# Budget Footnotes

A NEWSLETTER OF THE OHIO LEGISLATIVE SERVICE COMMISSION

SEPTEMBER 2013

# STATUS OF THE GRF

## HIGHLIGHTS

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

The U.S. economy continues to grow modestly. Inflation-adjusted gross domestic product (real GDP) grew at a 2.5% annual rate in the second quarter of 2013. In August, total nonfarm payroll employment nationwide rose by 169,000 from July, and the unemployment rate fell to 7.3%. In Ohio, the unemployment rate in July was 7.2%, unchanged from June, but an increase from 7.0% in May.

At the start of FY 2014, the state budget appears to be on weak footing. In the first two months, GRF tax revenues were $55.3 million below estimate, due mainly to poor receipts from the commercial activity and sales and use taxes. That negative variance in tax revenues was partially offset by a positive variance of $48.3 million in federal grants. GRF sources as a whole were $14.3 million below estimate.

**Through August 2013, GRF sources totaled $4.69 billion:**

- Revenue from the personal income tax was $10.4 million below estimate;
- Sales and use tax receipts were $18.1 million below estimate;
- Receipts from the commercial activity tax were $28.5 million below estimate.

**Through August 2013, GRF uses totaled $6.40 billion:**

- Medicaid expenditures were $2.68 billion;
- Primary and Secondary Education expenditures were $1.13 billion.

VOLUME 37, NUMBER 1

STATUS OF THE GRF



ISSUE UPDATES



TRACKING THE ECONOMY



Legislative Service Commission
77 South High Street, 9th Floor
Columbus, Ohio 43215

Telephone: 614-466-3615

**Table 1: General Revenue Fund Sources**
**Actual vs. Estimate**
**Month of August 2013**
($ in thousands)
(Actual based on report run in OAKS Actuals Ledger on September 6, 2013)

| | Actual | Estimate* | Variance | Percent |
|---|---|---|---|---|
| **STATE SOURCES** | | | | |
| ***TAX REVENUE*** | | | | |
| Auto Sales | $111,503 | $101,500 | $10,003 | 9.9% |
| Nonauto Sales and Use | $602,376 | $622,000 | -$19,624 | -3.2% |
| Total Sales and Use | $713,878 | $723,500 | -$9,622 | -1.3% |
| Personal Income | $664,688 | $670,107 | -$5,419 | -0.8% |
| Corporate Franchise | $1,219 | $0 | $1,219 | --- |
| Financial Institutions | $0 | $0 | $0 | --- |
| Public Utility | $25,859 | $26,500 | -$641 | -2.4% |
| Kilowatt Hour Excise | $30,297 | $31,950 | -$1,653 | -5.2% |
| Natural Gas Consumption (MCF) | $12,123 | $10,800 | $1,323 | 12.3% |
| Commercial Activity Tax | $170,227 | $188,700 | -$18,473 | -9.8% |
| Foreign Insurance | $1,176 | $200 | $976 | 488.2% |
| Domestic Insurance | $5 | $0 | $5 | --- |
| Business and Property | $3 | $0 | $3 | --- |
| Cigarette | $69,900 | $70,800 | -$900 | -1.3% |
| Alcoholic Beverage | $4,818 | $5,700 | -$882 | -15.5% |
| Liquor Gallonage | $3,622 | $3,500 | $122 | 3.5% |
| Estate | $23 | $0 | $23 | --- |
| **Total Tax Revenue** | **$1,697,838** | **$1,731,757** | **-$33,919** | **-2.0%** |
| ***NONTAX REVENUE*** | | | | |
| Earnings on Investments | $3 | $0 | $3 | --- |
| Licenses and Fees | $7,373 | $6,000 | $1,373 | 22.9% |
| Other Revenue | -$725 | $3,625 | -$4,350 | -120.0% |
| **Total Nontax Revenue** | **$6,651** | **$9,625** | **-$2,974** | **-30.9%** |
| ***TRANSFERS*** | | | | |
| Liquor Transfers | $0 | $0 | $0 | --- |
| Budget Stabilization | $0 | $0 | $0 | --- |
| Other Transfers In | $2,445 | $200 | $2,245 | 1122.6% |
| **Total Transfers In** | **$2,445** | **$200** | **$2,245** | **1122.6%** |
| **TOTAL STATE SOURCES** | **$1,706,935** | **$1,741,582** | **-$34,647** | **-2.0%** |
| Federal Grants | $882,861 | $834,540 | $48,321 | 5.8% |
| **TOTAL GRF SOURCES** | **$2,589,795** | **$2,576,122** | **$13,673** | **0.5%** |

* 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 August 30, 2013**
($ in thousands)
(Actual based on report run in OAKS Actuals Ledger on September 6, 2013)

| | Actual | Estimate* | Variance | Percent | FY 2013 | Percent Change |
|---|---|---|---|---|---|---|
| **STATE SOURCES** | | | | | | |
| ***TAX REVENUE*** | | | | | | |
| Auto Sales | $213,333 | $201,300 | $12,033 | 6.0% | $194,502 | 9.7% |
| Nonauto Sales and Use | $1,272,984 | $1,303,100 | -$30,116 | -2.3% | $1,250,185 | 1.8% |
| Total Sales and Use | $1,486,317 | $1,504,400 | -$18,083 | -1.2% | $1,444,687 | 2.9% |
| Personal Income | $1,288,363 | $1,298,800 | -$10,437 | -0.8% | $1,249,687 | 3.1% |
| Corporate Franchise | $2,145 | $0 | $2,145 | --- | $18,402 | -88.3% |
| Financial Institutions | $0 | $0 | $0 | --- | $0 | --- |
| Public Utility | $25,859 | $26,500 | -$641 | -2.4% | $25,060 | 3.2% |
| Kilowatt Hour Excise | $53,549 | $57,650 | -$4,101 | -7.1% | $57,230 | -6.4% |
| Natural Gas Consumption (MCF) | $13,541 | $11,900 | $1,641 | 13.8% | $10,216 | 32.5% |
| Commercial Activity Tax | $190,343 | $218,839 | -$28,496 | -13.0% | $195,912 | -2.8% |
| Foreign Insurance | $1,401 | $200 | $1,201 | 600.6% | $1,360 | 3.0% |
| Domestic Insurance | $54 | $0 | $54 | --- | $220 | -75.5% |
| Business and Property | $29 | $0 | $29 | --- | $215 | -86.4% |
| Cigarette | $89,845 | $88,800 | $1,045 | 1.2% | $93,167 | -3.6% |
| Alcoholic Beverage | $9,858 | $10,400 | -$542 | -5.2% | $11,178 | -11.8% |
| Liquor Gallonage | $7,023 | $6,900 | $123 | 1.8% | $6,827 | 2.9% |
| Estate | $802 | $0 | $802 | --- | $1,623 | -50.6% |
| **Total Tax Revenue** | **$3,169,128** | **$3,224,389** | **-$55,261** | **-1.7%** | **$3,115,784** | **1.7%** |
| ***NONTAX REVENUE*** | | | | | | |
| Earnings on Investments | $7 | $0 | $7 | --- | $9 | -15.1% |
| Licenses and Fees | $7,920 | $12,000 | -$4,080 | -34.0% | $7,706 | 2.8% |
| Other Revenue | $1,280 | $7,250 | -$5,970 | -82.3% | $1,871 | -31.6% |
| **Total Nontax Revenue** | **$9,207** | **$19,250** | **-$10,043** | **-52.2%** | **$9,586** | **-4.0%** |
| ***TRANSFERS*** | | | | | | |
| Liquor Transfers | $0 | $0 | $0 | --- | $31,500 | -100.0% |
| Budget Stabilization | $0 | $0 | $0 | --- | $0 | --- |
| Other Transfers In | $7,719 | $5,400 | $2,319 | 42.9% | $5,372 | 43.7% |
| **Total Transfers In** | **$7,719** | **$5,400** | **$2,319** | **42.9%** | **$36,872** | **-79.1%** |
| **TOTAL STATE SOURCES** | **$3,186,054** | **$3,249,039** | **-$62,985** | **-1.9%** | **$3,162,242** | **0.8%** |
| Federal Grants | $1,503,712 | $1,455,391 | $48,321 | 3.3% | $1,539,731 | -2.3% |
| **TOTAL GRF SOURCES** | **$4,689,766** | **$4,704,430** | **-$14,665** | **-0.3%** | **$4,701,972** | **-0.3%** |

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

August GRF tax receipts were $33.9 million below estimate.

Through August, FY 2014 GRF tax receipts were $55.3 million below estimate.

# REVENUES

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

## Overview

For the month of August, GRF sources totaled $2.59 billion. These sources were $13.7 million above the estimates provided by the Office of Budget and Management (OBM) in September 2013. Federal grants were $48.3 million above projections. However, that positive variance was partly offset by a shortfall of $33.9 million in tax revenues. Tables 1 and 2 show GRF sources for the month of August and for FY 2014 through August, respectively. 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 that receive federal funding.

All the major tax sources were below estimate in August. The sales and use tax, the personal income tax, and the cigarette tax, were below anticipated receipts by, respectively, $9.6 million, $5.4 million, and $0.9 million. Also below projected receipts were the commercial activity tax (CAT), by $18.5 million, and the kilowatt hour tax, by $1.6 million. In contrast, the natural gas consumption tax was $1.3 million above estimate, and receipts from the corporate franchise tax (CFT) were $1.2 million in August, though no revenue from that tax is included in estimates for FY 2014.[1] The August performance increased the year-to-date negative variance of GRF tax sources to $55.3 million, up from $21.3 million in July. However, the performance of federal grants in August helped reduce the overall negative variance in total GRF sources from $28.3 million in July to $14.7 million at the end of August.

Compared to the corresponding two-month period last year, FY 2014 total GRF sources decreased $12.2 million, due to decreases of $36.0 million in federal grants and $29.2 million in transfers in. Those decreases were partly offset by an increase of $53.3 million in tax revenues. Receipts from the personal income tax and the sales and use tax grew, respectively, by $38.7 million and $41.6 million.

[1] H.B. 510 of the 129th General Assembly eliminated the CFT at the end of calendar year 2013, and replaced it with the financial institutions tax (FIT). However, late payments, refunds, assessments, or other tax reconciliations are likely to result in some CFT receipts in FY 2014.

## Personal Income Tax

August GRF receipts from the personal income tax of $664.7 million were $5.4 million (0.8%) below estimate. However, monthly receipts were $8.5 million (1.3%) above receipts in August 2012. 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,[2] trust payments, payments associated with annual returns, and miscellaneous payments. For the fiscal year, the GRF received $1.29 billion from the personal income tax, $10.4 million (0.8%) below estimates.

Through August, FY 2014 GRF income tax receipts were $10.4 million below estimate.

## Sales and Use Tax

August GRF receipts from the sales and use tax of $713.9 million were $9.6 million (1.3%) below estimate, but $29.1 million (4.2%) above revenues in August 2012. Through August, FY 2014 GRF sales and use tax receipts totaled $1.49 billion, $18.1 million (1.2%) below estimate. For analysis and forecasting, the sales and use tax is separated into two parts: auto and nonauto. Auto sales and use tax collections[3] 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. H.B. 59, the main operating budget act for the current biennium, increased the state sales and use tax rate from 5.5% to 5.75% beginning September 1, 2013. The rate increase is expected to result in potential revenue gains of $289.8 million in the current fiscal year.

Through August, FY 2014 sales and use tax receipts were $18.1 million below estimate.

### Nonauto Sales and Use Tax

Monthly GRF receipts from the nonauto sales and use tax were $602.4 million in August, $19.6 million (3.2%) below estimate. However, those receipts were $16.8 million (2.9%) above August 2012 receipts. Year-to-date GRF nonauto sales and use tax receipts were $1.27 billion for FY 2014, $30.1 million (2.3%) below estimate, but $22.8 million (1.8%) above receipts through August in FY 2013.

---

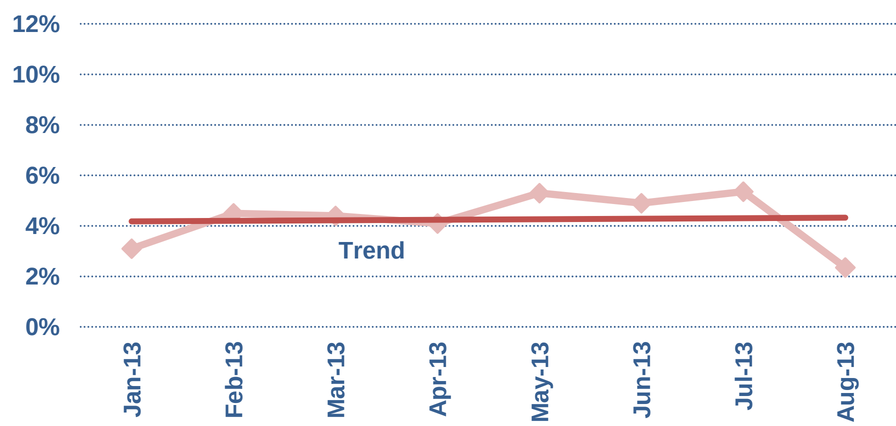
[2] Quarterly estimated payments are made by taxpayers who expect to be underwithheld by more than $500. Payments are due on or before April 15, June 15, and September 15 of the tax year and January 15 of the following year. Most estimated payments are made by high-income taxpayers.

[3] 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.

Through August, FY 2014 nonauto sales and use tax receipts were $30.1 million below estimate.

Chart 1 shows an increase in calendar year 2013 nonauto sales tax monthly receipts against prior-year receipts in the same month, though the rate of growth has significantly decreased in the latest month. Nationwide, retailers reported lackluster back-to-school sales, and weak income growth contributed to slowing retail sales.

**Chart 1: Nonauto Sales and Use Tax Receipts Trend**
**Actual vs. Prior Year**
**(Three-month Moving Average)**

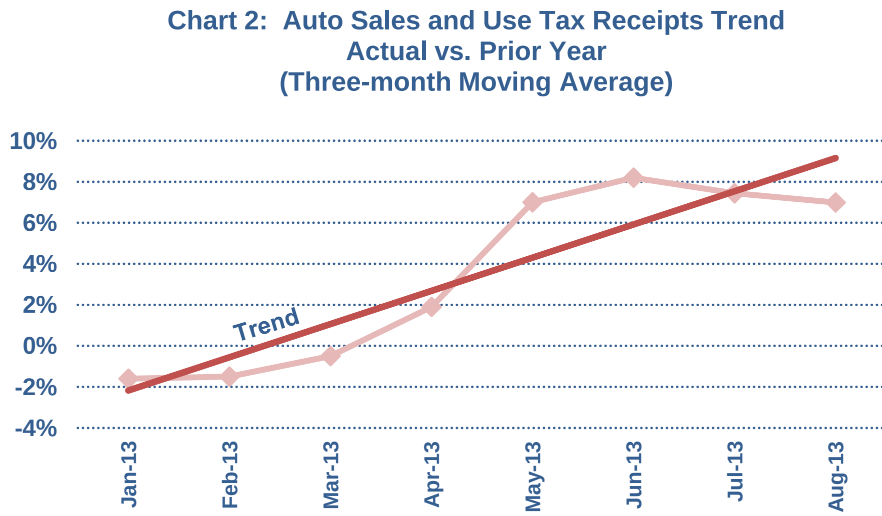



### Auto Sales and Use Tax

Through August, FY 2014 auto sales and use tax receipts were $12.0 million above estimate.

GRF receipts from the auto sales and use tax totaled $111.5 million in August. Those receipts were $10.0 million (9.9%) above estimate, and $12.2 million (12.3%) above August 2012 receipts. For the fiscal year through August, the auto sales and use tax provided $213.3 million, $12.0 million (6.0%) above estimate, and also $18.8 million (9.7%) above receipts in FY 2013. Chart 2 below compares 2013 monthly auto sales and use tax receipts with year-ago receipts in the same period. The growth of the auto sales and use tax base in recent months has ebbed from the second quarter of 2013, though is continuing at high levels.

On a seasonally adjusted annualized basis, nationwide autos and light truck sales jumped to 16.1 million units in August, up from 15.8 million units in July, and the highest sales pace recorded since 2007. Sales were about 11% higher than in August 2012. From January through August, the autos and light trucks sales rate has averaged 15.5 million units, up from 14.5 million for 2012.




## Cigarette and Other Tobacco Products Tax

GRF receipts from the cigarette and other tobacco products tax of $69.9 million in August 2013 were $0.9 million (1.3%) below estimate, and $7.4 million (9.5%) below receipts in the same month in FY 2013. In the first two months of FY 2014, total receipts of $89.8 million were $1.0 million (1.2%) above estimate. Receipts from cigarette sales were $81.0 million, and sales of products other than cigarettes provided $8.8 million. Total receipts were $3.3 million (3.6%) below FY 2013 revenues, from declines of $1.8 million from the sale of cigarettes and $1.5 million from the sale of other tobacco products.

## Commercial Activity Tax

The CAT has experienced continuing weakness throughout 2013. The first quarterly CAT payment for FY 2014, due August 10, was poor. August GRF receipts from the CAT of $170.2 million were $18.5 million (9.8%) below estimate, and $0.4 million (0.3%) below August 2012 revenue. In the previous month, GRF CAT receipts were $10.0 million (33.3%) below the estimate. They also were $5.1 million (20.3%) below the July 2012 level. Through August, FY 2014 CAT receipts to the GRF totaled $190.3 million, $28.5 million (13.0%) below estimate, and $5.6 million (2.8%) below receipts in the corresponding period in FY 2013.

Through August, GRF CAT receipts were $28.5 million below estimate.

GRF uses totaled $6.40 billion for the first two months of FY 2014, including $5.20 billion in program expenditures and $1.19 billion in transfers out.

# EXPENDITURES

*– Russ Keller, Economist, 614-644-1751*

## Overview

For the first two months of FY 2014, GRF uses totaled $6.40 billion. These uses include $5.20 billion in program expenditures and $1.19 billion in transfers out. Table 3 below shows GRF uses for the months of July and August by program category. LSC did not receive the monthly GRF use estimates for FY 2014 in time for publishing this issue of *Budget Footnotes*. Therefore, this brief expenditure report does not compare actual GRF uses in July and August with the estimated uses for these two months.

**Table 3. General Revenue Fund Uses**
**Months of July and August 2013**
**($ in thousands)**
**(Actual based on OAKS report run on September 9, 2013)**

| PROGRAM CATEGORY | July Actual | August Actual | Year-to-Date Actual |
|---|---|---|---|
| PROGRAM EXPENDITURES | | | |
| Primary and Secondary Education | $574,117 | $556,364 | $1,130,481 |
| Higher Education | $152,280 | $161,227 | $313,507 |
| Other Education | $5,497 | $4,510 | $10,006 |
| Medicaid | $1,347,317 | $1,328,196 | $2,675,512 |
| Health and Human Services | $134,332 | $123,949 | $258,282 |
| Justice and Public Protection | $213,682 | $162,110 | $375,792 |
| General Government | $32,417 | $36,579 | $68,996 |
| Property Tax Reimbursement | $653 | $57,684 | $58,338 |
| Capital | $0 | $0 | $0 |
| Debt Service | $251,821 | $61,321 | $313,143 |
| **Total Program Expenditures** | **$2,712,116** | **$2,491,940** | **$5,204,056** |
| TRANSFERS OUT | | | |
| Budget Stabilization | $995,930 | $0 | $995,930 |
| Other Transfers Out | $190,050 | $6,945 | $196,995 |
| **Total Transfers Out** | **$1,185,981** | **$6,945** | **$1,192,925** |
| **TOTAL GRF USES** | **$3,898,096** | **$2,498,885** | **$6,396,981** |

*Note: Detail may not sum to total due to rounding.*

As reported in its August issue of the *Monthly Financial Report*, the Office of Budget and Management (OBM) has made various changes to the program categories used in reporting monthly GRF uses to "better reflect how the state expends its resources." The most significant change is the creation of the Medicaid program category that includes all GRF Medicaid expenditures made by the six agencies that take part in administering Medicaid. These six agencies are the departments of Medicaid, Developmental Disabilities, Mental Health and Addiction Services, Job and Family Services, Health, and Aging. H.B. 59, the main operating budget act of the 130th General Assembly, made it possible for the creation of such a Medicaid program category by assigning a "650 series" prefix to all Medicaid line items across those six agencies. For the first two months of FY 2014, GRF Medicaid expenditures were $2.68 billion while non-GRF Medicaid expenditures were $382.6 million. Across all funds, year-to-date Medicaid expenditures totaled $3.06 billion (see Table 4). Those agencies' GRF expenditures from their non-Medicaid line items are included in the Health and Human Services program category. Through August, year-to-date GRF expenditures from the Health and Human Service program category totaled $258.3 million.

Year-to-date GRF Medicaid expenditures totaled $2.68 billion. Year-to-date all-funds Medicaid expenditures totaled $3.06 billion.

**Table 4. Medicaid Expenditures, Months of July and August, 2013 ($ in thousands)**

| | July Actual | August Actual | Year-to-Date Actual |
|---|---|---|---|
| GRF | $1,347,317 | $1,328,196 | $2,675,512 |
| Non-GRF | $187,085 | $195,563 | $382,649 |
| **Total** | **$1,534,402** | **$1,523,759** | **$3,058,161** |

The other major change occurs in the Debt Service program category. This category now includes GRF-supported debt service payments for both general obligation and nongeneral obligation bonds. Under the previous reporting system, the Debt Service program category included only debt service payments for general obligation bonds. Payments for nongeneral obligation bonds were reported under the category in which the agency making the payment is included. The revised Debt Service program category will provide a complete picture of all debt service payments made from the GRF. For the first two months of FY 2014, GRF debt service totaled $313.1 million.

Furthermore, the Ohio Department of Education (ODE) is now the only agency included in the Primary and Secondary Education program category. Except for its property tax reimbursement line item, which is included in the Property Tax Reimbursements program category, all of ODE's GRF expenditures are reported under the Primary and Secondary program category. Year-to-date GRF expenditures from this program category totaled $1.13 billion.

GRF uses are expected to total $31.68 billion in FY 2014.

Finally, the General Government program category has been expanded to include several smaller categories under the previous reporting system, including Environmental Protection and Natural Resources, Community and Economic Development, and Transportation. For the first two months of FY 2014, GRF expenditures from the General Government program category totaled $69.0 million.

As reported in the July issue of *Budget Footnotes*, the GRF finished FY 2013 with an unobligated cash balance of $2.11 billion. On July 11, 2013, $995.9 million cash was transferred from the GRF to the Budget Stabilization Fund to bring the fund's balance to $1.48 billion, the statutory target amount. This transfer accounted for 83.5% of the total year-to-date GRF transfers out.

## Summary of OBM Estimate for GRF Uses for FY 2014

Table 5 below shows the estimate made by OBM in September 2013 for GRF uses for FY 2014. As seen from the table, GRF program expenditures are estimated to total $29.98 billion in FY 2014. Of this amount, $14.44 billion will go to Medicaid and $6.78 billion will go to Primary and Secondary Education. Together, these two program categories will account for 70.8% of the total program expenditures. Including estimated transfers out, and year-end encumbrances, GRF uses are expected to total $31.68 billion in FY 2014.

**Table 5. OBM Estimate for GRF Uses for FY 2014 by Program Category**
**($ in thousands)**

| Program Category | Expenditures | As a % of Total Program Expenditures |
|---|---|---|
| **Primary and Secondary Education** | $6,777,688 | 22.6% |
| **Higher Education** | $2,102,423 | 7.0% |
| **Other Education** | $54,263 | 0.2% |
| **Medicaid** | $14,442,456 | 48.2% |
| **Health and Human Services** | $1,270,356 | 4.2% |
| **Justice and Public Protection** | $1,879,513 | 6.3% |
| **General Government** | $371,099 | 1.2% |
| **Property Tax Reimbursements** | $1,805,440 | 6.0% |
| **Capital** | $20 | 0.0% |
| **Debt Service** | $1,280,179 | 4.3% |
| **Total Program Expenditures** | **$29,983,436** | **100.0%** |
| **Transfers Out** | $1,257,369 | -- |
| **Year-end Encumbrances** | $439,068 | -- |
| **Total GRF Uses** | **$31,679,873** | **--** |

# ISSUE UPDATES

## Income-Based Educational Choice Scholarship Program Draws 1,706 Applicants

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

According to the Ohio Department of Education (ODE), 1,706 applications for the new income-based component of the Educational Choice Scholarship Program (Ed Choice) were received during the application period that ended July 31.[4] The number of applicants is less than the 2,000 scholarships funded in the recently enacted budget bill, H.B. 59 of the 130th General Assembly. Pursuant to H.B. 59, eligible recipients for the 2013-2014 school year must (1) be entering kindergarten for the first time in that school year, (2) reside outside of the Cleveland Municipal School District, (3) not be eligible for a traditional Ed Choice scholarship, and (4) have a family income at or below 200% of the federal poverty guidelines (FPG). Students who meet these requirements qualify for a scholarship regardless of the academic rating of the school they would otherwise attend. Scholarship amounts for the income-based expansion remain the same as under the traditional program (the lesser of the cost of tuition or $4,250 for students in grades kindergarten through 8 and $5,000 for students in grades 9 through 12).

The program uses a phase-in approach by qualifying only incoming kindergarteners in the first year and adding the next grade in each subsequent year. Students qualifying for Ed Choice under the expansion are not counted in their resident district's average daily membership (ADM) for funding purposes and, accordingly, deductions are not taken from school districts to fund the scholarships. Instead, the scholarships are paid directly by the state. H.B. 59 appropriates $8.5 million in lottery profits to fund scholarships for the 2013-2014 school year. In future years, if the number of applications exceeds the number of scholarships that can be funded by the appropriation, the scholarships will be awarded with priority first given to students who received the scholarship in the previous year, and then to students whose family income falls below 100% FPG. Students receiving scholarships under this expansion do not count toward the annual statewide 60,000 scholarship cap.

[4] The actual number of scholarships is generally lower than the number of applicants as some students decline the scholarship or are determined to be ineligible.

## ODE and BOR Select College Board's PSAT for College Readiness Assessment

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

On July 24, 2013, ODE and the Ohio Board of Regents (BOR) jointly awarded a contract through a request for proposals process to the College Board to provide the Preliminary SAT (PSAT) as the state's nationally standardized assessment to measure college readiness. H.B. 1 of the 128th General Assembly required the assessment as part of the state's new college and career ready assessment system, which also includes a series of end-of-course exams that will replace the Ohio Graduation Tests. According to ODE, the assessment will be used to help guide high school course selection and preparation in an effort to reduce the number of students needing to take remedial courses in college. Though it will not be used for college admissions, placement, or course grades for individual students, aggregate results will be displayed on district and school report cards for the 2014-2015 school year and onward.[5] State-mandated assessments are paid for by the state, meaning that there will be no cost to students to take the test. The initial contract runs through FY 2015, which covers the first administration of the PSAT to Ohio sophomores in the fall of 2014. The state's cost per student is $10.20, which includes producing, delivering, administering, returning, and scoring the tests as well as producing various score reports. With 150,000 sophomores expected to take the test in FY 2015, the estimated cost of the contract is $1.53 million. The cost will be paid for through GRF line item 200437, Student Assessment.

## Ohio Turnpike and Infrastructure Commission Issues Bonds to Fund Infrastructure Projects

*– Brian D. Hoffmeister, Senior Budget Analyst, 614-644-0089*

On July 30, the newly renamed Ohio Turnpike and Infrastructure Commission issued $1.15 billion in bonds pursuant to a resolution adopted under H.B. 51 of the 130th General Assembly, the transportation budget act for FY 2014 and FY 2015. The act authorized the Commission to issue bonds against future Ohio Turnpike toll revenues for the purpose of funding infrastructure projects that have a transportation-related nexus to the Ohio Turnpike system. The terms of the bonds require that of the maximum principal amount of $1.15 billion to be sold, an initial deposit of up to $930.0 million is to be made into the Turnpike and Infrastructure Commission's

[5] Aggregate results of the assessment will be reported without an assigned letter grade, like the other individual measures of the Prepared for Success component of the report card. However, current law permits the State Board of Education to include the results in the overall grade for that component.

Infrastructure Projects Fund in order to support the construction of designated infrastructure projects, fund a debt service reserve, and pay costs of the bond issuance. The Commission will vote to recommend projects for bond funding on September 9, and the Transportation Review Advisory Council will then vote on final approval of those projects at its meeting on September 26.

In a separate resolution, the Commission authorized toll increases on the Ohio Turnpike of up to 2.7% annually, beginning on January 1, 2014, and going through January 1, 2023, in order to support the repayment of the bonds. Under this plan, the toll for a regular two-axle passenger vehicle with an E-ZPass transponder to drive the entire 241.2-mile length of the Turnpike would rise from $11.25 in 2013 to $11.50 in 2014, eventually reaching $14.75 in 2023. For a passenger vehicle without an E-ZPass transponder, the corresponding tolls would rise from $16.50 currently to $17.00 in 2014, up to an eventual level of $21.50 in 2023.

## Ohio to Receive $169 million for the Balancing Incentive Program

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

In June 2013, the Office of Health Transformation (OHT) announced that Ohio will receive $169 million in federal funds for implementation of the Balancing Incentive Payments Program (BIP). The program increases the federal medical assistance percentage (FMAP) rate that a state receives for efforts made to increase access to noninstitutional long-term services and supports (LTSS), or home and community-based services. So far, Ohio is one of the 16 states that will receive these funds. H.B. 59, the budget act of the 130th General Assembly, permits Ohio to join the program.

BIP was authorized by the Patient Protection and Affordable Care Act. States are eligible to participate in the program if they spent less than 50% of total Medicaid medical assistance expenditures on noninstitutional LTSS. Participating states will be required to meet programmatic and structural reform requirements. States can either receive 2% or 5% enhanced FMAP based on the percentage that the state spends on noninstitutional LTSS. States spending between 25% and 50% will receive 2% enhanced match and they must spend at least 50% of total LTSS expenditures on noninstitutional LTSS by September 30, 2015. States spending less than 25% will receive 5% enhanced match and they must spend at least 25% of total LTSS expenditures on noninstitutional LTSS by September 30, 2015. According to OHT, in FY 2013, 39% of Ohio's Medicaid medical assistance expenditures were on noninstitutional LTSS, so Ohio is eligible for the 2% enhanced FMAP.

Specific program requirements include the establishment of a no-wrong-door/single entry point system whereby an individual will have access to information about all services available regardless of which agency the individual made initial contact with. The program also requires conflict free case management services to ensure that an individual's plan of care will be created based on medical necessity and independent from funding availability. Furthermore, the program requires the establishment of core standardized assessment instruments so that eligibility determinations are made in a uniform manner across Ohio.

## Ohio Housing Finance Agency Receives Approval to Use $60 million in Federal Funds for Demolition of Vacant Homes

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

On August 22, the Ohio Housing Finance Agency (OHFA) announced that it has received approval from the U.S. Department of the Treasury to use up to $60.0 million of Ohio's remaining uncommitted $270.0 million in federal Hardest Hit Fund (HHF) award to assist with stabilizing local property values through the demolition of vacant homes. These funds will be used under the Neighborhood Initiative Program to stem the decline in home values and prevent future foreclosures in communities affected negatively by vacant and abandoned properties. Counties that have established a county land bank are eligible to participate in the program. The table below shows the 16 counties that have currently established a land bank. Under the program, participating land banks will be responsible for demolishing vacant homes, and "greening" and maintaining those properties afterward. The maximum amount of assistance per property is $25,000, with an estimated average amount of assistance of $12,000. The Neighborhood Initiative Program is expected to begin early in calendar year 2014 and conclude by December 2015.

**Table 6. Ohio Counties with County Land Banks**

| | | | |
|---|---|---|---|
| Ashtabula | Franklin | Lucas | Portage |
| Butler | Hamilton | Mahoning | Stark |
| Cuyahoga | Lake | Montgomery | Summit |
| Erie | Lorain | Muskingum | Trumbull |

The goal of the HHF initiative is to provide emergency funding for housing finance agencies in states that have encountered high levels of economic distress as a result of the recent economic downturn. In calendar year 2010, Ohio was awarded a total of $570.4 million under the HHF. With this funding, OHFA formed the Save the Dream Ohio campaign to provide mortgage payment assistance for unemployed or underemployed homeowners, transitional support for homeowners who are unable to remain in their homes, and other similar support. The federal HHF funding period runs through calendar year 2017.

## Department of Rehabilitation and Correction Releases Probation Improvement and Incentive Grants Statistics

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

In June 2013, the Department of Rehabilitation and Correction released statistics on its allocation of $10.15 million in GRF-backed probation improvement and incentive grants awarded to 28 county courts of common pleas during the FY 2012-FY 2013 biennium. The largest component – $6.46 million – was awarded as improvement grants to 24 courts. Their purpose was to fund the adoption of evidence-based practices that reduce the number of felony offenders on probation who violate the conditions of their supervision and are admitted to prison.

The second largest component – $1.96 million – was awarded as "probation incentive payments" to improvement grant recipients that achieved at least 50% of their stated performance measures. Eighteen of the 24 courts receiving an improvement grant qualified for incentive payments. These courts will also have their grants automatically renewed for the FY 2014-FY 2015 biennium upon the completion of new applications with updated performance measures.

The remainder of the $10.15 million – $1.73 million – was awarded to 11 courts as one-time technology and training grants for improving the overall performance of county probation departments. These grants focused either on upgrading data collection/case management systems or training personnel in supervision skills.

The table below shows the total grant award received by each county court of common pleas during the FY 2012-FY 2013 biennium. The Department plans to allocate approximately $15 million from their GRF appropriations to continue the funding for probation improvement and incentive grants during the FY 2014-FY 2015 biennium.

**Table 7. FY 2012-FY 2013 Probation Improvement and Incentive Grants by County (Total: $10.15 million)**

| County | Amount | County | Amount | County | Amount | County | Amount |
|---|---|---|---|---|---|---|---|
| Adams | $446,702 | Darke | $278,775 | Licking | $424,052 | Sandusky | $208,360 |
| Allen | $278,233 | Erie | $132,760 | Lucas | $845,391 | Scioto | $453,314 |
| Butler | $618,052 | Franklin | $1,988,920 | Medina | $251,790 | Summit | $199,100 |
| Clark | $196,960 | Greene | $299,500 | Montgomery | $29,571 | Trumbull | $608,692 |
| Clermont | $322,508 | Hamilton | $186,082 | Morrow | $90,010 | Union | $299,785 |
| Columbiana | $188,951 | Hancock | $380,096 | Portage | $149,730 | Wayne | $65,653 |
| Cuyahoga | $886,017 | Jefferson | $86,874 | Richland | $29,850 | Williams | $209,628 |

## State Receives Continued Federal H-1B Training Grant Funding

*– Mary Turocy, Senior Budget Analyst, 614-466-2927*

On August 19, 2013, the Controlling Board approved a request to increase funding for the federal H-1B Technical Skills Training Initiatives grant program by $2.0 million over the FY 2014-FY 2015 biennium. This funding is in addition to the $2.2 million already provided to Ohio and appropriated in H.B. 59, for a total of $4.2 million over the biennium. The U.S. Department of Labor provides H-1B Training Initiatives funding to support state initiatives to train workers in technical skills and competencies. The program has a particular focus on high-demand technical industries with jobs that are frequently filled by foreign workers using federal H-1B Nonimmigrant Visas. Grants are used to educate, train, and provide job placement assistance to local workers. Ohio's grants focus on information technology and advanced manufacturing industries. The additional federal funds will help support existing programs at Columbus State Community College, Stark State Community College, the University of Akron Wayne campus, and the Washington County Career Center. These institutions implement training and education programs in the information technology and advanced manufacturing industries through strategic partnerships with local businesses like Dupont, TechColumbus, and Diebold, among others.

## Interagency Task Force on Mental Health and Juvenile Justice Releases Progress Report

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

In June 2013, the Ohio Interagency Task Force on Mental Health and Juvenile Justice released its first progress report detailing accomplishments to date.[6] The report focuses on specific actions that have been taken to implement each recommendation as set forth by the Task Force in its report of findings and recommendations released in September 2012, which was reported in the November 2012 issue of *Budget Footnotes*. The Task Force, created by H.B. 86 of the 129th General Assembly, was charged with investigating and making recommendations on how to most effectively treat delinquent youth with serious behavioral health issues. The 19 recommendations generally focused on the need for an effective and integrative system of care, emphasizing collaboration among state and local juvenile justice, behavioral health, and child welfare agencies, as well as schools, with respect to earlier identification of mental health needs, funding, and service delivery. Some of the accomplishments noted in the progress report include:

---

[6] The full progress report is available under the Featured Links heading at: www.dys.ohio.gov.

- Implementation of a Community Linkage program;
- Adoption of a juvenile branch by the Ex-Offender Reentry Coalition;
- Creation of a Health and Human Services Cabinet Committee within the Governor's Office of Health Transformation;
- Coordination of the implementation of a trauma screening tool for high-risk youth;
- Approval of a State Plan Amendment to the State Medicaid Plan to establish a single point of eligibility determination;
- Contractual agreement to develop and implement a new integrated Medicaid eligibility system; and
- Development and implementation of housing for transitional age youth, crisis beds, and transitional services.

## Ohio Repays Federal Government $294 million for Unemployment Benefits

*– Todd A. Celmar, Senior Economist, 614-466-7358*

In May, Ohio repaid the federal government $294.2 million for amounts the state borrowed to pay regular unemployment benefits. The payment was made by the Ohio Department of Job and Family Services (ODJFS) from the state's Unemployment Compensation Trust Fund. The amount that was repaid in May equaled the amount that was borrowed during the first four months of the year. The trust fund receives revenue from quarterly unemployment taxes paid by private employers on the first $9,000 of every employee's wage. This results in a large initial deposit after the first quarter of each year, as many employees make $9,000 within the first quarter. It also results in a lower balance at the beginning of each calendar year until the taxes for the first quarter are deposited, which usually occurs in May. ODJFS expects to borrow intermittently over the next few years, usually during the first four months of each year, until the large first quarter receipts are deposited.

In January 2009, Ohio's trust fund balance was depleted and the state began borrowing money from the federal government to pay benefits. Since then, Ohio has borrowed a total of $3.18 billion. Ohio began making payments on borrowed amounts in 2011, and including the recent $294.2 million payment, has repaid a total of $1.35 billion. The loan balance has been further reduced by $274.1 million from higher federal unemployment taxes paid by employers (once the loan balance is fully paid, the state's federal unemployment tax will be reduced back to its standard rate). As of August 28, 2013, the loan balance is $1.55 billion.

Regular unemployment benefits are paid from the state's trust fund for up to 26 weeks to individuals who lose their jobs through no fault of their own. Extended benefits, those beyond 26 weeks, are paid by the federal government.

# Tracking the Economy

*– Todd A. Celmar, Senior Economist, 614-466-7358*

## Overview

The unemployment rate has fallen from 7.9% in January to 7.3% in August.

The U.S. economy continues to grow modestly. Since the beginning of the year, employment growth has averaged 180,000 per month. The unemployment rate has fallen from 7.9% in January to 7.3% in August, though some of the decreases are attributable to job searchers exiting the labor force. Inflation-adjusted ("real") gross domestic product continues to expand with growth of 2.8% in 2012 (revised upward from the previous estimate of 2.2%) and annualized real growth rates of 1.1% in the first quarter of 2013 and 2.5% in the second. In June, the value of U.S. exports of goods, adjusted for inflation, rose to its highest level on record, while goods imports fell (though in July, exports decreased while imports increased). Industrial production levels have remained about the same since March after growing earlier in the year. Light vehicle sales rose to a 16.0 million annualized rate in August, the highest sales pace since 2007. Construction activity is trending upward, albeit slowly. Housing prices have continued to increase, in part attributable to limited housing supplies. Inflation generally remains low; over the past 12 months, the all-items consumer price index rose 2.0%.

In July, the Federal Open Market Committee of the Federal Reserve, the nation's central bank, indicated it will continue its policy of monetary expansion through purchasing $85 billion in Treasury and mortgage securities each month in order to help lower borrowing costs. Thereafter, it expects to keep its short-term interest rate target for federal funds near zero at least until the national unemployment rate falls to 6.5%, as long as expected inflation is no more than half a percentage point above the 2.0% goal.

## The National Economy

### Employment and Unemployment

U.S. total nonfarm employment rose by 169,000 (0.1%) in August from July's revised total. Unemployment decreased to 7.3% of the labor force. Trends in nationwide employment and unemployment are shown in Chart 3 below.

**Chart 3: U.S. Employment and Unemployment**


However, employment growth over June and July was revised downward by a total of 74,000. For June, employment growth was revised from 188,000 to 172,000, and for July, growth was revised from 162,000 to 104,000, seasonally adjusted.

In August, the largest gains in employment among major industries were in retail trade (44,000), mainly in clothing stores and food and beverage stores, in health care (33,000), mainly for ambulatory care services, and in leisure and hospitality (27,000), mainly in food services and drinking places. Manufacturing employment increased for transportation equipment in August (19,500), mainly due to the return of more auto workers laid-off in July during model changeovers than anticipated by seasonal adjustment factors. The largest employment decrease in August was in information services, which fell by 18,000. Other industries, including construction, mining and logging, financial activities, and government, registered either small changes or held level in August.

Nationally, the number of unemployed individuals looking for work fell in August by 198,000 to 11.3 million, seasonally adjusted, from about 11.5 million in July and 11.8 million in June; however, some of this decrease is attributable to individuals exiting the labor force and no longer looking for work. The workforce participation rate decreased in August to 63.2% from 63.4% in July and 63.5% in June.

Nationally, the number of unemployed individuals looking for work fell in August by 198,000 to 11.3 million.

The number of individuals reporting working part time (up to 34 hours per week) for economic reasons has increased from 7.6 million in March to about 7.9 million in August. However, both of these are lower than the recent peak of 9.2 million recorded in September 2010. From 2003 to 2007 (prior to the recession) the number of individuals working part time for economic reasons generally fluctuated between 4.0 million and 5.0 million. Such individuals report working part time if they are unable to find full-time work or if their hours have been reduced.

## Production

### Gross Domestic Product

Real GDP grew at an annualized rate of 2.5% in the second quarter of 2013, according to a revised estimate released by the Bureau of Economic Analysis (BEA) in August. The largest contributor to growth in that quarter was in the area of domestic investment with notable gains in nonresidential and residential structures as well as nonfarm inventories. Gains in consumer spending, particularly for household services and durable goods, and in exports also contributed to growth. Part of the rise in purchases was met by increased imports. Growth was reduced by decreases in government expenditures at both the federal and the state and local levels.

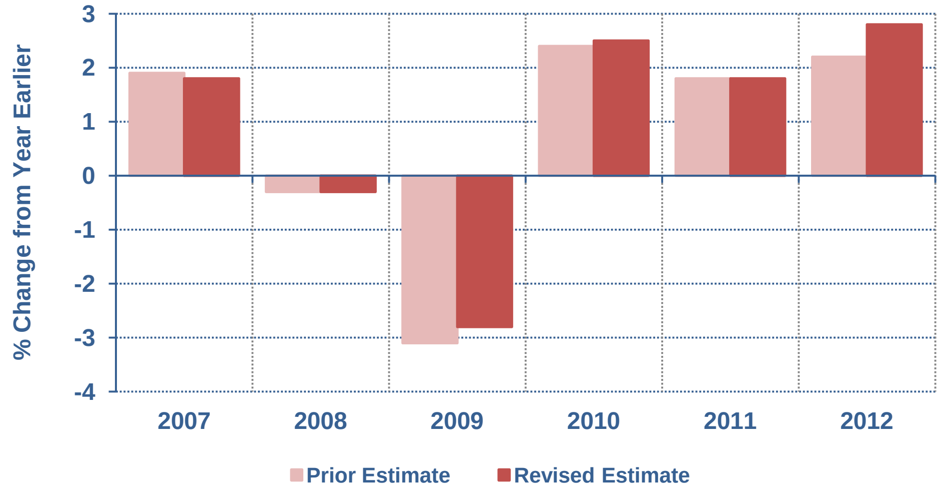
In June, the value of U.S. exports of goods, adjusted for inflation, rose to its highest level on record.

The first estimate of second quarter GDP growth was 1.7%, which was revised upward mainly due to higher exports than previously estimated. In June, the value of U.S. exports of goods, adjusted for inflation, rose to its highest level on record, while imports fell. In July, the trade deficit widened as exports of goods decreased and imports of goods increased (though exports and imports for services both increased in July). As of July, the largest year-to-date increase in exports (in current dollars, not adjusted for inflation) was for civilian aircraft, and the largest decrease in year-to-date imports was for crude oil.

In the first quarter of 2013, real GDP grew at a 1.1% annualized rate, mainly from gains in consumer spending and farm inventories.

In July, the BEA revised GDP estimates from 1929, the first year for these statistics, through the first quarter of 2013. The average annual growth during this time period increased from 3.2% per year to 3.3% per year. The revisions were made to accommodate more complete data, changes in definitions, and the use of different statistical methods. For example, the fixed investment definition was expanded to include a new category for "intellectual property products" which includes spending on research and development as well as entertainment, literary, and artistic originals. The revised estimates show that the recent recession was not quite as severe and that the subsequent recovery has been somewhat better. The chart below shows for 2007 to 2012 the prior estimates and the revised estimates.

Chart 4: U.S. Real Gross Domestic Product




Real GDP growth for 2012 was revised upward from 2.2% to 2.8%.

The largest difference during this time period was the revision to real GDP growth in 2012, which now shows growth of 2.8% instead of the previously recorded 2.2%.

### Industrial Production

Industrial production in July remained at June's level, seasonally adjusted, and was 1.4% higher than in July of last year. The production of automotive products decreased 2.4% from June to July, seasonally adjusted, perhaps reflecting difficulties adjusting for seasonality during model changeover shutdowns. Automotive product output is 6.5% higher than in July of last year. Manufacturing production declined 0.1% from June to July but was about 1.3% higher than in July of last year. Mining output increased 2.1% from June to July and was 5.7% higher than in July of last year. Increases in mining output are largely attributable to increases in oil and gas extraction.

In July, according to the Census Bureau, new orders for manufactured goods decreased 2.4% after three months of increases. Shipments increased 1.1%. Inventories increased to its highest level ever. For durable manufactured goods, new orders decreased 7.4% in July, largely driven by decreases in orders for transportation equipment, which were down 19.4%.

Manufacturing activity expanded further in August, based on a survey of purchasing managers released by the Institute for Supply Management (ISM). New orders and production of manufactured goods were reported to be growing. More respondents reported higher than lower employment levels. On the other hand, more respondents reported that order backlogs and inventories were contracting than expanding.

Industrial production growth has been uneven over 2013. After increasing 0.9% from January to March, production decreased 0.4% in April, held level in May and increased 0.2% in June where it held level in July. Industrial production has trended upward since June 2009, but remains about 2% lower than its peak in 2007, prior to the recession.

### Consumer Spending and Personal Incomes

In July, real consumer spending remained unchanged from June's level, seasonally adjusted. Consumer spending for nondurable goods increased but was offset by a decrease in spending for services. In July, real disposable personal incomes increased 0.1%, seasonally adjusted, after decreasing 0.2% in June.

The annualized rate of light vehicle sales was 16.0 million in August, seasonally adjusted, the highest sales pace recorded since 2007.

Real consumer spending was up at a 1.8% annual rate in the second quarter of 2013 compared to the first quarter, seasonally adjusted. Over that time, expenditures for durable goods increased at a 6.1% rate while expenditures for services increased at a 1.1% rate.

The annualized rate of light vehicle sales was 16.0 million in August, seasonally adjusted, the highest sales pace recorded since 2007. From January through August, the light vehicle sales rate has averaged 15.5 million units.

### Construction and Real Estate

#### Overall Construction Activity

Over the past 12 months, the rate of total construction activity increased 5.2%. Over that time, there were high gains in private construction including new multifamily residential housing (39.3%), nonresidential lodging (32.8%), and new single-family residential housing (29.3%). Over the last 12 months, private construction is up 9.5%, while public construction is down 3.7%. From June to July, private construction increased 0.9% with large percentage gains in lodging (6.1%) and manufacturing (2.9%), while public construction decreased 0.3% with large percentage decreases in public safety (8.2%) and offices (4.1%) outweighing increases in conservation and development (5.1%) and sewage and waste disposal (5.0%).

#### The Housing Market

Housing starts increased in July to an annualized rate 896,000, seasonally adjusted, which is 20.9% higher than July of last year and 5.9% higher than in the prior month. Most of the growth was in multifamily housing units.

The annualized rates of new and existing home sales increased in July. The table below shows annualized sales rates and median sales prices for July.

| Table 8. U.S. Home Sales Data, July 2013 | | |
|---|---|---|
| | Existing Homes* | New Homes** |
| Annualized Sales Rate | 5,390,000 | 394,000 |
| % change, 12 months | 17.2% | 6.8% |
| % change, prior month | 6.5% | -13.4% |
| Median Sales Price | $213,500 | $257,200 |
| % change, 12 months | 13.7% | 8.3% |

Sales rates are seasonally adjusted; sales prices are not seasonally adjusted
* From the National Association of Realtors (NAR)
** From the U.S. Census Bureau

As of July, the median sales price of existing homes has increased from a year earlier for 17 consecutive months. According to the National Association of Realtors (NAR), some of the gains in prices are attributable to low inventories as well as to fewer distressed homes being sold. Distressed homes, which are homes in foreclosure or short sales, accounted for 15% of sales in June and July, the lowest proportion since tracking began in October 2008. In July 2012, distressed homes accounted for 24% of homes sold.

In the second quarter of 2013, mortgage delinquency rates hit the lowest rate since 2008, according to the Mortgage Bankers Association. In that quarter, 5.9% of mortgages on one to four unit homes were at least 90 days past due or in foreclosure process. This rate is down from 7.3% in the second quarter of last year. The peak was 9.7% in 2009, according to the Wall Street Journal.

In the second quarter of 2013, mortgage delinquency rates hit the lowest rate since 2008.

## Inflation

### Consumer Prices

The consumer price index (CPI) for all items less food and energy (core index) increased 0.2% in July, seasonally adjusted, after increasing by same amount in May and June. Core CPI is up 1.7% over July of last year. Some of the largest 12-month percentage increases in the core index occurred in motor vehicle insurance (4.8%), hospital services (3.4%), and airline fares (3.3%). The all-items CPI also increased 0.2% in July, and is up 2.0% over July of last year. Price indexes for energy are up 4.7% over the past 12 months with large percentage increases in natural gas (8.8%), gasoline (5.2%), fuel oil (3.4%), and electricity (3.1%).

U.S. gasoline prices for regular unleaded fuel have trended lower since peaking in February. As of Monday, September 2, the U.S. Energy Information Administration's weekly survey showed the average price per gallon nationwide was $3.61, which was above the year-to-date low point of $3.30 the first week of January and below the year-to-date peak of $3.78 the last week of February.

### Producer Prices

The producer price index (PPI) for finished goods remained unchanged in July. When food and energy are excluded, the "core" PPI for finished goods increased 0.1%. Finished energy goods decreased 0.2% mainly due to a 3.9% decrease in the prices for residential natural gas. The PPI for intermediate goods was also unchanged. The PPI for crude goods increased 1.2%, led by a 4.0% increase in prices for crude energy materials, particularly crude petroleum and coal.

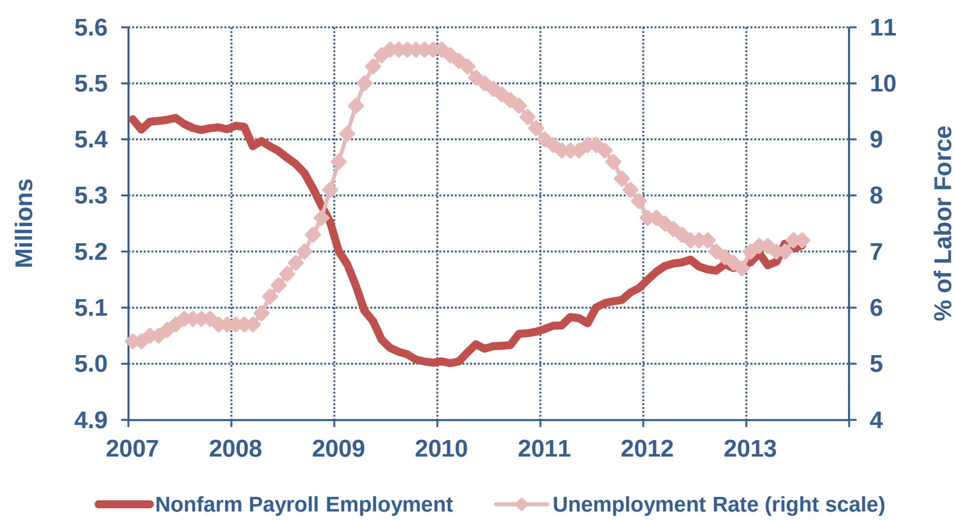
In July, Ohio's nonfarm payroll employment increased 5,300 from June's revised total.

## The Ohio Economy

### Employment and Unemployment

In July, Ohio's nonfarm payroll employment increased 5,300 from June's revised total, seasonally adjusted, after having decreased by 8,400 from May to June. The state's unemployment rate increased from 7.0% in May to 7.2% in June where it remained in July. The chart below shows trends in employment and unemployment in Ohio since 2007.

Chart 5: Ohio Employment and Unemployment




The unemployment rate has remained elevated from 6.7% in December, the lowest in more than four years, as more people have begun seeking jobs, thus entering the labor force, while total employment has declined on balance. The number of unemployed in July was about 416,000, slightly higher than the 415,000 recorded in July of last year.

In July, employment in private service industries increased by 9,100 while employment in goods-producing industries and government decreased by 500 and 3,300, respectively. The private service sector registered increases in leisure and hospitality, in trade, transportation, and utilities, and in other services. The goods-producing sector registered increases in manufacturing (2,400) and in mining and logging (200) with a decrease in construction (-3,100). Government employment decreased in local (-3,900) and federal (-500) government but increased in state government (1,100).

Over the past 12 months, nonfarm payroll employment in Ohio is up 37,700 (0.7%) with most of the gains having occurred in May. The largest gains over the past 12 months were in education and health services (20,800), leisure and hospitality (14,600), and manufacturing (8,200). Overall government employment decreased 9,800 over this time period with losses in local and federal government partly offset by gains in state government.

Over the past 12 months, nonfarm payroll employment in Ohio is up 37,700 (0.7%) with most of the gains having occurred in May.

### Ohio Home Sales

July marked the 25th consecutive month of year-over-year growth in homes sold in Ohio, according to the Ohio Association of Realtors, which is the longest period of consecutive monthly growth in Ohio home sales since record-keeping began 16 years ago. About 74,670 homes were sold from January through July, a 17.5% increase from the number of homes sold in the same period a year ago. The average selling price of about $142,700 statewide was 6.7% higher than in the year-earlier period. In July, about 13,350 homes were sold in Ohio, up 25.8% over the 10,620 homes sold in July of last year.

### Regional Economy

According to a report from the Federal Reserve Bank of Cleveland, economic activity expanded at a "moderate" pace in this part of the country since a previous report in July.[7] The report noted that:

- Manufacturing activity was strongest for suppliers to energy, housing, medical devices, and transportation industries;

[7] 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 August 26, 2013, from outside contacts. It is published about every six weeks. The Federal Reserve Bank of Cleveland's district includes all of Ohio and parts of Kentucky, Pennsylvania, and West Virginia.

New motor vehicle sales increased at a "robust pace" in July in the region.

- Sales of *existing* single-family homes are up "substantially" for the year-to-date relative to the same period last year, while sales of *new* single-family homes have recently "stabilized" following strong increases earlier in the year;
- Nonresidential builders reported the strongest activity in industrial construction related to shale gas and converting coal-fired generators to natural gas;
- Oil production in the region was stable, while total output from gas wells fell slightly; and
- New motor vehicle sales increased at a "robust pace" in July, and dealers generally reported being optimistic about sales throughout the remainder of the year due to pent-up demand, the availability of financing, and leasing options.