OBM

March 10, 2017

MEMORANDUM TO: The Honorable John R. Kasich, Governor
The Honorable Mary Taylor, Lt. Governor

FROM: Timothy S. Keen, Director TK

SUBJECT: Monthly Financial Report

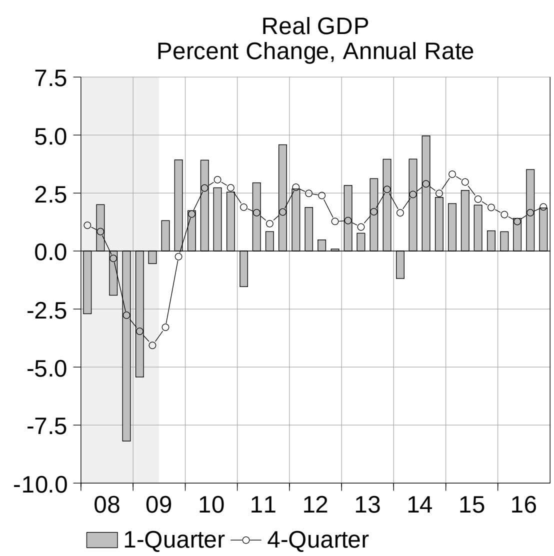
ECONOMIC SUMMARY

Economic Performance Overview

- Economic growth slowed to 1.9% in the fourth quarter and 1.6% for all of 2016. The second release of real GDP estimates left those growth rates unchanged. Forecasters generally project growth of 2% to 2.5% during 2017.
- U.S. employment increased by 227,000 jobs in January for a 3-month average of 183,000 jobs. The unemployment rate edged up 0.1 point to 4.8%.
- Ohio nonfarm payroll employment increased by 10,300 jobs in December and 41,800 (0.8%) for all of 2016. The unemployment rate was unchanged at 4.9%.
- Leading indicators point toward continued growth at a modest pace, fueled by a healthy household sector, possibly with some revival in investment.

** U.S. employment for February and Ohio employment for January were not available in time to be included in this publication.*

Economic Growth



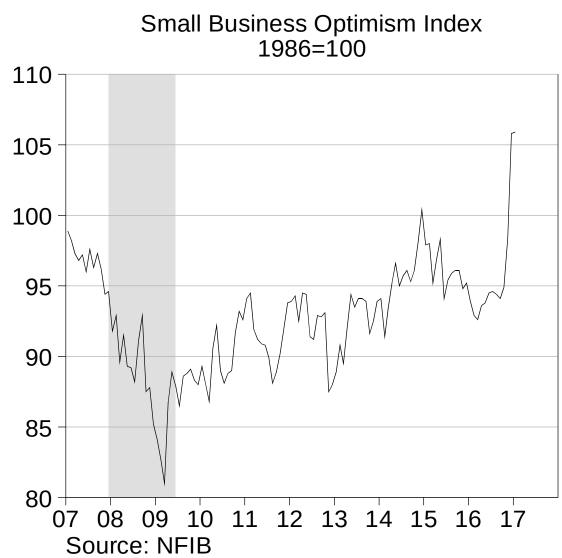
Real GDP expanded at a 1.9% pace in the fourth quarter. The increase in personal consumption expenditures was revised upward, but increases in state and local government spending and nonresidential fixed investment were revised downward. Real GDP expanded 3.5% in the third quarter and 1.6% for all of 2016, matching the slowest annual rate of increase during this expansion, which began in mid-2009. Through the seven full years of this expansion, annual real GDP growth has remained in a very narrow band, ranging from 1.6% to 2.6%.

Economic growth has averaged 2.1% at an annual rate during the 30 quarters since the beginning of the current expansion. In contrast, growth averaged 3.8% or better during the other three postwar expansions that lasted at least as long. Slower growth rates in both the labor force and in productivity have contributed to the slower advance in output during this expansion.

The general picture of economic growth is essentially unchanged from recent quarters. Inflation-adjusted growth has come mainly from personal consumption expenditures, which increased 3.0% in 2016 after a 2.6% increase in 2015 on a fourth-quarter to fourth-quarter basis. In contrast, nonresidential fixed investment was unchanged in 2016 after only a 0.8% increase in 2015.

At the same time, the trade deficit has widened, reflecting stronger growth in imports than in exports. Real imports grew at an annual rate of 3.4% during 2013-2016, compared with 1.6% growth in exports (export growth the past two years was only 0.3%). As a result, the trade deficit expanded by 39% to $562 billion in 2016. The primary factors were the rise in the foreign exchange value of the dollar, weak demand overseas, and steady growth in domestic demand.

The outlook is for continued but moderate economic growth and inflation and rising short-term interest rates. **Confidence** remains very high among households, businesses, and investors. According to a Conference Board survey, plans by consumers for big-ticket purchases and assessments of current economic conditions are little changed from a year ago, but expectations regarding employment, income, and business conditions are substantially brighter. Among small businesses in January, a net of 48% expected the economy to improve, up from 21% a year ago, according to the National Federation of Independent Business. Among investment advisers, the percentage with a positive market outlook exceeds the percentage with a negative outlook by one of the widest margins in history, according to the Investors Intelligence survey.



According to a regular survey of businesses in and around Ohio by the Cleveland Federal Reserve Bank, economic activity in the region grew moderately on balance during the weeks heading into mid-February. Labor markets tightened and wages rose moderately. Consumers continued to make a growing share of purchases online. Manufacturing production picked up, and housing activity strengthened. Demand for information technology and data analytics services was especially strong.

In general, leading economic indicators point to uninterrupted economic expansion at least through summer. The composite **Leading Economic Index** compiled by the Conference Board increased by 0.6% in January following a 0.5% gain in December. Compared with a year earlier, the index is up by 2.5% – the best year-over-year showing since November 2015. Eight of the ten components increased during January, led by the interest rate spread, residential building permits, and initial claims for unemployment insurance.

Estimates of first-quarter real GDP growth by Federal Reserve District Banks, based on available data for the quarter, range from 1.8% (Atlanta on March 1st) to 3.1% (New York on March 3rd). (The Cleveland Federal Reserve Bank yield curve model forecasts 1.8% real GDP growth for the next year). The more stable Blue Chip consensus, which is an average of forecasts from a group of professional forecasters, is 2.2%, with a range of 2.0% to 2.6% from the averages of the lowest ten to the highest ten. The median projection for first-quarter real GDP growth from the February 10th Survey of Professional Forecasters, conducted by the Philadelphia Federal Reserve Bank, was 2.2%.

Employment

The national labor market remained on track in February, although payroll data for the month will not be announced until March 10th. **U.S. nonfarm payrolls** increased by 227,000 jobs in January and by an average of 183,000 per month in the most recent three months. Payrolls increased by an average of 195,000 jobs per month during the most recent twelve months. The unemployment rate was 4.8% in January, down 0.1 point from the year earlier.

A strong indication that growth continued at the recent pace during February is the pattern in initial jobless claims for unemployment insurance. Initial claims decreased by more than 5% from January to February. In a broader indication of labor market strength, the 4-week average of initial claims fell to a 44-year low during the last full week of February, despite the fact that total employment today is approximately 80% higher than in the earlier period.

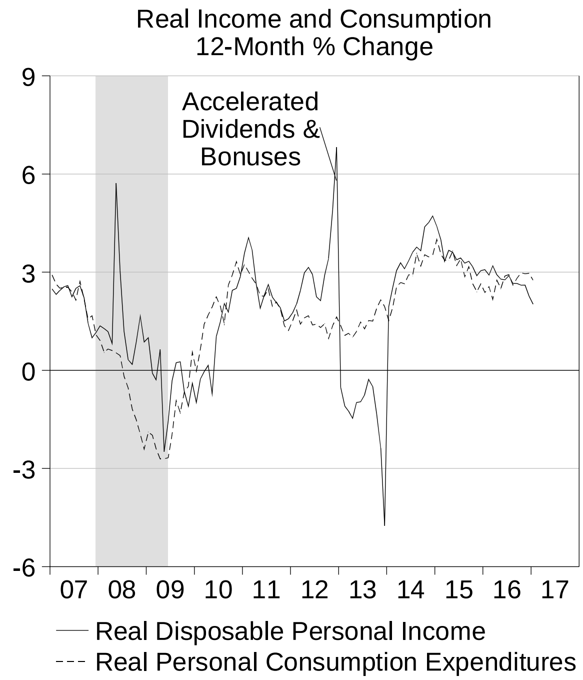
State-level **nonfarm payroll employment** for January also will not be announced until later in March. In Ohio, nonfarm payrolls increased by 10,300 jobs in December and by an average of 5,900 per month in the fourth quarter. During all of 2016, nonfarm payrolls increased by an average of 3,500 jobs per month. This growth was much weaker than in the 2011-2015 period, when nonfarm job growth was almost twice as strong as in 2016, averaging 81,700 per year, or 6,800 per month. The slower growth in 2016 is consistent with the theory that job growth will be slower now that the unemployment rate (both national and state) is close to what is thought to be the full-employment rate.

Despite weaker job growth in 2016, so far in 2017, initial claims for unemployment insurance in Ohio decreased at approximately the normal seasonal rate from January to February, indicating that the local labor market remains relatively healthy. The Ohio unemployment rate was 4.9% in December 2016, up 0.1 point from the year earlier.

According to the Cleveland Federal Reserve survey, labor market conditions in and around Ohio continued to tighten into mid-February. Employment increases occurred in nonfinancial services and real estate and construction industries. Manufacturing payrolls reportedly picked up from a flat trend extending back to last summer. Employers reported that the time necessary to fill open positions has increased notably, but wage gains remained moderate.

Consumer Income and Consumption

National personal income and personal consumption expenditures remained on track in January after a pick-up in December from a 1-month slowdown in November. Monthly **personal income** accelerated to 0.4% from 0.3% in December and 0.2% in November. The wage and salary disbursements component, which makes up more than half of total personal income, also increased 0.4%. Compared with a year earlier, personal income was up 4.0% and wage and salary disbursements were up 4.5%.



The **Consumer Price Index** (CPI) increased 0.6% in January, pushed higher by a 4.0% increase in energy, constraining real incomes. The year-over-year change in the CPI increased to 2.5% – the highest since March 2012. Excluding the volatile food and energy categories, the CPI was up 0.3% in January and 2.3% 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.

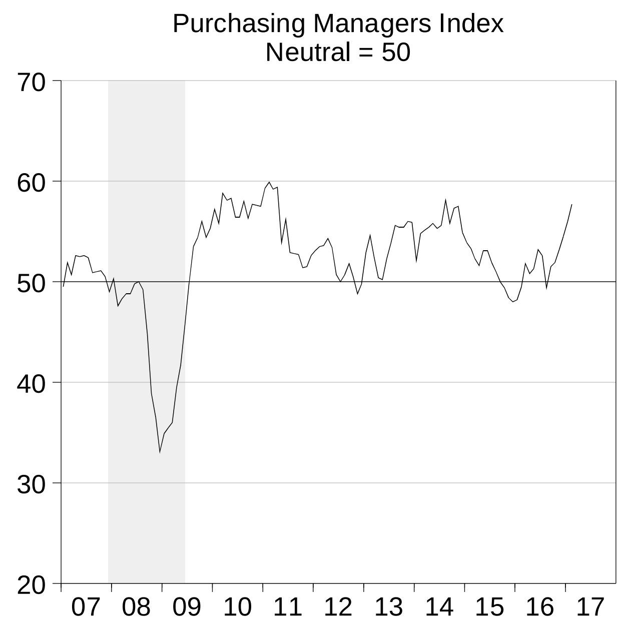
Monthly **personal consumption expenditure growth** decelerated to 0.2% in January from 0.5% in December after a 0.2% gain in November. Spending on durable goods decreased 0.3%, in part due to the 4.6% decrease in unit sales of light motor vehicles to an annual rate of 17.8 million from a long-time high of 18.7 million units in December. Sales were little changed in February at the relatively high sales pace of recent years. Spending on nondurable goods increased 1.0% in January, and spending on services was flat.

Consumer attitudes were generally sustained at high levels in February after marked increases in recent months. **Consumer confidence** increased to a new high for this cycle and the highest level since July 2001, according to the Conference Board. The rise reflected significant improvement in both assessments of current conditions and expectations. The University of Michigan/Reuters index dipped below its December and January levels, reflecting a decrease in expectations that outweighed a very modest improvement in assessments of current conditions. Both composite indexes and their components were well above the respective average levels during past economic expansions.

The post-election rise in consumer confidence was cited as a reason for increases in consumer spending in and around Ohio into mid-February, according to the Cleveland Fed survey. Respondents noted that increased sales of furniture and motor vehicles also were supported by low interest rates.

Manufacturing

Signs of fledgling improvement in manufacturing continued to build in January and February. **Industrial production** in manufacturing increased 0.2% in January, despite a meaningful drag from motor vehicles and parts, which declined 2.9%. Compared with a year earlier, manufacturing production was higher by just 0.3%.



The industrial sector continues to be affected by the ongoing headwinds from the strengthening of the dollar since 2011 and the renewed increase since July and the fallout from the big decline in the price of oil. The higher foreign exchange value of the dollar undermines foreign demand for U.S.-made goods and services by making them more expensive in foreign currencies. The price of oil has stabilized for the time being above $50 per barrel, which has revived activity somewhat in the mining sector. Industrial production in mining advanced 2.8% in January.

Production across some industries of special importance to Ohio increased in January, with the exception of transportation equipment. Production in primary metals, fabricated metal products, and machinery increased by 0.6%, 0.4%, and 0.9%, respectively, in January. Compared with a year earlier, production in only the fabricated metal products segment was lower.

Indications of improvement were plentiful in February, according to **purchasing managers** in the manufacturing sector. The PMI® increased by 1.7 points to 57.7 for the sixth monthly increase in a row to the highest level in more than two years, according to the Institute for Supply Management. The New Orders index jumped by 4.7 points to 65.1, and the Production index increased by 1.5 points to 62.9. The New Orders index was at its highest level since August 2009. The Production index was at its highest level since November 2014.

Of the eighteen industries tracked by the Manufacturing ISM® *Report on Business*, seventeen reported growth in the latest month. Among the industries with a disproportionate effect on Ohio manufacturing employment, all of them – primary metals, machinery, fabricated metal products, and transportation equipment – reported expansion in February. One respondent in the primary metals industry reported that “bookings are very heavy” and that expectations are for a “robust first half of the year.” A respondent in the machinery industry said that “sales and business conditions continue to be strong and increasing.”

Factory output in and around Ohio picked up into mid-February, according to the Cleveland Fed survey. Suppliers to the aerospace, construction, and motor vehicle industries reported that activity levels remain elevated. Producers of food service and warehouse automation equipment noted strong growth. The strength of the dollar and still-depressed oil and gas industry activity were cited as negative factors. Automakers expressed concerns about the effects of the potential border-adjustment tax.

Construction

Construction put-in-place started 2017 on an even weaker note than it ended 2016, decreasing 1.0%, due to a large decline in public construction that was not offset by a small increase in private construction. Compared with a year earlier, total construction was up 3.1%, reflecting a 7.3% year-over-year increase in private construction and a 9.0% decrease in public construction.

The small increase in **private** construction in December resulted from a 0.5% rise in residential construction coupled with essentially no change in nonresidential construction. The fourth monthly gain in a row in single-family construction (+1.1%) and an increase in multi-family construction (+2.2%) combined with a decrease in improvements (-1.0%) to lift overall residential construction. Weakness in private nonresidential construction was broad-based, but modest. Pullbacks in office, commercial, education, and amusement and recreation were offset by increases in power and manufacturing.

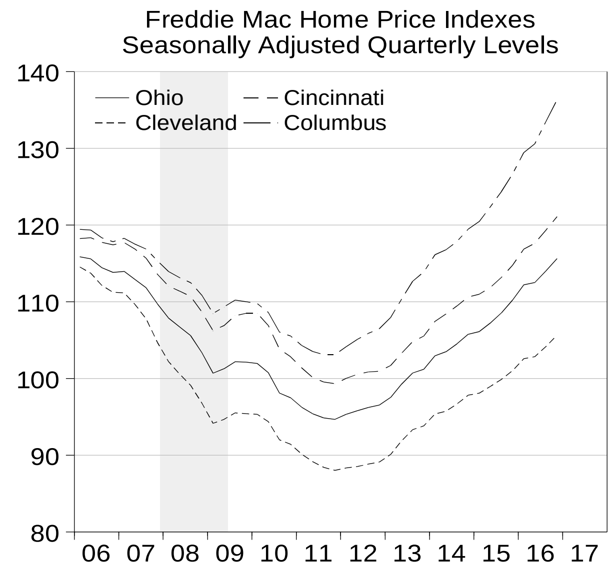
Weakness in **public** construction put-in-place was pronounced in January, as the total decreased by 5.0% after smaller declines in the previous two months. In the third monthly setback in a row and the fourth in five months, public residential construction fell by 15.1%. Nonresidential construction decreased 4.7%, reflecting large negative contributions from highway and Street, transportation, education, safety, and water supply.

Despite the slow start to the year across the country, commercial construction firms in and around Ohio expect 2017 to be a solid year, according to the Cleveland Fed survey. Some speculated that the industry might reach a peak for this cycle in 2017, with activity tapering off in 2018. Health care and industrial firms are a source of strong construction demand, especially for warehousing and distribution facilities. Multi-family housing projects have been held back by concerns about the availability of federal tax credits and greater caution by lenders.

Housing activity generally was weak in January on a 3-month moving average basis. Starts slipped 2.0%, as both single-family (-1.8%) and multi-family (-2.3%) declined during the period. Total starts were also lower across the Midwest (-1.4%), reflecting a decrease in multi-family (-8.1%) – following outsized gains during the three previous months – which more than offset a rise in single-family (+2.8%). Compared with a year earlier, starts were 6.2% higher across the country and 29.3% higher in the Midwest on a 3-month moving average basis.

Changes in **home sales** were mixed, but moderate in January. Existing home sales increased 1.0% across the country and fell 1.0% in the Midwest on a 3-month moving average basis. New home sales were down 0.8% nationally but up 1.5% in the Midwest. Inventories of unsold homes remained well in line with the pace of sales.

According to the Case-Shiller index, **home prices** across the country posted their 59th consecutive monthly increase in December, rising by 0.7% to 5.8% above the year earlier level. According to the Freddie Mac index, home prices increased 0.1% in the fourth quarter to 6.3% above the year earlier level. In comparison, prices across Ohio increased 1.4% in the quarter and 4.9% from a year ago. Prices increased 1.4% in the quarter and 4.6% from a year ago in Cleveland, 2.1% in the quarter and 7.6% from a year ago in Columbus, and 1.5% in the quarter and 5.5% from a year ago in Cincinnati after seasonal adjustment.



In a sign of recovery from the 2008-09 financial crisis, The Freddie Mac price index for Ohio was almost back to its first quarter 2006 peak in the fourth quarter of 2016. The Columbus price index was 14.2% above its pre-crisis cyclical peak. Cincinnati prices were 2.4% above their peak, but Cleveland prices remained 7.8% below their peak.

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. The revenue tables do not reflect the revised fiscal year 2017 estimates contained in the Executive Budget for fiscal years 2018-2019. Please see the February 2017 issue of this report for additional information.

February **GRF receipts totaled $2,602.0 million** and were $65.4 million (2.5%) below the estimate. Monthly tax receipts totaled $1,544.1 million and were $23.5 million (1.5%) below the estimate, while non-tax receipts totaled $1,058.0 million and were $41.9 million (3.8%) below the estimate. Estimated and actual transfers to the GRF were both zero in February.

The overall shortfall in GRF tax receipts was the result of very different experiences among the different individual taxes. Once again, the largest negative was the income tax, which finished $76.9 million (27.5%) below estimate. The large negative percentage is due to the fact that February is always a small net collections month, as withholding falls from December and January highs and refunds accelerate as taxpayers due refunds hurry to get returns in to both the federal and state governments. The sales tax was almost exactly at the estimate as a $12.4 million negative variance in the non-auto sales tax and a $12.2 million positive variance in the auto sales tax essentially offset each other. The CAT and the financial institutions tax were both well below estimate, by $25.5 million and $12.2 million, respectively, in part due to refundable tax credits. One positive but temporary factor with a large influence on February's overall performance was an $80.4 million overage in the foreign insurance tax. This is presumed to be almost entirely a timing variance as taxes were paid and processed earlier than the estimate assumed, and will be mostly offset in March (the due date for the remaining taxes due after the October estimated payment is March 1). Foreign insurance tax revenues for the year now stand at $302.4 million, which is slightly above the $301.5 million estimate for fiscal year 2017 in its entirety.

As is generally the case, the variance in non-tax receipts was due to federal grants. Federal grants were $44.7 million (4.1%) below estimate, while all other non-tax receipts were $2.8 million above estimate. The federal grants variance was generally what one would expect, though perhaps a little smaller, given that Medicaid spending was $95.2 million below estimate in February.

For the fiscal year, GRF receipts were $911.2 million (3.9%) below estimate. A little less than half of the overall variance is from tax receipts, which are $411.7 million (2.8%) below estimate. Over 85% of the tax shortfall is from the income tax. Federal grants are now $572.6 million (6.7%) below estimate, due primarily to Medicaid spending being $794.2 million below estimate. Finally, transfers are above estimate by $60.4 million, mostly due to the January overage discussed in the last issue of this report.

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	($411.7 million)	-2.8%
Non-tax receipts	Federal grants, earnings on investments, licenses & fees, other income, intrastate transfers	($559.9 million)	-6.5%
Transfers	Budget stabilization, liquor transfers, capital reserve, other	$60.4 million	189.9%
TOTAL REVENUE VARIANCE:		**($911.2 million)**	**-3.9%**
Non-Federal Revenue Variance:		**($338.6 million)**	**-2.3%**
Federal Grants Variance:		**($572.6 million)**	**-6.7%**

On a year-over-year basis, monthly receipts were $181.0 million (7.5%) above February of last year. Tax revenues increased by $116.1 million, or 8.1%, while federal grants increased by $63.0 million, or 6.4%. As mentioned above, the tax receipts gain was inflated by the early receipt of foreign insurance tax revenues.

For the fiscal year, tax revenues have fallen by $57.7 million (0.4%) from a year ago. As has been the case throughout the first eight months of the fiscal year, the income tax is responsible for more than that entire decline, dropping by $271.3 million, or 5.1%. The decline in income tax revenues was partly anticipated, and was mostly due to a decline of $207.7 million (29.2%) in quarterly estimated payments. Briefly, the estimated payment decrease is thought to be the result of an ongoing shift in taxpayer behavior to reduce estimated payments to better match lower expected tax liability due to prior year rate cuts and the gradual expansion of the small business deduction. The 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. If in fact some of the decline in estimated payments is due to economic factors – lower non-wage income – rather than behavior due to Ohio law changes, this expectation may not be met.

The other big area responsible for the year-to-date decline in income tax revenues is refunds, which have increased by $98.2 million (12.2%) from last year. Unlike the estimated payment decline, this increase in refunds was not expected. Refunds through December were 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, and so the increase from last year for the July through December period is of no particular concern. However, January refunds are based in large part on tax year 2016 liability and February refunds should be essentially all based on tax year 2016 liability, and January refunds increased from last year while February refunds decreased only slightly. The expected path of refunds versus what has been observed so far is explored in more detail in the personal income tax section below.

On the non-tax side, federal grants have fallen for the year by $240.1 million, or 2.9%. Despite the fact that individual month results have frequently been driven by factors other than Medicaid underspending, over the eight months of the fiscal year those factors have mostly washed out, and the Medicaid spending decline from last year – now $371.0 million – is the major factor driving the federal grants decrease.

GRF Revenue Sources Relative to Monthly Estimates – February 2017
($ in millions)

Individual Revenue Sources Above Estimate		**Individual Revenue Sources Below Estimate**	
Foreign Insurance Tax	$80.4	Personal Income Tax	($76.9)
Auto Sales and Use Tax	$12.2	Federal Grants	($44.7)
Cigarette and Other Tobacco Tax	$4.7	Commercial Activity Tax	($25.5)
Licenses and Fees	$3.6	Non-Auto Sales and Use Tax	($12.4)
Other Sources Above Estimate	$6.3	Financial Institutions Tax	($12.2)
		Other Sources Below Estimate	($0.8)
Total above	**$107.2**	**Total below**	**($172.6)**

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

Non-Auto Sales and Use Tax

February non-auto sales and use tax collections totaled $652.6 million and were $12.4 million (1.9%) below estimate. February is traditionally a smaller collections month. Though it was the second month in a row slightly below estimate, it was still an improvement from the first five months of the fiscal year which fell $102.1 million (2.6%) below estimate. There is cautious optimism that the non-auto sales tax may be improving with an end to retail price deflation excluding motor vehicles and parts and a rise in the price of oil.

For the fiscal year-to-date, non-auto revenues are $6,183.1 million (1.9%) below estimate. Year-over-year growth has improved from 0.9% at the end of November to 2.3% at the end of February.

OBM's January executive budget estimates for fiscal year 2017 assume that by year's end the shortfall with respect to the July estimates will grow to about $199 million, or 2.1%. This estimate essentially assumes that monthly shortfalls over the second half of fiscal year 2017 will average about $17 million, or 2.2%. Performance over the past three months has been better than that, while July-November performance was worse. March will be another important test of whether the trend in non-auto collections is improving.

Auto Sales Tax

Auto sales tax collections totaled $96.8 million in February and were $12.2 million (14.4%) above estimate. This follows shortfalls in four out of the five preceding months. February aligns with strong new light vehicle sales in December at a seasonally adjusted annual rate of 18.3 million units and January at a rate of 18.2 million units. Year-to-date collections have now moved into positive territory, although the variance is hardly detectible at $0.05 million (0.01%). Auto sales tax collections for the year are now up 3.4% from the same point in the previous fiscal year, growth that exceeds the 2.3% for non-auto collections. Both categories are seeing year-over-year growth percentages increase as the fiscal year progresses.

OBM's January executive budget estimates for fiscal year 2017 assume that by year's end the shortfall will grow to about $60 million, or 4.3%. This estimate assumes that performance will be markedly worse over the last four months of the year than over the first eight months. If new vehicle sales remain strong, there could be upside risk to the annual estimate. New light vehicle sales came in at a rate of 17.6 million units in February, suggesting auto sales tax collections could stay on estimate in March. On the other hand, looking to the future, there are market analysts who predict increasing inventories and reduced incentives may lead to a sales downturn.

Personal Income Tax

February GRF personal income tax receipts totaled $202.6 million and were $76.9 million (27.5%) below the estimate. February is a low collections month because the only significant positive collections are from employer withholding, which is reduced after the seasonal hiring and overtime from the holidays is done, and refunds are among the largest of the year. Any variance ends up being large in percentage terms.

Employer withholding finished $3.5 million above the estimate in February. This was only the third overage of the fiscal year, and the first since October. This small overage reduced the year-to-date shortfall slightly to $169.0 million, or 3.0%.

On the other hand, refunds were far above estimate in February, the second consecutive large overage. The January refund overage may have been partly a timing matter. As mentioned in last month's report, large refunds were paid out in the last four days of January this year, whereas they were not last year, accounting for a $51 million increase this January compared to last year. That $51 million difference was most of the $64.5 million increase from last January.

The refund news did not improve in February, however, casting doubt on the timing explanation. Refunds were $78.1 million above estimate, although they did decline by $11.1 million from last February. The February estimate, and the fiscal year 2017 filing season estimates generally, assumed much lower refunds than in the same months of fiscal year 2016 for the following reasons.

(1) The new, reduced withholding rates that accompanied the H.B. 64 tax rate cuts were in place for all of tax year 2016, whereas they were in place for only the last five months of tax year 2015.

(2) Tax year 2016 income tax rates were equal to those from tax year 2015, so that estimated payments should have been made on the correct rate basis all year, unlike tax year 2015.

(3) Declines in estimated payments throughout the year suggested that taxpayers had begun to take the small business deduction into account while making those payments, rather than overpaying on their estimated payments and then claiming large refunds afterward, as seemed to have been the case starting with tax year 2013, the year the deduction was first enacted.

It is also worth noting that even though the estimates reduced refunds relative to fiscal year 2016 for these reasons, estimated refunds were still somewhat higher as a percentage of withholding than in an average year due to the fact that the small business deduction increased to 100% in tax year 2016.

For the year, GRF income tax collections are now $352.2 million (6.5%) below estimate. The year-to-date variance is due to a combination of withholding and refunds. Withholding is $169.0 million (3.0%) below estimate, and refunds are $194.9 million (27.4%) above estimate. All other payments are a combined $4.4 million above estimate, and distributions to the Local Government Fund are $7.3 million below estimate (which adds to the net GRF amount).

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

	ESTIMATE FEB	ACTUAL FEB	$ VAR FEB	ACTUAL FEB 2017	ACTUAL FEB 2016	$ VAR Y-over-Y
Withholding	$671.0	$674.5	$3.5	$674.5	$660.5	$14.0
Quarterly Est.	$6.6	$4.9	($1.7)	$4.9	$7.2	($2.3)
Trust Payments	$1.0	$1.0	$0.0	$1.0	$0.2	$0.8
Annual Returns & 40 P	$5.6	$5.2	($0.4)	$5.2	$5.6	($0.4)
Other	$11.9	$10.2	($1.7)	$10.2	$13.0	($2.8)
Less: Refunds	($379.8)	($457.9)	($78.1)	($457.9)	($469.0)	$11.1
Local Distr.	($36.8)	($35.3)	$1.5	($35.3)	($35.9)	$0.6
Net to GRF	$279.5	$202.6	($76.9)	$202.6	$181.6	$21.0

OBM's January executive budget estimates for fiscal year 2017 assume that collections will end the year about $334 million below the original estimate. Given that collections at the end of February are already $352.2 million below the original estimate, there is now significant downside risk to the executive budget estimate. It may yet turn out that refunds will come back into line with executive budget estimates over the course of the remainder of the year. It will be important to see whether March refunds break the January and February trend or not.

On a year-over-year basis, February personal income tax receipts were $21.0 million (11.5%) above February 2016 collections. For the year-to-date, income tax collections are $271.3 million (5.1%) below fiscal year 2016 collections. The main culprits in the year-to-date decline are the large (but anticipated) decline in quarterly estimated payments and the unanticipated increase in refunds. In addition, although withholding is not one of the categories of payment that have declined from last year, the fact that collections have grown by only $73.0 million (1.3%) has contributed to the decline in overall income tax revenues. If withholding and refunds had performed as expected, year-to-date income tax collections would now be $93 million (1.7%) above last year.

Commercial Activity Tax

After a January overage in CAT collections, February collections fell well short of the mark. February collections were below estimate by $25.5 million (8.7%), which pushed the year-to-date shortfall back up to $41.7 million (4.3%).

February's weak GRF collections were 6.5% below last February's total, and year-to-date GRF collections are now $5.2 million (0.5%) below last year.

The GRF receives 75% of CAT revenues, so all funds (total) CAT collections follow the same general pattern as GRF collections. Through February total CAT collections are $55.6 million, or 4.2%, below estimate. All funds CAT collections have declined by $7.4 million, or 0.6%, from last year, whereas the expectation was that at this point they would have grown by $48.2 million, or 3.8% (growth for the entire year was expected to be 2.5% in the original fiscal year 2017 estimates).

When looking at all funds CAT collections for the month in which the quarterly payment is due and the prior month, combined, the results relative to the estimate have gotten worse over the course of fiscal year 2017, as shown in the table below.

FY 2017 Payments, Actual vs. Estimate and vs. Prior Year						
	Estimate	Actual	$ Variance	% Variance	FY16 Actual	% Change
Jul-Aug	$396.8	$390.6	($6.2)	-1.6%	$373.3	4.6%
Oct-Nov	$443.8	$420.0	($23.8)	-5.4%	$428.9	-2.1%
Jan-Feb	$459.2	$431.4	($27.8)	-6.1%	$446.4	-3.4%

This data at least roughly fits with the poor performance of the sales tax, and employer withholding, in the first half of fiscal year 2017. The October-November CAT payments were based on July-September economic activity, and the January-February payments were based on October-December economic activity, so the poor performance of those two payments, not only falling below estimate but declining from the prior year, is similar to the very weak non-auto sales tax and withholding performance over that six-month July-December time frame.

Financial Institutions Tax

Financial institutions tax collections were $12.2 million (26.6%) below estimate in February, largely due to $8.2 million in unanticipated refundable tax credits. Aside from these credits, February collections were $4.0 million below estimate. When combined with the $2.7 million January overage, combined January-February payments aside from the credits were about $1.1 million below estimate.

The February shortfall brought year-to-date collections down to $16.7 million (18.8%) below the estimate. Collections have now declined by $13.6 million (15.8%) from last year.

Another large unanticipated refundable tax credit (of about $7.5 million) will be paid out in March, which is likely to cause March revenues to also fall short of the estimate.

Foreign Insurance Tax

Foreign insurance tax collections were $80.4 million (135.6%) above estimate in February. Collections are $86.9 million above estimate for the year-to-date, and in fact are $0.9 million above estimate for all of fiscal year 2017.

This is almost certainly a timing issue. The foreign insurance tax is paid in two essentially equal installments, an estimated payment in October, and a payment of the remainder of taxes due by March 1. In most years, payments are received and processed in both February and March, and that is what the monthly estimates assumed. However, this year almost all payments appear to have been received and processed in February. OBM expects March collections to be significantly below estimate.

GRF Non-Tax Receipts

GRF non-tax receipts totaled $1,058.0 million in February and were $41.9 million (3.8%) below the estimate. There was very little February activity in this category except for federal grants. Federal grants were $44.7 million (4.1%) below estimate. GRF Medicaid spending being $95.2 million (5.8%) below estimate was the major factor in federal grants being below estimate in February. For the year-to-date, Medicaid spending is $794.2 million (6.3%) below estimate, and federal grants are $572.6 million (6.7%) below estimate.

Table 1

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

REVENUE SOURCE	MONTH ACTUAL FEBRUARY	MONTH ESTIMATE FEBRUARY	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	652,600	665,000	(12,400)	-1.9%	6,183,136	6,303,600	(120,464)	-1.9%
Auto Sales & Use	96,819	84,600	12,219	14.4%	888,548	888,500	48	0.0%
Subtotal Sales & Use	749,419	749,600	(181)	0.0%	7,071,683	7,192,100	(120,417)	-1.7%
Personal Income	202,552	279,500	(76,948)	-27.5%	5,036,297	5,388,500	(352,203)	-6.5%
Corporate Franchise	3,352	0	3,352	N/A	3,230	0	3,230	N/A
Financial Institutions Tax	33,853	46,100	(12,247)	-26.6%	72,452	89,200	(16,748)	-18.8%
Commercial Activity Tax	268,746	294,200	(25,454)	-8.7%	939,463	981,200	(41,737)	-4.3%
Petroleum Activity Tax	0	0	0	N/A	2,860	3,000	(140)	-4.7%
Public Utility	22,774	20,900	1,874	9.0%	70,395	71,900	(1,505)	-2.1%
Kilowatt Hour	32,034	31,200	834	2.7%	243,419	222,500	20,919	9.4%
Natural Gas Distribution	13,640	13,700	(60)	-0.4%	32,145	32,400	(255)	-0.8%
Foreign Insurance	139,709	59,300	80,409	135.6%	302,449	215,500	86,949	40.3%
Domestic Insurance	102	0	102	N/A	155	400	(245)	-61.2%
Other Business & Property	0	0	0	N/A	(678)	0	(678)	N/A
Cigarette and Other Tobacco	70,851	66,200	4,651	7.0%	587,220	580,400	6,820	1.2%
Alcoholic Beverage	3,766	3,600	166	4.6%	38,792	35,900	2,892	8.1%
Liquor Gallonage	3,285	3,300	(15)	-0.5%	31,378	30,400	978	3.2%
Estate	0	0	0	N/A	490	0	490	N/A
Total Tax Receipts	1,544,082	1,567,600	(23,518)	-1.5%	14,431,750	14,843,400	(411,650)	-2.8%
NON-TAX RECEIPTS								
Federal Grants	1,046,472	1,091,219	(44,747)	-4.1%	7,974,791	8,547,347	(572,556)	-6.7%
Earnings on Investments	0	0	0	N/A	24,042	17,200	6,842	39.8%
License & Fees	10,704	7,125	3,579	50.2%	25,656	20,805	4,851	23.3%
Other Income	781	1,528	(746)	-48.8%	45,164	44,545	619	1.4%
ISTV'S	0	0	0	N/A	9,131	8,800	331	3.8%
Total Non-Tax Receipts	1,057,957	1,099,872	(41,914)	-3.8%	8,078,782	8,638,697	(559,915)	-6.5%
TOTAL REVENUES	2,602,040	2,667,472	(65,432)	-2.5%	22,510,532	23,482,097	(971,565)	-4.1%
TRANSFERS								
Budget Stabilization	0	0	0	N/A	0	0	0	N/A
Liquor Transfers	0	0	0	N/A	0	0	0	N/A
Transfers In - Other	0	0	0	N/A	92,187	31,800	60,387	189.9%
Temporary Transfers In	0	0	0	N/A	0	0	0	N/A
Total Transfers	0	0	0	N/A	92,187	31,800	60,387	189.9%
TOTAL SOURCES	2,602,040	2,667,472	(65,432)	-2.5%	22,602,719	23,513,897	(911,178)	-3.9%

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

	MONTH				YEAR-TO-DATE			
REVENUE SOURCE	FEBRUARY FY 2017	FEBRUARY FY 2016	$ VAR	% VAR	ACTUAL FY 2017	ACTUAL FY 2016	$ VAR	% VAR
TAX RECEIPTS								
Non-Auto Sales & Use	652,600	620,478	32,122	5.2%	6,183,136	6,043,445	139,690	2.3%
Auto Sales & Use	96,819	87,136	9,683	11.1%	888,548	859,238	29,310	3.4%
Subtotal Sales & Use	749,419	707,614	41,805	5.9%	7,071,683	6,902,683	169,000	2.4%
Personal Income	202,552	181,580	20,972	11.5%	5,036,297	5,307,617	(271,320)	-5.1%
Corporate Franchise	3,352	(568)	3,920	690.0%	3,230	29,906	(26,677)	-89.2%
Financial Institutions Tax	33,853	50,781	(16,928)	-33.3%	72,452	86,093	(13,640)	-15.8%
Commercial Activity Tax	268,746	287,493	(18,747)	-6.5%	939,463	944,625	(5,162)	-0.5%
Petroleum Activity Tax	0	0	0	N/A	2,860	3,362	(503)	-14.9%
Public Utility	22,774	21,844	929	4.3%	70,395	73,142	(2,747)	-3.8%
Kilowatt Hour	32,034	29,234	2,800	9.6%	243,419	227,778	15,641	6.9%
Natural Gas Distribution	13,640	12,081	1,559	12.9%	32,145	30,646	1,499	4.9%
Foreign Insurance	139,709	61,372	78,336	127.6%	302,449	207,538	94,910	45.7%
Domestic Insurance	102	8	94	1139.4%	155	353	(197)	-56.0%
Other Business & Property	0	44	(44)	N/A	(678)	86	(764)	-889.6%
Cigarette and Other Tobacco	70,851	70,385	467	0.7%	587,220	609,534	(22,314)	-3.7%
Alcoholic Beverage	3,766	2,846	919	32.3%	38,792	34,833	3,959	11.4%
Liquor Gallonage	3,285	3,234	51	1.6%	31,378	30,396	982	3.2%
Estate	0	(12)	12	N/A	490	905	(415)	-45.9%
Total Tax Receipts	1,544,082	1,427,935	116,147	8.1%	14,431,750	14,489,496	(57,747)	-0.4%
NON-TAX RECEIPTS								
Federal Grants	1,046,472	983,519	62,952	6.4%	7,974,791	8,214,915	(240,124)	-2.9%
Earnings on Investments	0	0	0	N/A	24,042	16,580	7,461	45.0%
License & Fee	10,704	7,473	3,231	43.2%	25,656	20,304	5,351	26.4%
Other Income	781	1,761	(980)	-55.6%	45,164	43,761	1,403	3.2%
ISTV'S	0	2	(2)	N/A	9,131	864	8,267	957.0%
Total Non-Tax Receipts	1,057,957	992,756	65,202	6.6%	8,078,782	8,296,424	(217,642)	-2.6%
TOTAL REVENUES	2,602,040	2,420,691	181,349	7.5%	22,510,532	22,785,920	(275,388)	-1.2%
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	337	(337)	N/A	92,187	190,197	(98,010)	-51.5%
Temporary Transfers In	0	0	0	N/A	0	0	0	N/A
Total Transfers	0	337	(337)	N/A	92,187	190,197	(98,010)	-51.5%
TOTAL SOURCES	2,602,040	2,421,028	181,011	7.5%	22,602,719	22,976,118	(373,399)	-1.6%

DISBURSEMENTS

February GRF disbursements, across all uses, totaled $2,785.0 million and were $110.6 million (3.8%) below estimate. This was primarily attributable to lower than estimated disbursements in the Medicaid and Primary and Secondary Education categories. On a year-over-year basis, February total uses were $22.5 million (0.8%) 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)	($897.9 million)	-3.7%
Transfers	Temporary or permanent transfers out of the GRF that are not agency expenditures	($6.7 million)	-2.2%
TOTAL DISBURSEMENTS VARIANCE:		**($904.6 million)**	**-3.7%**

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. February disbursements for this category totaled $687.4 million and were $13.1 million (1.9%) below estimate. This variance was primarily attributable to timing of payments in Early Childhood Education and lower than estimated spending in Pupil Transportation line items. Disbursements in the Early Childhood Education line item were below estimate due to shifting expenditures from the GRF to a non-GRF source. Disbursements in the Pupil Transportation line item were below estimate due to the use of updated, current year transportation data. Expenditures for the school foundation program totaled $582.4 million and were $7.2 million (1.2%) below estimate. Year-to-date disbursements were $5,432.3 million, which was $28.8 million (0.5%) above estimate. These overages are expected to mitigate over the remaining months of the fiscal year.

On a year-over-year basis, disbursements in this category were $35.8 million (5.0%) lower than for the same month in the previous fiscal year while year-to-date expenditures were $39.3 million (0.7%) lower than the same point in fiscal year 2016.

Higher Education

February disbursements for the Higher Education category, which includes non-debt service GRF spending by the Department of Higher Education, totaled $220.0 million and were $3.6 million (1.7%) above estimate. This variance was primarily attributable to several line items. First, disbursements for the Ohio College Opportunity Grant (OCOG) were $1.8 million above estimate due to higher than expected requests for reimbursement from higher education institutions. Second, disbursements for the Choose Ohio First Scholarship Program were $1.3

million above estimate as a result of realigning the payment schedules. Finally, disbursements for eStudent Services were $1.0 million above estimate due to a prior delay in completing now-approved MOU's.

Year-to-date disbursements were $1,547.4 million, which was $9.7 million (0.6%) below estimate. On a year-over-year basis, disbursements in this category were $23.7 million (12.1%) higher than for the same month in the previous fiscal year while year-to-date expenditures were $56.7 million (3.8%) 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.

February disbursements in this category totaled $4.1 million and were $0.2 million (6.2%) above estimate. Year-to-date disbursements were $55.2 million, which was $2.4 million (4.2%) below estimate. On a year-over-year basis, disbursements in this category were $0.4 million (11.9%) higher than for the same month in the previous fiscal year while year-to-date expenditures were $2.8 million (5.3%) 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.

Expenditures

February GRF disbursements for the Medicaid Program totaled $1,557.9 million and were $95.2 million (5.8%) below the estimate, and $15.5 million (1.0%) below disbursements for the same month in the previous fiscal year. Year-to-date GRF disbursements totaled $11,830.8 million and were $794.2 million (6.3%) below the estimate, and $371.0 million (3.0%) below disbursements for the same point in the previous fiscal year.

February all funds disbursements for the Medicaid Program totaled $2,635.9 million and were $193.4 million (7.9%) above the estimate, and $584.5 million (28.5%) above disbursements for the same month in the previous fiscal year. Year-to-date all funds disbursements totaled $16,912.2 million and were $786.1 million (4.4%) below the estimate, and $650.9 million (4.0%) above disbursements for the same point in the previous fiscal year.

The February all funds variance was primarily attributable to greater than anticipated spending in the Hospital Care Assurance Program (HCAP). This non-GRF funded program compensates hospitals that provide a disproportionally large amount of uncompensated care. HCAP payments, which were estimated to occur in both February and March, were completed in February. In addition, greater than anticipated spending in the premium assistance program, due to higher rates for the Medicare Buy-In and Medicare Part D components, continued in February. These overages were partially offset by underspending in the managed care program due to lower than estimated monthly capitation rates.

The year-to-date all funds variance included underspending in the managed care program due to lower than budgeted monthly capitation rates. Fee-for-service program costs were also below estimate due to enrollment being below estimate by an average of 5.2% per month, year-to-date. Finally, lower administrative costs are the result of lower costs for information technology projects, volume-based service contracts, and reimbursement requests from county departments of job and family services. This underspending was partially offset by higher rates paid by the premium assistance program and the HCAP payment described above.

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

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

	February Actual		February Projection		Variance		Variance %
GRF	$	1,557.9	$	1,653.1	$	(95.2)	-5.8%
Non-GRF	$	1,078.0	$	789.4	$	288.6	36.6%
All Funds	$	2,635.9	$	2,442.5	$	193.4	7.9%

Enrollment

Total February enrollment across all categories was 3.08 million. The most significant components are the Covered Families and Children/Modified Adjusted Gross Income (CFC/MAGI) category, which increased by 23,008 persons to a February total of 2.51 million persons, and the Aged, Blind and Disabled (ABD) category, which increased by 3,917 persons to a February total of 423,683 covered lives.

Total enrollment across all categories for the same period last year was 3.03 million covered persons, including 2.50 million persons in the CFC/MAGI category and 377,975 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.

February disbursements in this category totaled $96.1 million and were $4.7 million (4.7%) below estimate. Year-to-date disbursements were $932.5 million, which was $54.2 million (5.5%) below estimate. On a year-over-year basis, disbursements in this category were $5.7 million (6.3%) higher than for the same month in the previous fiscal year while year-to-date expenditures were $37.0 million (4.1%) higher than at the same point in fiscal year 2016.

Department of Job and Family Services
February disbursements for the Department of Job and Family Services totaled $61.7 million and were $3.1 million (4.8%) below estimate. This variance was attributable to several lines. First, disbursements for Information Technology Projects were $1.7 million (40.9%) below estimate due to non-receipt of vendor invoices for several large vendor contracts. Second, disbursements for Family and Children Services were $1.3 million (56.2%) below estimate due to disbursements of the State Child Protective Allocation occurring in January instead of February as planned. Third, disbursements for TANF State/Maintenance of Effort were $1.2 million (7.6%) below estimate due to the caseload for Ohio Works First being lower than anticipated for the biennium. Finally, disbursements for Unemployment Insurance Administration were $1.1 million (81.6%) below estimate due to the timing of payments for mainframe systems. These variances were partially offset by higher than estimated disbursements for Early Care and Education, which were $2.1 million (9.7%) above estimate due to higher than estimated child care subsidy disbursements.

Department of Mental Health and Addiction Services
February disbursements for the Department of Mental Health and Addiction Services totaled $24.1 million and were $0.9 million (3.8%) above estimate. This variance was partially attributable to Hospital Services disbursements being $1.4 million (8.5%) above estimate as a payment originally planned for January was made in February instead. This overage was partially offset as Specialized Docket Support disbursements were $1.0 million (89.0%) below estimate as payments originally scheduled for February were made in September instead.

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.

February disbursements in this category totaled $141.2 million and were $0.7 million (0.5%) below estimate. Year-to-date disbursements were $1,434.2 million, which was $16.1 million (1.1%) below estimate. On a year-over-year basis, disbursements in this category were $11.8 million (9.1%) higher than for the same month in the previous fiscal year while year-to-date expenditures were $63.3 million (4.6%) higher than at the same point in fiscal year 2016.

Department of Rehabilitation and Correction
February disbursements for the Department of Rehabilitation and Correction totaled $109.0 million and were $4.2 million (3.7%) below estimate. This variance was primarily attributable to lower than estimated disbursements for Institutional Operations and Institutional Medical Services due to the timing of payments.

Department of Youth Services

February disbursements for the Department of Youth Services totaled $10.8 million and were $1.7 million (19.0%) above estimate. This variance was primarily attributable to the timing of disbursements for Community Correctional Facilities (CCFs), which occurred in February instead of January as estimated.

Public Defender Commission

February disbursements for the Public Defender Commission totaled $3.4 million and were $2.9 million (524.8%) above estimate. This variance was primarily attributable to the timing of county reimbursement payments, which occurred in February instead of March 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.

February disbursements in this category totaled $24.0 million and were $4.3 million (15.1%) below estimate. Year-to-date disbursements were $259.9 million, which was $16.7 million (6.0%) below estimate. On a year-over-year basis, disbursements in this category were $1.6 million (6.3%) lower than for the same month in the previous fiscal year while year-to-date expenditures were $11.0 million (4.4%) higher than at the same point in fiscal year 2016.

Department of Administrative Services

February disbursements for the Department of Administrative Services totaled $0.6 million and were $4.0 million (86.7%) below estimate. This variance was attributable to the timing of quarterly rent payments for certain GRF-supported agencies as payments occurred in January instead of February as estimated.

Department of Natural Resources

February disbursements for the Department of Natural Resources totaled $4.0 million and were $1.1 million (37.1%) above estimate. This variance was primarily attributable to disbursements for Parks and Recreation, which were $1.1 million above estimate due to the timing of hiring seasonal employees.

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. February property tax reimbursements totaled $0.3 million and were $0.3 million above estimate. Year-to-date disbursements totaled $902.3 million and were $17.7 million (1.9%) below estimate. Aggregate disbursements for the second half of the fiscal year are expected to continue to be below estimate, driven primarily by declines in the homestead exemption program.

Debt Service

February payments for debt service totaled $49.5 million and were $1.4 million (2.7%) below estimate. Year-to-date debt service payments were $1,062.9 million and were $15.6 million (1.4%) below estimate. The year-to-date variance is attributable to lower than estimated interest rates on recent bond issuances and a portion of bond premiums being used to offset GRF debt service payments.

Transfers Out

February transfers out totaled $4.6 million and were $4.6 million above estimate. Year-to-date transfers out were $292.3 million and were $6.7 million (2.2%) below estimate. The monthly and year-to-date variances are primarily attributable to the timing of transfers out to the Medicaid Managed Care Performance Payments Fund.

Table 3

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

Functional Reporting Categories Description	MONTH ACTUAL FEBRUARY	MONTH ESTIMATED FEBRUARY	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	687,414	700,518	(13,103)	-1.9%	5,432,331	5,403,491	28,840	0.5%
Higher Education	219,959	216,325	3,634	1.7%	1,547,370	1,557,089	(9,719)	-0.6%
Other Education	4,052	3,817	235	6.2%	55,194	57,610	(2,416)	-4.2%
Medicaid	1,557,918	1,653,100	(95,181)	-5.8%	11,830,841	12,625,045	(794,204)	-6.3%
Health and Human Services	96,057	100,752	(4,695)	-4.7%	932,504	986,723	(54,218)	-5.5%
Justice and Public Protection	141,229	141,920	(690)	-0.5%	1,434,175	1,450,248	(16,073)	-1.1%
General Government	24,021	28,294	(4,274)	-15.1%	259,935	276,636	(16,701)	-6.0%
Property Tax Reimbursements	267	0	267	N/A	902,250	919,983	(17,734)	-1.9%
Capital Outlay	0	0	0	N/A	0	0	0	N/A
Debt Service	49,538	50,931	(1,393)	-2.7%	1,062,871	1,078,503	(15,632)	-1.4%
Total Expenditures & ISTV's	2,780,455	2,895,655	(115,200)	-4.0%	23,457,470	24,355,328	(897,858)	-3.7%
Transfers Out:								
BSF Transfer Out	0	0	0	N/A	29,483	29,483	0	0.0%
Operating Transfer Out	4,557	0	4,557	N/A	262,839	269,541	(6,701)	-2.5%
Temporary Transfer Out	0	0	0	N/A	0	0	0	N/A
Total Transfers Out	4,557	0	4,557	N/A	292,322	299,023	(6,701)	-2.2%
Total Fund Uses	2,785,012	2,895,655	(110,643)	-3.8%	23,749,792	24,654,351	(904,559)	-3.7%

Table 4

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

Functional Reporting Categories Description	MONTH				YEAR-TO-DATE			
	FEBRUARY FY 2017	FEBRUARY FY 2016	$ VAR	% VAR	ACTUAL FY 2017	ACTUAL FY 2016	$ VAR	% VAR
Primary and Secondary Education	687,414	723,249	(35,835)	-5.0%	5,432,331	5,471,584	(39,254)	-0.7%
Higher Education	219,959	196,252	23,706	12.1%	1,547,370	1,490,713	56,657	3.8%
Other Education	4,052	3,623	429	11.9%	55,194	52,409	2,785	5.3%
Medicaid	1,557,918	1,573,388	(15,470)	-1.0%	11,830,841	12,201,838	(370,997)	-3.0%
Health and Human Services	96,057	90,399	5,658	6.3%	932,504	895,462	37,043	4.1%
Justice and Public Protection	141,229	129,436	11,794	9.1%	1,434,175	1,370,847	63,328	4.6%
General Government	24,021	25,638	(1,617)	-6.3%	259,935	248,929	11,005	4.4%
Property Tax Reimbursements	267	(642)	909	141.6%	902,250	896,539	5,711	0.6%
Capital Outlay	0	0	0	N/A	0	0	0	N/A
Debt Service	49,538	53,221	(3,683)	-6.9%	1,062,871	1,030,890	31,981	3.1%
Total Expenditures & ISTV's	2,780,455	2,794,564	(14,108)	-0.5%	23,457,470	23,659,210	(201,740)	-0.9%
Transfers Out:								
BSF Transfer	0	0	0	N/A	29,483	425,500	(396,017)	-93.1%
Operating Transfer Out	4,557	12,964	(8,407)	-64.9%	262,839	401,224	(138,385)	-34.5%
Temporary Transfer Out	0	0	0	N/A	0	0	0	N/A
Total Transfers Out	4,557	12,964	(8,407)	-64.9%	292,322	826,724	(534,402)	-64.6%
Total Fund Uses	2,785,012	2,807,528	(22,516)	-0.8%	23,749,792	24,485,934	(736,142)	-3.0%

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 $458.8 million.

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

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

NOTE: The Fund Balance Table is based on the fiscal year 2017 estimates prepared in July 2016 and does not reflect revised fiscal year 2017 estimates contained in the Executive Budget for fiscal years 2018-2019. Please see the February 2017 issue of this report for additional information.

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**	35,893,619
Less FY 2017 Estimated Total Encumbrances as of June 30, 2017	312,696
Less FY 2017 Estimated Transfers Out	417,875
Total Estimated Uses	**36,624,190**
FY 2017 ESTIMATED UNENCUMBERED ENDING FUND BALANCE	**458,817**

* 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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