OBM

May 10, 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

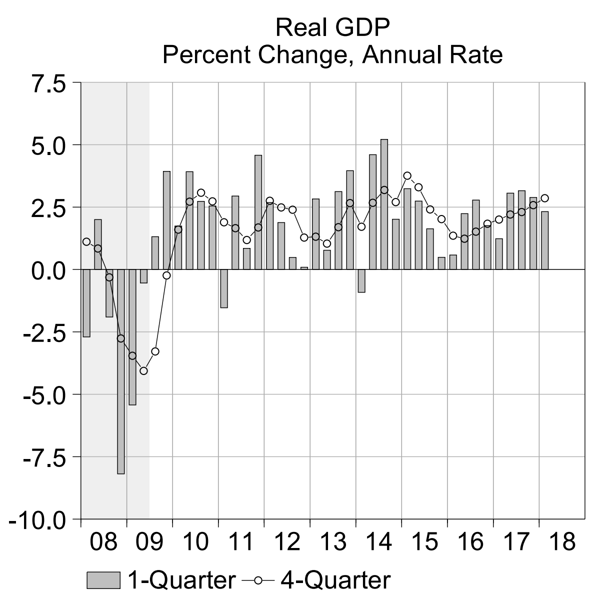
ECONOMIC SUMMARY

Economic Performance Overview

- Economic growth slowed to 2.3% in the first quarter after averaging 3% during the previous three quarters.
- U.S. employment increased by 164,000 jobs in April for a 3-month average of 208,000 jobs per month. The unemployment rate decreased to an expansion-low of 3.9%.
- Ohio nonfarm payroll employment increased by 10,800 jobs in March, and the February increase was revised up by 2,000 jobs to 15,400. The unemployment rate decreased to 4.4% in March – the lowest level since July 2001.
- Leading economic indicators remain consistent with uninterrupted economic growth well into 2018.

Economic Growth

Real GDP expanded at a revised annual rate of 2.3% during the first quarter, down from an average of 3.0% during the three previous quarters. Growth was 2.9% on a year-over-year basis, which is the fastest since the second quarter of 2015 and the culmination of a string of steady increases during the last couple of years from a low of 1.2% in the second quarter of 2016 The first-quarter results do not reflect the potentially positive effects of the recent federal tax changes and spending increases, but also do not reflect potential negative effects from pending trade restrictions.

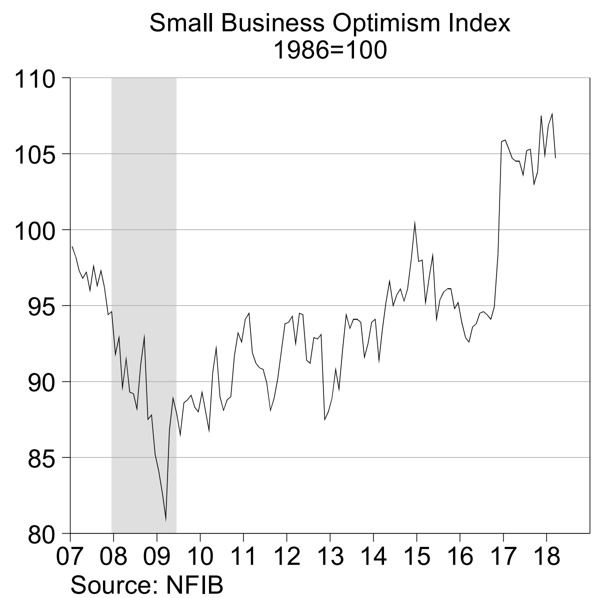


First-quarter growth in real GDP reflected positive contributions from nonresidential fixed investment (+0.76 percentage points), closely followed by personal consumption expenditures (+0.73pp), and then exports (+0.59pp), private inventory investment (+0.43), and government (+0.20pp), which had positive contributions from both federal and state and local. Residential fixed investment made no contribution. Subtracting from growth were imports (-0.39pp), which are included as production in other categories and backed out in a separate line item. The positive contribution from inventories mostly recouped the negative contribution in the fourth quarter.

The performance of several **key categories of production** flip-flopped from the fourth quarter to the first quarter. The contribution from personal consumption expenditures (PCE) fell by two full percentage points from the fourth quarter, mainly due to a downshift in the motor vehicles and parts category, as unit sales decreased at an annual rate of 12.3%. The 0.73% contribution from PCE was the smallest since a 0.58% contribution in the second quarter of 2013. Nondurable goods made a negligible contribution, in large part due to weakness in clothing and footwear, which continued the alternating pattern of recent quarters. The contribution from services continued at close to the recent pace.

At the same time, business investment remained robust. As mentioned above, the contribution to GDP growth from nonresidential fixed investment exceeded the contribution from PCE, 0.76% to 0.73%, the first such occurrence since the second quarter of 2012. Nonresidential fixed investment grew 6.1% in the first quarter, as structures, equipment, and intellectual property all were higher, continuing the recent trend. Nonresidential fixed investment has increased at an annual rate of 6.3% during the most recent five quarters, compared to -0.5% during the previous five quarters. In addition, inventory investment swung from a negative in the fourth quarter to a positive in the first quarter, further boosting total business investment.

According to the Index of Small Business Optimism from the **National Federation of Independent Business (NFIB),** sentiment among small businesses deteriorated in April, but was only marginally below the elevated average level since the November 2016 election. Eight of the ten sub-indexes decreased. A reduction in expectations for the future of the economy was the most significant decline, although the sub-index remained above all previous levels from 2005 to the November 2016 election. Also declining were expected increases in real sales and respondents saying that now is a good time to expand.



National leading economic indicators continued to strengthen in March and remain consistent with uninterrupted expansion well into 2018. The Conference Board's composite **Leading Economic Index** increased 0.3% after strong readings in each of the previous five months. Six of the ten components of the index increased, led by the interest rate spread and followed by the ISM for New Orders. The average workweek of production workers and initial claims for unemployment insurance both subtracted from the index.

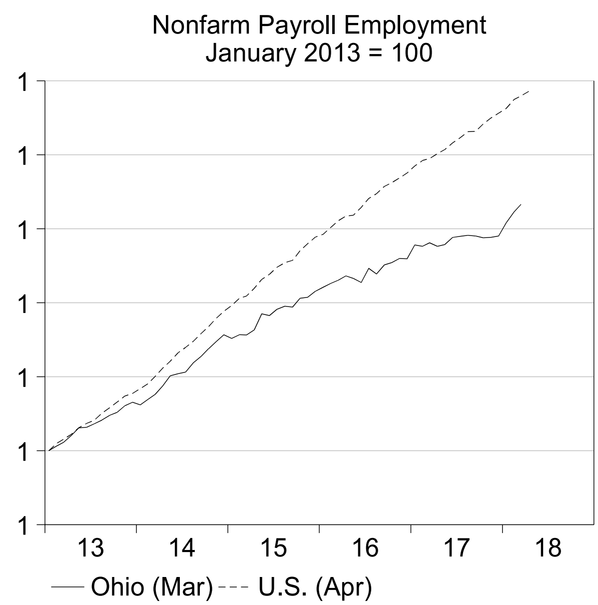
In addition, the diffusion of 1-month and 3-month changes in the coincident economic indexes for the fifty states continued to improve in March, as did the diffusion of the state leading economic indexes. Both measures, which have provided some warning of recessions in the past, had deteriorated heading into the fall.

As shown in the table on the next page, the **consensus among forecasters** is that real GDP growth is picking up in the second quarter. The Federal Reserve Bank of Atlanta projects real GDP growth of 4.0% in the second quarter, based on the trajectory of key indicators so far during the second quarter. The Federal Reserve Bank of New York's "Nowcast" projects growth of 3.0%. The Blue Chip consensus, which is an average from a different group of forecasters, is 3.1%, with a range of 2.5% to 3.8% from the average of the lowest ten to the highest ten forecasts. The IHS GDP Tracker projection for second-quarter growth is the same as the NY Fed Nowcast at 3.0%.

Source	Date	2018-Q2 GDP Forecast
Atlanta FRB (GDPNow)	5/3/18	4.0%
New York FRB (Nowcast)	5/4/18	3.0%
Blue Chip	5/3/18	3.1% (2.5%-3.8%)
IHS	5/1/18	3.0%

Employment

Nonfarm payrolls across the country increased by 164,000 jobs in April. Private nonfarm payrolls increased by 168,000 jobs, with the 4,000 public sector job decline centered in state and local government. The total change during the previous two months was revised up by 30,000 jobs. The average job gain during the most recent three months was 208,000, up slightly from the average during the previous twelve months. During the first four months of the year, employment increased by 799,000 jobs, compared with a gain of 707,000 jobs during the same period a year ago.



Job gains were widespread across sectors, led by professional and business services (+54,000), manufacturing (+24,000), and health care (+24,000). Health care employment in the U.S was reported at 15.965 million jobs and is now larger than retail trade employment at 15.927 million jobs. The only notable decline in private sector employment occurred in wholesale trade (-10,000).

The **unemployment rate** decreased by 0.2 percentage points to an expansion-low of 3.9% after a 5-month stretch at 4.1%. The last time the unemployment rate was lower was for a single month at 3.8% in April 2000 and before that at 3.5% in December 1969. The decrease this April occurred almost entirely as the result of a 239,000 decline in the number of persons unemployed, which was almost exactly matched by a 236,000 person decline in the labor force. Household survey employment (distinct from the establishment survey job gains discussed above) increased by only 3,000.

The broadest measure of unemployment, the U-6 unemployment rate, decreased 0.2 percentage points to 7.8%, which is also an expansion low and the lowest since December 2001. 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.

Average hourly earnings of all employees on private nonfarm payrolls increased 0.1% in April to 2.6% above the year earlier level. The March change was revised down from 0.3% on the month and 2.7% year-over-year to 0.2% on the month and 2.6% year-over year. The year-over-year rate of change is down slightly from a recent peak of 2.8% in January, which along with 1-month spikes to that level in September 2017 and July 2016 is the high for this cycle. Policymakers and investors are watching the rate of change in wages for signs that price inflation will pick up.

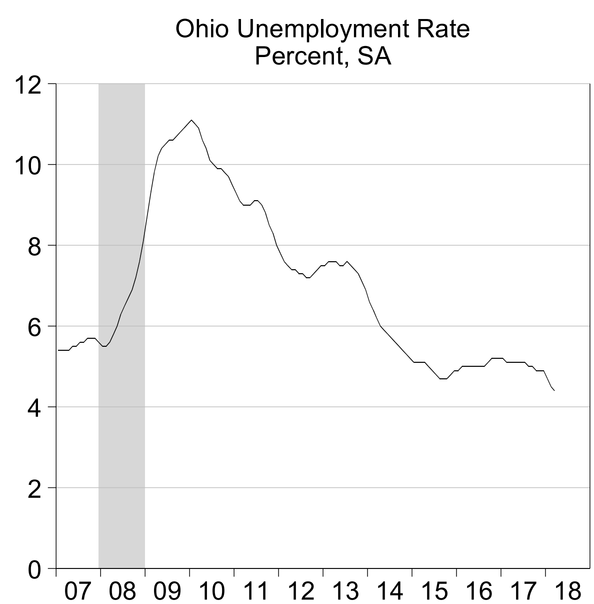
Ohio nonfarm payroll employment increased by 10,800 in March, and the February gain was revised up by 2,000 jobs to 15,400. Ohio employment is up by 44,900 jobs year-to-date to a new cycle-high of 5.58 million jobs. Gains during the month in trade, transportation and utilities (+3,400), government (+2,200), leisure and hospitality (+1,600), and manufacturing (+1,500) were partially offset by losses in information (-700) and other services (-500).

During the twelve months ending in March, Ohio employment increased by 54,400 jobs. The largest gains were in manufacturing (+11,600), trade, transportation and utilities (+10,900), educational and health services (+9,500), and financial activities (+7,200). Employment decreased in professional and business services (-3,600) and information (-1,600).

Among the **contiguous states**, year-over-year employment growth was strongest in Pennsylvania and Michigan (+1.4%), Ohio (+1.0%), Indiana (+0.9%), West Virginia (+0.7%), and Kentucky (+0.2%). Manufacturing employment increased year-over-year in Ohio (1.7%), Indiana (1.0%), West Virginia (0.9%), Pennsylvania (0.6%), and Michigan (0.5%). Manufacturing employment was unchanged in Kentucky.

The **Ohio unemployment rate** decreased by 0.1 percentage points to 4.4% in March – the lowest level since July 2001. The decline on the month resulted from a decrease in the number of unemployed of 8,900 and an increase in the total number employed of 14,000 workers. The labor force was higher by 4,900. Since last July, the unemployment rate has declined by 0.7 percentage points.

Across the country in March, the unemployment rate decreased notably from the month before in four states: Maine, New Mexico, Ohio, and Wyoming. Changes in the unemployment rate in the remaining states and the District of Columbia were not statistically meaningful.



Consumer Income and Consumption

Personal income slowed while spending picked up in March. **Personal income** increased 0.3%, as a 0.9% increase in personal dividends offset a slowdown in growth of wage and salary disbursements to 0.2%. Compared with a year earlier, personal income was up 3.6% and wage and salary disbursements were higher by 4.4%.

Personal consumption expenditures increased by 0.4% in March after a downward revision to February's number from 0.2% to no change. Spending for durable goods increased 0.8% as sales of light motor vehicles increased 2.5%. Spending for nondurable goods fell 0.2% for the second monthly decline in a row. Spending for services grew 0.6% after slower growth in January and February. The decrease in motor vehicle sales from 17.4 million in March to 17.1 million in April subtracted from spending for durable goods in April.

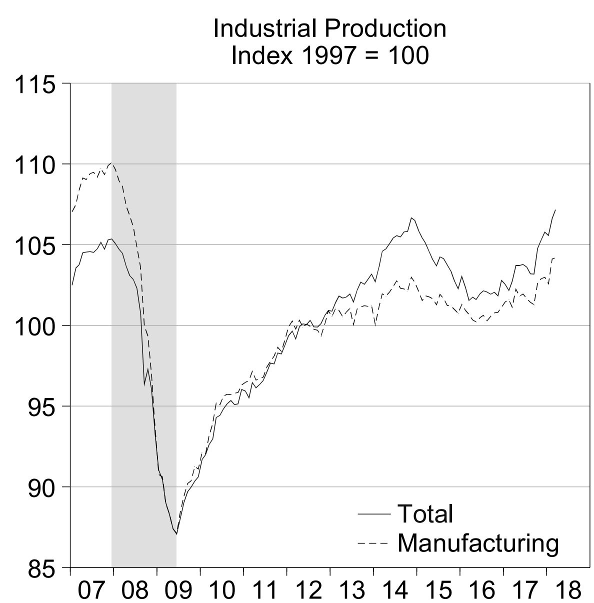
In and around Ohio, participants in the Cleveland Fed survey reported improved demand since the beginning of the year and compared with the same period a year ago. On the other hand, unit sales of new light motor vehicles were said to be down about 2% in February compared with a year ago, the same as the national trend. Some banks in the area have tightened credit for auto purchasers, and dealer inventory was higher than usual due to lower incentives.

Consumer confidence points to continued gains in income and spending in the current quarter. The Conference Board measure strengthened in April while the University of Michigan/Reuters measure weakened, but both remained at cyclically high levels. The Conference Board's consumer confidence index increased 1.7 points in April, recouping about half of the March decline and rising to the second highest level for the index since November 2000. Assessments of both current and future conditions improved. The percentage of respondents who expect higher income in six months minus those who expect lower income increased 0.3 points to its highest reading since June 2001. Purchasing plans for the next six months expanded across the board. The apparent strength in consumer moods evident in the Conference Board index is tempered somewhat by the pullback in assessments of both current and future conditions in the University of Michigan/Reuters survey in April.

Industrial Activity

Industrial production increased by 0.5% in March to 4.3% above its year earlier level. Revisions to January and February were minor.

Manufacturing production edged higher by only 0.1% in March, but that followed an upwardly revised increase of 1.5% in February. The 0.4% increase in production of durable goods outweighed the 0.3% decline in nondurable goods. Within the durable goods segment, motor vehicles and parts increased 2.7% as vehicle assemblies rose to the highest level since the end of 2016. For the quarter, the increase slowed to 3.1%, down from 5.5% in the fourth quarter, but still among the strongest quarterly increases of recent years.



Mining output increased 1.0%, but the February gain was scaled back from 3.5% to 2.9%. Mining output was higher by 10.8% year-over-year, and has increased for six straight quarters. **Utilities** production increased 3.0% after being suppressed in February by mild weather.

Production across the country in some industries that are key employers in Ohio was mixed. In addition to the increase in motor vehicles and parts, production of primary metal increased 0.5%. In contrast, production of fabricated metal products and machinery fell by 0.2% and 0.4%, respectively. Compared with a year ago, production increased 8.2% in motor vehicles and parts, 5.4% in machinery, 5.0% in fabricated metal products, and 4.1% in primary metal.

Demand for products manufactured in and around Ohio strengthened from February into early April, according to the Cleveland Fed survey. Respondents cited tax reform and probusiness fiscal policy initiatives as boosting capital expenditure plans. Some reported that customers have added to inventories of materials affected by new tariffs.

Reports of improving conditions from **purchasing managers** in manufacturing remained widespread in April, but were not quite as pervasive as in March. The PMI® declined from 60.8 in February to 59.3 in March and 57.3 in April, which is still consistent with expansion in the manufacturing sector. The important New Orders and Production sub-indexes also retreated for a fourth consecutive month, falling below 60 in the case of Production. Even so, the report indicates momentum in the manufacturing sector that is likely to persist through the spring and summer.

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

Survey responses in the Manufacturing ISM report generally pointed to increased demand for outputs but higher prices and less availability of inputs. One purchasing manager in the machinery industry reported that “demand is up,” and “pricing for steel and other materials increased due to the proposed tariffs.” A purchasing manager in the fabricated metals products industry reported that the “steel tariffs have made it difficult to source material, and we have had to eliminate two products due to availability and cost of raw material.” A respondent in the machinery industry said that “Demand is up for products. Commodity pricing for steel and other materials increased due to the proposed tariffs.” And a contact in the transportation equipment industry reported that “Business is off the charts,” leading to “a tightening supply chain and longer lead times,” and added that “labor remains tight and [is] getting tighter.”

Construction

Construction put-in-place decreased 1.7% in March, but January and February were revised up from essentially unchanged to increases of 1.7% and 1.0%, respectively. Private construction retreated by 2.1% in March after four strong increases during the previous six months. Public construction was essentially flat for a second month after very strong gains in December and January. The combination of categories that are used in calculating GDP – so called core construction – decreased 0.5% but were revised moderately higher for January and February.

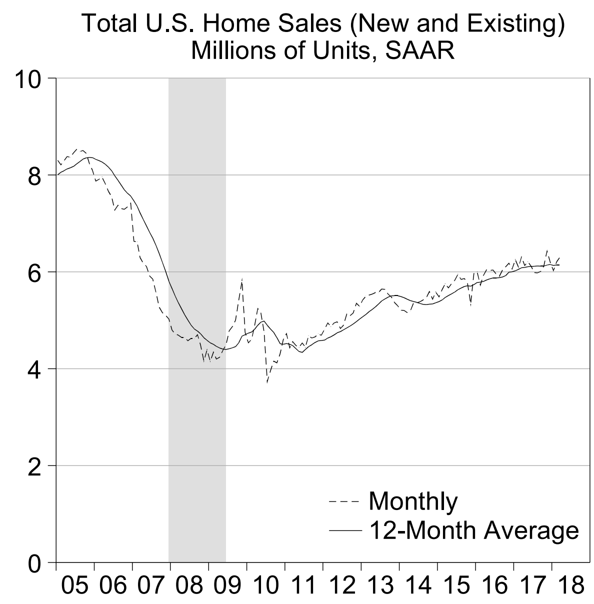
The private residential improvements category was the center of weakness in March. The volatile and often significantly revised category fell 8.0% in March and accounted for about three-quarters of the decrease in both private and total construction put-in-place in March. The decline returned the category only back to its September 2017 level, following a steep rise during November-January, most likely related to rebuilding following last year's damaging hurricane season.

Year-over-year growth has slowed substantially since the end of 2016. For example, total construction growth slowed from 9.2% year-over-year in December 2016 to 3.6% in March. That reflected slowdowns in residential and nonresidential from 12.3% to 5.3% and from 7.1% to 2.5%, respectively. Private nonresidential has slowed the most, from 14.5% year-over-year in December 2016 to 2.2% in March after having turned negative year-over-year during July-November.

Total **housing starts** increased 2.9% in March on a 3-month moving average basis, more than reversing the 0.1% decrease in February. The increase occurred in both single-family and multi-family. Midwest starts rose 2.2% due to a 6.3% increase in single-family that outweighed a 10.9% decrease in multi-family. Compared with a year earlier, total starts were higher by 65%, while Midwest starts were lower by 9.8%.

The more-forward-looking permits increased 2.0% nationally and decreased 1.7% in the Midwest on a 3-month moving average basis. Compared with a year earlier, permits rose 7.9% nationally due to exceptionally strong activity during February-April 2017, but fell 10.5% in the Midwest.

Home sales were mixed in March. Sales of existing homes edged higher by 0.2% nationally but slipped 1.1% in the Midwest on a 3-month moving average basis. Both were down modestly from a year earlier. Sales of newly built homes increased 2.6% across the country and 8.3% in the Midwest on a 3-month moving average basis. Compared with a year earlier, new home sales were higher by 8.3% nationally and 2.5% in the Midwest.



Homebuilders in and around Ohio reported in the Cleveland Fed Survey that customer demand has been steady-to-improving. Recent positive trends are expected to continue through the spring selling season. At the same, however, builders are growing concerned that rising costs for both labor and material are pushing up prices and could force buyers out of the market.

Limited supply is constraining sales and already pushing up prices. The total of new and existing homes for sale has declined on a year-over-year basis for the most recent 25 months, and the average of the inventory-to-sales ratio during the past six months is the lowest since at least 1999. **Home prices** across the country posted their 72nd consecutive monthly increase in February to 6.3% above the year earlier level, 46.2% above the cyclical low reached in February 2012, and 8.2% higher than the previous peak reached in February 2007, according to the Case-Shiller index.

REVENUES

April GRF receipts totaled $3,022.2 million and were $183.4 million (6.5%) above the estimate. Tax revenues were $130.8 million (6.8%) above estimate, led by the personal income tax, which was $98.4 million (11.7%) above estimate, as employer withholding, estimated payments, annual returns, and refunds all contributed to better than expected revenues.

The GRF tax revenue overages in April extended beyond the income tax. Both the auto and non-auto sales tax were above estimate, by $16.9 million (13.3%) and $12.3 million (1.6%) respectively. The commercial activity tax (CAT) was above estimate by $16.2 million (34.7%). The only significant shortfall was in the financial institution tax (FIT), which was $14.3 million below estimate, but revenues are still above estimate for the fiscal year.

Fiscal year-to-date, GRF tax revenues are now $360.7 million (2.0%) above estimate. The income tax has the largest overage at $309.4 million (4.7%). Income tax revenues have benefitted from both stronger than expected withholding and strong tax filing season results, in which estimated payments and annual returns have exceeded estimate and refunds have been below estimate.

Sales tax revenues are also above estimate for the year, by $33.1 million (0.4%), but results have been mixed with auto sales tax revenues $60.6 million (5.4%) above estimate and non-auto sales tax revenues 27.5 million (0.4%) below estimate; despite overages in both March and April.

Revenues from both the CAT and the FIT are also above estimate for the year, by $9.7 million (0.8%) and $9.8 million (7.2%) respectively. The income tax, sales tax, CAT and FIT are collectively $362.0 million above estimate for the year. All the other tax sources combined are a negligible $1.3 million below estimate for the year.

Non-tax revenues were above estimate by $52.6 million (5.8%). More than two-thirds of the overage was from federal grants, which were $38.8 million (4.4%) above estimate. This is expected given that Medicaid GRF spending was $71.0 million above estimate. Intrastate Transfer Voucher (ISTV) revenue was $15.2 million above estimate, and license and fee revenue was $8.3 million above estimate. The only negative on the non-tax revenue side was from other income, which was $10.2 million below estimate.

Despite the April overage, non-tax revenues still lag the estimate by $215.5 million (2.5%) for the year. Federal grants are $210.4 million (2.5%) below estimate for the year. This shortfall is more than 95% of the $220.5 million in year-to-date GRF Medicaid underspending, which is a high percentage even given the fact that much of the underspending has been in programs with high federal match rates.

Other income is also below estimate for the year by $28.6 million (10.4%), as JobsOhio liquor enterprise payments have come in lower than estimated due to costs associated with modernization of the liquor information technology infrastructure. This is partly offset by ISTV revenues being $15.7 million above estimate, as payments budgeted for May came in April instead (and exceeded the May estimate).

Variances for the fiscal year-to-date by category are provided in the following table ($ in millions). From a pure revenue perspective, non-federal revenue may be the most important category to examine because it filters out the impact of federal grants. Such grants are inextricably tied to Medicaid spending, and therefore a shortfall in such grants that results from underspending is not bad news from a budgetary perspective. Non-federal revenues are $360 million (2.0%) above estimate, almost the same variance as for tax revenues.

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	$360.7	2.0%
Non-tax receipts	Federal grants, earnings on investments, licenses & fees, other income, intrastate transfers	($215.5)	-2.5%
Transfers	Budget stabilization, liquor transfers, capital reserve, other	$4.4	3.4%
TOTAL REVENUE VARIANCE:		**$149.6**	**0.6%**
Non-federal revenue variance		**$360.0**	**2.0%**
Federal grants variance		**($210.4)**	**-2.5%**

On a year-over-year basis, monthly receipts were $340.3 million (12.7%) above last April. The income tax increase of $159.9 million (20.5%), and the federal grants increase of $142.3 million (18.2%) were responsible for almost 90% of the year-over-year change.

Even after the strong April, year-to-date GRF revenues have decreased by $1,090.5 million (3.9%) 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 both 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 ten months.

Federal grants have declined by $1,745.7 million (17.8%) from last year, but non-federal revenues have increased by $655.1 million (3.6%). If not for the loss of the sales tax on Medicaid premiums, GRF non-federal revenues would have increased by $1,255.4 million (7.2%). GRF tax revenues by themselves, absent the Medicaid premium tax change, would have increased by $999.2 million (5.9%).

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

Individual Revenue Sources Above Estimate		Individual Revenue Sources Below Estimate	
Personal income tax	$98.4	Financial institutions tax	($14.3)
Federal grants	$38.8	Other income	($10.2)
Auto sales tax	$16.9	Kilowatt hour tax	($2.2)
Commercial activity tax	$16.2	Alcoholic beverage tax	($1.6)
ISTVs	$15.2	Other Sources Below Estimate	($0.0)
Non-auto sales tax	$12.3		
Licenses and fees	$8.3		
Foreign insurance tax	$2.5		
Other Sources Above Estimate	$2.9		
Total above	**$211.5**	**Total below**	**($28.3)**

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

April non-auto sales and use tax collections totaled $765.8 million and were $12.3 million (1.6%) above estimate. April continued the positive trend from last month and further reduced the year-to-date variance to -$27.5 million (0.4%), down from -$39.8 million (0.6%) in March. As in the previous two months, April collections showed solid growth after adjusting for MHIC collections (please see the table below). April's growth from last year was 6.4%, moving year-to-date growth up to 2.3% from 1.9% in March.

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%.

April's non-auto sales tax revenue overage was the second-consecutive overperformance, the first time there have been consecutive overages since August-September of this fiscal year. As mentioned above, when adjusting for MHIC collections, year-to-date growth has finally broken above 2%, for the first time since December, and for only the second time in fiscal year 2018. In addition, growth in the six-month moving average of non-auto collections was 3.1%, the first time it has exceeded 3% since June of 2016.

Non-auto sales tax revenues have begun to accelerate, but it remains to be seen whether this acceleration continues or turns out to be transitory. OBM's measure of retail prices, specially constructed to reflect the non-auto sales tax base (e.g. omitting motor vehicles and parts, omitting grocery stores, etc.) still shows slightly negative price changes. It may not be an increase in retail inflation that is helping to increase non-auto tax collections, but rather improvement in real spending. Of note, while non-auto growth has accelerated, it is approximately 2% below income tax withholding growth, on a 6-month moving average basis.

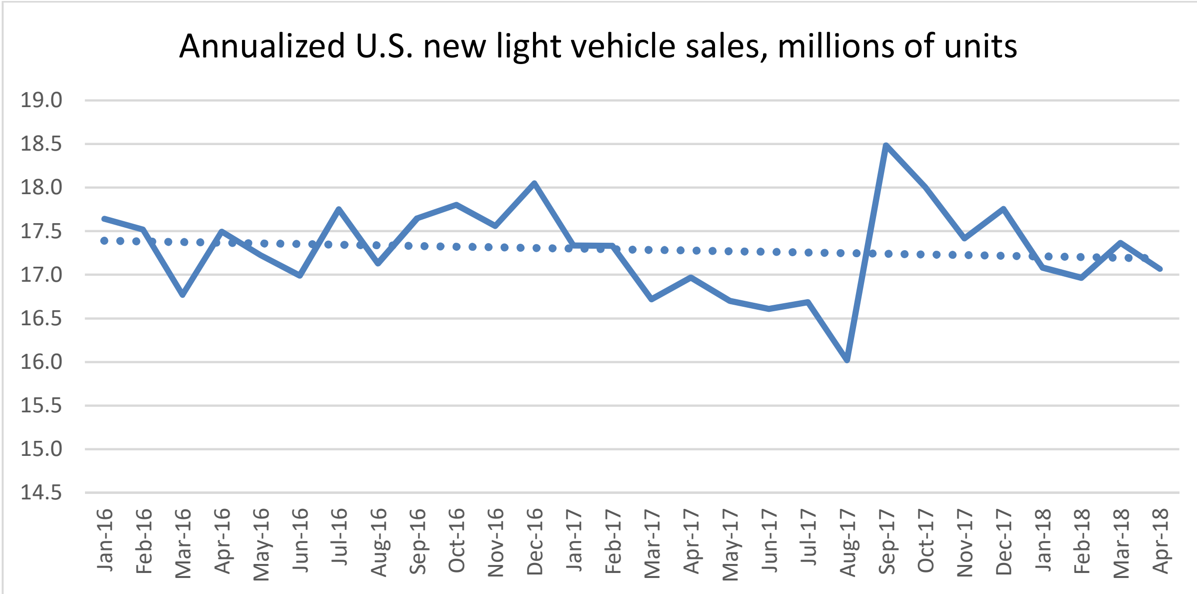
Non-Auto Sales Tax Revenue Growth Without MHIC– FY18 through April
($ in millions)

	Apr-17	Apr-18	FY 2017 YTD	FY 2018 YTD
Non-Auto sales tax GRF	791.7	765.8	$7,626.0	$7,191.5
Non-Auto sales tax PLF (Library Fund)	$12.6	$12.4	$158.2	$158.9
Non-Auto sales tax, all funds	$804.3	$778.3	$7,784.2	$7,350.5
MHIC revenues (state)	$72.7	$0.0	$671.9	$71.7
GRF and PLF revenues without MHIC	$731.6	$778.3	$7,112.3	$7,278.8
Change from prior year in non-MHIC collections		$46.7		$166.5
Pct. change from prior year in non-MHIC collections		6.4%		2.3%

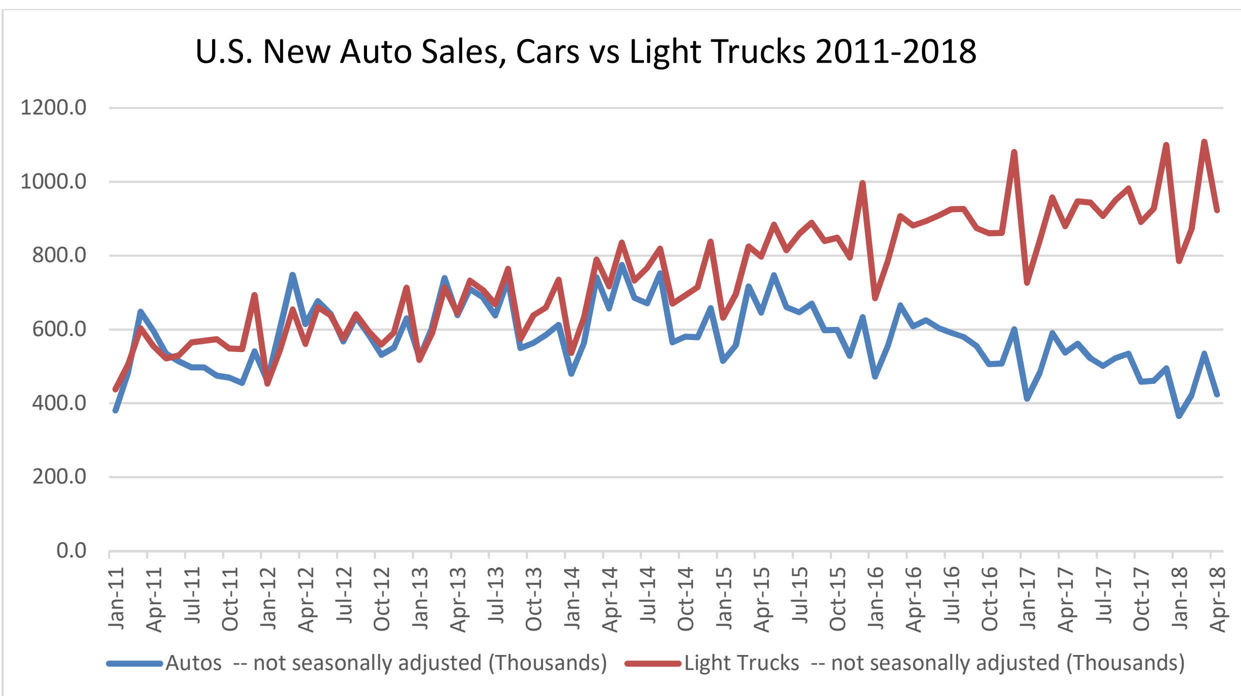
Auto Sales Tax

Auto sales tax collections in April were $144.1 million, which was $16.9 million (13.3%) above estimate – an increase of $22.5 million from last April. For the year, auto sales tax revenues are $60.6 million (5.4%) above estimate, having grown by 3.4% from last year, rather than falling 2.0% as predicted.

The auto sales tax continues to exceed expectations despite a plateau in unit sales of new light vehicles at the national level. As the graph below illustrates, the trend since January 2016 has been slightly downward, heading toward 17 million units, despite a couple of exceptional months where annualized sales hit 18 million units or above in September and October of 2017.



Given that unit sales of light vehicles are not increasing, it is possible that the mix of vehicles sold has migrated away from lower-priced passenger cars and toward more expensive light trucks (a category that includes SUVs). The graph below shows the sharp increase in light trucks sold compared to passenger cars starting after September 2013.



Personal Income Tax

April GRF personal income tax receipts totaled $941.8 million and were $98.4 million (11.7%) above the estimate. This strong outcome is not attributable to a single cause, such as the filing season. Instead, solid performance was exhibited for each of the most significant tax payment categories - employer withholding, annual return payments, and estimated return payments; refunds were also modestly below estimate.

Withholding exceeded estimate by $31.8 million. For the year, withholding is $121.7 million above estimate. It has increased by 4.8% from last year, compared to an estimate of 3.1%. The higher-than-expected performance continues a theme demonstrated throughout this fiscal year. As previously noted, this source has also been generally outpacing the estimates of Ohio wage and salary income from the Bureau of Economic Analysis (BEA).

Estimated payments were significantly larger than expected, exceeding the April estimate by $29.7 million (34.1%). This may augur well for tax year 2018.

Although the tax year 2017 filing season does not officially end until October 2018 when timely extension filers must submit their annual returns (and make any final payment or request any refund owed), annual return payments have so far exceeded estimate while refunds issued through April were below forecast. This occurred even with the influx of estimated tax payments made at the end of calendar year 2017 that were theorized to have been partly due to taxpayers making final use of the unlimited federal income tax deduction for state and local taxes paid. Although there remains the risk that such payments could increase refunds in October, all evidence so far indicates that tax year 2017 will still end up stronger than anticipated.

Annual return tax payments exceeded estimate by $36.3 million (7.4%) in April. This represents the largest source of revenue overage for the month. For the year, annual return payments are only $13.4 million (2.0%) above estimate, because payments had been running slightly below estimate until April.

April refunds were $19.0 million (3.9%) below estimate, and for the January-April filing season, refunds are $36.1 million (2.5%) below estimate. Although the number of refunds being paid out has increased relative to last year, refund amounts per return have dropped by about 8%.

On a year-over-year basis, April GRF income tax collections were $159.9 million (20.5%) above April 2017 collections. For the year, collections were $638.4 million (10.2%) higher than at the same point in fiscal year 2017. Except for trust tax return payments, all payment categories have improved from last year. Growth in withholding and estimated payments accounts for $556.4 million, the majority of GRF income tax growth.

FY2018 PERSONAL INCOME TAX RECEIPTS BY COMPONENT ($ in millions)						
	Estimate Apr	Actual Apr	$ Var	Actual Apr-2018	Actual Apr-2017	$ Var Y-0ver-Y
Withholding	$735.8	$808.8	$31.8	$767.6	$705.9	$61.7
Quarterly Est.	$87.3	$117.0	$29.7	$117.0	$83.9	$33.1
Trust Payments	$27.0	$14.6	($12.4)	$14.6	$24.1	($9.5)
Annual Returns & 40 P	$488.1	$524.4	$36.3	$524.4	$465.1	$59.3
Other	$12.2	$6.8	($5.4)	$6.8	$11.9	($5.1)
Less: Refunds	($483.0)	($464.0)	$19.0	($464.0)	($484.4)	$20.4
Local Distr.	($24.0)	($24.7)	($0.7)	($24.7)	($24.6)	($0.1)
Net to GRF	$843.4	$941.8	$98.4	$941.8	$781.9	$159.9

Commercial Activity Tax

April commercial activity tax (CAT) receipts deposited into the GRF totaled $63.0 million and were $16.2 million (34.7%) above estimate. The variance was the largest monthly overage, in both dollar and percentage terms, in fiscal year 2018. The April variance was large enough to put CAT GRF revenues back into positive territory for the year, at $9.7 million or 0.8%.

Monthly CAT revenues have been up and down this year, with five of the 10 months over the estimate and five months below. Notably, all funds revenues in each of the four months that precede a quarterly due date for the tax – July, October, January, and April – have been well above the estimate. Those four months have had a collective overage of $60.9 million, while all six of the other months have collectively fallen short of the estimate by $49.1 million, yielding a net all funds overage for the year $11.9 million. It is possible that some factor has led taxpayers to shift their payment timing so that a larger share of total payments due is being sent in early.

On a quarterly basis, revenues collected via CAT have shown less variation, as shown in the table below. The final quarterly payment for the calendar year will take place in May, and is currently expected to be the second smallest of the year, with August being the lowest.

FY 2018 CAT Payments, Actual vs. Estimate and vs. Prior Year						
	Estimate	Actual	Variance	% Var	2017 Actual	% Change from 2017
Q1	$410.3	$421.5	$11.2	2.7%	$401.6	4.9%
Q2	$443.3	$443.0	($0.3)	-0.1%	$430.8	2.8%
Q3	$484.5	$466.1	($18.3)	-3.8%	$459.0	1.5%
Q4	$433.2				$459.3	

GRF CAT revenues are $179.7 million (17.9%) higher than collections at the same point last fiscal year. For the month, revenues of $63.0 million are $17.4 million (38.4%) higher than April of fiscal year 2017. This increase is partly due to a change in the allocation formula found in the latest biennial budget bill (H.B. 49) that increased the GRF share of CAT receipts from 75 percent to 85 percent.

All funds revenues have increased by $52.6 million (3.9%) from fiscal year 2017. At the old GRF percentage of CAT revenue (and the old administrative fee percentage of 0.85%), GRF CAT revenues would have increased by $39.5 million from a year ago. The remaining $140.2 million of increase is due to the H.B. 49 law change.

A look at quarterly estimated and actual all funds revenues shows that CAT revenues have continued to grow every quarter, but the rate of growth has slowed as the year has progressed, from 4.9% initially to 1.5% in the third quarter. The estimate of the growth rate for the fourth quarter is negative, at -5.7%. It is important to note that this negative growth rate is due to an expected increase in credits claimed rather than a decrease in taxable economic activity. If fewer credits are claimed than anticipated, CAT revenues could be over the estimate for the final quarter of the fiscal year.

Financial Institutions Tax

As predicted last month based on early payment data, April financial institutions tax (FIT) revenues fell short of the estimate. April collections were $23.7 million, which was $14.3 million (37.6%) below estimate. For the year, collections are still $9.7 million (7.2%) above estimate.

Despite a weak April, the FIT has performed unexpectedly well this fiscal year. January, February, and March all posted considerable overages, collectively beating the third-quarter estimate by over $30 million.

The last quarterly payment of the year is due Thursday, May 31. As always, the split between revenues booked in May and revenues booked in June is somewhat uncertain, so it will not be until early June that the final standing of FIT revenues relative to the estimate is known.

GRF Non-Tax Receipts

GRF non-tax revenues in April totaled $965.5 million and were $52.6 million (5.8%) above estimate. Year-to-date non-tax revenues were $215.5 (2.5%) below estimate.

Federal grants were above estimate by $38.8 million (4.4%) and were driven by higher than projected GRF expenses in the Medicaid category. For the year, federal grants were $210.4 million (2.5%) below estimate. As mentioned earlier in this report, the year-to-date shortfall is more than 95% of the year-to-date GRF Medicaid underspending at $220.5 million, a high percentage given that much of the Medicaid underspending has been in programs with high federal match rates.

License and fee revenues were $8.3 million (355.5%) above estimate, though approximately $3.0 million of that amount was incorrectly deposited into the GRF and will be corrected in May. The remaining overage was largely due to timing as some revenues expected in March were received in April.

Revenues from ISTVs were $15.2 million above an estimate of zero as Statewide Indirect Cost Allocation payments were received in April instead of May, as anticipated, and were also $5.7 million above estimate for the year.

These positive variances were partially offset by revenues for other income, which were $10.2 million (96.2%) below estimate, largely due to racetrack relocation payments which were received in March instead of April as estimated.

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

REVENUE SOURCE	MONTH ACTUAL APRIL	MONTH ESTIMATE APRIL	MONTH $ VAR	MONTH % VAR	YEAR-TO-DATE ACTUAL Y-T-D	YEAR-TO-DATE ESTIMATE Y-T-D	YEAR-TO-DATE $ VAR	YEAR-TO-DATE % VAR
TAX RECEIPTS								
Non-Auto Sales & Use	765,804	753,500	12,304	1.6%	7,191,490	7,219,000	(27,510)	-0.4%
Auto Sales & Use	144,109	127,200	16,909	13.3%	1,175,230	1,114,600	60,630	5.4%
Subtotal Sales & Use	909,912	880,700	29,212	3.3%	8,366,720	8,333,600	33,120	0.4%
Personal Income	941,835	843,400	98,435	11.7%	6,899,291	6,589,900	309,391	4.7%
Corporate Franchise	(0)	0	(0)	N/A	1,971	0	1,971	N/A
Financial Institutions Tax	23,771	38,100	(14,329)	-37.6%	145,571	135,800	9,771	7.2%
Commercial Activity Tax	63,029	46,800	16,229	34.7%	1,185,259	1,175,600	9,659	0.8%
Petroleum Activity Tax	0	0	0	N/A	5,442	4,800	642	13.4%
Public Utility	353	100	253	252.9%	83,774	78,400	5,374	6.9%
Kilowatt Hour	30,911	33,100	(2,189)	-6.6%	295,279	308,500	(13,221)	-4.3%
Natural Gas Distribution	4,059	3,700	359	9.7%	38,361	36,800	1,561	4.2%
Foreign Insurance	333	(2,200)	2,533	115.1%	316,961	313,300	3,661	1.2%
Domestic Insurance	1,120	400	720	180.1%	1,523	3,400	(1,877)	-55.2%
Other Business & Property	0	0	0	N/A	(263)	0	(263)	N/A
Cigarette and Other Tobacco	74,492	73,700	792	1.1%	715,592	715,700	(108)	0.0%
Alcoholic Beverage	2,750	4,300	(1,550)	-36.0%	46,152	47,000	(848)	-1.8%
Liquor Gallonage	4,131	3,800	331	8.7%	40,076	38,300	1,776	4.6%
Estate	14	0	14	N/A	132	0	132	N/A
Total Tax Receipts	2,056,711	1,925,900	130,811	6.8%	18,141,840	17,781,100	360,740	2.0%
NON-TAX RECEIPTS								
Federal Grants	922,779	883,996	38,783	4.4%	8,057,708	8,268,090	(210,382)	-2.5%
Earnings on Investments	16,471	16,000	471	2.9%	46,658	44,000	2,658	6.0%
License & Fees	10,613	2,330	8,283	355.5%	60,876	55,750	5,126	9.2%
Other Income	406	10,620	(10,214)	-96.2%	247,346	275,960	(28,614)	-10.4%
ISTV'S	15,230	0	15,230	N/A	15,713	0	15,713	N/A
Total Non-Tax Receipts	965,500	912,946	52,554	5.8%	8,428,301	8,643,800	(215,499)	-2.5%
TOTAL REVENUES	**3,022,211**	**2,838,846**	**183,365**	**6.5%**	**26,570,141**	**26,424,900**	**145,241**	**0.5%**
TRANSFERS								
Budget Stabilization	0	0	0	N/A	0	0	0	N/A
Transfers In - Other	0	0	0	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	0	0	0	N/A	133,327	128,929	4,398	3.4%
TOTAL SOURCES	**3,022,211**	**2,838,846**	**183,365**	**6.5%**	**26,703,468**	**26,553,829**	**149,639**	**0.6%**

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Table 2
GENERAL REVENUE FUND RECEIPTS
ACTUAL FY 2018 VS ACTUAL FY 2017
($ in thousands)

REVENUE SOURCE	MONTH APRIL FY 2018	MONTH APRIL 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	765,804	791,719	(25,915)	-3.3%	7,191,490	7,626,008	(434,518)	-5.7%
Auto Sales & Use	144,109	121,625	22,484	18.5%	1,175,230	1,136,967	38,264	3.4%
Subtotal Sales & Use	909,912	913,343	(3,431)	-0.4%	8,366,720	8,762,975	(396,255)	-4.5%
Personal Income	941,835	781,906	159,929	20.5%	6,899,291	6,260,845	638,447	10.2%
Corporate Franchise	(0)	(24)	23	N/A	1,971	3,371	(1,400)	-41.5%
Financial Institutions Tax	23,771	26,873	(3,102)	-11.5%	145,571	132,595	12,976	9.8%
Commercial Activity Tax	63,029	45,554	17,475	38.4%	1,185,259	1,005,554	179,705	17.9%
Petroleum Activity Tax	0	0	0	N/A	5,442	5,014	428	8.5%
Public Utility	353	264	89	33.9%	83,774	72,566	11,209	15.4%
Kilowatt Hour	30,911	30,290	621	2.1%	295,279	302,806	(7,528)	-2.5%
Natural Gas Distribution	4,059	3,314	745	22.5%	38,361	35,459	2,902	8.2%
Foreign Insurance	333	(2,235)	2,568	114.9%	316,961	334,535	(17,574)	-5.3%
Domestic Insurance	1,120	1,012	108	10.7%	1,523	1,170	353	30.1%
Other Business & Property	0	0	0	N/A	(263)	(678)	415	61.2%
Cigarette and Other Tobacco	74,492	72,779	1,712	2.4%	715,592	740,042	(24,450)	-3.3%
Alcoholic Beverage	2,750	4,509	(1,759)	-39.0%	46,152	47,366	(1,214)	-2.6%
Liquor Gallonage	4,131	3,887	244	6.3%	40,076	38,673	1,403	3.6%
Estate	14	86	(72)	-84.3%	132	580	(448)	-77.2%
Total Tax Receipts	2,056,711	1,881,558	175,152	9.3%	18,141,840	17,742,871	398,969	2.2%
NON-TAX RECEIPTS								
Federal Grants	922,779	780,466	142,313	18.2%	8,057,708	9,803,375	(1,745,667)	-17.8%
Earnings on Investments	16,471	13,261	3,210	24.2%	46,658	37,303	9,356	25.1%
License & Fee	10,613	2,224	8,389	377.2%	60,876	58,468	2,408	4.1%
Other Income	406	430	(24)	-5.5%	247,346	45,974	201,372	438.0%
ISTV'S	15,230	1	15,230	N/A	15,713	9,132	6,581	72.1%
Total Non-Tax Receipts	965,500	796,382	169,118	21.2%	8,428,301	9,954,252	(1,525,951)	-15.3%
TOTAL REVENUES	**3,022,211**	**2,677,940**	**344,270**	**12.9%**	**26,570,141**	**27,697,123**	**(1,126,982)**	**-4.1%**
TRANSFERS								
Budget Stabilization	0	0	0	N/A	0	0	0	N/A
Transfers In - Other	0	4,018	(4,018)	N/A	133,327	96,862	36,465	37.6%
Temporary Transfers In	0	0	0	N/A	0	0	0	N/A
Total Transfers	0	4,018	(4,018)	N/A	133,327	96,862	36,465	37.6%
TOTAL SOURCES	**3,022,211**	**2,681,958**	**340,252**	**12.7%**	**26,703,468**	**27,793,985**	**(1,090,518)**	**-3.9%**

DISBURSEMENTS

April GRF disbursements, across all uses, totaled $3,104.9 million and were $192.4 million (6.6%) above estimate. This variance was primarily attributable to above estimate disbursements in the Property Tax Reimbursement and Medicaid categories. These variances were partially offset by below estimate disbursements for Primary and Secondary Education. On a year-over-year basis, April total uses were $567.5 million (22.4%) higher than those of the same month in the previous fiscal year, with the Property Tax Reimbursement and Medicaid categories largely responsible for the increase. 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)	($238.4 million)	-0.9%
Transfers	Temporary or permanent transfers out of the GRF that are not agency expenditures	$4.0 million	6.1%
TOTAL DISBURSEMENTS VARIANCE:		**($234.4 million)**	**-0.9%**

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

Primary and Secondary Education

This category contains GRF spending by the Ohio Department of Education. April disbursements for this category totaled $611.5 million and were $18.6 million (3.0%) below estimate. This variance was primarily attributable to below estimate disbursements in the foundation funding line item, where expenditures totaled $550.8 million and were $24.8 million (4.3%) below estimate, as well as the pupil transportation, and EdChoice expansion line items. Disbursements in the foundation funding and pupil transportation line items were below estimate as data updates and payment reconciliation offset overspending in prior months. Disbursements in the EdChoice expansion line item were below estimate due to scholarship payments being made in February rather than April as originally planned. These variances were partially offset by above estimate disbursements in the school lunch match line item due to payments to school districts being made once in April rather than in previous months as estimated. Year-to-date disbursements were $6,846.1 million, which was $81.1 million (1.2%) above estimate.

On a year-over-year basis, disbursements in this category were $51.5 million (7.8%) lower than for the same month in the previous fiscal year while year-to-date expenditures were $110.3 million (1.6%) lower than the same point in fiscal year 2017. The year-to-date variance was primarily attributable to 21 foundation payments being disbursed in the previous fiscal year compared to 20 foundation payments in the current fiscal year.

Higher Education

April disbursements for the Higher Education category, which includes non-debt service GRF spending by the Department of Higher Education, were $182.4 million and were $1.9 million (1.1%) below estimate. This variance was primarily attributable to disbursements for the National Guard Scholarship Program, which were $2.4 million below estimate due to the delay of spring requests for reimbursement from higher education institutions. This variance was partially offset by disbursements for the Choose Ohio First Scholarship Program, which were above estimate by $1.2 million, also due to the timing of requests for reimbursement from higher education institutions.

Year-to-date disbursements were $1,924.1 million, which was $11.8 million (0.6%) below estimate. On a year-over-year basis, disbursements in this category were $3.4 million (1.8%) lower than for the same month in the previous fiscal year while year-to-date expenditures were $5.1 million (0.3%) 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.

April disbursements in this category totaled $6.5 million and were $0.3 million (4.6%) below estimate. Year-to-date disbursements were $62.9 million, which was $1.0 million (1.6%) below estimate. On a year-over-year basis, disbursements in this category were $2.8 million (74.2%) higher than for the same month in the previous fiscal year while year-to-date expenditures were $3.1 million (4.6%) 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>
April GRF disbursements for the Medicaid Program totaled $1,459.6 million and were $71.0 million (5.1%) above estimate, and $353.3 million (31.9%) above disbursements for the same month in the previous fiscal year. The year-over-year monthly variance occurs as a large proportion of expenditures occurred in non-GRF funds in April of the previous fiscal year, while expenditures were shifted back to the GRF in the current fiscal year. Year-to-date GRF disbursements totaled $12,405.6 million and were $220.5 million (1.7%) below estimate, and $2,097.9 million (14.5%) below disbursements for the same point 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 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.

April all funds disbursements for the Medicaid Program totaled $2,232.3 million and were $84.0 million (3.6%) below estimate, and $139.3 million (6.7%) above disbursements for the same month in the previous fiscal year. Year-to-date all funds disbursements totaled $22,232.0 million and were $411.4 million (1.8%) below estimate, and $1,038.9 million (4.9%) above disbursements for the same point in the previous fiscal year.

The April all funds variance was primarily attributable to underspending in the fee-for-service and hospital-based physician upper payment limit (UPL) programs, as well as program administration. April expenditures for the fee-for-service program were below estimate, partially due to timing of payments related to the Medicaid in Schools and the Behavioral Health programs. The variance was also attributable to April enrollment in the fee-for-service program being 16.4% below estimate. Additionally, hospital-based physician UPL program expenditures were below estimate due to a delay in completing payments for this program. The UPL program provides additional payments to hospitals and hospital-based physicians for allowable costs not fully covered by Medicaid payments up to what the Medicare program would have paid for such services. Finally, program administration expenses were below estimate this month as IT-related expenditures scheduled to take place in April will occur in future months instead.

The year-to-date all funds variance was primarily attributable to underspending in the fee-for-service and managed care programs, as well as program administration. Expenditures in the fee-for-service program have been below estimate for reasons as described above. Additionally, enrollment in both the fee-for-service and managed care programs have been an average of 7.0% and 2.4%, respectively, below estimate each month of this fiscal year to date. Finally, program administration expenses were below estimate as contractual service costs have been lower than anticipated.

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

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

	April Actual	April Projection	Variance	Variance %
GRF	$ 1,459.6	$ 1,388.5	$ 71.0	5.1%
Non-GRF	$ 772.8	$ 927.8	$ (155.1)	-16.7%
All Funds	$ 2,232.3	$ 2,316.4	$ (84.0)	-3.6%

<u>Enrollment</u>

Total April enrollment for the program was 2.97 million, which was 151,065 (4.8%) below the estimate and 130,173 (4.2%) below enrollment for the same period last fiscal year. Year-to-date average monthly enrollment was 3.02 million and was 96,507 (3.1%) below estimate.

April enrollment by major eligibility category was: Covered Families and Children, 1.66 million; Aged, Blind and Disabled (ABD), 487,394; Group VIII Expansion, 679,178; and Other Full Benefits, 23,137 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.

April disbursements in this category totaled $129.1 million and were $2.1 million (1.6%) below estimate. Year-to-date disbursements were $1,128.6 million, which was $60.8 million (5.1%) below estimate. On a year-over-year basis, disbursements in this category were $4.9 million (4.0%) higher than for the same month in the previous fiscal year while year-to-date expenditures were $36.8 million (3.2%) lower than at the same point in fiscal year 2017.

Department of Job and Family Services
April disbursements for the Department of Job and Family Services totaled $69.5 million and were $7.9 million (10.2%) below estimate. This variance was primarily attributable to below estimate county spending in the TANF State/Maintenance of Effort line item and a delay in the start of the Bridges to 21 (Foster Care) Program. These variances were partially offset by $1.5 million in above estimate disbursements in the Unemployment Insurance Administration line item due to some delayed IT related expenses that were estimated to occur earlier in the fiscal year but occurred in April instead.

Department of Mental Health and Addiction Services
April disbursements for the Department of Mental Health and Addiction Services totaled $36.3 million and were $7.4 million (26.0%) above estimate. This variance was primarily attributable to disbursements for the Continuum of Care line item, which were $15.0 million above an estimate of zero due to a quarterly disbursement that occurred in April instead of May. This variance was partially offset by disbursements for the Hospital Services line item, which were below estimate by $5.5 million due to timing of payments and above estimate utilization of some non-GRF funds for certain costs. Additionally, disbursements for the Community Innovations line item were below estimate by $1.2 million due to slower than estimated disbursement of grant funding.

Justice and Public Protection

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

April disbursements in this category totaled $211.6 million and were $11.0 million (5.5%) above estimate. Year-to-date disbursements were $1,843.0 million, which was $13.0 million (0.7%) below estimate. On a year-over-year basis, disbursements in this category were $22.4 million (11.8%) higher than for the same month in the previous fiscal year while year-to-date expenditures were $76.4 million (4.3%) higher than at the same point in fiscal year 2017.

Department of Rehabilitation and Correction

April disbursements for the Department of Rehabilitation and Correction totaled $172.8 million and were $7.3 million (4.4%) above estimate. This variance was primarily attributable to above estimate disbursements for Community Nonresidential Programs due to delays in grant payments where funding was estimated to occur in previous months but occurred in April instead. This variance was partially offset by below estimate disbursements for Halfway Houses due to the timing of payments.

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.

April disbursements in this category totaled $29.9 million and were $1.9 million (5.9%) below estimate. Year-to-date disbursements were $301.4 million, which was $21.2 million (6.6%) below estimate. On a year-over-year basis, disbursements in this category were $1.9 million (6.1%) lower than for the same month in the previous fiscal year while year-to-date expenditures were $16.3 million (5.1%) lower than at the same point in fiscal year 2017.

Department of Administrative Services

April disbursements for the Department of Administrative Services totaled $2.8 million and were $1.9 million (218.3%) above estimate. This variance was primarily attributable to the timing of quarterly rent payments for certain GRF-supported agencies and vacant space in state buildings managed by the department.

Development Services Agency

April disbursements for the Development Services Agency totaled $2.2 million and were $1.4 million (40%) below estimate. This variance was primarily attributable to below estimate disbursements for the Technology Programs and Grants line item due to slower than estimated spending on grants.

Property Tax Reimbursements

Payments from the property tax reimbursement category are made to local governments and school districts to reimburse these entities for revenues foregone as a result of the 10.0 percent and 2.5 percent rollback, as well as the homestead exemption. April property tax reimbursements totaled $396.3 million and were $139.5 million (54.3%) above estimate. Year-to-date disbursements totaled $1,386.2 million and were $35.6 million (2.6%) above estimate. The monthly and year-to-date variances are due to a higher than anticipated portion of reimbursement requests being received in April. Total fiscal year 2018 disbursements are projected to be slightly below original estimates.

Debt Service

April payments for debt service totaled $78.0 million and were $4.2 million (5.1%) below estimate. Year-to-date debt service payments were $1,280.7 million and were $26.7 million (2.0%) below estimate. The monthly and year-to-date variances are due to a portion of bond premiums being used to offset debt service payments and savings achieved by refunding prior debt.

Transfers Out

Transfers out totaled $41,000 against an estimate of zero. Year-to-date transfers out were $69.5 million and were $4.0 million (6.1%) 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.

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Table 3
GENERAL REVENUE FUND DISBURSEMENTS
ACTUAL FY 2018 VS ESTIMATE FY 2018
($ in thousands)

	MONTH				YEAR-TO-DATE			
Functional Reporting Categories Description	**ACTUAL APRIL**	**ESTIMATED APRIL**	**$ VAR**	**% VAR**	**YTD ACTUAL**	**YTD ESTIMATE**	**$ VAR**	**% VAR**
Primary and Secondary Education	611,542	630,176	(18,635)	-3.0%	6,846,107	6,765,008	81,099	1.2%
Higher Education	182,365	184,303	(1,938)	-1.1%	1,924,091	1,935,922	(11,831)	-0.6%
Other Education	6,524	6,837	(314)	-4.6%	62,888	63,905	(1,017)	-1.6%
Medicaid	1,459,574	1,388,543	71,031	5.1%	12,405,557	12,626,015	(220,458)	-1.7%
Health and Human Services	129,092	131,207	(2,115)	-1.6%	1,128,633	1,189,457	(60,823)	-5.1%
Justice and Public Protection	211,636	200,608	11,028	5.5%	1,842,991	1,856,019	(13,028)	-0.7%
General Government	29,877	31,753	(1,875)	-5.9%	301,391	322,592	(21,201)	-6.6%
Property Tax Reimbursements	396,257	256,798	139,458	54.3%	1,386,220	1,350,667	35,553	2.6%
Debt Service	77,998	82,229	(4,231)	-5.1%	1,280,689	1,307,342	(26,653)	-2.0%
Total Expenditures & ISTV's	**3,104,864**	**2,912,456**	**192,408**	**6.6%**	**27,178,568**	**27,416,928**	**(238,359)**	**-0.9%**
Transfers Out:								
BSF Transfer Out	0	0	0	N/A	0	0	0	N/A
Operating Transfer Out	41	0	41	N/A	69,486	65,514	3,972	6.1%
Temporary Transfer Out	0	0	0	N/A	0	0	0	N/A
Total Transfers Out	**41**	**0**	**41**	**N/A**	**69,486**	**65,514**	**3,972**	**6.1%**
Total Fund Uses	**3,104,906**	**2,912,456**	**192,449**	**6.6%**	**27,248,054**	**27,482,442**	**(234,387)**	**-0.9%**

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Table 4

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

Functional Reporting Categories Description	MONTH APRIL FY 2018	MONTH APRIL 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	611,542	663,008	(51,466)	-7.8%	6,846,107	6,956,452	(110,344)	-1.6%
Higher Education	182,365	185,750	(3,385)	-1.8%	1,924,091	1,918,996	5,095	0.3%
Other Education	6,524	3,746	2,778	74.2%	62,888	65,942	(3,054)	-4.6%
Medicaid	1,459,574	1,106,279	353,295	31.9%	12,405,557	14,503,409	(2,097,852)	-14.5%
Health and Human Services	129,092	124,172	4,920	4.0%	1,128,633	1,165,466	(36,833)	-3.2%
Justice and Public Protection	211,636	189,239	22,397	11.8%	1,842,991	1,766,592	76,399	4.3%
General Government	29,877	31,805	(1,927)	-6.1%	301,391	317,702	(16,311)	-5.1%
Property Tax Reimbursements	396,257	156,932	239,325	152.5%	1,386,220	1,292,362	93,857	7.3%
Debt Service	77,998	57,675	20,323	35.2%	1,280,689	1,276,056	4,633	0.4%
Total Expenditures & ISTV's	**3,104,864**	**2,518,604**	**586,261**	**23.3%**	**27,178,568**	**29,262,978**	**(2,084,409)**	**-7.1%**
Transfers Out:								
BSF Transfer	0	0	0	N/A	0	29,483	(29,483)	N/A
Operating Transfer Out	41	18,852	(18,810)	N/A	69,486	288,480	(218,994)	-75.9%
Temporary Transfer Out	0	0	0	N/A	0	0	0	N/A
Total Transfers Out	**41**	**18,852**	**(18,810)**	**N/A**	**69,486**	**317,963**	**(248,477)**	**-78.1%**
Total Fund Uses	**3,104,906**	**2,537,455**	**567,450**	**22.4%**	**27,248,054**	**29,580,940**	**(2,332,886)**	**-7.9%**

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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