OBM

May 10, 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

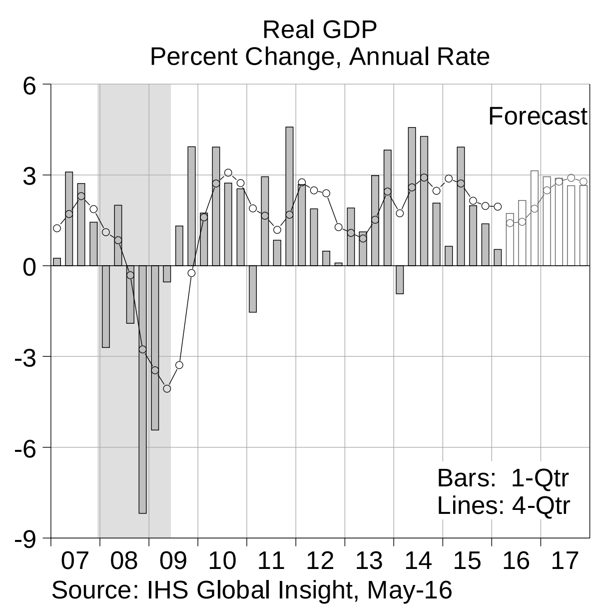
Economic Performance Overview

- First-quarter real GDP growth slowed to 0.5% from 1.4% in the fourth quarter. Recent economic data suggest that growth will pick up during the year.
- U.S. employment increased by 160,000 jobs in April and the unemployment rate was unchanged at 5.0%. Employment growth during the two previous months was revised down by a total of 19,000 jobs.
- Ohio nonfarm payroll employment increased by 18,300 jobs in March and the unemployment rate drifted higher to 5.1% as the labor force swelled.
- The consumer sector remains strong, while manufacturing continues to struggle and construction remains in an uptrend.

Economic Growth

Real GDP growth slowed to 0.5% in the first quarter from 1.4% during the fourth quarter of last year. Compared with a year earlier, growth was 1.9% – marginally below the average since this expansion began in mid-2009. During the most recent half-year the economy has decelerated to the slowest pace by a slim margin since the fourth quarter of 2012.

The **increase in first-quarter** real GDP primarily reflected increases in personal consumption expenditures, residential fixed investment, and state and local government expenditures. Nonresidential fixed investment, private inventory investment, exports, and federal government spending subtracted from growth during the quarter. Imports, which are automatically included in these individual categories and then subtracted as a separate category, increased, thus acting as a drag on GDP.



The **deceleration in overall GDP growth** from 1.4% in the fourth quarter to 0.5% in the first quarter of 2016 reflected the following major changes**:**

- **i)** A deceleration in consumption expenditures from 2.4% growth to 1.9%;
- **ii)** A deeper drop in nonresidential fixed investment, which went from -2.1% to -5.9%;
- **iii)** A switch from increasing to decreasing federal government expenditure, which went from +2.3% to -1.6%;
- **iv)** An increase in imports, which is a negative for GDP;
- **v)** A larger decrease in exports, which went from -2.0% to -2.6%.

Partly offsetting these impacts were growth in state and local government spending, which had declined the prior quarter, and an increase in residential fixed investment (housing) after two quarterly declines.

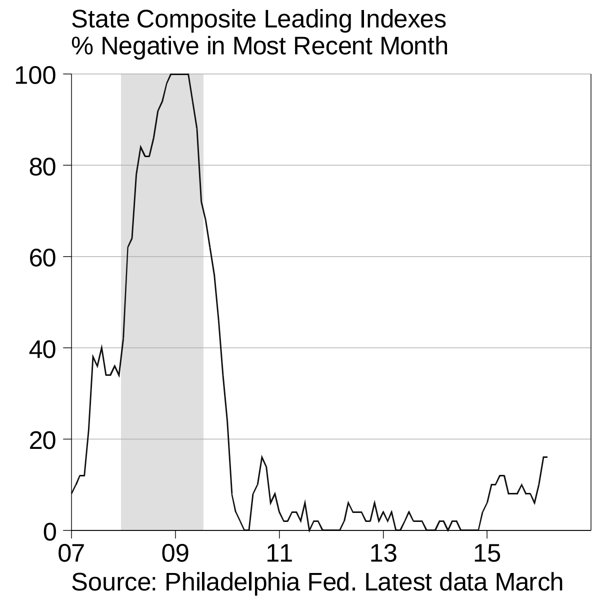
The outlook is less bleak than the weak first-quarter showing would seem to indicate, according to **leading economic indicators**. The Leading Economic Index (LEI) from the Conference Board, for example, increased 0.2% in March breaking a string of three straight monthly declines. Six of the ten components made positive contributions in the most recent month, led by stock prices. Only two of the components made negative contributions.

The year-over-year rate of change in the LEI stabilized near 2.2% in the most recent month after an abrupt slowdown that started a little more than a year ago, 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 lower energy costs appear to be bolstering consumer income and spending.

The diffusion of changes in the **Coincident Economic Index** across the states – a leading indicator at past business cycle turning points – remained weak in late winter as the number of states with positive changes fell from 43 in January to 41 in February and March. The number of states for which the index increased from three months prior fell from 43 in February to 42 in March. The pattern is the weakest since 2010 and has lasted longer, but still points to economic growth. Further deterioration from current levels, however, would begin to raise questions about the durability of the expansion.

The **Ohio Leading Economic Index** from the Philadelphia Federal Reserve was 1.6% in March, almost exactly matching the average of the previous twelve months. The index is designed to predict the rate of change in the coincident index during the next six months. The recent pattern suggests that growth of the Ohio economy will remain moderate through the spring and summer.

The number of states with a positive **Leading Economic Index** fell from 45 in January to 42 in February and March – the lowest level since very early in the expansion. Even so, at 8, the number of negative readings remains below the threshold that has coincided with the onset of recession in the past. For example, the number of states with negative readings increased to an average of 15 three months in advance of the most recent three recessions and to an average of 23 during the first month of those recessions.



The **consensus of forecasters** is that economic growth will proceed throughout 2016 at a modest pace that is somewhat faster than over the turn of the year. Predictions center on 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 was 1.7% in early May, while the Blue Chip consensus forecast was 2.3%.

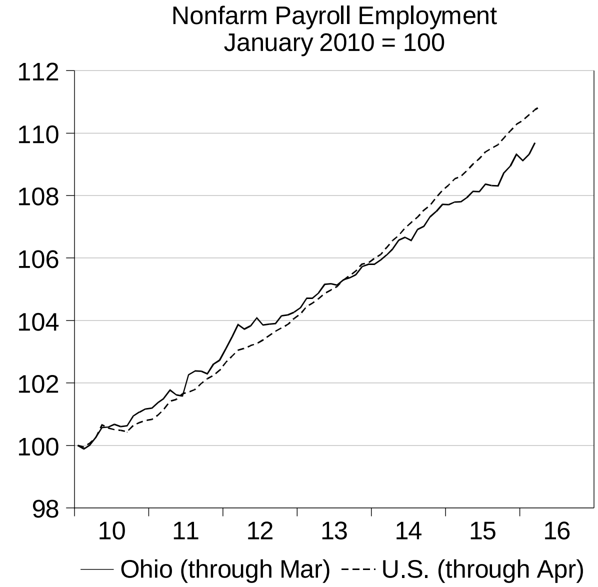
Employment

Job growth slowed in April, but probably for temporary reasons. **U.S. nonfarm payrolls** increased by 160,000 jobs during the month, which was below expectations and is the smallest gain since last September. Employment growth during the two previous months was revised down by a total of 19,000 jobs. Job growth averaged 203,000 jobs per month during the previous three months. The average job gain per month has been 224,000 for the most recent twelve months, including April.

The construction, retail, and government sectors – where employment has strong seasonal patterns – accounted for almost all of the slowdown in job growth. Construction employment slowed from an increase of 41,000 jobs in March to a gain of only 1,000 jobs in April. Employment in retail declined by 3,100 jobs, and government employment fell by 11,000 jobs. The April weakness in these areas could very well be a statistical (perhaps seasonal) adjustment to strong gains earlier in the year and not be reflective of any weakening in labor markets.

Otherwise, job growth was relatively widespread, led by professional and business services (+65,000), education and health services (+54,000), leisure and hospitality (+22,000), and financial activities (+20,000). Manufacturing employment posted a gain of 4,000 jobs, following a 2-month decrease of 45,000 jobs, and mining and logging employment declined by 8,000 jobs for the 19th straight monthly decline.

The **unemployment rate** was unchanged at 5.0% on the month, but only because of a 362,000 person reduction in the labor force. The decline followed several months of strong increases. The broadest measure of unemployment – the U-6 unemployment rate – declined 0.1 point back to its low for the expansion of 9.7%. 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 but seeking full-time work. Average hourly earnings rose 0.3% to 2.5% above the year earlier level.



Ohio nonfarm payroll employment increased by 18,300 jobs in March, following a revised 10,200 job increase in February. These increases more than overcame a 10,100 job decrease in January. The month-over-month increase was led by professional and business services (+7,000), government (+6,900), and educational and health services (+5,400). Nonfarm payroll employment decreased in manufacturing (-4,300), construction (-1,000), and natural resources and mining (-400).

Among the **contiguous states**, year-over-year employment growth through March was highest in Michigan (+2.3%), followed by Kentucky (+2.0%), Ohio (+1.8%), Pennsylvania (+1.4%), and Indiana (+1.3%). Employment again declined from a year earlier in West Virginia (-0.7%). For manufacturing employment, growth was generally lower, which is not surprising given how manufacturing has struggled to overcome headwinds at the national level. Michigan had the strongest growth (+2.3%), followed by Kentucky (+1.6%) and Ohio (+0.2%). Manufacturing employment declined in Indiana (-0.3%), Pennsylvania (-0.8%), and West Virginia (-1.5%).

The **Ohio unemployment rate** continued to drift higher in March, rising 0.1 point to 5.1%. The rate is up 0.5 points from the cyclical low of 4.6% reached last September. The increase during the six months resulted from an even larger increase in the Ohio labor force (+105,198) than in total employment (+73,949). The unemployment rate was unchanged from a year earlier.

The Ohio labor force has actually increased by over 96,000 people in just the last three months. This increase is so large that it creates some skepticism about whether the numbers will later be revised downward. If not, this increase in the Ohio labor force is the largest sustained increase since 1978.

Across the country in March, the unemployment rate decreased by a statistically significant amount in 6 states, increased in 4 states, and was not statistically different from the month before in 40 states. The unemployment rate was lower than a year earlier by a statistically significant margin in 18 states and meaningfully higher only in Wyoming and North Dakota.

Consumer Income and Consumption

Personal income rebounded in March and consumer spending growth remained modest. **Personal income** increased 0.4% after growth slipped to 0.1% in February from 0.4% in January. **Wage and salary disbursements** – the largest single component of personal income – also increased by 0.4% after a 0.1% decrease the month before.

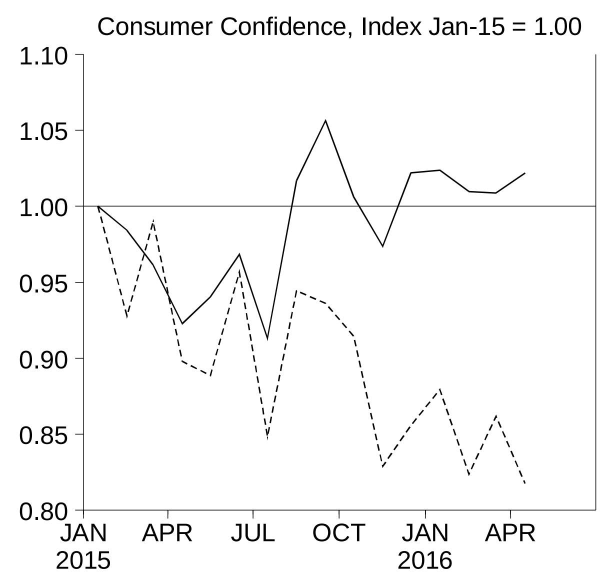
For the quarter, personal income increased at an annual rate of 3.4%, while wage and salary disbursements rose 3.9%. Compared with a year earlier, personal income was higher by 4.2% and wage and salary disbursements were up 4.7%. Consumers have funneled much of this solid growth in income into savings and or debt reduction recently, as saving as a percent of disposable personal income increased from 4.9% in November to 5.4% in March.

Inflation remains low, providing some support to consumer spending. The **Consumer Price Index** (CPI) increased just 0.1% in March after declining on balance for three months, in part reflecting sustained declines in the price of gasoline. The CPI is up by just 0.9% 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 index increased 0.1% in March to 2.2% above its year earlier level. The Median CPI from the Federal Reserve Bank of Cleveland, an alternative measure of the inflation trend, continued to track a little bit 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 deflator) increased 0.1% in March to 1.6% above its year earlier level.

Personal consumption expenditures increased by less than incomes and rose only 0.1%, but the January and February gains were revised up from 0.1% to 0.2%. Spending on services increased 0.1%, while spending on non-durable goods increased 0.6% and spending on durable goods fell 0.6%. The decrease in spending on durable goods reflected the slowdown in the pace of **light motor vehicles** from an annual rate of 17.4 million units in February to 16.5 million units in March. Vehicle sales snapped back to a 17.3 million unit pace in April. Spending on services and non-durable goods is also expected to have strengthened in April.

Consumer confidence deteriorated marginally in April. The Conference Board Index of Consumer Confidence fell from 96.1 to 94.2, erasing most of the March increase. The University of Michigan/Reuters Index of Consumer Sentiment likewise moved down from 91.0 to 89.0. In both cases, the declines resulted entirely from dimmer views of the future, as assessments of current conditions improved modestly. Expectations have trended down for the past year, as views of current conditions have improved (Conference Board) or been little changed on balance (University of Michigan/Reuters).



Source: The Conference Board

Manufacturing

Fledgling signs of some firming in manufacturing a month ago gave way to renewed softness in March, as the headwinds from the stronger dollar, slower growth in foreign economies, and adjustments in the energy industry continued. Nonetheless, recent economic trends are still consistent with overall economic expansion and possibly a modest strengthening in manufacturing activity as the year unfolds.

Industrial production decreased 0.6% in March, matching the 0.6% decrease in February and reflecting weakness across the major sectors of mining, utilities, and manufacturing. **Mining output** decreased 2.9% for the seventh straight monthly decline, due to the ongoing retrenchment in the energy patch. **Utility output** fell 1.2%, as the winter ended on a mild note. **Manufacturing output** fell 0.3% and the 0.1% increase originally reported for the previous month was revised down to a 0.2% decline, making the March setback the second in a row and the ninth in the most recent twelve months.

Reports from **purchasing managers** remained consistent with an expanding manufacturing sector during April, but were less robust than in March. The PMI® decreased by 1.0 but remained above the neutral level of 50.0 for the second month in a row. The important New Orders index retreated from 58.3 to 55.8, despite a slight improvement in the New Export Orders, which increased from 52.0 to 52.5. The Production index likewise declined from 55.3 to 54.2. The Backlog of Orders Index remained just above neutral, but the Supplier Delivery Index edged just below.

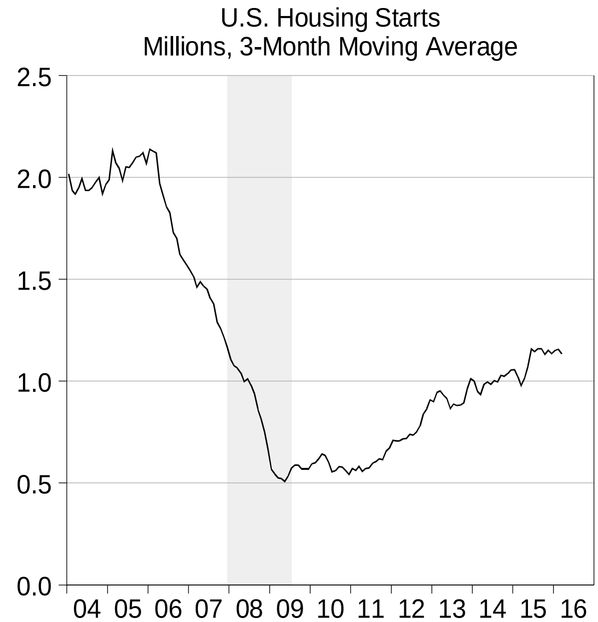
Of the 18 industries tracked by the Manufacturing ISM® *Report on Business*, 11 reported growth in the latest month. Among the industries with a disproportionate effect on Ohio manufacturing employment, the machinery, fabricated metal products, and primary metals industries expanded, according to purchasing managers. Activity in the transportation equipment industry contracted. One respondent in the fabricated metal products industry referred to business as "[k]ind of lackluster." A representative of the machinery industry reported that the "[a]uto industry is still going strong."

Analysts anticipate that the recent rebound in the price of oil and depreciation of the dollar will support manufacturing activity increasingly as the year progresses. The price of West Texas Intermediate crude has been trading in the mid-40 dollars per barrel area, which is still well below the more than 100 dollars per barrel of mid-2014 but is up appreciably from the mid-20s reached in February. Similarly, the trade-weighted foreign exchange value of the dollar is down about 8% from its peak in January and back to its level of a year ago, although still about 15% higher than two years ago.

Construction

Construction put-in-place grew by 0.3% in March and the February gain was revised up from 0.5% to 1.0%. Private construction increased 1.1%, while public construction decreased 1.9%. The entire gain in total construction put-in-place occurred in the residential sector, which increased 1.5% on the month. Nonresidential construction put-in-place decreased 0.4%.

Compared with a year earlier, total construction grew 8.0% – well below the 13.7% year-over-year comparison last August.



Private nonresidential construction put-in-place increased 0.7% in March following gains of 2.0% in January and 0.8% in February. Large increases in manufacturing and transportation construction more than offset declines in power, ducation, and office construction. **Private residential** construction put-in-place increased 1.6%, reflecting a 5.6% increase in multi-family, no change in single-family, and a large estimated increase in improvements.

A bad month for housing in March carried through to the 3-month moving averages of permits, starts, and sales. **Housing permits** dropped 3.6% in March on a 3-month moving average basis, reflecting a small drop in single-family and an 8.6% drop in multi-family. The Midwest bucked the national trend, with increases of 2.9% in single-family and 5.5% in multi-family, which combined for a 3.9% increase in total permits across the region.

Housing starts fell by 2.0% across the country in March on a 3-month moving average basis, pulled down by a 6.0% drop in multi-family and with no help from a 0.2% decrease in single-family. Midwest starts followed the same pattern, as a 19.8% decline in multi-family more than offset a 2.3% increase in single-family to produce a 2.9% decline overall.

Existing home sales and **new home sales** weakened further as the quarter came to a close, both in the Midwest and across the country. Inventories of homes for sale remained very well 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 again in March both across the country and in the Midwest.

Home prices across the country posted their 49th consecutive increase in February, rising by 0.4% to 5.3% 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.

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.

April GRF receipts totaled $2,828.0 million and were $50.5 million (1.8%) below the estimate. A $126.4 million negative variance in tax receipts was partially offset by a $75.9 million positive variance in non-tax receipts and transfers to create the monthly shortfall.

Monthly tax receipts totaled $1,814.3 million and were $126.4 million (6.5%) below the estimate. Non-tax receipts totaled $1,012.8 million and were $75.0 million (8.0%) above the estimate, and transfers totaled $0.9 million, $0.9 million above the estimate. Within the tax revenue category, the personal income tax ($109.4 million or 13.2%) represents approximately 87% of the shortfall, primarily due to a negative variance in payments associated with annual returns. Among the other tax categories that had negative monthly variance are the auto sales and use tax ($12.3 million or 9.5%), kilowatt hour tax ($3.9 million or 11.3%), and the non-auto sales and use tax ($3.5 million or 0.4%). Above estimate collections in the cigarette and other tobacco products tax ($4.9 million or 6.6%) and the corporate franchise tax ($2.0 million) partially offset the shortfall in other categories. In the non-tax receipt category, federal grants ($88.3 million or 9.7%) were above the estimate as a result of higher than estimated Medicaid spending, which was the result of spending that had been planned to be made from hospital assessment revenues instead being paid by GRF funds. Moving forward, a new hospital assessment plan has been approved by the federal government, thus this should be a one-time impact that should be offset over the last two months of the fiscal year.

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**	
Federal Grants	$88.3	Personal Income Tax	($109.4)
Cigarette and Other Tobacco Tax	$4.9	License & Fees	($17.4)
Earnings on Investments	$3.9	Auto Sales & Use Tax	($12.3)
Corporate Franchise Tax	$2.0	Kilowatt Hour Tax	($3.9)
Foreign Insurance Tax	$1.1	Non-Auto Sales & Use Tax	($3.5)
		Financial Institutions Tax	($2.0)
		Commercial Activities Tax	($1.6)
		Alcoholic Beverage	($1.6)
Other Sources Above Estimate	$1.9	Other Sources Below Estimate	($0.9)
Total above	**$102.1**	**Total below**	**($152.6)**

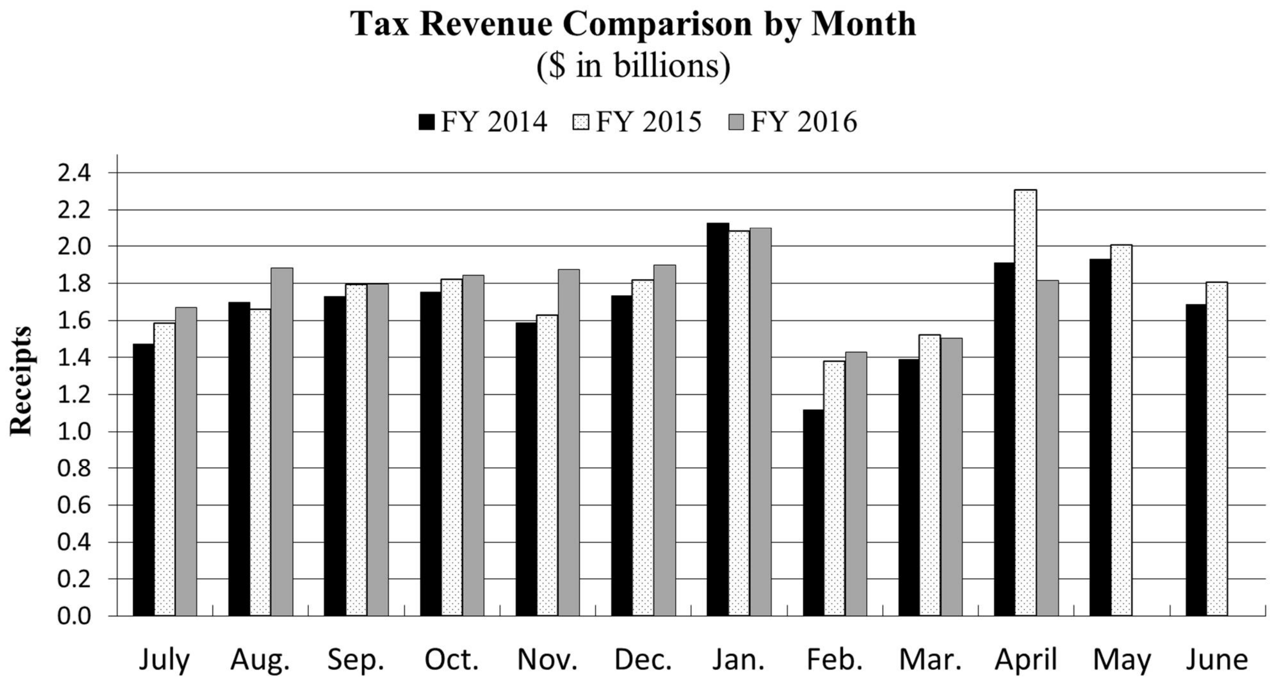
For the fiscal year, tax revenues are now below the estimate, with a shortfall of $117.2 million (0.7%). Non tax revenues are $193.2 million (1.8%) below estimate, with more than the entire shortfall arising from federal grants, which are $224.1 million (2.1%) below estimate. Transfers are $3.9 million (2.0%) over 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	($117.2 million)	-0.7%
Non-tax receipts	Federal grants, earnings on investments, licenses & fees, other income, intrastate transfers	($193.2 million)	-1.8%
Transfers	Budget stabilization, liquor transfers, capital reserve, other	$3.9 million	2.0%
TOTAL REVENUE VARIANCE:		**($306.5 million)**	**-1.1%**

On a year-over-year basis, monthly receipts were $278.5 million (9.0%) lower than April of the previous fiscal year, due to the $491.4 million (21.3%) decline in tax receipts. The revenue in non-tax receipts ($214.0 million or 26.8%), however, offset almost half of this shortfall. The personal income tax ($505.0 million or 41.3%) accounts for more than the entirety of the shortfall in tax receipts. Year-over-year auto sales and use tax ($10.9 million or 8.5%) also declined in April, however, growth in the commercial activity tax ($11.4 million or 44.1%), the cigarette and other tobacco products tax ($9.2 million or 13.2%), and the non-auto sales and use tax ($6.7 million or 0.9%) partially offset the declines in other areas. Growth in federal grants ($213.0 million or 27.0%) represents nearly all of the growth in the non-tax receipts category, in addition to growth in earnings on investments ($3.1 million or 47.4%).

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

April personal income tax receipts totaled $717.3 million and were $109.4 million or 13.2% below the estimate. More than the entirety of the monthly shortfall is in the non-withheld portion of the personal income tax: payments associated with annual returns ($94.4 million or 18.0%), quarterly estimated payments ($22.0 million or 20.5%), and trust payments ($13.9 million or 64.0%). These negative variances were slightly offset by above estimate collections in withholding ($12.3 million or 1.8%) and the miscellaneous category ($4.2 million or 35.0%) and lower than anticipated refunds ($5.2 million or 1.0%).

OBM believes that most of the income tax shortfall is due to tax year 2015 non-wage income falling short of the expectation that was built into the income tax forecasts for fiscal year 2016. Clearly there was also some portion of the shortfall that was due to the processing of tax payments being slightly slower than expected, so that some of those payments were booked in May rather than April. As of this writing, May collections for annual return and trust payments are already about $16 million above estimate. Based on payment patterns from last May, OBM expects that annual return and trust collections combined could end May $30 million over estimate. Had this "spillover" into May not occurred, the April income tax shortfall would thus have been around $79 million.

One of the reasons that OBM believes that lower than expected non-wage income is responsible for weak April income tax collections is that there is some evidence that some other states are experiencing similar results. California's Legislative Analyst Office (LAO) reports that California also had a shortfall in estimated payments and annual return payments, and also an overage in refunds. Connecticut's legislative Office of Fiscal Analysis (OFA) has also reported a significant drop in nonwage income and in income tax owed on that income, compared with a year ago.

Year-to-date receipts totaled $6,444.7 million and were $201.3 million or 3.0% below the estimate. Negative variances in all personal income tax components have contributed to the year-to-date shortfall, particularly payments associated with annual returns ($122.1 million or 16.6%) quarterly estimated payments ($25.5 million or 3.1%), trust payments ($11.3 million or 21.6%), and the miscellaneous category ($6.5 million or 7.2%). After experiencing larger negative variances earlier in the fiscal year, withholding collections ($23.4 million or 0.3%) and refunds ($13.4 million or 0.8%) are now only slightly below the year-to-date estimates.

FY2016 PERSONAL INCOME TAX RECEIPTS BY COMPONENT ($ in millions)						
	ESTIMATE APR	**ACTUAL APR**	**$ VAR APR**	**ESTIMATE Y-T-D**	**ACTUAL Y-T-D**	**$ VAR Y-T-D**
Withholding	$687.8	$700.1	$12.3	$6,950.8	$6,927.4	($23.4)
Quarterly Est.	$107.3	$85.3	($22.0)	$833.4	$807.9	($25.5)
Trust Payments	$21.7	$7.8	($13.9)	$52.3	$41.0	($11.3)
Annual Returns & 40 P	$524.8	$430.4	($94.4)	$736.4	$614.3	($122.1)
Other	$12.0	$16.2	$4.2	$90.3	$83.8	($6.5)
Less: Refunds	($502.0)	($496.8)	$5.2	($1,710.4)	($1,723.8)	($13.4)
Local Distr.	($24.9)	($25.8)	($0.9)	($306.8)	($306.0)	$0.8
Net to GRF	**$826.7**	**$717.2**	**($109.4)**	**$6,646.0**	**$6,444.6**	**($201.3)**
Detail may not add to total due to rounding						

On a year-over-year basis, April 2016 GRF income tax collections were $505.0 million or 41.3% below April 2015 collections. All components, excluding the miscellaneous category, declined from April 2015 collections with 60% of the decrease attributable to payments associated with annual returns ($304.0 million or -41.4%). Withholding declined $27.3 million (-3.7%) from the same month of the previous fiscal year, while refunds increased $119.6 million (-31.7%). Lower quarterly estimated payments ($43.8 million or -33.9%) and trust payments ($-16.4 million or 67.7%), slightly offset by growth in miscellaneous collections ($5.9 million or 57.2%), combined to create the year-over-year decline.

Through April, year-to-date income tax receipts were $714.2 million or 10.0% below the same point of the previous fiscal year. Almost the entirety of the decline resulted from increased refunds ($368.7 million or -27.2%) and lower payments associated with annual returns ($328.4 million or -34.8%). Growth in withholding ($82.9 million or 1.2%) partially offset decreases in quarterly estimated payments ($71.7 million or -8.1%), trust payments ($9.6 million or -19.0%), and miscellaneous collections (-$4.4 million or 5.0%).

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 eight 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 also felt over the last three months, as one can see from the fact that refunds increased from last year by $115 million in February, $98 million in March, and $120 million in April. The rate reduction is also responsible, at least in part, for the decline in annual return payments.

As previously noted, GRF net income tax collections are now $714.2 million, or 10.0%, below last year's level. This year-to-date change is now greater than the anticipated $490.0 million, or 5.8%, decrease that was estimated to include the impact of all the H.B. 64 and S.B. 208 income tax reductions.

Non-Auto Sales and Use Tax

April non-auto sales and use tax collections totaled $789.2 million, and were $3.5 million (0.4%) below the estimate. This was the third consecutive shortfall in non-auto collections, although the amount was small enough to be within the forecast margin of error for this tax. Unlike March, none of the April shortfall is due to Medicaid managed care (MHIC) sales tax collections.

After the February through April shortfalls, year-to-date collections are still above estimate, but the overage has shrunk to $3.9 million (0.1%). Year-over-year growth is now $301.9 million, or 4.2%. 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. It remains to be seen whether the saving rate will continue to climb from its current 5.4%, or hold steady at about this level.

Auto Sales Tax

The auto sales tax fell short of the estimate by $12.3 million (9.5%) in April. Last month's issue of this report mentioned that the drop in national light vehicle sales to a 16.5 million unit pace in March caused concern that April sales tax collections would fall short of the estimate and decline from last year, and both of those conjectures came true. However, vehicle sales rebounded to an annualized pace of 17.3 million in April, almost equal to the February pace. This should have a positive impact on May collections.

Even with the April shortfall, auto sales tax collections remain $26.2 million, or 2.4%, above estimate for the year. Collections have increased by $38.5 million, or 3.6%, from the same point in the previous fiscal year.

Commercial Activity Tax

April collections of commercial activity tax (CAT) were $1.6 million, or $4.2%, below estimate. The year-to-date shortfall thus increased to $13.0 million, or 1.3%.

The April shortfall was small enough that no inferences about collections in the May-June period can really be drawn from April's performance. The final quarterly payment of the CAT is due on May 10, as is the annual minimum tax payment. The May payment will determine how fiscal year 2016 collections will end, relative to estimate. May is also when a large share of annual tax credits are claimed, adding uncertainty to the revenue picture.

As of the end of October, GRF CAT collections were $32.1 million below estimate, so collections have been $19.1 million above estimate over the last six 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 credit amounts 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 $13.0 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 $323.7 million, or 48.1% 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 percent to 75 percent, as the needed funds for property tax replacement payments have declined.

All funds CAT revenues were $2.2 million below estimate in April. For the year, all funds CAT revenues are $17.4 million below estimate. The percentage shortfall is the same as for the GRF, -1.3%. Growth in all funds CAT revenues is negative for the year, at -1.3%. This is the same percentage as the year-to-date variance, which logically follows from the fact that the estimate for all funds collections was essentially unchanged from fiscal year 2015 (for fiscal year 2016 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 April, FIT collections were $2.0 million below estimate, but combined March-April collections were $5.7 million, or 8.3%, above estimate. For the year, FIT collections are now $19.2 million, or 13.6%, 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 overages so far, one might expect the third estimated payments to exceed the estimate, although even that is not certain given the very brief history of this tax. It is likely, though, that FIT collections will exceed estimate for the fiscal year.

Cigarette and Other Tobacco Products Tax

Cigarette and other tobacco product (OTP) tax collections were $4.9 million (6.6%) above estimate in April. For the year-to-date, collections are above estimate by $28.2 million (3.8%).

As mentioned in previous issues of this report, the overage in this tax category is being driven entirely by cigarette sales. The "floor stocks" tax enacted in H.B. 64 in conjunction with the tax rate increase has fallen about $18 million short of the estimate, and the revenue from the other tobacco products (OTP) tax (levied on such products as cigars, snuff, etc.) has dropped from fiscal year 2015, and is not contributing to the overage either.

Revenues from the cigarette and OTP taxes have increased from last year by $154.3 million, or 25.1%. Revenues from the cigarette portion of the tax, not counting the floor stocks tax, have increased by $137.5 million, or 24.5%. The cigarette tax rate increased by 28.0% due to the law change in H.B. 64 (the tax went from $1.25/pack to $1.60/pack). The fact that revenues have increased by close to the same percentage as the tax rate increase shows that the reduction in packs of cigarettes purchased has been small, only about 3%.

GRF Non-Tax Receipts and Transfers

GRF non-tax receipts totaled $1,012.8 million in April and were $75.0 million (8.0%) above the estimate. Federal grants accounted for more than all of the April variance, finishing $88.3 million, or 9.7%, above estimate. As mentioned in the first section of this report, both the GRF overspending in Medicaid and the associated overage in federal grants were the result of hospital assessment revenues being delayed, which necessitated higher than expected GRF spending and higher federal grant receipts. This spending and revenue overage should be reversed over the last two months of the fiscal year.

The other significant variance in non-tax revenues was in the license and fee category. As mentioned in last month's report, March license and fee revenue was $29.3 million over estimate, as the payments were ahead of what the estimates had anticipated. The March overage, as expected, was followed by an April shortfall. However, the April shortfall was $17.4 million, so March and April collections combined were $11.9 million over estimate, resulting in an $11.4 million overage for the year to date.

Table 1
GENERAL REVENUE FUND RECEIPTS
ACTUAL FY 2016 VS ESTIMATE FY 2016
($ in thousands)

REVENUE SOURCE	MONTH ACTUAL APRIL	MONTH ESTIMATE APRIL	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	789,154	792,700	(3,546)	-0.4%	7,487,296	7,483,400	3,896	0.1%
Auto Sales & Use	117,369	129,700	(12,331)	-9.5%	1,109,618	1,083,400	26,218	2.4%
Subtotal Sales & Use	906,522	922,400	(15,878)	-1.7%	8,596,914	8,566,800	30,114	0.4%
Personal Income	717,341	826,700	(109,359)	-13.2%	6,444,653	6,646,000	(201,347)	-3.0%
Corporate Franchise	2,001	0	2,001	N/A	32,369	0	32,369	N/A
Financial Institutions Tax	30,341	32,350	(2,009)	-6.2%	159,981	140,800	19,181	13.6%
Commercial Activity Tax	37,080	38,700	(1,620)	-4.2%	996,871	1,009,900	(13,029)	-1.3%
Petroleum Activity Tax	0	0	0	N/A	5,598	4,900	698	14.3%
Public Utility	1	0	1	N/A	75,407	74,600	807	1.1%
Kilowatt Hour	30,770	34,700	(3,930)	-11.3%	292,467	305,000	(12,533)	-4.1%
Natural Gas Distribution	3,414	4,300	(886)	-20.6%	34,061	35,700	(1,639)	-4.6%
Foreign Insurance	247	(900)	1,147	127.4%	317,187	315,400	1,787	0.6%
Domestic Insurance	51	0	51	N/A	565	4,900	(4,335)	-88.5%
Other Business & Property	1	0	1	N/A	93	0	93	N/A
Cigarette and Other Tobacco	79,012	74,100	4,912	6.6%	768,021	739,800	28,221	3.8%
Alcoholic Beverage	3,106	4,700	(1,594)	-33.9%	44,822	45,000	(178)	-0.4%
Liquor Gallonage	3,693	3,600	93	2.6%	37,501	36,500	1,001	2.7%
Estate	681	0	681	N/A	1,613	0	1,613	N/A
Total Tax Receipts	1,814,260	1,940,650	(126,390)	-6.5%	17,808,123	17,925,300	(117,177)	-0.7%
NON-TAX RECEIPTS								
Federal Grants	1,000,855	912,549	88,306	9.7%	10,311,786	10,535,908	(224,122)	-2.1%
Earnings on Investments	9,587	5,650	3,937	69.7%	26,167	16,650	9,517	57.2%
License & Fees	1,856	19,300	(17,444)	-90.4%	55,490	44,087	11,403	25.9%
Other Income	499	327	172	52.5%	44,900	26,354	18,545	70.4%
ISTV'S	2	0	2	N/A	866	9,400	(8,534)	-90.8%
Total Non-Tax Receipts	1,012,798	937,827	74,972	8.0%	10,439,209	10,632,400	(193,190)	-1.8%
TOTAL REVENUES	2,827,059	2,878,477	(51,418)	-1.8%	28,247,332	28,557,700	(310,368)	-1.1%
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	898	0	898	N/A	195,474	191,600	3,874	2.0%
Temporary Transfers In	0	0	0	N/A	0	0	0	N/A
Total Transfers	898	0	898	N/A	195,474	191,600	3,874	2.0%
TOTAL SOURCES	2,827,957	2,878,477	(50,520)	-1.8%	28,442,806	28,749,300	(306,494)	-1.1%

Table 2

GENERAL REVENUE FUND RECEIPTS

ACTUAL FY 2016 VS ACTUAL FY 2015

($ in thousands)

	MONTH				YEAR-TO-DATE			
REVENUE SOURCE	APRIL FY 2016	APRIL FY 2015	$ VAR	% VAR	ACTUAL FY 2016	ACTUAL FY 2015	$ VAR	% VAR
TAX RECEIPTS								
Non-Auto Sales & Use	789,154	782,414	6,739	0.9%	7,487,296	7,185,395	301,901	4.2%
Auto Sales & Use	117,369	128,295	(10,926)	-8.5%	1,109,618	1,071,082	38,536	3.6%
Subtotal Sales & Use	906,522	910,709	(4,187)	-0.5%	8,596,914	8,256,477	340,437	4.1%
Personal Income	717,341	1,222,312	(504,971)	-41.3%	6,444,653	7,158,873	(714,220)	-10.0%
Corporate Franchise	2,001	1,503	498	33.1%	32,369	1,721	30,648	1780.3%
Financial Institutions Tax	30,341	31,593	(1,252)	-4.0%	159,981	128,661	31,320	24.3%
Commercial Activity Tax	37,080	25,729	11,350	44.1%	996,871	673,125	323,747	48.1%
Petroleum Activity Tax	0	0	0	N/A	5,598	4,436	1,162	26.2%
Public Utility	1	21	(21)	-97.4%	75,407	62,760	12,648	20.2%
Kilowatt Hour	30,770	30,236	534	1.8%	292,467	259,345	33,122	12.8%
Natural Gas Distribution	3,414	4,453	(1,039)	-23.3%	34,061	40,977	(6,916)	-16.9%
Foreign Insurance	247	200	47	23.3%	317,187	299,421	17,766	5.9%
Domestic Insurance	51	0	51	N/A	565	7,537	(6,972)	-92.5%
Other Business & Property	1	33	(32)	-96.6%	93	113	(20)	-18.0%
Cigarette and Other Tobacco	79,012	69,791	9,221	13.2%	768,021	613,681	154,340	25.1%
Alcoholic Beverage	3,106	5,240	(2,135)	-40.7%	44,822	46,561	(1,738)	-3.7%
Liquor Gallonage	3,693	3,453	240	6.9%	37,501	35,993	1,509	4.2%
Estate	681	406	274	67.6%	1,613	2,812	(1,198)	-42.6%
Total Tax Receipts	1,814,260	2,305,682	(491,421)	-21.3%	17,808,123	17,592,491	215,632	1.2%
NON-TAX RECEIPTS								
Federal Grants	1,000,855	787,895	212,960	27.0%	10,311,786	7,955,248	2,356,539	29.6%
Earnings on Investments	9,587	6,504	3,082	47.4%	26,167	17,897	8,270	46.2%
License & Fee	1,856	3,549	(1,694)	-47.7%	55,490	56,487	(997)	-1.8%
Other Income	499	826	(327)	-39.6%	44,900	24,615	20,285	82.4%
ISTV'S	2	0	2	N/A	866	828	38	4.6%
Total Non-Tax Receipts	1,012,798	798,775	214,023	26.8%	10,439,209	8,055,075	2,384,134	29.6%
TOTAL REVENUES	2,827,059	3,104,457	(277,398)	-8.9%	28,247,332	25,647,566	2,599,766	10.1%
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	898	1,989	(1,091)	-54.9%	195,474	24,272	171,202	705.4%
Temporary Transfers In	0	0	0	N/A	0	0	0	N/A
Total Transfers	898	1,989	(1,091)	-54.9%	195,474	24,272	171,202	705.4%
TOTAL SOURCES	2,827,957	3,106,446	(278,489)	-9.0%	28,442,806	25,671,838	2,770,968	10.8%

DISBURSEMENTS

April GRF disbursements, across all uses, totaled $3,315.7 million and were $300.1 million (9.9%) above estimate. This was primarily attributable to higher than estimated disbursements in the Property Tax Reimbursements and Medicaid categories being partially offset by lower than estimated disbursements in the Health and Human Services category. On a year-over-year basis, April total uses were $790.8 million (31.3%) higher than those of the same month in the previous fiscal year, with the Property Tax Reimbursements and Medicaid categories 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)	($287.0 million)	-1.0%
Transfers	Temporary or permanent transfers out of the GRF that are not agency expenditures	$23.6 million	2.9%
TOTAL DISBURSEMENTS VARIANCE:		**($263.4 million)**	**-0.9%**

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. April disbursements for this category totaled $882.7 million and were $21.7 million (2.4%) below estimate. Expenditures for the school foundation program totaled $835.4 million and were $15.0 million (1.8%) below estimate. This variance was primarily attributable to the timing of payments from the Student Assessment and Foundation Funding line items. The invoice for assessments was sent in April and the payment will be disbursed in May. Additionally, the three foundation funding payments disbursed in April were below estimate due to a decline in student enrollment. Year-to-date disbursements were $6,666.5 million, which was $45.8 million (0.7%) below estimate.

On a year-over-year basis, disbursements in this category were $308.3 million (53.7%) higher than for the same month in the previous fiscal year while year-to-date expenditures were $440.7 million (7.1%) higher than at the same point in fiscal year 2015.

Higher Education

April disbursements for the Higher Education category, which includes non-debt service GRF spending by the Department of Higher Education, totaled $179.4 million and were $4.8 million (2.6%) below estimate. This variance was primarily attributable to disbursements in the National Guard Tuition Grant Program being $4.6 million below estimate due to lower than estimated requests for reimbursement from higher education institutions. Year-to-date disbursements were $1,856.1 million, which was $19.6 million (1.0%) below estimate.

On a year-over-year basis, disbursements in this category were $8.2 million (4.8%) higher than for the same month in the previous fiscal year while year-to-date expenditures were $66.1 million (3.7%) 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.

April disbursements in this category totaled $3.2 million and were $3.5 million (52.1%) below estimate. As mentioned last month, 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 $62.1 million, which was $1.7 million (2.8%) above estimate. On a year-over-year basis, disbursements in this category were $0.3 million (12.0%) higher than for the same month in the previous fiscal year while year-to-date expenditures were $13.5 million (27.9%) 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>
April GRF disbursements for the Medicaid Program totaled $1,436.1 million and were $146.2 million (11.3%) above the estimate, and $221.0 million (18.2%) above disbursements for the same month in the previous fiscal year. Year-to-date GRF disbursements totaled $15,103.5 million and were $404.8 million (2.6%) below the estimate, and $2,167.9 million (16.8%) 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.

April all funds disbursements for the Medicaid Program totaled $1,906.7 million and were $297.7 million (13.5%) below the estimate, and $48.5 million (2.6%) above disbursements for the same month in the previous fiscal year. Year-to-date all funds disbursements totaled $20,117.6 million and were $1,961.5 million (8.9%) below the estimate, and $990.9 million (5.2%) above disbursements for the same point in the previous fiscal year.

The April all funds variance was due primarily to the delay of payments to hospitals through the Hospital Upper Payment Limit (UPL) Program. The UPL program reimburses hospitals for allowable costs that exceed the amount which would be paid by Medicare. Payments for this program will be completed before the end of the fiscal year. The managed care program was also below estimate for the month, due primarily to lower monthly capitation rates that went into effect in January and spending for the fee-for-service program, due to enrollment in this program being 8.8% below estimate for the month.

The year-to-date all funds variance also results from the UPL, managed care, and fee-for-service variances described above. Fee-for-service enrollment has been an average of 4.9% below estimate for the year. Also below estimate for the year is spending in the Hospital Care Assurance Program (HCAP), which compensates hospitals that provide a disproportionally high amount of uncompensated care. Payments to hospitals under this program have been delayed while the state awaits approval from the federal government for a program change. Finally, spending in program administration, primarily related to information technology improvement projects, has been below estimate for the fiscal year.

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

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

	April Actual	April Projection	Variance	Variance %
GRF	$ 1,436.1	$ 1,289.8	$ 146.2	11.3%
Non-GRF	$ 470.7	$ 914.6	$ (444.0)	-48.5%
All Funds	$ 1,906.7	$ 2,204.4	$ (297.7)	-13.5%

<u>Enrollment</u>

Total April enrollment across all categories was 3.01 million. The most significant components are the Covered Families and Children/Modified Adjusted Gross Income (CFC/MAGI) category, which decreased by 5,156 persons to an April total of 2.48 million persons, and the Aged, Blind, and Disabled/Dual Eligible (ABD/Dual) category, which decreased by 3,939 persons to an April total of 374,447 covered lives.

Total enrollment across all categories for the same period last year was 3.08 million covered persons, including 2.48 million persons in the CFC/MAGI category and 413,196 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.

April disbursements in this category totaled $111.7 million and were $33.5 million (23.1%) below estimate. Year-to-date disbursements were $1,136.7 million, which was $87.9 million (7.2%) below estimate. On a year-over-year basis, disbursements in this category were $18.8 million (20.3%) higher than for the same month in the previous fiscal year while year-to-date expenditures were $15.5 million (1.4%) higher than at the same point in fiscal year 2015.

Department of Health
April disbursements for the Department of Health totaled $7.7 million and were $1.4 million (21.9%) above estimate. This variance was primarily attributable to Help Me Grow disbursements being $1.8 million (91.8%) above estimate due to subsidy payments estimated for earlier months being made in April.

Department of Job and Family Services
April disbursements for the Department of Job and Family Services totaled $57.8 million and were $6.2 million (9.6%) below estimate. This variance was primarily attributable to several lines. First, Family and Children Services disbursements were $11.4 million (97.9%) below estimate due to county payments for the State Child Protective Allocation being made in March instead of April. Second, Unemployment Insurance Administration disbursements were $3.4 million (86.5%) below estimate due to a shift of expenditures to future months. Third, Information Technology Projects disbursements were $1.1 million (27.8%) below estimate due to the timing of receipt of invoices. These variances were partially offset by TANF State/Maintenance of Effort disbursements which were $9.5 million (81.1%) above estimate due to $10.0 million in quarterly county Maintenance of Effort disbursements being processed in April instead of June as estimated.

Department of Mental Health and Addiction Services
April disbursements for the Department of Mental Health and Addiction Services totaled $25.2 million and were $28.2 million (52.8%) below estimate. This variance was attributable to several lines. First, Continuum of Care disbursements were $13.2 million (77.2%) below estimate due to subsidy payments estimated for April being moved to May. Second, Addiction Service Partnership with Corrections disbursements were $5.7 million (83.5%) below estimate due to timing associated with establishing contracts. Third, Criminal Justice Services disbursements were $3.8 million (91.4%) below estimate primarily due to Addiction Treatment Program disbursements originally estimated for April being moved to June. Fourth, Specialized Docket Support disbursements were $2.4 million (96.9%) below estimate due to disbursements occurring earlier in the fiscal year. Finally, Community Innovations disbursements were $1.2

million (63.3%) below estimate and Recovery Housing disbursements were $1.1 million (89.5%) below estimate both due to the timing of disbursements.

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.

April disbursements in this category totaled $169.1 million and were $24.1 million (12.5%) below estimate. Year-to-date disbursements were $1,709.4 million, which was $4.6 million (0.3%) above estimate. On a year-over-year basis, disbursements in this category were $4.7 million (2.7%) lower than for the same month in the previous fiscal year while year-to-date expenditures were $114.6 million (7.2%) higher than at the same point in fiscal year 2015.

Department of Rehabilitation and Correction

April disbursements for the Department of Rehabilitation and Correction totaled $133.2 million and were $22.0 million (14.2%) below estimate. This variance was primarily attributable to lower than estimated disbursements for Institutional Operations, and payments for Community Based Correctional Facilities, Halfway Houses, and Community Nonresidential Programs being made in March instead of April as estimated. This variance was partially offset by higher than estimated disbursements for Parole and Community Operations contracts.

Department of Youth Services

April disbursements for the Department of Youth Services totaled $12.1 million and were $1.4 million (10.3%) below estimate. This variance was primarily attributable to Community Corrections Facilities payments estimated to occur in April being moved to May.

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.

April disbursements in this category totaled $34.4 million and were $3.8 million (9.9%) below estimate. Year-to-date disbursements were $304.3 million, which was $29.6 million (8.9%) below estimate. On a year-over-year basis, disbursements in this category were $1.5 million (4.6%) higher than for the same month in the previous fiscal year while year-to-date expenditures were $8.4 million (2.8%) higher than at the same point in fiscal year 2015.

Department of Administrative Services

April disbursements for the Department of Administrative Services (DAS) totaled $1.3 million and were $3.2 million (71.5%) below estimate. As with previous months, this variance was primarily attributable to the timing of quarterly rent payments for certain GRF-supported agencies in state buildings. These payments will occur in May instead of April 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. April property tax reimbursements totaled $420.0 million and were $252.9 million (151.3%) above estimate. Year-to-date disbursements totaled $1,448.0 million and were $320.0 million (28.4%) above estimate. Both the monthly and year-to-date variances were 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

April payments for debt service totaled $78.9 million and were $3.3 million (4.0%) below estimate. This variance was primarily attributable to refunding savings and continued low market interest rates. Year-to-date debt service payments were $1,265.5 million and were $25.6 million (2.0%) below estimate.

Transfers Out

April transfers out totaled $24.0 thousand and were $4.4 million (99.5%) below estimate. This variance was primarily attributable to a scheduled transfer occurring earlier in the fiscal year. Year-to-date transfers out were $831.5 million and were $23.6 million (2.9%) above estimate

Table 3

GENERAL REVENUE FUND DISBURSEMENTS

ACTUAL FY 2016 VS ESTIMATE FY 2016

($ in thousands)

Functional Reporting Categories Description	MONTH ACTUAL APRIL	MONTH ESTIMATED APRIL	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	882,737	904,441	(21,705)	-2.4%	6,666,459	6,712,254	(45,795)	-0.7%
Higher Education	179,428	184,240	(4,812)	-2.6%	1,856,055	1,875,696	(19,641)	-1.0%
Other Education	3,230	6,750	(3,520)	-52.1%	62,120	60,422	1,698	2.8%
Medicaid	1,436,072	1,289,826	146,246	11.3%	15,103,503	15,508,260	(404,757)	-2.6%
Health and Human Services	111,743	145,251	(33,507)	-23.1%	1,136,687	1,224,608	(87,920)	-7.2%
Justice and Public Protection	169,101	193,176	(24,075)	-12.5%	1,709,427	1,704,804	4,623	0.3%
General Government	34,443	38,228	(3,785)	-9.9%	304,318	333,931	(29,613)	-8.9%
Property Tax Reimbursements	420,034	167,177	252,857	151.3%	1,447,966	1,127,928	320,038	28.4%
Capital Outlay	0	0	0	N/A	0	0	0	N/A
Debt Service	78,876	82,148	(3,272)	-4.0%	1,265,492	1,291,107	(25,616)	-2.0%
Total Expenditures & ISTV's	3,315,664	3,011,237	304,428	10.1%	29,552,027	29,839,010	(286,983)	-1.0%
Transfers Out:								
BSF Transfer Out	0	0	0	N/A	425,500	425,500	0	0.0%
Operating Transfer Out	24	4,400	(4,376)	-99.5%	406,027	382,431	23,596	6.2%
Temporary Transfer Out	0	0	0	N/A	0	0	0	N/A
Total Transfers Out	24	4,400	(4,376)	-99.5%	831,527	807,931	23,596	2.9%
Total Fund Uses	3,315,688	3,015,637	300,051	9.9%	30,383,554	30,646,941	(263,387)	-0.9%

Table 4

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

Functional Reporting Categories Description	MONTH APRIL FY 2016	MONTH APRIL 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	882,737	574,418	308,319	53.7%	6,666,459	6,225,762	440,698	7.1%
Higher Education	179,428	171,181	8,247	4.8%	1,856,055	1,789,960	66,095	3.7%
Other Education	3,230	2,884	346	12.0%	62,120	48,579	13,541	27.9%
Medicaid	1,436,072	1,215,101	220,970	18.2%	15,103,503	12,935,620	2,167,883	16.8%
Health and Human Services	111,743	92,922	18,821	20.3%	1,136,687	1,121,172	15,515	1.4%
Justice and Public Protection	169,101	173,847	(4,746)	-2.7%	1,709,427	1,594,780	114,647	7.2%
General Government	34,443	32,917	1,526	4.6%	304,318	295,944	8,374	2.8%
Property Tax Reimbursements	420,034	191,551	228,483	119.3%	1,447,966	1,127,955	320,011	28.4%
Capital Outlay	0	0	0	N/A	0	0	0	N/A
Debt Service	78,876	70,062	8,814	12.6%	1,265,492	1,227,179	38,312	3.1%
Total Expenditures & ISTV's	3,315,664	2,524,884	790,780	31.3%	29,552,027	26,366,951	3,185,076	12.1%
Transfers Out:								
BSF Transfer	0	0	0	N/A	425,500	0	425,500	N/A
Operating Transfer Out	24	11	13	111.7%	406,027	587,846	(181,820)	-30.9%
Temporary Transfer Out	0	0	0	N/A	0	0	0	N/A
Total Transfers Out	24	11	13	111.7%	831,527	587,846	243,680	41.5%
Total Fund Uses	3,315,688	2,524,896	790,793	31.3%	30,383,554	26,954,798	3,428,756	12.7%

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**	34,812,972
Less FY 2016 Estimated Total Encumbrances as of June 30, 2016	339,059
Less FY 2016 Estimated Transfers Out	810,931
Total Estimated Uses	**35,962,962**
FY 2016 ESTIMATED UNENCUMBERED ENDING FUND BALANCE	**469,402**

* 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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