Ohio | Office of Budget and Management

Mike DeWine, Governor
Jon Husted, Lt. Governor

Kimberly Murnieks, Director

August 10, 2019

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

FROM: Kimberly Murnieks, Director

SUBJECT: Monthly Financial Report

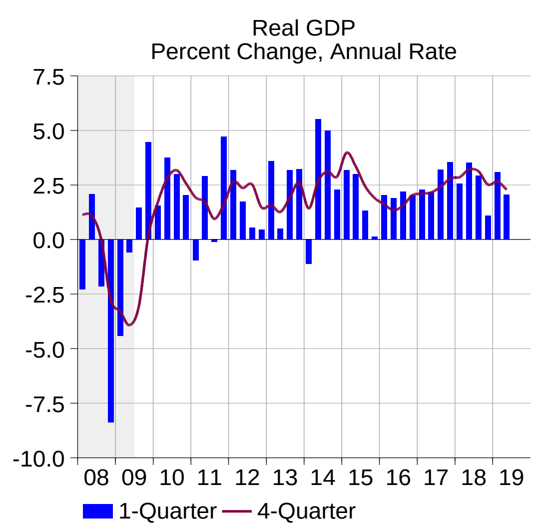
Report Overview

- July non-auto sales and use tax collections to the GRF totaled $811.2 million. On a year-over-year basis, non-auto sales tax revenues were up $24.7 million (3.1%) over July of 2018.
- July GRF personal income tax receipts totaled $629.9 million, $12.9 million (2.0%) below July 2018 collections. Income tax collections would have grown by 1.7 percent if not for $24 million in foregone withholding collections caused by the employer withholding tax rate cut that occurred in January 2019.
- Revenues from federal grants came in $300.4 million (31.5%) above July 2018 values due primarily to higher GRF Medicaid spending this July caused by differences in the availability and use of non-GRF funding sources that occurs regularly in July.
- U.S. nonfarm payroll employment increased by 164,000 jobs in July. At 165,000, the average monthly change year-to-date is a step down from the average of 227,000 during the first seven months last year.
- Economic activity slowed to 2.1 percent in the second quarter from 3.1 percent in the first quarter, as widely expected. Analysts project a continuing trend rate of 2 percent or less.

ECONOMIC SUMMARY

Economic Growth

Real GDP expanded at an annual rate of 2.1 percent during the second quarter, down from 3.1 percent in the first quarter but a bit better than final estimates. Growth was 2.3 percent on a year-over-year basis. The year-over-year growth rate has slowed from a 3.2 percent in the second quarter of 2018. The economic expansion reached its tenth year in the second quarter, matching the previous record for longevity of U.S. expansions that was set in the 1990s. During the past decade, real GDP has expanded at an annual rate of 2.3 percent, about one-third slower than the 3.6 percent rate during the 1990s expansion.



The increase in real GDP in the second quarter reflected positive contributions from personal consumption expenditures (+2.85pp) and government (+0.85pp). Subtracting from growth were the change in private inventories (-0.86pp) and net exports (-0.65pp). Consumer spending was strong across categories, with durables, nondurables, and services all making substantial contributions. Federal, state and local government spending each made positive contributions with federal nondefense expenditures making the largest contribution.

Nonresidential fixed investment decreased slightly after nine consecutive quarters of sizable additions. Investment in residential structures also shrunk, extending the string of negative quarters to six. Within net exports, a large decline in exports was responsible for the decrease, as imports were essentially unchanged after a decline in the previous quarter.

The slowed growth from the first quarter reflected a swing from positive to negative changes in nonresidential fixed investment, changes in inventories and net exports. The drag from fixed investment occurred mostly in structures and somewhat in intellectual property. The drag from the changes in inventories might have been related to softness in imports this year, which followed a surge last year that went into inventories presumably to protect against disruptions in trade arising from international disputes. The drag from net exports was due mostly to the decline in exports after an increase the quarter before.

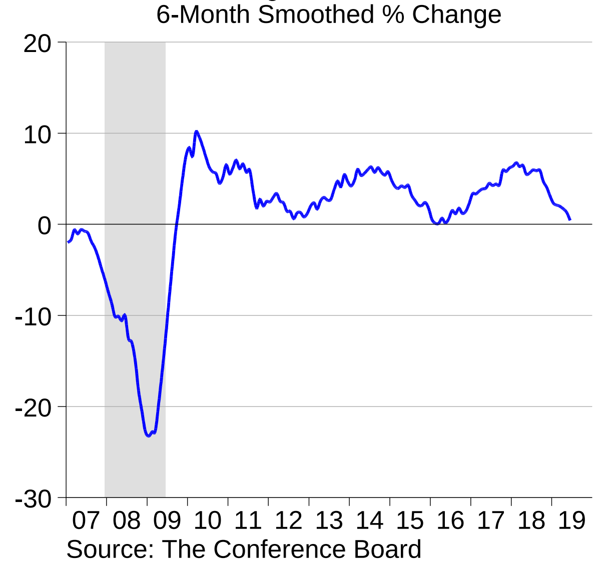
Sentiment among small businesses dimmed modestly in June, reversing most of the gain in May but remaining at an historically high level, according to the **Small Business Optimism Index** from the National Federation of Independent Business (NFIB). A major driver of the index was inventories, as small business owners cited inventories as lean and expressed plans to add to them. Expected credit conditions remained favorable, but uncertainty levels increased and 30 percent of owners said that changes in China trade policy have negatively affected business.

The Ohio economy continued to expand in June, according to the **Ohio coincident economic index** from the Philadelphia Federal Reserve. The index increased 0.3 percent for the fourteenth consecutive monthly gain. Compared with a year ago, the index was higher by 2.4 percent, up from a recent low of 1.6 percent in February.

The diffusion of **state-level coincident economic indexes** improved in June. The level was lower than the month before and three months before for only one state – the best since the beginning of the year. Both readings are comfortably below historical recession thresholds.

The number of negative readings among individual **state-level composite leading indexes** – itself a leading indicator – remained negligible for the third month in a row in June. After rising to six states in March, the number with negative readings stood at two in June. Compiled by the Philadelphia Federal Reserve, the diffusion across these state leading indexes has signaled the onset of recession in the

Leading Economic Index
6-Month Smoothed % Change



Source: The Conference Board

past. The **Ohio leading index**, which is designed to predict growth in the coincident index during the next six months, was 1.2 percent in June, toward the middle of the range in recent months.

National leading indicators have slowed sharply during the past year. The Conference Board's composite **Leading Economic Index** decreased 0.3 percent in June after no change the month before. The 6-month smoothed annual rate of change was 0.4 percent, down from 6.8 percent a year and a half ago. Despite the downshift in growth, however, the recent pattern of the index is still consistent with an expanding economy, especially in light of other measures of activity.

As shown in the table below, the **consensus among forecasters** is that real GDP growth is continuing in the third quarter near or a bit below the 2 percent pace registered in the second quarter.

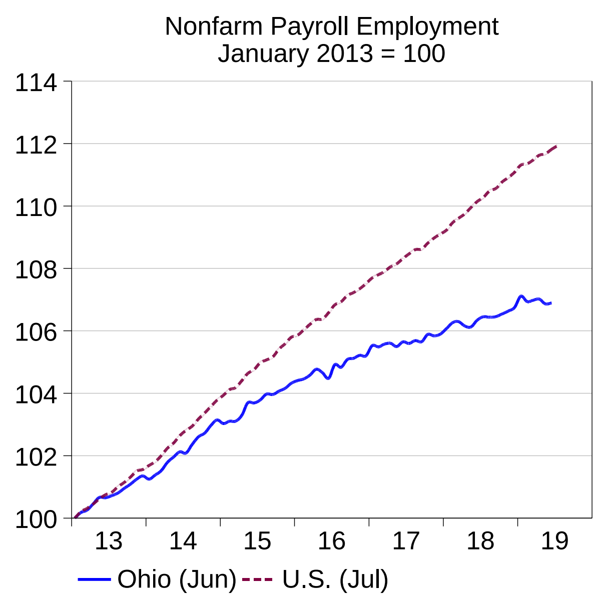
Source	Date	2019-Q3 GDP Forecast
Atlanta FRB (GDPNow)	8/2/19	1.9%
New York FRB (Nowcast)	8/2/19	1.6%
Blue Chip	8/2/19	1.9% (1.5%-2.4%)
IHS	8/2/19	1.7%

Employment

Nonfarm payrolls across the country increased by 164,000 jobs in July. The changes in the previous two months were revised down by a total of 41,000 jobs. At 165,000, the average monthly change year-to-date is a step down from the average of 227,000 during the first seven months last year. Compared with a year earlier, employment is up by 2.2 million jobs, or 1.5 percent.

Most major sectors posted increases, with only a few isolated losses in July. Gains were led by education and health Services (+66,000), where strength was concentrated in health care (+30,400) and social assistance (+20,000), and professional and business services (+38,000), where increases were widely diffused. Elsewhere, financial activities added 18,000, with strength in insurance and in real estate. Manufacturing added 16,000 jobs, with strength in transportation equipment (+7,500). Government added the same number of jobs, 16,000, primarily in local government education (+11,700).

Employment in both manufacturing and construction (+4,000) has slowed significantly in recent months. The month-to-month change in manufacturing has averaged 6,000 jobs compared with 20,000 jobs during the previous 6-month period, while the monthly change in construction has slowed to 8,000 from 26,000. Meanwhile, retail employment fell by 3,600 jobs for the sixth consecutive monthly decline, bringing the 12-month average to -5,000 jobs. Information was the biggest loser, with employment down by 10,000 jobs, primarily in motion picture and sound recording studios (-5,900) and telecommunications (-5,100).



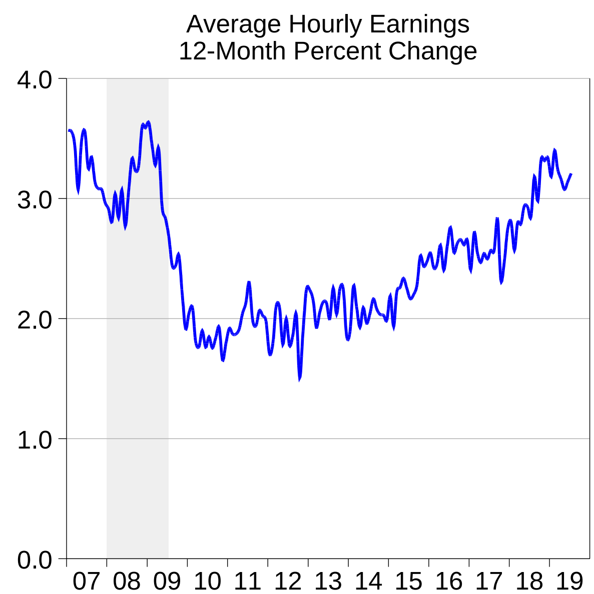
The **unemployment rate** held steady at 3.7 percent for a second month after holding at 3.6 percent – the low for the expansion – in April and May. The rate stayed at 3.7 percent despite the large number of people entering the labor force in search of a job due to solid growth in total employment. The recent pattern of the unemployment rate, in which it is near the minimum of the previous twelve months, remains strongly consistent with uninterrupted economic growth. Usually in the past when the unemployment rate has been 0.3 percentage points or less above the previous 12-month minimum, the economy has been expanding. The difference typically has been 0.4 percentage points or higher at the start of past recessions.

Average hourly earnings rose 0.3 percent during the month for a year-over-year increase of 3.2 percent. The year-over-year rate of change is down from an expansion-peak of 3.4 percent in February, but still up from 2.5 percent two years ago. The number of job openings was little changed in June near the all-time high. The job opening rate ticked down to 4.6 from 4.7 in May and just below the record of 4.8 most recently reached at the end of last year.

Ohio nonfarm payroll employment increased by 1,500 jobs in June, recovering a portion of the 8,100 jobs lost the month before. The May loss was originally reported as 3,900 jobs. Employment has increased by 7,600 jobs year-to-date. Monthly gains have slowed to an average of 2,400 per month during the most recent twelve months from 3,025 during the same period a year earlier.

Compared with a year earlier, Ohio employment was higher by 28,800 jobs in June. Educational and health services (+10,700), leisure and hospitality (+8,600), and professional and business services (+6,500) made the largest positive contributions. Manufacturing employment increased by 5,200 jobs and construction employment was up by 3,400 jobs from a year earlier. The only declines during the past year occurred in information (-1,800), government (-1,700), and other services (-100).

The **Ohio unemployment rate** decreased 0.1 percentage point to 4.0 percent in June, moving farther below the 4.5 percent to 4.7 percent range of the most recent year and a half. The level is a new low for this expansion and the lowest since May 2001. Total employment increased by 7,329 workers in June and the number of unemployed people fell by 5,894.



Across the country in June, the unemployment rate decreased notably from the month before in six states with the largest decline occurring in New Jersey (0.3 percentage points). Changes in the unemployment rate in the remaining 44 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 (+1.7%), Kentucky (+1.1%), Indiana (+1.0%), Pennsylvania (+0.7%), Ohio (+0.5%), and Michigan (+0.4%). Manufacturing employment increased year-over-year by 3.4 percent in West Virginia, 1.9 percent in Kentucky, 1.1 percent in Michigan, 0.7 percent in Ohio, and 0.2 percent in Indiana and decreased 0.7 percent in Pennsylvania.

Consumer Income and Consumption

Personal income increased by 0.4 percent for the fourth month in a row in June, and growth since 2017 was revised notably higher. For 2017 growth in personal income was revised up from 4.4 percent to 4.7 percent and in 2018 from 4.4 percent to 5.6 percent. The new May 2019 level is 2.2 percent higher than previously. Growth in the first quarter of 2019 was revised higher from an annual rate of 3.2 percent to 6.1 percent. Gains came in both wage and salary disbursements and non-wage sources of income. The first-quarter increase in wages was revised up from 3.9 percent annualized to an improbable 10.1 percent. Compared with a year earlier, personal income was up 4.9 percent in June and wage and salary disbursements were up 5.5 percent.

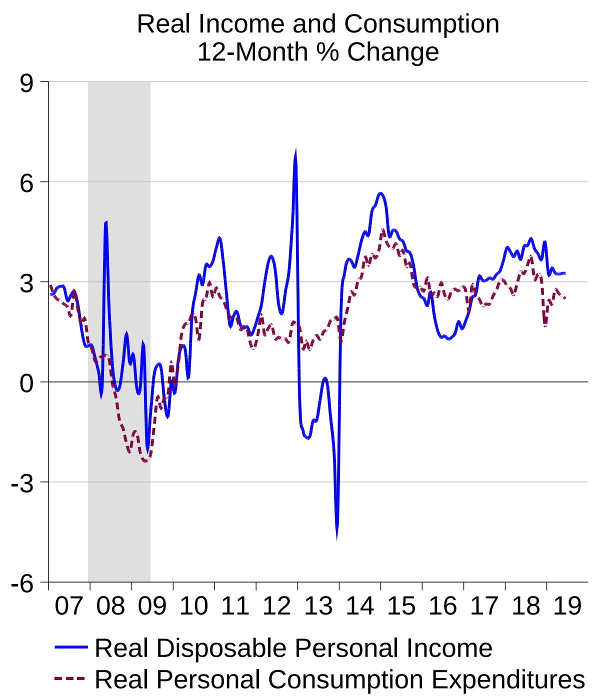
Personal consumption expenditures increased 0.3 percent in June after gains of 1.0 percent, 0.6 percent, and 0.5 percent in March, April, and May, respectively. Consumption was revised higher, but only modestly, causing a large upward revision in the saving rate, which had been 6.1 percent before revision in May to 8.1 percent in June. Growth in spending changed little in 2017 but was revised up from 4.7 percent to 5.2 percent in 2018. First-quarter growth also was little-changed. Compared with a year earlier, personal consumption expenditures were higher by 3.9 percent.

Spending on durable goods increased 0.4 percent in June after a 1.5 percent increase in May, despite a 1.4 percent decrease in unit sales of light motor vehicles to an annual rate of 17.1 million. A similar-size decrease in unit sales in July likely constrained the change in durable goods spending during the month. Purchases of non-durable goods increased 0.2 percent after a small gain in May that followed large increases in March and April. Spending on services increased 0.3 percent, continuing the long string of steady gains.

Consumer attitudes brightened in July. The Conference Board Index of Consumer Confidence jumped 9.2 percent to the third highest level since fall 2000. The index was marginally higher last October and November. Assessments of both current and expected conditions improved, but expectations accounted for about two-thirds of the increase in the overall index. The University of Michigan index increased entirely due to better expectations, with improvement occurring within higher-income households.

The better readings likely reflect the ongoing strength in labor markets and the accompanying gains in compensation. The labor market index posted a large increase to less than a point below its highest level since early 2001. In addition, increased plans to purchase homes have corresponded with recent large decreases in mortgage rates.

The outlook for the consumer sector remains very positive, especially in light of the much stronger growth of income in the last couple of years and higher current level than previously reported.



Expectations for inflation remain in check, and employment and income gains support the ability and willingness of consumers to spend. Concerns about the effect of trade disputes on prices and jobs and renewed volatility in financial markets are likely to temper confidence in the near future.

Industrial Activity

Total **industrial production** was flat in June as increases in manufacturing and mining production were offset by a decrease in output at utilities. Manufacturing output increased 0.4 percent and mining increased 0.2 percent, in contrast to the 3.6 percent weather-related drop for utilities due to milder-than-usual temperatures in June. Compared with a year earlier, total industrial production was higher by 1.3 percent, manufacturing was up by 0.4 percent, mining was up by 8.7 percent, and utilities was down 2.6 percent.

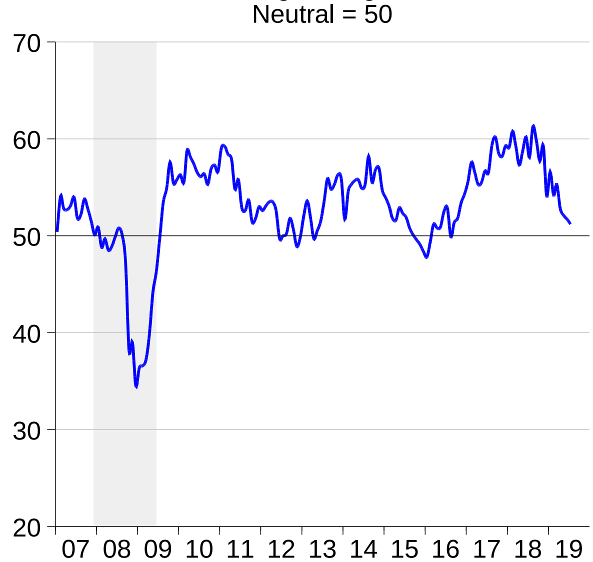
Manufacturing activity benefited from a 2.9 percent increase in production of motor vehicles and parts but received no lift from production of primary metals (unchanged), fabricated metal products (unchanged) or machinery (-1.0%) – all major employers in Ohio. The strengthening in the foreign exchange value of the dollar and the reversal from inventory building over the winter likely out of concern about trade restrictions have held back manufacturing activity, resulting in a June level that was still below the level in July 2018.

Purchasing managers in manufacturing reported less robust but still generally healthy conditions in July. The Purchasing Managers Index (PMI) decreased by 0.5 points to 51.2 – below the average of 56.1 during the previous twelve months but still sufficiently above the neutral level of 50 to indicate a degree of expansion in the sector. The Backlog of Orders index fell to 43.1 – its lowest mark since January 2016. Both the Exports and Imports indexes fell below 50 – the first such occurrence for Exports since early 2016.

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

A source in the transportation equipment industry said, "sales [of light motor vehicles] continue to decline, and forecasts have been reduced." A contact in the machinery industry reported that "Business has slowed, but it is still steady and expected to pick up next month." A source in the fabricated metal products cited "a drop in demand for steel products, which has had a major impact on steel prices and the domestic scrap market." Negative effects from tariffs were cited by contacts in a number of industries, including electrical equipment, furniture, plastics & rubber products, and computer & electronic products.

Purchasing Managers Index
Neutral = 50



Construction

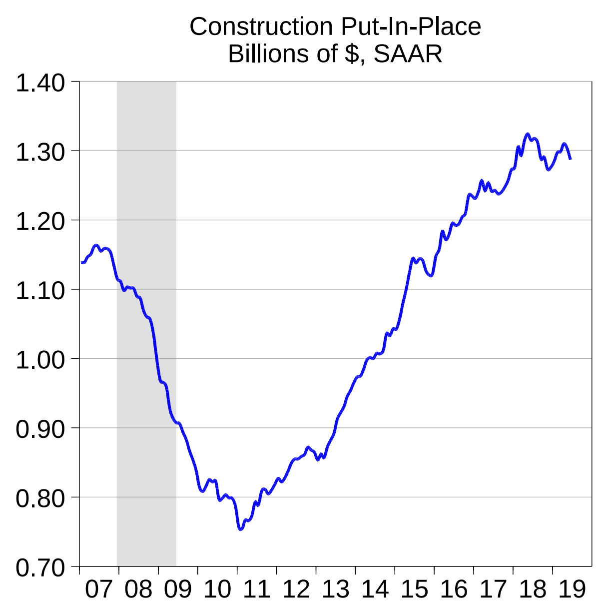
Construction put-in-place fell 1.3 percent in June after a 0.5 percent decline in May. Despite the back-to-back declines, construction increased at an annual rate of 2.0 percent during the second quarter due to strength in the first four months of the year. Compared with a year ago, total construction put-in-place was lower by 2.1 percent, down from +6.0 percent as recently as August.

Private sector construction decreased 0.4 percent in June, extending a string of weak monthly performance stretching back two years. This is a decrease of 1.5 percent annualized in the second quarter, and is down 4.6 percent from a year ago. Within the private sector, weakness has been centered in residential, which has experienced declines in single-family and improvements recently and year-over-year. Construction of multi-family units was 11.5 percent above the year earlier mark. Private nonresidential has weakened more recently, falling in each of the last three months to 0.4 percent below the year earlier level.

The weakness in construction during June was concentrated in the public sector, where both residential and nonresidential decreased for the second straight month. Again, strong second-quarter growth rates were the result of gains during January-April. Decreases in education and highway construction accounted for essentially all of the decline in public sector construction and about two-thirds of the overall decline in June.

The **Housing Market Index** (HMI) from the National Association of Homebuilders (NAHB) ticked higher in July, essentially holding steady for a third month after dropping significantly during 2018 and recovering modestly early this 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 12.2 percent below the recent high in December 2017. The HMI for the Midwest dropped back to its February level to 28.9 percent below its December 2017 level. The downward trends in the indexes are sufficiently pronounced to warrant attention, especially considering recent moderation in mortgage rates.

Housing activity continued to revive in recent months, with **housing starts** rising 1.4 percent in June on a 3-month moving average basis. Both single-family (+0.6%) and multi-family (+3.3%) increased. Across the Midwest, starts surged higher by 14.5 percent due to a 6.0 percent rise in single-family and a 38.5 percent jump in multi-family. Compared with a year earlier, starts were flat across the country and down 8.5 percent in the Midwest. **Home sales** were mixed as existing home sales increased 0.4 percent nationally and 2.2 percent in the Midwest but new home sales fell 2.4 percent nationally and 13.3 percent in the Midwest.



REVENUES

NOTE: *The fiscal year 2020 GRF revenue estimates will be completed in August and included in the September Monthly Financial Report.*

July GRF receipts totaled $2,961.0 million and were $249.9 million (9.2%) above the receipts of the same month in the previous year. This was primarily due to federal grants, which were $300.4 million (31.5%) above last July, an outcome consistent with increased GRF Medicaid spending this July. For the month, tax revenues were $29.5 million (1.8%) above last year.

The non-auto sales tax led all tax sources in the amount of year-over-year growth at $24.7 million (3.1%). This was followed by the commercial activity tax ($14.5 million) and the auto sales tax ($11.0 million). The personal income tax declined by $12.9 million (2.0%). The largest year-over-year decline occurred because there were no transfers-in for the month while there were $76.0 million in transfers during the previous year.

Non-Auto Sales Tax

July non-auto sales and use tax collections to the GRF totaled $811.2 million. On a year-over-year basis, non-auto sales tax revenues were up $24.7 million (3.1%) over July of fiscal year 2019. Continuing the trend observed at the end of the last fiscal year, the non-auto sales tax has regularly grown on a year-over-year basis.

Economic indicators and variables that inform the sales tax picture are broadly positive with some early trends worth watching. 164,000 jobs were added to the U.S. economy during the month, slightly below recent months that have been either just above or right below 200,000. Regional wage and salary income, a core component in the sales tax revenues, is being affected by continued labor market tightness. The low number of job seekers is inducing employers across many industries to raise wages for employee retention as much as attracting new hires. A closely related measure is personal income, which grew 0.4 percent in June from May.

Retail demand is a primary factor that influences the non-auto sales tax, driven in large part by the personal income levels. As reported by the Cleveland Federal Reserve in their most recent *Beige Book*, retail demand has been relatively flat over the summer. Freight activity softened indicating that new orders for consumer goods have slowed somewhat. Along with consumer driven tax revenues, purchases between businesses have also stagnated. Sales tax on these purchases comprises a sizeable portion of the revenue stream. Barring adverse impacts on prices and commerce from international trade conditions, however, economic activity is expected to maintain modest growth.

Auto Sales Tax

July auto sales tax revenues were $145.2 million. This July's numbers came in $11.0 million (8.2%) higher than last July. Continuing the trend observed over most of the previous fiscal year, auto sales tax revenues are growing on a year-over-year basis.

Auto sales nationally were down 2.4 percent in July year-over-year, as has been the case nearly each month so far in 2019. The 1.39 million units sold lowered the seasonally adjusted annual rate (SAAR) to 16.8 million, even though this number is higher than last July's 1.36 million units sold. The SAAR is down from a high of 17.4 million in May. The Federal Reserve interest rate cut during the month has many industry analysts highly focused on how incentives to buy new cars will be affected as many believed that a slow steady uptick in rates were inducing customers to forgo new auto purchases. Per Kelley Blue Book, the average transaction price for new vehicles is now over $37,000. This high price contributed to the strong yearly performance for auto sales tax revenue even as unit sales are down on an annual basis.

The composition of sales bolsters auto sales tax growth. Light trucks have comprised the bulk of auto sales for some time, currently around 72 percent, and they carry a nearly 50 percent higher average retail price than cars contributing the high average transaction price mentioned previously. Pickup trucks alone now comprise approximately 20 percent of new auto sales nationally.

Auto sales tax revenues have also been supported by high used vehicle prices. CarMax.com reported that the average price of used vehicles hit a record high of $21,686 as of May. This price is over 20 percent higher than the average price only five years ago, and likely reflects a preference for light trucks and SUV's among consumers even among used vehicles.

Personal Income Tax

July GRF personal income tax receipts totaled $629.9 million, $12.9 million (2.0%) below July 2018 collections. After adjusting for $24 million in foregone withholding collections this July due to the employer withholding tax rate cut that took effect in January 2019, however, income tax collections would have grown by 1.7 percent.

Withholding tax payments were modestly higher than the previous July, increasing by $11.9 million (1.6%). The extra pay-in day this July had some influence on this outcome. Adjusted for the withholding rates cut mentioned above, withholding growth for the month was 5.0 percent.

Refunds exceeded the prior July by $27.5 million (40.6%). Much of the refund activity emanated from refunds claimed on amended returns. OBM will be interested in discovering whether the volume of such returns and associated refund amounts begin to recede in August.

July is a relatively minor month for all other types of income tax payment categories. Nonetheless, one may note that quarterly estimated payments were $1.5 million (9.6%) below last July. But given the strong performance of this category in the preceding month (when the second quarter estimated payments were due), the modest July decline does not appear to be significant. Tax payments on annual returns increased by $3.5 million (61.5%).

FY 2020 PERSONAL INCOME TAX RECEIPTS, BY COMPONENT ($ in millions)			
	Actual July 2019	Actual July 2018	$ Var Y-0ver-Y
Withholding	$730.1	$718.2	$11.9
Quarterly Est.	$14.7	$16.2	($1.5)
Annual Returns & 40 P	$9.3	$5.8	$3.5
Trust Payments	$1.4	$1.9	($0.5)
Other	$7.7	$6.0	$1.7
Less: Refunds	($95.3)	($67.8)	($27.5)
Less: Local Distr.	($38.1)	($37.6)	($0.5)
Net to GRF	$629.9	$642.7	($12.9)

(Note: The net totals and variance amounts may differ slightly from computations using the rounded actual and estimated figures provided in the table.)

Commercial Activity Tax (CAT)

CAT revenue in July was $14.5 million (28.3%) greater than the previous year. Note that July precedes the next CAT return due date in August 2019. Because July mostly reflects early payments of CAT liability for the third quarter of calendar year 2019, it could be a bellwether of good CAT revenue performance for the quarter.

Kilowatt Hour Tax (KWH)

The KWH tax decreased by $5.0 million (18.5%) compared to the previous year. This marks the third consecutive month in which this source declined from the prior year. Energy-related tax sources such as the KWH tax are inherently prone to weather variations and their concomitant effects on consumption. Even so, OBM will monitor this source as the fiscal year proceeds and consider potential causes if revenues demonstrate underperformance.

GRF Non-Tax Receipts

GRF non-tax revenues in July totaled $1,255.3 million and were $296.4 million (30.9%) higher than the same month in the previous fiscal year. This variance was primarily attributable to federal grants, which were $300.4 (31.5%) higher than July of fiscal year 2019. This variation is attributable to comparatively higher Medicaid GRF spending caused by differences in the availability and use of non-GRF funding sources from fiscal year 2019. This lower level of non-GRF spending represents a return to the usual spending pattern for these funding sources.

Revenues in the License & Fee and Other Income categories were $1.0 million (76.7%) and $3.0 million (87.0%), respectively, below July of fiscal year 2019. Revenue patterns in these categories can vary greatly on a monthly or yearly basis and these variances are within the expected variance range.

No transfers into the GRF occurred or were expected July, so on a year-over-year basis July transfers in were $76.0 million less than in the same month of the previous fiscal year. This is primarily attributable to the timing of a transfer from the Petroleum Activity Public Highways Fund to the GRF to reimburse debt service payments for public highway and bridge construction funded under the State Capital Improvement Program. A similar transfer occurred in July of fiscal year 2019 but will not occur until August this year.

Table 1
GENERAL REVENUE FUND RECEIPTS
ACTUAL FY 2020 VS ESTIMATE FY 2020
($ in thousands)

REVENUE SOURCE	MONTH ACTUAL JULY	MONTH ESTIMATE JULY	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	811,175	811,175	N/A	N/A	811,175	811,175	N/A	N/A
Auto Sales & Use	145,218	145,218	N/A	N/A	145,218	145,218	N/A	N/A
Subtotal Sales & Use	956,392	956,392	N/A	N/A	956,392	956,392	N/A	N/A
Personal Income	629,865	629,865	N/A	N/A	629,865	629,865	N/A	N/A
Corporate Franchise	10	10	N/A	N/A	10	10	N/A	N/A
Financial Institutions Tax	21	21	N/A	N/A	21	21	N/A	N/A
Commercial Activity Tax	65,495	65,495	N/A	N/A	65,495	65,495	N/A	N/A
Petroleum Activity Tax	0	0	N/A	N/A	0	0	N/A	N/A
Public Utility	215	215	N/A	N/A	215	215	N/A	N/A
Kilowatt Hour	21,885	21,885	N/A	N/A	21,885	21,885	N/A	N/A
Natural Gas Distribution	1,320	1,320	N/A	N/A	1,320	1,320	N/A	N/A
Foreign Insurance	560	560	N/A	N/A	560	560	N/A	N/A
Domestic Insurance	0	0	N/A	N/A	0	0	N/A	N/A
Other Business & Property	0	0	N/A	N/A	0	0	N/A	N/A
Cigarette and Other Tobacco	20,557	20,557	N/A	N/A	20,557	20,557	N/A	N/A
Alcoholic Beverage	5,122	5,122	N/A	N/A	5,122	5,122	N/A	N/A
Liquor Gallonage	4,229	4,229	N/A	N/A	4,229	4,229	N/A	N/A
Estate	37	37	N/A	N/A	37	37	N/A	N/A
Total Tax Receipts	1,705,708	1,705,708	N/A	N/A	1,705,708	1,705,708	N/A	N/A
NON-TAX RECEIPTS								
Federal Grants	1,254,568	1,254,568	N/A	N/A	1,254,568	1,254,568	N/A	N/A
Earnings on Investments	0	0	N/A	N/A	0	0	N/A	N/A
License & Fees	313	313	N/A	N/A	313	313	N/A	N/A
Other Income	449	449	N/A	N/A	449	449	N/A	N/A
ISTV'S	10	10	N/A	N/A	10	10	N/A	N/A
Total Non-Tax Receipts	1,255,339	1,255,339	N/A	N/A	1,255,339	1,255,339	N/A	N/A
TOTAL REVENUES	**2,961,047**	**2,961,047**	**N/A**	**N/A**	**2,961,047**	**2,961,047**	**N/A**	**N/A**
TRANSFERS								
Budget Stabilization	0	0	N/A	N/A	0	0	N/A	N/A
Transfers In - Other	0	0	N/A	N/A	0	0	N/A	N/A
Temporary Transfers In	0	0	N/A	N/A	0	0	N/A	N/A
Total Transfers	0	0	N/A	N/A	0	0	N/A	N/A
TOTAL SOURCES	**2,961,047**	**2,961,047**	**N/A**	**N/A**	**2,961,047**	**2,961,047**	**N/A**	**N/A**

Table 2
GENERAL REVENUE FUND RECEIPTS
ACTUAL FY 2020 VS ACTUAL FY 2019
($ in thousands)

REVENUE SOURCE	MONTH JULY FY 2020	MONTH JULY FY 2019	MONTH $ VAR	MONTH % VAR	YEAR-TO-DATE ACTUAL FY 2020	YEAR-TO-DATE ACTUAL FY 2019	YEAR-TO-DATE $ VAR	YEAR-TO-DATE % VAR
TAX RECEIPTS								
Non-Auto Sales & Use	811,175	786,446	24,728	3.1%	811,175	786,446	24,728	3.1%
Auto Sales & Use	145,218	134,187	11,030	8.2%	145,218	134,187	11,030	8.2%
Subtotal Sales & Use	956,392	920,633	35,759	3.9%	956,392	920,633	35,759	3.9%
Personal Income	629,865	642,718	(12,853)	-2.0%	629,865	642,718	(12,853)	-2.0%
Corporate Franchise	10	26	(16)	-61.8%	10	26	(16)	-61.8%
Financial Institutions Tax	21	260	(239)	-92.0%	21	260	(239)	-92.0%
Commercial Activity Tax	65,495	51,030	14,465	28.3%	65,495	51,030	14,465	28.3%
Petroleum Activity Tax	0	0	0	N/A	0	0	0	N/A
Public Utility	215	215	1	0.3%	215	215	1	0.3%
Kilowatt Hour	21,885	26,841	(4,956)	-18.5%	21,885	26,841	(4,956)	-18.5%
Natural Gas Distribution	1,320	1,590	(270)	-17.0%	1,320	1,590	(270)	-17.0%
Foreign Insurance	560	1,323	(763)	-57.7%	560	1,323	(763)	-57.7%
Domestic Insurance	0	0	0	N/A	0	0	0	N/A
Other Business & Property	0	0	0	N/A	0	0	0	N/A
Cigarette and Other Tobacco	20,557	23,554	(2,997)	-12.7%	20,557	23,554	(2,997)	-12.7%
Alcoholic Beverage	5,122	3,786	1,336	35.3%	5,122	3,786	1,336	35.3%
Liquor Gallonage	4,229	4,217	12	0.3%	4,229	4,217	12	0.3%
Estate	37	16	21	137.5%	37	16	21	137.5%
Total Tax Receipts	1,705,708	1,676,209	29,499	1.8%	1,705,708	1,676,209	29,499	1.8%
NON-TAX RECEIPTS								
Federal Grants	1,254,568	954,175	300,394	31.5%	1,254,568	954,175	300,394	31.5%
Earnings on Investments	0	0	0	N/A	0	0	0	N/A
License & Fee	313	1,342	(1,029)	-76.7%	313	1,342	(1,029)	-76.7%
Other Income	449	3,460	(3,012)	-87.0%	449	3,460	(3,012)	-87.0%
ISTV'S	10	2	7	321.3%	10	2	7	321.3%
Total Non-Tax Receipts	1,255,339	958,979	296,360	30.9%	1,255,339	958,979	296,360	30.9%
TOTAL REVENUES	**2,961,047**	**2,635,188**	**325,859**	**12.4%**	**2,961,047**	**2,635,188**	**325,859**	**12.4%**
TRANSFERS								
Budget Stabilization	0	0	0	N/A	0	0	0	N/A
Transfers In - Other	0	75,995	(75,995)	N/A	0	75,995	(75,995)	N/A
Temporary Transfers In	0	0	0	N/A	0	0	0	N/A
Total Transfers	0	75,995	(75,995)	N/A	0	75,995	(75,995)	N/A
TOTAL SOURCES	**2,961,047**	**2,711,183**	**249,864**	**9.2%**	**2,961,047**	**2,711,183**	**249,864**	**9.2%**

DISBURSEMENTS

NOTE: At the beginning of each fiscal year, in conjunction with each agency receiving GRF appropriations, OBM undertakes the process of estimating GRF spending by month for the upcoming year. These spending estimates are built on a combination of H.B. 166 appropriation levels and estimated spending against encumbrances entered into in previous fiscal years. In addition to accounting for policy changes and spending to meet prior year encumbrances, OBM and the agencies also take this opportunity to review any changes in caseloads, payrolls, or other demands for services that might impact the level and pattern of spending during the coming year. The fiscal year 2020 GRF disbursement estimates will be completed in August and included in the September Monthly Financial Report. As a result, OBM has set disbursement estimates for July at the actual disbursement amounts for the month. Therefore, Table 3 in this report shows no monthly variances.

July GRF disbursements, across all uses, totaled $3,493.5 million and were without variation as a result of estimates being under development. On a year-over-year basis, July total uses were $409.5 million (10.5%) below those of the same month in the previous fiscal year due to a delay in transferring funds from the GRF at the beginning of the biennium.

Category	**Description**	**Year-Over-Year Variance**	**% Variance**
Expenditures and transfers between agencies (ISTVs)	State agency operations, subsidies, tax relief, debt service payments, and pending payroll (if applicable)	$329.8	10.4%
Transfers	Temporary or permanent transfers out of the GRF that are not agency expenditures	($739.4)	-100.0%
TOTAL DISBURSEMENTS VARIANCE:		**($409.5)**	**-10.5%**

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

Primary and Secondary Education

This category contains GRF spending for the Ohio Department of Education. July disbursements for this category totaled $702.5 million and were $57.8 million (7.6%) below disbursements for the same month of the previous fiscal year. This variance was primarily attributable to disbursements in the Foundation Funding line item, which were $46.6 million (7.0%) below prior year disbursements due to shifting expenditures from the General Revenue Fund to the Lottery Profits Education Fund in July. Disbursements in the Student Assessment line item were $7.5 million (35.8%) below prior year disbursements due to timing of payments. Expenditures for the school foundation program totaled $679.1 million and were $48.0 million (6.6%) below disbursements for the same month of the previous fiscal year. This variance was primarily attributable to shifting of expenditures from the General Revenue Fund to the Lottery Profits Education Fund in July of the current fiscal year.

Higher Education

July disbursements for the Higher Education category, which includes non-debt service GRF spending by the Department of Higher Education, totaled $167.6 million and were $17.2 million (9.3%) below disbursements in the same month of the prior fiscal year. This variance was primarily attributable to a delay in establishing Memorandums of Understanding (MOUs) for multiple programs, resulting in a variance of $6.1 million below prior year disbursements for the same month of the previous fiscal year. The Ohio College Opportunity Grant line item was $5.2 million below prior year disbursements as the result of a return to the normal July payment schedule compared to last year when June payments were delayed. The Choose Ohio First Scholarship line item was $1.3 million below prior year disbursements due to timing of reimbursement requests.

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.

July disbursements in this category totaled $8.6 million and were $0.8 million (10.5%) above disbursements for the same month in the previous fiscal year.

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

July GRF disbursements for the Medicaid Program totaled $1,928.7 million and were $429.3 million (28.6%) above disbursements for the same month of the previous fiscal year. This variance is attributable to differences in the availability and use of non-GRF funding sources. Non-GRF funding sources were available and used in July of fiscal year 2019, which reduced the overall GRF spend. This fiscal year however, Medicaid is anticipating a more significant use of non-GRF funds in August, rather than July which represents a return to the usual timing of use for non-GRF funding sources.

July all funds disbursements for the Medicaid Program totaled $2,248.2 million and were $60.0 million (2.7%) above disbursements for the same month in the previous fiscal year. The all funds variance was primarily attributable to an administrative-related payment in the Department of Developmental disabilities that was scheduled to occur in late fiscal year 2019 but was delayed into fiscal year 2020. Fiscal year 2019 funding was encumbered to pay this expense, therefore, while the expense is recorded in fiscal year 2020, it was paid using fiscal year 2019 appropriation.

The chart below shows July fiscal year 2020 compared to July fiscal year 2019 by funding source.
($ in millions, totals may not add due to rounding)

	July FY19	July FY 20	Variance	Variance %
GRF	$ 1,499.3	$ 1,928.7	$ 429.3	28.6%
Non-GRF	$ 688.8	$ 319.5	$ (369.3)	-53.6%
All Funds	$ 2,188.1	$ 2,248.2	$ (60.0)	-2.7%

<u>Enrollment</u>
Total July enrollment for the program was 2.83 million, which was 8,012 (0.3%) above estimate and 98,940 (3.2%) below enrollment for the same period last fiscal year. July enrollment by major eligibility category was as follows: Covered Families and Children, 1.60 million; Aged, Blind and Disabled (ABD), 489,092; Group VIII Expansion, 609,966; and Other Full Benefits, 12,519 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 childcare, 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.

July disbursements in this category totaled $124.1 million and were $2.9 million (2.3%) below disbursements for the same month in the previous fiscal year.

<u>Department of Developmental Disabilities</u>
July disbursements for the Department of Developmental Disabilities totaled $6.9 million and were $10.6 million (60.5%) below disbursements for the same month in the previous fiscal year. This variance is primarily attributable to the County Board Subsidy line item. The fiscal year 2020-2021 operating budget (H.B. 166) merged the non-Medicaid County Board Subsidy line item into a Department of Developmental Disabilities' GRF Medicaid line item. Expenditures made by the county boards from the County Board Subsidy line item were predominately Medicaid related; the merge aligned this spending with the State's accounting system structure for more efficient tracking. The result is more efficient budgeting, spending, and tracking, however, as the appropriation is now in a Medicaid line item, that spending will be recorded under the Medicaid category, rather than the Health and Human Services category. The change is purely structural and will not affect program spending.

Department of Job and Family Services

July disbursements for the Department of Job and Family Services totaled $68.4 million and were $16.3 million (31.3%) above disbursements for the same month in the previous fiscal year. This variance was primarily attributable to the Children and Family Subsidy line item, which was approximately $11.7 million above the prior year due to the budget increase for the State Child Protection Service allocation. The Department of Job and Family Services consolidated six line items into a newly created Program Operations line item. This line item was approximately $6.8 million above the combined total of prior year disbursements primarily due to the timing of invoices from the Department of Administrative Services Office of Information Technology. These variances were partially offset by the Family Assistance – Local line item, which was approximately $2.0 million below prior year disbursements due to the timing of county food assistance income maintenance payments.

Department of Mental Health and Addiction Services

July disbursements for the Department of Mental Health and Addiction Services totaled $34.2 million and were $7.7 million (18.5%) below disbursements for the same month in the previous fiscal year. This variance was attributable to several line items and was due predominately to timing of payments rather than any programmatic changes.

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.

July disbursements in this category totaled $267.0 million and were $31.7 million (10.6%) below disbursements for the same month in the previous fiscal year.

Department of Rehabilitation and Correction

July disbursements for the Department of Rehabilitation and Correction totaled $188.4 million and were $28.4 million (13.1%) below disbursements in the same month of the previous fiscal year. This variance was primarily attributable to variances in several line items. The Institutional Operations line item was $13.2 million below the same month of the previous fiscal year, the Institution Medical Services line item was $9.5 million below the same month of the previous fiscal year, The Community Nonresidential Programs line item was $4.8 million below the same month of the previous fiscal year and the Halfway House line item was $2.1 million below the same month of the previous fiscal year. These variances are all due to the timing of payments at the beginning of the fiscal year. The agency expects that these payments will be made in August.

Department of Youth Services

July disbursements for the Department of Youth Services totaled $50.6 million and were $4.4 million (8%) below the same month of the previous fiscal year. This variance was primarily attributable to disbursements in the RECLAIM Ohio line item which was $4.9 million below the same month of the previous fiscal year due to timing of payments. These payments are expected to be made in August.

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.

July disbursements in this category totaled $46.9 million and were $4.4 million (10.2%) above disbursements for the same month in the previous fiscal year.

Department of Administrative Services
July disbursements for the Department of Administrative Services totaled $0.9 million and were $0.8 million (48.2%) below disbursements for the same month of the previous fiscal year. This variance was attributable to the MARCS Fee Offset line item, which was disbursed at the beginning of last fiscal year to subsidize local government radio rates on the state's emergency communications system. This expense will occur in a later month this fiscal year.

Department of Agriculture
July disbursements for the Department of Agriculture totaled $5.0 million and were $1.8 million (57.8%) above disbursements for the same month of the previous fiscal year. This variance was primarily attributable to the Soil and Water District Support line item due to a budget increase to provide additional support for Soil and Water Conservation Districts and County Soil and Water Conservation Districts in the Western Lake Erie Basin.

Treasurer of State
July disbursements for the Treasurer of State totaled $8.8 million and were $1.8 million (26.4%) above disbursements for the same month of the previous fiscal year. This variance was primarily attributable to increased quarterly subsidy payments to the Ohio Police and Fire Pension Fund. The fiscal year 2020-2021 operating budget (H.B.166) increased appropriations for these subsidy payments by $8.9 million over fiscal year 2019 total disbursements.

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 $0.0 million in July of fiscal year 2020 compared to the negative expense of $6,000 in July of fiscal year 2019.

Debt Service

July payments for debt service totaled $248.1 million and were $5.0 million (2.1%) above expenses for the same month of the previous fiscal year.

Transfers Out

July transfers out totaled $0.0 million and were $739.4 million below July of fiscal year 2019 transfers out. July historically has large transfers out due to the disposition of surplus revenue from the preceding fiscal year. Due in part to the delayed enactment of the fiscal year 2020 operating budget, these transfers will instead occur in August of fiscal year 2020.

Table 3

GENERAL REVENUE FUND DISBURSEMENTS
ACTUAL FY 2020 VS ESTIMATE FY 2020
($ in thousands)

Functional Reporting Categories Description	MONTH				YEAR-TO-DATE			
	ACTUAL JULY	ESTIMATED JULY	$ VAR	% VAR	YTD ACTUAL	YTD ESTIMATE	$ VAR	% VAR
Primary and Secondary Education	702,522	702,522	N/A	N/A	702,522	702,522	N/A	N/A
Higher Education	167,559	167,559	N/A	N/A	167,559	167,559	N/A	N/A
Other Education	8,654	8,654	N/A	N/A	8,654	8,654	N/A	N/A
Medicaid	1,928,681	1,928,681	N/A	N/A	1,928,681	1,928,681	N/A	N/A
Health and Human Services	124,101	124,101	N/A	N/A	124,101	124,101	N/A	N/A
Justice and Public Protection	267,033	267,033	N/A	N/A	267,033	267,033	N/A	N/A
General Government	46,874	46,874	N/A	N/A	46,874	46,874	N/A	N/A
Property Tax Reimbursements	0	0	N/A	N/A	0	0	N/A	N/A
Debt Service	248,105	248,105	N/A	N/A	248,105	248,105	N/A	N/A
Total Expenditures & ISTV's	**3,493,530**	**3,493,530**	**N/A**	**N/A**	**3,493,530**	**3,493,530**	**N/A**	**N/A**
Transfers Out:								
BSF Transfer Out	0	0	N/A	N/A	0	0	N/A	N/A
Operating Transfer Out	0	0	N/A	N/A	0	0	N/A	N/A
Temporary Transfer Out	0	0	N/A	N/A	0	0	N/A	N/A
Total Transfers Out	**0**	**0**	**N/A**	**N/A**	**0**	**0**	**N/A**	**N/A**
Total Fund Uses	**3,493,530**	**3,493,530**	**N/A**	**N/A**	**3,493,530**	**3,493,530**	**N/A**	**N/A**

Table 4

GENERAL REVENUE FUND DISBURSEMENTS
ACTUAL FY 2020 VS ACTUAL FY 2019
($ in thousands)

Functional Reporting Categories Description	MONTH JULY FY 2020	MONTH JULY FY 2019	MONTH $ VAR	MONTH % VAR	YEAR-TO-DATE ACTUAL FY 2020	YEAR-TO-DATE ACTUAL FY 2019	YEAR-TO-DATE $ VAR	YEAR-TO-DATE % VAR
Primary and Secondary Education	702,522	760,353	(57,831)	-7.6%	702,522	760,353	(57,831)	-7.6%
Higher Education	167,559	184,794	(17,235)	-9.3%	167,559	184,794	(17,235)	-9.3%
Other Education	8,654	7,829	826	10.5%	8,654	7,829	826	10.5%
Medicaid	1,928,681	1,499,346	429,335	28.6%	1,928,681	1,499,346	429,335	28.6%
Health and Human Services	124,101	127,029	(2,928)	-2.3%	124,101	127,029	(2,928)	-2.3%
Justice and Public Protection	267,033	298,751	(31,718)	-10.6%	267,033	298,751	(31,718)	-10.6%
General Government	46,874	42,523	4,352	10.2%	46,874	42,523	4,352	10.2%
Property Tax Reimbursements	0	(6)	6	N/A	0	(6)	6	N/A
Debt Service	248,105	243,087	5,018	2.1%	248,105	243,087	5,018	2.1%
Total Expenditures & ISTV's	**3,493,530**	**3,163,705**	**329,825**	**10.4%**	**3,493,530**	**3,163,705**	**329,825**	**10.4%**
Transfers Out:								
BSF Transfer	0	657,503	(657,503)	N/A	0	657,503	(657,503)	N/A
Operating Transfer Out	0	81,855	(81,855)	N/A	0	81,855	(81,855)	N/A
Temporary Transfer Out	0	0	0	N/A	0	0	0	N/A
Total Transfers Out	**0**	**739,358**	**(739,358)**	**N/A**	**0**	**739,358**	**(739,358)**	**-100.0%**
Total Fund Uses	**3,493,530**	**3,903,062**	**(409,533)**	**-10.5%**	**3,493,530**	**3,903,062**	**(409,533)**	**-10.5%**

FUND BALANCE

The Office of Budget and Management (OBM) is currently working to complete the analysis necessary for the preparation of the fiscal year 2020 General Revenue Fund (GRF) ending balance estimate. As mentioned above, OBM is currently finalizing the fiscal year 2020 projections of disbursements, transfers, and encumbrances. This analysis is expected to be completed in August and reflected in the September 2020 Monthly Financial Report.

The calculation and disposition of the GRF ending fund balance for FY 2019 is governed by Ohio Revised Code Section 131.44 and Section 513.10 of HB 166 of the 133rd General Assembly.

The table below shows the disposition of the FY 2019 ending cash balance, which was not available for the July 2019 Monthly Financial Report due to the delayed passage of the budget bill.

Disposition of FY 2019 Ending Cash Balance

($ in thousands)

Ending Cash Balance as of June 30, 2019	$1,538,012
Less Outstanding Encumbrances*	$391,626
Total Unencumbered Cash Balance	$1,146,385
Less 0.5% Requirement	$168,838
Actual Surplus Ending Balance	$977,548
Disposition of Surplus:	
Targeted Addiction Program Fund (5TZ0)	$10,000
H2Ohio (6H20)	$172,000
School Bus Purchase Fund (5VU0)	$20,000
Governor's Imagination Library Fund (5VJ0)	$5,000
Emergency Purpose Fund (5KM0)	$25,000
Disaster Services Fund (5E20)	$14,000
Tobacco Use Prevention (5BX0)	$19,000
Economic Development Programs (5CJ0)	$7,400
Ohio Incumbent Workforce Job Training (5HR0)	$2,000
Statewide Treatment and Prevention Fund (4750)	$31,000
State Park Fund (5120)**	$5,000
Health Priorities Fund (L087)	$2,000
Specified Surplus Transfers	$312,400
Remaining Carry-Over	$665,148

* Encumbrances for fiscal year 2019 include $77.5 million for the 27th pay period. This payment was disbursed in fiscal year 2020 using fiscal year 2019 appropriations and is therefore considered a fiscal year 2019 obligation.

** This transfer is subject to Controlling Board approval, which is currently pending.

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