OBM

March 12, 2018

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

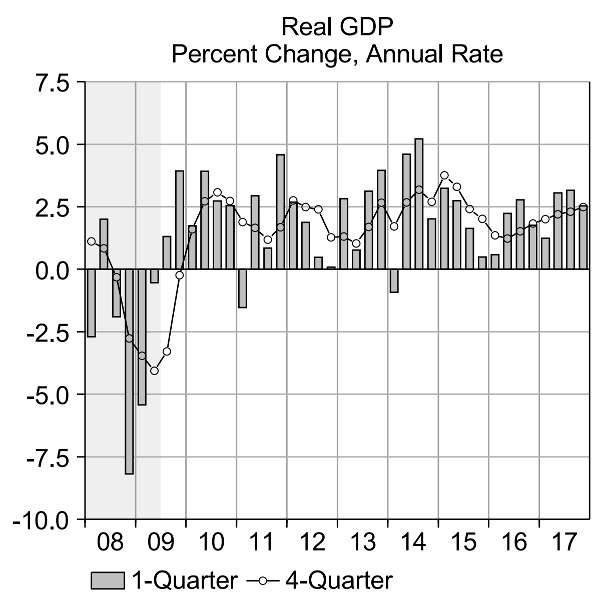
Economic Performance Overview

- The economy grew at a revised 2.5% rate in the fourth quarter after growth in excess of 3% in each of the two previous quarters.
- U.S. employment increased by 313,000 jobs in February to a 3-month average of 242,000 jobs per month. The unemployment rate was at an expansion-low of 4.1% for the fourth straight month.
- Ohio nonfarm payroll employment increased by 12,100 jobs in January, the largest increase since June. Employment increased by 24,600 jobs during the year ending in January.
- The Ohio unemployment rate decreased to 4.7% in January, matching the expansion-low recorded just over two years ago.
- Leading economic indicators remain consistent with uninterrupted economic growth well into 2018.

Economic Growth

Real GDP expanded at a revised annual rate of 2.5% during the fourth quarter, little changed from the initial report of 2.6%. Growth during the previous two quarters exceeded 3%. Growth was 2.5% from the fourth quarter of 2016 to the fourth quarter of 2017 – the best year-over-year growth since 3.3% in the second quarter of 2015.

Growth during the fourth quarter was driven primarily by personal consumption expenditures, which accounted for more than all of the 2.5% growth rate, at 2.58% (2.58 percentage points). Also making positive contributions were exports



(which contributed 0.84 percentage points, or pp), nonresidential fixed investment (0.82pp), residential fixed investment (0.47pp), state and local government spending (0.28pp), and federal government spending (0.21pp).

There were two key factors holding back growth:

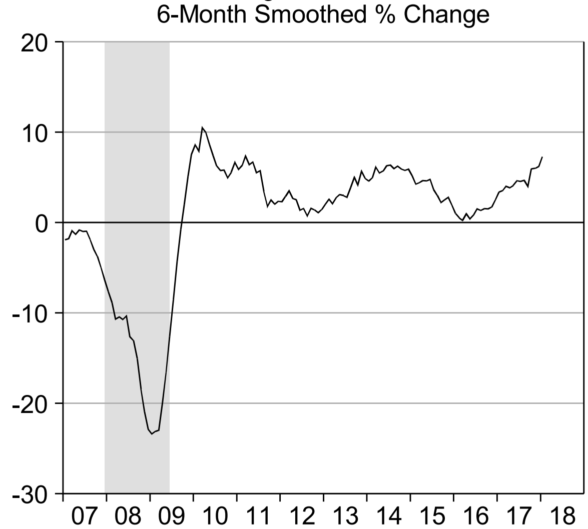
(i) an unexpected decrease in business inventories, which subtracted 0.70pp from growth but seems likely to reverse in the first quarter.

(ii) A large increase in imports, resulting in a subtraction of 1.97pp from the positive contribution of other categories. Imports are first counted as production in other categories and then backed out in a separate line item. Both trade and inventories had added to growth during the previous quarter.

Small businesses across the country reported a highly positive assessment and outlook in January. The Index of Small Business Optimism from the National Federation of Independent Business (NFIB) increased 2.0 points to a level of 106.9 in January – one of the strongest readings in its 45-year history. The highest reading of 108.8 was recorded in 1983. Six of the index's ten components made positive contributions, while only two subtracted.

National leading economic indicators continued to strengthen in January and remain consistent with uninterrupted expansion well into 2018. The Conference Board's composite **Leading Economic Index** increased 1.0% on top of a 0.6% in the previous month. A monthly increase of 1.0% or more is unusually strong. Eight of the ten components of the index increased, led by building permits and the ISM index for new orders. Stock prices also made a substantial positive contribution, although the contribution will turn negative in February due to the decline in equity prices and increase in volatility. The 6-month smoothed rate of change increased to 7.3%, which is the highest since March 2011.

Leading Economic Index
6-Month Smoothed % Change



Source: The Conference Board

The **consensus among forecasters** is that real GDP growth is stable-to-increasing in the first quarter and will continue throughout the year. In particular, the Federal Reserve Bank of Atlanta projects real GDP growth of 3.5% in the first quarter, based on the trajectory of key indicators during the fourth quarter and data available for the first quarter. The Federal Reserve Bank of New York projects growth of 3.1%.

The latest projection from the Survey of Professional Forecasters calls for 3.0% growth. The Blue Chip consensus, which is an average from a different group of forecasters, is 2.7%, with a range of 2.2% to 3.3% from the average of the lowest ten to the highest ten forecasts. The IHS GDP Tracker projection for first-quarter growth is much lower at 1.7%.

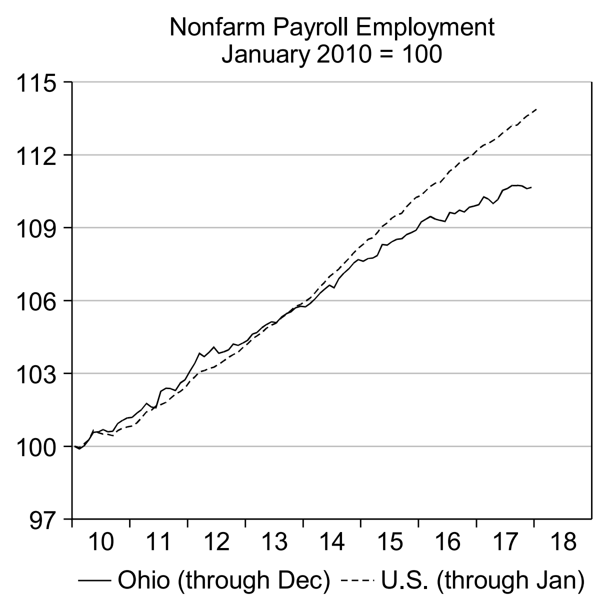
Source	Date	2018-Q1 GDP Forecast
Atlanta FRB (GDPNow)	3/1/18	3.5%
New York FRB (Nowcast)	3/2/18	3.1%
Philadelphia FRB (SPF*)	2/9/18	3.0%
Blue Chip	3/1/18	2.7% (2.2%-3.3%)
IHS	3/2/18	1.7%

*Survey of Professional Forecasters (2nd month of each quarter)

Employment

Nonfarm payrolls across the country increased by 313,000 jobs in February. Private nonfarm payrolls increased by 287,000 jobs. The total change during the previous two months was revised upward by 54,000 jobs. The February change and the average change during the most recent three months (+242,000) were both above the average change of 190,000 jobs per month during the most recent twelve months.

Job gains were widespread across sectors, led by construction (+61,000), retail trade (+50,000), professional and business services (+50,000), and manufacturing (+31,000). Health care (+18,500) accounted for about 80% of the increase in education and health services. The rise in construction was concentrated in specialty trade contracts in residential (+18,600) and nonresidential (+19,000), while the increase in manufacturing occurred exclusively in durable goods (+32,000). The only major sector in which employment declined was information (-12,000), where losses were centered in motion picture and sound recording industries (-9,700) and telecommunications (-2,600). Government employment increased by 26,000 jobs, essentially all in local government education (+26,900).



The **unemployment rate** was unchanged at 4.1% for the fifth month in a row, remaining at its lowest level since December 2000. The broadest measure of unemployment, the U-6 unemployment rate, was unchanged at 8.2%, slightly above the rate in Autumn 2017, but still below the level of last summer, and a full percentage point less than the rate one year ago. 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.

After a larger-than-usual increase the month before, **average hourly earnings** of all employees on private nonfarm payrolls increased 0.1% to 2.6% year-over-year. This is down from the 2.9% year-over-year pace of the prior month, which had sparked concerns that inflation would rise more than previously anticipated.

Labor markets in and around Ohio continued to tighten through late February as demand outstripped supply, according to a regular survey of businesses in the area by the Federal Reserve Bank of Cleveland. Hiring was especially strong in manufacturing and construction, while retailers reported cutting employment in the wake of the holiday shopping season. Companies in the transportation industry also reported trimming payrolls, reflecting a seasonal weakening in demand. Regular turnover and retirements were cited as challenges. Some firms reported raising wages in response to the difficulty attracting workers.

Ohio nonfarm payroll employment increased by 12,100 jobs in January, the largest one month increase since June. The January employment numbers are based on revised BLS data released on March 12, 2018, covering 2016, 2017, and prior periods. Of note, Ohio gained 32,200 jobs during calendar year 2017. Job gains for the month were led by professional and business services (+5,900); government (+3,200), most of which was local government, which added 2,700 jobs; and construction (+2,600). There were job declines in manufacturing (-1,400) and leisure and hospitality (-1,700).

During the twelve months ending in January Ohio employment increased by 24,600 jobs. The largest gains were in manufacturing (+7,600), leisure and hospitality (+7,600), educational and health services (+7,000), financial activities (+6,200), and construction (+6,400). Employment decreased in trade, transportation and utilities (-5,100), led by a 10,400 decline in retail trade; professional and business services (-7,400); government (-1,200); and information (-800).

Labor markets in and around Ohio continued to tighten into early January, according to the Cleveland Fed survey. Construction and services outside of finance reported the strongest activity. Hiring by manufacturers started to trend slowly higher after weakening last spring. Firms commented on the challenge of balancing wage increases in order to attract and retain workers with the difficulty of passing on higher costs to customers.

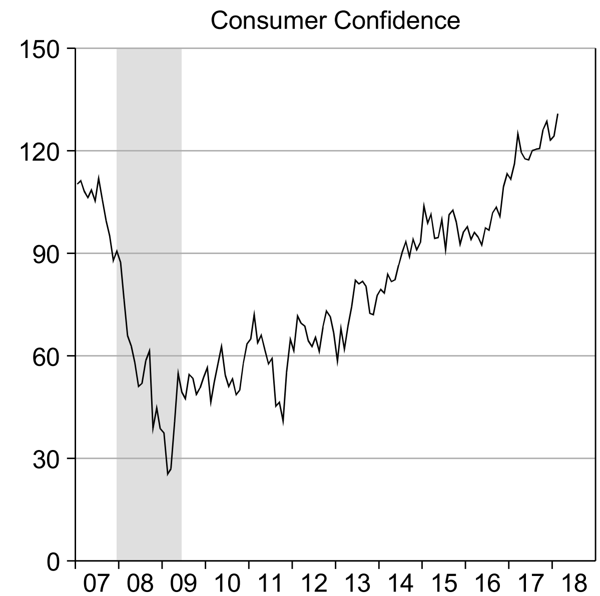
The **Ohio unemployment rate** decreased by 0.2 percentage point to 4.7% in January, matching the expansion-low set in October 2015. The labor force, the number employed, and the number unemployed all declined in January, but the unemployment rate fell because the 9,700 decline in the number of unemployed was much larger than the 4,100 decline in the number employed (note that the number of employed here is from the household survey, and thus differs from the job gain number shown above from the establishment survey). Since the expansion-low for the Ohio unemployment rate, total employment has increased by 76,100 and the labor force has increased by 79,400.

Across the country in January, the unemployment rate decreased notably from the month before in six states (one of which was Ohio) and in the District of Columbia. Ohio, Kentucky, and Mississippi led with 0.2% declines. The other states and D.C. had 0.1% drops. Changes in the unemployment rate in the other forty-four states were not statistically different from zero.

Consumer Income and Consumption

Personal income and spending both continued to grow during January. **Personal income** increased 0.4%, matching the average during the previous six months. A key driver was wage and salary disbursements, which make up more than half of personal income and expanded by 0.5%. Compared with a year earlier, personal income was up 3.8% and wage and salary disbursements rose 4.6%.

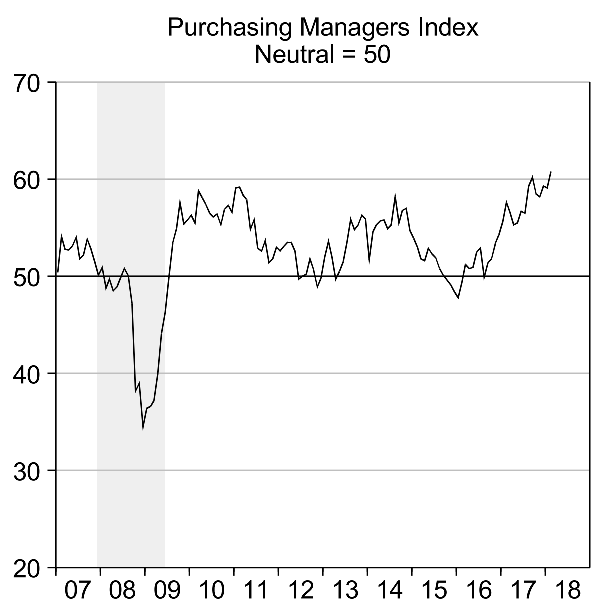
Personal consumption expenditures increased by 0.2%, which was half the gain recorded in the previous month. The weakness was concentrated in durable goods spending, which contracted by 1.5%. Spending for nondurable goods increased 1.0%, and spending for services increased 0.3%. A 3.9% decrease in sales of light motor vehicles to a still-high 17.1 million was behind the decline in durable goods spending. Light motor vehicle sales fell again in February, down 0.6% to just under 17.0 million units at an annual rate.



Perhaps buoyed by tax cuts and despite the abrupt onset of turbulence in financial markets, consumer moods brightened in February. The **Consumer Confidence Index,** from the Conference Board, jumped 6.5 points to its highest level since November 2000, reflecting better assessments of both current and future conditions, but especially current conditions. The University of Michigan/Reuters **Consumer Index of Consumer Sentiment** also increased in February, as assessments of both current and future conditions improved. Sentiment improved across all income levels, but especially among households with annual income above $75,000. Plans to buy homes and nonautomotive durable goods increased, but plans to purchase autos in the next six months declined to a 5-month low.

Industrial Activity

Industrial production decreased by 0.1% in January and levels for previous months were revised downward. **Manufacturing** production was flat for a second month in a row, despite an increase in motor vehicle assemblies. **Mining** output decreased 1.0%, and the previous month's change was revised down from -0.1% to -0.4%. **Utility** output increased 0.6%, following a weather-related jump of 4.6% the month before.



Production across the country in some industries that are key employers in Ohio was mixed. Production increased 1.4% in primary metal and 0.6% in both motor vehicles and machinery, but decreased 0.3% in fabricated metal products. Compared with a year earlier, production increased 8.0% in machinery, 3.4% in fabricated metal products, 1.4% in motor vehicles and parts, and 1.2% in primary metal.

Reports of improving conditions from **purchasing managers** in manufacturing remained widespread in February. The PMI® increased to 60.8 – its highest level since May 2004. The important New Orders and Production sub-indexes retreated modestly after a strong run-up in recent months, but stayed well above 60, supporting expectations of continued growth in the manufacturing sector into the spring and summer.

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: primary metals, machinery, fabricated metal products, and transportation equipment all reported expansion. One respondent in the machinery industry said "[i]t seems the tax break for business is making a difference," while a survey participant in the fabricated metal products industry reported that the "[s]teel market is doing rather well. Everybody is out of what I need."

Construction

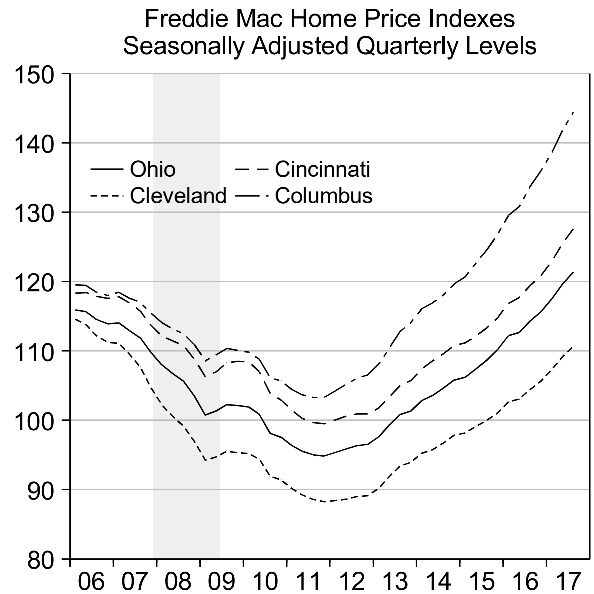
Construction put-in-place was essentially unchanged in January ending the stretch of rapid growth from July to December, during which activity grew at an annualized 9.6%. Private construction contracted 0.5% but public construction increased by 1.8%. Year-over-year growth has slowed substantially within the past year in the private and public sectors and in the residential and nonresidential categories. For example, total construction slowed from 9.2% year-over-year in December 2016 to 3.2% in January 2018. That reflected slowdowns in residential and nonresidential from 12.3% to 4.3% and from 7.1% to 2.4%, respectively. Private nonresidential has slowed the most, from 14.5% year-over-year growth in December 2016 to -1.1% in January 2018.

Total **housing starts** increased 1.7% across the country on a 3-month moving average basis in January, whereas starts decreased 9.2% on the same basis in the Midwest. Single family starts dipped 0.4% nationally, but fell 6.1% in the Midwest. Multi-family starts increased 6.9% across the country, but fell 18.2% in the Midwest. Compared with a year earlier, total starts increased by 5.0%, while Midwest starts were lower by 22.5%. The relative weakness in the Midwest is presumably due to the more-severe winter weather this year than last year.

The more-forward-looking permits were more stable, rising 1.6% nationally but falling 2.5% in the Midwest. Compared with a year earlier, national permits were up by 4.2% and Midwest permits were little changed at +0.5%.

Home sales generally were weak in January. Sales of existing homes decreased 0.7% nationally and 1.5% in the Midwest on a 3-month moving average basis. Both were little changed from a year earlier. Sales of newly built homes decreased 1.2% across the country but increased 1.9% in the Midwest on a 3-month moving average basis. Compared with a year earlier, new home sales were higher by 11.9% nationally but 1.4% lower in the Midwest.

Home prices across the country posted their 70th consecutive monthly increase in December to 6.2% above the year earlier level, 44.7% above the cyclical low reached in February 2012, and 7.0% higher than the previous peak reached in February 2007, according to the Case-Shiller index. As reported by Freddie Mac, home prices increased 1.8% in the fourth quarter to 7.0% above the year earlier level. In comparison, prices across Ohio increased 1.6% in the quarter and 6.3% from a year ago. In major metro areas in Ohio, prices increased 1.7% in the quarter and 6.6% from a year ago in Cincinnati, 1.4% in the quarter and 5.7% from a year ago in Cleveland, and 1.8% in the quarter and 7.7% from a year ago in Columbus after seasonal adjustment.



REVENUES

February GRF receipts totaled $2,263.2 million and were $175.1 million (7.2%) below estimate. The majority of the variance was in federal funds, which were $155.9 million (18.3%) below estimate. Non-federal revenues were only short by $19.3 million (1.2%).

For the year, GRF revenues plus transfers are $65.3 million (0.3%) below estimate, however non-federal revenues are actually above estimate by $181.3 million (1.2%). Federal grants are $246.6 million (3.7%) below estimate, with February alone contributing more than 60% of that shortfall.

For the month, aside from federal grants, results were mixed. Income tax collections followed the January overage with a smaller February shortfall of $24.8 million (10.4%). Some shortfall in February was expected because one of the contributors to the January overage, lower than estimated refunds, was anticipated to reverse in February once the later start to the IRS tax filing season became a smaller factor in total refunds. This expectation was met, as refunds in February exceeded the estimate by $24.4 million, although combined January-February refunds were still below estimate.

Total tax revenues were $19.6 million (1.2%) below estimate for the month, meaning that tax revenues aside from the income tax were $5.2 million (0.4%) above estimate. Again, results were mixed, with a shortfall in the commercial activity tax (CAT) of $14.9 million being more than offset by a $18.9 million overage in the financial institutions tax (FIT). Most of the other tax sources had collections close to the estimate, as no other variance exceeded $3.4 million. The non-auto sales tax followed an extremely weak January performance with a better showing in February; although collections again fell short, it was by only $3.3 million, far from the $59.1 million January variance.

For the year, tax revenues are still $202.0 million (1.4%) above estimate, as a $225.1 million overage (4.3%) in the income tax and a $45.0 million overage (5.2%) in the auto sales tax have been partly offset by a $69.9 million shortfall (1.2%) in the non-auto sales tax. All other tax sources combined are $1.8 million above the estimate.

Apart from federal grants, non-tax revenues had negligible variances in February. The February shortfall in federal grants was partly the result of Medicaid underspending for programs with high federal match rates, partly the result of approximately $50 million in federal reimbursement being delayed from February to March, and partly the result of federal revenues having been above what would have been expected given the total federal share of Medicaid expenditure through January and that overage being eliminated in February.

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	$202.0	1.4%
Non-tax receipts	Federal grants, earnings on investments, licenses & fees, other income, intrastate transfers	($271.7)	-3.9%
Transfers	Budget stabilization, liquor transfers, capital reserve, other	$4.4	3.4%
TOTAL REVENUE VARIANCE:		**($65.3)**	**-0.3%**
Non-federal revenue variance		**$181.3**	**1.2%**
Federal grants variance		**($246.6)**	**-3.7%**

On a year-over-year basis, monthly receipts were $338.8 million (13.0%) below February of last year. Again, all of the decrease was in federal grants, which were $348.9 million (33.3%) below last February. In contrast, non-federal revenues grew by $10.1 (0.7%) from last year.

Tax revenues increased by $10.6 million (0.7%) from last February. Growth would have been about $70.5 million (4.6%) if not for the fact that last February's non-auto sales tax revenues contained almost $60 million in sales tax from Medicaid managed care companies, which was repealed this fiscal year. FIT revenue grew by $18.0 million from last February, while income tax collections grew by $11.9 million (5.9%). CAT revenues to the GRF grew by $50 million (18.6%), but much of that is due to the share of revenues going to the GRF rather than other funds growing from 75% to 85%, a 13.3% increase.

Year-to-date in fiscal year 2018, total GRF revenues have decreased by $1,106.8 million (4.9%) from last year. As mentioned in previous issues of this report, this result is an artifact of the accounting change made to federal grants. Federal grants in the GRF and Medicaid spending are expected to decline for the year 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 this revenue was deposited into the GRF. This revenue helped support Medicaid spending from the GRF and 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 all Medicaid managed care organizations and non-Medicaid major medical managed care organizations 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 in 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, as it has done throughout the first eight months.

Federal grants have declined by $1,555.9 million (19.5%) from last year, but non-federal revenues have increased by $449.2 million (3.1%). If not for the loss of the sales tax on Medicaid premiums, GRF non-federal revenues would have increased by $903.7 million (6.4%).

For the year-to-date, GRF tax revenues have increased by $222.0 million (1.5%) from last year. Again, adjusting for the loss of the sales tax on Medicaid premiums would boost that growth to $676.5 million (4.9%). Income tax collections have increased by $442.3 million (8.8%). GRF CAT revenues have increased by $180.8 million (19.2%); again, the increase in the GRF share of the CAT from 75% to 85% is responsible for about 70% of the total growth. Auto sales tax collections have grown by $21.8 million (2.5%). The non-auto sales tax has lagged the most among the major taxes. Revenues have dropped by $382.9 million (6.2%). As stated above, this decrease is due to the repeal of the sales tax on Medicaid managed care premiums. Absent that change, non-auto sales tax revenues would be up by $76.6 million (1.3%).

GRF Revenue Sources Relative to Monthly Estimates – February 2018
($ in millions)

Individual Revenue Sources Above Estimate		**Individual Revenue Sources Below Estimate**	
Financial Institutions Tax	$18.9	Federal Grants	($155.9)
Kilowatt Hour Tax	$2.9	Personal Income Tax	($24.8)
Public Utilities Excise Tax	$2.7	Commercial Activity Tax	($14.9)
Natural Gas Distribution Tax	$1.7	Cigarette and Other Tobacco Products Tax	($3.4)
Auto Sales Tax	$1.1	Non-auto Sales Tax	($3.3)
Other Sources Above Estimate	$0.9	Other Sources Below Estimate	($1.3)
Total above	**$28.3**	**Total below**	**($203.4)**

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

Non-Auto Sales and Use Tax

February non-auto sales and use tax collections totaled $601.8 million and were $3.3 million (0.6%) below estimate. The February shortfall increased the variance for the year to -$69.9 million (1.2%), which is by far the largest negative GRF variance other than federal grants. Unlike January, there was growth in collections from last year once adjusting for MHIC collections (please see the table below). February's growth from last year was 1.7%, leaving year-to-date growth unchanged at 1.3%.

July was the last month of Medicaid Health Insuring Corporations (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 months of fiscal year 2018. After one adjusts for sales tax collections from MHICs, estimated growth for all of fiscal year 2018 is 2.5%.

As discussed in last month's report, the January shortfall in the non-auto sales tax requires OBM to both reexamine existing hypotheses and explore new hypotheses as to why growth in the tax is slow, both in absolute terms, and relative to other variables such as U.S. retail sales. OBM has previously cited retail trade price growth being weak or actually negative as contributing to low non-auto tax growth. Price data for the fourth quarter show that a measure of retail trade price growth designed to closely match the Ohio tax base is still slightly negative, although finally approaching zero. Thus, retail prices are still a drag on non-auto sales tax revenues. However, January performance was so weak that other explanations such as further erosion of brick and mortar sales due to online competition must also be investigated.

Non-Auto Sales Tax Revenue Growth Without MHIC– FY18 through February

($ in millions)

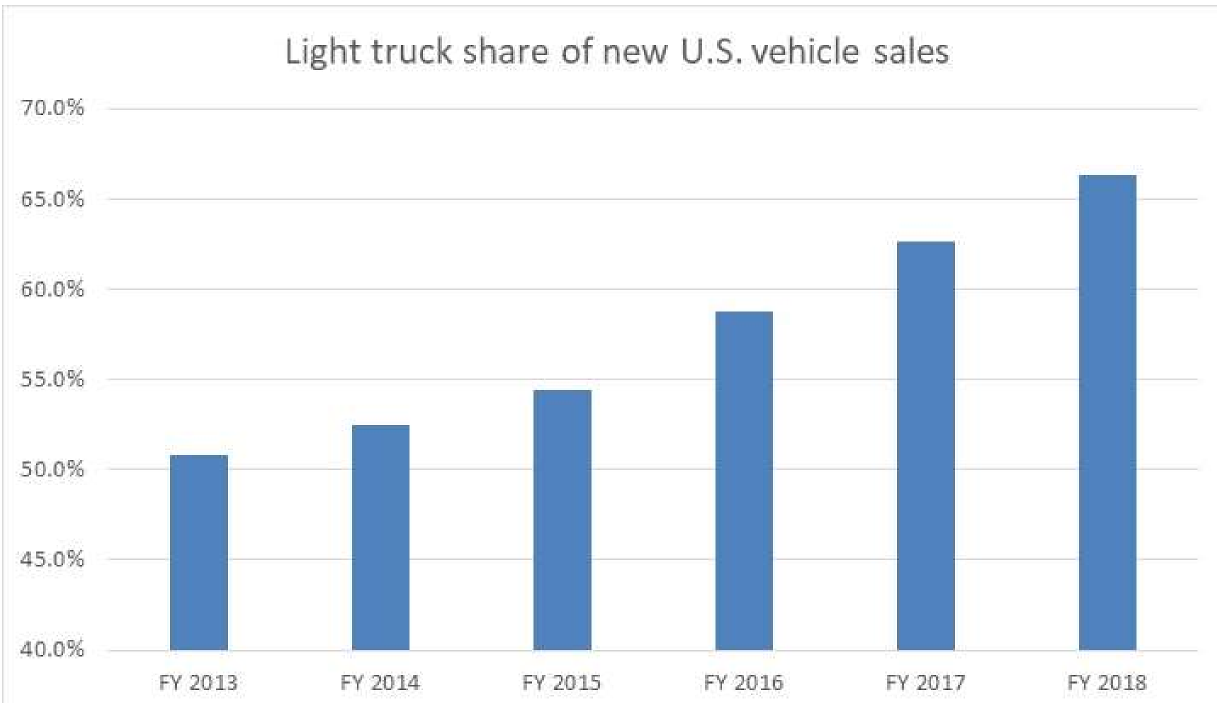
	Feb-17	Feb-18	FY 2017 YTD	FY 2018 YTD
Non-Auto sales tax GRF	$652.6	601.77	$6,183.1	$5,800.3
Non-Auto sales tax PLF (Library Fund)	$18.07	$19.64	$131.86	$132.79
Non-Auto sales tax, all funds	$670.7	$621.4	$6,315.0	$5,933.1
MHIC revenues (state)	$59.9	$0.0	$530.2	$71.7
GRF and PLF revenues without MHIC	$610.8	$621.4	$5,784.8	$5,861.4
Change from prior year in non-MHIC collections		$10.7		$76.6
Pct. change from prior year in non-MHIC collections		1.7%		1.3%

Auto Sales Tax

The auto sale tax continues to meet or exceed expectations. Auto sales tax collections in February were $92.0 million, which was $1.1 million (1.2%) above estimate. Collections were down sharply from the $119 million in January, however this was expected, as February is traditionally the weakest auto sales tax month of the year. For the year, collections are now $45.0 million (5.2%) above estimate and revenues have grown $21.8 million (2.5%) from last year.

For fiscal year 2018, the budget forecast expects auto sales tax collections to decline by 2.5%, as unit sales of new autos are not expected to reach fiscal year 2017 levels. As noted in previous issues of this report, the estimates for fiscal year 2018 anticipate year-over-year declines in 9 of the 12 months. However, there has been growth of 2.5% in collections so far this year, contrary to expectations.

National new light vehicle sales are down about 1.4% compared to July-January of last year. However, all of the decline is in passenger cars; light truck sales are actually up by 4.5%. Since light trucks are on average higher priced, this shift in the mix of vehicle sales has helped to support auto sales tax collections. The graph below shows how, since fiscal year 2013, light trucks have gone from accounting for just over half of new vehicle sales to almost two-thirds of such sales.



OBM does not have current data on used vehicle sales, so it is not clear what impact the used auto market has had on tax collections.

Personal Income Tax

February GRF personal income tax receipts totaled $214.4 million and were $24.8 million (10.4%) below estimate. February was as expected, the smallest collections month of the year, with payments almost all coming from withholding and high refunds offsetting much of that withholding.

Almost all of the variance came from withholding and refunds. Withholding continued its strong fiscal year 2018 performance, exceeding the estimate by $17.0 million (2.4%). For the year, withholding is now $89.9 million above estimate, having grown by 4.7% from last year, compared to an estimate of 3.1%. As noted in last month's report, withholding growth this fiscal year has been outpacing the estimates of Ohio wage and salary income from the Bureau of Economic Analysis (BEA).

Refunds were $34.8 million (7.8%) above estimate, but for January and February combined refunds are still $23.8 million (4.0%) below estimate. Through early March, while more refunds are being processed compared to the same date last filing season, average refund amounts have declined.

On a year-over-year basis, February GRF income tax collections were $11.9 million (5.9%) above February 2017 collections. For the year, collections were up by $442.3 million (8.8%). With the exception of annual return payments, all payment categories have improved from last year. Growth in withholding and estimated payments accounts for $446.2 million, or slightly more than the entire GRF growth.

FY2018 PERSONAL INCOME TAX RECEIPTS BY COMPONENT ($ in millions)						
	Estimate Feb	Actual Feb	$ Var	Actual Feb-2018	Actual Feb-2017	$ Var Y-0ver-Y
Withholding	$696.1	$713.1	$17.0	$713.1	$674.5	$38.6
Quarterly Est.	$5.0	$4.1	($0.9)	$4.1	$4.9	($0.8)
Trust Payments	$1.0	$0.9	($0.1)	$0.9	$1.0	($0.1)
Annual Returns & 40 P	$9.3	$7.8	($1.5)	$7.8	$5.2	$2.6
Other	$10.4	$9.6	($0.8)	$9.6	$10.2	($0.6)
Less: Refunds	($447.5)	($482.3)	($34.8)	($482.3)	($457.9)	($24.4)
Local Distr.	($35.1)	($38.8)	($3.7)	($38.8)	($35.3)	($3.5)
Net to GRF	$239.2	$214.4	($24.8)	$214.4	$202.6	$11.9

Commercial Activity Tax

February commercial activity tax (CAT) receipts deposited in the GRF totaled $318.7 million and were $14.9 million (4.5%) below estimate. The February shortfall was slightly greater than the January overage of $13.0 million, meaning that combined January-February collections for the payment due February 10 were slightly below estimate, falling short by $1.8 million (0.5%).

For the year, GRF CAT collections are still $7.1 million (0.6%) above estimate. There is one more quarterly payment remaining, in May 2018. This payment is expected to be the second smallest of the year, with August being the lowest.

Comparing revenues to last year, GRF CAT revenues are $180.8 million (19.2%) above collections during the same period in fiscal year 2017. This increase is primarily 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 $64.4 million (5.1%), growing from $1.263.8 million to $1,328.2 million. Under prior law, the GRF would have received an additional $48.3 million from that increase: the other $132.5 million is due to the change in the GRF percentage.

Financial Institutions Tax

After falling far short of estimate in fiscal year 2017 ($35.7 million, or 16.0%) the financial institutions tax (FIT) has exceeded expectations so far in fiscal year 2018. Collections were $18.9 million (57.5%) above estimate in February. This followed a $1.5 million overage in January, making combined January-February collections over estimate by $19.5 million for the first estimated payment due January 31.

The overage from the first estimated payment has overcome a very weak performance in the first-half of fiscal year 2018, which is a period when estimated payments for taxable year 2016 were reconciled against actual liabilities. Year-to-date collections are now $10.1 million (14.3%) above estimate. If the first estimated payment is an indicator of what to expect for the second and third estimated payments, the FIT could end the year well above estimate. However, since substantial uncertainty remains about the cause for the overage in January-February, caution is required in anticipating results for the remainder of fiscal year 2018. At this point it is unclear how much of the overage so far is due to unexpected growth in the tax base and how much might be due to a change in the amount of credits claimed from the high amount experienced in fiscal year 2017. OBM will have a better idea of the change in credits once the January-March quarter has ended.

GRF Non-Tax Receipts

GRF non-tax receipts totaled $708.4 million in February and were $155.7 million (18.0%) below estimate. Virtually all of the variance was due to federal grants.

Federal grants were $155.9 million (18.3%) below estimate last month. As mentioned earlier in this report, the February shortfall in federal grants was partly the result of Medicaid underspending for programs with high federal match rates; partly the result of approximately $50 million in federal reimbursement being delayed from February to March; and partly the result of federal revenues having been above what would have been expected given the total federal share of Medicaid expenditure through January and that overage being eliminated in February.

For the year, federal grants are $246.6 million (3.7%) below estimate. This is almost equal to the $256.5 million in Medicaid underspending. However, if the $50 million federal draw had not been delayed, the shortfall in federal revenues would have been about 77% of Medicaid underspending, still high relative to prior years but reasonable given that underspending has been concentrated in programs with high federal match rates.

Transfers in to the GRF in February were $0.2 million against an estimate of zero and had essentially no impact on overall GRF revenues.

3/12/2018

Table 1

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

REVENUE SOURCE	MONTH ACTUAL FEBRUARY	MONTH ESTIMATE FEBRUARY	MONTH $ VAR	MONTH % VAR	YEAR-TO-DATE ACTUAL Y-T-D	YEAR-TO-DATE ESTIMATE Y-T-D	YEAR-TO-DATE $ VAR	YEAR-TO-DATE % VAR
TAX RECEIPTS								
Non-Auto Sales & Use	601,766	605,100	(3,334)	-0.6%	5,800,266	5,870,200	(69,934)	-1.2%
Auto Sales & Use	91,992	90,900	1,092	1.2%	910,373	865,400	44,973	5.2%
Subtotal Sales & Use	693,758	696,000	(2,242)	-0.3%	6,710,639	6,735,600	(24,961)	-0.4%
Personal Income	214,440	239,200	(24,760)	-10.4%	5,478,634	5,253,500	225,134	4.3%
Corporate Franchise	(490)	0	(490)	N/A	1,908	0	1,908	N/A
Financial Institutions Tax	51,817	32,900	18,917	57.5%	80,587	70,500	10,087	14.3%
Commercial Activity Tax	318,727	333,600	(14,873)	-4.5%	1,120,219	1,113,100	7,119	0.6%
Petroleum Activity Tax	0	0	0	N/A	3,280	2,800	480	17.1%
Public Utility	25,148	22,400	2,748	12.3%	80,939	76,200	4,739	6.2%
Kilowatt Hour	35,128	32,200	2,928	9.1%	232,123	241,300	(9,177)	-3.8%
Natural Gas Distribution	15,547	13,800	1,747	12.7%	34,302	33,100	1,202	3.6%
Foreign Insurance	129,459	130,000	(541)	-0.4%	274,816	287,200	(12,384)	-4.3%
Domestic Insurance	319	0	319	N/A	381	2,900	(2,519)	-86.9%
Other Business & Property	0	0	0	N/A	(263)	0	(263)	N/A
Cigarette and Other Tobacco	63,940	67,300	(3,360)	-5.0%	565,831	566,800	(969)	-0.2%
Alcoholic Beverage	3,466	3,600	(134)	-3.7%	37,746	37,600	146	0.4%
Liquor Gallonage	3,442	3,300	142	4.3%	32,455	31,100	1,355	4.4%
Estate	0	0	0	N/A	118	0	118	N/A
Total Tax Receipts	1,554,702	1,574,300	(19,598)	-1.2%	14,653,716	14,451,700	202,016	1.4%
NON-TAX RECEIPTS								
Federal Grants	697,531	853,397	(155,866)	-18.3%	6,418,871	6,665,504	(246,633)	-3.7%
Earnings on Investments	0	0	0	N/A	30,187	28,000	2,187	7.8%
License & Fees	9,149	8,895	254	2.9%	22,745	22,590	155	0.7%
Other Income	1,692	1,780	(88)	-4.9%	236,682	264,520	(27,838)	-10.5%
ISTV'S	0	0	0	N/A	425	0	425	N/A
Total Non-Tax Receipts	708,372	864,072	(155,700)	-18.0%	6,708,909	6,980,614	(271,705)	-3.9%
TOTAL REVENUES	2,263,074	2,438,372	(175,298)	-7.2%	21,362,626	21,432,314	(69,688)	-0.3%
TRANSFERS								
Budget Stabilization	0	0	0	N/A	0	0	0	N/A
Transfers In - Other	156	0	156	N/A	133,327	128,929	4,398	3.4%
Temporary Transfers In	0	0	0	N/A	0	0	0	N/A
Total Transfers	156	0	156	N/A	133,327	128,929	4,398	3.4%
TOTAL SOURCES	2,263,230	2,438,372	(175,143)	-7.2%	21,495,953	21,561,243	(65,291)	-0.3%

3/12/2018

Table 2

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

REVENUE SOURCE	MONTH FEBRUARY FY 2018	MONTH FEBRUARY 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	601,766	652,600	(50,834)	-7.8%	5,800,266	6,183,136	(382,870)	-6.2%
Auto Sales & Use	91,992	96,819	(4,827)	-5.0%	910,373	888,548	21,825	2.5%
Subtotal Sales & Use	693,758	749,419	(55,661)	-7.4%	6,710,639	7,071,683	(361,045)	-5.1%
Personal Income	214,440	202,552	11,888	5.9%	5,478,634	5,036,297	442,337	8.8%
Corporate Franchise	(490)	3,352	(3,842)	-114.6%	1,908	3,230	(1,322)	-40.9%
Financial Institutions Tax	51,817	33,853	17,964	53.1%	80,587	72,452	8,135	11.2%
Commercial Activity Tax	318,727	268,746	49,981	18.6%	1,120,219	939,463	180,757	19.2%
Petroleum Activity Tax	0	0	0	N/A	3,280	2,860	420	14.7%
Public Utility	25,148	22,774	2,374	10.4%	80,939	70,395	10,544	15.0%
Kilowatt Hour	35,128	32,034	3,095	9.7%	232,123	243,419	(11,296)	-4.6%
Natural Gas Distribution	15,547	13,640	1,907	14.0%	34,302	32,145	2,157	6.7%
Foreign Insurance	129,459	139,709	(10,249)	-7.3%	274,816	302,449	(27,632)	-9.1%
Domestic Insurance	319	102	217	213.0%	381	155	226	145.9%
Other Business & Property	0	0	0	N/A	(263)	(678)	415	61.2%
Cigarette and Other Tobacco	63,940	70,851	(6,911)	-9.8%	565,831	587,220	(21,389)	-3.6%
Alcoholic Beverage	3,466	3,766	(300)	-8.0%	37,746	38,792	(1,046)	-2.7%
Liquor Gallonage	3,442	3,285	157	4.8%	32,455	31,378	1,077	3.4%
Estate	0	0	0	N/A	118	490	(372)	-75.8%
Total Tax Receipts	1,554,702	1,544,082	10,620	0.7%	14,653,716	14,431,750	221,967	1.5%
NON-TAX RECEIPTS								
Federal Grants	697,531	1,046,472	(348,940)	-33.3%	6,418,871	7,974,791	(1,555,920)	-19.5%
Earnings on Investments	0	0	0	N/A	30,187	24,042	6,146	25.6%
License & Fee	9,149	10,704	(1,555)	-14.5%	22,745	25,656	(2,911)	-11.3%
Other Income	1,692	781	911	116.5%	236,682	45,164	191,518	424.1%
ISTV'S	0	0	0	N/A	425	9,131	(8,705)	-95.3%
Total Non-Tax Receipts	708,372	1,057,957	(349,585)	-33.0%	6,708,909	8,078,782	(1,369,873)	-17.0%
TOTAL REVENUES	2,263,074	2,602,040	(338,966)	-13.0%	21,362,626	22,510,532	(1,147,906)	-5.1%
TRANSFERS								
Budget Stabilization	0	0	0	N/A	0	0	0	N/A
Transfers In - Other	156	0	156	N/A	133,327	92,187	41,139	44.6%
Temporary Transfers In	0	0	0	N/A	0	0	0	N/A
Total Transfers	156	0	156	N/A	133,327	92,187	41,139	44.6%
TOTAL SOURCES	2,263,230	2,602,040	(338,810)	-13.0%	21,495,953	22,602,719	(1,106,767)	-4.9%

DISBURSEMENTS

February GRF disbursements, across all uses, totaled $2,548.8 million and were $162.9 million (6.0%) below estimate. This variance was primarily attributable to lower than estimated disbursements in the Medicaid and Health and Human Services categories. Additionally, the Debt Service, Justice and Public Protection, and Primary and Secondary Education categories were also notably below estimate. On a year-over-year basis, February total uses were $231.6 million (8.3%) lower than those of the same month in the previous fiscal year, with the Medicaid and Health and Human Services 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)	($341.4 million)	-1.5%
Transfers	Temporary or permanent transfers out of the GRF that are not agency expenditures	$3.9 million	6.0%
TOTAL DISBURSEMENTS VARIANCE:		**($337.5 million)**	**-1.5%**

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

Primary and Secondary Education

This category contains GRF spending by the Ohio Department of Education. February disbursements for this category totaled $742.9 million and were $13.4 million (1.8%) below estimate. Expenditures for the school foundation program totaled $615.1 million and were $22.4 million (3.5%) below estimate. The overall variance was primarily attributable to below estimate spending in the EdChoice Scholarship program within the foundation funding line item. Most EdChoice disbursements occurred in January rather than February as originally estimated. The overall variance was partially offset by above estimate spending in the early childhood education and EdChoice expansion line items. Disbursements in the early childhood education and EdChoice expansion line items were above estimate in February due to underspending in previous months. Year-to-date disbursements were $5,592.8 million, which is $49.1 million (0.9%) above estimate.

On a year-over-year basis, disbursements in this category were $55.5 million (8.1%) higher than for the same month in the previous fiscal year while year-to-date expenditures were $160.5 million (3.0%) higher than the same point in fiscal year 2017. The year-over-year variance is primarily attributable to increased payments to school districts under the foundation funding formula.

Higher Education

February disbursements for the Higher Education category, which includes non-debt service GRF spending by the Department of Higher Education, were $215.7 million and were $3.3 million (1.5%) below estimate. The majority of this monthly variance was due to below estimate spending in the Choose Ohio First Scholarship Program, which was below estimate by $3.3 million as a result of lower than anticipated requests for reimbursement from higher education institutions.

Year-to-date disbursements were $1,549.5 million, which was $8.7 million (0.6%) below estimate. On a year-over-year basis, disbursements in this category were $4.3 million (2.0%) lower than for the same month in the previous fiscal year while year-to-date expenditures were $2.1 million (0.1%) higher 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.

February disbursements in this category totaled $4.7 million and were $1.3 million (38.6%) above estimate. Year-to-date disbursements were $53.7 million, which was $0.2 million (0.3%) below estimate. On a year-over-year basis, disbursements in this category were $0.7 million (17.1%) higher than for the same month in the previous fiscal year while year-to-date expenditures were $1.4 million (2.6%) 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>
February GRF disbursements for the Medicaid Program totaled $1,304.4 million and were $64.8 million (4.7%) below estimate and $253.5 million (16.3%) below disbursements for the same month in the previous fiscal year. The year-over-year variance occurs as the State has replaced the sales tax on Medicaid health insuring corporations (MHIC) with a provider tax on all Medicaid managed care organizations and non-Medicaid major medical managed care organizations, as approved by the federal Center for Medicare and Medicaid Services (CMS). Consequently, some Medicaid expenses paid from the GRF, where the sales tax was being deposited, are now being paid from state dedicated purpose funds. Year-to-date GRF disbursements totaled $9,946.8 million and were $256.5 million (2.5%) below estimate and $1,884.0 million (15.9%) below disbursements for the same point in the previous fiscal year.

February all funds disbursements for the Medicaid Program totaled $2,164.1 million and were $105.4 million (4.6%) below estimate and $471.8 million (17.9%) below disbursements for the same month in the previous fiscal year. Year-to-date all funds disbursements totaled $17,892.9 million and were $279.0 million (1.5%) below estimate and $980.7 million (5.8%) above disbursements for the same point in the previous fiscal year.

The February all funds variance was primarily attributable to underspending in both the fee-for-service and managed care programs, as well as program administration. The February expenditures for the fee-for-service program were below estimate as enrollment in this program was 15.14% below estimate, due to the implementation of Managed Care Day One. In addition, cost settlements related to the Medicaid in Schools Program estimated to take place in February will occur in later months instead. Managed care program expenditures were also below estimate as enrollment in this program was 1.7% below estimate. In addition, the Department of Medicaid was able to negotiate lower than estimated capitation rates with managed care organizations. These rates took effect in January and will impact the remainder of this fiscal year. Finally, program administration expenses were below estimate as contractual service costs have been lower than anticipated.

Likewise, year-to-date all funds variance is primarily attributable to underspending in the managed care and fee-for-service programs, as well as program administration. Expenditures in these programs have been below estimate for reasons as described above. Enrollment in the managed care and fee-for-service programs have been an average of 2.26% and 4.61%, respectively, below estimate each month of this fiscal year to date. In addition, spending on prescription drugs has been below estimate in the fee-for-service program.

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

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

	February Actual	February Projection	Variance	Variance %
GRF	$ 1,304.4	$ 1,369.2	$ (64.8)	-4.7%
Non-GRF	$ 859.7	$ 900.3	$ (40.6)	-4.5%
All Funds	$ 2,164.1	$ 2,269.5	$ (105.4)	-4.6%

<u>Enrollment</u>
Total February enrollment for the program was 3.00 million, which was 120,059 (3.9%) below the estimate and 107,905 (3.5%) below enrollment for the same period last fiscal year. Year-to-date average monthly enrollment was 3.03 million and was 82,209 (2.6%) below estimate.

February enrollment by major eligibility category was: Covered Families and Children, 1.67 million; Aged, Blind and Disabled (ABD), 488,880; Group VIII Expansion, 693,071; and Other Full Benefits, 20,809 persons.

Please note that these data are subject to revision.

Health and Human Services

This category includes non-debt service GRF expenditures by the following state agencies: Job and Family Services, Health, Aging, Developmental Disabilities, Mental Health and Addiction Services, and others. Examples of expenditures in this category include: child care, TANF, administration of the state's psychiatric hospitals, operating subsidies to county boards of developmental disabilities, various immunization programs, and Ohio's long term care ombudsman program. To the extent that these agencies spend GRF to support Medicaid services, that spending is reflected in the Medicaid category.

February disbursements in this category totaled $77.5 million and were $39.4 million (33.7%) below estimate. Year-to-date disbursements were $893.9 million, which was $66.8 million (6.9%) below estimate. On a year-over-year basis, disbursements in this category were $18.6 million (19.3%) lower than for the same month in the previous fiscal year while year-to-date expenditures were $38.6 million (4.1%) lower than at the same point in fiscal year 2017.

Department of Job and Family Services
February disbursements for the Department of Job and Family Services totaled $44.7 million and were $19.6 million (30.5%) below estimate. This variance was primarily attributable to the shifting of spending for the Ohio Works First and Child Care programs from the GRF to federal grants. This allowed the department to draw down available federal funds from prior grant periods and resulted in below estimate spending of $16.1 million in the TANF State/Maintenance of Effort and Early Care and Education line items. Lower than anticipated information technology expenses resulted in below estimate spending in the Information Technology Projects and Unemployment Insurance Administration line items by a total of $3.7 million. These variances were partially offset by $1.2 million in above estimate payments to counties for Child, Family, and Adult Community and Protection Services.

Department of Mental Health and Addiction Services
February disbursements for the Department of Mental Health and Addiction Services totaled $20.8 million and were $19.5 million (48.4%) below estimate. This variance was primarily attributable to the Continuum of Care line item, which was $16.5 (96.2%) million below estimate. This variance was primarily attributable the timing of a quarterly disbursement to local boards, the majority of which was made in January instead of February as estimated. Additionally, the disbursement schedule for a portion of this quarterly disbursement was altered to disburse in the second quarter, rather than being disbursed quarterly over the fiscal year. The remaining variance was primarily attributable to the Hospital Services line item, which was $1.6 million below estimate due to below estimate spending on medications and the utilization of a different funding source for some maintenance expenses.

Department of Health
February disbursements for the Department of Health totaled $4.7 million and were $0.8 million (14.5%) below estimate. This variance was primarily attributable to below estimate disbursements in the Infant Vitality line item, which was $0.8 million below estimate due to the delayed establishment of contracts and sub-grant payments.

Justice and Public Protection

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

February disbursements in this category totaled $142.7 million and were $15.4 million (9.7%) below estimate. Year-to-date disbursements were $1,483.1 million, which was $19.3 million (1.3%) below estimate. On a year-over-year basis, disbursements in this category were $1.5 million (1.0%) higher than for the same month in the previous fiscal year while year-to-date expenditures were $48.9 million (3.4%) higher than at the same point in fiscal year 2017.

Department of Rehabilitation and Correction
February disbursements for the Department of Rehabilitation and Correction totaled $113.2 million and were $14.5 million (11.4%) below estimate. This variance was primarily attributable to below estimate disbursements for Community Nonresidential Programs, which were made in January instead of February as estimated. Disbursements for Institution Medical Services were below estimate due to a change in the timing of some contract payments, which will be paid quarterly instead of monthly as estimated. Disbursements for Institutional Operations were also below estimate due to the timing of payments for contracts.

Department of Youth Services
February disbursements for the Department of Youth Services totaled $9.6 million and were $0.9 million (10.0%) above estimate. This variance was primarily attributable to the timing of payments for Community Corrections Facilities, some of which were processed in February instead of January as planned.

Public Defender Commission
February disbursements for the Public Defender Commission totaled $0.5 million and were $2.3 million (83.2%) below estimate. This variance was mostly attributable to the timing of GRF disbursements for County Reimbursement payments, which will be made in future months instead of February as expected.

General Government

This category includes non-debt service GRF expenditures by the Department of Administrative Services, Department of Natural Resources, Development Services Agency, Department of Agriculture, Department of Taxation, Office of Budget and Management, non-judicial statewide elected officials, legislative agencies, and others.

February disbursements in this category totaled $23.6 million and were $4.4 million (15.7%) below estimate. Year-to-date disbursements were $249.5 million, which was $17.4 million (6.5%) below estimate. On a year-over-year basis, disbursements in this category were $0.4 million (1.6%) lower than for the same month in the previous fiscal year while year-to-date expenditures were $10.5 million (4.0%) lower than at the same point in fiscal year 2017.

Department of Administrative Services
February disbursements for the Department of Administrative Services totaled $0.4 million and were $4.1 million (90.2%) below estimate. This variance was attributable to the timing of quarterly rent payments for certain GRF-supported agencies and vacant space in state buildings managed by the department.

Property Tax Reimbursements

Payments from the property tax reimbursement category are made to local governments and school districts to reimburse these entities for revenues foregone as a result of the 10.0 percent and 2.5 percent rollback, as well as the homestead exemption. February property tax reimbursements totaled $0.1 million and were $0.9 million (89.0%) below estimate. Year-to-date disbursements totaled $906.5 million and were $2.4 million (0.3%) below estimate.

Debt Service

February payments for debt service totaled $37.1 million and were $22.6 million (37.9%) below estimate. Year-to-date debt service payments were $1,059.0 million and were $19.3 million (1.8%) below estimate. The monthly variance was due to Certificate of Participation debt service transfer payments that were made in January rather than February as originally estimated, a portion of bond premiums being used to offset debt service payments, and savings achieved by refunding prior debt.

Transfers Out

There were no estimated transfers out for February and none occurred. Year-to-date transfers out were $69.4 million and were $3.9 million (6.0%) above estimate. The year-to-date variance was primarily due to an erroneous transfer-in that occurred in July and required an unplanned transfer-out in August to correct.

3/12/2018

Table 3

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

	MONTH				YEAR-TO-DATE			
Functional Reporting Categories Description	ACTUAL FEBRUARY	ESTIMATED FEBRUARY	$ VAR	% VAR	YTD ACTUAL	YTD ESTIMATE	$ VAR	% VAR
Primary and Secondary Education	742,917	756,342	(13,425)	-1.8%	5,592,805	5,543,686	49,118	0.9%
Higher Education	215,666	218,940	(3,274)	-1.5%	1,549,503	1,558,209	(8,706)	-0.6%
Other Education	4,744	3,422	1,322	38.6%	53,747	53,907	(160)	-0.3%
Medicaid	1,304,420	1,369,234	(64,814)	-4.7%	9,946,821	10,203,313	(256,493)	-2.5%
Health and Human Services	77,503	116,901	(39,398)	-33.7%	893,864	960,625	(66,761)	-6.9%
Justice and Public Protection	142,711	158,120	(15,408)	-9.7%	1,483,104	1,502,412	(19,308)	-1.3%
General Government	23,646	28,052	(4,405)	-15.7%	249,485	266,907	(17,422)	-6.5%
Property Tax Reimbursements	114	1,039	(925)	-89.0%	906,528	908,957	(2,429)	-0.3%
Debt Service	37,088	59,677	(22,589)	-37.9%	1,058,955	1,078,235	(19,281)	-1.8%
Total Expenditures & ISTV's	2,548,811	2,711,726	(162,916)	-6.0%	21,734,811	22,076,251	(341,440)	-1.5%
Transfers Out:								
BSF Transfer Out	0	0	0	N/A	0	0	0	N/A
Operating Transfer Out	0	0	0	N/A	69,445	65,514	3,931	6.0%
Temporary Transfer Out	0	0	0	N/A	0	0	0	N/A
Total Transfers Out	0	0	0	N/A	69,445	65,514	3,931	6.0%
Total Fund Uses	2,548,811	2,711,726	(162,915)	-6.0%	21,804,256	22,141,765	(337,509)	-1.5%

3/12/2018

Table 4

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

Functional Reporting Categories Description	MONTH FEBRUARY FY 2018	MONTH FEBRUARY 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
Primary and Secondary Education	742,917	687,414	55,503	8.1%	5,592,805	5,432,331	160,474	3.0%
Higher Education	215,666	219,959	(4,293)	-2.0%	1,549,503	1,547,370	2,133	0.1%
Other Education	4,744	4,052	692	17.1%	53,747	55,194	(1,447)	-2.6%
Medicaid	1,304,420	1,557,918	(253,498)	-16.3%	9,946,821	11,830,841	(1,884,020)	-15.9%
Health and Human Services	77,503	96,057	(18,554)	-19.3%	893,864	932,504	(38,640)	-4.1%
Justice and Public Protection	142,711	141,229	1,482	1.0%	1,483,104	1,434,175	48,929	3.4%
General Government	23,646	24,021	(374)	-1.6%	249,485	259,935	(10,450)	-4.0%
Property Tax Reimbursements	114	267	(153)	-57.2%	906,528	902,250	4,279	0.5%
Debt Service	37,088	49,538	(12,449)	-25.1%	1,058,955	1,062,871	(3,916)	-0.4%
Total Expenditures & ISTV's	2,548,811	2,780,455	(231,645)	-8.3%	21,734,811	23,457,470	(1,722,659)	-7.3%
Transfers Out:								
BSF Transfer	0	0	0	N/A	0	29,483	(29,483)	N/A
Operating Transfer Out	0	0	0	N/A	69,445	269,629	(200,184)	-74.2%
Temporary Transfer Out	0	0	0	N/A	0	0	0	N/A
Total Transfers Out	0	0	0	N/A	69,445	299,111	(229,667)	-76.8%
Total Fund Uses	2,548,811	2,780,455	(231,645)	-8.3%	21,804,256	23,756,581	(1,952,325)	-8.2%

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 $223.7 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, 2017 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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