November 12, 2019

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

FROM: Kimberly Murnieks, Director

SUBJECT: Monthly Financial Report

Report Overview:

YIELD CURVE NO LONGER INVERTED

The difference between the yields on the 10-year and 1-year Treasury notes turned positive after being slightly negative in the two previous months. The shift reversed the so-called inverted yield curve, which had raised concerns that the economy was at heightened risk of a near-term recession. The recent inversion is noteworthy and might very well predict more slowing in the pace of economic activity.

$716.3 MILLION

October GRF personal income tax receipts totaled $716.3 million and were $20.6 million (2.8%) below the estimate. Year-to-date, personal income tax revenue is essentially even with estimate for the year.

$13.8 MILLION

Earnings on Investments category was $13.8 million (50.2%) above estimate. While this overperformance is noteworthy, it is likely to be short-lived. As earnings on investments are intrinsically tied to market interest rates, the three federal funds rate cuts implemented by the Federal Reserve in fiscal year 2020 are expected to translate into lower investment earnings moving forward.

GDP GROWTH 0.8% TO 1.8%

The consensus among forecasters is that real GDP growth is continuing in the fourth quarter at a 0.8 percent to 1.8 percent pace, somewhat weaker than in the third quarter.

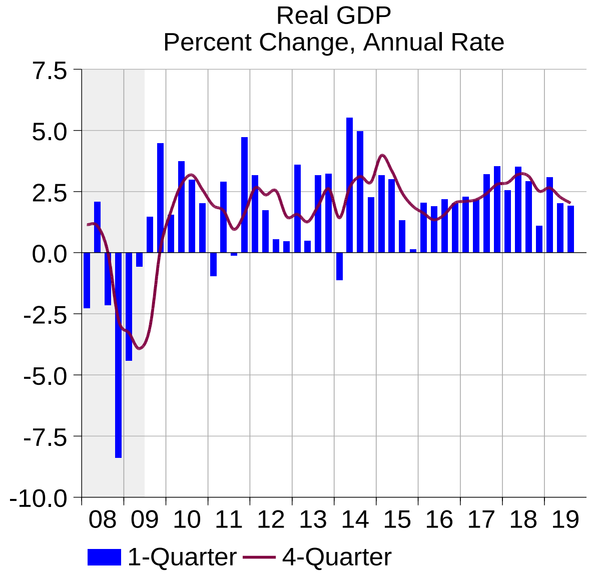
SALES TAX $43.4 MILLION

GRF non-auto sales and use tax collections in October totaled $802.6 million and were $43.4 million (5.7%) above the estimate.

0.3% INCREASE

Household incomes continued to move higher in September despite flat wage and salary disbursements. Personal income increased by 0.3 percent for the month.

Economic Growth



Growth continued over the summer at about the same pace as in the spring fueled by strong consumption but held back by investment levels. **Real GDP** expanded by 1.9 percent during the third quarter, a bit faster than had been expected. The economy was 2.0 percent larger than a year earlier. Growth has slowed on a year-over-year basis after reaching 3.2 percent in the second quarter of 2018. The U.S. economy has now expanded for a record 41 straight quarters at a compound annual rate of 2.3 percent.

The increase in real GDP in the third quarter reflected positive contributions from personal consumption expenditures (+1.93 percentage points), government (+0.35pp), and Investment in Residential Structures (+0.18pp). Consumer spending was strong across categories, with durables, nondurables, and services all contributing. Federal, state, and local government spending all made positive contributions, with federal nondefense expenditures making the largest contribution. The increase in Investment in Residential Structures was the first following a series of decreases for six straight quarters totaling -5.4 percent.

Subtracting from growth were Business Investment in Structures (-0.48pp) and Equipment (-0.23pp). The change in Business Inventories and Net Exports also subtracted modestly. Investment in Nonresidential Structures decreased by 8.6 percent from the second quarter of 2018 through the third quarter, after increasing by 15.3 percent from a low-point in the first quarter of 2016 to the second quarter of 2018. Investment in Nonresidential Equipment decreased in the third quarter for the first meaningful decline since 2016 after a flattening-out during 2018 that followed rapid growth in 2017.

Sentiment among small businesses continued to wobble along a slightly downward path in September, still at a relatively high level but below the peak reached a year ago, according to the Index of Small Business Optimism from the **National Federation of Independent Business (NFIB)**. Activity was said to be solid during the month, with job creation, capital spending, and inventory investment all consistent with slowing but sustainable growth. Credit conditions were reportedly among the most supportive in the 46-year history of the group. Approximately 30 percent of respondents to the survey said that trade policy has negatively affected their firms. None of the components of the index made positive contributions, six subtracted, and three were unchanged.

The Ohio economy remained stalled in September, according to the **Ohio coincident economic index** from the Philadelphia Federal Reserve, which decreased by 0.1 percent following a very slight dip in August. The index has posted single-month decreases on four other occasions in the last ten years. Compared with a year ago, the index was higher by 2.1 percent, up from a recent low of 1.6 percent in February. Economic activity in and around Ohio was reported to be stable on balance through early October with variation across sectors, according to a regular survey of businesses conducted by the Cleveland Federal Reserve Bank.
The diffusion of **state-level coincident economic indexes** has deteriorated in recent months. The

level was lower than the month before for eight states in September, up from four the prior month, which was revised down from the initial report of six states. The index was lower from the month before for nine states in July. Compared with three months earlier, the index was lower for six states, up from three states the month before. While representative of some weakness, both readings remain below levels observed shortly before recessions in the past.

The number of negative readings among individual **state-level composite leading indexes** compiled by the Philadelphia Federal Reserve increased to seven in September. The August number was revised down from five to three. The current number of states with negative values is very low relative to number with negative values heading into each of the three previous recessions.

The **Ohio leading index**, which is designed to predict growth in the coincident index six months ahead, was essentially zero for the second consecutive month in September. The reading is the lowest since June 2009, although it has dipped into negative territory on several occasions in recent years before being revised back into positive territory.

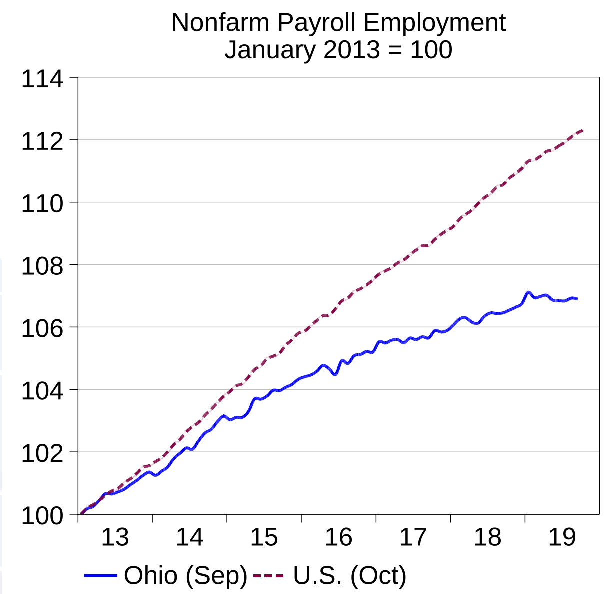
The difference between the yields on the 10-year and 1-year Treasury notes turned marginally positive after being slightly negative in the two previous months. The shift reversed the so-called **inverted yield curve**, which had raised concerns that the economy was at heightened risk of a near-term recession. The recent inversion is noteworthy and might very well predict more slowing in the pace of economic activity. Whether such a slowdown develops into a recession remains uncertain, however. While the historical record of the yield curve in anticipating recessions is among the best for a single measure, composite leading indicators, which combine multiple indicators into a single index, also have proven reliable, often avoiding false signals.

The Conference Board's composite **Leading Economic Index** (LEI) is a well-known composite index with a long track record. The LEI fell 0.1 percent in September for the second monthly decline in a row. August was revised from unchanged to -0.2 percent. The Conference Board attributed the recent weakness to increased uncertainty about the outlook and a deterioration in business expectations, arising from the downturn in manufacturing and trade disputes. The organization concluded that the index remains consistent with uninterrupted growth into 2020.

As shown in the table below, the **consensus among forecasters** is that real GDP growth is continuing in the fourth quarter at a 0.8 percent-1.8 percent pace, somewhat weaker than in the third quarter.

Source	Date	2019-Q4 GDP Forecast
Atlanta FRB (GDPNow)	11/5/19	1.0%
New York FRB (Nowcast)	11/1/19	0.8%
Blue Chip	11/5/19	1.8% (1.2%-2.4%)
IHS	11/1/19	1.5%

Employment



Nonfarm payrolls across the country increased by 128,000 jobs in October, after accounting for one-time factors that temporarily subtracted more than 50,000 jobs. Job gains in the previous two months were revised higher by 95,000 jobs, revealing greater strength in labor markets than was apparent a month ago. Even so, monthly job growth has slowed to an average of 167,000 year-to-date, down from 223,000 during all of last year. Compared with a year earlier, employment is up by 2.093 million jobs, or 1.4 percent.

The Leisure and Hospitality sector made the largest contribution to growth with an increase of 61,000 jobs, essentially all accounted for by food services and drinking places (+47,500) and amusements, gambling, and recreation (+15,100). Employment in Education and Health Services increased by 39,000 jobs, due to gains in social assistance (+19,600) and health care (+14,600). Broad growth across wholesale trade (+10,800), retail trade (+6,100), and transportation and warehousing (+9,900) boosted employment in Trade, Transportation, and Utilities (+26,000), which was followed closely by Professional and Business Services (+22,000). Employment also increased in Financial Activities (+16,000) and Construction (+10,000).

The weakest sector was Manufacturing, where a decrease of 41,600 jobs in motor vehicles and parts and no real strength elsewhere resulted in a drop of 41,000 jobs, which should be reversed in November now that striking workers are back at work. Employment fell in Government (-3,000) and Information (-4,000) and was unchanged in Mining and Logging. The decline in government employment occurred entirely at the federal level (-17,000), in part as many temporary census workers completed their assignments. Government employment at the state (+3,000) and local (+11,000) levels increased.

The **unemployment rate** ticked higher from a near-50-year low to 3.6 percent. While the low level of unemployment is not a guarantee of future growth, the fact that the rate is generally flat to down over various recent intervals is a reliable indication that a business cycle downturn is not imminent. The rate has typically increased at least 0.4 percentage points above its low during the previous twelve months just before or as the economy has transitioned into recession in the past.

Average hourly earnings unexpectedly decreased 0.2 percent during the month for a year-over-year increase of 3.0 percent – down from an expansion-peak of 3.4 percent in February and 3.2 percent in August, but still up from 2.5 percent two years ago. The median year-over-year change in wages across individual workers, which is calculated with a lag by the Atlanta Federal Reserve Bank, was +3.6 percent in September.

Ohio nonfarm payroll employment decreased by 1,500 jobs in September, and the August change was revised up to a gain of 4,700 jobs. Employment has increased by 7,900 jobs year-to-date. Monthly gains have slowed to an average of 1,925 per month during the most recent twelve months from 3,517 during the twelve months ending in September 2018. The slowdown has occurred primarily in the Manufacturing, Construction, and Government sectors. Employment growth picked up during the period in the Leisure and Hospitality and the Educational and Health Services sectors.

Compared with a year earlier, Ohio employment was higher by 23,100 jobs in September. Leisure and Hospitality (+14,100), Educational and Health Services (+12,300), and Professional and Business Services (+3,900) made the largest positive contributions. Employment decreased in Construction (-7,600), Government (-2,500), and Information (-1,000).

Employment was said to be generally stable in and around Ohio, according to the Cleveland Fed survey, although there were scattered reports of softer demand for labor. Professional and business services firms continued to add staff in response to strong customer demand. Apparel and general merchandise stores, along with construction contractors, reported steady payrolls. Some bankers cut back employment in pursuit of improved efficiency, while a number of manufacturers froze hiring and reduced hours due to weaker demand. Freight haulers also cut headcounts in response to weaker demand.

The **Ohio unemployment rate** ticked higher by 0.1 percentage point for the second month in a row to 4.2 percent in September. Total employment increased by 96,500 workers during the year ending in September and the number of unemployed people decreased by 20,122, reflecting an increase in the labor force of 76,378 people. The unemployment rate reached an expansion low of 4.0 percent in June and July and has been in the 4.0 percent to 4.2 percent range for the last six months. That's down from the 4.5 percent to 4.7 percent range in which it had fluctuated from late 2017 to early this year. Across the country in September, the unemployment rate was not statistically different from the month before in thirty-nine states. South Carolina posted the largest decrease (-0.3 percentage points), while Mississippi had the largest increase (+0.2pp).

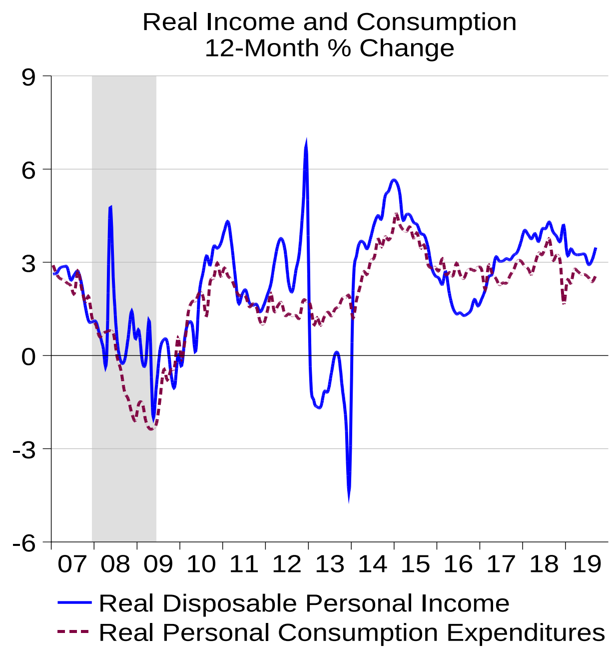
Among the **contiguous states**, employment increased on a year-over-year basis in Kentucky (+1.4%), West Virginia (+0.8%), Indiana (+0.7%), Michigan (+0.6%), Pennsylvania (+0.5%), and Ohio (+0.4%). Manufacturing employment increased year-over-year in Kentucky (2.6%), West Virginia (1.5%), and Ohio (0.3%), and decreased in Indiana and Michigan (0.7%), and Pennsylvania (1.5%).

Consumer Income and Consumption

Household incomes continued to move higher in September despite flat wage and salary disbursements. **Personal income** increased by 0.3 percent after an upwardly revised rise of 0.5 percent the month before, but **wage and salary disbursements** were unchanged, in part held back by the United Automobile Workers strike that started mid-month. The lift in income came primarily from interest (+1.1%) and dividends (+0.5%), followed by another large increase in subsidy payments to farmers in compensation for negative effects of retaliatory tariffs imposed by China on U.S. agricultural products. Compared with a year earlier, personal income was higher by 4.9 percent and wage and salary disbursements were up by 5.2 percent.

The increases in income from non-wage sources lifted total personal income by more than inflation during the month, resulting in gains in real purchasing power. The Consumer Price Index (CPI) was flat, as was the price index for Personal Consumption Expenditures (PCE). The core CPI increased just 0.1 percent and the core PCE price index – the Fed's main measure of inflation – was unchanged. Compared with a year earlier, the PCE prices indexes were up by only 1.3 percent and 1.7 percent, respectively. The median CPI calculated by the Cleveland Fed, which often in the past has been a useful indicator of future inflation, accelerated to 3.0 percent year-over-year in September from a low of 2.1 percent a couple of years ago.

Personal consumption expenditures (PCE) increased 0.2 percent for the second month in a row in September as the August change was revised up from 0.1 percent to 0.2 percent. PCE increased at an annual rate of 7.3 percent during the previous five months (February through July). Spending on durable goods increased 0.4 percent in part reflecting the 1.0 percent increase in unit sales of light motor vehicles during the month. Vehicle sales decreased 3.4 percent in October to 16.5 million units, which is the lowest level since April. Purchases of non-durable goods decreased 0.1 percent for the second straight month after five straight monthly gains. Spending on services increased 0.3 percent, extending a long string of gains.



In and around Ohio, retail spending was mixed in recent weeks, according to the Cleveland Fed survey. Changes in light motor vehicle sales varied across dealers. Spending on apparel was reportedly flat, as unseasonable weather undermined purchases. Existing restaurants noted negative effects on sales from new restaurants.

Consumer attitudes stabilized in October after some weakness the month before. The Conference Board measure slipped modestly after a large decline in September as expectations deteriorated, but assessments of current conditions improved. The difference between the percentage of respondents saying jobs are plentiful and those saying they are hard to get increased to the second highest level in almost twenty years, underscoring the importance of labor market strength to consumer confidence.

The University of Michigan survey index increased for the second month in a row in October, reflecting improvement in both expectations and assessments of current conditions in both months. Increases occurred across the income spectrum and concerns about tariffs were voiced by a noticeably smaller percentage. Conditions for making large-ticket purchases were said to have improved, and inflation expectations reportedly remained well in check.

Industrial Activity

The United Autoworkers Union strike against General Motors (GM) depressed industrial production during September and October, but its resolution could mark the beginning of the end of the recent slowdown. Industrial production decreased 0.4 percent in September, as the strike-related 4.2 percent decrease in production of motor vehicles and parts pulled down manufacturing output by 0.5 percent. Excluding motor vehicles and parts, both total and manufacturing industrial production fell by 0.2 percent. Mining was down 1.3 percent, while utility output increased 1.4 percent.

The strike, which began in mid-September and ended in late October, was the longest against GM since 1970. The cost to the company is an estimated $2 billion to $3 billion. The strike is estimated by IHS Markit to have subtracted about 0.1 percent from third-quarter real GDP growth and possibly a similar amount in the fourth quarter, depending on the extent to which production is increased to make up for the lost output in the third quarter. The effect on Ohio was larger than on most other states, because about one-fifth of total wages paid by GM in 2018 was to workers in Ohio.

The trend in manufacturing outside of the auto industry has been improving, indicating that the worst of the growth slowdown might be over. In particular, the strength in the foreign exchange value of the dollar, tariff increases and other new barriers to trade, weakness in foreign demand, production cutbacks at Boeing, and a lull in inventory building, which have negatively affected the manufacturing sector, show some signs of ebbing.

In and around Ohio, manufacturing conditions appeared to stabilize after a period of slowing, according to the Cleveland Fed survey. Some respondents reported that restocking by customers who let inventories decline too much led to a recent uptick in production. But others said that demand had continued to weaken, pointing to trade disputes and soft overseas demand. Some respondents noted that the inability to hire needed workers had held back capital expansion plans.

The **Purchasing Managers Index** (PMI) rose by a modest half point in October, but at 48.3 remained below the neutral level of 50 for a third consecutive month. The index was below 50 for the five months ending in February 2016, during which time it reached a low of 47.8. Notable developments included a jump in the New Export Orders index from 41.0 to 50.4 and an increase in New Orders from 47.3 to 49.1. The Backlog of Orders index continued its side to 44.1, the Imports index fell to 45.3, and the Production index decreased to 46.2. A level of 50 or below for the composite PMI index is consistent with contraction in the manufacturing sector. A level of 46 or below is consistent with a broad business cycle recession.

Of the eighteen industries tracked by the Manufacturing ISM® *Report on Business*, only five reported growth in the latest month, up from three in the previous month. Almost all eighteen industries reported growth just a few months ago. Among industries with a major effect on Ohio manufacturing employment, Primary Metals, Transportation Equipment, Machinery, and Fabricated Metal Products all reported contraction in order from largest to smallest decline.

A source in the Transportation Equipment industry was "cautiously optimistic for the near term." A contact in the Machinery industry reported "demand is softening." A source in Fabricated Metal Products reported that while suppliers have been saying that their business is down, "we remain very busy." A respondent in the Primary Metals industry added that "automobile related manufacturing is definitely slowing" and that "we are seeing the negative effects of the tariff war with China and the unsigned [U.S.-Mexico-Canada Agreement] deal starting to hurt consumer confidence."

Construction

Construction put-in-place increased 0.5 percent in September and the August change was revised down from +0.1 percent to -0.3 percent. Private sector construction increasd 0.2 percent, as a 0.3 percent drop in nonresidential construction – the third in a row and fifth in six months – partly offset a 0.6 percent rise in residential construction. The strength in residential came exclusively from single-family home construction, as multi-family decreased and improvements were flat. Private nonresidential construction was mixed across market segments. Public sector construction increased 1.5 percent, more than reversing the August decline of 0.4 percent, despite a 0.7 percent drop in residential and primarily reflecting increases in education and highway and in street construction.

In and around Ohio, nonresidential construction and real estate experienced strong, steady demand heading into early October, according to the Cleveland Fed survey. Nonresidential contractors noted upticks in contracts for office and health care projects and most expressed a positive outlook. Residential real estate agents said that home sales were moderately higher and that they expected demand to improve modestly in the near-term. They cited lower interest rates as the key driver of better sales, especially for first-time buyers. At the same time, builders reported that demand was softening.

The **Housing Market Index** (HMI) from the National Association of Homebuilders (NAHB) improved again in October, nearly fully recovering from the steep drop during 2018. The index, is based on assessments of current sales, expected sales in six months, and traffic of prospective buyers of new homes. The HMI for the Midwest edged down by one point to 57, remaining well below a one-month extreme high in December 2017, but up 16.3 percent from its January 2019 low.

Housing activity strengthened on balance again in September on a 3-month moving average basis. **Housing starts** increased 0.6 percent, as an increase in single-family (+2.0%) overcame a decrease in multi-family (-2.6%). Starts fell in the Midwest by 2.7 percent, due to an 8.2 percent drop in multi-family starts, which followed three months of strong increases, and no change in single-family starts during the month. The more-forward-looking building permits increased 4.0 percent across the country on a 3-month moving average basis, as both single-family (+2.3%) and multi-family (+7.0%) increased. Permits edged higher in the Midwest as an increase in single-family just outpaced a decline in multi-family. **Home sales** were mixed in September on a 3-month moving average basis, with sales of existing homes rising modestly and sales of new homes falling. Sales in both categories increased in the Midwest.

REVENUES

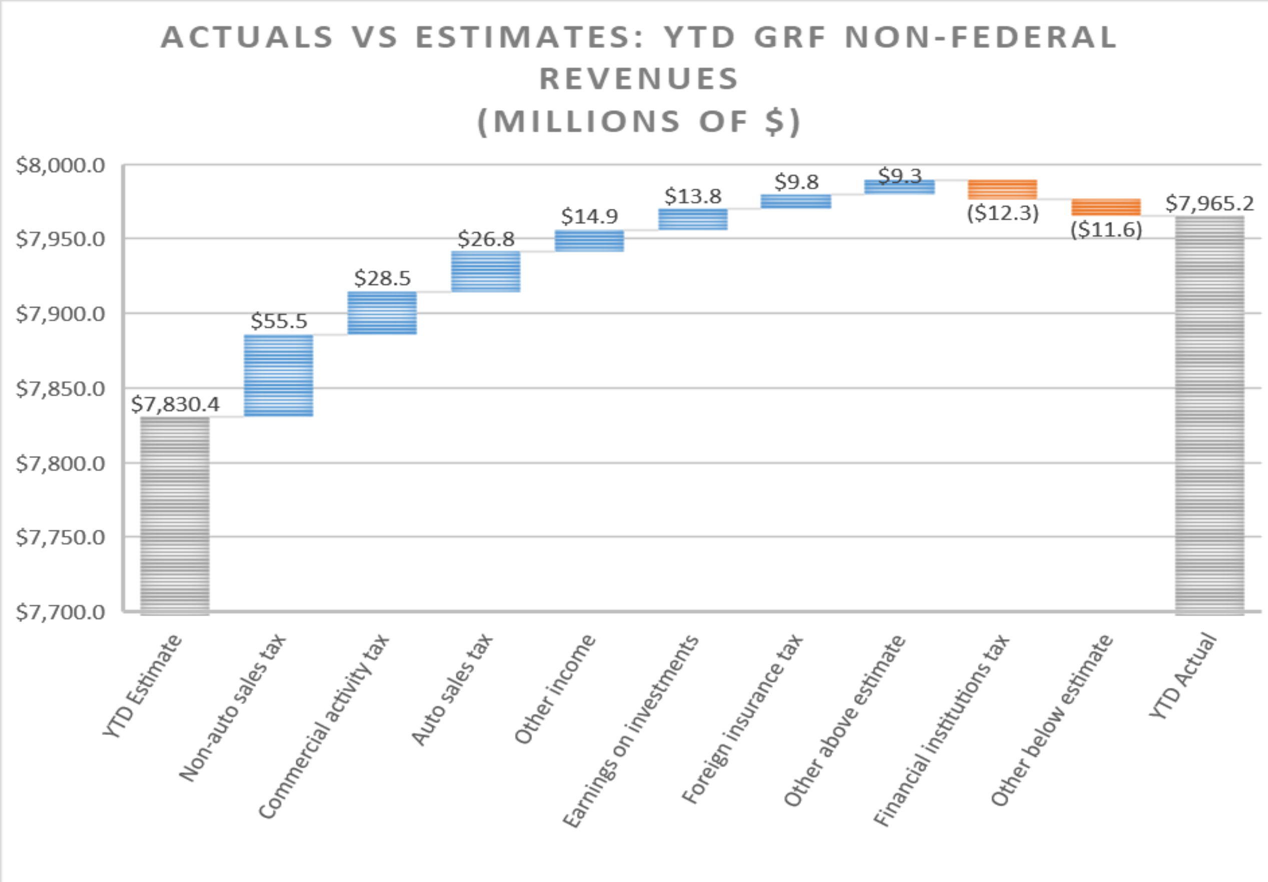
October GRF receipts totaled $2,853.4 million and were $39.3 million (1.4%) above the estimate. For the month, tax revenues were $25.6 million (1.3%) above estimate, with stronger-than-expected performance from non-auto sales tax, auto sales tax and foreign insurance tax. Non-tax receipts and transfers, excluding federal grants, were $14.5 million (1.6%) above estimate, driven by the performance of earnings on investments. Federal grants were below estimate by just $0.9 million (0.1%).

For the year, GRF revenues are $85.1 million (0.7%) above estimate. Tax revenues are $97.0 million (1.3%) above estimate. More broadly, total non-federal revenues through October are $134.8 million (1.7%) above estimate. Federal grants are $49.6 million (1.4%) below estimate, but as indicated in prior reports, such results do not pose negative budget implications since there is also Medicaid GRF underspending of $79.9 million (1.4%).

Category	Includes:	YTD Variance	% Variance
Tax receipts	Sales & use, personal income, corporate franchise, financial institutions, commercial activity, natural gas distribution, public utility, kilowatt hour, foreign & domestic insurance, other business & property taxes, cigarette, alcoholic beverage, liquor gallonage, & estate	$97.0	1.3%
Non-tax receipts	Federal grants, earnings on investments, licenses & fees, other income, intrastate transfers	($18.9)	-0.5%
Transfers	Budget stabilization, liquor transfers, capital reserve, other	$7.0	10.2%
TOTAL REVENUE VARIANCE:		**$85.1**	**0.7%**
Non-federal revenue variance		**$134.8**	**1.7%**
Federal grants variance		**($49.6)**	**-1.4%**

Non-auto sales tax had the largest overage for the month, at $43.4 million (5.7%). There were also notable positive variances for earnings on investments at $13.8 million (50.2%), foreign insurance tax at $8.5 million (5.4%), and auto sales tax at $8.0 million (5.9%). The notable declines from estimate were found for personal income tax at $20.6 million (2.8%), financial institutions tax at $8.3 million (92.0%), and commercial activity tax at $5.1 million (6.9%).

The following chart displays the relative contributions of various revenue sources to the overall variation between actual and estimated non-federal revenues through October. One can observe from the preceding table and the one below that the strong year-to-date performance of non-auto sales tax is largely traced to October's results. Conversely, the accumulated overage for the commercial activity tax was modestly reduced in October. The financial institutions tax shortfall for the year was largely driven by October performance.



The table below shows that sources exceeding estimate (an excess totaling $75.8 million) were larger than the size of revenue underperformance (a shortfall of $36.5 million), resulting in $39.3 million net positive variance from estimate. The impact of non-auto sales tax and personal income tax is apparent.

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

Individual Revenue Sources Above Estimate		Individual Revenue Sources Below Estimate	
Non-auto sales tax	$43.4	Personal income tax	($20.6)
Earnings on investments	$13.8	Financial institutions tax	($8.2)
Foreign insurance tax	$8.5	Commercial activity tax	($5.1)
Auto sales tax	$8.0	Other sources below estimate	($2.5)
Other sources above estimate	$2.0		
Total above	**$75.8**	**Total below**	**($36.5)**

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

On a year-over-year basis, monthly receipts were $16.8 million (0.6%) lower than in October of the previous fiscal year. This modest net decline was mostly due to $66.8 million in tax revenue growth and $16.1 million in earnings on investment growth being offset by a $63.3 million decline in federal grant revenue and a $36.1 million decline in other income (with the latter decline being a timing issue, as explained later in this report).

For the year, total revenues are up $224.4 million (2.0%). The growth was led by non-auto sales tax at $165.7 million (5.6%), followed by personal income tax at $72.4 million (2.5%), auto sales tax at $43.1 million (8.3%), and commercial activity tax at $40.3 million (9.4%). Federal grant revenue accounts for the greatest portion of declining sources through the year, at $94.0 million (2.6%).

Non-Auto Sales Tax

GRF non-auto sales and use tax collections in October totaled $802.6 million and were $43.4 million (5.7%) above the estimate. Year-to-date non-auto sales tax revenue is over the estimate by $55.5 million (1.8%). For October, year-over-year growth in non-auto GRF sales tax revenue was $82.3 million (11.4%). For the year-to-date, non-auto sales tax revenue has grown by $165.7 million (5.6%) over last year. One-half of the year-to-date growth is attributable to the October results.

Although unusual, an overage of this size occasionally occurs; for instance, during fiscal year 2019 the months of November 2018 and May 2019 experienced non-auto sales tax overages exceeding $58.4 million and $37.7 million, respectively. Of particular note for October 2019 is the fact that a new law pertaining to the collection of Ohio sales tax by out-of-state sellers — including so-called "marketplace facilitators" — first impacted Ohio sales tax collections (enacted by House Bill 166, 133rd General Assembly). Along with its efforts to implement and ensure compliance with the new law, the Department of Taxation is beginning to assemble information on collections from the law. Although it is too soon to have complete data on first-month collections, a portion of the October non-auto sales tax overage is likely due to collections from the new law exceeding the month's estimate.

Prior to October, Ohio non-auto sales tax performance through the fiscal year had tracked closely with anticipated levels, however it is premature to draw broad conclusions from the strong performance of this month. Beyond the possibility of larger than anticipated collections from out-of-state sellers, which would also impact future months, a confluence of transitory effects — e.g., seasonal or timing influences, temporary changes in the composition of consumer spending between taxable and non-taxable items — might explain some of the growth in October. That said, it is also apparent that consumer spending remains solid through the first one-third of fiscal year 2020, consistent with continued observed data showing high employment and modest wage and salary growth.

Auto Sales Tax

October auto sales tax revenues were $144.4 million, $8.0 million (5.9%) over the estimate. October's overage builds on the three prior months' overages, now putting year-to-date auto sales tax revenues $26.8 million (5.0%) over the estimate. October auto sales tax revenues were $11.9 million (9.0%) over the prior year, and year-to-date revenues are $43.1 million (8.3%) over the previous year.

U.S. light vehicle sales data reported by the Bureau of Economic Analysis for the month of October were at 16.5 million units (using a seasonally adjusted annual rate). This compares to 17.5 million units in the previous October and equals the low end of the range (between 16.5 million and 17.5 million units) reported over the past 12 months.

Once again, average transaction prices remain a source of growth in auto sales tax revenues. Per Kelley Blue Book, the average U.S. transaction price for new vehicles was over $38,259 (before consumer incentives) in October, growing 2.9 percent over the prior October.

Personal Income Tax

October GRF personal income tax receipts totaled $716.3 million and were $20.6 million (2.8%) below the estimate. Year-to-date, personal income tax revenue is $1.8 million (0.1%) below estimate. On a year-over-year basis, October income tax collections were $2.9 million (0.4%) above October 2018 collections. Collections for the year-to-date are $72.4 million (2.5%) above the previous year. Adjusting for the $100 million in lost withholding collections in July through October due to the rate cut that took effect in January 2019, collections growth would be 5.9 percent.

Withholding tax payments outperformed estimate, with actual collections exceeding the estimate by $20.4 million (2.6%). Compared to last October, withholding increased by $46.1 million (6.1%). As noted above, growth would have been higher if not for the fact that withholding tax rates are 3.3 percent lower than last calendar year. Withholding is now $32.3 million (1.1%) above estimate through the first four months of the fiscal year. It has grown 3.5 percent above the prior year, compared to 2.3 percent in anticipated growth.

Although quarterly estimated payments for the third quarter of calendar year 2019 were due in September, material collections also occurred in October. Estimated payments for the month were $12.3 million (33.7%) below estimate, an outcome that offsets the $11.7 million overage for September. Because collections in both months are affected by processing timing that is difficult to predict and can change from year to year, the combined September and October results probably provide a better basis of evaluation than a single-month comparison does: the two combined months show that estimated payments were a modest $0.6 million (0.3%) below estimate, but were $21.9 million (9.7%) over September-October 2018 collections. For the entire July through October 2019 period, estimated payments are $4.2 million (1.5%) below estimate.

For those taxpayers that claimed a tax return filing extension for tax year 2019, October was the month in which their annual returns were due. Some of these filing-extension taxpayers had not made their full payments prior to this filing, and therefore paid tax in October (see discussion below regarding annual return tax payments). In contrast, other extension filers had overpaid their 2019 taxes and claimed refunds on the annual returns filed in October. Refund activity in October was rather significant, at $146.2 million, and ended up larger than anticipated, exceeding estimate by $33.1 million (29.3%). For the fiscal year-to-date, refunds exceed estimate by $41.2 million (15.2%) and are $72.8 million (30.3%) above the preceding year.

The larger than anticipated October refunds, while slightly dampening the results of the 2019 tax filing season, do not change the conclusion that the filing season was overwhelmingly positive. As discussed in the May edition of this report, through the April payment-due month tax payments accompanying annual returns and extension returns were considerably larger than expected and significantly outweighed higher-than-expected refund activity for the filing season. Although the October refunds offset some of the effects of the strong 2019 filing season, it is worth considering that the accumulated March-October overage in annual and extension return tax dues (amounting to $383.7 million) still well exceeds the January-October overage in refunds ($139.0 million) and the December 2018-January 2019 shortfall in quarterly estimated payments ($139.5 million).

The unusual dynamics of the 2019 tax filing season – low fourth quarter estimated payments, extremely high annual return payments, high filing extension refunds – may all be partly the result of changes in taxpayer and tax preparer behavior from the 2017 federal tax reform bill, the Tax Cuts and Jobs Act (TCJA). A number of provisions of the act, notably the restriction on the federal deduction of state and local taxes to $10,000 beginning in tax year 2019 (which affected the timing of state payments and the split between estimated payments and annual payments), and the corporate foreign income repatriation provision (which boosted stock buybacks and therefore capital gains income) had large impacts not only on federal taxes but also on state taxes.

Tax payments from annual returns were $2.4 million (4.1%) above estimate for the month and are $12.1 million (7.6%) above estimate for the year. Through October, this payment source is $24.2 million (27.5%) over the prior year. Collections for the remaining types of tax payments were close to or above estimate in October, as well as for the year-to-date.

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

	Actual October	Estimate October	$ Var	Actual Oct-2019	Actual Oct-2018	$ Var Y-0ver-Y
Withholding	$799.0	$778.6	$20.4	$799.0	$752.9	$46.1
Quarterly Est.	$24.2	$36.5	($12.3)	$24.2	$33.2	($9.0)
Annual Returns & 40 P	$60.8	$58.4	$2.4	$60.8	$48.7	$12.1
Trust Payments	$5.1	$5.2	($0.1)	$5.1	$5.2	($0.1)
Other	$7.0	$5.1	$1.9	$7.0	$5.0	$2.0
Less: Refunds	($146.2)	($113.1)	($33.1)	($146.2)	($100.6)	($45.6)
Local Distr.	($33.7)	($33.8)	$0.1	($33.7)	($31.1)	($2.6)
Net to GRF	$716.3	$736.9	($20.6)	$716.3	$713.4	$2.9

(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)

For the first time in five months, the CAT did not reach estimate in October, falling short of estimate by $5.1 million (6.9%). For the year-to-date, GRF revenue from the CAT is now $28.5 million (6.5%) above estimate. October revenue was $12.1 million (14.9%) lower than in October 2018, yet year-to-date revenue from this source is $40.3 million (9.4%) above the first four months of the prior fiscal year. It is worth noting that October precedes the payment due month for activity occurring during the third quarter of the calendar year, and therefore is not nearly as important a collection month as

November. As a result, meaningful evaluation of recent CAT performance must await the November results. Additionally, refund activity in October was about $11 million larger than in the previous October; this implies that total taxable gross receipts reported by October filers were stronger than might be otherwise suggested by the post-refund revenue figure.

Financial Institutions Tax (FIT)

The FIT was $8.3 million below estimate in October. For FIT taxpayers that had paid their current-year tax on an estimated basis (during the January through May 2019 period) with an annual return filing extension, their annual returns were required to be filed in October. As a result, October reflects a reconciliation between the prior payments and final reported tax liability. Although OBM had expected refunds to exceed revenue during the month, the volume of refunds was larger than anticipated. The FIT is now $12.3 million (84.7%) below estimate through October. Additional net refunds are also anticipated in the next two months, so OBM will be interested to find whether some of that anticipated activity may have been pushed forward into October.

GRF Non-Tax Receipts

GRF non-tax revenues in October totaled $891.8 million and were $13.6 million (1.6%) above estimate. This variance was primarily attributable to the Earnings on Investments category, which was $13.8 million (50.2%) above estimate. While this overperformance is noteworthy, it is likely to be short-lived. As earnings on investments are intrinsically tied to market interest rates, the three federal funds rate cuts implemented by the Federal Reserve in fiscal year 2020 are expected to translate into lower investment earnings moving forward.

The remaining non-tax revenue categories nearly offset one another with small variances. Federal Grants were $0.9 million below estimate, while License & Fees and Other Income had a combined positive variance of $0.7 million.

11/5/2019

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

REVENUE SOURCE	MONTH ACTUAL OCTOBER	MONTH ESTIMATE OCTOBER	MONTH $ VAR	MONTH % VAR	YEAR-TO-DATE ACTUAL Y-T-D	YEAR-TO-DATE ESTIMATE Y-T-D	YEAR-TO-DATE $ VAR	YEAR-TO-DATE % VAR
TAX RECEIPTS								
Non-Auto Sales & Use	802,643	759,200	43,443	5.7%	3,128,047	3,072,500	55,547	1.8%
Auto Sales & Use	144,389	136,400	7,989	5.9%	563,002	536,200	26,802	5.0%
Subtotal Sales & Use	947,032	895,600	51,432	5.7%	3,691,049	3,608,700	82,349	2.3%
Personal Income	716,303	736,900	(20,597)	-2.8%	2,998,430	3,000,200	(1,770)	-0.1%
Corporate Franchise	23	0	23	N/A	(4)	0	(4)	N/A
Financial Institutions Tax	(17,282)	(9,000)	(8,282)	-92.0%	(26,788)	(14,500)	(12,288)	-84.7%
Commercial Activity Tax	69,275	74,400	(5,125)	-6.9%	468,707	440,200	28,507	6.5%
Petroleum Activity Tax	0	0	0	N/A	1,796	2,000	(204)	-10.2%
Public Utility	2,794	3,400	(606)	-17.8%	34,886	35,300	(414)	-1.2%
Kilowatt Hour	29,314	30,200	(886)	-2.9%	119,227	121,000	(1,773)	-1.5%
Natural Gas Distribution	534	600	(66)	-11.0%	13,304	14,600	(1,296)	-8.9%
Foreign Insurance	166,510	158,000	8,510	5.4%	175,429	165,600	9,829	5.9%
Domestic Insurance	0	0	0	N/A	1	0	1	N/A
Other Business & Property	0	0	0	N/A	0	0	0	N/A
Cigarette and Other Tobacco	77,616	77,400	216	0.3%	257,005	260,100	(3,095)	-1.2%
Alcoholic Beverage	4,675	3,600	1,075	29.9%	17,158	20,200	(3,042)	-15.1%
Liquor Gallonage	4,029	4,100	(71)	-1.7%	17,278	17,100	178	1.0%
Estate	0	0	0	N/A	38	0	38	N/A
Total Tax Receipts	2,000,823	1,975,200	25,623	1.3%	7,767,514	7,670,500	97,014	1.3%
NON-TAX RECEIPTS								
Federal Grants	847,981	848,842	(861)	-0.1%	3,488,919	3,538,556	(49,637)	-1.4%
Earnings on Investments	41,306	27,500	13,806	50.2%	41,306	27,500	13,806	50.2%
License & Fees	860	413	447	108.3%	9,465	7,414	2,051	27.7%
Other Income	1,639	1,417	221	15.6%	71,351	56,458	14,894	26.4%
ISTV'S	2	0	2	N/A	20	0	20	N/A
Total Non-Tax Receipts	891,789	878,172	13,617	1.6%	3,611,062	3,629,928	(18,866)	-0.5%
TOTAL REVENUES	**2,892,612**	**2,853,372**	**39,239**	**1.4%**	**11,378,576**	**11,300,428**	**78,148**	**0.7%**
TRANSFERS								
Budget Stabilization	0	0	0	N/A	0	0	0	N/A
Transfers In - Other	67	0	67	N/A	75,548	68,570	6,978	10.2%
Temporary Transfers In	0	0	0	N/A	0	0	0	N/A
Total Transfers	67	0	67	N/A	75,548	68,570	6,978	10.2%
TOTAL SOURCES	**2,892,679**	**2,853,372**	**39,307**	**1.4%**	**11,454,124**	**11,368,998**	**85,126**	**0.7%**

11/5/2019

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

REVENUE SOURCE	MONTH				YEAR-TO-DATE			
	OCTOBER FY 2020	OCTOBER FY 2019	$ VAR	% VAR	ACTUAL FY 2020	ACTUAL FY 2019	$ VAR	% VAR
TAX RECEIPTS								
Non-Auto Sales & Use	802,643	720,347	82,296	11.4%	3,128,047	2,962,337	165,710	5.6%
Auto Sales & Use	144,389	132,492	11,896	9.0%	563,002	519,867	43,135	8.3%
Subtotal Sales & Use	947,032	852,839	94,192	11.0%	3,691,049	3,482,204	208,845	6.0%
Personal Income	716,303	713,378	2,926	0.4%	2,998,430	2,926,007	72,424	2.5%
Corporate Franchise	23	19	3	17.0%	(4)	181	(185)	-102.0%
Financial Institutions Tax	(17,282)	(12,706)	(4,575)	-36.0%	(26,788)	(18,867)	(7,921)	-42.0%
Commercial Activity Tax	69,275	81,373	(12,098)	-14.9%	468,707	428,378	40,328	9.4%
Petroleum Activity Tax	0	0	0	N/A	1,796	2,019	(223)	-11.0%
Public Utility	2,794	3,347	(552)	-16.5%	34,886	35,758	(872)	-2.4%
Kilowatt Hour	29,314	33,789	(4,476)	-13.2%	119,227	129,386	(10,159)	-7.9%
Natural Gas Distribution	534	524	9	1.8%	13,304	15,363	(2,060)	-13.4%
Foreign Insurance	166,510	169,222	(2,712)	-1.6%	175,429	177,579	(2,150)	-1.2%
Domestic Insurance	0	1	(1)	N/A	1	1	(0)	-43.2%
Other Business & Property	0	0	0	N/A	0	0	0	N/A
Cigarette and Other Tobacco	77,616	85,452	(7,835)	-9.2%	257,005	268,461	(11,456)	-4.3%
Alcoholic Beverage	4,675	2,840	1,835	64.6%	17,158	18,873	(1,715)	-9.1%
Liquor Gallonage	4,029	3,913	115	2.9%	17,278	16,813	465	2.8%
Estate	0	(5)	5	N/A	38	32	5	16.9%
Total Tax Receipts	2,000,823	1,933,985	66,838	3.5%	7,767,514	7,482,187	285,328	3.8%
NON-TAX RECEIPTS								
Federal Grants	847,981	911,285	(63,304)	-6.9%	3,488,919	3,582,964	(94,045)	-2.6%
Earnings on Investments	41,306	25,239	16,068	63.7%	41,306	25,239	16,068	63.7%
License & Fee	860	1,109	(249)	-22.4%	9,465	9,365	100	1.1%
Other Income	1,639	37,713	(36,074)	-95.7%	71,351	53,822	17,530	32.6%
ISTV'S	2	2	(0)	-3.8%	20	16	4	23.0%
Total Non-Tax Receipts	891,789	975,348	(83,559)	-8.6%	3,611,062	3,671,405	(60,343)	-1.6%
TOTAL REVENUES	**2,892,612**	**2,909,332**	**(16,721)**	**-0.6%**	**11,378,576**	**11,153,591**	**224,985**	**2.0%**
TRANSFERS								
Budget Stabilization	0	0	0	N/A	0	0	0	N/A
Transfers In - Other	67	114	(47)	-40.9%	75,548	76,109	(561)	-0.7%
Temporary Transfers In	0	0	0	N/A	0	0	0	N/A
Total Transfers	67	114	(47)	-40.9%	75,548	76,109	(561)	-0.7%
TOTAL SOURCES	**2,892,679**	**2,909,446**	**(16,767)**	**-0.6%**	**11,454,124**	**11,229,700**	**224,424**	**2.0%**

DISBURSEMENTS

October GRF disbursements, across all uses, totaled $3,006.8 million and were $81.8 million (2.6%) below estimate. This variance was primarily attributable to below estimate disbursements in the Property Tax Reimbursements category and was partially offset by expenditures that were above estimate in the Primary and Secondary Education category. On a year-over-year basis, October total uses were $69.2 million (2.2%) lower than those of the same month in the previous fiscal year, with a decrease 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**	**Year-Over-Year Variance**	**% Variance**
Expenditures and transfers between agencies (ISTVs)	State agency operations, subsidies, tax relief, debt service payments, and pending payroll (if applicable)	($63.8)	-2.1%
Transfers	Temporary or permanent transfers out of the GRF that are not agency expenditures	($5.4)	-51.6%
TOTAL DISBURSEMENTS VARIANCE:		**($69.2)**	**-2.2%**

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. October disbursements for this category totaled $685.8 million and were $15.1 million (2.2%) above estimate. This variance was primarily attributable to above estimate spending in the Foundation Funding, EdChoice Expansion, and Pupil Transportation line items. The Foundation Funding and EdChoice Expansion line items were above estimate due to the timing of EdChoice payments, which disbursed in October instead of September as estimated. Disbursements for the Pupil Transportation line item were above estimate due to formula updates for special education transportation. This variance was partially offset by below estimate spending in the Student Assessment and Adult Diploma line items due to timing of payments which will be offset in future months.

Expenditures for the school foundation program totaled $650.3 million and were $19.0 million (3.0%) above estimate. Year-to-date disbursements were $2,861.9 million, which is $26.4 million (0.9%) below estimate. On a year-over-year basis, disbursements in this category were $0.8 million (0.1%) lower than for the same month in the previous fiscal year while year-to-date expenditures were $9.4 million (0.3%) higher than the same point in fiscal year 2019.

Higher Education

October disbursements for the Higher Education category, which includes non-debt service GRF spending by the Department of Higher Education, totaled $197.4 million and were $0.3 million (0.2%) above estimate for the month. This variance was primarily attributable to spending in the Ohio College Opportunity Grant Scholarship Program that was above the monthly estimates by a total of $6.4 million as a result of higher than expected requests for reimbursement from higher education institutions because of the lower than normal requests in August and September. This variance was partially offset by spending in multiple programs because Memorandum of Understanding (MOUs), which are necessary prior to disbursement of funds, have not been completed and spending was below the monthly estimates by a total of $6.5 million.

Year-to-date disbursements were $739.2 million, which was $13.4 million (1.8%) below the estimate. On a year-over-year basis, disbursements in this category were $1.4 million (0.7%) higher than for the same month in the previous fiscal year while year-to-date expenditures were $19.3 million (2.5%) lower than at the same point in fiscal year 2019.

Other Education

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

October disbursements in this category totaled $6.1 million and were $0.2 million (2.9%) above estimate. Year-to-date disbursements were $37.7 million, which was $1.3 million (3.4%) below estimate. On a year-over-year basis, disbursements in this category were $1.3 million (18.1%) lower than for the same month in the previous fiscal year while year-to-date expenditures were $3.9 million (11.4%) higher than at the same point in fiscal year 2019.

<u>Broadcast Educational Media Commission</u>
October disbursements for the Broadcast Educational Media Commission totaled $2.1 million and were $1.8 million above estimate. This variance was primarily attributable to the timing of subsidy payments in the in the Ohio Government Telecommunications Services line item, which were disbursed in October rather than September as originally planned.

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>
October GRF disbursements for the Medicaid Program totaled $1,276.1 million and were $17.5 million (1.4%) below estimate and $139.2 million (9.8%) below 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 $5,434.5 million and were $79.9 million (1.4%) below estimate and $113.1 million (2.0%) below disbursements for the same point in the previous fiscal year.

October all-funds disbursements for the Medicaid Program totaled $2,100.1 million and were $33.2 million (1.6%) below estimate and $174.3 million (7.7%) below disbursements for the same month in the previous fiscal year. Year-to-date all-funds disbursements totaled $9,310.8 million and were

$132.7 million (1.4%) below estimate and $665.9 million (7.7%) above disbursements for the same point in the previous fiscal year.

The October all-funds variance was primarily attributable to delayed administrative payments and delayed spending on some fiscal year 2019 encumbrances. Additionally, October spending remained below estimate in the fee-for-service program due again to delayed payments, which are expected to be made in the coming months. Generally, in the managed care program, enrollment in major categories was at or slightly above estimate. However, per-member-per-month costs remained lower than anticipated resulting in underspending in all managed care categories except for MyCare. MyCare was above estimate due to normal corrections within the category that began last month. These corrections are based on updated information for individuals within the category.

The year-to-date variance is primarily attributable to the Department disbursing the entirety of its hospital Health Care Assurance Program (HCAP) appropriation in August and September of this fiscal year whereas an HCAP payment did not occur until December of fiscal year 2019.

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

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

	Oct. Actual	Oct. Projection	Variance	Variance %
GRF	$ 1,276.1	$ 1,293.6	$ (17.5)	-1.4%
Non-GRF	$ 823.9	$ 839.7	$ (15.8)	-1.9%
All Funds	$ 2,100.1	$ 2,133.3	$ (33.2)	-1.6%

<u>Enrollment</u>

Total October enrollment was 2.83 million, which was 17,912 (0.6%) above estimate and 61,076 (2.1%) below enrollment for the same period last fiscal year. Year-to-date average monthly enrollment was 2.83 million and was 11,080 (0.4%) above estimate.

October enrollment by major eligibility category was: Covered Families and Children, 1.6 million; Aged, Blind and Disabled (ABD), 491,393; Group VIII Expansion, 609,261; and Other Limited Benefits, 13,066 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.

October disbursements in this category totaled $215.3 million and were $2.4 million (1.1%) above estimate. Year-to-date disbursements were $512.9 million, which was $22.8 million (4.3%) below estimate. On a year-over-year basis, disbursements in this category were $37.4 million (21.0%) higher than for the same month in the previous fiscal year while year-to-date expenditures were $47.6 million (10.2%) higher than at the same point in fiscal year 2019.

Department of Job and Family Services

October disbursements for the Department of Job and Family Services totaled $155.5 million and were $27.4 million (21.4%) above estimate. This variance was primarily attributable to the Family and Children Services line item, which was approximately $23.5 million above estimate because of requests to combine subsidy payments originally scheduled for October and January for the State Child Protective Allocation. Additionally, the Child Care State and Child, Early Care and Education line items were approximately $6.4 million and $2.6 million, respectively, above estimate because of higher than estimated subsidy payments made to childcare providers as they transition to higher quality ratings. The Family Assistance – Local line item was approximately $1.6 million above estimate due to higher than anticipated county expenditures in the administration of the SNAP program. These variances were partially offset by the Program Operations line item, which was approximately $2.5 million below estimate and the Information Technology Projects line item, which was approximately $1.5 million below estimate because invoices were not received from various vendors as anticipated. Finally, the Child, Family, and Community Protection Services line item was approximately $1.1 million below estimate because of lower than anticipated county draws for the month.

Department of Mental Health and Addiction Services

October disbursements for the Department of Mental Health and Addiction Services totaled $46.0 million and were $22.1 million (32.5%) below estimate. This variance was primarily attributable to spending below estimate in several lines. The Continuum of Care Services line item was $18.0 million below estimate, the Addiction Services Partnership with Corrections line item was $2.6 below estimate, and the Criminal Justice Services line item was $2.7 million below estimate due to timing of subsidy payments. This variance was partially offset by above estimate spending in the Hospital Services line item which was $1.3 million above estimate due to higher than projected information technology expenditures as well as deliverables directed by the Joint Commission Accreditation reviews.

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.

October disbursements in this category totaled $236.6 million and were $2.8 million (1.2%) below estimate. Year-to-date disbursements were $867.0 million, which was $22.1 million (2.5%) below estimate. On a year-over-year basis, disbursements in this category were $34.2 million (16.9%) higher than for the same month in the previous fiscal year while year-to-date expenditures were $46.7 million (5.7%) higher than at the same point in fiscal year 2019.

Department of Public Safety
October disbursements for the Department of Public Safety totaled $2.1 million and were $2.0 million (48.4%) below estimate. This variance was primarily attributable to disbursements in the Local Disaster Assistance line item which were $1.0 million below estimate due to the timing of subsidy payments.

Department of Rehabilitation and Correction
October disbursements for the Department of Rehabilitation and Correction totaled $190.8 million and were $8.2 million (4.5%) above estimate. This variance was primarily attributable to the Institutional Operations line item, which was $8.8 million above estimate due to payments occurring in October than were planned for September. This variance was partially offset by the Institution Medical Services line item which was $1.8 million below estimate due to lower than anticipated inmate medical costs for the month.

Department of Youth Services
October disbursements for the Department of Youth Services totaled $11.6 million and were $3.5 million (23.2%) below estimate. This variance was primarily attributable to disbursements in the RECLAIM Ohio line item, which was $3.0 million below estimate do to a number of factors including the timing of subsidy payments to community correctional facilities, delays in large orders of vehicles and computer equipment, and a continuation of the higher than expected attrition rate among staff.

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.

October disbursements in this category totaled $41.7 million and were $4.0 million (10.6%) above estimate. Year-to-date disbursements were $152.7 million, which was $9.2 million (5.7%) below estimate. On a year-over-year basis, disbursements in this category were $6.4 million (18.1%) higher than for the same month in the previous fiscal year while year-to-date expenditures were $18.4 million (13.7%) higher than at the same point in fiscal year 2019.

Department of Administrative Services
October disbursements for the Department of Administrative Services totaled $7.0 million and were $5.5 million (372.9%) above estimate. This variance was mainly attributable to the Ohio Business Gateway line item, which was above estimate due to the timing of a software license payment, which occurred in October instead of September as planned. In addition, the MARCS Fee Offset disbursement for local government MARCS radio subscribers also occurred in October instead of September as planned.

Developmental Services Agency
October disbursements for Development Services Agency totaled $2.6 million and were $1.1 million (30.6%) below estimates. This variance is primarily attributable to underspending in several grant program line items (for example, the TechCred Program, Industry Sector Partnerships, Appalachia Assistance, Technology Programs and Grants, etc.) due to delay in program implementation which altered anticipated payment schedules.

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 $250.4 million in October and were $61.3 million (19.7%) below estimate. Year-to-date expenses were $851.4 million and were $47.5 million (5.9%) above estimate. A variance of this size is not unusual in this disbursement category and reflects reimbursement requests being received from counties earlier than anticipated. November disbursements are also expected to fall below estimate, offsetting the year-to-date positive variance.

Debt Service

October payments for debt service totaled $92.4 million and were $37,000 (0.0%) below estimate. Year-to-date expenses in this category total $853.5 million and were 0.3 million (0.0%) below estimate.

Transfers Out

October transfers out totaled $5.1 million and were $22.1 million (81.4%) below estimate. Year-to-date transfers totaled $661.7 million and were $8.3 million (1.2%) below estimate. The monthly variance was caused by a planned transfer to the Tourism Ohio fund occurring in August rather than October, as estimated.

Preliminary
11/6/2019

Table 3
GENERAL REVENUE FUND DISBURSEMENTS
ACTUAL FY 2020 VS ESTIMATE FY 2020
($ in thousands)

	MONTH				YEAR-TO-DATE			
Functional Reporting Categories Description	**ACTUAL OCTOBER**	**ESTIMATED OCTOBER**	**$ VAR**	**% VAR**	**YTD ACTUAL**	**YTD ESTIMATE**	**$ VAR**	**% VAR**
Primary and Secondary Education	685,779	670,711	15,067	2.2%	2,861,890	2,888,265	(26,375)	-0.9%
Higher Education	197,411	197,079	332	0.2%	739,145	752,497	(13,352)	-1.8%
Other Education	6,092	5,923	169	2.9%	37,743	39,088	(1,344)	-3.4%
Medicaid	1,276,142	1,293,619	(17,476)	-1.4%	5,434,467	5,514,408	(79,941)	-1.4%
Health and Human Services	215,283	212,836	2,447	1.1%	512,919	535,705	(22,786)	-4.3%
Justice and Public Protection	236,638	239,439	(2,802)	-1.2%	866,957	889,042	(22,084)	-2.5%
General Government	41,712	37,719	3,993	10.6%	152,721	161,928	(9,207)	-5.7%
Property Tax Reimbursements	250,356	311,705	(61,349)	-19.7%	851,362	803,825	47,537	5.9%
Debt Service	92,352	92,389	(37)	0.0%	853,499	853,782	(283)	0.0%
Total Expenditures & ISTV's	**3,001,766**	**3,061,420**	**(59,654)**	**-1.9%**	**12,310,704**	**12,438,540**	**(127,836)**	**-1.0%**
Transfers Out:								
BSF Transfer Out	0	0	0	N/A	0	0	0	N/A
Operating Transfer Out	5,066	27,200	(22,134)	-81.4%	661,667	669,975	(8,308)	-1.2%
Temporary Transfer Out	0	0	0	N/A	0	0	0	N/A
Total Transfers Out	**5,066**	**27,200**	**(22,134)**	**-81.4%**	**661,667**	**669,975**	**(8,308)**	**-1.2%**
Total Fund Uses	**3,006,831**	**3,088,620**	**(81,789)**	**-2.6%**	**12,972,371**	**13,108,515**	**(136,144)**	**-1.0%**

Preliminary

11/6/2019

Table 4

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

Functional Reporting Categories Description	MONTH OCTOBER FY 2020	MONTH OCTOBER FY 2019	MONTH $ VAR	MONTH % VAR	YEAR-TO-DATE ACTUAL FY 2020	YEAR-TO-DATE ACTUAL FY 2019	YEAR-TO-DATE $ VAR	YEAR-TO-DATE % VAR
Primary and Secondary Education	685,779	686,614	(835)	-0.1%	2,861,890	2,852,509	9,381	0.3%
Higher Education	197,411	196,020	1,390	0.7%	739,145	758,409	(19,265)	-2.5%
Other Education	6,092	7,442	(1,350)	-18.1%	37,743	33,872	3,871	11.4%
Medicaid	1,276,142	1,415,370	(139,227)	-9.8%	5,434,467	5,547,550	(113,082)	-2.0%
Health and Human Services	215,283	177,850	37,433	21.0%	512,919	465,336	47,583	10.2%
Justice and Public Protection	236,638	202,441	34,197	16.9%	866,957	820,265	46,693	5.7%
General Government	41,712	35,329	6,384	18.1%	152,721	134,273	18,448	13.7%
Property Tax Reimbursements	250,356	251,784	(1,427)	-0.6%	851,362	829,019	22,343	2.7%
Debt Service	92,352	92,704	(352)	-0.4%	853,499	887,115	(33,616)	-3.8%
Total Expenditures & ISTV's	**3,001,766**	**3,065,553**	**(63,788)**	**-2.1%**	**12,310,704**	**12,328,348**	**(17,645)**	**-0.1%**
Transfers Out:								
BSF Transfer	0	0	0	N/A	0	657,503	(657,503)	N/A
Operating Transfer Out	5,066	10,456	(5,390)	-51.6%	661,667	94,824	566,843	597.8%
Temporary Transfer Out	0	0	0	N/A	0	0	0	N/A
Total Transfers Out	**5,066**	**10,456**	**(5,390)**	**-51.6%**	**661,667**	**752,327**	**(90,660)**	**-12.1%**
Total Fund Uses	**3,006,831**	**3,076,009**	**(69,178)**	**-2.2%**	**12,972,371**	**13,080,675**	**(108,304)**	**-0.8%**

FUND BALANCE

Table 5 describes the estimated General Revenue Fund (GRF) unencumbered ending fund balance for fiscal year 2020. Based on the estimated revenue sources for fiscal year 2020 and the estimated fiscal year 2020 disbursements, transfers, and encumbrances, the GRF unencumbered ending fund balance for fiscal year 2020 is estimated to be $593.2 million.

The GRF unencumbered ending fund balance should not be considered as a balance available for expenditure in fiscal year 2020 because the biennial budget includes carrying-over this balance into fiscal year 2021, nor should it be considered as equivalent to the fiscal year 2020 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 2020
($ in thousands)

JULY 1, 2019 Beginning Cash Balance*	**1,538,011.8**
Plus FY 2020 Estimated Revenues	23,981,102.1
Plus FY 2020 Estimated Federal Revenues	9,868,943.2
Plus FY 2020 Estimated Transfers to GRF	215,044.4
Total Sources Available for Expenditures & Transfers	**35,603,101.5**
Less FY 2020 Estimated Disbursements**	33,969,087.5
Less Estimated Total Encumbrances as of June 30, 2020	357,122.8
Less FY 2020 Estimated Transfers Out	683,675.1
Total Estimated Uses	**35,009,885.3**
FY 2020 ESTIMATED UNENCUMBERED ENDING FUND BALANCE	**593,216.2**

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

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

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