Office of Budget and Management

John R. Kasich
Governor

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HOUSE BILL 472
MID-BIENNIUM REVIEW
TESTIMONY OF TIMOTHY S. KEEN

BEFORE THE

HOUSE WAYS & MEANS COMMITTEE

MARCH 12, 2014

Chairman McClain, Ranking Member Letson, and members of the committee, my name is Tim Keen, and I am the Director of the Office of Budget and Management (OBM). Thank you for the opportunity to testify today on House Bill 472, Governor Kasich's Mid-Biennium Review.

My intention today is to provide a perspective on the Mid–Biennium Review process and to provide a broad overview, with selected examples, of the types of initiatives contained in H.B. 472. Given the breadth and depth of the bill, I will only attempt to highlight some of the topics before turning to my Cabinet colleagues to present the Governor's initiatives in further detail. The Administration looks forward to working with members of the House as the bill is considered in legislative hearings in the weeks ahead.

THE MID-BIENNIUM REVIEW PROCESS

As you will recall from the first Mid-Biennium Review (MBR) in 2012, the MBR is a carefully considered and structured process that was created by Governor Kasich to continue his agenda of reform without waiting another two years for the next biennial budget process. As with the first MBR, the Kasich Administration undertook a comprehensive review of the enacted budget, state policies, programs and agency operations. Cabinet directors again were asked to fully review the programs they administer and their internal operations and to make recommendations for improvement; and the Administration once again made outreach efforts to external stakeholders to seek input. Many of these resulting initiatives require legislative approval and are included in H.B. 472, while others can be done administratively. Regardless of the route to implementation, this comprehensive MBR process produced a myriad of ideas, tailored to each agency's specific circumstances.

HIGHLIGHTS OF THE MID-BIENNIUM REVIEW

With that background, I now would like to highlight some of the provisions in the MBR. While many of the major initiatives will sound familiar from Governor Kasich's recent State of the State address, you will note that all of the themes represent a consistent, continuation of his jobs-focused reform agenda. Topics my colleagues and I will address today include, among other items, provisions in this bill to further strengthen primary and secondary education in Ohio's classrooms; enhance learning opportunities on our state-supported higher education campuses; create a more effective workforce development program for Ohio; help us better serve the needs of those affected by mental illness and addiction; and make new progress toward tax reform and modernization. I want to note from the outset that the proposals in this bill are affordable within the H.B. 59 framework and/or changes contained in the bill and do not rely on revised revenue or disbursement estimate changes. I will discuss this point in more detail later in my testimony.

Because the provisions in the bill are numerous and varied, I find that it is helpful to loosely group them into the following categories, which you might recall from the first MBR:

- Program Reforms and Rationalizations, including Tax Reform;
- Program Improvements & Updates;
- Operational Improvements & Updates;
- Local Government; and,
- Budgetary Changes.

I will now discuss each of these categories in turn.

Program Reforms and Rationalizations

This category represents major programmatic and operational changes, including those that consolidate or better align the administration and/or management of certain programs or service provision. While several of my colleagues will testify later to provide the committee with more detail regarding the programs they administer, I would call your attention to a few of those items:

- Primary and Secondary Education: Provisions in H.B. 472 continue efforts advanced in the past two biennial budgets, the 2012 MBR, and other legislation to strengthen primary and secondary education in Ohio, improve results in our classrooms and provide a better education – and brighter future – for Ohio's schoolchildren. Most notable perhaps are reforms in this bill that focus on dropout retention and recovery; efforts to ensure that thousands of Ohio students who are a risk of dropping out of school – and thousands of older Ohioans who have never graduated from high school –

are provided a pathway to earning their diploma. The bill will also strengthen programs to provide training and motivation that is needed to connect students, from an early age, to rewarding careers.

- Higher Education: To further advance his goal of reforming higher education in Ohio, Governor Kasich is moving forward to strengthen pathways to college and enhance college learning opportunities in ways that benefit all Ohioans. These initiatives are advanced by language in H.B. 472 aimed at improving college readiness, lowering the out-of-pocket costs required to obtain a college degree, and improving graduation at our state-supported campuses. Particular attention is paid to the needs of military veterans as they leave the service and pursue a college degree.
- Workforce Transformation: Among reforms in this bill are provisions that further improve the state's workforce development system, ensuring that these efforts are fully focused on the needs of both our state's businesses and Ohio's workers. The bill creates a more unified workforce development system and helps make sure veterans get the workforce support they have earned.
- Mental Health and Addiction Services: The Kasich Administration has made important progress to stabilize and fundamentally reform the state's approach to behavioral health and to better meet the needs of Ohioans affected by mental illness and addiction. H.B. 472 builds on that progress by targeting funds to the critical priorities of expanding the capacity for housing, crisis intervention and residential treatment needs. Other provisions in the bill will help divert Ohio youth from addiction and ensure a continued high standard of care at state psychiatric hospitals.

- Tax Reform: Governor Kasich has been quite clear about his desire to cut income taxes and reform Ohio's tax system in order to make our state more economically competitive. In the Governor's first budget, he retained the previously delayed across-the-board rate reductions associated with the 2005 tax reform package, despite facing a $7.7 billion structural budget imbalance. That bill also eliminated the estate tax and provided targeted tax relief to encourage investments in Ohio businesses. In his first MBR, the Governor completed unfinished business from the 2005 tax reform by eliminating the corporate franchise tax and dealers in intangibles tax and creating the new Financial Institutions Tax, a broad base, low rate tax that eliminated loopholes that existed under the old structure and encourages a vibrant financial services sector. Most recently, in H.B. 59, the General Assembly enacted a tax reform proposal that reduced the income tax for all Ohio taxpayers by 10 percent and reduced small business taxes, which provided net tax relief of $2.7 billion over three years. That bill also created an Ohio Earned Income Tax Credit (EITC) for lower-wage Ohioans to incentivize and support work. Then, in his State of the State address to the General Assembly last month in Medina, Governor Kasich proposed another round of tax reform. This bill includes his plan for an across-the-board reduction in the state income tax that reduces tax rates for all taxpayers and provides additional targeted relief for low and middle-income Ohioans through an increase in the EITC and an increase in the personal exemption. These additional income tax reductions are made possible by the modernization of the severance tax, a modest increase in the Commercial Activity Tax rate, and an increase in cigarette and other tobacco taxes. Increasing the cigarette tax also has the additional advantage of discouraging smoking – particularly among young Ohioans – and decreasing the burden that tobacco places on society.

When the impacts of all of the tax changes are considered together, there is a modest net tax reduction. That margin of net tax cut for taxpayers is estimated to be $91 million in FY 15. GRF revenue is estimated to decrease by $121 million in FY 15 relative to current estimates.

My Cabinet colleagues will provide more details about these proposals after I conclude my testimony. Therefore, I would like to focus my comments on a few of the additional reforms in this bill:

- As the Governor mentioned in his State of the State address, the bill proposes a significant commitment of resources to the state tobacco prevention and cessation effort. This spring the state is scheduled to receive tobacco master settlement funds that had been placed in escrow by tobacco companies who asserted the state had not "diligently enforced" the provisions in the Master Settlement Agreement (MSA). Last fall an arbitrator ruled in favor of the state, freeing these funds for state use. The MBR proposes a multi-year plan for the use of these dollars. The first $8.0 million is recommended for distribution to the Attorney General to support in the coming years their tobacco settlement enforcement unit that ensures compliance with the MSA. That unit is currently funded by the GRF, so the bill enables the FY 15 GRF appropriation of $1.5 million to be replaced by this non-GRF source. Second, the remaining funds, expected to be $26.9 million, would be provided to the Department of Health for prevention, cessation, and enforcement efforts; and the bill establishes a $4.9 million appropriation in FY 15. The Governor's Office of Health Transformation will convene representatives of the General Assembly, Attorney General, Department of Health and other state agencies, and external stakeholders to recommend funding priorities to the Governor within 90 days after the MBR is enacted.

- While Ohio's current public assistance programs and infrastructure effectively award benefits to those who are eligible, this system is too compartmentalized and often neglects to answer the essential question of what assistance is truly needed in order to help a person find or keep a job. Therefore, the bill creates the Office of Human Services Innovation, which will be a transformative office within the Department of Job and Family Services. The office will be tasked with breaking down silos within government to provide assistance to recipients in a holistic way, by examining ways to better coordinate services, remove disincentives to work within current programs, standardize eligibility policies across programs, and establish person-centered case management strategies throughout the system. The JFS director will convene and coordinate the activities of the office with assistance from other state agencies and offices as well as seek input from external stakeholders to strengthen individuals, families and communities with the goal of helping more people prepare for life and the dignity of work.
- Provisions in this bill will enable the Department of Commerce to implement a new and transformative approach to regulation. A new incentive-based approach will position the department to recognize and reward businesses that have consistently

demonstrated a record of compliance, providing a framework to encourage other businesses to become more compliant and freeing up resources to focus on those who are not compliant.

- The departments of Agriculture and Natural Resources have identified an opportunity to reduce redundancy and streamline services to the agricultural community by consolidating the state's nutrient management oversight within a single agency. H.B. 472 will transfer agricultural pollution responsibilities currently assigned to ODNR and combine them with related programs in the Department of Agriculture. The resulting efficiencies will permit the state to enforce consistent rules and enforcement, providing a "one stop shop" for more effectively addressing management of all agricultural nutrients on Ohio's farm operations.

Program Improvements

In this category I include changes to outwardly facing programs that will result in better services for Ohioans. There are numerous such changes, but I will cite two examples:

- Language in H.B. 472 codifies the functions of Ohio Shared Services (OSS), a unit of the Office of Budget and Management that consolidates business services processes and common administrative transactions for state agencies. The bill clarifies the ability of OSS to expand its service lines and allows political subdivisions, if they desire, to take advantage of these same cost-saving efficiencies.
- As part of the MBR process, the Department of Developmental Disabilities took the opportunity to comprehensively examine its system of supports and take action to

improve the quality of services delivered. As a result, provisions in this bill create an online training and certification program designed to increase opportunity for those individuals with autism, improve transparency for families interested in selecting a provider, and encourage county developmental disability boards to share resources.

Operational Improvements

These are modifications that will enable state government operations to function more efficiently. For example: H.B. 472 will enable the Department of Job and Family Services to fully implement a new on-line service for Ohioans who need to confirm their eligibility status or apply for unemployment benefits. This will replace a much less efficient telephone-based system with a modern, customer-friendly solution.

Local Government

Continuing the Administration's efforts to encourage and support local governments in their efforts to share services, this bill contains provisions like the following:

- A provision in the bill expands the State Fire Marshal's Fire Department Training and Equipment Grant program through an appropriation of $3.0 million in FY 15 to provide grants that enable small, mostly volunteer, fire departments to purchase MARCS radio equipment and cover the cost of the monthly $20 per radio service fee charged for the use of MARCS radios.
- A provision in the bill allows regional planning commissions, councils of government, and other associations of local governments to participate in cost-saving vendor

contracts that have been arranged by the Ohio Department of Transportation. This change can save local governments and ODOT time and money.

<u>Budgetary Changes</u>

I count in this category any changes that directly alter appropriation levels, including line item restructuring. Also included would be various accounting changes such as ALI renaming, fund transfers or other changes to the disposition of revenues or use of state funds.

The bill makes changes to 50 line items across 19 agencies or purposes. Twenty-six of those are GRF line items across 9 agencies, which are summarized by agency in the following table:

Summary of GRF Appropriation Changes by Agency or Purpose*

	FY 14 Change	FY 15 Change
Agriculture	$0	$151,413
Attorney General	$0	-$1,500,000
Health	$0	$0
Natural Resources	$0	-$151,413
Regents	$0	$3,100,000
Rehabilitation & Correction	$13,989,679	$39,468,115
Veterans Services	$0	$0
Property Tax Reimbursements	-$20,000,000	-$15,000,000
Debt Service	-$61,000,000	-$31,000,000
Total	-$67,010,321	-$4,931,885

* Note: Debt Service appropriation reductions affect 9 agencies, including 3 above (Natural Resources, Regents, and Rehabilitation & Correction); Property Tax Reimbursement changes affect 2 agencies (Education and Taxation).

As the table demonstrates, the bill reduces GRF appropriations in the aggregate by $67.0 million in FY 14 and by $4.9 million in FY 15. Two agencies have GRF appropriation changes that are net neutral within their own agency, and two more agencies have a net neutral change between them as a result of the program transfer that I previously referenced. Two agencies have net increases in appropriations, and I would like to briefly note them now:

- In response to increasing inmate populations at Department of Rehabilitation and Correction facilities, it is necessary that we provide GRF appropriation increases of $14.0 million in FY 14 and $39.5 million in FY 15. Most of these appropriations will be used to hire additional corrections officers, parole officers, and medical staff; and it will fund other additional operational expenses necessary to accommodate the increasing population. A considerable portion, $1.7 million in FY 14 and $8.5 million in FY 15, will be used to expand community bed capacity to provide additional placement alternatives to the state's correctional facilities.
- As Chancellor Carey will discuss, the bill contains a provision to fully convert community college funding to a performance-based model based upon graduation and course completion. To facilitate this transition, the State Share of Instruction in the Board of Regents' budget is increased by $3.1 million in FY 15 to provide a one-time stop-loss protection for community colleges. A similar one-time stop-loss provision was included in H.B. 59 in FY 14 as part of the universities' conversion to the performance-based funding model.

As I previously mentioned, the appropriation changes in the bill make a net reduction to the GRF in both years. This occurs because there are a few offsetting reductions:

- The bill reduces a number of debt service appropriations by a total of $61.0 million in FY 14 and by $31.0 million in FY 15. This is a result of a number of factors, including the timing of bond issuances; interest rates below those assumed in the development of H.B. 59, in part as a result of refunding transactions; and the preferred deal structures in the current bond market.

- Because of lower than planned requests for payments that subsidize the levies of local governments and school districts, the bill reduces the appropriations for this purpose by a total of $20.0 million in FY 14 and $15.0 million in FY 15. Based upon reimbursement requests in the first half of FY 14, we project a lower appropriation is needed. There are no policy changes associated with these reductions.
- The Attorney General's GRF budget is reduced by $1.5 million in FY 15 as a result of the newly available non-GRF tobacco settlement funds that I previously discussed.

There are also a number of non-GRF appropriation changes, such as the following:

- The bill creates the Community Connectors Program in the Department of Education and establishes a $10 million appropriation in FY 15. Funded from existing casino license fees, this program will provide matching grant funds to support community partnerships with parents, community organizations, faith-based groups, and businesses to mentor and advise students.
- The bill creates a new Adult Career Opportunity Pilot Program in the Department of Education and establishes a $2.5 million appropriation in FY 15. Funded from existing casino license fees, this program will enable the Superintendent of Public Instruction to award planning grants of up to $500,000 to no more than five community colleges or

Ohio Technical Centers to build capacity to implement the program beginning in the 2015-2016 academic year.

- From the proceeds of the proposed severance tax, the bill increases the Department of Natural Resources' appropriation for plugging orphan wells by $1.0 million in FY 15.
- The bill also establishes a new appropriation of $100,000 for the Department of Health in order to enable the department to spend tax check-off revenue for the Breast and Cervical Cancer Project, as authorized through the provisions of H.B. 112, which was signed by the Governor in July 2013.

In addition to the appropriation changes, the bill makes a number of other budget and accounting changes. These include a provision to include the Division of Geological Survey in an existing uncodified law provision that authorizes temporary GRF transfers to support expanding DNR oil and gas oversight responsibility. The bill also eliminates a number of dormant funds, establishes several new funds for program management purposes, and provides clarification and clean-up of a number of codified and uncodified law provisions that impact the receipt, disposition, and accounting of state funds. These provisions are of great interest to OBM in our role of monitoring the day-to-day finances of the state, but perhaps not so much to others; and while I could go on at great length about each, in the interest of time, I will not.

REVIEW OF FY 2014 GRF REVENUES AND DISBURSEMENTS

As I previously mentioned, the proposals in the bill are paid for within the H.B. 59 budget framework. The few GRF appropriation increases in this bill are offset by GRF appropriation reductions. The Governor's income tax cut is affordable as part of the tax reform proposal

Commissioner Testa will soon detail and existing budgetary capacity and does not rely upon revised revenue or disbursement estimates. The Governor has put a high priority on keeping Ohio's financial position strong and balanced as evidenced by the actions taken in both of his biennial budgets and the first Mid-Biennium Review. H.B. 472 maintains the Governor's objective of fiscal balance and conservative budgeting.

Before I conclude my testimony I want to briefly review the fiscal condition of the state during the first eight months of FY 14.

Throughout FY 14, state finances have performed according to the fiscal framework established through the enactment of H.B. 59. National and state economic performance are generally in line with the budget plan. We projected slow, continued improvement in economic conditions, and that is what is happening. As a result, GRF revenues are modestly above estimate. GRF disbursements are on target in the aggregate.

GRF Revenues

The fact that economic growth has been close to the forecast is reflected in the performance of GRF tax revenues (see Attachment 1). Through the first eight months of FY 14, GRF tax revenues were $217.3 million, or 1.7 percent, above the estimate. Total GRF sources are $313.9 million, or 1.6 percent, above the estimate. Several GRF sources are running above estimate; a number are currently below the estimate. The personal income tax is $280.8 million, or 5.4 percent, above the estimate. The overage of this one tax source, in and of itself, is larger than the total overage for GRF tax receipts. The largest single underage is the non-auto sales and use tax, which is $63.7 million, or 1.2 percent, below estimate. All other taxes are performing generally in line with the estimates.

The income tax overage is due to an overage in quarterly estimated payments and to lower than expected refunds. Employer withholding, which is more closely tied to current economic conditions, particularly labor market conditions, is almost exactly at the estimate (0.2 percent over the estimate). While OBM is obviously pleased that refunds and estimated payments have produced overages rather than shortfalls, we believe that it is still too early in the tax filing season to draw conclusions about where fiscal year results will end.

Estimating income tax revenue for FY 14 was one of the most challenging forecasting assignments that OBM has had, due to federal and state policy changes in addition to the uncertainty about the path of the economic expansion. The acceleration of income into tax year 2012 to avoid federal tax rate increases, which artificially boosted FY 13 income tax revenues, presented a difficult task of estimating how much the aftermath of the acceleration would depress income tax revenues in FY 14. Furthermore, the significant income tax cuts adopted in H.B. 59, halfway through tax year 2013, led to a complicated exercise in estimating not only the total impact of those cuts, but also trying to determine how the impacts would be allocated among the types of payments and how they would be distributed across the months of the filing season. While we believe that we did a careful and thorough job of making these estimates, they are subject to so much uncertainty with respect to their timing that it will be difficult to draw conclusions about how accurate the estimates were until the tax filing season is nearly finished.

The year-to-date shortfall in the non-auto sales tax is almost all the result of weak revenues in February. February revenues were below estimate largely because of refunds against prior year activity. There was also a shortfall unrelated to refunds that is believed to be at least in part due to weather, based on substantial anecdotal evidence and also on survey results reported in the Federal Reserve Beige Book on regional economic conditions.

GRF Disbursements

Year-to-date GRF disbursements are essentially on estimate, with underspending of $12.6 million, or -0.1 percent, compared to the year-to-date estimate of $20.3 billion (see Attachment 2). Most spending categories are within a fairly close range of the estimates, but there are two categories with large variances that I will discuss briefly, namely primary and secondary education and Medicaid.

Year-to-date expenditures on primary and secondary education are over the estimate by a large amount: $417.5 million, or 9.2 percent. However large this overage may be, OBM believes that it is a timing phenomenon related to a third foundation payment in January that will be offset with only one payment in March and the timing factors associated with the implementation of the new school funding system in H.B. 59. These factors have temporarily pushed spending well above estimate, but beginning in March, disbursements should be less than planned over the last four months, and they are expected to end the year right around the estimate.

The other notable variance that I would call to your attention is Medicaid. GRF Medicaid spending is $323.8 million, or 3.2 percent, below estimate through February. This underspending has largely been driven by lower-than-expected enrollment; however, I am cautious about making projections regarding how the fiscal year will end. As you know, the federal government experienced a turbulent rollout of the Affordable Care Act (ACA) through the healthcare.gov website last fall, and we believe that it delayed both the processing of applications for health coverage and also deterred individuals from attempting to sign up. In fact, the Ohio Department of Medicaid is just beginning to receive applications for more than 117,000 Ohioans that have been accumulating in the federal system since the federal website went live on October 1, 2013. Recall that the “woodwork” population – those that were already eligible for Medicaid but not enrolled that we project will newly enroll in Medicaid simply from increased awareness – are funded at the regular FMAP rate from the GRF. Given that applicants found eligible for Medicaid receive eligibility back to their date of application, and those with qualifying expenditures will receive retro-active eligibility for 90-days prior to the date of application, the state could have new woodwork Medicaid expenditures dating back to the beginning of this fiscal year. Therefore, enrollment numbers for the course of the fiscal year are subject to retroactive revision in the weeks and months ahead. Furthermore, I would note that we are only two months into the 18-month span of the primary impact of the ACA during this biennium, and the significant disruptions to the federal rollout continue to cloud data analysis. For these reasons, I would caution against assuming any level of underspending in Medicaid this fiscal year or next.

To conclude my review of state finances I am pleased to report that both the economic projections and the revenue estimates used in H.B. 59 have been generally consistent with actual performance to date. As with any budget plan there remains a degree of economic and fiscal uncertainty that OBM will carefully monitor. Despite the fact that the income tax is above estimate and Medicaid spending is below estimate, for the reasons I have outlined above, these variances should not be counted as available for use at this time. There are too many uncertainties to allow me to make any reprojections for FY 14 or FY 15. The use of less than certain resources in the development of the MBR could risk the progress Governor Kasich and the General Assembly have made in returning the state to structural balance.

CONCLUDING REMARKS

Thank you for the opportunity to testify today on H.B. 472, Governor Kasich's Mid-Biennium Review. This has been a comprehensive process that has resulted in the legislation before you. This bill includes numerous funding changes, reforms, and improvements that are intended to further advance Governor Kasich's agenda of renewal for the State of Ohio. It continues his ongoing effort to restrain the growth of state spending, to improve services for taxpayers, and to enhance the climate of economic competitiveness and job growth in this state. Thank you for your time and consideration. I would be happy to answer any questions you might have at this time.

Attachment 1

GENERAL REVENUE FUND RECEIPTS
ACTUAL FY 2014 VS ESTIMATE FY 2014
($ in thousands)

REVENUE SOURCE	MONTH				YEAR-TO-DATE			
	ACTUAL FEBRUARY	ESTIMATE FEBRUARY	$ VAR	% VAR	ACTUAL Y-T-D	ESTIMATE Y-T-D	$ VAR	% VAR
TAX RECEIPTS								
Non-Auto Sales & Use	532,746	586,200	(53,454)	-9.1%	5,243,850	5,307,500	(63,650)	-1.2%
Auto Sales & Use	71,303	76,800	(5,497)	-7.2%	750,588	734,200	16,388	2.2%
Subtotal Sales & Use	604,049	663,000	(58,951)	-8.9%	5,994,439	6,041,700	(47,261)	-0.8%
Personal Income	147,915	101,400	46,515	45.9%	5,484,450	5,203,600	280,850	5.4%
Corporate Franchise	(4,864)	0	(4,864)	N/A	(10,099)	0	(10,099)	N/A
Financial Institutions Tax	42,220	3,900	38,320	982.6%	83,513	77,900	5,613	7.2%
Commercial Activity Tax	174,237	151,200	23,037	15.2%	592,359	605,139	(12,780)	-2.1%
Public Utility	22,072	21,800	272	1.2%	70,168	67,900	2,268	3.3%
Kilowatt Hour	28,112	30,400	(2,288)	-7.5%	202,054	211,950	(9,896)	-4.7%
MCF Tax	16,004	10,100	5,904	58.5%	36,680	28,000	8,680	31.0%
Foreign Insurance	29,194	42,700	(13,506)	-31.6%	175,835	185,400	(9,565)	-5.2%
Domestic Insurance	51	0	51	N/A	149	1,000	(851)	-85.1%
Other Business & Property	21	0	21	N/A	476	0	476	N/A
Cigarette	52,418	56,700	(4,282)	-7.6%	490,891	491,700	(809)	-0.2%
Alcoholic Beverage	4,052	3,300	752	22.8%	36,721	35,400	1,321	3.7%
Liquor Gallonage	3,055	2,900	155	5.3%	28,242	27,600	642	2.3%
Estate	85	0	85	N/A	30,129	21,400	8,729	40.8%
Total Tax Receipts	1,118,622	1,087,400	31,222	2.9%	13,216,006	12,998,689	217,317	1.7%
NON-TAX RECEIPTS								
Federal Grants	645,258	743,275	(98,017)	-13.2%	6,200,391	6,117,211	83,181	1.4%
Earnings on Investments	0	0	0	N/A	8,420	5,500	2,920	53.1%
License & Fees	6,490	6,000	490	8.2%	20,542	48,000	(27,458)	-57.2%
Other Income	1,208	2,375	(1,167)	-49.1%	13,031	19,000	(5,969)	-31.4%
ISTV'S	0	1,250	(1,250)	-100.0%	7,741	10,000	(2,259)	-22.6%
Total Non-Tax Receipts	652,956	752,900	(99,944)	-13.3%	6,250,125	6,199,711	50,415	0.8%
TOTAL REVENUES	**1,771,578**	**1,840,300**	**(68,722)**	**-3.7%**	**19,466,131**	**19,198,400**	**267,732**	**1.4%**
TRANSFERS								
Budget Stabilization	0	0	0	N/A	0	0	0	N/A
Liquor Transfers	0	0	0	N/A	0	0	0	N/A
Transfers In - Other	0	200	(200)	N/A	47,215	6,600	40,615	615.4%
Temporary Transfers In	0	0	0	N/A	5,516	0	5,516	N/A
Total Transfers	0	200	(200)	N/A	52,730	6,600	46,130	698.9%
TOTAL SOURCES	**1,771,578**	**1,840,500**	**(68,922)**	**-3.7%**	**19,518,862**	**19,205,000**	**313,862**	**1.6%**

Attachment 2

GENERAL REVENUE FUND DISBURSEMENTS
ACTUAL FY 2014 VS ESTIMATE FY 2014
($ in thousands)

	MONTH				YEAR-TO-DATE			
Functional Reporting Categories Description	**ACTUAL FEBRUARY**	**ESTIMATED FEBRUARY**	**$ VAR**	**% VAR**	**YTD ACTUAL**	**YTD ESTIMATE**	**$ VAR**	**% VAR**
Primary and Secondary Education	576,574	606,177	(29,603)	-4.9%	4,966,846	4,549,363	417,483	9.2%
Higher Education	193,437	195,477	(2,040)	-1.0%	1,403,943	1,415,724	(11,781)	-0.8%
Other Education	2,047	2,139	(92)	-4.3%	34,745	39,785	(5,040)	-12.7%
Medicaid	1,193,017	1,208,402	(15,385)	-1.3%	9,675,802	9,999,621	(323,819)	-3.2%
Health and Human Services	116,558	71,150	45,408	63.8%	871,223	944,796	(73,573)	-7.8%
Justice and Public Protection	122,723	133,613	(10,891)	-8.2%	1,231,058	1,267,646	(36,588)	-2.9%
General Government	24,949	23,547	1,403	6.0%	240,537	254,327	(13,790)	-5.4%
Property Tax Reimbursements	(2)	3	(5)	-168.8%	893,054	903,198	(10,144)	-1.1%
Capital Outlay	0	0	0	N/A	0	0	0	N/A
Debt Service	104,810	47,556	57,255	120.4%	994,374	949,755	44,619	4.7%
Total Expenditures & ISTV's	**2,334,114**	**2,288,064**	**46,050**	**2.0%**	**20,311,583**	**20,324,215**	**(12,633)**	**-0.1%**
Transfers Out:								
BSF Transfer Out	0	0	0	N/A	995,930	995,930	0	0.0%
Operating Transfer Out	0	0	0	N/A	210,513	234,148	(23,635)	-10.1%
Temporary Transfer Out	0	0	0	N/A	5,516	0	5,516	N/A
Total Transfers Out	**0**	**0**	**0**	**N/A**	**1,211,959**	**1,230,079**	**(18,119)**	**-1.5%**
Total Fund Uses	**2,334,114**	**2,288,064**	**46,050**	**2.0%**	**21,523,542**	**21,554,294**	**(30,752)**	**-0.1%**