Ohio Office of Budget and Management

Mike DeWine, Governor
Jon Husted, Lt. Governor

Kimberly Murnieks, Director

June 10, 2019

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

FROM: Kimberly Murnieks, Director

SUBJECT: Monthly Financial Report

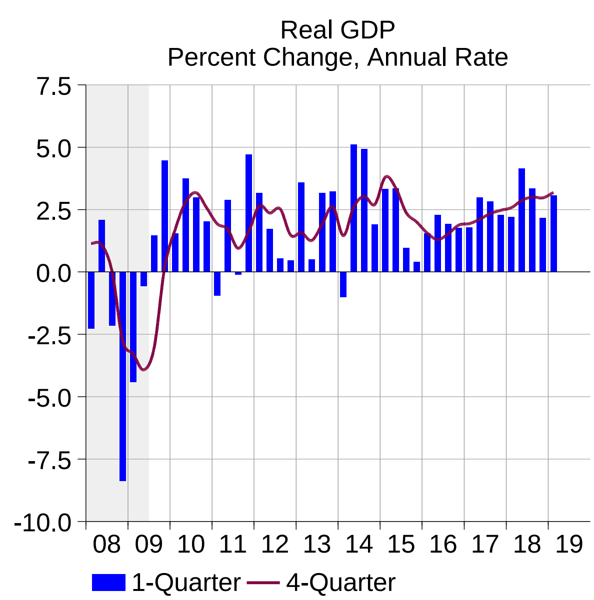
Report Overview

- Non-auto sales tax revenue came in $37.7 million (5.0%) above estimate in May. Year-to-date non-auto sales tax revenues are above estimate by $170.1 million (2.1%)
- Personal income tax revenues finished $21.8 million, or 3.3 percent, above estimate in May. Personal income tax revenues now exceed fiscal-year-to-date estimates by $298.4 million or 3.8 percent.
- Revenues from federal grants came in $92.1 million (8.9%) below estimate due primarily to lower than expected GRF Medicaid spending. Disbursements for Medicaid were $63.9 million (4.1%) below estimate for the month.
- U.S. employment increased by 75,000 jobs in May. The unemployment rate held steady at an expansion-low of 3.6 percent. Wages increased 0.2 percent on the month to 3.1 percent year-over-year, down from 3.4 percent in February.
- As has been expected, leading economic indicators have slowed and point to slower growth ahead, with analysts projecting a growth rate of 2.0 percent or lower during coming quarters.

ECONOMIC SUMMARY

Economic Growth

The month of June marks the tenth anniversary of the beginning of the current economic expansion, tying it for the longest in U.S. history. This expansion, which began in June 2009, will surpass the expansion that lasted from March 1991 to March 2001 next month. The next longest expansion occurred during the 1960s (106 months), followed by the 1980s expansion (92 months).



From the extremes reached early in the aftermath of the 2007-09 recession, employment has increased by 21 million jobs and the unemployment rate has decreased by 6.4 percentage points to a nearly 50-year low. Real Disposable Personal Income has increased 26.1% and real GDP has increased 23.1%. Inflation as measured by the Consumer Price Index has averaged just under 2% and interest rates have fluctuated at generational lows.

Despite the generally favorable performance of the economy, some recent events have led to renewed concerns about the ability of the economy to continue to grow. Chief among these are the tightening in monetary policy last year in the form of the full percentage point increase in the Federal Reserve's policy interest rate and escalating trade tensions with China and Mexico.

In response to trends around the world, for example, the World Bank in June reduced its global growth forecast to 2.6% from 2.9%, citing rising trade barriers, the build-up of government debt, and deeper-than-expected slowdowns in several major economies.

The latest data show that the U.S. economy is slowing. The Conference Board's Composite **Coincident Economic Index** declined to a 6-month smoothed annual rate of 1.5% in April, down from 2.7% last December. After posting a surprisingly strong 3.1% growth rate in the first quarter, real GDP is projected to increase by 1.4% to 2.0% in the second quarter based on the central tendency of several independent forecasts. Beyond the current quarter, analysts estimate the economy's potential growth rate to be 2.0% or less, reflecting trends in demographics and productivity.

The slowdown that appears to be materializing follows weakness in leading indicators that began to show about a year ago. The Conference Board's Composite **Leading Economic Index** peaked at 6.8% on a 6-month smoothed annual rate basis in February 2018, decelerating to 2.1% in April – consistent with slowdown, but not recession. The breadth of declines in composite coincident and leading indexes across states, compiled by the Philadelphia Federal Reserve Bank, is also consistent with a slowdown but not recession.

The economy in and around Ohio grew modestly heading into late May with some improvement in business demand, according to a regular survey by the Federal Reserve Bank of Cleveland. Professional and business services were strong as was financial services, especially for construction and real estate lending. Auto sales were off but non-auto spending picked up. Homebuilders and real estate agents reported slightly stronger housing demand, however; manufacturing activity was reported as down slightly due to weaker global demand.

Two keys to watch as the expansion rolls on are U.S. monetary policy – especially, the level of the Fed's policy interest rate in the context of inflation and growth – and developments on the trade front. The Fed rate seems to be approximately appropriate for current economic conditions, based on a reasonable implementation of the Taylor Rule, which is a formal way of making a judgment based on such factors as the gap between actual and estimated potential GDP and the gap between actual and desired inflation, although investors have recently begun to anticipate one or more rate reductions in the second half of the year. Determining the threat to growth from trade restrictions will be much more difficult than for monetary policy.

In the meantime, the consensus among forecasters is that real GDP growth is slowing in the second quarter, as shown in the following table.

Source	Date	2019-Q2 GDP Forecast
Atlanta FRB (GDPNow)	6/7/19	1.4%
New York FRB (Nowcast)	6/7/19	1.0%
Philadelphia FRB (SPF*)	5/10/19	1.7%
Blue Chip	6/7/19	2.0% (1.5%-2.5%)
IHS	6/7/19	2.7%
*Survey of Professional Forecasters (2nd month of each quarter)		

Employment

Nonfarm payrolls across the country increased by 75,000 jobs in May. The President's Council of Economic Advisers estimated that flooding in the Midwest and other severe weather suppressed May job growth by approximately 40,000 jobs. The changes in the previous two months were revised down by a total of 75,000 jobs. At 127,000, the average change during the most recent four months is down by about half from the average change of 253,000 during the previous four months, strongly suggesting that labor market activity has downshifted since last winter.

Despite the relatively small rise in employment in May, most major sectors posted increases and losses were small in other sectors. Gains were led by professional and business services (+33,000), where temporary help agencies contributed 5,000 net new jobs, and education and health services (+27,000), where strength was concentrated in health care (+15,700) and social assistance (+7,000). Lastly, leisure and hospitality added 26,000 net new jobs, mostly at restaurants and bars.

Smaller increases occurred in construction (+4,000), manufacturing (+3,000), and finance (+2,000). wholesale trade added 7,000 jobs, but retail dropped 8,000 jobs in the fourth monthly decline in a row, which leaves employment down by 76,000 jobs from a year ago. Among other major sectors, employment declined in government (-15,000) – primarily in education at both the state and local levels – information (-5,000), and other services (-1,000).

The **unemployment rate** held steady at an expansion-low of 3.6% for a second month. The recent pattern, in which the unemployment rate is below the minimum of the previous twelve months, remains strongly consistent with uninterrupted economic growth. The U-6 unemployment rate – a broader measure that includes so-called discouraged workers and part time workers who would prefer full time work – fell 0.2 percentage points to an expansion-low of 7.1% – down from a peak of 17.1% in April 2010 and the lowest since 6.8% in October 2000.

Average hourly earnings rose 0.2% for a year-over-year increase of 3.1%. The year-over-year rate of change in wages is down from an expansion-peak of 3.4% in February, but still up from 2.5% two years ago. The number of job openings dipped in the first quarter but remained just below the expansion-high reached in the first quarter, suggesting continuing upward pressure on worker compensation.

Ohio nonfarm payroll employment gained 1,400 jobs in April. The March gain was pared from 6,300 to 2,100. Non-farm employment retreated by 9,200 in February but is up by 13,400 jobs year-to-date. Monthly gains have averaged 3,700 per during the most recent twelve months, up from 2,400 during the same period a year earlier.

Compared with a year earlier, **Ohio employment** was higher by 44,400 jobs in April. Educational and health services (+16,900), leisure and hospitality (+11,600), and construction (+5,500) made the largest positive contributions. The only declines occurred in information (-1,200), government (-500), and other services (-100).

The **Ohio unemployment rate** decreased 0.1 percentage point to 4.3% in April, moving farther below the 4.5% to 4.7% range of the most recent year and a half. Total employment increased by 19,000 workers in April (this number is different than the 1,400 job gain cited above because it comes from a different survey) and the number of unemployed people decreased by 11,200.

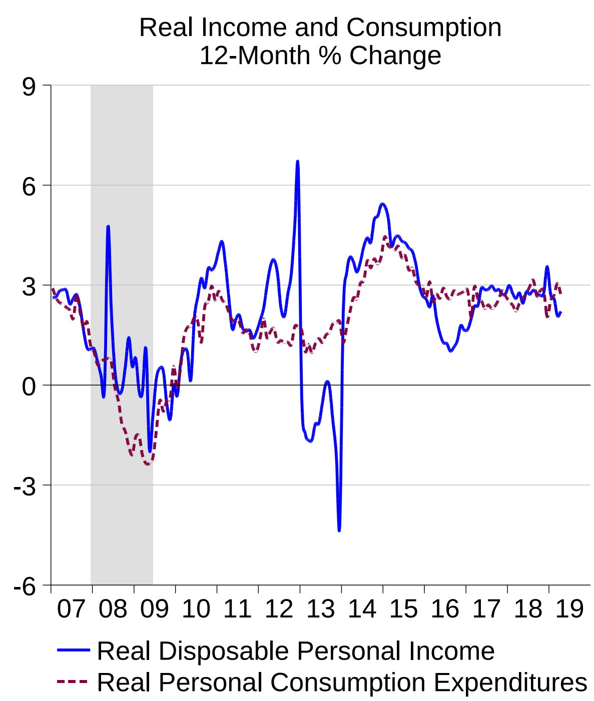
Across the country in April, the unemployment rate decreased notably from the month before in ten states, with the largest declines occurring in Louisiana, Nevada, New Jersey, and West Virginia (each by 0.2 percentage points). Changes in the unemployment rate in the remaining 40 states and the District of Columbia were not statistically significant.

Among the contiguous states, employment increased on a year-over-year basis in West Virginia (+1.8%), Indiana (+1.2%), Kentucky and Pennsylvania (+1.0%), and Michigan and Ohio (+0.8%). Manufacturing employment increased year-over-year in Kentucky and West Virginia (1.5%), Michigan (1.0%), and Indiana and Ohio (0.4%) and declined in Pennsylvania (-0.2%).

Consumer Income and Consumption

Personal income growth picked up in April to 0.5% after a soft three months. **Wage and salary disbursements** increased by 0.3% with the difference from growth in personal income mostly accounted for by large increases in personal interest income and government social benefits to persons. Compared with a year earlier personal income was up 3.9% and wage and salary disbursements were up 3.6%.

Personal consumption expenditures followed up a 1.1% gain in March with a 0.3% increase in April. Spending on durable goods decreased 0.8%, reflecting the 5.8% decrease in unit sales of light motor vehicles to an annual rate of 16.3 million. The 5.9% increase in unit vehicle sales in May likely produced a rebound in durable goods spending during the month. Purchases of non-durable goods increased 0.7% after a 1.6% jump in March, and spending on services increased 0.3%.



The Conference Board Index of **Consumer Confidence** and the University of Michigan Index of Consumer Sentiment both moved higher in May. Expectations brightened during the month according to both surveys, while results were mixed regarding assessments of current conditions. The labor index from the Conference Board (the percentage saying jobs are plentiful, minus those saying they are hard to get) increased to its highest level since December 2000. Plans to buy major appliances and plans to purchase homes also both increased.

In and around Ohio, Retail sector activity picked up heading into late May, according to the Cleveland Fed survey. Non-auto sales were boosted by seasonality and promotions. Retailers expect continued growth over the summer. Auto retailers, on the other hand, reported a modest decline in activity, with one dealer citing higher car payments caused by higher interest rates. Auto dealers expect sales to be flat or down in the near future.

Industrial Activity

Industrial production decreased by 0.5% in April, although the March change was revised higher from -0.1% to +0.2%. The April decline was the third in four months and left the index below its level of last August. Manufacturing production also fell by 0.5%, while mining increased 1.6% and utility output dropped 3.5%. Compared with a year ago industrial production was up by just 0.9% and manufacturing production was down by 0.2%.

Among industries that are key employers in Ohio, production was generally down in April. Primary metal output increased 0.5%, but production fell in fabricated metals (-0.6%), machinery (-2.6%), and motor vehicles and parts (-2.6%). Compared with a year earlier, production increased in primary metal (+2.0%) and fabricated metals (+2.1%) but decreased in machinery (-0.7%) and motor vehicles and parts (-4.4%).

Purchasing managers in manufacturing reported less robust but still generally healthy conditions in May. The Purchasing Managers Index (PMI) decreased by 0.7 points to 52.1 which was below the average of 57.3 during the previous twelve months but still sufficiently above the neutral level of 50 to indicate expansion in the sector. The pattern was mixed across sub-indexes. The most notable change was the large deterioration in order backlogs followed by a more moderate deterioration in the speed of supplier deliveries.

Reports of increased new orders were a bit more widespread than the month before, while reports of higher production were a bit less widespread. Reports of higher prices paid were more prevalent than the month before. Rising export orders were more widespread and back above the neutral level of 50, while rising import orders were modestly less widespread and below 50 for the second month.

Of the eighteen industries tracked by the Manufacturing ISM® *Report on Business*, only eleven reported growth in the latest month, down from thirteen the month before and sixteen the month before that. Among industries with a major effect on Ohio manufacturing employment, only machinery reported growth. primary metals and fabricated metal products reported contraction, whereas transportation equipment reported no change.

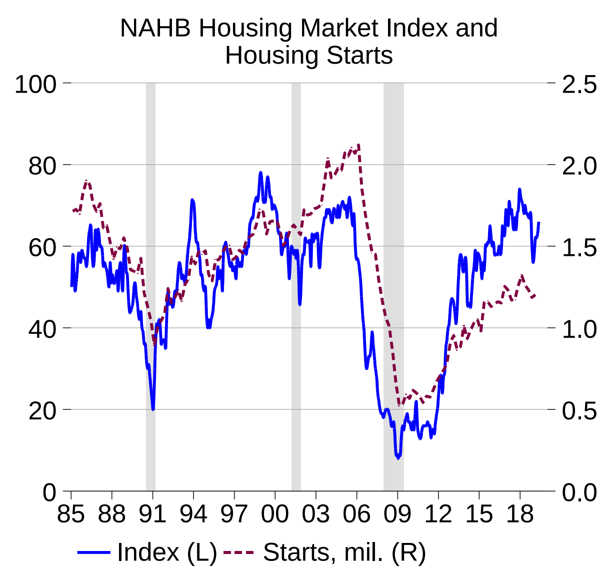
A source in the Transportation Equipment industry said "Sales continue to decline. Volumes are off, [and] profits haven't decreased in proportion to sales. Higher-margin vehicles continue strong sales, but low- to mid-range sales are down." A contact in the Machinery industry reported that "Business continues to be very strong. Our company and our supply base continue to be challenged getting manpower for production. Key commodity costs like steel have continued to come down."

Manufacturers in and around Ohio reported a slight decline in activity heading into late May, according to the Cleveland Fed survey. Weaker global markets were cited as a major cause, especially by contacts in the motor vehicle industry. The ongoing trade dispute with China was a common concern and weaker European markets were also reported, causing some to postpone making capital expenditures. Even so, backlogs remained stable and manufacturers were relatively upbeat.

Construction

Construction put-in-place was unchanged in April. The changes in February and March both were revised upward. Compared with a year ago, total construction put-in-place was lower by 1.2%, down from 6.0% as recently as August. Private sector construction decreased 1.7% after little change in the previous two months and was down 6.0% from a year earlier. Within the Private sector, weakness has been centered in residential, which has experienced declines in single-family, multi-family, and improvements. Private non-residential fell 2.9% in April after a 4-month streak of increases. Public construction jumped 4.8%, reflecting strength across categories to 15.1% higher than a year ago, up from just 2.7% year-over-year last December.

The **Housing Market Index** (HMI) from the National Association of Homebuilders (NAHB) improved further in May after dropping sharply during 2018 and starting to recover at the turn of the year. The index, which is based on assessments of current sales, expected sales in six months, and traffic of prospective buyers of new homes, remains 10.8% below the recent high in December 2017. The HMI for the Midwest has followed a similar pattern and stands 26.3% below its December 2017 level. The downward trends in the indexes are sufficiently pronounced to warrant attention.



Source: National Association of Home Builders

Housing starts fell 1.6% in April after a 0.7% increase in March on a 3-month moving average basis. The decrease was the fourth in six months as a 4.4% decrease in single-family overshadowed a 5.4% increase in multi-family. Across the Midwest, starts jumped by 10.4%, which reflected a 45.0% increase in multi-family that outweighed a 1.2% decline in single-family, all on a 3-month moving average basis.

Netting out the noisy month-to-month swings, starts across the country were down 0.5% in the twelve months ending April from the twelve months ending April 2018. Midwest starts were down 3.4% on the same basis. The more-forward-looking housing permits have exhibited a similar pattern.

In contrast, sales of both **new and existing home sales** increased again in April on a 3-month moving average basis. Sales of existing homes increased 1.7% nationally but were still down 4.0% from a year ago. Sales of existing homes in the Midwest were little changed from the previous month but remained 5.5% below their year ago level. Across the country, sales of newly built homes were up 1.4% for the fourth gain in a row to 7.2% year-over-year. In the Midwest, new sales rose 8.2% – also the fourth gain in a row – to 6.9% year-over-year.

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 85^{th} straight monthly increase in March to 3.7% above the year earlier level – the lowest since a 3.1% increase in September 2012 – according to the Case-Shiller index. As recently as last April, prices were rising at a 6.5% year-over-year pace.

REVENUES

NOTE: *Effective January 1, 2019, Ohio employer withholding tax rates were reduced by 3.3% in order to be fully consistent with the income tax rate reductions enacted in 2015 (House Bill 64). The revised employer withholding tax rates were announced and issued by the Tax Commissioner in late calendar year 2018. This change will result in a one-time reduction in personal income tax revenue, to occur during the January-June 2019 period. The net General Revenue Fund impact of this change is estimated to be $148.5 million. There will be a loss in 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 are updated to reflect the anticipated revenue reduction caused by this change.*

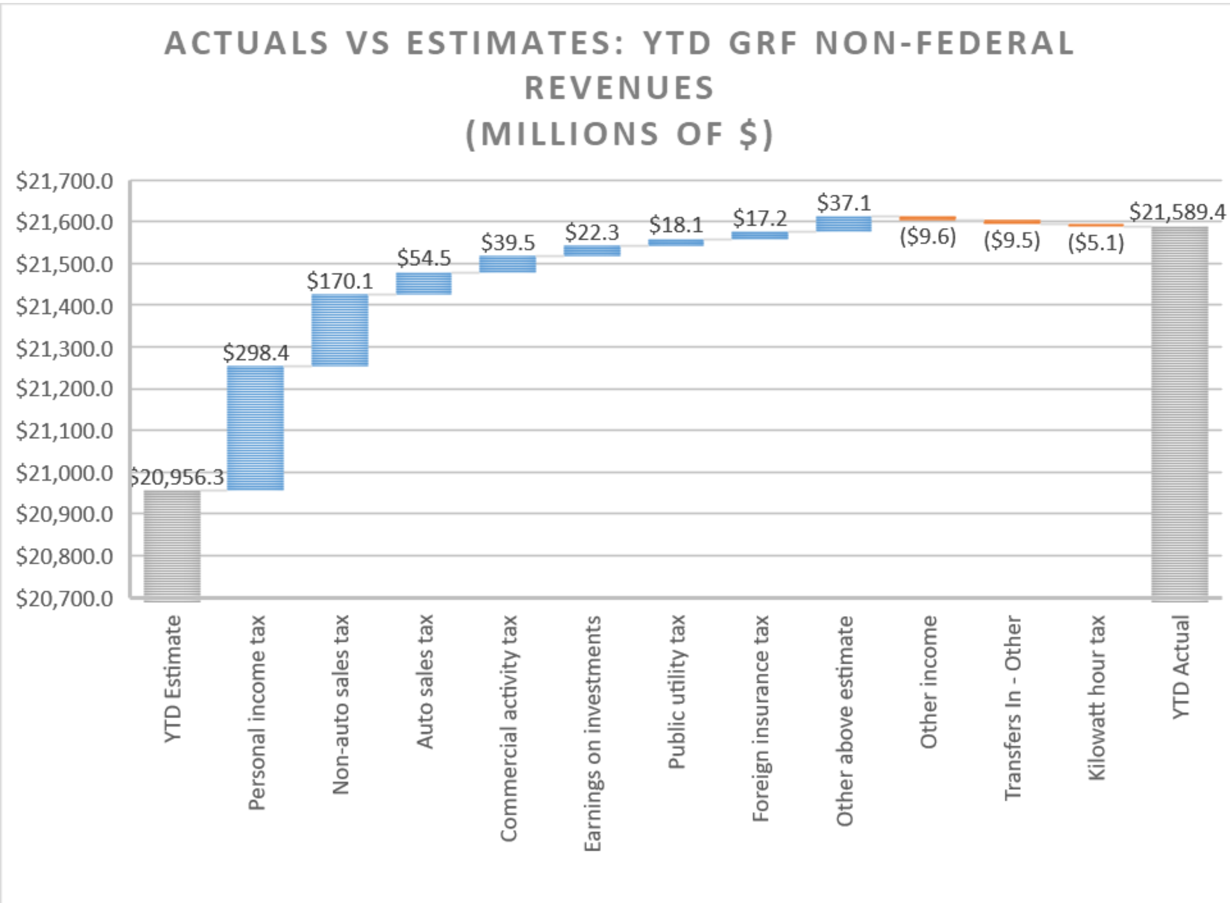
May GRF receipts totaled $3,097.0 million and were $42.4 million (1.4%) below estimate. For the month, tax revenues were $65.7 million (3.1%) above estimate. This variance was primarily attributable to non-auto sales tax performance. Federal grants were below estimate, ending below expected revenue by $92.1 million (8.9%). This shortfall was due to GRF Medicaid spending coming in below estimate by $63.9 million in May.

On a year-to-date basis, GRF revenues were $24.0 million (0.1%) below estimate, tax revenues were $616.8 million (3.0%) above estimate, and non-federal revenues were $633.1 million (3.0%) above estimate. Federal grants were $657.1 million (6.9%) below estimate, but this does not have negative budget implications for the GRF since it is driven by Medicaid GRF underspending of $793.5 million (5.4%).

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	$616.8	3.0%
Non-tax receipts	Federal grants, earnings on investments, licenses & fees, other income, intrastate transfers	($631.3)	-6.4%
Transfers	Budget stabilization, liquor transfers, capital reserve, other	($9.5)	-9.9%
TOTAL REVENUE VARIANCE:		**($24.0)**	**-0.1%**
Non-federal revenue variance		**$633.1**	**3.0%**
Federal grants variance		**($657.1)**	**-6.9%**

The non-auto sales tax had the largest overage for the month, at $37.7 million (5.0%), making this the 8th month in fiscal year 2019 for which non-auto sales tax has exceeded estimates. This overage is followed by the personal income tax, which exceeded estimate by $21.7 million (3.3%). The personal income tax overage is notable because no material drop-off occurred in May even after the strong performance in April, a month which was modestly enhanced by speedier processing of annual return tax due and quarterly estimated payment returns and remittances.

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



On a year-over-year basis, monthly receipts were $382.6 million (14.1%) higher than in May of the previous fiscal year, however; most of this growth was from federal grants. These revenues increased by $309.6 million (49.2%) this May while non-federal revenues increased by a more modest $73.0 million (3.5%). After federal grants, revenue increases were led by non-auto sales tax, which increased by $73.9 million (10.2%), followed by commercial activity tax at $12.9 million (4.0%) and auto sales tax at $8.9 million (6.5%). Year-over-year declines of a similar magnitude were observed for the kilowatt hour, financial institutions, domestic insurance, and personal income taxes, with their decreases ranging from $6.3 million to $8.9 million.

On a year-over-year basis, non-federal revenues are up $858.2 million, (4.1%) and tax revenues have grown by $1,043.6 million (5.2%). Furthermore, if fiscal year 2018 revenues are adjusted for the one month of sales tax revenues from Medicaid Health Insuring Corporations (MHICs) that was received in July before collections ceased, tax revenue growth has been $1,112.9 million, (5.5%). All other non-federal revenue is $185.4 million (36.9%), below last fiscal year, driven by a decline in other income; that drop can be traced to a one-time payment to the GRF of $200 million from unclaimed funds in January 2018. Finally, federal grants are above the prior year, increasing by $245.7 million (2.8%).

The table below shows the number of over- and under-performers for the month. Revenue sources exceeding estimate (an excess totaling $79.5 million) were outweighed by the size of underperforming revenue sources (a shortfall of $121.8 million), resulting in a $42.4 net shortfall from estimate. As previously observed, federal grants account for most of the decline from estimate and do not have negative implications for the GRF because Medicaid expenditures were also under-estimate for the month as well as the year-to-date.

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

Individual Revenue Sources Above Estimate		**Individual Revenue Sources Below Estimate**	
Non-Auto Sales Tax	$37.7	Federal grants	($92.1)
Personal Income Tax	$21.8	Intrastate transfers (ISTVs)	($9.5)
Auto Sales Tax	$9.3	Kilowatt hour tax	($6.4)
Domestic Insurance Tax	$3.6	Transfers In – Other	($6.4)
Alcoholic Beverage Tax	$2.4	Foreign insurance tax	($4.5)
Natural Gas Distribution Tax	$2.3	Public utility tax	($1.2)
Cigarette & Tobacco Products Tax	$2.1	Commercial activity tax	($1.2)
Other Sources Above Estimate	$0.2	Other sources below estimate	($0.6)
Total above	**$79.5**	**Total below**	**($121.8)**

(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

May non-auto sales and use tax collections to the GRF totaled $798.7 million and were $37.7 million (5.0%) above estimate. The May overage marks the eighth monthly overage of the fiscal year, more than double the number of months in which the tax was below estimate. The general trend for these revenue sources has been strong overall in fiscal year 2019 with year-to-date non-auto sales tax revenue coming in above estimate by $170.1 million (2.1%).

Key economic indicators that broadly influence sales taxes are trending upwards, supporting May's strong revenue numbers. Monthly wage and salary income is a core component in the sales tax revenue picture, and steady albeit incremental growth in these measures is continuing unabated. A closely related measure is personal income, which grew 0.5% 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 their most recent *Beige Book*, retail demand was strong for most of 2018 and is expected to remain strong for the duration of 2019, barring adverse impacts on prices resulting from international trade conditions.

Year-over-year growth in non-auto sales tax revenue was $73.9 million (10.24%) when compared to May of last year. After adjusting for the impact of the repealed sales tax on Medicaid Health Insuring Corporations (MHICs), growth is 5.5% year-over-year. As stated in previous reports this fiscal year, monthly comparisons no longer require adjustments related to MHIC's but year-to-date comparisons will continue to be adjusted since MHIC revenues were collected in July of fiscal year 2018, skewing that annual data.

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 – FY19 Through May
($ in millions)

	May-18	May-19	FY 18 YTD	FY 19 YTD
Non-auto sales tax GRF	$724.8	$798.7	$7,916.3	$8,277.8
Non-auto sales tax PLF (Library Fund)	$17.7	$21.3	$176.7	$185.1
Non-auto sales tax, all funds	$742.5	$820.0	$8,093.0	$8,462.9
MHIC revenues (state)	$0.0	$0.0	$71.7*	$0.0
GRF and PLF revenues without MHIC	$742.5	$820.0	$8,021.3	$8,462.9
Change from prior year in non-MHIC collections		$73.9		$441.6
Percent change from prior year in non-MHIC collections		10.2%		5.5%

*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% 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 yet borne out and robust non-auto sales tax revenues thus far in the latter half of fiscal year 2019 are even more noteworthy.

Auto Sales Tax

May auto sales tax revenues were $145.8 million and were $9.3 million (6.8%) above estimate. May marks the ninth month out of eleven this fiscal year that the auto sales tax has exceeded the estimate. February saw a slight underage but is also typically one of the worst performing months of the year for the auto sales tax. May's overage puts year-to-date auto sales tax revenues $54.5 million (4.1%) above the estimate.

Auto sales nationally were down only 0.3% in May year-over-year, continuing the trend seen each month so far in 2019. However, this negative is the smallest of the year. The 1.59 million units sold raised the seasonally adjusted annual rate (SAAR) to 17.4 million total cars sold, a full one million units higher than only a month ago. Auto industry analysts often look to May as an indicative month for the remainder of a calendar year, but opinions are split on the direction the rest of 2019 will take in terms of sales.

Year-to-date auto sales tax revenues are up 5.5% on a year-over-year basis. As mentioned in previous issues of this report, higher transaction prices for new vehicles is a probable contributing factor to the strong performance of the auto-sale tax. As of this month, Edmunds has the average transaction price for new vehicles over $36,000. This high price growth ultimately resulted in yet another strong month for auto sales tax revenue. Continuing the trend observed over the last several months, the composition of auto sales has contributed to auto sales tax growth. Light trucks have comprised the bulk of auto sales for some time, currently around 72%, and they carry a nearly 50% higher average retail price than cars contributing to the high average transaction price mentioned previously. Pickup trucks alone are now comprising close to 20% of new auto sales nationally.

Auto sales tax revenues have also been supported by high used vehicle prices. 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% higher than the average price only five years ago, and also likely reflects a preference for light trucks and SUV’s among consumers even among used vehicles.

Personal Income Tax

May GRF personal income tax receipts totaled $673.9 million and were $21.8 million (3.3%) above estimate. On a year-over-year basis, May income tax collections were $8.9 million (1.3%) below May 2018 collections. Collections for the year are $494.0 million (6.5%) above the previous year. Adjusting for the $126 million in lost withholding collections in January through May due to the rate cut, collections growth would be 8.2%.

Withholding tax payments outperformed estimate once again in May with actual collections exceeding estimate by $42.8 million (5.9%). Compared to last May, withholding increased by $47.8 million (6.7%). This is particularly positive considering that withholding tax rates are 3.3 percent lower than last year (the rates were reduced beginning in January 2019). Withholding is now $144.6 million (1.7%) above estimate for the year. It has grown 4.7% above the prior year, compared to 2.9% in anticipated growth. Adjusted for the withholding rates cut, withholding growth for the year is 6.3%.

Annual return tax due payments in May were $4.2 million (11.6%) above estimate. These payments were $30.6 (43.2%) below May 2018. The wider story about these payments was provided in the prior month’s edition of this report, which discussed the extremely strong growth of annual return tax due payments in April. The positive outcome in May appears to be a residual effect of the vibrant outcome of the previous month’s tax payments.

The trust payment category fell below estimate by $8.6 million (45.1%) in May. However, this shortfall is largely due to timing. April receipts were $24.9 million above estimate, partly driven by faster processing of trust tax returns than experienced in the past and assumed in the estimate. When combining April and May, revenue exceeded estimate by $16.3 million (48.3%). This recent performance has resulted in a healthy year to date outcome, with accumulated payments exceeding estimate by $19.4 million (30.0%).

May is not a significant month for quarterly estimated payments, with receipts totaling only $13.4 million. Nonetheless they almost matched the estimate coming in at $0.1 million above the anticipated level. Furthermore, because the estimate was set at the prior year's amount, May 2019 performance nearly equaled that of May 2018. Year to date performance remains below estimate but this was driven by dynamics that were extensively discussed in the January, February, and May editions of this report.

Finally, refund activity in May was above estimate, as it has been throughout the filing season. May refunds exceeded estimate by $13.1 million (12.1%). For the filing season to-date (January through May), refunds have exceeded estimate by $92.1 million (6.0%). Across the entire fiscal year, refunds have exceeded estimate by $99.2 million (5.3%) and are $112.0 million (6.0%) above the preceding year.

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

	Actual May	Estimate May	$ Var	Actual May-2019	Actual May-2018	$ Var Y-0ver-Y
Withholding	$762.9	$720.1	$42.8	$762.9	$715.1	$47.8
Quarterly Est.	$13.4	$13.3	$0.1	$13.4	$13.3	$0.1
Annual Returns & 40 P	$40.2	$36.0	$4.2	$40.2	$70.7	($30.6)
Trust Payments	$10.5	$19.1	($8.6)	$10.5	$19.1	($8.6)
Other	$10.8	$7.4	$3.4	$10.8	$7.4	$3.3
Less: Refunds	($121.6)	($108.5)	($13.1)	($121.6)	($108.0)	($13.7)
Local Distr.	($42.2)	($35.3)	($6.9)	($42.2)	($35.0)	($7.2)
Net to GRF	$673.9	$652.1	$21.8	$673.8	$682.8	($8.9)

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

Commercial Activity Tax (CAT)

May is the month in which the final CAT quarterly payment of the fiscal year is due and is therefore the month in which the bulk of revenue associated with the final quarter is received. Although May CAT revenue fell short of estimate by $1.2 million (0.4%), a more useful indicator of possible full quarter performance is derived by including payments made during April. Combined April and May CAT revenue was $9.3 million (2.3%) above estimate. If this overage is not dissipated in June (an unlikely result, since estimated June CAT revenue is just $10.4 million), this means the CAT will extend the strong performance it has maintained since the second quarter of this fiscal year. On a year-over-year basis, CAT revenues grew $12.9 million (4.0%) in May. For the year, this source is $39.5 million (2.5%) above estimate and $99.0 million (6.5%) above fiscal year 2018 values.

Kilowatt Hour Tax (KWH)

At $6.4 million (25.6%), May represents the largest shortfall the KWH tax has experienced in fiscal year 2019, putting revenues $5.1 million (1.5%) below estimate for the year. Although some of the May revenue decline appears to be due to modestly lower-than-expected consumption in April (tax payments are made in the month following the taxable consumption measurement period), most of it is driven by higher than anticipated amounts credited to the Public Library Fund (PLF). Strong GRF tax revenue performance in April resulted in higher than expected PLF deposits in May, 50% of which are credited against KWH tax receipts (the other 50% is credited against non-auto sales tax). Last May, $17.7 million in PLF deposits were credited against GRF kilowatt hour tax receipts whereas this May the amount was $21.3 million. This change represents growth of $3.6 million (20.6%) in such deposits, an increase not anticipated in the May 2019 KWH tax revenue estimate. If the PLF deposits had stayed at their anticipated level, KWH tax revenues in May would have been a modest $2.6 million (6.2%) short of estimate.

GRF Non-Tax Receipts

GRF non-tax revenues in May totaled $940.2 million and were $101.7 million (9.8%) below estimate. This variance was primarily attributable to Federal grants, which were below estimate by $92.1 million (8.9%) due to underspending in the GRF Medicaid category.

Revenues from ISTVs were $9.5 million (100.0%) below estimate as Statewide Indirect Cost Allocation payments were received in April instead of May as originally estimated, as noted in last month's report. Revenues from ISTVs were $6.9 million above estimate for the year.

Transfers in were $6.4 million (84.7%) below estimate due to the timing of a transfer from the Public Safety Highway Purpose fund for reimbursements on debt service related to MARCS radios. The full amount of this transfer was estimated for May but was partially received in January, and the remaining $1.6 million that was originally estimated to be received in May is now expected to be received in June.

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

	MONTH				YEAR-TO-DATE			
REVENUE SOURCE	**ACTUAL MAY**	**ESTIMATE MAY**	**$ VAR**	**% VAR**	**ACTUAL Y-T-D**	**ESTIMATE Y-T-D**	**$ VAR**	**% VAR**
TAX RECEIPTS								
Non-Auto Sales & Use	798,685	761,000	37,685	5.0%	8,277,799	8,107,700	170,099	2.1%
Auto Sales & Use	145,808	136,500	9,308	6.8%	1,383,911	1,329,400	54,511	4.1%
Subtotal Sales & Use	944,493	897,500	46,993	5.2%	9,661,710	9,437,100	224,610	2.4%
Personal Income	673,859	652,100	21,759	3.3%	8,076,015	7,777,600	298,415	3.8%
Corporate Franchise	23	0	23	N/A	1,574	0	1,574	N/A
Financial Institutions Tax	30,481	30,900	(419)	-1.4%	178,870	177,800	1,070	0.6%
Commercial Activity Tax	339,607	340,800	(1,193)	-0.3%	1,610,943	1,571,400	39,543	2.5%
Petroleum Activity Tax	0	0	0	N/A	8,400	4,600	3,800	82.6%
Public Utility	33,802	35,000	(1,198)	-3.4%	138,231	120,100	18,131	15.1%
Kilowatt Hour	18,522	24,900	(6,378)	-25.6%	323,733	328,800	(5,067)	-1.5%
Natural Gas Distribution	31,430	29,100	2,330	8.0%	75,902	66,500	9,402	14.1%
Foreign Insurance	(23,543)	(19,000)	(4,543)	-23.9%	304,195	287,000	17,195	6.0%
Domestic Insurance	14,948	11,300	3,648	32.3%	15,278	12,100	3,178	26.3%
Other Business & Property	0	0	0	N/A	0	0	0	N/A
Cigarette and Other Tobacco	81,225	79,100	2,125	2.7%	780,996	778,300	2,696	0.3%
Alcoholic Beverage	6,827	4,400	2,427	55.2%	50,989	49,900	1,089	2.2%
Liquor Gallonage	3,963	3,900	63	1.6%	45,773	44,700	1,073	2.4%
Estate	44	0	44	N/A	117	0	117	N/A
Total Tax Receipts	2,155,681	2,090,000	65,681	3.1%	21,272,724	20,655,900	616,824	3.0%
NON-TAX RECEIPTS								
Federal Grants	938,466	1,030,552	(92,086)	-8.9%	8,932,238	9,589,323	(657,084)	-6.9%
Earnings on Investments	0	0	0	N/A	82,267	60,006	22,261	37.1%
License & Fees	396	572	(176)	-30.8%	63,582	57,380	6,201	10.8%
Other Income	1,295	1,248	47	3.8%	68,696	78,340	(9,645)	-12.3%
ISTV'S	1	9,500	(9,499)	-100.0%	16,439	9,500	6,939	73.0%
Total Non-Tax Receipts	940,158	1,041,872	(101,714)	-9.8%	9,163,222	9,794,550	(631,328)	-6.4%
TOTAL REVENUES	**3,095,839**	**3,131,872**	**(36,033)**	**-1.2%**	**30,435,946**	**30,450,450**	**(14,504)**	**0.0%**
TRANSFERS								
Budget Stabilization	0	0	0	N/A	0	0	0	N/A
Transfers In - Other	1,148	7,500	(6,352)	-84.7%	85,737	95,190	(9,453)	-9.9%
Temporary Transfers In	0	0	0	N/A	0	0	0	N/A
Total Transfers	1,148	7,500	(6,352)	-84.7%	85,737	95,190	(9,453)	-9.9%
TOTAL SOURCES	**3,096,987**	**3,139,372**	**(42,385)**	**-1.4%**	**30,521,683**	**30,545,640**	**(23,957)**	**-0.1%**

Table 2

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

REVENUE SOURCE	MONTH				YEAR-TO-DATE			
	MAY FY 2019	MAY FY 2018	$ VAR	% VAR	ACTUAL FY 2019	ACTUAL FY 2018	$ VAR	% VAR
TAX RECEIPTS								
Non-Auto Sales & Use	798,685	724,834	73,851	10.2%	8,277,799	7,916,323	361,475	4.6%
Auto Sales & Use	145,808	136,956	8,852	6.5%	1,383,911	1,312,186	71,725	5.5%
Subtotal Sales & Use	944,493	861,790	82,703	9.6%	9,661,710	9,228,510	433,200	4.7%
Personal Income	673,859	682,754	(8,895)	-1.3%	8,076,015	7,582,045	493,969	6.5%
Corporate Franchise	23	45	(22)	-49.0%	1,574	2,016	(442)	-21.9%
Financial Institutions Tax	30,481	38,275	(7,795)	-20.4%	178,870	183,846	(4,976)	-2.7%
Commercial Activity Tax	339,607	326,673	12,935	4.0%	1,610,943	1,511,932	99,011	6.5%
Petroleum Activity Tax	0	0	0	N/A	8,400	5,442	2,958	54.4%
Public Utility	33,802	35,358	(1,556)	-4.4%	138,231	119,132	19,099	16.0%
Kilowatt Hour	18,522	24,779	(6,257)	-25.3%	323,733	320,057	3,676	1.1%
Natural Gas Distribution	31,430	31,187	242	0.8%	75,902	69,549	6,353	9.1%
Foreign Insurance	(23,543)	(24,989)	1,446	5.8%	304,195	291,972	12,222	4.2%
Domestic Insurance	14,948	22,926	(7,978)	-34.8%	15,278	24,449	(9,171)	-37.5%
Other Business & Property	0	0	0	N/A	0	(263)	263	N/A
Cigarette and Other Tobacco	81,225	80,706	519	0.6%	780,996	796,298	(15,302)	-1.9%
Alcoholic Beverage	6,827	4,052	2,775	68.5%	50,989	50,203	786	1.6%
Liquor Gallonage	3,963	3,749	214	5.7%	45,773	43,825	1,948	4.4%
Estate	44	14	31	225.7%	117	145	(28)	-19.3%
Total Tax Receipts	2,155,681	2,087,318	68,362	3.3%	21,272,724	20,229,158	1,043,566	5.2%
NON-TAX RECEIPTS								
Federal Grants	938,466	628,870	309,596	49.2%	8,932,238	8,686,578	245,660	2.8%
Earnings on Investments	0	0	0	N/A	82,267	46,658	35,609	76.3%
License & Fee	396	(2,411)	2,807	116.4%	63,582	58,465	5,117	8.8%
Other Income	1,295	621	674	108.6%	68,696	247,967	(179,271)	-72.3%
ISTV'S	1	(30)	32	104.7%	16,439	15,683	756	4.8%
Total Non-Tax Receipts	940,158	627,050	313,108	49.9%	9,163,222	9,055,351	107,871	1.2%
TOTAL REVENUES	**3,095,839**	**2,714,368**	**381,471**	**14.1%**	**30,435,946**	**29,284,509**	**1,151,437**	**3.9%**
TRANSFERS								
Budget Stabilization	0	0	0	N/A	0	0	0	N/A
Transfers In - Other	1,148	0	1,148	N/A	85,737	133,327	(47,590)	-35.7%
Temporary Transfers In	0	0	0	N/A	0	0	0	N/A
Total Transfers	1,148	0	1,148	N/A	85,737	133,327	(47,590)	-35.7%
TOTAL SOURCES	**3,096,987**	**2,714,368**	**382,619**	**14.1%**	**30,521,683**	**29,417,836**	**1,103,847**	**3.8%**

DISBURSEMENTS

May GRF disbursements, across all uses, totaled $2,825.8 million and were $191.2 million (6.3%) below estimate. This variance was primarily attributable to below estimate disbursements in the Property Tax Reimbursements category and was partially offset by above estimate expenditures in the Health and Human Services category. On a year-over-year basis, May total uses were $427.6 million (17.8%) 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. Year-to-date variances from the estimate by category are provided in the table below.

Category	**Description**	**YTD Variance**	**% Variance**
Expenditures and transfers between agencies (ISTVs)	State agency operations, subsidies, tax relief, debt service payments, and pending payroll (if applicable)	($888.5)	-2.8%
Transfers	Temporary or permanent transfers out of the GRF that are not agency expenditures	$3.5	0.5%
TOTAL DISBURSEMENTS VARIANCE:		**($885)**	**-2.8%**

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

Primary and Secondary Education

This category contains GRF spending by the Ohio Department of Education. May disbursements for this category totaled $566.4 million and were $11.9 million (2.1%) below estimate. This variance was primarily attributable to below estimate spending in the Foundation Funding line item as expenditures totaled $499.6 million and were $8.2 million (1.6%) below estimate, and the Pupil Transportation line item, which was $1.4 million (3.3%) below estimate. The Foundation Funding and Pupil Transportation line items were below estimate as data updates and reconciliation offset overspending in prior months. Expenditures for the school foundation program totaled $554.3 million and were $10.5 million (1.9%) below estimate. Year-to-date disbursements were $7,517.9 million, which was $16.2 million (0.2%) above estimate.

On a year-over-year basis, disbursements in this category were $13.4 million (2.4%) higher than for the same month in the previous fiscal year while year-to-date expenditures were $118.8 million (1.6%) higher than the same point in fiscal year 2018. The year-to-date variance is primarily attributable to increased payments to school districts under the foundation funding formula.

Higher Education

May disbursements for the Higher Education category, which includes non-debt service GRF spending by the Department of Higher Education, totaled $198.2 million and were $0.9 million (0.47%) above the estimate for the month. The variance was primarily attributed to spending in the National Guard Scholarship Program, which was above estimate by a total of $1.7 million due to higher than expected requests for reimbursement from higher education institutions. This variance was partially offset by the Choose Ohio First Scholarship Program, which was below estimates by

$1.0 million primarily due to lower than expected requests for reimbursement from higher education institutions.

Year-to-date disbursements were $2,112.4 million, which was $11.8 million (0.6%) below estimate. On a year-over-year basis, disbursements in this category were $2.8 million (1.4%) lower than for the same month in the previous fiscal year while year-to-date expenditures were $12.7 million (0.6%) 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.

May disbursements in this category totaled $2.9 million and were $0.5 million (14.2%) below estimate. Year-to-date disbursements were $67.3 million, which was $0.6 million (0.9%) below estimate. On a year-over-year basis, disbursements in this category were $0.1 million (4.6%) lower than for the same month in the previous fiscal year while year-to-date expenditures were $1.3 million (2.0%) higher than at the same point in fiscal year 2018.

Medicaid

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

Expenditures
May GRF disbursements for the Medicaid Program totaled $1,483.1 million and were $63.9 million (4.1%) below estimate and $544.9 million (58.1%) 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 $13,846.2 million and were $793.5 million (5.4%) below estimate and $502.4 million (3.8%) below disbursements for the same point in the previous fiscal year.

May all-funds disbursements for the Medicaid Program totaled $2,251.4 million and were $301.7 million (11.8%) below estimate and $161.3 million (7.7%) above disbursements for the same month in the previous fiscal year. Year-to-date all-funds disbursements totaled $24,493.4 million and were $1,635.9million (6.3%) below estimate, and $171.3 million (0.7%) above disbursements for the same point in the previous fiscal year.

The May all-funds variance was primarily attributable to lower than anticipated spending in the fee-for-service, managed care, and premium assistance programs. Enrollment in these three programs were below estimate by 7.0%, 3.9%, and 14.1%, respectively for the month. Underspending in the managed care program was also attributable to lower-than-budgeted monthly capitation rates which became effective in January and lower than estimated administrative costs, specifically for information technology systems expenses. Underspending in the fee-for-service program was also attributable to the timing of administrative-related payments for the Department of Developmental Disabilities, which were delayed into future months.

The year-to-date, all-funds variance was primarily attributable to underspending in all major program categories. Underspending in the fee-for-service, managed care, and premium assistance programs are all driven by program enrollment being an average of 5.5%, 3.5%, and 10.9%, respectively, below estimate on an average monthly enrollment basis. In addition, and as mentioned above, lower-than-budgeted monthly capitation rates, which became effective in January, have contributed significantly to month-to-month variances and thus the year-to-date variance as well. Finally, the delayed Department of Developmental Disability payment mentioned above contributed to the year-to-date variance as well.

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

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

	May Actual	May Projection	Variance	Variance %
GRF	$1,483.1	$1,547.0	$(63.9)	-4.1%
Non-GRF	$768.2	$1,006.0	$(237.8)	-23.6%
All Funds	$2,251.4	$2,553.0	$(301.7)	-11.8%

<u>Enrollment</u>
Total May enrollment for the program was 2.84 million, which was 127,834 (4.3%) below the estimate and 114,576 (3.9%) below enrollment for the same period last fiscal year. Year-to-date average monthly enrollment was 2.87 million and was 112,976 (3.8%) below estimate.

May enrollment by major eligibility category was: Covered Families and Children, 1.61 million; Aged, Blind and Disabled (ABD), 484,131; Group VIII Expansion, 618,220; and Other Full Benefits, 12,083 persons.

Please note that these data are subject to revision.

Health and Human Services

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

May disbursements in this category totaled $69.7 million and were $2.0 million (3.0%) above estimate. Year-to-date disbursements were $1,216.9 million, which was $51.2 million (4.0%) below estimate. On a year-over-year basis, disbursements in this category were $0.3 million (0.5%) higher than for the same month in the previous fiscal year while year-to-date expenditures were $18.9 million (1.6%) higher than at the same point in fiscal year 2018.

Department of Job and Family Services
May disbursements for the Department of Job and Family Services totaled $39.2 million and were $5.8 million (16.2%) above estimate. This variance was primarily attributable to the Early Care and Education line item, which was approximately $7.4 million above estimate due to higher than anticipated childcare provider payments being made from this line item in support of the federal TANF Maintenance of Effort requirement. Additionally, the Information Technology Projects line item was approximately $1.6 million above the estimate and the Unemployment Insurance Administration line item was approximately $1.4 million above the estimate. Both variances were due to shifts in invoices. These variances were partially offset by the Family Assistance – Local line item, which was approximately $6.4 million below estimate due to county agency income maintenance adjustments.

Department of Mental Health and Addiction Services
May disbursements for the Department of Mental Health and Addiction Services totaled $21.6 million and were $3.2 million below estimate. This variance was primarily attributable to the Criminal Justice Services line item, which was $3.9 million (96.5%) below estimate predominately due to the timing of grant related payments. Additionally, the Continuum of Care line item was $2.0 million (100%) below estimate due to the entirety of May's planned payment being paid in April. These variances were partially offset by disbursements in the Hospital Services line item, which was $1.8 million above estimate as the agency balances year-end funding for payroll related costs at the state's regional psychiatric hospitals.

Justice and Public Protection

This category includes non-debt service GRF expenditures by the Department of Rehabilitation & Correction, the Department of Youth Services, the Attorney General, judicial agencies, and other justice-related entities.

May disbursements in this category totaled $150.0 million and were $1.3 million (0.9%) below estimate. Year-to-date disbursements were $2,061.6 million, which was $1.6 million (0.1%) below estimate. On a year-over-year basis, disbursements in this category were $7.1 million (4.9%) higher than for the same month in the previous fiscal year while year-to-date expenditures were $75.6 million (3.8%) higher than at the same point in fiscal year 2018.

Public Defender Commission
May disbursements for the Public Defender Commission totaled $5.4 million and were $1.2 million (29.3%) 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, with the remainder estimated to be disbursed In June.

Department of Rehabilitation and Correction
May disbursements for the Department of Rehabilitation and Correction totaled $114.5 million and were $191,178 (0.2%) above estimate. This variance was primarily attributable to the Institutional Operations line item, which was $4.9 million above estimate due to the timing of payments. This variance was partially offset by the Institutional Medical Services line item, which was $2.7 million below estimate, the Community Nonresidential Programs line item with was $1.5 million below

estimate, and the Parole and Community Operations line item which was $1.4 million below estimate all due to timing of payments.

Department of Youth Services

May disbursements for the Department of Youth Services totaled $10.5 million and were $1.4 million (15.5%) above estimate. This variance was primarily attributable to disbursements in the RECLAIM Ohio line item which was above estimate by $1.3 million due to the timing of payments.

General Government

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

May disbursements in this category totaled $26.3 million and were $2.6 million (9.0%) below estimate. Year-to-date disbursements were $366.3 million, which was $1.7 million (0.5%) above estimate. On a year-over-year basis, disbursements in this category were $1.0 million (4.1%) higher than for the same month in the previous fiscal year while year-to-date expenditures were $39.7 million (12.2%) higher than at the same point in fiscal year 2018.

Department of Administrative Services

May disbursements for the Department of Administrative Services totaled $2.6 million and were $2.1 million (433.2%) 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 month of May rather than April as originally planned.

Department of Agriculture

May disbursements for the Department of Agriculture totaled $1.3 million and were $3.4 million (72.1%) below estimates. This variance was primarily attributable to the Soil and Water Phosphorous Program line, which was $2.5 million below estimate due to a delay in implementation of the program. The program was originally anticipated to begin in January and the delay caused the payment schedule to the Soil and Water Conversation Districts to be altered causing this, and other, monthly variances.

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 $303.9 million in May and were $110.5 million (26.7%) below estimate. Year-to-date disbursements totaled $1,750.6 million and were $45.8 million (2.5%) below estimate. The monthly and year-to-date variance is the result of the timing of reimbursement requests compared to last fiscal year. Total disbursements in this category are expected to return nearly to estimate by the end of the fiscal year.

Debt Service

May payments for debt service totaled $20.2 million and were $0.3 million (1.7%) above estimate. Year-to-date disbursements totaled $1,369.3 million and were $1.9 million (0.1%) below estimate.

Transfers Out

Transfers out totaled $5.0 million in May and were $3.8M (43.2%) below estimate. Year-to-date transfers out totaled $764.2 million and were $3.5 million (0.5%) above estimate. The monthly variance is largely attributable to a transfer originally planned for May to the OAKS Support Fund which will now occur in June.

Table 3

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

Functional Reporting Categories Description	MONTH ACTUAL MAY	MONTH ESTIMATED MAY	MONTH $ VAR	MONTH % VAR	YEAR-TO-DATE YTD ACTUAL	YEAR-TO-DATE YTD ESTIMATE	YEAR-TO-DATE $ VAR	YEAR-TO-DATE % VAR
Primary and Secondary Education	566,429	578,293	(11,863)	-2.1%	7,517,902	7,501,666	16,236	0.2%
Higher Education	198,243	197,319	923	0.5%	2,112,422	2,124,183	(11,760)	-0.6%
Other Education	2,947	3,434	(486)	-14.2%	67,290	67,920	(630)	-0.9%
Medicaid	1,483,115	1,546,971	(63,856)	-4.1%	13,846,168	14,639,700	(793,532)	-5.4%
Health and Human Services	69,687	67,678	2,009	3.0%	1,216,884	1,268,107	(51,222)	-4.0%
Justice and Public Protection	150,003	151,350	(1,348)	-0.9%	2,061,574	2,063,177	(1,603)	-0.1%
General Government	26,284	28,881	(2,597)	-9.0%	366,337	364,680	1,657	0.5%
Property Tax Reimbursements	303,916	414,388	(110,472)	-26.7%	1,750,625	1,796,402	(45,776)	-2.5%
Debt Service	20,227	19,892	336	1.7%	1,369,314	1,371,204	(1,890)	-0.1%
Total Expenditures & ISTV's	**2,820,851**	**3,008,206**	**(187,355)**	**-6.2%**	**30,308,518**	**31,197,038**	**(888,520)**	**-2.8%**
Transfers Out:								
BSF Transfer Out	0	0	0	N/A	657,503	657,503	0	0.0%
Operating Transfer Out	5,000	8,800	(3,800)	-43.2%	106,714	103,230	3,484	3.4%
Temporary Transfer Out	0	0	0	N/A	0	0	0	N/A
Total Transfers Out	**5,000**	**8,800**	**(3,800)**	**-43.2%**	**764,217**	**760,733**	**3,484**	**0.5%**
Total Fund Uses	**2,825,851**	**3,017,006**	**(191,155)**	**-6.3%**	**31,072,735**	**31,957,772**	**(885,037)**	**-2.8%**

Table 4

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

	MONTH				YEAR-TO-DATE			
Functional Reporting Categories Description	**MAY FY 2019**	**MAY FY 2018**	**$ VAR**	**% VAR**	**ACTUAL FY 2019**	**ACTUAL FY 2018**	**$ VAR**	**% VAR**
Primary and Secondary Education	566,429	553,010	13,419	2.4%	7,517,902	7,399,118	118,784	1.6%
Higher Education	198,243	201,050	(2,807)	-1.4%	2,112,422	2,125,141	(12,719)	-0.6%
Other Education	2,947	3,090	(143)	-4.6%	67,290	65,978	1,312	2.0%
Medicaid	1,483,115	938,180	544,935	58.1%	13,846,168	13,343,736	502,432	3.8%
Health and Human Services	69,687	69,359	328	0.5%	1,216,884	1,197,992	18,892	1.6%
Justice and Public Protection	150,003	142,938	7,065	4.9%	2,061,574	1,985,929	75,645	3.8%
General Government	26,284	25,249	1,035	4.1%	366,337	326,640	39,697	12.2%
Property Tax Reimbursements	303,916	402,186	(98,270)	-24.4%	1,750,625	1,788,406	(37,780)	-2.1%
Debt Service	20,227	63,205	(42,978)	-68.0%	1,369,314	1,343,895	25,420	1.9%
Total Expenditures & ISTV's	**2,820,851**	**2,398,267**	**422,585**	**17.6%**	**30,308,518**	**29,576,835**	**731,683**	**2.5%**
Transfers Out:								
BSF Transfer	0	0	0	N/A	657,503	0	657,503	N/A
Operating Transfer Out	5,000	0	5,000	N/A	106,714	69,486	37,228	53.6%
Temporary Transfer Out	0	0	0	N/A	0	0	0	N/A
Total Transfers Out	**5,000**	**0**	**5,000**	**N/A**	**764,217**	**69,486**	**694,731**	**999.8%**
Total Fund Uses	**2,825,851**	**2,398,267**	**427,585**	**17.8%**	**31,072,735**	**29,646,321**	**1,426,413**	**4.8%**

FUND BALANCE

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

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

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

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

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

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

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

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

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