



June 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

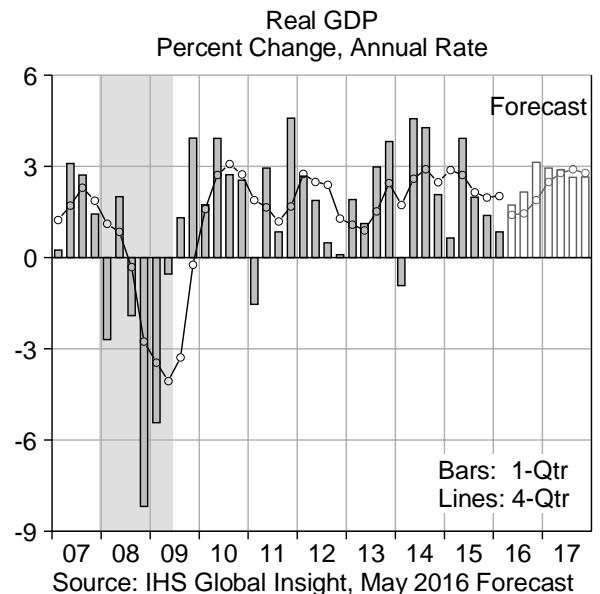
Economic Performance Overview

- First-quarter real GDP growth was revised up to 0.8% from the initial 0.5% estimate, but still reflects a slowdown from 1.4% in the fourth quarter. Forecasters call for a moderate pickup in growth during the balance of the year.
- U.S. employment growth slowed to 38,000 jobs in May and the unemployment rate fell 0.3 points to 4.7%, due to a large decline in the labor force.
- Ohio nonfarm payroll employment decreased by 13,600 jobs in April, retracing part of the large gains in February and March. The unemployment rate drifted higher to 5.2%, as hiring did not keep pace with the increase in job seekers.
- The consumer sector remains strong, while manufacturing continues to struggle. Construction activity pulled back in April, but likely remains in an uptrend.

Economic Growth

Real GDP growth was revised slightly higher to 0.8%. Compared with a year earlier, growth was 2.0% – 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 since the first quarter of 2013.

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, exports, private inventory investment, 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, decreased slightly, thus providing a small boost to GDP.



The deceleration in overall GDP growth from 1.4% in the fourth quarter to 0.8% 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 -6.2%;
- iii) A switch from increasing to decreasing federal government expenditure, which went from +2.3% to -1.6%.

Partly offsetting these effects were an upturn in state and local government spending, which had declined in the previous quarter, and acceleration in residential fixed investment (housing).



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 0.6% in April, breaking a weak stretch during December-March. Nine of the ten components made positive contributions in the most recent month, led by the interest rate spread. Only consumer sentiment made a negative contribution.

The year-over-year rate of change in the LEI has stabilized near 2% in recent months after an abrupt slowdown that started in mid-2014, 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 negatively affected by the strength of the dollar, weaker demand growth overseas, and the sharp pullback in the energy industry. Strength in labor markets – aside from the weak May employment report – and benefits from lower energy costs appear to be bolstering consumer income and spending.

On the other hand, the diffusion of changes in the **Coincident Economic Index** across the states has begun to weaken again, indicating more broad-based deterioration in activity across the country. In April, the number of states with positive month-to-month changes fell to 39 – the narrowest since December 2010. The number was as high as all 50 states in September and October of 2014. The number of states for which the index increased over a 3-month span remained at 42 in April. In both cases, further deterioration would be necessary to ring the recession alarm bell, but recent developments are not consistent with broadening economic strength across the country.

The **Ohio Leading Economic Index** from the Philadelphia Federal Reserve decreased to 0.4% in April and March was revised downward from 1.6% to 0.8%. The index is designed to predict the rate of change in the coincident index during the next six months. The recent pattern suggests that the Ohio economy will continue to grow but that growth may slow through the spring and summer.

The number of states with a positive **Leading Economic Index** was 42 in April, up one from March and the same as in February. The current reading is down from all 50 states in November 2014 and the lowest level since early in the expansion. Nevertheless, the current 8 negative readings remain 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 2.1% for the second quarter, according to the Survey of Professional Forecasters (SPF) conducted by the Philadelphia Federal Reserve and released in May. A widely followed tracking estimate of GDP that is compiled by the Atlanta Federal Reserve Bank was 2.5% in early June, while the Blue Chip consensus was 2.3%.

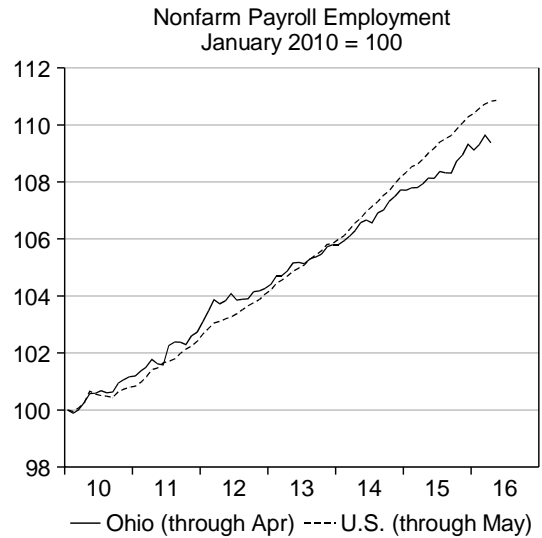
Employment

Job growth slowed for the third month in a row in May to the slowest pace since September 2010. **U.S. nonfarm payrolls** increased by 38,000 jobs during the month, which was well below expectations of close to 160,000 jobs. Employment growth during the two previous months was revised down by a total of 59,000 jobs. Job growth has averaged 116,000 jobs in the most recent three months and 200,000 per month during the most recent twelve months.

Employment declines were spread across sectors, with information (-34,000) leading the way, followed by manufacturing (-18,000), construction (-15,000), and mining (-10,000). The drop in the information category reflected a 37,200 job decline at firms in the telecommunications industry. Employment at temporary help agencies, which is included in the professional and business services category and is sometimes viewed as a predictor of job growth, decreased by 21,000 jobs. The professional and business services category added just 10,000 jobs, down from an average during the previous twelve months of 50,000 jobs.

Most of the net new jobs during May were added in the education and health services category (+67,000), led by health care (+45,700). Employment grew by 11,000 jobs in the leisure and hospitality sector, reflecting a gain of 22,200 jobs at food services and drinking places.

The **unemployment rate** fell by 0.3 points to 4.7%, due entirely to a large reduction in the labor force – the second large decline in as many months. The back-to-back declines followed several months of strong increases. The broadest measure of unemployment – the U-6 unemployment rate – was unchanged from 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 desiring full-time work. Average hourly earnings rose 0.2 points to 2.5% above the year earlier level.



Ohio nonfarm payroll employment decreased by 13,600 jobs in April and the March gain was revised down from a gain of 18,300 jobs to a gain of 15,900 jobs. Most sectors contributed to the month-over-month decline, led by government (-7,000), professional and business services (-5,100), trade, transportation and utilities (-2,900), and manufacturing (-2,700). Almost all of the decline in government employment occurred at the local level. The only sectors making positive contributions were financial activities (+4,100), educational and health services (+1,200), and construction (+900).

Despite the April decline, Ohio employment increased by 71,900 jobs during the twelve months ending in April. The largest employment gains occurred in education and health services (+24,000), leisure and hospitality (+15,500), trade, transportation and utilities (+11,200), financial activities (+9,800), and construction (+10,200). Year-over-year declines occurred in mining (-2,900), manufacturing (-1,700), and professional and business services (-700).

Among the **contiguous states**, year-over-year employment growth was strongest in Michigan (+2.5%), followed by Kentucky (+1.9%), Indiana (+1.6%), and Ohio (+1.3%). Employment increased by only 0.9% in Pennsylvania and declined from a year earlier in West Virginia (-0.6%). Manufacturing employment year-over-year declined by 0.2% in Ohio. Among the contiguous states, manufacturing employment year-over-year growth was 3.4% in Michigan, 2.8% in Kentucky, and 0.6% in Indiana. Manufacturing employment decreased by 0.7% in Pennsylvania and was unchanged in West Virginia.

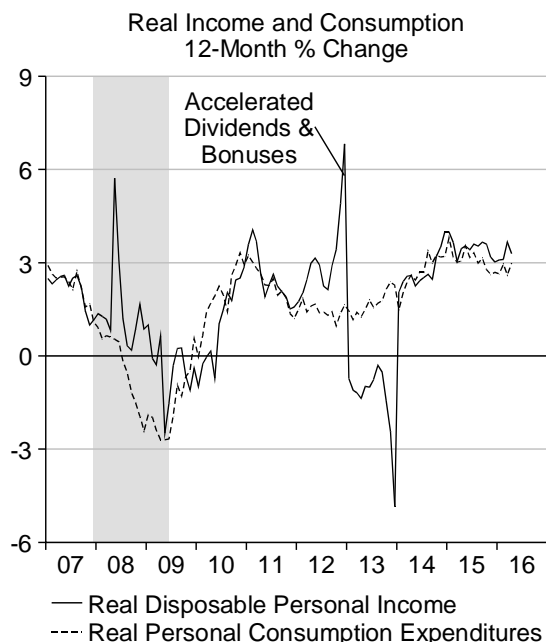
The **Ohio unemployment rate** continued to drift higher in April, rising 0.1 point to 5.2%. The rate is up 0.6 points from the cyclical low of 4.6% reached last September. The increase during the seven months resulted from an even larger increase in the Ohio labor force (+131,912) than in total employment (+92,589). The recent strong increases in the Ohio labor force should be viewed with some skepticism, as they may be subject to later revision. The unemployment rate was 0.2 points higher than a year earlier.

Across the country in April, the unemployment rate decreased by a statistically significant amount in 5 states, increased in 4 states, and was not statistically different from the month before in 41 states. The unemployment rate was lower than a year earlier by a statistically significant margin in 19 states and meaningfully higher only in Wyoming.

Consumer Income and Consumption

The rebound in personal income during March carried into April and began to show up in personal consumption expenditures (PCE). **Personal income** increased 0.4% in April for the second month in a row. **Wage and salary disbursements** – the largest single component of personal income – increased by 0.5%, up from a 0.4% increase the month before.

Inflation remains low, providing some support to consumer spending. The **Consumer Price Index (CPI)** increased 0.4% in April after declining on balance for four months, but stood only 1.1% above the year earlier level. The larger-than-usual monthly increase reflected a 3.4% increase in energy prices that included an 8.1% increase in the price of gasoline. Analysts expect inflation to move higher in coming months as the steep decrease in energy prices that began in mid-2014 begins to add to rather than subtract from year-over-year comparisons.



Excluding the volatile food and energy categories as a means of assessing the underlying trend, the index increased 0.2 points in April to 2.1% 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 a little bit higher at 2.5% year-over-year. The measure of inflation that is most closely watched by the Federal Reserve, the “core” (excluding food and energy) PCE deflator, increased 0.1 point in March to 1.6% above its year earlier level.

Personal consumption expenditures accelerated from a standstill in March to a gain of 1.0% in April – the fastest pace in a single month in almost seven years. Increases were broad-based across categories. Spending on services increased 0.6%, while spending on non-durable goods increased 1.4% and spending on durable goods jumped 2.3%. The increase in spending on durable goods reflected the rebound in purchases of **light motor vehicles** from March to April. Vehicle sales were essentially flat in May at an annual rate of 17.4 million units. After increasing at an annual rate of 1.9% in the first quarter, prognosticators expect consumption growth to approach 3% in each of the three remaining quarters of the year.

On the other hand, consistent with the mixed indicators in a number of sectors of the economy, retailers in and around Ohio have reported disappointing sales since Easter, compared with the year ago period, according to a survey of businesses by the Federal Reserve Bank of Cleveland

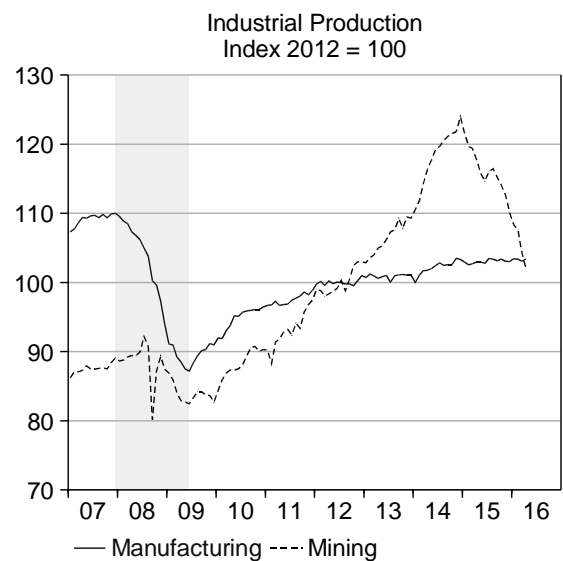
that was conducted in May. Other than active wear, apparel was said to be soft and home furnishings were mixed. Restaurants were the only category reporting strong activity. Consolidation is a trend, as small local businesses are either becoming part of a regional or national franchise or closing. Little change in conditions is expected soon.

Consumer confidence was decidedly mixed in May, with the Conference Board's index slipping and the University of Michigan/Reuters index rising. In addition, the expectations and current conditions sub-indexes also moved in opposite directions across the two surveys. What remains the same is that the main indexes are very near or above their averages during past periods of economic expansion, suggesting no imminent obstacles to continued growth in consumer spending.

Manufacturing

Industrial activity showed some signs of revival in April, but continues to be held back by the strengthening of the dollar in recent years and the sharp pullback in the energy industry.

Industrial production increased 0.7%, following six declines in the previous seven months; however, the March change was revised from a decline of 0.6% to a larger decline of 0.9%. **Mining output** remained a drag on overall industrial activity, falling 2.3% for the eighth consecutive monthly decline. **Utility output** jumped 5.8%, as weather shifted from a mild end to winter to a more normal beginning to spring. **Manufacturing output** increased 0.3%, recouping the decline in the previous month to remain only 0.4% higher than a year earlier.



In and around Ohio, manufacturers have reported a modest increase in activity on balance. Positive trends continue for suppliers to the motor vehicle, aerospace, commercial construction, and housing industries. Respondents cited the recent pullback in the foreign exchange value of the dollar as a positive factor. Uncertainty about the outlook is keeping inventories in check. Steel producers cheered the increase in prices year-to-date, and the outlook continues to improve.

Reports from **purchasing managers** remained consistent with an expanding manufacturing sector during May at about the same level as the month before. The PMI[®] increased by 0.5 points to 51.3 for the third month in a row above the neutral level of 50. The important New Orders index was essentially unchanged at 55.7, as was the index for New Export Orders, which stayed at 52.5. The Production index declined from 54.2 to 52.6. The Backlog of Orders index dropped from 50.5 to 47.0 even though Supplier Deliveries moved up from 49.1 to 54.1. Prices Paid continued its steep rise from the recent low in February, rising from 59.0 to 63.5.

Of the 18 industries tracked by the Manufacturing ISM[®] *Report on Business*, 12 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 all expanded, according to purchasing managers. Activity in the transportation equipment industry contracted.

Anecdotal evidence from the *Report on Business* was mostly positive. One respondent in the fabricated metal products industry referred to a “continued brisk order flow for our business.” A representative of the machinery industry reported “steady to slightly up production rates vs. prior month.” A purchasing manager in the transportation industry reported that “business is still good, but slowing.”

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 just below 50 dollars per barrel, 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 dollar is down about 5.5% from its peak in January and back to its level of a year ago, although still about 18% higher than two years ago.

Construction

Construction put-in-place was weak across the board in April, falling by 1.8%. The weakness is likely related to timing, as the categories that are source data for GDP increased at an annual rate of 11.6% in the first quarter. Private construction decreased 1.5%, while public construction sank 2.8%. The setback in total construction put-in-place occurred in both the residential and nonresidential sectors, both of which decreased 1.5% on the month. Compared with a year earlier, total construction grew 4.5% – well below the 13.7% year-over-year comparison last August.

The decrease in **private nonresidential** construction put-in-place followed an upwardly revised increase of 1.3% in March and 0.9% in February. Modest increases in office, religious, and transportation construction were offset by large decreases in commercial, communications, manufacturing, and health care construction. The decrease in **private residential** construction put-in-place reflected a decrease in the multi-family category and a large estimated decrease in improvements, as single-family activity was essentially unchanged.

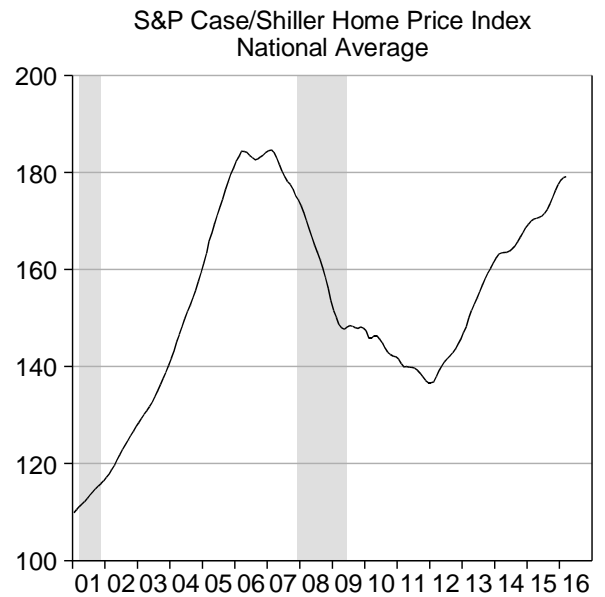
Nonresidential contractors have reported that business conditions remain favorable in and around Ohio, according to the Cleveland Fed survey. A key contributor has been an increase in the number of publicly funded projects, reflecting passage of the federal highway bill, and industrial projects. In general, respondents said that pipelines are strong and backlogs continue to build.

Fortunes reversed for housing construction and sales in May. **Housing permits** were down again on a 3-month moving average basis, but by a smaller amount than in previous months because of strength in May. The Midwest largely followed the national trend, as total permits were down due to little change in the single-family category and a decline in the multi-family category.

Housing starts were notably stronger than permits, rising 1.3% nationally and 6.2% in the Midwest on a 3-month moving average basis. As was the case with permits, multi-family starts were stronger than single-family starts.

Existing home sales and **new home sales** were mixed in May, as existing home sales were down slightly and new home sales increased 5.8%, both on a 3-month moving average basis. The pattern was the opposite in the Midwest, where existing home sales increased and new home sales decreased. 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 higher again in April both across the country (+3.4%) and the Midwest (+3.6%).

Home prices across the country posted their 50th consecutive increase in March, rising by 0.1 point to 5.1% 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. According to the Freddie Mac Home Price Index, prices increased 0.4% in March and were 5.8% higher than a year earlier. Across Ohio, prices increased 0.4% in March and 6.8% from a year ago. Columbus experienced the largest increases of 0.8% month-over-month and 8.3% year-over-year, followed by Cincinnati at 0.6% and 5.5%, and Cleveland at 0.4% and 4.6%.



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.

May GRF receipts totaled \$2,824.2 million and were \$353.6 million (11.1%) below the estimate. A \$386.2 million negative variance in tax receipts was partially offset by positive variances in non-tax receipts and transfers of \$18.5 million and \$14.0 million, respectively.

Monthly tax receipts totaled \$1,908.8 million and were \$386.2 million (16.8%) below the estimate. Non-tax receipts totaled \$901.4 million and were \$18.5 million (2.1%) above the estimate, while transfers totaled \$14.0 million. Within the tax revenue category, the domestic insurance tax variance (\$246.8 million or 98.1%) represents approximately 64% of the shortfall. The cigarette and other tobacco tax also had a large negative variance of \$65.8 million or 42.8%. Both of these May shortfalls were related to changes made in H.B. 64, the biennial budget bill, which amended the payment processes for both taxes and resulted in significant payment amounts being made in June rather than in May as in prior years. These payment timing changes were not reflected in the OBM monthly estimates. June receipts in the domestic insurance tax and the cigarette and other tobacco tax are likely to exceed the estimate by an amount close to the May shortfall. Had the payments been made in May, the monthly shortfall in tax receipts would have been \$73.6 million or 3.2%. Personal income tax collections (\$29.7 million or 4.9%) were below estimate due to lower than anticipated withholding collections. Within non-tax receipts federal grants were \$24.5 million (or 2.8%) above the estimate, accounting for more than the entirety of the May overage. Below estimate collections in the license and fees category (\$6.1 million or 91.0%) offset part of the federal grant overage.

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

<u>Individual Revenue Sources Above Estimate</u>		<u>Individual Revenue Sources Below Estimate</u>	
Federal Grants	\$24.5	Domestic Insurance Tax	(\$246.8)
Transfers In - Other	\$14.0	Cigarette & Other Tobacco	(\$65.8)
Non-Auto Sales & Use Tax	\$3.2	Personal Income Tax	(\$29.7)
Financial Institutions Tax	\$1.7	Auto Sales & Use Tax	(\$18.8)
		Foreign Insurance Tax	(\$10.3)
		Commercial Activities Tax	(\$9.7)
		License & Fees	(\$6.1)
Other Sources Above Estimate	\$1.6	Other Sources Below Estimate	(\$11.4)
Total above	\$45.0	Total below	(\$398.6)

For the fiscal year, tax revenues are below the estimate, with a shortfall of \$503.3 million (2.5%). Part of this shortfall will be recovered in June with collections from the domestic insurance tax and the cigarette and other tobacco products tax. Non-tax revenues are \$174.7 million (1.5%) below estimate, with more than the entire shortfall arising from federal grants, which are \$199.6 million (1.7%) below estimate. Transfers are \$17.9 million (9.3%) over estimate. Had the domestic insurance tax and cigarette and other tobacco products tax payments been made in May at the estimated amounts, year-to-date tax receipts would be below the estimate by \$190.7 million or 0.9%.

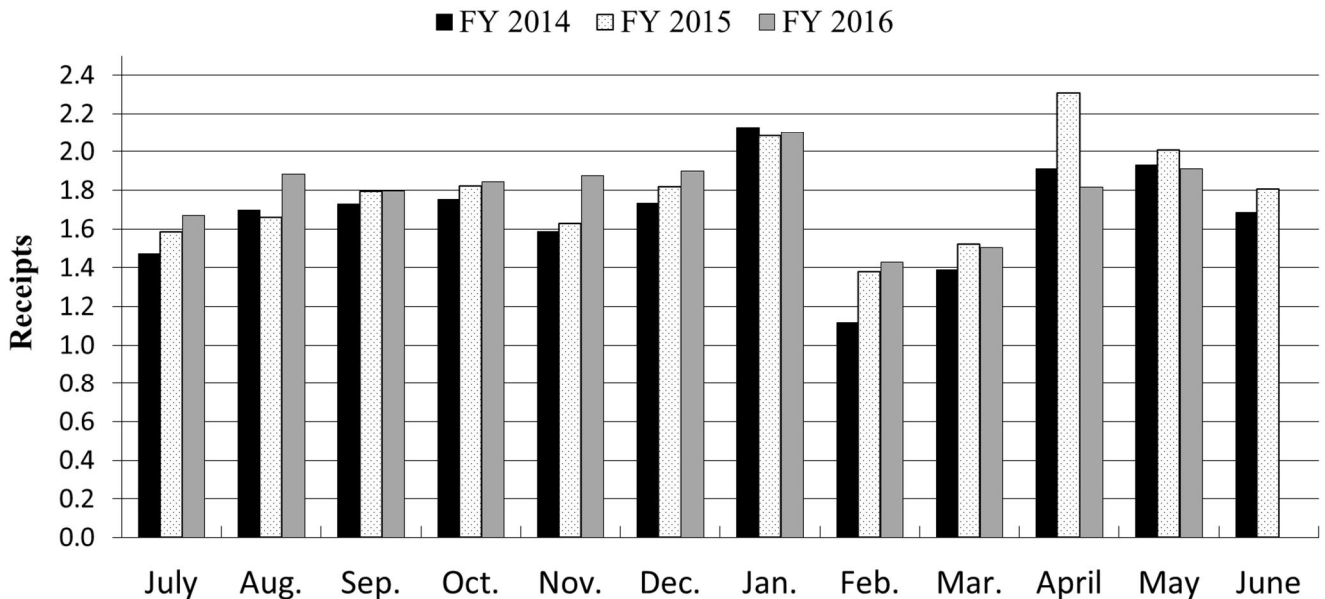
Category	Includes:	YTD Variance	% Variance
Tax receipts	Sales & use, personal income, corporate franchise, financial institutions, commercial activity, MCF, public utility, kilowatt hour, foreign & domestic insurance, other business & property taxes, cigarette, alcoholic beverage, liquor gallonage, & estate	(\$503.3 million)	-2.5%
Non-tax receipts	Federal grants, earnings on investments, licenses & fees, other income, intrastate transfers	(\$174.7 million)	-1.5%
Transfers	Budget stabilization, liquor transfers, capital reserve, other	\$17.9 million	9.3%
TOTAL REVENUE VARIANCE:		(\$660.1 million)	-2.1%

On a year-over-year basis, monthly receipts were \$136.8 million (5.1%) higher than May of the previous fiscal year, as a result of the \$222.1 million (or 32.7%) increase in non-tax receipts. A reduction in tax receipts (\$99.4 million or 4.9%), however, offset almost half of this growth. The domestic insurance tax (\$167.4 million or 97.3%) and the cigarette and other tobacco product tax (\$28.9 million or 24.8%) account for more than the entirety of the decline in tax receipts due to the payment date changes discussed previously. Auto sales and use tax collections also declined in May relative to last year by \$7.6 million or 6.3%. However, growth in the commercial activity tax (CAT) of \$78.5 million or 44.3%, personal income tax (\$27.2 million or 4.9%), and the non-auto sales and use tax (\$11.4 million or 1.5%) partially offset the declines in other areas. Growth in federal grants (\$231.5 million or 34.6%) represents all of the growth in the non-tax receipts category.

The increase in GRF CAT collections is primarily due to law changes in H.B. 64, the biennial operating budget, which increased the share of total CAT collections going to the GRF from 50% to 75%.

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.

Tax Revenue Comparison by Month (\$ in billions)



Personal Income Tax

May personal income tax receipts totaled \$578.7 million and were \$29.7 million or 4.9% below the estimate. More than the entirety of the monthly shortfall is in withholding collections (\$49.3 million or 7.1%). This negative variance was partly offset by above estimate collections in quarterly estimated payments (\$4.3 million or 97.1%), trust payments (\$9.5 million or 84.6%), and payments associated with annual returns (\$18.3 million or 49.3%). Higher than anticipated refunds (\$11.0 million or 9.4%) and lower than expected miscellaneous collections (\$2.7 million or 25.1%) also contributed to the monthly shortfall.

May receipts from trust payments and payments associated with annual returns exceeded the monthly estimate by a combined \$27.8 million (or 57.5%). This partially offsets the large negative variance in these categories from April and is likely the result of “spillover” revenue from slower than expected processing of payments discussed in the previous edition of this report.

Year-to-date receipts totaled \$7,023.4 million and were \$231.0 million or 3.2% below the estimate. Negative variances in all personal income tax components have contributed to the year-to-date shortfall: payments associated with annual returns (\$103.8 million or 13.4%), withholding collections (\$72.7 million or 1.0%), refunds (\$24.4 million or 1.3%), quarterly estimated payments (\$21.2 million or 2.5%), trust payments (\$1.8 million or 2.8%), and the miscellaneous category (\$9.2 million or 9.1%).

FY2016 PERSONAL INCOME TAX RECEIPTS BY COMPONENT (\$ in millions)						
	ESTIMATE	ACTUAL	\$ VAR	ESTIMATE	ACTUAL	\$ VAR
	MAY	MAY	MAY	Y-T-D	Y-T-D	Y-T-D
Withholding	\$694.0	\$644.7	(\$49.3)	\$7,644.8	\$7,572.1	(\$72.7)
Quarterly Est.	\$4.4	\$8.7	\$4.3	\$837.8	\$816.6	(\$21.2)
Trust Payments	\$11.2	\$20.7	\$9.5	\$63.5	\$61.7	(\$1.8)
Annual Returns & 40 P	\$37.2	\$55.5	\$18.3	\$773.6	\$669.8	(\$103.8)
Other	\$10.8	\$8.1	(\$2.7)	\$101.1	\$91.9	(\$9.2)
Less: Refunds	(\$117.0)	(\$128.0)	(\$11.0)	(\$1,827.4)	(\$1,851.7)	(\$24.3)
Local Distr.	(\$32.2)	(\$31.0)	\$1.2	(\$339.0)	(\$337.0)	\$2.0
Net to GRF	\$608.4	\$578.7	(\$29.7)	\$7,254.4	\$7,023.4	(\$231.0)
Detail may not add to total due to rounding						

On a year-over-year basis, May 2016 GRF income tax collections were \$27.2 million or 4.9% above May 2015 collections. Withholding (\$19.1 million or 3.0%), trust payments (\$6.9 million or 50.3%), and payments associated with annual returns (\$12.7 million or 29.5%) all experienced year-over-year growth. Conversely, quarterly estimated payments (\$2.2 million or 20.2%) and miscellaneous collections (\$3.4 million or 29.4%) fell below the amount collected in the same month of the previous fiscal year. Refunds (\$14.0 million or 12.3%) were also above the May 2015 level.

Through May, year-to-date income tax receipts were \$687.0 million or 8.9% below the same point of the previous fiscal year. More than the entirety of the decline resulted from increased refunds (\$382.7 million or -26.1%) and lower payments associated with annual returns (\$315.7 million or -32.0%). There were also decreases in quarterly estimated payments (\$73.9 million or -8.3%), trust payments (\$2.7 million or -4.2%), and miscellaneous collections (\$7.8 million or 7.8%). Employer withholding is currently the only category where collections have grown relative to last year, by \$102.0 million or 1.4%.

It is to be expected that income tax collections are 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 been felt for the last ten 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. 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 \$687.0 million, or 8.9%, 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

May non-auto sales and use tax collections totaled \$779.4 million and were \$3.2 million (0.4%) above estimate, ending a series of three consecutive monthly shortfalls in the February through April period. The May overage pushed year-to-date collections to \$7.1 million, or 0.1%, above estimate. Year-over-year growth is now \$313.3 million, or 3.9%.

As stated in the economic overview, national economic data would suggest that consumer spending and the non-auto sales tax should continue to grow in the remainder of fiscal year 2016. Although May job growth was weak, there is additional evidence of accelerating wage growth, and labor market fundamentals had been strong for some time before weakening in May. Some of the benefits of low energy costs and low overall inflation have weakened as gasoline prices have raised from previous lows. Still, consumer fundamentals remain generally sound and should support further growth in consumption and sales tax revenues.

Auto Sales Tax

The auto sales tax fell short of the estimate by \$18.8 million, or 14.3%, following a \$12.3 million shortfall in April. The April shortfall coincided with a drop in national light vehicle sales to a 16.5 million unit pace in March. OBM had thought that auto sales tax revenues might rebound in May given that vehicle sales rebounded to an annualized pace of 17.3 million in April, almost equal to the February pace. However, this did not occur. Not only were auto sales tax collections below the estimate, they also fell by \$7.6 million, or 6.3%, from a year ago.

The April and May negative variances have dropped the year-to-date overage down to \$7.4 million, or 0.6%. Collections have increased by \$30.9 million, or 2.6%, from the same point in the previous fiscal year.

While economic conditions such as income growth and low interest rates remain favorable for auto purchases, gasoline prices have risen and this may reduce demand for larger, higher-priced vehicles and thus create a drag on growth in auto sales tax revenues going forward.

Commercial Activity Tax

May collections of commercial activity tax (CAT) were \$9.7 million, or 3.7%, below estimate. The year-to-date shortfall thus increased to \$22.7 million, or 1.8%.

The May payment was the final quarterly payment of the CAT for fiscal year 2016. Only a small amount of late payment revenue is expected in June. Thus, the results for the fiscal year are likely to be very close to what they were at the end of May.

As of the end of October, GRF CAT collections were \$32.1 million below estimate. Collections made up more than half of that shortfall through March, but resumed falling short in April and May.

Once again, preliminary evidence suggests that higher than expected amounts of tax credits are to blame. The May quarterly payment was on target with the estimate partway through the month, but then a number of refundable credits caused revenues to shrink by month's end.

Despite the lingering shortfall compared to the estimate, year-to-date GRF CAT revenues have increased substantially from fiscal year 2015. Year-to-date collections are up by \$402.2 million, or 47.3% 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 percent to 75 percent, as the needed funds for property tax replacement payments have declined.

All funds CAT revenues were \$14.3 million below estimate in May. For the year, all funds CAT revenues are \$31.6 million below estimate. The percentage shortfall is the same as for the GRF, -1.8%. Growth in all funds CAT revenues is negative for the year, at -1.8%. 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)

Cigarette and Other Tobacco Products Tax

Cigarette and other tobacco product (OTP) tax collections were \$65.8 million (42.8%) below estimate in May. The May shortfall is attributable to the law change in the budget bill that gave taxpayers until June 23 to "settle up" for tax stamps purchased on credit. Under prior law, such settlement was due in May, and so May revenues were generally about double what they were in an average month of the fiscal year. This year, that double revenue month is likely to be June. OBM thus believes that June revenues will exceed the estimate and cigarette and OTP collections will end the year above estimate.

Domestic Insurance Tax

Domestic insurance tax collections in May were \$4.7 million, or \$246.8 million (98.1%) below estimate. As with the cigarette and OTP tax shortfall, OBM believes that this is a timing matter that will be reversed in June, related to a law change that results in payments falling later in the fiscal year than before. If the amounts due are paid timely in June, collections should end above estimate in fiscal year 2016.

GRF Non-Tax Receipts and Transfers

GRF non-tax receipts totaled \$901.4 million in May and were \$18.5 million (2.1%) above the estimate. Federal grants accounted for more than all of the May variance, finishing \$24.5 million, or 2.8%, above estimate. Both the GRF overspending in Medicaid and the associated overage in federal grants were largely the result of non-GRF hospital assessment revenues continuing to be delayed, which necessitated higher than expected GRF spending and higher federal grant receipts. This spending and revenue overage should be reversed over the last month of the fiscal year.

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

REVENUE SOURCE	MONTH				YEAR-TO-DATE			
	ACTUAL MAY	ESTIMATE MAY	\$ VAR	% VAR	ACTUAL Y-T-D	ESTIMATE Y-T-D	\$ VAR	% VAR
TAX RECEIPTS								
Non-Auto Sales & Use	779,357	776,200	3,157	0.4%	8,266,653	8,259,600	7,053	0.1%
Auto Sales & Use	112,981	131,800	(18,819)	-14.3%	1,222,599	1,215,200	7,399	0.6%
Subtotal Sales & Use	892,338	908,000	(15,662)	-1.7%	9,489,252	9,474,800	14,452	0.2%
Personal Income	578,705	608,400	(29,695)	-4.9%	7,023,358	7,254,400	(231,042)	-3.2%
Corporate Franchise	517	0	517	N/A	32,886	0	32,886	N/A
Financial Institutions Tax	27,235	25,550	1,685	6.6%	187,215	166,350	20,865	12.5%
Commercial Activity Tax	255,392	265,100	(9,708)	-3.7%	1,252,264	1,275,000	(22,736)	-1.8%
Petroleum Activity Tax	0	0	0	N/A	5,598	4,900	698	14.3%
Public Utility	26,106	30,600	(4,494)	-14.7%	101,513	105,200	(3,687)	-3.5%
Kilowatt Hour	24,329	25,700	(1,371)	-5.3%	316,795	330,700	(13,905)	-4.2%
Natural Gas Distribution	26,651	32,200	(5,549)	-17.2%	60,712	67,900	(7,188)	-10.6%
Foreign Insurance	(23,618)	(13,300)	(10,318)	-77.6%	293,569	302,100	(8,531)	-2.8%
Domestic Insurance	4,716	251,500	(246,784)	-98.1%	5,281	256,400	(251,119)	-97.9%
Other Business & Property	6	0	6	N/A	98	0	98	N/A
Cigarette and Other Tobacco	87,740	153,500	(65,760)	-42.8%	855,761	893,300	(37,539)	-4.2%
Alcoholic Beverage	4,685	4,200	485	11.6%	49,508	49,200	308	0.6%
Liquor Gallonage	3,738	3,500	238	6.8%	41,239	40,000	1,239	3.1%
Estate	244	0	244	N/A	1,857	0	1,857	N/A
Total Tax Receipts	1,908,784	2,294,950	(386,166)	-16.8%	19,716,907	20,220,250	(503,343)	-2.5%
NON-TAX RECEIPTS								
Federal Grants	900,421	875,945	24,476	2.8%	11,212,207	11,411,853	(199,646)	-1.7%
Earnings on Investments	0	0	0	N/A	26,167	16,650	9,517	57.2%
License & Fees	605	6,700	(6,095)	-91.0%	56,095	50,787	5,308	10.5%
Other Income	373	217	155	71.4%	45,272	26,572	18,700	70.4%
ISTV'S	1	0	1	N/A	867	9,400	(8,533)	-90.8%
Total Non-Tax Receipts	901,399	882,862	18,537	2.1%	11,340,608	11,515,262	(174,654)	-1.5%
TOTAL REVENUES	2,810,183	3,177,812	(367,629)	-11.6%	31,057,515	31,735,512	(677,997)	-2.1%
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	14,033	0	14,033	N/A	209,508	191,600	17,908	9.3%
Temporary Transfers In	0	0	0	N/A	0	0	0	N/A
Total Transfers	14,033	0	14,033	N/A	209,508	191,600	17,908	9.3%
TOTAL SOURCES	2,824,217	3,177,812	(353,596)	-11.1%	31,267,023	31,927,112	(660,089)	-2.1%

Table 2
GENERAL REVENUE FUND RECEIPTS
ACTUAL FY 2016 VS ACTUAL FY 2015
(\$ in thousands)

REVENUE SOURCE	MONTH				YEAR-TO-DATE			
	MAY FY 2016	MAY FY 2015	\$ VAR	% VAR	ACTUAL FY 2016	ACTUAL FY 2015	\$ VAR	% VAR
TAX RECEIPTS								
Non-Auto Sales & Use	779,357	767,930	11,427	1.5%	8,266,653	7,953,324	313,328	3.9%
Auto Sales & Use	112,981	120,575	(7,594)	-6.3%	1,222,599	1,191,658	30,942	2.6%
Subtotal Sales & Use	892,338	888,505	3,833	0.4%	9,489,252	9,144,982	344,270	3.8%
Personal Income	578,705	551,473	27,232	4.9%	7,023,358	7,710,347	(686,989)	-8.9%
Corporate Franchise	517	(351)	868	247.0%	32,886	1,370	31,516	2300.5%
Financial Institutions Tax	27,235	24,718	2,517	10.2%	187,215	153,378	33,837	22.1%
Commercial Activity Tax	255,392	176,936	78,456	44.3%	1,252,264	850,061	402,203	47.3%
Petroleum Activity Tax	0	0	0	N/A	5,598	4,436	1,162	26.2%
Public Utility	26,106	34,154	(8,048)	-23.6%	101,513	96,914	4,599	4.7%
Kilowatt Hour	24,329	16,594	7,735	46.6%	316,795	275,939	40,856	14.8%
Natural Gas Distribution	26,651	33,676	(7,025)	-20.9%	60,712	74,653	(13,941)	-18.7%
Foreign Insurance	(23,618)	(14,882)	(8,735)	-58.7%	293,569	284,538	9,031	3.2%
Domestic Insurance	4,716	172,130	(167,414)	-97.3%	5,281	179,668	(174,386)	-97.1%
Other Business & Property	6	388	(382)	-98.5%	98	501	(403)	-80.4%
Cigarette and Other Tobacco	87,740	116,668	(28,928)	-24.8%	855,761	730,349	125,412	17.2%
Alcoholic Beverage	4,685	4,415	270	6.1%	49,508	50,976	(1,468)	-2.9%
Liquor Gallonage	3,738	3,518	220	6.3%	41,239	39,510	1,729	4.4%
Estate	244	216	28	13.0%	1,857	3,028	(1,170)	-38.7%
Total Tax Receipts	1,908,784	2,008,158	(99,373)	-4.9%	19,716,907	19,600,649	116,258	0.6%
NON-TAX RECEIPTS								
Federal Grants	900,421	668,932	231,489	34.6%	11,212,207	8,624,179	2,588,028	30.0%
Earnings on Investments	0	0	0	N/A	26,167	17,897	8,270	46.2%
License & Fee	605	527	77	14.7%	56,095	57,015	(920)	-1.6%
Other Income	373	572	(199)	-34.8%	45,272	25,187	20,085	79.7%
ISTV'S	1	9,256	(9,255)	-100.0%	867	10,084	(9,217)	-91.4%
Total Non-Tax Receipts	901,399	679,287	222,112	32.7%	11,340,608	8,734,361	2,606,247	29.8%
TOTAL REVENUES	2,810,183	2,687,444	122,739	4.6%	31,057,515	28,335,010	2,722,505	9.6%
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	14,033	0	14,033	N/A	209,508	24,272	185,236	763.2%
Temporary Transfers In	0	0	0	N/A	0	0	0	N/A
Total Transfers	14,033	0	14,033	N/A	209,508	24,272	185,236	763.2%
TOTAL SOURCES	2,824,217	2,687,444	136,772	5.1%	31,267,023	28,359,282	2,907,741	10.3%

DISBURSEMENTS

May GRF disbursements, across all uses, totaled \$2,809.4 million and were \$36.6 million (1.3%) below estimate. This was primarily attributable to lower than estimated disbursements in the Property Tax Reimbursements and Primary and Secondary Education categories being partially offset by higher than estimated disbursements in the Medicaid category. On a year-over-year basis, May total uses were \$135.1 million (5.1%) 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)	(\$328.6 million)	-1.0%
Transfers	Temporary or permanent transfers out of the GRF that are not agency expenditures	\$28.6 million	3.5%
TOTAL DISBURSEMENTS VARIANCE:		(\$300.0 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. May disbursements for this category totaled \$552.5 million and were \$50.8 million (8.4%) below estimate. Expenditures for the school foundation program totaled \$520.3 million and were \$69.4 million (11.8%) below estimate. This variance was primarily attributable to the timing of payments in the foundation funding line item due to a \$40 million payment for catastrophic cost reimbursement estimated to occur in May that will now be disbursed in future months. This variance was partially offset by above estimate disbursements for the student assessment line item due to payments for assessments being made in May instead of April as estimated. Year-to-date disbursements were \$7,218.9 million, which was \$96.6 million (1.3%) below estimate.

On a year-over-year basis, disbursements in this category were \$143.4 million (20.6%) lower than for the same month in the previous fiscal year while year-to-date expenditures were \$297.3 million (4.3%) higher than at the same point in fiscal year 2015.

Higher Education

May disbursements for the Higher Education category, which includes non-debt service GRF spending by the Department of Higher Education, totaled \$185.2 million and were \$0.8 million (0.4%) below estimate. This variance was primarily attributable to disbursements in the National Guard Tuition Grant Program being below estimate due to lower than estimated requests for reimbursement from higher education institutions. Year-to-date disbursements were \$2,041.2 million, which was \$20.4 million (1.0%) below estimate.

On a year-over-year basis, disbursements in this category were \$6.2 million (3.5%) higher than for the same month in the previous fiscal year while year-to-date expenditures were \$72.3 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.

May disbursements in this category totaled \$2.6 million and were \$0.8 million (23.2%) below estimate. Year-to-date disbursements in this category were \$64.7 million, which was \$0.9 million (1.5%) above estimate. On a year-over-year basis, disbursements in this category were \$0.4 million (19.7%) higher than for the same month in the previous fiscal year while year-to-date expenditures were \$14.0 million (27.5%) higher than at the same point in fiscal year 2015.

Medicaid

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

Please note that beginning in fiscal year 2016 Medicaid GRF disbursements include expenditures related to persons enrolled under the “Group 8” expansion program 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.

Expenditures

May GRF disbursements for the Medicaid Program totaled \$1,502.3 million and were \$133.8 million (9.8%) above the estimate, and \$441.4 million (41.6%) above disbursements for the same month in the previous fiscal year. The overage was due to a delay in the receipt of non-GRF hospital assessment revenues that temporarily caused a shift in spending from the non-GRF to the GRF, which will reverse in June. Year-to-date GRF disbursements totaled \$16,605.8 million and were \$270.9 million (1.6%) below the estimate, and \$2,609.2 million (18.6%) 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.

May all funds disbursements for the Medicaid Program totaled \$2,180.7 million and were \$278.2 million (11.3%) below the estimate, and \$257.7 million (10.6%) below disbursements for the same month in the previous fiscal year. Year-to-date all funds disbursements totaled \$22,298.3 million and were \$2,239.7 million (9.1%) below the estimate, and \$733.2 million (3.4%) above disbursements for the same point in the previous fiscal year.

The May all funds variance was primarily attributable 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. Spending for the managed care program was below estimate for the month due to lower monthly capitation rates that went into effect in January. Additionally, spending for the fee-for-service program was below estimate due to enrollment in this program being 13.9% 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 5.7% 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 disproportionately high amount of uncompensated care. Payments to hospitals under this program have been delayed while the state awaited approval from the federal government for a program change. Approval has been received, and these payments will be completed in June. 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)

	May Actual	May Projection	Variance	Variance %
GRF	\$ 1,502.3	\$ 1,368.4	\$ 133.8	9.8%
Non-GRF	\$ 678.4	\$ 1,090.4	\$ (412.0)	-37.8%
All Funds	\$ 2,180.7	\$ 2,458.9	\$ (278.2)	-11.3%

Enrollment

Total May 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 755 persons to a May total of 2.48 million persons, and the Aged, Blind and Disabled/Dual Eligible (ABD/Dual) category, which decreased by 2,399 persons to a May total of 372,048 covered lives.

Total enrollment across all categories for the same period last year was 3.07 million covered persons, including 2.48 million persons in the CFC/MAGI category and 410,152 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.

May disbursements in this category totaled \$73.1 million and were \$8.5 million (13.2%) above estimate. Year-to-date disbursements were \$1,209.8 million, which was \$79.4 million (6.2%) below estimate. On a year-over-year basis, disbursements in this category were \$5.1 million (6.6%) lower than for the same month in the previous fiscal year while year-to-date expenditures were \$10.4 million (0.9%) higher than at the same point in fiscal year 2015.

Department of Job and Family Services

May disbursements for the Department of Job and Family Services totaled \$24.9 million and were \$9.9 million (28.4%) below estimate. This variance was primarily attributable to several lines. First, Early Care and Education disbursements were \$9.3 million (79.2%) below estimate due to a change in the child care subsidy disbursement schedule. Second, Child Care State/Maintenance of Effort disbursements were \$2.5 million (99.5%) below estimate due to the timing of receipt of the federal award. These variances were partially offset by Family and Children Services disbursements which were \$1.6 million (195.5%) above estimate due to a portion of the county payments for the State Child Protective Allocation being made in May instead of April as estimated.

Department of Mental Health and Addiction Services

May disbursements for the Department of Mental Health and Addiction Services totaled \$36.5 million and were \$16.4 million (81.5%) above estimate. This variance was primarily attributable to Continuum of Care disbursements being \$13.9 million above an estimate of \$0 due to subsidy payments estimated for April being moved to May. Additionally, Criminal Justice Services disbursements were \$1.7 million above an estimate of \$0 due to payments originally estimated for earlier months being moved to May.

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.

May disbursements in this category totaled \$135.7 million and were \$2.7 million (1.9%) below estimate. Year-to-date disbursements were \$1,845.1 million, which was \$1.9 million (0.1%) above estimate. On a year-over-year basis, disbursements in this category were \$8.5 million (6.7%) higher than for the same month in the previous fiscal year while year-to-date expenditures were \$123.2 million (7.2%) higher than at the same point in fiscal year 2015.

Department of Rehabilitation and Correction

May disbursements for the Department of Rehabilitation and Correction totaled \$103.2 million and were \$6.4 million (5.8%) below estimate. This variance was primarily attributable to lower than estimated disbursements for Institutional Operations due to the timing of payments. Additionally, payments for Community Nonresidential Programs were below estimate due to an agency-requested transfer of appropriation earlier in the fiscal year. This variance was partially offset by higher than anticipated disbursements for Community Residential Programs due to the timing of payments.

Public Defender Commission

May disbursements for the Public Defender Commission totaled \$2.0 million and were \$1.4 million (216.3%) above estimate. This variance was primarily attributable to the timing of County Reimbursement payments which occurred in May instead of June 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.

May disbursements in this category totaled \$31.4 million and were \$4.5 million (16.8%) above estimate. Year-to-date disbursements were \$335.7 million, which was \$25.1 million (7.0%) below estimate. On a year-over-year basis, disbursements in this category were \$7.7 million (32.3%) higher than for the same month in the previous fiscal year while year-to-date expenditures were \$16.0 million (5.0%) higher than at the same point in fiscal year 2015.

Department of Administrative Services

May disbursements for the Department of Administrative Services totaled \$4.3 million and were \$3.0 million (230.4%) above estimate. This variance was primarily attributable to the timing of quarterly rent payments for certain GRF-supported agencies in state buildings. These payments occurred in May instead of April as estimated.

Development Services Agency

May disbursements for the Development Services Agency totaled \$3.5 million and were \$0.8 million (31.9%) above estimate. The variance was primarily attributable to Technology Programs and Grants disbursements being \$1.5 million (211.2%) above estimate due to the timing of reimbursements.

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. May property tax reimbursements totaled \$310.5 million and were \$133.5 million (30.1%) below estimate. Year-to-date disbursements totaled \$1,758.5 million and were \$186.6 million (11.9%) above estimate. The year-to-date variance is 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

May payments for debt service totaled \$11.3 million and were at estimate. Year-to-date debt service payments were \$1,276.8 million and were \$25.6 million (2.0%) below estimate. The year-to-date variance is primarily attributable to refunding savings and continued low market interest rates.

Transfers Out

May transfers out totaled \$5.0 million and were \$5.0 million above estimate. This variance was attributable to a transfer to the School District Tangible Property Tax Replacement Fund. Year-to-date transfers out were \$836.5 million and were \$28.6 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				YEAR-TO-DATE			
	ACTUAL	ESTIMATED	\$	%	YTD	YTD	\$	%
	MAY	MAY	VAR	VAR	ACTUAL	ESTIMATE	VAR	VAR
Primary and Secondary Education	552,456	603,264	(50,808)	-8.4%	7,218,916	7,315,518	(96,603)	-1.3%
Higher Education	185,157	185,931	(775)	-0.4%	2,041,212	2,061,627	(20,416)	-1.0%
Other Education	2,563	3,336	(773)	-23.2%	64,683	63,757	926	1.5%
Medicaid	1,502,269	1,368,432	133,837	9.8%	16,605,772	16,876,692	(270,920)	-1.6%
Health and Human Services	73,074	64,536	8,538	13.2%	1,209,761	1,289,143	(79,382)	-6.2%
Justice and Public Protection	135,699	138,389	(2,691)	-1.9%	1,845,125	1,843,194	1,932	0.1%
General Government	31,411	26,894	4,517	16.8%	335,729	360,825	(25,096)	-7.0%
Property Tax Reimbursements	310,496	443,963	(133,467)	-30.1%	1,758,462	1,571,891	186,571	11.9%
Capital Outlay	0	0	0	N/A	0	0	0	N/A
Debt Service	11,319	11,319	(0)	0.0%	1,276,811	1,302,427	(25,616)	-2.0%
Total Expenditures & ISTV's	2,804,444	2,846,065	(41,621)	-1.5%	32,356,471	32,685,075	(328,604)	-1.0%
Transfers Out:								
BSF Transfer Out	0	0	0	N/A	425,500	425,500	0	0.0%
Operating Transfer Out	5,000	0	5,000	N/A	411,027	382,431	28,596	7.5%
Temporary Transfer Out	0	0	0	N/A	0	0	0	N/A
Total Transfers Out	5,000	0	5,000	N/A	836,527	807,931	28,596	3.5%
Total Fund Uses	2,809,444	2,846,065	(36,621)	-1.3%	33,192,998	33,493,006	(300,008)	-0.9%

Table 4
GENERAL REVENUE FUND DISBURSEMENTS
ACTUAL FY 2016 VS ACTUAL FY 2015
(\$ in thousands)

Functional Reporting Categories Description	MONTH				YEAR-TO-DATE			
	MAY FY 2016	MAY FY 2015	\$ VAR	% VAR	ACTUAL FY 2016	ACTUAL FY 2015	\$ VAR	% VAR
Primary and Secondary Education	552,456	695,887	(143,430)	-20.6%	7,218,916	6,921,648	297,267	4.3%
Higher Education	185,157	178,948	6,209	3.5%	2,041,212	1,968,908	72,303	3.7%
Other Education	2,563	2,141	422	19.7%	64,683	50,720	13,963	27.5%
Medicaid	1,502,269	1,060,906	441,364	41.6%	16,605,772	13,996,525	2,609,247	18.6%
Health and Human Services	73,074	78,205	(5,131)	-6.6%	1,209,761	1,199,377	10,384	0.9%
Justice and Public Protection	135,699	127,184	8,515	6.7%	1,845,125	1,721,963	123,162	7.2%
General Government	31,411	23,744	7,667	32.3%	335,729	319,688	16,041	5.0%
Property Tax Reimbursements	310,496	458,335	(147,839)	-32.3%	1,758,462	1,586,289	172,172	10.9%
Capital Outlay	0	0	0	N/A	0	0	0	N/A
Debt Service	11,319	11,603	(284)	-2.4%	1,276,811	1,238,783	38,028	3.1%
Total Expenditures & ISTV's	2,804,444	2,636,952	167,492	6.4%	32,356,471	29,003,903	3,352,568	11.6%
Transfers Out:								
BSF Transfer	0	0	0	N/A	425,500	0	425,500	N/A
Operating Transfer Out	5,000	37,416	(32,416)	-86.6%	411,027	625,262	(214,236)	-34.3%
Temporary Transfer Out	0	0	0	N/A	0	0	0	N/A
Total Transfers Out	5,000	37,416	(32,416)	-86.6%	836,527	625,262	211,264	33.8%
Total Fund Uses	2,809,444	2,674,368	135,076	5.1%	33,192,998	29,629,165	3,563,832	12.0%

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 \$468.7 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 **	34,813,693
Less FY 2016 Estimated Total Encumbrances as of June 30, 2016	339,059
Less FY 2016 Estimated Transfers Out	810,931
Total Estimated Uses	35,963,683
FY 2016 ESTIMATED UNENCUMBERED ENDING FUND BALANCE	468,681

* 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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