categories, which includes inpatient and outpatient hospital, behavioral health, developmental disability services, and nursing facilities, was driven by enrollment in these programs being 11.9 percent below estimate for the month. This savings is offset in part by managed care enrollment being 1.5 percent above estimate for the month. Finally, prior year encumbrances for program administration, primarily related to an information technology improvement project, were disbursed in an amount below that which was estimated for the month.

The year-to-date all funds variance results from the fee-for-service and administrative variances described above.

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

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

	September Projection		September Actual		Variance	Variance %
GRF	$	1,490.2	$	1,444.5	$ (45.7)	-3.1%
Non-GRF	$	516.8	$	446.0	$ (70.9)	-13.7%
All Funds	$	2,007.0	$	1,890.5	$ (116.5)	-5.8%

Enrollment
Total September enrollment across all categories was 3.02 million. The most significant components are the Covered Families and Children (CFC) category, which increased by 3,356 persons to a September total of 2.45 million persons, and the Aged, Blind and Disabled (ABD) category, which decreased by 3,514 persons to a September total of 396,289 covered lives.

Total enrollment across all categories for the same period last year was 2.86 million covered persons, including 2.22 million persons in the CFC category and 431,529 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 Medicaid category.

September disbursements in this category totaled $77.5 million and were $3.3 million (4.1%) below estimate for the month. Year-to-date disbursements were $324.1 million, which was $26.2 million (7.5%) below estimate. On a year-over-year basis, disbursements in this category were $15.7 million (16.8%) lower than for the same month in the previous fiscal year while year-to-date expenditures were $24.4 million (7.0%) lower than at the same point in fiscal year 2015.

Department of Health
September disbursements for the Department of Health totaled $3.0 million and were $4.7 million (60.9%) below estimate. This variance was primarily attributable to Medically Handicapped Children disbursements being $1.5 million (100.1%) below estimate due to subsidy payments planned for September being moved to October instead.

Department of Job and Family Services
September disbursements for the Department of Job and Family Services totaled $48.3 million and were $2.3 million (4.9%) above estimate. This variance was primarily attributable to Family and Children Services disbursements being $10.3 million (833.2%) above estimate due to county disbursements of the State Child Protective Allocation being made in September instead of October as anticipated. This variance was partially offset by Family Assistance-Local disbursements being $3.3 million (49.8%) below estimate, Early Care and Education disbursements being $2.5 million (64.9%) below estimate, and Child, Family, and Community Protective Services disbursements being $1.0 million (52.1%) below estimate all due to county subsidy payments estimated for September being moved to future months instead.

Department of Mental Health and Addiction Services
September disbursements for the Department of Mental Health and Addiction Services totaled $22.3 million and were $0.5 million (2.4%) above estimate. This variance was primarily attributable to Continuum of Care Services disbursements being $1.4 million above an estimate of zero due to local allocations estimated to be disbursed in August being disbursed in September instead.

Justice and Public Protection

This category includes non-debt service GRF expenditures by the Department of Rehabilitation & Correction, the Department of Youth Services, the Attorney General, judicial agencies, and other justice-related entities.

September disbursements in this category totaled $133.0 million and were $6.8 million (4.9%) below estimate for the month. Year-to-date disbursements were $550.1 million, which was $9.4 million (1.7%) below estimate. On a year-over-year basis, disbursements in this category were $4.5 million (3.3%) lower than for the same month in the previous fiscal year while year-to-date expenditures were $52.5 million (10.5%) higher than at the same point in fiscal year 2015.

Department of Rehabilitation and Correction

September disbursements for the Department of Rehabilitation and Correction totaled $103.7 million and were $5.9 million (5.4%) below estimate. This variance was primarily due to several lines. Disbursements for Institutional Operations were $1.5 million (1.9%) below estimate and disbursements for Institutional Medical Services were $5.7 million (26.1%) below estimate both due to payments for prior year encumbrances not being disbursed in September as anticipated. These variances were partially offset by $1.7 million (290.2%) in above-estimated disbursements for Community Nonresidential Programs due to the timing of grant payments.

Department of Youth Services

September disbursements for the Department of Youth Services totaled $10.5 million and were $1.0 million (10.7%) above estimate. This variance was primarily attributable to the timing of payments to Community Corrections Facilities planned for October being disbursed in September instead.

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.

September disbursements in this category totaled $21.4 million and were $6.4 million (22.9%) below estimate for the month. Year-to-date disbursements were $102.9 million, which was $2.4 million (2.3%) below estimate. On a year-over-year basis, disbursements in this category were $5.2 million (19.4%) lower than for the same month in the previous fiscal year while year-to-date expenditures were $12.8 million (14.3%) higher than at the same point in fiscal year 2015.

Development Services Agency

September disbursements for Development Services Agency totaled $1.9 million and were $1.9 million (49.6%) below estimate. The variance was primarily attributable to lower than estimated disbursements for Technology Programs and Grants and the timing of a grant payment for Travel and Tourism.

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. September property tax reimbursements totaled $371.1 million and were $50.5 million (15.8%) above estimate. Year-to-date disbursements totaled $463.6 million and were $46.2 million (11.1%) above estimate.

Debt Service

September payments for debt service totaled $174.7 million and were $232.8 million (57.1%) below estimate. This variance was primarily attributable to payments on Common Schools General Obligation Debt Service that totaled $231.1 million and were estimated to occur in September but instead occurred in August. Year-to-date debt service payments were $768.0 million, which was $1.7 million (0.2%) below estimate.

Transfers Out

September transfers out totaled $0.5 million and were $2.5 million (84.2%) below estimate. September transfers were comprised primarily of a $0.5 million transfer to the Statewide Ballot Advertising Fund. Year-to-date transfers out were $772.0 million, which was $0.9 million (0.1%) below estimate.

Table 3

GENERAL REVENUE FUND DISBURSEMENTS
ACTUAL FY 2016 VS ESTIMATE FY 2016
($ in thousands)

Functional Reporting Categories Description	MONTH ACTUAL SEPTEMBER	MONTH ESTIMATED SEPTEMBER	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	205,985	233,861	(27,876)	-11.9%	1,790,404	1,843,666	(53,262)	-2.9%
Higher Education	194,326	201,382	(7,056)	-3.5%	546,609	553,729	(7,120)	-1.3%
Other Education	8,091	8,019	72	0.9%	24,556	22,729	1,827	8.0%
Medicaid	1,444,511	1,490,161	(45,650)	-3.1%	4,746,425	4,902,343	(155,918)	-3.2%
Health and Human Services	77,486	80,804	(3,318)	-4.1%	324,131	350,286	(26,155)	-7.5%
Justice and Public Protection	132,983	139,794	(6,812)	-4.9%	550,137	559,581	(9,444)	-1.7%
General Government	21,421	27,776	(6,354)	-22.9%	102,919	105,325	(2,406)	-2.3%
Property Tax Reimbursements	371,086	320,567	50,520	15.8%	463,572	417,351	46,221	11.1%
Capital Outlay	0	0	0	N/A	0	0	0	N/A
Debt Service	174,678	407,441	(232,763)	-57.1%	768,013	769,721	(1,708)	-0.2%
Total Expenditures & ISTV's	2,630,567	2,909,805	(279,238)	-9.6%	9,316,766	9,524,732	(207,966)	-2.2%
Transfers Out:								
BSF Transfer Out	0	0	0	N/A	425,500	425,500	0	0.0%
Operating Transfer Out	475	3,000	(2,525)	-84.2%	346,475	347,331	(856)	-0.2%
Temporary Transfer Out	0	0	0	N/A	0	0	0	N/A
Total Transfers Out	475	3,000	(2,525)	-84.2%	771,975	772,831	(856)	-0.1%
Total Fund Uses	2,631,042	2,912,805	(281,763)	-9.7%	10,088,741	10,297,563	(208,822)	-2.0%

Table 4

GENERAL REVENUE FUND DISBURSEMENTS
ACTUAL FY 2016 VS ACTUAL FY 2015
($ in thousands)

	MONTH				YEAR-TO-DATE			
Functional Reporting Categories Description	SEPTEMBER FY 2016	SEPTEMBER FY 2015	$ VAR	% VAR	ACTUAL FY 2016	ACTUAL FY 2015	$ VAR	% VAR
Primary and Secondary Education	205,985	478,323	(272,337)	-56.9%	1,790,404	1,872,801	(82,398)	-4.4%
Higher Education	194,326	182,297	12,028	6.6%	546,609	530,312	16,298	3.1%
Other Education	8,091	9,071	(981)	-10.8%	24,556	21,086	3,469	16.5%
Medicaid	1,444,511	1,386,461	58,050	4.2%	4,746,425	4,143,018	603,407	14.6%
Health and Human Services	77,486	93,145	(15,659)	-16.8%	324,131	348,516	(24,385)	-7.0%
Justice and Public Protection	132,983	137,466	(4,483)	-3.3%	550,137	497,670	52,467	10.5%
General Government	21,421	26,585	(5,164)	-19.4%	102,919	90,080	12,839	14.3%
Property Tax Reimbursements	371,086	412,313	(41,226)	-10.0%	463,572	431,652	31,920	7.4%
Capital Outlay	0	0	0	N/A	0	0	0	N/A
Debt Service	174,678	393,697	(219,020)	-55.6%	768,013	733,919	34,095	4.6%
Total Expenditures & ISTV's	2,630,567	3,119,359	(488,792)	-15.7%	9,316,766	8,669,054	647,712	7.5%
Transfers Out:								
BSF Transfer	0	0	0	N/A	425,500	0	425,500	N/A
Operating Transfer Out	475	529,000	(528,525)	-99.9%	346,475	563,007	(216,531)	-38.5%
Temporary Transfer Out	0	0	0	N/A	0	0	0	N/A
Total Transfers Out	475	529,000	(528,525)	-99.9%	771,975	563,007	208,969	37.1%
Total Fund Uses	2,631,042	3,648,359	(1,017,317)	-27.9%	10,088,741	9,232,060	856,681	9.3%

FUND BALANCE

Table 5 describes the estimated General Revenue Fund (GRF) unencumbered ending fund balance for FY 2016. Based on the estimated revenue sources for FY 2016 and the estimated FY 2016 disbursements, transfers, and encumbrances, the GRF unencumbered ending fund balance for FY 2016 is an estimated $540.2 million.

The GRF unencumbered ending fund balance should not be considered as a balance available for expenditure in FY 2016 nor should it be considered as equivalent to the FY 2016 surplus calculation as defined in Section 131.44 of the Ohio Revised Code.

It is important to note that the GRF unencumbered ending fund balance will be impacted by any GRF expenditures or transfers that may be authorized by the General Assembly or by the Controlling Board during the course of the fiscal year.

Table 5
FUND BALANCE
GENERAL REVENUE FUND
FISCAL YEAR 2016
($ in thousands)

July 1, 2015 Beginning Cash Balance*	**$ 1,711,679**
Plus FY 2016 Estimated Revenues	22,223,600
Plus FY 2016 Estimated Federal Revenues	12,232,485
Plus FY 2016 Estimated Transfers to GRF	334,000
Total Sources Available for Expenditures & Transfers	**36,501,764**
Less FY 2016 Estimated Disbursements**	34,811,540
Less FY 2016 Estimated Total Encumbrances as of June 30, 2016	339,059
Less FY 2016 Estimated Transfers Out	810,931
Total Estimated Uses	**35,961,530**
FY 2016 ESTIMATED UNENCUMBERED ENDING FUND BALANCE	**540,234**

* Includes reservations of $425.2 million for prior year encumbrances and $736.1 million for transfers from the fiscal year 2015 ending balance executed during fiscal year 2016. After accounting for these amounts, the estimated unencumbered beginning fund balance for fiscal year 2016 is $550.4 million.

** Disbursements include estimated spending against current year appropriations and prior year encumbrances.

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