OBM

November 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

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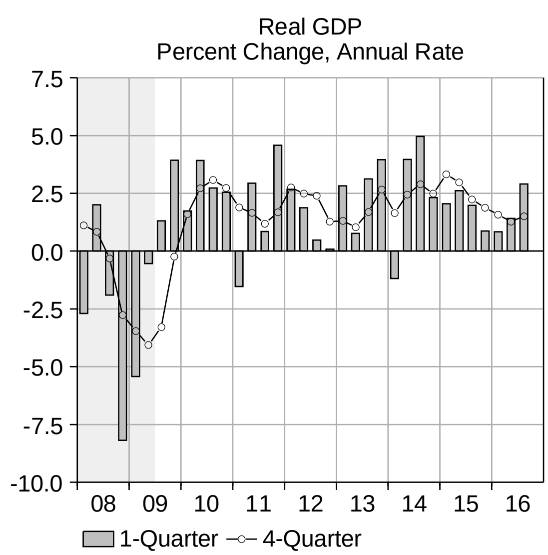
Economic Performance Overview

- Economic growth picked up to 2.9% in the third quarter, following average growth of only 1.0% during the previous three quarters. Analyst expectations are for growth of 2% to 3% in the final quarter of the year.
- U.S. employment increased by 161,000 jobs in October for a 3-month average gain of 176,000 jobs. The unemployment rate decreased 0.1 points to 4.9%.
- Ohio nonfarm payroll employment decreased by 3,100 jobs in September, but is up 73,400 jobs year-to-date. The unemployment rate increased 0.1 points to 4.8%.
- Leading indicators point toward continued growth at a modest pace, fueled by a healthy household sector but restrained by weak manufacturing.

Economic Growth

Real GDP growth picked up to 2.9% in the third quarter – the best pace since the third quarter of 2014. The acceleration in activity marked a significant change from the growth rate of 1.4% in the second quarter and only 1.0% during the previous three quarters. Compared with a year earlier, real GDP was higher by 1.3%.



The **increase in third-quarter** real GDP primarily reflected positive contributions from personal consumption expenditures, exports, private inventory investment, federal government spending, and nonresidential fixed investment. Residential fixed investment and state and local government spending subtracted from growth. Imports, which are automatically included in these individual categories and then subtracted as a separate category, increased.

The **acceleration during the third quarter** reflected an upswing in inventory investment, much faster growth in exports, a smaller decrease in state and local government spending, and an upturn in federal government spending. Subtracting from top-line growth were slower growth in personal consumption expenditures and a pickup in imports.

Forecasters generally expect economic growth of 2% to 3% during the fourth quarter. For example, the GDPNow projection by the Federal Reserve Bank of Atlanta was 3.1% as of November 4. The Blue Chip consensus, which is an average of forecasts from a group of professional forecasters, is 2.3%, but with a range of 1.8% to 2.8% from the average of the lowest ten forecasts to the highest ten. Moodys' high-frequency model currently estimates that fourth quarter GDP growth will be only 1.7%, slightly below the low end of the Blue Chip range.

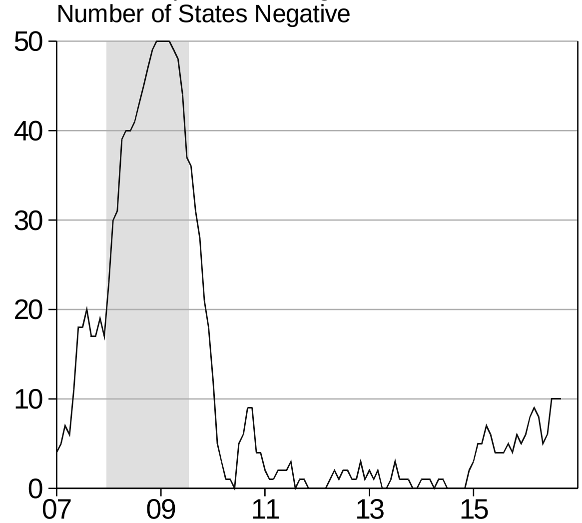
Business activity in and around Ohio grew at a modest pace from September into October, according to a regular survey of businesses (the Beige Book) conducted by the Federal Reserve Bank of Cleveland. The Ohio coincident economic index from by the Philadelphia Federal Reserve was unchanged in September in its weakest showing since 2009. The year-over-year rate of change fell to 2.5%, which is the slowest since 2013. The index is composed of four measures of labor market activity, and has generally represented business conditions accurately over time, although current values of the index are frequently revised as time passes.

Leading economic indicators were mixed in September, and remain consistent with a moderate pace of growth into early next year. The Leading Economic Index (LEI) from the Conference Board increased 0.2%, reversing the 0.2% decline in August. Building permits, which increased 6.3%, made the largest positive contribution among the ten components. Initial jobless claims, which decreased to nearly a 40-year low, also made a notable positive contribution.

The year-over-year rate of change in the LEI remained low, but increased to 1.5% in September, up from a low of 0.7% in June. In contrast, the rate of change in the index regularly has turned negative in advance of recessions in the past. The weakness 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 household benefits from lower energy costs have continued to support consumer income and spending.

The nationwide message from state-level coincident and leading composite indexes deteriorated in September. The **Coincident Economic Index** (CEI) for eleven states declined, a level reached three months to twelve months in advance of each of the last five recessions, but with one false alarm in 1986. All things considered, the spreading slowdown across states seems more similar to the 1986 slowdown than any of the past five recessions.

State Composite Leading Indexes
Number of States Negative



Source: Philadelphia Fed. Latest data September

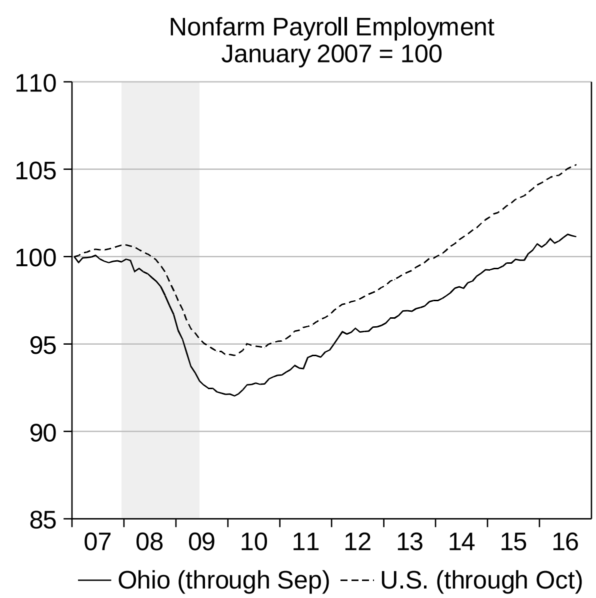
The weakness in state coincident indexes was also reflected in the diffusion of state leading indexes. The **Leading Economic Index** for ten states declined in September for the third month in a row. The number of states with negative readings has increased to at least ten six other times since the end of the 1982 recession. All three of the recessions during this period were preceded by a rise to above ten states, with a lead time that has varied from two months to nine months. Three other signals have been false alarms, because the number fell back below ten before a recession started. As a result, the recent pattern would be consistent with an elevated chance of recession if not for the convincing lack of corroborating evidence from a host of other business cycle indicators, such as initial jobless claims, which signal growth.

Closer to home, the **Ohio Leading Economic Index** from the Philadelphia Federal Reserve turned negative in August on a revised basis, and slipped further to -0.9% in September. The index is designed to predict the rate of change in the coincident index during the next six months, but can be volatile from month to month and is often revised significantly. The pair of negative readings was the first back-to-back drop in the Ohio index since 2009, when the national economy was emerging from recession.

Employment

U.S. nonfarm payrolls increased by 161,000 jobs in October, and the August and September changes were revised upward by a total of 44,000 jobs. Job growth has averaged 176,000 jobs in the most recent three months. During the most recent twelve months, job growth has averaged 196,000 per month. Continued growth in employment at that level is thought by economists to be sufficient to continue driving down the unemployment rate. For example, the Atlanta Federal Reserve has a job growth calculator that estimates that another 6 months of 196,000 monthly job growth would push the U.S. unemployment rate to 4.6%.

Employment increases were led by professional and business services (+43,000), health care (+39,000), government (+19,000), financial activities (+14,000), and construction (+11,000). Employment declined in manufacturing (-9,000). Mining employment declined by 2,000 jobs and the August increase was revised downward to a 1,000 job loss.



The **unemployment rate** ticked down to 4.9%, keeping it at 5.0% or less for thirteen consecutive months. The broadest measure of unemployment – the U-6 unemployment rate – fell to 9.5%, its lowest level since April 2008. The U-6 unemployment rate includes those who want to work but have stopped looking because they believe they cannot find a job, as well as those working part time who would prefer full time work. Average hourly earnings rose 0.4% to 2.8% above the year earlier level. Some sectors have seen hourly wages grow much faster than 2.8%: for example, information (+5.2%), leisure and hospitality (+4.6%), and somewhat surprisingly, manufacturing (+3.3%). The combination of these positive labor market indicators is widely thought to be likely to encourage a Federal Reserve increase in short-term interest rates.

Ohio nonfarm payroll employment decreased by 3,100 jobs in September for the second monthly decline in a row. Changes in employment levels across sectors were mixed, with employment rising in financial activities (+2,900), other services (+2,700), and professional and business services (+1,800). Employment declines occurred in government (-2,800), construction (-2,600), and leisure and hospitality (-2,600), retail trade (-1,900), and manufacturing (-1,200).

During the twelve months ending in September, Ohio employment increased by 73,400 jobs. The largest employment gains occurred in education and health services (+17,600), government (+14,100), and leisure and hospitality (+12,600). Employment also increased in trade, transportation, and utilities (+8,600) and financial activities (+7,100). Year-over-year declines occurred in mining and logging (-2,300) and manufacturing (-100).

Among the **contiguous states**, year-over-year employment growth was strongest in Michigan (+2.0%), followed by Indiana (+1.5%), Kentucky (+1.4%), Ohio (+1.4%), Pennsylvania (+0.9%), and West Virginia (+0.1%). Manufacturing employment increased year-over-year in Michigan (+1.3%), was unchanged in Ohio, and decreased in Pennsylvania (-0.4%), Kentucky (-0.5%), Indiana (-0.9%), and West Virginia (-1.5%). Manufacturing employment was held back in Ohio relative to a year ago in part by declines in the primary metal (-8.6%), fabricated metal (-4.6%), and transportation equipment (-4.3%) industries. Employment in the important machinery industry expanded (+2.7%).

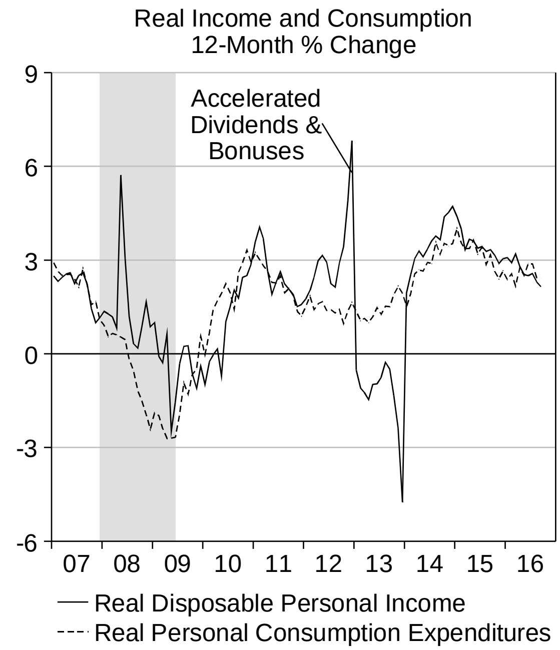
The **Ohio unemployment rate** increased 0.1 percentage points, but at 4.8% remained below 5% for the third straight month. The rate is up 0.2 points from the cyclical low of 4.6% reached a year ago. The increase resulted from a larger increase in the Ohio labor force (+63,000) than in total employment (+51,000). The unemployment rate has moved in a narrow range since the end of 2014.

Across the country in September, the unemployment rate decreased by a statistically significant amount in seven states, increased in one state (New York), and was not statistically different from the month before in the other states. The unemployment rate was lower than a year earlier by a statistically significant margin in six states and meaningfully higher in four states, including neighboring Pennsylvania.

Consumer Income and Consumption

Personal income and personal consumption expenditures picked up again in September after a one-month slowdown. **Personal income** grew 0.3% after a 0.2% increase in August, boosted by faster growth of 0.3% in wage and salary disbursements, which comprise more than one-half of personal income. Compared with a year earlier, personal income was up 3.2% and wage and salary disbursements were up 3.8%.

The **Consumer Price Index** (CPI) increased 0.3% in September, leaving real income little changed. Gasoline and medical care prices were key causes. The year-over-year rate increased to 1.5% – the highest in two years. Excluding the volatile food and energy categories, the CPI was up 2.2% year-over-year. 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 2.5% 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) was 1.7% above its year earlier level in September.



Personal consumption expenditures accelerated to growth of 0.5% in September from a decline of 0.1% in August, lifting the annual growth rate during the most recent six months to 5.5%. Spending on durable goods, non-durable goods, and services all increased during the month. The rise in durable goods sales was partly due to a 4.4% increase in unit sales of light motor vehicles to an annual rate of 17.7 million. Sales increased further to 17.9 million units in October.

Consumer attitudes deteriorated during October, but remained at relatively high levels. **Consumer confidence** declined 4.7%, according to the Conference Board, due to assessments of both the future and current conditions. The University of Michigan/Reuters index also deteriorated, but primarily due to worsened expectations. Ancillary data from the surveys suggests that the dimmer views reflect political uncertainty, higher gasoline prices, and the recent slowing in job growth.

Manufacturing

Continuing the pattern in place for more than a year, industrial activity remained weak in September. **Industrial production** increased just 0.1% after a 0.5% decline in August, leaving it 1.0% below the year earlier level. Utility output fell 1.0% and was little changed from a year ago. Mining output increased 0.4% but was still 9.4% below its year earlier level. Manufacturing production increased 0.2%, which after a 0.5% drop in the previous month left it essentially unchanged from September 2015.

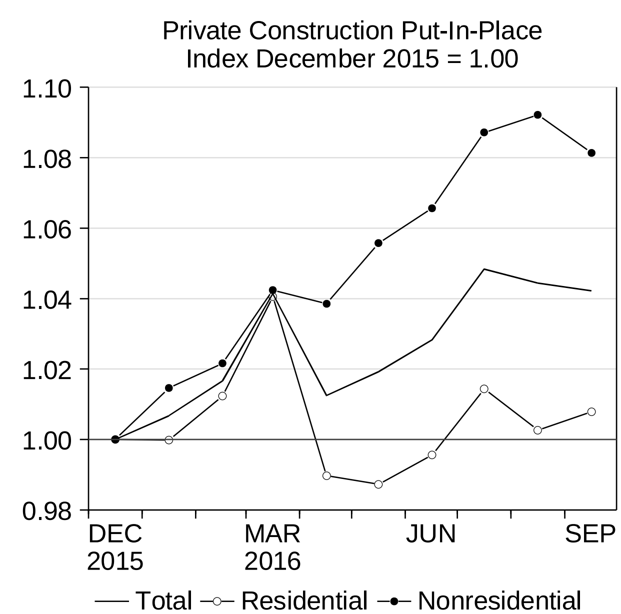
The industrial sector continues to be affected by the ongoing headwinds from the long-term strengthening of the dollar since 2011 and the short-term renewed increase in the dollar since August and the fallout from the big decline in the price of oil.

Among industries of special importance to Ohio, primary metals production decreased 0.7%, while production of fabricated metal products increased 0.4% and output of machinery decreased 0.6%. All were lower than a year earlier. Production of motor vehicles and parts inched higher by 0.1% in September to 5.0% above the year earlier level.

In and around Ohio, manufacturing output was little changed heading into October, according to the Cleveland Fed Beige Book survey. Activity was strong for suppliers to the motor vehicle, aerospace, commercial construction, housing, and personal consumer products industries. Respondents to the survey noted that lower business fixed investment, the strong dollar, and weakness in the energy sector undermined growth in other manufacturing industries, but expect modest improvements in conditions in the months ahead.

Purchasing managers in the manufacturing sector reported generally stable conditions during October after a recovery in September from surprising weakness in August. The PMI® moved higher by just 0.4 points to 51.9 in October. The important New Orders index dipped, but remained above 50, and the Production index increased by nearly two points to 54.6. Changes in other major indexes were mixed, including a four-point drop in the Backlog of Orders index back to its August level of 45.5 and a more than three point increase in the Employment index. The New Export Orders index was stable at 52.5 and the Import index increased three points to 52.

Of the eighteen industries tracked by the Manufacturing ISM® *Report on Business,* ten reported growth in the latest month. Among the industries with a disproportionate effect on Ohio manufacturing employment, there were four – transportation equipment, machinery, primary metals, and fabricated metal products – that all reported contraction in October. One respondent in the primary metals industry reported “a considerable slowdown for October and November,” while one in the fabricated metal products industry said that conditions are “much stronger.” A respondent in the transportation equipment industry noted continued pressure for price reductions from customers.



Construction

Construction put-in-place fell 0.4% in September on top of a 0.5% decline in August that was revised up from -0.5%. The July change was revised up to +0.5% from an initial report of -0.3%. The September decline resulted from weakness in both private (-0.2%) and public (-0.9%) construction, although performance was very mixed across industries. Compared with a year earlier, total construction was down 0.2%, reflecting a 2.4% year-over-year increase in private construction and a 7.8% decrease in public construciton.

The decrease in **private** construction in September resulted from a decline in nonresidential (-1.0%) that more than offset an increase in residential (+0.5%), which was broad-based. The decline in nonresidential construction resulted mainly from declines in commercial, power, and manufacturing construction that outweighed a large increase in education construction. Growth in private construction activity year-to-date has come from nonresidential, as residential activity pulled back sharply in April and has failed to recover.

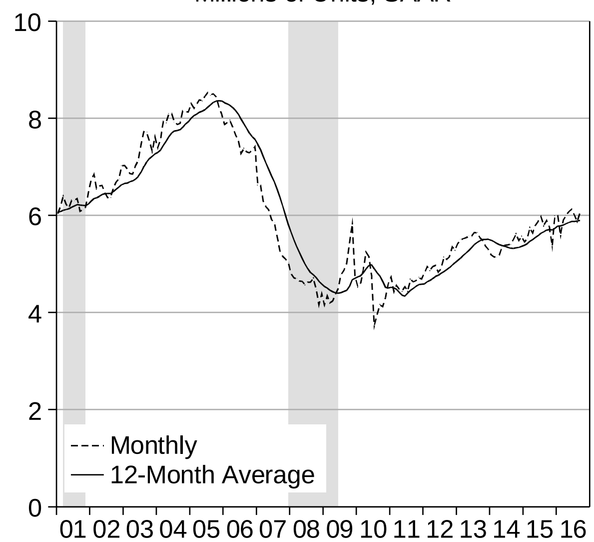
Nonresidential contractors in and around Ohio reported satisfaction with the current level of activity in the Cleveland Fed survey. Inquiries and backlogs have increased after having weakened early in the thrid quarter. More than one builder, however, noted that some customers had postponed investment decisions until after the presidential election. Most contractors expect stable conditions.

After rising to a recovery-high in April, **housing starts** fell to an 18-month low in September. The pattern pulled down the average for the third quarter by 4.2%, following a 2.4% increase in the second quarter. The decline over the summer occurred entirely in the multi-family segment (-12.9%), as single-family starts edged higher (+0.9%). The pattern was the same across the Midwest, as total starts fell 8.5% reflecting a 26.1% drop in multi-family starts and a 1.2% increase in single family starts.

Home sales were mixed during the third quarter. Sales of existing homes declined 0.6% across the country and 0.8% in the Midwest. Sales of new homes increased 2.0% across the country and 0.4% in the Midwest. The number of months' supply of both existing and new homes edged down in September to low levels.

In and around Ohio, sales of new and existing homes through August were about 5% above the year earlier level and the average sales price rose 3.5%, according to the Cleveland Fed survey. Builders believe that low mortgage rates and rising consumer confidence have fueled demand for homes. Single-family starts were reported to be significantly higher across Ohio compared with a year earlier.

Total U.S. Home Sales (New and Existing)
Millions of Units, SAAR



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.

October **GRF receipts totaled $2,777.6 million** and were $27.2 million (1.0%) below the estimate. Monthly tax receipts totaled $1,769.6 million and were $88.1 million (4.7%) below the estimate, while non-tax receipts totaled $1,008.0 million and were $70.8 million (7.6%) above the estimate. Federal grants were over the estimate by $103.9 million, or 11.7%, as GRF funds had to be used to pay for Medicaid expenses, and thus draw down federal funds, that were originally expected to be covered by non-GRF sources such as the hospital assessment. Non-GRF sources should be used to offset GRF expenses in November, which presumably will lead to a negative variance that will offset the October overage. Finally, transfers were $0, which was $9.8 million below estimate.

For the fiscal year, GRF receipts were $262.2 million (2.3%) below estimate. After the October shortfall, tax receipts are responsible for the majority of the year-to-date variance, falling $160.1 million (2.2%) below estimate. The tax revenue variance is about evenly split between the sales tax, which is $76.4 million (2.1%) below estimate, and the income tax, which is $82.6 million (3.1%) below estimate. Sales tax and income tax collections account for $159.0 million of the tax revenue shortfall, with all other tax sources combined being $1.1 million below estimate.

For the year, non-tax receipts are $95.1 million (2.2%) below estimate, with federal grants being $108.2 million below estimate despite the October overage. Non-federal, non-tax revenues are $13.1 million over estimate, with all categories having small overages. Following the October shortfall, transfers are $7.0 million below estimate for the year.

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	($160.1 million)	-2.2%
Non-tax receipts	Federal grants, earnings on investments, licenses & fees, other income, intrastate transfers	($95.1 million)	-2.2%
Transfers	Budget stabilization, liquor transfers, capital reserve, other	($7.0 million)	-31.4%
TOTAL REVENUE VARIANCE:		**($262.2 million)**	**-2.3%**
Non-Federal Revenue Variance:		**($154.0 million)**	**-2.1%**
Federal Grants Variance:		**($108.2 million)**	**-2.6%**

On a year-over-year basis, monthly receipts were $511.9 million (15.6%) below October of the previous fiscal year. Federal grants alone fell by $406.3 million, or 29.1%. Tax receipts dropped by $73.9 million, or 4.0%, with income tax revenues accounting for over half that total, falling by $41.0 million, or 6.3%. For the year to date, revenues excluding transfers are down by $309.3 million, or 2.7%, from last year. Federal grants have declined by $225.2 million, or 5.2%.

Tax revenues have fallen by $108.5 million from last year, or 1.5%. The income tax is responsible for more than all of that decline, dropping by $134.7 million, or 4.9%. We reiterate that the decline in income tax revenues was partly anticipated, and was mostly due to a decline of $88.8 million (31.6%) in quarterly estimated payments. Briefly, the estimated payment decrease 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. The whole year fiscal year 2017 income tax forecasts expect the drop in estimated payments to be offset by a decline in refunds in the second half of the fiscal year.

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

Individual Revenue Sources Above Estimate		**Individual Revenue Sources Below Estimate**	
Kilowatt Hour Tax	$4.3	Non-Auto Sales and Use Tax	($42.9)
Federal Grants	$103.9	Other Income	($30.8)
Earnings on Investments	$5.7	Financial Institutions Tax	($10.7)
Other Sources Above Estimate	$1.3	Transfers In	($9.8)
		Personal Income Tax	($9.5)
		ISTVs	($8.8)
		Commercial Activity Tax	($7.4)
		Cigarette and Other Tobacco Tax	($6.5)
		Auto Sales and Use Tax	($5.4)
		Public Utility Excise Tax	($4.0)
		Domestic Insurance Tax	($2.7)
		Other Sources Below	($3.9)
Total above	**$115.2**	**Total below**	**($142.4)**

(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

October non-auto sales and use tax collections totaled $747.9 and were $42.9 million (5.4%) below estimate. This brings year-to-date collections to $3,035.6 million, which is $62.4 (2.0%) below estimates. Though October is the primary contributor to the year-to-date shortfall, actuals have consistently been below estimates this fiscal year.

In fact, if one looks at quarterly data, which is less noisy than monthly results, non-auto sales tax collections have been depressed for the past three quarters, and the October results may lead to a fourth such quarter.

Ohio GRF Non-Auto Sales Tax Revenues					
Calendar Quarters, Dollars in Millions					
Quarterly	2015Q3	2015Q4	2016Q1	2016Q2	2016Q3
Actual	$2,253.0	$2,308.9	$2,139.6	$2,303.5	$2,286.3
Estimate	$2,196.9	$2,316.8	$2,177.0	$2,351.8	$2,307.2
Variance	$56.1	-$7.9	-$37.4	-$48.3	-$20.9
Percent Variance	2.55%	-0.34%	-1.72%	-2.05%	-0.91%
Year-Over-Year Percent Growth	5.87%	3.55%	4.57%	2.85%	1.5%

October collections in fiscal year 2017 were $1.7 million (0.2%) lower than October collections a year ago. Collections during the first four months of fiscal year 2017 are up an unimpressive $4.0 million (0.8%) from the same period a year ago. Together, these figures suggest the non-auto sales and use tax may be overestimated for fiscal year 2017.

National data provides insights into the underperformance of the non-auto sales and use tax in Ohio. First, growth in national retail sales, which can be decomposed into real retail sales and price changes, has been weak. As reported by the Census Bureau, total retail sales (excluding motor vehicle dealers) for the July-September quarter, not adjusted for seasonal variation and holiday and trading-day differences (just as actual tax collections are not adjusted), increased by just 1.7% from the July-September quarter a year ago. This weak national sales growth shows that Ohio is not alone in weak retail results.

When one drills down further into the retail data, Moody's economic analysis division has noted that deflation in retail sales prices is one of the causes of low retail sales growth and of low state sales tax growth. In fact the Bureau of Economic Analysis reports that national prices (based off a chain-type price index methodology) for retail trade other than motor vehicles and parts dealers experienced a 2.9% year-over-year decrease in the third quarter of 2016, the ninth consecutive quarterly decline in that measure of retail prices. Although declining retail prices were also an issue in 2015, stronger year-over-year wage growth (particularly in the later three quarters of 2015) may have dampened its effects on collections at the time.

A relatively healthy job market and high consumer confidence levels would tend to lead to higher non-auto tax collections. Some economists speculate that wage growth may finally begin to accelerate as the economy gets closer to "full employment." If so, then that may translate into higher non-auto sales tax collections. On the other hand, falling retail prices, driven by lower oil prices and a higher dollar (which has led to cheaper import prices), will be a drag on collections until the trend in prices is reversed. OBM will continue to monitor all of these statistics along with the trend in non-auto tax collections.

Auto Sales Tax

Auto sales tax collections totaled $109.9 million in October and were $5.4 million (4.7%) below estimate. This is the second consecutive month of lower than expected collections following a bump in August. Year-to-date collections total $476.0 million and were $14.0 million (2.9%) below estimate. The October result is somewhat surprising given the updated September SAAR of 17.65 million light vehicle sales, which was substantially higher than a month prior as well as higher than the average for the first eight months of calendar year 2016. One explanation for the less impressive sales tax collections is a recent increase in incentives that may have driven down average prices.

Collections were up $2.6 million (2.4%) from a year ago, slightly increasing the year-to-date increase to $4.0 million (0.8%). In 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 historically large gasoline reserves, which put downward pressure on prices. Though not final yet due to a fire at Ford Headquarters, October SAAR estimates hover around 18.0 million light vehicle sales. A level of sales that high would generally lead one to expect that November collections would meet or even exceed the estimate even after accounting for increased price incentives.

In the longer term, experts seem to be converging on the opinion that pent up post-recessionary demand may be exhausted, but that economic fundamentals still support healthy auto sales. Exactly what the level of sales will end up being for 2016 is still uncertain. Calendar year 2015 was a record sales year, and the seventh consecutive year of increased sales. As recently as early September, analysts were skeptical that calendar year 2016 sales would beat the 2015 record, but strong September and October sales have revived that possibility. Regardless of where calendar year 2016 unit sales end up, some analysts, such as those at Moody's, are calling for slower unit sales in calendar year 2017. The exact impact on auto sales tax collections of such a slowdown, if it materializes, will depend on the behavior of average prices. IHS Markit is more optimistic, calling for unit sales to stabilize around 17.5 million over the next three years.

Personal Income Tax

October GRF personal income tax receipts totaled $608.4 million and were $9.5 million (1.5%) below the estimate. For the year, income tax collections are now $82.6 million (3.1%) below estimate. Unlike August and September, employer withholding exceeded the estimate in October, by $6.8 million, or 1.0%. This brought the year-to-date withholding shortfall down to $50.6 million, or 1.9%.

As discussed at some length in last month's issue of this report, OBM's working hypothesis is that wage income falling below estimate is a likely explanation of the withholding shortfall for the first four months of fiscal year 2017.

FY2017 PERSONAL INCOME TAX RECEIPTS BY COMPONENT ($ in millions)						
	ESTIMATE OCT	ACTUAL OCT	$ VAR OCT	ACTUAL OCT 2016	ACTUAL OCT 2015	$ VAR Y-over-Y
Withholding	$657.6	$664.4	$6.8	$664.4	$665.1	($0.7)
Quarterly Est.	$12.7	$12.2	($0.5)	$12.2	$19.5	($7.3)
Trust Payments	$1.8	$1.1	($0.7)	$1.1	$2.9	($1.8)
Annual Returns & 40 P	$37.4	$34.4	($3.0)	$34.4	$53.5	($19.1)
Other	$6.7	$1.4	($5.3)	$1.4	$7.5	($6.1)
Less: Refunds	($67.6)	($74.4)	($6.8)	($74.4)	($67.6)	($6.9)
Local Distr.	($30.7)	($30.7)	$0.0	($30.7)	($31.6)	$0.9
Net to GRF	$617.9	$608.4	($9.5)	$608.4	$649.4	($41.0)

As for the non-withholding portion of income tax collections, all types of payment had small negative variances, with refunds again being the largest negative factor. Refunds were $6.8 million above estimate – meaning that they were a $6.8 million larger subtraction than estimated – and are now $38.3 million above estimate for the year. Withholding and refunds combined are responsible for $88.9 million of negative variance for the year. All other payment types combined are slightly above estimate.

The refunds that have been paid in July through October 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.

In what has become a familiar refrain, on a year-over-year basis, October personal income tax receipts were $41.0 million (6.3%) below October 2015 collections. For the year to date, income tax collections are $134.7 million (4.9%) below fiscal year 2016 collections. The main culprits in the year-to-date decline are a large decline in quarterly estimated payments and an increase in refunds. Fiscal year 2017 estimated payments are down $88.8 million, or 31.6% from last year. This is despite the fact that estimated payments are $9.4 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. Fiscal year 2016 payments provided some evidence that taxpayers were 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 large refunds in the January-June filing season, they have instead cut back on their estimated payments by more than 30%. OBM therefore incorporated much lower estimated payments into the fiscal year 2017 estimates, but also reduced expected refund payouts in January through June.

The net result of this change in estimated payments and refunds is a change in the timing of income tax net collections, where tax revenues are expected to be lower than in fiscal year 2016 all the way through January, before finally turning positive in February as lower expected refunds eventually outweigh lower estimated payments. If income tax revenues continue to run somewhat below estimate over the next several months, which is now what OBM expects, the turning point may come in March rather than February.

Commercial Activity Tax

Commercial activity tax collections were $7.4 million (16.2%) below estimate in October. For the year, collections are $9.6 million, or 2.8%, below estimate. October collections are generally early payments against the tax due on November 10, but they can also reflect credits, particularly refundable credits, claimed against prior tax periods. As a result, they cannot generally be taken as an indicator of November performance.

Before October, the CAT was slightly below estimate for the first quarter of fiscal year 2017, at -$2.2 million, or -0.7%. Now that OBM has received information about tax credits claimed in the first quarter, it seems that this small variance was not due to higher than estimated credits: in fact, credits were below estimate. This means that the low collections were due to smaller than estimated growth in taxable gross receipts. Since the largest industry sector contributors to CAT revenues are manufacturing and retail trade, the working hypothesis is that price deflation in goods has had a negative impact on CAT receipts, just as it is thought to have had a negative impact on non-auto sales tax collections (see above).

The GRF receives 75% of CAT revenues, so all funds (total) CAT collections follow the same general pattern as GRF collections. Through October, total CAT collections are $12.5 million, or 2.7%, below estimate. CAT collections have declined by $30.8 million, or 6.4%, from last year.

Cigarette and Other Tobacco Tax

Cigarette and other tobacco tax collections were $6.5 million below estimate in October, but are still $2.3 million, or 0.8%, above estimate for the year. On a monthly basis, collections have been up or down relative to the estimate, but these seem to be timing issues as collections are very close to the estimate through the first four months overall.

Financial Institutions Tax

Financial institutions tax (FIT) collections were $10.7 million below estimate in October. Collections were expected to be -$1.6 million, with refunds outweighing any late payments, but in fact were -$12.3 million. The financial institutions tax is mainly paid in three installments at the end of January, March, and May, on an estimated basis. The banks and non-bank institutions then file an annual return in October reporting their actual liability and making additional payments or requesting refunds based on the difference between that liability and the estimated payments made. Tax credits are one of the reasons that actual liability can fall below estimate and lead to refunds. Unlike in the case of the CAT, larger than expected credits seem to be at least part of the reason for FIT refunds being larger than estimated in October.

For the year, FIT collections are $9.4 million under estimate, due to the October refunds. FIT collections are expected to remain about where they are now until late January when the first estimated payment against tax year 2017 liability will be due.

GRF Non-Tax Receipts

GRF non-tax receipts totaled $1,008.0 million in October and were $70.8 million (7.6%) above the estimate. Federal grants were responsible for more than all of the overage, coming in $103.9 million (11.7%) above estimate. As stated earlier, hospital assessment revenue was not used in October to offset GRF Medicaid spending, so the GRF had to fund a larger than expected share of Medicaid expenses, which also resulted in more federal reimbursement being drawn. This situation is expected to be corrected in November.

October other income was $30.8 million below estimate, but is still $5.7 million over estimate for the year. The October shortfall and year-to-date overage stem from the same cause, namely that payment of liquor profit revenues to the GRF from JobsOhio was both larger than estimated, and earlier than estimated, as the payment was not expected to be received until October but was in fact made in August.

ISTVs were $8.8 million below estimate in October but are $0.3 million over estimate for the year, as the state GRF received fiscal year 2016 indirect cost reimbursement from other state funds a month earlier than estimated, with the reimbursement coming in September rather than October.

Finally, transfers to the GRF were zero, and so were $9.8 million below estimate, as supplemental casino and racetrack relocation payments that were expected to be received in October were delayed. The transfer to the GRF is expected to be made in November.

Table 1
GENERAL REVENUE FUND RECEIPTS
ACTUAL FY 2017 VS ESTIMATE FY 2017
($ in thousands)

REVENUE SOURCE	MONTH ACTUAL OCTOBER	MONTH ESTIMATE OCTOBER	MONTH $ VAR	MONTH % VAR	YEAR-TO-DATE ACTUAL Y-T-D	YEAR-TO-DATE ESTIMATE Y-T-D	YEAR-TO-DATE $ VAR	YEAR-TO-DATE % VAR
TAX RECEIPTS								
Non-Auto Sales & Use	747,918	790,800	(42,882)	-5.4%	3,035,584	3,098,000	(62,416)	-2.0%
Auto Sales & Use	109,927	115,300	(5,373)	-4.7%	475,971	490,000	(14,029)	-2.9%
Subtotal Sales & Use	857,845	906,100	(48,255)	-5.3%	3,511,554	3,588,000	(76,446)	-2.1%
Personal Income	608,352	617,900	(9,548)	-1.5%	2,595,810	2,678,400	(82,590)	-3.1%
Corporate Franchise	(263)	0	(263)	N/A	(760)	0	(760)	N/A
Financial Institutions Tax	(12,296)	(1,600)	(10,696)	-668.5%	(11,019)	(1,600)	(9,419)	-588.7%
Commercial Activity Tax	38,049	45,400	(7,351)	-16.2%	336,431	346,000	(9,569)	-2.8%
Petroleum Activity Tax	0	0	0	N/A	1,542	1,200	342	28.5%
Public Utility	2,307	6,300	(3,993)	-63.4%	25,764	31,500	(5,736)	-18.2%
Kilowatt Hour	34,948	30,600	4,348	14.2%	133,561	118,000	15,561	13.2%
Natural Gas Distribution	494	500	(6)	-1.3%	12,411	12,600	(189)	-1.5%
Foreign Insurance	150,670	152,000	(1,330)	-0.9%	160,891	156,500	4,391	2.8%
Domestic Insurance	(2,316)	400	(2,716)	-679.1%	53	400	(347)	-86.7%
Other Business & Property	0	0	0	N/A	(678)	0	(678)	N/A
Cigarette and Other Tobacco	84,576	91,100	(6,524)	-7.2%	279,276	277,000	2,276	0.8%
Alcoholic Beverage	3,185	5,500	(2,315)	-42.1%	21,205	19,200	2,005	10.4%
Liquor Gallonage	3,830	3,500	330	9.4%	15,618	14,800	818	5.5%
Estate	175	0	175	N/A	248	0	248	N/A
Total Tax Receipts	1,769,555	1,857,700	(88,145)	-4.7%	7,081,909	7,242,000	(160,091)	-2.2%
NON-TAX RECEIPTS								
Federal Grants	991,355	887,442	103,913	11.7%	4,123,525	4,231,717	(108,192)	-2.6%
Earnings on Investments	14,180	8,500	5,680	66.8%	14,180	8,500	5,680	66.8%
License & Fees	1,669	855	814	95.2%	10,796	9,405	1,391	14.8%
Other Income	781	31,620	(30,839)	-97.5%	40,890	35,145	5,745	16.3%
ISTV'S	23	8,800	(8,777)	-99.7%	9,102	8,800	302	3.4%
Total Non-Tax Receipts	1,008,007	937,217	70,791	7.6%	4,198,493	4,293,567	(95,074)	-2.2%
TOTAL REVENUES	2,777,562	2,794,917	(17,354)	-0.6%	11,280,403	11,535,567	(255,164)	-2.2%
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	0	9,800	(9,800)	N/A	15,309	22,300	(6,991)	-31.4%
Temporary Transfers In	0	0	0	N/A	0	0	0	N/A
Total Transfers	0	9,800	(9,800)	N/A	15,309	22,300	(6,991)	-31.4%
TOTAL SOURCES	2,777,562	2,804,717	(27,154)	-1.0%	11,295,711	11,557,867	(262,156)	-2.3%

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

REVENUE SOURCE	MONTH OCTOBER FY 2017	MONTH OCTOBER FY 2016	MONTH $ VAR	MONTH % VAR	YEAR-TO-DATE ACTUAL FY 2017	YEAR-TO-DATE ACTUAL FY 2016	YEAR-TO-DATE $ VAR	YEAR-TO-DATE % VAR
TAX RECEIPTS								
Non-Auto Sales & Use	747,918	749,569	(1,650)	-0.2%	3,035,584	2,999,206	36,378	1.2%
Auto Sales & Use	109,927	107,334	2,593	2.4%	475,971	471,963	4,007	0.8%
Subtotal Sales & Use	857,845	856,903	942	0.1%	3,511,554	3,471,169	40,385	1.2%
Personal Income	608,352	649,336	(40,984)	-6.3%	2,595,810	2,730,488	(134,678)	-4.9%
Corporate Franchise	(263)	3,286	(3,549)	-108.0%	(760)	5,649	(6,409)	-113.4%
Financial Institutions Tax	(12,296)	(3,033)	(9,263)	-305.4%	(11,019)	(3,493)	(7,526)	-215.5%
Commercial Activity Tax	38,049	43,926	(5,877)	-13.4%	336,431	327,491	8,940	2.7%
Petroleum Activity Tax	0	0	0	N/A	1,542	1,350	192	14.2%
Public Utility	2,307	2,254	53	2.3%	25,764	30,448	(4,684)	-15.4%
Kilowatt Hour	34,948	31,054	3,894	12.5%	133,561	125,833	7,728	6.1%
Natural Gas Distribution	494	510	(16)	-3.2%	12,411	12,570	(158)	-1.3%
Foreign Insurance	150,670	149,356	1,315	0.9%	160,891	154,878	6,012	3.9%
Domestic Insurance	(2,316)	338	(2,655)	-784.4%	53	344	(291)	-84.5%
Other Business & Property	0	1	(1)	N/A	(678)	29	(708)	-2408.6%
Cigarette and Other Tobacco	84,576	96,646	(12,070)	-12.5%	279,276	297,281	(18,005)	-6.1%
Alcoholic Beverage	3,185	8,917	(5,733)	-64.3%	21,205	20,958	247	1.2%
Liquor Gallonage	3,830	3,615	216	6.0%	15,618	14,948	671	4.5%
Estate	175	327	(153)	-46.6%	248	475	(227)	-47.8%
Total Tax Receipts	1,769,555	1,843,435	(73,880)	-4.0%	7,081,909	7,190,419	(108,509)	-1.5%
NON-TAX RECEIPTS								
Federal Grants	991,355	1,397,623	(406,269)	-29.1%	4,123,525	4,348,683	(225,158)	-5.2%
Earnings on Investments	14,180	7,916	6,264	79.1%	14,180	7,916	6,264	79.1%
License & Fee	1,669	842	827	98.2%	10,796	8,754	2,043	23.3%
Other Income	781	30,009	(29,229)	-97.4%	40,890	33,332	7,559	22.7%
ISTV'S	23	0	22	N/A	9,102	573	8,529	1488.7%
Total Non-Tax Receipts	1,008,007	1,436,391	(428,384)	-29.8%	4,198,493	4,399,257	(200,764)	-4.6%
TOTAL REVENUES	2,777,562	3,279,826	(502,264)	-15.3%	11,280,403	11,589,676	(309,273)	-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	0	9,612	(9,612)	N/A	15,309	174,676	(159,368)	-91.2%
Temporary Transfers In	0	0	0	N/A	0	0	0	N/A
Total Transfers	0	9,612	(9,612)	N/A	15,309	174,676	(159,368)	-91.2%
TOTAL SOURCES	2,777,562	3,289,438	(511,876)	-15.6%	11,295,711	11,764,352	(468,641)	-4.0%

DISBURSEMENTS

October GRF disbursements, across all uses, totaled $3,164.7 million and were $40.7 million (1.3%) above estimate. This was primarily attributable to higher than estimated disbursements in the Medicaid category being partially offset by lower than estimated disbursements in the Property Tax Reimbursements and Justice and Public Protection categories. On a year-over-year basis, October total uses were $124.0 million (3.8%) lower than those of the same month in the previous fiscal year, with the Primary and Secondary Education and Property Tax Reimbursements categories largely responsible for the decrease. 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)	($129.2 million)	-1.0%
Transfers	Temporary or permanent transfers out of the GRF that are not agency expenditures	($26.8 million)	-9.6%
TOTAL DISBURSEMENTS VARIANCE:		**($156.0 million)**	**-1.2%**

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. October disbursements for this category totaled $721.6 million and were $17.1 million (2.4%) above estimate. This variance was primarily attributable to timing of payments in the auxiliary services line item which were disbursed in October rather than November as estimated. This variance was partially offset by below estimated disbursements in the student assessment and report cards line items due to payments originally expected to occur in October that will now be disbursed in future months. Expenditures for the school foundation program totaled $662.5 million and were $8.2 million (1.2%) below estimate due to academic bonus payments occurring in September instead of October as estimated. Year-to-date disbursements were $3,093.8 million, which was $68.7 million (2.3%) above estimate.

On a year-over-year basis, disbursements in this category were $91.3 million (11.2%) lower than for the same month in the previous fiscal year while year-to-date expenditures were $490.5 million (18.8%) higher than the same point in fiscal year 2016. The year-to-date variance was primarily attributable to eight foundation payments being disbursed through October of the previous fiscal year compared to nine foundation payments being disbursed through October of the current fiscal year.

Higher Education

October disbursements for the Higher Education category, which includes non-debt service GRF spending by the Department of Higher Education totaled $194.4 million and were $0.8 million (0.4%) below estimate. This variance was primarily attributable to payments for the Ohio College Opportunity Grant Scholarship Program being $2.5 million below estimate as a result of lower than expected requests for reimbursement from higher education institutions. This variance was partially offset by spending in the CO-OP Internship Program being $1.4 million above estimate as a payment estimated to occur in August disbursed in October.

Year-to-date disbursements were $763.4 million, which was $8.5 million (1.1%) below estimate. On a year-over-year basis, disbursements in this category were $3.3 million (1.7%) lower than for the same month in the previous fiscal year while year-to-date expenditures were $19.0 million (2.6%) 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.

October disbursements in this category totaled $7.7 million and were $0.8 million (9.7%) below estimate. Year-to-date disbursements were $35.1 million, which was $1.9 million (5.2%) below estimate. On a year-over-year basis, disbursements in this category were $1.6 million (25.3%) higher than for the same month in the previous fiscal year while year-to-date expenditures were $4.4 million (14.3%) 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.

<u>Expenditures</u>
October GRF disbursements for the Medicaid Program totaled $1,503.5 million and were $193.6 million (14.8%) above the estimate, and $50.7 million (3.5%) above disbursements for the same month in the previous fiscal year. The GRF overage resulted from the need to temporarily make some planned non-GRF payments out of the GRF due to a delay in receiving certain non-GRF revenues. The timing should be resolved in November. Year-to-date GRF disbursements totaled $6,132.3 million and were $95.1 million (1.5%) below the estimate, and $66.9 million (1.1%) below disbursements for the same point in the previous fiscal year.

October all funds disbursements for the Medicaid Program totaled $2,044.7 million and were $137.7 million (6.3%) below the estimate, and $137.0 million (7.2%) above disbursements for the same month in the previous fiscal year. Year-to-date all funds disbursements totaled $7,861.5

million and were $746.5 million (8.7%) below the estimate, and $454.7 million (5.5%) below disbursements for the same point in the previous fiscal year.

The October all funds variance included below estimate spending in the managed care program due to enrollment for the two more-costly groups, Aged, Blind and Disabled (ABD) adults and ABD children, being 23.9% and 44.5%, respectively, below estimate for the month, and lower monthly capitation rates, which began in January 2016. The October underspending was partially offset by the timing of managed care pay for performance payments, which were completed in October instead of September as estimated. Fee-for-service program costs were below estimate due to enrollment in this program being 6.2% below estimate for the month. Other below estimate spending in October resulted from less than anticipated administrative costs due to lower costs for information technology projects, volume-based contracts, and reimbursement requests from county departments of job and family services.

The year-to-date all funds variance included the managed care program enrollment and capitation savings described above with the ABD adult and ABD children average monthly enrollment being 25.4% and 48.9%, respectively, below estimate year-to-date. In addition, managed care pay for performance expenses have also been less than expected for the year. Fee-for-service program costs have been below estimate due to enrollment in this program being an average of 8.6% below estimate each month so far this fiscal year. Less than anticipated administrative costs, described above, also contributed to the year-to-date variance. Finally, payments to hospitals for the Hospital Upper Payment Limit (UPL) program, budgeted for September, have been delayed, but will be completed in November. This program 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).

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

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

	October Actual	October Projection	Variance	Variance %
GRF	$ 1,503.5	$ 1,309.9	$ 193.6	14.8%
Non-GRF	$ 541.2	$ 872.5	$ (331.3)	-38.0%
All Funds	$ 2,044.7	$ 2,182.4	$ (137.7)	-6.3%

Enrollment

Total October 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 4,003 persons to an October total of 2.49 million persons, and the Aged, Blind and Disabled (ABD) category, which increased by 6,986 persons to an October total of 409,159 covered lives.

Total enrollment across all categories for the same period last year was 3.04 million covered persons, including 2.47 million persons in the CFC/MAGI category and 394,588 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.

October disbursements in this category totaled $163.1 million and were $24.0 million (12.8%) below estimate. Year-to-date disbursements were $458.2 million, which was $47.9 million (9.5%) below estimate. On a year-over-year basis, disbursements in this category were $19.6 million (13.6%) higher than for the same month in the previous fiscal year while year-to-date expenditures were $9.5 million (2.0%) lower than at the same point in fiscal year 2016.

<u>Department of Job and Family Services</u>
October disbursements for the Department of Job and Family Services totaled $94.2 million and were at estimate. Notable positive variances occurred in the disbursements for Child Care State/Maintenance of Effort which were $5.3 million (15.1%) above estimate due to increased rates paid to providers and higher caseloads. Notable negative variances occurred in the disbursements for Program Support which were $1.9 million (61.2%) below estimate due to payments estimated to occur in October being moved to future months. TANF State/Maintenance of Effort disbursements were $1.3 million (8.2%) below estimate due to lower than estimated program costs and Ohio Works First caseloads.

<u>Department of Mental Health and Addiction Services</u>
October disbursements for the Department of Mental Health and Addiction Services totaled $39.5 million and were $15.3 million (27.9%) below estimate. This variance was primarily attributable to disbursements for Continuum of Care Services being $7.3 million (42.6%) below estimate, disbursements for Addiction Services Partnership being $4.5 million (78.5%) below estimate, and disbursements for Community Innovations being $1.6 million (63.5%) below estimate due to payments that were scheduled for October being moved to future months.

<u>Department of Health</u>
October disbursements for the Department of Health totaled $6.1 million and were $4.5 million (43.0%) below estimate. This variance was primarily attributable to Help Me Grow disbursements being $1.1 million (38.3%) below estimate due to payments estimated for October being moved to future months, as well as smaller negative variances in several other line items.

Opportunities for Ohioans with Disabilities

October disbursements for Opportunities for Ohioans with Disabilities totaled $0.5 million and were $1.7 million (77.2%) below estimate. The variance was primarily attributable to the timing of payments for Services for Individuals with Disabilities which were estimated to occur in October but will now be disbursed in 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.

October disbursements in this category totaled $140.6 million and were $51.9 million (27.0%) below estimate. Year-to-date disbursements were $746.9 million, which was $24.9 million (3.2%) below estimate. On a year-over-year basis, disbursements in this category were $43.7 million (23.7%) lower than for the same month in the previous fiscal year while year-to-date expenditures were $12.4 million (1.7%) higher than at the same point in fiscal year 2016.

Department of Rehabilitation and Correction

October disbursements for the Department of Rehabilitation and Correction totaled $108.3 million and were $49.8 million (31.5%) below estimate. This variance was primarily attributable to lower 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 Medical Services were also below estimate due to the timing of payments.

Department of Youth Services

October disbursements for the Department of Youth Services totaled $12.5 million and were $2.5 million (16.7%) below estimate. This variance was primarily attributable to the timing of Community Correctional Facility payments which will be disbursed in November instead of October as estimated.

General Government

This category includes non-debt service GRF expenditures by the Department of Natural Resources, Development Services Agency, Department of Agriculture, Department of Taxation, Office of Budget and Management, non-judicial statewide elected officials, legislative agencies, and others.

October disbursements in this category totaled $32.9 million and were $5.2 million (13.6%) below estimate. Year-to-date disbursements were $134.2 million, which was $10.7 million (7.4%) below estimate. On a year-over-year basis, disbursements in this category were $1.7 million (5.1%) lower than for the same month in the previous fiscal year while year-to-date expenditures were $3.3 million (2.4%) lower than at the same point in fiscal year 2016.

Department of Agriculture

October disbursements for the Department of Agriculture totaled $3.2 million and were $1.6 million (100.6%) above estimate. This variance was primarily attributable to disbursements for Soil and Water Conservation Districts being $1.4 million above estimate due to payments occurring in October instead of November as estimated.

Table 3
GENERAL REVENUE FUND DISBURSEMENTS
ACTUAL FY 2017 VS ESTIMATE FY 2017
($ in thousands)

Functional Reporting Categories Description	MONTH ACTUAL OCTOBER	MONTH ESTIMATED OCTOBER	MONTH $ VAR	MONTH % VAR	YEAR-TO-DATE YTD ACTUAL	YEAR-TO-DATE YTD ESTIMATE	YEAR-TO-DATE $ VAR	YEAR-TO-DATE % VAR
Primary and Secondary Education	721,635	704,520	17,115	2.4%	3,093,844	3,025,188	68,657	2.3%
Higher Education	194,421	195,249	(829)	-0.4%	763,387	771,842	(8,455)	-1.1%
Other Education	7,699	8,526	(826)	-9.7%	35,079	37,006	(1,927)	-5.2%
Medicaid	1,503,520	1,309,888	193,632	14.8%	6,132,338	6,227,430	(95,092)	-1.5%
Health and Human Services	163,116	187,079	(23,963)	-12.8%	458,235	506,119	(47,885)	-9.5%
Justice and Public Protection	140,629	192,541	(51,912)	-27.0%	746,886	771,741	(24,855)	-3.2%
General Government	32,850	38,003	(5,154)	-13.6%	134,237	144,985	(10,748)	-7.4%
Property Tax Reimbursements	301,837	360,962	(59,125)	-16.4%	754,261	762,599	(8,338)	-1.1%
Capital Outlay	0	0	0	N/A	0	0	0	N/A
Debt Service	88,808	88,836	(28)	0.0%	870,901	871,443	(542)	-0.1%
Total Expenditures & ISTV's	3,154,514	3,085,604	68,911	2.2%	12,989,167	13,118,353	(129,186)	-1.0%
Transfers Out:								
BSF Transfer Out	0	0	0	N/A	29,483	29,483	0	0.0%
Operating Transfer Out	10,226	38,464	(28,239)	-73.4%	223,839	250,623	(26,784)	-10.7%
Temporary Transfer Out	0	0	0	N/A	0	0	0	N/A
Total Transfers Out	10,226	38,464	(28,239)	-73.4%	253,322	280,106	(26,784)	-9.6%
Total Fund Uses	3,164,740	3,124,068	40,672	1.3%	13,242,489	13,398,458	(155,970)	-1.2%

Table 4

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

Functional Reporting Categories Description	MONTH				YEAR-TO-DATE			
	OCTOBER FY 2017	OCTOBER FY 2016	$ VAR	% VAR	ACTUAL FY 2017	ACTUAL FY 2016	$ VAR	% VAR
Primary and Secondary Education	721,635	812,923	(91,288)	-11.2%	3,093,844	2,603,326	490,518	18.8%
Higher Education	194,421	197,733	(3,313)	-1.7%	763,387	744,342	19,045	2.6%
Other Education	7,699	6,146	1,553	25.3%	35,079	30,702	4,378	14.3%
Medicaid	1,503,520	1,452,805	50,715	3.5%	6,132,338	6,199,230	(66,892)	-1.1%
Health and Human Services	163,116	143,566	19,550	13.6%	458,235	467,697	(9,462)	-2.0%
Justice and Public Protection	140,629	184,354	(43,725)	-23.7%	746,886	734,491	12,394	1.7%
General Government	32,850	34,598	(1,748)	-5.1%	134,237	137,517	(3,281)	-2.4%
Property Tax Reimbursements	301,837	372,437	(70,600)	-19.0%	754,261	836,009	(81,748)	-9.8%
Capital Outlay	0	0	0	N/A	0	0	0	N/A
Debt Service	88,808	71,930	16,878	23.5%	870,901	839,943	30,958	3.7%
Total Expenditures & ISTV's	3,154,514	3,276,492	(121,978)	-3.7%	12,989,167	12,593,258	395,909	3.1%
Transfers Out:								
BSF Transfer	0	0	0	N/A	29,483	425,500	(396,017)	-93.1%
Operating Transfer Out	10,226	12,224	(1,999)	-16.4%	223,839	358,700	(134,861)	-37.6%
Temporary Transfer Out	0	0	0	N/A	0	0	0	N/A
Total Transfers Out	10,226	12,224	(1,999)	-16.4%	253,322	784,200	(530,878)	-67.7%
Total Fund Uses	3,164,740	3,288,717	(123,977)	-3.8%	13,242,489	13,377,458	(134,969)	-1.0%

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 $459.5 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**	35,892,918
Less FY 2017 Estimated Total Encumbrances as of June 30, 2017	312,696
Less FY 2017 Estimated Transfers Out	417,875
Total Estimated Uses	**36,623,488**
FY 2017 ESTIMATED UNENCUMBERED ENDING FUND BALANCE	**459,518**

* 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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