October 11, 2016

Note: Table 1 year-to-date non-tax and transfer information corrected on October 25, 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

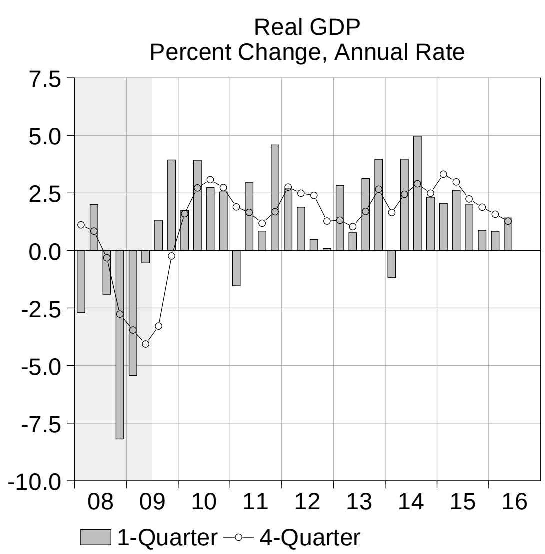
ECONOMIC SUMMARY

Economic Performance Overview

- Second quarter real GDP growth was revised up to 1.4% from an earlier reading of 1.1%. With the new estimate, real GDP has grown at a compound annual rate of 1.0% during the most recent three quarters. Forecasters still look for a moderate pickup in growth during the second half of the calendar year, but recently have revised expectations downward.
- U.S. employment increased by 156,000 jobs in September for a 3-month average increase of 192,000 jobs. The unemployment rate ticked up to 5.0%
- Ohio nonfarm payroll employment decreased by 2,000 jobs in August after rising by 10,300 jobs in June and 10,500 jobs in July. The Ohio unemployment rate decreased 0.1 percentage points to 4.7%.
- Leading indicators point toward continued growth at a modest pace, fueled by a healthy household sector but restrained by weak manufacturing.

Economic Growth

The growth rate in real GDP during the second quarter was revised up from 1.1% to 1.4% in the final estimate for the quarter. Personal consumption expenditures have been fueling growth, whereas investment has been weak. The revision left growth during the most recent three quarters at a very slow annual rate of 1.0%. The 3-quarter growth rate has been slower in only three other years outside of recessions – in 1956, 2011, and 2012.



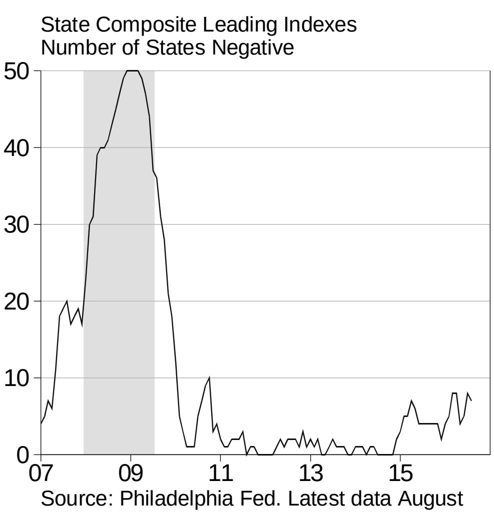
Forecasters still expect economic growth to pick up in the third and fourth quarters, but by less than previously predicted. For example, the GDPNow projection by the Federal Reserve Bank of Atlanta for the third quarter has decreased from a high of 3.8% in early August to 2.2% as of early October. Moody's high frequency GDP forecasting model predicts third quarter GDP growth in the same neighborhood, at 2.6%. In comparison, the Blue Chip consensus, which is an average of forecasts from a group of professional forecasters, is slightly higher at 2.8%, with a range from the average of the highest ten to the lowest ten forecasts of 3.2% to 2.3%.

Business activity in and around Ohio grew at a modest pace from June through August, according to a regular survey of businesses conducted by the Federal Reserve Bank of Cleveland. The Ohio coincident economic index from by the Philadelphia Federal Reserve increased by 0.3% for the fourth month in a row in August to 3.4% above its year earlier level. The rates of growth in June and July were revised down from earlier estimates of 0.4% growth. The index is composed of four measures of labor market activity, and has represented business conditions accurately over time.

Leading economic indicators weakened in August, but remain consistent with a moderate pace of growth into early next year. The Leading Economic Index (LEI) from the Conference Board posted a decrease of 0.2% in August, matching the declines in January and May. Only six of the ten components made positive contributions in the most recent month, led by the length of the workweek in manufacturing and the ISM new orders index.

The year-over-year rate of change in the LEI ticked down from 1.2% to 1.1%, which is consistent with the pace observed during previous slowdowns. 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 and benefits from lower energy costs have continued to support consumer income and spending.

The message from state-level coincident and leading composite indexes remained cautionary again in August, but was not alarming. The **Coincident Economic Index** (CEI) for nine states declined, a level reached in advance of each of the last five recessions with only one false signal in early 1986, when the number went on to peak at twelve although no recession occurred. In light of the absence of confirmation from other key leading indicators, the diffusion of changes in state-level CEIs seems much more consistent with an ongoing slowdown in growth rather than a near-term recession.



The weakness in state coincident indexes was also reflected among state leading indexes. The **Leading Economic Index** for seven states declined in August, up from a revised six states in July. To put the recent pattern in historical perspective, the number of states with negative readings has averaged fourteen states three months in advance of the most recent three recessions and twenty-three states during the first month of those recessions.

Closer to home, the **Ohio Leading Economic Index** from the Philadelphia Federal Reserve was 0.9% in August, down from 1.8% in July, which was revised downward from an initial reading of 2.5%. Designed to predict the rate of change in the coincident index during the next six months, the Ohio index has trended down from the recent peak of 2.5% in May, a pattern consistent with only modest growth in the near-term.

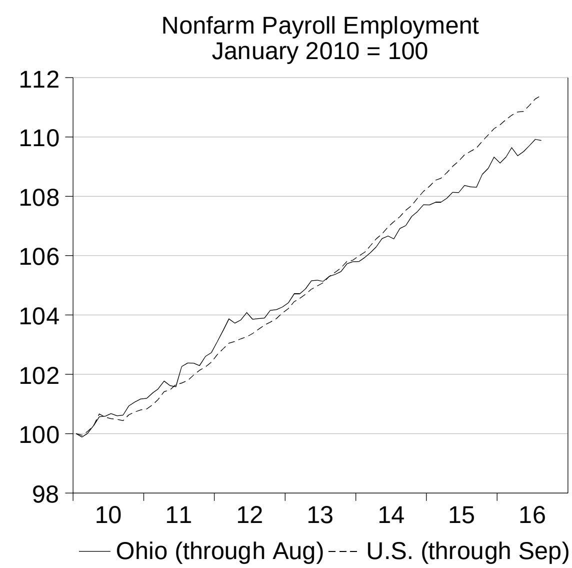
Employment

U.S. nonfarm payrolls increased by 156,000 jobs in September, not much different from the upwardly revised gain of 167,000 in August. Job growth has averaged 192,000 jobs in the most recent three months. During the most recent twelve months, job growth has averaged 204,000 per month.

Employment increases were led by professional and business services (+67,000), construction (+23,000), and health care (+22,000). Employment declined in manufacturing (-13,000), government (-11,000), and transportation and warehousing (-9,000). Mining employment was unchanged after a long string of declines.

The **unemployment rate** ticked up to 5.0% after three months at 4.9%, due to rounding. The broadest measure of unemployment – the U-6 unemployment rate – was unchanged again at 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 employed part time who would prefer full time work. Average hourly earnings rose 0.2% to 2.6% above the year earlier level.

Ohio nonfarm payroll employment decreased by 2,000 jobs in August after rising by 10,300 jobs in June and an upwardly revised 10,500 jobs in July. Changes in employment levels across sectors were mixed, with employment rising in government (+3,000), leisure and hospitality (+2,600), and construction (+2,100). Employment declines occurred in professional and business services (-5,500) and trade, transportation and utilities and other services (both -2,400).



During the twelve months ending in August, Ohio employment increased by 78,300 jobs. The largest employment gains occurred in education and health services (+18,900), leisure and hospitality (+17,700), government (+17,200), trade, transportation, and utilities (+8,600), and construction (+7,600). Year-over-year declines occurred in mining and logging (-2,600) and information (-300).

Among the **contiguous states**, year-over-year employment growth was strongest in Michigan (+1.8%), followed by Ohio (+1.4%). Pennsylvania, Kentucky, and Indiana all had employment growth of 1.0%. West Virginia employment had the lowest overall employment growth, at 0.2%. Manufacturing employment increased year-over-year only in Michigan (+1.5%) and Ohio (+0.1%). Manufacturing employment declined in Kentucky (-0.1%), Pennsylvania (-0.3%), Indiana (-0.8%), and West Virginia (-1.7%).

The **Ohio unemployment rate** declined for a fourth month in a row in August to 4.7%, back to its level of last November. The rate is up 0.1 points from the cyclical low of 4.6% reached last September. The increase during the eleven months since then resulted from a larger increase in the Ohio labor force (+78,000) than in total employment (+69,000). The unemployment rate has moved in a narrow range since the end of 2014.

Across the country in August, the unemployment rate increased by a statistically significant amount in six states, decreased in three states, and was not statistically different from the month before in forty-one states. The unemployment rate was lower than a year earlier by a statistically significant margin in ten states and meaningfully higher in five states, including neighboring Pennsylvania.

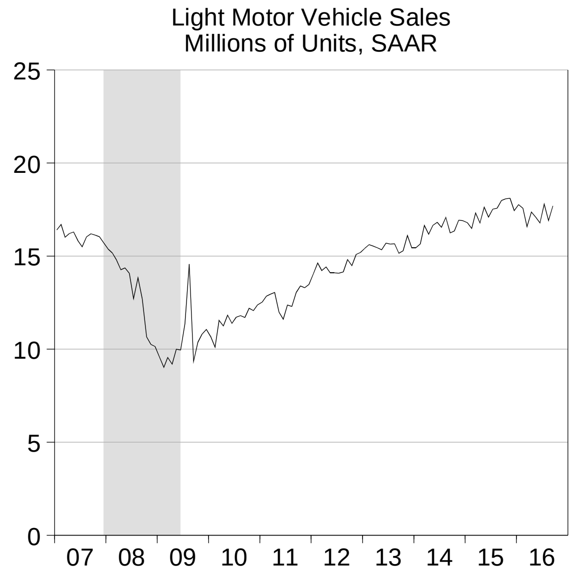
Consumer Income and Consumption

Personal income and personal consumption expenditures slowed abruptly in August after several months of solid increases. Growth in **personal income** slowed from 0.4% in July to 0.2% in August, pulled down by the slow 0.1% rise in wage and salary disbursements, which comprise more than one-half of personal income. Other Labor Income also increased 0.2% and Transfers increased 0.4%. Compared with a year earlier, personal income was up 3.1% and wage and salary disbursements were up 3.7%.

Inflation remained low but did pick up in August, pushing the change in real personal consumption expenditures into negative territory. The **Consumer Price Index** (CPI) increased 0.2% in August after no change in July. The increase reflected notably higher prices for shelter, medical care, car insurance, clothes, communication, and tobacco and occurred despite little change in the price of energy. The year-over-year rate of change ticked up from 0.9% to 1.1%.

Excluding the volatile food and energy categories as a means of assessing the underlying trend, the CPI increased 0.3% in July to 2.3% above its year earlier level. The Median CPI from the Federal Reserve Bank of Cleveland, which is an alternative measure of the trend in inflation, continued to track a little bit higher at 2.6% year-over-year. The measure of inflation that is most closely watched by the Federal Reserve, the personal consumption expenditure (PCE) deflator excluding food and energy (also known as the core PCE deflator) increased 0.2% in August to 1.7% above its year earlier level – the same as in February and up marginally from the year-over-year rate last summer.

Personal consumption expenditures were unchanged in August, probably representing a normal reversion to the mean after a solid 4-month run that was the fastest of the expansion, and in fact the fastest since September 2005, when promotions boosted auto sales. The mid-summer weakness presumably reflected the slower growth in income, especially wage and salary disbursements. In addition, shifting back-to-school shopping patterns that have consumers spreading purchases over a longer period that now starts earlier in July might have cut into August spending, according to IHS Markit.



Retail chains in and around Ohio reported higher sales compared with a year earlier, according to the Cleveland Fed survey. Respondents attributed the growth to employment growth, the lower price of gasoline, and promotional activity. A drop-off in international tourism was cited as a reason for weakness by a few chains. Some restaurants reported weakness in retail business that was offset by an increase in corporate catering. Year-to-date sales of new light motor vehicles were reported down 2% from the same period a year earlier with light trucks continuing to dominate sales.

Across the country a drop in sales of light motor vehicles from an annual rate of 17.8 million units in July to 16.9 million units in August contributed to a 1.3% decline in spending on durable goods. Spending on non-durables fell 0.2%, whereas spending on services increased a modest 0.3%. Light motor vehicle sales rebounded in September to an annual pace of 17.7 million units, which likely led to a reversal of the August decline in durable goods spending in September.

Consumer attitudes generally improved during September. **Consumer confidence** improved to the highest level since before the 2007-09 recession due to both brighter prospects and improved assessments of current conditions, according to the Conference Board. Once again, a key factor behind the more favorable sentiment about current conditions seems to be labor market improvement, as the percentage of respondents saying jobs are plentiful minus those saying jobs are hard to get expanded to the widest margin since the recession. The University of Michigan/Reuters index also improved, but continued to lag, as somewhat dimmer views of the current situation offset brighter expectations.

Manufacturing

Continuing the pattern in place for more than a year, industrial activity faltered in the latest month after reviving a bit in the previous month. A 0.4% decline in **industrial production** in August retraced much of the 0.6% rise in July that was initially reported as a 0.7% rise. Compared with a year earlier, industrial production was lower by 1.1% for the twelfth straight year-over-year reading below zero. In fact, industrial production has now fallen back to where it was in May 2014, so it is at the same level as it was over two years ago.

The industrial sector continues to be affected by the ongoing headwinds from the strengthening of the dollar during the past five years, the fallout from the big decline in the price of oil during the past two years, and the ongoing inventory adjustment. Just as the increase in production during July did not appear to be the beginning of a lasting acceleration, the decrease in August does not appear to be the onset of protracted deterioration.

Within the industrial sector, **manufacturing production** decreased 0.4% in August after a 0.4% increase the month before, but is now down 0.4% from a year earlier. Just as the back-to-back increases in June and July were not likely the beginning of a sustained revival in manufacturing, neither is the August decline a harbinger of sustained decreases. Production of motor vehicles and parts was again a positive contributor in August, with a 0.5% increase that followed a 1.0% increase the month before and a 5.3% increase the month before that. Among industries of special importance to Ohio, primary metals production decreased 1.1%, while production of fabricated metal products decreased 0.4% and output of machinery decreased 1.9%.

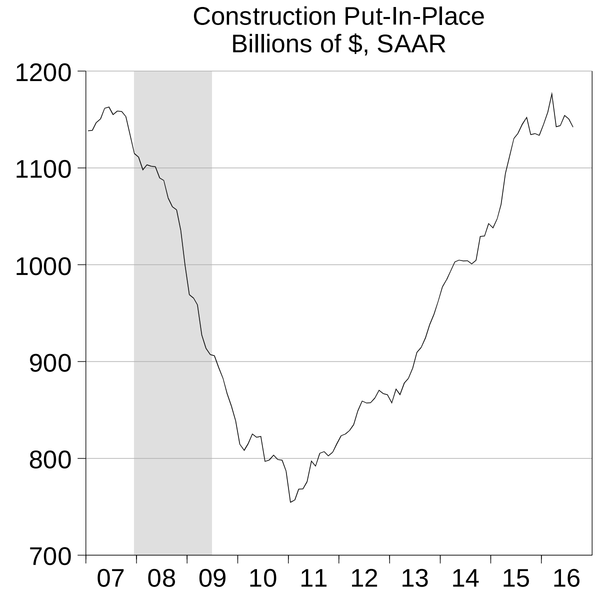
In and around Ohio, manufacturing output increased slightly from June to August, according to the Cleveland Fed survey. The strongest demand has occurred in domestic markets, especially for suppliers to the motor vehicle, aerospace, commercial construction, housing, and food industries. Mining and agricultural equipment suppliers reported weakness. Production at auto assembly plants in and around Ohio was down about 9% through July compared with the same period last year with declines occurring equally among cars and light trucks.

Mining output across the country advanced 1.0% in August after a downwardly revised increase of 0.2% in July, reflecting increased drilling for and production of natural gas. **Utility output** decreased 1.4% after a total increase of more than 5.0% during the two previous months, which reflected unusually hot weather. Compared with a year earlier, utility output was up by 1.7%.

Reports from **purchasing managers** in the manufacturing sector recovered in September after surprising weakness in August. The PMI® increased by 2.1 points from 49.4 in August to 51.5 in September. Both the New Orders and Production indexes recovered nicely, rising from 49.1 to 55.1 and from 49.6 to 52.8, respectively. The only other major improvement was in Customer Inventories, which suggests that the inventory drawdown is ending.

Of the eighteen industries tracked by the Manufacturing ISM® *Report on Business*, seven reported growth in the latest month. Among the industries with a disproportionate effect on Ohio manufacturing employment – transportation equipment, machinery, primary metals, and fabricated metal products – none reported expansion in September.

Construction



Construction put-in-place fell 0.7% in August on top of a 0.3% decline in July that was revised downward from no change. The August decline resulted from the second monthly decrease in a row in public construction that in August was joined by weakness in private construction. The pace of total construction is down slightly from a year ago, as a decline in public construction (-8.8%) has offset the gain in the larger category of private construction (+2.7%).

The decrease in **private** construction put-in-place in August resulted from declines in both residential (-0.3%) and nonresidential (-0.4%). The decline in residential construction resulted from declines in single-family and improvements that were larger than the increase in multi-family. The decline in nonresidential construction resulted mainly from declines in commercial, power, and manufacturing that outweighed the large increases in office and smaller increases in other categories.

Housing starts strengthened modestly across the nation during the three months ending in August, reflecting a 0.4% decrease in single-family starts and a 2.3% increase in multi-family starts. In contrast in the Midwest, total starts declined 3.7% as a 13.2% drop in multi-family starts outweighed the 2.4% rise in single-family starts. Compared with a year earlier, housing starts across the country were higher by 1.6% on a 3-month moving average basis, while they increased by 13.0% in the Midwest. The more-forward-looking housing permits data exhibited similar patterns, but without the weakness in multi-family housing.

Home sales generally remained at a high level in August on a 3-month moving average basis. Sales of newly built homes were up 2.4% on the month and 16.4% from a year earlier, while sales of existing homes fell 1.1% on the month but remained 0.6% above a year earlier. The pattern was similar in the Midwest, where new home sales increased 3.4% and existing home sales fell 0.8%. In and around Ohio, sales of new and existing homes through June were more than 7% above the year earlier level and the average sales price rose 4%, according to the Cleveland Fed survey.

REVENUES

NOTE: The revenue tables in this report contain OBM's July 2016 revised estimates of fiscal year 2017 tax revenues, non-tax revenues, and transfers. These revisions incorporate both changes to the baseline and law changes enacted since January, 2016.

September **GRF receipts totaled $2,736.5 million** and were $89.6 million (3.2%) below the estimate. Monthly tax receipts totaled $1,781.3 million and were $8.7 million (0.5%) above the estimate, while non-tax receipts totaled $953.8 million and were $99.7 million (9.5%) below the estimate. Transfers were $1.4 million above estimate.

For the fiscal year, GRF receipts were $235.0 million (2.7%) below the estimate. However, the majority of this shortfall is from federal grants, which are $212.1 million (6.3%) below estimate. Non-federal revenues including transfers are only $22.9 million, or 0.4%, below estimate. In non-federal revenues, overages in non-tax receipts have so far offset much of the tax revenue shortfall. Tax receipts are $71.9 million (1.3%) below the estimate, while non-tax receipts other than federal grants are $46.2 million (382.9%) above the estimate. Transfers are $2.8 million above estimate.

The year-to-date variances are summarized in the table below. September shortfalls in the income and sales tax caused the year-to-date variances in those taxes to grow somewhat larger in dollar terms, although the September variances were small enough that the percentage variances shrank. Other taxes such as the kilowatt hour tax and the cigarette and other tobacco products tax exceeded the September estimates and so overall tax revenues exceeded the September estimate, causing the year-to-date tax variance to decrease. For both the month of September and the fiscal year, the variance in federal grants is a positive development stemming from continued Medicaid underspending.

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	($71.9 million)	-1.3%
Non-tax receipts	Federal grants, earnings on investments, licenses & fees, other income, intrastate transfers	($165.9 million)	-4.9%
Transfers	Budget stabilization, liquor transfers, capital reserve, other	$2.8 million	22.5%
TOTAL REVENUE VARIANCE:		**($235.0 million)**	**-2.7%**
Non-Federal Revenue Variance:		**($22.9 million)**	**-0.4%**
Federal Grants Variance:		**($212.1 million)**	**-6.3%**

On a year-over-year basis, monthly receipts were $524.8 million (23.7%) higher than in September of the previous fiscal year. The change in federal grants was responsible for more than all of the increase, rising by $530.1 million. Federal grants in the GRF were artificially low last September due to computer system changes in August that temporarily delayed the crediting of federal grants to funds other than the GRF, thus artificially increasing August revenues but decreasing September revenues. In addition, about $250.0 million in grant revenue could not be shown as deposited into the GRF last September due to accounting system maintenance, further depressing federal grants last September. The large increase in federal grants this September is thus due to timing factors related to last year's grant receipts that are not of material concern. OBM anticipates that year-to-year comparisons of federal grants revenue will begin to smooth out in November, which is when prior year federal grants began to follow a pattern of depending primarily on Medicaid spending rather than accounting-related events.

Tax receipts fell by $14.4 million (0.8%) from September of last year, primarily as a result of a drop of $43.7 million (5.2%) in income tax collections. The decline in income tax collections was largely anticipated, and was mostly due to a decline of $71.8 million (30.7%) in quarterly estimated payments. This estimated payment decline will be discussed in greater detail in the following section, but briefly summarized it is the result of an ongoing shift in taxpayer behavior to reduce estimated payments to better match lower expected tax liability due to rate cuts and the expansion of the small business deduction.

GRF Revenue Sources Relative to Monthly Estimates – September 2016
($ in millions)

Individual Revenue Sources Above Estimate		**Individual Revenue Sources Below Estimate**	
Kilowatt Hour Tax	$9.2	Personal Income Tax	($11.9)
Cigarette and Other Tobacco Tax	$6.2	Auto Sales and Use Tax	($6.3)
Foreign Insurance Tax	$5.7	Federal Grants	($109.2)
Alcoholic Beverage Tax	$3.0	Other Sources Below Estimate	($1.7)
Commercial Activity Tax	$2.6		
ISTVs	$9.0		
Transfers In	$1.4		
Other Sources Above Estimate	$2.4		
Total above	**$39.5**	**Total below**	**($129.1)**

(Note: Due to rounding of individual sources, the combined sum of sources above and below estimate may differ slightly from the total variance.)

Non-Auto Sales and Use Tax

September non-auto sales and use tax collections totaled $718.4 million and were just $0.3 million (0.04%) below estimate. This brings year-to-date collections to $2,287.7 million, which is $19.5 million (0.8%) below estimates after larger shortfalls in the first two months of the fiscal year. September collections were up by $23.5 million (3.4%) from a year ago, after growing by only 1.2% in July and 0.7% in August. Collections during the first quarter of fiscal year 2017 are up $38.0 million (1.7%) from the first quarter of fiscal year 2016.

Growth in national retail sales, as reported by the Census Bureau, has been relatively weak, providing some basis for the slow growth in non-auto sales tax revenue. Total retail and food service sales minus motor vehicles and parts grew by only 1.0% in July (year-over-year) and by 2.8% in August.

Weak growth in non-auto sales tax is not unique to Ohio. Moody's economic analysis division noted that the Census Bureau release of state and local tax revenue data for the April-June quarter of 2016 showed sale tax revenue for all states combined showed zero growth from the same quarter of 2015, the weakest growth since the recession. Moody's pointed to significant deflation in retail sales prices as being one of the causes of low sales tax growth.

There are economic forces that would suggest stronger growth in retail sales and thus in non-auto tax revenues. Nationally and in Ohio, personal income is growing. Ohio income minus transfer payments grew by 3.1% in the second quarter from the prior year. Consumer confidence levels are up. Real personal consumption expenditure (which includes a large amount of spending on services not subject to sales tax) is growing fairly steadily. Whether these factors translate into faster non-auto sales tax growth is something that OBM will monitor closely each month.

Auto Sales Tax

Auto sales tax collections totaled $120.5 million in September and were $6.3 million (5.0%) below estimate. This comes after stronger August collections than were expected. Year-to-date collections total $366.0 million, which is $8.7 million (2.3%) below estimate. This slowdown in collections was expected due to August's weak performance in national light vehicle sales. August had a seasonally adjusted annual rate of 17.0 million light vehicle sales, which is on par with weak June numbers, but substantially below the average 17.3 million units seen during the first seven months of calendar year 2016.

Collections were down $5.2 million (4.1%) from a year ago, while year-to-date collections are actually up $1.4 million (0.4%) from the same point in the previous fiscal year. For the short term, a low interest rate environment and relatively low gasoline prices remain favorable to auto buyers. These factors are likely to persist at least in the near term with the Federal Reserve Board signaling a cautious approach to raising interest rates and record gasoline reserves. OBM expects to see a rebound in collections next month after a stronger than expected performance of light vehicle sales in September at a seasonally adjusted annual rate of 17.8 million.

For the longer term, expert opinion seems to be divided on what the trend in new U.S. vehicle sales is likely to be. Does the post-recession vehicle boom have more room to run? IHS Global Insight now sees new light vehicle sales as averaging about 17.4 million units for calendar year 2016, rising to 17.7 million units in calendar year 2017, but from there falling slowly to 17.1 million units by calendar year 2021. Moody's, in contrast, sees the high point of new vehicle sales as being the 17.4 million units sold in calendar year 2015, with calendar year 2016 and calendar year 2017 sales being very slightly below that, but sales then falling below 17 million units in calendar year 2019.

Personal Income Tax

September GRF personal income tax receipts totaled $789.9 million and were $11.9 million (1.5%) below the estimate. As in August, the single biggest contributor to the shortfall was employer withholding, but the shortfall in September withholding was only about a fourth of what it was in August. Employer withholding was $16.8 million (2.4%) below estimate in September. The September result actually extends a trend over the last 9 months, or three quarters, of monthly withholding (there is also withholding revenue known as "annual withholding," which is driven by different economic factors) running at about 2.5% below the forecast.

For the fiscal year to date, withholding is $57.4 million, or 2.8%, below estimate.

We cannot compare the forecasted Ohio wage and salary income with actual wage and salary income for the first three months of this fiscal year, because state income is reported by the Bureau of Economic Analysis (BEA) with roughly a three month lag. However, the shortfall in withholding in the last six months of fiscal year 2016 coincided with Ohio wage and salary income falling about 1% below the forecast, which leads us to conclude that wage income falling below estimate is a likely explanation of the withholding shortfall for the first three months of fiscal year 2017 as well.

FY2017 PERSONAL INCOME TAX RECEIPTS BY COMPONENT ($ in millions)

	ESTIMATE SEP	ACTUAL SEP	$ VAR SEP	ACTUAL SEP 2016	ACTUAL SEP 2015	$ VAR Y-over-Y
Withholding	$686.1	$669.3	($16.8)	$669.3	$629.1	$40.3
Quarterly Est.	$151.8	$161.7	$9.9	$161.7	$233.5	($71.8)
Trust Payments	$13.9	$21.4	$7.5	$21.4	$19.8	$1.6
Annual Returns & 40 P	$8.7	$7.7	($1.0)	$7.7	$7.9	($0.2)
Other	$5.6	$6.4	$0.8	$6.4	$4.5	$1.9
Less: Refunds	($29.7)	($43.5)	($13.8)	($43.5)	($29.7)	($13.8)
Local Distr.	($34.6)	($33.1)	$1.5	($33.1)	($31.4)	($1.7)
Net to GRF	**$801.8**	**$789.9**	**($11.9)**	**$789.9**	**$833.6**	**($43.7)**

For the non-withholding portion of income tax collections, refunds were $13.8 million below estimate in September, but the other types of payments – quarterly estimated payments, annual returns, etc. – were $17.2 million above estimate. As a result, the total income tax shortfall was smaller than the withholding variance.

For the year to date, besides the $57.4 million variance in withholding mentioned above, refunds are $31.5 million above estimate, and all other types of payments combined are $14.2 million above estimate. The refunds that have been paid in July through September are refunds on late or amended tax returns for the 2015 tax year, and as such are not indicators of outcomes in the filing season for the 2016 tax year.

On a year-over-year basis, September personal income tax receipts were $43.7 million (5.2%) below September 2015 collections. For the year to date, income tax collections are $93.7 million (4.5%) below fiscal year 2016 collections. For both the month and the year to date, the main culprit is a large decline in quarterly estimated payments. September estimated payments were $71.8 million below last September's level, and fiscal year 2017 estimated payments are down $81.5 million from last year (both figures are declines of about 31%). This is despite the fact that estimated payments are $9.9 million above the estimate.

The explanation for this is that the fiscal year 2017 estimates assumed a large drop in estimated payments, and there has in fact been a large decrease, just not quite as large as expected in the estimates. The reason for the decrease in estimated payments is that taxpayers have been adjusting their behavior to the tax rate cuts and especially to the increased small business deduction, so that rather than making overly large estimated payments and then filing for very large refunds in the January-June filing season, they have instead cut back on their estimated payments by more than 30%, which, all else constant, should be offset by smaller refunds paid out in January through June. So, income tax revenues are expected to be lower than last fiscal year all the way through January, before finally turning positive in February as lower expected refunds finally outweigh lower estimated payments.

Commercial Activity Tax

Commercial activity tax (CAT) September receipts deposited in the GRF totaled $8.1 million and were $2.6 million (47.8%) above the estimate. September was, as it generally is, a light collections month. Collections will pick up in October in advance of the November 10th quarterly filing due date.

For the first quarter as a whole, GRF CAT collections were $2.2 million, or 0.7%, below estimate. Despite being below estimate, receipts have grown by $14.8 million, or 5.2%, from a year ago. The CAT estimates for the remainder of the year actually assume somewhat slower percentage growth from the prior year, based in part on expectations about the timing of credits taken against the tax.

Cigarette and Other Tobacco Tax

Cigarette and other tobacco tax collections were $6.2 million (8.0%) above estimate in September, and are now $8.8 million, or 4.7%, above estimate for the year. Tax revenues for the first quarter were $5.9 million, or 3.0%, below the level from one year ago. The estimates had built in a 7.3% decline for the first quarter because last year's collections included inventory floor tax revenues due to the tax rate increase that should not be repeated this year.

Kilowatt Hour Tax

Kilowatt hour tax collections were $9.2 million (31.5%) above estimate in September. OBM does not have current data on kilowatt hour usage or tax liability by tier of the tax – the rate tiers thresholds are set to approximately represent typical residential, commercial, and industrial usage amounts – but because of the extremely warm summer weather our working hypothesis is that the overage is due to high air conditioning usage in the residential sector.

The September overage increased the year to date overage to $11.2 million, or 12.8%.

GRF Non-Tax Receipts

GRF non-tax receipts totaled $935.8 million in September and were $99.7 million (9.5%) below the estimate. Federal grants were responsible for more than the entire shortfall, coming in $109.2 million (10.4%) below estimate. This was largely driven by Medicaid underspending of $123.0 million. The federal revenue shortfall was somewhat larger than one might expect based on typical state/federal ratios of Medicaid spending, but this appears to be the result of the underspending in September being concentrated in programs with higher federal match rates. The recoding of prior month expenditures from higher match rate programs to lower match rate ones may also have resulted in some reduction in federal reimbursement that affected the September federal revenues.

September intrastate transfer voucher (ISTV) revenue was $9.0 million over estimate, as the state GRF received fiscal year 2016 indirect cost reimbursement from other state funds a month earlier than estimated.

Table 1

GENERAL REVENUE FUND RECEIPTS

ACTUAL FY 2017 VS ESTIMATE FY 2017

($ in thousands)

REVENUE SOURCE	MONTH ACTUAL SEPTEMBER	MONTH ESTIMATE SEPTEMBER	MONTH $ VAR	MONTH % VAR	YEAR-TO-DATE ACTUAL Y-T-D	YEAR-TO-DATE ESTIMATE Y-T-D	YEAR-TO-DATE $ VAR	YEAR-TO-DATE % VAR
TAX RECEIPTS								
Non-Auto Sales & Use	718,424	718,700	(276)	0.0%	2,287,666	2,307,200	(19,534)	-0.8%
Auto Sales & Use	120,455	126,800	(6,345)	-5.0%	366,044	374,700	(8,656)	-2.3%
Subtotal Sales & Use	838,879	845,500	(6,621)	-0.8%	2,653,710	2,681,900	(28,190)	-1.1%
Personal Income	789,942	801,800	(11,858)	-1.5%	1,987,458	2,060,500	(73,042)	-3.5%
Corporate Franchise	(198)	0	(198)	N/A	(496)	0	(496)	N/A
Financial Institutions Tax	505	0	505	N/A	1,278	0	1,278	N/A
Commercial Activity Tax	8,130	5,500	2,630	47.8%	298,382	300,600	(2,218)	-0.7%
Petroleum Activity Tax	1,542	1,200	342	28.5%	1,542	1,200	342	28.5%
Public Utility	75	(300)	375	125.0%	23,457	25,200	(1,743)	-6.9%
Kilowatt Hour	38,266	29,100	9,166	31.5%	98,612	87,400	11,212	12.8%
Natural Gas Distribution	0	0	0	N/A	11,918	12,100	(182)	-1.5%
Foreign Insurance	9,558	3,900	5,658	145.1%	10,220	4,500	5,720	127.1%
Domestic Insurance	0	0	0	N/A	2,370	0	2,370	N/A
Other Business & Property	(683)	0	(683)	N/A	(678)	0	(678)	N/A
Cigarette and Other Tobacco	84,134	77,900	6,234	8.0%	194,700	185,900	8,800	4.7%
Alcoholic Beverage	7,203	4,200	3,003	71.5%	18,021	13,700	4,321	31.5%
Liquor Gallonage	3,834	3,800	34	0.9%	11,788	11,300	488	4.3%
Estate	90	0	90	N/A	73	0	73	N/A
Total Tax Receipts	1,781,276	1,772,600	8,676	0.5%	5,312,354	5,384,300	(71,946)	-1.3%
NON-TAX RECEIPTS								
Federal Grants	940,911	1,050,111	(109,200)	-10.4%	3,132,170	3,344,275	(212,105)	-6.3%
Earnings on Investments	0	0	0	N/A	0	0	0	N/A
License & Fees	1,426	1,995	(569)	-28.5%	9,127	8,550	577	6.7%
Other Income	2,499	1,410	1,089	77.3%	40,110	3,525	36,585	1037.9%
ISTV'S	8,975	0	8,975	N/A	9,079	0	9,079	N/A
Total Non-Tax Receipts	953,811	1,053,516	(99,705)	-9.5%	3,190,486	3,356,350	(165,864)	-4.9%
TOTAL REVENUES	2,735,086	2,826,116	(91,029)	-3.2%	8,502,840	8,740,650	(237,810)	-2.7%
TRANSFERS								
Budget Stabilization	0	0	0	N/A	0	0	0	N/A
Liquor Transfers	0	0	0	N/A	0	0	0	N/A
Transfers In - Other	1,416	0	1,416	N/A	15,309	12,500	2,809	22.5%
Temporary Transfers In	0	0	0	N/A	0	0	0	N/A
Total Transfers	1,416	0	1,416	N/A	15,309	12,500	2,809	22.5%
TOTAL SOURCES	2,736,502	2,826,116	(89,614)	-3.2%	8,518,149	8,753,150	(235,001)	-2.7%

Table 2
GENERAL REVENUE FUND RECEIPTS
ACTUAL FY 2017 VS ACTUAL FY 2016
($ in thousands)

	MONTH				YEAR-TO-DATE			
REVENUE SOURCE	SEPTEMBER FY 2017	SEPTEMBER FY 2016	$ VAR	% VAR	ACTUAL FY 2017	ACTUAL FY 2016	$ VAR	% VAR
TAX RECEIPTS								
Non-Auto Sales & Use	718,424	694,961	23,462	3.4%	2,287,666	2,249,638	38,028	1.7%
Auto Sales & Use	120,455	125,638	(5,183)	-4.1%	366,044	364,629	1,415	0.4%
Subtotal Sales & Use	838,879	820,599	18,279	2.2%	2,653,710	2,614,267	39,443	1.5%
Personal Income	789,942	833,602	(43,660)	-5.2%	1,987,458	2,081,152	(93,694)	-4.5%
Corporate Franchise	(198)	1,044	(1,242)	-119.0%	(496)	2,364	(2,860)	-121.0%
Financial Institutions Tax	505	(638)	1,143	179.1%	1,278	(459)	1,737	378.2%
Commercial Activity Tax	8,130	6,459	1,671	25.9%	298,382	283,565	14,817	5.2%
Petroleum Activity Tax	1,542	1,350	192	14.2%	1,542	1,350	192	14.2%
Public Utility	75	(65)	140	216.4%	23,457	28,194	(4,736)	-16.8%
Kilowatt Hour	38,266	33,037	5,229	15.8%	98,612	94,779	3,834	4.0%
Natural Gas Distribution	0	(41)	41	100.3%	11,918	12,060	(142)	-1.2%
Foreign Insurance	9,558	5,560	3,998	71.9%	10,220	5,522	4,698	85.1%
Domestic Insurance	0	0	(0)	N/A	2,370	6	2,364	42337.2%
Other Business & Property	(683)	7	(690)	-10190.8%	(678)	28	(707)	-2501.2%
Cigarette and Other Tobacco	84,134	89,359	(5,225)	-5.8%	194,700	200,635	(5,935)	-3.0%
Alcoholic Beverage	7,203	1,621	5,582	344.3%	18,021	12,041	5,980	49.7%
Liquor Gallonage	3,834	3,673	161	4.4%	11,788	11,333	455	4.0%
Estate	90	76	14	18.0%	73	148	(75)	-50.5%
Total Tax Receipts	1,781,276	1,795,643	(14,367)	-0.8%	5,312,354	5,346,984	(34,629)	-0.6%
NON-TAX RECEIPTS								
Federal Grants	940,911	410,840	530,071	129.0%	3,132,170	2,951,060	181,110	6.1%
Earnings on Investments	0	0	0	N/A	0	0	0	N/A
License & Fee	1,426	1,765	(339)	-19.2%	9,127	7,911	1,216	15.4%
Other Income	2,499	1,419	1,080	76.1%	40,110	3,322	36,787	1107.2%
ISTV'S	8,975	(0)	8,975	N/A	9,079	573	8,507	1485.6%
Total Non-Tax Receipts	953,811	414,024	539,786	130.4%	3,190,486	2,962,866	227,620	7.7%
TOTAL REVENUES	2,735,086	2,209,667	525,419	23.8%	8,502,840	8,309,850	192,990	2.3%
TRANSFERS								
Budget Stabilization	0	0	0	N/A	0	0	0	N/A
Liquor Transfers	0	0	0	N/A	0	0	0	N/A
Transfers In - Other	1,416	1,991	(576)	-28.9%	15,309	165,064	(149,756)	-90.7%
Temporary Transfers In	0	0	0	N/A	0	0	0	N/A
Total Transfers	1,416	1,991	(576)	-28.9%	15,309	165,064	(149,756)	-90.7%
TOTAL SOURCES	2,736,502	2,211,659	524,843	23.7%	8,518,149	8,474,914	43,235	0.5%

DISBURSEMENTS

September GRF disbursements, across all uses, totaled $3,559.6 million and were $48.3 million (1.3%) below estimate. This was primarily attributable to lower than estimated disbursements in the Medicaid category being partially offset by higher than estimated disbursements in the Justice and Public Protection and Primary and Secondary Education categories. On a year-over-year basis, September total uses were $928.6 million (35.3%) higher than those of the same month in the previous fiscal year, with the Primary and Secondary Education and Debt Service 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)	($198.1 million)	-2.0%
Transfers	Temporary or permanent transfers out of the GRF that are not agency expenditures	$1.5 million	0.6%
TOTAL DISBURSEMENTS VARIANCE:		**($196.6 million)**	**-1.9%**

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 by the Ohio Department of Education. September disbursements for this category totaled $929.3 million and were $28.1 million (3.1%) above estimate. Expenditures for the school foundation program totaled $917.9 million and were $26.2 million (2.9%) above estimate. This variance was primarily attributable to timing of payments in the EdChoice Expansion line item and an academic performance bonus payment within the foundation funding line item, which were disbursed in September instead of October as estimated. Year-to-date disbursements were $2,372.2 million, which was $51.5 million (2.2%) above estimate.

On a year-over-year basis, disbursements in this category were $723.3 million (351.1%) higher than for the same month in the previous fiscal year while year-to-date expenditures were $581.8 million (32.5%) higher than the same point in fiscal year 2016. These variances were primarily due to the timing of school foundation payments. There were three payments made in September of the current fiscal year compared to one payment made in September of the previous fiscal year.

Higher Education

September disbursements for the Higher Education category, which includes non-debt service GRF spending by the Department of Higher Education totaled $195.4 million and were $1.9 million (1.0%) below estimate. This variance was primarily attributable to payments for the National Guard Tuition Grant Program and the Ohio College Opportunity Grant Scholarship

Program being $1.6 million below estimate as a result of lower than expected requests for reimbursement from higher education institutions.

Year-to-date disbursements were $569.0 million, which was $7.6 million (1.3%) below estimate. On a year-over-year basis, disbursements in this category were $1.0 million (0.5%) higher than for the same month in the previous fiscal year while year-to-date expenditures were $22.4 million (4.1%) higher than at the same point in fiscal year 2016.

Other Education

This category includes non-debt service GRF expenditures made by the Broadcast Education Media Commission, the Ohio Facilities Construction Commission, the Ohio State School for the Blind, the Ohio School for the Deaf, as well as disbursements made to libraries, cultural, and arts organizations.

September disbursements in this category totaled $12.1 million and were $6.8 million (128.3%) above estimate. This variance was primarily attributable to the timing of grant program disbursements by the Ohio Arts Council, which were $6.7 million above estimate due to payments occurring in September instead of August as estimated. Year-to-date disbursements were $27.4 million, which was $1.1 million (3.9%) below estimate. On a year-over-year basis, disbursements in this category were $4.0 million (49.5%) higher than for the same month in the previous fiscal year while year-to-date expenditures were $2.8 million (11.5%) higher than at the same point in fiscal year 2016.

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.

Expenditures

September GRF disbursements for the Medicaid Program totaled $1,400.2 million and were $123.0 million (8.1%) below estimate, and $44.3 million (3.1%) below disbursements for the same month in the previous fiscal year. Year-to-date GRF disbursements totaled $4,628.8 million and were $288.7 million (5.9%) below estimate, and $117.6 million (2.5%) below disbursements for the same point in the previous fiscal year.

September all funds disbursements for the Medicaid Program totaled $1,904.9 million and were $395.8 million (17.2%) below the estimate, and $14.5 million (0.8%) above disbursements for the same month in the previous fiscal year. Year-to-date all funds disbursements totaled $5,816.8 million and were $608.8 million (9.5%) below the estimate, and $591.8 million (9.2%) below disbursements for the same point in the previous fiscal year.

The September all funds variance was due to several factors. Payments were delayed to hospitals for the Hospital Upper Payment (UPL) Program, which provides additional payments to hospitals for allowable costs that are not fully covered by Medicaid payments; the combination of Medicaid payments and UPL payments may not exceed the amount that the Medicare program would have paid for such services (i.e. the upper payment limit). UPL payments are expected to be completed within the next two months. Managed care costs were also less than anticipated for the month for three reasons. First, payments to managed care plans under the Pay for Performance Program were not completed in September as estimated, but are expected to be disbursed in October. Second, enrollment for the two more-costly groups, Aged, Blind and Disabled (ABD) adults and ABD children, were 25.4% and 49.6%, respectively, below estimate for the month. Finally, other underspending in the managed care program was attributable to lower monthly capitation rates, which began in January 2016. Fee-for-service costs were also below estimate due to enrollment in this program being 6.8% below estimate for the month. Other underspending in September resulted from less than anticipated administrative costs.

The year-to-date all funds variance included all of the variances described above for the Hospital UPL, managed care, and fee-for-service programs. Year-to-date average enrollment variances for managed care ABD adult, managed care ABD children, and fee-for-service were 26.3%, 50.6% and 9.3%, respectively, below estimate. Less than anticipated administrative costs also contributed to the year-to-date variance.

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

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

		September Actual		September Projection		Variance	Variance %
GRF	$	1,400.2	$	1,523.2	$	(123.0)	-8.1%
Non-GRF	$	504.8	$	777.5	$	(272.8)	-35.1%
All Funds	$	1,904.9	$	2,300.7	$	(395.8)	-17.2%

Enrollment

Total September enrollment across all categories was 3.05 million. The most significant components are the Covered Families and Children/Modified Adjusted Gross Income (CFC/MAGI) category, which decreased by 5,188 persons to a September total of 2.50 million persons, and the Aged, Blind and Disabled (ABD) category, which increased by 3,399 persons to a September total of 402,173 covered lives.

Total enrollment across all categories for the same period last year was 3.05 million covered persons, including 2.48 million persons in the CFC/MAGI category and 397,653 people in the ABD category.

Please note that these data are subject to revision.

Health and Human Services

This category includes non-debt service GRF expenditures by the following state agencies: Job and Family Services, Health, Aging, Developmental Disabilities, Mental Health and Addiction

Services, and others. Examples of expenditures in this category include: child care, TANF, administration of the state's psychiatric hospitals, operating subsidies to county boards of developmental disabilities, various immunization programs, and Ohio's long term care ombudsman program. To the extent that these agencies spend GRF to support Medicaid services, that spending is reflected in the Medicaid category.

September disbursements in this category totaled $78.1 million and were $0.5 million (0.6%) below estimate. Year-to-date disbursements were $295.1 million, which was $23.9 million (7.5%) below estimate. On a year-over-year basis, disbursements in this category were $0.6 million (0.8%) higher than for the same month in the previous fiscal year while year-to-date expenditures were $29.0 million (9.0%) lower than at the same point in fiscal year 2016.

<u>Department of Job and Family Services</u>
September disbursements for the Department of Job and Family Services totaled $34.3 million and were $0.9 million (2.5%) below estimate. Notable negative variances occurred in the disbursements for Unemployment Insurance Administration and Information Technology Projects, which were $2.1 million (73.7%) and $1.9 million (27.5%), respectively, below estimate due to payments estimated to occur in September being moved to future months. Notable positive variances occurred in the disbursements for Family Assistance – Local and Children and Family Subsidies, which were $2.7 million (70.9%) and $1.4 million (151.3%) above estimate respectively, due to payments originally scheduled for August being made in September.

<u>Department of Mental Health and Addiction Services</u>
September disbursements for the Department of Mental Health and Addiction Services totaled $32.6 million and were $5.5 million (20.3%) above estimate. This variance was partially attributable to the timing of Specialized Docket Support disbursements which were $4.4 million above an estimate of $0 due to payments to courts being made in September instead of later months as estimated. Additionally, Hospital Services disbursements were $3.0 million (18.2%) above estimate due to payments originally scheduled for July being made in September. These variances were partially offset by Continuum of Care disbursements which were $2.2 million (100.0%) below estimate due to a prescription drug purchase originally scheduled for September that will now be made in October.

<u>Department of Health</u>
September disbursements for the Department of Health totaled $4.9 million and were $5.1 million (51.0%) below estimate. This variance was primarily attributable to Help Me Grow disbursements being $2.1 million (74.6%) below estimate due to payments estimated for September being moved to future months.

Justice and Public Protection

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

September disbursements in this category totaled $194.9 million and were $41.7 million (27.2%) above estimate. Year-to-date disbursements were $606.3 million, which was $27.1 million (4.7%) above estimate. On a year-over-year basis, disbursements in this category were $61.9 million (46.6%) higher than for the same month in the previous fiscal year while year-to-date expenditures were $56.1 million (10.2%) higher than at the same point in fiscal year 2016.

Department of Rehabilitation and Correction
September disbursements for the Department of Rehabilitation and Correction totaled $165.3 million and were $47.4 million (40.3%) above estimate. This variance was primarily attributable to higher than estimated disbursements for Halfway Houses, Community Nonresidential Programs, Community Misdemeanor Programs, and Community Residential Programs - CBCF due to quarterly payments occurring in September instead of October as estimated. Disbursements for Institutional Operations were also above estimate due to the timing of payments. These variances were partially offset by lower than estimated disbursements for Institution Medical Services due to some payments not being disbursed in September as estimated.

Public Defender Commission
September disbursements for the Public Defender Commission totaled $0.5 million and were $5.2 million (90.7%) below estimate. This variance was primarily attributable to the timing of County Reimbursement payments which occurred in August instead of September 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.

September disbursements in this category totaled $24.3 million and were $1.9 million (7.4%) below estimate. Year-to-date disbursements were $101.4 million, which was $5.6 million (5.2%) below estimate. On a year-over-year basis, disbursements in this category were $2.9 million (13.4%) higher than for the same month in the previous fiscal year while year-to-date expenditures were $1.5 million (1.5%) lower than at the same point in fiscal year 2016.

Property Tax Reimbursements

Payments from the property tax reimbursement category are made to local governments and school districts to reimburse these entities for revenues foregone as a result of the 10.0 percent and 2.5 percent rollback, as well as the homestead exemption. September property tax reimbursements totaled $316.9 million and were $2.1 million (0.7%) above estimate. Year-to-date disbursements totaled $452.4 and were $50.8 million (12.6%) above estimate. The year-to-date variance is due to reimbursement requests being received from counties earlier than anticipated.

Debt Service

September payments for debt service totaled $407.4 million and were $0.5 million (0.1%) below estimate. Year-to-date debt service payments were $782.1 million and were $0.5 million (0.1%) below estimate.

Transfers Out

September transfers out totaled $1.0 million and were $1.0 million above estimate. This variance was primarily attributable to a planned transfer occurring earlier in the year than estimated. Year-to-date transfers out were $243.1 million and were $1.5 million (0.6%) above estimate.

Table 3

GENERAL REVENUE FUND DISBURSEMENTS
ACTUAL FY 2017 VS ESTIMATE FY 2017
($ in thousands)

Functional Reporting Categories Description	MONTH ACTUAL SEPTEMBER	MONTH ESTIMATED SEPTEMBER	MONTH $ VAR	MONTH % VAR	YEAR-TO-DATE YTD ACTUAL	YEAR-TO-DATE YTD ESTIMATE	YEAR-TO-DATE $ VAR	YEAR-TO-DATE % VAR
Primary and Secondary Education	929,283	901,177	28,107	3.1%	2,372,209	2,320,667	51,542	2.2%
Higher Education	195,363	197,278	(1,915)	-1.0%	568,966	576,593	(7,626)	-1.3%
Other Education	12,095	5,297	6,798	128.3%	27,380	28,480	(1,100)	-3.9%
Medicaid	1,400,168	1,523,190	(123,022)	-8.1%	4,628,818	4,917,543	(288,725)	-5.9%
Health and Human Services	78,126	78,606	(480)	-0.6%	295,119	319,040	(23,922)	-7.5%
Justice and Public Protection	194,916	153,261	41,656	27.2%	606,257	579,200	27,057	4.7%
General Government	24,295	26,232	(1,937)	-7.4%	101,387	106,982	(5,595)	-5.2%
Property Tax Reimbursements	316,928	314,876	2,052	0.7%	452,424	401,637	50,787	12.6%
Capital Outlay	0	0	0	N/A	0	0	0	N/A
Debt Service	407,447	407,965	(517)	-0.1%	782,093	782,607	(514)	-0.1%
Total Expenditures & ISTV's	3,558,622	3,607,881	(49,259)	-1.4%	9,834,653	10,032,749	(198,096)	-2.0%
Transfers Out:								
BSF Transfer Out	0	0	0	N/A	29,483	29,483	0	0.0%
Operating Transfer Out	1,000	0	1,000	N/A	213,614	212,159	1,455	0.7%
Temporary Transfer Out	0	0	0	N/A	0	0	0	N/A
Total Transfers Out	1,000	0	1,000	N/A	243,096	241,642	1,455	0.6%
Total Fund Uses	3,559,622	3,607,881	(48,259)	-1.3%	10,077,749	10,274,390	(196,642)	-1.9%

Table 4

GENERAL REVENUE FUND DISBURSEMENTS
ACTUAL FY 2017 VS ACTUAL FY 2016
($ in thousands)

Functional Reporting Categories Description	MONTH				YEAR-TO-DATE			
	SEPTEMBER FY 2017	SEPTEMBER FY 2016	$ VAR	% VAR	ACTUAL FY 2017	ACTUAL FY 2016	$ VAR	% VAR
Primary and Secondary Education	929,283	205,985	723,298	351.1%	2,372,209	1,790,404	581,806	32.5%
Higher Education	195,363	194,326	1,038	0.5%	568,966	546,609	22,357	4.1%
Other Education	12,095	8,091	4,005	49.5%	27,380	24,556	2,824	11.5%
Medicaid	1,400,168	1,444,511	(44,343)	-3.1%	4,628,818	4,746,425	(117,607)	-2.5%
Health and Human Services	78,126	77,486	640	0.8%	295,119	324,131	(29,012)	-9.0%
Justice and Public Protection	194,916	132,983	61,934	46.6%	606,257	550,137	56,120	10.2%
General Government	24,295	21,421	2,873	13.4%	101,387	102,919	(1,532)	-1.5%
Property Tax Reimbursements	316,928	371,086	(54,158)	-14.6%	452,424	463,572	(11,148)	-2.4%
Capital Outlay	0	0	0	N/A	0	0	0	N/A
Debt Service	407,447	174,678	232,770	133.3%	782,093	768,013	14,079	1.8%
Total Expenditures & ISTV's	3,558,622	2,630,567	928,056	35.3%	9,834,653	9,316,766	517,887	5.6%
Transfers Out:								
BSF Transfer	0	0	0	N/A	29,483	425,500	(396,017)	-93.1%
Operating Transfer Out	1,000	475	525	110.5%	213,614	346,475	(132,862)	-38.3%
Temporary Transfer Out	0	0	0	N/A	0	0	0	N/A
Total Transfers Out	1,000	475	525	110.5%	243,096	771,975	(528,879)	-68.5%
Total Fund Uses	3,559,622	2,631,042	928,581	35.3%	10,077,749	10,088,741	(10,993)	-0.1%

FUND BALANCE

Table 5 describes the estimated General Revenue Fund (GRF) unencumbered ending fund balance for FY 2017. Based on the estimated revenue sources for FY 2017 and the estimated FY 2017 disbursements, transfers, and encumbrances, the GRF unencumbered ending fund balance for FY 2017 is an estimated $459.8 million.

The GRF unencumbered ending fund balance should not be considered as a balance available for expenditure in FY 2017 nor should it be considered as equivalent to the FY 2017 surplus calculation as defined in Section 131.44 of the Ohio Revised Code.

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

Table 5
FUND BALANCE
GENERAL REVENUE FUND
FISCAL YEAR 2017
($ in thousands)

July 1, 2016 Beginning Cash Balance*	**$ 1,193,327**
Plus FY 2017 Estimated Revenues	22,897,600
Plus FY 2017 Estimated Federal Revenues	12,682,980
Plus FY 2017 Estimated Transfers to GRF	309,100
Total Sources Available for Expenditures & Transfers	**37,083,007**
Less FY 2017 Estimated Disbursements**	35,892,611
Less FY 2017 Estimated Total Encumbrances as of June 30, 2017	312,696
Less FY 2017 Estimated Transfers Out	417,875
Total Estimated Uses	**36,623,182**
FY 2017 ESTIMATED UNENCUMBERED ENDING FUND BALANCE	**459,825**

* Includes reservations of $428.6 million for prior year encumbrances and $54.5 million for transfers from the fiscal year 2016 ending balance executed during fiscal year 2017. After accounting for these amounts, the estimated unencumbered beginning fund balance for fiscal year 2017 is $710.2 million.

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

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