Ohio | Office of Budget and Management

Mike DeWine, Governor
Jon Husted, Lt. Governor

Kimberly Murnieks, Director

April 10, 2019

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

FROM: Kimberly Murnieks, Director

SUBJECT: Monthly Financial Report

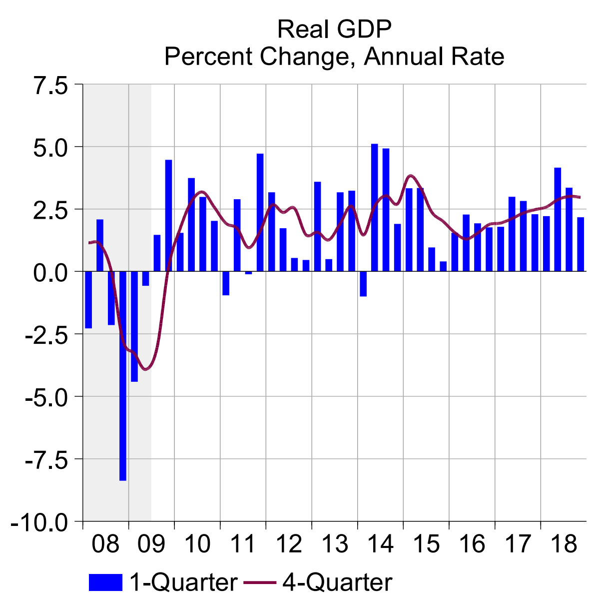
Report Overview

- Tax revenues exceeded the monthly estimate by $66.0 million (4.7%), led by overages in the Foreign Insurance tax ($37.4 million), the Non-auto Sales tax ($24.6 million), and the Personal Income tax ($14.5 million). Year-to-date, revenues exceeded the estimate by $137.0 million (0.8%) and were 542.9 million above total tax receipts through the same period last fiscal year.
- Within the Personal Income Tax, withholding continues to perform strongly and was $82.2 million (1.2%) above the estimate for the year. However, refunds have exceeded the estimate for the filing season to-date (January through March) by $51.3 million (5.3%).
- U.S. nonfarm payroll employment rebounded from a poor report in February as employment increased by 196,000 jobs in March. However, Ohio employment decreased by 8,200 in February, and the January number was revised down by 1,200 jobs to a gain of 19,100.
- Leading economic indicators continue to point to continued but slower growth.

ECONOMIC SUMMARY

Economic Growth

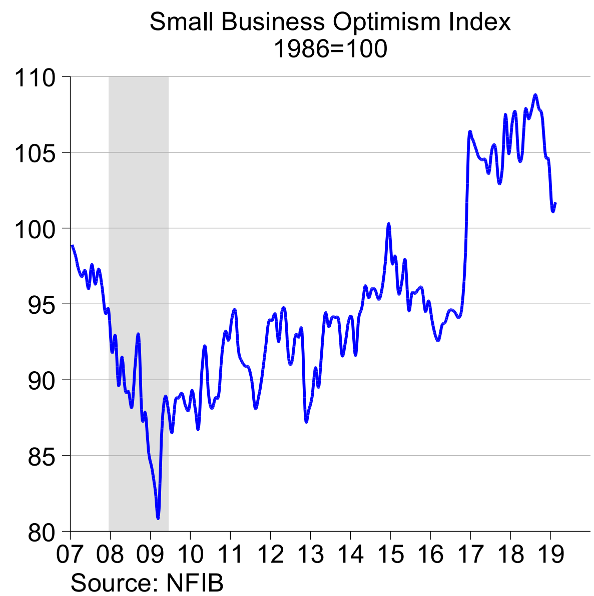
Real GDP expanded at a revised annual rate of 2.2% in the fourth quarter and down from the original report of 2.6% and down from the 3.8% pace during the two previous quarters. The downward revision from the previous estimate resulted from downward adjustments to growth in personal consumption expenditures, state and local government spending, and nonresidential fixed investment. Growth was 3.0% from the fourth quarter of 2017 to the fourth quarter of 2018 – the best fourth-quarter to fourth-quarter increase during this expansion. Year-over-year growth has been stronger in only four other quarters of the expansion.



Growth during the fourth quarter of 2018 was driven by consumer spending and business investment. Personal consumption expenditures contributed 1.66 percentage points of the 2.2% GDP growth rate, nonresidential investment added 0.73 percentage points, exports added 0.22 percentage points, and the change in inventories added another 0.11 percentage points. Subtracting from growth were imports (-0.30pp), which are included as production in other categories, and residential fixed investment (-0.18pp).

Compared with a year earlier, consumer spending accounted for about 60% of the fourth-quarter to fourth-quarter growth rate, while investment contributed the remaining 40%. The contribution from investment came entirely from businesses, as investment in residential structures fell slightly. The small positive contribution from government was offset by a similar size decline in trade.

The fortunes of small business owners have moved in sync with the slowing economy. The Small Business Optimism Index of the **National Federation of Independent Business (NFIB)** edged higher in February but fell for five months in a row through January to its lowest level in more than two years. Five of the ten components made positive contributions to the index in the latest month, three were unchanged, and two fell. The main positive contributions came from views about future business conditions, the current period as a good time expand, and plans to make capital outlays. The government shut-down was cited as resulting in a reduction in sales and therefore company earnings. Compared with a month earlier, fewer owners raised worker compensation and selling prices. Uncertainty remained relatively high even after the resolution of the government shutdown.



The **Ohio economy** expanded moderately again in January, according to the Ohio coincident economic index from the Philadelphia Federal Reserve. The index increased 0.2% after an increase of 0.3% the month before. The increase was the ninth in a row. Compared with a year ago, the index was higher by 1.9%.

The diffusion of **state-level coincident economic indexes** deteriorated somewhat in January, as the indexes for seven states were lower than a month ago; the index for only one state (Louisiana) was lower from three months ago. The recent pattern remains consistent with continuing growth in the national economy.

The **Ohio leading index**, which is designed to predict growth in the coincident index during the next six months, was 0.9% in January, not much different from 1.1% the month before. The number of negative readings among individual **state-level composite leading indexes** increased from one in December to six in January, still at a level consistent with uninterrupted expansion in the near-term. Compiled by the Philadelphia Federal Reserve, the diffusion across these state leading indexes has been a leading indicator of national performance in the past.

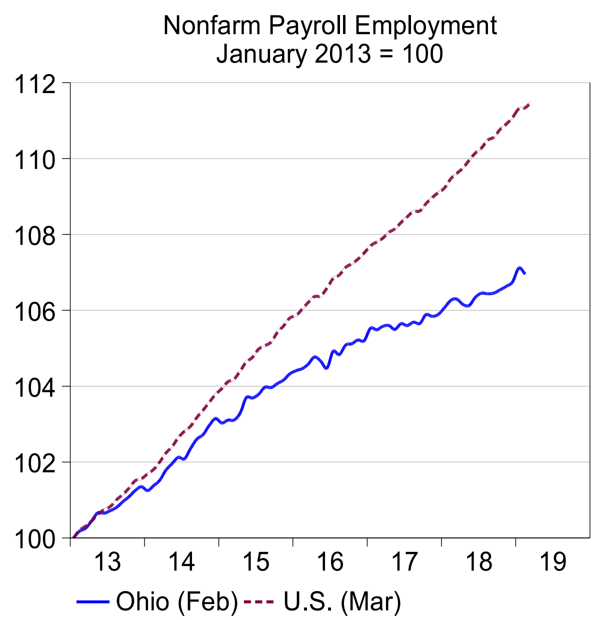
However, real time readings of these indexes are subject to uncertainty, because they are very sensitive to the state unemployment rates, which are subject to large annual benchmark revisions early each year.

National leading indicators improved in February after a bout of weakness. The Conference Board's composite **Leading Economic Index** increased 0.2% – its best showing since last September. Six of the ten components of the index made positive contributions, led by stock prices and including all financial components. The average workweek of production workers and weekly claims for unemployment insurance made negative contributions. The smoothed 6-month rate of change was 1.9%, down from a peak of 6.7% last March, but still consistent with uninterrupted growth through 2019.

As shown in the table below, the **consensus among forecasters** is that real GDP growth slowed further in the first quarter.

Source	Date	2019-Q1 GDP Forecast
Atlanta FRB (GDPNow)	4/2/19	2.1%
New York FRB (Nowcast)	4/5/19	1.4%
Philadelphia FRB (SPF*)	3/22/19	1.5%
Blue Chip	4/2/19	1.3% (0.7%-2.3%)
IHS	4/5/19	2.0%

Employment



Nonfarm payrolls across the country increased by 196,000 jobs in March. The February change was revised up from 20,000 to a still-weak 33,000. This pushed the three-month average gain down to 186,000 compared with a 12-month average of 211,000. The March report relieved concerns that the sharp dip in payroll growth in February threatened the onset of a serious economic slowdown.

Most major sectors experienced gains in employment in March, led by education and health services (+70,000), where gains were concentrated in health care industries and followed by professional and business services (+37,000), with strength in computer systems and design (+11,500) and architectural and engineering services (+6,300) that easily outweighed a decrease in temporary help (-5,400). Employment in leisure and hospitality (+33,000) bounced back from a weak February due largely to increased net hiring at restaurants and bars.

Elsewhere, construction employment recovered 16,000 of the 25,000 positions eliminated in February, primarily in specialty trade contractors (+13,000). Manufacturing employment decreased by 6,000 jobs, reflecting a mix of gains and losses across industries that included a decrease of 6,300 jobs in motor vehicles and parts. Government added 14,000 jobs, mainly at the local level.

The **unemployment rate** held steady at 3.8% for a second-month in March, strongly suggesting that the rise to 4.0% at the turn of the year was an anomaly. The recent pattern of the unemployment rate remains strongly consistent with uninterrupted economic growth. In the past, increases of at least 0.4 percentage points in the unemployment rate from its lowest level during the previous twelve months has coincided with the onset of recession. As of March, the unemployment rate is up 0.1 point from the low reached last November.

Average hourly earnings of all employees on private nonfarm payrolls slowed but maintained momentum in March. The measure increased 0.1% after a large 0.4% rise in February, bringing the year-over-year change down from 3.4% to a still-healthy 3.2%. The tightness in labor markets as depicted by a number of indicators suggests that upward pressure on wages with continue.

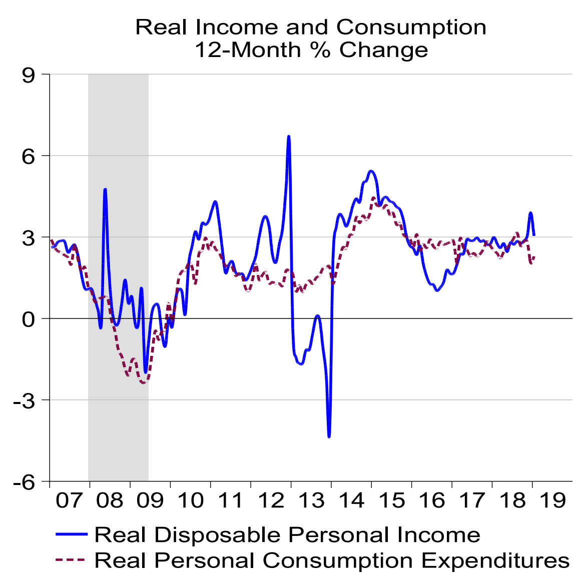
Ohio nonfarm payroll employment decreased by 8,200 jobs in February and the January level was revised downward by 1,200 jobs to a gain of 19,100 jobs. Changes across sectors were skewed toward declines, with employment higher in other services (+1,400), financial activities (+200), and natural resources and mining (+100) and lower in construction (-3,800), trade, transportation and utilities (-1,900), leisure and hospitality (-1,500), and manufacturing (-1,100). Monthly employment changes at the state level are volatile and subject to significant revision: longer term comparisons covering several months are more reliable.

Compared with a year earlier, employment was higher by 36,100 jobs in February. Educational and health services (+13,800), leisure and hospitality (+9,400), and manufacturing (+8,500) made the largest positive contributions. The largest declines occurred in government (-4,300), information (-2,200), and financial activities (-200).

The **Ohio unemployment rate** decreased 0.1 percentage point to 4.6% in February, remaining in the 4.5% to 4.7% range during the most recent sixteen months. Total employment increased by 18,140 workers in February and the number of unemployed people fell by 4,300.

Consumer Income and Consumption

Consumer income and spending weakened at the turn of the year. **Personal income** increased just 0.2% in February and fell by 0.1% in January. The decline largely reflected a large one-off corporate dividend payment and one-time Agricultural Department subsidies to farmers in December. Wage and salary disbursements, which were not affected by the one-time events, increased 0.3% in January and February after a 0.5% increase in December. Compared with a year earlier personal income and wage and salary disbursements were both higher by 4.2%.



Data on **consumer spending** for February are not yet available because of delays caused by the government shutdown. We do know that spending weakened in December, stabilized in January and remained soft in February. Personal consumption expenditures fell 0.6% in December and recovered only 0.1% in January. Retail sales contracted 1.6% in December in a broad-based decline, recouped 0.7% in January but fell again by 0.2% in February.

Weak **light motor vehicle sales** have been a source of softness in consumer spending in recent months. After averaging 17.5 million units at an annual rate during September-December last year, sales fell to 16.7 million units in January and 16.5 million units in February before rebounding to 17.5 million units in March. For the quarter, sales were down 3.4%, the largest percentage decline since the second quarter of 2011, which followed a year of strong gains.

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

The Conference Board Index of **Consumer Confidence** decreased in March after a large improvement the month before but remained above its January level. The retreat occurred in assessments of both current and expected conditions. In contrast, the University of Michigan Index of Consumer Sentiment increased due to improvements in assessments of both current and expected conditions.

A temporary softening in labor markets as indicated by the unusually weak (revised) 33,000 rise in nonfarm payroll employment in February might have been behind the deterioration in assessments of current conditions picked up by the Conference Board survey. The percentage of respondents saying jobs are plentiful minus those saying jobs are hard to get decreased significantly to its lowest level since last July. Both surveys, however, found consumers more upbeat about their own financial situations with reports of recent increases in earnings and expectations for better personal financial conditions.

Industrial Activity

Industrial production edged higher by 0.1% in February after sinking 0.4% in January. Weakness in manufacturing production (-0.4%) was offset by a modest rise in mining output (+0.3%) and a large weather-related increase in utility output (+3.7%). The decline in manufacturing was widespread, with most major industries experiencing decreases. It was the second in a row and the third in the last five months. Even with a recovery in March, manufacturing output is likely to have declined in the first quarter, marking the first quarter-to-quarter drop since the third quarter of 2017 when hurricanes Harvey and Irma temporarily interrupted activity.

Among industries that are key employers in Ohio, production was weak in February. Primary metal output was flat. Production of fabricated metals and of motor vehicles and parts each fell 0.1%. Output of machinery decreased 1.9%. Compared with a year earlier, production increased in primary metal (+1.7%), fabricated metals (+3.5%), and machinery (+4.3%). Production of motor vehicles and parts was 3.2% lower than a year ago – the first year-over-year negative comparison since last May.

Purchasing managers in manufacturing reported mixed but generally healthy conditions in March. The Purchasing Managers Index (PMI) increased by 0.9 points to 55.3, which was below the average of 58.1 during the previous twelve months, but still well above the neutral level of 50. Respondents to the monthly survey reported increased production, new orders, and employment. Backlogs of orders fell to near neutral at 50.4. Foreign trade slowed notably as the New Export Orders index fell 1.1 points to 51.7 and the Imports index fell 4.2 points to 51.1.

Of the eighteen industries tracked by the Manufacturing ISM® *Report on Business*, sixteen reported growth in the latest month, the same as the month before. Industries with a major effect on Ohio manufacturing employment: fabricated metal products, primary metals, transportation equipment, and machinery, all reported increases.

A source in the transportation equipment industry said that business, "remains very strong amid rumors of a slowdown." A contact in the fabricated metals industry said that, "procurement levels remain strong based on demand" and that "meeting customer delivery requirements is a challenge." In contrast, a contact in the primary metals industry reported, "a reduction in orders, with forecasted softness going into Q2."

Construction

Construction put-in-place increased 1.0% in February after an upwardly revised rise of 2.5% in January. The December change was revised higher from -0.6% to 0.2%. Compared with a year ago, total construction put-in-place was higher by 1.1%, which is down from 6.0% as recently as August.

Private sector and public sector construction trends have been diverging, with public construction being strong but private construction weakening Private sector construction was down 1.9% from a year ago. Public construction jumped 3.6% in February, and the January change was revised up from a decrease of 0.6% to an increase of 5.7%. Public sector construction was 11.5% higher than a year ago, up from just 2.7% year-over-year last December.

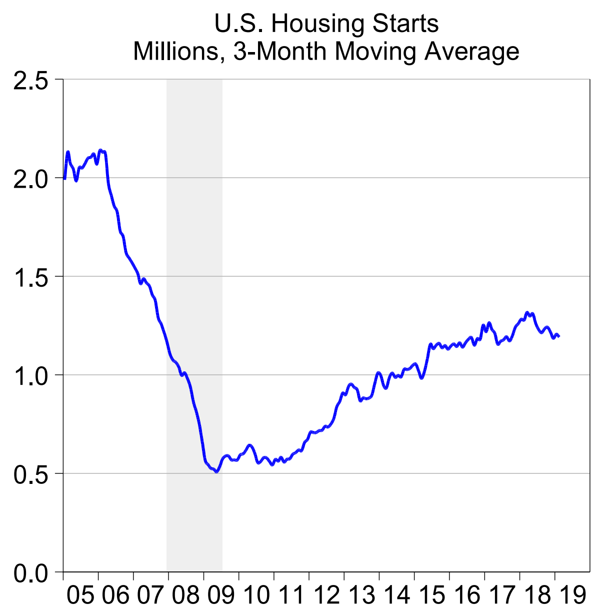
Within the Private sector, residential rose 0.7% – even as single-family fell 1.1% and multi-family fell 0.4% – due a 3.6% increase in improvements. Private residnetial has been weak for many months, falling 3.4% below the year earlier level. Private nonresidential construction put-in-place increased 0.5% in February, but this still left the level only 0.1% above its year earlier mark.

The strength in public sector construction was concentrated in the highway & street category at the state and local level, both in January and February.

The **Housing Market Index** (HMI) from the National Association of Homebuilders (NAHB) held steady in March following a sizable rebound from December to February. The index, which is based on assessments of current sales, expected sales in six months, and traffic of prospective buyers of new homes, remains 16.2% below the recent high in December 2017. The HMI retreated in the Midwest in February back to its January level and stands 35.5% below its December 2017 level. The downward trends in the indexes are sufficiently pronounced to warrant concern.

Housing starts slipped again in February on a 3-month moving average basis after a bounce in January. Total starts fell 1.2% as single-family edged down by 0.1% and multi-family fell 4.0% for the second month in a row. Starts increased 4.2% across the Midwest as a 26.4% jump in multi-family more than offset a 0.6% decrease in single-family, all on a 3-month moving average basis. Housing permits followed essentially the same pattern.

Both **new and existing home sales** were up in February on a 3-month moving average basis. Sales of existing homes increased 2.0% nationally but were down 6.8% from a year ago. Sales of existing homes in the Midwest fell 0.8% to 6.2% below the year ago level. New home sales rose 3.0% nationally and 3.1% in the Midwest but remained below prior year levels.



The substantial decline in mortgage rates might help revive housing activity this year, provided that employment continues growing and worker compensation continues to rise. Demographic trends are expected to provide some support to the market longer-term. An easing in the pace of home price increases might also provide a boost. **Home prices** posted their 83rd straight monthly increase in January to 4.2% above the year earlier level. As recently as a year ago, prices were rising at a 6.5% year-over-year pace.

REVENUES

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

March GRF receipts totaled $2,367.0 million and were $4.4 million (0.2%) above the estimate. For the month, tax revenues were $66.0 million (4.7%) above estimate, led by the foreign insurance tax (making up for that source's shortfall in February) and followed by the non-auto sales tax. Non-federal revenues were below estimate by $65.4 million (4.5%). Once again, federal grants were well below estimate, missing expected revenue by $61.0 million (6.7%). This shortfall was due to GRF Medicaid spending being $73.8 million below estimate.

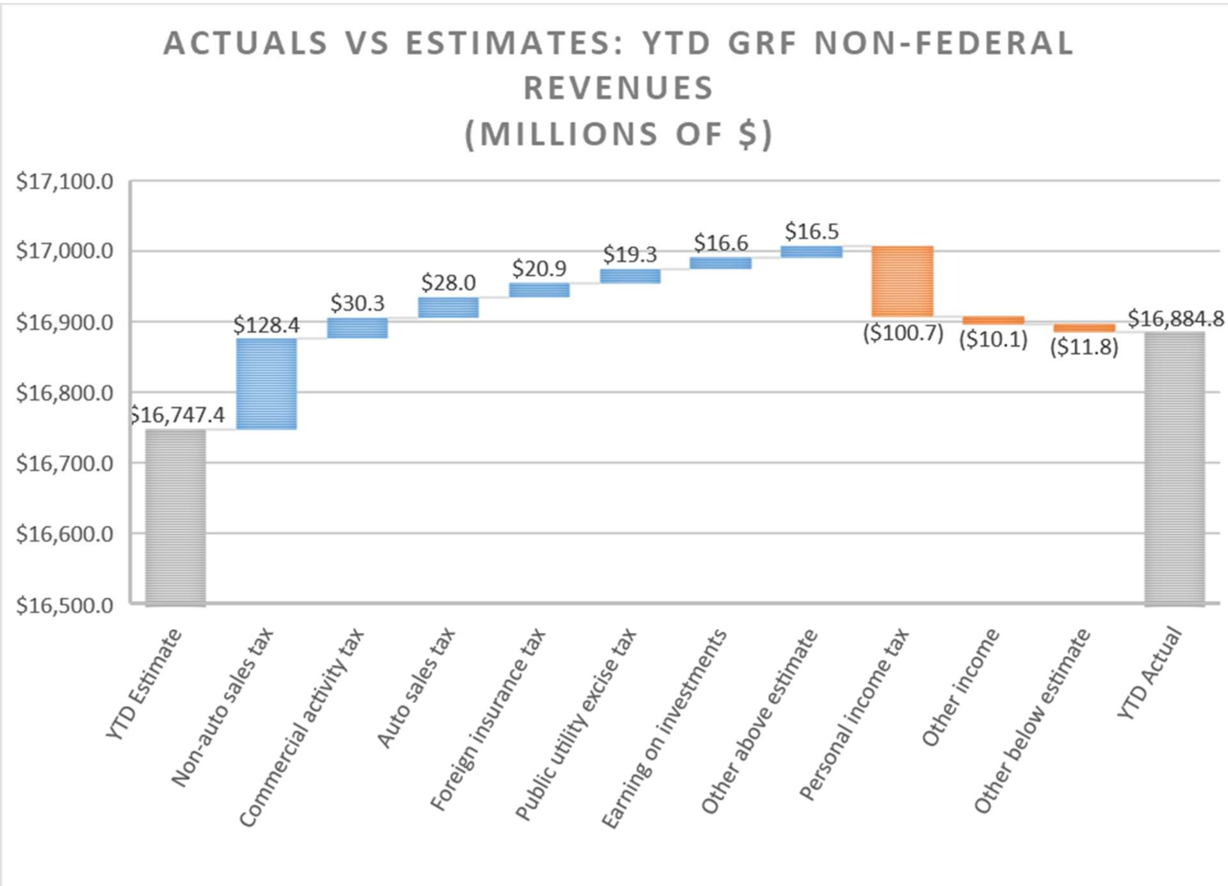
For the year, the GRF revenues are $347.6 million (1.4%) below estimate. Tax revenues are $137.0 million (0.8%) above estimate, and non-federal revenues are $137.4 million (0.8%) above estimate. Federal grants are $485.0 million (6.2%) below estimate, but this is not a net negative for the GRF, since it is driven by Medicaid GRF underspending of $629.4 million (5.2%).

Category	**Includes:**	**YTD Variance**	**% Variance**
Tax receipts	Sales & use, personal income, corporate franchise, financial institutions, commercial activity, MCF, public utility, kilowatt hour, foreign & domestic insurance, other business & property taxes, cigarette, alcoholic beverage, liquor gallonage, & estate	$137.0	0.8%
Non-tax receipts	Federal grants, earnings on investments, licenses & fees, other income, intrastate transfers	($480.0)	-6.0%
Transfers	Budget stabilization, liquor transfers, capital reserve, other	($4.7)	-5.3%
TOTAL REVENUE VARIANCE:		**($347.6)**	**-1.4%**
Non-federal revenue variance		**$137.4**	**0.8%**
Federal grants variance		**($485.0)**	**-6.2%**

The foreign insurance tax had the largest March overage, exceeding estimate by $37.4 million; however, much of this gain was attributable to timing of payments as later in this report. This was followed by the non-auto sales tax which exceeded the March estimate by $24.6 million (3.9%). The personal income tax had the third highest March overage, at $14.5 million (3.2%). On a year-to-date basis, non-auto sales tax accounts for the majority of the total tax revenue overage, exceeding estimate by $128.4 million (2.0%).

In contrast, the tax source with the most significant year-to-date shortfall relative to estimate was the personal income tax, at $100.7 million (1.6%). This was primarily attributable to lagging performance in estimated payments, as discussed in the January and February editions of this report.

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



On a year-over-year basis, monthly receipts were $181.7 million (8.3%) higher than in March of the previous fiscal year. Federal grants increased by $138.2 million (19.3%), while non-federal revenues increased by $43.6 million (3.0%). Non-federal revenue increases were led by the foreign insurance tax, which increased $29.7 million (71.1%), although, again, this appears to be largely due to a timing. Other taxes exhibiting year-over-year growth were the non-auto sales tax, which increased $27.4 million (4.4%) and the commercial activity tax, which grew by $14.4 million. The largest year-over-year decline was in personal income tax revenue, although as explained below this result reflects a combination of a 3.3% withholding tax rate reduction and several other dynamics.

When compared to the same point in the previous fiscal year, non-federal revenues are up $338.5 million (2.0%); tax revenues have grown by $543.0 million (3.4%); and if adjustments are made to fiscal year 2018 revenues for the one month of sales tax revenues from Medicaid Health Insuring Corporations (MHICs) that was received in July before collections ceased, tax revenue growth was $612.3 million (3.8%). On the non-tax side, federal grants, despite being well below estimate, have grown by $237.0 million (3.3%). Offsetting part of the growth coming from these categories and holding overall year-over-year GRF revenue growth to $575.5 million (2.4%), was a $180.4 million decline in the "other income" category. This was due to a one-time payment to the GRF of $200 million from unclaimed funds in January 2018.

As the table below shows, even after including federal grants, revenues were fairly evenly balanced between underperformers (totaling $80.6 million) and overperformers (totaling $85.0 million) in March. Including all sources not listed in the table (but excluding federal grants and excluding several tax sources that have been repealed but occasionally have insignificant collections), just five sources fell short of estimate while nine sources exceeded estimate.

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

Individual Revenue Sources Above Estimate		Individual Revenue Sources Below Estimate	
Foreign Insurance Tax	$37.4	Federal Grants	($61.0)
Non-auto Sales Tax	$24.6	Financial Institutions Tax	($11.6)
Personal Income Tax	$14.5	Alcoholic Beverage Tax	($3.5)
Commercial Activity Tax	$2.9	Public Utility Excise Tax	(2.25)
Other Source Above Estimate	$5.7	Other Sources Below Estimate	($2.4)
Total above	**$85.0**	**Total below**	**($80.6)**

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

Non-Auto Sales Tax

March non-auto sales and use tax collections to the GRF totaled $652.8 million and were $24.6 million (3.9%) above the estimate. This overperformance breaks the trend of slight underages during the last two months. The general trend for this revenue source has been strong overall in fiscal year 2019; year-to-date non-auto sales tax revenue is exceeding the estimate by $128.4 million (2.0%).
Year-over-year growth in non-auto sales tax revenue to the GRF was $27.4 million (4.4%) compared to March of last year. After adjusting for the impact of the repealed sales tax on Medicaid Health Insuring Corporations (MHICs), growth was 5.4% year-over-year. As stated in previous issues of this report, monthly comparisons no longer require adjustment, but year-to-date comparisons will continue to be adjusted since MHIC revenues were collected in July of fiscal year 2018.

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

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

	Mar-18	Mar-19	FY 18 YTD	FY 19 YTD
Non-Auto sales tax GRF	$625.4	$652.8	$6,425.7	$6,700.4
Non-Auto sales tax PLF (Library Fund)	$13.7	$13.9	$146.5	$150.9
Non-Auto sales tax, all funds	$639.1	$666.7	$6,572.2	$6,851.3
MHIC revenues (state)	$0.00	$0.00	$71.7*	$0.00
GRF and PLF revenues without MHIC	$639.1	$666.7	$6,500.5	$6,851.3
Change from prior year in non-MHIC collections		$27.5		$350.8
Pct. change from prior year in non-MHIC collections		4.3%		5.4%

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

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

Although OBM had hypothesized that growth in the non-auto sales tax might slow as the impact of federal income tax withholding cuts due to the passage of the federal Tax Cuts and Jobs Act (TCJA) was present in both the current month and the comparison month last year, growth slowed only slightly in March. One factor that may be supporting continued growth near 5% was the ongoing strong performance of revenues from out-of-state sellers. As noted in prior issues of this report, Ohio has had growth of over 10% in such revenues since the U.S. Supreme Court decision in South Dakota v. Wayfair in June of 2018. It appears that Ohio has been the beneficiary of increased voluntary collections by remote sellers in the wake of that decision.

Auto Sales Tax

March auto sales tax revenues were $122.0 million, $0.8 (0.6%) above estimate. March marks the seventh month out of nine so far in the fiscal year that the auto sales tax has exceeded the estimate. February saw a slight underage, but that month is typically one of the worst performing months of the year for the auto sales tax. The overage brings year-to-date auto sales tax revenues to $28.0 million (2.7%) above estimate.

Auto sales dipped nationally by 3.1% in March year-over-year, but on a unit basis increased by over 300,000 from February. The 1.66 million units sold raised the seasonally adjusted annual rate (SAAR) to 17.48 million total cars sold, compared to only 16.54 million a month ago.
Overall, strong economic indicators combined with the onset of warmer temperatures, and generally low interest rates brought consumers back to car lots.

Year-to-date auto sales tax revenues are strong, up 4.6% on a year-over-year basis. Kelley Blue Book estimates the average transaction price for new vehicles in January was around $35,500. Price growth has contributed to strong auto sales tax revenue for the year. Continuing the trend observed over the last several months, the composition of auto sales has also contributed to auto sales tax growth. Light trucks have comprised the bulk of auto sales for some time, and they carry a nearly 50% higher average retail price than cars contributing to the high average transaction price mentioned previously.

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

Personal Income Tax

March GRF personal income tax receipts totaled $465.1 million and were $14.5 million (3.2%) above the estimate. This builds on the overage experienced in February and during the first five months of this fiscal year. In March, the most significant tax categories were employer withholding and refunds, followed by tax payments received with annual individual income tax returns and extensions ("tax due" payments). Tax due and withholding performance was sufficiently robust to overcome somewhat larger than estimated refunds.

Refund activity in March was larger than estimate by $14.2 million (3.6%). For the filing season to-date (January through March), refunds have exceeded estimate by $51.3 million (5.3%). For the first part of the filing season, refund counts had dropped but average refund amounts had increased enough to more than offset the decline in the count. Counts are now catching up to last year's level, while average amounts continue to exceed the year before. Given the maturity of the filing season, OBM now believes this pattern — an increase in average refund payments, and larger-than-expected aggregate refund payments — is likely to continue through April.

March marked yet another month in which withholding outperformed estimate; actual collections exceeded the estimate by a modest $6.9 million (0.9%). Compared to last March, withholding declined by $17.8 million (2.2%). However, this drop was attributable to there being one less processing day this March and because withholding tax rates are 3.3 percent lower than last year (the rates were reduced beginning in January 2019). Withholding is now $82.2 million (1.2%) above estimate for the year. It has grown 4.5% above the prior year, compared to 3.3% in anticipated growth.

Annual return tax due payments were $18.3 million (29.3%) above estimate for the month and exceed estimate by $40.8 million (24.3%) for the year. OBM is not able to assess whether this strong result may be an advance indication of performance for the far more prominent payment month of April.

March is not a significant month for other types of income tax payments (quarterly estimated payments, trust returns, and all other types of payments). These remaining payment categories exceeded estimate by a total of $3.3 million (12.6%) in March. Collections from these categories will be far more significant next month since April is when annual and quarterly payments are due.

On a year-over-year basis, March GRF income tax collections were $13.7 million (2.9%) below March 2018 collections. Collections for the year are $115.0 million (1.9%) above the previous year. Adjusting for the $74.0 million in lost withholding collections in January through March due to the rate cut, collections growth would be 3.2%.

FY2019 PERSONAL INCOME TAX RECEIPTS BY COMPONENT ($ in millions)						
	Actual March	Estimate March	$ Var	Actual Mar-2019	Actual Mar-2018	$ Var Y-Over-Y
Withholding	$791.0	$784.1	$6.9	$791.0	$808.8	($17.8)
Quarterly Est.	$13.9	$14.4	($0.5)	$13.9	$4.1	($0.5)
Annual Returns & 40 P	$80.7	$62.4	$18.3	$80.7	$62.4	$18.3
Trust Payments	$2.0	$1.0	$1.0	$2.0	$1.0	$1.1
Other	$13.7	$10.9	$2.8	$13.7	$10.9	$2.8
Less: Refunds	($408.8)	($394.6)	($14.2)	($408.8)	($391.6)	($17.2)
Local Distr.	($27.4)	($27.6)	$0.2	($27.4)	($27.1)	($0.3)
Net to GRF	$465.1	$450.6	$14.6	$465.1	$478.8	($13.7)

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

Commercial Activity Tax (CAT)

March revenue from the CAT exceeded estimate by $2.9 million (21.2%). Although March was not a significant collections month for the CAT, the month’s outcome builds on a February overage and produced a third quarter of fiscal year 2019 which exceeded estimate by $18.6 million (4.5%). This makes two consecutive quarters of strong performance; in contrast to the first quarter of fiscal year 2019, which fell below estimate. On a year-over-year basis, CAT revenues grew $14.4 million in March, and by $38.3 million (9.7%) for the quarter. For the year, this revenue source was $30.3 million (2.6%) above estimate and $78.0 million (7.0%) above fiscal year 2018.

Financial Institutions Tax (FIT)

The month of March, which reflects collections from the second of three estimated payments (January, March, and May) for the 2019 FIT tax year, fell short of estimate by $11.6 million (28.1%). The March shortfall contrasts with the overage for the first set of payments during January and February ($21.0 million, or 22.0%). As the due date for the second set of payments was on the last day of March and because March 31 was not a business day, the due date this year was technically April 1. Timing related issues such as this make this source somewhat susceptible to error as the exact timing of tax payments and revenue processing can alter monthly revenue. However, based on revenues received in early April it is apparent that the March shortfall was not attributable to timing.

The FIT has a pattern of successively smaller revenues during the last two sets of estimated payments and, as cautioned in the previous edition of this report, some of the overage from the first payment period has dissipated as the reduced payments ended up even smaller than anticipated. However, assuming FIT revenue in April comes close to the estimate (which appears likely to be the case), the source will still be performing above estimate for the tax year, although performing modestly below estimate through the fiscal year due to higher than expected refunds realized during the first half of the fiscal year.

Foreign Insurance Premium Tax

Foreign insurance tax revenue was $37.4 million (109.8%) above estimate during March. This makes up for the $22.7 million shortfall in February. As mentioned in last month's report, the February shortfall/March overage was largely a timing matter. Year-to-date foreign insurance tax revenue is now $20.9 million (6.8%) above estimate through March. Although OBM does not forecast any additional revenue after March, it does anticipate $31.7 in net refunds so this source will continue to be monitored through the end of the fiscal year.

Alcoholic Beverage Tax

March revenue from the alcoholic beverage tax was $3.5 million (63.2%) below estimate. Alcoholic beverage taxpayers appear to have changed their payment timing patterns during this fiscal year, leading to a considerable number of notable monthly percentage variances. For the year, the revenue source was $2.8 million (6.7%) below estimate.

GRF Non-Tax Receipts

GRF non-tax revenues in March totaled $895.1 million and were $62.6 million (6.5%) below estimate. This variance was primarily attributable to Federal grants, which were below estimate by $61.0 million (6.7%) due to underspending in the GRF Medicaid category.

Revenues from Licenses and Fees were $2.0 million (6.1%) below estimate largely due to the timing of Department of Insurance licensing fees that are deposited into the GRF. Some of these revenues are expected to be deposited in April instead of March as originally estimated.

Transfers in were $1.0 million above an estimate of zero due to a transfer from the Public Safety – Highway Purposes Fund to the GRF that was delayed from fiscal year 2018 to this fiscal year. This transfer reimburses the GRF for a portion of the Public Safety – Highway Purposes Fund debt service from original MARCS construction, continuing equipment replacement, and other MARCS capital needs.

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

REVENUE SOURCE	MONTH				YEAR-TO-DATE			
	ACTUAL MARCH	ESTIMATE MARCH	$ VAR	% VAR	ACTUAL Y-T-D	ESTIMATE Y-T-D	$ VAR	% VAR
TAX RECEIPTS								
Non-Auto Sales & Use	652,792	628,200	24,592	3.9%	6,700,379	6,572,000	128,379	2.0%
Auto Sales & Use	121,963	121,200	763	0.6%	1,078,723	1,050,700	28,023	2.7%
Subtotal Sales & Use	774,756	749,400	25,356	3.4%	7,779,102	7,622,700	156,402	2.1%
Personal Income	465,081	450,600	14,481	3.2%	6,072,488	6,173,200	(100,712)	-1.6%
Corporate Franchise	213	0	213	N/A	1,456	0	1,456	N/A
Financial Institutions Tax	29,704	41,300	(11,596)	-28.1%	117,377	120,200	(2,823)	-2.3%
Commercial Activity Tax	16,367	13,500	2,867	21.2%	1,200,251	1,170,000	30,251	2.6%
Petroleum Activity Tax	3,650	1,900	1,750	92.1%	8,400	4,600	3,800	82.6%
Public Utility	247	2,400	(2,153)	-89.7%	104,200	84,900	19,300	22.7%
Kilowatt Hour	34,232	32,700	1,532	4.7%	272,923	272,400	523	0.2%
Natural Gas Distribution	0	0	0	N/A	40,432	33,700	6,732	20.0%
Foreign Insurance	71,543	34,100	37,443	109.8%	327,588	306,700	20,888	6.8%
Domestic Insurance	25	0	25	N/A	31	0	31	N/A
Other Business & Property	0	0	0	N/A	0	0	0	N/A
Cigarette and Other Tobacco	69,434	69,900	(466)	-0.7%	626,849	623,900	2,949	0.5%
Alcoholic Beverage	2,026	5,500	(3,474)	-63.2%	39,297	42,100	(2,803)	-6.7%
Liquor Gallonage	3,668	3,600	68	1.9%	37,658	36,700	958	2.6%
Estate	0	0	0	N/A	32	0	32	N/A
Total Tax Receipts	1,470,945	1,404,900	66,045	4.7%	16,628,083	16,491,100	136,983	0.8%
NON-TAX RECEIPTS								
Federal Grants	854,210	915,168	(60,957)	-6.7%	7,371,973	7,856,985	(485,013)	-6.2%
Earnings on Investments	0	0	0	N/A	54,849	38,211	16,639	43.5%
License & Fees	30,355	32,333	(1,978)	-6.1%	52,250	53,778	(1,528)	-2.8%
Other Income	10,489	10,190	299	2.9%	66,513	76,630	(10,116)	-13.2%
ISTV'S	1	0	1	N/A	51	0	51	N/A
Total Non-Tax Receipts	895,056	957,691	(62,635)	-6.5%	7,545,637	8,025,605	(479,967)	-6.0%
TOTAL REVENUES	**2,366,001**	**2,362,591**	**3,410**	**0.1%**	**24,173,721**	**24,516,705**	**(342,984)**	**-1.4%**
TRANSFERS								
Budget Stabilization	0	0	0	N/A	0	0	0	N/A
Transfers In - Other	1,014	0	1,014	N/A	83,039	87,690	(4,651)	-5.3%
Temporary Transfers In	0	0	0	N/A	0	0	0	N/A
Total Transfers	1,014	0	1,014	N/A	83,039	87,690	(4,651)	-5.3%
TOTAL SOURCES	**2,367,015**	**2,362,591**	**4,424**	**0.2%**	**24,256,759**	**24,604,395**	**(347,635)**	**-1.4%**

Table 2

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

	MONTH				YEAR-TO-DATE			
REVENUE SOURCE	**MARCH FY 2019**	**MARCH FY 2018**	**$ VAR**	**% VAR**	**ACTUAL FY 2019**	**ACTUAL FY 2018**	**$ VAR**	**% VAR**
TAX RECEIPTS								
Non-Auto Sales & Use	652,792	625,420	27,372	4.4%	6,700,379	6,425,686	274,693	4.3%
Auto Sales & Use	121,963	120,749	1,215	1.0%	1,078,723	1,031,122	47,602	4.6%
Subtotal Sales & Use	774,756	746,169	28,587	3.8%	7,779,102	7,456,808	322,294	4.3%
Personal Income	465,081	478,822	(13,741)	-2.9%	6,072,488	5,957,456	115,032	1.9%
Corporate Franchise	213	64	149	234.0%	1,456	1,971	(516)	-26.2%
Financial Institutions Tax	29,704	41,212	(11,508)	-27.9%	117,377	121,800	(4,423)	-3.6%
Commercial Activity Tax	16,367	2,011	14,356	714.0%	1,200,251	1,122,230	78,021	7.0%
Petroleum Activity Tax	3,650	2,162	1,488	68.8%	8,400	5,442	2,958	54.4%
Public Utility	247	2,482	(2,236)	-90.1%	104,200	83,421	20,778	24.9%
Kilowatt Hour	34,232	32,244	1,988	6.2%	272,923	264,367	8,556	3.2%
Natural Gas Distribution	0	0	0	N/A	40,432	34,302	6,130	17.9%
Foreign Insurance	71,543	41,812	29,732	71.1%	327,588	316,628	10,960	3.5%
Domestic Insurance	25	21	5	21.9%	31	402	(371)	-92.3%
Other Business & Property	0	0	0	N/A	0	(263)	263	N/A
Cigarette and Other Tobacco	69,434	75,269	(5,835)	-7.8%	626,849	641,100	(14,251)	-2.2%
Alcoholic Beverage	2,026	5,656	(3,629)	-64.2%	39,297	43,401	(4,104)	-9.5%
Liquor Gallonage	3,668	3,490	178	5.1%	37,658	35,945	1,712	4.8%
Estate	0	0	0	N/A	32	118	(86)	-72.8%
Total Tax Receipts	1,470,945	1,431,413	39,532	2.8%	16,628,083	16,085,129	542,954	3.4%
NON-TAX RECEIPTS								
Federal Grants	854,210	716,058	138,152	19.3%	7,371,973	7,134,929	237,044	3.3%
Earnings on Investments	0	0	0	N/A	54,849	30,187	24,662	81.7%
License & Fee	30,355	27,518	2,837	10.3%	52,250	50,263	1,988	4.0%
Other Income	10,489	10,258	230	2.2%	66,513	246,940	(180,426)	-73.1%
ISTV'S	1	57	(56)	-97.8%	51	483	(431)	-89.3%
Total Non-Tax Receipts	895,056	753,891	141,164	18.7%	7,545,637	7,462,801	82,836	1.1%
TOTAL REVENUES	**2,366,001**	**2,185,304**	**180,696**	**8.3%**	**24,173,721**	**23,547,930**	**625,790**	**2.7%**
TRANSFERS								
Budget Stabilization	0	0	0	N/A	0	0	0	N/A
Transfers In - Other	1,014	0	1,014	N/A	83,039	133,327	(50,288)	-37.7%
Temporary Transfers In	0	0	0	N/A	0	0	0	N/A
Total Transfers	1,014	0	1,014	N/A	83,039	133,327	(50,288)	-37.7%
TOTAL SOURCES	**2,367,015**	**2,185,304**	**181,710**	**8.3%**	**24,256,759**	**23,681,257**	**575,502**	**2.4%**

DISBURSEMENTS

March GRF disbursements, across all uses, totaled $2,751.8 million and were $7.0 million (0.3%) below estimate. This variance was primarily attributable to below estimate disbursements in the Medicaid category and was partially offset by above estimate expenditures in the Property Tax Reimbursements category. On a year-over-year basis, March total uses were $412.9 million (17.7%) higher than those of the same month in the previous fiscal year, with a large increase in Medicaid largely responsible for the difference. Year-to-date variance from the estimate by category are provided in the table below.

Category	Description	YTD Variance	% Variance
Expenditures and transfers between agencies (ISTVs)	State agency operations, subsidies, tax relief, debt service payments, and pending payroll (if applicable)	($619.7 Million)	-2.4%
Transfers	Temporary or permanent transfers out of the GRF that are not agency expenditures	$7.1 Million	1.0%
TOTAL DISBURSEMENTS VARIANCE:		**($612.6 Million)**	**-2.3%**

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. March disbursements for this category totaled $619.4 million and were $3.2 million (0.5%) above estimate. This variance was primarily attributable to above estimate spending in the Foundation Funding line item as expenditures totaled $550.9 million and were $9.6 million (1.8%) above estimate. The Foundation Funding line item was above estimate due to increased payments for excess cost adjustments related to the education of nonresident students with disabilities and tuition. This overspending will offset in future months. This variance was partially offset by below estimate spending in the special education enhancements line item, which was $2.6 million below estimate, and the pupil transportation line item, which was $1.4 million below estimate. These variances are due to payment reconciliations that offset overspending from prior months.

Total expenditures for the school foundation program totaled $604.9 million and were $5.7 million (0.9%) above estimate. Year-to-date disbursements were $6,330.7 million, which is $37.0 million (0.6%) above estimate.

On a year-over-year basis, disbursements in this category were $22.4 million (3.5%) lower than for the same month in the previous fiscal year while year-to-date expenditures were $96.1 million (1.5%) higher than the same point in fiscal year 2018. The year-over-year variance is primarily attributable to increased payments to school districts under the foundation funding formula.

Higher Education

March disbursements for the Higher Education category, which includes non-debt service GRF spending by the Department of Higher Education, totaled $188.3 million and were $0.3 million (0.18%) below estimate. The variance was primarily attributable to spending in the National Guard Scholarship Program, which was below estimate by $2.2 million due to lower than expected requests for reimbursement from higher education institutions. This variance was partially offset by above estimate spending in the Choose Ohio First Scholarship Program, which was above estimate by $1.9 million due to higher than expected requests for reimbursement from higher education institutions. Both variances will likely offset in future months.

Year-to-date disbursements were $1,730.0 million, which was $13.0 million (0.7%) below the estimate. On a year-over-year basis, disbursements in this category were $3.9 million (2.0%) lower than for the same month in the previous fiscal year while year-to-date expenditures were $11.7 million (0.7%) lower than at the same point in fiscal year 2018.

Other Education

This category includes non-debt service GRF expenditures made by the Broadcast Education Media Commission, the Ohio Facilities Construction Commission, the Ohio State School for the Blind, the Ohio School for the Deaf, as well as disbursements made to libraries, cultural, and arts organizations.

March disbursements in this category totaled $6.1 million and were $3.0 million (99.7%) above estimate. This variance is primarily attributable to a change in the timing of payments for the Ohio History Connection. Year-to-date disbursements were $60.5 million, which was $2.6 million (4.5%) above estimate. On a year-over-year basis, disbursements in this category were $3.5 million (132.2%) higher than for the same month in the previous fiscal year while year-to-date expenditures were $4.1 million (7.3%) higher than at the same point in fiscal year 2018.

Medicaid

This category includes all Medicaid spending on services and program support by the following eight agencies: the Department of Medicaid, the Department of Mental Health and Addiction Services, the Department of Developmental Disabilities, the Department of Health, the Department of Job and Family Services, the Department of Aging, the Department of Education, and the State Board of Pharmacy.

<u>Expenditures</u>
March GRF disbursements for the Medicaid Program totaled $1,304.2 million and were $73.8 million (5.4%) below the estimate and $305.0 million (30.5%) above disbursements for the same month in the previous fiscal year. GRF spending can change significantly on a monthly year-over-year basis due to the timing of the use of non-GRF funds in the program. Year-to-date GRF disbursements totaled $11,381.5 million and were $629.4 million (5.2%) below estimate and $435.5 million (4.0%) above disbursements for the same point in the previous fiscal year.

March all-funds disbursements for the Medicaid Program totaled $2,166.2 million and were $157.0 million (6.8%) below the estimate and $59.3 million (2.8%) above disbursements for the same month in the previous fiscal year. Year-to-date all-funds disbursements totaled $20,117.2 million and were $1,146.3 million (5.4%) below the estimate and $117.5 million (0.6%) above disbursements for the same point in the previous fiscal year.

The March all-funds variance was primarily attributable to below estimate spending in the fee-for-service, managed care, and premium assistance programs. Enrollment in these three programs were under estimate by 6.5%, 4.2%, and 12.3%, respectively. Underspending in the managed care program was also attributed to lower-than-budgeted monthly capitation rates which became effective in January. This underspending was slightly off-set by higher than anticipated administrative costs, specifically for information technology systems expenses.

The year-to-date, all-funds variance was primarily attributable to underspending in all major program categories. Underspending in the fee-for-service, managed care, and premium assistance programs are all driven by program enrollment being an average of 5.7%, 3.4%, and 10.3%, respectively, below estimate on an average monthly enrollment basis. In addition, within the managed care program, pay-for-performance payments and the federal health insurer provider fee payments have been below estimates. Finally, program administration expenses were slightly above estimate owing to information technology costs.

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

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

	Mar. Actual	Mar. Projection	Variance	Variance %
GRF	$ 1,304.2	$ 1,378.0	$ (73.8)	-5.4%
Non-GRF	$ 862.0	$ 945.1	$ (83.1)	-8.8%
All Funds	$ 2,166.2	$ 2,323.1	$ (157.0)	-6.8%

<u>Enrollment</u>

Total March enrollment for the program was 2.84 million, which was 135,339 (4.6%) below the estimate and 143,281 (4.8%) below enrollment for the same period last fiscal year. Year-to-date average monthly enrollment was 2.87 million and was 111,993 (3.8%) below estimate.

March enrollment by major eligibility category was: Covered Families and Children, 1.61 million; Aged, Blind and Disabled (ABD), 482,856; Group VIII Expansion, 615,012; and Other Full Benefits, 12,151 persons.

Please note that these data are subject to revision.

Health and Human Services

This category includes non-debt service GRF expenditures by the following state agencies: Job and Family Services, Health, Aging, Developmental Disabilities, Mental Health and Addiction Services, and others. Examples of expenditures in this category include: child care, TANF, administration of the state's psychiatric hospitals, operating subsidies to county boards of developmental disabilities, various immunization programs, and Ohio's long-term care ombudsman program. To the extent that these agencies spend GRF to support Medicaid services, that spending is reflected in the Medicaid category.

March disbursements in this category totaled $95.1 million and were $4.1 million (4.1%) below estimate. Year-to-date disbursements were $999.7 million, which was $57.3 million (5.4%) below estimate. On a year-over-year basis, disbursements in this category were $10.6 million (10.0%) lower than for the same month in the previous fiscal year while year-to-date expenditures were $0.1 million higher than at the same point in fiscal year 2018.

<u>Department of Job and Family Services</u>
March disbursements for the Department of Job and Family Services totaled $62.5 million and were $2.1 million (3.3%) below estimate. This variance was primarily attributable to the Information Technology Projects line item, which was $1.7 million below estimate due to receiving fewer than anticipated invoices for Office of Technology charges from the Department of Administrative Services. Additionally, the TANF State/Maintenance of Effort line item was $0.9 million below estimate due to disbursements for Ohio Works First recipients being lower than anticipated.

<u>Department of Mental Health and Addiction Services</u>
March disbursements for the Department of Mental Health and Addiction Services totaled $24.4 million and were $1.4 million below estimate. This variance was primarily attributable to the Continuum of Care Services line item, which was $2.0 million below estimate and the Hospital Services line item, which was $1.6 million below estimate, both due to the timing of payments. The variance was partially offset by the Addiction Services Partnership with Corrections line item, which was $2.2 million above estimate, again due to the timing of payments as a payment for the community transitions program was paid earlier than estimated.

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.

March disbursements in this category totaled $167.5 million and were $16.5 million (10.9%) above estimate. Year-to-date disbursements were $1723.6 million, which was $21.7 million (1.3%) above estimate. On a year-over-year basis, disbursements in this category were $19.2 million (13.0%) higher than for the same month in the previous fiscal year while year-to-date expenditures were $92.3 million (5.7%) higher than at the same point in fiscal year 2018.

Department of Rehabilitation and Correction
March disbursements for the Department of Rehabilitation and Correction totaled $130.8 million and were $13 million (11%) above estimate. This variance was primarily attributable to the Halfway House line item, which was $16.1 million above estimate and the Institution Medical Services line item, which was $3.9 million above estimate, both due to the timing of payments. This variance was partially offset by the Community Non-residential Programs line item, which was $3.9 million below estimate and the Institutional Operations line item, which was $3.0 million below estimate, again both due to timing of payments.

General Government

This category includes non-debt service GRF expenditures by the Department of Administrative Services, Department of Natural Resources, Development Services Agency, Department of Agriculture, Department of Taxation, Office of Budget and Management, non-judicial statewide elected officials, legislative agencies, and others.

March disbursements in this category totaled $29.9 million and were $1.6 million (5.7%) above estimate. Year-to-date disbursements were $283.9 million, which was $12.2 million (4.1%) below estimate. On a year-over-year basis, disbursements in this category were $7.9 million (35.9%) higher than for the same month in the previous fiscal year while year-to-date expenditures were $12.4 million (4.6%) higher than at the same point in fiscal year 2018.

Department of Agriculture
March disbursements for the Department of Agriculture totaled $1.9 million and were $2.2 million (54.2%) below estimate. This variance was primarily attributable to the Soil and Water Phosphorous Program line, which was $2.0 million below estimate due to delays in the setup of the program, which was set to start in January.

Secretary of State
March disbursements for the Secretary of State's Office totaled $7.2 million and were $6.3 million (87.4%) above estimate. This variance was entirely attributable to the Statewide Voting and Tabulation Equipment line which was above estimate due to higher than anticipated distributions of reimbursements to counties for the purchase of voting machines, per Senate Bill 135 of the 132nd General Assembly.

Department of Taxation
March disbursements for the Department of Taxation totaled $4.3 million and were $1.4 million (24.0%) below the estimate. This variance was primarily attributable to a delay in some IT related projects as well as the timing of lease and rental payments.

Department of Transportation
March disbursements for the Department of Transportation totaled $1.0 million and were $0.6 (38.6%) million below estimate. This variance was primarily attributable to the Public Transportation – State line item, which was $0.4 million above estimate and the Airport Improvements-State line, which was $1.1 million below estimate. Both of these variances were due to the timing of project expenditures, payments to grantees, and reimbursement requests from contractors, and weather impacts.

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 $186.4 million in March and were $41.6 million (28.8%) above estimate. Year-to-date disbursements totaled $1,091.9 million and were $33.0 million (3.1%) above estimate. The monthly and year-to-date variance is the result of reimbursement requests being received earlier than anticipated in the second-half of the fiscal year. Total disbursements in this category are expected to return to estimate by the end of the fiscal year.

Debt Service

March payments for debt service totaled $148.9 million and were $0.9 million (0.6%) below estimate. Year-to-date disbursements totaled $1,276.5 million and were $2.2 million (0.2%) below estimate.

Transfers Out

Transfers out totaled $6.2 million in March, though none were estimated. This monthly variance drove the year-to-date variance to $7.1 million (1.0%), as year-to-date transfers totaled $759.1 million compared to an estimate of $751.9 million. The monthly variance was the result of two transfers not budgeted for at the beginning of the fiscal year. First, $5.0 million was transferred to the Targeting Addiction Assistance Fund, as authorized pursuant to Senate Bill 71 of the 132nd General Assembly. This amount will be transferred back to the General Revenue Fund prior to the end of the fiscal year. Second, $1.2 million was transferred to the Local Government Fund to provide one-time assistance to two counties that lost property tax revenue following reappraisals of nuclear power plants, as authorized by Senate Bill 51 of the 132nd General Assembly.

Table 3

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

	MONTH				YEAR-TO-DATE			
Functional Reporting Categories Description	**ACTUAL MARCH**	**ESTIMATED MARCH**	**$ VAR**	**% VAR**	**YTD ACTUAL**	**YTD ESTIMATE**	**$ VAR**	**% VAR**
Primary and Secondary Education	619,357	616,118	3,239	0.5%	6,330,706	6,293,693	37,013	0.6%
Higher Education	188,308	188,649	(341)	-0.2%	1,730,016	1,743,021	(13,005)	-0.7%
Other Education	6,077	3,042	3,034	99.7%	60,503	57,876	2,627	4.5%
Medicaid	1,304,191	1,378,026	(73,834)	-5.4%	11,381,455	12,010,809	(629,353)	-5.2%
Health and Human Services	95,128	99,172	(4,044)	-4.1%	999,692	1,056,941	(57,249)	-5.4%
Justice and Public Protection	167,461	150,943	16,517	10.9%	1,723,646	1,701,995	21,652	1.3%
General Government	29,932	28,320	1,611	5.7%	283,887	296,119	(12,232)	-4.1%
Property Tax Reimbursements	186,379	144,759	41,620	28.8%	1,091,920	1,058,891	33,030	3.1%
Debt Service	148,859	149,795	(936)	-0.6%	1,276,519	1,278,725	(2,206)	-0.2%
Total Expenditures & ISTV's	**2,745,692**	**2,758,824**	**(13,133)**	**-0.5%**	**24,878,346**	**25,498,069**	**(619,724)**	**-2.4%**
Transfers Out:								
BSF Transfer Out	0	0	0	N/A	657,503	657,503	0	0.0%
Operating Transfer Out	6,150	0	6,150	N/A	101,574	94,430	7,143	7.6%
Temporary Transfer Out	0	0	0	N/A	0	0	0	N/A
Total Transfers Out	**6,150**	**0**	**6,150**	**N/A**	**759,077**	**751,933**	**7,143**	**1.0%**
Total Fund Uses	**2,751,842**	**2,758,824**	**(6,983)**	**-0.3%**	**25,637,423**	**26,250,003**	**(612,580)**	**-2.3%**

Table 4

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

Functional Reporting Categories Description	MONTH MARCH FY 2019	MARCH FY 2018	$ VAR	% VAR	YEAR-TO-DATE ACTUAL FY 2019	ACTUAL FY 2018	$ VAR	% VAR
Primary and Secondary Education	619,357	641,761	(22,404)	-3.5%	6,330,706	6,234,566	96,141	1.5%
Higher Education	188,308	192,223	(3,915)	-2.0%	1,730,016	1,741,726	(11,710)	-0.7%
Other Education	6,077	2,617	3,460	132.2%	60,503	56,364	4,138	7.3%
Medicaid	1,304,191	999,162	305,029	30.5%	11,381,455	10,945,983	435,473	4.0%
Health and Human Services	95,128	105,677	(10,549)	-10.0%	999,692	999,541	151	0.0%
Justice and Public Protection	167,461	148,251	19,209	13.0%	1,723,646	1,631,355	92,291	5.7%
General Government	29,932	22,029	7,903	35.9%	283,887	271,514	12,373	4.6%
Property Tax Reimbursements	186,379	83,435	102,944	123.4%	1,091,920	989,963	101,957	10.3%
Debt Service	148,859	143,737	5,122	3.6%	1,276,519	1,202,692	73,827	6.1%
Total Expenditures & ISTV's	**2,745,692**	**2,338,893**	**406,799**	**17.4%**	**24,878,346**	**24,073,704**	**804,642**	**3.3%**
Transfers Out:								
BSF Transfer	0	0	0	N/A	657,503	0	657,503	N/A
Operating Transfer Out	6,150	0	6,150	N/A	101,574	69,445	32,129	46.3%
Temporary Transfer Out	0	0	0	N/A	0	0	0	N/A
Total Transfers Out	**6,150**	**0**	**6,150**	**N/A**	**759,077**	**69,445**	**689,632**	**993.1%**
Total Fund Uses	**2,751,842**	**2,338,893**	**412,949**	**17.7%**	**25,637,423**	**24,143,149**	**1,494,274**	**6.2%**

FUND BALANCE

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

Table 5 describes the estimated General Revenue Fund (GRF) unencumbered ending fund balance for FY 2019. Based on the estimated revenue sources for FY 2019 and the estimated FY 2019 disbursements, transfers, and encumbrances, the GRF unencumbered ending fund balance for FY 2019 is an estimated $388.9 million.

The GRF unencumbered ending fund balance should not be considered as a balance available for expenditure in FY 2019 nor should it be considered as equivalent to the FY 2019 surplus calculation as defined in Section 131.44 of the Ohio Revised Code.

It is important to note that the GRF unencumbered ending fund balance will be impacted by any GRF expenditures or transfers that may be authorized by the General Assembly or by the Controlling Board during the course of the fiscal year.

Table 5
FUND BALANCE
GENERAL REVENUE FUND
FISCAL YEAR 2019
($ in thousands)

July 1, 2018 Beginning Cash Balance*	**1,221,039.6**
Plus FY 2019 Estimated Revenues	23,067,141.4
Plus FY 2019 Estimated Federal Revenues	10,240,063.3
Plus FY 2019 Estimated Transfers to GRF	252,790.0
Total Sources Available for Expenditures & Transfers	**34,781,034.2**
Less FY 2019 Estimated Disbursements**	33,308,929.3
Less FY 2019 Estimated Total Encumbrances as of June 30, 2019	321,926.9
Less FY 2019 Estimated Transfers Out	761,233.4
Total Estimated Uses	**34,392,089.7**
FY 2019 ESTIMATED UNENCUMBERED ENDING FUND BALANCE	**388,944.6**

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

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

OBM staff that contributed to the development of this report are:

Jason Akbar, Ben Boettcher, Frederick Church, Todd Clark, Jim Coons, Adam Damin, Paul DiNapoli, Florel Fraser, Teresa Goodridge, Chris Guerrini, Chris Hall, Sharon Hanrahan, Kurt Kauffman, Charlotte Kirschner, Sári Klepacz, Taylor Pair, Steven Peishel, Craig Rethman, Tara Schuler, Travis Shaul, Kevin Schrock, Dex Stanger, and Nick Strahan.