Budget Footnotes

A NEWSLETTER OF THE OHIO LEGISLATIVE SERVICE COMMISSION

JUNE 2014

STATUS OF THE GRF

HIGHLIGHTS

– Ross A. Miller, Chief Economist, 614-644-7768

The unemployment rate in Ohio dropped from 6.1% in March to 5.7% in April. The national unemployment rate also declined by 0.4 percentage point that month, from 6.7% to 6.3%. Adjusting for lower withholding rates, monthly payroll withholding in Ohio is about 5.7% higher over the last three months than during March through May of 2013.

May GRF sources were below estimate by $358.8 million, or 13%. This was attributable primarily to federal grants, which are closely associated with Medicaid expenditures being below estimate by $340.8 million. But GRF tax revenue was also below estimate by $100.8 million. In spite of negative variances for both April and May, GRF tax revenue remains above estimate for FY 2014 entering its final month by $158.3 million.

Through May 2014, GRF sources totaled $26.76 billion:

- Revenue from the personal income tax was $173.9 million above estimate;
- Sales and use tax receipts were $12.6 million below estimate.

Through May 2014, GRF uses totaled $28.20 billion:

- Medicaid expenditures were $841.0 million below estimate;
- Property Tax Reimbursements were $155.6 million below estimate due mainly to timing.

VOLUME 37, NUMBER 10

STATUS OF THE GRF

ISSUE UPDATES

TRACKING THE ECONOMY

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Table 1: General Revenue Fund Sources
Actual vs. Estimate
Month of May 2014
($ in thousands)
(Actual based on report run in OAKS Actuals Ledger on June 5, 2014)

	Actual	Estimate*	Variance	Percent
STATE SOURCES				
TAX REVENUE				
Auto Sales	$110,665	$106,100	$4,565	4.3%
Nonauto Sales and Use	$685,797	$697,500	-$11,703	-1.7%
Total Sales and Use Taxes	$796,462	$803,600	-$7,138	-0.9%
Personal Income	$540,322	$620,400	-$80,078	-12.9%
Corporate Franchise	$59	$0	$59	---
Financial Institutions	$22,994	$43,100	-$20,106	-46.6%
Public Utility	$33,518	$31,000	$2,518	8.1%
Kilowatt Hour Excise	$21,064	$19,100	$1,964	10.3%
Natural Gas Consumption (MCF)	$34,765	$26,800	$7,965	29.7%
Commercial Activity Tax	$162,229	$172,300	-$10,071	-5.8%
Foreign Insurance	-$13,105	-$12,400	-$705	-5.7%
Domestic Insurance	$195,981	$193,500	$2,481	1.3%
Business and Property	$0	$0	$0	---
Cigarette	$127,717	$126,400	$1,317	1.0%
Alcoholic Beverage	$4,741	$4,000	$741	18.5%
Liquor Gallonage	$3,356	$3,300	$56	1.7%
Estate	$1,201	$1,000	$201	20.1%
Total Tax Revenue	**$1,931,303**	**$2,032,100**	**-$100,797**	**-5.0%**
NONTAX REVENUE				
Earnings on Investments	$3	$0	$3	---
Licenses and Fees	$958	$6,000	-$5,042	-84.0%
Other Revenue	$845	$3,625	-$2,780	-76.7%
Total Nontax Revenue	**$1,806**	**$9,625**	**-$7,819**	**-81.2%**
TRANSFERS				
Liquor Transfers	$0	$0	$0	---
Budget Stabilization	$0	$0	$0	---
Other Transfers In	$708	$200	$508	254.2%
Total Transfers In	**$708**	**$200**	**$508**	**254.2%**
TOTAL STATE SOURCES	**$1,933,817**	**$2,041,925**	**-$108,108**	**-5.3%**
Federal Grants	$475,881	$726,574	-$250,693	-34.5%
TOTAL GRF SOURCES	**$2,409,698**	**$2,768,499**	**-$358,801**	**-13.0%**

* Estimates of the Office of Budget and Management as of September 2013.
Detail may not sum to total due to rounding.

Table 2: General Revenue Fund Sources
Actual vs. Estimate
FY 2014 as of May 31, 2014
($ in thousands)
(Actual based on report run in OAKS Actuals Ledger on June 5, 2014)

	Actual	Estimate*	Variance	Percent	FY 2013	Percent Change
STATE SOURCES						
TAX REVENUE						
Auto Sales	$1,104,998	$1,067,700	$37,298	3.5%	$1,007,424	9.7%
Nonauto Sales and Use	$7,255,795	$7,305,700	-$49,905	-0.7%	$6,705,630	8.2%
Total Sales and Use Taxes	$8,360,793	$8,373,400	-$12,607	-0.2%	$7,713,054	8.4%
Personal Income	$7,309,490	$7,135,600	$173,890	2.4%	$8,630,559	-15.3%
Corporate Franchise	-$11,768	$0	-$11,768	---	$273,977	-104.3%
Financial Institutions	$171,341	$186,600	-$15,259	-8.2%	$0	---
Public Utility	$105,887	$99,800	$6,087	6.1%	$96,557	9.7%
Kilowatt Hour Excise	$288,130	$292,150	-$4,020	-1.4%	$288,286	-0.1%
Natural Gas Consumption (MCF)	$76,110	$58,600	$17,510	29.9%	$57,608	32.1%
Commercial Activity Tax	$786,160	$808,639	-$22,479	-2.8%	$786,949	-0.1%
Foreign Insurance	$288,152	$279,100	$9,052	3.2%	$277,029	4.0%
Domestic Insurance	$196,134	$194,700	$1,434	0.7%	$194,560	0.8%
Business and Property	$476	$0	$476	---	$34,463	-98.6%
Cigarette	$749,573	$749,500	$73	0.0%	$770,535	-2.7%
Alcoholic Beverage	$50,748	$49,200	$1,548	3.1%	$48,952	3.7%
Liquor Gallonage	$38,030	$37,400	$630	1.7%	$36,989	2.8%
Estate	$38,424	$24,700	$13,724	55.6%	$100,527	-61.8%
Total Tax Revenue	**$18,447,679**	**$18,289,389**	**$158,290**	**0.9%**	**$19,310,046**	**-4.5%**
NONTAX REVENUE						
Earnings on Investments	$12,383	$8,000	$4,383	54.8%	$7,379	67.8%
Licenses and Fees	$56,672	$66,000	-$9,328	-14.1%	$69,489	-18.4%
Other Revenue	$33,865	$39,875	-$6,010	-15.1%	$535,503	-93.7%
Total Nontax Revenue	**$102,919**	**$113,875**	**-$10,956**	**-9.6%**	**$612,372**	**-83.2%**
TRANSFERS						
Liquor Transfers	$0	$0	$0	---	$88,000	-100.0%
Budget Stabilization	$0	$0	$0	---	$0	---
Other Transfers In	$56,412	$7,200	$49,212	683.5%	$9,251	509.8%
Total Transfers In	**$56,412**	**$7,200**	**$49,212**	**683.5%**	**$97,251**	**-42.0%**
TOTAL STATE SOURCES	**$18,607,011**	**$18,410,464**	**$196,547**	**1.1%**	**$20,019,668**	**-7.1%**
Federal Grants	$8,156,373	$8,401,285	-$244,912	-2.9%	$7,304,635	11.7%
TOTAL GRF SOURCES	**$26,763,383**	**$26,811,749**	**-$48,366**	**-0.2%**	**$27,324,303**	**-2.1%**

* Estimates of the Office of Budget and Management as of September 2013.
Detail may not sum to total due to rounding.

Through May, GRF tax receipts in FY 2014 were $158.3 million above estimate.

REVENUES

– *Jean J. Botomogno, Principal Economist, 614-644-7758*

Overview

GRF sources[1] of $2.41 billion for May 2014 were $358.8 million below the estimate released by the Office of Budget and Management (OBM) in September 2013, with GRF tax sources and federal grants both short of anticipated receipts. This poor monthly performance resulted in a negative year-to-date variance of $48.4 million in overall GRF sources. For the second consecutive month, GRF tax sources were below estimates. Negative variances of $111.7 million in April and $100.8 million in May decreased the year-to-date positive variance of GRF tax sources to $158.3 million, down from $370.8 million through the end of the third fiscal quarter. However, the year-to-date positive variance for state-source GRF receipts as a whole totaled $196.5 million through May. Similarly to GRF tax sources, federal grants also experienced a negative variance of $250.7 million for the month, resulting in a negative year-to-date variance of $244.9 million for this GRF source. Tables 1 and 2 show GRF sources for the month of May and for FY 2014 through May, respectively.

Through May, FY 2014 GRF sources were $48.4 million below estimate.

In May 2014, major tax sources fell short of estimates, including the personal income tax ($80.1 million), the commercial activity tax (CAT, $10.1 million), and the sales and use tax ($7.1 million). The financial institutions tax (FIT) was also substantially below anticipated revenue for tax returns due May 31, though part of the shortfall of $20.1 million is probably due to a timing issue.[2] Nearly all remaining tax sources were above estimates. Most notably, utility-related taxes surpassed anticipated levels, with the natural gas consumption (MCF) tax above estimate by $8.0 million, the kilowatt-hour tax by $2.0 million, and the public utility tax by $2.5 million. The domestic insurance tax and the cigarette tax were also above estimates by $2.5 million and $1.3 million, respectively.

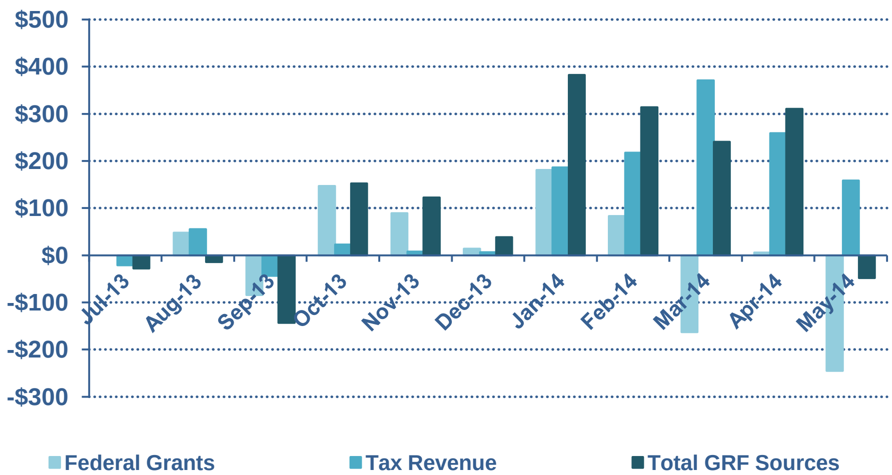
Following trends established in earlier months, for the fiscal year through May, nontax revenues were below estimates by $11.0 million; and the transfers in year-to-date positive variance was $49.2 million.

[1] GRF sources consist of state-source receipts, which include tax revenue, nontax revenue, and transfers in, and federal grants, which are federal reimbursements for Medicaid and certain other human service programs.

[2] FIT receipts for the month of June were $26.4 million as of June 10, 2014, and anticipated revenue for the month is $18.4 million.

Chart 1 below shows FY 2014 cumulative variances against estimate for federal grants, tax sources, and total GRF sources. As stated earlier, total GRF sources were $48.4 million below estimate through May 2014. Regarding tax revenues, as shown in Table 2, the personal income tax had a large positive variance; the auto sales and use tax, the MCF tax, the foreign insurance tax, the domestic insurance tax, the public utility tax, and the estate tax had more modest positive variances. On the other hand, the nonauto sales and use tax, the CAT, the corporate franchise tax (CFT), the FIT, and the kilowatt-hour tax were below anticipated receipts.

Chart 1: Cumulative Variances of GRF Sources in FY 2014
(Variance from Estimates, in millions)



Through May, FY 2014 GRF sources were $560.9 million below GRF sources in FY 2013.

Compared to FY 2013, FY 2014 total GRF sources decreased $560.9 million. A decrease of $1.41 billion in state-source revenue was partially offset by an increase of $851.7 million in federal grants. Revenues from all major categories of state sources were below year-ago levels. Tax receipts declined $862.4 million. Revenue from nontax revenues and transfers in fell $509.5 million and $40.8 million, respectively. As explained in previous issues of *Budget Footnotes*, this large decrease in nontax revenue was due to a deposit of $495.0 million to the GRF in February 2013 from proceeds of a $1.57 billion bond sale related to the transfer of the state liquor franchise.[3] That action also resulted in the GRF no longer receiving transfers from liquor profits in subsequent months in 2013 and 2014.

[3] H.B. 153 of the 129th General Assembly, the operating budget act for the FY 2012-FY 2013 biennium, authorized the transfer of the state liquor operation to JobsOhio, a private nonprofit entity created by H.B. 1 of the 129th General Assembly.

Compared to FY 2013, decreases in revenues from the personal income tax, the CFT, the estate tax, the business and property tax (also called dealers in intangibles tax or DIT), the kilowatt-hour tax, and the cigarette tax were partially offset by increased receipts from the sales and use tax, the FIT, the MCF tax, the public utility tax, and the foreign insurance tax.

Revenue from the personal income tax fell $1.32 billion, while that from the sales and use tax increased $647.7 million. The decrease in income tax revenue was due to an 8.5% reduction in income tax rates for tax year (TY) 2013 enacted in H.B. 59 (the current operating budget act). The increase in sales and use tax receipts over FY 2013 reflects, in part, the increase in the tax rate from 5.5% to 5.75% in September 2013, also enacted in the budget act. CFT, DIT, and estate tax receipts similarly declined due to recent tax law changes. The CFT and the DIT were eliminated by H.B. 510 of the 129th General Assembly, while the estate tax was repealed for dates of death beginning in calendar year 2013 by H.B. 153 of the 129th General Assembly. The decline from FY 2013 levels was $285.7 million for the CFT, $62.1 million for the estate tax, and $31.0 million for the DIT.

Personal Income Tax

Through May, FY 2014 GRF income tax receipts were $173.9 million above estimate.

May GRF receipts from the personal income tax of $540.3 million were $80.1 million (12.9%) below estimate. Personal income tax revenue is equal to gross collections after subtracting both refunds and distributions to the Local Government Fund (LGF). Gross collections are the sum of employer withholding, quarterly estimated payments,[4] trust payments, payments associated with annual returns, and miscellaneous payments. Nearly all personal income tax components were short of projected receipts, including payments due with annual tax returns ($22.4 million), monthly employer withholding ($21.1 million), and estimated payments ($17.7 million). Monthly receipts were also $190.1 million (26.0%) below receipts in the same month a year ago.

For the fiscal year through May, the GRF has received $7.31 billion from the personal income tax. That amount was $173.9 million above estimate. The table below summarizes year-to-date FY 2014 income tax revenue variances from estimates and annual changes by component. As

[4] Quarterly estimated payments are made by taxpayers who expect to be underwithheld by more than $500. Payments are due on or before April 15, June 15, and September 15 of the tax year and January 15 of the following year. Most estimated payments are made by high-income taxpayers.

seen from the table, and continuing recent trends, the personal income tax's positive year-to-date variance was mostly due to lower than expected refunds ($312.4 million) along with higher than anticipated quarterly estimated payments ($73.2 million), and employer withholding receipts ($38.1 million). Those positive variances were partly offset by shortfalls in annual tax return payments ($205.6 million), miscellaneous receipts ($32.0 million), and trust payments ($6.0 million).

Through May, FY 2014 withholding tax receipts were $38.1 million above estimate.

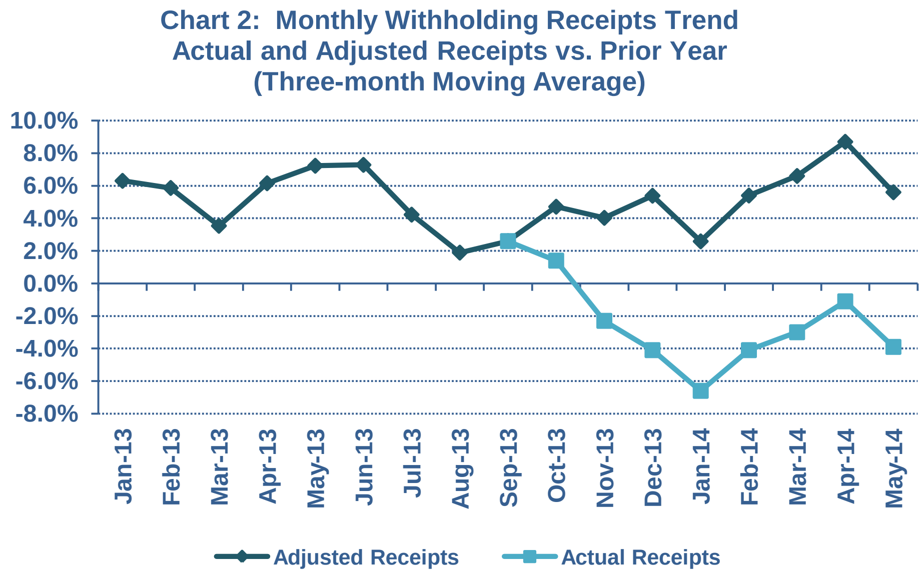
FY 2014 Year-to-Date Income Tax Revenue Variances and Changes by Component				
Category	Year-to-Date Variance from Estimate		Year-to-Date Changes from FY 2013	
	Amount ($ in millions)	Percentage (%)	Amount ($ in millions)	Percentage (%)
Withholding	$38.1	0.5%	-$187.5	-2.5%
Quarterly Estimated Payments	$73.2	7.9%	-$153.7	-13.3%
Trust Payments	-$6.0	-9.4%	-$37.5	-39.4%
Annual Return Payments	-$205.6	-20.6%	-$577.4	-42.2%
Miscellaneous Payments	-$32.0	-21.8%	-$15.8	-12.0%
Gross Collections	-$132.4	-1.4%	-$971.8	-9.5%
Less Refunds	-$312.4	-15.9%	$368.8	28.7%
Less LGF Distribution	$6.1	2.0%	-$19.6	-5.9%
Income Tax Revenue	$173.9	2.4%	-$1,321.1	-15.3%

FY 2014 GRF receipts from the income tax were $1.32 billion (15.3%) below receipts in the corresponding period in FY 2013. Receipts from all income tax components, except for refunds, were below their respective levels in FY 2013. Through May, FY 2014 refunds were $368.8 million higher. Payments with annual returns were $577.4 million below such payments in FY 2013, quarterly estimated payments declined $153.7 million, and revenues from employer withholding were $187.5 million below receipts in those categories last year. These income tax components were directly affected by income tax changes in H.B. 59, including the tax rate reduction, the small business deduction, and the earned income tax credit.[5] Additionally, payments by trusts fell $37.5 million. Chart 2 illustrates the trend in employer withholding

Through May, FY 2014 GRF income tax receipts were $1.32 billion below FY 2013 revenue.

[5] The small business deduction permits individuals who have income from a trade or business to deduct one-half of the net business income apportioned to Ohio beginning in TY 2013, up to $250,000. The state earned income tax credit (EITC) equals 5% of the amount allowed for the federal EITC. (Please note that Am. Sub. H.B. 483, enacted this month by the General Assembly, modified these provisions of H.B. 59.)

receipts since January 2013. The chart also includes withholding receipts adjusted for a 9% reduction in the withholding rate from October 2013 to May 2014. Though actual withholding receipts have fallen since the withholding rate change that went into effect for payroll that ended on or after September 1, 2013, payroll growth has trended upward, though this growth ebbed in the last three months.



Various reports from the Department of Taxation suggest that a large number of businesses with relatively large incomes did not claim the small business deduction in their initial tax returns, or filed for extensions due by October 2014. This would imply that the full impact of income tax provisions in H.B. 59 is likely to soften receipts in the next several months when taxpayers file amended income tax returns or finalize their tax year 2013 tax returns, though the personal income tax will probably finish this fiscal year ahead of estimates.

Sales and Use Tax

May GRF receipts from the sales and use tax of $796.5 million were $7.1 million (0.9%) below estimate, and $36.4 million (4.8%) above receipts in May 2013. The auto sales and use tax was above estimate, while the nonauto sales and use tax was short of anticipated receipts for the month.

With a month left in FY 2014, GRF sales and use tax receipts totaled $8.36 billion, $12.6 million (0.2%) below estimate, with a positive variance for the auto sales and use tax partially offsetting a shortage in the nonauto sales and use tax. FY 2014 total receipts were $647.7 million (8.4%) above receipts in the corresponding period last year, due, in part, to the state sales tax rate increase from 5.5% to 5.75% enacted by H.B. 59. Growth of the taxable base was roughly 4.9% for the fiscal year through May (after adjusting for the rate change). For analysis and forecasting, the sales and use tax is separated into two parts: auto and nonauto. Auto sales and use tax collections[6] generally arise from the sale of motor vehicles while nonauto sales and use tax collections arise from other sales. However, auto taxes arising from leases are paid at the lease signing and are mostly recorded under the nonauto tax instead of the auto tax.

Through May, FY 2014 sales and use tax receipts were $12.6 million below estimate.

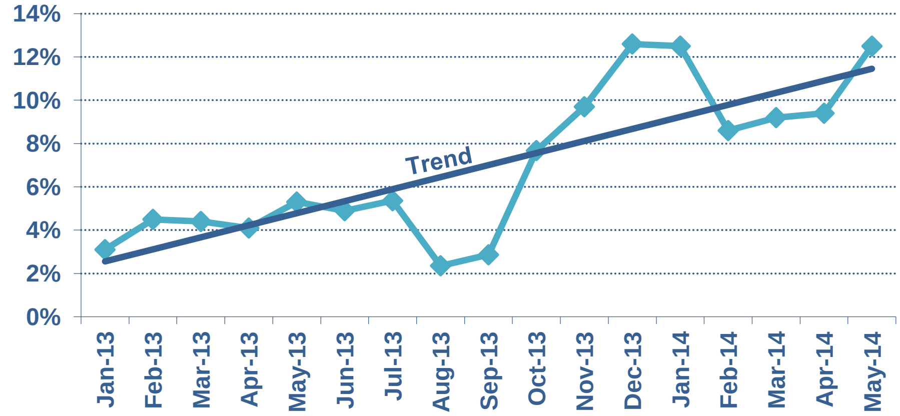
Nonauto Sales and Use Tax

May GRF receipts of $685.8 million were $11.7 million (1.7%) below estimate, but $36.1 million (5.6%) above receipts in May 2013. For the fiscal year, total nonauto sales and use tax receipts of $7.26 billion through May were $49.9 million (0.7%) below projected revenues, but $550.2 million (8.2%) above revenue in the corresponding period in FY 2013. FY 2014 year-to-date receipts include $413.4 million in tax payments by Medicaid health insuring corporations; those receipts rose $32.4 million (17.8%) compared to the year-ago period. Chart 3 shows increases in nonauto sales and use tax monthly receipts against prior year receipts in the same month. Nonauto sales and use tax revenue improved in March and April after a weather-related weakness at the start of this calendar year, but due to the underperformance in May, the nonauto sales and use tax is likely to be short of estimates at the end of FY 2014.

Through May, FY 2014 nonauto sales and use tax receipts were $49.9 million below estimate.

[6] The clerks of court generally make auto sales and use tax payments on Monday for taxes collected during the preceding week on motor vehicles, watercraft, and outboard motors titled. Therefore, auto sales and use tax receipts largely reflect vehicles sold and titled during the month.

Chart 3: Nonauto Sales and Use Tax Receipts Trend
Actual vs. Prior Year
(Three-month Moving Average)

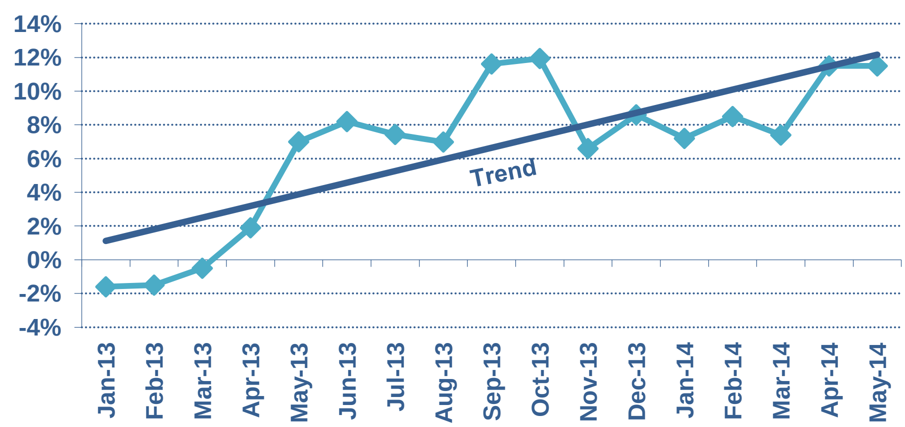


Auto Sales and Use Tax

Through May, FY 2014 auto sales and use tax receipts were $37.3 million above estimate.

May GRF receipts from the auto sales and use tax of $110.7 million were $4.6 million (4.3%) above estimate, and exceeded receipts in May 2013 by $0.3 million (0.3%). This monthly performance increased the auto sales and use tax year-to-date positive variance to $37.3 million (3.5%), from $32.7 million at the end of April. For the fiscal year, GRF revenue from the auto sales and use tax of $1.10 billion was $97.6 million (9.7%) above receipts in FY 2013. Chart 4 below compares FY 2014 monthly auto sales and use tax receipts with year-ago receipts in the same period. After a weather-related pause in the first calendar quarter, the auto sales and use tax has been above estimate the last three months, and will finish the fiscal year above projected revenues.

Chart 4: Auto Sales and Use Tax Receipts Trend
Actual vs. Prior Year
(Three-month Moving Average)



Nationwide sales of light vehicles in May surged to 16.7 million units on a seasonally adjusted annualized rate, up from a 16.0 million unit rate in April. This monthly pace was the best since February 2007. Unadjusted sales in May increased about 11% on a year-ago basis. Both auto and light-truck sales increased, with the larger rise in the truck segment; auto sales increased about 9%, while light-truck sales rose about 13%.

Commercial Activity Tax

The last CAT payment from calendar quarter taxpayers for this fiscal year, due May 9, produced GRF revenue of $162.2 million. That amount was $10.1 million (5.8%) below estimate, but $4.3 million (2.7%) above revenue in the same month in FY 2013. GRF receipts for the fiscal year from the CAT were $786.2 million through May. This monthly performance increased the tax's year-to-date negative variance to $22.5 million (2.8%), from $12.4 million through April, and likely ensures the tax will finish the fiscal year below estimate. The year-to-date negative variance is due, in part, to larger credit claims than estimated against the tax for FY 2014. Compared to last year, FY 2014 GRF revenue from the tax fell $0.8 million (0.1%). However, according to OAKS, FY 2014 all-funds CAT receipts were $1.60 billion through May, $14.5 million (0.9%) above revenue in the corresponding period in FY 2013. Under current law, 50% of CAT receipts are deposited in the GRF, with the other half deposited in two local government funds that are used to reimburse school districts and other units of local government for lost revenues from the phase-out and reductions in tangible personal property taxes.

Through May, FY 2014 GRF CAT receipts were $22.5 million below estimate.

Cigarette and Other Tobacco Products Tax

GRF receipts from the cigarette and other tobacco products tax of $127.7 million in May 2014 were $1.3 million (1.0%) above estimate, but $12.7 million (9.0%) below receipts in the same month in FY 2013. Through May, FY 2014 receipts of $749.6 million were $73,000 (0.0%) above estimated revenue for the period. Receipts from cigarette sales were $698.2 million, and sales of products other than cigarettes provided $51.3 million. Compared to FY 2013, for the year to date through May, receipts fell $21.0 million (2.7%). A decrease of $23.5 million in revenue from cigarette sales was partially offset by an increase of $2.5 million in revenue from the sales of other tobacco products.

Through May, FY 2014 cigarette tax receipts were $73,000 above estimate.

Table 3: General Revenue Fund Uses
Actual vs. Estimate
Month of May 2014
($ in thousands)
(Actual based on OAKS reports run June 3, 2014)

PROGRAM	**Actual**	**Estimate***	**Variance**	**Percent**
Primary and Secondary Education	$469,613	$538,426	-$68,813	-12.8%
Higher Education	$175,568	$193,017	-$17,450	-9.0%
Other Education	$2,566	$2,334	$232	9.9%
Total Education	$647,747	$733,778	-$86,030	-11.7%
Medicaid	$836,894	$1,177,702	-$340,808	-28.9%
Health and Human Services	$111,807	$53,040	$58,767	110.8%
Total Welfare and Human Services	$948,701	$1,230,742	-$282,041	-22.9%
Justice and Public Protection	$123,347	$131,259	-$7,912	-6.0%
General Government	$23,981	$24,284	-$304	-1.3%
Total Government Operations	$147,328	$155,543	-$8,215	-5.3%
Property Tax Reimbursements	$478,845	$351,485	$127,360	36.2%
Capital Outlay	$0	$0	$0	---
Debt Service	$12,392	$14,275	-$1,883	-13.2%
Total Other Expenditures	$491,237	$365,760	$125,477	34.3%
Total Program Expenditures	**$2,235,013**	**$2,485,823**	**-$250,810**	**-10.1%**
TRANSFERS				
Budget Stabilization	$0	$0	$0	---
Other Transfers Out	$11,071	$0	$11,071	---
Total Transfers Out	$11,071	$0	$11,071	---
TOTAL GRF USES	**$2,246,084**	**$2,485,823**	**-$239,738**	**-9.6%**

* September 2013 estimates of the Office of Budget and Management.
Detail may not sum to total due to rounding.

Table 4: General Revenue Fund Uses
Actual vs. Estimate
FY 2014 as of May 31, 2014
($ in thousands)
(Actual based on OAKS reports run June 3, 2014)

PROGRAM	**Actual**	**Estimate***	**Variance**	**Percent**
Primary and Secondary Education	$6,318,255	$6,250,871	$67,384	1.1%
Higher Education	$1,921,944	$1,941,547	-$19,603	-1.0%
Other Education	$48,638	$51,926	-$3,288	-6.3%
Total Education	$8,288,836	$8,244,344	$44,493	0.5%
Medicaid	$12,842,465	$13,683,423	-$840,958	-6.1%
Health and Human Services	$1,182,599	$1,220,897	-$38,298	-3.1%
Total Welfare and Human Services	$14,025,064	$14,904,320	-$879,256	-5.9%
Justice and Public Protection	$1,701,321	$1,742,136	-$40,815	-2.3%
General Government	$325,539	$343,341	-$17,803	-5.2%
Total Government Operations	$2,026,860	$2,085,478	-$58,618	-2.8%
Property Tax Reimbursements	$1,457,672	$1,613,230	-$155,557	-9.6%
Capital Outlay	$0	$0	$0	---
Debt Service	$1,160,786	$1,210,446	-$49,660	-4.1%
Total Other Expenditures	$2,618,458	$2,823,675	-$205,218	-7.3%
Total Program Expenditures	**$26,959,218**	**$28,057,817**	**-$1,098,599**	**-3.9%**
TRANSFERS				
Budget Stabilization	$995,930	$995,930	$0	0.0%
Other Transfers Out	$249,828	$245,422	$4,406	1.8%
Total Transfers Out	$1,245,758	$1,241,352	$4,406	0.4%
TOTAL GRF USES	**$28,204,976**	**$29,299,169**	**-$1,094,193**	**-3.7%**

* September 2013 estimates of the Office of Budget and Management.
Detail may not sum to total due to rounding.

Table 5: All-Funds Medicaid Expenditures by Payment Category
Actual vs. Estimate
($ in thousands)
(Actuals based on OAKS report run on June 4, 2014)

	May				Year to Date Through May			
Payment Category	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Managed Care	$697,490	$851,947	-$154,457	-18.1%	$6,875,364	$7,411,628	-$536,264	-7.2%
Nursing Facilities	$198,390	$138,684	$59,706	43.1%	$2,230,840	$2,153,089	$77,752	3.6%
DDD Services	$168,735	$172,301	-$3,567	-2.1%	$2,066,323	$2,097,077	-$30,754	-1.5%
Hospitals	$586,445	$353,186	$233,259	66.0%	$2,153,548	$2,308,539	-$154,991	-6.7%
Behavioral Health	$65,803	$81,976	-$16,173	-19.7%	$719,066	$850,292	-$131,226	-15.4%
Administration	$54,965	$89,807	-$34,842	-38.8%	$701,075	$978,000	-$276,925	-28.3%
Aging Waivers	$41,365	$53,090	-$11,724	-22.1%	$487,974	$592,656	-$104,682	-17.7%
Prescription Drugs	$32,269	$36,776	-$4,507	-12.3%	$368,249	$434,670	-$66,421	-15.3%
Medicare Buy-In	$36,371	$38,261	-$1,889	-4.9%	$394,987	$405,733	-$10,745	-2.6%
Physicians	$27,199	$30,342	-$3,143	-10.4%	$915,152	$708,916	$206,236	29.1%
Medicare Part D	$24,182	$25,264	-$1,083	-4.3%	$271,418	$284,076	-$12,658	-4.5%
Home Care Waivers	$18,828	$14,465	$4,363	30.2%	$230,549	$226,968	$3,581	1.6%
ACA Expansion	$150,099	$0	$150,099	N/A	$317,197	$0	$317,197	N/A
All Other	$104,236	$110,695	-$6,459	-5.8%	$1,220,643	$1,365,218	-$144,575	-10.6%
Total All Funds	**$2,206,377**	**$1,996,794**	**$209,582**	**10.5%**	**$18,952,385**	**$19,816,860**	**-$864,475**	**-4.4%**

* Estimates of the Office of Budget and Management as of September 2013

Detail may not sum to total due to rounding.

Table 6: Medicaid Expenditures by Department
Actual vs. Estimate
($ in thousands)
Actuals based on OAKS report run on June 4, 2014

	Month of May 2014				Year to Date Through May 2014			
Department	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Medicaid	**$2,012,366**	**$1,808,072**	**$204,294**	**11.3%**	**$16,662,335**	**$17,454,014**	**-$791,679**	**-4.5%**
GRF	$799,105	$1,146,951	-$347,846	-30.3%	$12,358,530	$13,204,344	-$845,813	-6.4%
Non-GRF	$1,213,261	$661,121	$552,140	83.5%	$4,303,805	$4,249,670	$54,134	1.3%
Developmental Disabilities	**$178,494**	**$175,562**	**$2,932**	**1.7%**	**$2,127,529**	**$2,162,975**	**-$35,446**	**-1.6%**
GRF	$33,418	$26,841	$6,577	24.5%	$419,665	$415,525	$4,140	1.0%
Non-GRF	$145,076	$148,721	-$3,645	-2.5%	$1,707,864	$1,747,450	-$39,587	-2.3%
Job and Family Services	**$10,405**	**$9,254**	**$1,151**	**12.4%**	**$128,765**	**$161,162**	**-$32,396**	**-20.1%**
GRF	$3,929	$3,262	$666	20.4%	$56,318	$55,619	$699	1.3%
Non-GRF	$6,476	$5,992	$485	8.1%	$72,448	$105,543	-$33,095	-31.4%
Aging	**$551**	**$772**	**-$221**	**-28.7%**	**$5,791**	**$6,295**	**-$504**	**-8.0%**
GRF	$229	$394	-$165	-41.9%	$3,253	$3,221	$32	1.0%
Non-GRF	$322	$378	-$56	-14.9%	$2,539	$3,075	-$536	-17.4%
Health	**$2,625**	**$1,309**	**$1,316**	**100.5%**	**$20,999**	**$20,648**	**$351**	**1.7%**
GRF	$214	$254	-$40	-15.7%	$2,971	$2,987	-$16	-0.5%
Non-GRF	$2,412	$1,056	$1,356	128.5%	$18,028	$17,661	$368	2.1%
Mental Health and Addiction	**$1,935**	**$1,825**	**$110**	**6.0%**	**$6,965**	**$11,766**	**-$4,801**	**-40.8%**
GRF	$0	$0	$0	N/A	$1,728	$1,728	$0	0.0%
Non-GRF	$1,935	$1,825	$110	6.0%	$5,237	$10,039	-$4,801	-47.8%
Total GRF	**$836,894**	**$1,177,702**	**-$340,808**	**-28.9%**	**$12,842,465**	**$13,683,423**	**-$840,958**	**-6.1%**
Total Non-GRF	**$1,369,483**	**$819,093**	**$550,390**	**67.2%**	**$6,109,920**	**$6,133,437**	**-$23,517**	**-0.4%**
Total All Funds	**$2,206,377**	**$1,996,794**	**$209,582**	**10.5%**	**$18,952,385**	**$19,816,860**	**-$864,475**	**-4.4%**

*Estimates of the Office of Budget and Management as of September 2013
Detail may not sum to total due to rounding.

Through May, FY 2014 GRF uses were $1.09 billion below estimate.

Year-to-date GRF Medicaid expenditures were $841.0 million below estimate; all-funds expenditures were $864.5 million below estimate.

EXPENDITURES

– Russ Keller, Economist, 614-644-1751

– Wendy Risner, Senior Budget Analyst, 614-644-9098

Overview

Through May, FY 2014 GRF program expenditures were $26.96 billion, $1.10 billion below estimate. GRF transfers out were $1.25 billion, $4.4 million above estimate. GRF uses as a whole totaled $28.20 billion for the first 11 months of FY 2014. These uses were $1.09 billion below their year-to-date estimate. Tables 3 and 4 show GRF uses for the month of May and for FY 2014 through May, respectively.

Except for Primary and Secondary Education, which had a positive year-to-date variance of $67.4 million, expenditures from all other program categories were below their year-to-date estimates.[7] Medicaid had the largest negative year-to-date variance of $841.0 million, followed by Property Tax Reimbursements ($155.6 million), Debt Service ($49.7 million), Justice and Public Protection ($40.8 million), and Health and Human Services ($38.3 million). These variances are briefly discussed below.

Medicaid

For the month of May, GRF Medicaid expenditures were $340.8 million (28.9%) below estimate. However, across all funds, Medicaid expenditures were $209.6 million (10.5%) above their May estimate. For the fiscal year to date, GRF and all-funds Medicaid expenditures were both below estimates, by $841.0 million (6.1%) and $864.5 million (4.4%), respectively. With only one month remaining, FY 2014 GRF Medicaid expenditures totaled $12.84 billion while all-funds expenditures totaled $18.95 billion. Medicaid is a joint federal-state program. The federal share of Medicaid expenditures is about 64% and the state's share is about 36%. Medicaid is mainly funded by the GRF, but is also supported by various non-GRF funds.

Medicaid is administered by the Ohio Department of Medicaid (ODM) and five other agencies (Developmental Disabilities, Job and Family Services, Aging, Health, and Mental Health and Addiction Services). Table 5 details Medicaid expenditures by payment category across all funds and agencies. As seen from Table 5, Managed Care had

[7] For reporting purposes, GRF program expenditures were grouped into nine categories. A tenth category, Capital Outlay, has had no expenditures through the end of May.

the largest negative year-to-date variance at $536.3 million (7.2%), followed by Administration ($276.9 million, 28.3%), Hospitals ($155.0 million, 6.7%), All Other ($144.6 million, 10.6%), and Behavioral Health ($131.2 million, 15.4%). Physicians and Nursing Facilities, on the other hand, were the two categories that had significant positive year-to-date variances at $206.2 million (29.1%) and $77.8 million (3.6%), respectively, which partially offset the negative year-to-date variances in the other categories. Furthermore, expenditures for the ACA Expansion category, a new category created in January, totaled $317.2 million. This category contains expenditures for individuals who became eligible for coverage on January 1, 2014 through the federal Patient Protection and Affordable Care Act (ACA). The estimate released by the Office of Budget and Management (OBM) in September 2013 did not anticipate any expenditures from this category. Thus, no variance is reported for this category.

The negative year-to-date variance in Managed Care was partly due to a lower than expected caseload for the Covered Families and Children population and partly due to a later than anticipated start of the Integrated Care Delivery System, otherwise known as MyCare Ohio. MyCare Ohio, which is a three-year pilot program that provides managed care services to individuals covered by Medicaid and Medicare, began enrollment in May instead of March as projected. This delay was also the main reason behind the positive year-to-date variance in the Nursing Facilities category. Because of the delay, nursing facility payments that would have taken place under MyCare Ohio and been reflected in the Managed Care category were instead reflected in the Nursing Facilities category.

The negative year-to-date variance in Administration was caused by several factors. According to ODM, some contracts that are to be paid from this category have been delayed until FY 2015 and some contracts may not be needed after all. The appropriation for this category also includes funding for certain administrative activity grants that have not yet been pursued or awarded at this time. The later than expected approval from the federal government, which is required for making payments related to the Hospital Upper Payment Limit (UPL) Program, accounted for the negative year-to-date variance in the Hospitals category. ODM just began making UPL payments in May after receiving federal approval. Behavioral Health's negative year-to-date variance was due to the lower than expected caseload in the Health Homes Program. Under the program, individuals with severe and persistent mental illness receive improved care coordination through a person-centered care model.

Finally, the positive year-to-date variance in Physicians was due to both timing issues and larger than estimated payments related to the physician rate increase that was required under the ACA.

Table 6 details the GRF and non-GRF portions of Medicaid expenditures from each of the six agencies that take part in administering Medicaid. ODM, the largest agency within this program category, had the largest year-to-date variance. Its GRF expenditures totaled $12.36 billion through May, which was $845.8 million (6.4%) below estimate. ODM's non-GRF year-to-date expenditures totaled $4.30 billion, $54.1 million (1.3%) above estimate. Across all funds, ODM's year-to-date expenditures totaled $16.66 billion, which was $791.7 million (4.5%) below estimate.

Property Tax Reimbursements

FY 2014 property tax reimbursement payments are expected to be about $20 million below estimate.

GRF expenditures for Property Tax Reimbursements were $478.8 million in May. These expenditures were $127.4 million (36.2%) above estimate, which reduced the category's negative year-to-date variance from $282.9 million at the end of April to $155.6 million (9.6%) at the end of May. As reported in prior issues of *Budget Footnotes*, the reimbursements based on the February 2014 settlement started in March and will continue through June. The reimbursements based on the August 2013 settlement were completed in December, and payments were $10.1 million lower than estimate. For the fiscal year as a whole, the reimbursement payments are expected to be about $20 million below estimate. H.B. 483 of 130th General Assembly reduces the total appropriation for GRF property tax reimbursements for FY 2014 by $20 million.

Debt Service

GRF debt service payments totaled $12.4 million in May, $1.9 million (13.2%) below estimate. Through May, GRF debt service payments totaled $1.16 billion, $49.7 million (4.1%) below estimate. Debt service payments from the Public Works Commission (PWC), Ohio Facilities Construction Commission (OFCC), and Board of Regents (BOR) were all below their year-to-date estimates, by $22.3 million, $17.1 million, and $5.6 million, respectively. Together, they accounted for $45.0 million (90.7%) of the category's total negative year-to-date variance. H.B. 483 reduces FY 2014 debt service appropriations for PWC, OFCC, and BOR by a total of $48.9 million. General obligation bonds issued for the programs administered by these agencies are backed by the full faith and credit of the state. The state is obligated to fully fund any debt service payments required for those bonds.

Justice and Public Protection

GRF expenditures for Justice and Public Protection amounted to $123.3 million in May. These expenditures were $7.9 million (6.0%) below estimate, which increased the category's negative year-to-date variance from $32.9 million at the end of April to $40.8 million (2.3%) at the end of May. The Department of Rehabilitation and Correction (DRC) accounted for $26.4 million (64.9%) of the category's total negative year-to-date variance. Appropriation items 505321, Institution Medical Services, and 501321, Institutional Operations, were $17.0 million and $7.5 million, respectively, below their year-to-date estimates. In addition to DRC, the Judiciary/Supreme Court and the Department of Youth Services contributed $8.2 million and $5.5 million, respectively, to the category's negative year-to-date variance.

Health and Human Services

GRF expenditures for Health and Human Services totaled $111.8 million in May. These expenditures were $58.8 million (110.8%) above estimate, which reduced the category's negative year-to-date variance from $97.1 million at the end of April to $38.3 million (3.1%) at the end of May. The Ohio Department of Job and Family Services (ODJFS) accounted for $26.6 million (69.6%) of the category's total negative year-to-date variance. Expenditures from appropriation items 600321, Program Support, and 600416, Information Technology Projects, were $10.7 million and $9.6 million, respectively, below their year-to-date estimates. In addition to ODJFS, the Department of Health and the Department of Mental Health and Addiction Services contributed $4.6 million and $3.5 million, respectively, to the category's negative year-to-date variance.

Primary and Secondary Education

GRF expenditures for Primary and Secondary Education were $469.6 million in May. These expenditures were $68.8 million (12.8%) below estimate, which continued to lower the category's positive year-to-date variance, from $136.2 million at the end of April to $67.4 million (1.1%) at the end of May. School foundation payments continue to be the main contributor to the category's positive year-to-date variance. Expenditures from item 200550, Foundation Funding, the primary funding source of school foundation payments, were $74.5 million above their year-to-date estimate. This positive variance was somewhat offset by a small net negative variance in all other items within the Ohio Department of Education (ODE) budget. As noted in previous issues of *Budget Footnotes*, the positive year-to-date variance in school foundation payments was largely due to the standard practice followed by ODE when adjusting for over and under payments for schools. This variance should narrow further in June, the last month of FY 2014.

Issue Updates

OHT Awards Maternal Opiate Medical Support Grant to MetroHealth

– Justin Pinsker, Budget Analyst, 614-466-5709

On May 19, 2014, the Governor's Office of Health Transformation (OHT) awarded MetroHealth Medical Center in Cuyahoga County $395,170 as part of the Maternal Opiate Medical Support (MOMS) Project. MetroHealth will use the grant to begin a pilot program to provide treatment for pregnant women currently addicted to opioids and babies being treated for neonatal abstinence syndrome. Neonatal abstinence syndrome is a disorder in newborns caused by exposure to addictive illegal or prescription drugs. MetroHealth expects to serve a total of 125 women and babies enrolled over the course of the two-and-a-half year grant. Funds may also be used to provide a limited amount of nonclinical services that are not reimbursable by the Medicaid Program such as housing vouchers for transitional housing, transportation, or babysitting for medical and treatment appointments. The pilot program is also supported by a $35,000 grant from March of Dimes.

The MOMS Project was announced in August 2013 as a joint project between the Ohio Department of Mental Health and Addiction Services (OMHAS) and the Ohio Department of Medicaid (ODM). The program aims to reduce the number and length of hospital stays for women being treated for opioid addiction and babies being treated for neonatal abstinence syndrome. The state grant for MOMS came from two sources: the Children's Health Insurance Program and the Medicaid Program. The federal Children's Health Insurance Program Reauthorization Act (CHIPRA) of 2009 established performance bonuses for states. Ohio was awarded bonuses as a result of the state's efforts to enroll and retain more children on the Medicaid Program. In addition to the CHIPRA bonus funds, ODM transferred $2.1 million of available Medicaid funds to OMHAS for the project. OHT plans to award three more grants for MOMS pilot programs in Athens, Franklin, and Hamilton counties.

Consumer-Directed Services Expanded Statewide

– Wendy Risner, Senior Budget Analyst, 614-644-9098

On March 1, 2014, the Ohio Department of Aging (ODA) expanded consumer-directed services statewide for certain home and community-based Medicaid waiver programs for older Ohioans. This option allows individual consumers to recruit, hire, schedule, and if necessary, fire their service providers.[8] Consumer direction is currently part of the Choices Program with 520 participants, but the program is only offered in four regions of the state. As part of ODA's expansion efforts, Choices will cease operations on June 30, 2014 and consumer direction will instead be offered under the PASSPORT or MyCare Ohio programs. The 520 Choices participants have been, or will be, transitioned onto these programs. Of this number, ODA estimates that 380 Choices participants will be transitioned onto PASSPORT. The remaining 140 Choices participants reside in counties that are taking part in the new MyCare Ohio Program and will instead be enrolled onto that program.

PASSPORT, which is available in all 88 counties, is a home and community-based program that provides in-home, long-term care services to older individuals. To be eligible for the program, an individual must be age 60 or older, meet Medicaid eligibility for institutional care, and require a nursing home level of care. Services covered on PASSPORT include: personal care, home-delivered meals, transportation, social work and counseling, nutrition consultant, independent living assistance, emergency response systems, and medical supplies and equipment.

MyCare Ohio is a three-year demonstration program in 29 counties that began operations on May 1, 2014. It is a managed care program that coordinates and provides care for individuals that are eligible for both Medicare and Medicaid (otherwise known as dual-eligibles). All benefits or services offered through Medicare and Medicaid must be offered under the MyCare Ohio benefit package.

School Facilities Commission Awards School Security Grants

– Matthew L. Stiffler, Budget Analyst, 614-466-5654

On April 15, the School Facilities Commission (SFC) completed the first phase of grant awards for the School Security Grants program funded through a $12.0 million appropriation in H.B. 59. The Commission received grant applications from 3,675 schools and has already allocated over $10.0 million. With the robust response to the first round of state security grants, SFC does not have enough funds to host the planned second round. The grant program was initially expected to last through fiscal year 2015.

Grants have been awarded to 581 districts in 86 counties affecting 1.3 million students. In addition to schools already receiving funding approval, 343 schools that

[8] Under the consumer-directed services option, each Medicaid consumer is the "employer of record" and as such, is responsible for the financial aspects of the service, including completing tax forms and payroll duties. However, fiscal agents are available under the waiver programs to assist Medicaid consumers with those fiscal services. The cost of fiscal services is about $110 per month per consumer.

already have some type of emergency system are on a secondary list to potentially receive remaining grant money.

Schools could apply for up to a $2,000 grant for an emergency communication system installation and up to a $5,000 grant for a security door upgrade. According to SFC, the requests have been evenly split between these two types of grants. Of the schools that have already completed security door upgrade projects, the average amount spent has been around $4,200. If that level of spending continues, additional grants may be made available.

BOR Announces Recipients of Workforce Development Equipment and Facility Grants

– Edward Millane, Senior Budget Analyst, 614-995-9991

In May 2014, the Board of Regents (BOR) announced grant awards in the amount of $2.9 million for nine community colleges and three universities to expand and develop new workforce and development education and training programs (see table below). The awards will be used to purchase equipment or develop laboratory classroom space to enable students and workers to improve their skills and advance their careers in regional, high-demand industries. BOR anticipates that the 12 grant recipients will partner with over 45 companies and 25 other post-secondary institutions, including eight Ohio Technical Centers. Program grants are supported by the state through higher education bonds for capital investments.

Workforce Development Equipment and Facility Grants	
College/University	**Award Amount**
Belmont College	$35,975
Cleveland State University	$293,500
Cuyahoga Community College	$242,000
Eastern Gateway Community College	$250,000
Lorain County Community College	$281,650
North Central State College	$264,877
Northwest State Community College	$324,000
Rhodes State College	$248,468
Stark State College	$300,000
Southern State Community College	$243,000
University of Cincinnati	$121,981
Youngstown State University	$299,015
Total	**$2,904,466**

Department of Youth Services Closes Scioto Juvenile Correctional Facility

– Maggie Wolniewicz, Budget Analyst, 614-995-9992

On May 3, 2014, the Department of Youth Services closed the Scioto Juvenile Correctional Facility (SJCF). According to the Department, SJCF had an annual budget of $28.3 million and the savings from the closure is estimated to be $3.8 million. A majority of SJCF's 247 staff were retained and transferred to other departmental facilities, primarily, the Circleville Juvenile Correctional Facility. The savings from the closure is being reallocated to other departmental operations, most specifically the three remaining juvenile correctional facilities and local community corrections programs which are typically operated by county juvenile justice systems. The SJCF property has since been transferred to the Department of Administrative Services so that it can be sold.

SJCF served as the Department's reception center, central medical facility, and was the only facility to house both male and female offenders. SJCF, which had an average daily population of 68 in FY 2013, was closed as a result of a continued reduction in the number of juveniles committed to a state juvenile correctional facility and an increased focus on serving juveniles in local community settings. All juveniles with time remaining on their sentences were transferred to other juvenile correctional facilities or residential contract facilities. SJCF's closure leaves three state juvenile correctional facilities serving male juveniles still in operation – Circleville, Cuyahoga Hills, and Indian River (Massillon). Female juveniles are being placed in one of the Department's three contract facilities: the Montgomery County Center for Adolescent Services, Applewood Centers located in Cuyahoga County, or the Buckeye Ranch located in Franklin County.

OHFA Awards $28.1 Million under 2014 Housing Tax Credit Program

– Tynita M. White, LSC Fellow, 614-466-1523

On May 14, 2014, the Ohio Housing Finance Agency (OHFA) awarded $28.1 million in federal housing tax credits to 37 housing developers under the 2014 Housing Tax Credit (HTC) Program. HTC is a tax incentive program designed to increase the supply of good quality, affordable rental housing by helping developers reduce the cost of providing rental housing for individuals with low- to moderate-income. The awards will fund the construction, acquisition, and rehabilitation of 47 project proposals with 2,966 housing units serving families, seniors, and individuals with disabilities in 32 counties. The $28.1 million tax credits were awarded for proposals in three tax credit allocation pools: (1) new rental units, (2) existing rental units, and (3) permanent supportive housing (for special needs individuals and families, and for the homeless). The table below shows the number of HTC project proposals and tax credits awarded by category.

OHFA Housing Tax Credit Program Awards for 2014		
Tax Credit Allocation Pool	**Project Proposals**	**Tax Credits Awarded**
New Units	17	$12.1 million
Existing Units	24	$12.1 million
Permanent Supportive Housing	6	$3.9 million
Total	**47**	**$28.1 million**

Developers use the credits by selling them to investors to raise capital for acquisition, rehabilitation, and construction costs, thereby lowering project financing expenses.[9] This enables a developer to offer housing units at lower rental rates for eligible tenants. HTC projects must remain in use as affordable housing for 30 years, including a 15-year tax credit compliance period, and a subsequent 15-year commitment to keep the development available for low- to moderate-income tenants.

BWC Launches Safety Alert Fact Sheet Initiative for Public Employers

– Terry Steele, Senior Budget Analyst, 614-387-3319

In April 2014, the Ohio Bureau of Workers' Compensation (BWC) launched a new workplace safety awareness initiative directed toward public employers as part of the agency's Public Employer Risk Reduction Program (PERRP), housed within BWC's Division of Safety and Hygiene. PERRP Safety Alerts (PSAs) are designed to highlight occupational hazards involved with particular activities, present relevant injury statistics, and provide guidelines for maintaining safe workplaces. The current PSA covers tree felling and trimming. All PSAs may be downloaded from the BWC website.

In addition to offering safety advice and onsite safety consultations for state and local public employers, PERRP also investigates public employee complaints about unsafe working conditions and public employee workplace fatalities. PERRP serves approximately 3,794 public employers and 600,000 public employees in Ohio. Like other Division of Safety and Hygiene programs, PERRP is funded by a percentage of workers' compensation premiums. The current rate is 0.5% of the premiums paid by public employers.

[9] Entities that buy the housing tax credits can subtract the amount of the credits from their federal taxes on a dollar-for-dollar basis for ten years.

Ohio EPA Awards $4.3 million in Recycling and Litter Prevention Grants

– Garrett Crane, Budget Analyst, 614-466-9108

On May 13, 2014, the Ohio Environmental Protection Agency announced the award of 78 competitive grants totaling $4.3 million to support a variety of recycling, litter cleanup, and scrap tire management projects.[10] The largest component – $1.7 million – was awarded as Market Development grants for 11 projects involving the partnering of a political subdivision, mostly solid waste management districts, with a business or nonprofit organization, for the purpose of creating recycling market infrastructure. The grants range from a low of $13,850 awarded to a project partnering the Summit/Akron Solid Waste Management Authority with Regency Seating to five grants of $250,000 each awarded to the Butler County Recycling and Solid Waste District (Cohen Hamilton), the Defiance, Fulton, Paulding, and Williams Joint Solid Waste Management District (Andre Farms), the Erie County Solid Waste District (Barnes Nursery), the Hamilton County Recycling and Solid Waste District (Cleanlites Recycling), and North Perry Village (RES Polyflow).

A total of $1.5 million was awarded as Community Recycling and Litter Prevention grants for 25 projects, mostly with county-affiliated entities, for the collection and processing of recyclable materials and litter prevention. The grants range from a low of $2,000 each awarded to Ross County and the Ohio Association of Litter Prevention and Recycling Professionals (located in Erie County) to $200,000 each to the cities of Ashtabula and Cleveland.

Another $600,000 was awarded as Scrap Tire grants to fund two Ohio business scrap tire market infrastructure projects. Jackson Township in Franklin County, which partners with Liberty Tire Recycling, was awarded $350,000 to support the expansion of a scrap tire processing facility. The village of Botkins in Shelby County, which partners with Boomerang Rubber, was awarded $250,000 to develop a new product manufacturing line using scrap tire materials.

Finally, a total of nearly $500,000 was awarded as Litter Cleanup and Tire Amnesty grants to fund 40 projects for litter collection and tire amnesty programs and Keep Ohio Beautiful (KOB) affiliates. The grants range from a low of $1,300 awarded to the Auglaize County Solid Waste District to $49,250 awarded to the Adams-Clermont Solid Waste District.

[10] The revenue supporting these grants largely comes from fees collected on the sale of tires and the disposal of construction and demolition debris.

TRACKING THE ECONOMY

– Russ Keller, Economist, 614-644-1751

Overview

Employment in May on nonfarm payrolls nationwide surpassed the previous high occurring in January 2008. In May, 138.5 million workers were on nonfarm payrolls, and employment gains since the low in 2010 brought payrolls to levels last seen more than six years ago. Recent employment gains have been coupled with a modest rise in inflation. Both metrics are closely watched by the Federal Reserve, the country's central bank, which is deliberating on the proper time to tighten its unprecedented monetary policy.

Some national economic data for April decreased from March, including industrial production and real (inflation-adjusted) consumer spending. The March data may have been boosted by pent-up demand after the cold winter. Overall, most economic indicators show growth as compared to levels of one year ago. Housing remains sluggish, but recent inventory additions foreshadow a potential increase in future sales activity.

Ohio employment grew for the fourth time in the latest five months. Ohio payrolls added 33,600 (0.6%) over that period. The Federal Reserve's latest economic report for the region that includes Ohio noted a shift toward hiring temporary workers among some employers. Recent hiring activity was targeted to specific functions or for replacement rather than widespread purposes.

Ohio employment grew for the fourth time in the latest five months.

The National Economy

Employment and Unemployment

In May, employment nationwide increased 217,000, according to initial estimates from the Bureau of Labor Statistics (BLS). May's increase marked the fourth consecutive month of 200,000+ payroll gains; the last such streak occurred in late 1999 and early 2000. The nation's unemployment rate remained at 6.3%.

Employment gains in May, seasonally adjusted, were concentrated in service industries. Education and health services payrolls increased by 63,000 jobs, while employment in professional and business services and leisure and hospitality increased by 55,000 and 39,000, respectively.

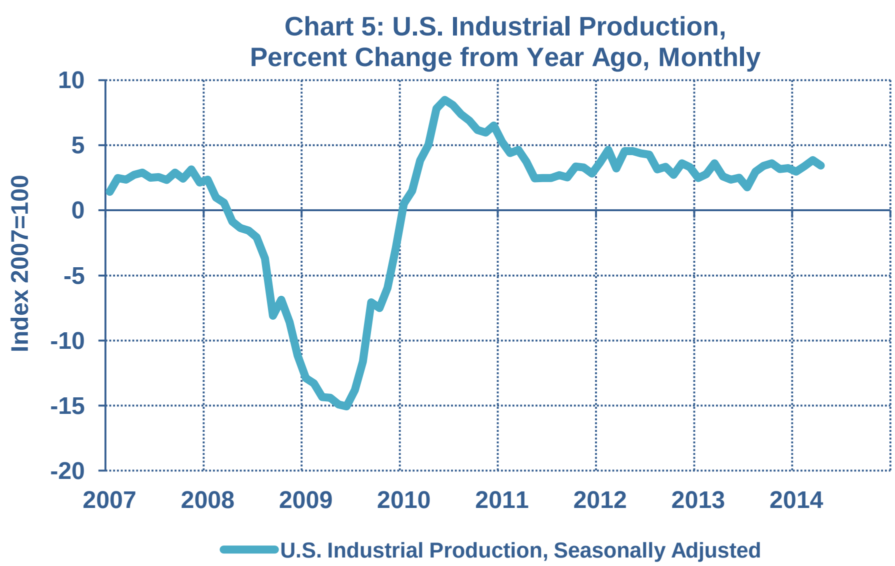
The number of individuals working part time (up to 34 hours per week) for economic reasons decreased by 196,000 to 7.3 million in May. These individuals are sometimes referred to as involuntary part-time workers because their hours had been cut back or because they were unable to find full-time work.

According to BLS data, the total number of unemployed job-seekers increased by 46,000 in May to 9.8 million, seasonally adjusted. The labor force increased by 192,000 in May, and the labor force participation rate was unchanged at 62.8% in May.

Production

Total industrial production was 3.5% higher in April than a year earlier.

The U.S. industrial production index fell 0.6% in April, after sharply rising the previous two months. Total industrial production was 3.5% higher in April than a year earlier (see Chart 5), according to the Federal Reserve's index. Last October, the index eclipsed the pre-recession high in November 2007, ahead of the start of the 2007-2009 downturn.



Manufacturing activity expanded in May based on a release by the Institute for Supply Management (ISM), which surveys purchasing managers. Production, new orders, and backlog orders increased in May. Survey respondents described "generally steady growth, but note some areas of concern regarding raw materials pricing and supply tightness and shortages."

Gross domestic product (GDP), adjusted for inflation, decreased in the first quarter of 2014 at an annual rate of 1.0%, according to the second estimate of real GDP growth from the U.S. Bureau of Economic Analysis. The decrease was the first since a 1.3% decline in the first quarter of 2011. In the first quarter of 2014, business investment contracted by the fastest pace since the 2009 recession, mainly reflecting slower inventory accumulation. Exports of goods weakened. On the other hand, quarterly growth in personal consumption expenditures was one of the stronger showings since the end of the 2007-2009 recession.

Consumer Spending and Personal Incomes

Real consumer spending decreased by 0.3% in April, seasonally adjusted, the first monthly decline in 2014. Consumer spending growth in the first quarter mainly reflected an upturn in March and February. Consumers were supported by income gains. Personal income grew for the fourth consecutive month in April, by 0.3%, not adjusted for inflation. Income in April was 3.6% above levels from one year ago. Over the past 12 months, higher wages and salaries accounted for 52% of personal income growth, while increases in transfer payments represented another 21% of personal income growth.

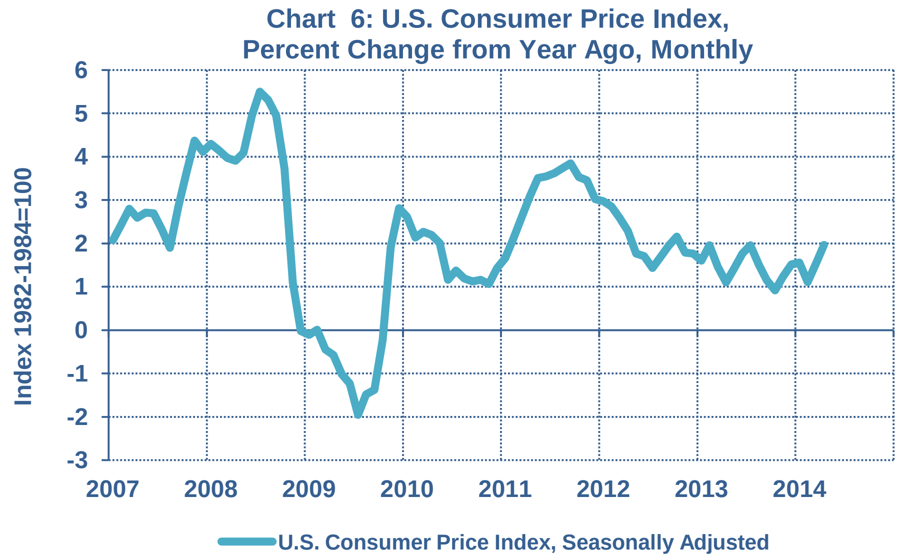
Income in April was 3.6% above levels from one year ago.

The early information for consumer spending in May was positive as light vehicle sales for the month were at a post-recession high. For May, consumers purchased vehicles at a seasonally adjusted annual rate of 16.7 million. May represented the highest level of sales since February 2007.

Inflation

Consumer Prices

Inflation edged upward in April, and over the past two months reversed the downward trend observed in the previous year. The consumer price index (CPI) rose 0.3% in April, seasonally adjusted, with price increases for gasoline, shelter, and food accounting for most of the increase. The energy component increased in April after two consecutive months of declines. The all items CPI was 2.0% higher in April than a year earlier (see Chart 6).



The index for all items less food and energy (core index) increased 0.2% with increases in the prices for many components, including shelter, medical care, airline fares, new vehicles, used cars and trucks, and recreation. Other CPI components remained unchanged, specifically, apparel, household furnishings and operations, and personal care.

As compared to one year ago, the PPI increased 2.1%.

Producer Prices

Producer prices jumped for the second consecutive month, which may be indicative of higher consumer inflation in the near future. The producer price index (PPI) for total final demand increased 0.6% in April, seasonally adjusted. As compared to one year ago, the PPI increased 2.1%, the largest 12-month advance since March 2012. Price indexes for both final demand goods and final demand services increased 0.6% in the latest month.

Housing

Sales of existing homes in April were up 1.3% to a 4.65 million seasonally adjusted annual rate, which marked only the second gain in the last nine months. The sales increase coincided with a month in which the number of existing homes listed for sale was up sharply from the previous month. For April, the housing inventory increased 16.8% to 2.29 million units, not seasonally adjusted. Generally, more houses are listed for sale in April than March, but the recent monthly uptick in inventory was the sharpest April increase in over 15 years. First-time buyers comprised 29% of all buyers in April, the same as the year earlier, and all-cash sales represented 32% of transactions, also equaling the year-earlier share.

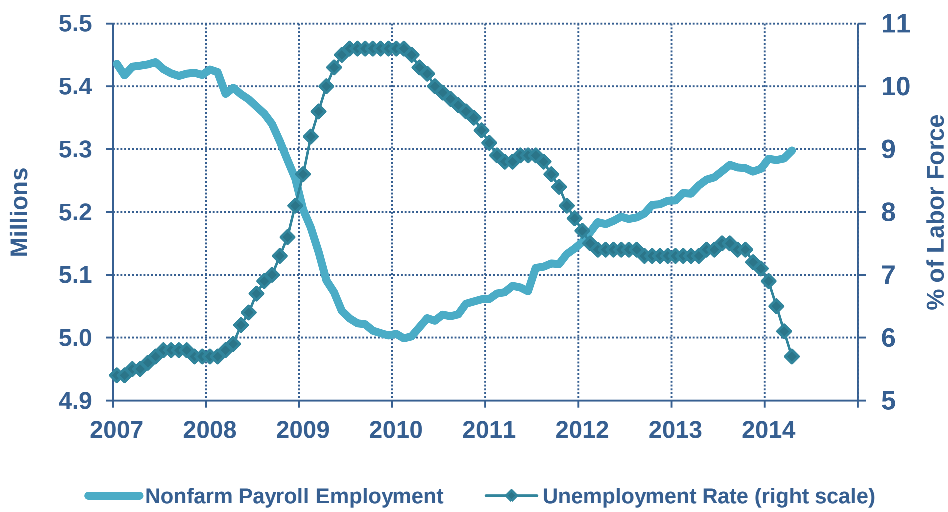
April new home sales increased 6.4% from March, to a 433,000 annual rate, but April's seasonally adjusted annual rate was the second lowest rate in the latest seven months. Sales gains outpaced the number of new homes for sale, and supply at the current sales rate fell to 5.3 months from March's 5.6 months. The median price of new homes was $275,800, which is 1.3% below April 2013 levels.

The Ohio Economy

Employment and Unemployment

Total nonfarm payroll employment in Ohio increased by 12,600 in April, while the state's rate of unemployed job-seekers fell to 5.7% from 6.1% in March, as shown in Chart 7 below.

Chart 7: Ohio Employment and Unemployment



Nonagricultural wage and salary employment increased 55,300 (1.1%) over the past year.

From March to April, the number of unemployed Ohioans decreased from 354,000 to 328,000, a decline of 26,000. Compared with a year earlier, unemployment statewide was 94,000 lower, while total employment was higher by a smaller number, 67,000, and the labor force contracted by 27,000. The state's labor force was at its lowest level since October 2012, and since that time, the working age population increased by about 55,000 (0.6%).

Nonagricultural wage and salary employment increased 55,300 (1.1%) over the past year. Goods-producing industries were responsible for 19,700 of the increase in jobs, a 2.3% rise. The sector's growth was concentrated in manufacturing, which added 11,500 jobs, a 1.7% increase, over the previous 12 months. Employment in construction rose 7,600 (4.2%). The private service-providing sector added 40,200 jobs since

April 2013. The industry groups with the largest growth in this sector were professional and business services (18,900, 2.8%), leisure and hospitality (8,900, 1.7%), and trade, transportation, and utilities (7,500, 0.8%). On the other hand, government employment declined by 4,600 (0.6%) between April 2013 and April 2014.

Home Sales

The number of homes sold in Ohio, reported by the Ohio Association of Realtors (OAR), was lower in April than a year earlier, the fourth consecutive month of year-over-year declines in sales activity after 30 consecutive months of gains. OAR describes the Ohio marketplace as one "that is continuing to experience a shortage of homes for sale, rising list prices and shorter marketing time frames compared to the same period a year ago." In April, the average price at which Ohio homes were sold was $144,734, which was 7.4% above the average price of April 2013.

Beige Book

According to a report from the Federal Reserve Bank of Cleveland, economic activity "expanded at a modest pace" in this part of the country since the previous report released in April.[11] The Cleveland bank's report noted that nonresidential "[b]uilders experiencing declining revenue this year attributed it to 2013 being an exceptional year, and they said they were not expecting the same level of activity." Nevertheless, commercial developers surveyed by the Cleveland bank said that banks are becoming more interested in financing projects. Same-store retail sales were described as higher than a year ago. Those retail items in the highest demand were consumables and basic apparel. Auto sales in 2014 were moderately higher compared to 2013, but leasing still remains a popular alternative for consumers. Manufacturers reported a "modest increase in new orders and production" and specified that strongest demand came from the aerospace, motor vehicle, oil and gas, and residential construction markets. Separately, energy production from horizontal wells "increased slightly during the past six weeks. Reports indicated that wet gas production is restricted due to limited pipeline and processing capacity." Energy producers remarked that wellhead prices for natural gas declined, but oil prices were stable.

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[11] This Federal Reserve Bank of Cleveland report is contained in the latest Beige Book, a Federal Reserve System publication that summarizes information gathered on or before May 23, 2014, from outside contacts. The Federal Reserve Bank of Cleveland's district includes all of Ohio and parts of Kentucky, Pennsylvania, and West Virginia.