OBM

November 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

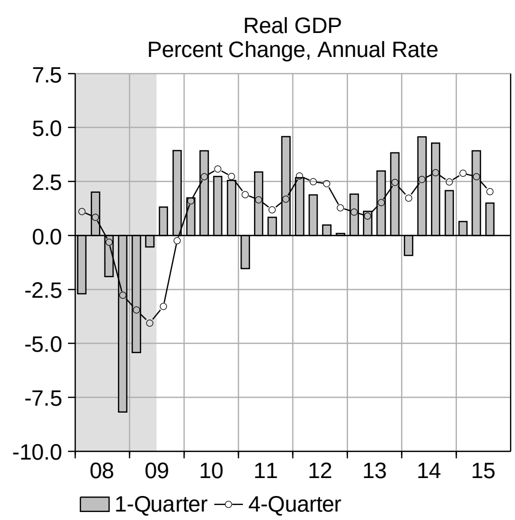
Economic Performance Overview

- Real GDP growth slowed to 1.5% in the third quarter, or 2.0% on a year-over-year basis.
- U.S. employment increased by 271,000 jobs in October. The unemployment rate decreased 0.1 percentage points to 5.0%.
- Ohio nonfarm payroll employment decreased by 8,600 jobs in September, but is up by 32,100 jobs year-to-date. The Ohio unemployment rate decreased to 4.5% in September – the lowest level since August 2001.
- Leading economic indicators continue to point toward modest, uninterrupted economic expansion. Recent data indicate that growth is continuing in the fourth quarter at a faster pace than over the summer.

Economic Growth

Real GDP growth slowed to 1.5% in the third quarter, down from 3.9% in the second quarter, but still up from 0.6% in the first quarter. The choppy pattern of quarter-to-quarter growth makes the data somewhat difficult to interpret, but ultimately does not indicate a change in the shallow growth trajectory of the economy.

Economic activity has grown at an annual rate of 2.0% year-to-date, and is up by 2.0% from the third quarter of 2014. During the six-plus years of economic expansion that began in the second quarter of 2009, real GDP has expanded at a compound annual rate of 2.1%, well below the rate during all previous postwar expansions that lasted at least as long as the current episode.



The **increase in third-quarter** real GDP primarily reflected increases in personal consumption expenditures, state and local government expenditures, nonresidential fixed investment, exports, and residential fixed investment. Private inventory investment subtracted from growth during the quarter, and imports, which are automatically included in these individual categories and then subtracted as a separate category, increased (thus having a net negative overall impact).

The **deceleration from the second quarter** growth rate of 3.9% to the third quarter growth rate of 1.5% reflected the downturn in private inventory investment and decelerations in exports, nonresidential fixed investment, personal consumption expenditures, state and local government expenditures, and residential fixed investment. The deceleration in imports partly offset these negative factors.

Despite a weakening in some leading economic indicators recently, the evidence still points to at least modest growth in real GDP. The **Leading Economic Index** from the Conference Board decreased 0.2% in September – its first decline since February. Six of the ten components made positive contributions. The index was unchanged in both July and August. The year-over-year rate of change has slowed during the past year, but remains at 3.4%, 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.

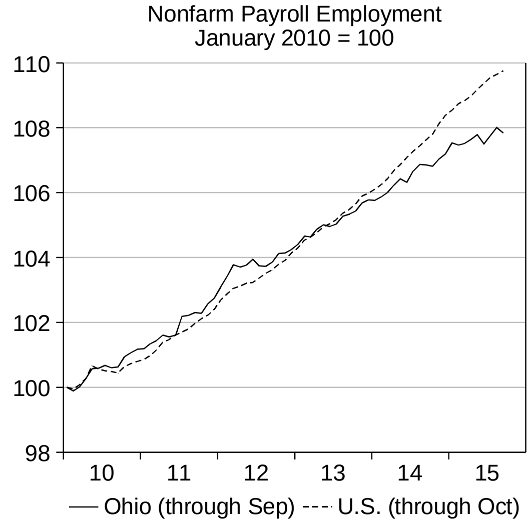
The **Ohio Coincident Economic Index**, compiled by the Federal Reserve Bank of Philadelphia, increased 0.3% in September, following gains of 0.4% and 0.5% in July and August, respectively. Compared with a year ago, the index was up 3.6% – down from 6.6% in September 2014 but strong enough to be consistent with moderate 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 – has changed little for six months. The indexes for 41 states were higher than one month earlier in September and the indexes for 43 states were higher than three months earlier. The recent pattern is the weakest since 2010, but remains consistent with continued economic expansion. Further deterioration during the next few months, however, would raise questions about the durability of the expansion.

The **Ohio Leading Economic Index** from the Philadelphia Federal Reserve decreased to +0.2% in September from +2.4% in August and +3.5% in July. The index is designed to predict the rate of change in the coincident index during the next six months. The near-zero reading for the latest month raises questions about the pace of growth over the next six months (although these numbers are frequently revised after the fact, so the weak September estimate may be changed).

After declining from 50 last December to 41 in April, the number of state leading indexes with positive readings increased to 47 in August and September. 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 broke out of the recent doldrums in October. The unemployment rate fell to a new low for the expansion, and average hourly earnings picked up. **Nonfarm payrolls** increased by 271,000 jobs in October, and the net change during the two previous months was revised higher by 12,000 jobs. The October increase was well above expectations and marks a break with the average increase of 145,000 jobs during August and September. Job growth has averaged 187,000 jobs per month during the most recent three months and 215,000 jobs during the most recent six months.

Employment gains were widespread **across industries**, led by professional and business services (+78,000), health care (+44,900), retail (+43,800), accommodation and food services (+41,500), and construction (+31,000). A number of sectors posted small increases. The only major sectors with a decrease in employment were mining and logging (-4,000) and information (-1,000). Employment was unchanged in manufacturing.

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 262,750 in the week ending October 31st – just up from a more than four-decade low of 259,250 reached the week before and the 32nd straight week below 300,000. The recent pattern of changes and current level of claims are consistent with a healthy and expanding labor market and overall economy.

The **unemployment rate** dipped 0.1 percentage points to 5.0%, as an increase in total employment outpaced an increase in the labor force by just enough to reduce the rounded calculation. In a corroborating sign of labor market strengthening, 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 0.2 percentage points to 9.8% – the lowest level since May 2008.

Ohio nonfarm payroll employment decreased by 8,600 jobs in September, and is up by 32,100 jobs year-to-date. There were month-over-month increases in leisure and hospitality (+6,600), educational and health services (+4,900), and financial activities (+2,200). In contrast, nonfarm payroll employment declined meaningfully in local government (-15,100) and manufacturing (-3,900). The large decline in local government employment reverses much of the 21,100 increase during July, hinting that seasonal adjustment factors played a role.

Compared with a year earlier, Ohio employment was higher by 49,300 jobs. The largest employment gains during the year ending in September occurred in leisure and hospitality (+18,200), trade, transportation, and utilities (+15,900), education and health services (+10,500), and manufacturing (+9,800). The only employment declines during the year ending in September occurred in construction (-12,400), mining (-1,100), and professional and business services (-100).

Among the **contiguous states**, year-over-year employment growth was strongest in Indiana (+2.2%), followed by Michigan (+2.0%), Kentucky (+1.8%), Ohio (+0.9%), and Pennsylvania (+0.7%). Employment declined from a year earlier in West Virginia (-1.5%). Year-over-year growth in manufacturing employment was 1.4% in Ohio. Among the contiguous states, manufacturing employment increased 4.7% in Michigan, 2.8% in Kentucky, 2.1% in Indiana, and 1.1% in West Virginia, and decreased 0.2% in Pennsylvania.

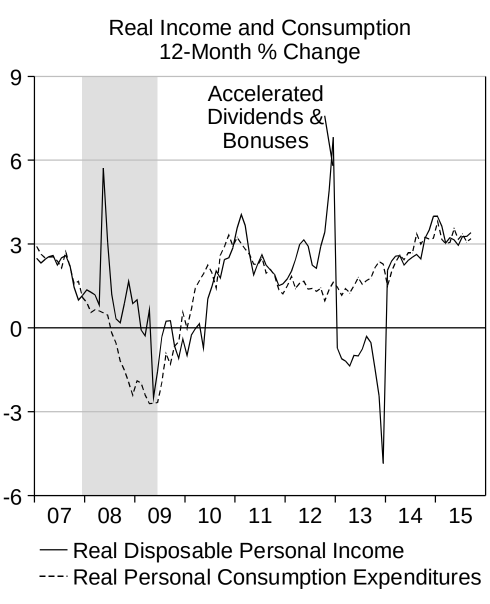
The **Ohio unemployment rate** decreased in September by 0.1 percentage points to 4.5% – the lowest level since August 2001. The number of unemployed people decreased by 10,616 in September, while the number of employed people increased by 3,522, and the labor force decreased by 7,094 people. Compared with a year ago, unemployment is down by 50,841 people, the number of employed people is up by 16,173, and the labor force is down by 34,668 people. The unemployment rate is down 0.8 percentage points from a year ago, and is well below one-half its peak level of 11.0% reached in January 2010.

Across the country in September, the unemployment rate decreased by a statistically significant amount in eleven states and was not statistically different from the month before in the other 39 states. The unemployment rate was lower than a year earlier by a statistically significant margin in 26 states and higher only in West Virginia.

Consumer Income and Consumption

Consumer income and spending growth slowed in September after stronger gains earlier in the summer. Continued growth in employment and earnings, coupled with low inflation and interest rates and relatively low energy prices are anticipated to lead to faster growth during the balance of the year.

Personal income increased only 0.1% in September, as **wage and salary disbursements** – the largest single component of personal income – were unchanged. Personal income had increased 0.4% in each of the previous five months, or at an annual rate of 5.0%.



Inflation remains low, providing support to consumer spending. The **Consumer Price Index** (CPI) fell in September by 0.2% following a 0.1% decline in August. The overall index was pulled down for the second month in a row by large declines in energy prices. The CPI for energy prices fell 4.7% in September after a 2.0% decrease in August, freeing up disposable income for other purchases. Low and stable inflation generally has had positive effects on economic growth in the past.

Excluding the volatile food and energy categories as a means of assessing the underlying trend, the index increased 0.2% in September to 1.9% above its year earlier level. The Median CPI from the Federal Reserve Bank of Cleveland – an alternative measure of the underlying trend – continued to track even higher at 2.5% year-over-year. In contrast, the measure of inflation that is most closely watched by the Federal Reserve, which is the personal consumption expenditure (PCE) index minus food and energy (similar to core CPI), increased 0.1% in September to 1.3% above its year earlier level. This measure has been below 1.5% for almost a year now.

Personal consumption expenditures also slowed in September, rising only 0.1% after a 0.4% increase in August. The slowdown was mainly due to a 1.2% decline in purchases of non-durable goods, which in part reflected the 9.0% decrease in the CPI for gasoline from August to September.

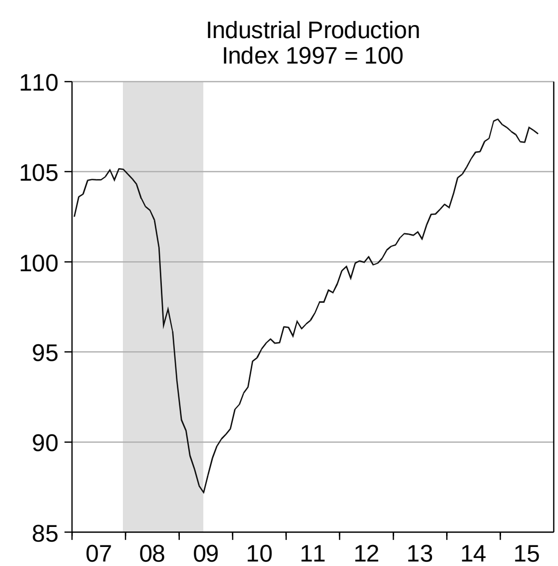
Spending on **durable goods** increased 0.8%, reflecting the 1.9% increase in **sales of light motor vehicles** to an annual rate of 18.06 million units. Sales increased slightly to an 18.12 million unit pace in October. Spending on **services** increased 0.4% in September, only slightly slower than the 0.5% pace in August.

Consumer confidence was mixed again in October. In a reversal of the September pattern, Conference Board measures slipped, while University of Michigan measures strengthened. In general, consumer confidence gauges are at relatively high levels that are consistent with sustained growth in consumer spending in the months ahead. The only notable relative weakness is in the expectations index of the Conference Board survey, which was 4.8% below its average during previous periods of economic expansion.

Looking forward, analysts expect the moderate spending increase during the back-to-school shopping season to carry over into solid holiday spending, which is projected by IHS Global Insight to rise 3.5% from a year ago. That would be slower than the 4.1% increase during last year's season, but still stronger than the 2.7% increase in each of the two previous years, 2012 and 2013.

Manufacturing

Manufacturing has flat-lined, with few signs of either revival or outright contraction. The weakness seems related to the strengthening in the dollar and its effects on trade and secondary effects from weakness in the energy and commodity sectors, and probably exacerbated more recently by a buildup in inventories. With business cycle indicators still pointing to overall economic expansion, these headwinds appear most likely to prove temporary and to be followed by a strengthening in activity next year.



Manufacturing output decreased 0.1% in September, its second decline in a row and the third in the last four months. The index is only 0.3% above its year earlier level. **Mining** output decreased 2.0% after no change in August to 5.7% below its year earlier level – a clear casualty of the decrease in energy prices, which have led to cutbacks in employment, investment, and production. **Utility** output increased 1.3% for the second straight month, as somewhat higher-than-normal temperatures probably boosted air conditioner use.

Purchasing managers at manufacturing firms reported that business expanded across the country for the 34th consecutive month in October, but barely. With the PMI® just above the neutral threshold of 50 for the last two months, reports have been evenly split between expansion and contraction.

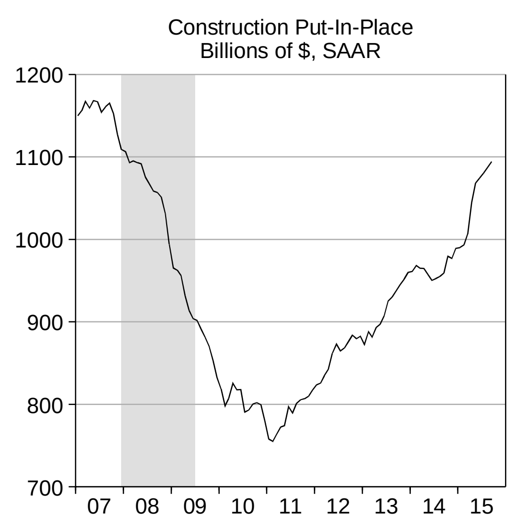
The overall index decreased 0.1 points in October to 50.1 – its lowest level since December 2012 and only marginally above the neutral level of 50. Encouragingly, the New Orders Index rebounded from 50.1 to 52.9 and the Production Index improved from 51.8 also to 52.9. Most sub-indexes improved at least a bit with the exception of Inventories, Imports, and Employment.

Of the 18 industries tracked by the Manufacturing ISM *Report on Business*, seven reported growth in October, the same as in September but down from ten in August. Among the industries that are most important to Ohio in terms of employment share, transportation equipment, primary metals, and machinery, all reported contraction. According to purchasing managers, the fabricated metal products industry expanded in October. According to the report on industrial production for September, output of primary metal, machinery, and motor vehicles and parts increased modestly during the month, while production of fabricated metal products decreased slightly.

Construction

Construction put-in-place increased 0.6% in September, continuing the solid pace of growth that stretches back to the end of last winter and has resulted in a 6-month annualized growth rate of 18.2%. Compared with a year ago, construction put-in-place is up 14.1% – the best year-over-year gain since January 2006.

Private construction also increased 0.6%, and the August change was revised up from 0.7% to 1.1%. Private residential construction put-in-place increased 1.9%, and the August gain was revised up slightly. Both single-family and multi-family construction increased, with each segment contributing approximately equally.



Private nonresidential construction decreased by 0.7% in September, although the August increase was revised up from 0.2% to 0.8%. The changes across industries during September were mostly negative, with power and commercial accouting for most of the decrease. Transportation, religious, and education made the only positive contributions.

The momentum in housing activity dissipated over the summer. **Housing starts** were essentially flat, as a 4.4% decrease in multi-family starts on a 3-month moving average basis in September offset a 2.4% increase in single-family starts. The pattern was the same across the Midwest, as a 13.5% decrease in multi-family starts more than offset a 3.1% increase in single-family starts. Compared with a year earlier, housing starts were higher by 13.1% across the country, but were lower by 9.2% in the Midwest.

The same pattern of contracting multi-family and expanding single-family activity was evident in **housing permits**. Permits fell 6.4% across the country on a 3-month moving average basis, as multi-family permits fell 15.0% and single-family permits were little changed. In the Midwest, a decline of 2.2% in single-family permits overcame a small increase in multi-family permits to pull down the overall tally by 1.2%.

Sales of existing houses were stable again across the country (+0.4%) and a bit lower in the Midwest (-0.3%) on a 3-month moving average basis. Inventories of existing homes for sale nationally edged down in September in absolute terms and relative to the pace of sales. Compared with a year earlier, sales across the country were higher by 8.3%, and sales in the Midwest were higher by 9.0%.

Sales of newly built homes weakened notably during the 3-month period ending in September, decreasing 11.5% across the country and 8.3% in the Midwest. The inventory of new homes for sale increased, lifting the number of months of supply at the current sales pace to 5.8, which is the highest since July 2014. New home sales were 2.0% higher than a year earlier across the country and were 8.3% lower than a year earlier in the Midwest.

Home prices posted their fifteenth straight monthly increase in August, rising by 0.4% – the largest monthly gain since February – according to the Case-Shiller national home price index. Home prices increased 6.8% across the country from December 2013 to August 2015 to stand 26.1% above the cycle low reached in January 2012, but remained 6.7% below the all-time high set in February 2007.

REVENUES

October GRF receipts totaled $3,289.4 million and were $430.5 million (15.1%) above the estimate. Over 90.0% of the overage for the month was in the federal grants category, where revenues were over estimate primarily due to accounting reasons. As explained in greater detail below, this pattern of monthly overages and shortfalls in federal grants so far in fiscal year 2016 is partly related to physician payments and may continue for a couple more months.

Monthly tax receipts totaled $1,843.4 million and were $3.7 million (0.2%) above the estimate, while non-tax receipts totaled $1,436.4 million and were $417.1 million (40.9%) above the estimate. All but $28.8 million of that non-tax overage was due to federal grants. Transfers were $9.6 million above the estimate. Revenue variances for the fiscal year-to-date by category are provided in the following table ($ 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	($15.8 million)	-0.2%
Non-tax receipts	Federal grants, earnings on investments, licenses & fees, other income, intrastate transfers	$51.5 million	1.2%
Transfers	Budget stabilization, liquor transfers, capital reserve, other	($2.6 million)	-1.5%
TOTAL REVENUE VARIANCE:		**$33.1 million**	**0.3%**

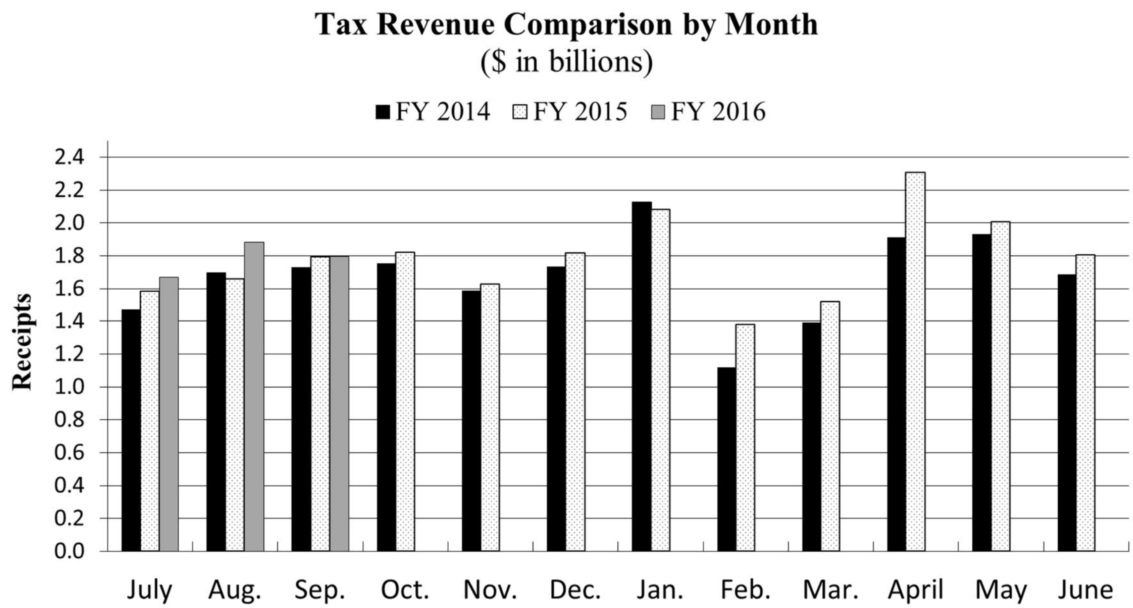
On a year-over-year basis, monthly receipts were $610.3 million (22.8%) higher than in October of the previous fiscal year, mainly due to a $543.1 million (63.6%) increase in federal grants revenue. Much of this year-over-year overage was expected. As noted in last month's issue of this report, $250.0 million of grant revenue received in September could not be recorded until October due to accounting system maintenance. In addition, about $166.0 million in additional revenue was received in October as the federal share of recoveries of overpayments to physicians. The federal government will offset these recoveries against Ohio's November federal grants, so it will not be surprising if federal grants fall short in November, continuing the see-saw pattern of overages and shortfalls. This physician payment and recovery issue may persist for a couple more months but should become progressively smaller.

Temporary accounting issues aside and as noted previously, if Medicaid spending matches the estimate then federal grants will be significantly over the prior fiscal year amount, since approximately $2.9 billion in additional federal Medicaid reimbursement is expected to be deposited into the GRF during fiscal year 2016, largely due to the costs and related federal reimbursements for persons enrolled under the "Group 8" Medicaid expansion program being shifted to the GRF. This 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. Of course, if Medicaid spending were to fall below estimate, the increase in federal grants would be somewhat below the estimated $2.9 billion.

Beyond federal grants, there were large increases from the prior October in: the non-auto sales tax ($15.6 million, or 2.1%); the commercial activity tax ($13.6 million, or 45.0%); the cigarette and other tobacco tax ($24.0 million, or 33.0%); and other income ($28.2 million, or 1534.5%). The commercial activity tax (CAT) change is due to the increase to 75% from 50% in the share of CAT receipts going to the GRF (as mandated by HB 64, the biennial budget bill). The increase in "other income" is the result of a delayed payment associated with the lease of the state's liquor franchise (the payment was not only delayed but also larger than expected). 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 held in inventory prior to the rate increase. There were significant decreases from the prior October in the income tax ($22.7 million, or 3.4%) and in the auto sales and use tax ($23.2 million, or 17.8%). The income tax decrease is due at least in part to the tax cuts enacted in the biennial budget bill. The decrease in the auto sales and use tax is at least partly attributable to the calendar as this October had one less business day than last year.

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

Individual Revenue Sources Above Estimate		**Individual Revenue Sources Below Estimate**	
Cigarette and Other Tobacco Tax	$17.9	Non-Auto Sales and Use Tax	($2.2)
Corporate Franchise	$3.3	Auto Sales and Use Tax	($0.6)
Kilowatt Hour Tax	$1.1	Personal Income Tax	($12.3)
Federal Grants	$388.3	Financial Institutions Tax	($1.5)
Other Income	$27.5	Commercial Activity Tax	($1.5)
Transfers In – Other	$9.6	Public Utility	($4.1)
Alcoholic Beverage	$5.1	Foreign Insurance Tax	($2.3)
Earning on Investments	$2.5	License & Fees	($1.2)
Other Sources Above Estimate	$0.9	Other Sources Below Estimate	($0.0)
Total above	**$456.2**	**Total below**	**($25.7)**



Non-Auto Sales and Use Tax

October non-auto sales and use tax collections totaled $749.6 million and were $2.2 million (0.3%) below the estimate. While this is the second consecutive small shortfall in non-auto tax collections, both variances were smaller than 0.5% and thus not significant. Also, as mentioned in last month's report, the estimate for September may have been somewhat overstated, because some of the expected loss due to the new sales tax holiday should have been recognized in the September estimate.

Even after the two months of small shortfalls, non-auto tax collections are $50.5 million, or 1.7%, above the year-to-date estimate. As discussed at some length in the economic section of this report, labor market fundamentals still seem strong, there is some acceleration in wage growth, and energy costs and overall inflation remain low. All these factors tend to support continued growth in consumer spending.

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 both September and October non-auto sales tax collections.

Monthly, non-auto sales tax collections were up by $15.6 million (2.1%) from last October. Growth may have been reduced by the fact that there was one less business day than in October last year. For the year, non-auto sales tax collections are up by a solid $138.2 million (4.8%) from the year before.

Auto Sales Tax

October auto sales and uses tax collections totaled $107.3 million and were $0.6 million (0.5%) below the estimate. Given that this small shortfall followed two months of large overages, and that national unit sales of autos continue to hit very high numbers (September and October were both above an 18 million unit pace), OBM considers the October performance to be a pause within a pattern of strong growth.

Personal Income Tax

October personal income tax receipts totaled $649.3 million and were $12.3 million or 1.9% below the estimate. Much of the negative variance is again attributable to higher than expected refunds ($24.7 million or 57.5%). There were additional modest shortfalls in withholding ($2.5 million or 0.4%) and payments associated with annual returns ($2.7 million or 4.9%). These combined shortfalls more than offset larger than anticipated quarterly estimated payments ($16.0 or 458.2%) and trust payments ($1.8 million or 160.1%) to create the monthly negative variance.

Year-to-date personal income tax collections totaled $2,730.5 million and were $65.2 million or 2.3% below the estimate. Higher than expected refunds, at $55.6 million above estimate, account for about 85% of the shortfall. There are also small negative variances in the other payment categories, except for trusts. Estimated and actual collections by category are shown in the table below.

FY2016 PERSONAL INCOME TAX RECEIPTS BY COMPONENT ($ in millions)						
	ESTIMATE OCT	ACTUAL OCT	$ VAR OCT	ESTIMATE Y-T-D	ACTUAL Y-T-D	$ VAR Y-T-D
Withholding	$667.6	$665.1	($2.5)	$2,628.7	$2,626.0	($2.7)
Quarterly Est.	$3.5	$19.5	$16.0	$283.5	$280.8	($2.7)
Trust Payments	$1.1	$2.9	$1.8	$10.9	$15.3	$4.4
Annual Returns & 40 P	$56.2	$53.5	($2.7)	$97.9	$95.9	($2.0)
Other	$8.0	$7.5	($0.5)	$26.9	$18.8	($8.1)
Less: Refunds	($42.9)	($67.6)	($24.7)	($127.8)	($183.4)	($55.6)
Local Distr.	($31.9)	($31.6)	$0.3	($124.4)	($122.9)	$1.5
Net to GRF	**$661.6**	**$649.3**	**($12.3)**	**$2,795.7**	**$2,730.5**	**($65.2)**

Refunds through October have been about $183 million, an increase of about $18 million from fiscal year 2015, whereas the estimates assumed that refunds would instead drop to about $128 million over these four months. Neither OBM nor the Tax Department can yet say definitively what the cause of these higher refunds is, but there is some preliminary evidence that it may be associated with higher than expected claims of the small business deduction for tax year 2014 associated with extension returns, the last of which were due on October 15. If so, this can be seen as partially offsetting the higher than expected annual return payments ($290 million) and higher than expected estimated payments ($98 million) from fiscal year 2015. These refunds are backward looking and do not necessarily have implications for expected revenues for the remainder of fiscal year 2016.

There is also some evidence that the higher refunds through October are associated with claims of business tax credits, including the credit against pass-through entity (PTE) withholding tax against non-resident PTE owners.

On a year-over-year basis, October 2015 GRF collections were $22.7 million or 3.4% below October 2014 collections. Declines in withholding ($19.3 million or 2.8%) and growth in refunds ($22.4 million or 49.4%) more than offset year-over-year growth in most of the other personal income tax components. Quarterly estimate payments ($16.1 million or 471.8%), trust payments ($2.2 million or 359.4%), and payments associated with annual returns ($1.2 million or 2.3%) all exhibited growth from their October 2014 totals.

Through October, year-to-date personal income tax collections were $3.6 million or 0.1% above the same point of the previous fiscal year. Growth in most components, including withholding ($25.9 million or 1.0%), quarterly estimated payments ($5.5 million or 2.0%), trust payments ($4.1 million or 36.7%), and payments associated with annual returns ($2.8 million or 3.0%) was almost entirely offset by the negative impact of higher refunds ($18.3 million or 11.1%) and the decline in the miscellaneous category ($9.0 million or 32.4%).

Income tax growth is expected to be muted relative to last year because of the HB 64 (the biennial budget bill) reductions in withholding tax rates and overall tax rates, and the increase in the small business (pass-through entity) deduction. The impact of the withholding rate reduction has already been felt for the last three months, since it went into effect on August 1. The impact of the 6.3% reduction in tax rates and the increase in the small business deduction is expected to be felt beginning in January, when taxpayers begin to file income tax returns for tax year 2015. In fact, by year's end, once the impact of all the HB 64 income tax reductions are felt, GRF income tax revenues are expected to be about $414 million, or 4.9%, below fiscal year 2015 collections.

Commercial Activity Tax

Commercial activity tax (CAT) October receipts deposited in the GRF were $43.9 million, or $1.5 million (3.2%) below the estimate. For the year-to-date, GRF CAT collections are $32.1 million (8.9%) below the estimate. Based on the 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.

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. All funds CAT collections through October (net of refunds, attorney general fees, and deposits to the motor fuel fund) totaled $440.6 million and were $43.0 million below the estimate. On a percentage basis, the 8.9% shortfall is the same as the 8.9% GRF shortfall.

Despite the shortfall compared to estimate, both October and year-to-date GRF CAT revenues have increased substantially from fiscal year 2015. October collections are up $13.6 million (45.0%) from the same month of the previous fiscal year, and year-to-date collections are up by $87.7 million (36.6%) 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.

In contrast, the year-over-year change in all funds CAT receipts was a decline of $43.6 million (9.0%). The issue going forward is whether the growth in the credits slows down, and whether the underlying taxable receipts continue to grow. Preliminary data on taxable receipts show that receipts are continuing to grow from last year, although the growth rate has slowed in recent quarters with the slowdown in manufacturing. If receipts continue to grow and credit growth slows, net CAT revenues could switch to growing relative to fiscal year 2015 rather than declining, or at least the rate of decline could change to being less than the current 9.0%. The next test will be November revenues, as the second quarter CAT payment is due November 10.

Foreign Insurance Tax

October foreign insurance tax collections were $149.4 million, $2.3 million (-1.5%) below the estimate. The foreign insurance tax is due in two installments, due October 15 and March 1 with a final payment or refund due June 15. The October payment is an advance payment which is supposed to be equal to half the prior year's tax liability before credits. The July issue of this report noted that in fiscal year 2015, multiple years' worth of credits caused the foreign insurance tax to fall short of the estimate and to drop from the year before. However, since these high credit amounts should be a non-recurring phenomenon, and because the October payment should not factor in those credits anyway, the October shortfall is not seen as a sign of problems with this tax for fiscal year 2016.

Cigarette and Other Tobacco Tax

The cigarette and other tobacco product (OTP) tax collections exceeded the October estimate by $17.9 million (22.8%). Between this and the September overage of $6.5 million, the August shortfall is now erased, and collections are over estimate for the year by $12.3 million (4.3%).

This mismatch between the timing of estimated and actual collections 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. Specifically, the floor stocks tax revenue, which was due by September 30, came in later than was expected, with some of it spilling into October.

Cigarette and OTP collections are now up $64.6 million (27.8%) relative to last year, due largely to the aforementioned tax rate increase. Interestingly, the growth rate of collections is almost equal to the percentage increase in tax rates (28.0%), implying that usage has experienced only a slight decline so far.

GRF Non-Tax Receipts

GRF non-tax receipts totaled $1,436.4 million in October and were $417.1 million (40.9%) above the estimate. As noted earlier in this report, the variance is almost entirely due to federal grants, which were $388.3 million (38.5%) above estimate. To briefly recap the explanation from prior sections, the large overage in federal grants in October due was to two factors. First, 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. Second, about $166 million in recoveries of federal reimbursement to physicians that was not built into the estimates was received in October. Federal grants to Ohio in November will be reduced by this amount, so it will not be surprising if federal grants then fall short of the estimate next month.

The other income category of revenues was $27.5 million above estimate due to a delay in receiving a payment of liquor profits revenue associated with the lease of the state's liquor enterprise. This payment was originally expected in September but was instead received in October. In addition, the payment was substantially larger than estimated ($26.8 million vs. $15.5 million).

Finally, transfers in to the GRF were $9.6 million above estimate due to a delay in receiving casino and racetrack relocation payments. These payments were expected to be received in September but were actually received in October.

Table 1

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

REVENUE SOURCE	MONTH ACTUAL OCTOBER	MONTH ESTIMATE OCTOBER	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	749,569	751,800	(2,231)	-0.3%	2,999,206	2,948,700	50,506	1.7%
Auto Sales & Use	107,334	107,900	(566)	-0.5%	471,963	455,200	16,763	3.7%
Subtotal Sales & Use	856,903	859,700	(2,797)	-0.3%	3,471,169	3,403,900	67,269	2.0%
Personal Income	649,336	661,600	(12,264)	-1.9%	2,730,488	2,795,700	(65,212)	-2.3%
Corporate Franchise	3,286	0	3,286	N/A	5,649	0	5,649	N/A
Financial Institutions Tax	(3,033)	(1,500)	(1,533)	-102.2%	(3,493)	(1,200)	(2,293)	-191.1%
Commercial Activity Tax	43,926	45,400	(1,474)	-3.2%	327,491	359,600	(32,109)	-8.9%
Petroleum Activity Tax	0	0	0	N/A	1,350	1,500	(150)	-10.0%
Public Utility	2,254	6,400	(4,146)	-64.8%	30,448	31,600	(1,152)	-3.6%
Kilowatt Hour	31,054	30,000	1,054	3.5%	125,833	123,800	2,033	1.6%
Natural Gas Distribution	510	500	10	2.0%	12,570	12,600	(30)	-0.2%
Foreign Insurance	149,356	151,700	(2,344)	-1.5%	154,878	155,800	(922)	-0.6%
Domestic Insurance	338	0	338	N/A	344	4,900	(4,556)	-93.0%
Other Business & Property	1	0	1	N/A	29	0	29	N/A
Cigarette and Other Tobacco	96,646	78,700	17,946	22.8%	297,281	285,000	12,281	4.3%
Alcoholic Beverage	8,917	3,800	5,117	134.7%	20,958	18,400	2,558	13.9%
Liquor Gallonage	3,615	3,400	215	6.3%	14,948	14,600	348	2.4%
Estate	327	0	327	N/A	475	0	475	N/A
Total Tax Receipts	1,843,435	1,839,700	3,735	0.2%	7,190,419	7,206,200	(15,781)	-0.2%
NON-TAX RECEIPTS								
Federal Grants	1,397,623	1,009,315	388,308	38.5%	4,348,683	4,310,035	38,648	0.9%
Earnings on Investments	7,916	5,450	2,466	45.2%	7,916	5,450	2,466	45.2%
License & Fees	842	2,018	(1,175)	-58.3%	8,754	10,660	(1,907)	-17.9%
Other Income	30,009	2,468	27,541	1115.7%	33,332	21,649	11,683	54.0%
ISTV'S	0	0	0	N/A	573	0	573	N/A
Total Non-Tax Receipts	1,436,391	1,019,251	417,140	40.9%	4,399,257	4,347,794	51,463	1.2%
TOTAL REVENUES	3,279,826	2,858,951	420,875	14.7%	11,589,676	11,553,994	35,682	0.3%
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	9,612	0	9,612	N/A	174,676	177,300	(2,624)	-1.5%
Temporary Transfers In	0	0	0	N/A	0	0	0	N/A
Total Transfers	9,612	0	9,612	N/A	174,676	177,300	(2,624)	-1.5%
TOTAL SOURCES	3,289,438	2,858,951	430,487	15.1%	11,764,352	11,731,294	33,058	0.3%

Table 2

GENERAL REVENUE FUND RECEIPTS

ACTUAL FY 2016 VS ACTUAL FY 2015

($ in thousands)

REVENUE SOURCE	MONTH				YEAR-TO-DATE			
	OCTOBER FY 2016	OCTOBER FY 2015	$ VAR	% VAR	ACTUAL FY 2016	ACTUAL FY 2015	$ VAR	% VAR
TAX RECEIPTS								
Non-Auto Sales & Use	749,569	733,956	15,613	2.1%	2,999,206	2,860,994	138,212	4.8%
Auto Sales & Use	107,334	130,582	(23,248)	-17.8%	471,963	467,409	4,554	1.0%
Subtotal Sales & Use	856,903	864,537	(7,635)	-0.9%	3,471,169	3,328,403	142,766	4.3%
Personal Income	649,336	672,056	(22,720)	-3.4%	2,730,488	2,726,935	3,553	0.1%
Corporate Franchise	3,286	(2,401)	5,686	236.9%	5,649	4,657	992	21.3%
Financial Institutions Tax	(3,033)	(2,446)	(587)	-24.0%	(3,493)	(2,024)	(1,469)	-72.6%
Commercial Activity Tax	43,926	30,294	13,632	45.0%	327,491	239,791	87,700	36.6%
Petroleum Activity Tax	0	0	0	N/A	1,350	0	1,350	N/A
Public Utility	2,254	2,115	140	6.6%	30,448	14,651	15,797	107.8%
Kilowatt Hour	31,054	25,750	5,304	20.6%	125,833	104,402	21,431	20.5%
Natural Gas Distribution	510	492	18	3.6%	12,570	13,714	(1,144)	-8.3%
Foreign Insurance	149,356	151,789	(2,433)	-1.6%	154,878	154,695	183	0.1%
Domestic Insurance	338	43	295	687.8%	344	7,708	(7,364)	-95.5%
Other Business & Property	1	9	(8)	-87.4%	29	20	10	48.4%
Cigarette and Other Tobacco	96,646	72,660	23,985	33.0%	297,281	232,681	64,600	27.8%
Alcoholic Beverage	8,917	2,750	6,167	224.2%	20,958	18,115	2,843	15.7%
Liquor Gallonage	3,615	3,352	262	7.8%	14,948	14,341	607	4.2%
Estate	327	870	(542)	-62.4%	475	2,038	(1,563)	-76.7%
Total Tax Receipts	1,843,435	1,821,872	21,563	1.2%	7,190,419	6,860,127	330,292	4.8%
NON-TAX RECEIPTS								
Federal Grants	1,397,623	854,518	543,105	63.6%	4,348,683	3,325,618	1,023,065	30.8%
Earnings on Investments	7,916	0	7,916	N/A	7,916	0	7,916	N/A
License & Fee	842	827	15	1.9%	8,754	8,375	378	4.5%
Other Income	30,009	1,836	28,173	1534.5%	33,332	18,816	14,516	77.2%
ISTV'S	(0)	40	(40)	-100.8%	573	51	522	1021.1%
Total Non-Tax Receipts	1,436,391	857,221	579,170	67.6%	4,399,257	3,352,860	1,046,397	31.2%
TOTAL REVENUES	3,279,826	2,679,092	600,733	22.4%	11,589,676	10,212,987	1,376,689	13.5%
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	9,612	82	9,530	11622.1%	174,676	10,585	164,091	1550.2%
Temporary Transfers In	0	0	0	N/A	0	0	0	N/A
Total Transfers	9,612	82	9,530	11622.1%	174,676	10,585	164,091	1550.2%
TOTAL SOURCES	3,289,438	2,679,174	610,263	22.8%	11,764,352	10,223,572	1,540,780	15.1%

DISBURSEMENTS

October GRF disbursements, across all uses, totaled $3,288.7 million and were $184.8 million (5.3%) below estimate. This was primarily attributable to lower than estimated disbursements in the Primary and Secondary Education category being partially offset by higher than estimated disbursements in the Property Tax Reimbursements category. On a year-over-year basis, October total uses were $77.4 million (2.4%) higher than those of the same month in the previous fiscal year, with the Medicaid and Property Tax Reimbursements categories largely responsible for the increase. Year-to-date variances by category are provided in the table below.

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)	($390.3 million)	-3.0%
Transfers	Temporary or permanent transfers out of the GRF that are not agency expenditures	($3.3 million)	-0.4%
TOTAL DISBURSEMENTS VARIANCE:		**($393.7 million)**	**-2.9%**

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. October disbursements for this category totaled $812.9 million and were $199.8 million (19.7%) below estimate. Expenditures for the school foundation program totaled $756.2 million and were $217.9 million (22.4%) below estimate. The variance was primarily attributable to the timing of payments for foundation funding, student assessment, and accountability report card line items. Only two foundation payments were disbursed in October, rather than three as estimated. This variance was partially offset by an auxiliary services payment which occurred in October instead of November as estimated. Year-to-date disbursements were $2,603.3 million, which was $253.1 million (8.9%) below the estimate.

On a year-over-year basis, disbursements in this category were $181.9 million (18.3%) lower than for the same month in the previous fiscal year while year-to-date expenditures were $264.3 million (9.2%) lower than at the same point in fiscal year 2015.

Higher Education

October disbursements for the Higher Education category, which includes non-debt service GRF spending by the Department of Higher Education, totaled $197.7 million and were $0.6 million (0.3%) above estimate for the month. The majority of the monthly variance was due to spending in the Ohio National Guard Scholarship Programs above the monthly estimate by $3.5 million as a result of higher than expected requests for reimbursement from higher education institutions, which was partially offset by spending in the Ohio College Opportunity Grant Scholarship

Program below the monthly estimate by $4.6 million. Year-to-date disbursements were $744.3 million, which was $6.6 million (0.9%) below estimate.

On a year-over-year basis, disbursements in this category were $9.0 million (4.8%) higher than for the same month in the previous fiscal year while year-to-date expenditures were $25.3 million (3.5%) 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.

October disbursements in this category totaled $6.1 million and were $1.9 million (23.2%) below estimate. Year-to-date disbursements were $30.7 million, which was at estimate. On a year-over-year basis, disbursements in this category were $2.0 million (46.9%) higher than for the same month in the previous fiscal year while year-to-date expenditures were $5.4 million (21.5%) 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 reimbursement for these persons was shifted into the GRF for the biennium.

<u>Expenditures</u>
October GRF disbursements for the Medicaid Program totaled $1,452.8 million and were $23.0 million (1.6%) below the estimate, and $177.8 million (13.9%) above disbursements for the same month in the previous fiscal year. Year-to-date GRF disbursements totaled $6,199.2 million and were $178.9 million (2.8%) below the estimate, and $781.2 million (14.4%) above disbursements for the same point in the previous fiscal year. This year-over-year increase is largely attributable to the shifting of expenditures for persons enrolled under the "Group 8" expansion program to the GRF.

October all funds disbursements for the Medicaid Program totaled $1,907.7 million and were $119.3 million (5.9%) below the estimate, and $119.8 million (5.9%) below disbursements for the same month in the previous fiscal year. Year-to-date all funds disbursements totaled $8,316.3 million and were $378.2 million (4.4%) below the estimate, and $693.4 million (9.1%) above disbursements for the same point in the previous fiscal year.

The October 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 11.7 percent below estimate for the month. This savings is offset in part by managed care enrollment being 0.9 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)

	October Actual		October Projection		Variance		Variance %
GRF	$	1,452.8	$	1,475.8	$	(23.0)	-1.6%
Non-GRF	$	454.9	$	551.2	$	(96.3)	-17.5%
All Funds	$	1,907.7	$	2,027.0	$	(119.3)	-5.9%

Enrollment

Total October enrollment across all categories was 3.01 million. The most significant components are the Covered Families and Children (CFC) category, which decreased by 2,355 persons to an October total of 2.45 million persons, and the Aged, Blind and Disabled (ABD) category, which decreased by 3,439 persons to an October total of 392,850 covered lives.

Total enrollment across all categories for the same period last year was 2.89 million covered persons, including 2.25 million persons in the CFC category and 429,714 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.

October disbursements in this category totaled $143.6 million and were $23.9 million (14.3%) below estimate for the month. Year-to-date disbursements were $467.7 million, which was $50.0 million (9.7%) below estimate. On a year-over-year basis, disbursements in this category were $10.1 million (7.6%) higher than for the same month in the previous fiscal year while year-to-date expenditures were $14.3 million (3.0%) lower than at the same point in fiscal year 2015.

Department of Health

October disbursements for the Department of Health totaled $8.9 million and were $1.5 million (14.5%) below estimate. This variance was primarily attributable to disbursements in multiple lines being under estimate by a total of $3.3 million, which was partially offset by $1.8 million (328.4%) in higher than estimated Medically Handicapped Children disbursements due to subsidy payments planned for September being made in October instead.

Department of Job and Family Services

October disbursements for the Department of Job and Family Services totaled $70.9 million and were $18.1 million (20.4%) below estimate. This variance was primarily attributable to several lines. First, Family and Children Services disbursements were $11.4 million (94.4%) below estimate due to county disbursements of the State Child Protective Allocation being made in September instead of October as estimated. Second, Information Technology Projects disbursements were $4.6 million (68.7%) below estimate partly due to lower than estimated disbursements on prior year encumbrances. Third, TANF State/Maintenance of Effort disbursements were $2.6 million (22.2%) below estimate due to lower than estimated cash assistance caseloads and a change in the state/federal funding split during the month. Fourth, Family Assistance-Local disbursements were $1.0 million (26.6%) below estimate, while Child Support-Local disbursements were $1.0 million (27.1%) below estimate, both due to lower than estimated county draws. These disbursements were partially offset by $1.7 million (108.2%) in higher than estimated Unemployment Insurance Administration disbursements due to the timing of release of federal administrative funding.

Department of Mental Health and Addiction Services

October disbursements for the Department of Mental Health and Addiction Services totaled $40.7 million and were $3.2 million (7.3%) below estimate. This variance was primarily attributable to several lines. First, disbursements for the Addiction Services Partnership with the Department of Rehabilitation were $1.9 million (72.6%) below estimate, while Community Innovations disbursements were $1.9 million (98.7%) below estimate, both due to program implementation estimated for October being moved to future months instead. Second, Community Behavioral Health disbursements were $1.0 million (85.0%) below estimate due to the timing of county draws. These lower than estimated disbursements were partially offset by Hospital Services disbursements being $3.1 million (20.0%) above estimate.

Justice and Public Protection

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

October disbursements in this category totaled $184.4 million and were $3.8 million (2.1%) above estimate for the month. Year-to-date disbursements were $734.5 million, which was $5.6 million (0.8%) below estimate. On a year-over-year basis, disbursements in this category were $19.6 million (11.9%) higher than for the same month in the previous fiscal year while year-to-date expenditures were $72.1 million (10.9%) higher than at the same point in fiscal year 2015.

Department of Rehabilitation and Correction
October disbursements for the Department of Rehabilitation and Correction totaled $153.3 million and were $11.1 million (7.8%) above estimate. This variance was primarily attributable to payments for Institutional Operations, Community Residential Program grants, and Institutional Medical Services planned to be disbursed earlier in the biennium being made in October instead.

Public Defender Commission
October disbursements for the Public Defender Commission totaled $0.5 million and were $4.7 million (91.2%) below estimate. This variance was primarily attributable to disbursements for County Reimbursement payments estimated for October being moved to November instead.

Department of Youth Services
October disbursements for the Department of Youth Services totaled $12.1 million and were $1.1 million (8.5%) below estimate. This variance was primarily attributable to payments to Community Corrections Facilities being disbursed in September instead of October as estimated.

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.

October disbursements in this category totaled $34.6 million and were $4.1 million (10.6%) below estimate for the month. Year-to-date disbursements were $137.5 million, which was $6.5 million (4.5%) below estimate. On a year-over-year basis, disbursements in this category were $0.2 million (0.5%) lower than for the same month in the previous fiscal year while year-to-date expenditures were $12.7 million (10.1%) higher than at the same point in fiscal year 2015.

Department of Administrative Services
October disbursements for the Department of Administrative Services totaled $1.0 million and were $5.0 million (83.3%) below estimate. The majority of the monthly variance was due to the timing of internal payments that will occur in November instead of October as originally

planned. This includes quarterly rent for certain GRF-supported agencies and vacant space in state buildings and payments against prior year encumbrances for IT services that supported Ohio Business Gateway operations in fiscal year 2015.

Department of Natural Resources

October disbursements for the Department of Natural Resources totaled $5.7 million and were $0.7 million (13.0%) above estimate. This variance was primarily attributable to Soil and Water Districts disbursements being $1.4 million above an estimate of $0 due to a subsidy payment being made in October instead of November as estimated.

Department of Transportation

October disbursements for the Department of Transportation totaled $1.6 million and were $1.2 million (290.5%) above estimate. This variance was primarily attributable to Public Transportation-State disbursements being $1.4 million (868.9%) above estimate due to a grant payment for transit being made in October instead of November as estimated.

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. October property tax reimbursements totaled $372.4 million and were $66.0 million (21.5%) above estimate. Year-to-date disbursements totaled $836.0 million and were $112.2 million (15.5%) above estimate. Both the monthly and year-to-date variances are due to reimbursement requests being received from counties in a different pattern than anticipated. The heaviest months for these payments in the first half of the fiscal year tend to be September through November and OBM expects that by the end of December disbursements for the first half of the fiscal year should be very near the estimate.

Debt Service

October payments for debt service totaled $71.9 million and were at estimate. Year-to-date debt service payments were $839.9 million, which was $1.7 million (0.2%) below estimate.

Transfers Out

October transfers out totaled $12.2 million and were $2.5 million (16.8%) below estimate. October transfers were comprised primarily of a $10.2 million transfer to the Tourism Fund and a $2.0 million transfer to the MARCS Administration Fund. Year-to-date transfers out were $784.2 million, which was $3.3 million (0.4%) below estimate.

Table 3

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

Functional Reporting Categories Description	MONTH ACTUAL OCTOBER	MONTH ESTIMATED OCTOBER	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	812,923	1,012,745	(199,823)	-19.7%	2,603,326	2,856,411	(253,085)	-8.9%
Higher Education	197,733	197,167	566	0.3%	744,342	750,897	(6,554)	-0.9%
Other Education	6,146	7,999	(1,853)	-23.2%	30,702	30,728	(26)	-0.1%
Medicaid	1,452,805	1,475,823	(23,018)	-1.6%	6,199,230	6,378,166	(178,936)	-2.8%
Health and Human Services	143,566	167,448	(23,882)	-14.3%	467,697	517,734	(50,038)	-9.7%
Justice and Public Protection	184,354	180,541	3,813	2.1%	734,491	740,123	(5,632)	-0.8%
General Government	34,598	38,704	(4,106)	-10.6%	137,517	144,030	(6,512)	-4.5%
Property Tax Reimbursements	372,437	306,479	65,958	21.5%	836,009	723,830	112,179	15.5%
Capital Outlay	0	0	0	N/A	0	0	0	N/A
Debt Service	71,930	71,943	(13)	0.0%	839,943	841,664	(1,721)	-0.2%
Total Expenditures & ISTV's	3,276,492	3,458,851	(182,358)	-5.3%	12,593,258	12,983,584	(390,325)	-3.0%
Transfers Out:								
BSF Transfer Out	0	0	0	N/A	425,500	425,500	0	0.0%
Operating Transfer Out	12,224	14,700	(2,476)	-16.8%	358,700	362,031	(3,331)	-0.9%
Temporary Transfer Out	0	0	0	N/A	0	0	0	N/A
Total Transfers Out	12,224	14,700	(2,476)	-16.8%	784,200	787,531	(3,331)	-0.4%
Total Fund Uses	3,288,717	3,473,551	(184,834)	-5.3%	13,377,458	13,771,115	(393,657)	-2.9%

Table 4

GENERAL REVENUE FUND DISBURSEMENTS

ACTUAL FY 2016 VS ACTUAL FY 2015

($ in thousands)

Functional Reporting Categories Description	MONTH OCTOBER FY 2016	MONTH OCTOBER FY 2015	MONTH $ VAR	MONTH % VAR	YEAR-TO-DATE ACTUAL FY 2016	YEAR-TO-DATE ACTUAL FY 2015	YEAR-TO-DATE $ VAR	YEAR-TO-DATE % VAR
Primary and Secondary Education	812,923	994,864	(181,941)	-18.3%	2,603,326	2,867,665	(264,339)	-9.2%
Higher Education	197,733	188,715	9,019	4.8%	744,342	719,026	25,316	3.5%
Other Education	6,146	4,183	1,963	46.9%	30,702	25,270	5,432	21.5%
Medicaid	1,452,805	1,275,038	177,767	13.9%	6,199,230	5,418,056	781,173	14.4%
Health and Human Services	143,566	133,473	10,093	7.6%	467,697	481,989	(14,292)	-3.0%
Justice and Public Protection	184,354	164,765	19,590	11.9%	734,491	662,435	72,057	10.9%
General Government	34,598	34,778	(180)	-0.5%	137,517	124,858	12,660	10.1%
Property Tax Reimbursements	372,437	329,326	43,112	13.1%	836,009	760,978	75,032	9.9%
Capital Outlay	0	0	0	N/A	0	0	0	N/A
Debt Service	71,930	86,151	(14,221)	-16.5%	839,943	820,069	19,874	2.4%
Total Expenditures & ISTV's	3,276,492	3,211,292	65,201	2.0%	12,593,258	11,880,345	712,913	6.0%
Transfers Out:								
BSF Transfer	0	0	0	N/A	425,500	0	425,500	N/A
Operating Transfer Out	12,224	0	12,224	N/A	358,700	563,007	(204,307)	-36.3%
Temporary Transfer Out	0	0	0	N/A	0	0	0	N/A
Total Transfers Out	12,224	0	12,224	N/A	784,200	563,007	221,193	39.3%
Total Fund Uses	3,288,717	3,211,292	77,425	2.4%	13,377,458	12,443,352	934,106	7.5%

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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