OBM

July 10, 2017

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

FROM: Timothy S. Keen, Director TK

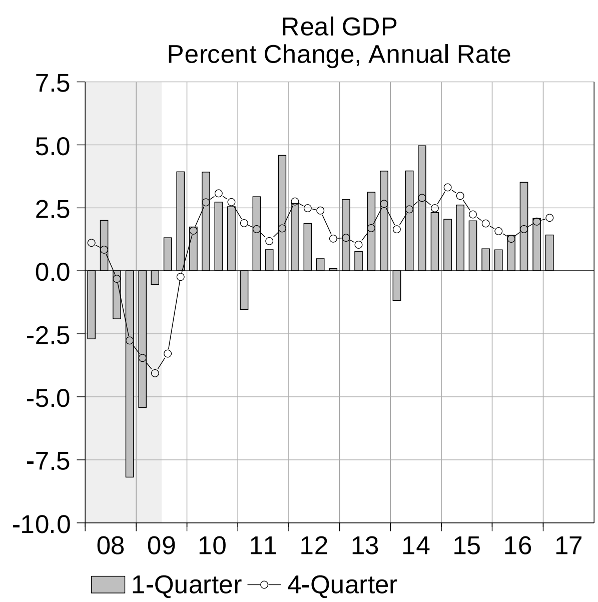
SUBJECT: Monthly Financial Report

ECONOMIC SUMMARY

Economic Performance Overview

- First quarter economic growth was revised higher to 1.4%, 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 222,000 jobs in June for a year-to-date average of 180,000 jobs per month. The unemployment rate increased to 4.4%.
- Ohio nonfarm payroll employment increased by 6,300 jobs in May to 11,700 jobs above the December 2016 level. The unemployment rate decreased to 4.9%.
- Despite weak first quarter growth, leading indicators continue to point toward uninterrupted growth at a modest pace.

Economic Growth



Real GDP growth in the first quarter was revised up to 1.4% from an initial report of 0.7% and a first revision to 1.2%. That followed growth of 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, quarterly real GDP was up by 2.1%. Despite the first-quarter lull, the economy is generally estimated to have grown as fast as 3% in the second quarter, but is then expected to return to the 2% trend of recent years in the following quarters.

The modest upward revision left the first-quarter story of slow growth essentially unchanged. Personal consumption expenditures were revised higher from 0.6%

to a still-unimpressive 1.4%, and growth in exports was adjusted upward from 5.8% to 7.0%. Growth in business fixed investment was scaled down from 11.4% to 10.4%, but remains a positive development.

In addition, growth in final sales to domestic purchasers, which excludes the effects of changes in inventories and foreign demand, was revised up from 2.1% to 2.3%. Real disposable personal income growth was unrevised at 1.7%. Growth in corporate profits was revised down from -7.3% to -8.7% at an annual rate, but was still 3.3% higher than the same quarter a year earlier – the third straight year-over-year gain.

The **Ohio coincident economic index,** from the Philadelphia Federal Reserve, was consistent with these reports, rising 0.3% in May to 1.8% above the year earlier level. The index is composed of four labor market indicators, and has represented the change in general business conditions accurately over time.

Leading economic indicators still point to uninterrupted expansion through year-end. The composite **Leading Economic Index,** compiled by the Conference Board, increased by 0.3% in May for the ninth straight monthly gain. The smoothed 6-month rate of change in the index was 3.9%, up from a recent low of zero in May 2016. Eight of the ten components made positive contributions during May, led by the interest rate spread, consumer expectations, and the ISM new orders index. The only component that subtracted from the index was residential building permits.

The breadth of gains in state-level composite coincident indexes, compiled by the Philadelphia Federal Reserve, which has been a leading indicator for the national economy in the past, deteriorated further in May. The indexes for seven states declined in May, down slightly from eight states in April, but up from a low of a single state as recently as December. Over the three months ending in May, the indexes for five states declined, up from three in each of the two previous months, but still well below the threshold that has in the past signaled recession.

The diffusion of state leading economic indexes in May was also consistent with continued economic growth, even though the number of states with positive readings decreased from 47 to 44. The five states with negative readings were Maine, Massachusetts, Montana, Pennsylvania, and Vermont. The value for Kentucky was unavailable. The negative reading for Massachusetts was the fourth in a row. The Michigan index was strong again for the third month in a row, following seven declines in the previous eight months. In contrast to recent performance, prior to the most recent three recessions, the number of states with negative leading indexes has reached fifteen on average three months in advance and twenty-three on average during the initial month of those recessions.

The **Ohio Leading Economic Index**, from the Philadelphia Federal Reserve, was 1.8% in May – the highest level since February 2016. The index is designed to predict the rate of change in the coincident index during the next six months, but can be volatile from month-to-month and is often revised significantly, limiting its predictive power.

High-frequency projections of **second-quarter real GDP** growth call for an increase from the first quarter. The Federal Reserve Bank of Atlanta projects second-quarter growth of 3.0%, while the Federal Reserve Bank of New York projects growth of 1.9%. The more stable Blue Chip consensus, which is an average of forecasts from a group of professional forecasters, calls for 2.8% growth, with a range of 2.4% to 3.2% from the average of the lowest ten to the highest ten forecasts.

Employment

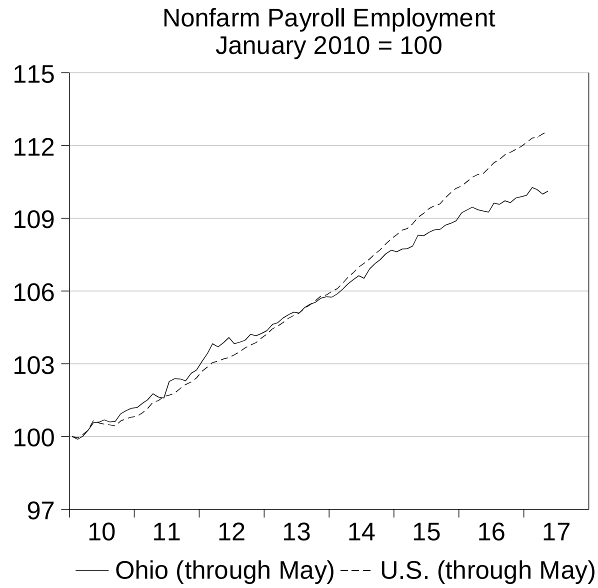
The survey of business establishments showed that **nonfarm payrolls** across the country increased by 222,000 jobs in June, above original expectations for about a 180,000 increase. The April and May job gains were revised up by a total of 47,000. The average employment increase during the past three months is 194,000 jobs, which is slightly above the 12-month average of 187,000 jobs per month.

Employment was up 8,000 in mining, 16,000 in construction, and 1,000 in manufacturing. Within the service sector, job gains were led by health Care (+59,000), professional and business services (+35,000), and leisure and hospitality (+36,000). Government employment increased by 35,000, more than reversing a May decline of 7,000.

Switching to the survey of households, the **unemployment rate** increased by 0.1 percentage point to 4.4%, reflecting a 245,000 increase in total employment (which reversed the decline in May) but also a 116,000 increase in the number of unemployed, as more people were drawn into the labor force in June. The May unemployment rate was the lowest since May 2001, and the June rate was barely above that, so that many economists believe that the economy is close to full employment. The broadest measure of unemployment, the U-6 unemployment rate, increased to 8.6% after falling to 8.4% in May, which was its lowest level since November 2007. The U-6 unemployment rate includes those who say that they 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 0.2% to 2.5% above the year earlier level. Wage growth seems to have stalled out at about 2.5% after reaching 2.8% in February.

Ohio nonfarm payroll employment increased by 6,300 jobs in May after declines totaling 13,700 during the two previous months. Gains of 7,000 jobs in professional and business services, 6,700 jobs in government, and 6,500 jobs in educational and health services were partly offset by declines in leisure and hospitality (-6,000), trade, transportation, and utilities (-5,900), manufacturing (-3,600), and construction (-2,100).



During the twelve months ending in May, Ohio employment increased by 41,100 jobs. The largest employment gains occurred in education and health services (+22,800), professional and business services (+11,300), financial activities (+6,300), and construction (+4,900). Trade, transportation, and utilities (-5,100), government (-2,100) and manufacturing (-400) were the only major sectors to post notable declines in employment.

Among the **contiguous states**, year-over-year employment growth was strongest in Michigan (+1.7%), followed by Indiana and Kentucky (+1.4%), Pennsylvania (+0.9%), and Ohio (+0.8%). Employment declined in West Virginia (-1.0%). Manufacturing employment increased in Michigan (1.6%), Kentucky (1.5%), and in Indiana (0.7%). It declined 0.1% in Ohio, 2.1% in Pennsylvania and 3.4% in West Virginia.

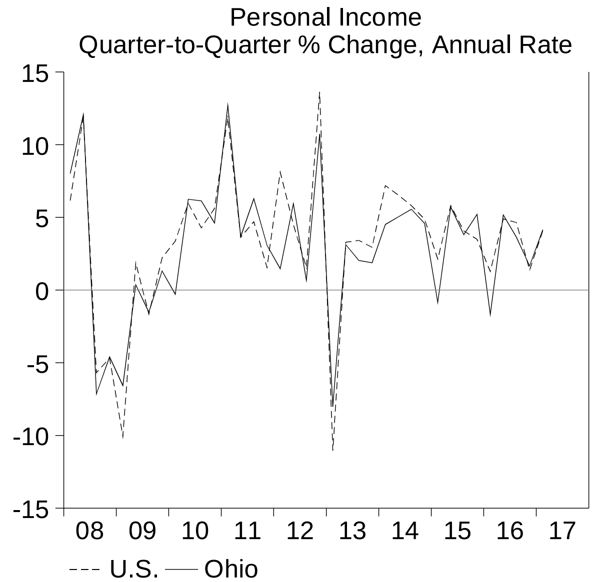
The **Ohio unemployment rate** decreased by 0.1 percentage point for the second consecutive month to 4.9% in May. The rate is up 0.2 points from the cyclical low of 4.7% reached in October 2015, but has been in the 4.7% to 5.1% range since December 2014. The increase since October 2015 has resulted from a larger increase in the Ohio labor force (+108,730) than in total employment (+90,823).

Across the country in May, the unemployment rate decreased by a statistically significant amount in nine states and was higher by a statistically significant amount in three states. When compared to a year earlier, the unemployment rate was lower by a statistically significant margin in twenty-two states. It was not higher by a statistically significant amount in any state.

Consumer Income and Consumption

Personal income and spending growth both slowed in May. **Personal income** grew 0.4%, but was boosted by a 4.8% increase in dividend income resulting from a one-time special dividend paid by Costco. The wage and salary disbursements component, which makes up more than half of total personal income, managed only a 0.1% increase, and the April gain that was originally reported as 0.7% was revised down to 0.5%. Compared with a year earlier, personal income was up 3.5% and wage and salary disbursements were up 2.9%.

Ohio personal income grew 4.1% at an annual rate in the first quarter to 3.6% above the year earlier level. The third and fourth-quarter growth rates were revised down from 3.8% and 3.4%, respectively, to 3.6% and 1.7%. Wage and salary disbursements expanded 4.3% in the first quarter to 3.8% above the year earlier level. Growth in wage and salary disbursements was also revised down for the prior two quarters, especially in the fourth quarter where the growth rate dropped from the initial report of 3.4% to -0.9%. The low fourth-quarter growth rate better corresponds to the poor withholding results for that quarter.



The first-quarter personal income growth rate of 4.1% for Ohio matched growth nationally. On a year-over-year basis, the 3.6% rate in Ohio was just below the 3.7% rate nationally. With respect to wage and salary disbursements, first-quarter growth of 4.3% in Ohio was higher than the 4.0% rate nationally. On a year-over-year basis, Ohio and national personal income were both up by 3.8% in the first quarter.

Consumer price changes were again largely driven by energy prices in May. The **Consumer Price Index** (CPI) decreased by 0.1% after a 0.2% rise in April and a 0.3% drop in March. Both the March and May decline reflected large decreases in energy prices. The price of gasoline fell 6.4% in May, roughly matching the 6.2% decline in March. Excluding prices of food and energy, the CPI was higher by 0.1%. Compared with a year earlier, the CPI was higher by 1.9% and excluding food and energy, the CPI was up 1.7%. The Median CPI from the Federal Reserve Bank of Cleveland, which is a better measure of the trend in inflation, tracked slightly higher at 2.3% year-over-year. The measure of inflation that is most closely watched by the Federal Reserve (personal consumption spending minus food and energy) was 1.4% year-over-year – still below the 2% threshold targeted by the Fed.

Monthly **personal consumption expenditures** increased by just 0.1% in May. Spending on durable goods decreased 0.3%, partially due to the slip in sales of motor vehicles from 16.8 million units in April to 16.6 million units in May. Sales of autos fell again in June for the fourth straight monthly decline. Spending on nondurable goods in June increased 0.5%, and spending on services increased 0.3%.

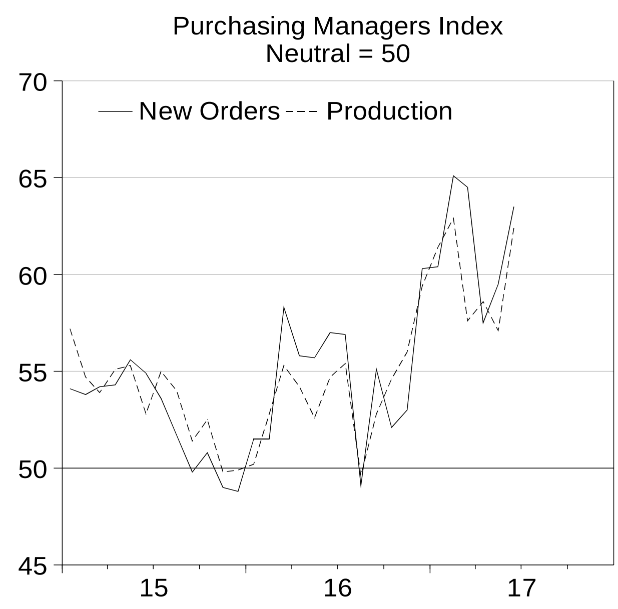
Consumer attitudes remained bright in June, generally holding near the high levels of recent months. The Conference Board measure of **consumer confidence** increased modestly, as a meaningful increase in expectations to the highest level since July 2001 more than offset a slight retreat in assessments of current conditions. Despite the generally high level of confidence, plans for buying autos fell below the level from a year ago, and plans for home buying were down from the spring, although still above the year earlier level. Assessments of both current and future conditions from the University of Michigan/Reuters survey declined modestly, but remained near cyclical highs. Somewhat in contrast to the Conference Board survey, respondents said that buying conditions for both homes and autos have improved.

Manufacturing

Industrial production in manufacturing decreased 0.4% in May for the second decline in three months. The April change was revised slightly higher to 1.1%. Utility production was little changed on the month. Mining output increased 1.6% after a 1.5% increase in April, reflecting increased oil and gas drilling activity. Total industrial production was unchanged.

The large increase in manufacturing output reflected a 2.0% decrease in production of motor vehicles and parts during May. Excluding motor vehicles and parts, manufacturing output decreased 0.2%. Compared with a year earlier, manufacturing production was up by 1.4%.

Production across some key Ohio industries was weak in May. In addition to the decline in motor vehicle and parts, production in primary metal and fabricated metal decreased 1.4% and 0.7%, respectively. Production in machinery edged higher by 0.1%. The year-over-year change was slightly negative in primary metal (-0.7%), modestly positive in fabricated metal (+1.6%), and moderately positive in both machinery (+4.1%) and motor vehicles and parts (+4.5%).



Reports of improving conditions from **purchasing managers** in manufacturing grew more broad-based in June. The PMI® was 57.8, up from 54.9 in May, essentially back to its February level and extending the streak of readings above the neutral level of 50 to ten months. The New Orders index increased from 59.5 to 63.5, and the Production index increased from 57.1 to 62.4. All other sub-indexes either improved or showed little change, pointing to continued strengthening in the manufacturing sector in June.

Of the eighteen industries tracked by the Manufacturing ISM® *Report on Business*, fifteen reported growth in the latest month. Among the industries with a disproportionate effect on Ohio manufacturing employment, machinery, fabricated metal products, and transportation equipment reported expansion, while primary metals reported contraction.

One respondent in the transportation equipment industry said that “demand is up 5-7 percent and expected to continue through the end of the year, at least.” A survey participant in the fabricated metal Products industry reported that “Metal pricing continues to drag down our profit margins, but we are very busy quoting new business, so our customers have a good outlook on the rest of the year." A machinery industry contact said that "International business outside North America [is] on the upswing."

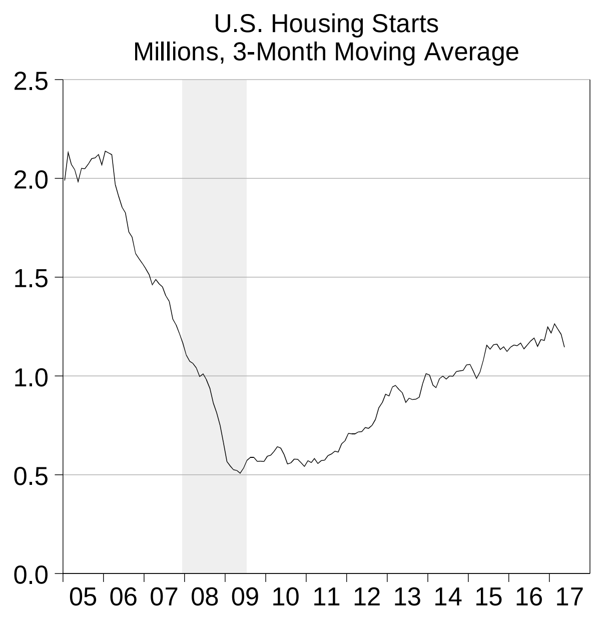
Construction

Construction put-in-place was unchanged from April to May. Activity declined in the private sector, both residential and nonresidential, and increased in the public sector, again both in residential and nonresidential. Compared with a year earlier, total construction was up 4.5%, reflecting a 6.2% year-over-year increase in private construction and a 0.6% decrease in public construction.

The weakness in **private** construction in May resulted from a 0.6% decline in residential construction and a 0.7% decline in nonresidential construction. Within residential construction, single-family, multi-family, and improvements all declined. The drop in single-family snapped an 8-month string of increases. Nonresidential was pulled down by large declines in manufacturing, education, commercial, and power, which were partly offset by small increases in a few other categories.

Public construction put-in-place increased 2.1%, reflecting a 9.2% increase, after a 15.8% decrease the month before, and a 1.9% increase in nonresidential. The strength in nonresidential was concentrated in education. The only real weakness was in highway.

The recent weakness in home construction intensified through May. **Housing starts** decreased 5.4%, on a 3-month moving average basis, reflecting a 3.3% decline in single-family and a 10.2% decline in multi-family. The decline in total housing starts was the third in a row and the fourth in the last five months, although the 3-month average in May was still slightly higher than a year earlier.



Total starts decreased 2.8% across the Midwest, which was the fourth monthly decline in a row and reflected a 6.3% decline in single-family that was partly offset by a 9.8% rise in multi-family. Compared with a year earlier, Midwest starts were 11.4% lower due to a 39.1% year-over-year decline in multi-family that more than offset a 4.5% rise in single-family.

Home sales are still being constrained by supply, according to reports. Existing home sales edged higher by 0.9% in May on a 3-month moving average basis after a similar size decline the month before. In the Midwest, existing home sales rose 2.1%. In contrast, new home sales fell

0.3% across the country for the second straight month, while falling 12.6% in the Midwest. Compared with a year earlier, both existing and new home sales were higher on a 3-month moving average basis.

Homebuilders across the country reported slightly cooler market conditions in June, according to a survey by the National Association of Home Builders/Wells Fargo. Indexes measuring current sales, sales prospects over the next six months, and traffic of prospective buyers retreated modestly across the country and in all regions except for the Midwest. Nonetheless, levels remain relatively high.

Home prices across the country posted their 62^{nd} consecutive monthly increase in April, rising by 0.2% to 5.5% above the year earlier level, according to the Case-Shiller index.

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.

June GRF receipts totaled $3,461.4 million and were $32.7 million (0.9%) below estimate. Monthly tax receipts totaled $2,191.2 million and were $8.3 million (0.4%) below estimate, while non-tax receipts totaled $1,022.2 million and were $4.8 million (0.5%) below estimate. Transfers to the GRF were $19.6 million (7.3%) below the estimate.

In a departure from most of fiscal year 2017, the non-auto sales tax was well above estimate in June, and the income tax showed only a small shortfall. The worst performing taxes in June were the insurance premium taxes, which were a combined $32.7 million below estimate. If not for the premium tax variance, GRF tax receipts would have finished above target for the first month since September.

For the fiscal year, GRF receipts were $1,711.6 million (4.8%) below estimate. Slightly under half of the overall variance was from tax receipts, which finished $849.0 million (3.7%) below estimate. A little over three-fourths of the tax shortfall was from the income tax, which was $653.5 million (7.9%) below estimate. Federal grants ended the year $921.8 million (7.3%) below estimate, due primarily to Medicaid spending being $1,099.9 million (5.9%) below estimate. Finally, transfers in to the GRF finished above estimate by $46.8 million, mostly due to larger transfers from a few dedicated purposes funds than originally anticipated, as 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	($849.0 million)	-3.7%
Non-tax receipts	Federal grants, earnings on investments, licenses & fees, other income, intrastate transfers	(909.4 million)	-7.1%
Transfers	Budget stabilization, liquor transfers, capital reserve, other	$46.8 million	15.2%
TOTAL REVENUE VARIANCE:		**($1,711.6 million)**	**-4.8%**
Non-federal revenue variance		**($789.8 million)**	**-3.4%**
Federal grants variance		**($921.8 million)**	**-7.3%**

On a year-over-year basis, monthly receipts were $798.0 million (30.0%) above June from last year. Tax revenues increased by $86.6 million (4.1%) while non-tax revenues increased by $576.1 million (129.1%). The increase in non-tax revenues was due to federal grants, which increased by $577.1 million from last June. Transfers were up by $135.2 million (119.9%) from June of 2016, mostly due to excess cash being transferred out of tangible tax replacement funds.

After being in negative territory for much of the year, tax revenues, relying on better June results, increased 0.3% for fiscal year 2017. Sales and use tax revenues increased by $266.6 million (2.6%) from a year ago, while income tax revenues fell by $192.9 million (2.5%). All other tax revenues combined fell $9.5 million (0.3%) from the year before.

On the non-tax side, federal grants rose for the year by $115.4 million (1.0%) as GRF Medicaid spending rose by $441.5 million (2.6%) from last year. Other non-tax revenues increased by $34.2 million from a year ago. Investment earnings increased $13.5 million (38.5%) as higher interest rates began to have a positive impact. Finally, transfers to the GRF increased by $33.7 million (10.5%) from a year ago.

GRF Revenue Sources Relative to Monthly Estimates – June 2017

($ in millions)

Individual Revenue Sources Above Estimate		Individual Revenue Sources Below Estimate	
Non-auto Sales and Use Tax	$26.9	Foreign Insurance Tax	($22.2)
Commercial Activity Tax	$9.6	Transfers In	($19.6)
Cigarette and Other Tobacco Tax	$9.1	Domestic Insurance Tax	($10.5)
Investment Earnings	$2.3	Personal Income Tax	($10.4)
Other Sources Above Estimate	$1.6	Corporate Franchise Tax	($4.9)
		Other Income	($4.3)
		Financial Institutions Tax	($3.9)
		Auto Sales Tax	($3.2)
		Other Sources Below Estimate	($3.1)
Total above	**$49.5**	**Total below**	**($82.1)**

(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

June non-auto sales and use tax collections totaled $807.3 million and were $26.9 million (3.4%) above estimate. A bright spot in an overall underperforming fiscal year, June collections brought the annual total to $187.0 million (2.0%) below estimate. This is an improvement over the 2.6% shortfall seen after the first five months of the year following a disappointing autumn.

June was the only month of the fiscal year where collections exceeded the forecast by more than 1%. Early figures point to an increase in retail sales as a possible cause. According to the U.S. Commerce Department, retail and restaurant sales increased by 0.6% from May to June, significantly exceeding the expected 0.1%. Additional months of data are needed to determine whether the trend in retail spending has shifted upward.

From a year ago, non-auto sales tax collections grew by $218.9 million (2.4%). This is the lowest growth rate since fiscal year 2010 by a margin of 1.7 percentage points. As mentioned in prior issues of this report, this may be due in large part to retail price deflation. Retail and food service prices were significantly lower in fiscal year 2017 than in fiscal year 2016. Data as of the first quarter of calendar year 2017 show that prices are finally starting to increase again, though they are still below prices seen in the fourth quarter of 2015. Continued strengthening of real consumer spending and retail prices could lead to improved growth in the upcoming fiscal year, although such improvement is still uncertain.

Auto Sales Tax

Auto sales tax collections were $128.0 million in June and $3.2 million (2.5%) below estimate. Nationally, auto sales declined for the fourth straight month in June. Declines can be attributed to cyclical economic factors and the downward pressure on demand created by increasing monthly auto loan payments. For the year, collections were $6.0 million (0.4%) below estimate.

From a year ago, the auto sales tax increased by $47.7 (3.5%). After hitting a record-setting seasonally adjusted annual rate of 18.3 million light vehicle sales in December 2016, the industry has been slowly cooling off. Industry analysts mostly believe that sales have hit a plateau and do not anticipate another peak during this expansion. Accordingly, OBM's forecast of auto sales tax collections for both fiscal year 2018 and fiscal year 2019 are lower than the $1,394 million for this past year.

Personal Income Tax

June GRF personal income tax receipts totaled $789.1 million and were $10.4 million (1.3%) below the estimate. As was the case most of the year, refunds were above estimate, by $10.4 million. The good news is that withholding was $6.6 million (1.0%) above estimate. All other payment categories combined were $8.0 million below estimate.

For the year, income tax collections were $653.5 million (7.9%) below estimate. Refunds and withholding were the major culprits, finishing $386.3 million (24.4%) above estimate and $215.4 million (2.5%) below estimate, respectively. All other payment categories were $67.9 million (4.0%) below estimate. Distributions to the state Local Government Fund were $16.0 million below estimate, which had a positive impact on GRF collections.

The final 2.5% shortfall in withholding for the year was actually smaller than it was for much of the year; the year-to-date shortfall was between 2.8% and 3.6% for nine of the eleven months in fiscal year 2017.

FY2017 PERSONAL INCOME TAX RECEIPTS BY COMPONENT ($ in millions)						
	Estimat e June	Actual June	$ Var June	Actual June 2017	Actual June 2016	$ Var Y-0ver-Y
Withholding	$699.6	$706.2	$6.6	$706.2	$670.3	$35.9
Quarterly Est.	$131.3	$124.9	($6.4)	$124.9	$141.8	($16.9)
Trust Payments	$6.9	$5.1	($1.8)	$5.1	$6.3	($1.2)
Annual Returns & 40 P	$13.1	$12.1	($1.0)	$12.1	$11.7	$0.4
Other	$8.7	$9.9	$1.2	$9.9	$10.1	($0.2)
Less: Refunds	($25.3)	($35.7)	($10.4)	($35.7)	($31.6)	($4.1)
Local Distr.	($34.8)	($33.5)	$1.3	($33.5)	($32.7)	($0.8)
Net to GRF	$799.5	$789.0	($10.5)	$789.0	$775.9	$13.1

On a year-over-year basis, June personal income tax receipts were $13.1 million (1.7%) above June 2016 collections. For the year-to-date, income tax collections finished $192.9 million (2.5%) below fiscal year 2016 collections. The main culprits in the year-to-date decline are the large (but anticipated) decline in quarterly estimated payments ($222.6 million) and the unanticipated increase in refunds; refunds increased by $85 million but were expected to decline by $301 million. In addition, although withholding is not one of the categories of payment that have declined from last year, the fact that collections grew by only $172 million, or 2.1%, contributed to the decline in overall income tax revenues.

As mentioned in prior issues of this report, federal data from the Monthly Treasury Statements seems to support the hypothesis that some higher-income taxpayers deferred some of their income, such as capital gains, from tax year 2016 into later years in the hope of eventually having that income taxed at reduced federal rates. Preliminary analysis of weak April state income tax data from the Rockefeller Institute of Government also tends to support this hypothesis. This may explain some of the Ohio income tax shortfall in fiscal year 2017. It is worth noting, however, that this does not necessarily imply that income tax revenues will recover in fiscal year 2018. Deferred income might not be realized until later years, depending on whether and when federal rate cuts materialize, or other factors may offset the gain from the realization of deferred income.

Commercial Activity Tax

June GRF CAT collections posted the fourth strong month in a row, with revenues exceeding the estimate by $9.6 million. June receipts increased final fiscal year 2017 collections to $14.5 million (1.1%) above estimate. In addition, after lagging the prior year for most of fiscal year 2017, collections finished the year $46.2 million, or 3.7% ahead of last year’s level.

The January executive budget forecast predicted that CAT revenues would fall $32.0 million short (-2.5%) of the July estimate by the end of fiscal year 2017, whereas actual revenues were $14.5 million above the July estimates: a $46.5 million swing over the second half of the year.

At this point it is still not clear how much of the improvement in the CAT is due to tax credits being below estimate – some credits that were expected to be claimed against the CAT have instead been taken against other taxes like the FIT – and how much is due to better growth in taxable gross receipts. OBM should have better gross receipts data to analyze this question later in the summer.

Foreign and Domestic Insurance Taxes

The insurance taxes had the biggest June shortfalls of any of the tax types. The foreign insurance tax was $22.2 million below estimate, and the domestic insurance tax was $10.5 million below estimate. The foreign insurance tax shortfall brought annual collections back into line with estimates, as the tax finished the year with a positive variance of less than $0.1 million. For the domestic insurance tax, where almost all of the year’s revenue is received in June, the June shortfall drove annual collections $9.4 million (3.4%) below estimate.

Both smaller growth in taxable premiums and higher than expected tax credits are responsible for the domestic insurance tax shortfall in fiscal year 2017. High credits will continue in fiscal year 2018 and 2019, as new credits for assessment payments made to resolve insurance company bankruptcies begin to take effect.

GRF Non-Tax Receipts

GRF non-tax receipts totaled $1,022.2 million in June and were $4.8 million (0.5%) below estimate. In a change from most of the year, federal grants were almost exactly at the estimate, falling only $0.4 million short.

For the year, tax receipts were $909.4 million (7.1%) below estimate. Investment earnings were $13.7 million (39.0%) above estimate, but this overage was dwarfed by a $921.8 million shortfall in federal grants as Medicaid spending ran well below estimate, and ran particularly far below estimate in categories such as the expansion population which carries a high federal match rate.

Transfers to the GRF finished the year $46.8 million, or 15.2% above estimate, as high balances in certain dedicated purposes state funds allowed larger than anticipated transfers to the GRF beginning in January.

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

	MONTH				YEAR-TO-DATE			
REVENUE SOURCE	ACTUAL JUNE	ESTIMATE JUNE	$ VAR	% VAR	ACTUAL Y-T-D	ESTIMATE Y-T-D	$ VAR	% VAR
TAX RECEIPTS								
Non-Auto Sales & Use	807,320	780,400	26,920	3.4%	9,220,607	9,407,600	(186,993)	-2.0%
Auto Sales & Use	127,972	131,200	(3,228)	-2.5%	1,393,968	1,400,000	(6,032)	-0.4%
Subtotal Sales & Use	935,291	911,600	23,691	2.6%	10,614,575	10,807,600	(193,025)	-1.8%
Personal Income	789,072	799,500	(10,428)	-1.3%	7,606,452	8,260,000	(653,548)	-7.9%
Corporate Franchise	(4,860)	0	(4,860)	N/A	(1,211)	0	(1,211)	N/A
Financial Institutions Tax	26,789	30,700	(3,911)	-12.7%	187,309	223,000	(35,691)	-16.0%
Commercial Activity Tax	16,199	6,600	9,599	145.4%	1,301,539	1,287,000	14,539	1.1%
Petroleum Activity Tax	1,376	1,100	276	25.1%	6,390	6,000	390	6.5%
Public Utility	433	800	(367)	-45.9%	106,902	103,500	3,402	3.3%
Kilowatt Hour	21,187	20,400	787	3.9%	347,436	332,200	15,236	4.6%
Natural Gas Distribution	5	0	5	N/A	61,790	66,000	(4,210)	-6.4%
Foreign Insurance	(23,539)	(1,300)	(22,239)	-1710.7%	301,542	301,500	42	0.0%
Domestic Insurance	261,832	272,300	(10,468)	-3.8%	268,567	278,000	(9,433)	-3.4%
Other Business & Property	213	0	213	N/A	(466)	0	(466)	N/A
Cigarette and Other Tobacco	157,811	148,700	9,111	6.1%	980,506	970,000	10,506	1.1%
Alcoholic Beverage	5,276	5,100	176	3.5%	57,220	55,000	2,220	4.0%
Liquor Gallonage	4,069	4,000	69	1.7%	46,460	45,000	1,460	3.2%
Estate	88	0	88	N/A	756	0	756	N/A
Total Tax Receipts	2,191,242	2,199,500	(8,258)	-0.4%	21,885,767	22,734,800	(849,033)	-3.7%
NON-TAX RECEIPTS								
Federal Grants	1,010,667	1,011,099	(433)	-0.04%	11,761,183	12,682,980	(921,797)	-7.3%
Earnings on Investments	11,351	9,100	2,251	24.7%	48,653	35,000	13,653	39.0%
License & Fees	(1,425)	570	(1,995)	-350.1%	57,419	57,000	419	0.7%
Other Income	1,552	5,875	(4,323)	-73.6%	50,132	52,300	(2,168)	-4.1%
ISTV'S	69	400	(331)	-82.9%	18,967	18,500	467	2.5%
Total Non-Tax Receipts	1,022,212	1,027,044	(4,832)	-0.5%	11,936,354	12,845,780	(909,425)	-7.1%
TOTAL REVENUES	3,213,454	3,226,544	(13,090)	-0.4%	33,822,121	35,580,580	(1,758,459)	-4.9%
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	247,918	267,500	(19,582)	-7.3%	355,937	309,100	46,837	15.2%
Temporary Transfers In	0	0	0	N/A	0	0	0	N/A
Total Transfers	247,918	267,500	(19,582)	-7.3%	355,937	309,100	46,837	15.2%
TOTAL SOURCES	3,461,372	3,494,044	(32,672)	-0.9%	34,178,058	35,889,680	(1,711,621)	-4.8%

Preliminary
7/6/2017

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

	MONTH				YEAR-TO-DATE			
REVENUE SOURCE	JUNE FY 2017	JUNE FY 2016	$ VAR	% VAR	ACTUAL FY 2017	ACTUAL FY 2016	$ VAR	% VAR
TAX RECEIPTS								
Non-Auto Sales & Use	807,320	735,031	72,288	9.8%	9,220,607	9,001,684	218,923	2.4%
Auto Sales & Use	127,972	123,715	4,256	3.4%	1,393,968	1,346,315	47,654	3.5%
Subtotal Sales & Use	935,291	858,747	76,545	8.9%	10,614,575	10,347,999	266,576	2.6%
Personal Income	789,072	775,976	13,097	1.7%	7,606,452	7,799,334	(192,882)	-2.5%
Corporate Franchise	(4,860)	348	(5,208)	-1496.8%	(1,211)	33,234	(34,444)	-103.6%
Financial Institutions Tax	26,789	26,235	554	2.1%	187,309	213,451	(26,142)	-12.2%
Commercial Activity Tax	16,199	3,061	13,138	429.1%	1,301,539	1,255,325	46,214	3.7%
Petroleum Activity Tax	1,376	1,289	86	6.7%	6,390	6,888	(498)	-7.2%
Public Utility	433	1,740	(1,308)	-75.1%	106,902	103,253	3,649	3.5%
Kilowatt Hour	21,187	21,212	(25)	-0.1%	347,436	338,007	9,429	2.8%
Natural Gas Distribution	5	13	(8)	N/A	61,790	60,725	1,065	1.8%
Foreign Insurance	(23,539)	(43)	(23,496)	-54767.6%	301,542	293,526	8,016	2.7%
Domestic Insurance	261,832	252,994	8,838	3.5%	268,567	258,276	10,292	4.0%
Other Business & Property	213	2,077	(1,864)	-89.8%	(466)	2,176	(2,641)	-121.4%
Cigarette and Other Tobacco	157,811	151,882	5,929	3.9%	980,506	1,007,643	(27,137)	-2.7%
Alcoholic Beverage	5,276	4,938	338	6.8%	57,220	54,446	2,774	5.1%
Liquor Gallonage	4,069	3,891	178	4.6%	46,460	45,130	1,330	2.9%
Estate	88	297	(209)	-70.4%	756	2,154	(1,398)	-64.9%
Total Tax Receipts	2,191,242	2,104,658	86,583	4.1%	21,885,767	21,821,565	64,201	0.3%
NON-TAX RECEIPTS								
Federal Grants	1,010,667	433,528	577,139	133.1%	11,761,183	11,645,735	115,448	1.0%
Earnings on Investments	11,351	8,967	2,383	26.6%	48,653	35,134	13,519	38.5%
License & Fee	(1,425)	(74)	(1,351)	1821.1%	57,419	56,021	1,398	2.5%
Other Income	1,552	4,345	(2,792)	-64.3%	50,132	49,617	515	1.0%
ISTV'S	69	(638)	706	N/A	18,967	229	18,738	8179.1%
Total Non-Tax Receipts	1,022,212	446,128	576,085	129.1%	11,936,354	11,786,736	149,618	1.3%
TOTAL REVENUES	3,213,454	2,550,786	662,668	26.0%	33,822,121	33,608,301	213,820	0.6%
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	247,918	112,735	135,183	119.9%	355,937	322,243	33,694	10.5%
Temporary Transfers In	0	0	0	N/A	0	0	0	N/A
Total Transfers	247,918	112,735	135,183	119.9%	355,937	322,243	33,694	10.5%
TOTAL SOURCES	3,461,372	2,663,521	797,851	30.0%	34,178,058	33,930,544	247,514	0.7%

DISBURSEMENTS

June GRF disbursements, across all uses, totaled $2,163.8 million and were $179.0 million (7.6%) below estimate. This was primarily attributable to lower than estimated disbursements in the Operating Transfer Out, Medicaid, and Debt Service categories, which were partially offset by higher than estimated disbursements for Primary and Secondary Education. On a year-over-year basis, June total uses were $907.9 million (72.3%) higher than those of the same month in the previous fiscal year, with the Medicaid and Primary and Secondary Education categories largely responsible for the increased spending. Year-to-date variances from estimate by category are provided in the table below. While fiscal year 2017 disbursements were $1,497.2 million (4.1%) below the estimate, it is important to note that the disbursement estimates only consider expected spending within the fiscal year. In addition to disbursements, agencies are also permitted to encumber resources for obligations incurred in fiscal year 2017. Actual fiscal year 2017 encumbrances were $386.2 million versus an estimate of $312.7 million. While these encumbrances are not reflected in the disbursements, resources must be reserved for the actual payment of these obligations in the future.

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)	($1,390.1 million)	-3.9%
Transfers	Temporary or permanent transfers out of the GRF that are not agency expenditures	($107.1 million)	-25.6%
TOTAL DISBURSEMENTS VARIANCE:		**($1,497.2 million)**	**-4.1%**

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

Primary and Secondary Education

This category contains GRF spending by the Ohio Department of Education. June disbursements for this category totaled $358.9 million and were $28.6 million (8.7%) above estimate. This variance was primarily attributable to above estimated disbursements in the foundation funding line item. Disbursements in the foundation funding line item were above estimate due to a $40 million payment for catastrophic cost reimbursement expected in May, but disbursed in June. This variance was partially offset by below estimated disbursements in the pupil transportation line item due to formula obligations for transportation coming in under appropriations. Expenditures for the school foundation program totaled $322.0 million and were $32.7 million (11.3%) above estimate.

Actual fiscal year 2017 disbursements were $7,873.6 million, which was $39.5 million (0.5%) below estimate. Including encumbrances, fiscal year 2017 obligations (disbursements plus encumbrances) totaled $7,995.4 million and were $20.7 million (0.3%) below estimate. The fiscal year 2017 obligations total reflects encumbrances of $121.8 million made by the

Department of Education for payments that will be made against fiscal year 2017 funds in fiscal year 2018. These encumbrances are necessary as the final reconciliation payments to schools occur after the fiscal year ends.

On a year-over-year basis, disbursements in this category were $21.9 million (6.5%) higher than for the same month in the previous fiscal year while fiscal year 2017 expenditures were $317.7 million (4.2%) higher than fiscal year 2016. This year-over-year variance is primarily attributable to increased payments to school districts under the foundation funding formula.

Higher Education

June disbursements for the Higher Education category, which includes non-debt service GRF spending by the Department of Higher Education, totaled $180.6 million and were $2.8 million (1.5%) below estimate. Much of monthly variance was the result of lower than estimated disbursements in the Choose Ohio First Scholarship Program, which were below monthly estimates by $1.9 million due to realigning payment schedules. The National Guard Tuition Grant Program expenditures were also below the monthly estimate by $1.7 million as a result of a catch-up in payments due to payment processing delays that occurred earlier in the fiscal year. In addition, the Cooperative Internship Program expenditures were below the monthly estimate by $1.7 million as a result of timing issues and will be disbursed in July instead of June as estimated. This variance was partially offset by disbursements for the Ohio College Opportunity Grant, which were above estimate by $1.5 million as a result of system interface issues in May that delayed payments to June.

Actual fiscal year 2017 disbursements were $2,294.8 million, which was $12.8 million (0.6%) below estimate and $72.0 million (3.2%) higher than in fiscal year 2016. On a year-over-year basis, disbursements in this category were $0.9 million (0.5%) lower than for the same month in the previous fiscal year. Including encumbrances, fiscal year 2017 obligations (disbursements plus encumbrances) totaled $2,324.9 million and were $2.1 million (0.1%) below estimate. The fiscal year 2017 obligations total reflects encumbrances of $30.1 million made by the Department of Higher Education for payments that will be made against fiscal year 2017 funds in fiscal year 2018. Most of this encumbered amount is for the Choose Ohio First Scholarship program.

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.

June disbursements in this category totaled $3.0 million and were $0.5 million (15.6%) below estimate. Actual fiscal year 2017 disbursements were $72.2 million, which was $3.3 million (4.3%) below estimate and $4.1 million (6.0%) higher than in fiscal year 2016. On a year-over-year basis, disbursements in this category were $0.5 million (14.4%) lower than for the same month in the previous fiscal year. Including encumbrances, fiscal year 2017 obligations (disbursements plus encumbrances) for the category totaled $82.7 million and were $2.9 million

(3.4%) below estimate. The fiscal year 2017 obligations total reflects encumbrances of $10.5 million made by agencies within the category for payments that will be made against fiscal year 2017 funds in fiscal year 2018.

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
June GRF disbursements for the Medicaid Program totaled $1,330.3 million and were $78.5 million (5.6%) below estimate, and $940.2 million (241.0%) above disbursements for the same month in the previous fiscal year. This significant difference from the prior year is due to a delay in the receipt of non-GRF hospital assessment revenue during fiscal year 2016 that temporarily shifted spending to the GRF in prior months, but was reversed in June 2016 when hospital assessments were collected and spending shifted back to the non-GRF funds. Year-to-date GRF disbursements totaled $17,437.4 million and were $1,099.9 million (5.9%) below estimate, and $441.5 million (2.6%) above disbursements for the same point in the previous fiscal year. Including encumbrances, fiscal year 2017 GRF obligations (disbursements plus encumbrances) totaled $17,492.7 million and were $1,107.8 million (6.0%) below the estimate. The fiscal year 2017 GRF obligations total reflects encumbrances of $55.4 million made by Medicaid agencies for payments that will be made against fiscal year 2017 funds in fiscal year 2018.

June all funds disbursements for the Medicaid Program totaled $2,092.0 million and were $79.7 million (3.7%) below estimate, and $903.6 million (30.2%) below disbursements for the same month in the previous fiscal year. This significant difference from the prior fiscal year is due to the delay in the receipt of hospital assessment revenue during fiscal year 2016, described above, which delayed spending from these funds until June 2016. Fiscal year 2017 all funds disbursements totaled $25,550.1 million and were $1,561.1 million (5.8%) below estimate, and $256.2 million (1.0%) above disbursements for fiscal year 2016. Including encumbrances, fiscal year 2017 all funds obligations (disbursements plus encumbrances) totaled $25,949.2 million and were $1,531.6 million (5.6%) below the estimate. The fiscal year 2017 all funds obligations total reflects encumbrances of $399.1 million made by Medicaid agencies for payments that will be made against fiscal year 2017 funds in fiscal year 2018.

The June all funds variance is primarily attributable to the fee-for-service and managed care programs. Fee-for-service expenses were below estimate due to enrollment in that program being 6.9% below estimate for the month. Managed care expenses were below estimate due to lower than budgeted monthly capitation rates. These savings were offset in part by higher than budgeted disbursements for hospital and hospital-based physician upper payment limit (UPL) expenses due to payments in these programs that were estimated to occur in May, but were not completed until June. Payment delays in May for the Medicare Buy-In program were responsible for overspending in the premium assistance program in June.

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 year-to-date were below estimate due to enrollment in that program being below estimate by an average of 2.5% per month. Hospital and hospital-based physician upper payment limit (UPL) expenses were below estimate also due to enrollment in the fee-for-service program - in particular, the inpatient hospital component to which these expenses are closely linked. 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.

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

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

	June Actual	June Projection	Variance	Variance %
GRF	$ 1,330.3	$ 1,408.8	$ (78.5)	-5.6%
Non-GRF	$ 761.7	$ 762.9	$ (1.1)	-0.1%
All Funds	$ 2,092.0	$ 2,171.7	$ (79.7)	-3.7%

Enrollment

Total June enrollment across all categories was 3.11 million. The most significant components are the Covered Families and Children/Modified Adjusted Gross Income (CFC/MAGI) category, which decreased by 37,169 persons to a June total of 2.47 million persons, and the Aged, Blind and Disabled (ABD) category, which increased by 41,269 persons to a June total of 486,965 covered lives. The enrollment shift from CFC/MAGI to ABD reflects the Department of Medicaid's continued effort to properly place people in the appropriate enrollment category per federal regulations.

Total enrollment across all categories for the same period last year was 3.05 million covered persons, including 2.53 million persons in the CFC/MAGI category and 365,561 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.

June disbursements in this category totaled $37.4 million and were $9.3 million (20.0%) below estimate. Actual fiscal year 2017 disbursements were $1,289.6 million, which was $81.8 million (6.0%) below estimate and $5.9 million (0.5%) higher than in fiscal year 2016. On a year-over-year basis, disbursements in this category were $36.5 million (49.4%) lower than for the same month in the previous fiscal year. Including encumbrances, fiscal year 2017 obligations (disbursements plus encumbrances) for the category totaled $1,356.2 million and were $56.4 million (4.0%) below estimate. The fiscal year 2017 obligations total reflects encumbrances of $66.7 million made by agencies within the category for payments that will be made against fiscal year 2017 funds in fiscal year 2018.

Department of Job and Family Services

June disbursements for the Department of Job and Family Services totaled $17.2 million and were $6.0 million (25.8%) below estimate. This variance is primarily attributable to the Unemployment Insurance Administration line item, which was $4.3 million (96.0%) below estimate due to availability of federal funds and the Family Assistance – Local line item, which was $4.0 million (298%) below estimate due to an adjustment in county draws that caused a decrease in expenditures. Additionally, Early Child Care and Education disbursements were $2.8 million below estimate due to an earlier change in the child care provider subsidy payment schedule. This variance was partly offset by above estimate spending in the TANF/State MOE line, which was $5.9 million above estimate and in the Child Care State/MOE line, which was $3.2 million above an estimate of zero, both due to final disbursements being made to meet federal maintenance of effort requirements. Including encumbrances, fiscal year 2017 obligations (disbursements plus encumbrances) totaled $730.8 million and were $47.3 million (6.0%) below estimate. The fiscal year 2017 obligations total reflects encumbrances of $37.4 million made by the Department of Job and Family Services for payments that will be made against fiscal year 2017 funds in fiscal year 2018.

Department of Mental Health and Addiction Services

June disbursements for the Department of Mental Health and Addiction Services totaled $9.7 million and were $3.0 million (23.8%) below estimate. This variance was attributable to Hospital Services disbursements being $5.9 million (77.9%) below estimate as payments originally scheduled for June were made in earlier months. This variance was partially offset as Continuum of Care Services disbursements were $2.5 million above estimate as payments originally scheduled for earlier months were made in June. Including encumbrances, fiscal year 2017 obligations (disbursements plus encumbrances) totaled $382.1 million and were $10.9 million (2.8%) below the estimate. The fiscal year 2017 obligations total reflects encumbrances of $6.8 million made by the Department of Mental Health and Addiction Services for payments that will be made against fiscal year 2017 funds in fiscal year 2018.

Department of Health

June disbursements for the Department of Health totaled $6.1 million and were $0.1 million (2.0%) below estimate. This variance is primarily attributable to the AIDS Prevention and Treatment line item, which was $0.8 million above estimate as payments originally estimated to occur earlier in the year occurred in June instead. However, this above estimate disbursement was mostly offset by below estimate spending in the Help Me Grow line item, which was $0.7 million below estimate as payments originally scheduled to occur in June occurred in prior months instead. Including encumbrances, fiscal year 2017 obligations (disbursements plus encumbrances) totaled $88.3 million and were $5.8 million (6.1%) below estimate. The fiscal year 2017 obligations total reflects encumbrances of $13.6 million made by the Department of Health for payments that will be made against fiscal year 2017 funds in fiscal year 2018.

Justice and Public Protection

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

June disbursements in this category totaled $147.6 million and were $6.4 million (4.1%) below estimate. Actual fiscal year 2017 disbursements were $2,052.8 million, which was $42.8 million (2.0%) below estimate and $69.0 million (3.5%) higher than in fiscal year 2016. On a year-over-year basis, disbursements in this category were $8.9 million (6.5%) higher than for the same month in the previous fiscal year. Including encumbrances, fiscal year 2017 obligations (disbursements plus encumbrances) for the category totaled $2,104.7 million and were $19.8 million (0.9%) below estimate. The fiscal year 2017 obligations total reflects encumbrances of $51.9 million made by agencies within the category for payments that will be made against fiscal year 2017 funds in fiscal year 2018.

Department of Rehabilitation and Correction
June disbursements for the Department of Rehabilitation and Correction totaled $112.6 million and were $5.1 million (4.8%) above estimate. This variance was primarily attributable to higher than estimated disbursements for Institution Medical Services and Parole and Community Operations due to payments for equipment which occurred in June instead of earlier months as estimated, and the timing of subsidy payments for Community Nonresidential Programs and Community Residential Programs – CBCFs, which also occurred in June instead of earlier months as expected. These positive variances were partially offset by lower than estimated disbursements for Institutional Operations due to the timing of contract payments. Including encumbrances, fiscal year 2017 obligations (disbursements plus encumbrances) totaled $1,663.9 million and were $11.7 million (0.7%) below estimate. The fiscal year 2017 obligations total reflects encumbrances of $44.6 million made by the Department of Rehabilitation and Correction for payments that will be made against fiscal year 2017 funds in fiscal year 2018.

Department of Youth Services
June disbursements for the Department of Youth Services totaled $18.3 million and were $1.2 million (7.1%) above estimate. This variance was primarily attributable to higher than estimated disbursements for RECLAIM Ohio subsidy payments, which occurred in June instead of earlier months as expected. Including encumbrances, fiscal year 2017 obligations (disbursements plus encumbrances) totaled $195.8 million and were $3.2 million (1.6%) below estimate. The fiscal year 2017 obligations total reflects encumbrances of $3.9 million made by the Department of Youth Services for payments that will be made against fiscal year 2017 funds in fiscal year 2018.

Public Defender Commission

June disbursements for the Public Defender Commission totaled $0.5 million and were $5.3 million (92.1%) below estimate. This variance was primarily attributable to the timing of county reimbursement payments, which occurred in earlier months rather than June as expected. Including encumbrances, fiscal year 2017 obligations (disbursements plus encumbrances) totaled $27.8 million and were at estimate. The fiscal year 2017 obligations total reflects encumbrances of $0.1 million made by the Public Defender Commission for payments that will be made against fiscal year 2017 funds in fiscal year 2018.

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.

June disbursements in this category $26.8 million and were $1.1 million (4.0%) below estimate. Actual fiscal year 2017 disbursements were $370.3 million, which was $24.5 million (6.2%) below estimate and $7.9 million (2.2%) higher than in fiscal year 2016. On a year-over-year basis, disbursements in this category were $0.2 million (0.6%) higher than for the same month in the previous fiscal year. Including encumbrances, fiscal year 2017 obligations (disbursements plus encumbrances) for the category totaled $420.1 million and were $20.1 million (4.6%) below estimate. The fiscal year 2017 obligations total reflects encumbrances of $49.8 million made by agencies within the category for payments that will be made against fiscal year 2017 funds in fiscal year 2018.

Department of Administrative Services

June disbursements for the Department of Administrative Services totaled $4.3 million and were $3.4 million (360.6%) above estimate. This variance was attributable to the timing of quarterly rent payments for certain GRF-supported agencies as payments occurred in June instead of May as estimated. Including encumbrances, fiscal year 2017 obligations (disbursements plus encumbrances) totaled $33.1 million and were $5.6 million (14.4%) below the estimate. The fiscal year 2017 obligations total reflects encumbrances of $6.2 million made by the Department of Administrative Services for payments that will be made against fiscal year 2017 funds in fiscal year 2018.

Department of Natural Resources

June disbursements for the Department of Natural Resources totaled $3.4 million and were $1.0 million (41.8%) above estimate. This variance was primarily attributable to the disbursements in the Parks and Recreation line item, which were $1.1 million above estimate due to the timing of hiring personnel for the summer season. Including encumbrances, fiscal year 2017 obligations (disbursements plus encumbrances) totaled $47.6 million and were $0.2 million (0.4%) below estimate. The fiscal year 2017 obligations total reflects encumbrances of $1.0 million made by the Department of Natural Resources for payments that will be made against fiscal year 2017 funds in fiscal year 2018.

Department of Transportation

June disbursements for the Department of Transportation totaled $0.7 million and were $1.8 million (73.0%) below estimate. This variance was primarily attributable to disbursements in the Public Transportation-State line item, which was $1.5 million below estimate and the Airport Improvements-State line item, which was $0.45 million below estimate, both due to the timing of project expenditures and payments to grantees. Including encumbrances, fiscal year 2017 obligations (disbursements plus encumbrances) totaled $23.9 million and were $0.4 million (1.7%) below estimate. The fiscal year 2017 obligations total reflects encumbrances of $13.0 million made by the Department of Transportation for payments that will be made against fiscal year 2017 funds in fiscal year 2018.

Department of Taxation

June disbursements for the Department of Taxation totaled $4.7 million and were $1.9 million (28.5%) below estimate. This variance is primarily attributable to a discrepancy between estimated versus realized dates in project development. Including encumbrances, fiscal year 2017 obligations (disbursements plus encumbrances) totaled $70.8 million and were $2.6 million (3.6%) below estimate. The fiscal year 2017 obligations total reflects encumbrances of $3.6 million made by the Department of Taxation for payments that will be made against fiscal year 2017 funds in fiscal year 2018.

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. June property tax reimbursements totaled $39.9 million and were $7.1 million (21.8%) above estimate. Fiscal year 2017 disbursements totaled $1,790.3 million and were $31.8 million (1.7%) below estimate. This modest underspending is primarily attributable to conservative disbursement estimates and declines in the homestead exemption program.

Debt Service

June payments for debt service totaled $30.9 million and were $24.4 million (44.1%) below estimate. Fiscal year 2017 disbursements were $1,322.7 million and were $53.5 million (3.9%) below estimate. The monthly and fiscal year 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

June transfers out totaled $8.4 million and were $91.6 million (91.6%) below estimate. Fiscal year 2017 transfers out were $310.8 million and were $107.1 million (25.6%) below estimate. The monthly and fiscal year variances are primarily attributable to an expected transfer to the public-school building fund not occurring in the fiscal year.

Table 3

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

Functional Reporting Categories Description	MONTH ACTUAL JUNE	MONTH ESTIMATED JUNE	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	358,935	330,341	28,594	8.7%	7,873,632	7,913,147	(39,515)	-0.5%
Higher Education	180,625	183,456	(2,832)	-1.5%	2,294,785	2,307,632	(12,847)	-0.6%
Other Education	2,969	3,518	(549)	-15.6%	72,235	75,504	(3,269)	-4.3%
Medicaid	1,330,263	1,408,788	(78,525)	-5.6%	17,437,354	18,537,250	(1,099,896)	-5.9%
Health and Human Services	37,355	46,702	(9,347)	-20.0%	1,289,584	1,371,423	(81,839)	-6.0%
Justice and Public Protection	147,587	153,966	(6,379)	-4.1%	2,052,750	2,095,599	(42,849)	-2.0%
General Government	26,784	27,911	(1,127)	-4.0%	370,266	394,809	(24,543)	-6.2%
Property Tax Reimbursements	39,943	32,798	7,145	21.8%	1,790,260	1,822,100	(31,840)	-1.7%
Capital Outlay	0	0	0	N/A	0	0	0	N/A
Debt Service	30,910	55,309	(24,399)	-44.1%	1,322,657	1,376,147	(53,491)	-3.9%
Total Expenditures & ISTV's	2,155,370	2,242,789	(87,419)	-3.9%	34,503,523	35,893,611	(1,390,088)	-3.9%
Transfers Out:								
BSF Transfer Out	0	0	0	N/A	29,483	29,483	0	0.0%
Operating Transfer Out	8,398	100,000	(91,602)	-91.6%	281,290	388,392	(107,103)	-27.6%
Temporary Transfer Out	0	0	0	N/A	0	0	0	N/A
Total Transfers Out	8,398	100,000	(91,602)	-91.6%	310,772	417,875	(107,103)	-25.6%
Total Fund Uses	2,163,768	2,342,789	(179,021)	-7.6%	34,814,295	36,311,486	(1,497,191)	-4.1%

Table 4
GENERAL REVENUE FUND DISBURSEMENTS
ACTUAL FY 2017 VS ACTUAL FY 2016
($ in thousands)

Functional Reporting Categories Description	MONTH JUNE FY 2017	MONTH JUNE 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	358,935	337,033	21,902	6.5%	7,873,632	7,555,949	317,683	4.2%
Higher Education	180,625	181,562	(937)	-0.5%	2,294,785	2,222,774	72,012	3.2%
Other Education	2,969	3,470	(501)	-14.4%	72,235	68,153	4,082	6.0%
Medicaid	1,330,263	390,088	940,175	241.0%	17,437,354	16,995,860	441,494	2.6%
Health and Human Services	37,355	73,880	(36,525)	-49.4%	1,289,584	1,283,641	5,943	0.5%
Justice and Public Protection	147,587	138,639	8,947	6.5%	2,052,750	1,983,765	68,986	3.5%
General Government	26,784	26,624	160	0.6%	370,266	362,353	7,913	2.2%
Property Tax Reimbursements	39,943	28,242	11,701	41.4%	1,790,260	1,786,704	3,557	0.2%
Capital Outlay	0	0	0	N/A	0	0	0	N/A
Debt Service	30,910	57,055	(26,145)	-45.8%	1,322,657	1,333,866	(11,210)	-0.8%
Total Expenditures & ISTV's	2,155,370	1,236,593	918,776	74.3%	34,503,523	33,593,065	910,458	2.7%
Transfers Out:								
BSF Transfer	0	0	0	N/A	29,483	425,500	(396,017)	-93.1%
Operating Transfer Out	8,398	19,304	(10,906)	-56.5%	281,290	430,331	(149,041)	-34.6%
Temporary Transfer Out	0	0	0	N/A	0	0	0	N/A
Total Transfers Out	8,398	19,304	(10,906)	-56.5%	310,772	855,831	(545,059)	-63.7%
Total Fund Uses	2,163,768	1,255,898	907,870	72.3%	34,814,295	34,448,896	365,400	1.1%

FUND BALANCE

Table 5 describes the General Revenue Fund (GRF) ending balance for FY 2017 and is based on the actual revenue for FY 2017 and the actual FY 2017 disbursements, transfers, and encumbrances. The GRF ending fund balance for FY 2017 is $170.9 million.

Table 5

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

July 1, 2016 Beginning Cash Balance*	**$ 1,193,327.2**
Plus FY 2017 Actual Revenues	22,060,938.1
Plus FY 2017 Actual Federal Revenues	11,761,182.8
Plus FY 2017 Actual Transfers to GRF	355,937.2
Total Sources Available for Expenditures & Transfers	**35,371,385.3**
Less FY 2017 Actual Disbursements**	34,503,523.0
Less FY 2017 Actual Total Encumbrances as of June 30, 2017	386,217.3
Less FY 2017 Actual Transfers Out	310,772.2
Total Actual Uses	**35,200,512.6**
FY 2017 UNENCUMBERED ENDING FUND BALANCE	**170,872.6**

* 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 spending against current year appropriations and prior year encumbrances.

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