Office of Budget and Management
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<u>Amended Substitute House Bill 59</u>
Conference Committee Testimony on the FY 2014-2015 Main Operating Budget

Timothy S. Keen, Director
June 18, 2013

Mr. Chairman, members of the Conference Committee, thank you for the opportunity to testify today on House Bill 59, the FY 2014 and 2015 biennial operating budget for the State of Ohio.

Your deliberations today begin the final and perhaps most challenging step in the state's biennial budget process, which began formally with Governor Kasich's presentation of his Executive Budget 19 weeks ago. The Governor's budget and its component policy goals are based on the Governor's steadfast commitment to economic development and jobs growth. It is a commitment clearly shared by the House and Senate as evidenced by your respective versions of the budget, which provide better opportunities and a better future for every Ohioan.

Each version of the budget – Executive, House and Senate – addresses five core goals, each in its own way, but with a shared commitment to fundamental objectives:

- Improving education for all children
- Helping more college students get degrees and ensure a highly skilled workforce that job-creators need to grow and expand
- Cutting and reforming taxes that pose a barrier to job creation

- Continuing Ohio's progress to transform health care and modernize our Medicaid system
- And – as addressed earlier in the Transportation budget – meeting Ohio's crucial highway infrastructure needs.

Each budget plan also builds upon the historic budget passed by the General Assembly two years ago, which closed a projected $7.7 billion structural imbalance without raising taxes and, in fact, allowed for significant tax relief to Ohioans among its other important reforms. That budget returned Ohio to fiscal stability, helped us regain our competitive standing in the marketplace and put us back on the road to rebuild the state's financial reserves.

I am confident that the final budget bill, as it emerges from this Committee, will continue that momentum and ensure even further progress toward making Ohio a more attractive place to work, live and raise our families.

The Administration looks forward to working with the Conference Committee to resolve the outstanding issues and differences between the various versions of the bill over the next two weeks.

Today, I will present the Administration's revised GRF revenue estimates, as well as the latest Medicaid projections. I will also review the condition of the GRF as FY 2013 comes to a close, and offer the Administration's perspective on a budget framework for the Conference Committee.

Economic Forecast

In preparation for the revenue revisions that I am presenting today, a meeting of the Governor's Council of Economic Advisors was held on May 15th. As you may recall, the

Council met approximately five months earlier, in December, at which time it presented a forecast that projected continued steady but slow growth in employment, income, and output. The Council's May forecast is substantially the same as the forecast made in December. The FY 2014 national outlook improved slightly, while the FY 2015 national outlook improved somewhat more. The Ohio outlook was essentially unchanged for both years of the biennium.

The forecasting firm Global Insight provides OBM with detailed national and Ohio economic forecasts, both as a member of the Governor's Council and as a contractor. Global Insight's May baseline forecast, to which they attach a 65% probability, is also not very different from the December forecast that was the basis for the Administration's Blue Book revenue forecasts. The Global Insight May baseline forecast continues to predict steady growth both in the nation and in Ohio, with FY 2015 being somewhat stronger than FY 2014. For example, Ohio wage and salary income growth is forecasted to accelerate from 3.6% in FY 2014 to 4.3% in FY 2015, and Ohio employment growth is expected to accelerate from 1.0% in FY 2014 to 1.4% in FY 2015.

As I have stated in prior testimony, compared to other U.S. recoveries from recession in the post-World War II era, this one has been weak. The Great Recession of 2007-2009 was the longest and most severe recession of the postwar period. In the 15 quarters since its end (through the first quarter of 2013), real GDP has increased at an annual rate of only 2.1%. In the first 15 quarters of recovery following the two prior recessions, in 1990-91 and 2001, real GDP grew at an average annual rate of 3.2%. The Global Insight May baseline forecast predicts that GDP growth will finally accelerate to above 3% in the final quarter of calendar year 2013, and will remain above 3% until it begins slowing again in the first quarter of 2016.

I have discussed in prior testimony the fact that the weakness of this U.S. recovery compared to others in the postwar period is particularly evident in the labor market. While real GDP finally recovered its pre-recession peak in the fourth quarter of 2011, the U.S. labor market is still 2.4 million jobs below its pre-recession peak from January 2008. Global Insight projects that U.S. employment will not cross the 138 million job threshold and pass its prior peak until the third quarter of 2014. The U.S. unemployment rate is not forecasted to drop below 7% until the first quarter of 2015.

Among the sectors that are improving and that may help drive better growth in both the national and Ohio economies in the longer run are vehicle sales and housing. Light-vehicle sales are the brightest spot, as they are expected to rise from 14.4 million units in calendar year 2012 to 16.0 million units at an annualized pace by the final quarters of FY 2015. The recovery in housing is expected to continue. Household formation is reviving, despite modest employment growth, and the recovery in demand is spreading from rental units to owner-occupied homes. Although housing starts are currently still below one million units nationally, the Global Insight baseline forecast calls for housing starts to increase to their pre-recession long-run average of about 1.5 million units by the end of FY 2015. Home prices are also rising. National median home prices rose 9.4% in FY 2013, and are projected to rise an additional 6.9% over the FY 2014-2015 period. Increasing home prices help to restore household wealth and spur consumer spending.

There are, as you may know, thousands of national and state variables in the Global Insight economic forecasts. OBM pays particular attention to a relatively small group of key variables that either summarize the broad economy or are particularly important for the equations that are used to forecast GRF tax revenues. The FY 2013-2015 forecasts for those variables are summarized in the table below.

History and Forecast of Key Economic Variables, FY 2010-2015 Annual percent change unless otherwise indicated						
	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Output						
U.S. Real GDP	0.2	2.2	2.0	2.0	2.2	3.1
Ohio Real GDP	-1.4	2.3	1.4	1.9	1.4	2.3
Income						
U.S. nominal personal income	-1.3	5.5	3.6	3.4	3.9	5.0
Ohio nominal personal income	-1.3	5.0	4.3	3.2	3.3	4.4
Ohio nominal wage and salary income	-2.5	3.8	3.9	3.2	3.6	4.3
Employment						
U.S. nonfarm employment	-3.2	0.6	1.6	1.6	1.4	1.8
Ohio nonfarm employment	-3.9	0.9	1.7	0.7	1.0	1.4
U.S. unemployment rate (percentage)	9.8	9.3	8.5	7.8	7.4	6.9
Ohio unemployment rate (percentage)	10.5	9.2	7.9	7.0	6.9	6.5
Consumer Spending						
U.S. personal consumption expenditure	2.9	5.0	3.9	3.2	3.7	4.2
U.S. retail sales	0.8	6.3	7.4	4.0	2.1	2.9
Ohio retail sales	0.8	6.3	7.3	3.4	2.2	2.6
U.S. light vehicle sales (millions of units)	11.2	12.2	13.6	15.0	15.4	15.9

Revised Revenue Estimates

The FY 2013-2015 baseline revenue forecast [Table 1 and Table 2, attached] is built on the Global Insight May baseline economic forecast. It also depends crucially on assumptions about how households and businesses reacted to uncertainty about federal tax rates at the end of calendar year 2012 and how the acceleration of income into 2012 to avoid potential (and in some cases actual) higher federal tax rates affects income and tax receipts in tax year 2013 and subsequent years. Much of the discussion of the impact of higher federal tax rates has focused on the realization of capital gains because they are concentrated among higher-income households and they are the easiest type of income to move between tax years, but there is also evidence that bonus income and corporate dividend payments experienced very large amounts of acceleration into the last quarter of 2012.

Because of this acceleration of income, FY 2013 income tax revenues have soared far beyond their FY 2012 levels and beyond OBM's original estimates. As of the end of May, income tax revenues were $520 million (6.4%) above the original estimate, and $1,037 million (13.7%) above FY 2012. OBM projects that income tax revenues will end FY 2013 $569 million (6.3%) above the original estimate. This is the primary reason that overall tax revenues are expected to end FY 2013 $709 million (3.5%) above the original estimate, and 10.8% over FY 2012 revenue totals.

The other major forecasted revenue overage in FY 2013 is in the corporate franchise tax, which is expected to finish $135 million above the original estimate. Since FY 2013 is the final year of the franchise tax, with banks and other financial institutions paying the new financial institutions tax (FIT) in FY 2014, the franchise tax overage can be viewed as essentially a one-time revenue surplus with little impact on the FY 2014-2015 forecast.

The other major GRF revenue sources contribute little to the FY 2013 surplus. The sales tax is expected to end FY 2013 only $4 million above the original estimate, with the non-auto tax falling slightly short of estimate and the auto tax coming in modestly above estimate. The cigarette tax is expected to finish the year $15 million above the original estimate, as cigarette consumption in the past year has fallen more slowly than the long-run historical trend. Finally, the CAT, Ohio's lone general business tax, is expected to fall $61 million short of the original estimate. Multiple factors have contributed to the CAT shortfall: slower growth in taxable receipts, very rapid growth in credits claimed against the tax, and a recent law change that created a larger one-time revenue loss in FY 2013 than OBM originally anticipated.

Because so much of the outsized revenue growth in FY 2013 is attributable to non-repeating factors, OBM's baseline growth forecast for GRF taxes in FY 2014 is only 0.5% ($103 million). The key factor driving this slow growth is that OBM actually expects income tax revenues to fall by 1.0% ($95 million). Although OBM will not have actual data on such items of income as capital gains, taxable dividends, bonus income, and royalties from tax year 2012 until early 2014, we have relied on the evidence available, including the official Congressional Budget Office (CBO) forecasts and information derived from correspondence with CBO forecasters to make projections of these components of non-wage income. Expected decreases in capital gains and dividends will cause total income tax revenues to fall, even though employer withholding is forecasted to grow by 4.9% in FY 2014.

GRF tax revenue growth in FY 2014 will be led by the sales tax, which is forecasted to increase 5.1%. This growth rate is boosted somewhat by expected growth in the revenue derived from Medicaid health insuring corporations (MHICs), as more Medicaid recipients are served under managed care rather than fee-for-service models. Without the MHIC additional revenues, the growth rate would be 4.3%. Although CAT revenues show a decline in FY 2014, this is the result of accounting rather than a decrease in the tax base. In FY 2014, OBM shows the diversion from the GRF of CAT revenues derived from motor fuel (as required by the Supreme Court decision in *Beaver Excavating*) as a subtraction from tax revenues, whereas in FY 2013 all tax revenues continued to go to the GRF or the property tax replacement funds; but the estimated motor fuel tax revenue amount will be accounted for as a transfer out of the GRF to a newly created special fund.

In FY 2015, once the issue of the acceleration of income from tax year 2013 into tax year 2012 is past, GRF tax revenue growth is expected to accelerate to 6.0% ($1,259 million). Income tax revenues are expected to grow by 6.9%, as withholding growth accelerates to 5.6% and non-wage income elements such as dividends and capital gains resume growing. Sales tax revenues are forecasted to grow 6.6%, although the growth percentage would be 3.9% without additional MHIC revenues. Stronger employment growth and improvement in household balance sheets will drive better growth in consumer spending.

Relative to the Blue Book estimates, FY 2014 GRF baseline tax revenues are $74 million higher in FY 2014 and $364 million higher in FY 2015. The vast majority of the increase in both years is in the income tax, at $108 million in FY 2014 and $338 million in FY 2015. As mentioned earlier, because so much of the income tax growth in FY 2013 is due to what appear to be one-time increases in non-wage income elements, the increase in the FY 2014 income tax is much smaller than the FY 2013 increase, which is estimated at $1,106 million. In FY 2015 the increase relative to the Blue Book estimates is based on both improvements in withholding ($124 million) and in the tax derived from non-wage income ($214 million).

Relative to the February 2013 LSC GRF tax estimates, which were used to construct both the House and Senate budgets, the updated OBM estimates are lower by $79 million in FY 2014 but higher by $114 million in FY 2015. When including all state non-tax receipts, the updated OBM estimates are lower by $71 million in FY 2014, but higher by $106 million in FY 2015.

FY 2013 Ending GRF Balance and Its Disposition

OBM now expects FY 2013 tax revenues to end the year $709 million above the original budget forecasts contained in the Monthly Financial Report. Of that amount, $261 million had already been accounted for in the February estimates that were in the Executive Budget. Personal income tax revenues account for $569 million, or more than 80%, of the $709 million tax surplus. As I discussed in my testimony concerning state revenues, we believe that much of this revenue is due to accelerations of income from tax year 2013/fiscal year 2014.

Non-tax revenues and transfers also are expected to end FY 2013 far above the original budget estimates. Non-tax revenues should end the year $539 million above the original estimate, with $500 million of that overage coming from one source, the payment to the state GRF from JobsOhio for the lease of the state liquor enterprise. Transfers to the GRF are expected to be $237 million above the original estimate due to primarily to larger than expected liquor profits and excess CAT revenue. In total, non-federal GRF revenues are expected to end FY 2013 $1,485 million above the original estimate.

The OBM revenue revision will produce a larger FY 2013 ending balance than was estimated at the time of the Executive Budget. Before I discuss the particulars of the new projected ending balance, I want to provide several points of context.

First, the FY 2013 revised ending balance figure is driven largely by one-time events: the $500 million payment from JobsOhio; the increased personal income tax receipts as a result of income shifted into CY 2012; and corporate franchise tax prior-year settlement payments.

Second, both the House and the Senate versions of the budget carry forward FY 2013 ending balances to support their respective tax policy changes. The Senate-passed version relies on $517.3 million in FY 2013 carry forward. Furthermore, if the Conference Committee report contains both a small business exemption and personal income tax rate reduction, additional amounts of the FY 2013 ending balance may need to be carried forward.

Table 3, attached, shows the disposition of the FY 2013 ending balance. The revenue surplus, after setting aside 0.5% of revenues as the GRF fund balance ($148.5 million), is now estimated at $2,084 million, up from $1,561.6 million in February. House Bill 59 currently calls for the use of $167 million from that amount to set aside $120 million for interest payments to the federal government for unemployment compensation borrowing, transfer $20 million to replenish the Controlling Board Emergency Purposes Fund, deposit $15 million in the Disaster Assistance Fund, and transfer $12 million as a reserve against possible required payments for court cases.

After accounting for these transfers, statute will require the transfer of just over $1.0 billion ($1,002.9 million) to the Budget Stabilization Fund (BSF), which would bring the total balance of the fund to $1,481.9 million, or 5% of prior-year GRF revenues, which is the statutory target level.

After the BSF transfer, the Executive Budget assumed the use of $415.9 million for CY 2013 personal income tax cuts through the Income Tax Reduction Fund.

As I mentioned earlier, the Senate-passed version commits $517.3 million to help fund the small business income tax exemption. Using the Senate budget assumption, that leaves an uncommitted ending balance of $396.8 million.

It is the Governor's view that the remaining uncommitted ending balance funds should be returned to the taxpayers.

Revised Medicaid Estimates

As you know, this budget significantly reworks the line item structure for Medicaid across all six Medicaid-administering agencies in order to greatly improve the ability to understand and analyze Medicaid spending. It accomplishes this goal by ensuring that Medicaid-related lines no longer contain non-Medicaid uses and that line items no longer mix spending on services and program support. In addition, it clearly identifies these Medicaid line items through the use of a common numbering system. We have received much positive feedback from legislators, their staff, and interested parties on these budgetary improvements.

These same advances that enabled us, for the first time ever, to present spending information across the entire Medicaid program in the Executive Budget also enable us to present our updated forecasts for the entire Medicaid program at this time.

The recommended appropriations for Medicaid contained in the Executive Budget reflected projected costs of the program, assuming adoption of our proposed reforms. Based upon more recent information, we have updated our Executive Budget Medicaid estimates for Conference Committee. We now project that the Executive Budget, as introduced, would require the following Medicaid appropriations:

- All Funds appropriations of $22.396 billion in FY 2014 and $24.773 billion in FY 2015, which relative to Executive Budget levels is an increase of $44.7 million in FY 2014 and $273.9 million in FY 2015.
- GRF appropriations of $14.913 billion in FY 2014 and $16.994 billion in FY 2015, which is a reduction of $138.4 million in FY 2014 and an increase of $224.5 million in FY 2015.

- State share-only GRF appropriations of $5.607 billion in FY 2014 and $5.925 billion in FY 2015, which is a reduction of $22.0 million in FY 2014 and an increase of $89.1 million in FY 2015.

These changes are primarily the result of updated data and information, such as caseload, utilization, managed care rates, and volume-based contracts. Implementation dates for approved policy initiatives have also shifted due to delays in the federal approval process, including the Integrated Care Delivery System for dual eligibles and the temporary enhancement of physician rates to Medicare levels.

What is most relevant to note today, however, is our projected appropriation needs based upon House Bill 59 as amended by the General Assembly. Both the House and Senate versions of the bill utilized the Legislative Service Commission's February baseline Medicaid estimates, which initially enabled GRF appropriations to be lowered from our Executive Budget recommended levels by $119.1 million ($41.2 million state share) in FY 2014 and by $80.7 million ($28.2 million state share) in FY 2015.

Additionally, both chambers included changes to the Executive Budget framework, including removal of the Medicaid extension of benefits and associated provider reimbursement changes, increases to PASSPORT and Department of Developmental Disabilities waiver rates, increases to the administrative rates for PASSPORT administrative agencies, and the addition of a bonus for nursing homes. These policy changes resulted in increased GRF state share spending by $125.1 million in FY 2014 and $236.5 million in FY 2015 and decreased total GRF spending by $220.1 million in FY 2014 and $1,386.3 million in FY 2015. Furthermore, unfunded Medicaid reimbursement mandates were added, which require the Department of Medicaid to increase reimbursement for a service or add a service, but the required appropriation was not added to the budget.

Using our updated projections, and incorporating our estimates of the policy changes made by the Senate, we now estimate that the appropriation adjustments needed to fund the Senate version of the bill (excluding the unfunded Medicaid mandates) are as follows:

- All Funds requires an increase in appropriations in FY 2014 by $163.8 million and by $354.6 million in FY 2015 relative to the As Passed by the Senate funding levels.
- GRF requires a decrease in appropriations in FY 2014 by $19.3 million and an increase by $305.2 million in FY 2015.
- State-share only GRF requires an increase in appropriations in FY 2014 by $19.2 million and by $117.3 million in FY 2015.

The following table may help illustrate the GRF portion of changes described above. Please note this table reflects state and federal GRF spending across all agencies:

	Total GRF		State Share GRF	
	FY14	**FY15**	**FY14**	**FY15**
Executive Budget	$ 15,052,401,928	$ 16,769,051,270	$ 5,629,090,415	$ 5,779,048,856
G.A. Adjustments	$ (220,052,493)	$ (1,386,320,586)	$ 125,166,683	$ 236,519,486
LSC Feb. Baseline Adjustment	$ (119,100,000)	$ (80,700,000)	$ (41,200,000)	$ (28,200,000)
Senate As Passed	***$ 14,713,249,435***	***$ 15,302,030,684***	***$ 5,713,057,098***	***$ 5,987,368,342***
Executive Forecast Update	$ (138,411,100)	$ 224,462,564	$ (22,011,100)	$ 89,074,158
Restore Feb. LSC Baseline Adj	$ 119,100,000	$ 80,700,000	$ 41,200,000	$ 28,200,000
CONFERENCE NEED	**$ 14,693,938,335**	**$ 15,607,193,248**	**$ 5,732,245,998**	**$ 6,104,642,500**
Variance from Senate Passed	*$ (19,311,100)*	*$ 305,162,564*	*$ 19,188,900*	*$ 117,274,158*

Table 4, attached, details which line items we believe should be adjusted.

We look forward to discussing our revised Medicaid projections during Conference Committee deliberations to ensure adequate funding for the program through the next biennium. We also urge Committee members to incorporate into your report a return to the Executive Budget's proposal to extend Medicaid eligibility and make related reforms so that $504 million state-share GRF can be freed up for other purposes.

Administration's Perspective on a Budget Framework for the Conference Committee

Having now provided the Committee with OBM's updated GRF revenue and Medicaid projections, I believe it might be helpful to further explain the impact of the OBM revisions on the work of the Conference Committee. In this calculation, I use the Senate-passed appropriation levels and revenue-related policy assumptions, not because they are the preference of the Administration, but because they incorporate many of the changes made in the House and reflect the most recent legislative action.

In order to use a budget framework that incorporates OBM's updated revenue and Medicaid projections, the "movement" must be from LSC's revenue and Medicaid projections from February, which are the foundation for the Senate-passed version of the bill. From a state share-only GRF perspective in FY 2014, assumed revenue should be reduced by $71 million, and Medicaid appropriations should be increased by $19 million; thus, the Committee needs to address a variance of $90 million. From a state share-only GRF perspective in FY 2015, assumed revenue should be increased by $106 million, and Medicaid appropriations should be increased by $117 million; thus, the Committee needs to address a variance of $11 million.

After making these adjustments, the General Assembly might again consider utilizing the updated projections of LSC that you will receive today. Given the fact that the economy is currently experiencing growth levels below the long-term trend and because of the uncertainty regarding the impact of the acceleration of revenue that I previously discussed, the Administration would urge the Committee to be conservative in the adoption of both revenue and Medicaid estimates.

Concluding Remarks

Both the House and Senate versions of the bill contain provisions that advance the Governor's goal of cutting taxes and reducing Ohio's tax burden to make our state more competitive in the global marketplace for jobs and economic growth. The House has focused on this goal by cutting the personal income tax rate, while the Senate's budget bill cuts income taxes paid by Ohio's small businesses. We understand there is a desire to achieve both of these objectives that were part of the Governor's budget, and we look forward to working with you to provide additional tax reform in ways that help us ensure long-lasting economic success.

The Administration appreciates the House and Senate support of the Governor's commitment to provide significant new resources to our schools – especially those with the least revenue capacity, as measured by their property tax base and personal income – and targeting aid to meet the needs of students in the classroom. Both the House and Senate plans build off the key principles of the Governor's *Achievement Everywhere Plan*, including the creation of a Straight A Fund that will allow our schools to implement their best reform proposals and transition to programs that enhance the academic achievement of our students.

Both chambers have adopted the Governor's higher education funding reform proposals, which will position our state as a national leader in results-based funding to improve graduation rates and help us meet Ohio's future workforce needs.

And finally, regarding the hundreds of line items for which the Administration carefully set the appropriations to fund government programs and operations, we thank the House and Senate for thoroughly reviewing them and coming to essentially the same conclusions we did. As you know, most line items, both GRF and non-GRF, remain unchanged from the executive recommendations.

My Cabinet colleagues and I, along with other Administration staff, stand ready to provide any assistance and information the Conference Committee may need as you work to finalize the budget and policy provisions in House Bill 59.

Mr. Chairman, I thank you for the opportunity to address the Conference Committee today. At this time, I would be happy to answer any questions members of the Committee might have.

ATTACHMENTS

Table 1: FY 2013 GRF Revenue (Executive Budget vs. Conference Committee)

Table 2: FY 2014-2015 GRF Baseline Revenue (Executive Budget vs. Conference Committee)

Table 3: Disposition of FY 2013 Ending Cash Balance

Table 4: Medicaid ALI Changes (only affected lines)

Table 1

General Revenue Fund Revenues

Fiscal Year 2013

(dollars in millions)

REVENUE SOURCE	Feb, 2013 Executive Budget	Jun, 2013 Conference Committee	Conference vs Executive $ Change
Auto Sales & Use	1,070.0	1,089.0	19.0
Non-Auto Sales & Use	7,297.9	7,340.0	42.1
Total Sales & Use	8,367.9	8,429.0	61.1
Personal Income	9,250.5	9,539.0	288.5
Corporate Franchise	180.0	285.0	105.0
Commercial Activity Tax	831.4	788.9	(42.5)
Public Utility	110.0	97.0	(13.0)
Kilowatt-Hour Tax	296.9	305.8	8.9
Natural Gas Consumption	60.0	58.0	(2.0)
Foreign Insurance	270.0	279.1	9.1
Domestic Insurance	200.0	205.0	5.0
Business & Property	25.0	35.0	10.0
Cigarette	815.0	830.0	15.0
Alcoholic Beverage	58.0	55.0	(3.0)
Liquor Gallonage	40.0	41.0	1.0
Estate	100.0	105.0	5.0
Total Tax Receipts	**20,604.6**	**21,052.8**	**448.2**
Earnings/Investment	5.5	10.0	4.5
Licenses and Fees	46.0	70.0	24.0
Other Income	533.0	533.0	0.0
ISTV's & IDC's	15.0	25.0	10.0
Total Non-Tax Receipts	599.5	638.0	38.5
Liquor Transfers	160.0	169.5	9.5
Transfers In - Other	241.6	255.3	13.7
Transfers In - Temporary	0.0	0.0	0.0
Total Transfers In	401.6	424.8	23.2
Total Sources w/o Federal	**21,605.7**	**22,115.6**	**509.9**
Federal Grants	7,608.6	7,583.0	(25.6)
TOTAL SOURCES	**29,214.3**	**29,698.6**	**484.3**

Table 2

General Revenue Fund Baseline Revenue

FY2014 - 2015

(dollars in millions)

REVENUE SOURCE	FY 2014 Executive Feb, 2013	FY 2014 Conference June, 2013	FY 2014 $ Change	FY 2015 Executive Feb, 2013	FY 2015 Conference June, 2013	FY 2015 $ Change
Auto Sales & Use	1,119.0	1,137.0	18.0	1,172.0	1,188.0	16.0
Non-Auto Sales & Use	7,802.1	7,719.3	(82.8)	8,261.5	8,250.3	(11.2)
Total Sales & Use	8,921.1	8,856.3	(64.8)	9,433.5	9,438.3	4.8
Personal Income	9,335.7	9,444.1	108.4	9,760.3	10,098.6	338.3
Financial Institutions Tax	190.0	205.0	15.0	200.0	210.0	10.0
Commercial Activity Tax	795.1	769.3	(25.8)	820.9	788.9	(32.0)
Public Utility	110.0	100.0	(10.0)	110.0	105.0	(5.0)
Kilowatt-Hour Tax	279.1	300.2	21.1	270.5	300.9	30.4
Natural Gas Consumption	60.0	60.0	0.0	60.0	60.0	0.0
Foreign Insurance	272.0	277.7	5.7	276.0	281.2	5.2
Domestic Insurance	214.0	208.3	(5.7)	254.0	238.7	(15.3)
Cigarette	790.0	813.4	23.4	765.0	797.1	32.1
Alcoholic Beverage	58.0	55.0	(3.0)	58.0	55.0	(3.0)
Liquor Gallonage	41.4	41.0	(0.4)	42.5	41.0	(1.5)
Estate	15.0	25.0	10.0	0.0	0.0	0.0
Total Tax Receipts	**21,081.4**	**21,155.4**	**74.0**	**22,050.7**	**22,414.7**	**364.0**
Earnings/Investment	6.0	12.0	6.0	6.0	15.0	9.0
Licenses and Fees	46.0	72.0	26.0	46.0	72.0	26.0
Other Income	32.9	32.9	0.0	36.2	36.2	0.0
ISTV's & IDC's	15.0	15.0	0.0	15.0	15.0	0.0
Total Non-Tax Receipts	99.9	131.9	32.0	103.2	138.2	35.0
Liquor Transfers	0.0	0.0	0.0	0.0	0.0	0.0
Transfers In - Other	353.6	328.0	(25.6)	377.9	345.6	(32.3)
Transfers In - Temporary	0.0	0.0	0.0	0.0	0.0	0.0
Total Transfers In	353.6	328.0	(25.6)	377.9	345.6	(32.3)
Total Sources w/o Fed	**21,534.9**	**21,615.3**	**80.4**	**22,531.8**	**22,898.5**	**366.7**
Federal Grants	9,423.3	9,002.3	(421.0)	10,982.1	9,315.1	(1,667.0)
TOTAL SOURCES	**30,958.2**	**30,617.6**	**(340.6)**	**33,513.9**	**32,213.6**	**(1,300.3)**
Total Sources w/o Temp	**30,958.2**	**30,617.6**	**(340.6)**	**33,513.9**	**32,213.6**	**(1,300.3)**

Prepared by the Office of Budget and Management June, 2013

Table 3
Disposition of FY 2013 Ending Cash Balance
($ in millions)

	February Estimate	June Estimate	$ Variance
FY 2013 Ending Cash Balance as of June 30, 2013	1707.7	2232.5	524.8
Less 0.5% Requirement	146.1	148.5	2.4
Surplus Ending Balance	1561.6	2084.0	522.4
HB 59 End of Year Transfers Out	167.0	167.0	0.0
Budget Stabilization Fund Transfer	978.7	1002.9	24.2
ORC 131.44/HB 59 Section 512.70 Reserve*	415.9	517.3	101.4
Uncommitted Balance	0	396.8	

* The executive budget proposed the commitment of $415.9 million for CY 2013 personal income tax cuts through the Income Tax Reduction Fund.

The House and Senate budgets carry forward funds to support permanent CY 13 personal income tax reductions. Specifically, the Senate Passed version of the budget carries forward $517.3 million to help support the small business personal income tax exemption.

Table 4

Medicaid Line Item Changes Needed for Conference Forecast

Note: Only line items with changes are shown.

FUND	ALI		SENATE AS-PASSED FY 14	RESTORE LSC FEB. BASELINE ADJUST.	EXECUTIVE REFORECAST	CONFERENCE FY 14
GRF	651425	Medicaid Program Support	$ 150,382,299	$ -	$ 26,688,900	$ 177,071,199
GRF	*651525*	*Medicaid /Health Care Svcs - STATE*	*$ 4,747,521,777*	*$ 41,200,000*	*$ (49,300,000)*	*$ 4,739,421,777*
GRF	*651525*	*Medicaid /Health Care Svcs - FEDERAL*	*$ 9,000,192,337*	*$ 77,900,000*	*$ (116,400,000)*	*$ 8,961,692,337*
GRF	651525	Medicaid /Health Care Svcs - TOTAL	$ 13,747,714,114	$ 119,100,000	$ (165,700,000)	$ 13,701,114,114
GRF	651526	Medicare Part D	$ 308,749,142	$ -	$ 600,000	$ 309,349,142
General Revenue Fund Total				**$ 119,100,000**	**$ (138,411,100)**	
GRF - State Share				*$ 41,200,000*	*$ (22,011,100)*	
3F00	651623	Medicaid Services - Federal	$ 2,977,109,943	$ -	$ (11,500,000)	$ 2,965,609,943
3F00	651624	Medicaid Program Support - Federal	$ 409,896,401	$ -	$ 155,150,000	$ 565,046,401
3FA0	651680	Health care Grants - Federal	$ 20,000,000	$ -	$ 25,400,000	$ 45,400,000
Federal Special Revenue Fund Group				**$ -**	**$ 169,050,000**	
5R20	651608	Medicaid Svs - Long Term Care	$ 402,000,000	$ -	$ (4,000,000)	$ 398,000,000
5U30	651654	Medicaid Program Support	$ 36,205,843	$ -	$ 18,100,000	$ 54,305,843
State Special Revenue Fund Group				**$ -**	**$ 14,100,000**	
All Funds Total of Affected ALIs				**$ 119,100,000**	**$ 44,738,900**	

FUND	ALI		SENATE AS-PASSED FY 15	RESTORE LSC FEB. BASELINE ADJUST.	EXECUTIVE REFORECAST	CONFERENCE FY 15
GRF	651425	Medicaid Program Support	$ 156,964,636	$ -	$ 23,482,000	$ 180,446,636
GRF	*651525*	*Medicaid /Health Care Svcs - STATE*	*$ 4,991,552,135*	*$ 28,200,000*	*$ 77,492,158*	*$ 5,097,244,293*
GRF	*651525*	*Medicaid /Health Care Svcs - FEDERAL*	*$ 9,314,662,342*	*$ 52,500,000*	*$ 135,388,406*	*$ 9,502,550,748*
GRF	651525	Medicaid /Health Care Svcs - TOTAL	$ 14,306,214,477	$ 80,700,000	$ 212,880,564	$ 14,599,795,041
GRF	651526	Medicare Part D	$ 324,920,518	$ -	$ (11,900,000)	$ 313,020,518
General Revenue Fund Total				**$ 80,700,000**	**$ 224,462,564**	
GRF - State Share				*$ 28,200,000*	*$ 89,074,158*	
3F00	651623	Medicaid Services - Federal	$ 3,214,589,109	$ -	$ (17,780,564)	$ 3,196,808,545
3F00	651624	Medicaid Program Support - Federal	$ 410,223,399	$ -	$ 44,200,000	$ 454,423,399
3FA0	651680	Health care Grants - Federal	$ 20,000,000	$ -	$ 24,500,000	$ 44,500,000
Federal Special Revenue Fund Group				**$ -**	**$ 50,919,436**	
5R20	651608	Medicaid Svs - Long Term Care	$ 402,000,000	$ -	$ (4,000,000)	$ 398,000,000
5U30	651654	Medicaid Program Support	$ 35,403,126	$ -	$ 2,500,000	$ 37,903,126
State Special Revenue Fund Group				**$ -**	**$ (1,500,000)**	
All Funds Total of Affected ALIs				**$ 80,700,000**	**$ 273,882,000**	