OBM

November 9, 2018

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

FROM: Timothy S. Keen, Director TK

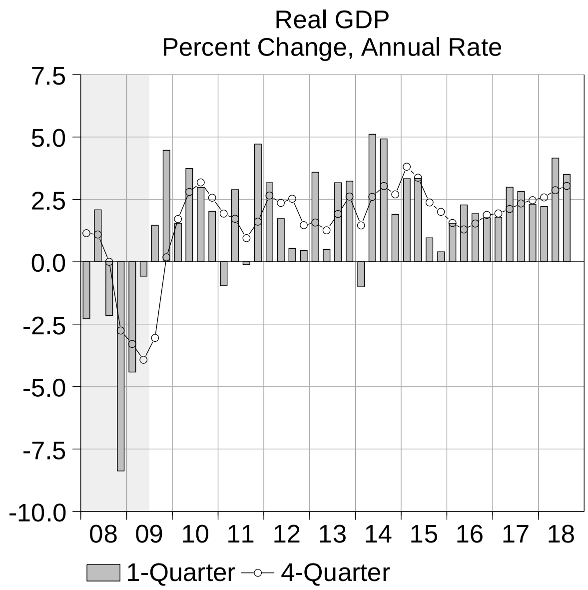
SUBJECT: Monthly Financial Report

ECONOMIC SUMMARY

Economic Performance Overview

- The economy expanded at an annual rate of 3.5% in the third quarter and was 3.0% larger than a year earlier. Forecasters project that growth is continuing at a rate of about 2.5% in the fourth quarter.
- U.S. employment increased by 250,000 jobs in October for a 3-month average of 218,000 jobs per month. The unemployment rate stayed at the expansion-low of 3.7%.
- Ohio nonfarm payroll employment increased by 4,300 jobs in September and 104,600 from a year earlier. The unemployment rate stayed at 4.6% – down by 0.3 points since last December.
- Leading economic indicators remain consistent with uninterrupted economic growth well into 2019.

Economic Growth



Real GDP expanded at an annual rate of 3.5% in the third quarter, down from 4.2% in the second quarter, but still well ahead of the 2.3% average during this expansion. Growth was 3.0% on a year-over-year basis, which is the fastest in just over three years. The growth rate of 3.8% during the middle two quarters of the year was the best in four years and the third best in this expansion.

Sentiment among small businesses faded slightly in September after rising to an all-time high in August, according to the **National Federation of Independent Business (NFIB)**. Even so, the level was still the third highest in the 45-year history of the survey. Six of the ten components of the Index of Small Business Optimism decreased, three increased, and one was unchanged. Capital spending reportedly increased significantly, hiring was said to be solid, and firms added meaningfully to inventories – all indications that positive momentum from the second and third quarters carried over into the fourth quarter.

The **Ohio economy** expanded moderately in September, according to the Ohio coincident economic index from the Philadelphia Federal Reserve. The index increased 0.2% after an upwardly revised increase of 0.3% the month before. Compared with a year ago, the index was higher by 3.1%. This is consistent with the latest survey by the Federal Reserve Bank of Cleveland, which found anecdotal evidence that the economy in and around Ohio grew at a modest pace into mid-October, with stable customer demand.

The diffusion of **state-level coincident economic indexes** deteriorated somewhat in September, as the indexes for six states were lower than a month ago and the indexes for five states were lower from three months ago. This was up from last month, where indexes for just two states were lower for both the month before and three-month periods. The recent pattern remains consistent with continuing growth in the national economy.

The **Ohio leading index**, which is designed to predict growth in the coincident index during the next six months, was 1.4% in September, not much different from 1.7% the month before. The number of negative readings among individual **state-level composite leading indexes** increased from two in August to five in September, still at a level consistent with uninterrupted expansion in the near-term. Compiled by the Philadelphia Federal Reserve, the diffusion across these state leading indexes has been a leading indicator of turning points in the economy in the past. These indexes are very sensitive to the state unemployment rates, which are subject to large annual benchmark revisions early each year.

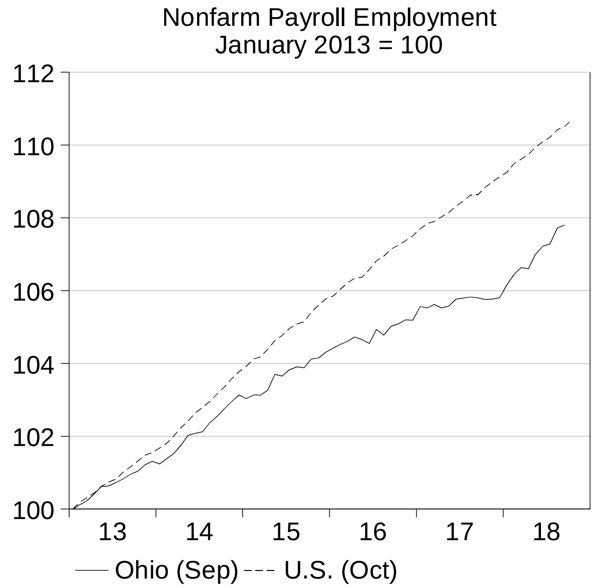
National leading indicators advanced again in September, as the Conference Board's composite **Leading Economic Index** increased 0.5%. Eight of the ten components of the index made positive contributions, led by consumer expectations for business conditions. The contribution from the ISM index for new orders was a close second. Residential building permits subtracted from the index again, and the average workweek of production workers also subtracted. The smoothed 6-month rate of change was 6.0%, down from a recent peak of 7.1%, but still consistent with uninterrupted growth through year-end and well into 2019.

As shown in the table below, the **consensus among forecasters** is that real GDP growth is slowing in the fourth quarter to approximately 2.5%-3.0%.

Source	**Date**	**2018-Q4 GDP Forecast**
Atlanta FRB (GDPNow)	11/2/18	2.9%
New York FRB (Nowcast)	11/2/18	2.6%
Blue Chip	11/2/18	2.8% (2.4%-3.2%)
IHS	11/2/18	2.6%

Employment

Nonfarm payrolls across the country increased by 250,000 jobs in October, which was above expectations for a gain of approximately 188,000 jobs. Small revisions to job growth in the previous two months netted out to zero. Private nonfarm payrolls increased by 246,000 jobs, with the remaining increase of 4,000 jobs in the public sector, half of which came at the local level.



The average gain during the most recent three months was 218,000, very much in line with the average during the previous twelve months of 211,000. Nonfarm payroll employment has increased by 2.13 million jobs year-to-date, 18.3% ahead of the gain of 1.80 million jobs during the year-earlier period.

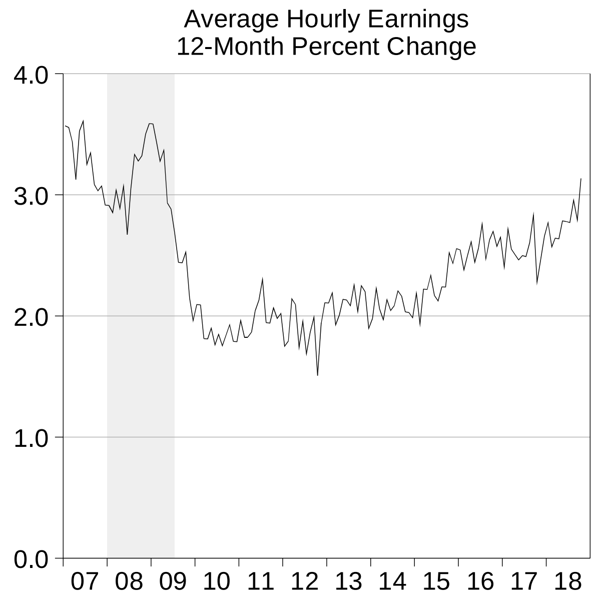
All major sectors posted employment gains during October. The largest gains occurred in education and health services (+44,000), where health care employment increased by 35,600 jobs, and leisure and hospitality, where food services and drinking places employment increased by 33,500 jobs. Professional and business services employment increased by 35,000 jobs. Manufacturing employment rose by 32,000 jobs, led by transportation equipment (+10,600), food production (+6,800), and machinery (+4,800). Construction employment was lifted by 30,000 jobs by an increase of 21,300 jobs in specialty trades, especially among residential contractors.

The Labor Department reported no significant negative effects from Hurricane Michael on the October jobs report, but the reversal in retail employment from a decrease of 32,000 in September to +2,000 in October and in leisure and hospitality employment from no change in September to +42,000 in October suggests that a rebound from the negative effects from Hurricane Florence on September employment added to the increase in employment during October.

The **unemployment rate** was unchanged at 3.7% – the low for the cycle and the lowest level since December 1969. The number of unemployed rose by 111,000 as the labor force increased by 711,000 people and total employment jumped by 600,000 workers. The broadest measure of unemployment, the U-6 unemployment rate, ticked back down by 0.1 point to its expansion-low of 7.4%, as the number of people working part-time for economic reasons decreased by 21,000. 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 instead.

Average hourly earnings of all employees on private nonfarm payrolls increased 0.2% in October to 3.1% above the year earlier level, up from 2.8% last month and 3.0% the before that. In combination with the rise in employment that was somewhat above the recent trend, the moderate rate of increase in wages is likely to encourage the Federal Reserve to continue raising the target range for the federal funds rate at its December meeting and further into 2019.

Ohio nonfarm payroll employment increased by 4,300 jobs in September and the August gain was revised up from 13,900 jobs to 22,800 jobs. Changes were mixed across sectors. Increases were concentrated in manufacturing (+3,400), other services (+3,400), and professional and business services (+1,300). Decreases occurred in government (-2,200), leisure and hospitality (-1,000), and construction (-900). Ohio employment is up by 104,600 jobs year-to-date to 5.6 million jobs, which is a new cycle-high as well as a new all-time high for Ohio employment.



During the twelve months ending in September, Ohio employment increased by 104,600 jobs (1.9%), the same as the year-to-date tally. The largest gains were in trade, transportation and utilities (+18,400), leisure and hospitality (+18,100), education and health services (+16,500), and manufacturing (+16,100). The only decline occurred in information (-300), which has not increased on a year-over-year basis since November 2016. The decline in this category is being driven by long-term changes in how information is disseminated and consumed. At the national level, employment in telecommunications, motion picture and sound recording, and non-Internet publishing have all declined over the past year, with the declines lying in the 1% to 3% range.

The Cleveland Fed survey of businesses in and around Ohio found that hiring activity remained positive across sectors. A number of employers noted continued difficulty in retaining and attracting qualified workers. A retailer said that it could not replace departing warehouse workers quickly enough to maintain desired headcount. A trucking company reported idle trucks due to the inability to hire a full complement of drivers. Some manufacturers have extended overtime to compensate for the shortage of qualified workers.

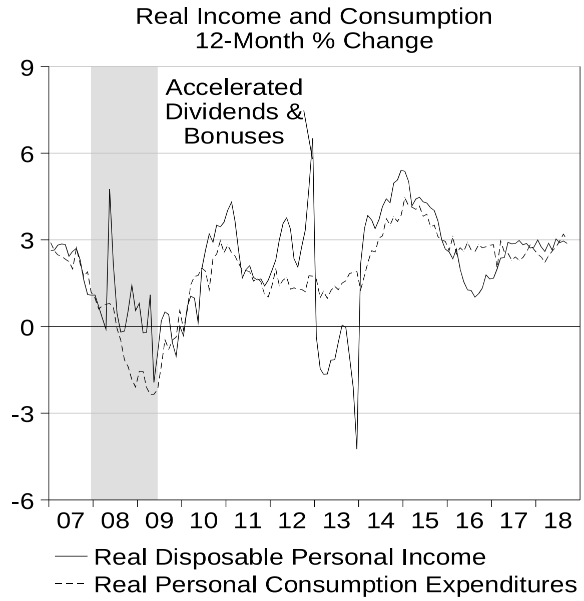
Among the **contiguous states**, employment increased on a year-over-year basis in Ohio (+1.9%), Michigan (+1.4%), Pennsylvania (+1.3%), Indiana (+0.9%), and West Virginia and Kentucky (+0.4%). Manufacturing employment increased year-over-year by in Ohio (2.3%), Michigan (1.8%), West Virginia (0.6%), Pennsylvania (0.5%), and Kentucky (0.2%). It decreased 0.6% in Indiana.

The **Ohio unemployment rate** stayed at 4.6% again in September – down by 0.3 points since last December. Total employment decreased by 11,800 workers, while the labor force decreased by 13,800 workers and the number of unemployed decreased by 2,000. The 0.4 percentage point decline in the unemployment rate from a year earlier resulted from an increase of 6,100 workers, a 15,000 decrease in the labor force, and a 21,100 person decline in the number of unemployed.

Across the country in August, the unemployment rate decreased notably from the month before in nine states, led with declines of 0.2 points in Alaska, Florida, and Oklahoma. Four states had meaningfully higher rates than the month before: Colorado, Maine, North Dakota, and Wyoming. Changes in the unemployment rate in the remaining 37 states and the District of Columbia were not statistically significant.

Consumer Income and Consumption

Personal income and personal consumption expenditures continued growing in September. **Personal income** increased 0.2%, driven by a 0.2% increase in wage and salary disbursements. Both measures slowed considerably from August and were up 4.4% and 4.6%, respectively, from a year earlier.

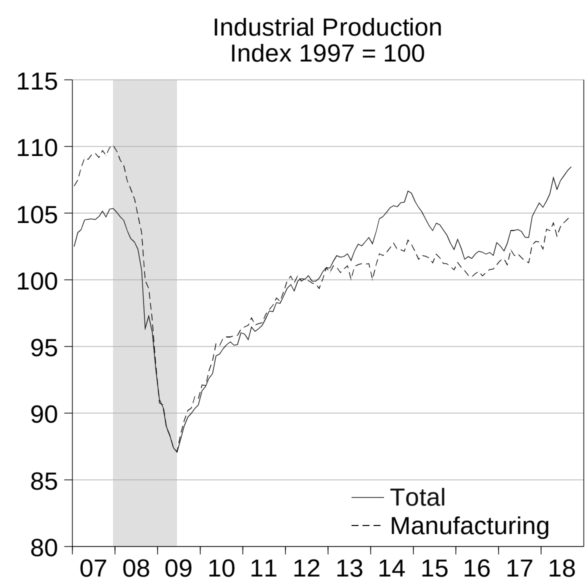


Personal consumption expenditures grew 0.4% in September after an upwardly adjusted 0.5% rise in August. The gain came from a 1.5% increase in spending on durable goods and increases of 0.3% each in spending on non-durable goods and services. Spending for durable goods was boosted by a 4.5% increase in sales of light motor vehicles. Light motor vehicle sales matched or exceeded the September level of 17.4 million units in October.

Retail demand was reportedly flat in and around Ohio, breaking with the trend of the past year, according to the Cleveland Fed survey. Auto dealers noted that new vehicle sales declined slightly. They attributed the weakness to higher prices and financing costs, which have induced many buyers to opt for used cars. Expectations for the near-term were mixed across retailers, with sellers of non-durable goods looking for a pickup, and auto dealers anticipating flat demand.

Consumer confidence was mixed in October, as the Conference Board index rose to a long-time high and the University of Michigan index fell for the second month in row, but remained at a high level. Key factors supporting confidence are the strength of the labor market and personal income, which have outweighed concerns. Both surveys detected reduced plans to purchase big ticket items and found that confidence increased among higher-income households and fell among lower-income households.

Industrial Activity

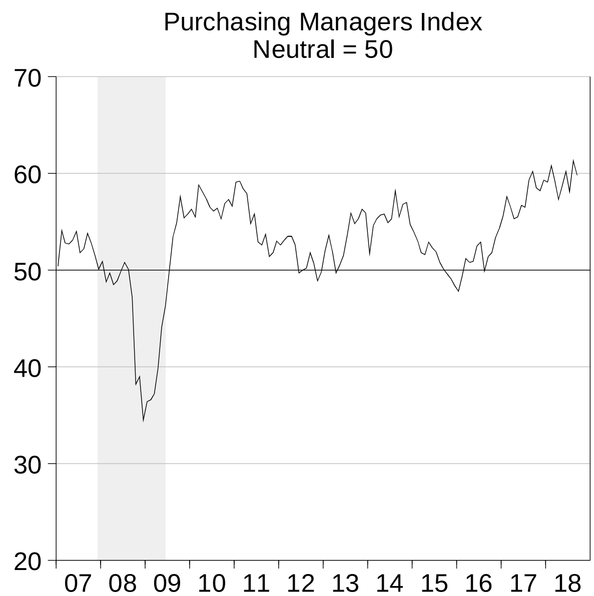


Industrial production increased by 0.3% in September for the fourth monthly gain in a row. Compared with a year earlier, production is up 5.1%. **Manufacturing** production increased 0.2% to 3.5% above the year earlier level. **Mining** output increased 0.5% although the previous month was revised down from +0.7% to +0.4%. **Utilities** production was flat after a 1.1% gain the month before that was originally reported as 1.2%.

Production across the country in some industries that are key employers in Ohio was largely positive. Motor vehicles and parts production increased 1.7%, primary metal output increased 1.1%, machinery output was up 0.9%, and fabricated metal production increased 0.1%. Compared with a year ago, production was higher by 7.0% in motor vehicles and parts, 5.2% in machinery and in fabricated metal products, and 3.7% in primary metal.

Manufacturers in and around Ohio reported to the Cleveland Fed that demand remained strong due to solid economic fundamentals. Demand at industrial equipment manufacturers from automotive, agricultural, and construction industries was strong. Demand among some steel and heavy equipment manufacturers was down after an increase earlier in the year in anticipation of price increases. Contacts reported raising capital expenditures to increase capacity to keep up with customer demand.

Reports of improving conditions from **purchasing managers** in manufacturing during October were somewhat less common for the second month in a row, but still widespread. The PMI®, which is a diffusion index that measures the extent to which respondents report increasing, unchanged, or decreasing activity, fell 2.1 points to 57.7. The index was at 61.3 in August.



Reports of increases in both production and new orders were less broad-based than the month before, but still well above the neutral level of 50. While the backlog of new orders was stable, reports of slower supplier deliveries were more widespread (indicating a pickup in activity) and prices paid increased after a large decline the month before. Employment and imports were stable, while reports of higher new exports were less common.

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

Respondents across industries were generally upbeat. A contact in the fabricated metals industry reported that, "orders and shipments are strong right now." A respondent in the transportation equipment industry reported that, "demand is high, and the supply chains are stressed." On a somewhat cautionary note, a contact in the machinery industry said that, "order intake remains steady," but also noted that, "the pace has slowed since the first half of the year … Instead of growing, the backlog is declining."

Construction

Construction put-in-place was unchanged in September, although the August change was revised up from 0.1% to 0.8%, which could lead to an upward revision to third quarter real GDP growth. Private construction increased by 0.3% after a 0.4% gain the month before – the third monthly rise in a row – while public construction decreased 0.9% after a 2.2% gain the month before. The strength in private sector construction was focused in residential, where an 8.7% increase in mutlti-family more than offset a 0.8% decline in single-family. Private nonresidential construction put-in-place edged higher by 0.1%, as increases in lodging, manufacturing, and several other categories just offset large pullbacks in commercial and power. The weakness in public sector construction was broad-based and led to the third decline in the last four months.

Compared with a year ago, total construction put-in-place was higher by 7.2%. Private sector activity was up by 6.1%, and public sector activity accelerated to a year-over-year increase of 11.0%. As recently as last November, public sector construction put-in-place was lower on a year-over-year basis.

Nonresidential builders in and around Ohio reported a pickup in demand into mid-October compared with a lull over the summer, according to the Cleveland Fed survey. Growth has occurred primarily in the private sector, as public spending was still low. Backlogs are high and point to strength in the broader economy, according to builders, who expect growth to continue in the near-term. Builders are raising prices for nonresidential construction to maintain margins as prices are rising for materials, especially metals.

Total **housing starts** increased by 0.7% in September on a 3-month moving average basis after three straight declines and four in the last five months. That leaves starts down by 5.7% from the expansion peak in the first quarter. Recent weakness has been widely attributed to higher mortgage rates and home prices and less favorable tax treatment for property taxes and mortgage interest. While these cyclical factors remain in effect, underlying demographics are expected to provide support to the market during the next few years.

The more-forward-looking **housing permits** continued the recent downtrend in September. Across the country, permits fell 0.6% on a 3-month moving average basis for the fifth straight monthly decline, which leaves permits down by 4.3% from the first quarter. Single-family permits were unchanged and multi-family permits fell 1.8%. The picture was similar in the Midwest, where permits fell 0.4%, as a 0.6% increase in single-family was outweighed by a 2.1% drop in multi-family. Homebuilder confidence has declined from recent highs but remains solid, as most respondents are experiencing firm demand.

New home sales decreased 3.3% in September, on a 3-month moving average basis, for the fifth decline in as many months. In the Midwest, new home sales bounced up by 4.3% breaking a string of three monthly declines. Compared with a year earlier, new home sales across the country were down 0.6% and in the Midwest were higher by 4.3%. In and around Ohio, homebuilders point to a deterioration in affordability as a key negative factor, according to the Cleveland Fed survey, and say that they are reducing the number of spec homes they are building.

Existing home sales have followed a similar pattern, decreasing by 1.4% in September on a 3-month moving average basis, also for the fifth decline in a row. The pace of sales for the period was 2.4% below the year earlier level. Sales were also weak in the Midwest, rising only 0.3% on a 3-month moving average basis in September and falling 1.0% from a year earlier.

Home prices nationally posted their 78th straight monthly increase in August to 5.8% above the year earlier level, 49.3% above the cyclical low reached in February 2012, and 10.4% above the previous peak in February 2007, according to the Case-Shiller index.

REVENUES

October **GRF receipts totaled $2,909.4 million** and were $148.1 million (5.4%) above estimate. Last month's issue of this report pointed out that much of the $153.7 million revenue shortfall in September would probably be reversed in October, as timing issues in federal grants and other income would be reversed, and in fact that was the case. For the month, tax revenues were $68.8 million (3.7%) above estimate, led by overages in the foreign insurance tax ($29.0 million), the commercial activity tax ($26.2 million), and the income tax ($16.7 million). In addition, federal grants were $37.5 million above estimate, and other income topped the estimate by $35.9 million. Last month's issue of this report noted that the other income category fell short of estimate by $42.8 million, making the combined September-October shortfall $6.9 million. The September shortfall and October overage were almost entirely due to the JobsOhio liquor profits payment being delayed until October. The payment that was eventually received in October was $36.8 million, $5.2 million short of the estimate.

For the year, the largest single variance is in federal grants. Despite the October overage, grants are still $187.4 million (5.0%) below estimate for the year, due to Medicaid spending being $262.6 million (4.5%) below estimate. Non-federal revenues are $98.6 million (1.3%) above estimate, led by a $100.7 million (1.4%) overage in tax revenues. Non-tax revenues other than federal grants have a slight negative variance of $2.1 million, as underperformance in other income and transfers in slightly more than offsets an overage in investment earnings.

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	$100.7	1.4%
Non-tax receipts	Federal grants, earnings on investments, licenses & fees, other income, intrastate transfers	($185.4)	-4.8%
Transfers	Budget stabilization, liquor transfers, capital reserve, other	($4.1)	-5.1%
TOTAL REVENUE VARIANCE:		**($88.8)**	**-0.8%**
Non-federal revenue variance		**$98.6**	**1.3%**
Federal grants variance		**($187.4)**	**-5.0%**

The $68.7 million overage in tax revenues in October increased the year-to-date overage to $100.7 million. Despite a small October shortfall, the non-auto sales tax still has the largest single overage, at $45.6 million (1.6%). The foreign insurance tax had the second largest overage at $28.9 million (19.4%), with all the overage resulting from the October estimated payment. The auto sales tax, which has been a consistently strong performer this year, has the third highest year-to-date overage, at $17.5 million (3.5%).

Two tax sources that had been below estimate are now above estimate after October. The second straight overage in the personal income tax has pulled year to date revenues up to $3.2 million (0.1%) above estimate, and the commercial activity tax (CAT) followed a poor first quarter, where revenues had fallen $20.1 million below estimate, with a very strong October that erased the shortfall and then some. CAT revenues now stand at $6.1 million (1.4%) above estimate for the year.

On a year-over-year basis, total monthly receipts were $259.0 million (9.8%) higher than in October of the previous fiscal year. While some of this was due to timing in federal grants and the other income category, the main driver was a $152.6 million (8.6%) increase in tax revenues, with the biggest contribution coming from the income tax, which grew $74.7 million (11.7%), with withholding, estimated payments, and annual return payments all making significant contributions. For the year, GRF revenues have grown by $396.1 million, with over 90% of that increase coming from tax revenues, which have grown by $372.1 million (5.2%). The income and sales taxes combined have accounted for $324.5 million of that growth. In fact, even those growth numbers are understated somewhat due to the fact that the first four months of fiscal year 2018 included one month (July) where Medicaid Health Insuring Corporation (MHIC) revenue was included. Backing MHIC revenue out of fiscal year 2018, GRF tax revenues have grown by $443.2 million, or 6.3%.

Finally, one indicator of the breadth of October's revenue strength can be seen in the table below, where only three sources had negative variances of any size.

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

Individual Revenue Sources Above Estimate		Individual Revenue Sources Below Estimate	
Federal Grants	$37.5	Financial Institutions Tax	($5.7)
Other Income	$35.9	Non-auto Sales Tax	($4.8)
Foreign Insurance Tax	$29.0	Alcoholic Beverage Tax	($2.6)
Commercial Activity Tax	$26.2	Other Sources Below Estimate	($0.1)
Personal Income Tax	$16.7		
Auto-Sales Tax	$7.6		
Investment Earnings	$5.6		
Kilowatt Hours	$1.7		
Other Sources Above Estimate	$1.1		
Total above	**$161.3**	**Total below**	**($13.1)**

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

October non-auto sales and use tax collections totaled $720.3 million and were $4.8 million (0.7%) below the estimate. This is the first shortfall of the year, after significant overperformance in the first three months. October results in the non-auto sales tax generally conform to the findings by the Cleveland Federal Reserve Bank's Beige Book report that "Retail demand was flat during this period, breaking a nearly year-long trend of improving demand." The period for which retail demand was flat is essentially the month of September and the first part of October.

Year-over-year growth in non-auto tax revenue was 2.8% in October, better than flat but slower than in the July-September quarter. After adjusting for the impact of the repealed sales tax on Medicaid Health Insuring Corporations (MHICs), growth was 6.0% for the first quarter, but slipped to 5.3% after October, which is still well above where growth had been since early in calendar year 2016. As noted in last month's report, monthly comparisons no longer require adjustment, but the comparisons of year-to-date revenue will still be adjusted because of the July MHIC revenues in fiscal year 2018.

Monthly and year-to-date revenues, adjusted for MHIC collections, are shown in the table below. Note that the table shows not only GRF revenues, but also sales tax revenues distributed to the Public Library Fund (PLF) making the growth percentages slightly different than those for the GRF alone.

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

	Oct-17	Oct-18	FY 18 YTD	FY 19 YTD
Non-Auto sales tax GRF	700.8	720.4	$2,884.7	$2,962.3
Non-Auto sales tax PLF (Library Fund)	$14.8	$15.7	$65.4	$67.4
Non-Auto sales tax, all funds	$715.7	$736.1	$2,950.1	$3,029.7
MHIC revenues (state)	$0.0	$0.0	$71.7	$0.0
GRF and PLF revenues without MHIC	$715.7	$736.1	$2,878.4	$3,029.7
Change from prior year in non-MHIC collections		$20.4		$151.3
Pct. change from prior year in non-MHIC collections		2.9%		5.3%

The non-auto sales tax has shown substantial improvement in growth since its low-point last January. Growth has been inconsistent across months, with some months like July showing year-over-year growth around 2% or slightly lower, while other months like March and June, and then August and September, have exceeded 7%. Despite these ups and downs, overall non-auto revenue growth over the last 9 months has averaged 4.5%.

The improvement in non-auto revenue growth has generally coincided with the reduction in federal income tax withholding rates due to the passage of the federal Tax Cuts and Jobs Act (TCJA). While it is too early to infer that the improvement in growth has resulted from reduced withholding and thus additional disposable income for consumers, it is a reasonable hypothesis. If the two are related, then growth may slow in the second half of fiscal year 2019 as income comparisons 12 months apart incorporate higher disposable income in both months.

Auto Sales Tax

Auto sales tax revenues resumed their strong performance after a pause in September, when they fell slightly short of estimate ($2.2 million). October revenues were $7.6 million (6.1%) above estimate, pushing the year-to-date overage to $17.5 million (3.5%).

The October rebound in auto sales tax revenues coincided with a September rebound in national unit light vehicle sales. Sales had dropped to a 16.6 million unit annual pace in August, but they reaccelerated to a 17.4 million unit pace in September. Light vehicle sales increased slightly again in October, to a 17.5 million unit pace, increasing the probability that November auto revenues will meet or exceed the estimate.

For the year, auto tax revenues are now $17.5 million (3.5%) above estimate. Revenues have grown by $28.6 million (5.8%) from last year.

As this report has emphasized in prior months, it is not just the number of light vehicle sales that matters for tax revenues, but also their composition. After hitting a record high of slightly over 70% in August and September, the light truck share of new unit sales fell back slightly in October, to 69.5%. Nevertheless, the elevated light truck share of unit sales continues to help sales tax revenues since light trucks are of higher average price than cars.

For the last couple of years, there has been a fairly close correspondence between increases in Ohio auto sales tax revenues and increases in national light truck sales. For example, auto sales tax increases for July-October in fiscal year 2018 and fiscal year 2019 were +3.2% and +5.8%, respectively, while national light truck sales increases for the corresponding June-September periods were +4.1% and +7.1%.

Auto sales tax revenues have also been supported by high used vehicle prices. Edmunds.com reported that the average used vehicle price in the first quarter of 2018 was $19,657, up 17.6% from five years earlier.

Personal Income Tax

October GRF personal income tax receipts totaled $713.4 million and were $16.7 million (2.4%) above the estimate. Following a strong September, employer withholding in October finished a modest $4.7 million (0.6%) below estimate. Withholding is now $18.1 million (0.6%) above estimate for the year. It has grown 5.6% above the prior year, while estimated growth was 4.9%.

Quarterly estimated payments exceeded estimate by $15.7 million (89.5%) in October. As we discussed last month, some of the anticipated September estimated payments actually were credited as October receipts, so the performance in October makes up for some of last month's shortfall. All told, combined September and October estimated payments in this year were up by $50.1 million (28.6%), from the same period last year. The strong growth in the September-October 2018 time frame was slightly smaller than the growth that had been estimated for those two months (33.7%), an estimate that was consistent with observed growth in quarterly payments in April and June, the first two payments of tax year 2018.

The other categories of income tax payments were close to the estimate in October. Collectively, all categories other than withholding and quarterly payments were $6.5 million above estimate.

On a year-over-year basis, October GRF income tax collections were $74.7 million (11.7%) above October 2017 collections, and collections for the year have grown by $218.2 million (8.1%).

FY2019 PERSONAL INCOME TAX RECEIPTS BY COMPONENT ($ in millions)						
	Actual October	Estimate October	$ Var	Actual Oct-2018	Actual Oct-2017	$ Var Y-0ver-Y
Withholding	$752.9	$668.1	($4.7)	$752.9	$711.3	$41.6.
Quarterly Est.	$33.2	$ 17.5	$15.7	$33.2	$13.3	$19.9
Annual Returns & 40 P	$48.7	$42.5	$6.2	$48.7	$32.7	$16.0
Trust Payments	$5.2	$1.9	$3.3	$5.2	$1.9	$3.3
Other	$5.0	$8.0	($3.0)	$5.0	$8.1	($3.1)
Less: Refunds	($100.6)	($99.8)	($0.8)	($100.6)	($99.3)	($1.3)
Local Distr.	($31.1)	($31.0)	($0.1)	($31.1)	($29.3)	($1.8)
Net to GRF	$713.4	$696.7	$16.7	$713.3	$638.7	$74.6

Commercial Activity Tax (CAT)

CAT revenues saw the greatest reversal of fortune of any GRF tax source in October. Following a weak first quarter that saw revenues fall $20.1 million (5.5%) below estimate year-to-date, and $8.3 million (2.4%) lower than the same period the year before, GRF CAT revenues in October were $26.2 million (47.4%) above estimate. This turned what had been a shortfall into a year-to-date overage of $6.1 million. Similarly, what had been a decrease from the year before turned into an $11.6 million (2.8%) increase.

All funds CAT revenues in October were much larger than in the past several years, as seen in the table below.

	FY 2015	FY 2016	FY 2017	FY 2018	Average FY 15-18	FY 2019
October all funds CAT revenues (in millions)	$61.2	$59.1	$51.2	$72.9	$61.1	$96.5

Although OBM does not yet have detailed credit information, it appears that a high amount of credits claimed against the CAT early this fiscal year, rather than underperformance of taxable receipts, was the primary reason for the poor first quarter. Perhaps some credits that would have been taken in October in prior years were instead accelerated into the first quarter of this fiscal year. The next test of this hypothesis will be in November, when the quarterly payment for July-September activity is due.

Financial Institutions Tax (FIT)

October financial institutions Tax (FIT) revenues were $12.7 million, which was $5.7 million below estimate. It was predicted that the FIT would show negative revenues of $7.0 million, but more refunds were issued during October than anticipated. The October shortfall added to an existing negative variance through September, and revenues for the year-to-date are now $10.5 million below estimate. Similarly to the CAT through September, it appears that more credits were claimed than expected and this is partly responsible for the variance.

In addition to increasing tax credits, refunds due to overpayments of the estimated payments made last January, March, and May contributed to the October and year-to-date variance. October is the month when financial institution annual reports and reconciliation of estimated taxes paid with reported liability are due, and on balance those reconciliations have indicated less tax was due than was paid in the last half of fiscal year 2018.

Foreign Insurance Premium Tax

Foreign insurance tax payments were $29.0 million (20.7%) above estimate in October and increased by $24.6 million (17.0%) from last October (see table below). The October payments is an estimated payment against tax year 2018 liability based on tax year 2017 activity, with the remainder of the tax owed for the year payable in March and June.

	Oct-17	Oct-18	$ Change	% Change
Foreign Insurance Tax Payments	$144.60	$169.22	$24.62	17.0%
Estimates	$145.50	$140.20		
Variance	-$0.90	$29.02		
Percent variance	-0.6%	20.7%		

The October overage is surprising given that the fiscal year 2018 revenue performance of this tax was very weak, with revenues falling by $25.0 million (8.3%) from the prior year. As a result of fiscal year 2018's underperformance, OBM scaled back its estimates for fiscal year 2019 revenues to $279 million, essentially unchanged from the fiscal year 2018 total.

Whether October revenues are an indication of better results for all of fiscal year 2019 remains to be seen. The National Association of Insurance Commissioners (NAIC) reported that property and casualty premiums grew by 4.3% nationally in calendar year 2017, so perhaps premium growth contributed to the October overage. Caution is required in extrapolating from the October result, however, because the October payment is required by law to be one-half of the previous year (2017) tax liability before credits. If tax credits are sufficiently large, then the October overage could eventually evaporate later in the year through refunds due to tax credits.

GRF Non-Tax Receipts

GRF non-tax revenues in October totaled $975.3 million and were $79.2 million (8.8%) above estimate. This variance was primarily attributable to Federal grants, which were above estimate by $37.5 million (4.3%) due to higher than estimated expenditures in the GRF Medicaid category due to utilization of the fee-for-service program and the timing of pay-for-performance managed care costs, as described in the Medicaid Disbursements section of this report.

Revenues in the Other Income category were also $35.9 million above estimate due to the timing of JobsOhio deferred compensation payments from liquor profits, which were received in October instead of September as estimated, but were about $5.2 million (12.3%) less than the planned total of $42.0 million.

Revenues from Earnings on Investments were $5.6 million (28.5%) above estimate due to higher than estimated interest earnings for the July-September quarter. GRF cash balance are high and interest rates have been trending upward, contributing to increased earnings.

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Table 1
GENERAL REVENUE FUND RECEIPTS
ACTUAL FY 2019 VS ESTIMATE FY 2019
($ in thousands)

REVENUE SOURCE	MONTH ACTUAL OCTOBER	MONTH ESTIMATE OCTOBER	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	720,347	725,100	(4,753)	-0.7%	2,962,337	2,916,700	45,637	1.6%
Auto Sales & Use	132,492	124,900	7,592	6.1%	519,867	502,400	17,467	3.5%
Subtotal Sales & Use	852,839	850,000	2,839	0.3%	3,482,204	3,419,100	63,104	1.8%
Personal Income	713,378	696,700	16,678	2.4%	2,926,007	2,922,800	3,207	0.1%
Corporate Franchise	19	0	19	N/A	181	0	181	N/A
Financial Institutions Tax	(12,706)	(7,000)	(5,706)	-81.5%	(18,867)	(8,400)	(10,467)	-124.6%
Commercial Activity Tax	81,373	55,200	26,173	47.4%	428,378	422,300	6,078	1.4%
Petroleum Activity Tax	0	0	0	N/A	2,019	1,300	719	55.3%
Public Utility	3,347	2,800	547	19.5%	35,758	31,900	3,858	12.1%
Kilowatt Hour	33,789	32,100	1,689	5.3%	129,386	128,900	486	0.4%
Natural Gas Distribution	524	500	24	4.9%	15,363	12,800	2,563	20.0%
Foreign Insurance	169,222	140,200	29,022	20.7%	177,579	148,700	28,879	19.4%
Domestic Insurance	1	0	1	N/A	1	0	1	N/A
Other Business & Property	0	0	0	N/A	0	0	0	N/A
Cigarette and Other Tobacco	85,452	85,300	152	0.2%	268,461	265,300	3,161	1.2%
Alcoholic Beverage	2,840	5,400	(2,560)	-47.4%	18,873	20,300	(1,427)	-7.0%
Liquor Gallonage	3,913	4,000	(87)	-2.2%	16,813	16,500	313	1.9%
Estate	(5)	0	(5)	N/A	32	0	32	N/A
Total Tax Receipts	1,933,985	1,865,200	68,785	3.7%	7,482,187	7,381,500	100,687	1.4%
NON-TAX RECEIPTS								
Federal Grants	911,285	873,805	37,480	4.3%	3,582,964	3,770,361	(187,398)	-5.0%
Earnings on Investments	25,239	19,634	5,605	28.5%	25,239	19,634	5,605	28.5%
License & Fees	1,109	899	210	23.4%	9,365	8,680	685	7.9%
Other Income	37,713	1,765	35,947	2036.2%	53,822	58,128	(4,307)	-7.4%
ISTV'S	2	0	2	N/A	16	0	16	N/A
Total Non-Tax Receipts	975,348	896,103	79,245	8.8%	3,671,405	3,856,803	(185,399)	-4.8%
TOTAL REVENUES	**2,909,332**	**2,761,303**	**148,029**	**5.4%**	**11,153,591**	**11,238,303**	**(84,712)**	**-0.8%**
TRANSFERS								
Budget Stabilization	0	0	0	N/A	0	0	0	N/A
Transfers In - Other	114	0	114	N/A	76,109	80,190	(4,081)	-5.1%
Temporary Transfers In	0	0	0	N/A	0	0	0	N/A
Total Transfers	114	0	114	N/A	76,109	80,190	(4,081)	-5.1%
TOTAL SOURCES	**2,909,446**	**2,761,303**	**148,143**	**5.4%**	**11,229,700**	**11,318,493**	**(88,793)**	**-0.8%**

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Table 2
GENERAL REVENUE FUND RECEIPTS
ACTUAL FY 2019 VS ACTUAL FY 2018
($ in thousands)

	MONTH				YEAR-TO-DATE			
REVENUE SOURCE	**OCTOBER FY 2019**	**OCTOBER FY 2018**	**$ VAR**	**% VAR**	**ACTUAL FY 2019**	**ACTUAL FY 2018**	**$ VAR**	**% VAR**
TAX RECEIPTS								
Non-Auto Sales & Use	720,347	700,826	19,521	2.8%	2,962,337	2,884,715	77,621	2.7%
Auto Sales & Use	132,492	122,017	10,475	8.6%	519,867	491,217	28,649	5.8%
Subtotal Sales & Use	852,839	822,843	29,997	3.6%	3,482,204	3,375,933	106,271	3.1%
Personal Income	713,378	638,659	74,719	11.7%	2,926,007	2,707,782	218,225	8.1%
Corporate Franchise	19	463	(444)	-95.8%	181	2,840	(2,659)	-93.6%
Financial Institutions Tax	(12,706)	(5,458)	(7,248)	-132.8%	(18,867)	(10,334)	(8,533)	-82.6%
Commercial Activity Tax	81,373	61,434	19,938	32.5%	428,378	416,811	11,567	2.8%
Petroleum Activity Tax	0	0	0	N/A	2,019	1,570	449	28.6%
Public Utility	3,347	3,004	342	11.4%	35,758	30,342	5,416	17.9%
Kilowatt Hour	33,789	28,263	5,526	19.6%	129,386	119,025	10,361	8.7%
Natural Gas Distribution	524	564	(40)	-7.0%	15,363	11,890	3,473	29.2%
Foreign Insurance	169,222	144,598	24,624	17.0%	177,579	151,120	26,459	17.5%
Domestic Insurance	1	1	0	70.0%	1	63	(62)	-98.6%
Other Business & Property	0	111	(111)	N/A	0	(263)	263	N/A
Cigarette and Other Tobacco	85,452	78,741	6,711	8.5%	268,461	267,492	969	0.4%
Alcoholic Beverage	2,840	4,109	(1,270)	-30.9%	18,873	19,559	(686)	-3.5%
Liquor Gallonage	3,913	3,983	(70)	-1.8%	16,813	16,208	604	3.7%
Estate	(5)	55	(61)	-109.7%	32	84	(52)	-61.9%
Total Tax Receipts	1,933,985	1,781,370	152,615	8.6%	7,482,187	7,110,122	372,065	5.2%
NON-TAX RECEIPTS								
Federal Grants	911,285	851,747	59,538	7.0%	3,582,964	3,560,454	22,510	0.6%
Earnings on Investments	25,239	15,747	9,492	60.3%	25,239	15,747	9,492	60.3%
License & Fee	1,109	441	668	151.3%	9,365	8,155	1,210	14.8%
Other Income	37,713	1,112	36,601	3292.0%	53,822	27,387	26,435	96.5%
ISTV'S	2	0	2	N/A	16	376	(360)	-95.7%
Total Non-Tax Receipts	975,348	869,046	106,301	12.2%	3,671,405	3,612,118	59,287	1.6%
TOTAL REVENUES	**2,909,332**	**2,650,416**	**258,917**	**9.8%**	**11,153,591**	**10,722,239**	**431,352**	**4.0%**
TRANSFERS								
Budget Stabilization	0	0	0	N/A	0	0	0	N/A
Transfers In - Other	114	0	114	N/A	76,109	111,347	(35,238)	-31.6%
Temporary Transfers In	0	0	0	N/A	0	0	0	N/A
Total Transfers	114	0	114	N/A	76,109	111,347	(35,238)	-31.6%
TOTAL SOURCES	**2,909,446**	**2,650,416**	**259,031**	**9.8%**	**11,229,700**	**10,833,586**	**396,114**	**3.7%**

DISBURSEMENTS

October GRF disbursements, across all uses, totaled $3,076.0 million and were $63.5 million (2.0%) below estimate. This variance was primarily attributable to below estimate disbursements in the Property Tax Reimbursement category and was partially offset by above estimate expenditures in the Medicaid category. On a year-over-year basis, October total uses were $98.4 million (3.1%) lower than those of the same month in the previous fiscal year, with decreases in Property Tax Reimbursements and Primary and Secondary Education largely responsible for the difference. Year-to-date variance from the 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)	($296.5 Million)	-2.3%
Transfers	Temporary or permanent transfers out of the GRF that are not agency expenditures	$0.4 Million	0.1%
TOTAL DISBURSEMENTS VARIANCE:		**($296.1 Million)**	**-2.2%**

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. October disbursements for this category totaled $686.6 million and were $10.6 million (1.6%) above estimate. This variance was primarily attributable to above estimate spending in the Foundation Funding line item where expenditures totaled $664.3 million and were $22.4 million (3.5%) above estimate and the Early Childhood Education line item, which was $2.1 million above estimate. The Foundation Funding line item was above estimate due to the timing of payments and reconciliations. Disbursements in the early childhood education line item were above estimate due to expected catching up from underspending in previous months. These variances were partially offset by below estimate disbursements in the EdChoice Expansion and Student Assessment line items. EdChoice Expansion disbursements were below estimate as the program offset overspending from the previous month and the Student Assessment line item was below estimate due to the timing of payments, where payments to vendors are now expected to occur in November instead of October as originally planned.

On a year-over-year basis, disbursements in this category were $96.2 million (12.3%) lower than for the same month in the previous fiscal year while year-to-date expenditures were $2.9 million (0.1%) higher than the same point in fiscal year 2018. The year-over-year variance is primarily attributable to formula policy updates, which first took effect in October 2017 resulting in a higher than normal month. Additionally, the timing of academic performance bonus payments contributed to the variance.

Higher Education

October disbursements for the Higher Education category, which includes non-debt service GRF spending by the Department of Higher Education, totaled $196.0 million and were $1.4 million (0.73%) above estimate. This variance is primarily attributable to spending in the Ohio College Opportunity Grant Program, which was above estimate by $2.6 million due to the timing of requests for reimbursement from higher education institutions.

Year-to-date disbursements were $758.4 million, which was $11.6 million (1.5%) below the estimate. On a year-over-year basis, disbursements in this category were $16.3 million (9.1%) higher than for the same month in the previous fiscal year while year-to-date expenditures were $38.3 million (5.3%) higher than at the same point in fiscal year 2018.

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.

October disbursements in this category totaled $7.4 million and were $0.3 million (4.0%) below estimate. Year-to-date disbursements were $33.9 million, which was $0.3 million (0.8%) below estimate. On a year-over-year basis, disbursements in this category were $2.7 million (26.5%) lower than for the same month in the previous fiscal year while year-to-date expenditures were $0.1 million (0.4%) higher than at the same point in fiscal year 2018.

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.

Expenditures

October GRF disbursements for the Medicaid Program totaled $1,415.4 million and were $50.4 million (3.7%) above estimate and $49.5 million (3.6%) above disbursements for the same month in the previous fiscal year. Year-to-date GRF disbursements totaled $5,547.5 million and were $262.6 million (4.5%) below the estimate and $45.8 million (0.8%) above disbursements for the same point in the previous fiscal year.

October all-funds disbursements for the Medicaid Program totaled $2,274.4 million and were $297.9 million (11.6%) below estimate and $9.4 million (0.4%) below disbursements for the same month in the previous fiscal year. Year-to-date all-funds disbursements totaled $8,644.9 million and were $1,051.1 million (10.8%) below the estimate and $709.5 million (7.6%) below disbursements for the same point in the previous fiscal year.

The October all-funds variance was primarily attributable to a planned payment under the Hospital Care Assurance Program (HCAP) which was not completed in October but is expected to be paid in November. In addition, underspending in administrative expenses was also reported. This underspending is off-set in part by greater than anticipated spending in the fee-for-service and managed care programs. In the managed care program, a pay-for-performance payment, budgeted for September, was completed in October – at an amount less than budgeted. In the fee-for-service program, a planned federal reconciliation payment in the developmental disabilities program, budgeted for September, was completed in October.

The year-to-date, all-funds variance was primarily attributable to underspending in all major program categories. Underspending in the fee-for-service, managed care, and premium assistance programs are all driven by program enrollment being an average of 4.4%, 2.3%, and 8.1%, respectively, below estimate on an average monthly enrollment basis. Fee-for-service spending was also below estimate due to the mix of program enrollees being less expensive. A pay-for-performance payment in the managed care program was under estimate, as described above. 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)

	October Actual	October Projection	Variance	Variance %
GRF	$ 1,415.4	$ 1,364.9	$ 50.4	3.7%
Non-GRF	$ 859.0	$ 1,207.4	$ (348.4)	-28.9%
All Funds	$ 2,274.4	$ 2,572.3	$ (297.9)	-11.6%

Enrollment

Total October enrollment for the program was 2.89 million, which was 94,503 (3.2%) below the estimate and 141,491 (4.7%) below enrollment for the same period last fiscal year. Year-to-date average monthly enrollment was 2.91 million and was 77,374 (2.6%) below estimate.

October enrollment by major eligibility category was: Covered Families and Children, 1.62 million; Aged, Blind and Disabled (ABD), 491,169; Group VIII Expansion, 640,107; and Other Full Benefits, 14,719 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.

October disbursements in this category totaled $177.9 million and were $9.2 million (4.9%) below estimate. Year-to-date disbursements were $465.3 million, which was $42.3 million (8.3%) below estimate. On a year-over-year basis, disbursements in this category were $8.4 million (5.0%) higher than for the same month in the previous fiscal year while year-to-date expenditures were $12.0 million (2.6%) higher than at the same point in fiscal year 2018.

Department of Job and Family Services (JFS)
October disbursements for the Department of Job and Family Services totaled $103.6 million and were $7.8 million (7.0%) below estimate. This variance was primarily attributable to the Information Technology Projects line item, which was approximately $2.6 million below estimate due to the timing of payments. Additionally, the Unemployment Insurance Administration line item was $1.6 million below the estimate also due to timing of payments. Lastly, the TANF State/Maintenance of Effort line item was $1.3 million below estimate due to lower than estimated disbursements for Ohio Works First Benefits. These variances were partially offset by Child, Family and Adult Community and protective Services line item, which was $1.0 million above estimate due to higher than estimated Community and Protective Services Allocation payments.

Department of Mental Health and Addiction Services
October disbursements for the Department of Mental Health and Addiction Services totaled $48.7 million and were nearly at the monthly estimate. However, there were significant individual line item variances which mostly offset one another. The Continuum of Care Services line item was above estimate by $3.3 million and the Criminal Justice Services line item was above estimate by $0.8 million, both due largely to the timing of payments. Partially offsetting this variance was the Hospital Services line item, which was $2.1 million below estimate, also due to the timing of 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.

October disbursements in this category totaled $202.4 million and were $4.5 million (2.2%) below estimate. Year-to-date disbursements were $820.3 million, which was $12.0 million (1.4%) below estimate. On a year-over-year basis, disbursements in this category were $11.7 million (6.1%) higher than for the same month in the previous fiscal year while year-to-date expenditures were $55.4 million (7.2%) higher than at the same point in fiscal year 2018.

Department of Rehabilitation and Correction
October disbursements for the Department of Rehabilitation and Correction totaled $162.3 million and were $2.3 million (1.4%) below estimate. This variance was primarily attributable to disbursements in the Halfway House line item, which was $15.4 million below estimate due to the timing of subsidy payments, which were planned for October but were disbursed earlier. This variance was partially offset by several line items including above estimate disbursements in the Community Non-Residential Programs line item, which was $8.6 million above estimate due to a larger than expected draw on TCAP funding from counties; the Institutional Operations line item, which was $3.6 million above estimate due to the timing of payments; and the Institution Medical Services line item, which was $2.5 million above estimate, again due to the timing of payments.

Public Defender Commission

October disbursements for the Public Defender Commission totaled $0.6 million and were $5.5 million (90.8%) below estimate. This variance was primarily attributable to the timing of disbursements of $5.5 million in the County Reimbursement line item, which were estimated to occur in October but will occur in future months instead.

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.

October disbursements in this category totaled $35.3 million and were $2.6 million (6.9%) below estimate. Year-to-date disbursements were $134.3 million, which was $4.8 million (3.4%) below estimate. On a year-over-year basis, disbursements in this category were $1.9 million (5.8%) higher than for the same month in the previous fiscal year while year-to-date expenditures were $5.6 million (4.4%) higher than at the same point in fiscal year 2018.

Department of Administrative Services

October disbursements for the Department of Administrative Services totaled $0.6 million and were $4.4 million (88.3%) below estimate. This variance was primarily attributable to the State Agency Support Services line item, due to later than expected billing for first-quarter rent.

Department of Agriculture

October disbursements for the Department of Agriculture totaled $2.2 million and were $0.7 million (24.2%) below estimate. This variance was primarily attributable to the timing of disbursements of the Soil and Water District Support line item, which was estimated to occur in October but will occur in November instead.

Department of Taxation

October disbursements for the Department of Taxation totaled $6.4 million and were $1.2 million (24.0%) above estimate. This variance in the Operating Expense line item is primarily attributable to a delayed invoice from DAS OIT for server and storage costs that was estimated to occur earlier in the fiscal year but occurred in October instead. Additionally, TAX was atypically billed in October rather than September for office space rental.

Department of Transportation

October disbursements for the Department of Transportation totaled $4.3 million and were $3.4 million above estimate (367.6%). Major monthly variances were attributable to the Public Transportation - State line item, which was $1.7 million above estimate and the Airport Improvements - State line item, which was $1.8 million above estimate. Variances in both lines are due to the timing of project expenditures, payments to grantees, and reimbursement requests from contractors. In the Public Transportation line, disbursements to the Elderly and Disabled Fare Assistance program are ahead of schedule.

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. October property tax reimbursements totaled $251.8 million and were $109.4 million (30.3%) below estimate. Year-to-date disbursements totaled $829.0 million and were $40.4 million (5.1%) above estimate. The monthly and year-to-date variances are due to reimbursement requests being received from counties earlier than anticipated. Disbursements are expected to come in below estimate in November as well, which should bring the year-to-date variance closer to zero percent.

Debt Service

October payments for debt service totaled $92.7 million and were $0.1 million (0.1%) below estimate. Year-to-date disbursements totaled $887.1 million and were $0.5 million (0.1%) below estimate.

Transfers Out

October transfers out totaled $10.5 million and were $0.1 million (0.9%) above estimate. Year-to-date transfers totaled $752.3 million and were $0.4 million (0.1%) above estimate.

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Table 3

GENERAL REVENUE FUND DISBURSEMENTS
ACTUAL FY 2019 VS ESTIMATE FY 2019
($ in thousands)

Functional Reporting Categories Description	MONTH ACTUAL OCTOBER	MONTH ESTIMATED OCTOBER	MONTH $ VAR	MONTH % VAR	YEAR-TO-DATE YTD ACTUAL	YEAR-TO-DATE YTD ESTIMATE	YEAR-TO-DATE $ VAR	YEAR-TO-DATE % VAR
Primary and Secondary Education	686,614	676,004	10,609	1.6%	2,852,509	2,855,277	(2,767)	-0.1%
Higher Education	196,020	194,594	1,426	0.7%	758,409	770,018	(11,609)	-1.5%
Other Education	7,442	7,753	(311)	-4.0%	33,872	34,147	(275)	-0.8%
Medicaid	1,415,370	1,364,928	50,441	3.7%	5,547,550	5,810,138	(262,588)	-4.5%
Health and Human Services	177,850	187,041	(9,190)	-4.9%	465,336	507,594	(42,258)	-8.3%
Justice and Public Protection	202,441	206,959	(4,518)	-2.2%	820,265	832,300	(12,035)	-1.4%
General Government	35,329	37,948	(2,619)	-6.9%	134,273	139,048	(4,776)	-3.4%
Property Tax Reimbursements	251,784	361,152	(109,369)	-30.3%	829,019	788,662	40,357	5.1%
Debt Service	92,704	92,758	(54)	-0.1%	887,115	887,627	(512)	-0.1%
Total Expenditures & ISTV's	**3,065,553**	**3,129,137**	**(63,584)**	**-2.0%**	**12,328,348**	**12,624,811**	**(296,463)**	**-2.3%**
Transfers Out:								
BSF Transfer Out	0	0	0	N/A	657,503	657,503	(0)	0.0%
Operating Transfer Out	10,456	10,360	96	0.9%	94,824	94,430	393	0.4%
Temporary Transfer Out	0	0	0	N/A	0	0	0	N/A
Total Transfers Out	**10,456**	**10,360**	**96**	**0.9%**	**752,327**	**751,933**	**393**	**0.1%**
Total Fund Uses	**3,076,009**	**3,139,497**	**(63,488)**	**-2.0%**	**13,080,675**	**13,376,745**	**(296,070)**	**-2.2%**

11/9/2018

Table 4

GENERAL REVENUE FUND DISBURSEMENTS
ACTUAL FY 2019 VS ACTUAL FY 2018
($ in thousands)

Functional Reporting Categories Description	MONTH OCTOBER FY 2019	MONTH OCTOBER FY 2018	MONTH $ VAR	MONTH % VAR	YEAR-TO-DATE ACTUAL FY 2019	YEAR-TO-DATE ACTUAL FY 2018	YEAR-TO-DATE $ VAR	YEAR-TO-DATE % VAR
Primary and Secondary Education	686,614	782,794	(96,180)	-12.3%	2,852,509	2,849,618	2,892	0.1%
Higher Education	196,020	179,742	16,279	9.1%	758,409	720,103	38,307	5.3%
Other Education	7,442	10,123	(2,681)	-26.5%	33,872	33,726	146	0.4%
Medicaid	1,415,370	1,365,831	49,539	3.6%	5,547,550	5,501,779	45,771	0.8%
Health and Human Services	177,850	169,431	8,419	5.0%	465,336	453,358	11,978	2.6%
Justice and Public Protection	202,441	190,755	11,686	6.1%	820,265	764,822	55,443	7.2%
General Government	35,329	33,385	1,943	5.8%	134,273	128,640	5,633	4.4%
Property Tax Reimbursements	251,784	357,104	(105,321)	-29.5%	829,019	770,881	58,138	7.5%
Debt Service	92,704	85,201	7,503	8.8%	887,115	859,165	27,950	3.3%
Total Expenditures & ISTV's	**3,065,553**	**3,174,367**	**(108,814)**	**-3.4%**	**12,328,348**	**12,082,091**	**246,257**	**2.0%**
Transfers Out:								
BSF Transfer	0	0	0	N/A	657,503	0	657,503	N/A
Operating Transfer Out	10,456	40	10,416	26,127.0%	94,824	58,408	36,416	62.3%
Temporary Transfer Out	0	0	0	N/A	0	0	0	N/A
Total Transfers Out	**10,456**	**40**	**10,416**	**26,127.0%**	**752,327**	**58,408**	**693,919**	**1,188.1%**
Total Fund Uses	**3,076,009**	**3,174,407**	**(98,398)**	**-3.1%**	**13,080,675**	**12,140,499**	**940,176**	**7.7%**

FUND BALANCE

Table 5 describes the estimated General Revenue Fund (GRF) unencumbered ending fund balance for FY 2019. Based on the estimated revenue sources for FY 2019 and the estimated FY 2019 disbursements, transfers, and encumbrances, the GRF unencumbered ending fund balance for FY 2019 is an estimated $537,444.6 million.

The GRF unencumbered ending fund balance should not be considered as a balance available for expenditure in FY 2019 nor should it be considered as equivalent to the FY 2019 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 2019
($ in thousands)

July 1, 2018 Beginning Cash Balance*	**1,221,039.6**
Plus FY 2019 Estimated Revenues	23,215,641.4
Plus FY 2019 Estimated Federal Revenues	10,240,063.3
Plus FY 2019 Estimated Transfers to GRF	252,790.0
Total Sources Available for Expenditures & Transfers	**34,929,534.2**
Less FY 2019 Estimated Disbursements**	33,308,929.3
Less FY 2019 Estimated Total Encumbrances as of June 30, 2019	321,926.9
Less FY 2019 Estimated Transfers Out	761,233.4
Total Estimated Uses	**34,392,089.7**
FY 2019 ESTIMATED UNENCUMBERED ENDING FUND BALANCE	**537,444.6**

* Includes reservations of $371.2 million for prior year encumbrances. After accounting for these amounts, the estimated unencumbered beginning fund balance for fiscal year 2019 is $849.9 million.

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

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