



June 10, 2013

MEMORANDUM TO: The Honorable John R. Kasich, Governor  
The Honorable Mary Taylor, Lt. Governor

FROM: Timothy S. Keen, Director

TK

SUBJECT: Monthly Financial Report

## ECONOMIC SUMMARY

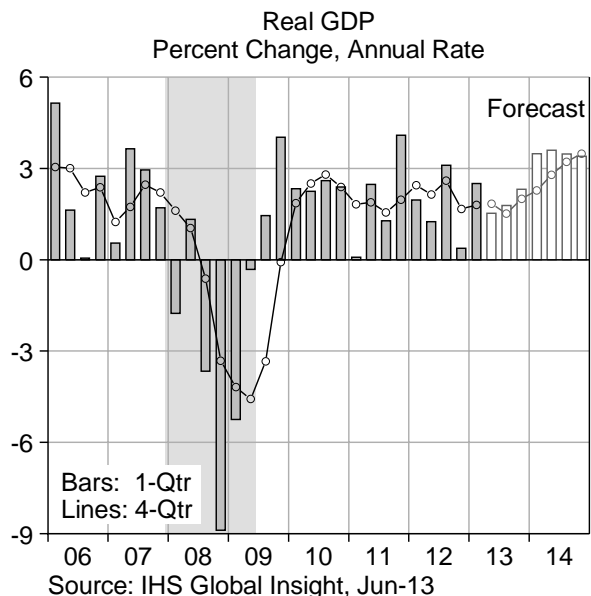
### Economic Performance Overview

- Real GDP expanded 2.4% in the first quarter, following a 0.4% gain in the fourth quarter. Year-over-year growth remained subdued 1.8%.
- U.S. employment increased by 175,000 jobs in May, and the March and April increases were revised down by a total of 12,000 jobs. The unemployment rate edged up to 7.5%.
- Ohio employment increased by 7,600 jobs in April and is up by 8,200 jobs year-to-date. The Ohio unemployment rate dipped to 7.0% in April from 7.1% in March – 0.6 percentage points below the national unemployment rate in March.
- Leading economic indicators have weakened recently, but remain consistent with uninterrupted growth at a modest pace across the country and especially in Ohio.

### Economic Growth

**Real GDP** expanded by 2.4% in the first quarter – essentially unchanged from the first estimate – leaving the picture of the overall situation little changed. There were no signs of a near-term recession, but also no signs the economy is breaking out of its slow growth path. Growth increased from 0.4% in the fourth quarter but remained below the 3.1% growth rate in the third quarter. Compared with a year ago, real GDP is higher by only 1.8% – about the same as the year-over-year pace during the last two years.

Since the expansion officially began in the second quarter of 2009, real GDP has advanced at an annual rate of 2.1% – the



slowest pace during the first fifteen quarters of any expansion that has lasted at least that long during the post-war period. In contrast, real GDP grew at a compound annual rate of 3.2% on average during the first fifteen quarters of the expansions following the 1990-91 and 2001 recessions.

Growth during the first quarter was driven largely by consumer spending and inventory accumulation. Business investment in equipment and software and housing construction also made positive contributions. Business investment in structures retreated by 3.5% after a 16.7% increase in the fourth quarter that was preceded by little change in the previous two quarters. Government spending – primarily federal defense, but also state and local government – subtracted from overall growth. In addition, net exports declined, as a larger share of domestic demand was satisfied by goods and services that were produced overseas.

The acceleration in growth reflected faster growth in consumer spending (despite higher taxes that went into effect at the start of the year and seemingly widespread concern over automatic adjustments to federal government spending), the change in business inventories, which swung from a decline in the fourth quarter to an increase in the first quarter, and a smaller decline in federal defense spending than in the fourth quarter. Working against the acceleration in overall growth in the first quarter were slowdowns in business fixed investment (in both structures and equipment and software), a smaller increase in housing construction, and the return to rising imports after two quarterly declines.

**Real final sales** growth slowed for the second quarter in a row to 1.8% from 1.9% in the fourth quarter and 2.4% in the third quarter. Since the expansion officially began in the second quarter of 2009, real final sales has increased at an annual rate of only 1.6% – the slowest pace by a notable margin among expansions in the post-war period that have lasted for at least fifteen quarters.

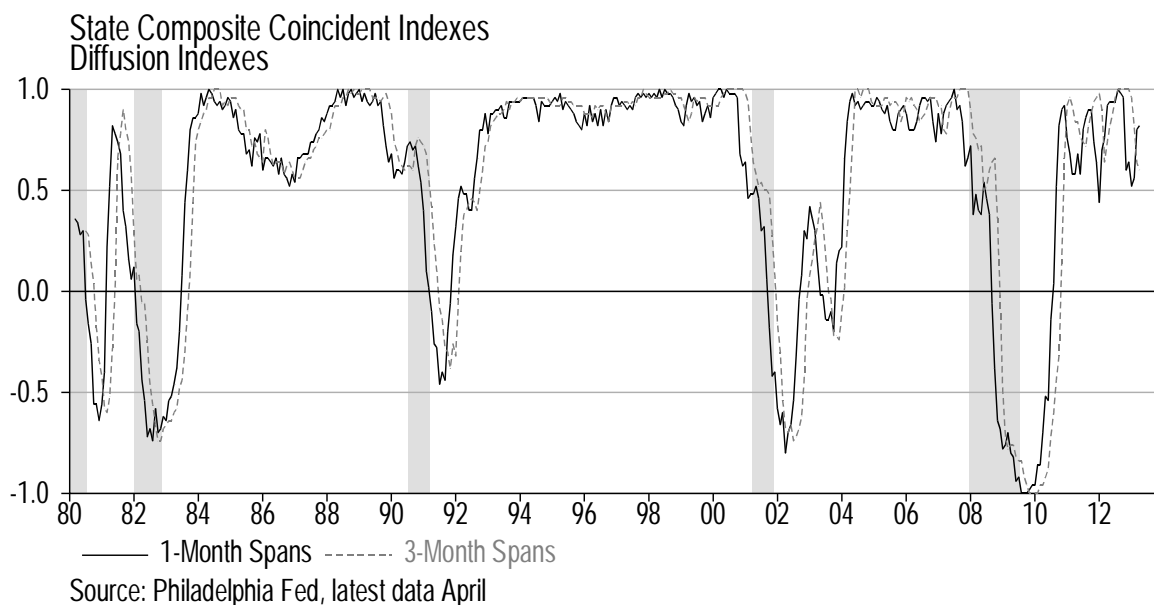
The consensus among forecasters is that real GDP growth is slowing in the second quarter. Industrial production in manufacturing decreased in March and April – the second and third declines in the last four months – leaving the level below the January mark. Retail sales edged higher in April after a decline in March, which was the second drop in four months. Forecasters project growth of 2% to 2.5% during the middle two quarters of the year, rising gradually thereafter but remaining below 3% through the end of 2014, according to the *Blue Chip* consensus. IHS Global Insight projects second-quarter real GDP growth of 1.5%

Leading indicators remain consistent with slow but uninterrupted growth through 2013.



The 4-week moving average of the **Weekly Leading Index** decreased in each of the three weeks ending May 24, reducing the 6-month smoothed rate of change to 6.6% compared with the recent peak of 8.8% reached at the end of January. Nonetheless, the index points toward continued growth immediately ahead.

The composite **Leading Economic Index** from the Conference Board rebounded 0.6% in April – the largest monthly gain since February 2012. The index decreased 0.2% the month before. The increase was driven by a large increase in building permits and a decline in jobless claims. Seven of the ten components made positive contributions, with three shifting from negatives in the previous month. The 6-month smoothed rate of change increased to 3.0% from 2.1% the month before – the fastest year-over-year pace since August 2011 and consistent with uninterrupted economic growth at a moderate pace.



The Ohio economy continued to make progress through April, according to the **Ohio Coincident Economic Index**, compiled by the Federal Reserve Bank of Philadelphia. The index increased 0.1% in April, following monthly gains of 0.1% during the two previous months. Compared with a year earlier, the index was higher by 1.7%, down from a recent high of 5.3% last May. The state coincident index combines four state-level indicators to summarize current economic conditions. The four components are nonfarm payroll employment, average hours worked in manufacturing, the unemployment rate and real wage and salary disbursements.

Across the 50 states, the Coincident Economic Index was higher than one month earlier in 45 states and higher than three months earlier in 47 states. The diffusion of increases and decreases across states in the past has been a reliable and timely indicator of changes in economic growth, and currently points to uninterrupted growth at a strengthening pace in the Ohio and national economies.

The companion **Ohio Leading Economic Index** remained below 1.0% in April for the fourth consecutive month after being below 2.0% during the previous nine months. The index, which is

compiled by the Federal Reserve Bank of Philadelphia, is designed to predict the rate of increase in the coincident index during the next six months. Index values have been revised significantly on occasion, but as it stands, the recent pattern is consistent with ongoing expansion of the Ohio economy through the spring and summer but at a slower pace than early in 2012. The diffusion of positive readings has been fairly broad in recent months, with the index being greater than zero in at least 45 states in each month since last July.

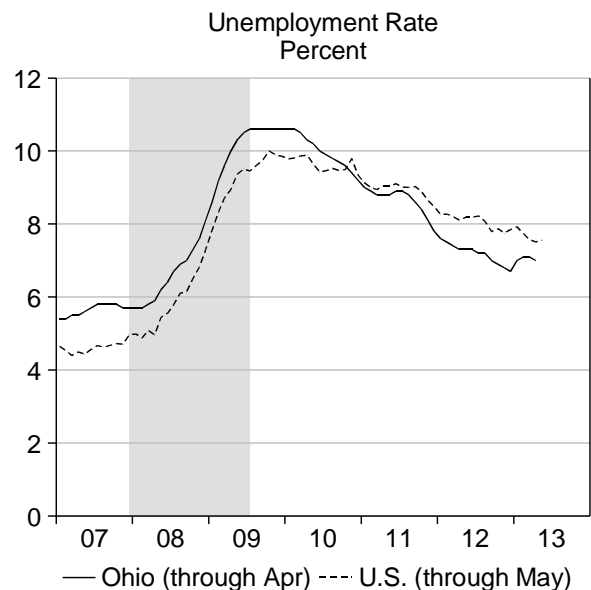
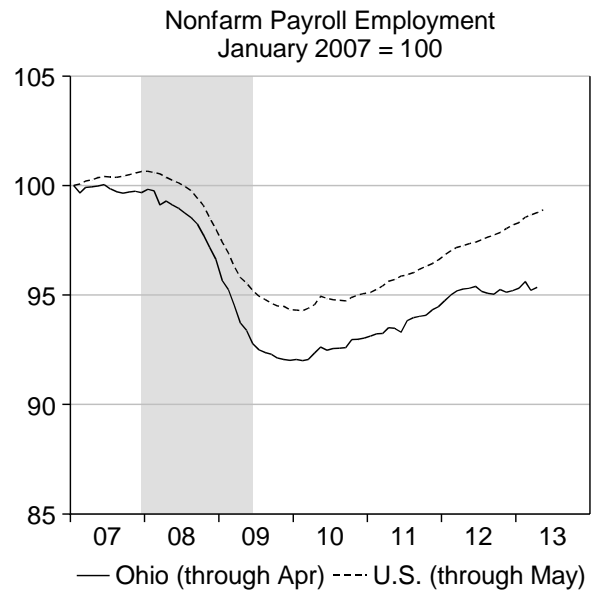
## **Employment**

**Nonfarm payroll employment** increased by 175,000 jobs in May, according to the monthly survey of employers. The changes in the two previous months were revised down by a total of 12,000 jobs. Compared with a year earlier, employment was higher by 2.115 million jobs, or 1.6%.

The **unemployment rate** increased by less than one half percentage point, but was raised by rounding to 7.6% from 7.5%. The survey of households, which measures workers rather than jobs, showed solid gains in both the number of people at work and the size of the labor force. Nonetheless, the number of unemployed increased by 101,000 people.

Overall, the report is consistent with continued, if unimpressive, improvement in labor markets. The monthly change in employment has averaged 202,000 jobs during the most recent seven months, up from an average of 138,000 during the previous six months. The change in temporary help employment contributed to the faster pace of overall job growth, with the 7-month average at 21,000 jobs compared with 8,000 jobs during the previous six months.

**Total hours worked** increased 0.5% in May, but the quarterly average will be held back by the 0.2% decrease in April. Labor input would increase at an annual rate of 2.0% during the quarter if total hours worked is unchanged in May, suggesting that real GDP growth during the quarter could exceed expectations of less than 2%. Another 0.5% increase in hours worked in June would lift the annualized quarter-to-quarter increase to 2.7%.



In addition, the **U-6 unemployment rate**, which includes people who are working part-time because they could not get a full-time job or have stopped looking for work, fell back to match its low of 13.8% for the expansion reached in March.

All of the net increase in employment occurred in private service-producing sectors for the second month in a row. Manufacturing employment fell by 8,000 jobs – the third straight decline. Construction employment increased 7,000 jobs after a 2,000 loss in April. Government employment decreased by 3,000 jobs – the third decline in a row and the seventh in the last eight months.

Employment increases in May again were led by professional and business services (+57,000), leisure and hospitality (+43,000) and trade, transportation and utilities (+33,000). The gain in trade, transportation and utilities was concentrated in the retail industry. Education and health services employment increased 26,000 jobs.

**Ohio employment** increased by 7,600 jobs in April and is up by 8,200 jobs year-to-date. Compared with a year earlier, employment is higher by 4,400 jobs. The Ohio unemployment rate dipped to 7.0% in April from 7.1% in March. The rate was 7.0% in January and 7.1% in February. The Ohio unemployment rate was 0.6 percentage points below the national unemployment rate in March.

During the twelve months ending in April, increases in Ohio employment were the result of net private sector growth of 18,400 jobs. Most notably, increases in educational and health services (+12,300); manufacturing (+8,800); leisure and hospitality (+4,200); trade, transportation and utilities (+2,600); and financial activities (+1,800) combined to offset a decrease of 9,200 jobs in construction. Weakness, meanwhile, continued in the government sector, where state, local, and federal government employment decreased by 14,000 jobs.

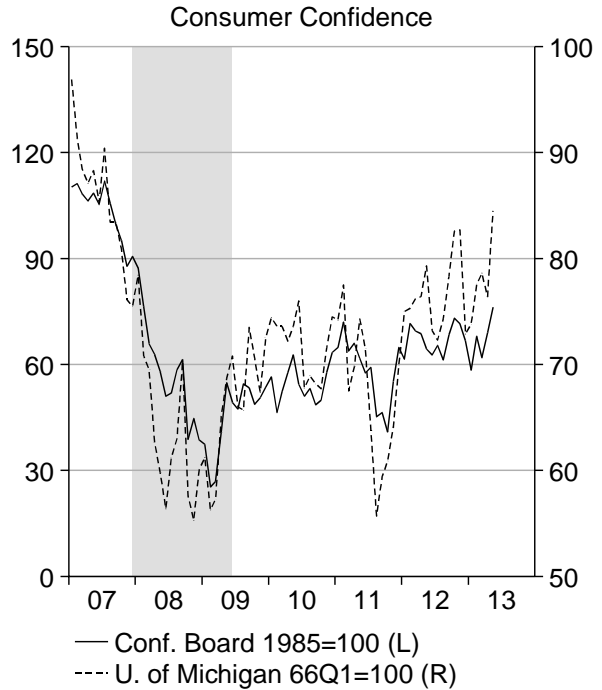
Among the **contiguous states**, year-over-year employment growth was strongest in Indiana (+1.2%) and Kentucky and Michigan (+0.8%), compared with increases in Pennsylvania (+0.4%), West Virginia (+0.3%), and Ohio (+0.1%). Year-over-year growth in manufacturing was 1.3% in Ohio. Among the contiguous states, manufacturing employment increased 4.3% in Kentucky, 4.1% in Michigan, and 1.7% in Indiana and declined 2.4% in West Virginia and 0.1% in Pennsylvania.

### **Consumer Income and Consumption**

Personal income and consumption essentially stalled in March. **Personal income** was unchanged on the month after large tax-related swings in the months surrounding year end, reducing the year-over-year rate of change to 2.8% from 3.6% last October before distortions around the end of the year. **Wage and salary disbursements** were unchanged in March, but were up 3.2% year-over-year, which is in line with the recent trend. **Real disposable personal income** increased 0.1% in March and was up 1.0% from a year earlier, compared with year-over-year growth of 1.6% last October, in part reflecting the increases in personal tax rates in January.

**Personal consumption expenditures** decreased 0.2% in March to 2.8% above the year earlier level, which is down from 3.6% as recently as December. After adjustment for inflation, personal consumption increased 0.1% to 2.1% year-over-year. The saving rate was 2.5% in March – down from closer to 4% in early 2012, as consumers maintained spending growth in the face of slower growth in disposable incomes.

Consumer spending presumably has benefited from the improvements in labor markets, which include a notable decline in the pace of layoffs, and wage gains that exceed inflation. In addition, gains in net worth arising from increases in prices of houses and financial assets, such as stocks and bonds, has supported spending out of current income.



Despite the slowdown in income growth, **consumer confidence** rebounded notably in April and May. The Conference Board index increased from 61.9 to 76.2 in April – the best reading since February 2008. The increase reflected improvements in assessments of both current and expected conditions. In particular, the index of present conditions was the highest since May 2008. The Reuters/University of Michigan index displayed a similar pattern, with the main sentiment index climbing to the best level since July 2007. The assessment of current conditions was the brightest since July 2007.

**Manufacturing**

Industrial activity has softened in the late winter and early spring. **Industrial production** decreased 0.5% in April for the second decline in four months. Only mining output expanded. Manufacturing production decreased by 0.4% – the third decline in the last four months. Compared with a year ago, industrial production was up by only 1.9% and manufacturing production was up by just 1.3%.

Of particular importance to the Ohio economy, production of motor vehicles and parts decreased 1.3% in April after a 2.3% gain in March. The decline reflected a 0.8% decrease in motor vehicle assemblies in April. Also important to Ohio, production of primary metal, fabricated metal, and machinery fell by 0.8%, 0.4% and 0.4%, respectively, adding to declines in March. Together, the four industries accounted for almost one-half of manufacturing jobs in Ohio and one out of every thirteen private sector jobs in the state, before seasonal adjustment.

**Factory shipments** decreased in April for the second consecutive month. The year-over-year change slipped to 0.6% from 3.9% last September. The growth rate is down from the low-to-mid teen percentages two years ago, indicating that business investment is losing momentum. **New orders** increased 1.0% in April after falling 4.7% the month before and have fallen in two of the last four months.

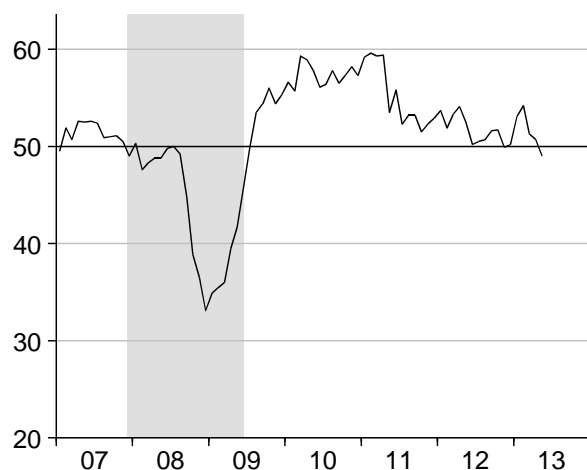
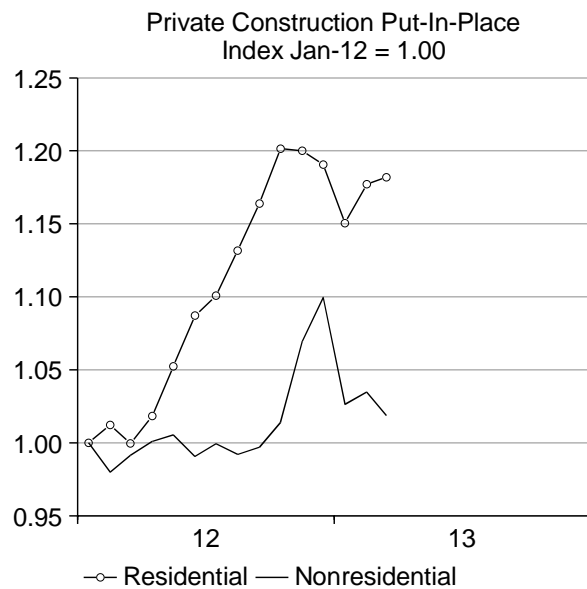
After a string of three impressive improvements during December-February, the assessment of **purchasing managers** in manufacturing deteriorated in March, April and again in May. The composite index fell to 49.0 for the first reading below the neutral 50 level since it was 49.9 last October and the lowest mark since June 2009. The decline reflected deterioration in the backlog of orders, speed of deliveries, new orders and production. The report is a compelling sign of weakness in manufacturing.

The last time the purchasing managers index fell to 49.0 was December 2007 – the month that the 2007-09 recession began. Key differences today include the fact that the unemployment rate is declining as opposed to increasing and that the composite leading economic index is rising rather than falling.

### Construction

Total **construction put-in-place** increased 0.4% in April after a 0.8% decrease in March. Excluding residential improvements, which is poorly estimated and often revised significantly, construction increased 0.9% after falling by the same percentage in March. Total private construction increased 1.0%. Compared to a year earlier, total construction increased 4.3% (6.1% excluding improvements) and private construction was up 9.0%.

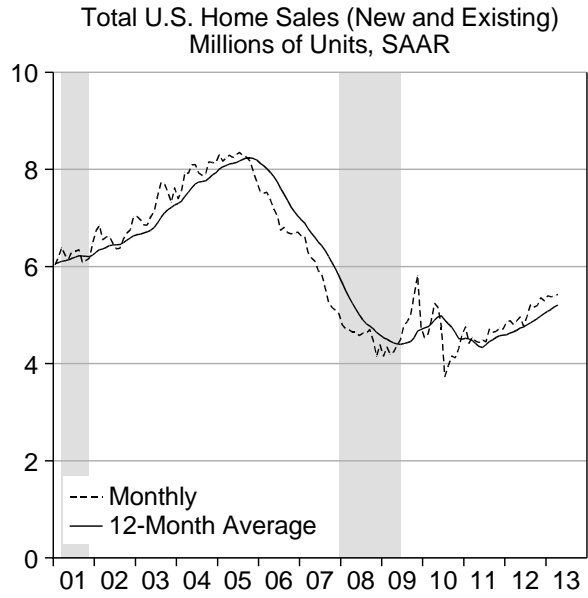
The mix of private construction activity between residential and non-residential, which had been significantly skewed in favor of residential, shifted in April. Private residential construction edged down by 0.1%, due to the 3.3% drop in improvements, while non-residential construction increased 2.2% after a long string of declines. On a year-over-year basis, residential construction was up 18.8% compared with a 0.6% rise in non-residential activity. The increase in non-residential was led by a 10.8% jump in construction of power facilities, while notable



percentage declines occurred in the office, communication, manufacturing and religious categories.

Housing construction itself was mixed across property types and geographic areas in late winter and early spring. **Housing starts** across the country decreased 1.6% in April on a 3-month moving average basis to 30.8% higher than a year earlier. The more forward-looking measure of permits issued advanced 3.7% after an isolated decline of 1.9% the month before to 25.8% above the year earlier level.

In the Midwest, however, housing starts surged 15.8% following three large monthly declines in a row. The gain brought the pace of starts back to only the October level. Permits issued in the Midwest also rebounded after three straight monthly setbacks.



The ongoing revival in home prices, likely fueled in part by low mortgage rates, and improving labor market conditions have supported home sales. **Sales of existing homes** were little changed during February-April on a 3-month moving average basis and were 10.0% above the year earlier level. The recent pattern has been similar across the Midwest where existing home sales are up 12.5% from a year earlier. **Sales of newly built homes** had been rising faster than sales of existing homes, but slowed in April on a 3-month moving average basis. National sales slipped 0.3% but were 24.4% above a year earlier. Midwest sales increased 1.7% to 30.0% above a year earlier.

The **inventory of homes for sale** – both existing and newly built – increased in April. The number of existing homes on the market increased to 2.16 million, which at the April pace of sales would require 5.2 months to be sold. The number of new homes for sale increased to 156,000, but the number of months required to deplete the inventory at the April sales pace was unchanged at 4.1 months. For both existing and new homes, the length of time necessary to sell all homes on the market at the current pace of sales is in line with historical averages.

**Home prices** captured headlines recently, as the Case-Shiller index of prices in 20 major markets increased for the twelfth straight month in March. The 1.1% increase was the fourth in a row greater than 1% and lifted the index to 10.9% above the year earlier level. Even so, the index was 26.6% below the peak reached exactly seven years ago. Home prices in Cleveland increased 0.4% in March. Cleveland home prices have increased for eight straight months and are 4.8% higher than a year earlier and 5.7% above the cyclical low point, but remain 16.6% below the peak reached in January 2006.



## **REVENUES**

**NOTE:** Estimates reflected in the revenue tables are based on July 2012 OBM revisions and do not include or reflect updated fiscal year 2013 annual estimates contained in the Executive Budget for fiscal years 2014-2015.

May **GRF receipts totaled \$2,611.7 million** and were \$93.6 million (3.5%) below the estimate. Monthly tax receipts totaled \$2,098.6 million and were \$165.0 million (8.5%) above the estimate, while non-tax receipts totaled \$513.1 million and were \$241.6 million (32.0%) below the estimate. Year-to-date variances by category are provided in the following table (\$ in millions).

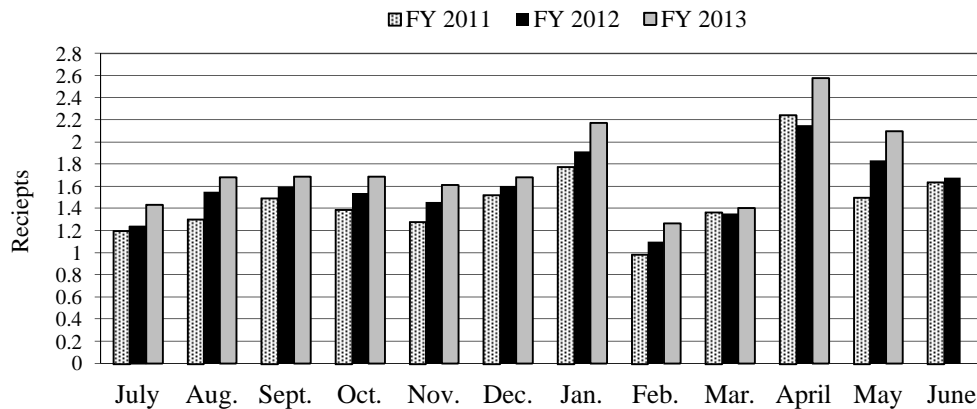
<b>Category</b>	<b>Includes:</b>	<b>YTD Variance</b>	<b>% Variance</b>
Tax receipts	Sales & use, personal income, corporate franchise, commercial activity, MCF, public utility, kilowatt hour, foreign & domestic insurance, other business & property taxes, cigarette, alcoholic beverage, liquor gallonage, & estate	\$735.5 million	4.0%
Non-tax receipts	Federal grants, earnings on investments, licenses & fees, other income, intrastate transfers	\$246.0 million	3.2%
Transfers	Budget stabilization, liquor transfers, capital reserve, other	(\$48.9 million)	(33.5%)
<b>TOTAL REVENUE VARIANCE:</b>		<b>\$932.6 million</b>	<b>3.5%</b>

Based on strength in the non-auto sales, personal income, and domestic insurance taxes, May tax receipts exceeded the estimate by \$165.0 million (8.5%). On a year-over-year basis, monthly receipts were \$263.5 million (14.4%) higher than they were in May 2012, with the largest contribution to this year-over-year growth attributable to the personal income tax.

GRF Revenue Sources Relative to Monthly Estimates - May 2013  
(\$ in millions)

<b>Individual Sources Above Estimate</b>		<b>Individual Sources Below Estimate</b>	
Non-Auto Sales Tax	\$48.9	Commercial Activity Tax	(\$37.4)
Auto Sales Tax	\$14.9	Public Utility Tax	(\$11.6)
Personal Income Tax	\$88.6	Other Business and Property Tax	(\$14.3)
Corporate Franchise Tax	\$1.4	Estate Tax	(\$2.5)
Kilowatt Hour Tax	\$7.5	Federal Grants	(\$247.2)
MCF Tax	\$6.8	Liquor Transfers	(\$17.0)
Domestic Insurance Tax	\$47.5	Other Sources Below Estimate	(\$0.9)
Cigarette Tax	\$15.9		
License & Fees	\$2.8		
Other Income	\$2.9		
Other Sources Above Estimate	\$0.3		
<b>Total above</b>	<b>\$237.5</b>	<b>Total below</b>	<b>(\$330.9)</b>

Tax Revenue Comparison by Month  
(\$ in billions)



### Non-Auto Sales and Use Tax

The non-auto sales tax rebounded from its poor performance in April as May receipts totaled \$649.7 million and exceeded the estimate by \$48.9 million (8.1%), almost wiping out last month's year-to-date shortfall of \$49.9 million. Year-to-date, this tax source is now \$1.1 million (less than 0.1%) below the estimate. On a year-over-year basis, May 2013 receipts were \$69.0 million (11.9%) above those of May 2012 with fiscal year 2013 year-to-date receipts \$294.1 million (4.6%) higher than those at the same point in fiscal year 2012. Due to the continued ups and downs in the performance of this tax over the course of the fiscal year, OBM continues to closely monitor its performance to determine what factors are driving this erratic behavior.

## **Auto Sales Tax**

Supported by continued strong unit sales, the auto sales tax again exceeded expectations in May as receipts totaled \$110.4 million and were \$14.9 million (15.6%) above the estimate. Year-to-date, auto tax receipts total \$1,007.4 million and are \$26.8 million (2.7%) above the estimate. On a year-over-year basis, May 2013 receipts were \$13.3 million (13.7%) above those of May 2012, while fiscal year 2013 year-to-date receipts are \$41.7 million (4.3%) higher than the same point in the previous fiscal year.

## **Personal Income Tax**

May personal income tax receipts totaled \$730.4 million and were \$88.6 million (13.8%) above the estimate. The primary contributor to this continued positive performance was the withholding component of the tax that totaled \$715.5 million and exceeded the estimate by \$49.9 million (7.5%). Additionally, three other components that contributed to the positive monthly variance were quarterly estimated payments, payments associated with annual returns, and trusts, which totaled \$44.7 million, \$49.5 million, and \$25.6 million respectively and were \$28.9 million (183.1%), \$23.9 million (93.5%), and \$9.8 million (62.0%) above their respective estimates.

As in recent months, had it not been for the continuing trend of refunds exceeding the estimate, the positive variance in May would have been higher. Refunds in May totaled \$73.7 million and exceeded the estimate by \$14.9 million (25.4%). Also limiting even stronger performance was the miscellaneous component of other sources, which totaled \$13.8 million and was \$7.9 million (36.4%) below the estimate. This category, which consists mostly of attorney general collections of income tax due, is volatile from month to month and thus very difficult to estimate.

On a year-over-year basis, monthly personal income tax receipts were \$95.0 million (14.9%) above the May 2012 level. The major contributor to this growth was the withholding component, which ended \$54.3 million (8.2%) higher than for the same month in the previous fiscal year. The second major positive contribution to year-over-year growth came from the payments associated with annual returns, which ended \$20.3 million (69.6%) higher than for the same month in the previous fiscal year. Year-to-date, personal income tax receipts total \$8,630.6 million and are \$519.8 million (6.4%) above estimate and \$1,036.8 million (13.7%) higher than the same point in the previous year.

<b>FY2013 PERSONAL INCOME TAX RECEIPTS BY COMPONENT (\$ in millions)</b>						
	<b>ESTIMATE</b>	<b>ACTUAL</b>	<b>\$ VAR</b>	<b>ESTIMATE</b>	<b>ACTUAL</b>	<b>\$ VAR</b>
	<b>MAY</b>	<b>MAY</b>	<b>MAY</b>	<b>Y-T-D</b>	<b>Y-T-D</b>	<b>Y-T-D</b>
Withholding	\$665.6	\$715.5	\$49.9	\$7,394.2	\$7,497.5	\$103.3
Quarterly Est.	\$15.8	\$44.7	\$28.9	\$965.9	\$1,156.1	\$190.2
Trust Payments	\$15.8	\$25.6	\$9.8	\$51.7	\$95.3	\$43.6
Annual Returns & 40 P	\$25.6	\$49.5	\$23.9	\$1,065.0	\$1,368.8	\$303.8
Other	\$21.7	\$13.8	(\$7.9)	\$133.2	\$131.0	(\$2.2)
Less: Refunds	(\$58.8)	(\$73.7)	(\$14.9)	(\$1,178.0)	(\$1,284.5)	(\$106.5)
Local Distr.	(\$43.9)	(\$45.0)	(\$1.1)	(\$321.2)	(\$333.7)	(\$12.5)
<b>Net to GRF</b>	<b>\$641.8</b>	<b>\$730.4</b>	<b>\$88.6</b>	<b>\$8,110.8</b>	<b>\$8,630.6</b>	<b>\$519.8</b>

### **Corporate Franchise Tax**

Corporate franchise tax receipts for the month of May totaled \$42.4 million and were \$1.4 million (3.5%) above the estimate, continuing the trend of better-than-expected performance. For the year-to-date, corporate franchise tax receipts are \$129.0 million (88.9%) above the estimate and \$151.6 million (123.9%) higher than those at the same point in fiscal year 2012. As noted in previous months' reports, refund activity for the year-to-date has not been as high as expected and that, combined with a number of unexpected one-time settlements, has driven the year-to-date performance higher both relative to estimate and relative to fiscal year 2012 performance.

### **Commercial Activity Tax**

May commercial activity tax (CAT) receipts to the GRF totaled \$157.9 million and were \$37.4 million (19.1%) below the estimate. The all-funds CAT receipts for May totaled \$314.7 million and were \$79.3 million below the \$393.9 million estimate. This monthly shortfall is attributable to a statutory change made in H.B. 508 with respect to the \$1 million gross receipts exclusion. The law change allowed taxpayers to take the exclusion all at once on the first tax return of the calendar year, instead of claiming \$250,000 per quarter. While this change is revenue-neutral over the long-term, the timing of the bill's effective date has resulted in a one-time loss in fiscal year 2013, since the payments prior to May were on the old schedule of \$250,000 per quarter and then for the May payment the \$1 million exclusion took effect.

On a year-over-year basis, May 2013 GRF CAT receipts were \$60.3 million (61.8%) higher than those of May 2012, largely due to provisions contained in H.B. 153 of the 129th General Assembly that modified the distribution of CAT receipts, with the portion of total receipts being allocated to the GRF increasing from 25.0 percent in fiscal year 2012 to 50.0 percent in fiscal year 2013. On a year-to-date basis, total GRF CAT receipts are \$786.9 million, which is \$60.4 million (7.1%) below the estimate, while all-funds CAT receipts are \$1,587.3 million and are \$121.8 million (7.1%) below the estimate of \$1,709.1 million.

## **Kilowatt-Hour Tax**

May kilowatt hour receipts totaled \$16.2 million and were \$7.5 million (85.6%) above the estimate, bringing the year-to-date total to \$288.3 million, which is \$3.1 million (1.1%) above the estimate. On a year-over-year basis, this tax source was \$7.2 million (30.7%) below the May 2012 level, while year-to-date fiscal year 2013 receipts are \$2.8 million (1.0%) above the level at the same point in the previous fiscal year.

## **Domestic Insurance Tax**

Due to a larger-than-expected portion of domestic insurance tax receipts being received in May, receipts totaled \$189.6 million and exceeded the estimate by \$47.5 million (33.4%). As a result of the larger than expected May payment, June payments should be below estimate by a similar amount. Year-to-date receipts for this tax total \$194.6 million and are \$52.7 million (37.1%) above the estimate. On a year-over-year basis, receipts were \$12.2 million (6.9%) above the same month in the previous fiscal year, while year-to-date fiscal year 2013 receipts are \$17.0 million (9.5%) above collections for the first eleven months of fiscal year 2012.

## **Other Business and Property Tax**

Other business and property tax receipts for May totaled \$0.9 million were \$14.3 million (94.4%) below estimate. As discussed in the last monthly report, this variance is the result of the streamlining of the administration of the primary component of this tax category, the Dealers in Intangibles Tax, that was enabled by the Department of Taxation taking over the collection responsibility from the Treasurer. This resulted in an acceleration of collections into April, which in the past occurred in May and June. For the year-to-date, receipts totaled \$34.5 million and were \$20.4 million (144.4%) above estimate. While a portion of this year-to-date variance is attributable to the change in administration of the tax, a considerable amount, likely in the range of \$10.0 million, is the result of better than expected performance, as the total annual estimate for the tax was only \$25.0 million.

## **Cigarette Tax**

Cigarette tax receipts for the month of May totaled \$140.4 million and were \$15.9 million (12.8%) above the estimate, bringing the year-to-date total to \$770.5 million, which is \$23.8 million (3.2%) above the estimate. On a year-over-year basis, May 2013 cigarette tax receipts were \$11.0 million (8.5%) higher than those of May 2012, while year-to-date fiscal year 2013 receipts are \$0.5 million (0.1%) lower than the same point in the previous fiscal year, a decline that is smaller than the 3.0 percent decline we have seen with this tax source in recent years.

**GRF non-tax receipts** totaled \$513.1 million in May and were \$241.6 million (32.0%) below the estimate, primarily due to lower than expected federal grants driven by lower than estimated Medicaid payments from the GRF. Due to the completion of the JobsOhio liquor transaction, no liquor profits transfers occurred during the month of May. As a result, **GRF transfers** were \$17.0 million below estimate for the month and for the year-to-date total \$97.3 million, or \$48.9 million (33.5%) below the estimate.

**Table 1**  
**GENERAL REVENUE FUND RECEIPTS**  
**ACTUAL FY 2013 VS ESTIMATE FY 2013**  
(\$ in thousands)

REVENUE SOURCE	MONTH				YEAR-TO-DATE			
	ACTUAL MAY	ESTIMATE MAY	\$ VAR	% VAR	ACTUAL Y-T-D	ESTIMATE Y-T-D	\$ VAR	% VAR
<b>TAX RECEIPTS</b>								
Non-Auto Sales & Use	649,672	600,800	48,872	8.1%	6,705,630	6,706,700	(1,070)	0.0%
Auto Sales & Use	110,362	95,500	14,862	15.6%	1,007,424	980,600	26,824	2.7%
Subtotal Sales & Use	760,034	696,300	63,734	9.2%	7,713,054	7,687,300	25,754	0.3%
Personal Income	730,437	641,833	88,605	13.8%	8,630,559	8,110,797	519,763	6.4%
Corporate Franchise	42,437	41,000	1,437	3.5%	273,977	145,000	128,977	88.9%
Commercial Activity Tax	157,902	195,300	(37,398)	-19.1%	786,949	847,300	(60,351)	-7.1%
Public Utility	28,056	39,700	(11,644)	-29.3%	96,557	114,700	(18,143)	-15.8%
Kilowatt Hour	16,151	8,700	7,451	85.6%	288,286	285,200	3,086	1.1%
MCF Tax	29,676	22,900	6,776	29.6%	57,608	57,500	108	0.2%
Foreign Insurance	(11,895)	(12,200)	305	2.5%	277,029	270,800	6,229	2.3%
Domestic Insurance	189,610	142,100	47,510	33.4%	194,560	141,900	52,660	37.1%
Other Business & Property	853	15,200	(14,347)	-94.4%	34,463	14,100	20,363	144.4%
Cigarette	140,416	124,500	15,916	12.8%	770,535	746,700	23,835	3.2%
Alcoholic Beverage	3,604	4,500	(896)	-19.9%	48,952	52,600	(3,648)	-6.9%
Liquor Gallonage	3,210	3,200	10	0.3%	36,989	36,500	489	1.3%
Estate	8,095	10,600	(2,505)	-23.6%	100,527	64,100	36,427	56.8%
Total Tax Receipts	2,098,587	1,933,633	164,955	8.5%	19,310,046	18,574,497	735,549	4.0%
<b>NON-TAX RECEIPTS</b>								
Federal Grants	503,948	751,172	(247,224)	-32.9%	7,304,635	7,587,208	(282,573)	-3.7%
Earnings on Investments	0	0	0	N/A	7,326	4,000	3,326	83.1%
License & Fees	3,495	705	2,790	395.9%	69,489	45,072	24,417	54.2%
Other Income	5,633	2,759	2,875	104.2%	511,211	25,386	485,825	1913.7%
ISTV'S	4	2	1	57.3%	24,346	9,372	14,973	159.8%
Total Non-Tax Receipts	513,080	754,638	(241,558)	-32.0%	7,917,006	7,671,039	245,968	3.2%
<b>TOTAL REVENUES</b>	<b>2,611,667</b>	<b>2,688,270</b>	<b>(76,603)</b>	<b>-2.8%</b>	<b>27,227,052</b>	<b>26,245,535</b>	<b>981,517</b>	<b>3.7%</b>
<b>TRANSFERS</b>								
Budget Stabilization	0	0	0	N/A	0	0	0	N/A
Liquor Transfers	0	17,000	(17,000)	N/A	88,000	141,000	(53,000)	-37.6%
Transfers In - Other	0	0	0	N/A	9,251	5,166	4,085	79.1%
Temporary Transfers In	0	0	0	N/A	0	0	0	N/A
Total Transfers	0	17,000	(17,000)	N/A	97,251	146,166	(48,915)	-33.5%
<b>TOTAL SOURCES</b>	<b>2,611,667</b>	<b>2,705,270</b>	<b>(93,603)</b>	<b>-3.5%</b>	<b>27,324,303</b>	<b>26,391,701</b>	<b>932,602</b>	<b>3.5%</b>

**Table 2**  
**GENERAL REVENUE FUND RECEIPTS**  
**ACTUAL FY 2013 VS ACTUAL FY 2012**  
(\$ in thousands)

<b>REVENUE SOURCE</b>	<b>MONTH</b>				<b>YEAR-TO-DATE</b>			
	<b>MAY FY 2013</b>	<b>MAY FY 2012</b>	<b>\$ VAR</b>	<b>% VAR</b>	<b>ACTUAL FY 2013</b>	<b>ACTUAL FY 2012</b>	<b>\$ VAR</b>	<b>% VAR</b>
<b>TAX RECEIPTS</b>								
Non-Auto Sales & Use	649,672	580,656	69,016	11.9%	6,705,630	6,411,493	294,137	4.6%
Auto Sales & Use	110,362	97,081	13,280	13.7%	1,007,424	965,715	41,710	4.3%
Subtotal Sales & Use	<u>760,034</u>	<u>677,737</u>	<u>82,297</u>	12.1%	<u>7,713,054</u>	<u>7,377,208</u>	<u>335,847</u>	4.6%
Personal Income	730,437	635,446	94,992	14.9%	8,630,559	7,593,799	1,036,760	13.7%
Corporate Franchise	42,437	32,287	10,151	31.4%	273,977	122,360	151,617	123.9%
Commercial Activity Tax	157,902	97,595	60,307	61.8%	786,949	409,595	377,354	92.1%
Public Utility	28,056	34,277	(6,220)	-18.1%	96,557	113,792	(17,234)	-15.1%
Kilowatt Hour	16,151	23,306	(7,155)	-30.7%	288,286	285,499	2,787	1.0%
MCF Tax	29,676	11,348	18,327	161.5%	57,608	46,038	11,570	25.1%
Foreign Insurance	(11,895)	(11,597)	(297)	-2.6%	277,029	267,719	9,310	3.5%
Domestic Insurance	189,610	177,449	12,161	6.9%	194,560	177,599	16,960	9.5%
Other Business & Property	853	12,975	(12,122)	-93.4%	34,463	11,381	23,082	202.8%
Cigarette	140,416	129,439	10,977	8.5%	770,535	771,080	(546)	-0.1%
Alcoholic Beverage	3,604	4,364	(760)	-17.4%	48,952	51,927	(2,975)	-5.7%
Liquor Gallonage	3,210	3,067	143	4.7%	36,989	35,901	1,088	3.0%
Estate	8,095	7,381	714	9.7%	100,527	63,701	36,826	57.8%
Total Tax Receipts	<u>2,098,587</u>	<u>1,835,073</u>	<u>263,515</u>	14.4%	<u>19,310,046</u>	<u>17,327,598</u>	<u>1,982,447</u>	11.4%
<b>NON-TAX RECEIPTS</b>								
Federal Grants	503,948	630,449	(126,501)	-20.1%	7,304,635	6,883,326	421,308	6.1%
Earnings on Investments	0	1	(1)	N/A	7,326	3,984	3,342	83.9%
License & Fee	3,495	5,989	(2,494)	-41.6%	69,489	64,553	4,937	7.6%
Other Income	5,633	1,085	4,548	419.1%	511,211	13,064	498,147	3813.2%
ISTV'S	4	4	(0)	-8.1%	24,346	16,072	8,273	51.5%
Total Non-Tax Receipts	<u>513,080</u>	<u>637,528</u>	<u>(124,448)</u>	-19.5%	<u>7,917,006</u>	<u>6,980,999</u>	<u>936,007</u>	13.4%
<b>TOTAL REVENUES</b>	<b>2,611,667</b>	<b>2,472,600</b>	<b>139,067</b>	<b>5.6%</b>	<b>27,227,052</b>	<b>24,308,598</b>	<b>2,918,455</b>	<b>12.0%</b>
<b>TRANSFERS</b>								
Budget Stabilization	0	0	0	N/A	0	0	0	N/A
Liquor Transfers	0	0	0	N/A	88,000	92,500	(4,500)	-4.9%
Transfers In - Other	0	0	0	N/A	9,251	48,975	(39,724)	-81.1%
Temporary Transfers In	0	45,141	(45,141)	N/A	0	225,859	(225,859)	N/A
Total Transfers	<u>0</u>	<u>45,141</u>	<u>(45,141)</u>	N/A	<u>97,251</u>	<u>367,334</u>	<u>(270,083)</u>	-73.5%
<b>TOTAL SOURCES</b>	<b>2,611,667</b>	<b>2,517,741</b>	<b>93,926</b>	<b>3.7%</b>	<b>27,324,303</b>	<b>24,675,931</b>	<b>2,648,372</b>	<b>10.7%</b>

## **DISBURSEMENTS**

May 2013 GRF disbursements, across all fund uses, totaled \$2,188.6 million and were \$517.9 million (19.1%) below estimate. On a year-over-year basis, disbursements for May 2013 were \$299.6 million (12.0%) lower than those of May 2012, and this was primarily attributable to a drop in expenditures in the Public Assistance and Medicaid and in the Tax Relief and Other categories. Year-to-date variances by category of expenditure are provided in the table below.

<b>Category</b>	<b>Description</b>	<b>YTD Variance</b>	<b>% Variance</b>
Expenditures and transfers between agencies (ISTVs)	State agency operations, subsidies, tax relief, debt service payments, and pending payroll (if applicable)	(\$662.6 million)	(2.5%)
Transfers	Temporary or permanent transfers out of the GRF that are not agency expenditures	\$5.8 million	1.7%
<b>TOTAL DISBURSEMENTS VARIANCE:</b>		<b>(\$656.7 million)</b>	<b>(2.4%)</b>

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

### **Primary, Secondary and Other Education**

This category includes expenditures made by the Department of Education, the eTech Ohio Commission, the Ohio State School for the Blind, and the Ohio School for the Deaf, as well as disbursements made to libraries and arts organizations. May disbursements in this category totaled \$616.0 million and were \$152.4 million (19.8%) below the estimate.

May disbursements for the Department of Education alone totaled \$613.6 million and were \$152.3 million (19.9%) below the estimate. Expenditures for the school foundation program totaled \$591.1 million and were \$148.1 million (20.0%) below the estimate. The variance in the foundation program, as well as other line items which contain subsidy payments to school districts, was due to the delay in processing a related cash transfer. This cash transfer, which occurred at the beginning of June rather than the end of May, was completed before payments to school districts were scheduled to be made; thus, districts were not affected.

### **Higher Education**

May disbursements for Higher Education totaled \$168.4 million and were \$20.8 million (11.0%) below the estimate. Year-to-date disbursements are \$1,937.0 million, which is \$31.0 million (1.6%) below the estimate. The monthly variance is primarily due to disbursements in the Ohio National Guard, Choose Ohio First, and Ohio College Opportunity Grant Scholarship Programs, which were below the monthly estimate by \$10.8 million as a result of lower than expected requests for reimbursement from higher education institutions. Additionally, several subsidy lines items were disbursed at earlier points in the fiscal year rather than in May, as was



originally reflected in the agency disbursement estimates. On a year-over-year basis, disbursements in the category were \$9.1 million (5.1%) lower than for the same month in the previous fiscal year while year-to-date expenditures are \$5.3 million (0.3%) lower than at the same point in fiscal year 2012.

### **Public Assistance and Medicaid**

May disbursements in this category, which include all GRF expenditures by the Ohio Department of Job and Family Services (ODJFS), totaled \$820.6 million and were \$335.5 million (29.0%) below the monthly estimate. Fiscal year-to-date expenditures are \$12,434.8 million, which is \$363.3 million (2.8%) below estimate.

#### Public Assistance and Non-Medicaid

ODJFS, Non-Medicaid, General Revenue Fund (GRF) disbursements totaled \$50.9 million for the month of May and were \$4.0 million (7.3%) below the estimate. Major monthly variances were attributable to the following:

- Child Care State/Maintenance of Effort subsidy disbursements were \$5.5 million (113.7%) below estimate due to a monthly General Ledger coding adjustment that erroneously reduced line item expenses. This will be corrected in June 2013.
- Disability Financial Assistance subsidy disbursements were \$2.2 million (95.0%) below estimate due to \$1.3 million in program refunds issued to JFS being reported as negative expenditures within the line item, thereby reducing overall line item expenses.
- Information Technology Projects disbursements were \$1.9 million (31.7%) below estimate due to a delay in the receipt of anticipated Department of Administrative Service Office of Information Technology invoices.
- Family Assistance Programs disbursements were \$1.1 million (85.8%) below estimate because a contract expected for May was not received.
- Early Care and Education subsidy disbursements were \$2.5 million (12.7%) above estimate due to higher than anticipated child care payments.
- Program Support disbursements were \$2.2 million (48.4%) above estimate due to higher than estimated monthly payroll expenditures within the line item.
- TANF State/Maintenance of Effort subsidy disbursements were \$1.2 million (100.0%) above estimate as a result of a higher than anticipated amount of Ohio Works First cash assistance payments being coded to this line item.

#### Medicaid

This sub-category includes expenditures by the Department of Job and Family Services for Medicaid services contained primarily in the 600525 line item. Please note that administrative costs related to the ODJFS program are included in the previous sub-category.

#### *Expenditures*

GRF disbursements year-to-date for the ODJFS portion of the Medicaid Program are \$11,709.4 million, which is \$313.9 million (2.6%) below the estimate and \$749.5 million (6.8%) above the same point in the previous fiscal year. Disbursements in May totaled \$763.6 million and were \$337.5 million (30.7%) below the estimate and \$226.3 million (22.9%) below disbursements in

May 2012. In previous months, due to a delay in the collection of certain assessments, payments normally made from non-GRF funds were instead paid by the GRF. An opposite effect was observed in May due to collection of the assessments and is expected to continue into June.

All funds year-to-date disbursements equal \$13,860.3 million and are \$773.8 million (5.3%) below the estimate and \$318.8 million (2.4%) above the same point in the previous fiscal year. All funds disbursements for the month of May totaled \$1,286.4 million and were \$79.4 million (5.8%) below the estimate and \$70.1 (5.8%) above disbursements in May 2012.

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

	<b>May Projection</b>	<b>May Actual</b>	<b>Variance</b>	<b>Variance %</b>
<b>GRF</b>	\$ 1,101,119,278	\$ 763,615,983	\$ (337,503,295)	-30.7%
<b>Non-GRF</b>	\$ 264,725,381	\$ 522,813,589	\$ 258,088,208	97.5%
<b>All Funds</b>	\$ 1,365,844,659	\$ 1,286,429,572	\$ (79,415,087)	-5.8%

#### *Categorical Variances*

Managed Care ABD and CFC – The \$95.0 million negative variance within managed care accounts for much of the total monthly underspend. The below estimate spending in this category is driven by lower-than-anticipated capitation payments, delivery payments, and caseload. The ABD category saw a lower caseload than expected, which led to lower spending. In addition, amounts were included in the disbursement estimates for expenditures related to the Affordable Care Act's physician fee schedule increase; however, information regarding the implementation of the policy was updated after disbursement estimates were finalized.

Department of Aging Waivers – Another negative variance was observed in the Aging Waivers category. In May, PACE and PASSPORT/Choices experienced lower-than-expected caseload volume. In addition, the service cost per consumer enrolled in PASSORT/Choices was lower than projected. This contributed \$10.8 million to the overall negative variance.

Prescribed Drugs – In May, the expenditures within the prescribed drugs category were \$32.5 million above estimate. This is due to the payment of legitimate claims that were previously denied in the months after MITS first went live.

#### *Caseload*

Total May enrollment across all categories was 2.38 million. The most significant components are the Covered Families and Children (CFC) category, which decreased by 8,145 persons to a May total of 1.69 million persons, and the Aged, Blind and Disabled (ABD) category, which increased by 7,422 people to a May total of 408.7 thousand covered lives.

Total enrollment across all categories for the same period last year was 2.28 million covered persons, including 1.69 million persons in the CFC category and 407.7 thousand people in the ABD category. Please note that these data are subject to revision.

## **Health and Human Services**

This category includes GRF expenditures for the following state agencies: Health, Aging, Mental Health, Developmental Disabilities, and ODADAS. Examples of expenditures in this category include: 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 this category instead of the previous category.

May disbursements in this category totaled \$84.7 million and were \$23.5 million (38.3%) above the estimate. On a year-over-year basis, this category was \$25.5 million (43.0%) higher than the same month in the previous fiscal year. Year-to-date disbursements are \$918.7 million, which is \$8.9 million (1.0%) below the estimate.

### Department of Health

May disbursements for the Department of Health totaled \$6.0 million and were \$1.4 million (19.2%) below estimate. Year-to-date expenditures are \$74.8million, which is \$9.7 million (11.5%) below estimate. Major monthly variances within individual line items are attributable to the following:

- Help Me Grow disbursements were \$1.1 million under estimate due to changes in the way the Help Me Grow Program distributes funding to providers. A move to a fee-for-service model and the distribution of funding directly to providers has resulted in slower spending. This trend is not expected to continue once providers adjust to the new system.
- AIDS Prevention and Treatment disbursements were \$0.2 million below estimate because the department relied more heavily on rebates and federal moneys than originally estimated to provide needed drug treatment services to patients with HIV and AIDS.
- Federally Qualified Health Centers (FQHCs) disbursements were under estimate by \$0.7 million because the department must receive and approve reporting information from the FQHCs before distributing subsidy to these entities. Receipt and approval of the reporting information has taken longer than originally estimated.

### Department of Aging

May disbursements for the Department of Aging totaled \$1.2 million and were \$0.4 million (49.9%) above estimate for the month. The variance is found mostly within the Long Term Care Budget – State and Senior Community Services programs and is attributable to anticipated last quarter disbursement adjustments. Year-to-date expenditures are \$13.8 million, which is \$0.1 million (1.0%) below estimate.

### Department of Mental Health

May disbursements for the Department of Mental Health totaled \$36.0 million and were \$14.3 million (66.4%) above estimate. Year-to-date expenditures are \$283.1 million, which is \$12.9 million (4.4%) below estimate. Major monthly variances within individual line items were attributable to the following:

- Local Mental Health System of Care disbursements were \$14.8 million (100%) above estimate due to a delay in voucher processing at Shared Services. As mentioned in last month's report, payments anticipated for April were instead processed in May.

Additionally, Forensic Services disbursements were \$0.8 million (100%) above estimate due to this delay.

- Disbursements within the Hospital Services line item were \$0.7 million (4.9%) below estimate due to lower-than-expected staffing levels at the regional psychiatric hospitals.

#### Department of Developmental Disabilities

May disbursements for the Department of Developmental Disabilities totaled \$38.5 million and were \$10.7 million (38.6%) above the estimate. The variance is a result of higher-than-anticipated spending in the Medicaid State Match line item, which was \$11.7 million (57.7%) above the original estimate due to higher than expected Transitions Developmental Disabilities (TDD) waiver and Intermediate Care Facilities for Individuals with Intellectual Disabilities (ICF/IID) costs. In early fiscal year 2013, the administration of the TDD waiver and ICF/IID program transferred from the Department of Job and Family Services to DODD. Due to revised TDD and ICF/IID program cost estimates, additional resources, which were not a part of the original projections, were recently transferred to DODD. As a result, Medicaid State Match line item disbursements are \$11.4 million (2.9%) above original estimate for the year but are in line with updated spending estimates and available appropriation. Year-to-date expenditures for the department as a whole are \$488.8 million, which is \$8.9 million (1.8%) above original estimate.

#### **Justice and Public Protection**

This category includes GRF expenditures by the Department of Rehabilitation & Correction and the Department of Youth Services. May disbursements in this category totaled \$126.3 million and were \$2.5 million (1.9%) below the estimate. On a year-over-year basis, this category was \$11.9 million (8.6%) lower than the same month in the previous fiscal year. Year-to-date disbursements are \$1,792.7 million, which is \$73.8 million (4.0%) below the estimate.

#### Department of Rehabilitation and Correction

Department of Rehabilitation and Correction disbursements totaled \$95.2 million in May and were \$6.6 million (6.5%) below the estimate. This variance was largely in the Institutional Services and Medical Services lines, due to an overall decrease in personnel and cost savings initiatives in medical services.

#### Department of Youth Services

Department of Youth Services disbursements totaled \$14.8 million in May and were \$3.8 million (34.4%) above the estimate. This variance was largely in the RECLAIM Ohio line, due to Community Correctional Facility payments anticipated in April being paid in May.

#### **Environmental Protection and Natural Resources**

May disbursements for the Environmental Protection and Natural Resources category totaled \$22.0 million and were \$17.0 million (341.8%) above the estimate. This variance is primarily due to a payment of \$14.0 million to the City of Cleveland for the mutual termination of a lease agreement for the Cleveland Metro Parks. This amount was not included in the original disbursement estimates, and the fiscal year 2013 appropriation was created in HB 51 (the FY2014-2015 Transportation Bill). On a year-over-year basis, this category was \$12.6 million

(133.5%) above the same month in the previous fiscal year. Year-to-date disbursements are \$81.5 million, which is \$15.2 million (23.0%) above the estimate.

### Department of Natural Resources

Year-to-date, disbursements for the Department of Natural Resources are \$104.3 million, which is \$1.3 million (1.3%) above estimate. May disbursements for the department totaled \$21.9 million and were \$3.0 million (13.7%) above estimate. The monthly variance is primarily attributable to the following:

- Division of Parks and Recreation disbursements were \$2.5 million above estimate due to payroll expenses being higher than planned as a result of increased hiring activity in addition to more GRF funds being used in lieu of state special revenue funds.
- Division of the Chief Engineer disbursements were above estimate by \$0.2 million due to payments being made in May which were originally planned for April.
- Healthy Lake Erie disbursements were over estimate by \$0.1 million due to program activities being performed in May which had been planned for earlier in the year.

### **Transportation**

May disbursements for the Transportation category totaled \$0.4 million and were \$0.7 million (65.7%) below the estimate. On a year-over-year basis, this category was \$0.7 million (65.3%) below the same month in the previous fiscal year. Year-to-date disbursements are \$8.7 million, which is \$1.3 million (13.1%) below the estimate.

### **General Government**

May disbursements for the General Government category totaled \$12.8 million and were \$2.2 million (15.0%) below the estimate. On a year-over-year basis, this category was \$6.7 million (34.6%) below the same month in the previous fiscal year. Year-to-date disbursements are \$294.1 million, which is \$28.9 million (8.9%) below the estimate.

### **Community and Economic Development**

May disbursements for the Community and Economic Development category totaled \$4.5 million and were \$3.5 million (43.4%) below the estimate. The monthly variance is primarily attributable to Development Services Agency disbursements, which were \$3.2 million (48.5%) below estimate due to the combination of a lower than anticipated number of grant reimbursements being paid in May and the later than anticipated disbursement of media buy contracts from the Travel and Tourism line item. On a year-over-year basis, disbursements for the Community and Economic Development category were \$4.8 million (51.7%) below the same month in the previous fiscal year, while year-to-date disbursements are \$75.4 million, which is \$17.9 million (19.2%) below the estimate. The year-to-date variance is primarily the result of lower than anticipated lease-rental debt payments by the Cultural Facilities Commission.

## **Tax Relief and Other**

May disbursements for the Tax Relief and Other category totaled \$325.0 million and were \$48.8 million (13.1%) below estimate. Payments made under this category are comprised of death benefits subsidy payments made by the Treasurer of State to the Ohio Police and Fire Retirement System and property tax relief payments made to local governments and school districts. Year-to-date disbursements are \$1,600.9 million, which is \$10.8 million (0.7%) above the estimate. On a year-over-year basis, this category was \$270.7 million (45.4%) below the same month in the previous fiscal year and for the year-to-date, disbursements are \$79.6 million (4.7%) lower than they were a year earlier.

Payments from the tax relief 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. May disbursements for tax relief were \$325.0 million and were \$48.9 million (13.7%) below the monthly estimate of \$373.8 million. For the year-to-date, tax relief payments total \$1,580.3 million and are \$10.9 million (0.7%) above estimate. Both the monthly and year-to-date variances are the result of a number of counties submitting requests for reimbursement earlier than anticipated in March and April.

## **Debt Service**

May disbursements for the Debt Service category totaled \$0.08 million and were \$0.08 million (100.0%) above the estimate. Year-to-date disbursements are \$765.8 million, which is \$17.5 million (2.2%) below the estimate. On a year-over-year basis, this category was \$0.08 million (100.0%) above the same month in the previous fiscal year and for the year-to-date, disbursements are \$426.4 million (125.7%) higher than they were a year earlier. The year-over-year growth is the result of an end to debt restructuring beginning in fiscal year 2013.

**Table 3**  
**GENERAL REVENUE FUND DISBURSEMENTS**  
**ACTUAL FY 2013 VS ESTIMATE FY 2013**  
(\$ in thousands)

Functional Reporting Categories Description	MONTH				YEAR-TO-DATE			
	ACTUAL	ESTIMATED	\$	%	YTD	YTD	\$	%
	MAY	MAY	VAR	VAR	ACTUAL	ESTIMATE	VAR	VAR
Primary, Secondary and Other Education	616,023	768,381	(152,358)	-19.8%	6,188,885	6,335,277	(146,392)	-2.3%
Higher Education	168,422	189,249	(20,827)	-11.0%	1,937,025	1,967,810	(30,785)	-1.6%
Public Assistance and Medicaid	820,560	1,156,089	(335,529)	-29.0%	12,434,814	12,798,111	(363,298)	-2.8%
Health and Human Services	84,732	61,265	23,468	38.3%	918,691	927,579	(8,888)	-1.0%
Justice and Public Protection	126,253	128,741	(2,489)	-1.9%	1,792,696	1,866,473	(73,777)	-4.0%
Environmental Protection and Natural Resources	21,957	4,970	16,987	341.8%	81,510	66,284	15,225	23.0%
Transportation	359	1,047	(688)	-65.7%	8,655	9,955	(1,300)	-13.1%
General Government	12,761	15,005	(2,243)	-15.0%	294,092	322,947	(28,856)	-8.9%
Community and Economic Development	4,505	7,964	(3,459)	-43.4%	75,374	93,293	(17,919)	-19.2%
Tax Relief and Other	324,955	373,800	(48,845)	-13.1%	1,600,869	1,590,065	10,804	0.7%
Capital Outlay	0	0	0	N/A	137	0	137	N/A
Debt Service	82	0	82	N/A	765,753	783,260	(17,507)	-2.2%
<b>Total Expenditures &amp; ISTV's</b>	<b>2,180,609</b>	<b>2,706,511</b>	<b>(525,901)</b>	<b>-19.4%</b>	<b>26,098,500</b>	<b>26,761,055</b>	<b>(662,555)</b>	<b>-2.5%</b>
<b>Transfers Out:</b>								
Operating Transfer Out	8,008	0	8,008	N/A	353,987	348,167	5,820	1.7%
Temporary Transfer Out	0	0	0	N/A	0	0	0	N/A
<b>Total Transfers Out</b>	<b>8,008</b>	<b>0</b>	<b>8,008</b>	<b>N/A</b>	<b>353,987</b>	<b>348,167</b>	<b>5,820</b>	<b>1.7%</b>
<b>Total Fund Uses</b>	<b>2,188,618</b>	<b>2,706,511</b>	<b>(517,893)</b>	<b>-19.1%</b>	<b>26,452,487</b>	<b>27,109,222</b>	<b>(656,735)</b>	<b>-2.4%</b>

**Table 4**  
**GENERAL REVENUE FUND DISBURSEMENTS**  
**ACTUAL FY 2013 VS ACTUAL FY 2012**  
**(\$ in thousands)**

Functional Reporting Categories Description	MONTH				YEAR-TO-DATE			
	MAY FY 2013	MAY FY 2012	\$ VAR	% VAR	ACTUAL FY 2013	ACTUAL FY 2012	\$ VAR	% VAR
Primary, Secondary and Other Education	616,023	438,039	177,983	40.6%	6,188,885	5,927,114	261,771	4.4%
Higher Education	168,422	177,552	(9,130)	-5.1%	1,937,025	1,942,282	(5,258)	-0.3%
Public Assistance and Medicaid	820,560	1,040,279	(219,718)	-21.1%	12,434,814	11,695,045	739,769	6.3%
Health and Human Services	84,732	59,233	25,499	43.0%	918,691	913,487	5,204	0.6%
Justice and Public Protection	126,253	138,130	(11,877)	-8.6%	1,792,696	1,732,184	60,512	3.5%
Environmental Protection and Natural Resources	21,957	9,405	12,553	133.5%	81,510	69,075	12,434	18.0%
Transportation	359	1,036	(677)	-65.3%	8,655	9,180	(525)	-5.7%
General Government	12,761	19,506	(6,744)	-34.6%	294,092	259,551	34,541	13.3%
Community and Economic Development	4,505	9,317	(4,813)	-51.7%	75,374	86,249	(10,876)	-12.6%
Tax Relief and Other	324,955	595,695	(270,740)	-45.4%	1,600,869	1,680,459	(79,590)	-4.7%
Capital Outlay	0	0	0	N/A	137	120	17	14.4%
Debt Service	82	0	82	N/A	765,753	339,327	426,426	125.7%
<b>Total Expenditures &amp; ISTV's</b>	<b>2,180,609</b>	<b>2,488,193</b>	<b>(307,583)</b>	<b>-12.4%</b>	<b>26,098,500</b>	<b>24,654,074</b>	<b>1,444,427</b>	<b>5.9%</b>
<b>Transfers Out:</b>								
Operating Transfer Out	8,008	16	7,993	N/A	353,987	375,498	(21,511)	-5.7%
Temporary Transfer Out	0	0	0	N/A	0	237,356	(237,356)	N/A
<b>Total Transfers Out</b>	<b>8,008</b>	<b>16</b>	<b>7,993</b>	<b>N/A</b>	<b>353,987</b>	<b>612,853</b>	<b>(258,867)</b>	<b>-42.2%</b>
<b>Total Fund Uses</b>	<b>2,188,618</b>	<b>2,488,208</b>	<b>(299,591)</b>	<b>-12.0%</b>	<b>26,452,487</b>	<b>25,266,927</b>	<b>1,185,560</b>	<b>4.7%</b>



## ***FUND BALANCE***

Table 5 describes the estimated General Revenue Fund (GRF) ending fund balance for FY 2013. Based on the estimated revenue sources for FY 2013 and the estimated FY 2012 disbursements, transfers, and encumbrances, the GRF ending fund balance for FY 2013 is an estimated \$552.0 million.

The GRF ending fund balance should not be considered as a balance available for expenditure in FY 2013 nor should it be considered as equivalent to the FY 2013 surplus calculation as defined in Section 131.44 of the Ohio Revised Code.

It is important to note that the GRF 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.

**NOTE:** The Fund Balance is based on the fiscal year 2013 estimates prepared in July 2012 and does not include or reflect fiscal year 2013 annual updates contained in the Executive Budget for fiscal years 2014-2015.

FUND BALANCE  
GENERAL REVENUE FUND  
FISCAL YEAR 2013  
(\$ in thousands)

<b>July 1, 2012 Beginning Cash Balance</b>	<b>\$ 973,446</b>
Plus FY 2013 Actual Revenues	20,443,500
Plus FY 2013 Actual Federal Revenues	8,151,329
Plus FY 2013 Actual Transfers to GRF	187,500
<b>Total Sources Available for Expenditure &amp; Transfer</b>	<b>29,755,775</b>
Less FY 2013 Actual Disbursements	28,574,011
Less FY 2013 Actual Total Encumbrances as of June 30, 2013	236,790
Less FY 2013 Actual Transfers Out	392,981
<b>Total Actual Uses</b>	<b>29,203,782</b>
<b>FY 2013 UNENCUMBERED ENDING FUND BALANCE*</b>	<b>551,993</b>

\*Note: Targeted one half of one percent year-end carryover balance is \$143.9 million

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