OBM

April 11, 2016

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

FROM: Timothy S. Keen, Director TK

SUBJECT: Monthly Financial Report

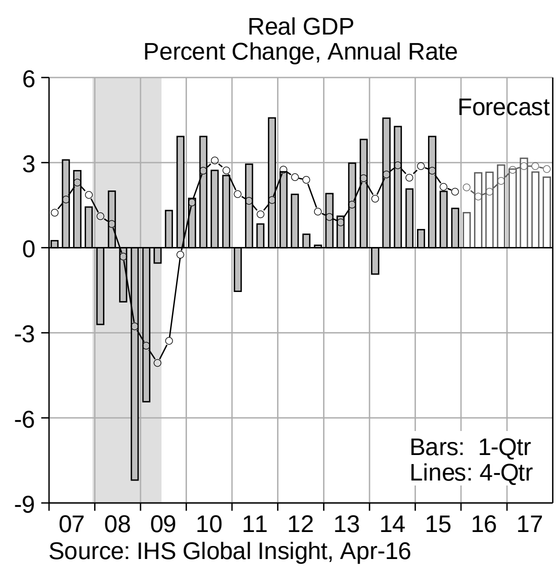
ECONOMIC SUMMARY

Economic Performance Overview

- Fourth-quarter real GDP growth was revised up to 1.4%, compared with 2.0% in the third quarter. Recent economic data indicate that economic growth remained modest in the first quarter.
- Ohio nonfarm payroll employment increased by 12,400 jobs in February and is up by 78,700 jobs over the past 12 months (1.5%). The unemployment rate was unchanged at 4.9%.
- Leading economic indicators weakened further, but continue to point toward uninterrupted economic expansion. Recent data indicate that growth is continuing at a slow pace in the first quarter.

Economic Growth

Fourth-quarter **real GDP** growth was revised up to 1.4% from the previous report of 1.0%, compared with 2.0% in the third quarter and up only 2.0% from the year earlier. At 1.7%, second-half growth was below the average annualized growth rate of 2.1% from the beginning of the current expansion, which has been the weakest of the four post-war expansions that have lasted at least as long as the current one.



The **increase in fourth-quarter** real GDP primarily reflected increases in personal consumption expenditures, residential fixed investment, and federal defense expenditures. Nonresidential fixed investment, exports, private inventory investment, and state and local government spending subtracted from growth during the quarter. Imports, which are automatically included in these individual categories and then subtracted as a separate category, decreased (which is a net positive for GDP).

The **deceleration during the fourth quarter** reflected decreases in nonresidential fixed investment and state and local government spending, a deceleration in personal consumption expenditures (in goods, not services), and a downturn in exports. The smaller decrease in private inventory investment, the decrease in imports, and the acceleration in federal government defense spending partly offset these negative factors.

Concerns about a near-term recession appear to have abated somewhat among analysts despite the lackluster patterns of **leading economic indicators**. The Leading Economic Index (LEI) from the Conference Board, for example, increased just 0.1% in February after two consecutive monthly decreases and three decreases in the previous five months. Only four of the ten components made positive contributions in the most recent month, led by initial claims for unemployment compensation and the interest rate spread. Yet, on balance, leading indicators still point to uninterrupted expansion.

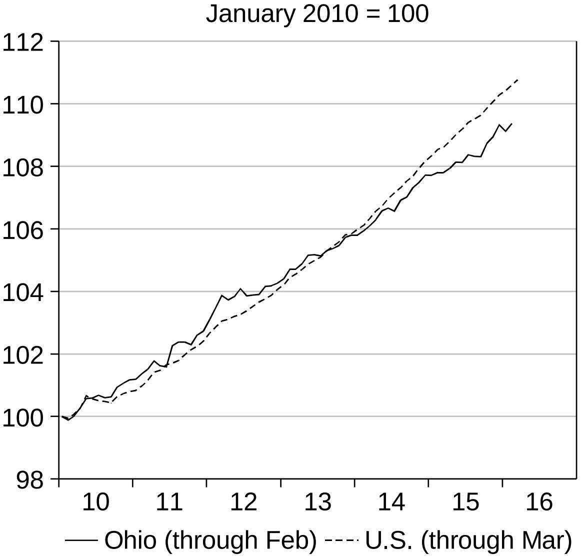
The year-over-year rate of change in the LEI stabilized near 2.3% in the most recent months after an abrupt slowdown from late 2014-early 2015, remaining consistent with continued economic expansion. In contrast, the rate of change in the index regularly has turned negative in advance of recessions in the past. The weakness so far during this cycle appears to be related to manufacturing activity, which has been affected by the strength of the dollar, weaker demand growth overseas, and the sharp pullback in the energy industry. Strength in labor markets and benefits from lower energy costs appear to be bolstering consumer income and spending.

The **consensus of forecasters** is that economic growth will proceed throughout 2016 at a modest pace that is somewhat faster than during the second half of last year. Predictions center on 2.0% for the first quarter of 2016 and 2.5% for the second quarter, according to the Survey of Professional Forecasters (SPF) conducted by the Philadelphia Federal Reserve. A widely followed tracking estimate of GDP that is compiled by the Atlanta Federal Reserve Bank estimated growth of only 0.4% in early April. Many commentators recently have raised concerns about a near-term recession, but the odds of a quarter-to-quarter decline in real GDP were recently deemed to be below 20% by the SPF.

Employment

Labor markets continued to strengthen in March. **U.S. nonfarm payrolls** increased by 215,000 jobs during the month. Employment growth during the two previous months was revised modestly lower. The March increase was roughly in line with expectations. Job growth averaged 228,000 jobs per month during the previous three months. The average job gain per month has been 223,000 for the most recent twelve months, including March.

Nonfarm Payroll Employment
January 2010 = 100



Employment gains were very widespread **across industries**, led by education and health services (+51,000), where health care and social assistance contributed 44,000 jobs. Also making significant contributions to the increase were retail trade

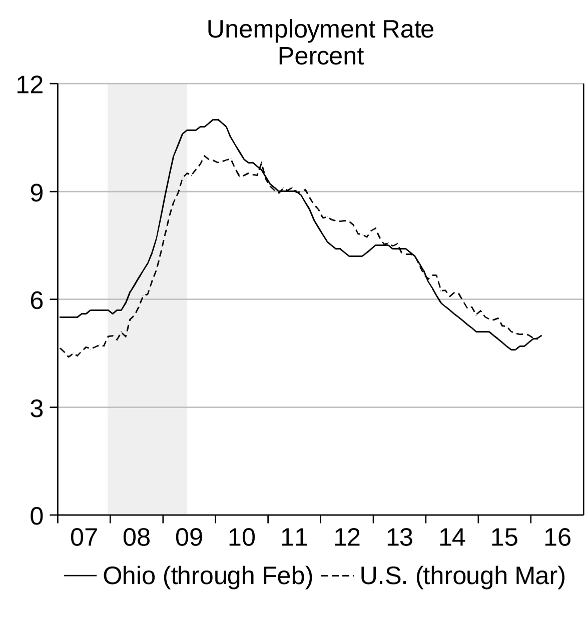
(+47,700) and leisure and hospitality (+40,000). Notably, construction added 37,000 jobs, marking the seventh consecutive monthly gain of at least 10,000 jobs in that sector.

The only major month-over-month decreases in employment occurred in manufacturing (-29,000) and mining and logging (-12,000). The mining and logging sector, in which employment has declined in each of the most recent eighteen months (with total job losses of 184,000 over that period), continues to be buffeted by the steep decline and low level of energy prices. The decline in manufacturing employment was the second monthly setback in a row, and contradicts other measures of manufacturing activity, such as industrial production and the ISM survey of purchasing managers, which have improved recently.

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 fell below 260,000 during each of the first three weeks of March, the lowest levels of claims since December 1973. The recent pattern and current level are consistent with a healthy and expanding labor market and overall economy.

The **U.S. unemployment rate** edged higher to 5.0% in March – the first uptick since last May – as a 246,000 increase in the total number of people employed did not keep up with the 396,000 person increase in the labor force. The total number of unemployed people increased by 151,000. The broadest measure of unemployment – the U-6 unemployment rate – also edged higher by 0.1 point to 9.8%. The U-6 unemployment rate includes those who want to work but have stopped looking because they believe they cannot find a job, as well as those working part-time who would prefer full-time work.

Ohio nonfarm payroll employment increased by 12,400 jobs in February, and is up by 2,300 jobs year-to-date. Over the last 12 months, Ohio employment has increased by 78,700. The month-over-month increase was led by trade, transportation, and utilities (+5,800), local government (+5,400), educational and health services (+4,300), and financial activities (+3,900). Nonfarm payroll employment decreased in state government (-2,800), manufacturing (-2,300), and leisure and hospitality (-2,200).



The largest employment gains during the twelve months ended in February occurred in education and health services (+21,800), leisure and hospitality (+17,600), trade, transportation, and utilities (+16,100), and construction (+10,900). The only employment declines year-over-year occurred in mining (-3,200) and professional and business services (-1,700).

Among the **contiguous states**, year-over-year employment growth was strongest in Michigan (+2.2%), followed by Indiana (+1.7%), Ohio

(+1.5%), Kentucky (+1.5%), and Pennsylvania (+0.9%). Employment declined from a year earlier in West Virginia (-1.5%). Year-over-year growth in manufacturing employment was 0.7% in Ohio. Among the contiguous states, manufacturing employment increased 2.2% in Michigan, 1.7% in Kentucky, and 0.1% in Indiana and decreased 0.4% in West Virginia and 1.0% in Pennsylvania.

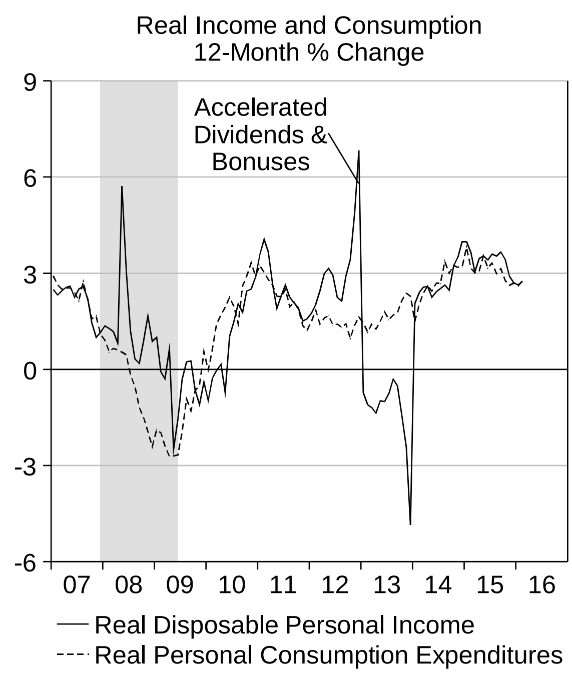
The **Ohio unemployment rate** was unchanged at 4.9% in February, up from the low for the expansion of 4.6% in September. The number of unemployed people increased by 5,334 in February, while the number of employed people increased by 28,603, and the labor force increased by 33,937 people. If the data is not revised later, the February increase will be the largest one-month Ohio labor force increase in 40 years. The February increase follows a January increase of 25, 845, which was also the highest in 40 years.

Compared with a year ago, unemployment is down by 6,761 people and the number of employed people is up by 54,012, while 47,251 people have joined the labor force. The unemployment rate is down 0.2 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 February, the unemployment rate decreased by a statistically significant amount in nine states, increased in three states, and was not statistically different from the month before in 38 states. The unemployment rate was lower than a year earlier by a statistically significant margin in 20 states and higher only in Wyoming.

Consumer Income and Consumption

Personal income slowed in February and consumer spending growth remained modest. **Personal income** increased 0.2% after a jump of 0.5% in January and 0.3% in each of the two previous months. **Wage and salary disbursements** – the largest single component of personal income – decreased by 0.1% after a 0.5% increase the month before. Compared with a year earlier, personal income was higher by 4.0% and wage and salary disbursements were up 4.3%.



The slower growth in spending than in income – consumption grew by only 0.1% in February – pushed up the saving rate to 5.4%. The rate recently reached a low of 4.9% in November. Households appear to be using the income freed up by lower gasoline and other energy prices at least partly to pay down debt or increase saving.

Ohio personal income slowed to a 3.5% increase in the fourth quarter, and the third-quarter rate was revised down from 5.5% to 4.0%. Growth in **Ohio wage and salary disbursements** followed the opposite pattern, accelerating to 5.2% in the fourth quarter while third-quarter growth was revised down from 5.7% to 3.3%. Compared with a year earlier, Ohio personal income was higher by 3.0% and wage and salary disbursements were higher by 2.9%.

Inflation remains low, providing some support to consumer spending. The **Consumer Price Index** (CPI) decreased 0.2% in February after no change the month before, in part reflecting a 13.0% decrease in the price of gasoline. The CPI is unchanged since July and up by just 1.0% from a year earlier. Nonetheless, analysts expect inflation to move higher in coming months as the steep decrease in energy prices that started more than a year ago drops out of year-over-year comparisons.

Excluding the volatile food and energy categories as a means of assessing the underlying trend, the CPI increased 0.3% in February to 2.3% above its year earlier level. The Median CPI from the Federal Reserve Bank of Cleveland – an alternative measure of the trend in inflation – continued to track even higher at 2.4% year-over-year. The measure of inflation that is most closely watched by the Federal Reserve, the personal consumption expenditure (PCE) deflator, excluding food and energy (also known as the "core" PCE deflator) increased 0.1% in February to 1.7% above its year earlier level.

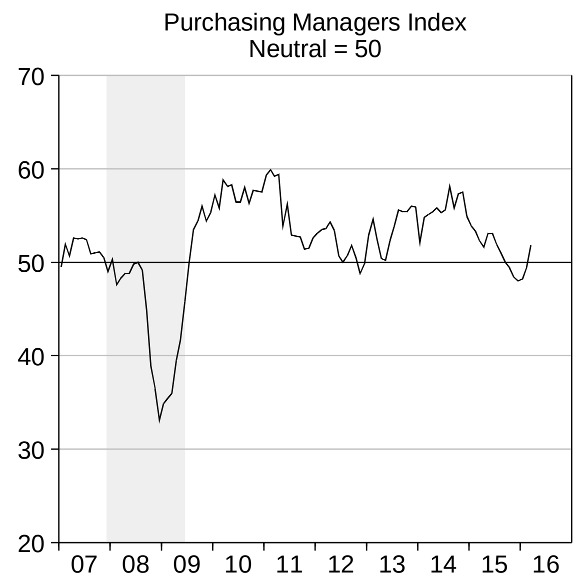
Personal consumption expenditures increased by less than incomes, rising 0.1% in February for the third month in a row. The January gain was revised down from an initially reported increase of 0.5%. Spending on services increased 0.4%, while spending on durable goods increased only 0.1% and spending on non-durable goods fell 1.1% for the third monthly decrease in a row. The increase in spending on durable goods occurred despite essentially no change in the sales pace of **light motor vehicles**. Vehicle sales slid almost one million units at an annual rate in March, telegraphing a likely decrease in spending on durable goods when March data are published. The recent weakness in spending on non-durable goods reflected the lower prices for food and fuel.

Consumer confidence was mixed in March, as the Conference Board measures bounced part of the way back from moderate February declines and the Reuters/University of Michigan measures were little changed from February. The apparently temporary weakness during February might have been in part related to the steep decrease in stock prices through mid-month, which has since fully reversed. In general, consumer confidence indexes are at relatively high levels that are consistent with sustained growth in consumer spending in the months ahead.

Manufacturing

Manufacturing activity showed signs of firming in the first quarter, even as the headwinds from the stronger dollar, slower growth in foreign economies, and lower energy prices remain. Recent economic trends are consistent with overall economic expansion and possibly a modest strengthening in manufacturing activity as the year unfolds.

Industrial production decreased 0.5% in February after a 0.6% increase in January, reflecting modest gains in manufacturing that have been swamped by large weather-related and energy-price-related effects. **Mining output** decreased 1.8% in February for the sixth straight monthly decline. **Utility output** decreased 4.1% in February after a 4.0% increase in January – both related to weather. **Manufacturing output** posted a modest increase of 0.1% following a 0.4% gain in January to only 1.0% above the year earlier level. Industrial production data were revised back to 1972 based on newly available source data, lowering rates of change during 2011-2015, especially in 2014 and 2015.



Reports from **purchasing managers** improved encouragingly during March. The PMI® increased by 2.3 points to 51.8 – the first reading above the neutral 50 level since last August. The New Orders index jumped from 51.5 to 58.3, in part reflecting the better reading on New Export Orders, which increased from 46.5 to 52.0. The Production index increased from 52.8 to 55.3, reaching its highest level since January 2015. The Backlog of Orders Index and Supplier Delivery Index both edged above neutral.

Despite the improvement in manufacturing conditions reported by purchasing managers, follow-through in subsequent months will be necessary to draw the conclusion that the lull in manufacturing is drawing to a close. The volatile New Orders Index account for more than one-half of the increase in the PMI®, and manufacturing payroll employment decreased in March for the second consecutive month, suggesting that employers might see a different picture. In addition, factory shipments fell in February for the eighth month in a row, while new orders declined for the fifth month out of the last seven.

Of the 18 industries tracked by the Manufacturing ISM® *Report on Business*, twelve reported growth in March. Among the industries with a disproportionate effect on Ohio manufacturing employment, the machinery, fabricated metal products, and primary metals industries expanded, according to purchasing managers. Activity in the transportation equipment industry contracted. One respondent in the machinery industry noted that “requests for proposals for new equipment [are] very strong.” A representative of the primary metals industry reported that “business in still going strong,” and a purchasing manager in fabricated metal products said that “capital equipment sales are steady.”

Analysts anticipate that the recent rebound in the price of oil and the depreciation of the dollar will support manufacturing activity increasingly as the year progresses unless those trends reverse.

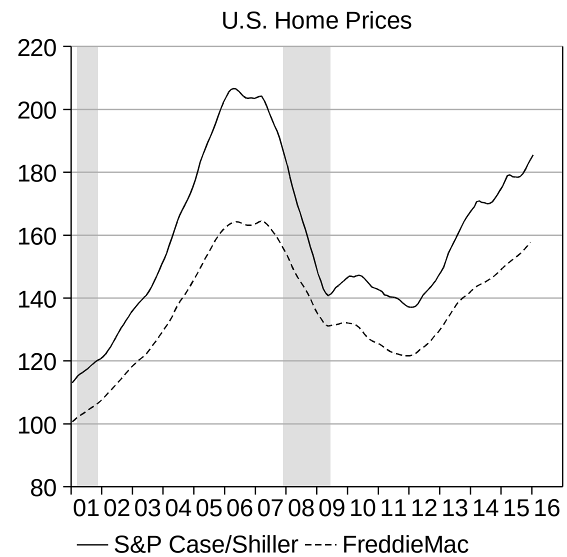
Construction

Construction put-in-place retreated by 0.5% in February, but the January gain was revised upward from 1.5% to 2.1%. Private construction decreased 0.1% while public construction decreased 1.7%. The setback in total construction put-in-place primarily reflected decreases in both private and public non-residential construction put-in-place

Private nonresidential construction put-in-place decreased 1.3% in February for the third monthly decline in four months. Large declines in manufacturing and commercial construction were only partly offset by increases in office, education, and health are construction. Compared with a year earlier, activity was 10.6% higher. **Private residential** construction put-in-place increased 0.9% in February, reflecting a 1.2% increase in single-family and a 0.9% increase in multi-family. Improvements increased by 0.5%. Compared with a year earlier, activity was higher by 10.7%.

Housing starts edged higher by 0.1% in February on a 3-month moving average basis after a 1.4% increase in January that was revised higher from 0.8%. A 3.0% decrease in multi-family starts essentially offset the 1.6% rise in single-family starts. Midwest starts increased 2.7% in February and the January decline was revised higher from -7.4% to -4.3%. Single-family starts were very strong in February (+13.1%) and multi-family starts were very weak (-24.6%).

Housing permits dropped 2.8% in February on a 3-month moving average basis, reflecting a 7.6% drop in multi-family permits, which more than offset a small rise in single-family permits. Permits in the Midwest followed the same pattern, with a large decline in multi-family permits swamping a moderate rise in single-family permits.



Existing home sales and **new home sales** were lackluster in February, both in the Midwest and across the country. Inventories of homes for sale remained in line with the current pace of sales. The **Pending Homes Sales Index** – which measures housing contract activity for single-family homes, condos, and co-ops, and usually leads existing home sales by a month or two – moved modestly higher in February both across the country and the Midwest.

Home prices across the country posted their 48th consecutive increase in January, rising by 0.5% to 5.4% above the year earlier level, according to the Case-Shiller index. The rate of increase picked up markedly in the second half of last year. The pattern of the FreddieMac home price index has been similar, rising 6.2% during the year ending in December.

REVENUES

Note: This month's report includes the adjusted monthly and year-to-date revenue estimates that reflect the impacts of S.B. 208 and H.B. 340, which began with January revenue collections. S.B. 208, signed by Governor Kasich on November 15, included reductions in income tax and commercial activity tax revenues. There are also small increases in financial institutions tax revenue that will result from the repeal of a credit in H.B. 340, signed by Governor Kasich on December 22.

March GRF receipts totaled $2,638.7 million and were $60.1 million (2.3%) above the estimate. A positive variance split fairly evenly between tax receipts and non-tax receipts resulted in the monthly overage.

Monthly tax receipts totaled $1,504.4 million and were $31.9 million (2.2%) above the estimate. Non-tax receipts totaled $1,130.0 million and were $32.7 million (3.0%) above the estimate, and transfers totaled $4.4 million, $4.5 million (50.8%) below the estimate. Within the tax revenue category, the personal income tax ($38.0 million or 10.0%) represents more than the entirety of the overage. The auto sales and use tax ($9.8 million or 8.0%), the financial institutions tax ($7.7 million or 21.5%), and the commercial activities tax ($10.2 million or 203.3%) also had positive variances in March. Collections below estimate in the non-auto sales and use tax ($6.2 million or 0.9%), the kilowatt hour tax ($2.3 million or 6.3%), and the foreign insurance tax ($29.3 million or 21.1%) offset some of the positive variances. The shortfall in the foreign insurance receipts was expected following the $39.9 million overage in February, which was strictly a matter of the timing of payments being somewhat earlier than estimated. The combined February and March receipts from the foreign insurance tax were $10.6 million or 6.6% above the estimate.

Monthly variances by category are summarized in the table below (data are shown as $ in millions).

Individual Revenue Sources Above Estimate		**Individual Revenue Sources Below Estimate**	
Personal Income Tax	$38.0	Foreign Insurance Tax	($29.3)
License & Fees	$29.3	Non-Auto Sales & Use Tax	($6.2)
Commercial Activities Tax	$10.2	Transfers In - Other	($4.5)
Auto Sales & Use Tax	$9.8	Kilowatt Hour Tax	($2.3)
Financial Institutions Tax	$7.7		
Federal Grants	$3.0		
Alcoholic Beverage Tax	$1.9		
Other Sources Above Estimate	$2.6	Other Sources Below Estimate	($0.1)
Total above	**$102.5**	**Total below**	**($42.4)**

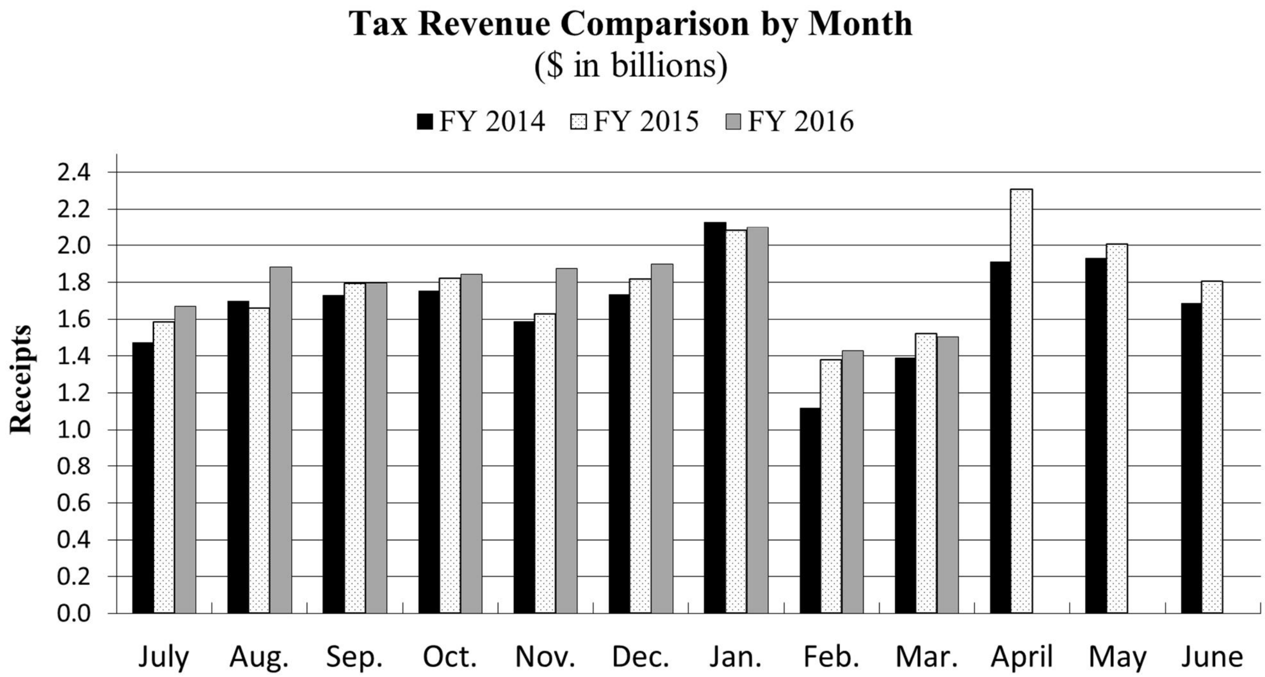
For the fiscal year, tax revenues are now slightly above the estimate, with an overage of $9.2 million (0.1%). Non tax revenues are $268.2 million (2.8%) below estimate, with more than the entire shortfall arising from federal grants, which are $312.4 million (3.2%) below estimate.

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	$9.2 million	0.1%
Non-tax receipts	Federal grants, earnings on investments, licenses & fees, other income, intrastate transfers	($268.2 million)	-2.8%
Transfers	Budget stabilization, liquor transfers, capital reserve, other	$3.0 million	1.6%
TOTAL REVENUE VARIANCE:		**($256.0 million)**	**-1.0%**

On a year-over-year basis, monthly receipts were $309.5 million (13.3%) higher than in March of the previous fiscal year, mainly due to non-tax receipts, which account for $324.5 million, of the overage; federal grants account for more than all of this growth, at $327.2 million. March 2016 tax receipts declined $14.9 million (1.0%) compared to the previous March. Growth in the commercial activities tax ($11.8 million or 354.8%), the cigarette and other tobacco products tax ($17.5 million or 28.3%), and the financial institutions tax ($8.4 million or 23.9%) was offset by the year-over-year decline in the personal income tax ($78.2 million or 15.7%) and the foreign insurance tax ($17.0 million or 13.5%).

The increases in the CAT and cigarette and other tobacco taxes are both primarily due to law changes in H.B. 64, the biennial operating budget. Specifically, the commercial activity tax (CAT) increase is due to the increase to 75% from 50% in the share of CAT receipts going to the GRF. 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.

The decline in the income tax is also due to law changes in H.B. 64, where tax rates were reduced by 6.3% and the deduction for the profits of pass-through entities (the small business deduction) was substantially increased.



Personal Income Tax

March personal income tax receipts totaled $419.7 million and were $38.0 million or 10.0% above the estimate. An overage in withholding ($22.6 million or 3.0%) and lower than anticipated refunds ($33.2 million or 7.3%) were partially offset by below estimated collections in payments associated with annual returns ($14.1 million or 20.1%). Small negative variances in other payment categories are documented in the table below.

Year-to-date receipts totaled $5,727.3 million and were $92.0 million or 1.6% below the estimate. Negative variances in withholding ($35.7 million or 0.6%) and payments associated with annual returns ($27.8 or 13.1%) and higher than anticipated refunds ($18.7 million or 1.5%) account for approximately 89% of the year-to-date shortfall. Beyond these categories, below estimated collections in quarterly estimated payments ($3.5 million or 0.5%) and the miscellaneous category ($10.7 million or 13.6%) were slightly offset by a positive variance in trust payments ($2.6 million or 8.5%).

FY2016 PERSONAL INCOME TAX RECEIPTS BY COMPONENT ($ in millions)						
	ESTIMATE MAR	**ACTUAL MAR**	**$ VAR MAR**	**ESTIMATE Y-T-D**	**ACTUAL Y-T-D**	**$ VAR Y-T-D**
Withholding	$758.5	$781.1	$22.6	$6,263.0	$6,227.3	($35.7)
Quarterly Est.	$12.3	$11.5	($0.8)	$726.1	$722.6	($3.5)
Trust Payments	$1.2	$1.1	($0.1)	$30.6	$33.2	$2.6
Annual Returns & 40 P	$70.0	$55.9	($14.1)	$211.6	$183.8	($27.8)
Other	$15.6	$13.6	($2.0)	$78.3	$67.6	($10.7)
Less: Refunds	($451.8)	($418.6)	$33.2	($1,208.4)	($1,227.1)	($18.7)
Local Distr.	($24.1)	($24.9)	($0.8)	($281.9)	($280.2)	$1.7
Net to GRF	**$381.7**	**$419.7**	**$38.0**	**$5,819.3**	**$5,727.2**	**($92.0)**
Detail may not add to total due to rounding						

On a year-over-year basis, March 2016 GRF income tax collections were $78.2 million or 15.7% below March 2015 collections. All components, excluding withholding, declined from the March 2015 collections with more than the entirety of the negative change coming from increased refunds ($97.9 million or 30.5%). Growth in withholding ($42.5 million or 5.8%), however, helped offset part of this negative change. Beyond withholding and refunds, lower quarterly estimated payments ($3.3 million or 22.2%), miscellaneous collections ($2.2 million or 13.7%), payments associated with annual returns ($16.1 million or 22.4%), and trust payments ($0.3 million or 24.0%) combined to create the year-over-year decline.

Through March, year-to-date income tax receipts were $209.3 million or 3.5% below the same point of the previous fiscal year. More than the entirety of the decline resulted from increased refunds ($249.2 million or 25.5%). Growth in withholding ($110.2 million or 1.8%) and trust payments ($6.8 million or 25.8%) was partly offset by negative growth in quarterly estimated payments ($27.9 million or 3.7%), miscellaneous collections ($10.3 million or 13.2%), and annual return payments ($24.4 million or 11.7%).

It is to be expected that income tax collections have turned negative relative to fiscal year 2015. The decline in collections is the result of the reductions in withholding tax rates and overall tax rates, and the increase in the small business (pass-through entity) deduction adopted by H.B. 64, the biennial budget bill. The impact of the 3.1% withholding rate reduction has already been felt for the last seven 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 began to be felt in January, as taxpayers made their fourth quarter estimated payments and also began to file income tax returns for tax year 2015, and was felt again in February and March, as one can see from the fact that refunds increased from last year by $115 million in February and by another $98 million in March.

As previously noted, GRF net income tax collections are now $209.3 million, or 3.5%, below last year's level. That decrease from fiscal year 2015 is expected to get much larger over the next three months. By year's end, once the impact of all the H.B. 64 income tax reductions is felt, GRF income tax revenues are expected to be about $414.0 million, or 4.9%, below fiscal year 2015 collections. When the impacts of the recent S.B. 208 income tax reductions are also added to the H.B. 64 impacts, GRF income tax revenues are expected to end the year at $490.0 million, or 5.8%, below fiscal year 2015 collections.

Non-Auto Sales and Use Tax

March non-auto sales and use tax collections totaled $654.7 million, and were $6.2 million (0.9%) below the estimate. This was the second consecutive shortfall in non-auto collections, but the March shortfall can be distinguished from the February shortfall in several ways. First, the March shortfall is simply much smaller than February's $34.5 million shortfall. Second, while February collections actually decreased from the prior year, March collections increased by $41.5 million, or 6.8%, from a year ago. Third, part of the March shortfall was due to a decline of slightly under $3 million in the Medicaid managed care collections portion of the non-auto sales tax (February Medicaid-based collections also declined from last year), without which the non-auto sales tax would have been very close to estimate.

After the February and March shortfalls, year-to-date collections are still above estimate, but the overage has shrunk to $7.4 million (0.1%). Year-over-year growth is now $295.2 million, or 4.6%. As stated in the economic overview, national economic data would suggest that consumer spending, and with it the non-auto sales tax, should continue to grow in the remainder of fiscal year 2016. The conditions supporting consumer spending growth are strong labor market fundamentals (job and wage growth), low energy costs, and low overall inflation. However, as also noted in the economic overview, some of the consumer benefit of lower energy costs seems to have gone into increasing the savings rate. Now that the savings rate is back up to 5.4%, its highest level since last February, perhaps households will increase their spending at a rate equal to income.

Auto Sales Tax

The auto sales tax returned to posting overages in March after a February pause, as collections were $9.8 million (8.0%) above estimate, and increased by a very robust $19.6 million (17.2%) from a year ago. The year-to-date overage in auto sales collections is now $38.5 million, or 4.0%.

As mentioned in last month's report, national light vehicle sales showed continued strength in February, with the annual pace being 17.5 million units, just slightly below the January pace of 17.6 million units. However, light vehicle sales dropped off to a 16.5 million unit annualized pace in March. This may be a drag on April auto sales tax collections.

Commercial Activity Tax

March collections of commercial activity tax (CAT) are small, owing to the fact that payments for the October-December quarter are due in February and so March collections are from late payments. Nevertheless, March showed a $10.2 million overage, following February's $2.8 million overage. If we consider January-March payments combined, GRF CAT revenues were $8.6 million, or 2.6%, above estimate. For the year-to-date, the CAT revenue shortfall has shrunk to $11.4 million, or 1.2%.

As of the end of October, GRF CAT collections were $32.1 million below estimate, so collections have been $20.7 million above estimate over the last five months. OBM still feels that the most likely explanation for the early fiscal year 2016 shortfall and subsequent turnaround in CAT collections is that after very high amounts of credits claimed against the CAT in the first quarter, that pace slowed substantially in the second and third quarters. In the fourth quarter credits are expected to be high again, given the timing of credit applications and granting of certificates. As such, by year's end it is possible that the shortfall will be larger than the current $11.4 million.

Despite the lingering shortfall compared to estimate, year-to-date GRF CAT revenues have increased substantially from fiscal year 2015. Year-to-date collections are up by $312.4 million, or 48.3% from the same point in the previous fiscal year. This increase is due to the law change in H.B. 64 (the biennial budget bill) that increased the GRF share of total CAT receipts from 50 to 75 percent, as the needed funds for property tax replacement payments have declined.

All funds CAT revenues were $13.7 million above estimate in March. For the year, all funds CAT revenues are $15.2 million below estimate. The percentage shortfall is the same as for the GRF, -1.2%.

Growth in all funds CAT revenues is negative for the year, at -1.2%. This is the same percentage as the year-to-date variance, which logically follows from the fact that the estimate for all funds revenues was essentially unchanged from fiscal year 2015 (for the year as a whole, estimated CAT revenues are only 0.1% above fiscal year 2015 actual collections).

Financial Institutions Tax

The vast majority of the financial institutions tax (FIT) collections for the fiscal year are paid in three estimated payments, due January 31, March 31, and May 31. Because payments are due on the last day of the month, collections are unpredictably split between the month the payment is due and the following month. As noted on last month's issue of this report, combined January and February FIT collections were $8.5 million, or 9.8%, above estimate.

For March, FIT collections were $7.7 million, or 21.5%, above estimate. That payment alone is not a good indicator of the second estimated payment of the year. Instead, it will need to be combined with the April payment and compared to the two-month estimate. For the year, FIT collections are now $21.2 million, or 19.5%, above estimate.

The FIT is a relatively new tax – this is only the third fiscal year of its existence – based on the "Ohio equity capital" of banks and other financial institutions. As such, there is little past performance to examine in seeking an explanation of the variances for the year. Given the performance so far, one might expect the second and third estimated payments to exceed the estimate, but even that is not certain given the very brief history of this tax. It is becoming increasingly likely, though, that FIT collections will exceed estimate for the year.

Foreign Insurance Tax

The foreign insurance tax was $29.3 million, or 21.1% below estimate in March, but that followed a $39.9 million overage in February.

For the year, foreign insurance tax collections are $0.6 million, or only 0.2%, above the estimate. All that remains for this tax for the year is to see where refunds, which are typically concentrated in May – with smaller amounts in April and June – fall relative to the estimates.

GRF Non-Tax Receipts and Transfers

GRF non-tax receipts totaled $1,130.0 million in March and were $32.7 million (3.0%) above the estimate. For a change, federal grants were only a small part of the March variance. Federal grants were $3.0 million (0.3%) above estimate despite the fact that GRF Medicaid spending was $63.3 million below estimate.

The March non-tax overage was the result of licenses and fees being $29.3 million over estimate. This appears to be the result of the timing of payments being slightly ahead of what was anticipated in the estimates. Significant license and fee revenues were expected in April, and so OBM expects the March overage to be followed by an April shortfall that will bring year-to-date actual and estimated revenues back into line.

Transfers in to the GRF were $4.5 million below estimate in March, but are still $3.0 million over estimate for the year. The March shortfall was once again tied to racetrack relocation payment transfers from a non-GRF fund. These payments will be made in April rather than March.

Table 1

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

REVENUE SOURCE	MONTH ACTUAL MARCH	MONTH ESTIMATE MARCH	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	654,696	660,900	(6,204)	-0.9%	6,698,142	6,690,700	7,442	0.1%
Auto Sales & Use	133,012	123,200	9,812	8.0%	992,249	953,700	38,549	4.0%
Subtotal Sales & Use	787,708	784,100	3,608	0.5%	7,690,391	7,644,400	45,991	0.6%
Personal Income	419,695	381,700	37,995	10.0%	5,727,312	5,819,300	(91,988)	-1.6%
Corporate Franchise	462	0	462	N/A	30,368	0	30,368	N/A
Financial Institutions Tax	43,547	35,850	7,697	21.5%	129,640	108,450	21,190	19.5%
Commercial Activity Tax	15,167	5,000	10,167	203.3%	959,792	971,200	(11,408)	-1.2%
Petroleum Activity Tax	2,236	1,900	336	17.7%	5,598	4,900	698	14.3%
Public Utility	2,265	1,500	765	51.0%	75,407	74,600	807	1.1%
Kilowatt Hour	33,919	36,200	(2,281)	-6.3%	261,696	270,300	(8,604)	-3.2%
Natural Gas Distribution	1	100	(99)	-99.3%	30,647	31,400	(753)	-2.4%
Foreign Insurance	109,402	138,700	(29,298)	-21.1%	316,940	316,300	640	0.2%
Domestic Insurance	161	200	(39)	-19.4%	514	4,900	(4,386)	-89.5%
Other Business & Property	6	0	6	N/A	92	0	92	N/A
Cigarette and Other Tobacco	79,475	79,000	475	0.6%	689,009	665,700	23,309	3.5%
Alcoholic Beverage	6,884	5,000	1,884	37.7%	41,717	40,300	1,417	3.5%
Liquor Gallonage	3,412	3,200	212	6.6%	33,808	32,900	908	2.8%
Estate	28	0	28	N/A	933	0	933	N/A
Total Tax Receipts	1,504,366	1,472,450	31,916	2.2%	15,993,862	15,984,650	9,212	0.1%
NON-TAX RECEIPTS								
Federal Grants	1,096,016	1,092,987	3,029	0.3%	9,310,931	9,623,359	(312,428)	-3.2%
Earnings on Investments	0	0	0	N/A	16,580	11,000	5,580	50.7%
License & Fees	33,330	4,000	29,330	733.3%	53,635	24,787	28,848	116.4%
Other Income	640	329	311	94.6%	44,401	26,027	18,373	70.6%
ISTV'S	0	0	0	N/A	864	9,400	(8,536)	-90.8%
Total Non-Tax Receipts	1,129,987	1,097,316	32,671	3.0%	9,426,411	9,694,573	(268,162)	-2.8%
TOTAL REVENUES	2,634,353	2,569,766	64,587	2.5%	25,420,273	25,679,223	(258,950)	-1.0%
TRANSFERS								
Budget Stabilization	0	0	0	N/A	0	0	0	N/A
Liquor Transfers	0	0	0	N/A	0	0	0	N/A
Transfers In - Other	4,379	8,900	(4,521)	-50.8%	194,576	191,600	2,976	1.6%
Temporary Transfers In	0	0	0	N/A	0	0	0	N/A
Total Transfers	4,379	8,900	(4,521)	-50.8%	194,576	191,600	2,976	1.6%
TOTAL SOURCES	2,638,732	2,578,666	60,066	2.3%	25,614,849	25,870,823	(255,974)	-1.0%

Table 2

GENERAL REVENUE FUND RECEIPTS

ACTUAL FY 2016 VS ACTUAL FY 2015

($ in thousands)

REVENUE SOURCE	MONTH: MARCH FY 2016	MONTH: MARCH 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
TAX RECEIPTS								
Non-Auto Sales & Use	654,696	613,193	41,504	6.8%	6,698,142	6,402,980	295,162	4.6%
Auto Sales & Use	133,012	113,458	19,554	17.2%	992,249	942,787	49,462	5.2%
Subtotal Sales & Use	787,708	726,651	61,057	8.4%	7,690,391	7,345,768	344,623	4.7%
Personal Income	419,695	497,889	(78,194)	-15.7%	5,727,312	5,936,561	(209,250)	-3.5%
Corporate Franchise	462	24,904	(24,442)	-98.1%	30,368	218	30,150	13799.7%
Financial Institutions Tax	43,547	35,145	8,402	23.9%	129,640	97,067	32,572	33.6%
Commercial Activity Tax	15,167	3,335	11,832	354.8%	959,792	647,395	312,396	48.3%
Petroleum Activity Tax	2,236	2,492	(256)	-10.3%	5,598	4,436	1,162	26.2%
Public Utility	2,265	2,104	161	7.6%	75,407	62,738	12,668	20.2%
Kilowatt Hour	33,919	30,929	2,990	9.7%	261,696	229,109	32,588	14.2%
Natural Gas Distribution	1	115	(114)	-99.4%	30,647	36,524	(5,877)	-16.1%
Foreign Insurance	109,402	126,441	(17,039)	-13.5%	316,940	299,221	17,719	5.9%
Domestic Insurance	161	123	38	31.2%	514	7,537	(7,024)	-93.2%
Other Business & Property	6	33	(28)	-83.1%	92	80	12	14.6%
Cigarette and Other Tobacco	79,475	61,932	17,543	28.3%	689,009	543,890	145,119	26.7%
Alcoholic Beverage	6,884	3,970	2,914	73.4%	41,717	41,320	396	1.0%
Liquor Gallonage	3,412	3,152	260	8.3%	33,808	32,539	1,269	3.9%
Estate	28	49	(22)	-43.9%	933	2,406	(1,473)	-61.2%
Total Tax Receipts	1,504,366	1,519,263	(14,897)	-1.0%	15,993,862	15,286,809	707,053	4.6%
NON-TAX RECEIPTS								
Federal Grants	1,096,016	768,856	327,160	42.6%	9,310,931	7,167,352	2,143,579	29.9%
Earnings on Investments	0	0	0	N/A	16,580	11,393	5,188	45.5%
License & Fee	33,330	35,359	(2,029)	-5.7%	53,635	52,938	697	1.3%
Other Income	640	725	(84)	-11.6%	44,401	23,789	20,611	86.6%
ISTV'S	0	564	(564)	-99.9%	864	828	36	4.4%
Total Non-Tax Receipts	1,129,987	805,504	324,483	40.3%	9,426,411	7,256,300	2,170,111	29.9%
TOTAL REVENUES	2,634,353	2,324,767	309,586	13.3%	25,420,273	22,543,109	2,877,164	12.8%
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	4,379	4,509	(130)	-2.9%	194,576	22,283	172,293	773.2%
Temporary Transfers In	0	0	0	N/A	0	0	0	N/A
Total Transfers	4,379	4,509	(130)	-2.9%	194,576	22,283	172,293	773.2%
TOTAL SOURCES	2,638,732	2,329,275	309,456	13.3%	25,614,849	22,565,392	3,049,457	13.5%

DISBURSEMENTS

March GRF disbursements, across all uses, totaled $2,581.9 million and were $69.4 million (2.8%) above estimate. This was primarily attributable to higher than estimated disbursements in the Property Tax Reimbursements, Justice and Public Protection, and Health and Human Services categories being partially offset by lower than estimated disbursements in the Medicaid category. On a year-over-year basis, March total uses were $33.8 million (1.3%) higher than those of the same month in the previous fiscal year, with the Medicaid category largely responsible for the increase. Year-to-date variances from estimate 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)	($591.4 million)	-2.2%
Transfers	Temporary or permanent transfers out of the GRF that are not agency expenditures	$28.0 million	3.5%
TOTAL DISBURSEMENTS VARIANCE:		**($563.4 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. March disbursements for this category totaled $312.1 million and were $3.4 million (1.1%) above estimate. Expenditures for the school foundation program totaled $297.2 million and were $3.6 million (1.2%) above estimate. This variance was primarily attributable to fiscal year 2015 reconciliation payments to school districts from the foundation funding line item. Year-to-date disbursements were $5,783.7 million, which was $24.1 million (0.4%) below estimate.

On a year-over-year basis, disbursements in this category were $356.3 million (53.3%) lower than for the same month in the previous fiscal year while year-to-date expenditures were $132.4 million (2.3%) higher than at the same point in fiscal year 2015.

Higher Education

March disbursements for the Higher Education category, which includes non-debt service GRF spending by the Department of Higher Education, totaled $185.9 million and were $1.0 million (0.5%) above estimate. The majority of monthly variance was due to spending in the Ohio College Opportunity Grant Scholarship Program being above the monthly estimates by $1.8 million as a result of higher than expected requests for reimbursement from higher education institutions. This variance was partially offset by spending in the National Guard Tuition Grant Program being below the monthly estimates by $1.0 million. Year-to-date disbursements were $1,676.6 million, which was $14.8 million (0.9%) below estimate.

On a year-over-year basis, disbursements in this category were $6.7 million (3.8%) higher than for the same month in the previous fiscal year while year-to-date expenditures were $57.8 million (3.6%) 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.

March disbursements in this category totaled $6.5 million and were $2.0 million (43.8%) above estimate. This variance was primarily attributable to $3.4 million in grant program disbursements from the Ohio History Connection being made in March instead of April as estimated. Year-to-date disbursements in this category were $58.9 million, which was $5.2 million (9.7%) above estimate. On a year-over-year basis, disbursements in this category were $1.7 million (35.0%) higher than for the same month in the previous fiscal year while year-to-date expenditures were $13.2 million (28.9%) 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 that 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 were shifted into the GRF for the biennium.

<u>Expenditures</u>
March GRF disbursements for the Medicaid Program totaled $1,465.6 million and were $63.3 million (4.1%) below the estimate, and $202.6 million (16.0%) above disbursements for the same month in the previous fiscal year. Year-to-date GRF disbursements totaled $13,667.4 million and were $551.0 million (3.9%) below the estimate, and $1,946.9 million (16.6%) above disbursements for the same point in the previous fiscal year. This year-over-year increase is largely attributed to the shifting of expenditures for persons enrolled under the "Group 8" expansion program to the GRF.

March all funds disbursements for the Medicaid Program totaled $1,949.6 million and were $542.1 million (21.8%) below the estimate, and $58.1 million (2.9%) below disbursements for the same month in the previous fiscal year. Year-to-date all funds disbursements totaled

$18,210.9 million and were $1,663.8 million (8.4%) below the estimate, and $942.4 million (5.5%) above disbursements for the same point in the previous fiscal year.

The March all funds variance was primarily attributable to the delay of payments to hospitals through the Hospital Care Assurance Program (HCAP) and Hospital Upper Payment Limit (UPL) Program. HCAP compensates hospitals which provide a disproportionally high amount of uncompensated care. The UPL program reimburses hospitals for allowable costs that exceed the amount which would be paid by Medicare. Payments for both programs will be completed before the end of the fiscal year. Also below estimate for the month was spending for the managed care program due primarily to lower monthly capitation rates which went into effect in January.

The year-to-date all funds variance also results from the HCAP, UPL, and managed care variances described above. In addition, below estimate spending in the fee-for-service category, which includes inpatient and outpatient hospital, behavioral health, developmental disability services, and nursing facilities, was driven by enrollment in these programs being an average of 4.8 percent below estimate for the year. Finally, spending in program administration, primarily related to information technology improvement projects, has been below estimate.

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

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

	March Actual	March Projection	Variance	Variance %
GRF	$ 1,465.6	$ 1,528.9	$ (63.3)	-4.1%
Non-GRF	$ 484.0	$ 962.8	$ (478.8)	-49.7%
All Funds	$ 1,949.6	$ 2,491.6	$ (542.1)	-21.8%

<u>Enrollment</u>

Total March enrollment across all categories was 3.02 million. The most significant components are the Covered Families and Children/Modified Adjusted Gross Income (CFC/MAGI) category, which increased by 23,909 persons to a March total of 2.48 million persons, and the Aged, Blind and Disabled/Dual Eligible (ABD/Dual) category, which decreased by 1,496 persons to a March total of 378,386 covered lives.

Total enrollment across all categories for the same period last year was 3.06 million covered persons, including 2.45 million persons in the CFC/MAGI category and 416,667 people in the ABD/Dual category.

Please note that this enrollment data is 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.

March disbursements in this category totaled $129.5 million and were $29.6 million (29.6%) above estimate. Year-to-date disbursements were $1,024.9 million, which was $54.4 million (5.0%) below estimate. On a year-over-year basis, disbursements in this category were $38.1 million (41.7%) higher than for the same month in the previous fiscal year while year-to-date expenditures were $3.3 million (0.3%) lower than at the same point in fiscal year 2015.

Department of Health
March disbursements for the Department of Health totaled $5.4 million and were $0.3 million (5.6%) below estimate. This variance was primarily attributable to Help Me Grow disbursements being $1.4 million (71.0%) below estimate due to subsidy payments estimated for March being moved to future months. This variance was partially offset by Federally Qualified Health Center disbursements being $1.3 million above estimate due to payments being made in March instead of earlier months as estimated and Medically Handicapped Children disbursements being $1.5 million above estimate due to higher than estimated disbursements for medical claims.

Department of Job and Family Services
March disbursements for the Department of Job and Family Services totaled $100.0 million and were $29.2 million (41.2%) above estimate. This variance was attributable to several lines. First, Family and Children Services disbursements were $9.6 million (1728.8%) above estimate due to county payments for the State Child Protective Allocation being made in March instead of April as estimated. Second, TANF State/Maintenance of Effort disbursements were $8.5 million (38.7%) above estimate due to a shift in the disbursement schedule in order to meet TANF maintenance of effort requirements. Third, Child Care State/Maintenance of Effort disbursements were $7.9 million (231.3%) above estimate due to the timing of receipt of the federal award. Fourth, Information Technology Projects disbursements were $4.0 million (98.4%) above estimate due to the timing of receipt of invoices. Finally, Early Care and Education disbursements were $1.9 million (8.8%) above estimate due to higher than estimated child care subsidy payments.

Department of Mental Health and Addiction Services
March disbursements for the Department of Mental Health and Addiction Services totaled $20.8 million and were $1.0 million (5.1%) above estimate. This variance was primarily attributable to Criminal Justice Services disbursements being $1.2 million above an estimate of $0 due to disbursements being made in March instead of January as estimated.

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.

March disbursements in this category totaled $169.5 million and were $33.7 million (24.8%) above estimate. Year-to-date disbursements were $1,540.3 million, which was $28.7 million (1.9%) above estimate. On a year-over-year basis, disbursements in this category were $47.3 million (38.8%) higher than for the same month in the previous fiscal year while year-to-date expenditures were $119.4 million (8.4%) higher than at the same point in fiscal year 2015.

<u>Department of Rehabilitation and Correction</u>

March disbursements for the Department of Rehabilitation and Correction totaled $131.3 million and were $24.0 million (22.4%) above estimate. This variance was primarily attributable to higher than estimated disbursements for Institutional Operations, and disbursements for Community Based Correctional Facilities and Halfway Houses being made in March instead of April as estimated.

<u>Department of Youth Services</u>

March disbursements for the Department of Youth Services totaled $9.4 million and were $1.0 million (11.9%) above estimate. This variance was primarily attributable to a portion of Community Corrections Facilities payments being made in March instead of April as estimated.

<u>Public Defender Commission</u>

March disbursements for the Public Defender Commission totaled $5.5 million and were $5.0 million (937.5%) above estimate. This variance was primarily attributable to County Reimbursement payments being made in March instead of January 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.

March disbursements in this category totaled $20.9 million and were $4.4 million (17.3%) below estimate. Year-to-date disbursements were $269.9 million, which was $25.8 million (8.7%) below estimate. On a year-over-year basis, disbursements in this category were $1.2 million (5.6%) lower than for the same month in the previous fiscal year while year-to-date expenditures were $6.8 million (2.6%) higher than at the same point in fiscal year 2015.

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. March property tax reimbursements totaled $131.4 million and were $75.7 million (135.8%) above estimate. Year-to-date disbursements totaled $1,027.9 million and were $67.2 million (7.0%) above estimate. Both the monthly and year-to-date variances are due to reimbursement requests being received from counties earlier than anticipated. This overspending year-to-date is expected to mitigate and result in modest underspending for the fiscal year as a whole.

Debt Service

March payments for debt service totaled $155.7 million and were $10.0 million (6.0%) below estimate. This variance was primarily attributable to refunding savings and continued low market interest rates. Year-to-date debt service payments were $1,186.6 million and were $22.3 million (1.8%) below estimate.

Transfers Out

March transfers out totaled $4.8 million and were $1.8 million (59.3%) above estimate. This variance was primarily attributable to transfers to the Health Care Services Administration fund. Year-to-date transfers out were $831.5 million and were $28.0 million (3.5%) above estimate.

Table 3

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

Functional Reporting Categories Description	MONTH ACTUAL MARCH	MONTH ESTIMATED MARCH	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	312,138	308,774	3,365	1.1%	5,783,723	5,807,813	(24,090)	-0.4%
Higher Education	185,914	184,911	1,003	0.5%	1,676,627	1,691,456	(14,829)	-0.9%
Other Education	6,481	4,506	1,975	43.8%	58,890	53,672	5,218	9.7%
Medicaid	1,465,594	1,528,862	(63,268)	-4.1%	13,667,431	14,218,434	(551,003)	-3.9%
Health and Human Services	129,482	99,886	29,597	29.6%	1,024,944	1,079,357	(54,413)	-5.0%
Justice and Public Protection	169,479	135,784	33,695	24.8%	1,540,326	1,511,628	28,698	1.9%
General Government	20,946	25,313	(4,367)	-17.3%	269,875	295,703	(25,828)	-8.7%
Property Tax Reimbursements	131,393	55,723	75,670	135.8%	1,027,931	960,751	67,180	7.0%
Capital Outlay	0	0	0	N/A	0	0	0	N/A
Debt Service	155,726	165,750	(10,024)	-6.0%	1,186,616	1,208,960	(22,344)	-1.8%
Total Expenditures & ISTV's	2,577,153	2,509,507	67,646	2.7%	26,236,363	26,827,773	(591,410)	-2.2%
Transfers Out:								
BSF Transfer Out	0	0	0	N/A	425,500	425,500	0	0.0%
Operating Transfer Out	4,779	3,000	1,779	59.3%	406,003	378,031	27,972	7.4%
Temporary Transfer Out	0	0	0	N/A	0	0	0	N/A
Total Transfers Out	4,779	3,000	1,779	59.3%	831,503	803,531	27,972	3.5%
Total Fund Uses	2,581,932	2,512,507	69,425	2.8%	27,067,866	27,631,304	(563,438)	-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	MARCH FY 2016	MARCH FY 2015	$ VAR	% VAR	ACTUAL FY 2016	ACTUAL FY 2015	$ VAR	% VAR
Primary and Secondary Education	312,138	668,443	(356,305)	-53.3%	5,783,723	5,651,344	132,379	2.3%
Higher Education	185,914	179,171	6,744	3.8%	1,676,627	1,618,779	57,848	3.6%
Other Education	6,481	4,799	1,681	35.0%	58,890	45,695	13,195	28.9%
Medicaid	1,465,594	1,262,976	202,618	16.0%	13,667,431	11,720,518	1,946,913	16.6%
Health and Human Services	129,482	91,377	38,106	41.7%	1,024,944	1,028,250	(3,306)	-0.3%
Justice and Public Protection	169,479	122,137	47,341	38.8%	1,540,326	1,420,933	119,393	8.4%
General Government	20,946	22,195	(1,249)	-5.6%	269,875	263,027	6,848	2.6%
Property Tax Reimbursements	131,393	28,270	103,123	364.8%	1,027,931	936,404	91,528	9.8%
Capital Outlay	0	0	0	N/A	0	0	0	N/A
Debt Service	155,726	163,763	(8,037)	-4.9%	1,186,616	1,157,118	29,498	2.5%
Total Expenditures & ISTV's	2,577,153	2,543,130	34,022	1.3%	26,236,363	23,842,067	2,394,296	10.0%
Transfers Out:								
BSF Transfer	0	0	0	N/A	425,500	0	425,500	N/A
Operating Transfer Out	4,779	5,000	(221)	-4.4%	406,003	587,835	(181,832)	-30.9%
Temporary Transfer Out	0	0	0	N/A	0	0	0	N/A
Total Transfers Out	4,779	5,000	(221)	-4.4%	831,503	587,835	243,668	41.5%
Total Fund Uses	2,581,932	2,548,130	33,801	1.3%	27,067,866	24,429,902	2,637,963	10.8%

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 $469.8 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.

In December 2015, fiscal year 2016 estimated revenues were reduced by $75.9 million to reflect the passage of S.B. 208. Estimated transfers to the GRF and estimated disbursements increased by $500 thousand to reflect a transfer from Fund 5KM0 (Controlling Board Emergency Purposes) to the Department of Agriculture.

In January 2016, fiscal year 2016 estimated revenues were increased by $6.0 million and estimated disbursements were increased by $545 thousand to reflect the passage of H.B. 340.

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	22,153,700
Plus FY 2016 Estimated Federal Revenues	12,232,485
Plus FY 2016 Estimated Transfers to GRF	334,500
Total Sources Available for Expenditures & Transfers	**36,432,364**
Less FY 2016 Estimated Disbursements**	34,812,645
Less FY 2016 Estimated Total Encumbrances as of June 30, 2016	339,059
Less FY 2016 Estimated Transfers Out	810,931
Total Estimated Uses	**35,962,635**
FY 2016 ESTIMATED UNENCUMBERED ENDING FUND BALANCE	**469,729**

* 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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