Ohio | Office of Budget and Management

Mike DeWine, Governor
Jon Husted, Lt. Governor

Kimberly Murnieks, Director

July 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

- Non-auto sales tax revenue came in $17.4 million (2.2%) above estimate in June. Non-auto sales tax revenues finished the fiscal year above estimate by $187.5 million (2.1%)
- Personal income tax revenues finished $14.8 million (1.8%), above estimate in June and personal income tax revenues the annual estimate for the fiscal year by $313.2 million (3.6%).
- Revenues from federal grants came in $180.9 million (27.8%) above estimate due primarily to higher than expected GRF Medicaid spending. Disbursements for Medicaid were $255.8 million (26.9%) above estimate for the month.
- U.S. employment growth rebounded to 224,000 jobs in June but, at 172,000, the fiscal year 2019 average is a step down from the 235,000 in the first half of 2018. The unemployment rate edged higher to 3.7 percent mainly due to an influx of job seekers.
- Economic activity is slowing from the 3.1 percent rate of the first quarter. Analysts project further slowing toward a trend rate of 2 percent or less.

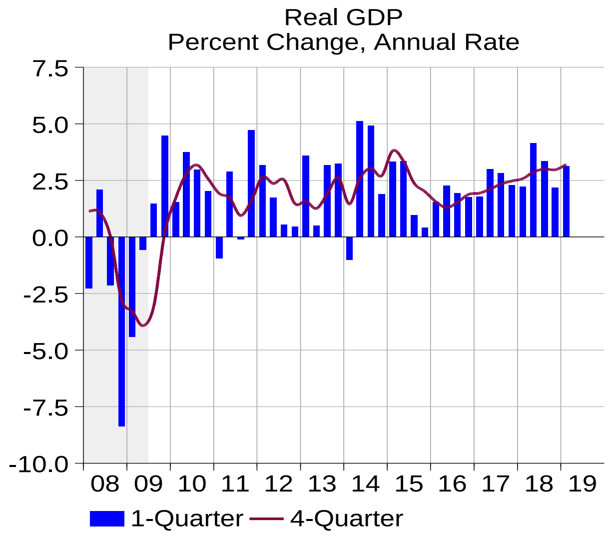
ECONOMIC SUMMARY

Economic Growth

Amid myriad signs of a slowdown in economic activity and forecasts of slower growth ahead, the balance of the national economic data still clearly favors uninterrupted expansion. **Real GDP** advanced at an annual rate of 3.1 percent in the first quarter; however, the consensus among analysts is that growth slowed to between 1 and 2 percent in the second quarter.

Source	Date	2019-Q2 GDP Forecast
Atlanta FRB (GDPNow)	7/3/19	1.3%
New York FRB (Nowcast)	7/5/19	1.5%
Blue Chip	7/3/19	1.2% (1.7%-2.3%)
IHS	7/5/19	1.9%

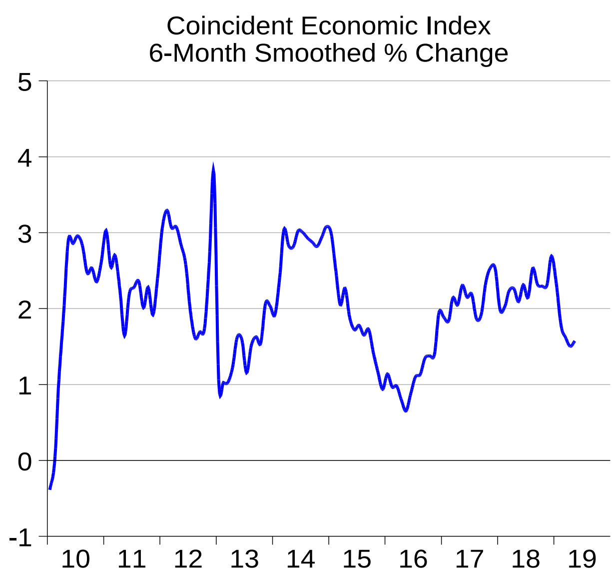
In part, expectations that growth slowed in the second quarter are based on the assessment that key contributions to first quarter growth are unsustainable. Strength in exports, state and local government spending, change in business inventories and an unusual dip in imports accounted for about two-thirds of first-quarter growth and these factors are not likely to have been repeated in the second quarter. Personal consumption expenditures were unusually weak in the first quarter and are likely to have bounced back in the second quarter, but homebuilding and business fixed investment appear to have subtracted from growth in the second quarter.



Growth near estimates for the second quarter would mark a significant slowdown from the four quarters ending in the first quarter, during which real GDP expanded by 3.2 percent. The consensus among forecasters is that real GDP will expand at about a 2 percent pace through 2021, according to the Survey of Professional Forecasters undertaken each quarter by the Philadelphia Federal Reserve Bank.

Among the most notable signs of slowing activity are in credit markets and industrial activity. As the Federal Reserve increased its target range for the federal funds rate by a full percentage point last year, the spread between the 10-year Treasury note yield and the 1-year Treasury note yield – a key measure of the shape of the yield curve – narrowed from 90 basis points in February 2018 to less than 10 basis points in May and June on a daily average basis. At the same time, the spread between Moody's Seasoned AAA Corporate Bond Yield and the 10-year Treasury note yield – the so-called credit spread – widened from 96 basis points to 135 basis points. Both developments are consistent with weakening economic activity. Manufacturing activity also began to weaken late last year.

Major indicators show slowed growth but remain consistent with an economy performing at a high level. For example, the composite **Coincident Economic Index** compiled by the Conference Board has picked up in recent months, rising 0.2 percent in May after flattening at the beginning of the year. But the 6-month smoothed rate of change has slowed to 1.6 percent from 2.5 percent last August. Activity in Ohio has fared better, according to the **Ohio Coincident Index** from the Federal Reserve Bank of Philadelphia. The index weakened from 2.4 percent in June 2018 on a 6-month smoothed rate of change basis to 1.6 percent in February but recovered to 2.3 percent in May.



Source: The Conference Board

Attitudes among small businesses are not quite as positive as at their peak in summer 2018 but are better than at the beginning of the calendar year and remain at an historically high level. The **Small Business Optimism Index** of the National Federation of Independent Business (NFIB) increased to 105.0 in May, up from 101.2 in January but was still below the record high of 108.8 reached in August 2018. One index component decreased, three were unchanged and six improved. In general, small businesses reported stronger sales and more investment in recent months. The number one problem cited by small businesses in May was the difficulty hiring qualified workers.

The diffusion of **state-level coincident economic indexes** remained stable through May. The level was lower than the month before for only five states and lower than the three months ago for only four states. Both readings are comfortably below historical recession thresholds.

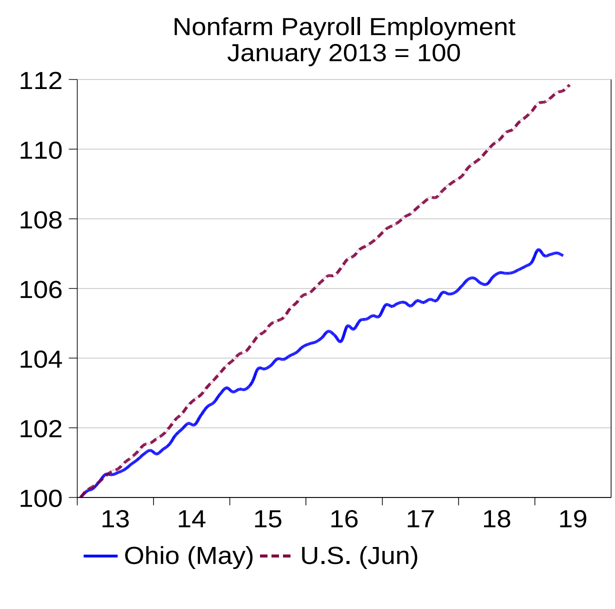
National leading indicators have slowed sharply during the past year. The Conference Board's composite **Leading Economic Index** was unchanged in May and the six-month smoothed rate of change was 2.5 percent, down from 6.6 percent last September. Despite this downshift, however, the recent pattern points to continued growth.

The number of negative readings among individual **state-level composite leading indexes** – itself a leading indicator – decreased to one from four in April and five in March. Compiled by the Philadelphia Federal Reserve, the diffusion across these state leading indexes has signaled the onset of recession in the past. The **Ohio leading index**, which is designed to predict growth in the coincident index during the next six months, was 0.6 percent in May, toward the lower end of the range in recent months.

Employment

Nonfarm payrolls across the country increased by 224,000 jobs in June. The changes in the previous two months were revised down by a total of 11,000 jobs. At 172,000, the average monthly change for fiscal year 2019 is a step down from the average of 235,000 during the first half last year. Compared with a year earlier, employment is up by 2.3 million jobs, or 1.5 percent.

Growth in employment has been possible during the past year despite the modest 0.5 percent increase in the labor force and unchanged labor force participation rate because of the 9 percent decrease (before rounding) in the unemployment rate from 4.0 to 3.7 percent. Prospects for continued employment growth at even the slower rate of the past year would seem limited without faster growth in the labor force or an increase in the participation rate. Either probably would require an acceleration in labor compensation – notably a widespread assessment a year ago which has proved incorrect thus far. The rate of change in compensation has seen little movement and employment growth has remained strong.



In June, most major sectors posted increases with few isolated losses. Gains were led by education and health services (+61,000), where strength was concentrated in health care (+34,900) and social assistance (+15,600), and professional and business services (+51,000), where administrative and support services added 14,000 jobs and temporary help agencies contributed 4,300 jobs.

Elsewhere, government added 33,000 jobs, reflecting the 26,400 increase in non-education positions at the state and local level. Transportation and warehousing added 23,900 jobs. Construction employment increased by 21,000 jobs, with just more than half being created among nonresidential specialty trades. Manufacturing added 17,000 jobs, partly due to strength in computer and electronic products (6,500), continuing the solid growth of the past two years.

The **unemployment rate** ticked up 0.1 percentage points to 3.7 percent after holding steady at an expansion-low of 3.6 percent for two months. The increase resulted from a large number of people entering the labor force in search of a job. The recent pattern, in which the unemployment rate is near the minimum of the previous twelve months, remains strongly consistent with uninterrupted economic growth. Usually in the past when the unemployment rate has been 0.3 percentage points or less above the previous 12-month minimum, the economy has been expanding. The difference typically has been 0.4 percentage points or higher at the start of past recessions.

Average hourly earnings rose 0.2 percent for a year-over-year increase of 3.1 percent. The year-over-year rate of change is down from an expansion-peak of 3.4 percent in February, but still up from 2.5 percent two years ago. The number of job openings has decreased marginally from its peak last November, but in April was at the fourth highest level since the beginning of the data series in December 2000.

Ohio nonfarm payroll employment shed 3,900 jobs in May in the second monthly decline this year. The April gain was revised upward from 1,400 jobs to 2,200 jobs. Employment has increased by 10,300 jobs in fiscal year 2019. Monthly gains have increased to an average of 3,575 per month during the most recent twelve months from 2,742 during the same period a year earlier.

Compared with a year earlier, Ohio employment was higher by 42,900 jobs in May. educational and health services (+15,300), leisure and hospitality (+13,900), and manufacturing (+7,900) made the largest positive contributions. Counter to the recent trend, construction employment was revised down in April and fell in May, and manufacturing employment was revised up for April and increased in May. The only declines during the past year occurred in information (-2,200), other services (-400), and government (-100).

The **Ohio unemployment rate** decreased 0.1 percentage point to 4.1 percent in May, moving farther below the 4.5 percent to 4.7 percent range of the most recent year and a half – a new low for this expansion and the lowest since June 2001. Total employment increased by 5,765 workers in May and the number of unemployed people fell by 7,728.

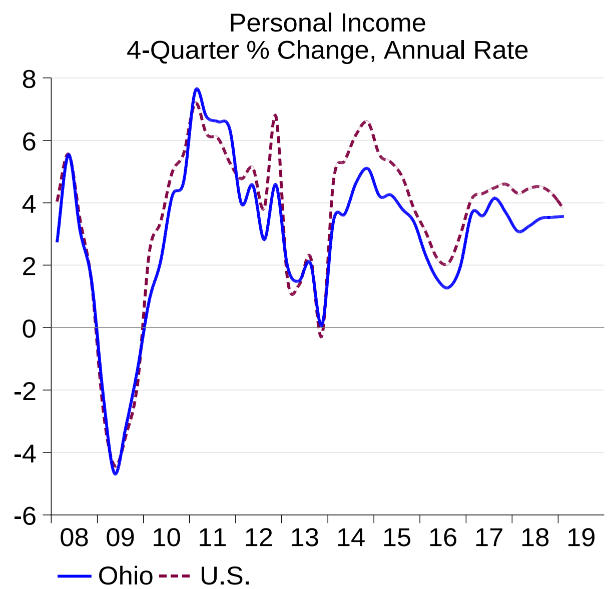
Across the country in May, the unemployment rate decreased notably from the month before in six states, including Ohio, with the largest decline occurring in Texas (0.2 percentage points). The unemployment rate increased meaningfully in two states – Nebraska and South Carolina. Changes in the unemployment rate in the remaining 42 states and the District of Columbia were not statistically significant.

Among the contiguous states, employment increased on a year-over-year basis in Kentucky (+1.0%), Pennsylvania (+0.9%), Ohio and Indiana (+0.8%), West Virginia (+0.7%), and Michigan (+0.5%). Manufacturing employment increased year-over-year in West Virginia (2.1%), Kentucky (1.5%), Ohio (1.1%), Michigan (0.7%), and Indiana (0.6%) and decreased in Pennsylvania (0.6%).

Consumer Income and Consumption

Personal income increased by 0.5 percent for the second month in a row in May. The solid back-to-back gains came after the three months of the first quarter during which personal income increased by an average of only 0.1 percent. **Wage and salary disbursements** increased by only 0.2 percent in May after a 0.3 percent rise in April. The strength in personal income relative to wage and salary disbursements in May resulted from an acceleration in nonfarm proprietor's income and a decrease in Social Security taxes. Compared with a year earlier personal income was up 4.1 percent and wage and salary disbursements were up 3.6 percent.

Ohio personal income growth from the 4th quarter of 2018 to the first quarter of 2019 was 3.5 percent at an annualized rate. From first quarter 2018 to first quarter 2019 Ohio personal income growth was slightly higher, at 3.6 percent. The third and fourth quarter growth rates were revised down from 5.7 percent and 5.4 percent, respectively, to 5.6 percent and 3.2 percent. Wage and salary disbursements expanded 4.1 percent in the first quarter to 3.2 percent above the year earlier level. Growth in wage and salary disbursements was also revised down for the prior two quarters.



Ohio's 3.5 percent first quarter personal income growth rate exceeded the national growth rate. On a year-over-year basis, Ohio's 3.6 percent rate was just shy of the national 3.8 percent rate. With respect to wage and salary disbursements, first quarter growth in Ohio of 4.1 percent was slightly higher than the 3.9 percent rate nationally. On a year-over-year basis, Ohio and national personal income were up by 3.2 percent and 3.4 percent, respectively, in the first quarter.

Personal consumption expenditures have also accelerated after the winter slowdown, rising 0.4 percent in May. Compared with a year earlier, personal consumption expenditures were higher by 4.2 percent.

Spending on durable goods jumped 1.7 percent in May, reflecting the 6.3 percent increase in unit sales of light motor vehicles to an annual rate of 17.4 million. The small decrease in unit sales in June likely constrained the change in durable goods spending during the month. Purchases of non-durable goods decreased 0.1 percent after gains of 1.2 percent in April and 1.8 percent in March. Spending on services increased 0.4 percent, continuing the long string of steady gains.

The Conference Board Index of **Consumer Confidence** and the University of Michigan Index of Consumer Sentiment both retreated in June, especially regarding expectations. Assessments of current conditions were mixed. The decline in sentiment occurred mainly among households with annual earnings greater than $75,000, while sentiment among households with earnings below that threshold was little changed.

The labor index from the Conference Board (the percentage of respondents saying jobs are plentiful, minus those saying they are hard to get) decreased 5.9 percentage points to its lowest level in a year. The percentage of respondents saying jobs are hard to get was the highest since November 2017. Plans to buy major household durable goods was mixed across the two surveys, but both revealed increased plans to purchase homes, probably related to the recent decline in mortgage rates.

The outlook for the consumer sector remains very positive, and it is likely that consumer spending rebounded in the second quarter. Expectations for inflation remain in check, and employment and income gains support the ability and willingness of consumers to spend, although respondents reported concerns about trade disputes and related financial market volatility.

Industrial Activity

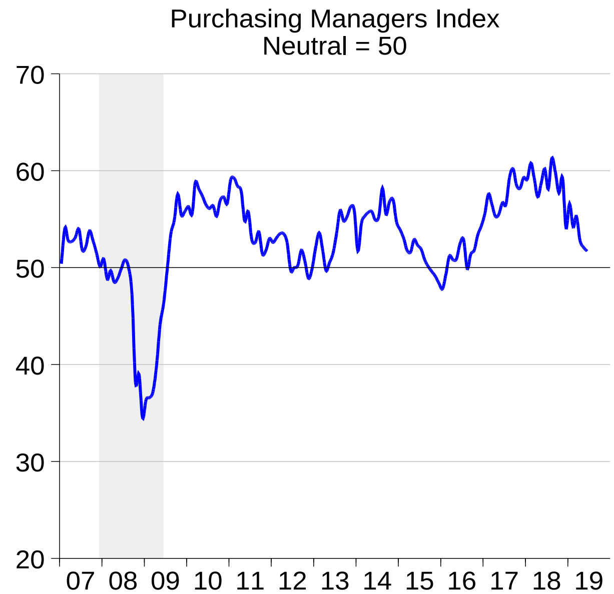
Total **industrial production** increased 0.4 percent in May, reversing the April decline but leaving the trend notably flatter than during 2018. **Manufacturing** output increased 0.2 percent, mining increased 0.1 percent, and utilities increased 2.1 percent. Compared with a year earlier, total industrial production was higher by 2.0 percent, manufacturing was up by 0.7 percent, mining was up by 10.0 percent, and utilities was up 0.2 percent.

The increase in manufacturing output in May resulted entirely from the pickup in production in motor vehicles and parts, as changes in other major industries offset each other. The small rise in mining output reflected an increase in oil and gas extraction and a large decrease in oil and gas well drilling. The jump in utilities output largely was due to weather.

After reaching a peak in December, manufacturing output has decreased at an annual rate of 3.5 percent through May, primarily as the result of an inventory correction and strength in the dollar. Businesses have slowed the pace of inventory building following a period of rapid accumulation through the winter, resulting in weaker new orders and production. At the same time, the trade-weighted foreign exchange value of the dollar has increased 7 percent to 9 percent, depending on the measure, in the past year and half making domestically made manufactured goods more expensive and less competitive in overseas markets.

Among industries that are key employers in Ohio, production was mixed in May. Primary metal output decreased 1.9 percent, fabricated metals was little changed, machinery increased 1.1 percent, and motor vehicles and parts increased 2.4 percent. Compared with a year earlier, production increased 0.7 percent in primary metal, 1.9 percent in fabricated metals, 1.2 percent in machinery, and 6.0 percent in motor vehicles and parts

Purchasing managers in manufacturing reported less robust but still generally healthy conditions in June. The Purchasing Managers Index (PMI) decreased by 0.4 points to 51.7 – which was below the average of 56.8 during the previous twelve months but still sufficiently above the neutral level of 50 to indicate a degree of expansion in the sector. The pattern was mixed across sub-indexes with new orders falling 2.7 points to an even 50.0 and production rising 2.8 points to 54.1. Aside from prices, which fell from 53.2 to 47.9, and supplier deliveries, which fell from 52.0 to 50.7, other sub-indexes were relatively stable. Employment increased for the second consecutive month, reaching 54.5.



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

A source in the Transportation Equipment industry said, "Demand for the remainder of 2019 has softened significantly, due to issues in the aerospace industry," but the "2020 outlook is looking stronger." A contact in the Machinery industry reported that "A late planting season has caused a slowdown in our agricultural business. Seeing higher prices due to tariffs and tariff-related supply chain issues." A source in the fabricated metal products industry also mentioned concerns about tariffs.

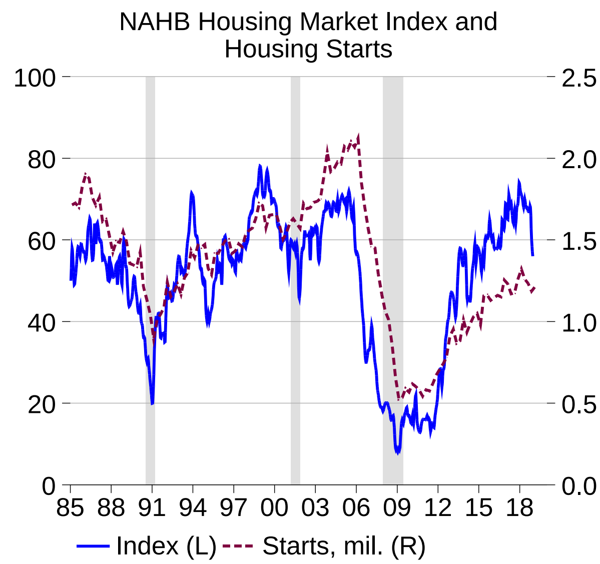
Construction

Construction put-in-place fell 0.8 percent in May, but the decline was partly offset by an upward revision to April from unchanged to an increase of 0.4 percent. Compared with a year ago, total construction put-in-place was lower by 2.3 percent, down from 6.0 percent as recently as August.

Private sector construction decreased 0.7 percent after an upwardly revised decline of 1.0 percent in the previous month and was down 6.3 percent from a year earlier. Within the private sector, weakness has been centered in residential, which has experienced declines in single-family and improvements recently and year-over-year. Private non-residential fell 0.9 percent in May after an upwardly revised decline of 1.4 percent the month before.

Public construction fell 0.9 percent after a downwardly revised increase of 4.5 percent the previous month, reflecting widespread weakness across sectors that was centered in highway and only partly offset by strength in transportation. Public construction was 10.8 percent higher than a year ago, up from just 2.7 percent year-over-year last December.

The **Housing Market Index** (HMI) from the National Association of Homebuilders (NAHB) took a small step backwards in June after improving for two months from the sharp drop during 2018. The index, which is based on assessments of current sales, expected sales in six months, and traffic of prospective buyers of new homes, remains 13.5 percent below the recent high in December 2017. The HMI for the Midwest increased in June but otherwise has followed a similar pattern and stands 22.4 percent below its December 2017 level. The downward trends in the indexes are sufficiently pronounced to warrant attention.



Source: National Association of Home Builders

Housing starts increased 3.3 percent on a three-month moving average basis after a 0.3 percent decline in April that was revised up from a 1.6 percent decline. The increase was powered by an 8.2 percent rise in multi-family in addition to a 1.1 percent increase in single-family. The increase in multi-family was the third in a string that more than reversed declines between December and February. Across the Midwest, starts inched higher while the previous month gain was revised down from 10.4 percent to 7.6 percent. A small increase in single-family was partly offset by a decline in multi-family, which followed a surge the month before.

Netting out the noisy month-to-month swings, starts across the country were down 3.1 percent in the twelve months ending May from the twelve months ending May 2018. Midwest starts were down 10.5 percent on the same basis. The more-forward-looking housing permits exhibited a similar pattern during the period.

In contrast, sales of both **New and Existing home sales** retreated in May on a three-month moving average basis following a string of increases. Sales of existing homes decreased 0.9 percent nationally and were down 3.5 percent from a year ago. Sales of existing homes in the midwest fell 1.4 percent from the previous month to 6.5 percent below their year ago level. Across the country, sales of newly built homes were down 2.1 percent after four monthly increases to 4.0 percent above a year earlier. In the Midwest, new sales rose 2.8 percent for the fifth monthly increase in a row and leaving sales only 2.0 percent above the year earlier level.

The substantial decline in **mortgage rates** since last fall is supporting housing activity, along with employment growth and rising worker compensation. Demographic trends are expected to provide some support to the market longer-term. Consumers surveyed by the Conference Board indicated increased plans to buy a home in the next six months.

An easing in the pace of home price increases might also provide a boost. **Home prices** posted their 86th straight monthly increase in April to 3.6 percent above the year earlier level – the lowest since a 3.1 percent increase in September 2012 – according to the Case-Shiller index. As recently as last April, prices were rising at a 6.5 percent year-over-year pace.

REVENUES

NOTE: *Effective January 1, 2019, Ohio employer withholding tax rates were reduced by 3.3 percent 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 resulted in a one-time reduction in personal income tax revenue during the January-June 2019 period. The net General Revenue Fund impact of this change was estimated to be $148.5 million. There was a loss in* fiscal year *2019 because the offsetting revenue gain caused by reduced calendar year 2019 income tax refunds will not occur until tax returns are filed in* fiscal year *2020. Effective with the February 2019 Monthly Financial Report, the* fiscal year *2019 tax revenue estimates were updated to reflect the anticipated revenue reduction caused by this change.*

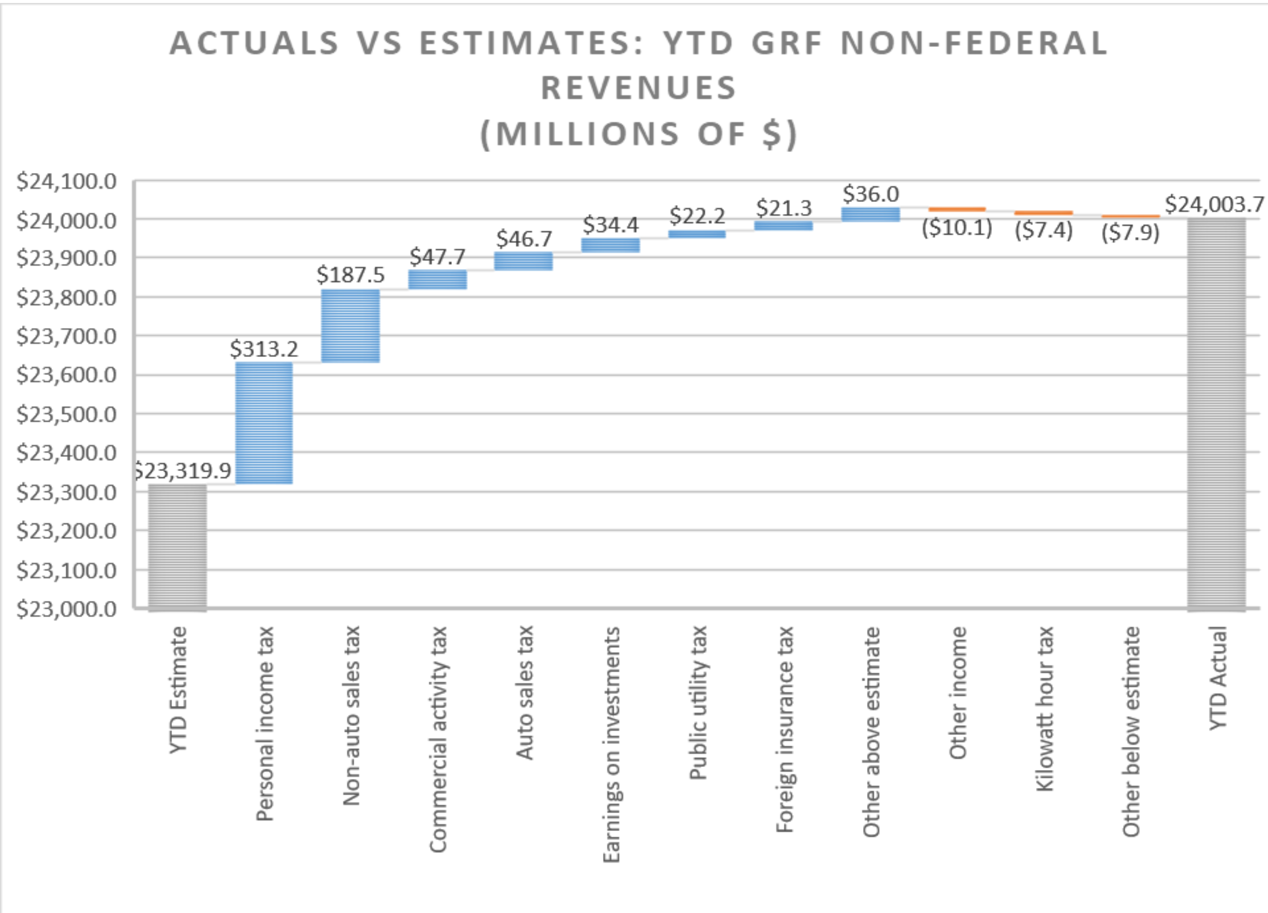
June GRF receipts totaled $3,246.1 million and were $231.8 million (7.7%) above estimate. This was primarily due to federal grants, which were $180.9 million (27.8%) above estimate due to larger than anticipated GRF Medicaid spending. Tax revenues were $34.3 million (1.6%) above estimate for the month, due to overages in non-auto sales tax, personal income tax, and commercial activity tax that were partially offset by auto sales tax and domestic insurance tax falling below estimate.

Tax revenues ended the fiscal year $651.1 million (2.9%) above estimate and non-federal revenues were $683.7 million (2.9%) above estimate. Federal grants were $476.2 million (4.7%) below estimate. The lower than anticipated amount of federal grants did not have negative budget implications for the GRF since it was driven by Medicaid GRF underspending of $537.8 million (3.4%).

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	$651.1	2.9%
Non-tax receipts	Federal grants, earnings on investments, licenses & fees, other income, intrastate transfers	($438.7)	-4.2%
Transfers	Budget stabilization, liquor transfers, capital reserve, other	($4.9)	-1.9%
TOTAL REVENUE VARIANCE:		**$207.6**	**0.6%**
Non-federal revenue variance		**$683.7**	**2.9%**
Federal grants variance		**($476.2)**	**-4.7%**

The non-auto sales tax had the largest overage for the month, at $17.4 million (2.2%). The duration of this source's strength throughout the year is demonstrated by the fact it exceeded estimate in nine months of fiscal year 2019. This overage was followed by the personal income tax, which exceeded estimate by $14.8 million (1.8%). Like the non-auto sales tax and the personal income tax, the commercial activity tax ended the fiscal year in a positive manner, exceeding estimate by $8.2 million (78.9%). Further discussion of all three sources is provided below.

The following chart displays the relative contributions of various revenue sources to the overall variation between actual and estimated revenues for fiscal year 2019.



On a year-over-year basis, the month's receipts were $192.7 million (6.3%) higher than in June of the previous fiscal year, however most of the month's growth was from the transfers-in category which grew by $106.9 million. The growth in transfers-in is attributable to a planned discretionary transfer of balances remaining in commercial activity tax funds (after making the year's required reimbursement payments to schools and local governments) which occurred this June but did not happen in June 2018. This increase was followed by growth from a variety of revenue sources, led by federal grants which increased by $48.3 million, and then by earnings on investments at $14.5 million, commercial activity tax at $7.7 million, foreign insurance tax at $7.6 million, domestic insurance tax at $6.8 million, and financial institutions tax at $6.3 million. Year-over-year declines were observed for the auto sales tax at $10.6 million, and for the cigarette and other tobacco products tax at $6.3 million.

In fiscal year 2019, non-federal revenues grew $1,002.3 million (4.4%) from the previous year and tax revenues increased by $1,066.4 million (4.8%). If one adjusts 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 $1,112.9 million (5.5%). All other non-federal revenue ended $64.1 million (11.1%), below last fiscal year. Finally, federal grants finished above the prior year, increasing by $294.0 million (3.1%).

The table below shows considerably more over-performers than under-performers for the month. Revenue sources exceeding estimate (an excess totaling $249.9 million) outweighed the size of underperforming revenue sources (a shortfall of $18.2 million), resulting in a $231.8 net increase from estimate.

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

Individual Revenue Sources Above Estimate		**Individual Revenue Sources Below Estimate**	
Federal grants	$180.9	Auto sales tax	($7.8)
Non-auto sales tax	$17.4	Domestic insurance tax	($6.1)
Personal income tax	$14.8	Kilowatt hour tax	($2.3)
Investment earnings	$12.1	Other sources below estimate	($1.9)
Commercial activity tax	$8.2		
Transfers In - other	$4.6		
Foreign insurance tax	$4.1		
Public utility tax	$4.0		
Other sources above estimate	$3.8		
Total above	**$249.9**	**Total below**	**($18.2)**

(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

June non-auto sales and use tax collections to the GRF totaled $794 million and were $17.4 million (2.2%) above estimate. June revenues exceeding estimate marks the ninth monthly overage of the fiscal year, with the number of overages exceeding underperformances by three to one. Non-auto sales tax revenue ended $187.5 million (2.1%) over the annual estimate, closing out fiscal year 2019 with an overall strong performance.

Key economic indicators that broadly influence sales taxes are trending upwards, supporting the strong revenue numbers for the month. Wage and salary income is a core component in the sales tax revenue picture. Steady, incremental growth in these measures is continuing unabated with a concentration in the business and professional service occupations. A closely related measure is personal income, which grew 0.5 percent in May from April. Retail demand is a primary factor that influences the non-auto sales tax driven in large part by the income measure mentioned previously. As reported by the Cleveland Federal Reserve in its most recent *Beige Book*, retail demand was strong for most of calendar year 2018 and has accelerated thus far into calendar year 2019. Barring adverse impacts on prices and commerce from international trade conditions, consumer driven economic activity is expected to maintain modest growth.

Year-over-year growth in non-auto sales tax revenue was $2.6 million (0.3%) compared to June of last year. After adjusting for the impact of the repealed sales tax on Medicaid Health Insuring Corporations (MHICs), whole-year growth in fiscal year 2019 was 5.0 percent; without the MHIC adjustment, growth was 4.2 percent. As stated in previous reports this fiscal year, monthly comparisons no longer require adjustment related to MHICs, but the final fiscal year 2019 comparison is adjusted since MHIC revenues were collected in July of fiscal year 2018, skewing that annual data.

Monthly and fiscal year 2019 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 – FY19 Through May
($ in millions)

	Jun-18	Jun-19	FY 18 YTD	FY 19 YTD
Non-auto sales tax GRF	$791.3	$793.9	$8,707.6	$9,071.7
Non-auto sales tax PLF (Library Fund)	$18.1	$18.8	$194.8	$203.9
Non-auto sales tax, all funds	$809.4	$812.8	$8,902.4	$9,275.6
MHIC revenues (state)	$0.0	$0.0	$71.7*	$0.0
GRF and PLF revenues without MHIC	$809.4	$812.8	$8,830.7	$9,275.6
Change from prior year in non-MHIC collections		$3.3		$444.9
Percent change from prior year in non-MHIC collections		0.4%		5.0%

*July 2017 (fiscal year 2018) 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 around 5 percent over the previous twelve months.

The overall improvement in non-auto sales tax revenue growth during the first half of fiscal year 2019 generally coincided with the reduction in federal income tax withholding rates due to the passage of the federal Tax Cuts and Jobs Act (TCJA). There was a hypothesis that starting in calendar year 2019, monthly growth rates on a year-over-year basis would shrink as the comparative boon to incomes from the tax cuts would be lost. Outside of a weak February, this theory has not borne out and robust non-auto sales tax revenues in the latter half of fiscal year 2019 are even more noteworthy.

Auto Sales Tax

June auto sales tax revenues were $117.8 million and were $7.8 million (6.2%) below estimate. June marks only the second month for the fiscal year that the auto sales tax has fallen short of estimate. February saw a slight underage and is typically one of the worst performing months of the year for the auto sales tax. June's underage was somewhat unexpected, but the total amount of the underage is completely offset by overall growth for the fiscal year, which totaled $46.7 million (3.2%) above the annual estimate.

Auto sales nationally were down 2.6 percent in June year-over-year, continuing the trend seen each month so far in 2019. The 1.51 million units sold lowered the seasonally adjusted annual rate (SAAR) to 17.3 million total cars sold. This rate is down from 17.4 in May. A SAAR above 17 million is still considered healthy by auto industry analysts. A high number of days with adverse weather, as well as one less sales day due to the calendar, likely contributed to the dip in sales and tax revenues.

Auto sales tax revenues for the entire fiscal year finished strong, up 4.2 percent compared to fiscal year 2018. As of May 2019, Edmunds has the average transaction price for new vehicles over $36,000. This high price contributed to the strong yearly performance for auto sales tax revenue even as unit sales are down on an annual basis. The composition of sales bolsters auto sales tax growth. Light trucks have comprised the bulk of auto sales for some time, currently around 72 percent, and they carry a nearly 50 percent higher average retail price than cars contributing the high average transaction price mentioned previously. Pickup trucks alone are now comprising approximately 20 percent of new auto sales nationally.

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

Personal Income Tax

June GRF personal income tax receipts totaled $834.2 million and were $14.8 million (1.8%) above estimate. On a year-over-year basis, June income tax collections were $5.2 million (0.6%) above June 2018 collections. Collections for the year were $313.2 million (3.6%) above estimate and were $499.2 million (5.9%) above the previous year. Adjusting for the $151 million in lost withholding collections in January through June due to the rate cut, collections growth would be 7.7 percent.

Withholding tax payments slightly underperformed relative to estimate in June with actual collections coming in $1.0 million (0.1%) below estimate. Compared to last June, withholding declined by $10.2 million (1.4%). This is likely because June of 2019 had one less pay-in day and because withholding tax rates are 3.3 percent lower than last year (the rates were reduced beginning in January 2019). Withholding ended the year $143.5 million (1.6%) above estimate and grew 4.2 percent over the prior year. Adjusted for the withholding rates cut, withholding growth for the year was 6.0 percent.

Annual return tax due payments in June were $2.7 million (32.2%) above estimate and were $2.7 million (31.9%) above June 2018. This outcome is likely a continuing sign of the strength of this filing season which was evident with the April payments and was discussed in the May edition of this report. The positive outcome in June appears to be a residual effect of the strong outcome of the April and, to a lesser extent, May tax payments.

The trust payment category fell below estimate by $0.1 million (1.2%) in June. For the filing season, however, this category exceeded estimate: combined April-June receipts outperformed estimate by

$16.1 million (36.3%). For the entire fiscal year, trust tax payments exceeded estimate by $19.3 million (25.5%).

June is the month during which the second quarter estimated payments are due and therefore constitutes a significant month for such payments. Estimated payments in June exceeded estimate by $22.0 million (12.9%). This may be another positive sign for calendar year 2019 non-wage income (building on good estimated payment performance in April), which OBM will further review when the next quarterly payments come due in September. Performance for the entire fiscal year ended below estimate by $126.4 million (12.5%) but this was driven by behavioral dynamics that were extensively discussed in the January, February, and May editions of this report.

Other tax payments were below estimate by $1.7 million (19.4%) in June and ended the year $5.7 million (5.9%) short of estimate.

Finally, refund activity in June was larger than estimate, as it has been throughout the filing season: June refunds exceeded estimate by $5.7 million (14.1%). For the filing season (January through June), refunds were $97.8 million (6.2%) above estimate. For the entire fiscal year, refunds exceeded estimate by $104.9 million (5.4%) and grew $117.9 million (6.2%) from the preceding year.

FY 2019 PERSONAL INCOME TAX RECEIPTS BY COMPONENT
($ in millions)

	Actual June	Estimate June	$ Var	Actual Jun-2019	Actual Jun-2018	$ Var Y-0ver-Y
Withholding	$695.6	$696.6	($1.0)	$695.6	$705.8	($10.2)
Quarterly Est.	$192.8	$170.8	$22.0	$192.8	$170.8	$22.0
Annual Returns & 40 P	$11.1	$8.4	$2.7	$11.1	$8.4	$2.7
Trust Payments	$10.7	$10.8	($0.1)	$10.7	$10.8	($0.1)
Other	$7.2	$8.9	($1.7)	$7.2	$9.0	($1.8)
Less: Refunds	($45.9)	($40.2)	($5.7)	($45.9)	($40.0)	($5.9)
Local Distr.	($37.2)	($35.9)	($1.3)	($37.2)	($35.8)	($1.4)
Net to GRF	$834.2	$819.4	$14.8	$834.2	$829.0	$5.2

(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)

June is not a particularly significant month for CAT revenues because it follows the quarterly due date. However, this June was notable for revenue, finishing $8.2 million (78.9%) above estimate. This outcome was sufficiently robust to turn what had been rather modest to-date quarterly performance into a result similar to the preceding quarter. As a result, combined April through June CAT revenue finished $17.5 million (4.2%) above estimate. This now makes three successive quarters in which CAT revenue finished above estimate. For the entire fiscal year, CAT revenue ended above estimate by $47.7 million (3.0%). On a year-over-year basis, CAT revenues grew $7.7 million (70.9%) in June. For the year, this source ended $106.7 million (7.0%) above fiscal year 2018.

Kilowatt Hour Tax (KWH)

Other than the domestic insurance tax, the KWH tax is the only tax source that did not exceed estimate in fiscal year 2019, falling short by $7.4 million (2.1%) for the year. Its $2.3 million (10.6%) June shortfall was not as large as the previous month but was similar in magnitude to shortfalls in September and February. This source did not reach estimate during six months of the fiscal year and June appears to mark another month in which underlying electric consumption was lower than expected. This source grew by a modest $1.3 million (0.4%) in fiscal year 2019 relative to the prior year.

GRF Non-Tax Receipts

GRF non-tax revenues in June totaled $867.1 million and were $192.9 million (28.6%) above estimate. This variance was primarily attributable to Federal grants, which were above estimate by $180.9 million (27.8%) due to higher than anticipated expenditures in the GRF Medicaid category. For fiscal year 2019, federal Medicaid revenues were $86.4 million (0.9%) less than fiscal year 2019 GRF spending for Medicaid federal share. For the year, federal grants were $476.2 million (4.7%) below estimate.

Revenues from earnings on investments were $12.1 million (60.5%) above estimate for the month due to higher than estimated interest earnings for the April-June quarter. Total fiscal year 2019 revenues in this category were $34.4 million (42.9%) above estimate.

Revenues from ISTVs were also $6.9 million (73.0%) above estimate for the year due to higher than estimated Statewide Indirect Cost Allocation payments.

Revenues in the Other Income category were $10.0 million (12.4%) below estimate, primarily due to JobsOhio deferred compensation payments from liquor profits, which were $5.2 million (12.3%) less than the planned total of $42.0 million. The remainder of the variance was due to lower than estimated revenues from various refunds and reimbursements.

For the year, transfers into the GRF were $4.9 million (1.9%) below estimate due to lower than estimated transfers from state dedicated purpose funds (DPFs). On a year-over-year basis, June transfers in were $106.9 million (193.2%) higher than in June of fiscal year 2018 because of a transfer of commercial activity tax (CAT) revenues to the GRF, which was based on revenues in excess of the amount needed to pay for reimbursements to school and local governments for personal property tax revenues no longer collected. As noted in the July 2018 report, a similar transfer was planned for fiscal year 2018 but was not executed.

Preliminary
7/2/2019

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

	MONTH				YEAR-TO-DATE			
REVENUE SOURCE	**ACTUAL JUNE**	**ESTIMATE JUNE**	**$ VAR**	**% VAR**	**ACTUAL Y-T-D**	**ESTIMATE Y-T-D**	**$ VAR**	**% VAR**
TAX RECEIPTS								
Non-Auto Sales & Use	793,941	776,500	17,441	2.2%	9,071,740	8,884,200	187,540	2.1%
Auto Sales & Use	117,773	125,600	(7,827)	-6.2%	1,501,684	1,455,000	46,684	3.2%
Subtotal Sales & Use	911,714	902,100	9,614	1.1%	10,573,424	10,339,200	234,224	2.3%
Personal Income	834,199	819,400	14,799	1.8%	8,910,214	8,597,000	313,214	3.6%
Corporate Franchise	500	0	500	N/A	2,074	0	2,074	N/A
Financial Institutions Tax	23,573	23,200	373	1.6%	202,443	201,000	1,443	0.7%
Commercial Activity Tax	18,601	10,400	8,201	78.9%	1,629,544	1,581,800	47,744	3.0%
Petroleum Activity Tax	3,208	1,400	1,808	129.1%	11,608	6,000	5,608	93.5%
Public Utility	4,930	900	4,030	447.8%	143,161	121,000	22,161	18.3%
Kilowatt Hour	19,902	22,200	(2,298)	-10.4%	343,635	351,000	(7,365)	-2.1%
Natural Gas Distribution	0	0	0	N/A	75,902	66,500	9,402	14.1%
Foreign Insurance	(7,852)	(12,000)	4,148	34.6%	296,342	275,000	21,342	7.8%
Domestic Insurance	260,770	266,900	(6,130)	-2.3%	276,048	279,000	(2,952)	-1.1%
Other Business & Property	309	0	309	N/A	309	0	309	N/A
Cigarette and Other Tobacco	137,183	138,700	(1,517)	-1.1%	918,179	917,000	1,179	0.1%
Alcoholic Beverage	5,261	5,100	161	3.2%	56,250	55,000	1,250	2.3%
Liquor Gallonage	4,569	4,300	269	6.3%	50,342	49,000	1,342	2.7%
Estate	37	0	37	N/A	154	0	154	N/A
Total Tax Receipts	2,216,906	2,182,600	34,306	1.6%	23,489,630	22,838,500	651,130	2.9%
NON-TAX RECEIPTS								
Federal Grants	831,661	650,741	180,920	27.8%	9,763,899	10,240,063	(476,164)	-4.7%
Earnings on Investments	32,093	19,994	12,099	60.5%	114,360	80,000	34,360	42.9%
License & Fees	833	537	296	55.1%	64,192	57,917	6,275	10.8%
Other Income	2,469	2,884	(415)	-14.4%	71,165	81,224	(10,059)	-12.4%
ISTV'S	0	0	0	N/A	16,439	9,500	6,939	73.0%
Total Non-Tax Receipts	867,055	674,155	192,900	28.6%	10,030,055	10,468,705	(438,649)	-4.2%
TOTAL REVENUES	**3,083,961**	**2,856,755**	**227,206**	**8.0%**	**33,519,685**	**33,307,205**	**212,481**	**0.6%**
TRANSFERS								
Budget Stabilization	0	0	0	N/A	0	0	0	N/A
Transfers In - Other	162,151	157,600	4,551	2.9%	247,888	252,790	(4,902)	-1.9%
Temporary Transfers In	0	0	0	N/A	0	0	0	N/A
Total Transfers	162,151	157,600	4,551	2.9%	247,888	252,790	(4,902)	-1.9%
TOTAL SOURCES	**3,246,112**	**3,014,355**	**231,757**	**7.7%**	**33,767,573**	**33,559,995**	**207,578**	**0.6%**

Preliminary
7/2/2019

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

REVENUE SOURCE	MONTH JUNE FY 2019	MONTH JUNE FY 2018	MONTH $ VAR	MONTH % VAR	YEAR-TO-DATE ACTUAL FY 2019	YEAR-TO-DATE ACTUAL FY 2018	YEAR-TO-DATE $ VAR	YEAR-TO-DATE % VAR
TAX RECEIPTS								
Non-Auto Sales & Use	793,941	791,324	2,617	0.3%	9,071,740	8,707,648	364,092	4.2%
Auto Sales & Use	117,773	128,340	(10,567)	-8.2%	1,501,684	1,440,526	61,158	4.2%
Subtotal Sales & Use	911,714	919,664	(7,950)	-0.9%	10,573,424	10,148,174	425,250	4.2%
Personal Income	834,199	828,975	5,225	0.6%	8,910,214	8,411,020	499,194	5.9%
Corporate Franchise	500	169	331	195.1%	2,074	2,185	(111)	-5.1%
Financial Institutions Tax	23,573	17,221	6,352	36.9%	202,443	201,067	1,376	0.7%
Commercial Activity Tax	18,601	10,885	7,716	70.9%	1,629,544	1,522,817	106,727	7.0%
Petroleum Activity Tax	3,208	2,402	806	33.5%	11,608	7,844	3,764	48.0%
Public Utility	4,930	110	4,820	4377.7%	143,161	119,242	23,918	20.1%
Kilowatt Hour	19,902	22,296	(2,394)	-10.7%	343,635	342,353	1,282	0.4%
Natural Gas Distribution	0	2	(2)	N/A	75,902	69,551	6,352	9.1%
Foreign Insurance	(7,852)	(15,451)	7,598	49.2%	296,342	276,522	19,821	7.2%
Domestic Insurance	260,770	254,000	6,771	2.7%	276,048	278,449	(2,401)	-0.9%
Other Business & Property	309	480	(171)	-35.6%	309	217	92	42.3%
Cigarette and Other Tobacco	137,183	143,459	(6,276)	-4.4%	918,179	939,757	(21,578)	-2.3%
Alcoholic Beverage	5,261	5,469	(208)	-3.8%	56,250	55,673	577	1.0%
Liquor Gallonage	4,569	4,314	255	5.9%	50,342	48,139	2,203	4.6%
Estate	37	67	(31)	-45.6%	154	213	(59)	-27.6%
Total Tax Receipts	2,216,906	2,194,064	22,841	1.0%	23,489,630	22,423,223	1,066,407	4.8%
NON-TAX RECEIPTS								
Federal Grants	831,661	783,354	48,307	6.2%	9,763,899	9,469,932	293,967	3.1%
Earnings on Investments	32,093	17,560	14,532	82.8%	114,360	64,218	50,141	78.1%
License & Fee	833	736	97	13.2%	64,192	59,200	4,992	8.4%
Other Income	2,469	2,421	48	2.0%	71,165	250,388	(179,222)	-71.6%
ISTV'S	0	0	0	N/A	16,439	15,683	756	4.8%
Total Non-Tax Receipts	867,055	804,070	62,985	7.8%	10,030,055	9,859,421	170,635	1.7%
TOTAL REVENUES	**3,083,961**	**2,998,135**	**85,826**	**2.9%**	**33,519,685**	**32,282,644**	**1,237,042**	**3.8%**
TRANSFERS								
Budget Stabilization	0	0	0	N/A	0	0	0	N/A
Transfers In - Other	162,151	55,297	106,855	193.2%	247,888	188,623	59,265	31.4%
Temporary Transfers In	0	0	0	N/A	0	0	0	N/A
Total Transfers	162,151	55,297	106,855	193.2%	247,888	188,623	59,265	31.4%
TOTAL SOURCES	**3,246,112**	**3,053,431**	**192,680**	**6.3%**	**33,767,573**	**32,471,267**	**1,296,306**	**4.0%**

DISBURSEMENTS

NOTE: *Because of the state's biweekly pay schedule, each fiscal year has an extra day (two in a leap year) beyond the 26 pay periods of 14 days each. The accumulation of these days year after year results in one extra pay period (the 27th pay period) in a fiscal year every ten years or so. The fiscal year 2020-2021 transportation budget (Am. Sub. H.B. 62, Sect. 509.30) authorized the Director of Budget and Management flexibility to process the 27th pay period in fiscal year 2019. Therefore, funds for the 27th pay period are encumbered against fiscal year 2019 but will be disbursed in fiscal year 2020.*

June GRF disbursements, across all uses, totaled $2,377.9 million and were $305.5 million (14.7%) above estimate. This variance was primarily attributable to the above estimate disbursements in the Medicaid category and was partially offset by below estimate expenditures in the Primary and Secondary Education category. On a year-over-year basis, June total uses were $216.9 million (10.0%) higher than those of the same month in the previous fiscal year, with a large increase in the Medicaid category largely responsible for the difference. Fiscal year 2019 variances from the estimate by category are provided in the table below.

Category	**Description**	**YTD Variance**	**% Variance**
Expenditures and transfers between agencies (ISTVs)	State agency operations, subsidies, tax relief, debt service payments, and pending payroll (if applicable)	($591.3)	-1.8%
Transfers	Temporary or permanent transfers out of the GRF that are not agency expenditures	$11.8	1.5%
TOTAL DISBURSEMENTS VARIANCE:		**($579.6)**	**-1.7%**

While fiscal year 2019 disbursements were $579.6 million (1.7%) below estimate, it is important to note that disbursements reflect spending that occurred within the fiscal year. In addition to disbursements, agencies are also permitted to encumber resources for obligations incurred in fiscal year 2019 for which spending will occur within the first few months of fiscal year 2020. Actual fiscal year 2019 encumbrances were $314.1 million versus an estimate of $321.9 million. While these encumbrances are not reflected in the disbursements, resources must be reserved for the actual payment of these obligations in the future.

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. June disbursements for this category totaled $625.8 million and were $5.9 million (0.9%) below estimate. This variance was primarily attributable to spending below estimate in the Foundation Funding line item, which totaled $530.3 million and was $16.6 million (3.0%) below estimate. Disbursements in the Foundation Funding line item were below estimate as data updates and payment reconciliation offset overspending in prior months. This variance was partially offset by disbursements above estimate in the Early Childhood Education line item, which was $4.1 million (117.0%) above estimate, and the Special Education Enhancements line item, which was $3.3 million (40.6%) above estimate. This overspending was due to timing of payments and offset underspending in previous months. Expenditures for the school foundation program totaled $584.0 million and were $14.9 million (2.5%) below estimate.

On a year-over-year basis, disbursements in this category were $31.1 million (5.2%) higher than for the same month in the previous fiscal year. Actual fiscal year 2019 disbursements were $8,143.7 million, which was $10.3 million (0.1%) above estimate and $149.9 million (1.9%) higher than fiscal year 2018 disbursements.

Fiscal year 2019 obligations (defined as disbursements plus encumbrances plus 27th pay period throughout this section of the report) totaled $8,212.0 million and were $4.5 million (0.1%) below the estimate. The fiscal year 2019 obligations total reflects encumbrances of $67.2 million made by the Department of Education for payments that will be made against fiscal year 2019 funds in fiscal year 2020.

Higher Education

June disbursements for the Higher Education category, which includes non-debt service GRF spending by the Department of Higher Education, totaled $180.2 million and were $0.4 million (0.2%) above the estimate for the month. This variance was primarily attributable to the National Guard Scholarship and Choose Ohio First Scholarship programs above monthly by a total of $1.0 million because of higher than expected requests for reimbursement from higher education institutions. This variance was partially offset by spending in the Ohio College Opportunity Grant Program that was below monthly estimates by $0.6 million as a result of lower than expected requests for reimbursement from higher education institutions.

Fiscal year 2019 disbursements were $2,292.6 million, which was $11.3 million (0.5%) below estimate. On a year-over-year basis, disbursements in this category were $0.5 million (0.3%) higher than for the same month in the previous fiscal year while fiscal year 2019 expenditures were $12.2 million (0.5%) lower than at the same point in fiscal year 2018.

Fiscal year 2019 obligations for the category totaled $2,326.6 million and were $6.4 million (0.3%) below estimate. The fiscal year 2019 obligations total reflects encumbrances of $33.8 million made by the Department of Higher Education for payments that will be made against fiscal year 2019 funds in fiscal year 2020.

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.

June disbursements in this category totaled $3.4 million and were $0.4 million (14.2%) above estimate. Fiscal year 2019 disbursements were $70.7 million, which was $0.2 million (0.3%) below estimate. On a year-over-year basis, disbursements in this category were $0.4 million (9.9%) lower than for the same month in the previous fiscal year while fiscal year 2019 expenditures were $0.9 million (1.3%) higher than at the same point in fiscal year 2018.

Fiscal year 2019 obligations for the category totaled $81.3 million and were $0.7 million (0.9%) above estimate. The fiscal year 2019 obligations total reflects encumbrances of $9.3 million made by agencies within the category for payments that will be made against fiscal year 2019 funds in fiscal year 2020.

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>
June GRF disbursements for the Medicaid Program totaled $1,206.7 million and were $255.8 million (26.9%) above estimate and $67.9 million (6.0%) above disbursements for the same month in the previous fiscal year. The monthly variance was primarily attributable to a greater than anticipated end of year cost reconciliation in the managed care program and higher than expected administrative expenses, particularly for IT related costs and contractual services.

Fiscal year 2019 GRF disbursements totaled $15,052.8 million and were $537.8 million (3.4%) below estimate and $570.3 million (3.9%) above fiscal year 2018 disbursements. The total yearly variance was primarily attributable to declining enrollment in 11 of the 12 months of fiscal year 2019 and 23 of the last 24 months in total, which caused below estimate spending in the fee-for-service, managed care, and premium assistance programs (enrollment is discussed in more detail below). In addition to declining enrollment, the variance was attributable to lower-than-budgeted capitation rates, which became effective in January.

The June all-funds disbursements for the Medicaid Program totaled $2,270.6 million and were $64.7 million (2.9%) above estimate and $250.1 million (12.4%) above disbursements for the same month in the previous fiscal year. The June all-funds variance was primarily attributable to the managed care cost reconciliation mentioned above and was largely offset on an all-funds basis by underspending in non-GRF resources due to the timing and use of these non-GRF funds in the program.

Fiscal year 2019 all-funds disbursements totaled $26,764.0 million and were $1,571.1 million (5.5%) below estimate and $421.4 million (1.6%) above fiscal year 2018. The fiscal year 2019 all-funds variance was primarily attributable to declining enrollment and lower-than-budgeted capitation rates as mentioned above. In addition to declining enrollment, there was underspending in the fee-for-service program due to delayed payment of several administrative-related payments for the Department of Developmental Disability; these amounts were mostly encumbered and will be expended in fiscal year 2020 while still using fiscal year 2019 appropriation.

Including encumbrances, fiscal year 2019 all funds obligations totaled $27,215.1 million and were $1,579.8 million below estimate. The fiscal year 2019 all funds obligations total reflects encumbrances of $451.1 million made by the Department of Medicaid and other Medicaid agencies for payments that will be made against fiscal year 2019 funds in fiscal year 2020.

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

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

	June Actual	June Projection	Variance	Variance %
GRF	$1,206.7	$950.9	$255.8	26.9%
Non-GRF	$1,036.9	$1,254.9	$(191.1)	-15.2%
All Funds	$2,169.4	$2,127.7	$64.7	2.9%

<u>Enrollment</u>
Total June enrollment for the program was 2.83 million, which was 135,725 (4.5%) below estimate and 98,557 (3.4%) below enrollment for the same period last fiscal year. June enrollment by major eligibility category was as follows: Covered Families and Children, 1.60 million; Aged, Blind and Disabled (ABD), 486,318; Group VIII Expansion, 612,014; and Other Full Benefits, 12,467 persons.

Fiscal year 2019 average monthly enrollment was 2.87 million and was 114,320 (3.8%) below estimate. Total enrollment declined in 11 out of the 12 months of fiscal year 2019 and in 23 of the last 24 months in total.

The average monthly enrollment by major eligibility category was as follows: Covered Families and Children, 1.62 million (1.8% below estimate); Aged, Blind, and Disabled (ABD), 486,446 (2.9% below estimate); Group VIII Expansion, 628,134 (7.0% below estimate); and Other Full Benefits, 12,999 (37.4% below estimate).

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.

June disbursements in this category totaled $55.1 million and were $9.4 million (20.5%) above estimate. Total fiscal year 2019 disbursements were $1,272.0 million, which was $41.8 million (3.2%) below estimate. On a year-over-year basis, disbursements in this category were $1.3 million (2.5%) higher than for the same month in the previous fiscal year while fiscal year 2019 expenditures were $20.2 million (1.6%) higher than at the same point in fiscal year 2018.

Fiscal year 2019 obligations for the category totaled $1,352.0 million and were $5.3 million (0.4%) below estimate. The fiscal year 2019 obligations total reflects encumbrances of $67.6 million made by agencies within the category for payments that will be made against fiscal year 2019 funds in fiscal year 2020.

Department of Aging

Fiscal year 2019 obligations totaled $14.3 million and were $0.1 million (1.0%) above estimate. The fiscal year 2019 obligations total reflects encumbrances of $2.7 million made by the Department of Aging for payments that will be made against fiscal year 2019 funds in fiscal year 2020.

Department of Developmental Disabilities

Fiscal year 2019 obligations totaled $69.9 million and were $81,000 (0.1%) above estimate. The fiscal year 2019 obligations total reflects encumbrances of $0.8 million made by the Department of Developmental Disabilities for payments that will be made against fiscal year 2019 funds in fiscal year 2020.

Department of Health

Fiscal year 2019 obligations totaled $84.9 million and were just $10,000 above estimate. The fiscal year 2019 obligations total reflects encumbrances of $11.0 million made by the Department of Health for payments that will be made against fiscal year 2019 fund in fiscal year 2020.

Department of Job and Family Services

June disbursements for the Department of Job and Family Services totaled $27.7 million and were $1.9 million (7.4%) above estimate. This variance was primarily attributable to the TANF State/Maintenance of Effort line item, which was approximately $8.9 million above the estimate because all remaining appropriations were used to ensure the state met the federal TANF maintenance of effort requirement. Additionally, the Child, Family, and Adult Community Protection line item was approximately $1.1 million over the estimate due to higher than expected subsidy payments to counties. These variances were partially offset by the Early Care and Education line item, which was approximately $5.8 million below estimate due to a change in the childcare disbursement schedule to ensure the state met the federal TANF maintenance of effort requirement.

Fiscal year 2019 obligations totaled $714.6 million and were $18.0 million (2.5%) below estimate. The fiscal year 2019 obligations total reflects encumbrances of $42.6 million made by the Department of Job and Family Services for payments that will be made against fiscal year 2019 funds in fiscal year 2020.

Department of Mental Health and Addiction Services

June disbursements for the Department of Mental Health and Addiction Services totaled $18.0 million and were $6.9 million (61.4%) above estimate. This variance was primarily attributable to the Hospital Services line item, which was $4.7 million above estimate as the agency used a different blend of GRF and non-GRF resources throughout the fiscal year, allowing for more GRF use in June. This variance was partially offset by the Addiction Services Partnership with Corrections line item, which was $1.3 million below estimate due to larger than estimated year-end encumbrances, which will use fiscal year 2019 funds, but will disburse in fiscal year 2020.

Fiscal year 2019 obligations totaled $414.5 million and were $11.4 million (2.8%) above estimate. The fiscal year 2019 obligations total reflects encumbrances of $8.9 million made by the Department of Mental Health and Addiction Services for payments that will be made against in fiscal year 2019 funds in fiscal year 2020.

Department of Veteran Services
Fiscal year 2019 obligations totaled $31.5 million and were $1.1 million (3.7%) above estimate. The fiscal year 2019 obligations total reflects encumbrances of $0.5 million made by the Department of Veterans Services for payments that will be made against fiscal year 2019 funds in fiscal year 2020.

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.

June disbursements in this category totaled $160.9 million and were $9.4 million (6.2%) above estimate. Total fiscal year 2019 disbursements were $2,222.5 million, which was $7.8 million (0.4%) above estimate. On a year-over-year basis, disbursements in this category were $16.4 million (11.4%) higher than for the same month in the previous fiscal year while Total fiscal year 2019 expenditures were $92.1 million (4.3%) higher than at the same point in fiscal year 2018.

Fiscal year 2019 obligations for the category totaled $2,309.4 million and were $50.3 million (2.2%) above estimate. The fiscal year 2019 obligations total reflects encumbrances of $36.9 million made by agencies within the category for payments that will be made against fiscal year 2019 funds in fiscal year 2020.

Adjutant General's Department
Fiscal year 2019 obligations totaled $9.1 million and were $65,000 (0.7%) above estimate. The fiscal year 2019 obligations total reflects encumbrances of $0.4 million made by the Adjutant General's Department for payments that will be made against fiscal year 2019 appropriations in fiscal year 2020.

Department of Rehabilitation and Correction
June disbursements for the Department of Rehabilitation and Correction totaled $122.5 million and were $10.0 million (8.9%) above estimate. This variance was primarily attributable to variances in several line items. The Institutional Operations line item was $5.0 million above estimate and the Institution Medical Services line item was $4.0 million above estimate both due to due increased spending during the last month of the fiscal year.

Fiscal year 2019 obligations totaled $1,786.0 million and were $50.9 million (2.9%) above estimate. The fiscal year 2019 obligations total reflects encumbrances of $28.7 million made by the Department of Rehabilitation and Correction for payments that will be made against fiscal year 2019 funds in fiscal year 2020.

Department of Public Safety
Fiscal year 2019 obligations totaled $23.2 million and were $4.8 million (17.2%) below estimate. The fiscal year 2019 obligations total reflects encumbrances of $1.0 million made by the Department of Public Safety for payments that will be made against fiscal year 2019 appropriations in fiscal year 2020.

Department of Youth Services
Fiscal year 2019 obligations totaled $206.2 million and were $3.7 million (1.8%) above estimate. The fiscal year 2019 obligations total reflects encumbrances of $4.8 million made by the Department of Youth Services for payments that will be made against fiscal year 2019 funds in fiscal year 2020.

Public Defender Commission
June disbursements for the Public Defender Commission totaled $1.6 million and were $1.4 million (737.5%) above estimate. This variance was attributable to the timing of disbursements of $2.5 million in the County Reimbursement line item, which were estimated to occur in April but were partially disbursed in May, and the remainder was disbursed in June.

Fiscal year 2019 obligations totaled $38.0 million and were $50,000 (0.1%) above estimate. The fiscal year 2019 obligations total reflects encumbrances of $0.2 million made by the Public Defender Commission for payments that will be made against fiscal 2019 funds in fiscal year 2020.

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.

June disbursements in this category totaled $24.9 million and were $4.2 million (14.3%) below estimate. Total fiscal year 2019 disbursements were $391.3 million, which was $2.5 million (0.6%) below estimate. On a year-over-year basis, disbursements in this category were $3.7 million (17.4%) higher than for the same month in the previous fiscal year while total fiscal year 2019 expenditures were $43.4 million (12.5%) higher than at the same point in fiscal year 2018.

Including encumbrances, fiscal year 2019 obligations for the category totaled $442.4 million and were $5.9 million (1.3%) below estimate. The fiscal year 2019 obligations total reflects encumbrances of $43.0 million made by agencies within the category for payments that will be made against fiscal year 2019 funds in fiscal year 2020.

Department of Administrative Services
June disbursements for the Department of Administrative Services totaled $2.1 million and were $0.9 million (80.3%) above estimate. This variance was attributable to the State Agency Support Services line item, which was above estimate due to the timing of billing for third-quarter rent. These expenses were recorded in the months of May and June rather than April as originally planned.

Fiscal year 2019 obligations totaled $32.0 million and were $0.4 million (1.2%) below estimate. The fiscal year 2019 obligations total reflects encumbrances of $6.0 million made by the Department of Administrative Services for payments that will be made against fiscal 2019 funds in fiscal year 2020.

Department of Agriculture
June disbursements for the Department of Agriculture totaled $1.8 million and were $2.8 million (60.7%) below estimates. This variance was primarily attributable to the Soil and Water Phosphorous Program line item, which was $2.5 million below estimate due delays in implementation of the program. The program was estimated to begin in January, but implementation occurred in April. As

program implementation was delayed, the payment schedule to Soil and Water Conversation Districts was altered causing this, and other, monthly variances.

Fiscal year 2019 obligations totaled $48.7 million and were $0.7 million (1.5%) above estimate. The fiscal year 2019 obligations total reflects encumbrances of $2.8 million made by the Department of Agriculture for payments that will be made against fiscal 2019 funds in fiscal year 2020.

Development Services Agency

Fiscal year 2019 obligations totaled $49.5 million and were $0.1 million (0.3%) below estimate. The fiscal year 2019 obligations total reflects encumbrances of $17.7 million made by the Development Services Agency for payments that will be made against fiscal 2019 funds in fiscal year 2020.

Department of Natural Resources

Fiscal year 2019 obligations totaled $49.0 million and were $2.3 million (5.0%) above estimate. The fiscal year 2019 obligations total reflects encumbrances of $1.1 million made by the Department of Natural Resources for payments that will be made against fiscal year 2019 funds in 2020.

Department of Transportation

Fiscal year 2019 obligations totaled $24.9 million and were $53,000 (0.2%) below estimate. The fiscal year 2019 obligations total reflects encumbrances of $11.3 million made by the Department of Transportation for payments that will be made against fiscal year 2019 funds in 2020.

Department of Taxation

June disbursements for the Department of Taxation totaled $4.6 million and were $1.6 million (25.4%) below the estimate. This variance in the Operating Expense line item is primarily attributable to delayed contracting and implementation of select information technology projects. Office rental costs were also charged in April rather than on a monthly basis as originally thought for fiscal year 2019, reducing monthly expenditure.

Fiscal year 2019 obligations totaled $66.7 million and were $4.8 million (6.7%) below estimate. The fiscal year 2019 obligations total reflects encumbrances of $2.3 million made by the Department of Taxation for payments that will be made against fiscal year 2019 funds in 2020.

Environmental Protection Agency

Fiscal year 2019 obligations totaled $9.7 million and were at estimate. The fiscal year 2019 obligations total reflects encumbrances of $0.7 million made by the Environmental Protection Agency for payments that will be made against fiscal year 2019 funds in fiscal year 2020.

Office of Budget and Management

Fiscal year 2019 obligations totaled $4.5 million and were $0.3 million (6.5%) below estimate. The fiscal year 2019 obligations total reflects encumbrances of $94,000 made by the Office of Budget and Management for payments that will be made against fiscal year 2019 funds in 2020.

Treasurer of State

Fiscal year 2019 obligations totaled $36.8 million and were $5.5 million (17.4%) above estimate. The fiscal year 2019 obligations total reflects encumbrances of $0.3 million made by the Treasurer of State for payments that will be made against fiscal year 2019 funds in fiscal year 2020.

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 $50.6 million in June and were $32.2 million (174.8%) above estimate. Fiscal year 2019 disbursements totaled $1,801.2 million and were $13.6 million (0.8%) below estimate and $1.2 million lower than fiscal year 2018 disbursements.

Debt Service

June payments for debt service totaled $61.5 million and were $0.3 million (0.5%) below estimate. Fiscal year 2019 disbursements totaled $1,430.8 million and were $2.2 million (0.2%) below estimate and $86.9 million higher than fiscal year 2018 disbursements.

Transfers Out

Transfers out totaled $8.8 million in June and were $8.3 million (1,657.8%) above estimate. The monthly variance is largely attributable to a transfer planned for May to the OAKS Support Fund which occurred in June. Fiscal year 2019 transfers out totaled $773.0 million and were $11.8 million (1.5%) above estimate. The annual variance was primarily caused by two $5.0 million transfers that were not planned for at the beginning of the fiscal year. The first was to the Sport Event Grant Fund and the second to the Targeting Addiction Assistance Fund.

Table 3

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

Functional Reporting Categories Description	MONTH ACTUAL JUNE	MONTH ESTIMATED JUNE	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	625,813	631,711	(5,898)	-0.9%	8,143,715	8,133,377	10,337	0.1%
Higher Education	180,168	179,731	437	0.2%	2,292,590	2,303,913	(11,323)	-0.5%
Other Education	3,436	3,009	427	14.2%	70,726	70,929	(203)	-0.3%
Medicaid	1,206,680	950,907	255,773	26.9%	15,052,848	15,590,607	(537,759)	-3.4%
Health and Human Services	55,133	45,759	9,374	20.5%	1,272,017	1,313,866	(41,848)	-3.2%
Justice and Public Protection	160,880	151,515	9,365	6.2%	2,222,454	2,214,692	7,762	0.4%
General Government	24,933	29,102	(4,169)	-14.3%	391,270	393,782	(2,512)	-0.6%
Property Tax Reimbursements	50,559	18,398	32,160	174.8%	1,801,184	1,814,800	(13,616)	-0.8%
Debt Service	61,476	61,758	(282)	-0.5%	1,430,790	1,432,963	(2,172)	-0.2%
Total Expenditures & ISTV's	**2,369,077**	**2,071,891**	**297,186**	**14.3%**	**32,677,595**	**33,268,929**	**(591,334)**	**-1.8%**
Transfers Out:								
BSF Transfer Out	0	0	0	N/A	657,503	657,503	0	0.0%
Operating Transfer Out	8,789	500	8,289	1657.8%	115,503	103,730	11,773	11.3%
Temporary Transfer Out	0	0	0	N/A	0	0	0	N/A
Total Transfers Out	**8,789**	**500**	**8,289**	**1657.8%**	**773,006**	**761,233**	**11,773**	**1.5%**
Total Fund Uses	**2,377,866**	**2,072,391**	**305,475**	**14.7%**	**33,450,601**	**34,030,163**	**(579,562)**	**-1.7%**

Table 4

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

	MONTH				YEAR-TO-DATE			
Functional Reporting Categories Description	**JUNE FY 2019**	**JUNE FY 2018**	**$ VAR**	**% VAR**	**ACTUAL FY 2019**	**ACTUAL FY 2018**	**$ VAR**	**% VAR**
Primary and Secondary Education	625,813	594,665	31,148	5.2%	8,143,715	7,993,783	149,932	1.9%
Higher Education	180,168	179,680	488	.3%	2,292,590	2,304,821	(12,231)	-0.5%
Other Education	3,436	3,811	(376)	-9.9%	70,726	69,789	936	1.3%
Medicaid	1,206,680	1,138,779	67,901	6.0%	15,052,848	14,482,515	570,333	3.9%
Health and Human Services	55,133	53,804	1,329	2.5%	1,272,017	1,251,797	20,221	1.6%
Justice and Public Protection	160,880	144,448	16,432	11.4%	2,222,454	2,130,377	92,077	4.3%
General Government	24,933	21,240	3,693	17.4%	391,270	347,880	43,390	12.5%
Property Tax Reimbursements	50,559	14,013	36,546	260.8%	1,801,184	1,802,419	(1,235)	-0.1%
Debt Service	61,476	9	61,467	693,917.4%	1,430,790	1,343,903	86,887	6.5%
Total Expenditures & ISTV's	**2,369,077**	**2,150,449**	**218,628**	**10.2%**	**32,677,595**	**31,727,284**	**950,311**	**3.0%**
Transfers Out:								
BSF Transfer	0	0	0	N/A	657,503	0	657,503	N/A
Operating Transfer Out	8,789	10,547	(1,758)	-16.7%	115,503	80,034	35,469	44.3%
Temporary Transfer Out	0	0	0	N/A	0	0	0	N/A
Total Transfers Out	**8,789**	**10,547**	**(1,758)**	**-16.7%**	**773,006**	**80,034**	**692,972**	**865.9%**
Total Fund Uses	**2,377,866**	**2,160,996**	**216,870**	**10.0%**	**33,450,601**	**31,807,318**	**1,643,283**	**5.2%**

FUND BALANCE

Table 5 describes the General Revenue Fund (GRF) actual ending fund balance for fiscal year 2019 and is based on the actual revenue for disbursements, transfers, and encumbrances for the fiscal year. The GRF ending fund balance for fiscal year 2019 is $1,146.4 million.

The table below shows the disposition of the fiscal year 2019 ending cash balance.

Disposition of FY 2019 Ending Cash Balance
($ in thousands)

Ending Cash Balance as of June 30, 2019	$1,538,012
Less Outstanding Encumbrances	$391,626
Total Unencumbered Cash Balance	$1,146,385
Less 0.5% Requirement	$168,838
Actual Surplus Ending Balance	$977,548

Disposition of Surplus:
The disposition of the fiscal year 2019 ending surplus has yet to be determined as budget discussions continue. The actual fiscal year 2019 ending surplus disposition will be published in next month's report.

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

July 1, 2018 Beginning Cash Balance*	**$ 1,221,040**
Plus FY 2019 Actual Revenues	23,755,786
Plus FY 2019 Actual Federal Revenues	9,763,899
Plus FY 2019 Actual Transfers to GRF	247,888
Total Sources Available for Expenditures & Transfers	**34,988,613**
Less FY 2019 Actual Disbursements**	32,677,595
Less FY 2019 Actual Total Encumbrances as of June 30, 2019	391,626
Less FY 2019 Actual Transfers Out	773,006
Total Actual Uses	**33,842,227**
FY 2019 UNENCUMBERED ENDING FUND BALANCE	**1,146,385**

* Includes reservations of $371.2 million for prior year encumbrances. After accounting for this adjustment, 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.

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

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