Office of Budget and Management

Mike DeWine, Governor
Jon Husted, Lt. Governor

Kimberly Murnieks, Director

May 10, 2019

MEMORANDUM TO: The Honorable Mike DeWine, Governor
The Honorable Jon Husted, Lt. Governor

FROM: Kimberly Murnieks, Director

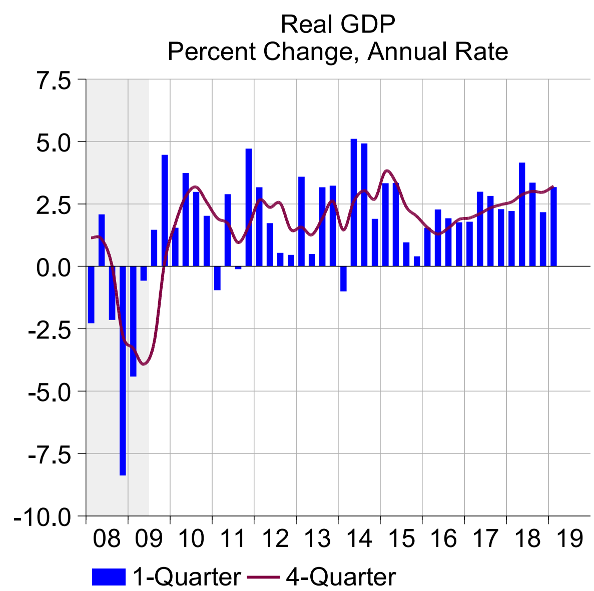
SUBJECT: Monthly Financial Report

Report Overview

- Tax revenues exceeded the monthly estimate by $414.2 million (20.0%), led by the Personal Income Tax, which was $377.4 million (39.6%) above estimate as annual return tax due payments were $350.3 million (67.5%) above estimate.
- The Auto-sales & Use Tax exceeded the estimate by $17.2 million (12.1%) for the month and is up $45.2 million (3.8%) for the year.
- U.S. real GDP growth accelerated to 3.2% in the first quarter of 2019, up from 2.2% in the fourth quarter of 2018. However, forecasts expect slower growth in the second quarter.
- U.S. nonfarm payroll employment increased by 263,000 jobs in April. Ohio employment increased by 6,300 job in March and is up 16,200 jobs year-to-date.

ECONOMIC SUMMARY

Economic Growth



Real GDP expanded much faster than anticipated in the first quarter, rising at an annual rate of 3.2% from the previous quarter in the best start to a year since 2015. Growth increased 2.2% in the fourth quarter, which was much slower than the 3.8% pace during the middle two quarters of the year. At 3.2%, the 4-quarter growth rate was the third best of this expansion, after the first two quarters of 2015.

Forecasters had predicted a substantial further slowdown during much of the first quarter, based on measures of economic activity as they were released. The government shutdown in January and a full percentage point of rate increases by the Federal Reserve during the previous year were believed to have cut into growth.

The increase in first-quarter activity was driven by strong exports and an increase in business inventories. Also, a greater share of domestic demand was met by U.S. production, as imports fell by the largest dollar amount since this expansion began. The decrease in imports was partly an adjustment to the increase in the second-half last year related to precautionary inventory-building of imported goods by businesses, which was spurred by concerns over the potential for new trade restrictions.

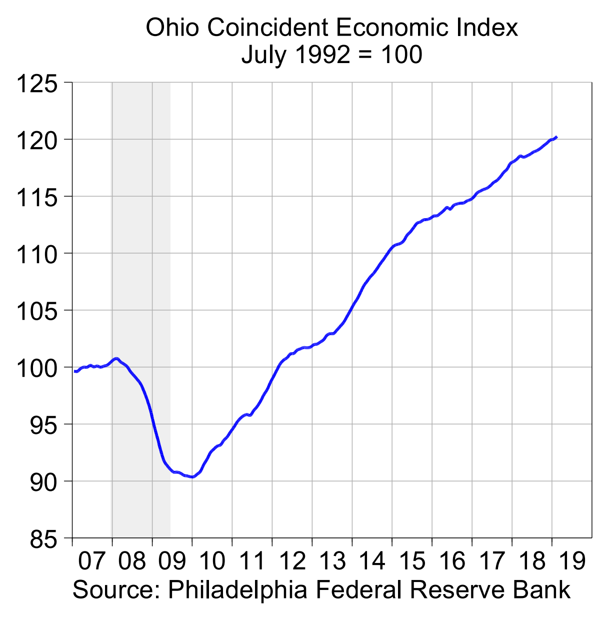
Personal consumption expenditures decelerated from 2.5% in the fourth quarter to just 1.2% in the first quarter. The slowdown occurred across major categories, but was especially evident in purchases of durable goods, where the motor vehicles and parts category fell at an annual rate of 18.4%. Business fixed investment continued to expand in the quarter, but also more slowly, rising 2.7% compared with a third-quarter increase of 5.4%. Federal government spending was unchanged due to a large drop in nondefense, while state and local government spending flipped from a 1.3% decline to a 3.9% gain. Residential fixed investment extended its string of quarterly declines to five.

The strength in inventories, the shift toward domestic-made products (as evidenced by the drop in imports), and the burst of growth in state and local government spending are not likely to be repeated in the second quarter. As a result, stronger growth in personal consumption expenditures and fixed investment will be required to sustain overall growth near the first-quarter pace in the second quarter.

The Small Business Optimism Index of the **National Federation of Independent Business (NFIB)** remained consistent with a somewhat slower pace of activity in March. Since a large decline from August to January, the index has been stable in February and March. Businesses reported that inventories were too high and plan to make reductions. Labor market indicators remained strong, capital spending plans were steady, and the outlook for both real sales and expansion improved. Despite the recent downshift, the overall index remains at an historically high level that is consistent with uninterrupted growth.

The **Ohio economy** accelerated in March, according to the Ohio coincident economic index from the Philadelphia Federal Reserve. The index increased 0.5% after an increase of 0.2% the month before. The increase was the eleventh in a row. Compared with a year ago, the index was higher by 1.9%. That is up from 1.6% the month before, but as recently as last June, the year-over-year rate of change was 2.4% and last March was 2.7%.

A regular survey by the Cleveland Federal Reserve Bank of business contacts in and around Ohio found that economic activity in the area rose modestly into early April. Construction of both residential and nonresidential structures, along with professional and business services, were major contributors to growth. Growth in retail, excluding auto, and banking was seasonally soft, but industry sources remained positive on the outlook. Manufacturers reported mixed conditions, while demand for freight hauling was said to be flat.



The diffusion of **state-level coincident economic indexes** deteriorated in March, as the indexes for eight states were lower than a month ago, up from three states in February. Compared with three months ago, five states posted lower readings, up from three in January. However, the recent pattern remains consistent with continuing growth in the national economy. For the five recessions since the data begin in 1979, the number of states with negative readings over 3-month spans three months before the onset of recession averaged nine and in the month the recessions began averaged thirteen.

The **Ohio leading index**, which is designed to predict growth in the coincident index during the next six months, was 1.6% in March, approximately twice the previous 12-month average. The number of negative readings among individual **state-level composite leading indexes** increased from one in December to six in January, six in February, and five in March. This remains 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 in the past. However, these indexes are very sensitive to the state unemployment rates, which are subject to large annual benchmark revisions early each year.

National leading indicators improved in March after being flat on balance during October-February. The Conference Board's composite **Leading Economic Index** increased 0.4% – its best showing since last September. Eight of the ten components of the index made positive contributions, led by weekly unemployment claims. The remaining two components were neutral. The smoothed 6-month rate of change improved but was down by about two-thirds from the pace in the middle of last year.

As shown in the table below, the **consensus among forecasters** is that real GDP growth is slowing in the second quarter.

Source	Date	2019-Q2 GDP Forecast
Atlanta FRB (GDPNow)	5/1/19	1.2%
New York FRB (Nowcast)	4/26/19	2.1%
Blue Chip	5/1/19	2.6% (1.9%-3.2%)
IHS	5/2/19	1.9%

Employment

Nonfarm payrolls across the country increased by 263,000 jobs in April. The March change was revised down to 189,000 and the February change was revised up to a still-weak 56,000 for a net upward revision of 16,000 jobs. The 3-month average was 169,000 compared with a 12-month average of 218,000. The second consecutive solid report relieved concerns that the sharp dip in payroll growth in February indicated a serious economic slowdown.

Most major sectors experienced gains in employment in April, led by professional and business services (+76,000), where temporary help agencies contributed 17,900 net new jobs and education and health services (+62,000), where strength was concentrated in health care (+27,000) and social assistance (+26,600).

Leisure and hospitality (+34,000), construction (+33,000) and government (+27,000) also posted large increases. Within those sectors, food and drinking places contributed 25,000 jobs, nonresidential specialty contractors contributed 22,100 jobs, and local government contributed 27,000 jobs, respectively. Both education and non-education contributed to the gain in local government jobs. Manufacturing employment increased by 4,000 jobs, matching the 3-month average, which is down from an average of 22,000 during the previous five months.

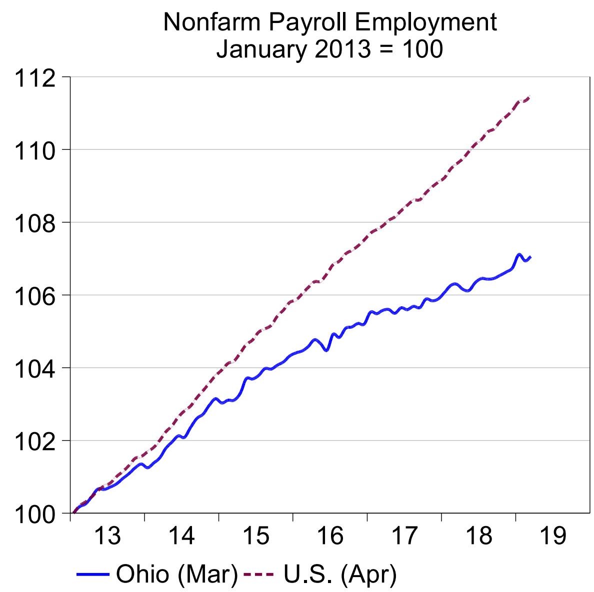
Only two sectors posted net job losses: mining employment fell by 3,000 jobs and information fell by 1,000 jobs. The retail industry, within the trade, transportation and utilities sector, lost 12,000 jobs, the third decline in a row and close to the 3-month average of -14,000.

The **unemployment rate** decreased 0.2 per-centage points to a new expansion-low of 3.6%. The recent pattern of the unemployment rate remains strongly consistent with uninterrupted economic growth.

Average hourly earnings rose 0.2% for a year-over-year increase of 3.2% The tightness in labor markets as depicted by a number of indicators suggests that upward pressure on wages will continue.

Ohio nonfarm payroll employment increased by 6,300 jobs in March. The job count fell 9,200 in February after rising by 19,100 in January. Year-to-date, Ohio employment is higher by 16,200 jobs. The 12-month average in March was an increase of 3,300 jobs, about the same as for the year ending in March 2018.

Compared with a year earlier, Ohio employment was higher by 39,800 jobs in March. Educational and health services (+16,600), leisure and hospitality (+11,200), and manufacturing (+4,200) made the largest positive contributions. The only declines occurred in government (-4,100) and information (-1,100).

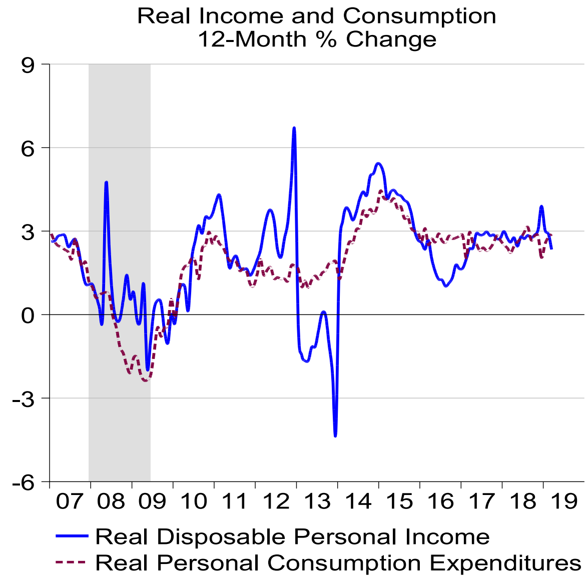


The **Ohio unemployment rate** decreased 0.2 percentage points to 4.4% in March, dipping below the 4.5% to 4.7% range of the most recent seventeen months. Total employment increased by 20,700 workers in March and the number of unemployed people fell by 6,900.

Across the country in April, the unemployment rate decreased notably from the month before in six states, with the largest declines occurring in Colorado, Ohio, and Wyoming (all by 0.2 percentage points). Three states had meaningfully higher rates than the month before: California, Minnesota, and Washington. Changes in the unemployment rate in the remaining 41 states and the District of Columbia were not statistically significant.

Among the **contiguous states**, employment increased on a year-over-year basis in West Virginia (+2.7%), Indiana (+1.3%), Kentucky (+0.9%), Pennsylvania (+0.8%), Ohio (+0.7%), and Michigan (+0.6%). Manufacturing employment increased year-over-year in West Virginia (2.3%), Kentucky (1.0%), Michigan (0.7%), Ohio (0.6%) and in Indiana (0.6%). It declined 0.3% in Pennsylvania.

Consumer Income and Consumption



The slowdown in **personal income** growth that began at the turn of the year continued in March. The source of the recent weakness had been a number of one-time factors outside of **wage and salary disbursements**, which have maintained the solid advance of last year. At the same time, **personal consumption expenditures** posted the strongest increase in March since August of 2009 when the economy started to recover from the recession. As a result, the saving rate fell toward the lower end of the 6%-8% range during the most recent six years.

Personal income increased just 0.1% to end the quarter in March after a 0.2% increase in February and a 0.1% decrease in January. In contrast, **wage and salary disbursements** rose 0.4% in March following gains of 0.3% in February and 0.4% in January. The weakness in personal income, relative to wage and salary disbursements, reflected a large corporate dividend payment and Agricultural Department subsidies to farmers in December that were not repeated in January. In March, personal income was held back by another large decline in farm income and a drop in interest income. Compared with a year earlier, personal income was up 3.8% and wage and salary disbursements were up 4.2%.

After falling 0.6% in December, personal consumption expenditures increased 0.3% in January and 0.1% in February before surging 0.9% in March. The March advance in spending was widespread, with notable strength in the motor vehicles and parts industry arising from a 5.7% increase in unit sales. Within services, the largest contributor was the increase in spending on health care.

Strength in **labor markets** is still likely to support a revival in income and spending growth in coming months, despite weak income growth in the first quarter. Hourly earnings recently have been growing near the best pace in years while the length of the workweek has remained relatively stable. While the debt service burden for both mortgage loans and consumer debt remain low-to-moderate, measures of consumers' moods were very mixed in April.

The Conference Board Index of **Consumer Confidence** rebounded in April, continuing the see-saw pattern of recent months. Assessments of both current and expected conditions brightened. The university of Michigan index moved modestly in the other direction, as it did in March. The labor index from the Conference Board (the percentage of people saying jobs are plentiful, minus those saying they are hard to get) increased in line with the revival in job growth after a slow February, yet plans to purchase major appliances and homes declined in April. In historical context, confidence remains high, and with a healthy labor market and the government shutdown and stock market sell-off in the rearview mirror, expectations are for continued advances in consumer incomes and spending.

Industrial Activity

Industrial production decreased by 0.1% in March, offsetting the 0.1% increase in February and leaving the level below its November mark. Manufacturing production was flat, following declines in both January and February while mining was down and utility output was slightly up. Overall production declined at an annualized 0.3% in the quarter and manufacturing production fell 1.1%. In both cases this represents the first quarterly declines since the third quarter of 2017 when hurricanes Harvey and Irma disrupted activity.

Among industries that are key employers in Ohio, production was mixed in March. Primary metal output grew 1.2% and machinery output was up 0.5%. Production of motor vehicles and parts fell 2.5% and production of fabricated metals was down 0.2%. Compared with a year earlier, production increased in primary metal (+3.0%), fabricated metals (+3.0%), and machinery (+4.4%). In a shift from very strong year-over-year growth as of December, production of motor vehicles and parts was 3.2% lower than a year ago.

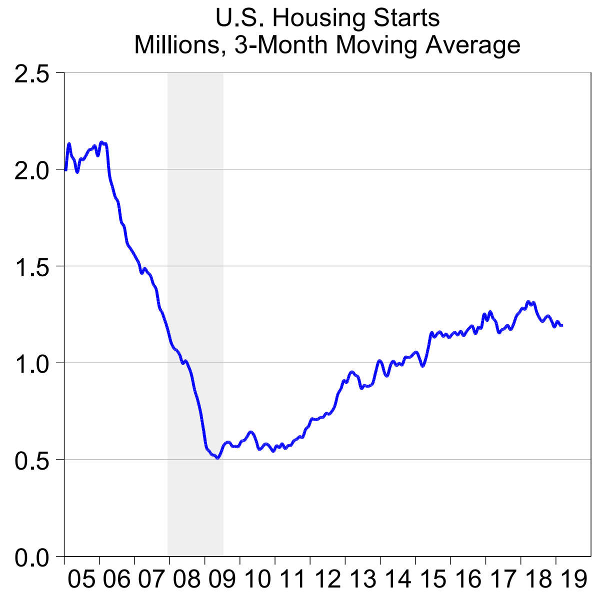
Purchasing managers in manufacturing reported less robust but still generally healthy conditions in April. The Purchasing Managers Index (PMI) decreased by 2.5 points to 52.8, which was below the average of 57.7 during the previous twelve months but still sufficiently above the neutral level of 50 to indicate expansion in the sector. Most sub-indexes eased during the month, with New Orders down 5.7 points to 51.7 and Production down 3.5 points to 52.3. Only measures of backlogs and inventories pointed toward more broad-based increases in manufacturing activity. Overall, increases in activity are much less broad-based than a year ago.

Of the eighteen industries tracked by the Manufacturing ISM® *Report on Business*, thirteen reported growth in the latest month, down from sixteen the month before. Among industries with a major effect on Ohio manufacturing employment, machinery and fabricated metal products reported growth, whereas primary metals and transportation equipment reported contraction.

A source in the primary metals industry said that the "order book remains strong," but that the "outlook is beginning to soften a little." Similarly, a contact in the fabricated metals industry reported that "business is steady," and "we expect business to grow throughout the second quarter, then level in the third and fourth quarter." Participants in the transportation equipment and the machinery industries indicated concern about Mexico border issues, with the machinery contact also mentioning China trade negotiations.

Construction

Construction put-in-place decreased 0.9% in March. The changes in January and February were revised down from 2.5% and 1.0%, respectivley, to 0.7%. Compared with a year ago, total construction put-in-place was lower by 0.8%, down from 6.0% as recently as August. Private sector construction decreased 0.7% for the third monthly decline in a row and the fourth in five months. The main culprit has been residential, which has experienced weakness in single-family, multi-family, and improvements. Public construction fell 1.3% after a downwardly revised gain of 3.2% in February and a large 5.8% rise in January. Public sector construction was 8.6% higher than a year ago, up from just 2.7% year-over-year last December.



The **Housing Market Index** (HMI) from the National Association of Homebuilders (NAHB) improved further in April after dropping sharply during 2018 and starting to recover at the turn of the year. The index, which is based on assessments of current sales, expected sales in six months, and traffic of prospective buyers of new homes, remains 14.9% below the recent high in December 2017. The HMI for the Midwest has followed a similar pattern and stands 26.3% below its December 2017 level. The downward trends in the indexes are sufficiently pronounced to warrant attention.

Housing starts flattened out in March on a 3-month moving average basis, as a 1.1% decrease in single-family erased a 2.8% increase in multi-family. Starts were 9.4% below the year earlier level in March. Across the Midwest, starts decreased 1.4% as a 15.2% decrease in multi-family was not quite strong enough to offset the 1.4% decrease in single-family, all on a 3-month moving average basis. The more-forward-looking housing permits fell 1.0% across the country as both single-family (-0.5%) and multi-family (-1.7%) decreased. Permits rose 7.5% in the Midwest, however, due to a 24.4% jump in multi-family that more than offset a 2.4% decline in single-family.

Both **New and Existing home sales** were up in March on a 3-month moving average basis. Sales of existing homes increased 1.4% nationally but were down 5.4% from a year ago. Sales of existing homes in the Midwest decreased 0.6% to 5.5% below the year ago level. New home sales rose 7.0% nationally and 12.0% in the Midwest but remained flat-to-down compared with a year ago.

The substantial decline in mortgage rates might help revive housing activity this year, provided that employment continues growing and worker compensation continues to rise. Demographic trends are expected to provide some support to the market longer-term. An easing in the pace of home price increases might also provide a boost. **Home prices** posted their 84th straight monthly increase in February to 4.0% above the year earlier level – the lowest since a 3.1% increase in September 2012 – according to the Case-Shiller index. As recently as last April, prices were rising at a 6.5% year-over-year pace.

REVENUES

NOTE: *Effective January 1, 2019, Ohio employer withholding tax rates were reduced by 3.3% in order to be fully consistent with the income tax rate reductions enacted in 2015 (House Bill 64). The revised employer withholding tax rates were announced and issued by the Tax Commissioner in late calendar year 2018. This change will result in a one-time reduction in personal income tax revenue, to occur during the January-June 2019 period. The net General Revenue Fund impact of this change is estimated to be $148.5 million. There will be a loss in FY 2019 because the offsetting revenue gain caused by reduced calendar year 2019 income tax refunds will not occur until tax returns are filed in FY 2020. Effective with the February 2019 Monthly Financial Report, the FY 2019 tax revenue estimates are updated to reflect the anticipated revenue reduction caused by this change.*

April GRF receipts totaled $3,167.9 million and were $366.1 million (13.1%) above the estimate. For the month, tax revenues were $414.2 million (20.0%) above estimate, mostly attributable to strong income tax performance, although nearly all other tax sources exceeded estimate as well. Federal grants were once again below estimate, ending below expected revenue by $80.0 million (11.4%). This shortfall is due to GRF Medicaid spending being $100.3 million below estimate.

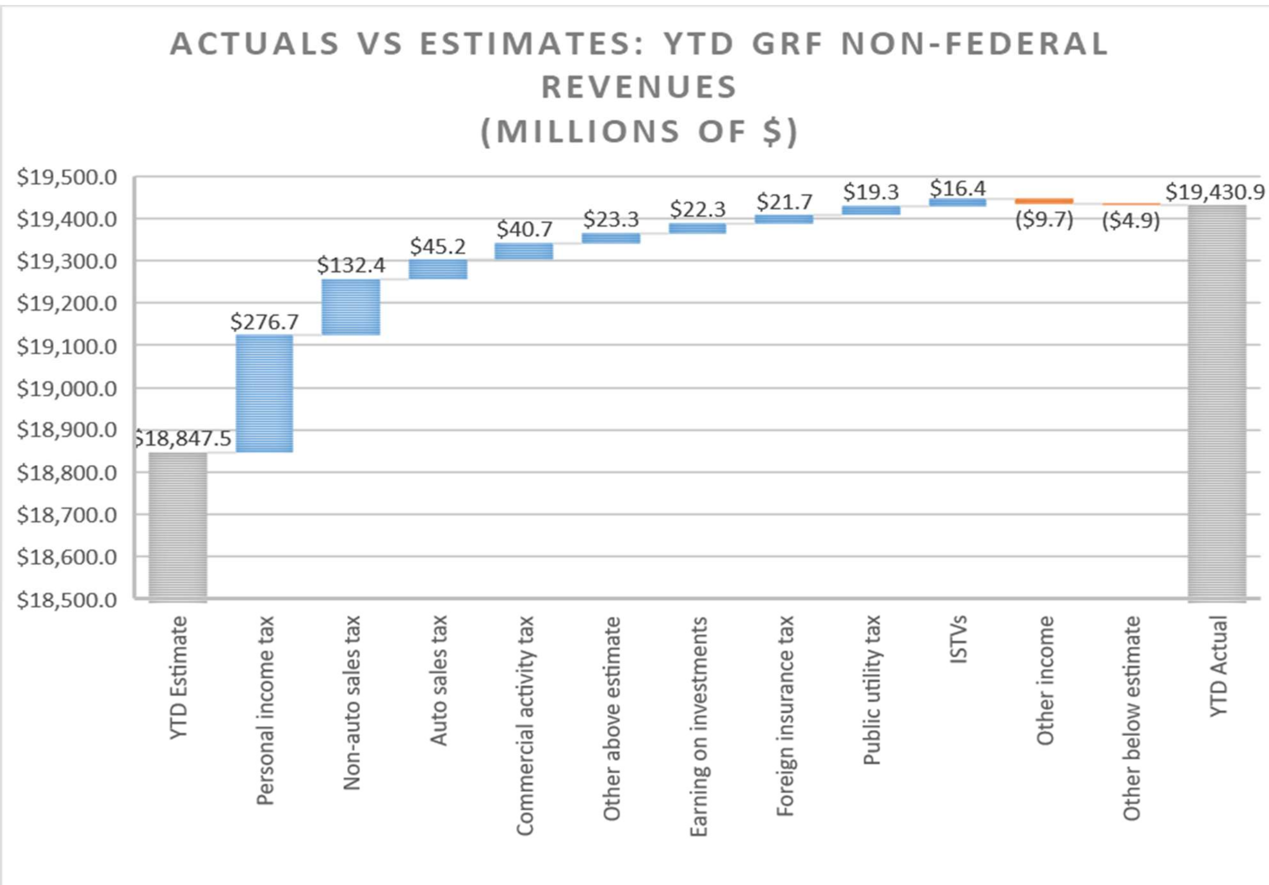
Year-to-date, the GRF revenues are $18.4 million (0.1%) above estimate. Tax revenues are $551.1 million (3.0%) above estimate and more broadly, non-federal revenues are $583.4 million (3.1%) above estimate. Federal grants are $565.0 million (6.6%) below estimate, but this does not pose negative budget implications for the GRF, since it is driven by Medicaid GRF underspending of $729.7 million (5.6%).

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	$551.1	3.0%
Non-tax receipts	Federal grants, earnings on investments, licenses & fees, other income, intrastate transfers	($529.6)	-6.1%
Transfers	Budget stabilization, liquor transfers, capital reserve, other	($3.1)	-3.5%
TOTAL REVENUE VARIANCE:		**$18.4**	**0.1%**
Non-federal revenue variance		**$583.4**	**3.1%**
Federal grants variance		**($565.0)**	**-6.6%**

The personal income tax had the largest overage, at $377.4 million (39.6%). Personal income tax variances of greater than plus or minus 10% in April are actually common, due to the dependence of annual tax payments on unpredictable non-wage income sources such as capital gains and dividends, but this year's overage stands out. To provide perspective, it is $117 million larger than the second largest overage this decade, which was $260.2 million (18.8%) in April 2013. The income tax overage was driven by a $350.3 million (67.5%) overage in annual return payments, which more than made up for the $140 million deficit in quarterly estimated payments in December and January.

The auto sales tax had the second largest April overage, at $17.2 million (12.1%). Auto sales tax revenues continue to outperform the estimates despite plateauing new auto sales volume, due to increasing prices and a consumer preference for larger and higher priced vehicles.

The following chart displays the relative contributions of various revenue sources to the overall variation between actual and estimated revenues through April.



On a year-over-year basis, monthly receipts were $145.7 million (4.8%) higher than in April of the previous fiscal year. However, non-federal revenues increased by $446.7 million (21.3%) while federal grants declined by $301.0 million (32.6%). Non-federal revenue increases were led by the income tax, which increased by $387.8 million (41.2%). This performance is discussed below. Other notable growth was exhibited in the auto sales tax, growing $15.3 million (10.6%) and the non-auto sales tax, growing $12.9 million (1.7%). There were no noteworthy year-over-year declines in non-federal revenues.

On a year-over-year basis, non-federal revenues are up $785.2 million (4.2%). Tax revenues have grown by $975.2 million (5.4%). Furthermore, if fiscal year 2018 revenues are adjusted for the one-month of sales tax revenues from Medicaid Health Insuring Corporations (MHICs) that was received in July before collections ceased, tax revenue growth has been $1,044.6 million, or 5.8%. All other non-federal revenue is $190.0 million (3.8%) below estimate, driven by a decline in other income, which can be traced to a one-time payment to the GRF of $200 million from unclaimed funds in January 2018. Finally, federal grants are now below the prior year, declining by $63.9 million (0.8%).

As the table below shows, except for federal grants, nearly all other revenue performance in April was above estimate. Revenue sources exceeding estimate (an excess totaling $448.9 million) greatly outweighed underperforming revenue sources (a shortfall of $82.9 million), resulting in a $366.1 net overage.

GRF Revenue Sources Relative to Monthly Estimates – April 2019
($ in millions)

Individual Revenue Sources Above Estimate		Individual Revenue Sources Below Estimate	
Personal Income Tax	$377.4	Federal Grants	($80.0)
Auto Sales Tax	$17.2	Other Sources Below Estimate	($2.9)
Intrastate Transfers (ISTVs)	$16.4		
Commercial Activity Tax	$10.5		
Financial Institutions Tax	$4.3		
Non-Auto Sales Tax	$4.0		
Other Source Above Estimate	$19.2		
Total above	**$448.9**	**Total below**	**($82.9)**

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 Tax

April non-auto sales and use tax collections to the GRF totaled $778.7 million and were $4.0 million (0.5%) above estimate. April's revenues exceeding the estimate marks the seventh monthly overage of the fiscal year, double the number of months in which the tax was below estimate. The general trend for this revenue source has been strong overall in fiscal year 2019 with year-to-date non-auto sales tax revenue above estimate by $132.4 million (1.8%).

Year-over-year growth in non-auto sales tax revenue to the GRF was $12.9 million (1.7%) compared to April of last year. The fact that revenues were above estimate despite such low growth from last April is due in part to the fact that the estimate for April was reduced due to Easter falling late in the month – prior year data show that later Easters tend to be associated with lower sales tax revenues in April, all else equal.

For the last two months of the year, revenue growth may be slower than it has been through most of fiscal year 2019 as the boost to revenues from reduced federal income tax withholding rates due to the Tax Cuts and Jobs act (TCJA) erodes. This is discussed further in the last paragraph of this section.

Even after a slower growth April, after adjusting for the impact of the repealed sales tax on Medicaid Health Insuring Corporations (MHICs), growth is 5.0% year-over-year. As stated in previous reports this fiscal year, monthly comparisons no longer require adjustment, but year-to-date comparisons will continue to be adjusted since MHIC revenues were collected in July of fiscal year 2018, skewing the annual comparison.

Monthly and year-to-date revenues (adjusted for MHIC collections) are shown in the table below. All funds collections are highlighted as well as GRF revenues.

Non-Auto Sales Tax Revenue Growth Without MHIC– FY19 through April
($ in millions)

	Apr-18	Apr-19	FY 18 YTD	FY 19 YTD
Non-Auto sales tax GRF	$765.8	$778.7	$7,191.5	$7,479.1
Non-Auto sales tax PLF (Library Fund)	$12.5	$12.8	$158.9	$163.6
Non-Auto sales tax, all funds	$778.3	$791.6	$7,350.5	$7,642.9
MHIC revenues (state)	$0.00	$0.00	$71.7*	$0.00
GRF and PLF revenues without MHIC	$778.3	$791.6	$7,278.8	$7,642.9
Change from prior year in non-MHIC collections		$13.3		$364.1
Pct. change from prior year in non-MHIC collections		1.7%		5.0%

*July 2017 (FY18) was final MHIC sales tax payment received by Ohio.

The non-auto sales tax has shown substantial improvement in growth since its low-point in January 2018. Growth has been inconsistent across months but has averaged close to 5% over the previous fifteen months.

The overall improvement in non-auto sales tax revenue growth during the last part of fiscal year 2018 and the first-half of fiscal year 2019 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 conclude that the improvement in growth resulted largely from reduced federal withholding and thus additional disposable income for consumers, it is reasonable to assume that additional disposable income was a factor (as noted in other editions of this report, increased revenue from out of state sellers has also contributed). Further support of this hypothesis comes from the observation that non-auto sales tax growth had caught up with Ohio's income tax withholding growth in late 2018 after lagging for an extended period, but then began to diverge again in February 2019. The growth rates evened off again in March, but then resumed diverging in April. This divergence suggests that now that the withholding cut boost has worn off, we are seeing a return to the pattern of sales tax growth lagging withholding growth, and that sales tax growth may continue to lag in the last two months of fiscal year 2019 as income comparisons twelve months apart incorporate higher disposable income in both months.

Auto Sales Tax

April auto sales tax revenues were $159.4 million and was $17.2 million (12.1%) above estimate. April marks the eighth month out of ten this fiscal year that the auto sales tax has beaten the estimate. The April overage was the largest of the year, both in dollar and percentage terms. April's overage puts year-to-date auto sales tax revenues $45.2 million (3.8%) above the estimate.

April's overage was somewhat surprising given that auto sales dipped nationally by 2.3% in April year-over-year. The 1.33 million units sold lowered the seasonally adjusted annual rate (SAAR) to 16.4 million total cars sold, compared to over 17 million a month ago. This sluggish pace surprised most auto industry analysts but is not expected to continue.

Year-to-date auto sales tax revenues are up 5.3% on a year-over-year basis. High price growth ultimately resulted in yet another strong month for auto sales tax revenue as Kelley Blue Book estimates the average transaction price for new vehicles in January was around $35,500. Additionally, continuing the trend observed over the last several months, the composition of auto sales has contributed to auto sales tax growth. Light trucks have comprised the bulk of auto sales for some time, and they carry a nearly 50% higher average retail price than cars, contributing to the high average transaction price mentioned previously. Pickup trucks alone are now comprising close to 20% of new auto sales nationally.

Auto sales tax revenues have also been supported by high used vehicle prices. Edmunds.com reported that the average used vehicle price hit a record high of $20,084 in the third quarter of 2018. This price is nearly 20% higher than the average price only five years ago, and also likely reflects a preference for light trucks and SUV's by consumers even among used vehicles.

Personal Income Tax

April GRF personal income tax receipts totaled $1,329.7 million and were $377.4 million (39.6%) above estimate. This outcome reflects a very strong annual filing season, more particularly the tax payments accompanying annual returns (as well as annual return extensions).

On a year-over-year basis, April GRF income tax collections were $387.8 million (41.2%) above April 2018 collections. Collections for the year are $502.9 million (7.3%) above the previous year. Adjusting for the $100 million in lost withholding collections in January through April due to the rate cut, collections growth would be 8.7%.

Annual return tax due payments in April were $350.3 million (67.5%) above estimate. Growth over the previous April was of similar magnitude, at $344.8 million (65.8%). To help understand this outcome it is necessary to review some income tax developments during this fiscal year. As discussed in the January and February editions of this report, there was a significant shortfall in quarterly estimated payments during December and January of fiscal year 2019. OBM provided potential explanations for that outcome and mentioned that a likely cause was federal tax law changes enacted by the Tax Cuts and Jobs Act of 2017. More specifically, a new $10,000 annual limitation on the state and local taxes paid deduction took effect in tax year 2018. OBM theorized that many taxpayers obligated to make quarterly estimated payments chose to reduce those payments for the fourth quarter of calendar year 2018 due to their reaching the new annual deduction limit. There was no longer an incentive to pay as much of their annual tax liability through estimated payments in order to get a federal tax deduction and instead individuals would wait to pay more of their annual tax when returns are filed by April 15. The ongoing fiscal year 2019 estimated payment shortfall (relative to estimate) through March was $157.9 million, and $139.5 million of that shortfall was attributable to December and January. The $350.3 million tax due overage in April (which is modestly amplified by a combined March-April overage of $368.6 million) strongly implies that taxpayers did indeed shift some of their tax payments from quarterly estimated returns and toward annual returns.

If one nets the December-January estimated payment shortfall against the March-April annual return tax due overage, the tax dues have outperformed estimate by $229.1 million ($368.6 tax due overage, less $139.5 estimated payment shortfall). This suggests strong growth in tax year 2018 income although there is still the possibility that some small amount of this revenue overage will be offset by underperformance of tax dues in May and June, and that refunds paid this fall (in fiscal year 2020) to taxpayers filing their final annual return could be greater than expected. OBM will be reviewing available data over the coming weeks and months to try to discern the strength and possible income composition of the 2018 tax year.

Another crucial component of the filing season pertains to those annual returns claiming tax refunds. Refund activity in April was larger than estimate, as it has been throughout the filing season – April refunds exceeded estimate by $27.7 million (5.9%). For the filing season to-date (January through April), refunds have exceeded estimate by $79.0 million (5.5%). Refund counts are very close to the prior year (about 3.7 million) but average refund amounts have increased thereby driving aggregate refund growth.

The trust payment category exceeded estimate by $24.9 million (170.4%) in April. This month reflects trust income tax payments that accompany annual returns (including annual return extensions). The April result has tipped this category into strong year-to-date performance, with accumulated payments exceeding estimate by $28.0 million (61.4%).

Withholding tax payments outperformed estimate once again in April as actual collections exceeded the estimate by $19.6 million (2.5%). Compared to last April, withholding increased by $38.6 million (5.0%). This is a positive outcome especially considering that withholding tax rates are 3.3 percent lower than last year (the rates were reduced beginning in January 2019), and only slightly diminished by the fact there was one extra processing day this April compared to a year ago. Withholding is now $101.8 million (1.3%) above estimate for the year. It has grown 4.5% above the prior year, compared to 3.2% in anticipated growth. Adjusted for the aforementioned withholding rates cut, withholding growth for the year is 5.9%.

Finally, April estimated payments exceeded estimate by $9.5 million (8.2%). Year-over-year growth in April was of nearly identical magnitude. April 2019 payments reflected the first of the four sets of quarterly payments that will be made for tax year 2019, and this outcome may be a positive indicator for the year.

FY2019 PERSONAL INCOME TAX RECEIPTS BY COMPONENT ($ in millions)						
	Actual April	Estimate April	$ Var	Actual Apr-2019	Actual Apr-2018	$ Var Y-0ver-Y
Withholding	$806.2	$786.6	$19.6	$806.2	$767.6	$38.6
Quarterly Est.	$126.5	$117.0	$9.5	$126.5	$117.0	$9.5
Annual Returns & 40 P	$869.2	$518.9	$350.3	$869.2	$524.4	$344.8
Trust Payments	$39.5	$14.6	$24.9	$39.5	$14.6	$24.9
Other	$8.7	$6.8	$1.9	$8.7	$6.8	$1.9
Less: Refunds	($495.1)	($467.4)	($27.7)	($495.1)	($464.0)	($31.1)
Local Distr.	($25.4)	($24.2)	($1.2)	($25.4)	($24.7)	($0.7)
Net to GRF	$1,329.7	$952.3	$377.4	$1,329.7	$941.8	$387.8

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

Commercial Activity Tax (CAT)

April revenue from the CAT exceeded estimate by $10.5 million (17.3%). Since this represents the first month's payments for the second-quarter reporting period (as well as annual payments for calendar year filers), the overage bodes well for the quarter. A strong quarter is possible given that the previous two consecutive quarters both performed above estimate. On a year-over-year basis, CAT revenues grew $8.1 million (12.8%) in April. For the year, this revenue source is $40.7 million (3.3%) above estimate and $86.1 million (7.3%) above fiscal year 2018.

Financial Institutions Tax (FIT)

FIT revenue in April primarily represents amounts received for the second of three sets of FIT estimated payments (which were due on the 1st of the month). April revenue is attributable to estimated payments not received or processed in March. The FIT was $4.3 million (16.1%) above estimate in April. This result does not completely make up for the $11.6 million shortfall of the previous month. For the year-to-date, this source is $1.5 million (1.0%) above estimate. This is attributable to the FIT is performing above estimate during the last several months, whereas there were several weaker than expected performance during the first-half of the fiscal year caused by higher than expected refunds.

GRF Non-Tax Receipts

GRF non-tax revenues in April totaled $677.4 million and were $49.6 million (6.8%) below estimate. This variance was primarily attributable to Federal grants, which were below estimate by $80.0 million (11.4%) due to underspending in the GRF Medicaid category.

Revenues from earnings on investments were $5.6 million (25.8%) above estimate for the month due to higher than estimated interest earnings for the January-March quarter. Year-to-date revenues in this category were $22.3 million (37.1%) above estimate due to upward trending interest rates.

Revenues from Licenses and Fees were $7.9 million (260.9%) above estimate. This positive variance was partially attributable to timing, as about $2.0 million of Department of Insurance licensing fees were deposited into the GRF in April instead of March as originally estimated. However, total insurance-related fees have also exceeded the year-to-date totals of recent years, and the total year-to-date $6.4 million (11.2%) positive variance in this category is largely driven by these revenues.

Revenues in the Other Income category were $0.4 million (91.9%) above estimate due to higher than anticipated revenues from various refunds and reimbursements.

Revenues from ISTVs were $16.4 million above an estimate of zero as Statewide Indirect Cost Allocation payments were received in April instead of May as originally estimated and were also $6.9 million above estimate for the year.

Transfers in were $1.5 million above an estimate of zero due to a transfer from the Controlling Board Emergency Purposes fund to pay for a wrongful imprisonment settlement.

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

	MONTH				YEAR-TO-DATE			
REVENUE SOURCE	**ACTUAL APRIL**	**ESTIMATE APRIL**	**$ VAR**	**% VAR**	**ACTUAL Y-T-D**	**ESTIMATE Y-T-D**	**$ VAR**	**% VAR**
TAX RECEIPTS								
Non-Auto Sales & Use	778,735	774,700	4,035	0.5%	7,479,114	7,346,700	132,414	1.8%
Auto Sales & Use	159,379	142,200	17,179	12.1%	1,238,103	1,192,900	45,203	3.8%
Subtotal Sales & Use	938,115	916,900	21,215	2.3%	8,717,217	8,539,600	177,617	2.1%
Personal Income	1,329,668	952,300	377,368	39.6%	7,402,156	7,125,500	276,656	3.9%
Corporate Franchise	96	0	96	N/A	1,551	0	1,551	N/A
Financial Institutions Tax	31,012	26,700	4,312	16.2%	148,390	146,900	1,490	1.0%
Commercial Activity Tax	71,084	60,600	10,484	17.3%	1,271,335	1,230,600	40,735	3.3%
Petroleum Activity Tax	0	0	0	N/A	8,400	4,600	3,800	82.6%
Public Utility	229	200	29	14.4%	104,428	85,100	19,328	22.7%
Kilowatt Hour	32,288	31,500	788	2.5%	305,211	303,900	1,311	0.4%
Natural Gas Distribution	4,040	3,700	340	9.2%	44,472	37,400	7,072	18.9%
Foreign Insurance	150	(700)	850	121.5%	327,738	306,000	21,738	7.1%
Domestic Insurance	299	800	(501)	-62.6%	330	800	(470)	-58.8%
Other Business & Property	0	0	0	N/A	0	0	0	N/A
Cigarette and Other Tobacco	72,922	75,300	(2,378)	-3.2%	699,771	699,200	571	0.1%
Alcoholic Beverage	4,865	3,400	1,465	43.1%	44,162	45,500	(1,338)	-2.9%
Liquor Gallonage	4,153	4,100	53	1.3%	41,810	40,800	1,010	2.5%
Estate	41	0	41	N/A	73	0	73	N/A
Total Tax Receipts	2,488,960	2,074,800	414,160	20.0%	19,117,044	18,565,900	551,144	3.0%
NON-TAX RECEIPTS								
Federal Grants	621,799	701,785	(79,986)	-11.4%	7,993,772	8,558,771	(564,999)	-6.6%
Earnings on Investments	27,418	21,795	5,622	25.8%	82,267	60,006	22,261	37.1%
License & Fees	10,935	3,030	7,905	260.9%	63,186	56,809	6,377	11.2%
Other Income	888	463	425	91.9%	67,401	77,092	(9,691)	-12.6%
ISTV'S	16,386	0	16,386	N/A	16,437	0	16,437	N/A
Total Non-Tax Receipts	677,426	727,073	(49,647)	-6.8%	8,223,064	8,752,678	(529,615)	-6.1%
TOTAL REVENUES	**3,166,387**	**2,801,873**	**364,513**	**13.0%**	**27,340,107**	**27,318,578**	**21,529**	**0.1%**
TRANSFERS								
Budget Stabilization	0	0	0	N/A	0	0	0	N/A
Transfers In - Other	1,550	0	1,550	N/A	84,588	87,690	(3,102)	-3.5%
Temporary Transfers In	0	0	0	N/A	0	0	0	N/A
Total Transfers	1,550	0	1,550	N/A	84,588	87,690	(3,102)	-3.5%
TOTAL SOURCES	**3,167,936**	**2,801,873**	**366,063**	**13.1%**	**27,424,696**	**27,406,268**	**18,428**	**0.1%**

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

REVENUE SOURCE	MONTH				YEAR-TO-DATE			
	APRIL FY 2019	APRIL FY 2018	$ VAR	% VAR	ACTUAL FY 2019	ACTUAL FY 2018	$ VAR	% VAR
TAX RECEIPTS								
Non-Auto Sales & Use	778,735	765,804	12,932	1.7%	7,479,114	7,191,490	287,624	4.0%
Auto Sales & Use	159,379	144,109	15,271	10.6%	1,238,103	1,175,230	62,872	5.3%
Subtotal Sales & Use	938,115	909,912	28,202	3.1%	8,717,217	8,366,720	350,496	4.2%
Personal Income	1,329,668	941,835	387,832	41.2%	7,402,156	6,899,291	502,864	7.3%
Corporate Franchise	96	(0)	96	34116.1%	1,551	1,971	(420)	-21.3%
Financial Institutions Tax	31,012	23,771	7,241	30.5%	148,390	145,571	2,819	1.9%
Commercial Activity Tax	71,084	63,029	8,055	12.8%	1,271,335	1,185,259	86,076	7.3%
Petroleum Activity Tax	0	0	0	N/A	8,400	5,442	2,958	54.4%
Public Utility	229	353	(124)	-35.2%	104,428	83,774	20,654	24.7%
Kilowatt Hour	32,288	30,911	1,376	4.5%	305,211	295,279	9,933	3.4%
Natural Gas Distribution	4,040	4,059	(19)	-0.5%	44,472	38,361	6,111	15.9%
Foreign Insurance	150	333	(183)	-54.9%	327,738	316,961	10,777	3.4%
Domestic Insurance	299	1,120	(821)	-73.3%	330	1,523	(1,193)	-78.3%
Other Business & Property	0	0	0	N/A	0	(263)	263	N/A
Cigarette and Other Tobacco	72,922	74,492	(1,570)	-2.1%	699,771	715,592	(15,821)	-2.2%
Alcoholic Beverage	4,865	2,750	2,114	76.9%	44,162	46,152	(1,990)	-4.3%
Liquor Gallonage	4,153	4,131	22	0.5%	41,810	40,076	1,734	4.3%
Estate	41	14	27	203.5%	73	132	(59)	-44.5%
Total Tax Receipts	2,488,960	2,056,711	432,250	21.0%	19,117,044	18,141,840	975,204	5.4%
NON-TAX RECEIPTS								
Federal Grants	621,799	922,779	(300,980)	-32.6%	7,993,772	8,057,708	(63,936)	-0.8%
Earnings on Investments	27,418	16,471	10,947	66.5%	82,267	46,658	35,609	76.3%
License & Fee	10,935	10,613	322	3.0%	63,186	60,876	2,310	3.8%
Other Income	888	406	481	118.5%	67,401	247,346	(179,945)	-72.8%
ISTV'S	16,386	15,230	1,155	7.6%	16,437	15,713	724	4.6%
Total Non-Tax Receipts	677,426	965,500	(288,074)	-29.8%	8,223,064	8,428,301	(205,237)	-2.4%
TOTAL REVENUES	**3,166,387**	**3,022,211**	**144,176**	**4.8%**	**27,340,107**	**26,570,141**	**769,966**	**2.9%**
TRANSFERS								
Budget Stabilization	0	0	0	N/A	0	0	0	N/A
Transfers In - Other	1,550	0	1,550	N/A	84,588	133,327	(48,738)	-36.6%
Temporary Transfers In	0	0	0	N/A	0	0	0	N/A
Total Transfers	1,550	0	1,550	N/A	84,588	133,327	(48,738)	-36.6%
TOTAL SOURCES	**3,167,936**	**3,022,211**	**145,726**	**4.8%**	**27,424,696**	**26,703,468**	**721,228**	**2.7%**

DISBURSEMENTS

April GRF disbursements, across all uses, totaled $2,609.5 million and were $81.3 million (3.0%) below estimate. This variance was primarily attributable to below estimate disbursements in the Medicaid category and was partially offset by above estimate expenditures in the Property Tax Reimbursements category. On a year-over-year basis, April total uses were $495.4 million (16.0%) lower than those of the same month in the previous fiscal year, with a large decrease in the Medicaid category largely responsible for the difference. Year-to-date variances 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)	($701.2 Million)	-2.5%
Transfers	Temporary or permanent transfers out of the GRF that are not agency expenditures	$7.3 Million	1.0%
TOTAL DISBURSEMENTS VARIANCE:		**($693.9 Million)**	**-2.4%**

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 $620.8 million and were $8.9 million (1.4%) below estimate. This variance was primarily attributable to below estimate spending in the Foundation Funding line item where expenditures totaled $507.4 million and were $4.9 million (1.0%) below estimate, and the Early Childhood Education line item, which was $2.2 million (28.8%) below estimate. The Foundation Funding line item was below estimate as data updates and reconciliation offset overspending in prior months. Disbursements in the Early Childhood Education line item were below estimate due to grantees drawing down funds at a slower pace than anticipated in April. This variance was partially offset by above estimate spending in the Student Assessment line item, which was $1.3 million (10.5%) above estimate due to timing of payments.

Total expenditures for the school foundation program totaled $561.9 million and were $7.5 million (1.3%) below estimate. Year-to-date disbursements were $6,951.5 million, which is $28.1 million (0.4%) above estimate.

On a year-over-year basis, disbursements in this category were $9.2 million (1.5%) higher than for the same month in the previous fiscal year while year-to-date expenditures were $105.4 million (1.5%) higher than the same point in fiscal year 2018. The year-to-date variance is primarily attributable to increased payments to school districts under the foundation funding formula.

Higher Education

April disbursements for the Higher Education category, which includes non-debt service GRF spending by the Department of Higher Education, totaled $184.2 million and were $0.3 million (0.18%) above the estimate for the month. The variance was primarily attributable to spending in the Ohio College Opportunity Grant Program, which was above estimate by $1.0 million due to higher than expected requests for reimbursement from higher education institutions. This variance was partially offset by below estimate spending in several appropriation line items due primarily to lower than expected requests for reimbursement from higher education institutions.

Year-to-date disbursements were $1,914.2 million, which was $12.7 million (0.7%) below estimate. On a year-over-year basis, disbursements in this category were $1.8 million (1.0%) higher than for the same month in the previous fiscal year while year-to-date expenditures were -$9.9 million (0.5%) lower 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.

April disbursements in this category totaled $3.8 million and were $2.8 million (41.9%) below estimate. This variance is attributable to a change in the timing of payments for the Ohio History Connection. Payments scheduled to occur in April instead occurred in March. Year-to-date disbursements were $64.3 million, which was $0.1 million (0.2%) below estimate. On a year-over-year basis, disbursements in this category were $2.7 million (41.1%) lower than for the same month in the previous fiscal year while year-to-date expenditures were $1.5 million (2.3%) 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

April GRF disbursements for the Medicaid Program totaled $981.6 million and were $100.3 million (9.3%) below estimate and $478.0 million (32.7%) below disbursements for the same month in the previous fiscal year. GRF spending can change significantly on a monthly year-over-year basis due to the timing of the use of non-GRF funds in the program. Year-to-date GRF disbursements totaled $12,363.1 million and were $729.7 million (5.6%) below estimate and $42.5 million (0.3%) below disbursements for the same point in the previous fiscal year.

April all-funds disbursements for the Medicaid Program totaled $2,124.8 million and were $187.9 million (8.1%) below estimate and $107.5 million (4.8%) below disbursements for the same month in the previous fiscal year. Year-to-date all-funds disbursements totaled $22,242.0 million and were $1,334.2 million (5.7%) below estimate, and $10.0 million (0.0%) above disbursements for the same point in the previous fiscal year.

The April all-funds variance is primarily due to lower than anticipated spending in the fee-for-service, managed care, and premium assistance programs. Enrollment in these three programs were under estimate by 5.8%, 4.2%, and 12.3%, respectively. Underspending in the managed care program was also attributable to lower-than-budgeted monthly capitation rates which became effective in January and lower than estimated administrative costs, specifically for information technology systems expenses.

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 5.5%, 3.5%, and 10.6%, respectively, below estimate on an average monthly enrollment basis. In addition, and as mentioned above, lower-than-budgeted monthly capitation rates, which became effective in January, have contributed significantly to month-to-month variances and thus the year-to-date variance as well.

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

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

	Apr. Actual	Apr. Projection	Variance	Variance %
GRF	$ 981.6	$ 1,081.9	$ (100.3)	-9.3%
Non-GRF	$ 1,143.2	$ 1,230.7	$ (87.5)	-7.1%
All Funds	$ 2,124.8	$ 2,312.7	$ (187.9)	-8.1%

Enrollment

Total April enrollment for the program was 2.84 million, which was 130,388 (4.4%) below the estimate and 127,710 (4.3%) below enrollment for the same period last fiscal year. Year-to-date average monthly enrollment was 2.87 million and was 112,034 (3.8%) below estimate.

April enrollment by major eligibility category was: Covered Families and Children, 1.61 million; Aged, Blind and Disabled (ABD), 483,979; Group VIII Expansion, 616,338; and Other Full Benefits, 12,290 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 $147.5 million and were $4.0 million (2.8%) above estimate. Year-to-date disbursements were $1,147.2 million, which was $53.2 million (4.4%) below estimate. On a year-over-year basis, disbursements in this category were $18.4 million (14.3%) higher than for the same month in the previous fiscal year while year-to-date expenditures were $18.6 million (1.6%) higher than at the same point in fiscal year 2018.

Department of Job and Family Services
April disbursements for the Department of Job and Family Services totaled $85.4 million and were $3.0 million (3.7%) above estimate. This variance was primarily attributable to the Family Assistance – Local line item, which was approximately $2.6 million above estimate after receiving higher than anticipated requests by counties to draw down funds for income maintenance allocations. Additionally, the Unemployment Insurance Administration line item was approximately $0.8 million above estimate due to shifts in invoices from information technology projects. These variances were partially offset by the TANF State/Maintenance of Effort line item, which was $2.3 million below estimate due to lower than anticipated Ohio Works First disbursements.

Department of Mental Health and Addiction Services
April disbursements for the Department of Mental Health and Addiction Services totaled $39.6 million and were $2.9 million above estimate. This variance was primarily attributable to the Continuum of Care Service line item, which was $3.3 million above estimate due to the timing of payments as some March payments were delayed into April. This variance was partially offset by below estimate disbursements in the Addiction Services partnership with Corrections line item, which was $0.8 million below estimate, again 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.

April disbursements in this category totaled $187.9 million and were $21.9 million (10.4%) below estimate. Year-to-date disbursements were $1,911.6 million, which was $0.3 million (0.0%) below estimate. On a year-over-year basis, disbursements in this category were $23.7 million (11.2%) lower than for the same month in the previous fiscal year while year-to-date expenditures were $68.6 million (3.7%) higher than at the same point in fiscal year 2018.

Public Defender Commission
April disbursements for the Public Defender Commission totaled $0.5 million and were $2.6 million (83.4%) below estimate. This variance was attributable to the timing of disbursements of $2.5 million in the County Reimbursement line item, which were estimated to occur in April but will occur in future months instead.

Department of Rehabilitation and Correction
April disbursements for the Department of Rehabilitation and Correction totaled $151.5 million and were $18.0 million (10.9%) below estimate. This variance was primarily attributable to variances in several line items: The Halfway House line item was $16.8 million below estimate, the Community Non-Residential Programs line item was $4.0 million below estimate, and the Institution Medical Services line item was $2.9 million below estimate; all due to the timing of payments. This variance was partially offset by the Institutional Operations line item, which was $3.8 million above estimate also due to timing of payments.

Department of Youth Services
April disbursements for the Department of Youth Services totaled $12.6 million and were $1.9 million (13.1%) below estimate. This variance was primarily attributable to disbursements in the RECLAIM Ohio line item, which was below estimate by $1.9 million 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 $56.2 million and were $16.5 million (41.5%) above estimate. Year-to-date disbursements were $340.1 million, which was $4.3 million (1.3%) above estimate. On a year-over-year basis, disbursements in this category were $26.3 million (88.0%) higher than for the same month in the previous fiscal year while year-to-date expenditures were $38.7 million (12.8%) higher than at the same point in fiscal year 2018.

Department of Administrative Services
April disbursements for the Department of Administrative Services totaled $0.2 million and were $4.4 million (95.8%) below estimate. This variance was attributable to the State Agency Support Services line item, which was below estimate due to the timing of billing for third-quarter rent. These expenses will be recorded in the month of May.

Department of Agriculture
April disbursements for the Department of Agriculture totaled $21.6 million and were $16.7 million above estimate. This variance was primarily attributable to the Soil and Water Phosphorous Program line, which was $17.5 million above estimate due to a delay in implementation of the program, which was estimated to begin in January. As program implementation was delayed, the payment schedule to Soil and Water Conversation Districts was altered causing this, and other, monthly variances.

Treasurer of State
January disbursements for the Treasurer of State totaled $11.3 million and were $5.6 million (96.4%) above estimate. This variance was attributable to additional subsidy payments to the Ohio Police and Fire Pension Fund which were appropriated in HB 500 of the 132nd General Assembly and were effective in December 2018.

Property Tax Reimbursements

Payments from the property tax reimbursement category are made to local governments and school districts to reimburse these entities for revenues foregone as a result of the 10.0 percent and 2.5 percent rollback, as well as the homestead exemption. Property tax reimbursements totaled $354.8 million in April and were $31.7 million (9.8%) above estimate. Year-to-date disbursements totaled $1,446.7 million and were $64.7 million (4.7%) above estimate. The monthly and year-to-date variance is the result of reimbursement requests being received earlier than anticipated in the second half of the fiscal year. Total disbursements in this category are expected to return to estimate by the end of the fiscal year.

Debt Service

April payments for debt service totaled $72.6 million and were at estimate. Year-to-date disbursements totaled $1,349.1 million and were $2.2 million (0.2%) below estimate.

Transfers Out

Transfers out totaled $0.1 million in April, though none were estimated. Year-to-date transfers out totaled $759.2 million and were $7.3 million (1.0%) over estimate. The year-to-date variance is largely attributable to two transfers occurring in March which were not budgeted for at the beginning of the fiscal year. First, $5.0 million was transferred to the Targeting Addiction Assistance Fund, as authorized pursuant to Senate Bill 71 of the 132nd General Assembly. This amount will be transferred back to the General Revenue Fund prior to the end of the fiscal year. Second, $1.2 million was transferred to the Local Government Fund to provide one-time assistance to two counties that lost property tax revenue following reappraisals of nuclear power plants, as authorized by Senate Bill 51 of the 132nd General Assembly.

Table 3
GENERAL REVENUE FUND DISBURSEMENTS
ACTUAL FY 2019 VS ESTIMATE FY 2019
($ in thousands)

Functional Reporting Categories Description	MONTH ACTUAL APRIL	ESTIMATED APRIL	$ VAR	% VAR	YEAR-TO-DATE YTD ACTUAL	YTD ESTIMATE	$ VAR	% VAR
Primary and Secondary Education	620,766	629,680	(8,914)	-1.4%	6,951,472	6,923,373	28,099	0.4%
Higher Education	184,164	183,842	322	0.2%	1,914,180	1,926,863	(12,683)	-0.7%
Other Education	3,840	6,611	(2,771)	-41.9%	64,343	64,486	(143)	-0.2%
Medicaid	981,598	1,081,920	(100,322)	-9.3%	12,363,054	13,092,729	(729,676)	-5.6%
Health and Human Services	147,505	143,487	4,018	2.8%	1,147,197	1,200,428	(53,231)	-4.4%
Justice and Public Protection	187,925	209,832	(21,907)	-10.4%	1,911,571	1,911,827	(255)	0.0%
General Government	56,166	39,679	16,487	41.5%	340,053	335,798	4,254	1.3%
Property Tax Reimbursements	354,789	323,123	31,665	9.8%	1,446,709	1,382,014	64,695	4.7%
Debt Service	72,568	72,588	(20)	0.0%	1,349,087	1,351,312	(2,225)	-0.2%
Total Expenditures & ISTV's	**2,609,321**	**2,690,763**	**(81,442)**	**-3.0%**	**27,487,666**	**28,188,832**	**(701,166)**	**-2.5%**
Transfers Out:								
BSF Transfer Out	0	0	0	N/A	657,503	657,503	0	0.0%
Operating Transfer Out	140	0	140	N/A	101,714	94,430	7,284	7.7%
Temporary Transfer Out	0	0	0	N/A	0	0	0	N/A
Total Transfers Out	**140**	**0**	**140**	**N/A**	**759,217**	**751,933**	**7,284**	**1.0%**
Total Fund Uses	**2,609,461**	**2,690,763**	**(81,302)**	**-3.0%**	**28,246,883**	**28,940,765**	**(693,882)**	**-2.4%**

Table 4

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

	MONTH				YEAR-TO-DATE			
Functional Reporting Categories Description	**APRIL FY 2019**	**APRIL FY 2018**	**$ VAR**	**% VAR**	**ACTUAL FY 2019**	**ACTUAL FY 2018**	**$ VAR**	**% VAR**
Primary and Secondary Education	620,766	611,542	9,224	1.5%	6,951,472	6,846,107	105,365	1.5%
Higher Education	184,164	182,365	1,799	1.0%	1,914,180	1,924,091	(9,912)	-0.5%
Other Education	3,840	6,524	(2,684)	-41.1%	64,343	62,888	1,455	2.3%
Medicaid	981,598	1,459,574	(477,976)	-32.7%	12,363,054	12,405,557	(42,503)	-0.3%
Health and Human Services	147,505	129,092	18,413	14.3%	1,147,197	1,128,633	18,564	1.6%
Justice and Public Protection	187,925	211,636	(23,711)	-11.2%	1,911,571	1,842,991	68,580	3.7%
General Government	56,166	29,877	26,288	88.0%	340,053	301,391	38,662	12.8%
Property Tax Reimbursements	354,789	396,257	(41,468)	-10.5%	1,446,709	1,386,220	60,489	4.4%
Debt Service	72,568	77,998	(5,430)	-7.0%	1,349,087	1,280,689	68,398	5.3%
Total Expenditures & ISTV's	**2,609,321**	**3,104,864**	**(495,544)**	**-16.0%**	**27,487,666**	**27,178,568**	**309,098**	**1.1%**
Transfers Out:								
BSF Transfer	0	0	0	N/A	657,503	0	657,503	N/A
Operating Transfer Out	140	41	99	238.3%	101,714	69,486	32,228	46.4%
Temporary Transfer Out	0	0	0	N/A	0	0	0	N/A
Total Transfers Out	**140**	**41**	**99**	**238.3%**	**759,217**	**69,486**	**689,731**	**992.6%**
Total Fund Uses	**2,609,461**	**3,104,906**	**(495,445)**	**-16.0%**	**28,246,883**	**27,248,054**	**998,829**	**3.7%**

FUND BALANCE

Note: Beginning in January 2019, personal income tax revenue will be impacted by a 3.3% reduction in Ohio employer withholding tax rates. This change will result in a one-time reduction of GRF revenue estimates by approximately $148.5 million and will subsequently reduce the estimated GRF unencumbered ending balance from approximately $537.4 million to $388.9 million. Further discussion of this change can be found in the Revenue section of this report. This change is reflected in table 5.

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 $388.9 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	23,067,141.4
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	**34,781,034.2**
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	**388,944.6**

* 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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