June 10, 2020

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

FROM: Kimberly Murnieks, Director

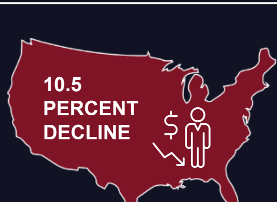
SUBJECT: Monthly Financial Report

Report Overview:

This edition of the Monthly Financial Report includes an update of estimated General Revenue Fund (GRF) tax revenue for fiscal year 2021 as required by Executive Order 2020-19D issued on May 7, 2020 by Governor DeWine. These estimates make use of high frequency data and up-to-date modeling based on the most recent three months of economic activity to provide a picture of the duration of the economic impacts of COVID-19 and predict the rate of recovery. The updated fiscal year 2021 information begins on page 9.

The number of new claims for unemployment compensation filed in Ohio fell from a weekly average of 94,635 in April to 41,341 during the first three weeks May, suggesting that the rate of employment decline caused by the COVID-19 pandemic began to slow during May. Additionally, the number of continuing claims for unemployment compensation appears to have peaked in mid-April and began declining weekly throughout May, suggesting that workers began returning to jobs during the month.

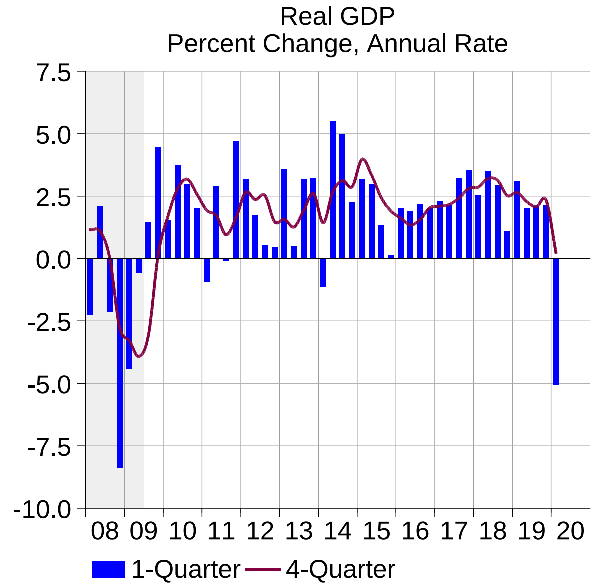
GRF non-auto sales and use tax collections in May totaled $681.2 million and were $133.4 million (-16.4%) below estimate. Approximately one-half of a month's non-auto sales tax revenue emanates from anticipated activity in the current month while the other half is from activity in the previous month. This means that May's numbers still reflect, to some extent, the economic situation in April.



Nationally, personal income decreased 10.5 percent in April, while wage and salary disbursements, which make up more than half of personal income, increased by 8.0 percent. This large difference was the result of government social assistance payments directly to households in the form of CARES Act and supplemental employment insurance disbursements.

The consensus among forecasters is that the large decrease in real GDP in the second quarter will be followed by a recovery beginning in the second half of the calendar year 2020 and continuing through calendar year 2021. Despite this predicted recovery, forecasters expect the economy to be roughly the same size at the end of 2021 as it was at the end of 2019.

Economic Activity



Real GDP contracted at a revised annual rate of 5.0 percent in the first quarter, down from an initial report of a 4.8 percent decrease. The decline was the first quarterly drop since the 1.1 percent decrease in the first quarter of 2014 and the largest setback since the 8.4 percent decrease in the fourth quarter of 2008. It also was the seventh largest on record dating back to 1947, tied with the fourth quarter of 1960. The largest quarterly decline on record is 10.0 percent in the first quarter of 1958.

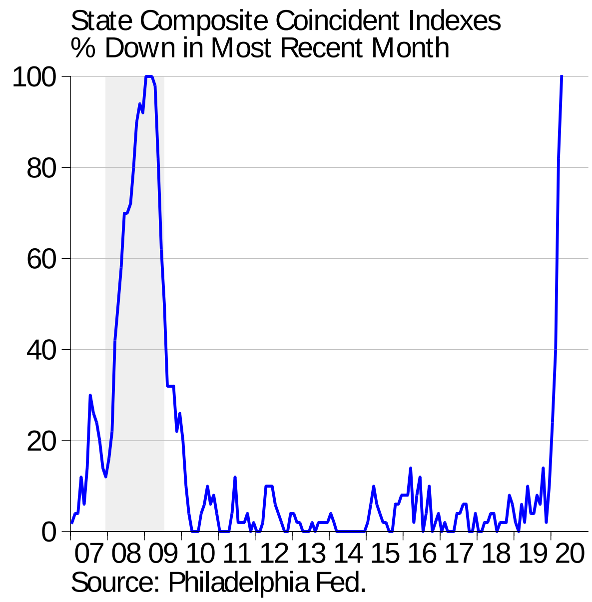
The first-quarter decrease in real GDP reflected **negative contributions** from personal consumption expenditures (-4.7%), the change in private inventories (-1.4%), nonresidential fixed investment (-1.1%), and exports (-1.0%). Partially offsetting these declines were positive contributions from residential fixed investment (0.7%), and government spending (0.2%). Imports also decreased, effectively adding to other categories by a total of 2.3 percent.

The steep contraction occurred largely in the second half of March, as patterns in monthly data had led to rising expectations for the quarter as late as mid-month. Aggregate demand weakened quickly and substantially as governments enacted measures necessary to slow the spread of COVID-19.

The latest reports confirm that weakness intensified in the second quarter. For example, after surging to 6.9 million in final week of March, initial unemployment insurance claims totaled 32.5 million in April and May, although the weekly tally has trended down since March. In addition, continuing claims appear to have peaked in early May, suggesting that people are being called back to work in significant numbers. At the same time, improvement in a variety of high-frequency measures, such as travel-related data and credit card purchases, align with widespread easing of restrictions on activity in a large and growing number of states, indicating that some forms of economic activity are beginning to increase.

The Ohio economy contracted again in April. The **Ohio coincident economic index** from the Philadelphia Federal Reserve decreased 19.6 percent, following a 3.4 percent decrease in March. The 6-month smoothed rate of change fell from 1.4 percent in February and -5.0 percent in March to -36.4 percent in April, illustrating the economic impact of COVID-19 in Ohio. The index is a composite of four labor market indicators – nonfarm payroll employment, average hours worked in manufacturing, the unemployment rate, and real wage and salary disbursements.

The diffusion of **state-level coincident economic indexes** also deteriorated in March to recession levels. The level of the index was lower than the month before for all fifty states, up from forty-one the month before and twenty the month before that. Compared with three months earlier, the index also was lower for all fifty states, up from thirty-nine states the month before and fourteen the month before that. These are levels observed during the depths of the 2007-09 recession.

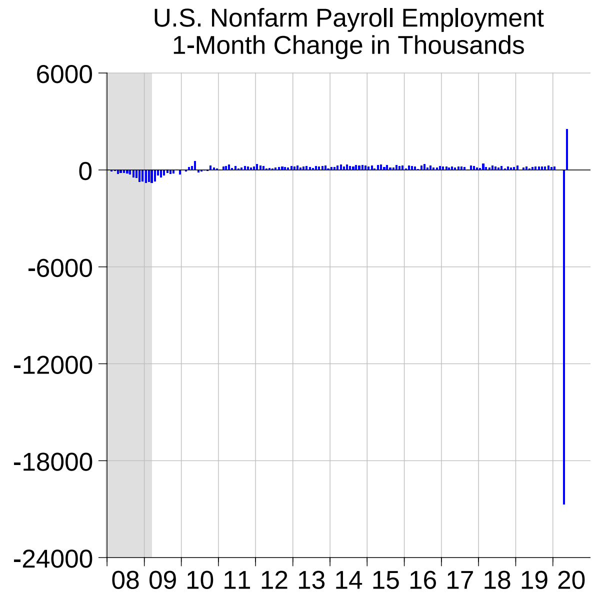


The Conference Board's composite **Leading Economic Index** (LEI) decreased 4.4 percent in April, the second largest month-to-month decline in the 60-year history of the index, following the 7.4 percent decline in March. The decrease was broad-based among its components, with only stock prices and the interest rate spread making positive contributions. The sharp drops in March and April resulted from the sudden halt in business activity due to the COVID-19 pandemic and suggest that the contraction will be very deep.

As shown in the table below, the **consensus among forecasters** is that real GDP growth is contracting at an unprecedented rate in the second quarter. The consensus among forecasters is that the economy will begin to grow again in the third or fourth quarter at a rapid pace, with strong growth continuing through 2021. Even so, the consensus is for the economy to be approximately the same size at the end of 2021 as it was at the end of 2019. Generally, the outlook is for the very steep second quarter drop followed by an extended recovery period.

Source	**Date**	**2020-Q2 GDP Forecast**
Atlanta FRB (GDPNow)	6/4/20	-53.8%
New York FRB (Nowcast)	6/5/20	-25.5%
Blue Chip	6/4/20	-34% (-41% to -24%)
IHS GDP Tracker	6/5/20	-41.5%

Employment



Nonfarm payrolls across the country increased by 2.5 million jobs, compared with an expected decrease of approximately 8 million jobs. Average hourly wages declined, reflecting the return of workers to jobs paying below the average. The length of the workweek increased 0.5 hours to 34.7 hours overall and by 0.8 hours to 38.9 hours in manufacturing. Overtime in manufacturing increased by 0.3 hours to 2.4 hours but remained the second lowest in the last fifty years.

The increase in employment is unequivocally positive for current and future economy activity, especially compared with the dire expectations. However, the number of newly filled jobs was almost exactly matched by the 2.7 million decrease in people previously on temporary layoff. Among those not on temporary layoff, the number of permanent job losers continued to rise, increasing by 295,000 in May to 2.3 million. As such, the burst of job growth leaves open the question of how quickly the 21.0 million people remaining unemployed will get back to work.

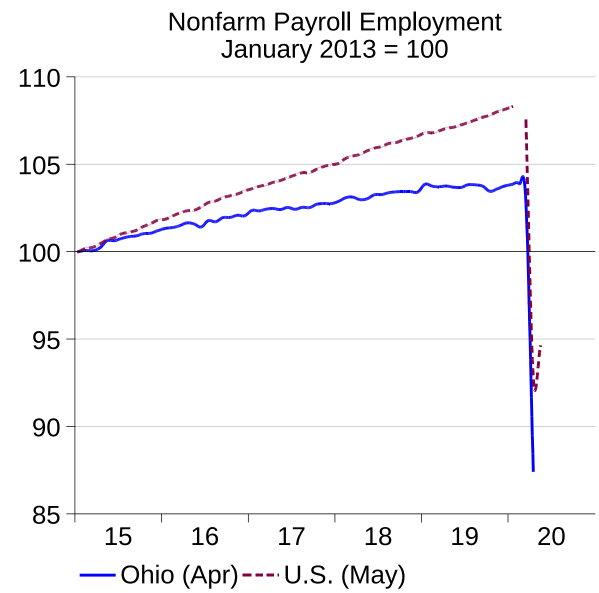
Employment increased in most sectors, but nearly half of the gains occurred in leisure and hospitality (1.24 million), entirely the result of a 1.37 million increase at bars and restaurants, which was slightly offset by a further decline of 148,200 jobs in the lodging industry. Construction employment increased by 464,000 jobs, primarily reflecting hiring among specialty contractors, equally split between residential and nonresidential. Employment in education and health services rose by 424,000 jobs, mainly due to the 244,000 increase at offices of dentists. Employment at nursing homes and hospitals continued to decline by a total of 63,300 jobs.

Finally, retail trade added 367,800 jobs, spread across numerous segments, including clothing stores (94,800), automobile dealers (84,700), general merchandise stores (84,000), and building materials and garden supply stores (55,800). But patterns were mixed within retail, as electronics and appliance stores (-94,700), auto parts accessories, and tire stores (-35,800), and health and personal care stores (-21,600) all cut employment.

The **unemployment rate** retreated from the post-war record-high of 14.7 percent in April to 13.3 percent in May, as the number of unemployed decreased by 2.1 million to 21.0 million, down from 23.1 million the month before. Total employment increased by 3.8 million workers and the labor force rose by 1.7 million. The broadest measure of unemployment, which includes so-called discouraged workers and people working part-time for economic reasons, decreased from a record 22.8 percent in April to 21.2 percent in May.

The Bureau of Labor Statistics (BLS) noted that a large number of people who were unemployed on temporary layoff because they were absent from work due to coronavirus-related business closures were for unknown reasons mistakenly counted as employed but absent from work due to "other reasons." The unemployment rate would have been about three percent higher (before seasonal adjustment) than was reported, meaning that according to BLS rules the unemployment rate increased to approximately 16 percent in May, rather than declining to 13.3 percent, providing a very different indication of the health of labor markets.

Ohio nonfarm payroll employment decreased by 823,700 jobs, or 14.9 percent, in April. The March change was revised down from a loss of 39,700 jobs to a loss of 60,000 jobs. The unemployment rate jumped from 5.8 percent in March to a record 16.8 percent in April. The rate had been at a long-time low of 4.1 percent for six straight months. The March rate was revised up from an initial report of 5.5 percent.



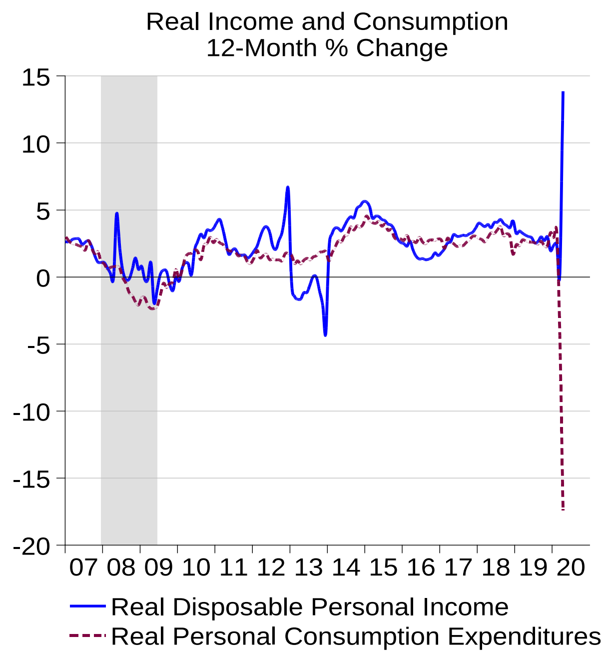
The level of first-time filings for unemployment insurance in Ohio remained elevated in May but fell by about two-thirds from the April average, suggesting that employment might have continued to fall in May but at a much slower rate. In an additional sign of improvement, the number of continuing claims for unemployment compensation appears to have peaked at the end of April and begun declining in the first half of May.

Employment in all sectors was negatively affected in April, led by Leisure and Hospitality (-263,500), Trade, Transportation, and Utilities (-115,900), Professional and Business Services (-101,000), Education and Health Services (-99,900), and Manufacturing (-96,300). No sector posted higher employment on the month. Compared with a year earlier, employment declines were led by Leisure and Hospitality (-289,100), Trade, Transportation, and Utilities (-120,000), Professional and Business Services (-109,600), Manufacturing (-101,000), and Education and Health Services (-99,000).

Consumer Income and Consumption

Personal income decreased 10.5 percent in April, while **wage and salary disbursements**, which make up more than half of personal income, increased by 8.0 percent. The large difference was the result of government social assistance payments directly to households in the form of CARES Act and supplemental employment insurance disbursements that totaled approximately $3 trillion at an annual rate. These payments are included in personal income but not in wage and salary disbursements. The April changes followed declines of 2.2 percent in personal income and 3.5 percent in wage and salary disbursements the month before.

Personal consumption expenditures (PCE) decreased by 13.6 percent in April following a decline of 6.9 percent in March. Spending on durable goods fell 17.3 percent on top of a 12.1 percent decline the month before, as the stockpiling of food and beverages for off-premises consumption that increased 21.9 percent in March fell by 17.2 percent in April. In addition, unit auto sales fell 24.5 percent in April to an annual rate of 8.6 million units. The sales rate recovered to just under 12 million units at an annual rate in May but remained well below the recent plateau of approximately 17 million units. Spending on nondurable goods fell 16.2 percent in April after a 3.9 percent increase in March. Spending on services fell 12.2 percent on top of a 9.3 percent decline in March, reflecting declines in spending on health care (-28.8%) and food service and accommodations (-34.4%).

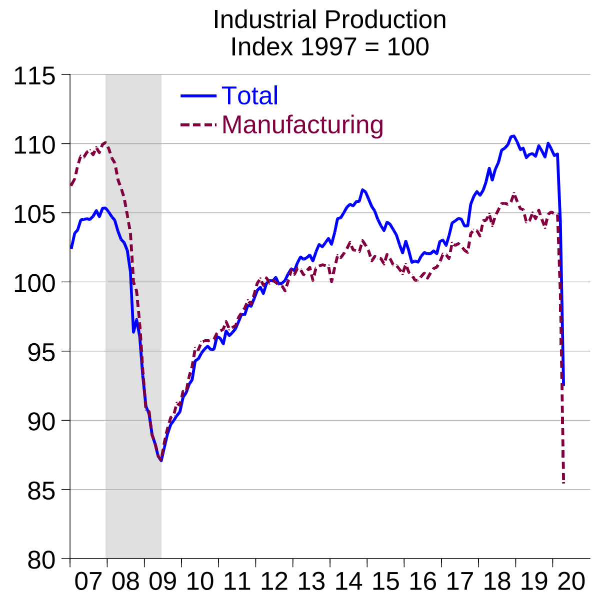


Consumer attitudes stabilized at least temporarily in May with some signs of improvement. Both the Conference Board and University of Michigan indexes edged higher, although the former detected more negative views of current conditions and more positive expectations and the latter found the opposite. Sentiment increased among households with higher incomes and deteriorated among those with lower incomes. Overall, consumers expect their financial conditions to worsen in the coming year, even as plans to make big-ticket purchases increased according to both surveys.

Industrial Activity

Total **industrial production** decreased by 11.2 percent in April, as manufacturing output fell 13.7 percent and output in mining and at utilities fell 6.1 percent and 0.9 percent, respectively. All followed large decreases the month before. The declines in manufacturing and the total were the largest month-to-month declines in more than at least a century and reflected the curtailment or suspension of activity in a wide swath of industry due to the pandemic.

Production in every major manufacturing industry declined during the month. The motor vehicle industry, which plays a large role in the Ohio economy, was hit the hardest. Production of motor vehicles decreased 93.6 percent in April on top of a 30.0 percent drop the month before. Vehicle assemblies fell to a seasonally adjusted annual rate of 0.2 million from more than 11 million just a few months ago.



Mining output decreased 4.1 percent in April after falling 1.4 percent and 1.1 percent in February and March, respectively. The largest decreases occurred in crude oil extraction, oil and gas well drilling, coal mining, and non-energy mining. Oil and gas well drilling decreased by 28 percent – the largest decline on record dating back to 1972.

Electric and gas utility output decreased by 0.9 percent in April after a 1.9 percent decline the month before. The April decline was the fourth in five months. Electric power generation fell 3.3 percent, while natural gas distribution increased 10.7 percent, due to unseasonably cool weather during the month.

Among industries that account for large shares of manufacturing employment in Ohio – in addition to motor vehicles and parts – production fell 20.4 percent in primary metals, 11.3 percent in fabricated metal products, and 11.0 percent in machinery. Production levels in all four industries were notably lower than a year ago.

The **Purchasing Managers Index** (PMI) increased from 41.5 in April to 43.1 in May, still well below the neutral level of 50 but indicating that the decline in activity was somewhat less widespread during the month. The new orders index improved from 27.1 to 31.8 and the production index improved from 27.5 to 33.2, in both cases consistent with continued widespread reports of weaker activity.

Of the eighteen industries tracked by the Manufacturing ISM® *Report on Business*, six reported growth in the latest month, up from two the month before but still down from ten two months ago. Among industries with a major impact on Ohio manufacturing employment, primary metals, transportation equipment, fabricated metal products, and machinery reported contraction, in order of the breadth of the contraction.

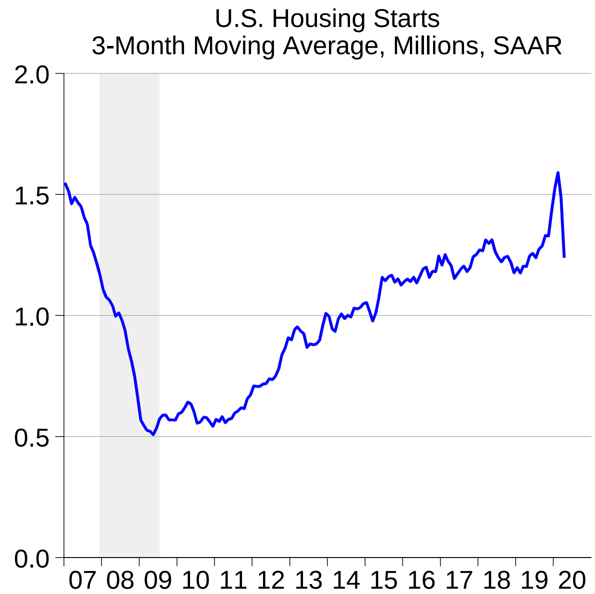
A source in the transportation equipment industry reported that production is being negatively affected by supply issues, customer demand, and declines in productivity arising from pandemic-related safety measures. A company in the fabricated metals industry was reportedly "returning to full production for automotive," according to a contact, but that the "ramp-up will still depend on speed of automotive start-ups." A company in the machinery industry was reportedly "getting out from under several suppliers being closed worldwide. Also, looking at what really needs to be in China," one source said.

Construction

Construction put-in-place decreased 2.9 percent in April. Private sector construction decreased 3.0 percent after a 0.7 percent decline the month before. The decrease resulted from a 4.5 percent drop in residential, caused by a 6.6 percent decrease in single-family and a 9.9 percent decrease in multi-family. Improvements were essentially flat after a major downward revision to the change the month before. Private nonresidential construction fell 1.3 percent for the second straight month, led by commercial, education, power, and transportation. Only manufacturing eked out a tiny increase.

Housing starts decreased 16.3 percent in April on a 3-month moving average basis, reflecting an 11.7 percent decline in single-family and a 24.7 percent drop in multi-family. Both categories had gained considerable strength from the middle of 2019 through February. Declines were large in the

Midwest, with a 10.4 percent decrease in single-family and no change in multi-family pulling down total starts by 7.8 percent on a 3-month moving average basis. The more-forward-looking **permits** data were equally weak, falling by low double-digit percentages across the country and throughout the Midwest among both single-family and multi-family, on a 3-month moving average basis.



New and existing **home sales** decreased again in April, falling 7.2 percent and 6.6 percent, respectively, on a 3-month moving average basis. In the Midwest, sales of new homes fell 4.2 percent and sales of existing homes fell by 4.7 percent. The weakness reflects the enormous loss of jobs, heightened uncertainty and blow to confidence caused by the pandemic, and the logistical obstacles to home search and purchase.

Against this backdrop, homebuilders reported somewhat improved but still depressed activity in May after historic deterioration the month before. The **Housing Market Index** (HMI) from the National Association of Homebuilders (NAHB) rose by 7 points following a 42-point plunge the previous month. The index was below the April level in the 1990-91 and 2007-09 recessions, but the change from March to April was more than four times larger than the previous record. The HMI for the Midwest also improved by 7 points to 32 after falling from 67 to 25 the month before.

UPDATED FISCAL YEAR 2021 TAX REVENUE ESTIMATES

This month's edition of the Monthly Financial Report includes an update of estimated General Revenue Fund (GRF) tax revenue for fiscal year 2021. The update, shown in the table below, was produced in response to a directive in Governor DeWine's Executive Order 2020-19D.

As part of the current biennial operating budget (House Bill 166) enacted in July 2019, OBM issued GRF tax revenue forecasts for fiscal years 2020 and 2021. Prior to the pandemic, the fiscal year 2020 revenue estimates tracked closely with actual revenues, slightly underpredicting the actual amounts; by the end of February 2020, total year-to-date tax revenues had exceeded estimate by $249 million (1.6%). Through the first eight months of the year, each of Ohio's major tax sources were either exceeding estimate or nearly matching the estimate. Furthermore, there were no discernible signs of weakening revenue performance through February. Given such performance and continuing indications of a structurally sound and growing economy, the as-enacted forecasts appeared to be fiscally sustainable through fiscal year 2021. However, in March, the global COVID-19 pandemic triggered an economic decline and the pace of the global, national and state economic recovery remains unknown.

The most severe effects of the recession are expected to be seen in the second quarter of the calendar year 2020, which we are currently in, with attendant adverse tax revenue impacts during the final months of fiscal year 2020. The observed revenue impacts have been discussed in recent editions of the Monthly Financial Report. Even recognizing the unique nature of the second quarter, the recession and its aftermath will have enduring negative consequences through fiscal year 2021. First, for some GRF taxes there is a significant lag between economic activity and collection of revenue, which means the second-quarter economic shock is expected to have effects in fiscal year 2021. For example, commercial activity tax revenue for the first quarter of fiscal year 2021 will be adversely impacted because such revenue reflects taxable gross receipts activity during the April-June 2020 period. Second, the absolute levels of economic activity following the second quarter are anticipated to be well below those that were expected prior to the pandemic and incorporated into the as-enacted fiscal year 2021 revenue estimates.

The duration of the downturn and path of recovery are the fundamental unknowns. To help manage these unknowns and to produce a revised set of revenue estimates for fiscal year 2021, OBM has reviewed high-frequency economic data throughout the crisis and has consulted the most up-to-date information and forecasts provided by the economic consulting firms Moody's Analytics and IHS Markit. Now that three months have elapsed since the onset of the pandemic, both firms have produced baseline forecasts that, compared to their earlier forecasts, more fully reflect the early-stage economic shock effects of the pandemic (e.g., the historically large decline in the economy during the second quarter). Given their second-quarter expectations and their judgment about the nation's ability to cope with and adapt to the virus, the firms' respective baseline forecasts produce specific quarterly values across dozens of economic variables.

OBM, in consultation with the Department of Taxation, reviewed the output of several available economic scenarios produced by Moody's and by IHS. The scenario deemed most suitable to use for this fiscal year 2021 revenue update was the Moody's Ohio Baseline Forecast, issued in May 2020. At the risk of oversimplifying its features, this forecast shows the path of real gross domestic product declining sharply in the second quarter, followed by a strong partial recovery in the third quarter, and a more gradual yet relatively steady continuing upslope thereafter. By its nature, the baseline scenario reflects the firm's judgment that there is roughly a 50 percent probability that economic outcomes could be better than reflected in the forecast, and a 50 percent probability that such outcomes could be worse.

After having chosen the Moody's baseline forecast, OBM and the Department of Taxation updated their existing revenue forecasting models, using the Moody's forecasted values for several key economic independent variables in the forecasting equations. For example, Ohio wage and salary income and Ohio personal consumption expenditures are drivers of the income tax withholding and non-auto sales tax revenue forecasts, respectively. Besides the revisions to model forecasts, the estimates provided below also must take account of law and policy changes, the most significant of which was the delay in income tax filing dates to July. This change results in an estimated $700 million in personal income tax revenue being shifted from fiscal year 2020 to fiscal year 2021.

OBM cautions that there remain considerable risks that the updated estimates could overpredict actual performance. Among the higher risks is the possibility of another significant outbreak of the virus. Such an outbreak, especially if coupled with one or more other adverse exogenous events, could trigger a "double dip" recession. Not all of the risk is to the downside; after all, it is possible the recovery could be even stronger than contained in the baseline forecast. Recognizing the risks, the update does reflect the current best prediction of how revenues in the next fiscal year will perform.

Additionally, predicted declines in earnings on investments and other transfers into the General Revenue Fund from state sources result in an **updated state GRF revenue estimate that is $2.43 billion below H.B. 166 budgeted estimates**. OBM has initiated actions to control spending and begin closing this gap, including continuing freezes on state hiring, reducing contracts, restraining state travel expenses, and instituting ten cost savings days for unclassified and classified exempt staff.

The table below details the updated tax revenue estimates, by category. While over a dozen separate tax sources support the state GRF, the two most fiscally significant sources are the Personal Income Tax and the Sales and Use Tax, the latter of which is divided into two components, the Auto Sales Tax and the Non-Auto Sales Tax. Another notable tax is the Commercial Activity Tax. These four sources are expected to comprise nearly 90 percent of GRF tax revenues in fiscal year 2020. Due to the importance of these sources, they were the focus of this update. Additional categories could be impacted by the pandemic, but we would expect any overall negative impact to be negligible and therefore not material to this update.

TAX REVENUE SOURCE	Estimate at budget enactment (July 2019)	Updated estimate (June 2020)	Updated estimate less enacted estimate	Updated estimate % variance from enacted estimate
Non-Auto Sales & Use	$9,589	$8,340	-$1,249	-13.0%
Auto Sales & Use	$1,592	$1,372	-$220	-13.8%
Subtotal Sales & Use	$11,181	$9,712	-$1,469	-13.1%
Personal Income	$9,187	$8,527	-$660	-7.2%
Commercial Activity	$1,653	$1,490	-$163	-9.9%
All Other Taxes	$2,329	$2,329	-	-
Total Taxes	$24,350	$22,058	-$2,292	-9.4%

REVENUES

As with the last two months, the COVID-19 pandemic left its mark on May tax revenues. Non-auto sales tax again performed substantially below estimate, auto sales tax revenues were only 3/4ths of their forecasted level and the personal income tax was once again substantially impacted by the economic downturn. Unlike April, however, the timing effects caused by postponement of certain income tax payment deadlines did not appear to dramatically impact May revenue; instead, the major impact stems from a decline in employer withholding tax collections.

May GRF receipts totaled $2.7 billion and were $52.0 million (-1.8%) below estimate, a result that would have considerably worse if not for a substantial overage in Federal grant receipts amounting to $217.9 million (29.9%). For the month, tax revenues were $271.3 million below estimate (-13.0%). Non-tax receipts and transfers, excluding Federal grants, were $1.4 million (80.7%) above estimate.

For the year, total GRF revenues are $686.3 million (-2.2%) below estimate. Following successive March and April declines, the decrease in May now leaves year-to-date tax revenues at $1.048 billion (-4.9%) below estimate. More broadly, total non-federal revenues through May are $986.1 million (-4.5%) below estimate. Federal grants are $299.8 million (3.4%) above estimate.

Category	**Includes:**	**YTD Variance**	**% Variance**
Tax receipts	Sales & use, personal income, corporate franchise, financial institutions, commercial activity, natural gas distribution, public utility, kilowatt hour, foreign & domestic insurance, other business & property taxes, cigarette, alcoholic beverage, liquor gallonage, & estate	-$1,048.2	-4.9%
Non-tax receipts	Federal grants, earnings on investments, licenses & fees, other income, intrastate transfers	$353.5	3.9%
Transfers	Budget stabilization, liquor transfers, capital reserve, other	$8.5	12.4%
TOTAL REVENUE VARIANCE:		**-$686.3**	**-2.2%**
Non-federal revenue variance		**-$986.1**	**-4.5%**
Federal grants variance		**$299.8**	**3.4%**

For the month, the largest overage relative to estimate occurred with Federal grants, at $217.9 million (29.9%). There were only four other material overages for the month: financial institutions tax revenues were $6.5 million (23.6%) above estimate, kilowatt hour tax revenues were $2.3 million (10.7%) above estimate, licenses & fees were $2.2 million over estimate, and foreign insurance tax revenues exceeded estimate by $1.7 million (6.7%).

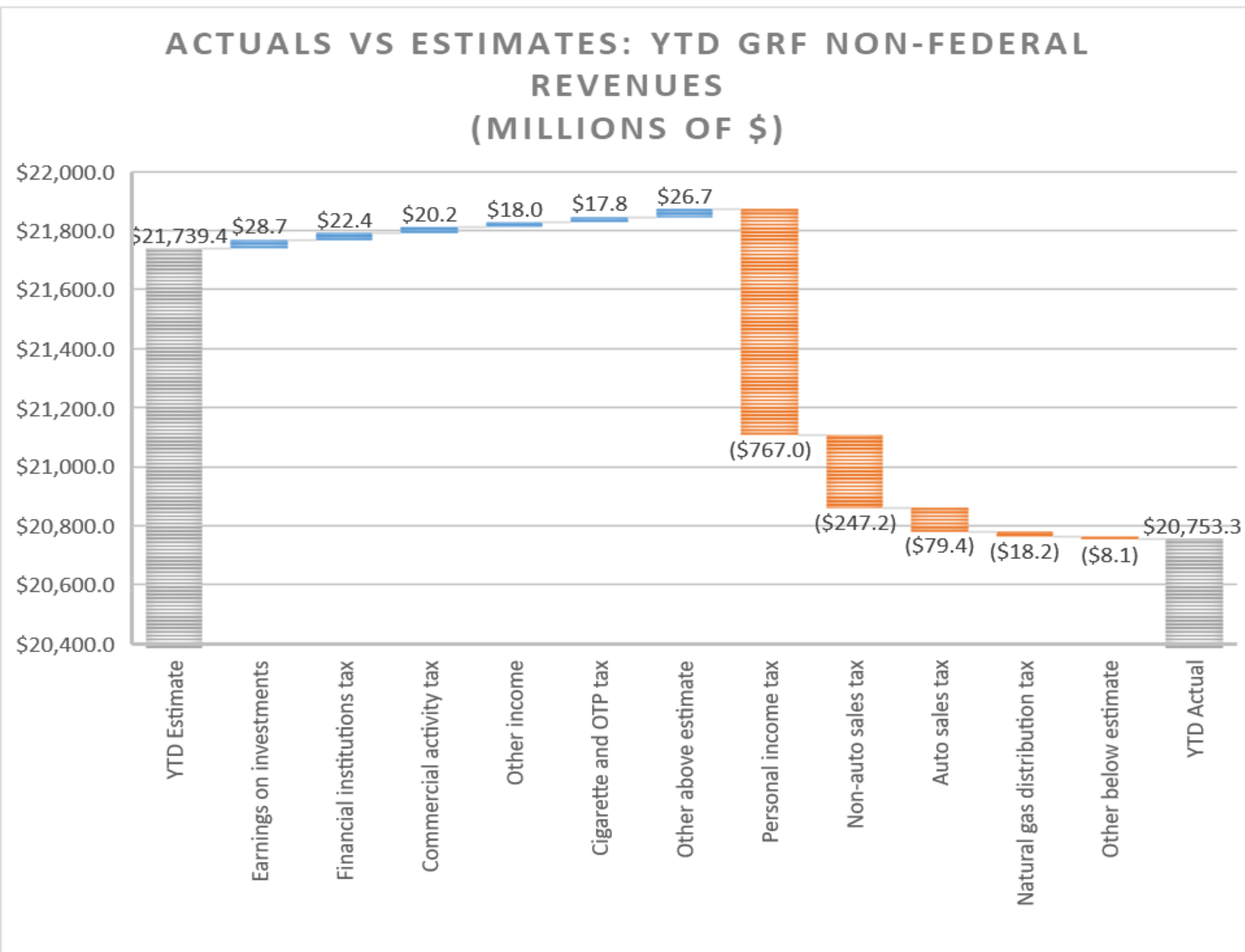
The non-auto sales tax accounted for the largest shortfall from estimate in May, at $133.4 million (-16.4%), followed by the personal income tax at $91.4 million (-15.1%) and the auto sales tax at $33.8 million (-25.0%). A variety of other sources provided an additional shortfall amounting to $24.4 million.

The table below shows that sources underperforming relative to estimate (a variance totaling $283.0 million) in May outweighed the size of revenue overperformers (an excess of $231.1 million), resulting in a $52.0 million net negative variance from estimate.

GRF Revenue Sources Relative to Monthly Estimates – May 2020
($ in millions)

Individual Revenue Sources Above Estimate		**Individual Revenue Sources Below Estimate**	
Federal grants	$217.9	Non-auto sales tax	($133.4)
Financial institutions tax	$6.5	Personal income tax	($91.4)
Other sources above estimate	$6.6	Auto sales tax	($33.8)
		Commercial activity tax	($11.1)
		Natural gas distribution tax	($6.4)
		Cigarette and other tobacco products tax	($3.4)
		Other sources below estimate	($3.5)
Total above	**$231.1**	**Total below**	**($283.0)**

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



The preceding chart displays the relative contributions of various revenue sources to the overall variation between actual and estimated non-federal revenues through May. It conveys results somewhat similar to (albeit larger than) April, when several of Ohio's major tax sources significantly declined from estimate as the effects of the pandemic became apparent. This month's chart graphically depicts the major year-to-date shortfalls of three significant revenue sources, especially the outsized influence of personal income tax performance relative to estimate.

On a year-over-year basis, monthly receipts were $327.2 million (-10.6%) lower than in May of the previous fiscal year. The largest single declining category was personal income tax revenue performance, which was $160.1 million (-23.8%) below last year. Other large declines occurred for non-auto sales tax which was $117.5 million (-14.7%) less than last May and auto sales tax which fell by $44.4 million (-30.5%) compared to last year. Federal grants had the largest increase in revenue, at $9.2 million (1.0%).

For the year, total revenues are now $528.8 million (-1.7%) below last year, after being up $643.8 million as recently as March, illustrating the impact of COVID-19. The source with the highest growth is Federal grants at $307.3 million (3.4%). Non-auto sales tax remains above last year despite major declines in April and May, at $94.5 million (1.1%). Personal income tax revenue accounts for the largest decline at $933.1 million (-11.6%).

Non-Auto Sales Tax

GRF non-auto sales and use tax collections in May totaled $681.2 million and were $133.4 million (-16.4%) below the estimate. Year-to-date non-auto sales tax revenue is now below estimate by $247.2 million (-2.9%). In May, non-auto GRF sales tax revenue declined by $117.5 million (-14.7%) from the previous year. However, on a year-to-date basis, non-auto sales tax revenue remains above last year's level, by $94.5 million (1.1%).

May non-auto sales tax revenue reflects a composite of April and May consumption. In a typical month, approximately one-half of a given month's revenue emanates from anticipated activity in the current month (from those larger vendors required to make "accelerated" payments equal to 75 percent of their estimated sales tax liability for the current month); the other half is from activity occurring in the previous month (comprised of any remaining tax owed by accelerated vendors on their prior month's sales activity, and the tax paid by smaller, non-accelerated vendors on their total prior month's sales activity).

May's revenue performance was marginally improved from April, representing a large decline from forecast and reflecting the decreased economic activity caused by the COVID-19 pandemic. Beginning in the middle of March, many segments of the consumer economy were necessarily reduced to lower infection rates and flatten the curve of the COVID-19 pandemic in Ohio, across the nation and around the globe. Restaurants, bars, and entertainment venues were among those most affected by the health orders, as were "non-essential" retail and service enterprises whose sales are part of the statewide sales tax base. Even though some consumer spending shifted to other retail segments during the last several months – most notably to online sales, grocery stores, and prepared food for take-out or delivery – there was still a net decline in retail sales of historic magnitude which is now being reflected in official economic measures. Advance monthly U.S. retail sales data for April published by the Census Bureau indicates that total sales by food services and retail establishments, excluding motor vehicles and gasoline stations, declined 16 percent from the prior year. The decline is even worse when motor vehicles and gas stations are included, showing a nearly 22 percent decline compared to the previous April. Of note, sales by grocery stores actually increased by 13 percent but that would not translate into substantial Ohio tax revenue since sales of food for off-premises consumption are exempt from Ohio sales tax.

Throughout May, as Ohio mitigated the most severe potential impacts of the virus and initiated sector-specific reopening measures and timelines, most of the original, more restrictive COVID-19 orders were lifted and replaced as part of Responsible RestartOhio. June revenues should begin to reflect the replacement of the original orders, but they will also reflect a much different emerging public health environment and substantially altered economic conditions facing all Ohioans, and the implications for aggregate consumption remain to be seen.

Auto Sales Tax

May auto sales tax revenues were $101.4 million, which was $33.8 million (-25.0%) below the estimate. Year-to-date auto sales tax revenues are now $79.4 million (-5.6%) below the estimate, adding to the cumulative shortfall that began last month. May auto sales tax revenues were $44.4 million (-30.5%) below the prior year, and year-to-date revenues are $56.9 million (-4.1%) below the previous year. When compared to April's historically poor performance ($90.5 million, or -57.3%, below estimate) however, May's outcome does show signs of improvement.

Based on a seasonally adjusted annual rate (the amount of sales that occurred during the month after being adjusted for seasonal fluctuations and expressed as an annualized total), U.S. sales of new light vehicles in May are estimated at 11.7-12.1 million units. This is a rebound from the 8.6 million sales level in April which constituted one of the lowest levels since such data has been tracked, close to the previous low attained in December 1981. May sales were still greatly suppressed from their normal levels, as consumers cautiously returned to showrooms. For context, unit sales in February 2020 were 17.0 million, prior to the full onset of the pandemic. In May 2019, unit sales were 17.4 million.

It is apparent that auto sales are recovering from the deep April slump attributable to the COVID-19 crisis. The vibrancy and duration of the nascent recovery depends on many factors. OBM will continue to monitor auto industry sources and economic data as fiscal year 2020 nears its end and fiscal year 2021 soon begins.

Personal Income Tax

May GRF personal income tax receipts totaled $513.7 million and were $91.4 million (-15.1%) below the estimate. Year-to-date, personal income tax revenue is $767.0 million (-9.7%) below estimate. On a year-over-year basis, May income tax collections were $160.1 million (-23.8%) below May 2019 collections. Collections for the year-to-date are $933.1 million (-11.6%) below the previous year.

The month's variance from estimate largely reflects the changes in labor market conditions that began in mid-March, most obviously the sudden job losses associated with the COVID-19 pandemic. In April, the number of unemployed people in Ohio had reached nearly one million. Although numerous income tax filing and payment deadlines have been postponed until July 15 due to the extraordinary COVID-19 event, May is not a month in which annual tax returns are typically due.

Therefore, unlike in April, personal income tax revenue in May was not greatly impacted by the postponement of due dates.

Withholding tax payments fell short of estimate in May by $103.8 million (-14.6%). Withholding is now $131.0 million (-1.5%) below estimate through May of this fiscal year. The year-over-year results show an even larger decline as compared to last May, withholding was down $155.4 million (-20.4%). This year-to-year comparison is somewhat exaggerated by there being one less large payment day this May and by the effects of tax policy changes. The fiscal year 2020-2021 budget bill (House Bill 166) enacted a four percent reduction in personal income tax rates effective with tax year 2019; consistent with this rate cut, a four percent employer withholding rate reduction took effect in January 2020. If not for the rate reduction, the decline in employer withholding in May would have been about $130 million instead of the nearly $155 million actually observed.

As indicated above, May is not a typical due date month for non-withholding income tax payments so OBM did not anticipate much revenue from such sources. Because of this the postponed deadlines did not have a very large impact in May. Payments accompanying tax year 2019 annual returns or annual return extensions showed a $6.3 million (-17.1%) reduction from estimate. Such payments are now $716.6 million (-66.7%) below estimate for the year, almost entirely attributable to April's performance (when most taxpayers postponed their annual tax return payments).

Quarterly estimated payments were only $0.3 million (-2.7%) below estimate for the month but are $66.9 million (-9.4%) below the year-to-date estimate. The accumulated shortfall stems from April, when many payments otherwise anticipated were deferred. Modest May shortfalls also occurred in the remaining payment categories (trust and other), totaling $8.5 million (-45.1%).

Refund claims in May were $11.2 million (-8.6%) lower than expected. This represents a much smaller variance than in April when refunds ended $248.3 million (-47.8%) below estimate. Refunds are now $160.7 million (-7.5%) below estimate for the fiscal year. For the January through May period (reflecting refunds on tax year 2019 returns), refunds are $197.3 million (-11.3%) below estimate, a positive impact to the GRF. This shortfall is only temporary since it is expected that most of the refunds not claimed in April and May will instead be filed in July 2020.

MAY PERSONAL INCOME TAX RECEIPTS BY COMPONENT ($ in millions)

	Actual May	Estimate May	$ Var	Actual May-2020	Actual May-2019	$ Var Y-0ver-Y
Withholding	$607.5	$711.3	($103.8)	$607.5	$762.9	($155.4)
Quarterly Est.	$12.6	$12.9	($0.3)	$12.6	$13.4	($0.8)
Annual Returns & 40 P	$30.7	$37.0	($6.3)	$30.7	$40.2	($9.5)
Trust Payments	$3.8	$7.9	($4.1)	$3.8	$10.5	($6.7)
Other	$6.6	$11.0	($4.4)	$6.6	$10.8	($4.1)
Less: Refunds	($119.0)	($130.2)	$11.2	($119.0)	($121.6)	$2.6
Local Distr.	($28.3)	($44.8)	$16.5	($28.3)	($42.2)	$13.9
Net to GRF	$513.7	$605.1	($91.4)	$513.7	$673.9	($160.1)

(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)

The CAT was $11.1 million (-3.2%) below estimate in May. On a year-to-date basis, it is now $20.2 million (1.2%) above estimate. CAT performance dropped by $7.2 million (-2.1%) from last May but remains $42.2 million (2.6%) above last year on a fiscal year-to-date basis. Perhaps the most notable observation about May's performance is the absence of any significant variation from estimate. Because of the severe economic downturn one might have expected a larger disruption to May revenues than what occurred. The results conform with OBM's revised expectations of a relatively mild impact in May, however, as the bulk of CAT tax payments made during the month reflect taxable gross receipts activity in the January-March period, only a small portion of which occurred during the pandemic. The fuller effects of the economic crisis on the CAT will materialize in July, as taxes paid in that month will begin to reflect the April-June gross receipts reporting period.

GRF Non-Tax Receipts

GRF non-tax revenues in May totaled $950.8 million and were $219.3 million (30.0%) above estimate. This variance was primarily attributable to the Federal Grants category, which was $217.9 million (29.9%) above estimate. This positive variance was associated with a delay in utilizing non-GRF funds for planned expenditures, as discussed in detail in the disbursement section of this report. The License and Fees category was above estimate by $2.2 million (602.3%). This variance was primarily attributable to a miscoded deposit that was meant for the Low- and Moderate-Income Housing Programs Fund. This deposit will be corrected in June.

6/8/2020

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

REVENUE SOURCE	MONTH ACTUAL MAY	MONTH ESTIMATE MAY	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	681,162	814,600	(133,438)	-16.4%	8,372,326	8,619,500	(247,174)	-2.9%
Auto Sales & Use	101,367	135,200	(33,833)	-25.0%	1,326,996	1,406,400	(79,404)	-5.6%
Subtotal Sales & Use	782,529	949,800	(167,271)	-17.6%	9,699,323	10,025,900	(326,577)	-3.3%
Personal Income	513,736	605,100	(91,364)	-15.1%	7,142,874	7,909,900	(767,026)	-9.7%
Corporate Franchise	(139)	0	(139)	N/A	(449)	0	(449)	N/A
Financial Institutions Tax	34,225	27,700	6,525	23.6%	187,496	165,100	22,396	13.6%
Commercial Activity Tax	332,411	343,500	(11,089)	-3.2%	1,653,145	1,632,900	20,245	1.2%
Petroleum Activity Tax	0	0	0	N/A	6,614	7,700	(1,086)	-14.1%
Public Utility	37,221	37,300	(79)	-0.2%	138,176	137,600	576	0.4%
Kilowatt Hour	23,253	21,000	2,253	10.7%	312,400	313,400	(1,000)	-0.3%
Natural Gas Distribution	27,151	33,600	(6,449)	-19.2%	59,735	77,900	(18,165)	-23.3%
Foreign Insurance	(23,324)	(25,000)	1,676	6.7%	313,093	306,300	6,793	2.2%
Domestic Insurance	18,952	20,200	(1,248)	-6.2%	20,638	21,200	(562)	-2.7%
Other Business & Property	10	0	10	N/A	10	0	10	N/A
Cigarette and Other Tobacco	65,312	68,700	(3,388)	-4.9%	766,355	748,600	17,755	2.4%
Alcoholic Beverage	3,123	4,300	(1,177)	-27.4%	47,187	50,700	(3,513)	-6.9%
Liquor Gallonage	4,455	4,000	455	11.4%	48,391	46,100	2,291	5.0%
Estate	0	0	0	N/A	68	0	68	N/A
Total Tax Receipts	1,818,916	2,090,200	(271,284)	-13.0%	20,395,055	21,443,300	(1,048,245)	-4.9%
NON-TAX RECEIPTS								
Federal Grants	947,692	729,774	217,918	29.9%	9,239,545	8,939,753	299,792	3.4%
Earnings on Investments	0	0	0	N/A	111,168	82,500	28,668	34.7%
License & Fees	2,599	370	2,229	602.3%	66,099	57,624	8,475	14.7%
Other Income	537	1,362	(826)	-60.6%	92,243	74,198	18,045	24.3%
ISTV'S	0	0	0	N/A	11,680	13,200	(1,520)	-11.5%
Total Non-Tax Receipts	950,828	731,506	219,322	30.0%	9,520,735	9,167,275	353,460	3.9%
TOTAL REVENUES	**2,769,744**	**2,821,706**	**(51,962)**	**-1.8%**	**29,915,790**	**30,610,575**	**(694,785)**	**-2.3%**
TRANSFERS								
Budget Stabilization	0	0	0	N/A	0	0	0	N/A
Transfers In - Other	0	0	0	N/A	77,045	68,570	8,476	12.4%
Temporary Transfers In	0	0	0	N/A	0	0	0	N/A
Total Transfers	0	0	0	N/A	77,045	68,570	8,476	12.4%
TOTAL SOURCES	**2,769,744**	**2,821,706**	**(51,962)**	**-1.8%**	**29,992,835**	**30,679,144**	**(686,309)**	**-2.2%**

6/8/2020

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

	MONTH				YEAR-TO-DATE			
REVENUE SOURCE	**MAY FY 2020**	**MAY FY 2019**	**$ VAR**	**% VAR**	**ACTUAL FY 2020**	**ACTUAL FY 2019**	**$ VAR**	**% VAR**
TAX RECEIPTS								
Non-Auto Sales & Use	681,162	798,685	(117,523)	-14.7%	8,372,326	8,277,799	94,528	1.1%
Auto Sales & Use	101,367	145,808	(44,441)	-30.5%	1,326,996	1,383,911	(56,914)	-4.1%
Subtotal Sales & Use	782,529	944,493	(161,964)	-17.1%	9,699,323	9,661,710	37,613	0.4%
Personal Income	513,736	673,859	(160,124)	-23.8%	7,142,874	8,076,015	(933,141)	-11.6%
Corporate Franchise	(139)	23	(162)	-706.7%	(449)	1,574	(2,023)	-128.5%
Financial Institutions Tax	34,225	30,481	3,745	12.3%	187,496	178,870	8,626	4.8%
Commercial Activity Tax	332,411	339,607	(7,196)	-2.1%	1,653,145	1,610,943	42,203	2.6%
Petroleum Activity Tax	0	0	0	N/A	6,614	8,400	(1,786)	-21.3%
Public Utility	37,221	33,802	3,419	10.1%	138,176	138,231	(54)	0.0%
Kilowatt Hour	23,253	18,522	4,731	25.5%	312,400	323,733	(11,333)	-3.5%
Natural Gas Distribution	27,151	31,430	(4,279)	-13.6%	59,735	75,902	(16,167)	-21.3%
Foreign Insurance	(23,324)	(23,543)	220	0.9%	313,093	304,195	8,898	2.9%
Domestic Insurance	18,952	14,948	4,004	26.8%	20,638	15,278	5,360	35.1%
Other Business & Property	10	0	10	N/A	10	0	10	N/A
Cigarette and Other Tobacco	65,312	81,225	(15,913)	-19.6%	766,355	780,996	(14,641)	-1.9%
Alcoholic Beverage	3,123	6,827	(3,705)	-54.3%	47,187	50,989	(3,802)	-7.5%
Liquor Gallonage	4,455	3,963	492	12.4%	48,391	45,773	2,618	5.7%
Estate	0	44	(44)	N/A	68	117	(49)	-42.0%
Total Tax Receipts	1,818,916	2,155,681	(336,764)	-15.6%	20,395,055	21,272,724	(877,669)	-4.1%
NON-TAX RECEIPTS								
Federal Grants	947,692	938,466	9,226	1.0%	9,239,545	8,932,238	307,307	3.4%
Earnings on Investments	0	0	0	N/A	111,168	82,267	28,901	35.1%
License & Fee	2,599	396	2,204	557.0%	66,099	63,582	2,517	4.0%
Other Income	537	1,295	(758)	-58.5%	92,243	68,696	23,547	34.3%
ISTV'S	0	1	(1)	N/A	11,680	16,439	(4,758)	-28.9%
Total Non-Tax Receipts	950,828	940,158	10,670	1.1%	9,520,735	9,163,222	357,513	3.9%
TOTAL REVENUES	**2,769,744**	**3,095,839**	**(326,094)**	**-10.5%**	**29,915,790**	**30,435,946**	**(520,156)**	**-1.7%**
TRANSFERS								
Budget Stabilization	0	0	0	N/A	0	0	0	N/A
Transfers In - Other	0	1,148	(1,148)	N/A	77,045	85,737	(8,691)	-10.1%
Temporary Transfers In	0	0	0	N/A	0	0	0	N/A
Total Transfers	0	1,148	(1,148)	N/A	77,045	85,737	(8,691)	-10.1%
TOTAL SOURCES	**2,769,744**	**3,096,987**	**(327,242)**	**-10.6%**	**29,992,835**	**30,521,683**	**(528,848)**	**-1.7%**

DISBURSEMENTS

NOTE: In response to the COVID-19 pandemic, agencies across the state have deviated from their original disbursement plans. Some agencies have increased spending in targeted areas to mitigate the health and economic effects of Coronavirus. Simultaneously, all agencies are under orders to reduce spending through pay and hiring freezes, agency budgets have been reduced through Executive Order action, and additional budgetary oversight from the Office of Budget and Management. These factors began to be reflected in the March disbursement estimates and may result in substantial variances from the agency's original disbursement plan for the remainder of fiscal year 2020.

May GRF disbursements, across all uses, totaled $3.0 billion and were $226.6 million (8.3%) above estimate. This variance was primarily attributable to above estimate disbursements in the Medicaid category and was partially offset by expenditures that were below estimate in the Primary and Secondary Education category. On a year-over-year basis, May total uses were $125.9 million (4.5%) higher than those of the same month in the previous fiscal year, with an increase in the Property Tax Reimbursements category largely responsible for the difference. Year-over-year variances from the estimate by category are provided in the table below.

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)	$130.9	4.6%
Transfers	Temporary or permanent transfers out of the GRF that are not agency expenditures	($5.0)	(100.0%)
TOTAL DISBURSEMENTS VARIANCE:		**$125.9**	**4.5%**

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

Primary and Secondary Education

This category contains GRF spending by the Ohio Department of Education. May disbursements for this category totaled $487.4 million and were $95.8 million (-16.4%) below estimate. This variance was primarily attributable to below estimate spending in the Foundation Funding, Job Certification for High School Students, and Early Childhood Education line items. Disbursements for the Early Childhood Education line item were below estimate due to timing of payments with providers claiming reimbursements in a different pattern than estimated. Disbursements for the Job Certification for High School Students line item were below estimate as the Innovative Workforce Incentive Program start-up grants were eliminated due to budgetary control measures implemented in response to the economic impact of COVID-19. The Foundation Funding line item was below estimate due to subsidy payments to school districts being reduced as a result of budgetary control measures implemented in response to the economic impact of COVID-19.

This below-estimate spending was partially offset by above estimated disbursements for the Ohio Educational Computer Network, Educator Preparation, and Nonpublic Administrative Cost Reimbursement line items. Disbursements for these line items were above estimate for the month because subsidy payments occurred in May instead of April due to pending budgetary control measures implemented in response to the economic impact of COVID-19.

Expenditures for the school foundation program totaled $453.4 million and were $109.2 million (-19.4%) below estimate. Year-to-date disbursements were $7.46 billion, which was $196.2 million (-2.6%) below estimate. On a year-over-year basis, disbursements in this category were $79.0 million (-14.0%) lower than for the same month in the previous fiscal year while year-to-date expenditures were $62.7 million (-0.8%) lower than the same point in fiscal year 2019.

Higher Education

May disbursements for the Higher Education category, which includes non-debt service GRF spending by the Department of Higher Education, totaled $161.0 million and were $45.3 million (-21.9%) below estimate. This variance was primarily attributable to disbursements in the State Share of Instruction line and various other line items that were below estimate by $41.7 million due to budgetary control measures implemented in response to the economic impact of COVID-19. The remaining monthly variance was due to disbursements in the Ohio College Opportunity Grant, the War Orphans and Severely Disabled Veterans' Children, Choose Ohio First, and National Guard Scholarship program line items, which were below estimate by $7.6 million as a result of lower than expected requests for reimbursement from higher education institutions. This variance was partially offset by spending in various line items that were above estimate by $4.9 million because payments on MOU's anticipated to be completed and disbursed in previous quarters were made in May.

Year-to-date disbursements were $2.1 billion, which was $75.4 million (-3.4%) below estimate. On a year-over-year basis, disbursements in this category were $37.2 million (-18.8%) lower than for the same month in the previous fiscal year while year-to-date expenditures were $26.1 million (1.2%) higher than at the same point in fiscal year 2019.

Other Education

This category includes non-debt service GRF expenditures made by the Broadcast Educational 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.

May disbursements in this category totaled $5.2 million and were at estimate. Year-to-date disbursements were $79.9 million, which was $2.6 million (3.3%) above estimate. On a year-over-year basis, disbursements in this category were $2.2 million (76.1%) higher than for the same month in the previous fiscal year while year-to-date expenditures were $12.6 million (18.8%) higher than at the same point in fiscal year 2019.

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

May GRF disbursements for the Medicaid Program totaled $1.44 billion and were $266.0 million (22.1%) above estimate and $46.0 million (-3.1%) below disbursements for the same month in the previous fiscal year. The May GRF variance was largely attributable to the timing and availability of non-GRF funding sources Year-to-date GRF disbursements totaled $14.43 billion and were $382.4 million (2.7%) above estimate and $582.5 million (4.2%) above disbursements for the same point in the previous fiscal year.

May all-funds disbursements for the Medicaid Program totaled $2.28 billion and were $146.9 million (-6.1%) below estimate and $28.5 million (1.3%) above disbursements for the same month in the previous fiscal year. Year-to-date all-funds disbursements totaled $25.84 billion and were $211.4 million (-0.8%) below estimate and $1.35 billion (5.5%) above disbursements for the same point in the previous fiscal year.

The May all-funds variance was primarily attributable to below estimate spending in the managed care program, the fee-for-service program, and in administrative spending. Within the managed care program, a rate adjustment for the period of January through June was implemented; this adjustment was precipitated by below estimate utilization due to the COVID-19 crisis. Additionally, a MyCare withhold payment was delayed and will likely not occur until fiscal year 2021. Offsetting this variance within the managed care program was above estimate spending in the CFC and Group VIII category due to above estimate enrollment. For the month of May, CFC and Group VIII enrollment was above estimate by 3.8 percent and 13.3 percent, respectively – again due to the COVID-19 crisis. Without the rate reduction and the delayed MyCare payment, managed care would have been significantly above estimate. The fee-for-service program, both general Medicaid services and the Department of Developmental Disabilities services were below estimate due to COVID related reductions in utilization. Finally, administrative expenses were below estimate due primarily to lower than anticipated information technology expenses. Cost savings measures and timing again masked the impact of the COVID crisis to overall monthly spending, however, enrollment increased by 67,000 and will continue increase along with costs.

The year-to-date all-funds variance was primarily attributable to below estimate spending in the fee-for-service program, in administration related expenses, and in the premium assistance program. Underspending in the fee-for-service program was largely attributable to delayed payments, while the underspending in the premium assistance program was attributable to lower than anticipated enrollment and lower than expected premiums. Year-to-date administrative expenses were below estimate due primarily to lower than anticipated information technology expenses. These underages were partially offset by above estimate spending in the managed care program due to the quality assurance corrective payments made in December and January, higher managed care rates that took effect on January 1, and COVID-related overages due to rising enrollment.

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

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

	May Actual	May Projection	Variance	Variance %
GRF	$1,437.1	$1,171.1	$266.0	22.7%
Non-GRF	$842.8	$1,255.6	$(412.9)	-32.9%
All Funds	$2,279.8	$2,426.7	$(146.9)	-6.1%

Enrollment

Total May enrollment was 2.95 million, which was 135,678 (4.8%) above estimate and 129,151 (4.6%) above enrollment for the same period last fiscal year. Year-to-date average monthly enrollment was 2.82 million and was essentially at estimate. Enrollment has increased approximately 162,000 since the start of the COVID-19 crisis.

May enrollment by major eligibility category was: Covered Families and Children, 1.64 million; Aged, Blind and Disabled (ABD), 499,602; and Group VIII Expansion, 682,306.

**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.

May disbursements in this category totaled $117.2 million and were $45.1 million (62.6%) above estimate. Year-to-date disbursements were $1.3 billion, which was $71.8 million (-5.2%) below estimate. On a year-over-year basis, disbursements in this category were $47.5 million (68.1%) higher than for the same month in the previous fiscal year while year-to-date expenditures were $85.0 million (7.0%) higher than at the same point in fiscal year 2019.

Department of Developmental Disabilities

May disbursements for the Department of Developmental Disabilities totaled $0.5 million and were $1.4 million (-74.0%) below estimate. This variance was primarily attributable to below estimate spending in the Early Intervention line item due to timing of payments as well as general underspending in the program as costs attributable to expanded eligibility for neonatal abstinence syndrome and lead exposure were less than expected.

Department of Health

May disbursements for the Department of Health totaled $8.9 million and were $0.5 million (5.5%) above estimate. This variance was primarily attributed to the Federally Qualified Health Centers line item, which was $1.0 million (100.0%) above estimate due to payments for February and June being disbursed in May.

Department of Job and Family Services

May disbursements for the Department of Job and Family Services totaled $53.5 million and were $19.8 million (58.8%) above estimate. This variance was primarily attributable to the Child Care State/Maintenance of Effort line item, which was $15.2 million above because of a change in the disbursement schedule of childcare provider payments caused by provider closure and federal grant requirements. Additionally, the Family and Children Services line item was $10.6 million above estimate because of local agencies requesting payments later than expected for several new programs in fiscal year 2020. The Program Operations line item was $3.1 million above estimate because of additional postage charges from COVID-19 pandemic.

These estimates were partially offset by the Early Care and Education line item, which was $5.0 million below estimate because of a change in the disbursement schedule of childcare provider payments caused by provider closure and federal grant requirements. The Family Assistance Local line item was $2.1 million below estimate because counties requested less in County Income Maintenance payments than estimated after requesting more in prior months. The Quality Infrastructure Grants line item was $1.6 million below estimate due to budgetary control measures implemented in response to the economic impact of COVID-19. The Adoption Services line item was $1.4 million below estimate because of an increase in the Federal Medical Assistance Percentage (FMAP) that is used to calculate the amount of the federal portion of payments for the adoption program.

Department of Mental Health and Addiction Services

May disbursements for the Department of Mental Health and Addiction Services totaled $48.9 million and were $27.6 million (129.7%) above estimate. This variance was primarily attributable to disbursements in the Continuum of Care Services line item, which was $14.1 million above estimate, the Hospital Services line item, which was $9.7 million above estimate, the Criminal Justice Services line item, which was $1.7 million above estimate, and the Addiction Services Partnership with Corrections line item, which was $1.8 million above estimate. The variance in the Hospital Services line item was due to underestimation in payroll while the other line items were above estimate due to the timing of subsidy payments and budgetary control measures implemented in response to the economic impact of COVID-19.

Department of Veteran Services

May disbursements for the Department of Veteran Services totaled $4.1 million and were $1.0 million (-24.6%) below estimate. This variance was primarily attributable to disbursements in the Veteran's Homes line item, which was $1.0 million below estimate due to administrative positions not filled as a result of the hiring freeze.

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.

May disbursements in this category totaled $220.7 million and were $0.2 million (-0.1%) below estimate. Year-to-date disbursements were $2.3 billion, which was $44.4 million (-1.9%) below estimate. On a year-over-year basis, disbursements in this category were $70.7 million (47.1%) higher than for the same month in the previous fiscal year while year-to-date expenditures were $211.6 million (10.3%) higher than at the same point in fiscal year 2019.

Department of Public Safety

May disbursements for the Department of Public Safety totaled $2.5 million and were $3.8 million (-60.0%) below estimate. This variance was primarily attributable to disbursements in the Local Disaster Assistance, Security Grants, and Security Grants - Personnel line items, which were $1.8 million below estimate due to the timing of subsidy payments. Additionally, the Recovery Ohio Law Enforcement line item was $1.0 million below estimate due to the timing of subsidy payments and budgetary control measures implemented in response to the economic impact of COVID-19. Finally, the EMA Operating and Investigative Unit Operating line items were $0.7 million below estimate due to various COVID-19 implications, including budgetary control measures implemented in response to the economic impact of COVID-19, expenses for the EMA operating line shifting to the federal Coronavirus Relief Fund, and reduced investigative costs from the closing of bars and other liquor-licensed establishments during Ohio's Stay-at-Home order.

Department of Rehabilitation and Correction

May disbursements for the Department of Rehabilitation and Correction totaled $164.4 million and were $56,219 (0.0%) above estimate. This variance was primarily attributable to variances in the Institutional Medical Services line item, which was $1.3 million above estimate due to overtime and hazard pay for staff working in facilities impacted by COVID-19. This variance was partially offset by the Parole and Community Operations line item, which was $0.8 million below estimate due to reduced expenditures as the result of budgetary control measures implemented in response to the economic impact of COVID-19.

Public Defender Commission

May disbursements for the Public Defender Commission totaled $10.6 million and were $1.8 million (20.2%) above estimate. This variance was primarily attributable to disbursements in the County Reimbursement line item, which was $1.8 million above estimate due to resumed reimbursement activity after budgetary control measures implemented in response to the economic impact of COVID-19 were finalized and additional payments being made to compensate for low reimbursements in the previous two months.

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.

May disbursements in this category totaled $38.8 million and were $11.4 million (-22.7%) below estimate. Year-to-date disbursements were $424.8 million, which was $64.1 million (-13.1%) below estimate. On a year-over-year basis, disbursements in this category were $12.5 million (47.7%) higher than for the same month in the previous fiscal year while year-to-date expenditures were $58.4 million (16.0%) higher than at the same point in fiscal year 2019.

Department of Administrative Services
May disbursements for the Department of Administrative Services totaled $4.0 million and were $2.2 million (-35.5%) below estimate. This variance was attributable to the State Agency Support Services line item, which was $1.1 million below estimate due to lower rent payments than budgeted, and the Business Gateway line item, which was $1.1 million below estimate because of the timing of invoices for system support.

Department of Agriculture
May disbursements for the Department of Agriculture totaled $5.0 million and were $2.9 million above estimate (134.0%). This variance was primarily attributable to the Soil and Water District Support line item, which was $2.6 million above estimate due to a payment being made in May which was originally scheduled in March.

Development Services Agency
May disbursements for the Development Services Agency totaled $2.3 million and were $3.2 million (-58.1%) below estimate. This variance was primarily attributable to below estimated spending in the TechCred Program, BSD Federal Programs Match, and Technology Programs and Grants line items. These line items were below estimate due to budgetary control measures implemented in response to the economic impact of COVID-19.

Department of Transportation
May disbursements for the Department of Transportation totaled $2.7 million and were $5.4 million (-66.0%) below estimate. This variance was primarily attributable to disbursements in the Public Transportation - State line item, which was $5.4 million below estimate due to the timing of subsidy payments and budgetary control measures implemented in response to the economic impact of COVID-19.

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 $466.4 million in May and were $68.1 million (17.1%) above estimate. Year-to-date expenses were $1,774.4 million and were $32.4 million (-1.8%) below estimate. The monthly variance was the result of reimbursement requests being received from counties later in the fiscal year than anticipated.

Debt Service

May payments for debt service totaled $17.9 million and were at estimate. Year-to-date expenses in this category total $1.38 billion and were $10.2 million (-0.7%) below estimate. The year-to-date variance is primarily attributable to the downward movement in interest rates that impact variable rate debt.

Transfers Out

There were no transfers out in May, and none were estimated. Year-to-date transfers totaled $668.2 million and were $1.8 million (-0.3%) below estimate.

6/8/2020

Table 3

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

Functional Reporting Categories Description	MONTH ACTUAL MAY	MONTH ESTIMATED MAY	MONTH $ VAR	MONTH % VAR	YEAR-TO-DATE YTD ACTUAL	YEAR-TO-DATE YTD ESTIMATE	YEAR-TO-DATE $ VAR	YEAR-TO-DATE % VAR
Primary and Secondary Education	487,400	583,180	(95,780)	-16.4%	7,455,195	7,651,360	(196,165)	-2.6%
Higher Education	161,032	206,291	(45,258)	-21.9%	2,138,510	2,213,914	(75,404)	-3.4%
Other Education	5,192	5,199	(7)	-0.1%	79,938	77,353	2,585	3.3%
Medicaid	1,437,076	1,171,100	265,976	22.7%	14,428,658	14,046,254	382,404	2.7%
Health and Human Services	117,173	72,044	45,129	62.6%	1,301,856	1,373,681	(71,824)	-5.2%
Justice and Public Protection	220,698	220,903	(206)	-0.1%	2,273,209	2,317,568	(44,359)	-1.9%
General Government	38,822	50,203	(11,381)	-22.7%	424,782	488,848	(64,066)	-13.1%
Property Tax Reimbursements	466,429	398,306	68,123	17.1%	1,774,351	1,806,732	(32,381)	-1.8%
Debt Service	17,933	17,935	(2)	0.0%	1,375,978	1,386,164	(10,186)	-0.7%
Total Expenditures & ISTV's	**2,951,755**	**2,725,161**	**226,594**	**8.3%**	**31,252,477**	**31,361,873**	**(109,397)**	**-0.3%**
Transfers Out:								
BSF Transfer Out	0	0	0	N/A	0	0	0	N/A
Operating Transfer Out	0	0	0	N/A	668,161	669,975	(1,815)	-0.3%
Temporary Transfer Out	0	0	0	N/A	0	0	0	N/A
Total Transfers Out	**0**	**0**	**0**	**N/A**	**668,161**	**669,975**	**(1,815)**	**-0.3%**
Total Fund Uses	**2,951,755**	**2,725,161**	**226,594**	**8.3%**	**31,920,637**	**32,031,848**	**(111,211)**	**-0.3%**

6/8/2020

Table 4

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

Functional Reporting Categories Description	MONTH				YEAR-TO-DATE			
	MAY FY 2020	**MAY FY 2019**	**$ VAR**	**% VAR**	**ACTUAL FY 2020**	**ACTUAL FY 2019**	**$ VAR**	**% VAR**
Primary and Secondary Education	487,400	566,429	(79,029)	-14.0%	7,455,195	7,517,902	(62,707)	-0.8%
Higher Education	161,032	198,243	(37,210)	-18.8%	2,138,510	2,112,422	26,087	1.2%
Other Education	5,192	2,947	2,244	76.1%	79,938	67,290	12,648	18.8%
Medicaid	1,437,076	1,483,115	(46,039)	-3.1%	14,428,658	13,846,168	582,490	4.2%
Health and Human Services	117,173	69,687	47,486	68.1%	1,301,856	1,216,884	84,972	7.0%
Justice and Public Protection	220,698	150,003	70,695	47.1%	2,273,209	2,061,574	211,635	10.3%
General Government	38,822	26,284	12,538	47.7%	424,782	366,337	58,445	16.0%
Property Tax Reimbursements	466,429	303,916	162,513	53.5%	1,774,351	1,750,625	23,726	1.4%
Debt Service	17,933	20,227	(2,294)	-11.3%	1,375,978	1,369,314	6,663	0.5%
Total Expenditures & ISTV's	**2,951,755**	**2,820,851**	**130,904**	**4.6%**	**31,252,477**	**30,308,518**	**943,959**	**3.1%**
Transfers Out:								
BSF Transfer	0	0	0	N/A	0	657,503	(657,503)	N/A
Operating Transfer Out	0	5,000	(5,000)	N/A	668,161	106,714	561,447	526.1%
Temporary Transfer Out	0	0	0	N/A	0	0	0	N/A
Total Transfers Out	**0**	**5,000**	**(5,000)**	**N/A**	**668,161**	**764,217**	**(96,056)**	**-12.6%**
Total Fund Uses	**2,951,755**	**2,825,851**	**125,904**	**4.5%**	**31,920,637**	**31,072,735**	**847,902**	**2.7%**

Table 5
FUND BALANCE
GENERAL REVENUE FUND
FISCAL YEAR 2020
($ in thousands)
Update 6/9/20

JULY 1, 2019 Beginning Cash Balance*	**1,538,011.8**
Plus FY 2020 Estimated Revenues	22,558,332.1
Plus FY 2020 Estimated Federal Revenues	10,413,435.5
Plus FY 2020 Estimated Transfers to GRF	256,419.7
Total Sources Available for Expenditures & Transfers	**34,766,199.1**
Less FY 2020 Estimated Disbursements**	33,230,387.5
Less Estimated Total Encumbrances as of June 30, 2020	357,100.0
Less FY 2020 Estimated Transfers Out	681,861.0
Total Estimated Uses	**34,269,348.5**
FY 2020 ESTIMATED UNENCUMBERED ENDING FUND BALANCE	**496,850.6**

*** Includes reservations of $391.6 million for prior year encumbrances. After accounting for this adjustment, the estimated unencumbered beginning fund balance for fiscal year 2020 is $1,146.4 million.**

**** Disbursements include estimated spending against current year appropriations and prior year Encumbrances and include the use of enhanced Medicaid FMAP as enacted by Congress and President Trump in the Families First Coronavirus Response Act.**

***** This estimated fiscal year 2020 ending balance should be viewed in tandem with the updated fiscal year 2021 GRF tax revenue estimates on page 10. While the Table 5 shows a projected ending fund balance of $496.9 million, this should not be viewed as a surplus for several rea sons. First, though the state is required to have a balanced budget in each fiscal year, the state operates on a biennial budget cycle and each year, particularly the first year of a biennium, should be viewed independently but also in context of the two-year budget. Secondly, enacted HB 166 carried over $655.7 million from fiscal year 2020 into fiscal year 2021, so the current esti mated balance actually reflects a reduction of over $160 million from the original carryover pro jections. Third, the state traditionally reserves 0.5% of total revenue, in this case $166.1 million as carry over from one fiscal year to the next. Lastly, this should be considered an estimate at this point in time, not a final number, particularly given the historic and unpredictable nature of our current economic situation.**

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