October 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

September GRF personal income tax receipts totaled $930.9 million and were $33.1 million (3.7%) above the estimate for the month.

September non-auto sales and use tax collections were $729.0 million, $6.9million (0.9%) below the estimate for the month. Year-to-date non-auto sales tax revenue is over the estimate by $12.1 million (0.5%).

Year-to-date, GRF revenue from federal grants is below estimate by $48.8 million (1.8%) primarily due to GFR Medicaid spending remaining below estimate by $62.5 million.

U.S. nonfarm payroll employment increased by 136,000 jobs in September, about as expected. At 161,000, the average monthly change year-to-date is a step down from the average of 220,000 the same period last year.

The consensus among forecasters is that real GDP growth will remain between 1.5 and 2 percent during the third quarter calendar year 2019. This is consistent with leading economic indicators suggesting slow growth.

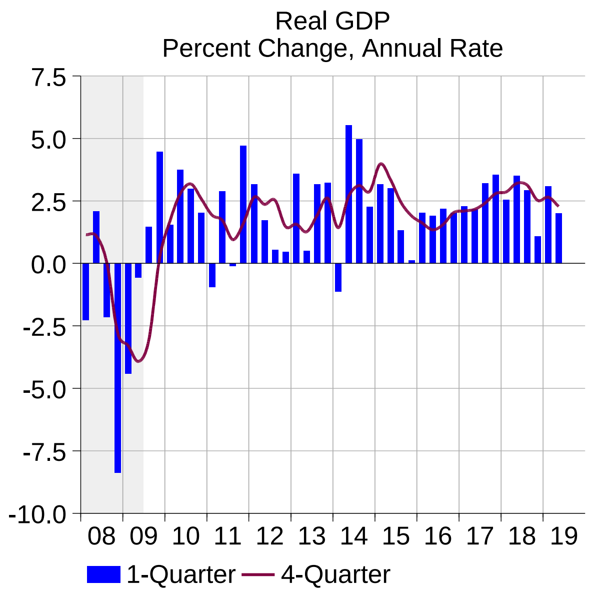
The US employment rate decreased to 3.5 percent in September, which is the lowest level seen since December 1969.

ECONOMIC SUMMARY

Economic Growth

Signs of slower growth have continued to accumulate, with large declines in the Purchasing Managers Indexes for manufacturing and nonmanufacturing for September being the most recent indicator. This change is consistent with contraction in manufacturing and slower growth in services. Additionally, housing construction has trended down for a year and a half, U.S. exports are down from a year ago, and forecasts of global growth have been revised lower. Overall, leading indicators remain more consistent with growth than contraction.

Real GDP expanded at a revised annual rate of 2.0 percent during the second quarter, down slightly from the previous report of 2.1 percent and 3.1 percent in the first quarter. Growth was 2.3 percent on a year-over-year basis. The year-over-year growth rate has slowed from 3.2 percent in the second quarter of 2018. This economic expansion became the longest in U.S. history in July, surpassing the previous record set in the 1990s. During the past decade, real GDP has expanded at an annual rate of 2.3 percent, about one-third slower than the 3.6 percent rate during the 1990s expansion.



The increase in real GDP in the second quarter reflected positive contributions from personal consumption expenditures (+3.03 percentage points) and government (+0.82pp). Subtracting from growth were the change in private inventories (-0.91pp) and net exports (-0.68pp). Consumer spending was strong across categories, with durables, nondurables, and services all making substantial contributions. Both federal and state as well as local government spending made positive contributions, with federal nondefense expenditures making the largest.

Nonresidential fixed investment subtracted slightly after twelve consecutive quarters of sizable additions. Investment in residential structures also made a small negative contribution, extending the string of negative quarters to six, leaving it down 5.4 percent since its fourth-quarter 2017 peak. Within net exports, a large decline in exports was responsible for the decline, as imports were essentially unchanged after a decline in the previous quarter, which effectively added to GDP growth.

The slowing in growth from the first quarter reflected a swing from positive to negative changes in nonresidential fixed investment, the change in inventories, and net exports. The drag from fixed investment occurred mostly in structures and intellectual property. The drag from the change in inventories might have been related to softness in imports this year, which followed a surge last year that went into inventories presumably to protect against disruptions in trade arising from international disputes. The drag from net exports was due mostly to the decline in exports after an increase the quarter before. Real net exports peaked in the second quarter of 2018 and are down 1.7 percent since then, comparable to the 1.5 percent drop from the fourth quarter of 2014 to the fourth quarter of 2015.

Sentiment among small businesses continued to wobble in August near all-time highs but below the peak reached a year ago, according to the Index of Small Business Optimism from the **National Federation of Independent Business (NFIB)**. Hiring picked up, the quarter-to-quarter change in sales remained strong, profit trends were favorable, and capital spending improved. The index decreased slightly primarily due to a deterioration in expectations regarding business conditions and sales.

The Ohio economy stalled in August, according to the **Ohio coincident economic index** from the Philadelphia Federal Reserve, which was unchanged after a long string of increases. Compared with a year ago, the index was higher by 2.3 percent, up from a recent low of 1.6 percent in February. Economic activity in and around Ohio was reported to be steady on balance well into August, according to a regular survey of businesses conducted by the Cleveland Federal Reserve Bank.

The diffusion of **state-level coincident economic indexes** was mixed in August. The level was lower than the month before for six states, down from eight the prior month, which was revised down from the initial report of nine states. Compared with three months earlier, the index was lower for four states, up from two 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 edged down to five in August from six in the prior month, which was revised down from the initial report of seven states. On average for the most recent three recessions, the index has been negative for fourteen states in the first month of recession and has been negative for eleven states three months before recession.

The **Ohio leading index**, which is designed to predict growth in the coincident index during the next six months, was essentially unchanged at -0.02 percent in August. The reading is the lowest since June 2009, although it has dipped into negative territory on several occasions in recent years before being revised to positive levels.

The yield on the 10-year Treasury note remained below the yield on the 1-year Treasury bill for the second straight month in September, continuing what is called an inversion of the **yield curve** and sustaining concerns that the economy will transition into recession in the near future. The recent inversion is noteworthy and might very well portend more slowing in the pace of economic activity.

The Conference Board's composite **Leading Economic Index** (LEI) is a well-known composite index with a long track record. In contrast to other composite indicators, the LEI was unchanged in August and rates of change over longer periods remained positive but decreased. The 6-month smoothed rate of change slowed to 0.9 percent from 1.2 percent the month before compared with a recent peak of 6.8 percent in February 2018. Among the five of ten components that made positive contributions, building permits made the largest. The Conference Board stated that the index remains "consistent with a slow but still expanding economy, which has been primarily driven by strong consumer spending."

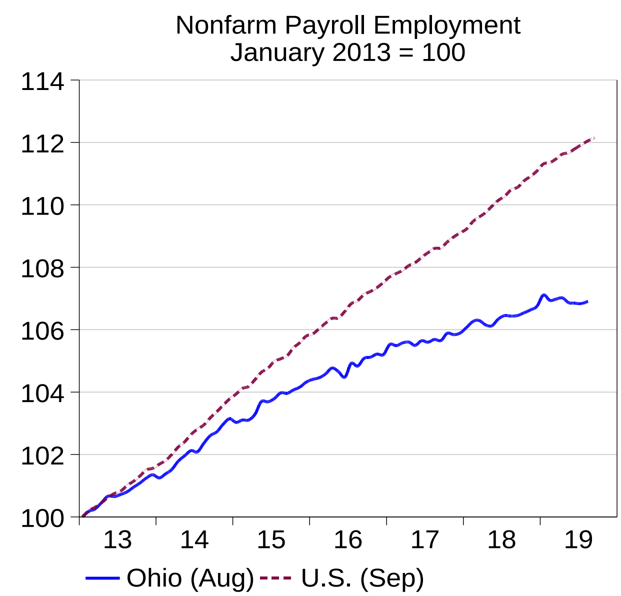
As shown in the table below, the **consensus among forecasters** is that real GDP growth is continuing in the third quarter at a 1.5-2 percent pace, somewhat weaker than in the second quarter.

Source	Date	2019-Q3 GDP Forecast
Atlanta FRB (GDPNow)	10/4/19	1.8%
New York FRB (Nowcast)	10/4/19	2.0%
Philadelphia FRB (SPF*)	8/9/19	2.0%
Blue Chip	10/4/19	2.0% (1.6%-2.5%)
IHS	10/4/19	1.5%
*Survey of Professional Forecasters (2nd month of each quarter)		

Employment

Nonfarm payrolls across the country increased by 136,000 jobs in September, about as expected. The changes in the previous two months were revised up by a total of 45,000 jobs. The recent pattern of upward revisions to initial September job change reports suggests that the increase in payrolls eventually could be adjusted higher to more than 150,000. At 161,000, the average monthly change year-to-date is a step down from the average of 220,000 during the first nine months last year, although the upcoming annual revision is widely expected to adjust the 2018 figure down. Compared with a year earlier, employment is up by 2.15 million jobs, or 1.4 percent.

A key contributor to job growth again in September was the 22,000 job increase in the Government sector, where hiring of about 15,000 temporary Census workers boosted the total. The government sector added a total of 112,000 jobs in the third quarter. The largest job generator in the private sector was Education and Health Services (+40,000), where Health Care added 38,800 jobs. The next largest contributor was Professional and Business Services (+34,000), where Temporary Help Services contributed 10,200 net new jobs. The third largest contributor was Leisure and Hospitality, which added 21,000 net new jobs, mainly in Amusements, Gambling, and Recreation (+13,400).



Manufacturing employment decreased 2,000 jobs, with no real strength across industries. The average monthly gain during the most recent eight months was down to 3,000 jobs from 22,000 on average during the previous five months. Construction employment also has slowed, rising by just 7,000 jobs in September and with the 8-month average falling to 7,000 from 24,000 during the previous 5-month period. Employment changes in other sectors were modest.

In a key sign that the economy is not on the verge of recession, the **unemployment rate** decreased to 3.5 percent – its lowest level since December 1969. While the low level of unemployment is not a guarantee of future growth, the fact that the rate remains on a downtrend is a reliable indication that a business cycle downturn is not in the immediate future. 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 0.1 percent during the month for a year-over-year increase of 2.9 percent. The year-over-year rate of change is 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 +3.7 percent in August.

Ohio nonfarm payroll employment increased by 3,700 jobs in August, but the July change was revised down from a gain of 4,500 jobs to a loss of 500 jobs. Employment has increased by 8,400 jobs year-to-date. Monthly gains have slowed to an average of 2,067 per month during the most recent twelve months from 3,250 during the same period a year earlier. The slowdown has occurred in the Trade, Transportation, and Utilities, Manufacturing, and Construction sectors.

Compared with a year earlier, Ohio employment was higher by 24,800 jobs in August. Educational and Health Services (+12,500), Leisure and Hospitality (+8,400), and Manufacturing (+5,000) made the largest positive contributions. Employment decreased in Trade, Transportation, and Utilities (-4,100), Construction (-3,600), and Information (-1,400).

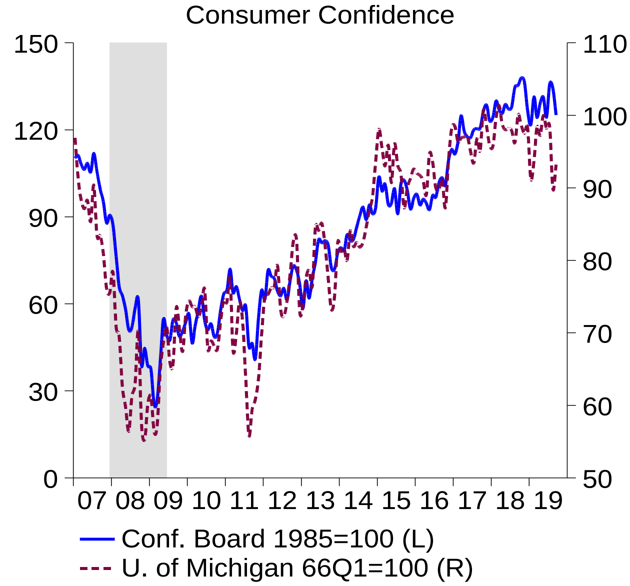
The **Ohio unemployment rate** ticked higher by 0.1 percentage point to 4.1 percent in August from the expansion-low of 4.0 percent in the two previous months. The rate dropped below the 4.5 percent to 4.7 percent range in which it had fluctuated from late 2017 to early this year. The recent stretch near 4.0 percent is the lowest since spring 2001. Total employment increased by 6,434 workers in August and the number of unemployed people increased by 2,583, reflecting an increase in the labor force of 9,017 people.

Employment was said to be steady in and around Ohio, according to the Cleveland Fed survey, with hiring varying by industry. Professional and business services firms continued adding workers due to strength in demand. Construction contractors added some workers, but generally had sufficient staff to handle activity. Employment at trucking firms and retailers was stable. Manufacturers did not lay off workers, but some reported cutting shifts, reducing overtime, using more temporary workers, or reducing headcount by attrition.

Across the country in August, the unemployment rate decreased notably from the month before in five states – Alabama, Illinois, and South Carolina (-0.2 percentage points each) and Maine and Virginia (-0.1 percentage points each). The unemployment rate increased in three states – Delaware, Wisconsin, and Wyoming (+0.1 point each). Changes in the unemployment rate in the remaining 42 states and the District of Columbia were not statistically significant.

Among the contiguous states, employment increased on a year-over-year basis in Kentucky (+1.0%), West Virginia (+0.7%), Indiana and Pennsylvania (+0.6%), and Ohio and Michigan (+0.4%). Manufacturing employment increased year-over-year by 1.4 percent in Kentucky, 0.9 percent in West Virginia, 0.7 percent in Ohio, and 0.3 percent in Michigan, and decreased 0.6 percent in Indiana and 1.4 percent in Pennsylvania.

Consumer Income and Consumption



Healthy labor markets continued to support further growth in household incomes. **Personal income** increased by 0.4 percent after a 1-month slowdown to 0.1 percent the month before. **Wage and salary disbursements** increased 0.6 percent, following a 0.2 percent increase in July. Compared with a year earlier, personal income was higher by 4.6 percent and wage and salary disbursements were up by 5.3 percent.

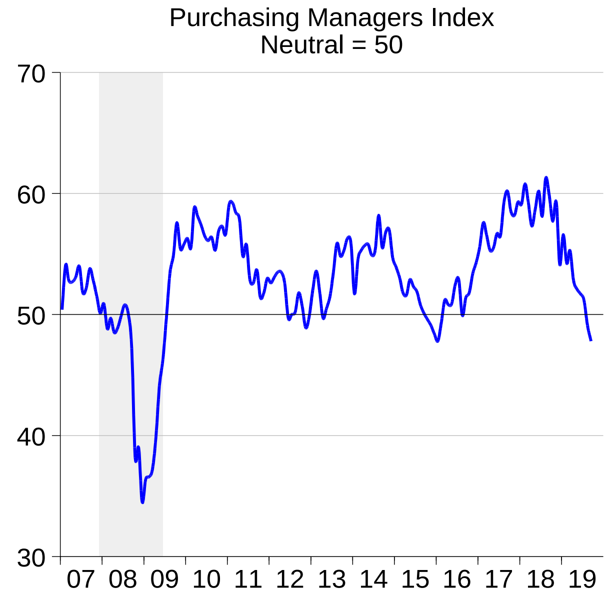
All of these measures of income growth are above inflation, resulting in gains in real purchasing power. The Consumer Price Index (CPI) increased 0.1 percent in August to 1.8 percent year-over-year, whereas the price index for personal consumption expenditures was unchanged on the month and up just 1.4 percent from a year earlier. The median CPI calculated by the Cleveland Fed, which often in the past has been a useful indicator of future inflation, was up 2.4 percent from a year ago – still below increases in broad measures of household income.

Despite the strong growth in income, **personal consumption expenditures** increased just 0.1 percent in August after five strong months. Spending on durable goods increased 0.7 percent in August in line with the increase in unit sales of light motor vehicles during the month. Vehicle sales increased an additional 1.1 percent in September to 17.2 million units. Purchases of non-durable goods decreased 0.2 percent after five straight monthly gains, reflecting weaker spending on food and gasoline. Spending on services increased 0.2 percent, extending the long string of gains, due in part to a large pull-back in spending on food services.

In and around Ohio, retail spending increased modestly in recent weeks, according to the Cleveland Fed survey. Food retailers reported seasonal sales increases related to children returning to school. Apparel retailers said that while activity had been flat in recent weeks, many had positive expectations for near-term sales. Auto dealers indicated that lease returns and sales incentives added to sales in July.

Consumer attitudes deteriorated sharply in September, based on the Conference Board survey, but improved a bit as measured by the University of Michigan survey. The overall Conference Board index fell 6.8 percent due to a 10.0 percent decline in expectations and a 4.0 percent decline in assessments of current conditions. The Michigan index was marginally higher on small gains in both expectations and current conditions. The deterioration in the Conference Board index appears to reflect reactions to the announcement of additional increases in tariffs in early August and the subsequent drop in stock prices. Nonetheless, strength in employment and earnings is likely to continue to maintain a sufficiently high level of confidence and support recent trends in spending.

Industrial Activity



Industrial production increased 0.6 percent in August and the July decrease was revised up from -0.2 percent to -0.1 percent, lifting the index to 0.9 percent above its April low. Manufacturing output increased 0.5 percent after an unrevised decrease of 0.4 percent the month before. Mining was up 1.4 percent, almost reversing the hurricane-related decline the month before, and Utility output increased 0.6 percent on top of a large positive weather-related swing in the prior month.

The increase in manufacturing production reflected gains in most major categories of durable goods, with the exception of motor vehicles and parts, which fell by 1.0 percent, as assemblies dropped below early-August production schedules. Production in other major sectors with a disproportionate share of Ohio manufacturing employment was higher the month before but generally still below levels for the previous year. Primary Metal production was up 1.3 percent on the month and down 1.1 percent on the year. Fabricated Metal production was up 0.2 percent on the month and up 0.2 percent on the year. Machinery production rebounded 1.6 percent on the month but was down 2.0 percent from a year ago.

In and around Ohio manufacturing activity seemed to soften according to the Cleveland Fed survey. Trade tensions and related sources of uncertainty were said to have curtailed capital spending. In addition, weaker overseas demand resulted in lower prices and greater competition with foreign manufacturers. A few sources said that inventories increased because demand fell more than anticipated. Expectations ranged from positive to negative across individual manufacturers.

Production at General Motors (GM) stopped in mid-September, when its approximately 48,000 workers went on strike. GM accounts for approximately one-fifth of domestic auto production, which in turn accounts for approximately 2 percent of GDP, according to Macroeconomic Advisors. The strike is expected to affect third, fourth, and possibly first quarter real GDP by a few tenths of a percentage point, depending on the duration of the shutdown and the extent to which production is raised above trend after production restarts.

Consistent with this picture of slowing manufacturing activity and possibly pointing to additional weakness ahead, purchasing managers in manufacturing reported more signs of weakening than of strengthening activity again during September. The **Purchasing Managers Index** (PMI) decreased by 1.3 points to 47.8 – matching the January 2016 level that occurred during a stretch of five consecutive readings below 50 and the lowest since June 2009. The August reading represents contraction in the manufacturing sector although it remains consistent with continued, albeit slower, real GDP growth.

Of the eighteen industries tracked by the Manufacturing ISM® *Report on Business*, only three reported growth in the latest month, down sharply from nine 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, Fabricated Metal Products, Primary Metals, Transportation Equipment, and Machinery all reported contraction.

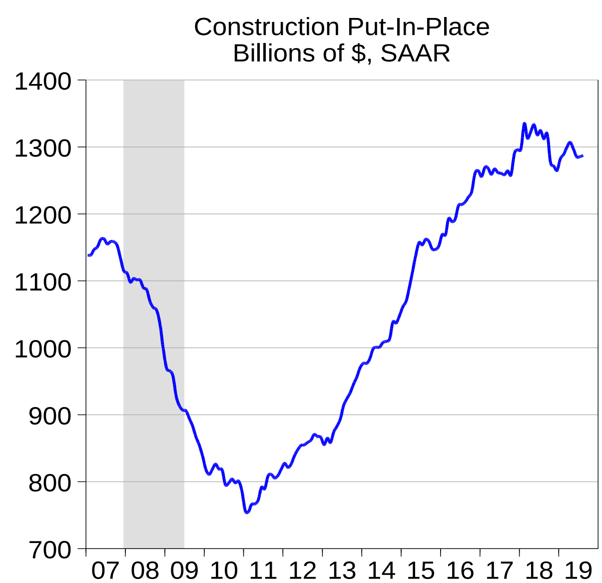
A source in the Transportation Equipment industry said the "outlook remains cautious. Orders seem to be decreasing." A contact in the Machinery industry reported "Demand is softening on some product lines, backlogs have reduced, and dealer inventories are growing." A source in Fabricated Metal Products reported that the "General market is slowing even more than a normal fourth-quarter slowdown." Negative effects from trade disputes or tariffs were cited by contacts in a number of industries, including Electrical Equipment, Appliances & Components and Food, Beverage & Tobacco Products.

Construction

Construction put-in-place was weak again in August, rising just 0.1 percent after no change in July and declines in May and June. Private sector construction was flat in August, extending a string of weak monthly performance stretching back two years and was down 4.0 percent from a year ago. Within the Private sector, weakness has been centered in Residential, which has experienced declines in the Single-Family and Improvements categories during the past year. Activity picked up in the most recent two months with gains in Single-Family construction lifting overall Residential construction by 0.6 percent in July and 0.9 percent in August.

Private Nonresidential construction put-in-place fell 1.0 percent in August for the second monthly decline in a row and the fourth in five months. Leading the decline was construction in the Commercial and Power segments. Construction activity increased in Communications and Manufacturing without making meaningful conributions to the total. Public construction moved higher by 0.4 percent after a 1.4 percent gain the month before mainly due to increases in Education and Highway construction.

In and around Ohio construction was steady according to the Cleveland Fed survey. Nonresidential builders continued to report stable and strong demand, with new projects in multiple sectors and generally strong backlogs. Expectations are positive through 2020. In contrast, homebuilders noted slightly weaker demand, and in some cases blamed a deterioration in assessments of the economy. Realtors, on the other hand, reported better traffic and sales, which they attributed to lower mortgage rates, stronger household formation and rising rents.



The **Housing Market Index** (HMI) from the National Association of Homebuilders (NAHB) improved again in September, extending the partial recovery from the steep drop during 2018. The index, which is based on assessments of current sales, expected sales in six months, and traffic of prospective buyers of new homes, remains 8.1 percent below the recent high in December 2017. The HMI for the Midwest was unchanged at its highest level since last October but remains 22.4 percent below its December 2017 level.

Housing activity strengthened in August. **Housing starts** increased by 2.7 percent in August on a 3-month moving average basis, more than recouping a 1.5 percent decline in July that originally reported as -2.1 percent. The gain was entirely due to a 4.1 percent increase in Single-Family starts, as Multi-Family starts edged down by 0.4 percent. Similarly, starts increased 10.0 percent on a 3-month moving average basis across the Midwest, reflecting a 7.2 percent rise in Single-Family starts and a 16.0 percent rise in Multi-Family starts. Compared with a year earlier, starts were up 4.6 percent across the country and 8.5 percent in the Midwest. The year-over-year increase in the Midwest was the first since September 2018. The more-forward-looking housing permits exhibited similar strength.

Home sales also increased in August on a 3-month moving average basis, rising 0.8 percent across the country and 2.1 percent in the Midwest. New home sales were also strong across the country, rising 4.0 percent, but fell 5.6 percent in the Midwest for the fourth straight monthly decline. Compared with a year ago, new home sales were up 11.7 percent nationally but down 13.3 percent in the Midwest based on 3-month moving averages.

Home prices posted their 89th straight monthly increase in July to 3.2 percent above the year earlier level, 53.4 percent above the cyclical low reached in February 2012 and 13.5 percent above the previous peak in February 2007, according to the Case-Shiller index. Prices continued to decelerate in most major metropolitan areas.

REVENUES

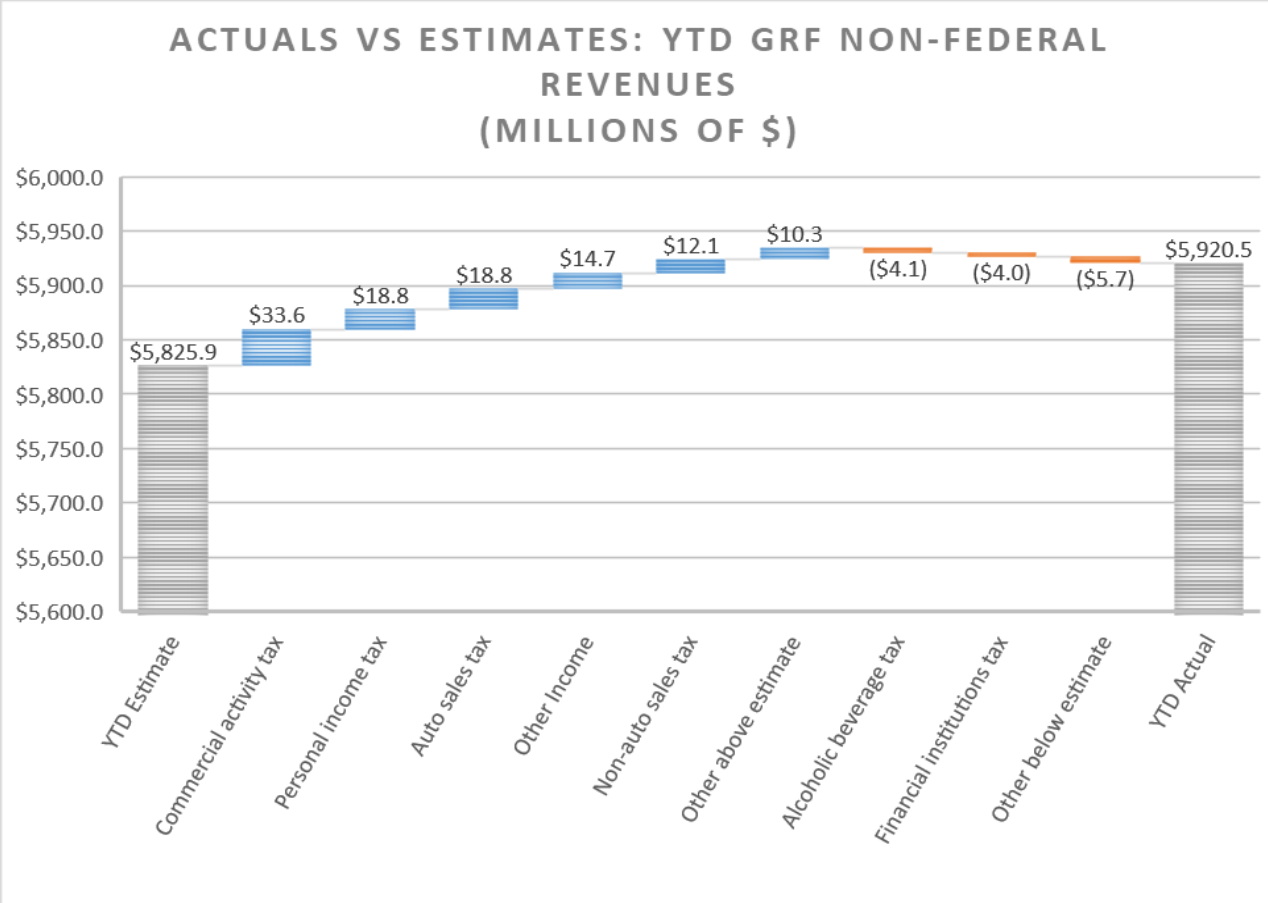
September GRF receipts totaled $2,621.4 million and were $8.0 million (0.3%) below the estimate. For the month, tax revenues were $37.3 million (2.0%) above estimate, with stronger-than-expected performance from personal income tax and several other tax sources. Non-tax sources, excluding federal grants, were $39.7 million (72.8%) below estimate, mostly driven by the timing of revenues in the other income category. Federal grants were also below estimate by $5.6 million (0.8%). This shortfall occurred as GRF Medicaid spending fell below estimate by $14.6 million in September.

For the year, GRF revenues are $45.8 million (0.5%) above estimate. Tax revenues are $71.4 million (1.3%) above estimate, doubling the overage that existed as of the end of August. Total non-federal revenues through September are $94.6 million (1.6%) above estimate. Federal grants are $48.8 million (1.8%) below estimate, but such results do not provide negative budget implications since there was also Medicaid GRF underspending of $62.5 million (1.5%).

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	$71.4	1.3%
Non-tax receipts	Federal grants, earnings on investments, licenses & fees, other income, intrastate transfers	($32.5)	-1.2%
Transfers	Budget stabilization, liquor transfers, capital reserve, other	$6.9	10.1%
TOTAL REVENUE VARIANCE:		**$45.8**	**0.5%**
Non-federal revenue variance		**$94.6**	**1.6%**
Federal grants variance		**($48.8)**	**-1.8%**

Personal income tax had the largest overage for the month, at $33.1 million (3.7%). There were modest positive variances for transfers in-other, at $6.0 million, followed by the financial institutions tax, at $5.0 million (71.9%) and the commercial activity tax at $5.0 million (71.1%). The notable declines from estimate were a $46.9 million (89.2%) drop in other income, which reflects a JobsOhio payment made in August rather than September as originally anticipated, followed by negative variances for non-auto sales tax at $6.9 million (0.9%) and federal grants at $5.6 million (0.8%).

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



On a year-over-year basis, monthly receipts were $6.6 million (0.3%) greater than in September of the previous fiscal year. This modest net increase was mostly due to tax revenue growth of $126.5 (7.0%) which was partially offset by federal grant revenue, which declined by $121.8 million (15.2%). The largest source of growth in September was personal income tax, which grew by $75.5 million (8.8%).

For the year, total revenues are up $241.2 million (2.9%). The growth was led by non-auto sales tax at $83.4 million (3.7%), followed by personal income tax at $69.5 million (3.1%), other income at $53.6 million (332.8%), and commercial activity tax at $52.4 million (15.1%).

The table below shows that sources exceeding estimate (an excess totaling $55.8 million) were outweighed by the size of underperforming revenue sources (a shortfall of $63.8 million), resulting in an $8.0 million net negative variance from estimate for the month. Note, however, that most of the negative outcome can be accounted for by federal grants, a result that does not have negative implications for the GRF because Medicaid expenditures were also below estimate for the month.

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

Individual Revenue Sources Above Estimate		Individual Revenue Sources Below Estimate	
Personal income tax	$33.1	Other income	($46.9)
Transfers in – other	$6.0	Non-auto sales tax	($6.9)
Financial institutions tax	$5.0	Federal grants	($5.6)
Commercial activity tax	$5.0	Alcoholic beverage tax	($2.3)
Auto sales tax	$2.5	Cigarette and other tobacco products tax	($1.8)
Foreign insurance tax	$1.9	Other sources below estimate	($0.4)
Licenses and fees	$1.2		
Kilowatt-hour tax	$1.0		
Other sources above estimate	$0.2		
Total above	**$55.8**	**Total below**	**($63.8)**

(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

GRF non-auto sales and use tax collections in September totaled $729.0 million and were $6.9 million (0.9%) below the estimate. Year-to-date non-auto sales tax revenue is over the estimate by $12.1 million (0.5%). For September, year-over-year growth in non-auto GRF sales tax revenue was $19.4 million (2.7%). For the year-to-date, non-auto sales tax revenue has grown by $83.4 million (3.7%) over last year.

Wage and salary incomes are an important indicator for this revenue source, showing the potential resources available to consumers to spend on taxable goods and services. The Bureau of Economic Analysis (BEA) issued its latest state personal income figures in September. BEA reports a higher growth rate in personal income for Ohio during the first quarter of 2019 relative to its preliminary release, with 5.1 percent annualized growth from the fourth quarter of 2018. Its preliminary estimate for the second quarter of 2019 shows a 4.5 percent annualized growth rate from the prior quarter. These quarterly results are modestly larger than that for the Great Lakes region as a whole. Although the BEA data lag current conditions and are thus not a coincident economic indicator, they reinforce the forecasted expectation of steady growth in income and therefore in non-auto sales tax revenue during this year.

One portion of the non-auto sales tax that may merit some attention is taxable purchases by businesses. (Note that not all business purchases are taxable. For instance, retail inventory and items directly used in or incorporated into the manufacturing process are generally exempt from taxes). As signs have emerged of diminished manufacturing investment and purchasing activity, new efforts to review and monitor this portion of non-auto sales tax may be warranted.

One recent piece of evidence of a possible slowdown in taxable business purchases comes from the sales tax "type of account" data. Some businesses with purchases whose taxability is difficult to identify at the time of purchase pay their sales and use tax directly to the state rather than paying the tax to the seller of such goods or services. Data related to these "own-use" accounts may provide useful signs of the direction and magnitude of changes in taxable business purchases. Data available through July 2019 indicate several successive months of year-over-year revenue decline for these types of accounts.

Although this is a concern, the mild degree of the observed decline indicates that the effects are still quite modest and are greatly outweighed by the far more significant consumer-driven portion of the non-auto sales tax. OBM shall continue to monitor the type of account data and report findings if and when they become relevant to future developments in non-auto sales tax performance.

Auto Sales Tax

September auto sales tax revenues were $128.1 million, $2.5 million (2.0%) over the estimate. September's overage builds on the two prior months' overages, leaving year-to-date auto sales tax revenues $18.8 million (4.7%) over the estimate. September auto sales tax revenues were $12.8 million (11.1%) over the prior year, and year-to-date revenues are $31.2 million (8.1%) over the previous year.

As reported by the Federal Reserve Bank of St. Louis from data issued by the Bureau of Economic Analysis, U.S. light vehicle sales were at a 17.2 million unit annual level in September (using a seasonally adjusted annual rate) compared to 17.3 million units in the previous September. Unit sales remained within the range of 16.5 million to 17.5 million over the 12 months.

Average transaction prices remain a source of growth in auto sales tax revenues. According to Kelley Blue Book, the average U.S. transaction price for new vehicles was over $37,590 (before consumer incentives) in September, growing 1 percent over the prior September. Additionally, J.D. Power and LMC Automotive projected the average new-vehicle sales price to increase by 4 percent in the third quarter compared to last year.

Personal Income Tax

September GRF personal income tax receipts totaled $930.9 million and were $33.1 million (3.7%) above the estimate. Year-to-date, personal income tax revenue was $18.8 million (0.8%) above estimate. On a year-over-year basis, September income tax collections were $75.5 million (8.8%) above September 2018 collections. Collections for the year to date are $69.5 million (3.1%) above the previous year. Adjusting for the $73 million in lost withholding collections in July through September due to the rate cut that took effect in January 2019, collections growth would be 6.4%.

Withholding tax payments outperformed estimate, with actual collections exceeding the estimate by $13.7 million (1.9%). Compared to last September withholding increased by $38.1 million (5.4%). 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 $11.9 million (0.5%) above estimate through the first three months of the fiscal year. It has grown 2.5 percent above the prior year, compared to 2.0 percent in anticipated growth.

Quarterly estimated payments for the third quarter of calendar year 2019 were due in September. This payment category demonstrated strong growth during the month, exceeding the estimate by $11.7 million (5.5%). September estimated payments were $30.9 million (16.1%) above those in the previous year. This is even greater than the vibrant year-over-year growth experienced in the April 2019 and June 2019 estimated payment months, when growth was 8.1 percent and 12.9 percent, respectively. On a fiscal year-to-date basis, estimated payments are $8.1 million (3.3%) above estimate.

Refund activity in September almost exactly matched estimates. For the fiscal year-to-date, refunds exceed estimate by $8.1 million (5.1%) and are $27.2 million (19.5%) above the preceding year. As discussed in last month's report, some of this year-over-year increase appears to be attributable to higher refunds claimed on amended returns.

Collections for all remaining types of tax payments were above estimate in September. Most notably, annual return payments were $6.6 million (35.8%) above estimate for the month. The healthy September performance for the annual return, trust, and other categories explains why year-to-date collections for each of these categories are now above estimate.

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

	Actual September	Estimate September	$ Var	Actual Sep-2019	Actual Sep-2018	$ Var Y-0ver-Y
Withholding	$738.9	$725.2	$13.7	$738.9	$700.8	$38.1
Quarterly Est.	$223.4	$211.7	$11.7	$223.4	$192.5	$30.9
Annual Returns & 40 P	$25.1	$18.5	$6.6	$25.1	$15.4	$9.7
Trust Payments	$11.7	$9.9	$1.8	$11.7	$9.9	$1.8
Other	$5.0	$4.7	$0.3	$5.0	$4.6	$0.5
Less: Refunds	($36.3)	($36.4)	$0.1	($36.3)	($32.4)	($4.0)
Local Distr.	($36.9)	($35.8)	($1.1)	($36.9)	($35.3)	($1.5)
Net to GRF	$930.9	$897.8	$33.1	$930.9	$855.4	$75.5

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

Commercial Activity Tax (CAT)

The CAT exceeded estimate in September, posting a $5.0 million (71.1%) overage. As discussed in last month's report, the strong performance exhibited in July and especially August (the month in which returns and associated payments for the second quarter of 2019 were due) ensured an above-estimate outcome for the quarter, which September simply augmented. For the year-to-date, GRF revenue from the CAT is now $33.6 million (9.2%) above estimate. Year-to-date revenue from this source is also $52.4 million (15.1%) above the first three months of the prior fiscal year. Some of this exuberance is driven by a decline in tax credits compared to the prior year. Even after adjusted for credits, year-to-date growth was $29 million which exceeds anticipated growth of $19 million.

Financial Institutions Tax (FIT)

The FIT was $5.0 million above estimate in September. The positive variance is attributable to timing: tax refund activity that had been forecasted for September instead mostly occurred in August. For the year, this source is now $4.0 million (72.8%) below estimate.

GRF Non-Tax Receipts

GRF non-tax revenues in September totaled $686.6 million and were $51.3 million (6.9%) below estimate. This variance was primarily attributable to the Other Income category, which was $46.9 million (89.2%) below estimate. That result is mostly due to the receipt of JobsOhio deferred compensation payments from liquor profits, which were received in August instead of September as estimated. Revenues from federal grants were also lower than anticipated, coming in at $677.8 million or $5.6 million (0.8%) below estimate.

This negative variance was partially offset by license and fees revenue, which were $1.2 million (64.7%) above estimate due to higher than anticipated insurance salespersons licenses.

While no transfers in were estimated for the month of September, the GRF received $6.0 million from the Health Care Services Support and Recoveries Fund. This transfer was budgeted for August.

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

	MONTH				YEAR-TO-DATE			
REVENUE SOURCE	**ACTUAL SEPTEMBER**	**ESTIMATE SEPTEMBER**	**$ VAR**	**% VAR**	**ACTUAL Y-T-D**	**ESTIMATE Y-T-D**	**$ VAR**	**% VAR**
TAX RECEIPTS								
Non-Auto Sales & Use	728,967	735,900	(6,933)	-0.9%	2,325,404	2,313,300	12,104	0.5%
Auto Sales & Use	128,063	125,600	2,463	2.0%	418,613	399,800	18,813	4.7%
Subtotal Sales & Use	857,030	861,500	(4,470)	-0.5%	2,744,017	2,713,100	30,917	1.1%
Personal Income	930,915	897,800	33,115	3.7%	2,282,127	2,263,300	18,827	0.8%
Corporate Franchise	4	0	4	N/A	(26)	0	(26)	N/A
Financial Institutions Tax	(1,966)	(7,000)	5,034	71.9%	(9,506)	(5,500)	(4,006)	-72.8%
Commercial Activity Tax	11,975	7,000	4,975	71.1%	399,431	365,800	33,631	9.2%
Petroleum Activity Tax	1,796	2,000	(204)	-10.2%	1,796	2,000	(204)	-10.2%
Public Utility	3	100	(97)	-96.8%	32,092	31,900	192	0.6%
Kilowatt Hour	32,832	31,800	1,032	3.2%	89,913	90,800	(887)	-1.0%
Natural Gas Distribution	1	0	1	N/A	12,770	14,000	(1,230)	-8.8%
Foreign Insurance	8,182	6,300	1,882	29.9%	8,919	7,600	1,319	17.3%
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	80,025	81,800	(1,775)	-2.2%	179,389	182,700	(3,311)	-1.8%
Alcoholic Beverage	3,468	5,800	(2,332)	-40.2%	12,484	16,600	(4,116)	-24.8%
Liquor Gallonage	4,541	4,400	141	3.2%	13,249	13,000	249	1.9%
Estate	0	0	0	N/A	38	0	38	N/A
Total Tax Receipts	1,928,806	1,891,500	37,306	2.0%	5,766,691	5,695,300	71,391	1.3%
NON-TAX RECEIPTS								
Federal Grants	677,819	683,436	(5,617)	-0.8%	2,640,938	2,689,714	(48,776)	-1.8%
Earnings on Investments	0	0	0	N/A	0	0	0	N/A
License & Fees	3,093	1,878	1,215	64.7%	8,605	7,001	1,604	22.9%
Other Income	5,701	52,574	(46,873)	-89.2%	69,713	55,040	14,672	26.7%
ISTV'S	6	0	6	N/A	17	0	17	N/A
Total Non-Tax Receipts	686,619	737,888	(51,268)	-6.9%	2,719,273	2,751,756	(32,483)	-1.2%
TOTAL REVENUES	**2,615,425**	**2,629,388**	**(13,963)**	**-0.5%**	**8,485,964**	**8,447,056**	**38,909**	**0.5%**
TRANSFERS								
Budget Stabilization	0	0	0	N/A	0	0	0	N/A
Transfers In - Other	6,000	0	6,000	N/A	75,480	68,570	6,911	10.1%
Temporary Transfers In	0	0	0	N/A	0	0	0	N/A
Total Transfers	6,000	0	6,000	N/A	75,480	68,570	6,911	10.1%
TOTAL SOURCES	**2,621,425**	**2,629,388**	**(7,963)**	**-0.3%**	**8,561,445**	**8,515,625**	**45,819**	**0.5%**

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Table 2

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

REVENUE SOURCE	MONTH SEPTEMBER FY 2020	MONTH SEPTEMBER 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
TAX RECEIPTS								
Non-Auto Sales & Use	728,967	709,612	19,355	2.7%	2,325,404	2,241,989	83,414	3.7%
Auto Sales & Use	128,063	115,259	12,804	11.1%	418,613	387,375	31,239	8.1%
Subtotal Sales & Use	857,030	824,871	32,158	3.9%	2,744,017	2,629,364	114,653	4.4%
Personal Income	930,915	855,437	75,478	8.8%	2,282,127	2,212,629	69,498	3.1%
Corporate Franchise	4	21	(17)	-81.4%	(26)	162	(188)	-116.3%
Financial Institutions Tax	(1,966)	(6,626)	4,660	70.3%	(9,506)	(6,160)	(3,346)	-54.3%
Commercial Activity Tax	11,975	3,005	8,970	298.5%	399,431	347,006	52,426	15.1%
Petroleum Activity Tax	1,796	2,019	(223)	-11.0%	1,796	2,019	(223)	-11.0%
Public Utility	3	106	(103)	-97.0%	32,092	32,411	(320)	-1.0%
Kilowatt Hour	32,832	32,461	371	1.1%	89,913	95,596	(5,683)	-5.9%
Natural Gas Distribution	1	0	1	N/A	12,770	14,839	(2,069)	-13.9%
Foreign Insurance	8,182	5,796	2,386	41.2%	8,919	8,357	561	6.7%
Domestic Insurance	0	0	0	N/A	1	0	0	1566.7%
Other Business & Property	0	0	0	N/A	0	0	0	N/A
Cigarette and Other Tobacco	80,025	75,087	4,938	6.6%	179,389	183,009	(3,620)	-2.0%
Alcoholic Beverage	3,468	5,594	(2,125)	-38.0%	12,484	16,033	(3,550)	-22.1%
Liquor Gallonage	4,541	4,495	45	1.0%	13,249	12,900	350	2.7%
Estate	0	0	0	N/A	38	37	0	0.2%
Total Tax Receipts	1,928,806	1,802,266	126,540	7.0%	5,766,691	5,548,202	218,490	3.9%
NON-TAX RECEIPTS								
Federal Grants	677,819	799,631	(121,812)	-15.2%	2,640,938	2,671,679	(30,741)	-1.2%
Earnings on Investments	0	0	0	N/A	0	0	0	N/A
License & Fee	3,093	2,078	1,015	48.9%	8,605	8,256	349	4.2%
Other Income	5,701	10,884	(5,184)	-47.6%	69,713	16,109	53,604	332.8%
ISTV'S	6	8	(1)	-18.4%	17	14	4	27.5%
Total Non-Tax Receipts	686,619	812,601	(125,982)	-15.5%	2,719,273	2,696,057	23,216	0.9%
TOTAL REVENUES	**2,615,425**	**2,614,867**	**558**	**0.0%**	**8,485,964**	**8,244,259**	**241,706**	**2.9%**
TRANSFERS								
Budget Stabilization	0	0	0	N/A	0	0	0	N/A
Transfers In - Other	6,000	0	6,000	N/A	75,480	75,995	(514)	-0.7%
Temporary Transfers In	0	0	0	N/A	0	0	0	N/A
Total Transfers	6,000	0	6,000	N/A	75,480	75,995	(514)	-0.7%
TOTAL SOURCES	**2,621,425**	**2,614,867**	**6,558**	**0.3%**	**8,561,445**	**8,320,254**	**241,191**	**2.9%**

DISBURSEMENTS

September GRF disbursements, across all uses, totaled $3,085.5 million and were $32.0 million (1.0%) above estimate. This variance was primarily attributable to above estimate disbursements in the Property Tax Reimbursements category and was partially offset by expenditures that were below estimate in the Primary and Secondary Education category. On a year-over-year basis, September total uses were $47.5 million (1.5%) lower than those of the same month in the previous fiscal year, with an increase in the Property Tax Reimbursements category largely responsible for the difference. Year-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)	($55.7)	-1.8%
Transfers	Temporary or permanent transfers out of the GRF that are not agency expenditures	$8.2	63,793.0%
TOTAL DISBURSEMENTS VARIANCE:		**($47.5)**	**-1.5%**

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

Primary and Secondary Education

This category contains GRF spending by the Ohio Department of Education. September disbursements for this category totaled $719.6 million and were $36.9 million (4.9%) below estimate. This variance was primarily attributable to below estimated spending in the Foundation Funding and EdChoice Expansion line items. These line items were below estimate due to the timing of EdChoice payments, which are now expected to disburse in October. This variance was partially offset by above estimated spending in the Ohio Educational Computer Network line item. Payments to Information Technology Centers were made in August rather than September as originally planned. Expenditures for the school foundation program totaled $695.6 million and were $20.3 million (2.8%) below estimate. Year-to-date disbursements were $2,176.1 million, which is $41.4 million (1.9%) below estimate.

On a year-over-year basis, disbursements in this category were $3.0 million (0.4%) lower than for the same month in the previous fiscal year while year-to-date expenditures were $10.2 million (0.5%) higher than the same point in fiscal year 2019.

Higher Education

September disbursements for the Higher Education category, which includes non-debt service GRF spending by the Department of Higher Education, totaled $188.3 million and were $11.9 million (5.9%) below the estimate for the month. This variance was primarily attributable to disbursements being $9.1 million below estimates because of delayed Memorandum of Understandings (MOUs) for multiple programs. These MOUs must be received prior to the disbursement of funds. Additionally, the Ohio College Opportunity Grant Scholarship Program was below estimate by $2.3 million due to lower than expected requests for reimbursement from higher education institutions.

Year-to-date disbursements were $541.7 million, which was $13.7 million (2.5%) below estimate. On a year-over-year basis, disbursements in this category were $0.9 million (0.5%) higher than for the same month in the previous fiscal year while year-to-date expenditures were $20.7 million (3.7%) lower than at the same point in fiscal year 2019.

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.

September disbursements in this category totaled $14.0 million and were $1.5 million (9.5%) below estimate. Year-to-date disbursements were $31.7 million, which was $1.5 million (4.6%) below estimate. On a year-over-year basis, disbursements in this category were $6.1 million (77.9%) higher than for the same month in the previous fiscal year while year-to-date expenditures were $5.2 million (19.8%) higher than at the same point in fiscal year 2019.

<u>Broadcast Education Media Commission</u>
September disbursements for the Broadcast Education Media Commission totaled $2.9 million and were $1.8 million (38.4%) below estimate. This variance was primarily attributable to the timing of payments in the Ohio Government Telecommunications Services line item. Subsidy payments expected to disburse in September will now disburse in October.

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>
September GRF disbursements for the Medicaid Program totaled $1,109.8 million and were $14.6 million (1.3%) below estimate and $145.9 million (11.6%) 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 $4,158.3 million and were $62.5 million (1.5%) below estimate and $26.1 million (0.6%) above disbursements for the same point in the previous fiscal year.

September all-funds disbursements for the Medicaid Program totaled $2,508.5 million and were $46.2 million (1.8%) below estimate and $431.3 million (20.8%) above disbursements for the same month in the previous fiscal year. Year-to-date all-funds disbursements totaled $7,210.7 million and were $99.5 million (1.4%) below estimate and $840.2 million (13.2%) above disbursements for the same point in the previous fiscal year.

The September all-funds variance was primarily attributable to delayed administrative payments for information technology services and delayed spending on some fiscal year 2019 encumbrances. It is expected that these variances will be offset once payments are made in future months. Additionally, September spending remained below estimate in the fee-for-service program. Generally, in the managed care program, enrollment in major categories was at estimate but per-member-per-month costs were lower than anticipated resulting in underspending in all managed care categories except for MyCare. MyCare as a category was above estimate due to a normal one-time correction for eligibility in the program. This variance caused the managed care program as a whole to be above estimate for the first time this fiscal year.

The year-to-date and monthly year-over-year variances are 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)

	Sep. Actual	Sep. Projection	Variance	Variance %
GRF	$1,109.8	$1,124.4	$(14.6)	-1.3%
Non-GRF	$1,398.7	$1,430.4	$(31.6)	-2.2%
All Funds	$2,508.5	$2,554.7	$(46.2)	-1.8%

Enrollment

Total September enrollment was 2.82 million, which was 5,484 (0.2%) above estimate and 89,943 (3.1%) below enrollment for the same period last fiscal year. Year-to-date average monthly enrollment was 2.82 million and was 6,459 (0.2%) above estimate.

September enrollment by major eligibility category was: Covered Families and Children, 1.6 million; Aged, Blind and Disabled (ABD), 489,852; Group VIII Expansion, 605,020; and Other Full Benefits, 12,771 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.

September disbursements in this category totaled $74.1 million and were $14.3 million (16.1%) below estimate. Year-to-date disbursements were $297.6 million, which was $25.2 million (7.8%) below estimate. On a year-over-year basis, disbursements in this category were $9.7 million (15.1%) higher than for the same month in the previous fiscal year while year-to-date expenditures were $10.2 million (3.5%) higher than at the same point in fiscal year 2019.

Department of Health
September disbursements for the Department of Health totaled $7.9 million and were $2.4 million (23.6%) below estimate. This variance was primarily attributed to the Help Me Grow line item which was $1.4 million (31.3%) below estimate due to delayed subsidy payments that were originally planned for September. The variance will be offset in future months disbursements.

Department of Job and Family Services
September disbursements for the Department of Job and Family Services totaled $28.3 million and were $7.7 million (21.5%) below estimate. This variance was primarily attributable to the Family Assistance – Local line item, which was approximately $4.7 million below estimate due to lower than anticipated county expenditures in the administration of the SNAP program. Additionally, the Children and Family Services line item was approximately $2.3 million below estimate because expenditures in the Bridges program were lower than expected and there was a delay in the receipt of invoices from the Foster Parent Recruitment and Youth Crossover programs. Finally, the Program Operations line item was approximately $2.1 million below estimate because invoices were not received from several information technology vendors.

Department of Mental Health and Addiction Services
September disbursements for the Department of Mental Health and Addiction Services totaled $30.6 million and were $2.8 million (8.3%) below estimate. The variance was primarily attributed to spending below estimate in several lines. The Continuum of Care Services line item was $1.6 million below estimate, the Addiction Services Partnership with Corrections line item was $1.6 below estimate, and the Community Innovations line item was $1.2 million below estimate due to delayed subsidy payments. The variance was partially offset by above estimate spending in two line items. The Hospital Services line item was $1.8 million above estimate due to higher than projected expenditures for the Office of Pharmacy Services, personal service contracts, and the completion of hospital projects required by Joint Commission accreditation. The Criminal Justice Services line item was $1.4 million above due to payments for August being made in September.

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.

September disbursements in this category totaled $167.4 million and were $8.1 million (4.6%) below estimate. Year-to-date disbursements were $630.3 million, which was $19.3 million (3.0%) below estimate. On a year-over-year basis, disbursements in this category were $3.8 million (2.3%) higher than for the same month in the previous fiscal year while year-to-date expenditures were $12.5 million (2.0%) higher than at the same point in fiscal year 2019.

Department of Rehabilitation and Correction

September disbursements for the Department of Rehabilitation and Correction totaled $126.1 million and were $418,435 (0.3%) above estimate. This variance was primarily attributable to variances in several line items. The Community Non-Residential Programs line item was $4.9 million above estimate, the Institution Medical Services line item was $3.7 million above estimate and the Institutional Educational Services line item was $1.2 million above estimate, each due to changes in the timing of payments and the recalculation of grant distributions after the interim budget. These variances were partially offset by the Institutional Operations line item which was $9.9 million below estimate due to a combination of lower than expected expenses for the month and timing of large food service contract payments.

Department of Youth Services

September disbursements for the Department of Youth Services totaled $8.9 million and were $1.9 million (17.3%) below estimate. This variance was primarily attributable to disbursements in the RECLAIM Ohio ALI which was $1.9 million below estimate due to high turnover rates lowering payroll expenses for the agency and overtime expenses coming in lower than expected. Additionally, disbursement of prior year encumbrances was lower than anticipated due to timing of payments and should be offset next month.

Public Defender Commission

September disbursements for the Public Defender Commission totaled $6.7 million and were $3.6 million (34.9%) below estimate. This variance was primarily attributable to disbursements in the County Reimbursement line item, which was $3.5 million below estimate due to lower than expected county requests for reimbursement as well as the agency having fewer processing staff than originally planned. The agency is currently in the middle of the hiring process for these staff and intends to have this issue resolved shortly.

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.

September disbursements in this category totaled $29.4 million and were $18.1 million (38.1%) below estimate. Year-to-date disbursements were $111.0 million, which was $13.2 million (10.6%) below estimate. On a year-over-year basis, disbursements in this category were $5.4 million (22.5%) higher than for the same month in the previous fiscal year while year-to-date expenditures were $12.1 million (12.2%) higher than at the same point in fiscal year 2019.

Department of Administrative Services

September disbursements for the Department of Administrative Services totaled $2.6 million and were $8.4 million (76.4%) below estimate. This variance was primarily attributable to the Ohio Business Gateway line item, which was below estimate due to the timing of a software license payment, which will occur in October instead. In addition, the MARCS Fee Offset disbursement for local government MARCS radio subscribers will occur later than estimated, and State Agency Support Services disbursement of prior-year encumbrances was less than estimated for September.

Department of Agriculture

September disbursements for the Department of Agriculture totaled $1.9 million and were $7.9 million (80.4%) below estimates. This variance was primarily attributable to the Soil and Water Phosphorus Program line item which was $5 million below estimates due to delay in subsidy payments. Additionally, the Soil and Water District Support line item was about $2.9 million below estimates because of subsidy payments made in August were originally schedule for September.

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 $399.7 million in September and were $129.3 million (47.8%) above estimate. Year-to-date expenses were $601.0 million and were $108.9 million (22.1%) 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. October disbursements will likely fall below estimate, largely offsetting this month's positive variance.

Debt Service

September payments for debt service totaled $375.1 million and were $0.2 million (0.1%) below estimate. Year-to-date expenses in this category total $761.1 million and were $0.2 million (0.0%) below estimate.

Transfers Out

September transfers out totaled $8.2 million compared to an estimate of $0. Year-to-date transfers totaled $656.6 million and were $13.8 million (2.2%) above estimate. The monthly variance was caused by a planned transfer to the IT Development Fund occurring in September rather than August and by an unplanned transfer of $3.7 million being made to the Ohio College Opportunity Grant Program Reserve Fund. The year-to-date variance is largely the result of a $20 million transfer to the Tourism Ohio fund occurring in August rather than October, as estimated.

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Table 3

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

Functional Reporting Categories Description	MONTH ACTUAL SEPTEMBER	MONTH ESTIMATED SEPTEMBER	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	719,596	756,457	(36,861)	-4.9%	2,176,112	2,217,554	(41,443)	-1.9%
Higher Education	188,268	200,147	(11,879)	-5.9%	541,734	555,418	(13,684)	-2.5%
Other Education	13,995	15,456	(1,461)	-9.5%	31,651	33,164	(1,513)	-4.6%
Medicaid	1,109,783	1,124,376	(14,593)	-1.3%	4,158,325	4,220,789	(62,464)	-1.5%
Health and Human Services	74,073	88,324	(14,251)	-16.1%	297,636	322,870	(25,233)	-7.8%
Justice and Public Protection	167,404	175,474	(8,070)	-4.6%	630,320	649,602	(19,283)	-3.0%
General Government	29,381	47,495	(18,115)	-38.1%	111,008	124,209	(13,201)	-10.6%
Property Tax Reimbursements	399,650	270,325	129,325	47.8%	601,005	492,120	108,885	22.1%
Debt Service	375,135	375,382	(246)	-0.1%	761,147	761,393	(246)	0.0%
Total Expenditures & ISTV's	**3,077,286**	**3,053,436**	**23,849**	**0.8%**	**9,308,938**	**9,377,120**	**(68,182)**	**-0.7%**
Transfers Out:								
BSF Transfer Out	0	0	0	N/A	0	0	0	N/A
Operating Transfer Out	8,198	0	8,198	N/A	656,601	642,775	13,826	2.2%
Temporary Transfer Out	0	0	0	N/A	0	0	0	N/A
Total Transfers Out	**8,198**	**0**	**8,198**	**N/A**	**656,601**	**642,775**	**13,826**	**2.2%**
Total Fund Uses	**3,085,484**	**3,053,436**	**32,048**	**1.0%**	**9,965,540**	**10,019,895**	**(54,355)**	**-0.5%**

10/7/2019

Table 4

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

	MONTH				YEAR-TO-DATE			
Functional Reporting Categories Description	**SEPTEMBER FY 2020**	**SEPTEMBER FY 2019**	**$ VAR**	**% VAR**	**ACTUAL FY 2020**	**ACTUAL FY 2019**	**$ VAR**	**% VAR**
Primary and Secondary Education	719,596	722,623	(3,027)	-.4%	2,176,112	2,165,896	10,216	0.5%
Higher Education	188,268	187,392	876	.5%	541,734	562,389	(20,655)	-3.7%
Other Education	13,995	7,868	6,128	77.9%	31,651	26,430	5,221	19.8%
Medicaid	1,109,783	1,255,730	(145,947)	-11.6%	4,158,325	4,132,180	26,145	0.6%
Health and Human Services	74,073	64,357	9,717	15.1%	297,636	287,486	10,150	3.5%
Justice and Public Protection	167,404	163,581	3,823	2.3%	630,320	617,824	12,496	2.0%
General Government	29,381	23,980	5,400	22.5%	111,008	98,944	12,064	12.2%
Property Tax Reimbursements	399,650	297,899	101,751	34.2%	601,005	577,235	23,770	4.1%
Debt Service	375,135	409,534	(34,399)	-8.4%	761,147	794,412	(33,265)	-4.2%
Total Expenditures & ISTV's	**3,077,286**	**3,132,964**	**(55,678)**	**-1.8%**	**9,308,938**	**9,262,795**	**46,143**	**0.5%**
Transfers Out:								
BSF Transfer	0	0	0	N/A	0	657,503	(657,503)	N/A
Operating Transfer Out	8,198	13	8,185	63,793.0%	656,601	84,368	572,234	678.3%
Temporary Transfer Out	0	0	0	N/A	0	0	0	N/A
Total Transfers Out	**8,198**	**13**	**8,185**	**63,793.0%**	**656,601**	**741,871**	**(85,269)**	**-11.5%**
Total Fund Uses	**3,085,484**	**3,132,977**	**(47,493)**	**-1.5%**	**9,965,540**	**10,004,666**	**(39,126)**	**-0.4%**

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.**

OBM staff that contributed to the development of this report are:
Jason Akbar, Ben Boettcher, Frederick Church, Ariel King, Todd Clark, Jim Coons, Adam Damin, Paul DiNapoli, Florel Fraser, Teresa Goodridge, Chris Guerrini, Chris Hall, Sharon Hanrahan, Kurt Kauffman, Charlotte Kirschner, Sári Klepacz, Taylor Pair, Steven Peishel, Craig Rethman, Tara Schuler, Travis Shaul, Kevin Schrock, Melissa Snider and Nick Strahan.