OBM

September 11, 2017

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

FROM: Timothy S. Keen, Director TK

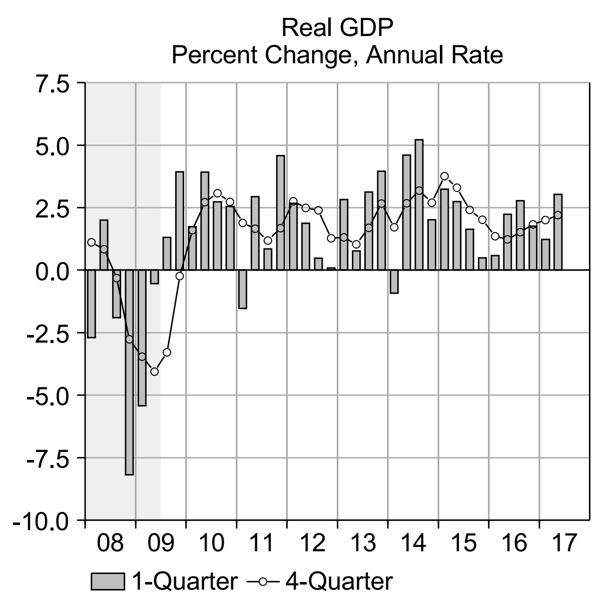
SUBJECT: Monthly Financial Report

ECONOMIC SUMMARY

Economic Performance Overview

- Economic growth in the second quarter was revised up to 3.0%. Forecasters project about the same or stronger growth in the third quarter and a trend rate of 2% to 2.5% thereafter.
- U.S. employment increased by 156,000 jobs in August for a year-to-date average of 176,000 jobs per month. The unemployment rate increased to 4.4%.
- Ohio nonfarm payroll employment increased by 1,600 jobs in July to 34,400 jobs above the December 2016 level. The unemployment rate increased to 5.2%.
- The general picture remains consistent with uninterrupted growth into next year, although the state leading and coincident economic indicators constructed by the Philadelphia Fed are showing a growing number of states with declines.

Economic Growth



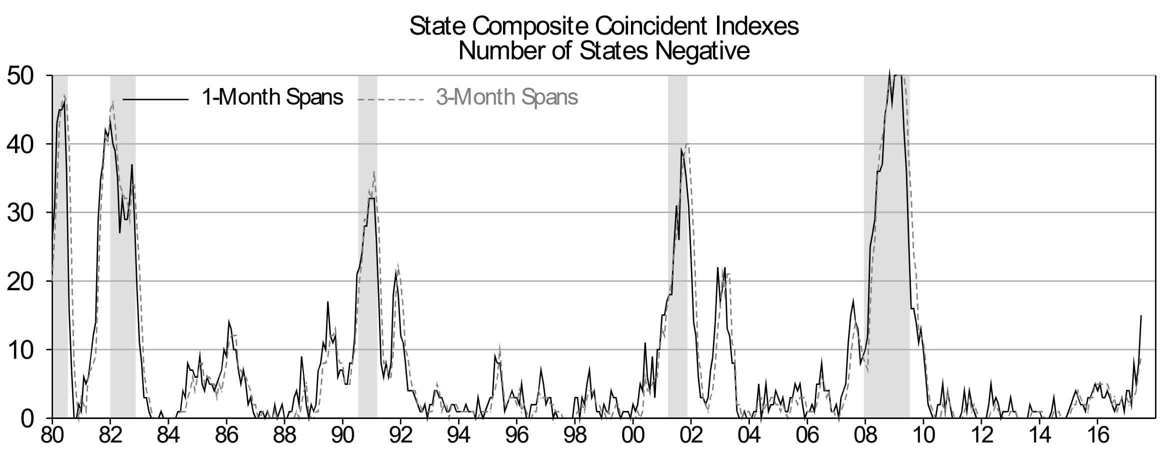
Real GDP growth during the second quarter was revised up from 2.6% to 3.0%, compared with 1.2% in the first quarter. Compared with a year earlier, real GDP was up by 2.2% in the second quarter. The growth rate was 1.5% for all of 2016, which is the slowest rate of growth for any calendar year since the end of the 2007-2009 recession.

The upward revision reflected positive adjustments to personal consumption expenditures and to nonresidential fixed investment. A downward adjustment to state and local government spending subtracted from the upward revision to GDP growth. After the adjustments, personal consumption expenditures accounted for approximately two-thirds of growth during the second quarter, followed by nonresidential fixed investment, net exports, and federal government spending. State and local government spending made the only notable negative contribution.

The change in the **Ohio coincident economic index,** from the Philadelphia Federal Reserve, was revised up from unchanged to +0.1% for June, but the index decreased 0.2% in July for the first measurable decline since December 2009. Single-month declines in the index have been infrequent, but did occur five times during the three years prior to the onset of the 2007-09 recession. The index is composed of four labor market indicators, and has represented general business conditions accurately over time.

Leading economic indicators remain consistent with uninterrupted expansion through year-end. The composite **Leading Economic Index,** compiled by the Conference Board, increased by 0.3% in July for the eleventh straight monthly gain. The smoothed 6-month rate of change in the index was 4.6%, up from a recent low of zero in May 2016. Eight of the ten components made positive contributions again in July, led by the interest rate spread, which was followed by the ISM New Orders index. Building permits, which added the most to the index in June, subtracted in July.

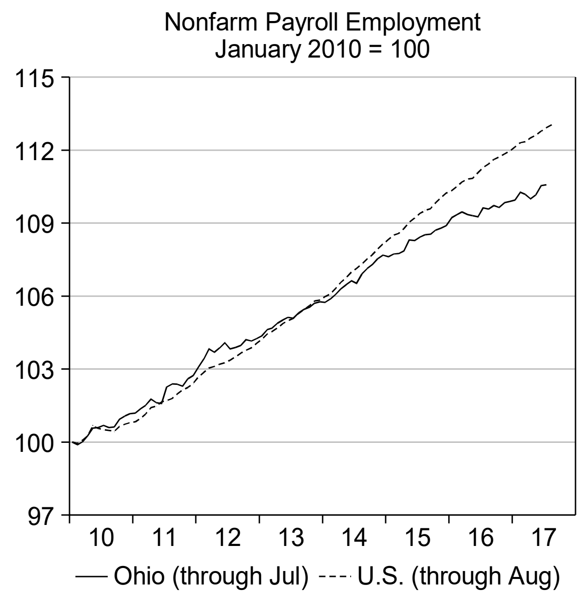
At the same time, however, the breadth of gains in state-level composite coincident indexes, compiled by the Philadelphia Federal Reserve, which has been a leading indicator for the national economy in the past, deteriorated further in July. The number of state indexes declining jumped from eight in June to fifteen in July. The last time that the number increased to at least fifteen was in July 2007 – five months prior to the beginning of the last recession. The number of states for which the index decreased over three-month spans increased from seven in June to nine in July – also for the first time since July 2007.



The diffusion of state leading economic indexes also deteriorated in July, as the indexes for seven states were negative, up from two in June and five in May. Ohio was among the seven states with negative values in July – it's first negative reading since the recession. (The Ohio index was negative in August, September, and October 2016 at one point before being revised into positive territory.) 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.

The **consensus among forecasters** is for continued growth in real GDP in the second-half of the year. In particular, the Federal Reserve Bank of Atlanta projects growth of 3.2% in the third quarter, based on the trajectory of major indicators during the second quarter and data available so far for the third quarter. 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 2.7% growth, with a range of 2.1% to 3.2% from the average of the lowest ten to the highest ten forecasts.

Employment



Nonfarm payrolls across the country increased by 156,000 jobs in August, somewhat below expectations for an increase of about 179,000. In addition to the lower-than-expected rise, the June and July gains were revised down by a total of 41,000. The increase in employment in August is below the average of 176,000 per month during the previous twelve months, but in line with the average of 160,000 per month during the most recent six months. The initial August estimate is the least reliable of the twelve months, having been revised upward by an average of 55,000 jobs since 2000, according to IHS Markit.

Employment increased by 36,000 in manufacturing, with more than one-third of the increase occurring in motor vehicles and parts; 28,000 in construction, with most of the increase occurring in specialty trade contractors; and 6,000 in mining, all in support activities. Other notable gains occurred in professional and business devices, which increased 22,000 and health care, which increased 20,000. Employment decreased in only two major sectors, down 9,000 in government and 8,000 in information, primarily in motion picture and sound recording.

The **unemployment rate** increased to 4.4%, but has been little changed since March. The unemployment rate has been below 4.5% for five months. The broadest measure of unemployment, the U-6 unemployment rate, was unchanged at 8.6% and has been below 8.9% for five months. 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 and those working part-time who would prefer full-time work.

Overall, the market appears healthy for job seekers. In June, the number of job openings increased to a new high of 6.2 million for this expansion. The 4-week average of initial unemployment claims fell in August back to near the 44-year low reached in May. Additionally, in the Conference Board survey of consumer confidence in August, the percentage of respondents characterizing jobs as plentiful, minus those characterizing jobs as hard to get, increased to its highest mark since 2001.

Average hourly earnings of all employees on private nonfarm payrolls increased 0.1% to only 2.5% above the year earlier level. Even so, the steady growth in wages recently indicates that labor markets are tightening gradually, and is likely to support policy changes by the Federal Reserve in coming months designed to constrain credit.

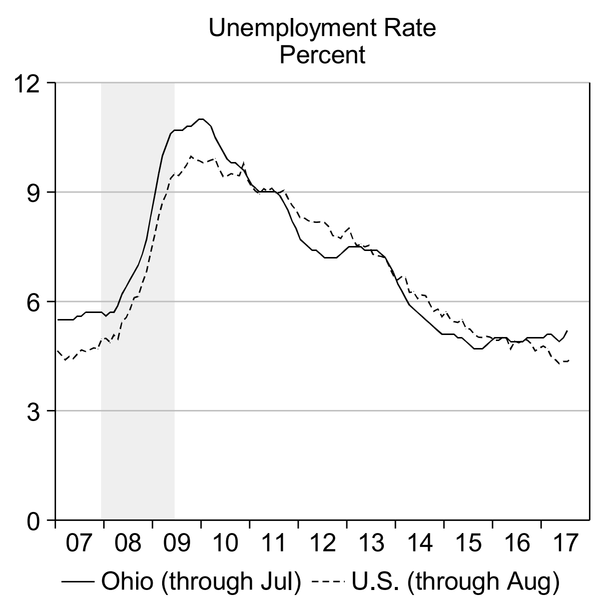
Ohio nonfarm payroll employment increased by 1,600 jobs in July, and the June increase was revised higher from 11,500 jobs to 19,200 jobs. Gains in leisure and hospitality (+5,200), government (+4,100), and financial activities (+1,200) were partly offset by declines in other services (-2,600), professional and business services (-2,400), and construction (-1,700).

During the twelve months ending in July, Ohio employment increased by 47,500 jobs. The largest gains were in education and health services (+17,900), leisure and hospitality (+9,500), and financial activities (+9,200). Employment declines occurred in trade, transportation and utilities (-4,900), manufacturing (-1,000), and other services (-1,000).

Among the **contiguous states**, year-over-year employment growth was strongest in Michigan (+1.4%), followed by Kentucky (+1.2%), Pennsylvania (+1.0%), Ohio and Indiana (+0.9%), and West Virginia (+0.2%), which broke a long negative string in June. Manufacturing employment increased year-over-year in Michigan (0.6%), Indiana (0.2%), and was unchanged in Kentucky. It fell 0.2% in Ohio, 0.5% in Pennsylvania, and 2.4% in West Virginia.

The **Ohio unemployment rate** increased by 0.2 percentage point to 5.2% in July. The rate is up 0.5 points from the cyclical low of 4.7% reached in October 2015, but had been in the 4.7% to 5.1% range since December 2014. The increase since the October 2015 low point has resulted from a larger increase in the Ohio labor force (+88,200) than in total employment (+56,300).

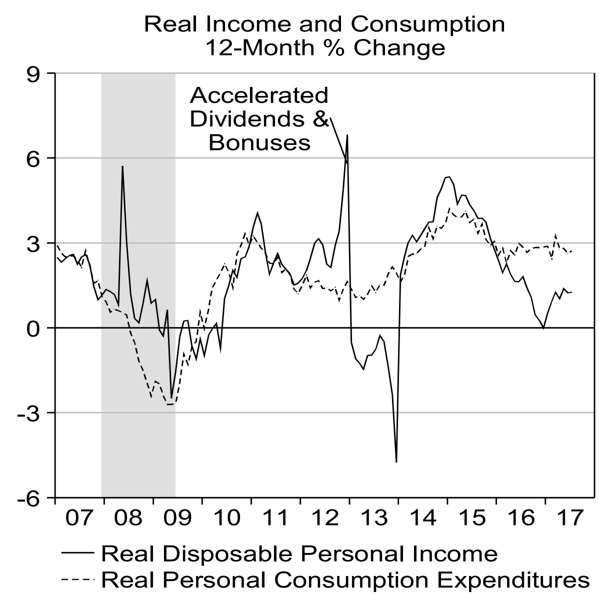
Across the country in July, the unemployment rate increased from the month before by a statistically significant amount in three states: Alaska, Maine, and South Dakota. The only significant decrease occurred in Texas. The unemployment rate was unchanged or not statistically different from the month before in all of the other states.



Consumer Income and Consumption

Personal income and spending growth both bounced back in July from a soft June. **Personal income** increased 0.4% after essentially no change in June. The rebound reflected continued strong growth in wage and salary disbursements and the passing of the effect from a one-time special dividend paid by Costco in May. Compared with a year earlier, personal income was up 2.7% and wage and salary disbursements were up 2.5%. This represents a deceleration from growth of about 3% in the first half of calendar year 2017.

The **Consumer Price Index** (CPI) increased 0.1% in July after no change in June and declines in two of the three months before that. The price of gasoline was unchanged in July after large declines the two previous months. Excluding prices of food and energy, the CPI was higher by 0.1%. Compared with a year earlier, the CPI was higher by 1.7% and excluding food and energy, the CPI was up by 1.7%. The Median CPI from the Federal Reserve Bank of Cleveland, which is an alternative measure of the trend in inflation, tracked slightly higher at 2.1% 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 well below the 2% threshold targeted by the Fed.



Monthly **personal consumption expenditures** picked up to 0.3% in July, and the June rise was revised up to 0.2%. Spending on durable goods increased 0.6%, and the June change was revised up from a decline of 0.4% to a gain of 0.6%. The strong increase in purchases of durable goods outpaced the small increase in unit sales of light motor vehicles, which rose from 16.6 million units to 16.7 million units. Spending on nondurable goods bounced back from a decline in June to a 0.5% gain in July, and spending on services increased 0.2%.

Hurricane Harvey likely cut into consumer spending during late August, but recovery spending is expected to add to growth in the fourth quarter. Light motor vehicle sales fell from 16.7 million units in July to 16.0 million units at a seasonally adjusted annual rate across the country in August. IHS Markit projects that hurricane effects will subtract 0.3 percentage points from growth in real personal consumption expenditures in the third quarter, in large part reflecting lost income of hourly workers that is estimated by IHS Markit to have totaled \$25 billion to \$35 billion at an annual rate in the last week of August. Retail spending in southeastern Texas, which accounts for approximately 3% of the country's economic activity, was severely depressed during the storm.

As has been the case following major storms in the past, activity is expected to rebound in subsequent quarters as destroyed property is replaced. In the wake of Katrina and Rita – back-to-back hurricanes that hit the gulf in August and September 2005 – growth in real personal consumption expenditures slowed from 3.1% in the third quarter to 1.5% in the fourth quarter, but rebounded to 4.6% in the first quarter of 2006. In part encouraged by federal tax incentives passed in response to the storms, business investment in plant and equipment followed a similar but accentuated pattern, slowing from 8.4% to 3.0% and then rebounding to 20.2%, all at annual rates.

Consumer attitudes brightened further in August, back to near recent highs. The Conference Board measure of **consumer confidence** increased to its highest level since March, and before that since December 2000. The increase was driven by better assessments of the current situation, although assessments of future conditions also improved.

The University of Michigan/Reuters survey painted a similar picture in August, although the better overall mood resulted entirely from better expectations, as assessments of current conditions deteriorated a bit. Homebuying was identified as a major challenge, reinforcing data about the limited number of homes for sale and rising prices. In addition, the improvement in expectations during August occurred almost entirely among households with annual incomes above $75,000. Since the presidential election last fall, however, sentiment has improved across all income levels. Households were positive about buying cars, as prices recently have moderated.

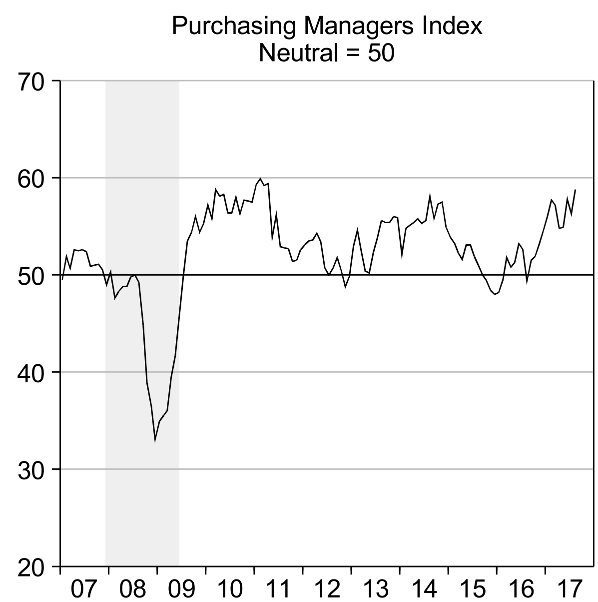
Manufacturing

Industrial production in manufacturing decreased 0.1% in July for the third monthly decline in five months. Utility production increased 1.6%, and mining output increased by 0.5%. Total industrial production increased 0.2%.

The decrease in manufacturing output reflected a 3.6% decrease in production of motor vehicles and parts, which was the third monthly decline in a row. Excluding motor vehicles and parts, manufacturing output increased 0.2%. The June change was revised up from 0.1% to 0.3%. Compared with a year earlier, manufacturing production was up by a modest 1.2%.

Production across the country in some industries that are key employers in Ohio was generally weak during July. In addition to the drop in production of motor vehicle and parts, production in primary metal decreased 1.2%, production of machinery decreased by 0.1%, and production in fabricated metal was unchanged. Production was higher than a year ago in these industries except motor vehicle and parts, which was lower by 5.0%.

Striking a more optimistic note than industrial production, reports from **purchasing managers** of improving conditions in manufacturing remained broad-based in



August, indicating future improvement in manufacturing output is likely. The PMI® increased from 56.3 to a 76-month high of 58.8 for the twelfth consecutive month above the neutral level of 50. At 60.3 and 61.0, respectively, the New Orders and Production sub-indexes remained near recent highs. With the exception of the sub-index for Customer Inventories, all other sub-indexes either improved or were little changed, pointing to continued strengthening in the manufacturing sector through the summer.

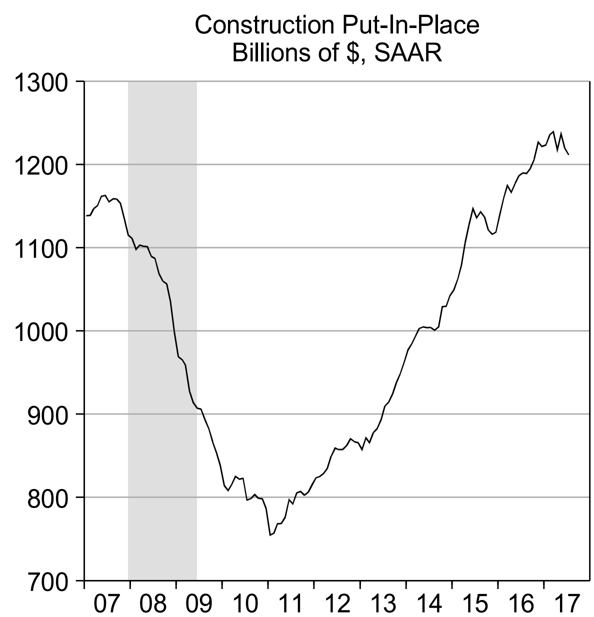
Of the eighteen industries tracked by the Manufacturing ISM® *Report on Business*, fourteen reported growth in the latest month. Among the industries with a disproportionate effect on Ohio manufacturing employment, fabricated metal products, machinery, and transportation equipment all reported expansion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

One respondent in the machinery industry reported, "Demand for light construction equipment continues to be strong; usually at this time of year, demand slackens." A survey participant in the Transportation Equipment industry reported that "Sales remain strong month-to-month."

The depreciation in the foreign exchange value of the **U.S. dollar** appears to be a positive factor for domestic manufacturing. The trade-weighted index decreased by almost 10% from its recent peak in December 2016 to late August. Trade flows appear to have begun to respond to the lower dollar as well as to a pickup in overseas growth, as exports of goods climbed 10.8% from the beginning of 2016 through June 2017. Even excluding exports of petroleum products, which are up significantly over the period, exports have begun to reverse the decline seen during the year and a half ending in January 2016.

Construction

Construction put-in-place decreased 0.6% in July for the third monthly decline in four months. Activity again declined in both the private sector (-0.4%) and the public sector (-1.4%). Compared with a year earlier, total construction was up just 1.8%, reflecting a 4.1% year-over-year increase in private construction and a 5.6% decrease in public construction.



The weakness in **private** construction in July resulted from a 0.8% rise in residential construction that was more than offset by a 1.9% decline in nonresidential construction. Within residential, a 0.8% decline in multi-family was more than offset by a 0.8% rise in single-family and 1.4% rise in improvements. Nonresidential was held back by a large decline in commercial and small declines across all of the other sectors.

The weakness in **public** construction put-in-place reflected a 2.6% decrease in residential and a 1.4% decrease in nonresidential. The weakness in nonresidential was concentrated in a large decline in education, with a mix of small increases and decreases across the other sectors.

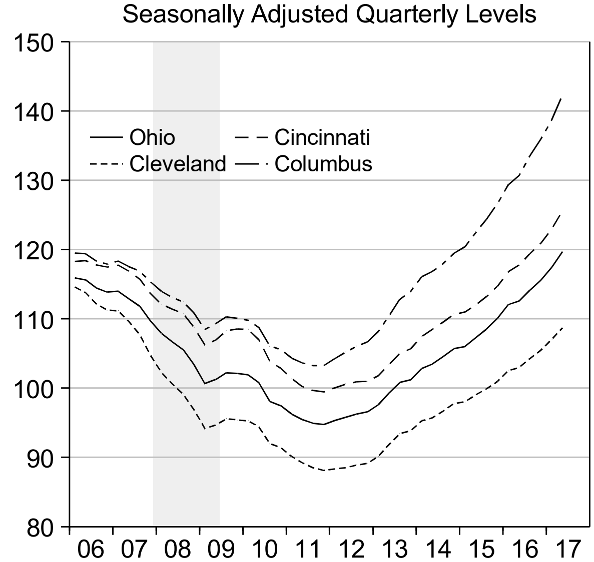
Housing starts remained stalled in July on a 3-month moving average basis. Total starts were unchanged as a 1.3% increase in single-family starts were offset by a 3.1% decrease in multi-family starts. Relatively flat activity in June-July followed three monthly declines in a row during March-May and four in the five months of January-May, all on a 3-month moving average basis.

Total starts sank across the Midwest in July after a strong 14.3% increase in June. Single-family increased 0.5%, but was more than offset by a 13.1% drop in multi-family starts, which had increased 30.4% in June. Compared with a year earlier, Midwest starts were still 3.7% higher due to a 22.2% year-over-year rise in single-family that outweighed a 25.7% decline in multi-family. More-forward-looking housing permits were equally lackluster in July, down 0.1% across the country on a 3-month moving average basis and down 3.7% across the Midwest.

Home sales are still being constrained by supply, according to reports. Existing home sales fell 0.7% in July, falling to the lowest level since last October on a 3-month moving average basis. In the Midwest, existing home sales fell 2.8%. New home sales followed the same pattern, decreasing 1.0% nationally and 2.0% in the Midwest. Compared with a year earlier, both existing and new home sales were higher across the country and lower in the Midwest on a 3-month moving average basis.

Home prices across the country posted their 64^{th} consecutive monthly increase in June, rising by 0.4% to 5.8% above the year earlier level, according to the Case-Shiller index. According to the Freddie Mac index, home prices increased 1.7% in the second quarter to 6.8% above the year earlier level. In comparison, prices across Ohio increased 1.9% in the quarter and 6.3% from a year ago. In major metro areas in Ohio, prices increased 2.1% in the quarter and 6.6% from a year ago in Cincinnati; 1.6% in the quarter and 5.6% from a year ago in Cleveland; and 2.6% in the quarter and 8.9% from a year ago in Columbus, after seasonal adjustment.

Freddie Mac Home Price Indexes
Seasonally Adjusted Quarterly Levels



REVENUES

August **GRF receipts totaled $2,638.9 million** and were $28.8 million (1.1%) above the estimate. Monthly tax receipts totaled $1,968.8 million and were $25.8 million (1.3%) above the estimate, while non-tax receipts totaled $670.2 million and were $3.0 million (0.5%) above the estimate. Transfers in were only $17,000 against an estimate of zero. Variances for the fiscal year-to-date by category are provided in the following table ($ in millions).

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	$23.6 million	0.7%
Non-tax receipts	Federal grants, earnings on investments, licenses & fees, other income, intrastate transfers	$3.0 million	0.2%
Transfers	Budget stabilization, liquor transfers, capital reserve, other	$15.1 million	15.7%
TOTAL REVENUE VARIANCE:		**$41.7 million**	**0.7%**
Non-federal revenue variance		**$41.5 million**	**1.1%**
Federal grants variance		**$0.2 million**	**0.0%**

On a year-over-year basis, monthly receipts were $374.8 million (12.4%) below August of the previous fiscal year. Tax revenues increased by $30.4 million (1.6%) from last August, but federal grants and other income fell sharply. Federal grants in the GRF and Medicaid spending are expected to decline from last year, not just in August but for the year as a whole, as an important source of Medicaid funding has shifted from the GRF to a dedicated purpose fund. In fiscal years 2010-2017, Medicaid managed care company premiums were subject to the sales tax and the revenue was deposited into the GRF. This revenue helped support Medicaid spending from the GRF; the subsequent drawdown of federal revenue was therefore also deposited into the GRF. Beginning in fiscal year 2018, the sales tax no longer applies to Medicaid managed care premiums. Instead, a new federally approved Medicaid related provider tax on member months of managed care companies is levied. Receipts from this tax, as is the case with all other Medicaid related health care provider taxes, go into a dedicated purpose fund and help support Medicaid spending. The federal dollars drawn down by the disbursement of these non-GRF funds are deposited into a dedicated federal fund, not the GRF. This change will reduce non-auto sales tax receipts, GRF Medicaid spending, and related federal grant revenue in fiscal year 2018.

The increase from last August in tax receipts was due primarily to the commercial activity tax (CAT), which was $40.3 million (16.0%) higher than last August, and the income tax, which grew by $34.5 million (5.3%). The non-auto sales tax decreased by $50.2 million (6.9%). Again, this is due to the elimination of the sales tax on managed care Medicaid premiums. This will distort year-over-year comparisons throughout fiscal year 2018 (July was the exception, since the last tax revenues were received in July, based on June premiums).

GRF Revenue Sources Relative to Monthly Estimates – August 2017

($ in millions)

Individual Revenue Sources Above Estimate		**Individual Revenue Sources Below Estimate**	
Auto Sales Tax	$10.7	Commercial Activity Tax	($2.2)
Non-Auto Sales Tax	$9.0	Kilowatt Hour Tax	($1.2)
Personal Income Tax	$5.5	Natural Gas Distribution Tax	($1.0)
Other Income	$3.4	Other Sources Below Estimate	($1.9)
Cigarette and Other Tobacco Tax	$1.6		
Alcoholic Beverage Tax	$1.2		
Financial Institutions Tax	$1.2		
Other Sources Above Estimate	$2.5		
Total above	**$35.1**	**Total below**	**($6.3)**

(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

July non-auto sales and use tax collections totaled $681.5 million and were $9.0 million (1.3%) above estimate. This partly offset the $26.8 million shortfall from July, so that for the year, collections are $17.8 million (1.2%) below estimate.

The non-auto sales tax underperformed the estimates by $187 million (2.0%) in fiscal year 2017. Growth for fiscal year 2017 was only 2.4%. As a result, OBM sharply scaled back growth estimates for this tax in fiscal year 2018. After one adjusts for sales tax collections from Medicaid Health Insuring Corporations (MHICs), estimated growth for all of fiscal year 2018 is only 2.5%.

July was the last month of MHIC sales tax collections. Beginning in August, the sales tax on MHIC capitation payments was replaced by a Medicaid related provider tax on member months of both Medicaid and non-Medicaid managed care companies, which is being deposited into a non-GRF dedicated purpose fund. As a result, non-auto sales tax collections are expected to be negative relative to fiscal year 2017 in all of the remaining 11 months of fiscal year 2018.

August is the first example of decreases relative to the prior year due to the elimination of the sales tax on capitation payments for Medicaid managed care. August collections were $50.2 million (6.9%) below last year's level.

The table below shows that, if one subtracts MHIC collections from both fiscal year 2017 and fiscal year 2018, August growth was actually 2.4%. Weak July performance has held year-to-date growth down to 0.9%.

Non-Auto Sales Tax Revenue Growth Without MHIC– July and August

($ in millions)

	Jul-16	Aug-16	FY 17 YTD	Jul-17	Aug-17	FY 18 YTD
Non-auto sales tax GRF	$837.6	$730.3	$1,567.9	$842.1	$681.5	$1,523.6
Non-auto sales tax PLF (Library Fund)	$18.5	$14.2	$32.6	$19.0	$14.6	$33.6
Non-auto sales tax, all funds	$856.1	$744.4	$1,600.5	$861.1	$696.1	$1,557.2
MHIC revenues (state)	$64.3	$64.4	$128.7	$71.7	$0.0	$71.7
GRF and PLF revenues without MHIC	$791.8	$680.1	$1,471.8	$789.4	$696.1	$1,485.5
Change from prior year in non-MHIC collections				-$2.4	$16.0	$13.7
Pct. change from prior year in non-MHIC collections				-0.3%	2.4%	0.9%

Auto Sales Tax

Auto sales tax collections in August were $135.7 million, which was $10.7 million (8.6%) above estimate. Collections were $2.4 million (1.8 %) above last August's level.

The August overage in the auto sales tax more than offset the $1.5 million July shortfall and collections for the year are now $9.2 million (3.8%) above estimate. For the year, revenues have grown by $3.6 million (1.5%) from last year.

For fiscal year 2018 as a whole, auto sales tax collections are expected to decline by 2.5%, as unit sales of new autos are not expected to reach fiscal year 2017 levels. As noted in last month's issue of this report, the estimates for fiscal year 2018 anticipate year-over-year declines in 9 of the 12 months. However, there has been modest growth in collections in July and August, contrary to expectations.

At the national level, new vehicle sales this July and August were 16.8 million and 16.1 million units, respectively, representing significant drops from the 17.4 million and 17.5 million sales pace of the same months last year. The drop in light trucks has been smaller, which would tend to mitigate sales tax revenue drops since trucks tend to be more expensive, but it remains to be seen whether the sales tax can continue to grow with reductions in new unit sales.

Personal Income Tax

August personal income tax receipts totaled $692.0 million and were $5.5 million (0.8%) above estimate.

Most payment categories performed well in August, and withholding was again the best performer, coming in above estimate by $8.8 million (1.2%). Refunds were the only significant negative coming in $4.8 million (15.1%) above estimate. However, since refunds were below estimate in July, they are still below estimate by $1.5 million (1.5%) for the year.

After above estimate collections in both July and August, withholding collections are $26.5 million (1.9%) above estimate. This is a reversal of the pattern from fiscal year 2017, when withholding ran below estimate by about 3% for most of the year (although the final shortfall was somewhat smaller at -2.7%). Total income tax collections for the year are $34.7 million (2.8%) above estimate.

On a year-over-year basis, August GRF income tax collections were $34.5 million (5.3%) above August 2016 collections. For the year, collections are up by $93.0 million (7.8%). All payment categories have improved from last year, except for annual return payments, and the decline there has been less than $1 million.

FY2018 PERSONAL INCOME TAX RECEIPTS BY COMPONENT ($ in millions)

	Estimate Aug	Actual Aug	$ Var Aug	Actual Aug-2017	Actual Aug-2016	$ Var Y-0ver-Y
Withholding	$720.3	$729.1	$8.8	$729.1	$692.6	$36.5
Quarterly Est.	$9.6	$11.0	$1.4	$11.0	$9.6	$1.4
Trust Payments	$0.3	$0.5	$0.2	$0.5	$0.3	$0.2
Annual Returns & 40 P	$8.9	$9.6	$0.7	$9.6	$8.9	$0.7
Other	$7.9	$7.3	($0.6)	$7.3	$7.7	($0.4)
Less: Refunds	-$31.8	-$36.6	($4.8)	($36.6)	($34.0)	($2.6)
Local Distr.	($28.7)	($28.8)	($0.1)	($28.8)	($27.7)	($1.1)
Net to GRF	$686.5	$692.0	$5.5	$692.0	$657.4	$34.6

Commercial Activity Tax

Commercial activity tax (CAT) August receipts deposited in the GRF totaled $291.2 million and were $2.2 million (0.7%) below the estimate. However, due above estimate collections in July of $9.7 million, receipts for the year are $7.5 million (2.2%) above estimate.

The first quarterly payment of fiscal year 2018 was due on August 10. Some businesses file and pay in July, so combined July and August net collections provide a more accurate picture of quarterly performance than August by itself (there are also late payments in September, but these are much smaller, around $10 million, and don't affect the quarterly total much).

For the year, GRF CAT receipts are $55.0 million (18.9%) above collections for the first two months of last year. This increase is partly due to a change in the allocation method contained in H.B. 49 (the biennial budget bill) that increased the GRF share of CAT receipts from 75 percent to 85 percent.

We can decompose the GRF increase into a total collections increase and a law change impact by looking at all funds CAT receipts. All funds collections have increased by $18.7 million (4.8%), growing from $390.6 million to $409.3 million. The GRF would have received an additional $14.4 million from that increase: the other $40.6 million is due to the change in the GRF percentage.

Cigarette and Other Tobacco Products Tax

Cigarette and other tobacco collections bounced back from their $7.6 million July shortfall in August, as collections were $1.6 million (1.9%) above estimate. This brought the year to date shortfall down to $6.0 million (5.5%). OBM continues to believe that this variance is a timing issue and not a source of concern.

GRF Non-Tax Receipts

GRF non-tax receipts totaled $670.2 million in August and were above estimate by $3.0 million (0.5%). Other income drove the overage, as this category was $3.4 million above estimate.

As discussed in the introductory section of this report, federal grants were almost exactly at the estimate, although they were $363.2 million (35.5%), below last year's level. As stated earlier, both GRF Medicaid spending and GRF federal revenues are expected to decrease significantly this year due to the elimination of the sales tax on Medicaid managed care payments and its replacement by a new tax whose revenues are not deposited in the GRF, and whose associated federal matching dollars are also not deposited in the GRF. For fiscal year 2018 as a whole, federal revenues are expected to decrease by $2.02 billion, or 17.2%.

Another factor depressing GRF federal grants in August is that in fiscal year 2018 GRF Medicaid spending and revenues will follow a somewhat different pattern than in prior years. To be specific, spending from non-GRF sources (sometimes referred to as "GRF offsets) will be spread more evenly throughout the year rather than concentrated in the last two months of the fiscal year. This means that, relative to fiscal year 2017, even setting aside the overall drop due to the replacement of the Medicaid sales tax, earlier months in the year will show lower GRF Medicaid spending and federal grants revenue than before.

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Table 1
GENERAL REVENUE FUND RECEIPTS
ACTUAL FY 2018 VS ESTIMATE FY 2018
($ in thousands)

REVENUE SOURCE	MONTH ACTUAL AUGUST	MONTH ESTIMATE AUGUST	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	681,506	672,500	9,006	1.3%	1,523,626	1,541,400	(17,774)	-1.2%
Auto Sales & Use	135,726	125,000	10,726	8.6%	249,191	240,000	9,191	3.8%
Subtotal Sales & Use	817,232	797,500	19,732	2.5%	1,772,817	1,781,400	(8,583)	-0.5%
Personal Income	691,984	686,500	5,484	0.8%	1,290,495	1,255,800	34,695	2.8%
Corporate Franchise	1,133	0	1,133	N/A	2,304	0	2,304	N/A
Financial Institutions Tax	1,653	500	1,153	230.6%	2,658	800	1,858	232.3%
Commercial Activity Tax	291,227	293,400	(2,173)	-0.7%	345,222	337,700	7,522	2.2%
Petroleum Activity Tax	0	0	0	N/A	0	0	0	N/A
Public Utility	27,280	26,100	1,180	4.5%	27,336	26,100	1,236	4.7%
Kilowatt Hour	33,509	34,700	(1,191)	-3.4%	57,840	62,900	(5,060)	-8.0%
Natural Gas Distribution	10,160	11,200	(1,040)	-9.3%	11,327	12,400	(1,073)	-8.7%
Foreign Insurance	(351)	300	(651)	-216.9%	123	600	(477)	-79.5%
Domestic Insurance	0	300	(300)	N/A	57	3,700	(3,643)	-98.5%
Other Business & Property	(374)	0	(374)	N/A	(374)	0	(374)	N/A
Cigarette and Other Tobacco	85,712	84,100	1,612	1.9%	101,839	107,800	(5,961)	-5.5%
Alcoholic Beverage	5,469	4,300	1,169	27.2%	10,849	10,000	849	8.5%
Liquor Gallonage	4,096	4,100	(4)	-0.1%	8,152	7,900	252	3.2%
Estate	31	0	31	N/A	33	0	33	N/A
Total Tax Receipts	1,968,761	1,943,000	25,761	1.3%	3,630,678	3,607,100	23,578	0.7%
NON-TAX RECEIPTS								
Federal Grants	659,316	659,113	202	0.0%	1,928,705	1,928,502	202	0.0%
Earnings on Investments	0	0	0	N/A	0	0	0	N/A
License & Fees	5,438	6,020	(582)	-9.7%	5,777	6,350	(573)	-9.0%
Other Income	5,409	2,000	3,409	170.4%	5,846	2,430	3,416	140.6%
ISTV'S	0	0	0	N/A	0	0	0	N/A
Total Non-Tax Receipts	670,162	667,133	3,029	0.5%	1,940,328	1,937,282	3,045	0.2%
TOTAL REVENUES	**2,638,923**	**2,610,133**	**28,789**	**1.1%**	**5,571,006**	**5,544,382**	**26,624**	**0.5%**
TRANSFERS								
Budget Stabilization	0	0	0	N/A	0	0	0	N/A
Transfers In - Other	17	0	17	N/A	111,347	96,229	15,118	15.7%
Temporary Transfers In	0	0	0	N/A	0	0	0	N/A
Total Transfers	17	0	17	N/A	111,347	96,229	15,118	15.7%
TOTAL SOURCES	**2,638,940**	**2,610,133**	**28,806**	**1.1%**	**5,682,353**	**5,640,611**	**41,742**	**0.7%**

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Table 2

GENERAL REVENUE FUND RECEIPTS
ACTUAL FY 2018 VS ACTUAL FY 2017
($ in thousands)

REVENUE SOURCE	MONTH AUGUST FY 2018	MONTH AUGUST FY 2017	MONTH $ VAR	MONTH % VAR	YEAR-TO-DATE ACTUAL FY 2018	YEAR-TO-DATE ACTUAL FY 2017	YEAR-TO-DATE $ VAR	YEAR-TO-DATE % VAR
TAX RECEIPTS								
Non-Auto Sales & Use	681,506	731,655	(50,150)	-6.9%	1,523,626	1,569,242	(45,616)	-2.9%
Auto Sales & Use	135,726	133,347	2,379	1.8%	249,191	245,589	3,602	1.5%
Subtotal Sales & Use	817,232	865,003	(47,771)	-5.5%	1,772,817	1,814,831	(42,014)	-2.3%
Personal Income	691,984	657,448	34,536	5.3%	1,290,495	1,197,516	92,979	7.8%
Corporate Franchise	1,133	(482)	1,614	335.2%	2,304	(298)	2,602	873.7%
Financial Institutions Tax	1,653	470	1,183	251.7%	2,658	773	1,885	243.8%
Commercial Activity Tax	291,227	250,973	40,255	16.0%	345,222	290,252	54,969	18.9%
Petroleum Activity Tax	0	0	0	N/A	0	0	0	N/A
Public Utility	27,280	23,304	3,976	17.1%	27,336	23,382	3,954	16.9%
Kilowatt Hour	33,509	34,249	(740)	-2.2%	57,840	60,347	(2,507)	-4.2%
Natural Gas Distribution	10,160	10,773	(613)	-5.7%	11,327	11,918	(590)	-5.0%
Foreign Insurance	(351)	350	(700)	-200.3%	123	662	(539)	-81.4%
Domestic Insurance	0	2	(2)	N/A	57	2,370	(2,313)	-97.6%
Other Business & Property	(374)	0	(374)	N/A	(374)	5	(379)	-8420.0%
Cigarette and Other Tobacco	85,712	87,101	(1,389)	-1.6%	101,839	110,567	(8,728)	-7.9%
Alcoholic Beverage	5,469	5,138	331	6.4%	10,849	10,818	32	0.3%
Liquor Gallonage	4,096	4,067	29	0.7%	8,152	7,954	198	2.5%
Estate	31	(16)	47	296.8%	33	(17)	49	292.7%
Total Tax Receipts	1,968,761	1,938,380	30,381	1.6%	3,630,678	3,531,079	99,600	2.8%
NON-TAX RECEIPTS								
Federal Grants	659,316	1,022,537	(363,222)	-35.5%	1,928,705	2,191,259	(262,554)	-12.0%
Earnings on Investments	0	0	0	N/A	0	0	0	N/A
License & Fee	5,438	6,879	(1,442)	-21.0%	5,777	7,701	(1,924)	-25.0%
Other Income	5,409	36,947	(31,538)	-85.4%	5,846	37,610	(31,764)	-84.5%
ISTV'S	0	78	(78)	N/A	0	105	(105)	N/A
Total Non-Tax Receipts	670,162	1,066,442	(396,280)	-37.2%	1,940,328	2,236,675	(296,348)	-13.2%
TOTAL REVENUES	**2,638,923**	**3,004,822**	**(365,899)**	**-12.2%**	**5,571,006**	**5,767,754**	**(196,748)**	**-3.4%**
TRANSFERS								
Budget Stabilization	0	0	0	N/A	0	0	0	N/A
Transfers In - Other	17	8,893	(8,876)	-99.8%	111,347	13,893	97,454	701.5%
Temporary Transfers In	0	0	0	N/A	0	0	0	N/A
Total Transfers	17	8,893	(8,876)	**-99.8%**	111,347	13,893	97,454	701.5%
TOTAL SOURCES	**2,638,940**	**3,013,715**	**(374,775)**	**-12.4%**	**5,682,353**	**5,781,647**	**(99,294)**	**-1.7%**

DISBURSEMENTS

August GRF disbursements, across all uses, totaled $2,539.0 million and were $169.8 million (97.2%) above estimate. This was primarily attributable to higher than estimated disbursements in the Property Tax Reimbursements, Transfers Out, and Health and Human Services categories. On a year-over-year basis, August total uses were $486.0 million (16.1%) lower than those of the same month in the previous fiscal year, with the Medicaid 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)	$157.3 million	2.7%
Transfers	Temporary or permanent transfers out of the GRF that are not agency expenditures	$12.5 million	27.3%
TOTAL DISBURSEMENTS VARIANCE:		**$169.8 million**	**2.8%**

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. August disbursements for this category totaled $658.8 million and were $14.0 million (2.1%) below estimate. This variance was primarily attributable to below estimated spending in the early childhood education, special education enhancements, and foundation funding line items. Disbursements in the early childhood education line item were below estimate due to grantees drawing down prior year awards at a slower pace than anticipated. Additionally, disbursements in the special education enhancements and foundation funding line items were below estimate due to fiscal year 2017 reconciliation payments being less than projected. Expenditures for the school foundation program totaled $609.0 million and were $8.2 million (1.3%) below estimate. Year-to-date disbursements were $1,440.8 million, which is $13.9 million (1.0%) below estimate.

On a year-over-year basis, disbursements in the Primary and Secondary Education category were $45.3 million (6.4%) lower than for the same month in the previous fiscal year while year-to-date expenditures were $2.2 million (0.2%) lower than the same point in fiscal year 2017.

Higher Education

August disbursements for the Higher Education category, which includes non-debt service GRF spending by the Department of Higher Education, were $180.1 million and were $0.2 million (0.1%) above estimate. This slight variance was primarily attributable to disbursements for the Central State Agricultural Research and Development and Cooperative Extension Services programs, which were $1.9 million above estimate because federal funds were provided earlier than anticipated, requiring a state match. This variance was partially offset by disbursements for the Ohio College Opportunity Grant Scholarship Program, which were $1.1 million below estimate as a result of lower than expected requests for reimbursement from higher education institutions.

Year-to-date disbursements were $350.4 million, which was $0.2 million (0.04%) above estimate. On a year-over-year basis, disbursements in this category were $12.9 million (6.7%) lower than for the same month in the previous fiscal year while year-to-date expenditures were $23.2 million (6.2%) lower than at the same point in fiscal year 2017.

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.

August disbursements in this category totaled $6.7 million and were $1.0 million (13.3%) below estimate. Year-to-date disbursements were $14.6 million, which was $1.0 million (6.5%) below estimate. On a year-over-year basis, disbursements in this category were $0.3 million (4.4%) lower than for the same month in the previous fiscal year while year-to-date expenditures were $0.7 million (4.4%) lower than at the same point in fiscal year 2017.

Medicaid

This category includes all Medicaid spending on services and program support by the following eight 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, the Department of Aging, the Department of Education, and the State Board of Pharmacy.

<u>Expenditures</u>
August GRF disbursements for the Medicaid Program totaled $980.7 million and were $3.9 million (0.4%) below the estimate, and $547.7 million (35.8%) below disbursements for the same month in the previous fiscal year. This year-over-year variance occurs as the State has replaced the sales tax on Medicaid health insuring corporations (MHIC) with a broad-based provider tax on all health insuring corporations (HIC), as approved by the federal Center for Medicare and Medicaid Services (CMS). Consequently, some Medicaid expenses previously paid from the GRF, where the sales tax was being deposited, are now being paid from state dedicated purpose funds, where the provider tax is deposited. Year-to-date GRF disbursements totaled $2,952.8 million and were $3.9 million (0.1%) below the estimate and $275.8 million (8.5%) below disbursements for the same point in the previous fiscal year.

August all funds disbursements for the Medicaid Program totaled $2,396.2 million and were $98.8 million (4.0%) below the estimate and $354.9 million (17.4%) above disbursements for the same month in the previous fiscal year. Year-to-date all funds disbursements totaled $4,620.0 million and were $98.8 million (2.1%) below the estimate and $708.2 million (18.1%) above disbursements for the same point in the previous fiscal year.

The August all funds variance is due primarily to under-spending in the fee-for-service program. Department of Developmental Disabilities (DDD) service costs were below estimate, as certain payments were not completed in August, but will be completed in coming months. Additionally, Hospital Care Assurance Program (HCAP) and Medicare Premium Assistance payments were lower than anticipated in August. Program administration also under-spent in August as contractual service costs were lower than anticipated.

The year-to-date all funds variance is as described above. This is because the July report used actual expenditures, while disbursement estimates for fiscal year 2018 were being developed.

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

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

	August Actual	August Projection	Variance	Variance %
GRF	$ 980.7	$ 984.6	$ (3.9)	-0.4%
Non-GRF	$ 1,415.5	$ 1,510.4	$ (94.9)	-6.3%
All Funds	$ 2,396.2	$ 2,495.0	$ (98.8)	-4.0%

<u>Enrollment</u>

Total August enrollment across all categories was 3.08 million. The most significant components are the Covered Families and Children/Modified Adjusted Gross Income (CFC/MAGI) category, which decreased by 10,065 persons to an August total of 2.43 million persons, and the Aged, Blind and Disabled (ABD) category, which increased by 10,102 persons to an August total of 494,442 covered lives.

Total enrollment across all categories for the same period last year was 3.04 million covered persons, including 2.53 million persons in the CFC/MAGI category and 370,931 people in the ABD category. Although total enrollment has only grown slightly from the same period a year ago, enrollment in the ABD category has increased as counties and the Department of Medicaid implement more precise protocols in assigning people to their appropriate eligibility 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.

August disbursements in this category totaled $106.3 million and were $11.5 million (12.2%) above estimate. Year-to-date disbursements were $227.8 million, which was $11.5 million (5.3%) above estimate. On a year-over-year basis, disbursements in this category were $15.2 million (16.7%) higher than for the same month in the previous fiscal year while year-to-date expenditures were $10.8 million (5.0%) higher than at the same point in fiscal year 2017.

Department of Job and Family Services
August disbursements for the Department of Job and Family Services totaled $43.1 million and were $7.9 million (22.6%) above estimate. This variance is primarily attributable disbursements for Child Care State/Maintenance of Effort, which were $15.7 million above an estimate of zero due to child care services that were paid out earlier than estimated in order to fully leverage the Child Care Development Fund (CCDF) federal matching component. This variance was partially offset by variances in several other line items. Disbursements for the Child Support-Local line item were $1.9 million (46.0%) below estimate due to lower than estimated county spending in August. Disbursements for the Children and Families subsidy were $1.3 million (37.2%) below estimate due to lower than estimated disbursements for the Foster Care to 21 program. Disbursements for Families and Children Programs were $1.3 million (65.7%) below estimate due to the timing of payments. Finally, Program Support disbursements were $1.1 million (37.4%) below estimate due to lower than anticipated administrative costs.

Department of Mental Health and Addiction Services
August disbursements for the Department of Mental Health and Addiction Services totaled $47.5 million and were $5.7 million (13.6%) above estimate. This variance is primarily attributable to the Hospital Services line item, which was $4.6 million (29.3%) above estimate due to two large payments, one for pharmacy services and one for food services, that were scheduled to occur in July but occurred in August. Additionally, the Criminal Justice Services line item was $1.7 million (107.0%) above estimate due to earlier than estimated disbursement of subsidy to local communities. Finally, the Specialized Docket Support line item was $1.2 million (43.0%) above estimate due to quicker than anticipated grant application and approval relative to agency estimates that were based on the previous fiscal year's actuals. The increased efficiency of the process is in part attributable to familiarity with the grant management system, which was new last fiscal year.

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.

August disbursements in this category totaled $158.6 million and were $1.3 million (0.8%) below estimate. Year-to-date disbursements were $432.1 million, which was $1.3 million (0.3%) below estimate. On a year-over-year basis, disbursements in this category were $8.8 million (5.9%) higher than for the same month in the previous fiscal year while year-to-date expenditures were $20.8 million (5.1%) higher than at the same point in fiscal year 2017.

Department of Rehabilitation and Correction

August disbursements for the Department of Rehabilitation and Correction totaled $127.1 million and were $1.0 million (0.8%) above estimate. This variance was primarily attributable to higher than estimated disbursements for Community Nonresidential Programs and Community Misdemeanor Programs, which were above estimate due to payments being disbursed in August instead of September as estimated. This variance was partially offset by lower than estimated disbursements for Institutional Operations and Parole and Community Operations due to the timing of prior year encumbrance disbursements.

Department of Youth Services

August disbursements for the Department of Youth Services totaled $8.8 million and were $1.4 million (14.0%) below estimate. This variance was primarily attributable to the timing of payments for personal service contracts and prior year encumbrances.

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.

August disbursements in this category totaled $29.0 million and were $3.8 million (11.5%) below estimate. Year-to-date disbursements were $73.0 million, which was $3.8 million (4.9%) below estimate. On a year-over-year basis, disbursements in this category were $14.5 million (33.4%) lower than for the same month in the previous fiscal year while year-to-date expenditures were $4.1 million (5.3%) lower than at the same point in fiscal year 2017.

Department of Administrative Services

August disbursements for the Department of Administrative Services totaled $4.0 million and were $1.9 million (32.4%) under estimate. This variance was attributable to the timing of quarterly rent payments for certain GRF-supported agencies, as most payments occurred as planned in August while the remainder will occur in September.

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. August property tax reimbursements totaled $235.1 million and were $169.7 million (259.2%) above estimate. Year-to-date disbursements totaled $238.3 million and were $169.7 million (247.3%) above estimate. The monthly and year-to-date variances are due to reimbursement requests being received from counties earlier than anticipated.

Debt Service

August payments for debt service totaled $126.2 million and were $0.1 million (0.1%) below estimate. Year-to-date debt service payments were $354.6 million and were $0.1 million below estimate.

Transfers Out

August transfers out totaled $57.6 million and were $12.5 million (27.6%) above estimate. Year-to-date transfers out were $58.1 million and were $12.5 million (27.3%) above estimate. The monthly variance is primarily attributable to the reversal of a July transfer in which was made in error.

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Table 3

GENERAL REVENUE FUND DISBURSEMENTS
ACTUAL FY 2018 VS ESTIMATE FY 2018
($ in thousands)

Functional Reporting Categories Description	MONTH ACTUAL AUGUST	MONTH ESTIMATED AUGUST	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	658,789	672,742	(13,953)	-2.1%	1,440,759	1,454,711	(13,953)	-1.0%
Higher Education	180,074	179,921	153	0.1%	350,429	350,276	153	0.0%
Other Education	6,660	7,678	(1,019)	-13.3%	14,611	15,630	(1,019)	-6.5%
Medicaid	980,688	984,625	(3,937)	-0.4%	2,952,828	2,956,764	(3,937)	-0.1%
Health and Human Services	106,282	94,746	11,536	12.2%	227,840	216,302	11,538	5.3%
Justice and Public Protection	158,607	159,880	(1,272)	-0.8%	432,140	433,419	(1,279)	-0.3%
General Government	29,029	32,794	(3,765)	-11.5%	72,996	76,761	(3,765)	-4.9%
Property Tax Reimbursements	235,148	65,460	169,688	259.2%	238,306	68,618	169,688	247.3%
Capital Outlay	0	0	0	N/A	0	0	0	N/A
Debt Service	126,151	126,239	(87)	-0.1%	354,628	354,716	(87)	0.0%
Total Expenditures & ISTV's	**2,481,428**	**2,324,084**	**157,344**	**6.8%**	**6,084,537**	**5,927,198**	**157,339**	**2.7%**
Transfers Out:								
BSF Transfer Out	0	0	0	N/A	0	0	0	N/A
Operating Transfer Out	57,595	45,141	12,454	27.6%	58,095	45,641	12,454	27.3%
Temporary Transfer Out	0	0	0	N/A	0	0	0	N/A
Total Transfers Out	**57,595**	**45,141**	**12,454**	**27.6%**	**58,095**	**45,641**	**12,454**	**27.3%**
Total Fund Uses	**2,539,023**	**2,369,225**	**169,798**	**7.2%**	**6,142,632**	**5,972,839**	**169,793**	**2.8%**

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Table 4

GENERAL REVENUE FUND DISBURSEMENTS
ACTUAL FY 2018 VS ACTUAL FY 2017
($ in thousands)

	MONTH				YEAR-TO-DATE			
Functional Reporting Categories Description	**AUGUST FY 2018**	**AUGUST FY 2017**	**$ VAR**	**% VAR**	**ACTUAL FY 2018**	**ACTUAL FY 2017**	**$ VAR**	**% VAR**
Primary and Secondary Education	658,789	704,111	(45,321)	-6.4%	1,440,759	1,442,926	(2,167)	-0.2%
Higher Education	180,074	192,926	(12,852)	-6.7%	350,429	373,603	(23,174)	-6.2%
Other Education	6,660	6,968	(308)	-4.4%	14,611	15,285	(673)	-4.4%
Medicaid	980,688	1,528,406	(547,718)	-35.8%	2,952,828	3,228,650	(275,822)	-8.5%
Health and Human Services	106,282	91,076	15,206	16.7%	227,840	216,993	10,847	5.0%
Justice and Public Protection	158,607	149,807	8,800	5.9%	432,140	411,340	20,800	5.1%
General Government	29,029	43,556	(14,526)	-33.4%	72,996	77,092	(4,096)	-5.3%
Property Tax Reimbursements	235,148	135,422	99,726	73.6%	238,306	135,496	102,810	75.9%
Capital Outlay	0	0	0	N/A	0	0	0	N/A
Debt Service	126,151	130,240	(4,089)	-3.1%	354,628	374,645	(20,017)	-5.3%
Total Expenditures & ISTV's	**2,481,428**	**2,982,512**	**(501,083)**	**-16.8%**	**6,084,537**	**6,276,030**	**(191,493)**	**-3.1%**
Transfers Out:								
BSF Transfer	0	0	0	N/A	0	29,483	(29,483)	N/A
Operating Transfer Out	57,595	42,509	15,086	35.5%	58,095	212,247	(154,152)	-72.6%
Temporary Transfer Out	0	0	0	N/A	0	0	0	N/A
Total Transfers Out	**57,595**	**42,509**	**15,086**	35.5%	**58,095**	**241,730**	**(183,635)**	**-76.0%**
Total Fund Uses	**2,539,023**	**3,025,021**	**(485,998)**	**-16.1%**	**6,142,632**	**6,517,760**	**(375,128)**	**-5.8%**

FUND BALANCE

Table 5 describes the estimated General Revenue Fund (GRF) unencumbered ending fund balance for FY 2018. Based on the estimated revenue sources for FY 2018 and the estimated FY 2018 disbursements, transfers, and encumbrances, the GRF unencumbered ending fund balance for FY 2018 is an estimated $273,723.3 million.

The GRF unencumbered ending fund balance should not be considered as a balance available for expenditure in FY 2018 nor should it be considered as equivalent to the FY 2018 surplus calculation as defined in Section 131.44 of the Ohio Revised Code.

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

Table 5
FUND BALANCE
GENERAL REVENUE FUND
FISCAL YEAR 2018
($ in thousands)

July 1, 2016 Beginning Cash Balance*	**$ 557,090**
Plus FY 2018 Estimated Revenues	22,258,300
Plus FY 2018 Estimated Federal Revenues	9,744,042
Plus FY 2018 Estimated Transfers to GRF	271,129
Total Sources Available for Expenditures & Transfers	**32,830,561**
Less FY 2018 Estimated Disbursements**	32,264,198
Less FY 2018 Estimated Total Encumbrances as of June 30, 2018	276,666
Less FY 2018 Estimated Transfers Out	65,974
Total Estimated Uses	**32,606,838**
FY 2018 ESTIMATED UNENCUMBERED ENDING FUND BALANCE	**223,723**

* Includes reservations of $382.6 million for prior year encumbrances. After accounting for these amounts, the estimated unencumbered beginning fund balance for fiscal year 2018 is $170.9 million.

** Disbursements include estimated spending against current year appropriations and prior year encumbrances.

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