Ohio | Office of Budget and Management

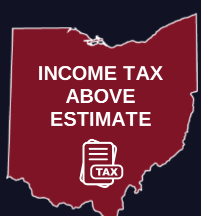
2020 MONTHLY FINANCIAL REPORT

September 10, 2020

MEMORANDUM TO:	The Honorable Mike DeWine, Governor The Honorable Jon Husted, Lt. Governor
FROM:	Kimberly Murnieks, Director
SUBJECT:	Monthly Financial Report

Report Overview:

August GRF receipts from all sources totaled $3.5 billion and were $35.2 million (1.0%) above estimate. Non-auto sales tax, auto sales tax, and personal income tax each exceeded estimate.



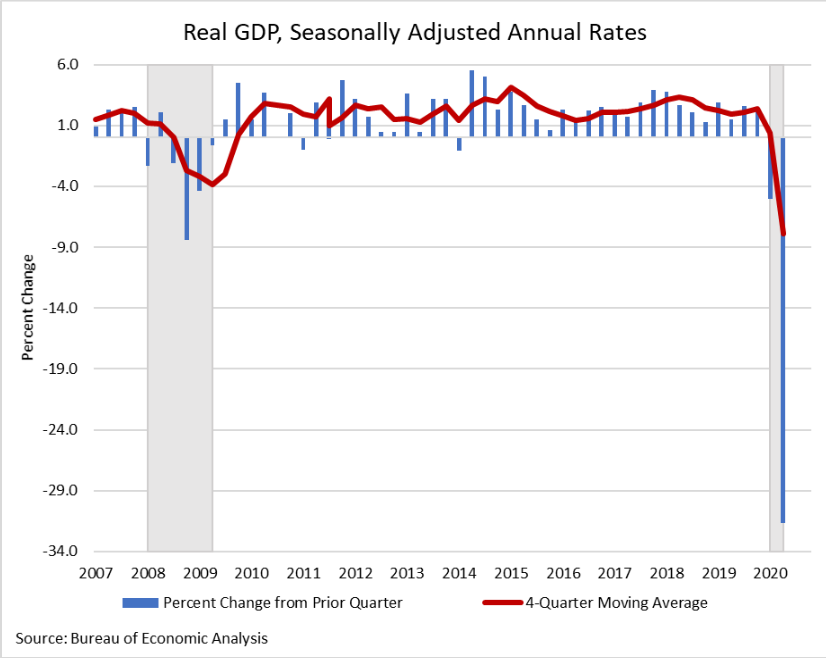
August GRF personal income tax receipts totaled $837.9 million and were $62.7 million (8.1%) above the estimate. On a year-over-year basis, August income tax collections were $116.5 million (16.2%) above August 2019 collections. This growth is attributable to the extended July 15 deadline for filing and payment of tax year 2019 annual income tax (which is normally due in April), as well as the extension for tax year 2020 quarterly estimated income taxes that are ordinarily due in April and June.

According to the Bureau of Economic Analysis (BEA), Real Gross Domestic Product (GDP) contracted in the second quarter at an annualized rate of 31.7 percent. This is an upward revision of 1.2 percentage points from the previously released estimate. The national decline in GDP is the largest since modern record-keeping began in 1947.

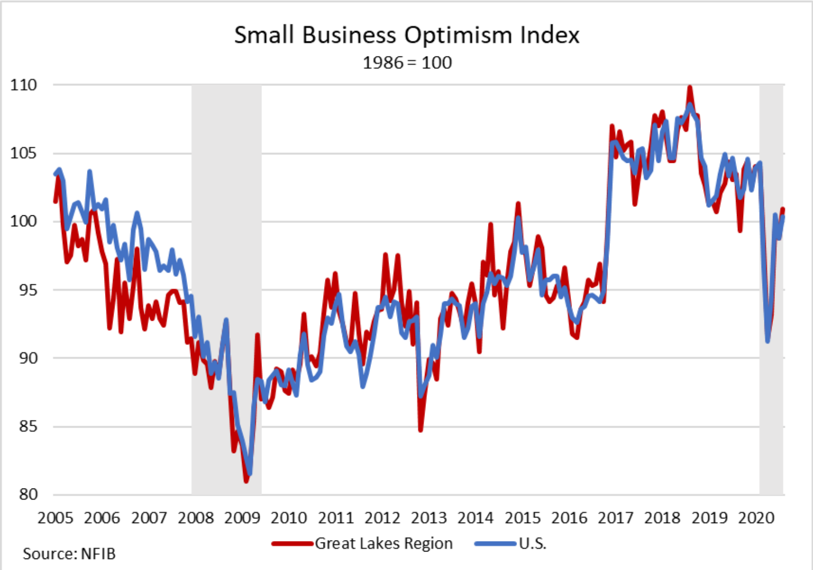
The Bureau of Labor Statistics reported that the national unemployment rate declined to 8.4 percent in August, a 1.8 percentage point decrease from July. Even though unemployment has declined over the past four months, it remains up 4.9 percentage points and 7.8 million remain unemployed compared to February.

Economic Activity

According to the Bureau of Economic Analysis (BEA)'s second estimate **Real Gross Domestic Product (GDP)** contracted in the second quarter at an annualized rate of 31.7 percent. This is an upward revision of 1.2 percentage points from the previous estimate. The decline in GDP is the largest since modern record-keeping began in 1947. While the BEA usually focuses on annualized rates to allow comparisons to previous years, it is less useful this quarter. Unless additional mass closures are required to contain the COVID-19, it is unlikely that the economy will suffer another decline as steep as it did in the second quarter.

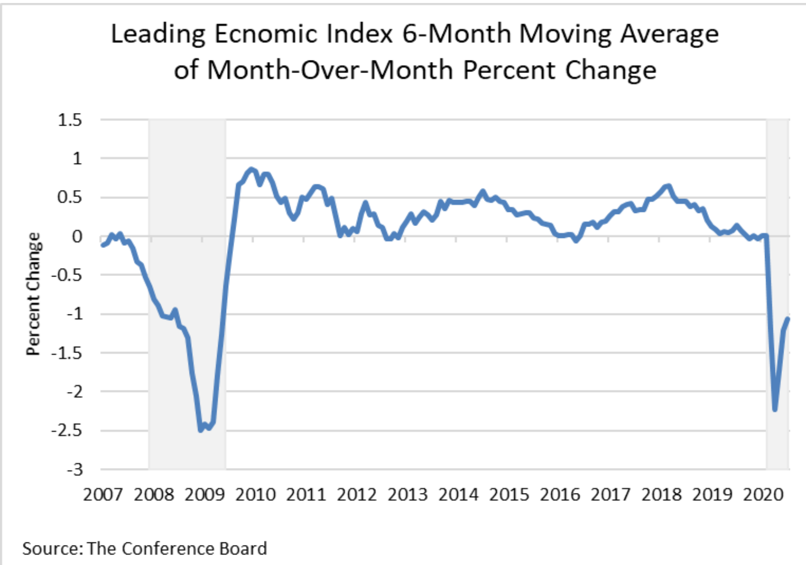


The second-quarter decrease in real GDP reflected negative contributions from personal consumption expenditures (-24.8%), exports (-9.2%), nonresidential fixed investment (-3.5%), private inventory investment (-3.5%), residential fixed investment (-1.7%) and state and local government spending (-0.4%). These decreases were partially offset by increases in federal government spending (1.2%). Imports, which are included in the above categories and then subtracted in a separate category, decreased, effectively adding to other categories by a total of 10.1 percent.



The National Federation of Independent Business (NFIB) produces the **Small Business Optimism Index** by surveying a sample of small-business owners each month. In August, there was an increase in the national index of 1.4 points to 100.2. This is slightly above the 46-year average for the index. The index for the Great Lakes Region increased 1.1 points in August to 100.9.

Nationally, seven of the ten index components improved in August compared to July, while two declined and one stayed the same. Even as states reopen, revenues in certain sectors remain lower. Small businesses are working hard to recover, but many, especially in the service industry, are still struggling and remain uncertain about what the future will hold. Small business earnings trends over the past three months improved seven points in August, to a net negative 24.0 percent; however, higher real sales expectations in the next three months decreased two points to a net 3.0 percent. Job creation plans rose three points, to a net 21.0 percent, a remarkable recovery from April's 1.0 percent. Unfortunately, only 47.0 percent of small business owners reported making capital outlays in the last six months, down 2.0 points from July and 16 points below January's pre-pandemic level. Unchanged from July is the number of small business owners that reported planned capital outlays in the next few months, which remains at 25.0 percent. The low levels of investment by small businesses is a contributing factor in lower GDP growth.



The Conference Board's composite **Leading Economic Index** (LEI) is an index designed to reveal patterns in economic data by smoothing the volatility of its ten individual components. In July, the LEI increased 1.4 percent, adding to the recovery that began in May. This increase reflects the partial reopening of the economy, with largest positive influences coming from average weekly manufacturing hours, building permits, and a reduction in the number of initial unemployment claims. However, despite these recent gains, the initial economic recovery from the pandemic appears to be slowing. The LEI suggests that the pace of economic growth will substantially weaken during the remaining months of 2020.

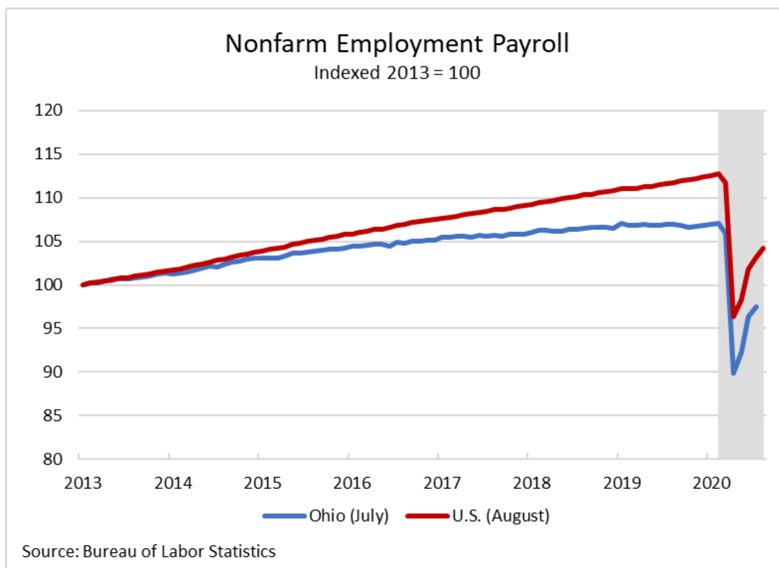
The Ohio economy expanded in July at a slower rate than in the prior two months. The **state-level coincident economic index** produced by the Federal Reserve Bank of Philadelphia is a composite of four labor market indicators – nonfarm payroll employment, average hours worked in manufacturing, the unemployment rate, and real wage and salary disbursements. The Ohio index increased another 4.0 percent in July. Combined with gains in May and June, this amounts to about two-thirds of what was lost after the historic decline in March and April. The six-month smoothed rate of change fell from -0.4 percent in March to -3.6 percent in April. Although June and July have been less negative (-1.8 and -1.2, respectively) this indicates Ohio's economy remains in the downturn induced by the COVID-19 pandemic. Over the past month, the indexes in 37 states increased, 11 states decreased, and two states remained stable. This resulted in a one-month diffusion index of 52. Between May and July, the indexes in 45 states increased and decreased in five states for a three-month diffusion index of 80. For comparison, the U.S. coincident index fell 5.4 percent over the last three months and increased 0.8 percent between June and July.

Most forecasters suggest that the economy will grow at an annualized rate of between twenty and thirty percent during the third quarter of the calendar year. The historic contraction in the second quarter, left little room to go but up. If these forecasts come true, it will be a new record for GDP growth. However, it will still only be the beginning of what will be a long, measured recovery. Uncertainty around the course of the virus as schools and universities reopen, the prospects of a vaccine, and whether there will be additional federal relief packages remains.

Source	Date	3rd Quarter GDP Forecast
Federal Reserve Bank of Atlanta (GDPNow)	9/03/20	29.6%
Federal Reserve Bank of New York (NowCast)	8/28/20	15.3%
Federal Reserve Bank of St. Luis (Real GDP Nowcast)	8/28/20	19.4%
IHS Markit GDP Tracker	9/04/20	29.8%
Moody's Analytics High-Frequency GDP Model	8/28/20	29.2%
Wells Fargo	8/12/20	21.8%
Conference Board	8/13/20	26.1%
Wall Street Journal Survey	8/01/20	18.3%

Employment

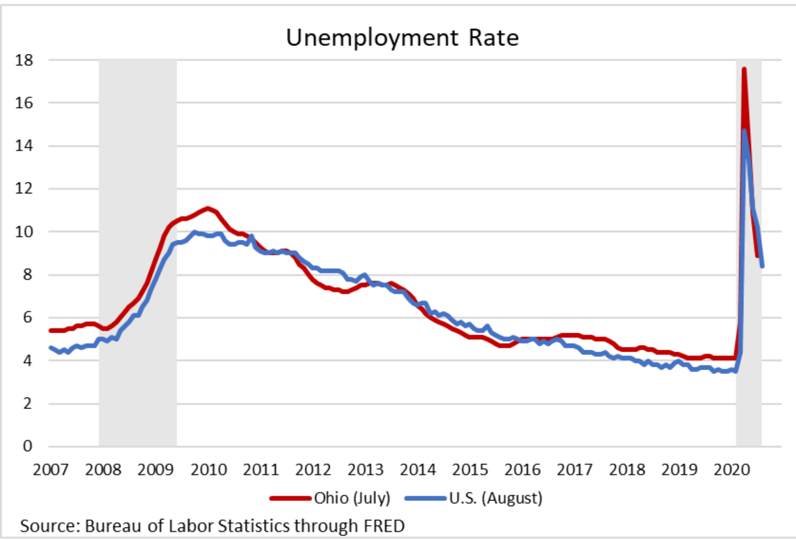
The U.S. Bureau of Labor Statistics reported that total **nonfarm payroll employment** increased by 1.4 million in August, the fourth straight month of increases. However, the increases have been smaller each month than the prior month and nonfarm employment remains lower than its February level by 7.6 percent. Improvements in the labor market are attributed to the recommencement of economic activity that was paused due to the pandemic.



The biggest contributor of job gains in August was in the **government** sector, which increased by 344,000 jobs. This increase accounted for approximately a quarter of the overall gains in nonfarm employment and was largely due to hiring by the federal government for temporary Census workers. The **retail trade** industry added 249,000 jobs in August, with about half of the growth occurring in general merchandise stores. However, even with these gains, employment in retail trade was still 655,000 jobs lower than in February. Sizable gains in employment also occurred in the **professional and business services** (197,000 jobs); however, more than half of the gains occurred in temporary help services. The **leisure and hospitality** industry gained 174,000 jobs, with about three-quarters of the gains occurring in food services and drinking places. **Education and health services** added 147,000 jobs but remains 1.5 million jobs below the pre-pandemic February level.

Manufacturing employment increased by 29,000 in August, with gains focused in the nondurable goods category. Despite gains in recent months, employment in manufacturing is still 720,000 jobs below its February level. Gains in employment in food manufacturing, plastic and rubber products, fabricated metal products, and chemicals were partially offset by losses of jobs in transportation equipment and nonmetallic minerals. Employment in **construction**, **mining** and **information** had little change in August.

Ohio nonfarm payroll employment increased to 5.1 million jobs in July, a 1.2 percent increase over June. Despite the small increase, nonfarm employment remains down 8.8 percent from last year's levels. Sectors with the greatest job increases between June and July included leisure and hospitality (25,100); education and health services (15,700); professional business services (14,700); government (4,900); other services (4,600); construction (2,000); and, information (1,100). These gains were partially offset by losses in manufacturing (3,700) and trade, transportation, and utilities (1,800). Even with these gains, employment in all sectors is below July 2019 levels.



The Bureau of Labor Statistics reported that the national unemployment rate declined to 8.4 percent in August, a 1.8 percentage point decrease from July. Nationally, the number of unemployed individuals fell by 2.8 million to 13.6 million. Even though unemployment has declined over the past four months unemployment remains up 4.9 percentage points and 7.8 million remain unemployed since February.

Unemployment rates for the month decreased for all major working groups. In August, the unemployment rate for adult men declined to 8.0 percent, for adult women to 8.4 percent, and for teenagers to 16.1 percent. In August, individuals who identify as Black had an unemployment rate of 13.0 percent, Asian 10.7 percent, Hispanic 10.5 percent, and Whites 7.3 percent. While this is a 20.7 percent reduction for individuals who identify as White, it was only a 11.0 percent decline for those who identify as Black.

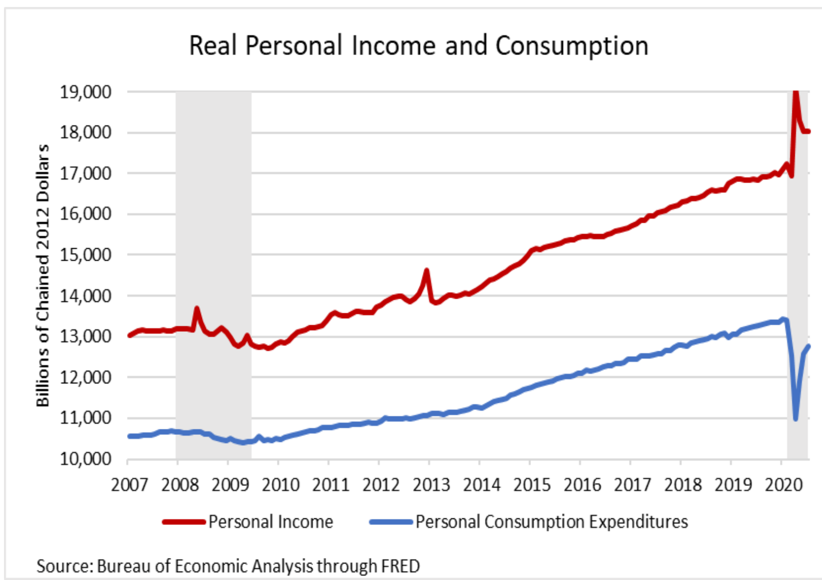
Of those that are unemployed, the number of people on **temporary layoff** decreased by 3.1 million in August to 6.2 million. This is significantly lower than the April high of 18.1 million. However, people who had **permanent job losses** increased by 534,000 to 3.4 million in the last month, a 2.1 million increase since February. **Reentrants** are individuals who had previously worked but were not in the workforce prior to starting the job search. The number of unemployed reentrants decreased by 263,000 to 2.1 million.

Unemployed individuals who were **jobless less than 5 weeks** fell by 921,000 (-28.8%) to 2.3 million, and those **jobless 5 to 14 weeks** decreased by 2.0 million (-39.4%) to 3.1 million. Those **jobless 15 to 26 weeks** increased by 33,000 (0.5%) to 6.5 million and those **jobless 27 weeks or more** increased by 123,000 (8.2%) to 1.6 million. The average duration on unemployment increased to 20.2 weeks in August, up from 17.9 in July.

The national **labor force participation rate** increased by 0.3 percentage points to 61.7 percent. This is relatively unchanged from July's rate. Total employment in August increased to 147.3 million, a 3.8 million increase from July. The **employment-population ratio** increased by 1.4 percentage points from July to 56.5 percent in August. This remains 4.6 percentage points lower than the February pre-pandemic ratio of 61.6 percent.

The **Ohio unemployment rate** decreased to 8.9 percent in July, a two-percentage point drop compared to June. By the week ending August 22, 2020 initial unemployment claims had fallen to 18,719, from the peak week in March when 274,288 initial claims were filed. Continued claims in Ohio decreased substantially between the peak of 777,214 in April and the week ending August 22, 2020, in which 339,957 individuals filed continued claims for unemployment insurance. However, as of September 3, 2020, the Ohio Department of Job and Family Services received Worker Adjustment and Retraining Notification (WARN) Act notices warning 1,468 employees of potential future layoffs and closures in September and 2,463 in October.

Consumer Income and Consumption

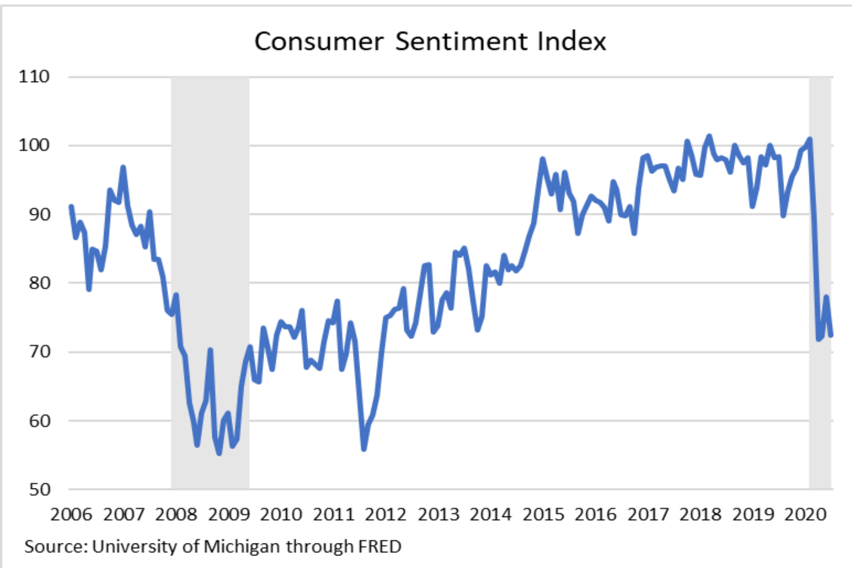


Overall, personal income increased $70.5 billion, (0.4%) in July. This is the first month there was an increase since April. The increase in personal income is due a 1.3 percent increase in compensation of employees from June to July. The increase can also be attributed to a rise in proprietor's income of 1.4 percent and rental income of 1.3 percent. These increases were partially offset by a decrease in government social benefits of 1.4 percent. Most stimulus checks were distributed to citizens in April and since then government social benefits have declined. Income from unemployment insurance benefits decrease 7.2 percent in July after an increase of 7.1 percent in June. The decrease in unemployment insurance benefits follows four consecutive months of increases in benefits. This includes the additional $600 per week unemployed workers were receiving that officially ended July 31st.

Personal consumption expenditures are a measure of national consumer spending. The **Real Personal Consumption Expenditure Index (PCE)** increased 1.6 percent ($200.6 billion) in July. These increases are due to $82.1 billion in spending for goods and a $121.2 billion increase in spending for services.

Durable goods increased 3.1 percent in July with increases in all categories except furnishings and durable household equipment which saw no change. The largest increase was in other durable goods (6.4%), which includes personal items such as jewelry and watches, telephone equipment, and educational books, followed by an increase in motor vehicles and parts (4.5%). Nondurable goods increased 1.4 percent with increases in all categories. The largest increase was in gasoline and other energy goods (8.4%), which increased for the third consecutive month. Service consumption increased 1.9 percent in July with the largest increase in recreational services (10.1%) followed by transportation services (7.0%) and food services and accommodations (5.6%). The largest decline was in final consumption expenditures of nonprofit institutions serving households which decreased 3.8 percent in July.

Personal saving decreased 6.7 percent in July compared to June; this is the third month in a row of declines after a substantial increase in April. However personal saving remains above the February level by 129.4 percent. Personal saving as a percentage of disposable personal income or the personal saving rate is 17.8 percent. This is a decrease of 1.4 percentage points in July from June.



The latest survey results indicate consumer expectations for the economy remained in the same depressed range it has been during the past five months. The University of Michigan's Consumer Sentiment Index increased 1.6 points in August to 74.1. This is a 2.2 percent increase from July but a 17.5 percent reduction from the same period in 2019. The Consumer Expectations Index increased 3.9 percent from July to 68.5 in August. This is a negative 14.3 percent change from the same period in 2019. Half of consumers anticipate the economy would improve in the coming year, but currently nine-in-ten consumers viewed the current state of the economy negatively. Gains seen in consumer spending are expected to slow by the end of the year without additional federal fiscal spending programs that would assist unemployed workers, small businesses, and state and local governments.

The Conference Board's Consumer Confidence Index, which reflects consumer attitudes and buying intentions for the months ahead, decreased in August for the second month in a row. The index is now at 84.8 down from 91.7 in July. The Conference Board's Present Situation Index is comprised of consumers' current assessment of the business and labor market conditions, which decreased significantly from 95.9 to 84.2. This is a 11.7 point reduction in August, which offset a 7.5 point increase in July. Consumers have determined that business and employment conditions have deteriorated over the last months. The Conference Board's Present Expectation is a measure of consumers' short-term assessment of business, income, and labor market conditions. The Expectations Index decreased in August to 85.2, a 3.7-point decline from July. Consumer's short-term assessment of financial prospects have continued to decline, which may cause consumer spending to slow after rebounds in recent months.

The travel and hospitality industries continue to face significant challenges due to the pandemic. The Transportation Security Administration (TSA) tracks how many travelers go through TSA checkpoints as “throughput”. Total travel throughput for August is 70.9 percent lower than August 2019. Although airline travel is on the rise since the low in April, it remains well below 2019 levels.

STR, a company that provides analytics and data on the hospitality sector, estimates that it will take eleven quarters – almost three years – for the number of room nights sold at hotels to return to 2019 levels. For the week ending August 29, 2020, STR reports an occupancy rate of just 48.2 percent, a 27.7 percent decline compared to the same week in 2019. The average daily rate earned for an occupied room declined 23.2 percent compared to July of last year. Revenue per available room also declined 44.5 percent in a year-over-year comparison. All three metrics have increased since April, but as the summer travel season ends, hotel performance gains have flattened.

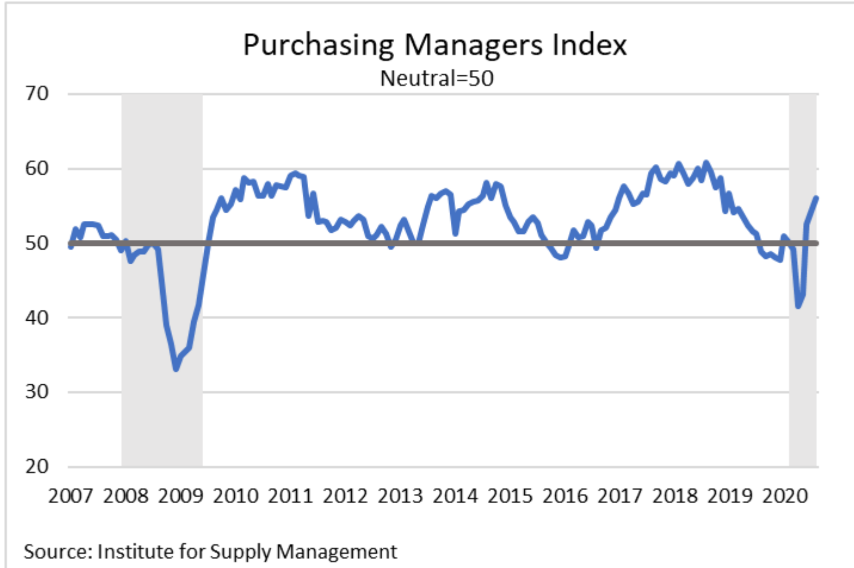
Commercial vehicle miles traveled on the Ohio Turnpike increased 8.0 percent compared to August of last year. However, passenger vehicle miles traveled declined 21.1 percent in August compared to August of last year. Passenger vehicle travel has decreased as the number of employees commuting to work has decreased due to teleworking, and as leisure travel has decreased.

Industrial Activity

The Industrial Production Index, produced by the Board of Governors of the Federal Reserve System, is an indicator that measures real output for manufacturing, mining, and gas and electric utility facilities located in the United States. Total **industrial production** increased 3.0 percent in July as many factories continued to reopen in at least partial capacity after the COVID-19 suspension. Even with this increase, total industrial production in July was still 8.4 percent below its pre-pandemic level in February. **Manufacturing production** also continued to rebound in July, increasing by 3.4 percent, yet remaining 7.8 percent below February levels. Most major industries posted increases, though they were smaller in magnitude than in June.

The durable goods sector index increased by 5.5 percent in July. The output of motor vehicles and parts, one of Ohio’s largest industries, increased 28.3 percent. The index for nondurable goods production rose 1.3 percent with gains for petroleum and coal products, printing support, and textile and product mills. The output of utilities rose 3.3 percent in July as warm temperatures increased demand for air conditioning. Mining production increased by 0.8 percent after decreases for five consecutive months.

In industries that contribute to a large portion of manufacturing employment in Ohio, aside from motor vehicle and parts, all but one increased production in July. Aerospace and miscellaneous transportation and equipment increased by 7.5 percent; machinery and chemicals each increased production by 1.4 percent; plastics and rubber products increased by 1.1 percent; electronics and appliances and components by 0.8 percent; and both food, beverage and tobacco products and primary metal production by 0.7 percent. Fabricated metal products decreased production by 0.5 percent.



Produced by the Institute for Supply Management (ISM), the **Purchasing Managers Index** (PMI) measures expansions and contractions of the manufacturing economy. A PMI reading above 50 percent indicates that the manufacturing economy is generally expanding, while below 50 percent it is generally contracting. In August, the PMI for the United States expanded to 56.0, compared to 54.2 in July and 52.6 in June. This shows expansion of the economy for the third month in a row, after the significant contraction due the pandemic related closings in April.

The new orders index increased 6.1 percentage points to 67.6 percent and the production index was up 1.2 percentage points to 63.3 percent. The backlog of orders index rose 2.8 percentage points to 54.6 percent. These increases provide additional evidence that manufacturing continues to recover since the COVID-19 stay-at-home orders were lifted.

Of the eighteen industries tracked by the Manufacturing ISM® *Report on Business*, fifteen reported growth between July and August. Of the industries most important to Ohio manufacturing, all reported growth.

Anecdotal evidence from purchasing and supply executives nationwide surveyed by ISM continued to be mixed in August depending on industry. On the positive side, a respondent from the chemical products industry said, "[b]usiness is very good. Production cannot keep up with demand. Some upstream supply chains are starting to have issues with raw material and/or transportation availability." A source in fabricated metal products industry "[c]urrent sales to domestic markets are substantially stronger than forecasted. We expected a recession, but it did not turn out that way." However, uncertainty remains. A respondent in the machinery industry noted "[c]apital equipment new orders have slowed again. Quoting is active. Many customers are waiting for the fourth quarter to make any commitments."

Construction

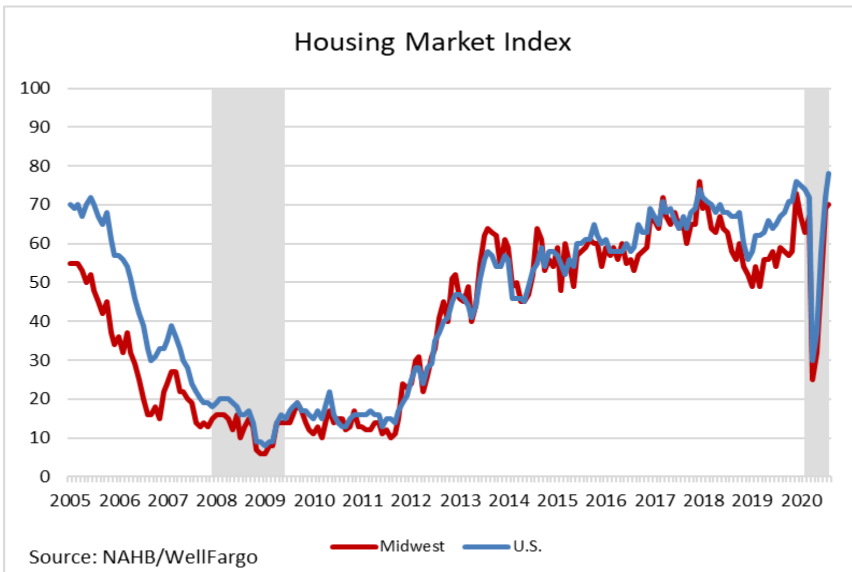
Construction spending remains relatively unchanged during the last four months. The U.S. Census Bureau estimated **total construction spending** at a seasonally adjusted annual rate of $1.4 trillion in July, a 0.1 percent decrease compared to June. Throughout the first seven months this year, construction spending totaled $792.6 billion, 4.0 percent higher than the same time period in 2019.

In July spending on private sector construction was at a seasonally adjusted annual rate of $1.01 trillion, a 0.6 percent increase above June. Residential construction increased 2.1 percent in July while non-residential construction was 1.0 percent below the June estimates.

Public sector construction spending in July was at a seasonally adjusted annual rate of $351.1 billion, a 1.3 percent decrease compared to June. In July, educational construction was 3.0 percent below June rates and highway construction was 3.1 percent below June.

Low interest rates and a renewed focus on homes that comes with increased teleworking resulted in a thriving housing market in July. Privately-owned housing units approved increased 17.9 percent in July nationally and was 8.6 percent above the July 2019 rate. In Ohio, building permits for privately owned units increased by 9.5 percent between June and July 2020, and were 44.7 percent above the number of permits issued in July 2019. Nationally, privately-owned housing starts in July increased 22.6 percent compared to June and 23.4 percent above the July 2019 rate. Housing starts in the Midwest increased 5.8 percent in July and were 15.5 percent above the July 2019 rate. Privately-owned housing completions increased 3.6 percent in July and were 1.7 percent above the July 2019 level. However, privately-owned housing completions in the Midwest decreased 36.2 percent in June and are 29.6 percent below the July 2019 rate.

The Housing Market Index (HMI) from the National Association of Home Builders and Wells Fargo takes the pulse of the single-family housing market, and asks the respondents to rate market conditions for the sale of new homes at the present time and in the next six months. Nationally, the HMI increased in August to 78 from 72 in July, an 8.3 percent increase, suggesting more favorable housing market conditions. In the Midwest, the HMI stayed essentially the same, moving only to 70 in August from 69 in July.



The National Association of Home Builders reported newly built single family home sales increased 13.9 percent in July compared to June. This is the highest monthly increase since 2006. Midwest new home sales increased 20.4 percent in July compared to July 2019. Existing home sales, as reported by the National Association of Realtors, continued to rise in July, increasing 24.7 percent from June to a seasonally adjusted annual rate of 5.86 million. This is the largest montly gain on record. According to the Ohio Realtors, activity in the Ohio housing market also increased in July with sales rising 8.6 percent above June levels. The average home price in Ohio in July was $223,344, a 8.6 percent increase compared to July 2019.

REVENUES

August General Revenue Fund receipts were notable for the overages demonstrated by nearly all tax sources, with the only exceptions being the commercial activity tax and the kilowatt-hour tax. Non-auto sales tax, auto sales tax, and personal income tax exceeded estimate by percentages ranging from three percent to ten percent. Personal income tax reflects revenue from payroll tax withholding as well as effects of the extended tax year 2019 filing season. Sales tax revenues appear to reflect the dynamism caused by recovery from the second-quarter economic decline and adaptation to public health conditions, with recent shifts in consumption away from services and toward goods.

August total GRF receipts totaled $3.5 billion and were $35.2 million (1.0%) above estimate. Tax revenues were $69.0 million (3.2%) above estimate while non-tax receipts and transfers were $33.8 million (-2.7%) below estimate. For the year to date, however, all three major revenue categories are above estimate as shown in the table below.

Category	**Includes:**	**YTD Variance**	**% Variance**
Tax receipts	Sales & use, personal income, corporate franchise, financial institutions, commercial activity, natural gas distribution, public utility, kilowatt hour, foreign & domestic insurance, other business & property taxes, cigarette, alcoholic beverage, liquor gallonage, & estate	$253.6	5.7%
Non-tax receipts	Federal grants, earnings on investments, licenses & fees, other income, intrastate transfers	$49.9	1.8%
Transfers	Budget stabilization, liquor transfers, capital reserve, other	$1.9	2.4%
TOTAL REVENUE VARIANCE:		**$305.4**	**4.2%**
Non-federal revenue variance		**$330.7**	**7.3%**
Federal grants variance		**($25.3)**	**-0.9%**

For August, receipts were $481.4 million (16.2%) above the previous year. Tax receipts grew by $107.6 million (5.0%) while non-tax receipts increased by $439.4 million (56.5%). For the year-to-date, tax receipts are $830.4 million (21.6%) above last year and non-tax receipts are $752.0 million (37.0%) over the prior year. In August, transfers declined by $65.5 million (-94.2%) from last year; however, they are $10.4 million (14.9%) above last year on a year-to-date basis.

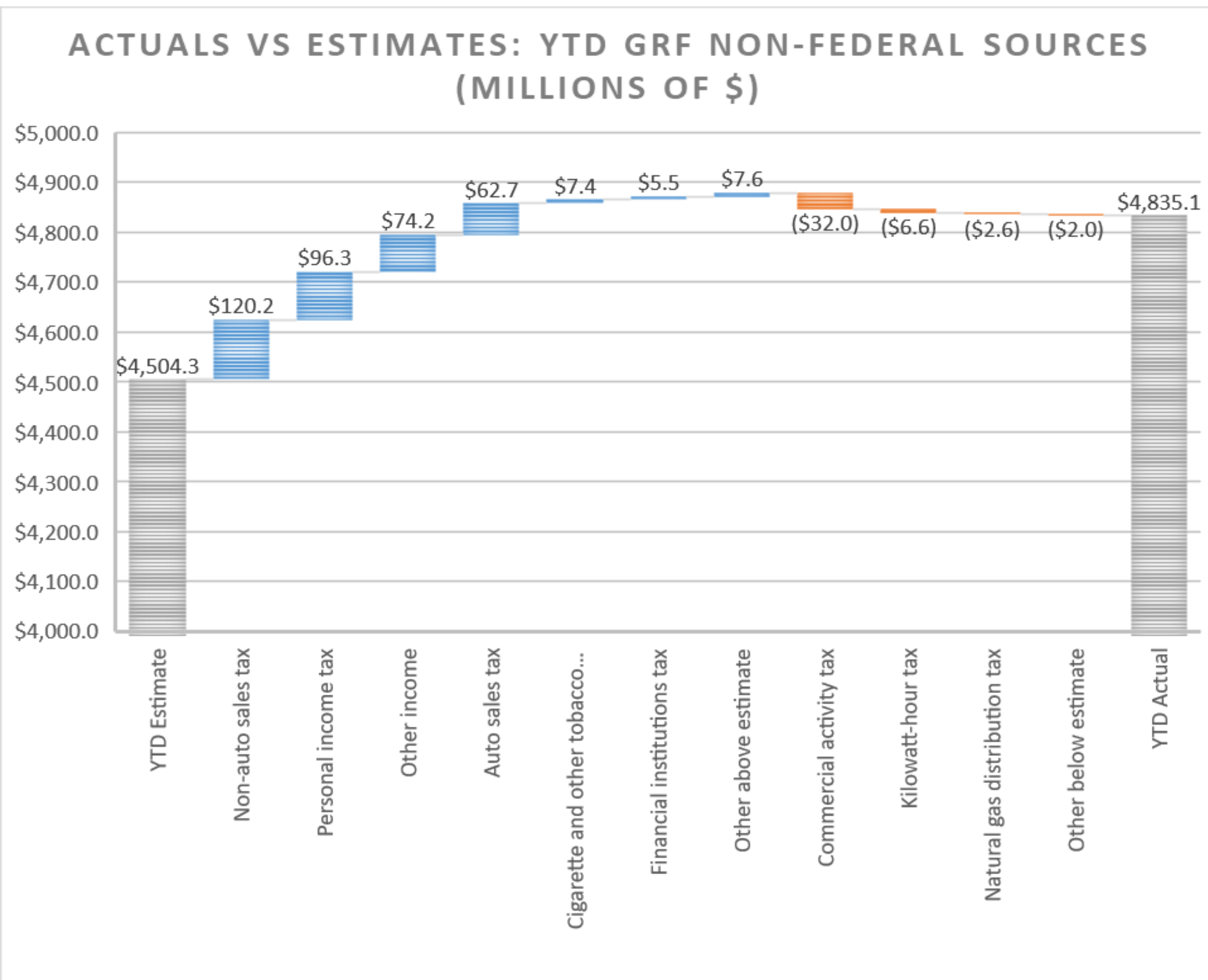
During August, the source with the largest year-over-year increase was Federal grants, at $432.0 million (61.0%) above last year. This was followed by personal income tax which was $116.5 million (16.2%) over the prior year, non-auto sales tax which increased by $17.3 million (2.2%), and auto sales which grew by $11.0 million (7.6%). The largest declines were experienced by transfers in-other at $65.5 million (-94.2%) and the commercial activity tax, amounting to $43.9 million (-13.6%).

The table below shows that sources exceeding estimate (an overage totaling $175.1 million) in August outweighed the size of revenue underperformers (a negative variance of $139.8 million), resulting in a $35.2 million net positive variance from estimate.

GRF Revenue Sources Relative to Monthly Estimates – August 2020
($ in millions)

Individual Revenue Sources Above Estimate		Individual Revenue Sources Below Estimate	
Other income	$67.5	Transfers in-other	($73.9)
Personal income tax	$62.7	Commercial activity tax	($30.4)
Non-auto sales tax	$23.0	Federal grants	($25.3)
Auto sales tax	$14.1	Kilowatt-hour tax	($6.0)
Financial institutions tax	$3.6	Other sources below estimate	($4.2)
Cigarette and other tobacco products tax	$2.8		
Other sources above estimate	$1.4		
Total above	**$175.1**	**Total below**	**($139.8)**

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



The preceding chart displays the relative contributions of various revenue sources to the overall variation between actual and estimated non-federal revenues for fiscal year 2021 to date, with the net difference amounting to $330.7 million. The chart depicts the fact that several major sources contribute to the current overage.

Non-Auto Sales Tax

GRF non-auto sales and use tax collections in August totaled $802.6 million and were $23.0 million (2.9%) above the estimate. August revenue increased by $17.3 million (2.2%) from the previous year. Coming off a record-breaking July revenue intake, the August results might look modest in comparison but the very fact August reached the estimate is a sign that the July outcome was not driven by forward-shifted timing, i.e., a shift in sales from the August payment period to the July payment period. Although a slowdown in consumption could still occur in this calendar year, the combined July and August results make for a strong start of fiscal year 2021.

Even as the most significant federal fiscal stimulus measures have expired and as short-term pent-up demand effects in the wake of the health order shutdowns have presumably worn off, August revenues performed at a higher level than one might expect from an economy which is still in the process of recovery. The most probable explanation is that consumption has shifted toward taxable goods. Recent high-frequency data indicate that consumption for major service industries has substantially declined from normal levels, while certain retail categories have grown at a strong pace. For example, the most recent "Monthly Event Study of Spending" table issued by the U.S. Department of Commerce's Bureau of Economic Analysis, which uses high-frequency credit card spending data, shows significant declines in the Recreation, Accommodations, Food Services, and Gas Stations categories in July and August; such declines ranged from a drop of 20 percent to 53 percent. Much of that spending is exempt from Ohio sales tax. In contrast, retailer segments such as Furniture, Building Materials & Home Improvements, Automotive Parts, Sporting Goods & Hobby, and General Merchandise stores had median growth rates ranging from 9 percent to 30 percent in July and August: the great majority of sales by these retailers are subject to Ohio sales tax. Adaptation to the current public health environment likely plays an important part in explaining these changes: to the extent Ohioans are spending more of their time at home, spending is shifting toward items used at home and away from goods and services consumed elsewhere.

Although not yet available, presumably the July and August sales tax return data will show continued improvement in nearly all sectors, and likely somewhat less negative year-over-year performance shown by the Accommodations and Food Services. OBM anticipates being able to provide such results in the next edition of the Monthly Financial Report.

Auto Sales Tax

August auto sales tax revenues were $156.3 million. This August's numbers come in at $11.0 million (7.6%) higher than last August. Auto sales tax revenue in August was also $14.1 million (9.9%) above estimate. This marks three successive months in which auto sales tax has substantially exceeded estimate. June-August 2020 combined represent an $92.7 million overage relative to estimate and this overage makes up for 74 percent of the $125.7 million shortfall accumulated during the March-May period.

August revenue would have been somewhat larger if not for the structural timing effects of tax administration, driven by a larger distribution of permissive (local) motor vehicle sales taxes that occurred this August. These distributions are drawn against GRF auto sales tax revenues each month. August 2020 permissive distributions were based on June collections; therefore, when auto sales tax collections increased in June, the draw against August GRF auto sales tax revenue was larger than in August 2019. If permissive distributions had remained at their August 2019 level, GRF auto sales tax revenue would have grown by $19.4 million (11.8%) in August 2020.

Based on a seasonally adjusted annual rate (the amount of sales that occurred during the month after being adjusted for seasonal fluctuations and expressed as an annualized total), U.S. new auto sales in August reached an estimated 15.2 million units. Dispite several consecutive months of improvement, including 5 percent growth from July to August, national sales of light vehicles remain under the prior year: for August, sales were estimated to be 11 percent below the prior year. Although generally useful as a barometer of the health and direction of the motor vehicle sales, U.S. light vehicle unit sales growth data are limited by the fact that they do not track closely with Ohio auto sales tax performance.

Used vehicle sales typically comprise about one-half of Ohio auto sales tax revenue, and likely help explain much of the recent revenue growth. A forecast by ALG, Inc. (a subsidiary of TrueCar) expects 4 percent growth in used vehicle sales for August. In addition, Cox Automotive reports that its used vehicle retail price index for August is more than 5 percent higher than at the beginning of the calendar year. Such combined price and demand effects for used vehicles could explain a portion of Ohio's continued strong auto sales tax revenue.

As discussed in last month's edition of this report, Ohio's vibrant auto sales tax performance in recent months was likely influenced by a combination of factors. These factors include federal fiscal stimulus policies (although such stimulus effects have now largely dissipated), pent-up demand which would have built up during the roughly mid-March through mid-May period, and behavioral responses to current public health circumstances (e.g., private transportation as a substitute for ride sharing and public transport).

Personal Income Tax

August GRF personal income tax receipts totaled $837.9 million and were $62.7 million (8.1%) above the estimate. On a year-over-year basis, August income tax collections were $116.5 million (16.2%) above August 2019 collections. However, this growth is attributable to the extended July 15 deadline for filing and payment of tax year 2019 annual income tax (which is normally due in April), as well as the extension for tax year 2020 quarterly estimated income taxes that are ordinarily due in April and June. Although the bulk of the payments subject to the extended deadline were processed in July and booked as July revenue, the remainder of such payments were processed and booked in August. Further detail on these components is provided below.

The August withholding tax collections modestly exceeded expectations. For the month, withholding tax payments exceeded estimate by $28.9 million (4.0%), offsetting last month's negative variance. In contrast, the year-over-year withholding tax results in August show a decrease of $7.3 million (-1.0%). However, the year-over-year comparison is somewhat clouded by several tax policy changes and timing differences. First, the withholding component includes payments made by pass-through entities on their nonresident investors' income. Second, the withholding tax rate paid by employers on their employees' wage and salary income was reduced by four percent from the prior year, effective in January 2020. After making computational adjustments due to these changes, employer withholding payments in August would have declined by an estimated 0.1 percent if not for the rate reduction, a slight difference from the actual year-over-year performance for the unadjusted withholding category as reported in the table below. All that said, the fact that withholding tax collections remained so close to the prior-year level is fairly remarkable, considering the continued negative condition of the labor market. Although it has substantially fallen from the historically high levels experienced several months ago, unemployment remains high and many enterprises are operating well below normal levels. The relative strength of the withholding component will remain a subject of continued review and analysis.

Quarterly estimated tax payments were subject to the July 15 payment extension. Accordingly, the July and August revenue estimates were crafted to reflect revenue anticipated to be received during such months due to the extension. Estimated payments exceeded anticipated collections by $20.7 million in August, while combined July and August quarterly estimated payments were $44.2 million over anticipated collections. September constitutes the next month with a quarterly payment due date, so the month will provide an additional important clue on the performance of non-wage income during this extraordinarily volatile year.

Tax payments accompanying annual tax returns (and return extensions) were $79.9 million (-39.3%) below in August. This component was also subject to the payment extension and anticipating the monthly flow of these extended payments was a challenge. More importantly, combined July and August annual return payments performed relatively close to the estimate, ending $13.5 million (-2.1%) below anticipated levels. Now that the filing season is effectively completed, it may be illuminating to observe the change in annual return payments during the January-August 2020 period (which reflects the extended due date) from the January-June 2019 period (when there was no extended due date), and compare that change to what had been anticipated in the fiscal year 2020 forecasts (which were developed prior to the enactment of the filing and payment extension). Annual return payments for January-August 2020 were $927.3 million, a decline of $91.9 million (-9.0%) from the January-June 2019 period. In contrast, the fiscal year 2020 estimates had anticipated a decline of $64.7 million (-6.3%). Actual performance was therefore $27.2 million lower than originally expected.

Refunds are the final major category impacted by the July 15 extension. In contrast to July, when refunds exceeded estimate by $23.1 million, August refunds were well below estimate, falling $93.6 million (-64.1%) under the anticipated level. For the fiscal year-to-date, refunds are $70.5 (-20.3%) below estimate. Similar to the comparison methodology employed above, refunds during the January-August 2020 period were $1,904.2 million, an increase of $226.6 million (13.6%) from the January-June 2019 period. The fiscal year 2020 estimates had anticipated a $113.6 million (6.8%) increase. Actual refunds paid were $113.0 million higher than originally anticipated.

AUGUST PERSONAL INCOME TAX RECEIPTS BY COMPONENT ($ in millions)						
	Actual August	Estimate August	$ Var	Actual August-2020	Actual August-2019	$ Var Y-0ver-Y
Withholding	$743.9	$715.0	$28.9	$743.9	$751.2	($7.3)
Quarterly Est.	$38.6	$17.9	$20.7	$38.6	$12.7	$25.9
Annual Returns & 40 P	$123.5	$203.4	($79.9)	$123.5	$17.1	$106.5
Trust Payments	$22.4	$10.9	$11.5	$22.4	$0.8	$21.7
Other	$4.8	$5.5	($0.7)	$4.8	$5.5	($0.6)
Less: Refunds	($52.4)	($146.0)	$93.6	($52.4)	($35.4)	($17.0)
Local Distr.	($43.0)	($31.5)	($11.5)	($43.0)	($30.4)	($12.5)
Net to GRF	$837.9	$775.2	$62.7	$837.9	$721.3	$116.5

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

Commercial Activity Tax (CAT)

The CAT was $30.4 million (-9.9%) below estimate in August. On a year-to-date basis, it is now $32.0 million (-8.8%) below estimate. CAT performance dropped by $43.9 million (-13.6%) from last August and is $55.4 million (-14.3%) below last year on a fiscal year-to-date basis. The August outcome shows a more negative result than in May 2020, the most recent preceding month with a CAT due date; in that month, CAT revenue was $11.1 million (-3.2%) below estimate. But the worsening performance is not a surprise. Unlike May, when only a relatively small portion of that month's quarterly gross receipts period reflected the pandemic-impacted period, August revenues reflect the second quarter of calendar year 2020, which had the steepest and most rapid economic decline in modern U.S. history. For this reason, CAT revenue received during the July-September 2020 period may very well reflect the worst quarterly performance of the entire fiscal year.

GRF Non-Tax Receipts

GRF non-tax receipts totaled $1.2 billion and were $40.1 million (3.4%) above estimate. The positive variance was driven by the Other Income category, which was $67.5 million (1,156.1%) above estimate due largely to the timing of the JobsOhio deferred compensation payments from liquor profits. This payment was estimated for September, so we will see an offsetting negative variance in next month's report.

This positive variance was partially offset by a negative variance in the Federal Grants category. Federal Grants receipts totaled $1.14 billion and were $25.3 million (-2.2%) below estimate.

Transfers to the GRF totaled $4.0 million and were $73.9 million (-94.9%) below estimate. This negative variance was expected as transfers estimated for August occurred in July.

9/4/2020

Table 1

GENERAL REVENUE FUND RECEIPTS
ACTUAL FY 2021 VS ESTIMATE FY 2021
($ in thousands)

	MONTH				YEAR-TO-DATE			
REVENUE SOURCE	ACTUAL AUGUST	ESTIMATE AUGUST	$ VAR	% VAR	ACTUAL Y-T-D	ESTIMATE Y-T-D	$ VAR	% VAR
TAX RECEIPTS								
Non-Auto Sales & Use	802,596	779,600	22,996	2.9%	1,751,787	1,631,600	120,187	7.4%
Auto Sales & Use	156,342	142,200	14,142	9.9%	338,920	276,200	62,720	22.7%
Subtotal Sales & Use	958,938	921,800	37,138	4.0%	2,090,707	1,907,800	182,907	9.6%
Personal Income	837,879	775,200	62,679	8.1%	2,017,839	1,921,500	96,339	5.0%
Corporate Franchise	12	0	12	N/A	180	0	180	N/A
Financial Institutions Tax	385	(3,200)	3,585	112.0%	2,390	(3,100)	5,490	177.1%
Commercial Activity Tax	278,052	308,500	(30,448)	-9.9%	332,046	364,000	(31,954)	-8.8%
Petroleum Activity Tax	0	0	0	N/A	0	0	0	N/A
Public Utility	31,029	31,500	(471)	-1.5%	31,285	31,700	(415)	-1.3%
Kilowatt Hour	28,533	34,500	(5,967)	-17.3%	51,383	58,000	(6,617)	-11.4%
Natural Gas Distribution	13,532	14,500	(968)	-6.7%	13,570	16,200	(2,630)	-16.2%
Foreign Insurance	0	700	(700)	N/A	37	1,600	(1,563)	-97.7%
Domestic Insurance	445	0	445	N/A	824	0	824	N/A
Other Business & Property	0	0	0	N/A	15	0	15	N/A
Cigarette and Other Tobacco	80,472	77,700	2,772	3.6%	106,082	98,700	7,382	7.5%
Alcoholic Beverage	5,310	5,200	110	2.1%	11,943	9,800	2,143	21.9%
Liquor Gallonage	5,150	4,300	850	19.8%	10,026	8,500	1,526	18.0%
Estate	1	0	1	N/A	1	0	1	N/A
Total Tax Receipts	2,239,738	2,170,700	69,038	3.2%	4,668,328	4,414,700	253,628	5.7%
NON-TAX RECEIPTS								
Federal Grants	1,140,575	1,165,884	(25,309)	-2.2%	2,697,761	2,723,070	(25,309)	-0.9%
Earnings on Investments	0	0	0	N/A	0	0	0	N/A
License & Fees	2,761	4,804	(2,043)	-42.5%	6,397	5,417	980	18.1%
Other Income	73,327	5,838	67,489	1156.1%	80,525	6,297	74,229	1178.9%
ISTV'S	1	0	1	N/A	7	0	7	N/A
Total Non-Tax Receipts	1,216,664	1,176,525	40,139	3.4%	2,784,690	2,734,783	49,907	1.8%
TOTAL REVENUES	**3,456,402**	**3,347,225**	**109,177**	**3.3%**	**7,453,018**	**7,149,483**	**303,535**	**4.2%**
TRANSFERS								
Budget Stabilization	0	0	0	N/A	0	0	0	N/A
Transfers In - Other	4,000	77,932	(73,932)	-94.9%	79,832	77,932	1,900	2.4%
Temporary Transfers In	0	0	0	N/A	0	0	0	N/A
Total Transfers	4,000	77,932	(73,932)	-94.9%	79,832	77,932	1,900	2.4%
TOTAL SOURCES	**3,460,402**	**3,425,157**	**35,245**	**1.0%**	**7,532,850**	**7,227,415**	**305,435**	**4.2%**

9/4/2020

Table 2
GENERAL REVENUE FUND RECEIPTS
ACTUAL FY 2021 VS ACTUAL FY 2020
($ in thousands)

	MONTH				YEAR-TO-DATE			
REVENUE SOURCE	**AUGUST FY 2021**	**AUGUST FY 2020**	**$ VAR**	**% VAR**	**ACTUAL FY 2021**	**ACTUAL FY 2020**	**$ VAR**	**% VAR**
TAX RECEIPTS								
Non-Auto Sales & Use	802,596	785,262	17,334	2.2%	1,751,787	1,596,437	155,350	9.7%
Auto Sales & Use	156,342	145,333	11,009	7.6%	338,920	290,551	48,370	16.6%
Subtotal Sales & Use	958,938	930,595	28,343	3.0%	2,090,707	1,886,987	203,720	10.8%
Personal Income	837,879	721,347	116,532	16.2%	2,017,839	1,351,212	666,626	49.3%
Corporate Franchise	12	(40)	52	129.7%	180	(30)	210	697.6%
Financial Institutions Tax	385	(7,561)	7,946	105.1%	2,390	(7,540)	9,930	131.7%
Commercial Activity Tax	278,052	321,961	(43,909)	-13.6%	332,046	387,456	(55,409)	-14.3%
Petroleum Activity Tax	0	0	0	N/A	0	0	0	N/A
Public Utility	31,029	31,873	(844)	-2.6%	31,285	32,088	(804)	-2.5%
Kilowatt Hour	28,533	35,196	(6,663)	-18.9%	51,383	57,081	(5,698)	-10.0%
Natural Gas Distribution	13,532	11,449	2,083	18.2%	13,570	12,769	801	6.3%
Foreign Insurance	0	177	(177)	N/A	37	736	(699)	-94.9%
Domestic Insurance	445	0	445	177876.6%	824	1	823	164666.6%
Other Business & Property	0	0	0	N/A	15	0	15	N/A
Cigarette and Other Tobacco	80,472	78,807	1,666	2.1%	106,082	99,364	6,718	6.8%
Alcoholic Beverage	5,310	3,894	1,416	36.4%	11,943	9,015	2,928	32.5%
Liquor Gallonage	5,150	4,480	670	15.0%	10,026	8,709	1,318	15.1%
Estate	1	0	0	65.3%	1	38	(37)	-97.8%
Total Tax Receipts	2,239,738	2,132,178	107,560	5.0%	4,668,328	3,837,886	830,442	21.6%
NON-TAX RECEIPTS								
Federal Grants	1,140,575	708,551	432,025	61.0%	2,697,761	1,963,119	734,642	37.4%
Earnings on Investments	0	0	0	N/A	0	0	0	N/A
License & Fee	2,761	5,199	(2,438)	-46.9%	6,397	5,512	885	16.1%
Other Income	73,327	63,563	9,764	15.4%	80,525	64,012	16,513	25.8%
ISTV'S	1	1	(0)	-34.2%	7	11	(4)	-39.0%
Total Non-Tax Receipts	1,216,664	777,315	439,350	56.5%	2,784,690	2,032,654	752,037	37.0%
TOTAL REVENUES	**3,456,402**	**2,909,493**	**546,909**	**18.8%**	**7,453,018**	**5,870,539**	**1,582,479**	**27.0%**
TRANSFERS								
Budget Stabilization	0	0	0	N/A	0	0	0	N/A
Transfers In - Other	4,000	69,480	(65,480)	-94.2%	79,832	69,480	10,352	14.9%
Temporary Transfers In	0	0	0	N/A	0	0	0	N/A
Total Transfers	4,000	69,480	(65,480)	-94.2%	79,832	69,480	10,352	14.9%
TOTAL SOURCES	**3,460,402**	**2,978,973**	**481,429**	**16.2%**	**7,532,850**	**5,940,020**	**1,592,830**	**26.8%**

DISBURSEMENTS

August GRF disbursements, across all uses, totaled $3.5 billion and were $116.2 million (-3.2%) below estimate. This variance was primarily attributable to below estimate disbursements in the Property Tax Reimbursement category. On a year-over-year basis, August total uses were $141.6 million (4.2%) higher than those of the same month in the previous fiscal year, with an increase in Medicaid largely responsible for the difference. Year-over-year variances from the estimate by category are provided in the table below.

Category	Description	Year-Over-Year Variance	% Variance
Expenditures and transfers between agencies (ISTVs)	State agency operations, subsidies, tax relief, debt service payments, and pending payroll (if applicable)	$786.8	28.7%
Transfers	Temporary or permanent transfers out of the GRF that are not agency expenditures	($645.2)	-99.5%
TOTAL DISBURSEMENTS VARIANCE:		**$141.6**	**4.2%**

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

Primary and Secondary Education

This category contains GRF spending by the Ohio Department of Education. August disbursements for this category totaled $1.0 billion and were $6.7 million (0.7%) above estimate. This variance was primarily attributable to above estimated spending in the Foundation Funding line item as payments to school districts and for certain scholarship programs were above estimate for the month. Disbursements for Student Assessment and the Ohio Educational Computer Network line items were also above estimate due to timing of payments, which will offset in future months. This above estimate spending was partially offset by below estimated disbursements for the Special Education Enhancements and Adult Education Programs line items due to timing of subsidy payments as schools and adult education providers requested less funding than anticipated in August.

Expenditures for the school foundation program totaled $950.2 million and were $3.7 million (0.4%) above estimate. Year-to-date disbursements were $1.7 billion, which was $6.7 million (0.4%) above estimate. On a year-over-year basis, disbursements in this category were $251.3 million (33.3%) higher than for the same month in the previous fiscal year while year-to-date expenditures were $270.1 million (18.5%) higher than the same point in fiscal year 2020. The year-over-year and year-to-date variances were the result of three foundation funding payments occurring in August of fiscal year 2021 compared to two payments occurring in August of fiscal year 2020.

Higher Education

August disbursements for the Higher Education category, which includes non-debt service GRF spending by the Department of Higher Education, totaled $192.8 million and were $8.3 million (4.1%) below estimate. This variance was primarily attributable to the Choose Ohio First Scholarship appropriation line item, which was below estimate by $5.7 million, and spending in the National Guard Scholarship Program, which was below estimate by $1.0 million. Both variances are the result of lower than expected requests for reimbursement from higher education institutions.

Year-to-date disbursements were $369.9 million, which was $8.3 million (-2.2%) below estimate. On a year-over-year basis, disbursements in this category were $6.9 million (3.7%) higher than for the same month in the previous fiscal year while year-to-date expenditures were $16.4 million (4.6%) higher than at the same point in fiscal year 2019.

Other Education

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

August disbursements in this category totaled $7.9 million and were $1.4 million (20.7%) above estimate. Year-to-date disbursements were $17.4 million, which was $1.4 million (8.5%) above estimate. On a year-over-year basis, disbursements in this category were $1.1 million (-11.8%) lower than for the same month in the previous fiscal year while year-to-date expenditures were $0.2 million (-1.3%) lower than at the same point in fiscal year 2019.

Medicaid

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

Expenditures
August GRF disbursements for the Medicaid Program totaled $1.8 billion and were $68.0 million (3.9%) above estimate, and $677.3 million (60.5%) above disbursements for the same month in the previous fiscal year. This significant increase from the previous fiscal year is largely attributed to increased Medicaid enrollment resulting from the adverse economic conditions associated with the COVID-19 pandemic. In addition, an accounting correction to move certain managed care expenses to non-GRF funds was not completed before the month ended. This correction will be reflected in next month's report. Year-to-date GRF disbursements totaled $4.0 billion and were $68.0 million (1.7%) above estimate, and $912.7 million (29.9%) above disbursements for the same point in the previous fiscal year; again, attributed to increased enrollment as described above.

August all-funds disbursements for the Medicaid Program totaled $2.9 billion and were $52.4 million (-1.8%) below estimate, and $480.9 million (19.6%) above disbursements for the same month in the previous fiscal year. This significant increase from the previous fiscal year is attributed to increased

Medicaid enrollment resulting from the adverse economic conditions associated with the COVID-19 pandemic. Year-to-date all-funds disbursements totaled $5.6 billion and were $52.4 million (-0.9%) below estimate, and $945.8 million (20.1%) above disbursements for the same point in the previous fiscal year; again, attributed to increased enrollment as described above.

The August all-funds variance was primarily attributable to lower than anticipated enrollment. Actual enrollment, while still growing, increased at a speed that was below estimate in both the managed care and fee-for-service program, as well as in all major eligibility categories. In addition, administration expenses were below estimate due primarily to delays in information technology expenditures.

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

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

	August Actual	August Projection	Variance	Variance %
GRF	$ 1,797.1	$ 1,734.1	$ 63.1	3.6%
Non-GRF	$ 1,137.8	$ 1,253.2	$ (115.4)	-9.2%
All Funds	$ 2,934.9	$ 2,987.3	$ (52.4)	-1.8%

<u>Enrollment</u>

Total August enrollment was 3.02 million, which was 61,422 (-2.0%) below updated estimates and 215,660 (7.7%) above enrollment for the same period last fiscal year. Year-to-date average monthly enrollment was 3.0 million and was 52,206 (-1.7) below estimate.

August enrollment by major eligibility category was: Covered Families and Children, 1.69 million; Aged, Blind and Disabled (ABD), 496,913; and Group VIII Expansion, 703,228.

**Please note that these data are subject to revision.*

Health and Human Services

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

August disbursements in this category totaled $109.4 million and were $20.7 million (-15.9%) below estimate. Year-to-date disbursements were $231.5 million, which was $20.7 million (-8.2%) below estimate. On a year-over-year basis, disbursements in this category were $10.0 million (10.0%) higher than for the same month in the previous fiscal year while year-to-date expenditures were $8.0 million (3.6%) higher than at the same point in fiscal year 2019.

Department of Job and Family Services

August disbursements for the Department of Job and Family Services totaled $41.5 million and were $8.0 million (-16.1%) below estimate. This variance was primarily attributable to the Family Assistance - Local line item, which was $4.1 million below estimate because of lower than anticipated county draw requests for the Income Maintenance allocation. The Child, Family, and Community Protection Services line item was $1.4 million below estimate because of lower than anticipated county draw requests for the Community and Protective Services allocation. The Child Care State/Maintenance of Effort line item was $1.1 million below estimate because the quarterly award for Child Care Development Fund match fiscal year 2020 has not been received as anticipated. Therefore, the GRF to match federal funds could not be used to fund child-care direct services in August.

Department of Mental Health and Addiction Services

August disbursements for the Department of Mental Health and Addiction Services totaled $49.1 million and were $7.2 million (-12.5%) below estimate. This variance was primarily attributable to the Prevention and Wellness line which was $1.5 million below estimate due to delayed payment to the Evidence Based Prevention and Practices Boards, the Continuum of Care Services line which was $3.6 million below estimate due to delay in community medication payments, and the Criminal Justice Services line which was $1.3 million below estimate due to delay in addiction treatment payments. The Community Innovations line was also $2.9 million below estimate due to delayed payments. The delayed payments for these programs will be made in September. The variance was chiefly offset by the Specialized Docket Support line which was $1.5 million above estimate due to the awards for established specialty dockets being fully disbursed in August.

Justice and Public Protection

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

August disbursements in this category totaled $167.3 million and were $22.3 million (-11.8%) below estimate. Year-to-date disbursements were $492.8 million, which was $22.3 million (-4.3%) below estimate. On a year-over-year basis, disbursements in this category were $28.6 million (-14.6%) lower than for the same month in the previous fiscal year while year-to-date expenditures were $29.9 million (6.5%) higher than at the same point in fiscal year 2019.

Department of Public Safety

August disbursements for the Department of Public Safety totaled $2.4 million and were $6.1 million (-71.9%) below estimate. This variance was primarily attributable to disbursements in the Security Grants, and Security Grants - Personnel line items, which were $4.1 million below estimate due to the timing of subsidy payments. Additionally, the Recovery Ohio Law Enforcement line item was $1.2 million below estimate due to the timing of subsidy payments.

Department of Rehabilitation and Correction
August disbursements for the Department of Rehabilitation and Correction totaled $124.3 million and were $3.6 million (-2.8%) below estimate. This variance was primarily attributable to variances in the Institutional Operations line item, which was $3.0 million below estimate and the Community Non-Residential Programs line item, which was $1.5 million below estimate both due to the timing of payments to counties.

Department of Youth Services
August disbursements for the Department of Youth Services totaled $10.6 million and were $1.2 million (-9.9%) below estimate. This variance was primarily attributable to disbursements in the RECLAIM Ohio line item which was $1.0 million lower than estimate due to the timing of contract payments.

Office of the Attorney General
August disbursements for the Office of the Attorney General totaled $5.3 million and were $2.0 million (-28.3%) below estimate. This variance was primarily attributable to the lack of any disbursement in the School Safety Training Grants due to the timing of payments.

Public Defender Commission
August disbursements for the Public Defender Commission totaled $8.8 million and were $8.9 million (-50.0%) below estimate. This variance was primarily attributable to disbursements in the County Reimbursement line item which was $8.8 million below estimate due to the timing of reimbursement payments for both July, which are delayed by the change in fiscal year, and August. This variance should be offset next month as the backlog of payments are disbursed.

General Government

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

August disbursements in this category totaled $30.3 million and were $5.0 million (-14.1%) below estimate. Year-to-date disbursements were $75.0 million, which was $5.0 million (-6.2%) below estimate. On a year-over-year basis, disbursements in this category were $4.5 million (-12.9%) lower than for the same month in the previous fiscal year while year-to-date expenditures were $6.6 million (-8.1%) lower than at the same point in fiscal year 2019.

Department of Administrative Services
August disbursements for the Department of Administrative Services totaled $4.2 million and were $3.9 million (-48.1%) below estimate. This variance was chiefly attributable to the Ohio Business Gateway line item, which had lower payments for internal DAS help desk and administrative charges, as well as other supplies and maintenance costs, than anticipated.

Department of Transportation

August disbursements for the Department of Transportation totaled $2.6 million and were $2.0 million above estimate. This variance was primarily attributable to disbursements in the Public Transportation - State line item, which was $1.2 million above estimate due to the timing of subsidy payments.

Property Tax Reimbursements

Payments from the property tax reimbursement category are made to local governments and school districts to reimburse these entities for revenues foregone as a result of the 10.0 percent and 2.5 percent rollback, as well as the homestead exemption. Monthly and year-to-date property tax reimbursements totaled $140.5 million were $105.2 million (-42.8%) below estimate. This negative variance is largely caused by counties requesting reimbursements more slowly than estimated and will be offset with positive variances later in the fiscal year.

Debt Service

August payments for debt service totaled $74.2 million and were $161,000 (-0.2%) below estimate. Year-to-date expenses in this category total $173.5 million and were also $161,000 (-0.1%) below estimate.

Transfers Out

August transfers out totaled $3.2 million and were $30.7 million (-90.5%) below estimate. Year-to-date transfers out totaled $410.7 million and were $26.2 million (-6.0%) below estimate. The monthly and year-to-date variances were primarily caused by a transfer to the Targeted Addiction Program Fund not occurring in August, as planned. This transfer is now expected to occur later in the fiscal year.

9/4/2020

Table 3

GENERAL REVENUE FUND DISBURSEMENTS
ACTUAL FY 2021 VS ESTIMATE FY 2021
($ in thousands)

	MONTH				YEAR-TO-DATE			
Functional Reporting Categories Description	**ACTUAL AUGUST**	**ESTIMATED AUGUST**	**$ VAR**	**% VAR**	**YTD ACTUAL**	**YTD ESTIMATE**	**$ VAR**	**% VAR**
Primary and Secondary Education	1,005,255	998,557	6,698	0.7%	1,726,604	1,719,906	6,698	0.4%
Higher Education	192,849	201,182	(8,333)	-4.1%	369,887	378,220	(8,333)	-2.2%
Other Education	7,941	6,577	1,364	20.7%	17,423	16,059	1,364	8.5%
Medicaid	1,797,147	1,729,101	68,046	3.9%	3,961,245	3,893,198	68,046	1.7%
Health and Human Services	109,433	130,100	(20,667)	-15.9%	231,546	252,213	(20,667)	-8.2%
Justice and Public Protection	167,280	189,582	(22,301)	-11.8%	492,820	515,121	(22,301)	-4.3%
General Government	30,257	35,240	(4,982)	-14.1%	75,001	79,983	(4,982)	-6.2%
Property Tax Reimbursements	140,476	245,672	(105,196)	-42.8%	140,470	245,666	(105,196)	-42.8%
Debt Service	74,242	74,403	(161)	-0.2%	173,490	173,651	(161)	-0.1%
Total Expenditures & ISTV's	**3,524,880**	**3,610,413**	**(85,533)**	**-2.4%**	**7,188,486**	**7,274,019**	**(85,533)**	**-1.2%**
Transfers Out:								
BSF Transfer Out	0	0	0	N/A	0	0	0	N/A
Operating Transfer Out	3,227	33,900	(30,673)	-90.5%	410,727	436,900	(26,173)	-6.0%
Temporary Transfer Out	0	0	0	N/A	0	0	0	N/A
Total Transfers Out	**3,227**	**33,900**	**(30,673)**	**-90.5%**	**410,727**	**436,900**	**(26,173)**	**-6.0%**
Total Fund Uses	**3,528,107**	**3,644,313**	**(116,206)**	**-3.2%**	**7,599,213**	**7,710,919**	**(111,706)**	**-1.4%**

9/4/2020

Table 4

GENERAL REVENUE FUND DISBURSEMENTS
ACTUAL FY 2021 VS ACTUAL FY 2020
($ in thousands)

Functional Reporting Categories Description	MONTH AUGUST FY 2021	MONTH AUGUST FY 2020	MONTH $ VAR	MONTH % VAR	YEAR-TO-DATE ACTUAL FY 2021	YEAR-TO-DATE ACTUAL FY 2020	YEAR-TO-DATE $ VAR	YEAR-TO-DATE % VAR
Primary and Secondary Education	1,005,255	753,993	251,261	33.3%	1,726,604	1,456,515	270,089	18.5%
Higher Education	192,849	185,908	6,941	3.7%	369,887	353,466	16,421	4.6%
Other Education	7,941	9,002	(1,061)	-11.8%	17,423	17,656	(233)	-1.3%
Medicaid	1,797,147	1,119,861	677,286	60.5%	3,961,245	3,048,542	912,702	29.9%
Health and Human Services	109,433	99,462	9,971	10.0%	231,546	223,563	7,983	3.6%
Justice and Public Protection	167,280	195,883	(28,602)	-14.6%	492,820	462,916	29,904	6.5%
General Government	30,257	34,753	(4,496)	-12.9%	75,001	81,627	(6,627)	-8.1%
Property Tax Reimbursements	140,476	201,355	(60,880)	-30.2%	140,470	201,355	(60,886)	-30.2%
Debt Service	74,242	137,906	(63,665)	-46.2%	173,490	386,012	(212,521)	-55.1%
Total Expenditures & ISTV's	**3,524,880**	**2,738,123**	**786,757**	**28.7%**	**7,188,486**	**6,231,653**	**956,833**	**15.4%**
Transfers Out:								
BSF Transfer	0	0	0	N/A	0	0	0	N/A
Operating Transfer Out	3,227	648,403	(645,176)	-99.5%	410,727	648,403	(237,676)	-36.7%
Temporary Transfer Out	0	0	0	N/A	0	0	0	N/A
Total Transfers Out	**3,227**	**648,403**	**(645,176)**	**-99.5%**	**410,727**	**648,403**	**(237,676)**	**-36.7%**
Total Fund Uses	**3,528,107**	**3,386,526**	**141,581**	**4.2%**	**7,599,213**	**6,880,056**	**719,157**	**10.5%**

FUND BALANCE

The Office of Budget and Management (OBM) continues to track national and state economic indicators and review tax revenue performance. To provide additional opportunity to collect and analyze data, OBM has decided to release the fiscal year 2021 General Revenue Fund ending balance estimate in an upcoming Monthly Financial Report.

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