OBM

May 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

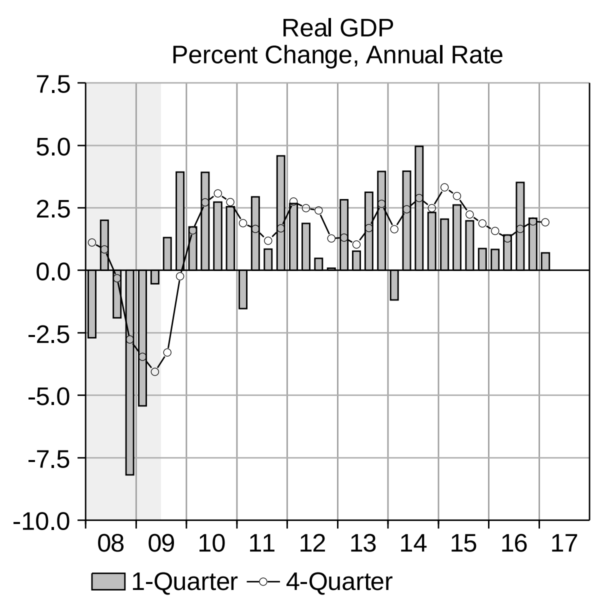
ECONOMIC SUMMARY

Economic Performance Overview

- Economic growth slowed to 0.7% in the first quarter, compared with 2.1% in the fourth quarter and 1.6% for all of 2016. Forecasters project much stronger growth in the second quarter and a trend rate of 2% to 2.5% thereafter.
- U.S. employment increased by 211,000 jobs in April for a year-to-date average of 185,000 jobs per month. The unemployment rate decreased to 4.4%.
- Ohio nonfarm payroll employment decreased by 4,100 jobs in March after a total gain of 19,100 jobs in January and February. The unemployment rate was 5.1%.
- Despite the weak first quarter, leading indicators point toward continued growth at a modest pace, fueled by a healthy household sector, possibly with continued revival in investment.

Economic Growth

Real GDP expanded by 0.7% in the first quarter – the slowest pace for a quarter in three years. Growth was 2.1% in the fourth quarter and 1.6% for all of 2016, which matched the slowest annual growth rate of the current expansion. Compared with a year earlier, real GDP was up by 1.9% in the first quarter. Despite the weak opening quarter performance, the economy is expected by many analysts to expand by more than 3% in the second quarter and then to remain on the 2% growth path of recent years.



Economic growth has averaged 2.1% at an annual rate during the 31 quarters since the beginning of the current expansion. In contrast, growth averaged 3.8% or more during the other three expansions that lasted this long or longer. Slower growth rates in both the labor force and in productivity have contributed to the slower advance in output in this expansion.

Four factors were responsible for the weakness in the first quarter: consumer spending on motor vehicles decreased after a stretch of strong quarters; consumer spending on services was weak, in part due to the effect of the mild winter on heating bills; defense spending decreased; and businesses pared back inventories.

On the positive side, business investment in structures and equipment increased significantly after a period of weakness. Investment in housing posted double-digit percentage growth for the first time in five quarters and exports rebounded after decreasing in the previous quarter. In addition, final sales to domestic purchasers – a core measure of demand – increased 2.2%. Finally, prices remained under control as the year-over-year change in the core personal consumption deflator was 1.7% for the third straight quarter.

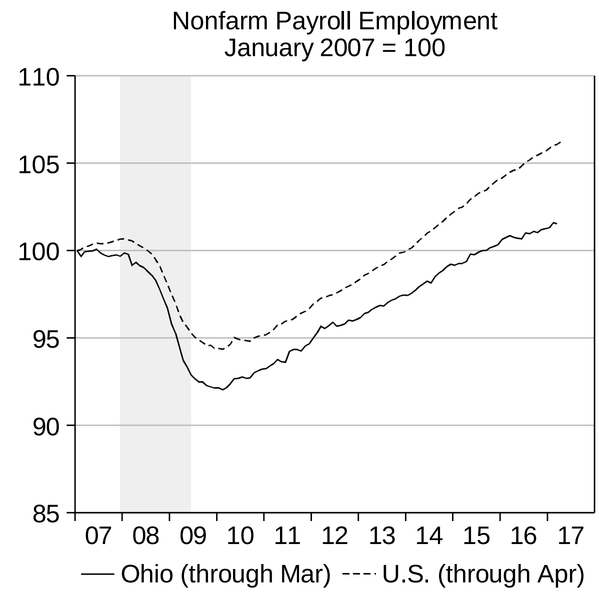
Economic activity grew moderately in and around Ohio during March and early April, according to a survey of businesses by the Federal Reserve Bank of Cleveland. Labor markets continued to strengthen, consumer spending was reported as stable, the outlook of manufacturers improved, freight volume expanded, and commercial builders experienced stronger than usual inquiries and growing backlogs.

Leading economic indicators still point to uninterrupted expansion at least into the fall. The composite **Leading Economic Index,** compiled by the Conference Board, increased by 0.4% in March, following gains of 0.6% in January and 0.5% in February. The smoothed 6-month rate of change in the index increased to 4.3%, up from a recent low of zero in May 2016. Eight of the ten components made positive contributions during March, led by new orders and the interest rate spread.

Initial high-frequency projections of second-quarter real GDP growth were stronger than actual growth in the first quarter. The Federal Reserve Bank of New York projects second-quarter growth of 2.3%, while the Federal Reserve Bank of Atlanta projects growth of 4.2%. The more-stable Blue Chip consensus, which is an average of forecasts from a group of professional forecasters, is 2.7%, with a range of 2.1% to 3.2% from the average of the lowest ten to the highest ten.

Employment

Nonfarm payrolls across the country increased by 211,000 jobs in April, compared with expectations for about a 190,000 increase. The weak March gain was revised lower by 19,000 jobs to 79,000 jobs, and the February gain was revised up by 6,000 jobs. Weather patterns likely suppressed employment in March, and a return to more normal conditions likely boosted the April increase. The average employment increase during the past two months of 145,000 jobs is toward the lower end of the recent range of monthly job gains, but the 4-month average of 185,000 jobs is close to normal. By most accounts, labor markets are back on track.



In the goods producing sectors, U.S. employment was up 10,000 in mining, 5,000 in construction, and 6,000 in manufacturing. Within the service sector, job gains were led by leisure and hospitality (+55,000), where accommodations and food services accounted for most of the gain, and professional and business services (+39,000). Other gains included health care (+37,000), financial activities (+19,000), driven mostly by insurance and related activities, and local government (+17,000), mostly in non-education related areas.

The U.S. **unemployment rate** declined by 0.1 percentage point to 4.4%, reflecting a 156,000 increase in total employment and a 146,000 decline in the number of unemployed. The unemployment rate is the lowest since May 2007. The broadest measure of unemployment, the U-6 unemployment rate, decreased 0.3 percentage points to 8.6% – its lowest level since November 2007. 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 of all employees on private nonfarm payrolls increased 0.3% to 2.5% above the year earlier level – down from 2.8% in February. Still, the acceleration in wages during the past year indicates that a long-awaited tightening in labor market conditions is unfolding, and is sure to hold the attention of monetary policymakers.

Ohio nonfarm payroll employment decreased by 4,100 jobs in March after rising by 3,100 jobs in January and an upwardly revised 16,000 jobs in February. The only large employment gain in March occurred in education and health services (+6,300). The largest job losses occurred in trade, transportation, and utilities (-6,000), professional and business services (-3,800), and Leisure and hospitality (-2,800).

During the twelve months ending in March, Ohio employment increased by 36,500 jobs. The largest employment gains occurred in education and health services (+19,400), construction (+7,900), manufacturing (+6,500), and financial activities (+5,200). Year-over-year declines occurred in government (-7,700) and professional and business services (-2,000).

In general, over the first three months of 2017, Ohio employment growth in private goods-producing industries has been strong, as 20,000 jobs have been added, however, service-sector employment has declined by 5,000 jobs. This is a trend that bears watching in the coming months.

Ohio Payrolls continued to expand in March and early April, according to the Cleveland survey. Increases were noted in financial services, construction, and manufacturing. The only industry reporting a decline in employment was brick-and-mortar retail, prompted by store downsizing and closing. In general, expectations are for an increase in the pace of hiring this year, as openings for permanent jobs are created. In the meantime, the number of entry-level jobs is rising, and finding qualified candidates is difficult.

Among the **contiguous states**, year-over-year employment growth was strongest in Michigan (+1.9%), followed by Indiana and Kentucky (+1.5%), Pennsylvania (+1.0%), and Ohio (+0.7%). Employment declined in West Virginia (-0.8%). Manufacturing employment increased in Kentucky (3.1%), Indiana (1.7%), Ohio (0.9%), and Michigan (0.6%). It declined in Pennsylvania (-1.2%) and West Virginia (-3.0%).

The **Ohio unemployment rate** was 5.1% in February and March, up from 5.0% in January and the four months prior to that. The rate is up 0.4 points from the cyclical low of 4.7% reached in September 2015. The increase during that period resulted from a larger increase in the Ohio labor force (+91,000) than in total employment (+63,000). The unemployment rate has moved in a narrow range since the end of 2014.

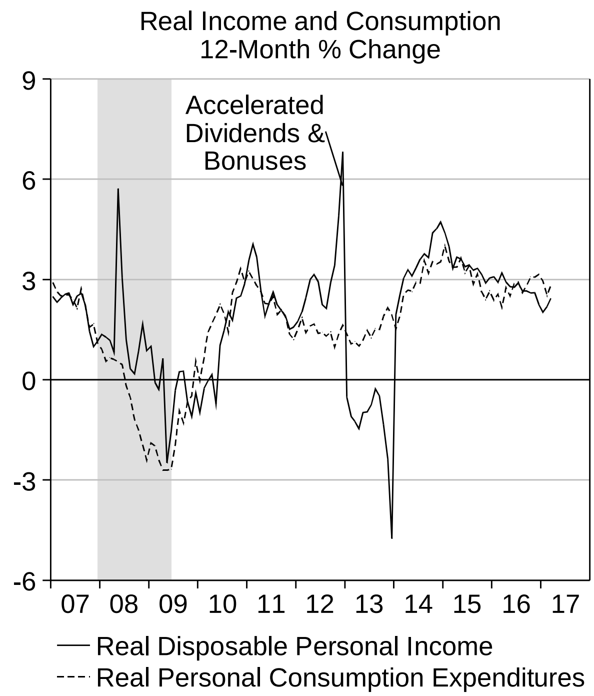
Across the country in March, the unemployment rate decreased by a statistically significant amount in seventeen states, with Illinois (-0.5) experiencing the largest decline. March unemployment rates in other states and the District of Columbia were not statistically different from the month before. When compared to a year earlier, the unemployment rate was lower by a statistically significant margin in eighteen states, with West Virginia, Illinois, and Nevada registering the largest declines.

Consumer Income and Consumption

Personal income growth slowed again in March and personal consumption expenditures were unchanged for the second month in a row. **Personal income** grew 0.2% in March, down from 0.3% in February and 0.4% in January. The wage and salary disbursements component, which makes up more than half of total personal income, slowed to 0.1% growth in March from 0.5% in February and 0.4% in January. Compared with a year earlier, personal income was up 4.5% and wage and salary disbursements were up 5.5%.

The **Consumer Price Index** (CPI) fell by 0.3% in March, mostly due to a 3.2% decrease in energy prices. Excluding prices of food and energy, the CPI was lower by 0.1%. Compared with a year earlier, the CPI was higher by 2.4% and excluding food and energy, the CPI was up 2.0%. The Median CPI from the Federal Reserve Bank of Cleveland, which is an alternative measure of the trend in inflation, continued to track higher at 2.5% year-over-year. The measure of inflation that is most closely watched by the Federal Reserve (personal consumption spending minus food and energy) was 1.8% year-over-year – up from its low, but still below the 2% threshold targeted by the Fed.

Monthly **personal consumption expenditures** were unchanged in March after a downwardly revised no-change in February and a gain of 0.2% in January. Spending on durable goods fell 1.4%, as unit sales of light motor vehicles fell 5.3%, from an annual rate of 17.4 million to 16.5 million. Spending on autos was little changed in April, up 1.8%. Spending on nondurable goods fell 0.3% and spending on services increased 0.4%.



For the quarter, consumer spending increased at an annual rate of 2.7%, but after adjusting for inflation increased only 0.3% after a 3.5% increase in the fourth quarter. The reasons behind the drop-off in growth during the first quarter appear to be temporary – unusually warm weather, a jump in consumer prices, delays in receipt of tax refunds, and timing issues related to strong holiday and auto sales in the fourth quarter. Projections are for an increase in growth to above 3% in the second quarter, reflecting continued income growth, rising net worth, and high levels of consumer confidence.

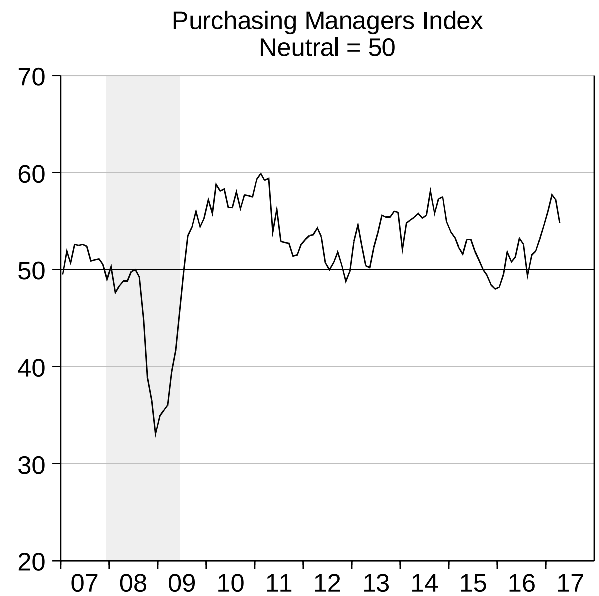
According to the Cleveland Fed survey, consumer spending has remained stable in and around Ohio, however, retail transactions have continued to migrate from brick-and-mortar stores to the internet. Mall traffic was reportedly down, with impulse buying also on the decline. Pricing power remains limited, prompting cutbacks in inventories and capital investment.

Consumer attitudes remained bright in April following a strong run-up in recent months. The Conference Board measure of **consumer confidence** retreated somewhat, due to retracement of assessments of both current and future conditions. The University of Michigan/Reuters index essentially held its ground in April, sustaining the substantial gains from last October to March.

Manufacturing

Industrial production in manufacturing decreased 0.4% in March, but the abrupt decline likely does not mark the end of the recent revival in activity in the sector. About one-half of the decline reflected a cutback in production of motor vehicles and parts, which was down by 3.0%, to address rising inventories. The other half of the decline also occurred among durable goods, but is anticipated to recover as soon as May. Production of non-durable goods increased by 0.1%. Compared with a year earlier, manufacturing production was up by 0.8%.

Production across some industries of special importance to Ohio decreased in March after promising gains in February. Production in primary metals, fabricated metal products, machinery, and motor vehicles and parts fell by 1.3%, 0.5%, 0.5%, and 3.0%, respectively. Production in all four industries was higher when compared with a year earlier.



Reports of improving conditions from **purchasing managers** in manufacturing were broad-based in April, but not as much as in March. The PMI® declined 2.4 points to 54.8, but importantly remained well above the neutral level of 50 for the eighth straight month. The primary source of weakness was the 7.0-point decline in the New Orders index to a still-high 57.5. The Production index marginally increased by 1.0 point to 58.6. The Employment index declined by 6.9 points, but at 52.0 remained above neutral for the seventh straight month.

Of the eighteen industries tracked by the Manufacturing ISM® *Report on Business*, sixteen 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 again in April. One respondent in the transportation equipment industry noted strength in military and government spending, with commercial business flat to slightly down. A survey participant in the fabricated metal products industry reported that “Business is definitely improving. Profit margins are increasing.”

According to the Cleveland Fed survey, the sentiment among manufacturers in and around Ohio has improved in recent months, although, there remains an undercurrent of caution. Fueling the positive assessments have been slow improvement in economic conditions abroad, the partial recovery in commodity prices, and anticipation of regulatory and tax relief. Still, the strong dollar was reported as restraining growth, along with uncertainty regarding trade policy. Even so, manufacturers in the area appear more confident as indicated by expanding capital budgets, especially for long-delayed maintenance and purchases of new equipment.

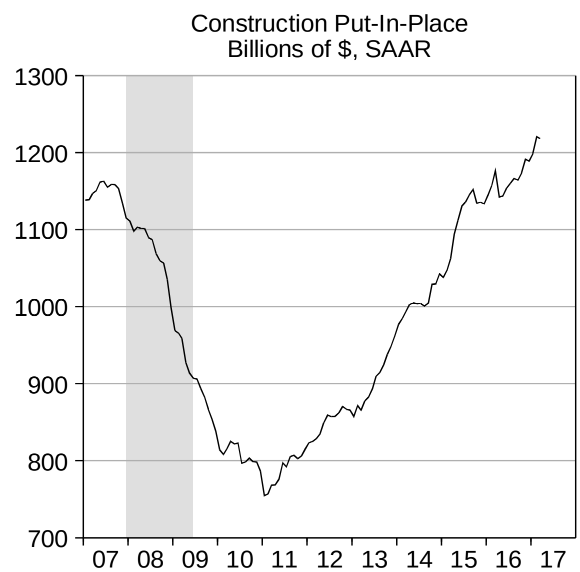
Construction

Construction put-in-place decreased 0.2% in March, although February was revised up from 0.8% to 1.8% and January was revised up from -0.1% to 0.8%. All of the March decline occurred in the public sector, as activity in the private sector was flat. Compared with a year earlier, total construction was up 3.6%, reflecting a 7.0% year-over-year increase in private construction and a 6.5% decrease in public construction.

The weakness in **private** construction in March resulted from a 1.2% rise in residential construction that was essentially offset by a 1.3% decline in nonresidential construction. The sixth monthly gain in a row in single-family construction (+0.3%), and the third in a row in multi-family construction (+2.0%), combined with an increase in improvements (+2.2%) to increase overall residential construction.

Public construction put-in-place fell 0.9%, the fourth decline in the last five months. Residential has followed the same pattern, falling 1.3% in March. Nonresidential decreased 0.9%, reflecting decreases in education, transportation, and sewage and waste disposal.

Weakness in private nonresidential construction was concentrated in commercial, office, and education, with only modest gains in health care and manufacturing. Nonresidential contractors in and around Ohio reported rising optimism, according to the Cleveland Fed survey. Inquiries have been unseasonably strong and backlogs have been strengthening. Demand has been the strongest for public infrastructure projects, commercial buildings, and warehousing and distribution facilities. Demand for retail-related projects was reported to have dimished significantly.



Housing starts decreased 1.6% in March on a 3-month moving average basis, as a 5.4% drop in multi-family more than offset a 0.5% increase in single-family. Total starts fell by 11.4% across the Midwest, following a 4.5% decline in February that reflected a 5.4% decline in single-family and a 25.5% decline in multi-family. Compared with a year earlier, starts were 8.8% higher across the country and 3.2% higher in the Midwest on a 3-month moving average basis.

Changes in **home sales** were generally positive in March. Existing home sales increased 1.2% across the country and were flat in the Midwest on a 3-month moving average basis. New home sales were stronger, rising 4.1% nationally and 8.5% across the Midwest. According to the Cleveland Fed survey, homebuilders in and around Ohio noted that rising interest rates and list prices have been motivating potential buyers to “move off the fence.” The strongest demand has been evident in the first-time and move-up segments, with sales of high-end homes remaining slow.

Home prices across the country posted their 61st consecutive monthly increase in February to a new all-time high, according to the Case-Shiller index. The National index increased 0.4% to 5.7% above the year earlier level. After falling by 26.0% from February 2007 to January 2012, home prices through February had increased 38.0% to 2.1% above the prior 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.

April **GRF receipts totaled $2.682.0 million** and were $182.6 million (6.4%) below the estimate. Monthly tax receipts totaled $1,881.6 million and were $159.1 million (7.8%) below the estimate, while non-tax receipts totaled $796.3 million and were $17.7 million (2.2%) below the estimate. Actual transfers to the GRF were $4.0 million in April, or $5.8 million below the estimate.

The overall shortfall in GRF tax receipts was essentially due, once again, to shortfalls in the income tax and the non-auto sales tax. The largest negative was the income tax, which finished $106.7 million (12.0%) below estimate. Refunds were again the major culprit, finishing $82.0 million (20.4%) above the estimate. This was the fourth month in a row – every month of the filing season so far – that refunds were at least $73 million above estimate. Annual payments, including annual withholding, were below estimate, contributing to the income tax shortfall. Second, the sales tax was $47.6 million (4.9%) below estimate, with $44.5 million of the shortfall coming in the non-auto portion of the tax.

As is generally the case, the variance in non-tax receipts was due to federal grants. Federal grants were $21.6 million (2.7%) below estimate, while all other non-tax receipts were $3.9 million above estimate. The federal grant variance was larger than expected given that Medicaid spending was only $1.1 million below estimate in April. This may be attributable to the timing of payments and the coding of expenditures, as explained in more detail below.

For the fiscal year, GRF receipts were $1,412.4 million (4.8%) below estimate. More than half of the overall variance is from tax receipts, which were $773.7 million (4.2%) below estimate. A little less than three-fourths of the tax shortfall is from the income tax. Federal grants are now $708.6 million (6.7%) below estimate, due primarily to Medicaid spending being $872.6 million (5.7%) below estimate. Finally, transfers were above estimate by $55.3 million, mostly due to the January overage discussed in the February 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	($773.7 million)	-4.2%
Non-tax receipts	Federal grants, earnings on investments, licenses & fees, other income, intrastate transfers	($693.9 million)	-6.5%
Transfers	Budget stabilization, liquor transfers, capital reserve, other	$55.3 million	132.8%
TOTAL REVENUE VARIANCE:		**($1.412.4 million)**	**-4.8%**
Non-federal revenue variance		**($703.8 million)**	**-3.8%**
Federal grants variance		**($708.6 million)**	**-6.7%**

On a year-over-year basis, monthly receipts were $146.0 million (5.2%) below April from last year. Tax revenues increased by $67.3 million (3.7%), but federal grants fell by $220.4 million (22.0%) – GRF Medicaid spending fell by 23.0%. Although it may seem incongruous, the income tax was responsible for the increase in tax collections from last April. Income tax collections increased by $64.6 million (9.0%) from a year ago, but they fell far short of the estimate because the monthly estimates assumed that refunds would fall sharply from a year ago, for reasons described at further length in the Personal Income Tax section.

For the fiscal year, tax revenues have fallen by $65.3 million (0.4%) from a year ago. As has been the case throughout the first ten months of the fiscal year, the income tax is responsible for far more than that entire decline, dropping by $183.8 million (2.9%). The decline in income tax revenues was partly anticipated. Quarterly estimated payments alone have declined by $206.3 million (25.5%), but they were actually over estimate as the anticipated decline was even larger. However, by this point in the year, the fiscal year 2017 income tax forecasts, made back in July, anticipated that the drop in estimated payments would be offset by a decline in refunds in the second-half of the fiscal year. Through April, however, that decline in refunds had not been seen. Refunds in the January-April period were $38 million larger than last year. It now seems unlikely that income tax collections will finish fiscal year 2017 above fiscal year 2016's level. Even if income tax collections equal the estimates in May and June, collections for all of fiscal year 2017 will fall 1.2% below fiscal year 2016 collections.

On the non-tax side, federal grants have fallen for the year by $508.4 million (4.9%). This decline is somewhat larger than expected given that GRF Medicaid spending has declined by $600.1 million (4.0%) from last year.

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

Individual Revenue Sources Above Estimate		Individual Revenue Sources Below Estimate	
Commercial Activity Tax	$6.1	Personal Income Tax	($106.7)
Investment Earnings	$4.6	Non-Auto Sales and Use Tax	($44.5)
Domestic Insurance Tax	$1.0	Federal Grants	($21.6)
Other Sources Above Estimate	$0.8	Financial Institutions Tax	($6.3)
		Transfers In	($5.8)
		Other Sources Below Estimate	($10.2)
Total above	**$12.5**	**Total below**	**($195.1)**

(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

April non-auto sales and use tax collections totaled $791.7 million and were $44.5 million (5.3%) below estimate. Although retail price deflation is finally easing, low retail sales experienced nationwide are affecting collections. Brick and mortar stores are particularly underperforming, and a number of store closings of national chains have been announced this year.

OBM's revised 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%. After a second straight month of significant underperformance, year-to-date collections were $202 million (2.6%) under estimate. Furthermore, April's weak collections growth of 0.3%, following March's decline of 0.5%, have pulled year-over-year growth down to 1.9%. At the end of February, growth had stood at 2.3%.

Auto Sales Tax

Auto sales tax collections totaled $121.6 million in April and were $3.1 million (2.5%) below estimate. Despite a second consecutive month of underperformance, collections were still $12.4 million over estimate for the first four months of the calendar year. Auto sales tax collections tend to align with national trends in the auto industry. Following a period of record sales, light vehicle sales were either plateauing or experiencing a mild decline despite automakers offering higher incentives. New light vehicle sales were finally falling after a particularly strong run. The most up-to-date estimate for April shows a seasonally adjusted annualized sales rate of 16.9 million units. This data indicates that collections in May could fall slightly below estimate.

OBM's revised executive budget estimates for fiscal year 2017 assume that by year's end the shortfall will grow to about $60 million, or 4.3%. Since the year-to-date shortfall with only two months remaining is only $6.0 million (0.5%), it now looks likely that collections will outperform the revised estimate.

Year-to-date growth in the auto sales tax is $27.3 million (2.5%). Even with some slippage in the last two months, it seems likely that fiscal year 2017 collections will end the year above last year's level.

Personal Income Tax

April GRF personal income tax receipts totaled $781.9 million and were $106.7 million (12.0%) below the estimate. As expected given how the fiscal year has gone, refunds drove the April shortfall. Annual payments, including annual withholding – which is not withholding in the usual sense – also contributed to the shortfall. Ordinary withholding was actually above the estimate.

Refunds were once again far above estimate in April, the fourth consecutive large overage. Refunds were $82.0 million above estimate in April, following overages of $72.9 million in January, $78.1 million in February, and $76.6 million in March. Refunds posted a small decline from last year in April ($12.4 million), just as they had in February and March, but just as was the case in those months, the decline was not nearly as large as the estimate had anticipated.

The monthly estimates assumed much lower refunds in fiscal year 2017 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 in tax year 2016, 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.

Even though the fiscal year 2017 estimates reduced refunds relative to fiscal year 2016 for these reasons, fiscal year 2017 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. In reality, refunds as a percentage of withholding are running far ahead of what they would be in an average year.

Ordinary withholding was $9.4 million (1.4%) above estimate in March. Ordinary withholding is now $183.1 million (2.6%) below estimate for the year. This represents slight improvement from the first nine months, where the underperformance was consistently between 3.0% and 3.6% for seven of those nine months.

Annual return payments were $28.3 million (5.7%) below estimate in April. The only surprise is that the shortfall was relatively small compared to the overage in refunds. Annual withholding, which is really a form of annual payment from the non-resident owners of Ohio businesses, was also $16.2 million below estimate in April.

For the year, GRF income tax collections were $554.4 million (8.1%) below estimate. The year-to-date variance is due to a combination of withholding and refunds. Withholding, including annual withholding, is $199.0 million (2.8%) below estimate, and refunds were $353.5 million (24.3%) above estimate. All other payments were a combined $13.9 million above estimate, and distributions to the Local Government Fund were $12.0 million below estimate (which adds to the net GRF amount).

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

	Estimate April	Actual April	$ Var April	Actual April 2017	Actual April 2016	$ Var Y-0ver-Y
Withholding	$712.7	$705.9	($6.8)	$705.9	$700.1	$5.8
Quarterly Est.	$78.9	$83.9	$5.0	$83.9	$85.3	($1.4)
Trust Payments	$21.1	$24.1	$3.0	$24.1	$7.8	$16.3
Annual Returns & 40 P	$493.4	$465.1	($28.3)	$465.1	$430.4	$34.7
Other	$13.3	$11.9	($1.4)	$11.9	$16.2	($4.3)
Less: Refunds	($402.4)	($484.4)	($82.0)	($484.4)	($496.8)	$12.4
Local Distr.	($28.4)	($24.6)	$3.8	($24.6)	($25.8)	$1.2
Net to GRF	$888.6	$781.9	($106.7)	$781.9	$717.2	$64.7

OBM’s January executive budget estimates for fiscal year 2017 assumed that collections would end the year about $334 million below the original estimate. Given that collections at the end of April were already $554 million below the original estimate, it is clear that the shortfall will far exceed the executive budget estimate.

On a year-over-year basis, April personal income tax receipts were $64.6 million (9.0%) above April 2016 collections. For the year-to-date, income tax collections were still $183.8 million (2.9%) below fiscal year 2016 collections. The main culprits in the year-to-date decline were the large, but anticipated, decline in quarterly estimated payments and the unanticipated increase in refunds. In addition, although withholding (non-annual) is not one of the categories of payment that have declined from last year, the fact that collections have grown by only $109.1 million (1.6%) has contributed to the decline in overall income tax revenues.

Financial Institutions Tax

Financial institutions tax collections were $6.3 million (19.1%) below estimate in April. The April shortfall brought year-to-date collections down to $32.5 million (19.7%) below the estimate. Net collections have now declined by $27.4 million (17.1%) from last year, whereas they were expected to have grown slightly.

Part of both the shortfall and the year-to-year decline were due to an unanticipated increase in tax credits. Through the first three quarters of fiscal year 2017, tax credits claimed against the FIT have increased by $15.7 million from the prior year. The growth in credits is responsible for over half the decline in net collections.

GRF Non-Tax Receipts

GRF non-tax receipts totaled $796.4 million in April and were $17.7 million (2.2%) below the estimate. License and fee income was close to the estimate. Investment earnings were $4.6 million above the estimate, and are now $11.4 million above estimate for the year. As usual, almost all the monthly variance was due to federal grants, which were $21.6 million (2.7%) below the estimate.

For the year, federal grants were $708.6 million (6.7%) below the estimate. All other non-tax revenues were $14.6 million above estimate. For the year, the federal grants variance is about a percentage point higher than GRF Medicaid underspending (6.7% vs. 5.7%). It is now expected that by year's end, federal grant revenues will be somewhat below the estimated federal share of Medicaid underspending, with the gap being roughly in the $50 million range, but not as large as the current 1% gap relative to the spending variance. One of the reasons for the expected year-end variance is that prior year federal grants were found, after the fact, to have been slightly larger than they should have been, and the federal government has recaptured those overpayments in fiscal year 2017.

Transfers in for the year were $55.3 million above estimate, due largely to the timing of transfers from three funds to the GRF in January. These transfers were initially expected to occur in June.

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

REVENUE SOURCE	MONTH ACTUAL APRIL	MONTH ESTIMATE APRIL	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	791,719	836,200	(44,481)	-5.3%	7,626,008	7,828,400	(202,392)	-2.6%
Auto Sales & Use	121,625	124,700	(3,075)	-2.5%	1,136,967	1,143,000	(6,033)	-0.5%
Subtotal Sales & Use	913,343	960,900	(47,557)	-4.9%	8,762,975	8,971,400	(208,425)	-2.3%
Personal Income	781,906	888,600	(106,694)	-12.0%	6,260,845	6,815,200	(554,355)	-8.1%
Corporate Franchise	(24)	0	(24)	N/A	3,371	0	3,371	N/A
Financial Institutions Tax	26,873	33,200	(6,327)	-19.1%	132,595	165,100	(32,505)	-19.7%
Commercial Activity Tax	45,554	39,500	6,054	15.3%	1,005,554	1,027,500	(21,946)	-2.1%
Petroleum Activity Tax	0	0	0	N/A	5,014	4,900	114	2.3%
Public Utility	264	0	264	N/A	72,566	73,900	(1,334)	-1.8%
Kilowatt Hour	30,290	32,400	(2,110)	-6.5%	302,806	288,900	13,906	4.8%
Natural Gas Distribution	3,314	3,900	(586)	-15.0%	35,459	36,300	(841)	-2.3%
Foreign Insurance	(2,235)	(1,000)	(1,235)	-123.5%	334,535	316,700	17,835	5.6%
Domestic Insurance	1,012	0	1,012	N/A	1,170	600	570	95.0%
Other Business & Property	0	0	0	N/A	(678)	0	(678)	N/A
Cigarette and Other Tobacco	72,779	75,300	(2,521)	-3.3%	740,042	733,500	6,542	0.9%
Alcoholic Beverage	4,509	4,300	209	4.9%	47,366	45,300	2,066	4.6%
Liquor Gallonage	3,887	3,600	287	8.0%	38,673	37,300	1,373	3.7%
Estate	86	0	86	N/A	580	0	580	N/A
Total Tax Receipts	1,881,558	2,040,700	(159,142)	-7.8%	17,742,871	18,516,600	(773,729)	-4.2%
NON-TAX RECEIPTS								
Federal Grants	780,466	802,098	(21,632)	-2.7%	9,803,375	10,511,932	(708,557)	-6.7%
Earnings on Investments	13,261	8,700	4,561	52.4%	37,303	25,900	11,403	44.0%
License & Fees	2,224	2,565	(341)	-13.3%	58,468	55,575	2,893	5.2%
Other Income	430	705	(275)	-39.0%	45,974	45,955	19	0.0%
ISTV'S	1	0	1	N/A	9,132	8,800	332	3.8%
Total Non-Tax Receipts	796,382	814,068	(17,686)	-2.2%	9,954,252	10,648,162	(693,910)	-6.5%
TOTAL REVENUES	2,677,940	2,854,768	(176,828)	-6.2%	27,697,123	29,164,762	(1,467,639)	-5.0%
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	4,018	9,800	(5,782)	-59.0%	96,862	41,600	55,262	132.8%
Temporary Transfers In	0	0	0	N/A	0	0	0	N/A
Total Transfers	4,018	9,800	(5,782)	-59.0%	96,862	41,600	55,262	132.8%
TOTAL SOURCES	2,681,958	2,864,568	(182,610)	-6.4%	27,793,985	29,206,362	(1,412,377)	-4.8%

Table 2

GENERAL REVENUE FUND RECEIPTS

ACTUAL FY 2017 VS ACTUAL FY 2016

($ in thousands)

REVENUE SOURCE	MONTH APRIL FY 2017	MONTH APRIL 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	791,719	789,154	2,565	0.3%	7,626,008	7,487,296	138,712	1.9%
Auto Sales & Use	121,625	117,369	4,256	3.6%	1,136,967	1,109,618	27,349	2.5%
Subtotal Sales & Use	913,343	906,522	6,821	0.8%	8,762,975	8,596,914	166,061	1.9%
Personal Income	781,906	717,341	64,565	9.0%	6,260,845	6,444,653	(183,808)	-2.9%
Corporate Franchise	(24)	2,001	(2,024)	-101.2%	3,371	32,369	(28,998)	-89.6%
Financial Institutions Tax	26,873	30,341	(3,468)	-11.4%	132,595	159,981	(27,385)	-17.1%
Commercial Activity Tax	45,554	37,080	8,474	22.9%	1,005,554	996,871	8,683	0.9%
Petroleum Activity Tax	0	0	0	N/A	5,014	5,598	(584)	-10.4%
Public Utility	264	1	263	46605.5%	72,566	75,407	(2,842)	-3.8%
Kilowatt Hour	30,290	30,770	(480)	-1.6%	302,806	292,467	10,339	3.5%
Natural Gas Distribution	3,314	3,414	(100)	N/A	35,459	34,061	1,398	4.1%
Foreign Insurance	(2,235)	247	(2,482)	-1005.5%	334,535	317,187	17,348	5.5%
Domestic Insurance	1,012	51	961	1879.1%	1,170	565	605	107.1%
Other Business & Property	0	1	(1)	N/A	(678)	93	(771)	-831.9%
Cigarette and Other Tobacco	72,779	79,012	(6,232)	-7.9%	740,042	768,021	(27,979)	-3.6%
Alcoholic Beverage	4,509	3,106	1,404	45.2%	47,366	44,822	2,543	5.7%
Liquor Gallonage	3,887	3,693	194	5.2%	38,673	37,501	1,172	3.1%
Estate	86	681	(595)	-87.4%	580	1,613	(1,034)	-64.1%
Total Tax Receipts	1,881,558	1,814,260	67,298	3.7%	17,742,871	17,808,123	(65,252)	-0.4%
NON-TAX RECEIPTS								
Federal Grants	780,466	1,000,855	(220,389)	-22.0%	9,803,375	10,311,786	(508,411)	-4.9%
Earnings on Investments	13,261	9,587	3,674	38.3%	37,303	26,167	11,135	42.6%
License & Fee	2,224	1,856	368	19.8%	58,468	55,490	2,978	5.4%
Other Income	430	499	(69)	-13.8%	45,974	44,900	1,074	2.4%
ISTV'S	1	2	(1)	N/A	9,132	866	8,267	954.9%
Total Non-Tax Receipts	796,382	1,012,798	(216,417)	-21.4%	9,954,252	10,439,209	(484,957)	-4.6%
TOTAL REVENUES	2,677,940	2,827,059	(149,118)	-5.3%	27,697,123	28,247,332	(550,209)	-1.9%
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	4,018	898	3,120	347.4%	96,862	195,474	(98,612)	-50.4%
Temporary Transfers In	0	0	0	N/A	0	0	0	N/A
Total Transfers	4,018	898	3,120	347.4%	96,862	195,474	(98,612)	-50.4%
TOTAL SOURCES	2,681,958	2,827,957	(145,998)	-5.2%	27,793,985	28,442,806	(648,821)	-2.3%

DISBURSEMENTS

April GRF disbursements, across all uses, totaled $2,518.6 million and were $289.7 million (10.3%) below estimate. This was primarily attributable to lower than estimated disbursements in the Property Tax Reimbursements, Debt Service, and Health and Human services categories. On a year-over-year basis, April total uses were $797.0 million (24.0%) lower than those of the same month in the previous fiscal year, with the Medicaid, Property Tax Reimbursements, and Primary and Secondary Education 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)	($1,169.7 million)	-3.8%
Transfers	Temporary or permanent transfers out of the GRF that are not agency expenditures	($32.1 million)	-10.1%
TOTAL DISBURSEMENTS VARIANCE:		**($1,201.8 million)**	**-3.9%**

GRF disbursements are reported according to functional categories. This section contains information describing GRF spending and variances within each of these categories.

Primary and Secondary Education

This category contains GRF spending by the Ohio Department of Education. April disbursements for this category totaled $663.0 million and were $9.7 million (1.5%) above estimate. This variance was primarily attributable to above estimate spending in the student assessment, report cards, and foundation funding line items. Disbursements in the student assessment line item were above estimate due to test vendor payments occurring in April instead of May. Disbursements in the accountability and report cards line item were above estimate due to payments to the report card vendor being disbursed in April instead of later months. Disbursements were also above estimate in the foundation funding line item due to higher than expected Edchoice payments. This variance was partially offset by below estimate disbursements in the pupil transportation line item due to formula obligations for transportation being under appropriation limits. Expenditures for the school foundation program totaled $609.3 million and were $2.2 million (0.4%) above estimate.

Year-to-date disbursements for the Primary and Secondary education category were $6,956.5 million, which was $9.6 million (0.1%) above estimate. On a year-over-year basis, disbursements in this category were $219.7 million (24.9%) lower than for the same month in the previous fiscal year while year-to-date expenditures were $290.0 million (4.4%) higher than the same point in fiscal year 2016. This year-over-year variance is primarily attributable to increased payments to school districts under the foundation funding formula.

Higher Education

April disbursements for the Higher Education category, which includes non-debt service GRF spending by the Department of Higher Education, totaled $185.8 million and were $1.4 million (0.8%) above estimate. This variance was primarily attributable to disbursements for the Ohio College Opportunity Grant (OCOG), which were above the monthly estimate by $1.3 million due to higher than expected requests for reimbursement from higher education institutions.

Year-to-date disbursements were $1,919.0 million, which was $9.8 million (0.5%) below estimate. On a year-over-year basis, disbursements in this category were $6.3 million (3.5%) higher than for the same month in the previous fiscal year while year-to-date expenditures were $62.9 million (3.4%) 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.

April disbursements in this category totaled $3.7 million and were $3.3 million (46.7%) below estimate. This variance was primarily attributable to the timing of $3.3 million in subsidy payments to the Ohio History Connection, which occurred in March instead of April as estimated. Year-to-date disbursements were $65.9 million, which was $2.3 million (3.3%) below estimate. On a year-over-year basis, disbursements in this category were $0.5 million (16.0%) higher than for the same month in the previous fiscal year while year-to-date expenditures were $3.8 million (6.2%) 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>
April GRF disbursements for the Medicaid Program totaled $1,106.3 million and were $1.1 million (0.1%) below estimate, and $329.8 million (23.0%) below disbursements for the same month in the previous fiscal year. This variance from the same month in the previous fiscal year is due to the timing of the use of non-GRF funds for paying program expenses, which in the fourth quarter of fiscal year 2016 did not occur until June. Year-to-date GRF disbursements totaled $14,503.4 million and were $872.6 million (5.7%) below estimate, and $600.1 million (4.0%) below disbursements for the same point in the previous fiscal year.

April all funds disbursements for the Medicaid Program totaled $2,093.0 million and were $55.3 million (2.6%) below estimate, and $186.3 million (9.8%) above disbursements for the same month in the previous fiscal year. Year-to-date all funds disbursements totaled $21,193.2 million and were $1,283.1 million (5.7%) below estimate, and $1,075.6 million (5.3%) above disbursements for the same point in the previous fiscal year.

The April all funds variance is primarily attributable to lower than budgeted monthly capitation rates in the managed care program. Fee-for-service program costs were also below estimate in April due to enrollment in this program being 3.9% below estimate for the month. Underspending also took place in program administration. These savings are partially offset by greater than anticipated spending in the premium assistance program, due to higher rates for the Medicare Buy-In and Medicare Part D components.

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 3.2% per month for the fiscal year to date. Below estimate fee-for-service enrollment also caused hospital and hospital-based physician upper payment limit (UPL) expenses to be below estimate the inpatient hospital component to which these expenses are closely linked. The UPL 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). Finally, lower program administration 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 described above.

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

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

	April Actual	April Projection	Variance	Variance %
GRF	$ 1,106.3	$ 1,107.4	$ (1.1)	-0.1%
Non-GRF	$ 986.8	$ 1,040.9	$ (54.2)	-5.2%
All Funds	$ 2,093.0	$ 2,148.3	$ (55.3)	-2.6%

Enrollment

Total April enrollment across all categories was 3.10 million. The most significant components are the Covered Families and Children/Modified Adjusted Gross Income (CFC/MAGI) category, which decreased by 7,263 persons to an April total of 2.51 million persons, and the Aged, Blind and Disabled (ABD) category, which increased by 6,204 persons to an April total of 437,838 covered lives.

Total enrollment across all categories for the same period last year was 3.04 million covered persons, including 2.51 million persons in the CFC/MAGI category and 372,225 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.

April disbursements in this category totaled $124.2 million and were $15.9 million (11.3%) below estimate. Year-to-date disbursements were $1,165.5 million, which was $68.6 million (5.6%) below estimate. On a year-over-year basis, disbursements in this category were $12.4 million (11.1%) higher than for the same month in the previous fiscal year while year-to-date expenditures were $28.8 million (2.5%) higher than at the same point in fiscal year 2016.

Department of Job and Family Services
April disbursements for the Department of Job and Family Services totaled $69.3 million and were $3.4 million (5.3%) above estimate. This variance was primarily attributable to higher than estimated disbursements for Unemployment Insurance Administration, which were $1.8 million above estimate due to a delay in receipt of federal funds, and disbursements for the Children and Families Subsidy, which were $1.6 million above estimate due to higher than estimated disbursements for the State Child Protective Allocation (SPCA).

Department of Mental Health and Addiction Services
April disbursements for the Department of Mental Health and Addiction Services totaled $27.0 million and were $18.9 million (41.2%) below estimate. This variance was partially attributable to Hospital Services disbursements being $2.2 million (12.6%) below estimate as a drug purchase originally planned for April will be made in later months instead. Additionally, Continuum of Care disbursements were $17.6 million (99.4%) below estimate and Criminal Justice Services disbursements were $2.8 million (96.3%) below estimate as subsidy payments originally scheduled for April will be made in May instead. These variances were partially offset by higher than estimated disbursements for the Addiction Services Partnership with Corrections, which were $3.8 million (76.7%) above estimate as payments originally planned for earlier months were made in April.

Department of Developmental Disabilities
April disbursements for the Department of Developmental Disabilities totaled $17.9 million and were $0.3 million (1.6%) below estimate. This variance was attributable to Employment First Initiative disbursements being $1.0 million (260.1%) above estimate as a change in an interagency agreement with Opportunities for Ohioans with Disabilities Agency led to higher than estimated payments in April.

Department of Health

April disbursements for the Department of Health totaled $5.5 million and were $1.1 million (16.3%) below estimate. This variance is attributable to below estimate spending in several line items, notably the Help Me Grow home visiting program, which was $0.8 million (45.1%) below estimate due to the timing of monthly payments, and the local health departments line item, which was $0.8 million (100%) below estimate due to the timing of a one-time subsidy payment that was scheduled to occur in April but will instead occur in May. These and other negative variances were partially offset by higher than estimated spending in the FQHC Primary Care Workforce Initiative program, which was $1.2 million (100%) above estimate, as some payments originally scheduled for February and May were disbursed in April 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.

April disbursements in this category totaled $189.2 million and were $8.6 million (4.3%) below estimate. Year-to-date disbursements were $1,766.6 million, which was $31.9 million (1.8%) below estimate. On a year-over-year basis, disbursements in this category were $20.1 million (11.9%) higher than for the same month in the previous fiscal year while year-to-date expenditures were $57.2 million (3.3%) higher than at the same point in fiscal year 2016.

Department of Rehabilitation and Correction

April disbursements for the Department of Rehabilitation and Correction totaled $151.3 million and were $12.2 million (7.5%) below estimate. This variance was primarily attributable to lower than estimated disbursements for Institutional Operations and Halfway Houses due to the timing of payments.

Department of Youth Services

April disbursements for the Department of Youth Services totaled $12.9 million and were $2.2 million (14.4%) below estimate. This variance was primarily attributable to the timing of Community Correctional Facility payments, some of which occurred in March instead of April 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.

April disbursements in this category totaled $31.8 million and were $2.2 million (6.5%) below estimate. Year-to-date disbursements were $317.7 million, which was $18.2 million (5.4%) below estimate. On a year-over-year basis, disbursements in this category were $2.6 million (7.7%) lower than for the same month in the previous fiscal year while year-to-date expenditures were $13.4 million (4.4%) higher than at the same point in fiscal year 2016.

Property Tax Reimbursements

Payments from the property tax reimbursement category are made to local governments and school districts to reimburse these entities for revenues foregone as a result of the 10.0 percent and 2.5 percent rollback, as well as the homestead exemption. April property tax reimbursements totaled $156.9 million and were $234.8 million (59.9%) below estimate. Year-to-date disbursements totaled $1,292.4 million and were $143.9 million (10.0%) below estimate. The monthly and year-to-date variances are due to reimbursement requests being received from counties later than anticipated. Aggregate disbursements for the second-half of the fiscal year are expected to be modestly below estimate, driven primarily by declines in the homestead exemption program.

Debt Service

April payments for debt service totaled $57.7 million and were $16.1 million (21.8%) below estimate. Year-to-date debt service payments were $1,276.1 million and were $32.0 million (2.4%) below estimate. The monthly and year-to-date variances are primarily attributable to the use of unspent bond proceeds in the site development program to offset debt service and lower than estimated interest rates on recent bond issuances.

Transfers Out

April transfers out totaled $0.04 million and were $18.8 million (99.8%) below estimate. Year-to-date transfers out were $285.8 million and were $32.1 million (10.1%) 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 APRIL	MONTH ESTIMATED APRIL	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	663,008	653,331	9,677	1.5%	6,956,452	6,946,824	9,628	0.1%
Higher Education	185,750	184,333	1,416	0.8%	1,918,996	1,928,781	(9,785)	-0.5%
Other Education	3,746	7,031	(3,286)	-46.7%	65,942	68,220	(2,278)	-3.3%
Medicaid	1,106,279	1,107,355	(1,076)	-0.1%	14,503,409	15,375,971	(872,562)	-5.7%
Health and Human Services	124,172	140,049	(15,878)	-11.3%	1,165,466	1,234,115	(68,649)	-5.6%
Justice and Public Protection	189,239	197,845	(8,606)	-4.3%	1,766,592	1,798,457	(31,865)	-1.8%
General Government	31,805	34,009	(2,204)	-6.5%	317,702	335,937	(18,235)	-5.4%
Property Tax Reimbursements	156,932	391,743	(234,811)	-59.9%	1,292,362	1,436,226	(143,864)	-10.0%
Capital Outlay	0	0	0	N/A	0	0	0	N/A
Debt Service	57,675	73,777	(16,102)	-21.8%	1,276,056	1,308,099	(32,043)	-2.4%
Total Expenditures & ISTV's	2,518,604	2,789,473	(270,869)	-9.7%	29,262,978	30,432,631	(1,169,654)	-3.8%
Transfers Out:								
BSF Transfer Out	0	0	0	N/A	29,483	29,483	0	0.0%
Operating Transfer Out	44	18,852	(18,808)	-99.8%	256,300	288,392	(32,092)	-11.1%
Temporary Transfer Out	0	0	0	N/A	0	0	0	N/A
Total Transfers Out	44	18,852	(18,808)	N/A	285,783	317,875	(32,092)	-10.1%
Total Fund Uses	2,518,647	2,808,324	(289,677)	-10.3%	29,548,760	30,750,506	(1,201,746)	-3.9%

Table 4

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

Functional Reporting Categories Description	MONTH APRIL FY 2017	MONTH APRIL 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	663,008	882,737	(219,729)	-24.9%	6,956,452	6,666,459	289,992	4.4%
Higher Education	185,750	179,428	6,322	3.5%	1,918,996	1,856,055	62,941	3.4%
Other Education	3,746	3,230	516	16.0%	65,942	62,120	3,822	6.2%
Medicaid	1,106,279	1,436,072	(329,793)	-23.0%	14,503,409	15,103,503	(600,094)	-4.0%
Health and Human Services	124,172	111,743	12,428	11.1%	1,165,466	1,136,687	28,778	2.5%
Justice and Public Protection	189,239	169,101	20,138	11.9%	1,766,592	1,709,427	57,165	3.3%
General Government	31,805	34,443	(2,638)	-7.7%	317,702	304,318	13,384	4.4%
Property Tax Reimbursements	156,932	420,034	(263,103)	-62.6%	1,292,362	1,447,966	(155,603)	-10.7%
Capital Outlay	0	0	0	N/A	0	0	0	N/A
Debt Service	57,675	78,876	(21,202)	-26.9%	1,276,056	1,265,492	10,564	0.8%
Total Expenditures & ISTV's	2,518,604	3,315,664	(797,061)	-24.0%	29,262,978	29,552,027	(289,050)	-1.0%
Transfers Out:								
BSF Transfer	0	0	0	N/A	29,483	425,500	(396,017)	-93.1%
Operating Transfer Out	44	24	20	83.0%	256,300	406,027	(149,727)	-36.9%
Temporary Transfer Out	0	0	0	N/A	0	0	0	N/A
Total Transfers Out	44	24	20	83.0%	285,783	831,527	(545,744)	-65.6%
Total Fund Uses	2,518,647	3,315,688	(797,041)	-24.0%	29,548,760	30,383,554	(834,794)	-2.7%

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**	35,893,612
Less FY 2017 Estimated Total Encumbrances as of June 30, 2017	312,696
Less FY 2017 Estimated Transfers Out	417,875
Total Estimated Uses	**36,624,183**
FY 2017 ESTIMATED UNENCUMBERED ENDING FUND BALANCE	**458,824**

* 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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