OBM

December 12, 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

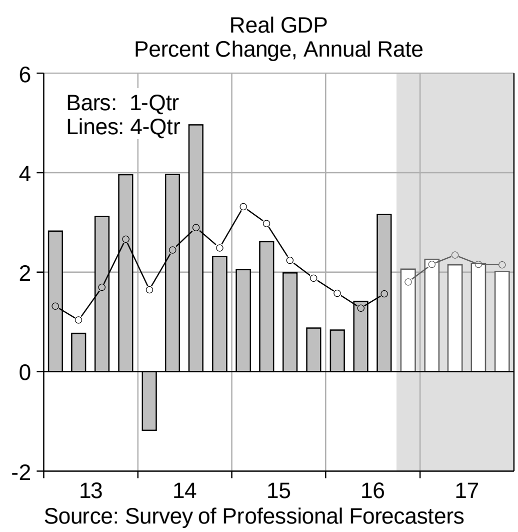
ECONOMIC SUMMARY

Economic Performance Overview

- Third-quarter economic growth was revised upward to 3.2%, following 1.0% growth during the previous three quarters.
- U.S. employment increased by 178,000 jobs in November for a 3-month average of 176,000 jobs. The unemployment rate decreased 0.3 points to 4.6% – a new low for the expansion.
- Ohio nonfarm payroll employment decreased by 2,800 jobs in October, and is up 21,200 jobs since last December. The unemployment rate increased 0.1 points to 4.9%.
- Leading indicators point toward continued U.S. growth at a modest pace, fueled by a healthy household sector but restrained by weak manufacturing.
- In the wake of the strong dollar and weak manufacturing sector, Ohio's economy has hit a rough patch. Growth has been slowing throughout calendar year 2016 and tax revenue growth – particularly sales and income – has slowed as a result.

Economic Growth

Real GDP growth in the third quarter was revised up to 3.2% – the best 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% on average during the previous three quarters. Compared with a year earlier, real GDP was higher by 1.6%.

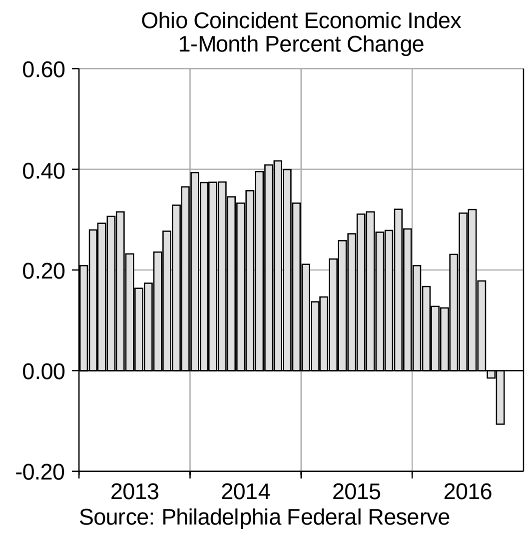


The **increase in third-quarter** real GDP primarily reflected positive contributions from personal consumption expenditures, exports, private inventory investment, and federal government spending. These factors together lifted GDP by 3.7%. Residential fixed investment and state and local government spending subtracted from growth. Imports, which are automatically included in these individual categories and then subtracted as a separate category, increased. Those three categories combined subtracted 0.6% from GDP growth.

The **acceleration during the third quarter** from 1.4% growth to 3.2% growth reflected an upswing in inventory investment, faster growth in exports, an upturn in federal government spending, and smaller decreases in state and local government spending and residential fixed investment. Acting in the opposite direction were slower growth in personal consumption expenditures, a pickup in imports, and a slowdown in nonresidential fixed investment.

Forecasters project economic growth of 2% to 2.5% or so during the fourth quarter. For example, the GDPNow projection by the Federal Reserve Bank of Atlanta was 2.6% as of December 6, while similar estimates from other sources are tracking closer to 2%. The Blue Chip consensus, which is an average of forecasts from a group of professional forecasters, is 2.3%, with a range of 1.8% to 2.8% from the average of the lowest ten to the highest ten. The median projection for fourth-quarter real GDP growth from the November 14 Survey of Professional Forecasters, conducted by the Philadelphia Federal Reserve Bank, was 2.2%.

Business activity in and around Ohio grew slightly from early October through mid-November, according to a regular survey of businesses conducted by the Federal Reserve Bank of Cleveland. In contrast, the Ohio coincident economic index compiled by the Philadelphia Federal Reserve decreased 0.1% in October after a marginal retreat in September – the weakest two-month showing since the beginning of the expansion in 2009. The year-over-year rate of change fell to 2.2%, which is the slowest since 2010. The index is composed of four labor market indicators and has represented business conditions accurately over time.



National leading economic indicators improved in October and remain consistent with a moderate pace of growth into early next year. The Leading Economic Index (LEI) from the Conference Board increased 0.1%, as six of the ten components made positive contributions. The interest rate spread made the largest contribution, followed closely by the average length of the workweek of private sector production workers.

Compared with a year earlier, the LEI was up 1.1% – down from 1.5% the month before but up from the expansion-low of 0.7% reached last June. In contrast, the rate of change in the index regularly has turned negative in advance of recessions in the past. The recent lull appears to be related to manufacturing activity, which has been negatively affected by the strengthening of the dollar since 2011, 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 improved in October to their best since May. This is a key positive development, because deterioration in recent months had begun to approach that of past inflection points. The **Coincident Economic Index** (CEI) declined for only five states and the prior month number was revised down from eleven to nine. The number of states with declining CEIs has been notably higher prior to each of the most recent five recessions.

The improvement in state coincident indexes was also reflected in the diffusion of state leading indexes. The **Leading Economic Index** (LEI) for five states declined in October, and the prior month number was revised down from ten to seven. In contrast, the number of states with negative LEIs has reached fourteen on average three months before the last three recessions and twenty-three on average during the initial month of recession.

Closer to home, the **Ohio Leading Economic Index** from the Philadelphia Federal Reserve was negative in August, September, and October. 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 trio of negative Ohio readings was the first since 2009, when the national economy was emerging from recession.

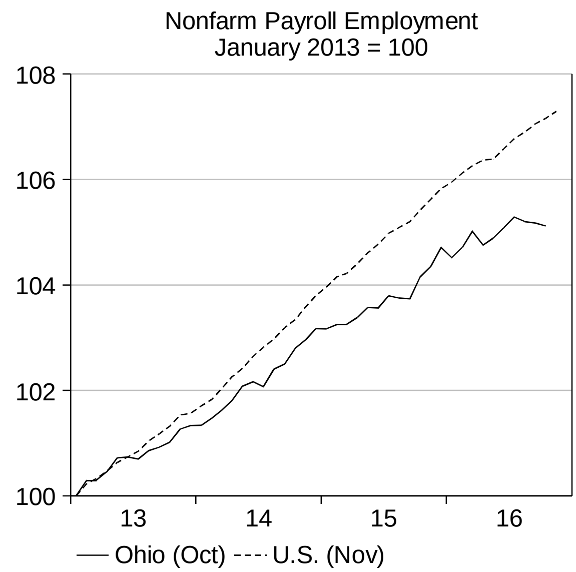
Employment

U.S. nonfarm payrolls increased by 178,000 jobs in November, and the two previous month's changes were revised upward by a net 2,000 jobs. Growth averaged 176,000 jobs in the most recent three months, down from 233,000 per month during the previous three-month period. During the most recent twelve months, job growth has averaged 188,000 per month – a pace that has been strong enough to push the unemployment rate lower.

Employment increases were led by professional and business services (+63,000), health care (+28,000), government (+22,000), and construction (+19,000). The rise in construction employment was the third notable increase in a row after a lull from spring through mid-summer. Employment declined in information (-10,000), retail (-8,000), and manufacturing (-4,000). The decline in manufacturing employment was the fourth in a row. Mining employment increased by 2,000 jobs in November, but is essentially unchanged during the most recent three months after a nearly two-year slide linked to the decrease in the price of oil.

The **unemployment rate** decreased by a statistically significant 0.3 points to 4.6%, its lowest level since well before the 2007-09 recession, in May 2007. With the exception of a one-month dip to 4.7% in May 2016, the unemployment rate had been within 0.1 point of 5.0% since August 2015.

Similarly, the broadest measure of unemployment – the U-6 unemployment rate – fell to 9.3%, 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 decreased 0.1% to 2.5% above the year earlier level. The decline on the month followed a larger-than-normal increase of 0.4% the month before. In light of broader labor market developments, the decline is not likely to dissuade the Federal Reserve from raising its federal funds rate target by a quarter-point at its December meeting.

Ohio nonfarm payroll employment decreased by 2,800 jobs in October for the third monthly decline in a row. Changes in employment levels across sectors were mixed, with employment rising in manufacturing (+3,500), construction (+2,500), and leisure and hospitality (+1,600). Employment declines occurred in professional and business services (-5,000), government (-3,200), and trade, transportation and utilities (-2,000).

During the twelve months ending in October, Ohio employment increased by 50,500 jobs. The largest employment gains occurred in government (+12,100), education and health services (+12,000), and leisure and hospitality (+11,300). Employment also increased in financial activities (+8,300) and trade, transportation, and utilities (+7,000). Year-over-year declines occurred in professional and business services (-5,900), manufacturing (-2,100) and natural resource and mining (-1,700).

IHS Markit economists have pointed out that there is a disconnect between the U.S. and Ohio labor markets in professional and business services. Nationally, over the last 12 months employment in this sector has increased by 571,000 jobs, or 2.9%. Conversely, in Ohio professional and business services employment has fallen by 5,900 jobs, a change of -0.8%. If Ohio employment growth in this sector had kept pace with the nation, total Ohio employment would be almost 27,000 jobs higher than it actually is.

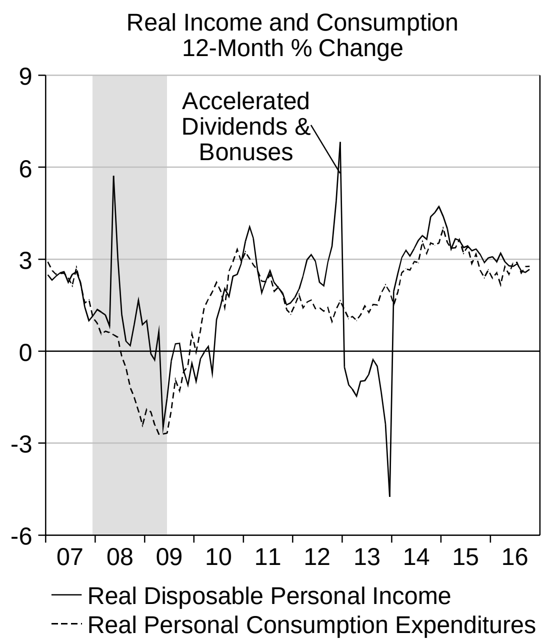
Among the **contiguous states**, year-over-year employment growth was strongest in Michigan (+2.2%), followed by Indiana (+1.0%), Kentucky (+1.0%), Ohio (+0.9%), Pennsylvania (+0.7%), and West Virginia (+0.0%). Manufacturing employment increased year-over-year in Michigan (+1.9%) and Kentucky (+0.7%) and decreased in Pennsylvania (-0.2%), Ohio (-0.3%), Indiana (-1.4%), 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 (-8.2%), fabricated metal (-3.8%), and transportation equipment (-3.5%) industries. Employment in the important machinery industry expanded (+2.8%) from a year earlier.

The **Ohio unemployment rate** increased 0.1 percentage point to 4.9%, but remained below 5.0% for the fourth straight month. The rate is up 0.3 points from the cyclical low of 4.6% reached in September 2015. The increase during that period resulted from a larger increase in the Ohio labor force (+42,000) than in total employment (+27,300). 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 two states, 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 seven states and meaningfully higher in five states, including neighboring Pennsylvania.

Consumer Income and Consumption

Personal income and personal consumption expenditures remained strong in October. **Personal income** grew 0.6% after a 0.4% increase in September, boosted by a 0.5% increase in wage and salary disbursements, which comprise more than one-half of personal income. Compared with a year earlier, personal income was up 3.9% and wage and salary disbursements were up 4.3%.



The **Consumer Price Index** (CPI) increased 0.4% in October, shaving the increase in real personal income to 0.2%. The price of gasoline, which increased 7.0%, was once again a key cause. The year-over-year change in the CPI increased to 1.6% – the highest in over 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 was 1.7% above its year earlier level – up from its low but still below the 2% threshold targeted by the Fed.

Personal consumption expenditures decelerated in October to a still-respectable pace of 0.3% resulting in an annualized growth rate during the most recent six months of 4.5%. Spending on durable goods and non-durable goods for the month increased 1.0% and 1.4%, respectively. Spending on services declined 0.2%. The rise in durable goods sales was partly due to a 1.4% increase in unit sales of light motor vehicles to an annual rate of 17.9 million. Sales edged down to 17.8 million in November. Light vehicle sales could stay at the recent level for an extended period, but are unlikely to move significantly and sustainably higher in this cycle.

Consumer attitudes improved markedly in November. **Consumer confidence** jumped 6.3%, according to the Conference Board, due to better assessments of both the current and future conditions. The overall index was the highest since July 2007 and was 16.7% above the average during economic expansions during the last half-century. The University of Michigan/Reuters index also improved, reflecting brighter assessments of both current and future conditions.

Manufacturing

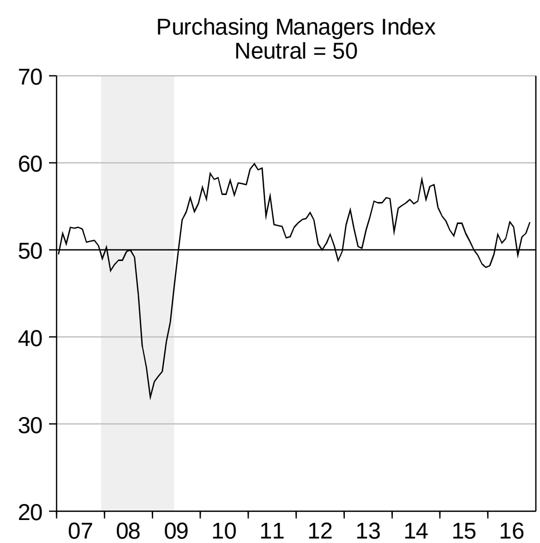
Continuing the pattern in place for more than a year, industrial activity remained weak in October. **Industrial production** increased just 0.2% for the second month in a row after a 0.5% decline in August. The index was still slightly below its year earlier level. Mining output increased 2.1% – its best showing since October 2011 – but remained 7.0% below its year earlier level. Manufacturing production increased 0.1% for the second month in a row but was lower by 0.9% from a year ago.

The industrial sector continues to be affected by the ongoing headwinds from the strengthening of the dollar since 2011 – including a renewed increase since August – and the fallout from the big decline in the price of oil. The dollar has appreciated an additional 7% since August, nearly back to its peak early in the year, putting renewed pressure on exports. The price of oil recently rallied substantially to a new high for the year on expected output cuts by OPEC but remains at approximately one-half of its level a couple of years ago.

Among industries of special importance to Ohio, primary metals production increased 1.6%, while production of fabricated metal products increased 0.6% and output of machinery inched higher by 0.1%. All were lower than a year earlier despite these increases. Production of motor vehicles and parts increased 0.9% to 5.0% above its year earlier level.

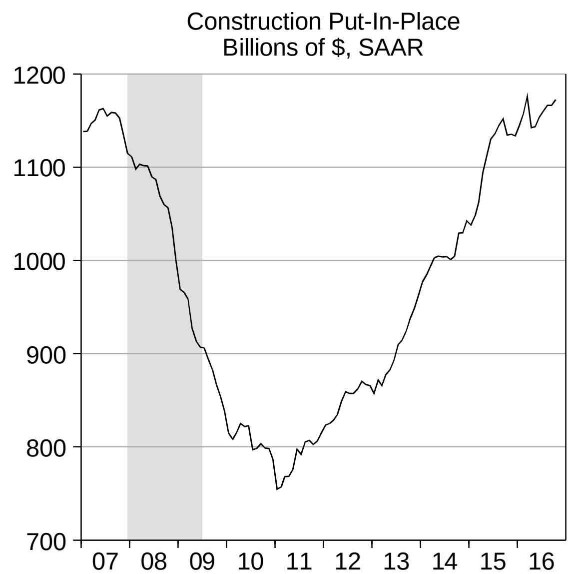
In and around Ohio, manufacturing output was little changed from early October through mid-November, according to the Cleveland Fed survey. Activity was strong for suppliers to the motor vehicle, construction, and personal consumer products industries. Factors cited as holding back activity in other industries were weakness in the energy sector and uncertainty about overseas markets. A greater number of respondents noted concern about a potential downswing in sales of new light motor vehicles. Two contacts reported that firms are delaying investment decisions due to uncertainty about tax policy under the new administration in Washington, D.C.

Purchasing managers in the manufacturing sector reported more broad-based increases in activity during November. The PMI® increased by 1.3 points to 53.2. The New Orders index increased from 52.1 to 53.0, and the Production index increased from 54.6 to 56.0 – its highest level since January 2015. The Supplier Deliveries index by 3.5 points to 55.7 – its highest level since December 2014.



Of the eighteen industries tracked by the Manufacturing ISM® *Report on Business*, eleven reported growth in the latest month. Among the industries with a disproportionate effect on Ohio manufacturing employment, machinery, primary metals, and fabricated metal products reported expansion in November, whereas the transportation equipment industry reported contraction. One respondent in the primary metals industry reported that 2017 business levels "look pretty consistent compared to 2016," while one in the fabricated metal products industry said, "2017 is looking to be a very busy year." A respondent in the machinery industry noted that "companies are adding additional production space," with positive implications for hiring.

Construction



Construction put-in-place increased 0.5% in October, and the the September change that was originally reported as a 0.4% decrease was revised up to no change. The October gain resulted from weakness in private construction (-0.2%) that was more than offet by strength in public construction (+2.8%). Compared with a year earlier, total construction was up 3.4%, reflecting a 4.7% year-over-year increase in private construction and a 0.6% decrease in Public construciton.

The decrease in **private** construction in October resulted from a decline in nonresidential construction (-2.1%) that more than offset an increase in residential construction (+1.6%). The decline in nonresidential resulted mainly from declines in power, manufacturing, office, and health care that outweighed increases in commercial and transportation. Growth in private construction activity year-to-date has come from nonresidential, as residential activity pulled back sharply in April and has not yet fully recovered.

Nonresidential contractors in and around Ohio recently have experienced an upturn in activity, according to the Cleveland Fed survey. Aggressive bidding by contractors and green-lighting of projects by customers have produced a strong rise in backlogs. At the same time, some cite greater uncertainty arising from the regulartory environment, the presidential election, and a potential upturn in the interest rate cycle.

Housing starts rebounded in October on a 3-month moving average basis after weakness in September. Starts increased 3.1%, reflecting a 4.4% jump in single-family starts and a marginal increase in multi-family starts. Across the Midwest, starts jumped 13.0%, with single-family up 4.5% and multi-family up 33.1% after three large monthly declines.

Home sales were mixed during October. Sales of existing homes increased 1.4% nationally and 2.1% across the Midwest. Sales of new homes fell 3.3% across the country and 7.3% across the Midwest. The number of months' supply of both existing and new homes remained low.

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 almost 4%, according to the Cleveland Fed survey. Real estate agents pointed to low existing-home inventory as a key factor behind higher prices. Builders and real estate agents believe that the presidential election temporarily dampened housing activity.

Home prices across the country posted their 56th consecutive increase in September, rising by 0.6% to 5.5% above the year earlier level, according to the Case-Shiller index. According to the Freddie Mac index, home prices increased 1.6% in the third quarter to 6.2% above the year earlier level. In comparison, prices across Ohio increased 2.1% in the quarter and 5.6% from a year ago. In major metro areas in Ohio, prices increased 2.0% in the quarter and 4.9% from a year ago in Cleveland, 2.6% in the quarter and 7.5% from a year ago in Columbus, and 2.1% on in the quarter and 6.3% from a year ago in Cincinnati after seasonal adjustment.

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.

November GRF receipts totaled $2,706.0 million and were $451.6 million (14.3%) below the estimate. Monthly tax receipts totaled $1,875.6 million and were $99.0 million (5.0%) below the estimate, while non-tax receipts totaled $830.4 million and were $352.6 million (29.8%) below the estimate.

As one might expect, such a large variance in non-tax receipts is due to federal grants, which were $352.0 million (29.8%) below estimate. A negative variance of some amount was expected in November following October's overage. In October, GRF funds had to be used, and federal reimbursement was thus drawn, to cover Medicaid expenses that were originally expected to be covered by non-GRF sources such as the hospital assessment. In November, the hospital assessment revenue was received and used to offset GRF expenditure, leading to lower Medicaid spending and lower federal grants. In addition to this offset for October, federal grants had two other factors pushing them below estimate as well. First, Medicaid spending was simply below estimate. Second, $66.7 million in federal revenue for November Medicaid spending was not received until December 1.

The November tax revenue shortfall was the result of a $70.8 million shortfall in the income tax and a $39.6 million shortfall in the non-auto sales tax. These two taxes combined thus had a negative variance of $110.4 million, more than the total tax variance. The CAT was also below estimate by $10.3 million, but overages in the auto sales tax, financial institutions tax, and other smaller taxes partly offset the sales and income shortfalls.

For the fiscal year, GRF receipts were $713.7 million (4.9%) below estimate. After the November, tax receipts are $259.1 million (2.8%) below estimate. About 60% of the total tax revenue variance is from the income tax, which is $153.4 million (4.6%) below estimate. The sales tax is $108.7 million (2.4%) below estimate, with almost all of that variance coming from the non-auto sales tax, which is $102.1 million below estimate. Sales tax and income tax collections together are $262.1 million below estimate, while all other tax sources combined are $3.0 million above estimate.

For the year, non-tax receipts are $447.6 million (8.2%) below estimate, with federal grants accounting for more than all of the category variance, falling $460.2 million (8.5%) below estimate. Non-tax revenues other than federal grants are $12.5 million over estimate, with all categories having small overages.

Finally, transfers are $7.0 million (31.4%) 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	($259.1 million)	-2.8%
Non-tax receipts	Federal grants, earnings on investments, licenses & fees, other income, intrastate transfers	($447.6 million)	-8.2%
Transfers	Budget stabilization, liquor transfers, capital reserve, other	($7.0 million)	-31.4%
TOTAL REVENUE VARIANCE:		**($713.7 million)**	**-4.9%**
Non-Federal Revenue Variance:		**($253.6 million)**	**-2.7%**
Federal Grants Variance:		**($460.2 million)**	**-8.5%**

On a year-over-year basis, monthly receipts were $53.8 million (1.9%) below November of the previous fiscal year. Federal grants fell by $53.3 million, or 6.0%, while all other sources combined were $0.5 million below last November. Tax receipts increased by $1.2 million, while non-federal, non-tax receipts declined by an offsetting $1.2 million. Transfers dropped by $0.5 million.

For the fiscal year, tax revenues have fallen by $107.3 million, or 1.2%, from a year ago. As has been the case throughout these five months, the income tax is responsible for more than that entire decline, dropping by $145.7 million, or 4.3%. We reiterate that the decline in income tax revenues was partly anticipated, and was mostly due to a decline of $93.3 million (31.9%) 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.

The other big area responsible for the year-to-date decline in income tax revenues is refunds, which have increased by $50 million, or 22.8%, from last year. Unlike the estimated payment decline, this increase in refunds was not expected. These refunds are based on tax year 2015 (or earlier year) liability and are not necessarily indicative of what to expect for refunds in the spring filing season.

On the non-tax side, federal grants have fallen by $278.5 million, or 5.3%. Despite the fact that individual month results have frequently been driven by factors other than Medicaid underspending, over the five months of the fiscal year those factors have mostly washed out, and Medicaid underspending is the major factor driving the federal grants decrease. The exception is the factor mentioned earlier, namely that almost $67 million in federal reimbursement for November spending was not received until December 1.

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

Individual Revenue Sources Above Estimate		**Individual Revenue Sources Below Estimate**	
Financial Institutions Tax	$7.7	Federal Grants	($352.0)
Auto Sales and Use Tax	$7.4	Personal Income Tax	($70.8)
Kilowatt Hour Tax	$3.0	Non-Auto Sales and Use Tax	($39.6)
Public Utility Excise Tax	$2.4	Commercial Activity Tax	($10.3)
Other Sources Above Estimate	$1.7	Other Sources Below Estimate	($1.1)
Total above	**$22.2**	**Total below**	**($473.8)**
		Net	**($451.6)**

(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

November non-auto sales and use tax collections totaled $741.7 and were $39.6 million (5.1%) below estimate. This brings year-to-date collections to $3,777.2 million, which is $102.1 (2.6%) below estimates. November's shortfall is the second big negative variance in a row for this tax, which was $42.9 million below estimate in October. Collections for the last two months are thus $82.5 million below estimate, which is more than 80% of the year to date variance.

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 November results guarantee that the fourth quarter will also be below estimate.

Ohio GRF Non-Auto Sales Tax Revenues						
Calendar Quarters, Dollars in Millions						
Quarterly	2015Q3	2015Q4	2016Q1	2016Q2	2016Q3	2016Q4 partial
Actual	$2,253.0	$2,308.9	$2,139.6	$2,303.5	$2,286.3	$1,489.6
Estimate	$2,196.9	$2,316.8	$2,177.0	$2,351.8	$2,307.2	$1,572.1
Variance	$56.1	($7.9)	($37.4)	($48.3)	($20.9)	($82.5)
Percent Variance	2.6%	-0.3%	-1.7%	-2.1%	-0.9%	-5.2%
Year-Over-Year Percent Growth	5.9%	3.6%	4.6%	2.8%	1.5%	-0.3%

November collections in fiscal year 2017 were $3.2 million (0.4%) lower than November collections a year ago, the second consecutive small monthly decline. Collections during the first five months of fiscal year 2017 are up an unimpressive $33.2 million (0.9%) 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. How large the year-end shortfall might be is still unknown. OBM will release updated fiscal year 2017 forecasts along with the Governor's fiscal year 2018-2019 budget.

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.

Ohio is also not alone in having weak sales tax collections. The Federation of Tax Administrators (FTA) has reported sales tax data for the states that show a profound growth slowdown. The FTA reported that over the past 12 months, median growth in state sales tax collections has slowed from 4.0% to 2.4%. Through October, median growth has slowed further to only 2.2% in fiscal year 2017.

As mentioned in last month's issue of this report, the Bureau of Economic Analysis (BEA) has reported 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. Reversal of that decline in retail prices would probably require a weaker dollar and higher energy prices, which forecasters believe will occur eventually, but the timing is uncertain.

Auto Sales Tax

Auto sales tax collections totaled $106.3 million in November and were $7.4 million (7.5%) above estimate. The November overage follows two months of shortfalls, and brought year-to-date collections back to being only $6.6 million (1.1%) below the estimate.

The November overage is not unexpected given that new light vehicle sales nationally hit an annualized pace of 17.9 million units in October. Sales dipped only slightly in November, to 17.8 million units, which theoretically should lead to sales tax collections at or slightly above the estimate in December.

Auto sales tax collections were up a strong $11.0 million, or 11.6%, from November a year ago. For the year, collections are up $15.0 million, or 2.7%.

This fiscal year we are experiencing one of those times when auto sales are performing much better than non-auto sales. This has happened intermittently over the past several years, although obviously in those periods the non-auto sales tax was not underperforming the way it is now. It is unclear why consumers are continuing to spend on autos but not on non-automotive goods. OBM has heard a hypothesis from a retail sector economist that consumers may have shifted a significant portion of their spending to services in satisfying a post-recession pent-up demand for such services. If so, this would help to explain why relatively strong growth in consumer spending in the GDP measures is being accompanied by such weak state sales tax growth.

Personal Income Tax

November GRF personal income tax receipts totaled $611.3 million and were $70.8 million (10.4%) below the estimate. Over 80% of this shortfall was due to withholding, which was $59.2 million, or 8.1%, below estimate. Refunds were also $10.7 million above estimate.

For the year, income tax collections are now $153.4 million (4.6%) below estimate. As with the monthly variance, the year to date variance is due to withholding and refunds. Withholding is $109.8 million, or 3.2%, below estimate, and refunds are $49.0 million, or 22.2%, above estimate. All other payments are a combined $5.4 million above estimate.

As discussed at some length in the October 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 five months of fiscal year 2017.

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

	ESTIMATE NOV	ACTUAL NOV	$ VAR NOV	ACTUAL NOV 2016	ACTUAL NOV 2015	$ VAR Y-over-Y
Withholding	$728.9	$669.7	($59.2)	$669.7	$663.2	$6.5
Quarterly Est.	$7.7	$7.5	($0.2)	$7.5	$11.9	($4.4)
Trust Payments	$0.2	$0.4	$0.2	$0.4	$0.2	$0.2
Annual Returns & 40 P	$4.7	$8.1	$3.4	$8.1	$6.5	$1.6
Other	$8.7	$2.7	($6.0)	$2.7	$8.3	($5.6)
Less: Refunds	($36.1)	($46.8)	($10.7)	($46.8)	($36.1)	($10.7)
Local Distr.	($32.0)	($30.4)	$1.6	($30.4)	($31.7)	$1.3
Net to GRF	$682.1	$611.3	($70.8)	$611.3	$622.3	($11.0)

The refunds that have been paid in July through November 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, November personal income tax receipts were $11.0 million (1.8%) below November 2015 collections. For the year to date, income tax collections are $145.7 million (4.3%) 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 $93.3 million, or 31.9% from last year. This is despite the fact that estimated payments are $9.1 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 decrease in estimated payments is a result of taxpayers 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%. All else constant, this 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. If income tax revenues continue to run below estimate, which is now what OBM expects, the turning point may come in March rather than February.

Commercial Activity Tax

November was a big month for the commercial activity tax, as November is one of the four months when large taxpayers make an estimated payment. GRF deposits were $274.2 million, or $10.3 million (3.6%) below estimate in November. For the year, collections are $19.8 million, or 3.1%, below estimate.

As mentioned in October’s issue of this report, based on information that OBM has received about tax credits in the first quarter of fiscal year 2017, it seems shortfalls so far this year are due not to credits being larger than expected but instead to low growth in taxable 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 November, total CAT collections are $821.6 million, which is $26.4 million, or 3.1%, below estimate. CAT collections have declined by $17.3 million, or 2.1%, from last year, whereas the expectation was that at this point they would have grown by 1.1%.

Financial Institutions Tax

Financial institutions tax (FIT) collections were $7.7 million below estimate in November. Collections were expected to be -$6.6 million, with refunds outweighing any late payments, but in fact net collections were positive $1.1 million. This is in part because October refunds were larger than expected, so the November overage is a timing matter. For the year to date, collections are -$9.9 million, or $1.7 million less than the estimate.

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 for the year.

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 $830.4 million in November and were $352.6 million, or 29.8% below the estimate. There was very little November activity in this category except for federal grants. Federal grants were $352.0 million below estimate. The percentage variance was -29.8%, the same as for the entire non-tax receipts category. 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 was reversed in November, and was a major factor in the November shortfall. Other factors in the November shortfall were lower than estimated GRF Medicaid spending aside from the non-GRF offset amount, and $66.7 million in federal reimbursement for November expenditures that was not received until December 1.

For the year, non-tax revenues are $447.6 million, or 8.2%, below estimate. Federal grants are $460.2 million, or 8.5%, below estimate, essentially due to lower than expected GRF Medicaid spending, and all other non-tax revenues are a combined $12.5 million above estimate. Transfers are $7.0 million below estimate.

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

REVENUE SOURCE	MONTH ACTUAL NOVEMBER	MONTH ESTIMATE NOVEMBER	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	741,660	781,300	(39,640)	-5.1%	3,777,244	3,879,300	(102,056)	-2.6%
Auto Sales & Use	106,332	98,900	7,432	7.5%	582,302	588,900	(6,598)	-1.1%
Subtotal Sales & Use	847,992	880,200	(32,208)	-3.7%	4,359,546	4,468,200	(108,654)	-2.4%
Personal Income	611,286	682,100	(70,814)	-10.4%	3,207,096	3,360,500	(153,404)	-4.6%
Corporate Franchise	24	0	24	N/A	(736)	0	(736)	N/A
Financial Institutions Tax	1,117	(6,600)	7,717	116.9%	(9,902)	(8,200)	(1,702)	-20.8%
Commercial Activity Tax	274,225	284,500	(10,275)	-3.6%	610,656	630,500	(19,844)	-3.1%
Petroleum Activity Tax	0	0	0	N/A	1,542	1,200	342	28.5%
Public Utility	21,623	19,200	2,423	12.6%	47,387	50,700	(3,313)	-6.5%
Kilowatt Hour	26,878	23,900	2,978	12.5%	160,438	141,900	18,538	13.1%
Natural Gas Distribution	4,028	4,400	(372)	-8.5%	16,439	17,000	(561)	-3.3%
Foreign Insurance	82	200	(118)	-58.8%	160,973	156,700	4,273	2.7%
Domestic Insurance	0	0	0	N/A	53	400	(347)	-86.7%
Other Business & Property	0	0	0	N/A	(678)	0	(678)	N/A
Cigarette and Other Tobacco	80,135	78,700	1,435	1.8%	359,411	355,700	3,711	1.0%
Alcoholic Beverage	4,336	4,200	136	3.2%	25,542	23,400	2,142	9.2%
Liquor Gallonage	3,782	3,800	(18)	-0.5%	19,400	18,600	800	4.3%
Estate	86	0	86	N/A	334	0	334	N/A
Total Tax Receipts	1,875,592	1,974,600	(99,008)	-5.0%	8,957,502	9,216,600	(259,098)	-2.8%
NON-TAX RECEIPTS								
Federal Grants	828,767	1,180,737	(351,969)	-29.8%	4,952,292	5,412,454	(460,162)	-8.5%
Earnings on Investments	0	0	0	N/A	14,180	8,500	5,680	66.8%
License & Fees	546	570	(24)	-4.2%	11,343	9,975	1,368	13.7%
Other Income	1,043	1,645	(602)	-36.6%	41,934	36,790	5,144	14.0%
ISTV'S	25	0	25	0.0%	9,127	8,800	327	3.7%
Total Non-Tax Receipts	830,382	1,182,952	(352,570)	-29.8%	5,028,875	5,476,519	(447,643)	-8.2%
TOTAL REVENUES	2,705,974	3,157,552	(451,578)	-14.3%	13,986,377	14,693,119	(706,742)	-4.8%
TRANSFERS								
Budget Stabilization	0	0	0	N/A	0	0	0	N/A
Liquor Transfers	0	0	0	N/A	0	0	0	N/A
Transfers In - Other	0	0	0	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	0	0	N/A	15,309	22,300	(6,991)	-31.4%
TOTAL SOURCES	2,705,974	3,157,552	(451,578)	-14.3%	14,001,685	14,715,419	(713,733)	-4.9%

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

REVENUE SOURCE	MONTH NOVEMBER FY 2017	MONTH NOVEMBER 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	741,660	744,852	(3,192)	-0.4%	3,777,244	3,744,058	33,186	0.9%
Auto Sales & Use	106,332	95,304	11,028	11.6%	582,302	567,267	15,035	2.7%
Subtotal Sales & Use	847,992	840,156	7,836	0.9%	4,359,546	4,311,325	48,221	1.1%
Personal Income	611,286	622,323	(11,037)	-1.8%	3,207,096	3,352,811	(145,715)	-4.3%
Corporate Franchise	24	4,205	(4,181)	-99.4%	(736)	9,854	(10,590)	-107.5%
Financial Institutions Tax	1,117	(5,651)	6,768	119.8%	(9,902)	(9,144)	(758)	-8.3%
Commercial Activity Tax	274,225	274,926	(701)	-0.3%	610,656	602,417	8,239	1.4%
Petroleum Activity Tax	0	0	0	N/A	1,542	1,350	192	14.2%
Public Utility	21,623	20,651	972	4.7%	47,387	51,099	(3,712)	-7.3%
Kilowatt Hour	26,878	24,690	2,188	8.9%	160,438	150,523	9,915	6.6%
Natural Gas Distribution	4,028	4,594	(566)	-12.3%	16,439	17,164	(725)	-4.2%
Foreign Insurance	82	715	(633)	-88.5%	160,973	155,593	5,379	3.5%
Domestic Insurance	0	0	(0)	N/A	53	344	(291)	-84.5%
Other Business & Property	0	0	0	N/A	(678)	29	(708)	-2408.6%
Cigarette and Other Tobacco	80,135	79,592	543	0.7%	359,411	376,873	(17,462)	-4.6%
Alcoholic Beverage	4,336	3,997	339	8.5%	25,542	24,955	587	2.4%
Liquor Gallonage	3,782	3,867	(85)	-2.2%	19,400	18,814	586	3.1%
Estate	86	310	(224)	-72.3%	334	785	(452)	-57.5%
Total Tax Receipts	1,875,592	1,874,375	1,217	0.1%	8,957,502	9,064,794	(107,292)	-1.2%
NON-TAX RECEIPTS								
Federal Grants	828,767	882,072	(53,305)	-6.0%	4,952,292	5,230,755	(278,463)	-5.3%
Earnings on Investments	0	0	0	N/A	14,180	7,916	6,264	79.1%
License & Fee	546	432	115	26.6%	11,343	9,185	2,157	23.5%
Other Income	1,043	2,108	(1,065)	-50.5%	41,934	35,440	6,493	18.3%
ISTV'S	25	284	(258)	-91.0%	9,127	856	8,271	965.7%
Total Non-Tax Receipts	830,382	884,895	(54,513)	-6.2%	5,028,875	5,284,153	(255,277)	-4.8%
TOTAL REVENUES	2,705,974	2,759,270	(53,296)	-1.9%	13,986,377	14,348,946	(362,570)	-2.5%
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	500	(500)	N/A	15,309	175,176	(159,868)	-91.3%
Temporary Transfers In	0	0	0	N/A	0	0	0	N/A
Total Transfers	0	500	(500)	N/A	15,309	175,176	(159,868)	-91.3%
TOTAL SOURCES	2,705,974	2,759,770	(53,796)	-1.9%	14,001,685	14,524,123	(522,437)	-3.6%

DISBURSEMENTS

November GRF disbursements, across all uses, totaled $2,371.7 million and were $341.6 million (12.6%) 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 Property Tax Reimbursements category. On a year-over-year basis, November total uses were $610.1 million (20.5%) lower than those of the same month in the previous fiscal year, with the Primary and Secondary Education and Medicaid 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)	($485.5 million)	-3.1%
Transfers	Temporary or permanent transfers out of the GRF that are not agency expenditures	($12.1 million)	-4.3%
TOTAL DISBURSEMENTS VARIANCE:		**($497.6 million)**	**-3.1%**

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. November disbursements for this category totaled $370.1 million and were $6.9 million (1.8%) below estimate. This variance was primarily attributable to timing of payments in the auxiliary services line item which were made in October rather than November as estimated. This variance was partially offset by disbursements in the student assessment line item, which were above estimate due to payments originally expected to occur in October being disbursed in November. Expenditures for the school foundation program totaled $321.6 million and were $16.4 million (5.4%) above estimate due to the Department of Education using updated, current year data for the November foundation payment. Year-to-date disbursements were $3,463.9 million, which was $61.8 million (1.8%) above estimate.

On a year-over-year basis, disbursements in this category were $512.5 million (58.1%) lower than for the same month in the previous fiscal year while year-to-date expenditures were $22.0 million (0.6%) lower than the same point in fiscal year 2016. The year-over-year variance was primarily attributable to two foundation payments being disbursed in November of the previous fiscal year compared to one foundation payment being disbursed in November of the current fiscal year.

Higher Education

November disbursements for the Higher Education category, which includes non-debt service GRF spending by the Department of Higher Education totaled $197.0 million and were $1.6 million (0.8%) below estimate. This variance was primarily attributable to disbursements for the

Adult Basic and Literacy Education program, Campus Safety, and Central State Cooperative Extension Services being $1.1 million below estimate due to payments estimated to occur in November being moved to future months.

Year-to-date disbursements were $960.4 million, which was $10.0 million (1.0%) below estimate. On a year-over-year basis, disbursements in this category were $8.1 million (4.3%) higher than for the same month in the previous fiscal year while year-to-date expenditures were $27.1 million (2.9%) 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.

November disbursements in this category totaled $3.3 million and were $0.1 million (2.8%) below estimate. Year-to-date disbursements were $38.3 million, which was $2.0 million (5.0%) below estimate. On a year-over-year basis, disbursements in this category were flat compared to the same month in the previous fiscal year while year-to-date expenditures were $4.4 million (12.9%) 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>
November GRF disbursements for the Medicaid Program totaled $1,331.8 million and were $389.7 million (22.6%) below the estimate, and $219.7 million (14.2%) below disbursements for the same month in the previous fiscal year. The underspending in the GRF resulted from the use of non-GRF funds for paying program costs in November. This offsetting of GRF expenses was estimated to occur in October, but did not occur then as non-GRF revenues were not available at that time. Year-to-date GRF disbursements totaled $7,464.1 million and were $484.8 million (6.1%) below the estimate, and $286.6 million (3.7%) below disbursements for the same point in the previous fiscal year.

November all funds disbursements for the Medicaid Program totaled $2,184.1 million and were $3.9 million (0.2%) above the estimate, and $118.2 million (5.7%) above disbursements for the same month in the previous fiscal year. Year-to-date all funds disbursements totaled $10,045.6 million and were $742.6 million (6.9%) below the estimate, and $336.5 million (3.2%) below disbursements for the same point in the previous fiscal year.

The November all funds variance included underspending in the managed care program due to the delay of an administrative payment to the managed care firms, and lower monthly capitation rates which began in January 2016. The administrative payment will be completed in December. Fee-for-service program costs were below estimate due to enrollment in this program being 1.4% below estimate for the month. Other underspending in November 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.

These savings were more than offset by greater than estimated net spending in the Upper Payment Limit (UPL) program. This program provides additional payments to hospitals and hospital-based physicians 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). In November a UPL payment to hospital, which had been estimated to occur in September, was completed; while a payment to hospital-based physicians, which had been planned for November, was delayed until next month

The year-to-date all funds variance included the managed care program savings described above, along with previously reported savings from lower than estimated managed care enrollment in the Aged, Blind and Disabled (ABD) groups and lower than estimated managed care pay for performance expenses. Fee-for-service program costs have been below estimate due to enrollment in this program being an average of 6.9% below estimate each month so far this fiscal year. Less than anticipated administrative costs, described above, also contributed to the year-to-date underspending. Finally, the Upper Payment Limit (UPL) program contributed to the year-to-date all funds variance due to the delay in payments to hospital-based physicians, described above, along with overall savings to date in payments to hospitals under this program.

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

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

	November Actual	November Projection	Variance	Variance %
GRF	$ 1,331.8	$ 1,721.5	$ (389.7)	-22.6%
Non-GRF	$ 852.3	$ 458.6	$ 393.7	85.8%
All Funds	$ 2,184.1	$ 2,180.1	$ 3.9	0.2%

Enrollment

Total November enrollment across all categories was 3.06 million. The most significant components are the Covered Families and Children/Modified Adjusted Gross Income (CFC/MAGI) category, which increased by 16,742 persons to a November total of 2.51 million persons, and the Aged, Blind and Disabled (ABD) category, which decreased by 1,025 persons to a November total of 408,134 covered lives.

Total enrollment across all categories for the same period last year was 3.03 million covered persons, including 2.47 million persons in the CFC/MAGI category and 387,723 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.

November disbursements in this category totaled $110.1 million and were $9.8 million (9.8%) above estimate. Year-to-date disbursements were $568.4 million, which was $38.1 million (6.3%) below estimate. On a year-over-year basis, disbursements in this category were $26.0 million (30.8%) higher than for the same month in the previous fiscal year while year-to-date expenditures were $16.5 million (3.0%) higher than at the same point in fiscal year 2016.

Department of Job and Family Services
November disbursements for the Department of Job and Family Services totaled $60.3 million and were $3.0 million (4.8%) below estimate. This variance was primarily attributable to disbursements for Information Technology Projects being $2.8 million (43.6%) below estimate due to the timing of payments, and disbursements for TANF State/Maintenance of Effort being $1.0 million (6.5%) below estimate due to a decrease in Ohio Works First caseloads. These variances were partially offset by higher than estimated disbursements for Child Care State/Maintenance of Effort, which were $1.4 million (8.6%) above estimate due increased rates paid to providers, and disbursements for Family Assistance – Local, which were $1.1 million (30.6%) above estimate due to larger than estimated county draws.

Department of Mental Health and Addiction Services
November disbursements for the Department of Mental Health and Addiction Services totaled $35.5 million and were $11.6 million (48.5%) above estimate. This variance was primarily attributable to Continuum of Care Services disbursements being $10.0 million above estimate as subsidy payments originally scheduled for earlier months were made in November. Also contributing to the variance, Hospital Services disbursements were $2.0 million (11.9%) above estimate as a quarterly drug payment originally scheduled for October was made in November.

Department of Health
November disbursements for the Department of Health totaled $5.5 million and were $0.1 million (1.8%) below estimate. A notable positive variance occurred in the payments for the Federally Qualified Health Centers Primary Care Workforce Initiative, which were $1.3 million

above estimate due to the timing of payments. This positive variance was offset by underspending in several other line items.

Opportunities for Ohioans with Disabilities
November disbursements for Opportunities for Ohioans with Disabilities totaled $4.0 million and were $1.5 million (62.5%) above estimate. The variance was due to the timing of payments for Services for Individuals with Disabilities, which were $1.7 million (75.2%) above estimate as a result of payments occurring in November instead of October as estimated.

Justice and Public Protection

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

November disbursements in this category totaled $148.3 million and were $9.1 million (6.6%) above estimate. Year-to-date disbursements were $895.1 million, which was $15.7 million (1.7%) below estimate. On a year-over-year basis, disbursements in this category were $16.8 million (12.8%) higher than for the same month in the previous fiscal year while year-to-date expenditures were $29.2 million (3.4%) higher than at the same point in fiscal year 2016.

Department of Rehabilitation and Correction
November disbursements for the Department of Rehabilitation and Correction totaled $110.7 million and were $0.7 million (0.7%) above estimate. This variance was primarily attributable to higher than estimated disbursements for Institutional Operations and Community Nonresidential Programs due to the timing of payments. These variances were partially offset by lower than estimated disbursements for Institutional Medical Services.

Department of Youth Services
November disbursements for the Department of Youth Services totaled $11.2 million and were $1.8 million (19.1%) above estimate. This variance was primarily attributable to the timing of Community Corrections Facility payments which occurred in November instead of October as estimated.

Public Defender Commission
November disbursements for the Public Defender Commission totaled $5.8 million and were $5.2 million (863.1%) above estimate. This variance was primarily attributable to the timing of county reimbursement payments which occurred in November instead of December 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.

November disbursements in this category totaled $32.3 million and were $0.6 million (1.9%) below estimate. Year-to-date disbursements were $166.5 million, which was $11.4 million (6.4%) below estimate. On a year-over-year basis, disbursements in this category were $8.1 million (33.6%) higher than for the same month in the previous fiscal year while year-to-date expenditures were $4.8 million (3.0%) higher than at the same point in fiscal year 2016.

Department of Administrative Services
November disbursements for the Department of Administrative Services totaled $6.7 million and were $1.8 million (37.1%) above estimate. This variance was attributable to the timing of a transfer for future building upgrades, which occurred in November instead of October as estimated.

Department of Agriculture
November disbursements for the Department of Agriculture totaled $1.4 million and were $1.5 million (50.9%) below estimate. This variance was primarily attributable to disbursements for Soil and Water Conservation Districts being $1.5 million (99.2%) below estimate due to payments occurring in October instead of November as estimated.

Property Tax Reimbursements

Payments from the property tax reimbursement category are made to local governments and school districts to reimburse these entities for revenues foregone as a result of the 10.0 percent and 2.5 percent rollback, as well as the homestead exemption. November property tax reimbursements totaled $144.6 million and were $23.7 million (19.6%) above estimate. Year-to-date disbursements totaled $898.9 million and were $15.3 million (1.7%) above estimate. The monthly and year-to-date variances are wholly timing related due to reimbursement requests being received from counties earlier than anticipated.

Debt Service

November payments for debt service totaled $19.5 million and were $0.1 million (0.6%) below estimate. Year-to-date debt service payments were $890.4 million and were $0.7 million (0.1%) below estimate.

Transfers Out

November transfers out totaled $14.7 million and were $14.7 million above estimate. This variance was timing related as transfers originally planned for October occurred in November. Year-to-date transfers out were $268.0 million and were $12.1 million (4.3%) below estimate.

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

Functional Reporting Categories Description	MONTH ACTUAL NOVEMBER	ESTIMATED NOVEMBER	$ VAR	% VAR	YEAR-TO-DATE YTD ACTUAL	YTD ESTIMATE	$ VAR	% VAR
Primary and Secondary Education	370,096	376,949	(6,853)	-1.8%	3,463,940	3,402,136	61,804	1.8%
Higher Education	197,034	198,600	(1,566)	-0.8%	960,421	970,442	(10,021)	-1.0%
Other Education	3,251	3,347	(95)	-2.8%	38,331	40,353	(2,022)	-5.0%
Medicaid	1,331,768	1,721,514	(389,747)	-22.6%	7,464,106	7,948,945	(484,839)	-6.1%
Health and Human Services	110,146	100,314	9,832	9.8%	568,381	606,434	(38,053)	-6.3%
Justice and Public Protection	148,263	139,116	9,147	6.6%	895,149	910,857	(15,709)	-1.7%
General Government	32,301	32,921	(620)	-1.9%	166,538	177,906	(11,368)	-6.4%
Property Tax Reimbursements	144,625	120,966	23,659	19.6%	898,887	883,566	15,321	1.7%
Capital Outlay	0	0	0	N/A	0	0	0	N/A
Debt Service	19,493	19,607	(114)	-0.6%	890,393	891,050	(656)	-0.1%
Total Expenditures & ISTV's	2,356,977	2,713,335	(356,357)	-13.1%	15,346,144	15,831,687	(485,543)	-3.1%
Transfers Out:								
BSF Transfer Out	0	0	0	N/A	29,483	29,483	0	0.0%
Operating Transfer Out	14,718	0	14,718	N/A	238,557	250,623	(12,066)	-4.8%
Temporary Transfer Out	0	0	0	N/A	0	0	0	N/A
Total Transfers Out	14,718	0	14,718	N/A	268,040	280,106	(12,066)	-4.3%
Total Fund Uses	2,371,695	2,713,335	(341,639)	-12.6%	15,614,184	16,111,793	(497,609)	-3.1%

Table 4

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

Functional Reporting Categories Description	MONTH NOVEMBER FY 2017	MONTH NOVEMBER 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
Primary and Secondary Education	370,096	882,615	(512,520)	-58.1%	3,463,940	3,485,942	(22,002)	-0.6%
Higher Education	197,034	188,947	8,087	4.3%	960,421	933,289	27,132	2.9%
Other Education	3,251	3,234	17	0.5%	38,331	33,936	4,395	12.9%
Medicaid	1,331,768	1,551,449	(219,682)	-14.2%	7,464,106	7,750,679	(286,574)	-3.7%
Health and Human Services	110,146	84,182	25,964	30.8%	568,381	551,878	16,502	3.0%
Justice and Public Protection	148,263	131,467	16,796	12.8%	895,149	865,958	29,190	3.4%
General Government	32,301	24,180	8,122	33.6%	166,538	161,697	4,841	3.0%
Property Tax Reimbursements	144,625	61,922	82,704	133.6%	898,887	897,931	955	0.1%
Capital Outlay	0	0	0	N/A	0	0	0	N/A
Debt Service	19,493	24,238	(4,745)	-19.6%	890,393	864,181	26,212	3.0%
Total Expenditures & ISTV's	2,356,977	2,952,234	(595,256)	-20.2%	15,346,144	15,545,492	(199,348)	-1.3%
Transfers Out:								
BSF Transfer	0	0	0	N/A	29,483	425,500	(396,017)	-93.1%
Operating Transfer Out	14,718	29,534	(14,816)	-50.2%	238,557	388,234	(149,677)	-38.6%
Temporary Transfer Out	0	0	0	N/A	0	0	0	N/A
Total Transfers Out	14,718	29,534	(14,816)	-50.2%	268,040	813,734	(545,694)	-67.1%
Total Fund Uses	2,371,695	2,981,768	(610,072)	-20.5%	15,614,184	16,359,226	(745,042)	-4.6%

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 $459.0 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**	35,893,439
Less FY 2017 Estimated Total Encumbrances as of June 30, 2017	312,696
Less FY 2017 Estimated Transfers Out	417,875
Total Estimated Uses	**36,624,010**
FY 2017 ESTIMATED UNENCUMBERED ENDING FUND BALANCE	**458,997**

* 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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