Budget Footnotes

A NEWSLETTER OF THE OHIO LEGISLATIVE SERVICE COMMISSION

OCTOBER 2013

STATUS OF THE GRF

HIGHLIGHTS

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

Ohio's unemployment rate rose to 7.3% in August, matching the national unemployment rate after having been below it for nearly three years. This comes at a time of great economic uncertainty nationally, as the federal government has partially shut down due to lack of spending authority in federal fiscal year 2014, and with the U.S. Treasury's ability to keep paying the federal government's bills while remaining under the current debt limit projected to run out sometime this month.

GRF tax revenues were $43.6 million below estimate for the first quarter of FY 2014. The primary reasons were weak collections under the nonauto sales tax and the commercial activity tax, which were below estimate by a combined $60 million. The auto sales tax and the estate tax helped partially offset that negative variance.

Through September 2013, GRF sources totaled $7.19 billion:

- Revenue from the personal income tax was $1.8 million above estimate;
- Sales and use tax receipts were $17.1 million below estimate.

Through September 2013, GRF uses totaled $9.22 billion:

- Program expenditures were $187.0 million below estimate, due primarily to Medicaid ($87.6 million) and to the timing of property tax reimbursements ($62.4 million).

VOLUME 37, NUMBER 2

STATUS OF THE GRF

ISSUE UPDATES

TRACKING THE ECONOMY

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Table 1: General Revenue Fund Sources
Actual vs. Estimate
Month of September 2013
($ in thousands)
(Actual based on report run in OAKS Actuals Ledger on October 7, 2013)

	Actual	Estimate*	Variance	Percent
STATE SOURCES				
TAX REVENUE				
Auto Sales	$102,054	$98,400	$3,654	3.7%
Nonauto Sales and Use	$588,308	$591,000	-$2,692	-0.5%
Total Sales and Use Taxes	$690,362	$689,400	$962	0.1%
Personal Income	$912,340	$900,100	$12,240	1.4%
Corporate Franchise	-$99	$0	-$99	---
Financial Institutions	$0	$0	$0	---
Public Utility	-$6	$0	-$6	---
Kilowatt Hour Excise	$26,789	$33,400	-$6,611	-19.8%
Natural Gas Consumption (MCF)	$12	$0	$12	---
Commercial Activity Tax	$1,763	$1,100	$663	60.3%
Foreign Insurance	$3,088	$5,700	-$2,612	-45.8%
Domestic Insurance	$3	$1,000	-$997	-99.7%
Business and Property	$8	$0	$8	---
Cigarette	$74,179	$76,200	-$2,021	-2.7%
Alcoholic Beverage	$4,347	$4,600	-$253	-5.5%
Liquor Gallonage	$3,699	$3,400	$299	8.8%
Estate	$11,332	$1,300	$10,032	771.7%
Total Tax Revenue	**$1,727,818**	**$1,716,200**	**$11,618**	**0.7%**
NONTAX REVENUE				
Earnings on Investments	$3	$0	$3	---
Licenses and Fees	$1,444	$6,000	-$4,556	-75.9%
Other Revenue	$500	$3,625	-$3,125	-86.2%
Total Nontax Revenue	**$1,947**	**$9,625**	**-$7,678**	**-79.8%**
TRANSFERS				
Liquor Transfers	$0	$0	$0	---
Budget Stabilization	$0	$0	$0	---
Other Transfers In	$0	$200	-$200	-100.0%
Total Transfers In	**$0**	**$200**	**-$200**	**-100.0%**
TOTAL STATE SOURCES	**$1,729,765**	**$1,726,025**	**$3,740**	**0.2%**
Federal Grants	$767,066	$899,798	-$132,732	-14.8%
TOTAL GRF SOURCES	**$2,496,831**	**$2,625,823**	**-$128,992**	**-4.9%**

* 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 September 30, 2013
($ in thousands)
(Actual based on report run in OAKS Actuals Ledger on October 7, 2013)

	Actual	Estimate*	Variance	Percent	FY 2013	Percent Change
STATE SOURCES						
TAX REVENUE						
Auto Sales	$315,388	$299,700	$15,688	5.2%	$282,786	11.5%
Nonauto Sales and Use	$1,861,292	$1,894,100	-$32,808	-1.7%	$1,811,450	2.8%
Total Sales and Use Taxes	$2,176,679	$2,193,800	-$17,121	-0.8%	$2,094,237	3.9%
Personal Income	$2,200,703	$2,198,900	$1,803	0.1%	$2,135,331	3.1%
Corporate Franchise	$2,046	$0	$2,046	---	$46,701	-95.6%
Financial Institutions	$0	$0	$0	---	$0	---
Public Utility	$25,853	$26,500	-$647	-2.4%	$25,060	3.2%
Kilowatt Hour Excise	$80,339	$91,050	-$10,711	-11.8%	$90,714	-11.4%
Natural Gas Consumption (MCF)	$13,553	$11,900	$1,653	13.9%	$10,216	32.7%
Commercial Activity Tax	$192,105	$219,939	-$27,834	-12.7%	$202,605	-5.2%
Foreign Insurance	$4,489	$5,900	-$1,411	-23.9%	$4,318	4.0%
Domestic Insurance	$57	$1,000	-$943	-94.3%	$4,753	-98.8%
Business and Property	$37	$0	$37	---	$216	-82.8%
Cigarette	$164,024	$165,000	-$976	-0.6%	$162,075	1.2%
Alcoholic Beverage	$14,205	$15,000	-$795	-5.3%	$15,197	-6.5%
Liquor Gallonage	$10,722	$10,300	$422	4.1%	$10,341	3.7%
Estate	$12,134	$1,300	$10,834	833.4%	$1,827	564.1%
Total Tax Revenue	**$4,896,946**	**$4,940,589**	**-$43,643**	**-0.9%**	**$4,803,591**	**1.9%**
NONTAX REVENUE						
Earnings on Investments	$10	$0	$10	---	$11	-3.8%
Licenses and Fees	$9,364	$18,000	-$8,636	-48.0%	$9,812	-4.6%
Other Revenue	$1,780	$10,875	-$9,095	-83.6%	$2,448	-27.3%
Total Nontax Revenue	**$11,154**	**$28,875**	**-$17,721**	**-61.4%**	**$12,270**	**-9.1%**
TRANSFERS						
Liquor Transfers	$0	$0	$0	---	$41,500	-100.0%
Budget Stabilization	$0	$0	$0	---	$0	---
Other Transfers In	$7,719	$5,600	$2,119	37.8%	$5,372	43.7%
Total Transfers In	**$7,719**	**$5,600**	**$2,119**	**37.8%**	**$46,872**	**-83.5%**
TOTAL STATE SOURCES	**$4,915,819**	**$4,975,064**	**-$59,245**	**-1.2%**	**$4,862,733**	**1.1%**
Federal Grants	$2,270,778	$2,355,189	-$84,411	-3.6%	$2,196,100	3.4%
TOTAL GRF SOURCES	**$7,186,597**	**$7,330,253**	**-$143,657**	**-2.0%**	**$7,058,833**	**1.8%**

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

REVENUES

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

Overview

GRF state source receipts in September were very close to expectations, coming in just $3.7 million, or 0.2%, above the September estimate of the Office of Budget and Management. In spite of this positive variance for the month, state source receipts[1] were below estimate for the first quarter of FY 2014, by $59.2 million (1.2% below the estimate).

Year-to-date GRF tax revenue was $43.6 million below estimate.

GRF tax revenue came in $11.6 million above estimate in September, improving the year-to-date variance to $43.6 million below estimate; for the first two months of the fiscal year, tax revenue was $55.3 million below estimate. Receipts from the income tax were $12.2 million above estimate, receipts from the estate tax were $10.0 million above estimate, and receipts from the auto sales and use tax were $3.7 million above estimate. Notable negative variances for the month were generated by the kilowatt hour tax ($6.6 million), the nonauto sales and use tax ($2.7 million), the foreign insurance tax ($2.6 million), and the cigarette tax ($2.0 million).

Receipts from federal grants in September were $132.7 million below estimate, resulting in a negative variance of $84.4 million for the first quarter as a whole. Generally speaking, negative variances for federal grants are closely associated with negative variances on the spending side of the state budget for the human services programs, including most notably Medicaid, for which the reimbursements are received. Adding federal grants to state source receipts, total GRF sources were $129.0 million below estimate for the month of September, resulting in a negative variance of $143.7 million for the first quarter as a whole.

The $43.6 million negative variance for GRF tax receipts in the first quarter was due primarily to large negative variances for the nonauto sales and use tax ($32.8 million), the commercial activity tax ($27.8 million), and the kilowatt hour tax ($10.7 million). These negative variances were partially offset by positive variances for the auto sales and use tax ($15.7 million) and the estate tax ($10.8 million). For the first

[1] GRF state source receipts include tax revenue, earnings on investments, license and fee revenue, other revenue, and transfers into the GRF. Total GRF sources include all these state source receipts, plus federal grants. Federal grants deposited in the GRF consist of Medicaid reimbursements and certain other human services grants.

quarter, receipts from the personal income tax were very close to target, with a positive variance of $1.8 million.

GRF state source receipts grew by $53.1 million (1.1%) from the first quarter of FY 2013 to the first quarter of FY 2014. GRF tax revenue grew by $93.4 million (1.9%) during that period, but that growth was partially offset by decreases in nontax revenue and transfers in. Comparisons of receipts from FY 2013 to FY 2014 are complicated due to changes made to taxes by H.B. 59, the main operating budget act of the 130th General Assembly. For instance, September was the first month for which new income tax withholding tables were in effect, based on the lower tax rate for tax year 2013 enacted in H.B. 59, and the first month for a higher sales tax rate. That said, the growth in tax revenue was led by the income tax (revenue from which grew by $65.4 million in spite of the lower withholding rate in September), the nonauto sales and use tax ($49.8 million), the auto sales and use tax ($32.6 million), and the estate tax ($10.3 million). Growth in receipts from these taxes was partially offset by declines in receipts from the corporate franchise tax ($44.7 million), the commercial activity tax ($10.5 million), and the kilowatt hour tax ($10.4 million). The sharp decline in corporate franchise tax receipts is due to both an unusually high level of receipts in FY 2013[2] and to the elimination of the tax this year by H.B. 510 of the 129th General Assembly. The decline in kilowatt hour tax receipts primarily reflects lower electricity usage in August, likely due to relatively cool temperatures that month allowing less usage of air conditioning compared to the previous August.

First quarter GRF tax receipts were $93.4 million greater than a year ago.

Personal Income Tax

GRF receipts from the income tax in September were $912.3 million, $12.2 million, or 1.4%, above estimate. Receipts in September 2013 were $26.7 million, or 3.0%, above receipts the preceding September. The year-over-year growth was experienced in spite of a reduction in withholding rates that went into effect for payrolls that ended on or after September 1. The new withholding rates were 9% lower than the old ones, due to reductions in income tax rates enacted in H.B. 59. That act reduced tax rates by 8.5% for tax year (TY) 2013 (with further reductions to come in TY 2014 and TY 2015).

First quarter income tax receipts were on target.

[2] Receipts for the first quarter of FY 2013 were the highest in the first quarter of any fiscal year since FY 2007, when nonfinancial corporations still paid the tax.

Withholding receipts were $4.0 million above estimate during the first quarter.

GRF receipts during the first quarter of FY 2014 were $2.20 billion, $1.8 million (0.1%) over the estimate. Growth in receipts from the first quarter of FY 2013 was $65.4 million, or 3.1%.

GRF receipts from the income tax are equal to gross collections minus refunds and distributions to the Local Government Fund. Gross collections are made up of a number of components, primarily employer withholding, quarterly estimated payments, and payments associated with annual returns. The first quarterly estimated payment received in a fiscal year is due September 15, so only the first two components of these three are notable this early in the fiscal year.

Through the first quarter, employer withholding was $1.95 billion, $4.0 million (0.2%) above estimate. Estimated payments during the three months totaled $327.5 million, $21.7 million (6.2%) below estimate. The primary reason that GRF receipts from the tax were above estimate overall was that refunds were $19.4 million (20.4%) below estimate. In terms of comparing this fiscal year's first quarter to the first quarter of FY 2013, employer withholding grew by $48.6 million (2.6%, in spite of September's withholding rate reduction), and estimated payments grew by $15.6 million (5.0%).

Sales and Use Tax

First quarter sales and use tax receipts were $17.1 million below estimate.

GRF receipts from the sales and use tax were $690.4 million in September, $1.0 million (0.1%) above estimate, and $40.8 million (6.3%) higher than receipts in September 2012. For the first three months of FY 2014, receipts were $2.18 billion, $17.1 million (0.8%) below estimate, but $82.4 million (3.9%) greater than receipts during the first quarter of FY 2013. September was the first month for which the statewide sales tax rate was at the 5.75% rate enacted in H.B. 59; the previous rate was 5.5%. The higher rate in September would account for about 4.5 percentage points of the growth in receipts from September 2012. That implies growth in the tax base of only about 1.8% (equal to 6.3% minus 4.5%), but consumers may have chosen the timing of major purchases to avoid the tax increase; it will take a few more months to gain a more accurate read on trends in growth in the tax base.

For purposes of analysis, the sales and use tax is split into two categories: the auto sales and use tax and the nonauto sales and use tax. Auto sales and use tax collections generally arise from the sale of motor vehicles,[3] while nonauto sales and use tax collections arise from other sales.

Nonauto Sales and Use Tax

September GRF receipts from the nonauto sales and use tax were $588.3 million, $2.7 million, or 0.5%, below estimate. Growth in receipts from September 2012 to September 2013 was $27.0 million, or 4.8%. For the first quarter, receipts were $1.86 billion, $32.8 million (1.7%) below estimate, but $49.8 million (2.8%) higher than receipts during the first quarter of FY 2013.

Auto Sales and Use Tax

GRF receipts from the auto sales and use tax were $102.1 million in September. That figure was $3.7 million, or 3.7%, above estimate, and was $13.8 million (15.6%), greater than receipts in September 2012. For the first quarter of FY 2014, receipts were $315.4 million, which was $15.7 million, or 5.2%, above estimate, and $32.6 million (11.5%) greater than receipts during the first quarter of FY 2013.

Sales of light vehicles (automobiles and light trucks) have been strong nationally, and the growth figures imply that sales have been good in Ohio. WardsAuto reports that sales of light vehicles were at a seasonally adjusted annual rate of about 15.6 million units for the third quarter (July through September) nationally, the highest quarterly average since 2007.

Cigarette and Other Tobacco Products Tax

GRF receipts from the cigarette and other tobacco products tax of $74.2 million in September were $2.0 million (2.7%) below estimate, and $5.3 million (7.6%) above receipts during September of FY 2013. For the first three months of FY 2014, total receipts of $164.0 million were $1.0 million (0.6%) below estimate. Receipts through the first quarter were $1.9 million (1.2%) greater than receipts during the corresponding months of FY 2013. This increase was attributable to sales of cigarettes, tax receipts from which rose by $2.9 million over the year; receipts attributable to sales of other tobacco products decreased by $1.0 million. The increase in receipts from sales of cigarettes is unusual – generally speaking, receipts from this tax have declined slightly from year to year for many years, unless the tax rate had been increased. The year over year increase is due in part to receipts that were well below estimate in September 2012.

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[3] Sales taxes arising from automobile leasing are generally classified under the nonauto sales tax, however, rather than the auto sales tax.

Table 3: General Revenue Fund Uses
Actual vs. Estimate
Month of September 2013
($ in thousands)
(Actual based on OAKS reports run October 9, 2013)

PROGRAM	**Actual**	**Estimate***	**Variance**	**Percent**
Primary and Secondary Education	$570,944	$527,794	$43,150	8.2%
Higher Education	$166,992	$201,050	-$34,058	-16.9%
Other Education	$7,960	$4,128	$3,832	92.8%
Total Education	$745,896	$732,971	$12,924	1.8%
Medicaid	$1,246,534	$1,294,317	-$47,783	-3.7%
Health and Human Services	$65,142	$70,417	-$5,274	-7.5%
Total Welfare and Human Services	$1,311,676	$1,364,734	-$53,057	-3.9%
Justice and Public Protection	$120,008	$135,355	-$15,346	-11.3%
General Government	$25,986	$32,528	-$6,541	-20.1%
Total Government Operations	$145,995	$167,882	-$21,888	-13.0%
Property Tax Reimbursements	$246,139	$315,703	-$69,564	-22.0%
Capital Outlay	$0	$0	$0	---
Debt Service	$370,688	$371,642	-$953	-0.3%
Total Other Expenditures	$616,827	$687,344	-$70,517	-10.3%
Total Program Expenditures	**$2,820,394**	**$2,952,931**	**-$132,538**	**-4.5%**
TRANSFERS				
Budget Stabilization	$0	$0	$0	---
Other Transfers Out	$0	$5,011	-$5,011	-100.0%
Total Transfers Out	$0	$5,011	-$5,011	-100.0%
TOTAL GRF USES	**$2,820,394**	**$2,957,942**	**-$137,548**	**-4.7%**

* 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 September 30, 2013
($ in thousands)
(Actual based on OAKS reports run October 9, 2013)

PROGRAM	**Actual**	**Estimate***	**Variance**	**Percent**
Primary and Secondary Education	$1,701,425	$1,690,607	$10,818	0.6%
Higher Education	$480,498	$517,259	-$36,761	-7.1%
Other Education	$17,967	$15,286	$2,681	17.5%
Total Education	$2,199,890	$2,223,151	-$23,262	-1.0%
Medicaid	$3,922,047	$4,009,622	-$87,576	-2.2%
Health and Human Services	$323,424	$345,940	-$22,516	-6.5%
Total Welfare and Human Services	$4,245,470	$4,355,562	-$110,092	-2.5%
Justice and Public Protection	$495,800	$479,744	$16,056	3.3%
General Government	$94,982	$99,134	-$4,152	-4.2%
Total Government Operations	$590,782	$578,878	$11,904	2.1%
Property Tax Reimbursements	$304,477	$366,846	-$62,369	-17.0%
Capital Outlay	$0	$0	$0	---
Debt Service	$683,831	$687,006	-$3,175	-0.5%
Total Other Expenditures	$988,307	$1,053,852	-$65,545	-6.2%
Total Program Expenditures	**$8,024,450**	**$8,211,443**	**-$186,994**	**-2.3%**
TRANSFERS				
Budget Stabilization	$995,930	$995,930	$0	0.0%
Other Transfers Out	$196,995	$202,006	-$5,011	-2.5%
Total Transfers Out	$1,192,925	$1,197,936	-$5,011	-0.4%
TOTAL GRF USES	**$9,217,375**	**$9,409,379**	**-$192,005**	**-2.0%**

* 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 October 9, 2013)

	September				Year to Date Through September			
Payment Category	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Managed Care	$651,897	$649,941	$1,956	0.3%	$1,865,185	$1,876,343	-$11,158	-0.6%
Nursing Facilities	$209,482	$210,133	-$651	-0.3%	$615,831	$618,776	-$2,945	-0.5%
DDD Services	$196,912	$203,962	-$7,050	-3.5%	$590,952	$590,078	$874	0.1%
Hospitals	$120,500	$127,775	-$7,275	-5.7%	$346,743	$356,930	-$10,187	-2.9%
Behavioral Health	$71,776	$70,045	$1,731	2.5%	$205,974	$201,257	$4,717	2.3%
Administration	$73,168	$87,358	-$14,190	-16.2%	$164,355	$186,592	-$22,237	-11.9%
Aging Waivers	$42,032	$50,165	-$8,133	-16.2%	$137,326	$147,055	-$9,729	-6.6%
Prescription Drugs	$39,929	$43,766	-$3,837	-8.8%	$100,919	$126,311	-$25,392	-20.1%
Medicare Buy-In	$35,717	$35,892	-$175	-0.5%	$106,458	$107,244	-$786	-0.7%
Physicians	$32,129	$48,896	-$16,767	-34.3%	$91,439	$112,494	-$21,055	-18.7%
Medicare Part D	$25,123	$25,988	-$865	-3.3%	$74,742	$77,693	-$2,951	-3.8%
Home Care Waivers	$23,896	$24,390	-$494	-2.0%	$66,554	$68,126	-$1,572	-2.3%
All Other	$116,064	$137,888	-$21,824	-15.8%	$330,742	$368,682	-$37,940	-10.3%
Total All Funds	**$1,638,623**	**$1,716,199**	**-$77,576**	**-4.5%**	**$4,697,221**	**$4,837,580**	**-$140,360**	**-2.9%**

* 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 October 9, 2013

	Month of September 2013				Year to Date Through September 2013			
Department	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Medicaid	**$1,421,739**	**$1,489,867**	**-$68,128**	**-4.6%**	**$4,053,808**	**$4,179,358**	**-$125,550**	**-3.0%**
GRF	$1,202,164	$1,248,602	-$46,438	-3.7%	$3,788,502	$3,876,858	-$88,356	-2.3%
Non-GRF	$219,576	$241,265	-$21,689	-9.0%	$265,306	$302,500	-$37,194	-12.3%
Developmental Disabilities	**$200,909**	**$207,047**	**-$6,138**	**-3.0%**	**$607,182**	**$605,723**	**$1,459**	**0.2%**
GRF	$38,217	$39,005	-$788	-2.0%	$117,801	$115,260	$2,541	2.2%
Non-GRF	$162,691	$168,042	-$5,351	-3.2%	$489,380	$490,463	-$1,083	-0.2%
Job and Family Services	**$12,204**	**$16,336**	**-$4,132**	**-25.3%**	**$28,222**	**$45,608**	**-$17,386**	**-38.1%**
GRF	$5,088	$5,623	-$535	-9.5%	$13,324	$14,993	-$1,669	-11.1%
Non-GRF	$7,116	$10,713	-$3,597	-33.6%	$14,898	$30,615	-$15,717	-51.3%
Aging	**$427**	**$550**	**-$123**	**-22.4%**	**$1,360**	**$1,343**	**$17**	**1.2%**
GRF	$304	$263	$41	15.5%	$1,011	$852	$159	18.7%
Non-GRF	$123	$287	-$164	-57.2%	$348	$491	-$143	-29.1%
Health	**$2,770**	**$1,866**	**$904**	**48.4%**	**$5,029**	**$3,741**	**$1,288**	**34.4%**
GRF	$275	$350	-$75	-21.4%	$783	$791	-$8	-1.0%
Non-GRF	$2,495	$1,516	$979	64.6%	$4,246	$2,950	$1,296	43.9%
Mental Health and Addiction	**$575**	**$532**	**$43**	**8.1%**	**$1,620**	**$1,807**	**-$187**	**-10.4%**
GRF	$487	$473	$14	2.9%	$625	$868	-$243	-28.0%
Non-GRF	$88	$59	$29	49.7%	$995	$939	$56	5.9%
Total GRF	**$1,246,534**	**$1,294,317**	**-$47,783**	**-3.7%**	**$3,922,047**	**$4,009,622**	**-$87,576**	**-2.2%**
Total Non-GRF	**$392,089**	**$421,882**	**-$29,793**	**-7.1%**	**$775,174**	**$827,958**	**-$52,784**	**-6.4%**
Total All Funds	**$1,638,623**	**$1,716,199**	**-$77,576**	**-4.5%**	**$4,697,221**	**$4,837,580**	**-$140,360**	**-2.9%**

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

Expenditures

– Russ Keller, Economist, 614-644-1751

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

Overview

For the first three months of FY 2014, GRF uses were $192.0 million below estimate.

For the first quarter of FY 2014, GRF uses totaled $9.22 billion. These uses were $192.0 million below the estimate released by the Office of Budget and Management in September 2013. GRF uses mainly consist of program expenditures but also include transfers out. Year-to-date program expenditures were $8.02 billion, which was $187.0 million below estimate, while GRF transfers out were $1.19 billion, which was $5.0 million below estimate. Tables 3 and 4 show GRF uses for the month of September and for FY 2014 through September, respectively.

The Medicaid program category had the largest year-to-date negative variance at $87.6 million, followed by Property Tax Reimbursements ($62.4 million), Higher Education ($36.8 million), and Health and Human Services ($22.5 million). These negative variances were partially offset by a positive year-to-date variance of $16.1 million in Justice and Public Protection. The variances in these five program categories are briefly discussed below.

Medicaid

Year-to-date GRF Medicaid expenditures were $87.6 million below estimate; all-funds Medicaid expenditures were $140.4 million below estimate.

Year-to-date GRF Medicaid expenditures totaled $3.92 billion. These expenditures were $87.6 million (2.2%) below estimate, of which $47.8 million occurred in the month of September. Medicaid is a joint federal-state program. The federal share of Medicaid expenditures is about 64% and the state share is about 36%. While it is mainly funded by the GRF, Medicaid is also supported by various non-GRF funds. Across all funds, year-to-date Medicaid expenditures totaled $4.70 billion, which was $140.4 million (2.9%) below estimate.

Table 5 details Medicaid expenditures by payment category across all funds and agencies. As seen from Table 5, all-funds expenditures were below their year-to-date estimates for all but two payment categories. Categories with significant negative year-to-date variances include the All Other category ($37.9 million, 10.3%), Prescription Drugs ($25.4 million, 20.1%), Administration ($22.2 million, 11.9%), and Physicians ($21.1 million, 18.7%).

Table 6, a new addition for this and future issues of *Budget Footnotes*, details the GRF and non-GRF portions of Medicaid expenditures from each of the six agencies that take part in administering Medicaid. The Ohio Department of Medicaid (ODM), the largest agency within this program category, also had the largest year-to-date variances. ODM's GRF Medicaid expenditures totaled $3.79 billion, which was $88.4 million (2.3%) below their year-to-date estimate. ODM's GRF Medicaid expenditures are funded through three GRF appropriation items: 651525, Medicaid/Health Care Services, 651526, Medicare Part D, and 651425, Medicaid Program Support – State. Expenditures from item 651525, which provides the majority of funding for Medicaid, were $88.5 million below their year-to-date estimate. Expenditures from item 651526 were also below their year-to-date estimate, by $3.0 million. Item 600425, on the other hand, posted a positive year-to-date variance of $3.1 million, which somewhat offset the negative variances in items 651525 and 651526.

ODM's non-GRF Medicaid expenditures totaled $265.3 million, which was $37.2 million below their year-to-date estimate. The main contributors were appropriation items 651623, Medicaid Services – Federal ($29.5 million), and 651624, Medicaid Program Support – Federal ($9.3 million). Across all funds, ODM's year-to-date expenditures totaled $4.05 billion, $125.6 million (3.0%) below estimate.

Property Tax Reimbursements

Year-to-date property tax reimbursement expenditures were $62.4 million below estimate, due likely to timing.

Year-to-date expenditures from the Property Tax Reimbursements program category totaled $304.5 million, $62.4 million (17.0%) below estimate. This entire variance was attributable to the month of September. The category's September expenditures were $69.6 million (22.0%) below their monthly estimate. The Property Tax Reimbursements program category consists of two GRF appropriation items: item 200901, Property Tax Allocation – Education and item 110901, Property Tax Allocation – Taxation. Items 200901 and 110901 are used to reimburse school districts and other local governments, respectively, for losses incurred as a result of 10% and 2.5% "rollback" reductions in real property taxes and as a result of the "homestead exemption" reduction in real property taxes. The reimbursement payments are made twice per year, one based on the February property tax settlement and one based on the August property tax settlement. The reimbursements based on the August 2013 property tax settlement will be made throughout the first half of FY 2014. It is not unusual to see variances in this program category from month to month, especially in the early stages of a payment cycle as actual disbursements depend on timing of requests for payments from county auditors.

Higher Education

Year-to-date expenditures from the Higher Education program category totaled $480.5 million. These expenditures were $36.8 million

(7.1%) below estimate, of which $34.1 million occurred in the month of September. The Board of Regents (BOR) is the only agency included in this program category. Expenditures from several of BOR's GRF appropriation items were below their September estimates. Timing appears to be the key factor behind those negative variances. Various subsidy payments that were planned for September did not actually occur, including an $8.5 million planned disbursement for the Ohio Agricultural Research and Development Center (item 235535), $5.8 million for the Cooperative Extension Service (item 235511), a total of $8.2 million in subsidies for medical colleges at Ohio State, Cincinnati, Toledo, Wright State, Ohio University, and Northeast Ohio Medical University (items 235536 through 235541), and $1.5 million for the OhioLINK electronic library information and retrieval system (item 235507). The remainder of the September monthly negative variance occurred across several other of BOR's appropriation items.

Health and Human Services

Year-to-date expenditures from the Health and Human Services program category totaled $323.4 million, $22.5 million below estimate. This program category includes non-Medicaid health and human service expenditures from various agencies. The Ohio Department of Job and Family Services (ODJFS), the largest agency within this program category, accounted for $20.8 million of the negative year-to-date variance. Appropriation items within the ODJFS budget that had significant negative year-to-date variances include items 600535, Early Care and Education ($5.6 million), 600416, Information Technology Projects ($4.0 million), 600540, Food Banks ($3.8 million), and 600511, Disability Financial Assistance ($1.4 million). Several other items accounted for the remainder. Timing is likely the main factor as the majority of the appropriation items with significant negative year-to-date variances are used to distribute subsidies to various local service providers.

Justice and Public Protection

Year-to-date expenditures from the Justice and Public Protection program category totaled $495.8 million, $16.1 million above estimate. The two largest agencies included in this program category are the Department of Rehabilitation and Correction (DRC) and the Department of Youth Services (DYS). This category's September expenditures were $15.3 million below estimate due largely to the fact that the September 6 payroll was posted to the state's accounting books for the month of August instead of September as originally anticipated. This negative monthly variance narrowed the category's positive year-to-date variance from $31.4 million at the end of August to $16.1 million at the end of September. DRC's year-to-date expenditures were $17.3 million above estimate, which was partially offset by a negative variance of $1.3 million in year-to-date expenditures from DYS. Expenditures from DRC's largest appropriation item 501321, Institutional Operations, were $12.6 million above their year-to-date estimate. Item 503321, Parole and Community Operations, added another $2.0 million to DRC's positive year-to-date variance.

ISSUE UPDATES

ODE Releases New Letter Grade Report Cards for 2012-2013 School Year

– Jason Phillips, Senior Budget Analyst, 614-466-9753

On August 22, 2013, the Ohio Department of Education (ODE) released revamped report cards for public schools and districts for the 2012-2013 school year. Under the new report card system, mandated by H.B. 555 of the 129th General Assembly, public schools and districts receive A-F letter grades on various performance measures instead of ratings ranging from excellent with distinction to academic emergency, as under the prior system. Some of the performance measures, such as the performance index and performance indicators, are carried over from the prior rating system while others, like value-added progress for certain student subgroups, are new. For the 2012-2013 school year, nine performance measures are graded. The new report card system will expand with additional performance measures, components, and grades over the next several years. Overall letter grades will not be issued until the report cards for the 2014-2015 school year. Table 7 below provides a summary of how the 610 school districts receiving report cards fared this past school year on each performance measure. As the Total column indicates, some districts did not have enough data to qualify for a letter grade for some performance measures.

Table 7. School District Report Card Results, 2012-2013 School Year

Component	A	B	C	D	F	Total
Annual Measurable Objectives	28	183	112	96	191	610
Performance Index	27	436	128	19	0	610
Performance Indicators	319	115	80	49	46	609
Four-year Cohort Graduation Rate	293	158	92	40	26	609
Five-year Cohort Graduation Rate	216	237	98	35	24	610
Value-Added Progress Dimension – Overall	281	52	84	52	141	610
Value-Added Progress Dimension – Gifted	62	77	269	99	52	559
Value-Added Progress Dimension – Disabled	97	105	255	59	79	595
Value-Added Progress Dimension – Lowest 20%	87	97	296	76	39	595

The new system is intended to be more rigorous, providing a more accurate assessment of how each public school and district is performing. As measured by the total number of A's and B's, school districts appear to have fared the best on graduation rates, the performance index, and performance indicators. Based on the number of D's and F's, school districts struggled most with meeting annual measurable objectives (similar to the former federally designated measure of adequate yearly progress) and the value-added measures. No district received an A in all nine performance measures nor did any district receive all F's.

ODE also issued the first ever report cards for career-technical education providers, referred to as career-technical planning districts (CTPDs), pursuant to S.B. 316 of the 129th General Assembly. There are 91 CTPDs in Ohio. In 49 such districts, the lead district is a joint vocational school district (JVSD). The other 42 CTPDs are led by a school district that is not a JVSD. CTPDs received letter grades based on the four-year and five-year cohort graduation rate and the percentage of students who are employed in an apprenticeship, join the military, or are enrolled in postsecondary education or advanced training in the six months after leaving school. The CTPD report cards reflect data for students from the graduating class of 2011, the results of which are displayed in Table 8 below. The report cards for these entities also include several other ungraded performance measures. As with traditional public schools and districts, additional graded measures will be added to the CTPD report cards over time.

Table 8. Career-Technical Planning District Report Card Results, 2011 Graduating Class

Component	A	B	C	D	F	Total
Four-year Cohort Graduation Rate	66	17	7	1	0	91
Five-year Cohort Graduation Rate	54	27	7	3	0	91
Post-Program Placement Rate	31	22	17	14	7	91

As Table 2 shows, career-technical planning districts fared the best on graduation rates, with around 90% receiving either an A or B on both measures. About 58% received either an A or a B on post-program placement rates.

Maternal Opiate Medical Support Project Announced

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

On August 29, 2013, the Ohio Department of Mental Health and Addiction Services (OMHAS) and the Ohio Department of Medicaid (ODM) announced the Maternal Opiate Medical Support (MOMS) Project, a three-year, $4.2 million project designed to improve health outcomes and reduce costs associated with Neonatal Abstinence Syndrome (NAS). NAS is a disorder in newborns caused by exposure to addictive illegal or prescription drugs. According to the Ohio Hospital Association, in 2011, more than $70 million in health care expenses and nearly 19,000 days of hospital care were provided to treat newborns with NAS in Ohio.

The MOMS Project is expected to support interventions and treatments for 200 women and babies. The project will pilot new best practices at two or three sites for obstetrical services relating to medication assisted treatment before, during, and after delivery. These practices will be developed into an integrated maternal care practice model that will allow timely access to appropriate mental health and addiction services that extend postpartum, including intensive home-based or residential treatment. The project will also support a limited amount of nonclinical services that are not reimbursable by Medicaid such as housing vouchers for women for transitional housing, and transportation or babysitting for medical and treatment appointments.

The MOMS Project will receive funding from two sources: the Children's Health Insurance Program and the Medicaid Program. ODM will transfer $2.1 million to OMHAS. The funds are a part of the performance bonuses established under the Children's Health Insurance Program Reauthorization Act (CHIPRA) of 2009. 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 will transfer $2.1 million of available Medicaid funds to OMHAS for the Project.

Early Childhood Obesity Prevention Grant Program

– Jacquelyn Schroeder, LSC Fellow, 614-466-3279

In June 2013, the Ohio Department of Health announced that it will use bonus funds from CHIPRA for a new early childhood obesity prevention grant program. The new program will be funded with $500,000 in each of the next two years. County boards of health will partner with local early childhood education programs, public and private healthcare providers, and other community programs and resources to provide educational opportunities for parents regarding physical activity and nutrition for children under five years of age. Program efforts will be aimed at developing early healthy eating and exercise habits to prevent childhood obesity.

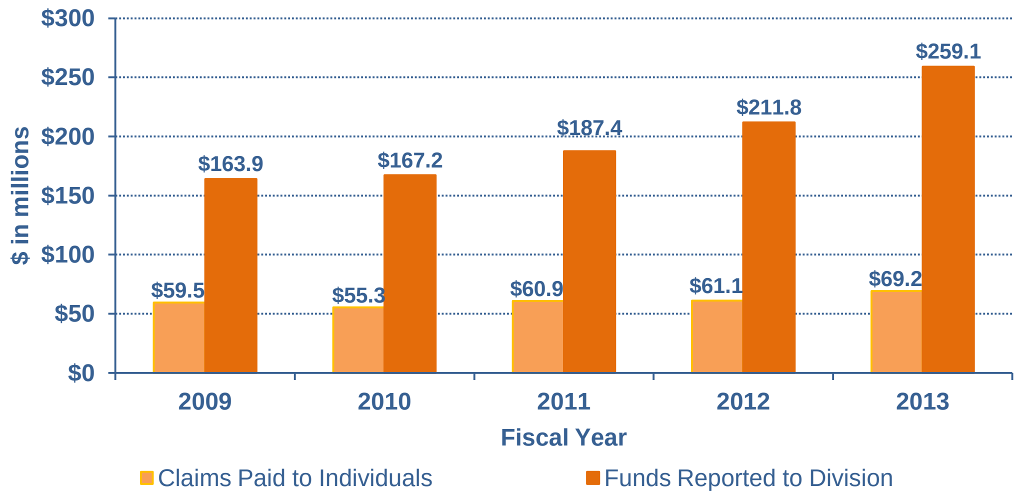
As the health of parents and children are closely linked, the program will also help refer parents to other available health resources that focus on preventing or better managing chronic disease, including resources such as the Chronic Disease and Diabetes Self-Management Program and the Diabetes Prevention Program. In recent years, Ohio has also used the CHIPRA bonus funds for other efforts targeting parents and children such as simplifying and expediting Medicaid eligibility for pregnant women and children, and aiding the early identification of autism spectrum disorders.

Division of Unclaimed Funds Paid $69.2 million to Found Owners in FY 2013

– Tom Middleton, Budget Analyst, 614-728-4813

In FY 2013, the Division of Unclaimed Funds of the Department of Commerce paid a total of $69.2 million to the found owners of unclaimed funds, an increase of $8.1 million (13.2%) compared to the $61.1 million paid in FY 2012. The number of claims paid decreased from about 58,900 in FY 2012 to about 53,600 in FY 2013 so that the average claim paid rose from approximately $1,037 in FY 2012 to approximately $1,292 in FY 2013. The chart below shows the unclaimed funds reported to the Division and the claims paid out over the last five fiscal years.

Chart 1: Unclaimed Funds Reported and Claimed
FY 2009-FY 2013



Funds may come to the state from sources such as dormant bank accounts, rent or utility deposits, uncashed checks, undelivered stock, or uncashed insurance policies. Payments are made from the Unclaimed Funds Trust Fund (Fund 5430) when the rightful owners are found. The Division partners with newspapers, radio and television stations, and online media to highlight the availability of unclaimed funds and to encourage Ohioans to claim their funds. A majority of claims are initiated through the Division's "Online Treasure Hunt" web page.

In addition to paying unclaimed funds to owners, the cash in Fund 5430 has been used to support economic development projects under the Development Services Agency. In FY 2013, a total of $8.4 million was expended under the Legacy Projects Grant Program to assist business expansion projects with acquisition of capital assets. Under H.B. 59, Fund 5430 also is used as a pledge of up to $10.0 million in the FY 2014-FY 2015 biennium for the Development Services Agency's Minority Business Bonding Program.

Attorney General and Bowling Green State University Break Ground on New $11.9 million BCI Facility

– Jamie L. Doskocil, Senior Budget Analyst, 614-387-0477

In July, the Office of the Attorney General, in partnership with Bowling Green State University (BGSU), broke ground on the construction of a new $11.9 million

Bureau of Criminal Investigation (BCI) laboratory. The 30,000 square foot facility is to be located on the campus of BGSU and will replace a commercially leased regional BCI office. Construction is expected to be completed in the fall of 2014.

The facility will serve law enforcement and prosecutors in a 22-county area. Laboratory services will include chemistry; criminal polygraph examination; evidence receiving; forensic biology; trace analysis; and examination of latent fingerprints, firearms, ballistics, and toolmarks. Space will also be provided for various on-site investigative services units (crime scene, crimes against children, criminal intelligence, narcotics, special investigations).

In addition to providing laboratory and investigative resources, the Attorney General and BCI intend to use the site to work collaboratively with BGSU to advance the field of forensic science. In support of that intent, H.B. 59 earmarks $600,000 of the Attorney General's FY 2015 GRF appropriation to create the Ohio BCI Forensic Research and Professional Training Center at BGSU. The purpose of the center is to foster forensic science techniques and to create professional training opportunities for students. BGSU will begin offering forensics as an undergraduate specialization this year.

Auditor of State Releases Performance Audit Findings for ODJFS, ODOT, and ODE

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

The Auditor of State recently released its final audit reports for performance audits conducted on the Department of Job and Family Services (ODJFS), the Department of Transportation (ODOT), and ODE.[4] Each final report contained a list of recommendations with financial impacts that, if adopted, could yield cost savings for the agency. The final audit findings for ODJFS identified approximately $47.6 million in potential savings. This entails approximately $30.2 million in savings related to Medicaid provider services, including fraud mitigation, $10.8 million in savings related to operations structure improvements, $5.6 million in technology related improvements and updates, and nearly $1.0 million in savings related to unemployment compensation review practices. The final audit findings for ODOT identified approximately $23.0 million in savings. Of this amount, about $11.6 million in savings could potentially be achieved through reduction of operating expenses, $10.9 million could be saved in fleet management practices, particularly from the sale of and maintenance of excess equipment, and there could be approximately $500,000 in potential savings from improvements in the coordination of services. The final audit findings for ODE

[4] The full reports can be found on the Auditor of State's website (www.ohioauditor.gov) through Audit Search.

identified a total of $5.8 million in potential savings, with $3.8 million coming mainly from increasing supervisor-to-staff ratios, $1.3 million in savings from improving IT operations, and just under $630,000 in savings from streamlining core responsibilities.

S.B. 4 of the 129th General Assembly requires that the Auditor of State conduct performance audits of at least four state agencies every biennium. ODJFS, ODOT, ODE, and the Housing Finance Agency are the first four agencies selected to undergo performance audits during the FY 2012-FY 2013 biennium. The Auditor of State charges agencies an hourly rate of $63.69 for performance audit services. These receipts are deposited into the Public Audit Expense – Intrastate Fund (Fund 1090). S.B. 4 also created the Leverage for Efficiency, Accountability, and Performance (LEAP) Fund (Fund 5JZ0), a revolving loan fund that is used by the Auditor of State to issue loans to state agencies and political subdivisions to pay for the costs of performance audits. In FY 2013, the Auditor issued $397,494 in loans to local governments to pay the costs of performance audits. As of this writing, no state agencies have requested a loan from the LEAP Fund.

Public Safety Distributes $370,000 in Federal Grants for Residential Substance Abuse Treatment

– Sara D. Anderson, Senior Budget Analyst, 614-728-4812

In September 2013, the Department of Public Safety's Office of Criminal Justice Services announced that it issued more than $370,000 in funding for seven projects in six different counties[5] from the Residential Substance Abuse Treatment for State Prisoners (RSAT) Formula Grant. These renewal grants will enable the continuation of the projects in Ashtabula, Butler, Franklin, Jefferson, Montgomery, and Trumbull counties. The RSAT Formula Grant is a federal grant program administered by the U.S. Bureau of Justice Assistance and created by the Violent Crime Control and Law Enforcement Act of 1994. It assists states and units of local government in developing and implementing residential substance abuse treatment programs in state and local correctional and detention facilities.

Department of Rehabilitation and Correction Opens Two New Reintegration Units

– Joseph Rogers, Senior Analyst, 614-644-9099

In September 2013, the Department of Rehabilitation and Correction (DRC) opened two new reintegration units at the Belmont and Grafton Correctional

[5] The full list of funding decisions can be found at: http://www.publicsafety.ohio.gov/links/MR2013/FY2013_RSAT_Funding_Decisions.pdf.

Institutions. This brings the total number of inmate beds at reintegration units to just over 1,700 across seven correctional institutions (see table below). A reintegration unit is a distinct living and work environment within a correctional institution designed to provide vocational training, drug and alcohol counseling, anger management counseling, and other services to certain inmates nearing release; the goal is to facilitate their transition back into society and thereby reduce the likelihood of returning to prison.[6] Inmates selected into these units must have a clean behavioral record and sign a contract agreeing to a daily schedule of work, therapy, and training approximating a workday that would be experienced outside prison.

According to DRC, 1,412 additional reintegration unit beds will be operational by the end of calendar year 2013. This will include expansions of the existing units at the Grafton (220 beds), Northeast (438 beds), and Pickaway (264 beds) Correctional Institutions and new units at the Chillicothe (Ross County, 74 beds), Marion (Marion County, 174 beds), and Noble (Noble County, 242 beds) Correctional Institutions.

Table 9. Location and Capacity of DRC's Reintegration Units (As of September 2013)

Correctional Institution	County	Number of Inmate Beds
Belmont	Belmont	124
Grafton	Lorain	260
Northeast	Cuyahoga	162
Ohio Reformatory for Women	Union	114
Pickaway	Pickaway	528
Richland	Richland	248
Southeastern	Fairfield	268
	Total Number of Inmate Beds	**1,704**

[6] These reintegration units comprise part of the "3-Tier Unit Managed Prison System" that was established by DRC in 2012 to deal with violence throughout the prison system and to foster successful reentry of inmates back into the community upon their release.

TRACKING THE ECONOMY

– Philip A. Cummins, Senior Economist, 614-387-1687

Overview

Economic activity continued to expand in recent months, but the partial federal shutdown casts a pall of uncertainty over the near-term future. Inflation remains low. U.S. inflation-adjusted gross domestic product (real GDP), the estimated total output of the national economy, expanded at a 2.5% annual rate from the first quarter to the second quarter. Industrial production rose in August, and business activity continued to grow in September based on purchasing managers' reports. Government data on U.S. employment and unemployment in September were not available because of the shutdown, but two reports from private companies showed further growth of employment in that month and increased fourth quarter hiring plans. In Ohio, employment fell in August and unemployment rose to 7.3% of the labor force, matching the U.S. rate after being lower since 2010.

Please note that several of the statistical releases usually relied on by LSC in writing the Tracking the Economy article are unavailable because of the federal government shutdown.

Inability of the U.S. Congress to reach agreement on a funding bill resulted in a shutdown of many federal government services beginning October 1, the start of the federal fiscal year. The shutdown is continuing at the time of this writing (October 9). IHS Global Insight estimates that a one-week shutdown will reduce GDP by $1.6 billion, lowering the annualized rate of GDP growth in the current quarter by 0.16 percentage point.[7] This lower GDP figure, however, only reflects estimated foregone compensation of federal workers on furlough, and does not include the wider effects which are beginning to be evident.[8] The loss will increase the longer the shutdown continues, but could be offset in part once the government reopens if Congress approves back pay for days that federal employees are on furlough. Of greater concern is the need to raise the

Inability of the U.S. Congress to reach agreement on a funding bill resulted in a shutdown of many federal government services beginning October 1.

[7] IHS Global Insight provides economic analysis and forecast services to Ohio's legislature as well as executive agencies.

[8] The *Wall Street Journal*, October 3, 2013, page B1, reports that the federal government's partial shutdown is triggering slowdowns at some employers, with widening cutbacks and layoffs likely if the shutdown continues.

Failure to raise the federal debt ceiling could result in default.

federal debt ceiling, possibly as soon as October 17.[9] Failure to raise the limit when additional borrowing is needed could result in default within days by the federal government on its contractual obligations.

The impact of the shutdown on Ohio could be sizable if the shutdown is protracted. The number of federal workers in Ohio totals about 53,300, not including the U.S. Postal Service which is separately funded and continuing to operate. This number is about 1.0% of total employment in the state (as of August).[10] Some of these persons would not be subject to furlough, because they are in positions deemed essential, not funded through annual appropriations, or otherwise excepted.[11] Active duty military personnel are to remain on the job but will not be paid after October 1 unless new money is appropriated.[12] Full-time civilian employment in Ohio was about 48,400 in 2012, 0.9% of total employment in the state at that time.[13] Some federally funded programs could be subject to large disruptions, especially if the federal shutdown lasts over a week, while other programs would continue to be funded and not be subject to suspension.[14]

Following its meeting on September 18, the Federal Open Market Committee (FOMC), the main monetary policy setting body within the central bank, announced that it was holding policy unchanged. The FOMC's post-meeting statement said it decided to wait for more evidence regarding the strength of the economy before changing its purchases of $40 billion per month of mortgage-backed securities and $45 billion per month of longer-term U.S. Treasury securities. The FOMC's short-term interest rate policy was also unchanged, holding the target for federal funds, overnight loans between banks, at 0% to 0.25%. Unavailability of numerous government statistics on the economy for as long as the partial federal shutdown persists will make the central bank's monetary policy decision-making process more uncertain.

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[9] Letter from Jacob Lew, Secretary of the Treasury, to John Boehner, Speaker of the U.S. House of Representatives, dated October 1, 2013, downloaded from the U.S. Treasury website on October 2.

[10] Ohio Bureau of Labor Market Information (LMI).

[11] U.S. Office of Personnel Management, *Guidance for Shutdown Furloughs*, September 30, 2013.

[12] *Washington Post*, October 1, 2013.

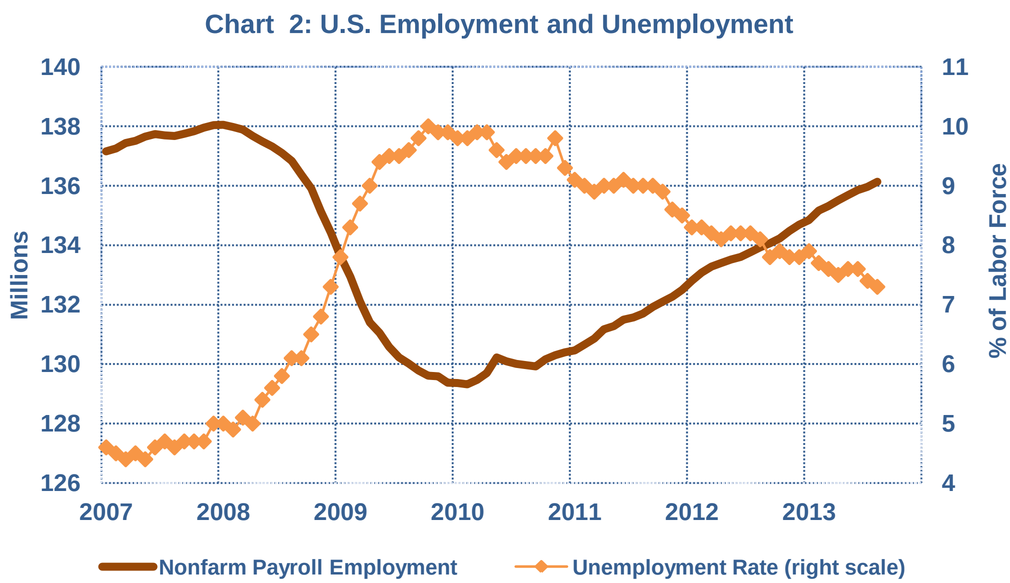
[13] *Stateline*, "How the Federal Shutdown Will Affect States," website accessed October 1, 2013, and data from LMI.

[14] *Stateline*, "States Brace for Shutdown That Could Hit Revenue and Businesses," website accessed October 1, 2013.

The National Economy

Employment and Unemployment

Nationwide employment and unemployment data, usually reported here, are not available because of the federal government shutdown. Data available as of a month ago are reproduced in Chart 2.



Employment in the nonfarm private sector increased by 166,000 from August to September, according to ADP, a large provider of payroll services, based on that organization's payroll data. Employers in the service sector added 147,000 jobs in September, including 54,000 in trade, transportation, and utilities, and 27,000 in professional and business services. Construction employment increased 16,000 in September. Over the past year, total nonfarm private employment increased by 2.1 million, or about 175,000 per month on average, these data show.

Employment in the nonfarm private sector increased by 166,000 from August to September, according to ADP.

A survey of 18,000 U.S. employers' hiring plans by Manpower shows the most widespread expected net additions to employment in the fourth quarter of any fourth quarter since 2007. Adjusted for typical seasonal patterns, fourth quarter net hiring plans rose from the third quarter and were the most widespread since the 2007-2009 recession. The fourth quarter hiring outlook was positive in all 13 industry sectors surveyed and in the four U.S. regions including the Midwest.

Production, Shipments, and Inventories

Real GDP rose in the second quarter at a 2.5% annual rate, after increasing at a 1.1% rate in the first quarter, and by 2.8% in all of 2012. The latest estimate of second quarter GDP growth, based on more extensive source data, is unchanged from the previous estimate. Consumer spending, residential and nonresidential fixed investment, and exports rose in the second quarter, and businesses added to inventories. Notably, residential fixed investment grew at a 14% annual rate, to 15% higher than a year earlier, and rose for the eleventh consecutive quarter. Government spending fell in the second quarter, for the third consecutive period. Imports, a subtraction in estimation of GDP, increased in the latest quarter.

Industrial production rose 0.4% in August, the largest increase since February.

Industrial production rose 0.4% in August, the largest increase since February. Manufacturing output gained 0.7%, after falling 0.4% in July, as motor vehicle production recovered after slowing in July, when numerous plants typically cut production to retool for the next year's models. Gains in production in August were broad based in other industries. Utility output, however, fell for the fifth straight month. Compared with a year earlier, total industrial production in August was 2.7% higher, after larger increases in 2010-2012.

Factory production appears to have risen further in September, based on the Institute for Supply Management's monthly survey of purchasing managers. More respondents to the survey reported increases in production than noted declines, for the fourth consecutive month. New orders also increased but order backlogs (unfilled orders) declined, though reports of shrinking order backlogs were less widespread than the month before. Employment increases at manufacturers were the most widespread in more than a year, seasonally adjusted. Increases in prices paid were also more widespread. A comparable survey of purchasing managers for organizations other than manufacturers showed growth of business activity, new orders and order backlogs, and employment, along with rising prices paid.

Consumer Spending

Personal consumption expenditures rose 0.3% in August, of which 0.1% was accounted for by higher prices. Compared with a year earlier, consumer spending was 3.2% higher, a somewhat larger rise than the 2.8% increase in personal income after taxes.[15]

U.S. light vehicle sales slipped to a 15.2 million unit seasonally adjusted annual rate in September, a five-month low, according to WardsAuto. Limited inventories of some vehicle models may have held back sales. The sales pace in the third quarter, at 15.6 million units, was

[15] Data provided by HIS Global Insight.

nevertheless the highest quarterly average since the fourth quarter of 2007.[16]

Construction and Real Estate

Housing starts rose about 1% in August, as single-family home starts increased while starts on residential buildings with more than one unit fell. Compared with a year earlier, the number of housing units started was 19% higher, with particular strength in multifamily starts.

New home sales in the first eight months of 2013 were 20% higher than a year earlier.

New home sales rose 8% in August, after dropping 14% in July. In the first eight months of 2013, sales were 20% higher than a year earlier, including a 26% increase in the Midwest. The average new home selling price was about $319,000 in August, 4% higher than a year earlier.

Sales of homes reported by the National Association of Realtors (NAR), generally previously occupied homes, rose 2% in August, and were 13% above a year earlier. Year-to-date sales were 12% higher. Sales have been higher than a year earlier for 26 months. The home sales recovery has raised sales to the highest pace since early 2007. According to NAR, higher mortgage interest rates encouraged buyers to complete transactions, but are reducing affordability. Limited inventories of home listings and tough requirements to qualify for home loans are said to be restricting sales. The average selling price of homes nationwide was about $259,000 in August, 11% higher than a year earlier. Foreclosures and other distressed sales accounted for 12% of total sales in August, the lowest share since October 2008 when NAR began tracking this measure. Fewer distressed sales, typically at lower prices, tends to increase the average price.

Home prices nationwide rose 1% in July, to about 9% higher than in July 2012, measured by the index published by the Federal Housing Finance Agency (FHFA). This index is calculated from price data on repeat sales of the same homes, which helps limit changes due to shifts in the mix of homes sold rather than in the prices of individual units. A simple average, in contrast, might rise because more of the homes sold in a given period were expensive, even if the underlying individual homes were unchanged or fell in value. The FHFA home price index in July was about 14% higher than its low of recent years in 2011, but remained 10% below its all-time peak in 2007. Home prices had recovered to about the level in 2005, on average nationwide. Local markets vary widely.

Mortgage interest rates rose sharply from May through August, but have since dropped back, to levels still above those early this year.

[16] Downloaded from WardsAuto.com website on October 2, 2013.

The nationwide average contract rate on 30-year, fixed-rate conventional home mortgage commitments, in Freddie Mac's weekly survey, rose from 3.35% in the week of May 2 to a recent peak of 4.58% in the week of August 22, and has since declined to 4.22% in the week of October 3. Interest rates on home loans remain very low compared with long-term historical levels.

Inflation

The consumer price index increased in August to 1.5% higher than a year earlier.

The consumer price index (CPI) increased 0.1% in August, rising to 1.5% higher than a year earlier. Food prices on average were 1.4% above a year earlier, while energy prices were slightly (0.1%) lower. Excluding food and energy, the CPI rose 0.1% in August to 1.8% higher than in the year-earlier month. In the latest 12 months, the CPI increased 2.3% for medical care, 2.4% for shelter, and 1.1% for new motor vehicles.

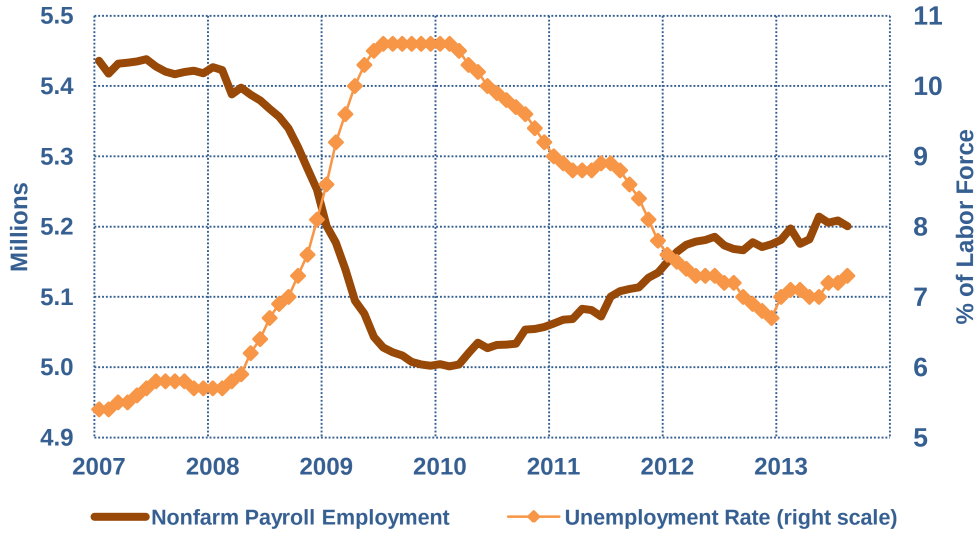
At the manufacturing and wholesale level, inflation also appears well contained. The producer price index (PPI) for finished goods rose 0.3% in August on higher prices for food and energy, and was 1.4% higher than in August 2012. The PPI for intermediate materials, supplies, and components was 0.5% above a year earlier in August. The PPI for crude materials for further processing was 1.6% higher.

At the end of September, the nationwide average price of unleaded regular gasoline fell to $3.43 per gallon, in the U.S. Energy Information Administration's weekly survey, the lowest since January. Average gasoline prices were also relatively low in Ohio on September 30, at $3.33 per gallon.

The Ohio Economy

Total nonfarm payroll employment in Ohio fell 8,200 (-0.2%) from July to August, seasonally adjusted, and was 32,500 (0.6%) higher in August than a year earlier. Unemployment edged up to 7.3% of the labor force. Trends in employment and the unemployment rate are shown in Chart 3.

Chart 3: Ohio Employment and Unemployment



The decline in payroll employment in Ohio in August was the second largest decline among the states, trailing only Georgia where employment fell 16,100. As is evident in the chart, Ohio payroll employment has declined on balance since May, falling 13,400 (0.3%) during that period. Although the year-over-year trend is still upward, the pace of growth in employment has slowed compared with one and two years earlier. In the latest year, employment growth was more than accounted for by the private service-providing sector. Large gains were reported in administrative and support services, in health care, and in wholesale and retail trade. Government employment fell, with most of the declines at the local level.

Ohio's statewide unemployment rate in August matched that of the U.S. after being lower than the nationwide average for nearly three years. At 7.3%, the statewide average unemployment rate was up from a recent low of 6.7% in December 2012, and at the highest rate since June 2012. The increase in unemployment since the end of 2012 was nearly matched by the decline during that period in total employment (including the self-employed and agricultural workers). Total employment in August 2013 was at its lowest level since September 2011.[17]

Ohio's statewide unemployment rate in August matched that of the U.S. after being lower for nearly three years.

[17] Comparisons of unemployment and total employment levels between years are subject to some uncertainty because adjustments for population estimates introduce breaks in these series between December and January.

Compared with a year earlier, personal income in Ohio in the second quarter was higher by 2.1%, less than a 2.7% increase nationwide.

Personal income in Ohio rose 1.1% from the first quarter to the second quarter (not at an annual rate). These figures are in current dollars, not adjusted for inflation. Growth of personal income in Ohio in the second quarter was slightly above that for the nation as a whole, with growth of 1.0%. Compared with a year earlier, however, personal income in Ohio was higher by 2.1%, less than a 2.7% increase nationwide. Personal income growth has slowed. Revised annual figures show Ohio personal income growth of 6.6% in 2011 and 3.7% in 2012. Ohio's personal income rose faster in 2011 than that of the U.S., with growth of 6.1%, but more slowly in 2012 when U.S. personal income increased 4.2%. Ohio accounted for 3.4% of U.S. personal income in the latest quarter.

The number of homes sold in Ohio, reported by the Ohio Association of Realtors, was 17% higher in August than a year earlier, the twenty-sixth consecutive month of year-over-year gains. In the first eight months of 2013, unit sales were also 17% above a year earlier. Year-to-date sales prices averaged about $144,000, 6% higher than in the year-earlier period.