

Budget Footnotes

A NEWSLETTER OF THE OHIO LEGISLATIVE SERVICE COMMISSION

MAY 2015

STATUS OF THE GRF

HIGHLIGHTS

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

April GRF tax receipts were \$276 million, or 13.6%, above the original August 2014 estimate by the Office of Budget and Management (OBM), led by a strong performance from the income tax. With the April income tax filing season largely history, it appears likely that tax revenue will also exceed OBM's February 2015 estimate, which revised upward the tax revenue estimate for FY 2015 by \$198.3 million. A year-end budget surplus was anticipated in both the executive proposed and the House Passed versions of the budget for the upcoming biennium.

Ohio labor markets continued their steady but slow improvement in March. Nonfarm payroll employment increased 1,500 for the month, while Ohio's unemployment rate remained 5.1%, the same as in February.

Through April 2015, GRF sources totaled \$25.67 billion:

- Revenue from the personal income tax was \$342.2 million above estimate;
- Sales and use tax receipts were \$65.4 million above estimate.

Through April 2015, GRF uses totaled \$26.95 billion:

- Program expenditures as a whole were below estimate by \$57.3 million;
- Medicaid spending was \$158.1 million below estimate, partially offset by a largely timing-related positive variance in Primary and Secondary Education (\$117.9 million).

VOLUME 38, NUMBER 9

STATUS OF THE GRF

Highlights.....	1
Revenues	2
Expenditures.....	11

ISSUE UPDATES

Alternative Achievement Assessments	20
RttT Progress Report.....	21
Marine Patrol Assistance Grants	21
Funding for Export Assistance	23
Adoption Assistance	23
Wrongful Imprisonment Claim Payments	24
Overdose Prevention Task Force Recommendations	25
Children's Health Research Grant	26
High School Diploma Equivalency Programs	26

TRACKING THE ECONOMY

The National Economy	28
The Ohio Economy	31

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

Telephone: 614-466-3615

STATE SOURCES	Actual	Estimate*	Variance	Percent
TAX REVENUE				
Auto Sales	\$128,295	\$131,100	-\$2,805	-2.1%
Nonauto Sales and Use	\$782,414	\$747,400	\$35,014	4.7%
Total Sales and Use Taxes	\$910,709	\$878,500	\$32,209	3.7%
Personal Income	\$1,222,312	\$994,400	\$227,912	22.9%
Corporate Franchise	\$1,503	\$0	\$1,503	---
Financial Institution	\$31,593	\$24,600	\$6,993	28.4%
Public Utility	\$21	\$0	\$21	---
Kilowatt-Hour Excise	\$30,236	\$26,500	\$3,736	14.1%
Natural Gas Consumption (MCF)	\$4,453	\$3,700	\$753	20.4%
Commercial Activity Tax	\$25,729	\$27,200	-\$1,471	-5.4%
Petroleum Activity Tax	\$0	\$500	-\$500	-100.0%
Foreign Insurance	\$200	-\$800	\$1,000	125.0%
Domestic Insurance	\$0	\$0	\$0	---
Business and Property	\$5	\$0	\$5	---
Cigarette	\$69,791	\$67,000	\$2,791	4.2%
Alcoholic Beverage	\$5,240	\$4,600	\$640	13.9%
Liquor Gallonage	\$3,453	\$3,400	\$53	1.6%
Estate	\$406	\$0	\$406	---
Total Tax Revenue	\$2,305,653	\$2,029,600	\$276,053	13.6%
NONTAX REVENUE				
Earnings on Investments	\$6,508	\$5,000	\$1,508	30.2%
Licenses and Fees	\$3,549	\$6,063	-\$2,513	-41.5%
Other Revenue	\$851	\$907	-\$56	-6.1%
Total Nontax Revenue	\$10,908	\$11,969	-\$1,061	-8.9%
TRANSFERS				
Budget Stabilization	\$0	\$0	\$0	---
Other Transfers In	\$1,989	\$200	\$1,789	894.6%
Total Transfers In	\$1,989	\$200	\$1,789	894.6%
TOTAL STATE SOURCES	\$2,318,550	\$2,041,769	\$276,781	13.6%
Federal Grants	\$787,895	\$595,514	\$192,381	32.3%
TOTAL GRF SOURCES	\$3,106,446	\$2,637,283	\$469,162	17.8%
*Estimates of the Office of Budget and Management as of August 2014. <i>Detail may not sum to total due to rounding.</i>				

**Table 2: General Revenue Fund Sources
Actual vs. Estimate**

FY 2015 as of April 30, 2015

(\$ in thousands)

(Actual based on report run in OAKS Actuals Ledger on May 5, 2015)

STATE SOURCES	Actual	Estimate*	Variance	Percent	FY 2014	Percent Change
TAX REVENUE						
Auto Sales	\$1,071,082	\$1,039,600	\$31,482	3.0%	\$994,334	7.7%
Nonauto Sales and Use	\$7,185,395	\$7,151,500	\$33,895	0.5%	\$6,569,998	9.4%
Total Sales and Use Taxes	\$8,256,477	\$8,191,100	\$65,377	0.8%	\$7,564,331	9.2%
Personal Income	\$7,158,873	\$6,816,700	\$342,173	5.0%	\$6,769,169	5.8%
Corporate Franchise	\$1,721	\$0	\$1,721	---	-\$11,827	114.6%
Financial Institution	\$128,661	\$153,700	-\$25,039	-16.3%	\$148,347	-13.3%
Public Utility	\$62,760	\$73,200	-\$10,440	-14.3%	\$72,370	-13.3%
Kilowatt-Hour Excise	\$259,345	\$262,000	-\$2,655	-1.0%	\$267,066	-2.9%
Natural Gas Consumption (MCF)	\$40,977	\$32,100	\$8,877	27.7%	\$41,345	-0.9%
Commercial Activity Tax	\$673,125	\$605,200	\$67,925	11.2%	\$623,930	7.9%
Petroleum Activity Tax	\$4,436	\$14,000	-\$9,564	-68.3%	\$0	---
Foreign Insurance	\$299,421	\$303,800	-\$4,379	-1.4%	\$301,257	-0.6%
Domestic Insurance	\$7,537	\$2,000	\$5,537	276.9%	\$153	4822.7%
Business and Property	\$42	\$0	\$42	---	\$476	-91.1%
Cigarette	\$613,681	\$605,400	\$8,281	1.4%	\$621,855	-1.3%
Alcoholic Beverage	\$46,561	\$45,100	\$1,461	3.2%	\$46,008	1.2%
Liquor Gallonage	\$35,993	\$34,100	\$1,893	5.5%	\$34,674	3.8%
Estate	\$2,812	\$0	\$2,812	---	\$37,223	-92.4%
Total Tax Revenue	\$17,592,420	\$17,138,400	\$454,020	2.6%	\$16,516,376	6.5%
NONTAX REVENUE						
Earnings on Investments	\$17,924	\$14,500	\$3,424	23.6%	\$12,380	44.8%
Licenses and Fees	\$56,487	\$60,331	-\$3,843	-6.4%	\$55,714	1.4%
Other Revenue	\$25,487	\$28,196	-\$2,709	-9.6%	\$33,020	-22.8%
Total Nontax Revenue	\$99,898	\$103,027	-\$3,129	-3.0%	\$101,114	-1.2%
TRANSFERS						
Budget Stabilization	\$0	\$0	\$0	---	\$0	---
Other Transfers In	\$24,272	\$7,000	\$17,272	246.7%	\$55,704	-56.4%
Total Transfers In	\$24,272	\$7,000	\$17,272	246.7%	\$55,704	-56.4%
TOTAL STATE SOURCES	\$17,716,590	\$17,248,427	\$468,164	2.7%	\$16,673,193	6.3%
Federal Grants	\$7,955,248	\$7,985,201	-\$29,953	-0.4%	\$7,680,492	3.6%
TOTAL GRF SOURCES	\$25,671,838	\$25,233,628	\$438,209	1.7%	\$24,353,685	5.4%

*Estimates of the Office of Budget and Management as of August 2014.

Detail may not sum to total due to rounding.

REVENUES

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

Overview

FY 2015 GRF sources were \$438.2 million above estimate.

The April 2015 income tax filing season concluded with a positive variance of \$227.9 million for the personal income tax. This strong performance increased the income tax's year-to-date positive variance to \$342.2 million, up from \$114.3 million through March 2015; and this outcome helped boost the fiscal year's overage of GRF tax sources to \$454.0 million, up from \$178.0 million through March. Additionally, federal grants in April were \$192.4 million above estimate, reducing the fiscal year shortfall for this GRF source to \$30.0 million, down from \$222.3 million at the end of March. For the fiscal year as a whole, total GRF sources¹ of \$25.67 billion were \$438.2 million above the estimate released by OBM in August 2014,² reversing a shortfall of \$31.0 million after the first three fiscal quarters. Tables 1 and 2 show GRF sources for the month of April and for FY 2015 through April, respectively.

FY 2015 GRF tax receipts were \$454.0 million above estimate.

GRF tax receipts were strong in April. In addition to the personal income tax, most other tax sources also exceeded projected levels, including the nonauto sales and use tax (\$35.0 million), the financial institutions tax (FIT, \$7.0 million),³ the kilowatt-hour tax (\$3.7 million), the cigarette tax (\$2.8 million), the corporate franchise tax (CFT, \$1.5 million), and the foreign insurance tax (\$1.0 million). The auto sales and use tax and the commercial activity tax (CAT), however, were \$2.8 million and \$1.5 million, respectively, below estimates. Other taxes experienced smaller variances.

Chart 1 below shows FY 2015 cumulative variances against estimates for federal grants, tax revenue, and total GRF sources. Tax receipts and total GRF sources were ahead of projections for the fiscal year to date, but federal grants were below estimate. As seen in Table 2, the personal income tax had the largest positive year-to-date variance at \$342.2 million, followed by the CAT (\$67.9 million), the sales and use tax (\$65.4 million), the natural gas

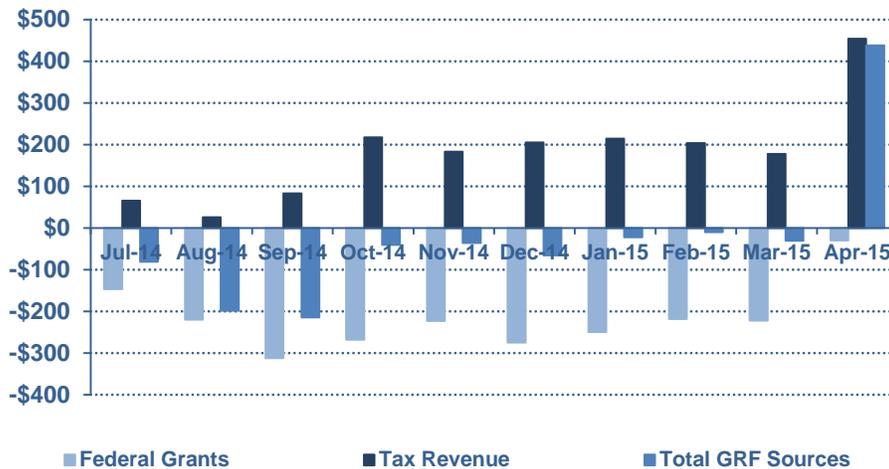
¹ GRF sources mainly consist of state-source receipts but also include certain federal grants. State-source receipts include tax revenue, nontax revenue, and transfers in.

² Actual receipts are compared with estimates released by OBM in August 2014. In February 2015, OBM revised upward by \$198.3 million the FY 2015 total tax revenue estimate, but did not revised the original monthly revenue estimates.

³ Combined revenue for the second FIT payment for FY 2015, due March 31, totaled \$66.7 million and was \$0.5 million below estimate. The last FIT payment is due May 31.

consumption (MCF) tax (\$8.9 million), the cigarette tax (\$8.3 million), the domestic insurance tax (\$5.5 million), and the estate tax (\$2.8 million). On the other hand, the FIT had the largest negative variance, \$25.0 million. Revenue shortfalls were also recorded for the public utility tax (\$10.4 million), the petroleum activity tax (PAT, \$9.6 million), the foreign insurance tax (\$4.4 million), and the kilowatt-hour tax (\$2.7 million).

**Chart 1: Cumulative Variances of GRF Sources in FY 2015
(Variance from Estimates, in millions)**



FY 2015 GRF sources were \$1.32 billion above GRF sources in FY 2014.

Compared to last year's corresponding period, FY 2015 year-to-date GRF sources grew by \$1.32 billion (Table 2). Tax receipts increased by \$1.08 billion and federal grants grew by \$274.8 million. However, nontax revenues and transfers in fell by a total of \$32.6 million compared to revenue in those categories in the corresponding period in FY 2014. Among the most important tax sources, revenue from the sales and use tax, the personal income tax, and the CAT increased \$692.1 million, \$389.7 million, and \$49.2 million, respectively. The increase in sales and use tax receipts over FY 2014 reflects, in part, the increase in the tax rate from 5.5% to 5.75% in September 2013, enacted in H.B. 59. The increases in the other two taxes reflect a generally improving economy over last year, with growth in income tax revenue partially offset by a reduction in tax rates.

Personal Income Tax

April GRF receipts from the personal income tax of \$1.22 billion were \$227.9 million (22.9%) above estimate, from higher than expected payments due with annual tax returns. Monthly receipts were also \$320.1 million (35.5%) above receipts in April 2014. This revenue growth compared to a year ago was also mostly due to a sizable increase in payments due with annual tax returns, and lower refunds this month.

Personal income tax revenue is equal to gross collections after subtracting both refunds and distributions to the Local Government Fund (LGF). Gross collections are the sum of employer withholding, quarterly estimated payments,⁴ trust payments, payments associated with annual returns, and miscellaneous payments.

FY 2015
income tax
receipts were
\$342.2 million
above
estimate.

In April 2015, monthly employer withholding met the estimate for the month, while payments with annual returns and annual employer withholding experienced positive variances of \$241.0 million and \$25.0 million, respectively. However, those positive variances were partially offset by shortfalls of \$6.2 million in miscellaneous payments and \$2.1 million in quarterly estimated payments. In addition, taxpayer refunds were \$36.8 million more than anticipated in April. Through April, FY 2015 GRF receipts from the personal income tax were \$7.16 billion, which was \$342.2 million (5.0%) above estimate. The table below summarizes year-to-date FY 2015 income tax revenue variances from estimates and annual changes by component.

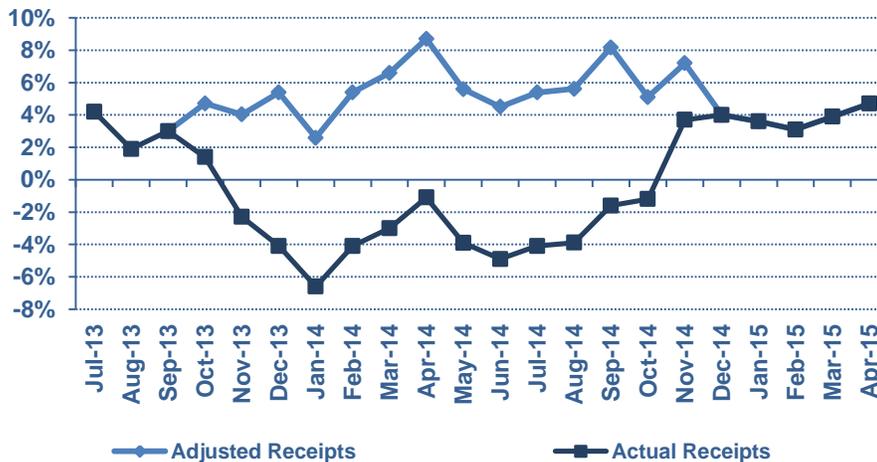
FY 2015 Year-to-Date Income Tax Revenue Variances and Changes by Component				
Category	Year-to-Date Variance from Estimate		Year-to-Date Changes from FY 2014	
	Amount (\$ in millions)	Percentage (%)	Amount (\$ in millions)	Percentage (%)
Withholding	\$29.2	0.4%	\$173.9	2.6%
Quarterly Estimated Payments	\$83.2	10.4%	-\$113.6	-11.4%
Trust Payments	\$4.2	9.1%	-\$4.7	-8.5%
Annual Return Payments	\$254.8	37.1%	\$162.5	20.8%
Miscellaneous Payments	-\$20.5	-18.8%	-\$15.5	-15.0%
Gross Collections	\$351.0	4.2%	\$202.6	2.4%
Less Refunds	\$7.7	0.6%	-\$197.2	-12.7%
Less LGF Distribution	\$1.2	0.4%	\$10.1	3.6%
Income Tax Revenue	\$342.2	5.0%	\$389.7	5.8%

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

For the fiscal year through April, most income tax components were above estimates, including annual returns payments (\$254.8 million) quarterly estimated payments (\$83.2 million), and employer withholding (\$29.2 million). On the other hand, miscellaneous receipts were short of estimates by \$20.5 million.

Through April, FY 2015 GRF receipts from the personal income tax were \$389.7 million (5.8%) above receipts through April in FY 2014. Employer withholdings and annual return payments increased \$173.9 million and \$162.5 million, respectively, this fiscal year when compared to last. However, quarterly estimated payments fell by \$113.6 million and miscellaneous payments by \$15.5 million. Gross collections were \$202.6 million higher in FY 2015, but taxpayer refunds were \$197.2 million less this year than in FY 2014 through April. Chart 2 illustrates the trend in employer withholding receipts since July 2013, and also includes withholding receipts adjusted for a 9% reduction in withholding rates. Payroll growth, after slowing at the end of 2014, has edged up and averaged about 3.7% in CY 2015.

**Chart 2: Monthly Withholding Receipts Trend
Actual and Adjusted Receipts vs. Prior Year
(Three-month Moving Average)**



FY 2015 GRF income tax receipts were \$389.7 million above FY 2014 revenue.

FY 2015 withholding tax receipts were above estimate by \$29.2 million.

Sales and Use Tax

GRF receipts from the sales and use tax of \$910.7 million in April 2015 were \$32.2 million (3.7%) above estimate, reversing a shortfall of \$23.3 million in March. April revenue was also \$66.9 million (7.9%) above receipts in April 2014. For analysis and forecasting, the sales and use tax is separated into two parts: auto and nonauto. Auto sales and use

tax collections⁵ generally arise from the sale of motor vehicles, but auto taxes arising from leases are paid at the lease signing and are mostly recorded under the nonauto tax instead of the auto tax.

FY 2015 sales and use tax receipts were \$65.4 million above estimate.

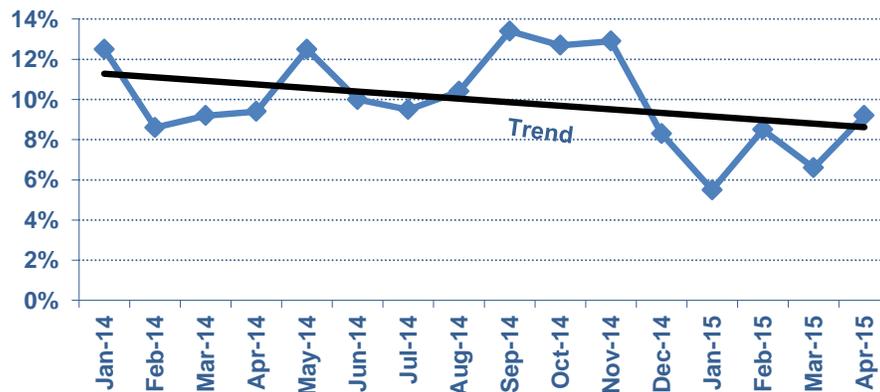
For the fiscal year to date, GRF sales and use tax receipts totaled \$8.26 billion, \$65.4 million (0.8%) above estimate, with both the auto tax and the nonauto tax exceeding anticipated revenue. However, this fiscal year positive variance was achieved in the first half of FY 2015, as both nonauto and auto tax receipts have been poor in recent months as they were \$7.2 million and \$5.9 million, respectively, below estimates in the January-April period. Total sales and use tax receipts were \$692.1 million (9.2%) above receipts in the corresponding period in FY 2014, due, in part, to the state sales tax rate increase from 5.5% to 5.75%.

Nonauto Sales and Use Tax

FY 2015 nonauto sales and use tax receipts were \$33.9 million above estimate.

The last fiscal quarter of FY 2015 started with a solid performance from the nonauto sales and use tax, after a dismal previous quarter in which this GRF source was \$42.2 million (2.2%) below estimate, including a shortfall of \$19.7 million in March. April GRF receipts from this tax of \$782.4 million were \$35.0 million (4.7%) above estimate, and also \$70.8 million (9.9%) above April 2014 receipts. For the fiscal year to date, total GRF receipts of \$7.19 billion were \$33.9 million (0.5%) above estimate, and \$615.4 million (9.4%) above FY 2014 receipts through April. Chart 3 shows increases in nonauto sales and use tax monthly receipts against prior year receipts in the same month.

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

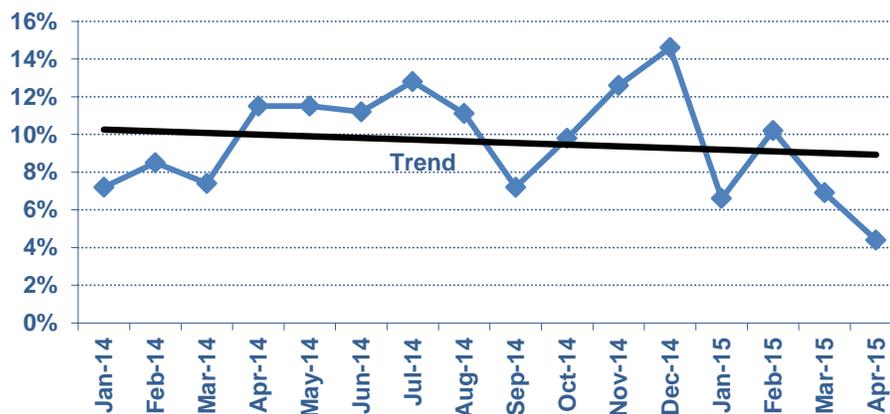


⁵ The clerks of court generally make auto sales and use tax payments on Monday for taxes collected during the preceding week on motor vehicles, watercraft, and outboard motors titled. Therefore, auto sales and use tax receipts largely reflect vehicles sold and titled during the month.

Auto Sales and Use Tax

The auto sales and use tax was below estimate for the second consecutive month in April, this time by \$2.8 million (2.1%). In March, the shortfall was \$3.6 million (3.1%). April auto sales and use tax revenue of \$128.3 million was also \$3.9 million (3.0%) below receipts in April 2014. However, for the fiscal year as a whole, the tax source remains above estimate. Through April, FY 2015 GRF revenue from the auto sales and use tax totaled \$1.07 billion, \$31.5 million (3.0%) above estimate, and \$76.7 million (7.7%) above receipts in the corresponding period in FY 2014. Chart 4 below compares FY 2015 monthly auto sales and use tax receipts with year-ago receipts in the same period.

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



Nationwide light vehicle sales were about 16.5 million units on a seasonally adjusted annualized basis in April, slightly below the average for the first quarter of 16.6 million units. However, monthly sales were still up about 4.9% year over year. Sales of sport utility vehicles and light trucks are still high in response to lower gasoline prices. However, gasoline prices have increased during the past month and may continue to rise during the remainder of the year. This could produce a shift away from light trucks, which accounted for 55% of vehicle sales in April, the highest share in ten years, and might restrain future growth in auto sales and use tax receipts.

Commercial Activity and Petroleum Activity Taxes

GRF receipts from the CAT were \$25.7 million in April. This revenue was \$1.5 million (5.4%) below estimate, and \$5.8 million (18.5%) below receipts in April 2014. Through April, FY 2015 CAT revenues to the GRF totaled \$673.1 million, \$67.9 million (11.2%) above estimate, and

FY 2015 auto sales and use tax receipts were \$31.5 million above estimate.

FY 2015 GRF CAT receipts were \$67.9 million above estimate.

\$49.2 million (7.9%) above receipts in the corresponding period in FY 2014. The last payment from calendar quarter taxpayers for this fiscal year was due May 8, 2015.

Beginning July 1, 2014, the CAT as applied to receipts from the sale or exchange of motor fuel was replaced by the PAT, which has a rate of 0.65% on a motor fuel supplier's adjusted gross receipts. OBM estimated GRF revenue of \$20.0 million for the PAT in FY 2015. The GRF received initial revenue of \$1.9 million in December 2014, and another \$2.5 million in March, for a total of \$4.4 million for the fiscal year to date; estimated revenue from July through April was \$14.0 million; thus, the shortfall for this GRF source was \$9.6 million for the fiscal year. The shortfall is presumably due to the sharp decrease in oil prices during this fiscal year.

Cigarette and Other Tobacco Products Tax

GRF receipts from the cigarette and other tobacco products tax of \$69.8 million in April 2015 were \$2.8 million (4.2%) above estimate, and \$2.9 million (4.4%) above receipts in the same month in FY 2014. Through April, receipts of \$613.7 million in FY 2015 were \$8.3 million (1.4%) above estimates. Receipts from cigarette sales were \$561.8 million, and sales of other tobacco products (OTP) provided \$51.9 million. Total receipts this year declined \$8.2 million (1.3%) from the corresponding period in FY 2014. The decrease was attributable to sales of cigarettes, tax receipts from which declined \$12.9 million. An increase of \$4.7 million in receipts from OTP partially offset that decline. Generally, cigarette tax receipts experience a downward trend, while revenue from OTP is closely tied to price increases of those products.

FY 2015
cigarette tax
receipts were
\$8.3 million
above
estimate.

Table 3: General Revenue Fund Uses				
Actual vs. Estimate				
Month of April 2015				
(\$ in thousands)				
(Actual based on OAKS reports run May 5, 2015)				
PROGRAM	Actual	Estimate*	Variance	Percent
Primary and Secondary Education	\$574,418	\$644,462	-\$70,044	-10.9%
Higher Education	\$171,181	\$168,209	\$2,972	1.8%
Other Education	\$2,884	\$6,525	-\$3,641	-55.8%
Total Education	\$748,483	\$819,196	-\$70,713	-8.6%
Medicaid	\$1,215,101	\$1,013,775	\$201,326	19.9%
Health and Human Services	\$92,922	\$133,480	-\$40,558	-30.4%
Total Welfare and Human Services	\$1,308,024	\$1,147,255	\$160,768	14.0%
Justice and Public Protection	\$173,847	\$171,793	\$2,054	1.2%
General Government	\$32,917	\$30,799	\$2,118	6.9%
Total Government Operations	\$206,764	\$202,592	\$4,172	2.1%
Property Tax Reimbursements	\$191,551	\$103,053	\$88,498	85.9%
Capital Outlay	\$0	\$0	\$0	---
Debt Service	\$70,062	\$70,906	-\$844	-1.2%
Total Other Expenditures	\$261,613	\$173,960	\$87,654	50.4%
Total Program Expenditures	\$2,524,884	\$2,343,003	\$181,882	7.8%
TRANSFERS				
Budget Stabilization	\$0	\$0	\$0	---
Other Transfers Out	\$11	\$8,863	-\$8,852	-99.9%
Total Transfers Out	\$11	\$8,863	-\$8,852	-99.9%
TOTAL GRF USES	\$2,524,896	\$2,351,866	\$173,030	7.4%
*August 2014 estimates of the Office of Budget and Management.				
<i>Detail may not sum to total due to rounding.</i>				

Table 4: General Revenue Fund Uses
Actual vs. Estimate
FY 2015 as of April 30, 2015
(\$ in thousands)
(Actual based on OAKS reports run May 5, 2015)

PROGRAM	Actual	Estimate*	Variance	Percent	FY 2014	Percent Change
Primary and Secondary Education	\$6,225,762	\$6,107,890	\$117,872	1.9%	\$5,848,641	6.4%
Higher Education	\$1,789,960	\$1,786,241	\$3,719	0.2%	\$1,746,376	2.5%
Other Education	\$48,579	\$51,545	-\$2,966	-5.8%	\$46,071	5.4%
Total Education	\$8,064,301	\$7,945,675	\$118,626	1.5%	\$7,641,089	5.5%
Medicaid	\$12,935,620	\$13,093,742	-\$158,122	-1.2%	\$12,005,571	7.7%
Health and Human Services	\$1,121,172	\$1,171,718	-\$50,546	-4.3%	\$1,070,792	4.7%
Total Welfare and Human Services	\$14,056,792	\$14,265,460	-\$208,668	-1.5%	\$13,076,363	7.5%
Justice and Public Protection	\$1,594,780	\$1,623,996	-\$29,216	-1.8%	\$1,577,974	1.1%
General Government	\$295,944	\$307,906	-\$11,962	-3.9%	\$301,558	-1.9%
Total Government Operations	\$1,890,724	\$1,931,903	-\$41,179	-2.1%	\$1,879,532	0.6%
Property Tax Reimbursements	\$1,127,955	\$1,036,561	\$91,394	8.8%	\$978,827	15.2%
Capital Outlay	\$0	\$0	\$0	---	\$0	---
Debt Service	\$1,227,179	\$1,244,646	-\$17,467	-1.4%	\$1,148,394	6.9%
Total Other Expenditures	\$2,355,134	\$2,281,207	\$73,927	3.2%	\$2,127,221	10.7%
Total Program Expenditures	\$26,366,951	\$26,424,245	-\$57,294	-0.2%	\$24,724,205	6.6%
TRANSFERS						
Budget Stabilization	\$0	\$0	\$0	---	\$995,930	-100.0%
Other Transfers Out	\$587,846	\$598,243	-\$10,397	-1.7%	\$238,756	146.2%
Total Transfers Out	\$587,846	\$598,243	-\$10,397	-1.7%	\$1,234,687	-52.4%
TOTAL GRF USES	\$26,954,798	\$27,022,489	-\$67,691	-0.3%	\$25,958,892	3.8%

*August 2014 estimates of the Office of Budget and Management.

Detail may not sum to total due to rounding.

**Table 5: Medicaid Expenditures by Department
Actual vs. Estimate**

(\$ in thousands)

(Actuals based on OAKS report run on May 5, 2015)

Department	Month of April 2015				Year to Date Through April 2015			
	Actual	Estimate*	Variance	Percent	Actual	Estimate*	Variance	Percent
Medicaid	\$1,669,398	\$2,076,638	-\$407,240	-19.6%	\$17,049,105	\$17,939,142	-\$890,037	-5.0%
GRF	\$1,171,510	\$968,739	\$202,771	20.9%	\$12,495,430	\$12,630,823	-\$135,393	-1.1%
Non-GRF	\$497,888	\$1,107,899	-\$610,011	-55.1%	\$4,553,675	\$5,308,319	-\$754,644	-14.2%
Developmental Disabilities	\$177,581	\$183,485	-\$5,904	-3.2%	\$1,904,154	\$2,017,281	-\$113,128	-5.6%
GRF	\$38,353	\$38,882	-\$530	-1.4%	\$377,543	\$388,188	-\$10,645	-2.7%
Non-GRF	\$139,228	\$144,602	-\$5,374	-3.7%	\$1,526,611	\$1,629,093	-\$102,483	-6.3%
Job and Family Services	\$14,112	\$16,653	-\$2,541	-15.3%	\$147,814	\$133,357	\$14,457	10.8%
GRF	\$4,716	\$5,640	-\$924	-16.4%	\$55,853	\$67,386	-\$11,532	-17.1%
Non-GRF	\$9,396	\$11,013	-\$1,617	-14.7%	\$91,961	\$65,971	\$25,990	39.4%
Aging	\$431	\$596	-\$165	-27.7%	\$4,962	\$7,225	-\$2,263	-31.3%
GRF	\$266	\$260	\$6	2.2%	\$2,859	\$2,864	-\$6	-0.2%
Non-GRF	\$165	\$335	-\$171	-50.9%	\$2,104	\$4,361	-\$2,257	-51.8%
Health	\$1,100	\$1,601	-\$501	-31.3%	\$19,689	\$21,139	-\$1,449	-6.9%
GRF	\$247	\$254	-\$7	-2.8%	\$2,988	\$2,744	\$244	8.9%
Non-GRF	\$853	\$1,347	-\$494	-36.7%	\$16,702	\$18,395	-\$1,693	-9.2%
Mental Health and Addiction	\$605	\$355	\$250	70.6%	\$5,882	\$4,955	\$927	18.7%
GRF	\$11	\$0	\$11	---	\$948	\$1,737	-\$789	-45.4%
Non-GRF	\$595	\$355	\$240	67.6%	\$4,935	\$3,219	\$1,716	53.3%
Total GRF	\$1,215,101	\$1,013,775	\$201,326	19.9%	\$12,935,620	\$13,093,742	-\$158,122	-1.2%
Total Non-GRF	\$648,124	\$1,265,551	-\$617,427	-48.8%	\$6,195,987	\$7,029,358	-\$833,371	-11.9%
Total All Funds	\$1,863,225	\$2,279,326	-\$416,101	-18.3%	\$19,131,607	\$20,123,100	-\$991,493	-4.9%

*Estimates of the Office of Budget and Management as of September 2014.

Detail may not sum to total due to rounding.

Table 6: All-Funds Medicaid Expenditures by Payment Category**Actual vs. Estimate**

(\$ in thousands)

(Actuals based on OAKS report run on May 5, 2015)

Payment Category	April				Year to Date Through April			
	Actual	Estimate*	Variance	Percent	Actual	Estimate*	Variance	Percent
Managed Care	\$871,310	\$923,298	-\$51,988	-5.6%	\$8,744,880	\$9,058,457	-\$313,578	-3.5%
Nursing Facilities	\$120,239	\$87,076	\$33,163	38.1%	\$1,181,178	\$953,179	\$227,999	23.9%
DDD Services	\$174,663	\$179,830	-\$5,167	-2.9%	\$1,851,350	\$1,960,201	-\$108,852	-5.6%
Hospitals	\$63,960	\$501,896	-\$437,937	-87.3%	\$687,108	\$1,807,033	-\$1,119,925	-62.0%
Behavioral Health	\$62,145	\$75,257	-\$13,112	-17.4%	\$622,441	\$788,289	-\$165,848	-21.0%
Administration	\$47,485	\$85,307	-\$37,822	-44.3%	\$704,361	\$858,903	-\$154,542	-18.0%
Aging Waivers	\$26,328	\$17,260	\$9,068	52.5%	\$240,440	\$219,025	\$21,416	9.8%
Prescription Drugs	\$32,057	\$37,637	-\$5,580	-14.8%	\$331,355	\$393,672	-\$62,317	-15.8%
Medicare Buy-In	\$36,379	\$41,981	-\$5,601	-13.3%	\$363,422	\$401,012	-\$37,590	-9.4%
Physicians	\$16,192	\$23,855	-\$7,663	-32.1%	\$441,094	\$507,116	-\$66,022	-13.0%
Medicare Part D	\$24,198	\$25,673	-\$1,474	-5.7%	\$241,437	\$249,609	-\$8,172	-3.3%
Home Care Waivers	\$11,899	\$9,964	\$1,936	19.4%	\$134,297	\$117,543	\$16,753	14.3%
ACA Expansion	\$298,443	\$176,567	\$121,876	69.0%	\$2,778,315	\$1,721,758	\$1,056,557	61.4%
All Other	\$77,927	\$93,726	-\$15,799	-16.9%	\$809,931	\$1,087,304	-\$277,373	-25.5%
Total All Funds	\$1,863,225	\$2,279,326	-\$416,101	-18.3%	\$19,131,607	\$20,123,100	-\$991,493	-4.9%

* Estimates of the Office of Budget and Management as of September 2014.

Detail may not sum to total due to rounding.

EXPENDITURES

– Russ Keller, Economist, 614-644-1751

– Gregory Craig, Economist, 614-728-3218

Overview

GRF program expenditures for the month of April were \$181.9 million above the estimate released by OBM in August 2014, due in part to the greater use of GRF money for Medicaid payments and in part to timing. Through April, FY 2015 GRF program expenditures were \$26.37 billion, \$57.3 million (0.2%) below estimate. GRF transfers out were \$587.8 million, \$10.4 million below estimate. Including both program expenditures and transfers out, GRF uses totaled \$26.95 billion through April, \$67.7 million below estimate. Tables 3 and 4 show GRF uses for the month of April and for FY 2015 through April, respectively.

While GRF program expenditures as a whole tracked fairly closely with the year-to-date estimate, several program categories registered significant variances in their April and year-to-date expenditures. GRF Medicaid expenditures were \$201.3 million above the estimate for April but \$158.1 million below the year-to-date estimate. The variances in both GRF and non-GRF Medicaid expenditures are discussed further in the section that immediately follows this overview.

Property tax reimbursements were \$88.5 million above estimate in April, which increased the category's positive year-to-date variance to \$91.4 million. 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 reimbursement payments based on the August 2014 property tax settlement, which were made throughout the first half of FY 2015, were \$5.3 million below estimate. The reimbursements based on the February 2015 property tax settlement will be made throughout the second half of FY 2015. 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.

GRF expenditures from the Primary and Secondary Education and Health and Human Services program categories, on the other hand, were \$70.0 million and \$40.6 million, respectively, below their April estimates. These negative variances partially offset the positive monthly variances in the Medicaid and Property Tax Reimbursements program categories. The variances in Health and Human Services and Primary and Secondary Education will be explained further in the sections that follow Medicaid.

For the first ten months of FY 2015, GRF uses were \$67.7 million below estimate.

Medicaid

Year-to-date
GRF and
all-funds
Medicaid
expenditures
were below
estimates by
\$158.1 million
and
\$991.5 million,
respectively.

Medicaid is mainly funded by the GRF, but is also supported by various non-GRF funds. For the first ten months of FY 2015, GRF Medicaid expenditures totaled \$12.94 billion, which was \$158.1 million (1.2%) below estimate. Non-GRF Medicaid expenditures totaled \$6.20 billion, \$833.4 million (11.9%) below estimate. Across all funds, Medicaid expenditures totaled \$19.13 billion, \$991.5 million (4.9%) below their year-to-date estimate. Medicaid is a joint federal-state program. The federal and state shares of Medicaid expenditures are about 64% and 36%, respectively. Both GRF and non-GRF Medicaid expenditures contain federal and state moneys.

The Ohio Department of Medicaid (ODM) is primarily responsible for administering Medicaid, with the assistance of five other state agencies – Developmental Disabilities, Job and Family Services, Aging, Health, and Mental Health and Addiction Services. Table 5 details the GRF and non-GRF portions of Medicaid expenditures from each of the six agencies that take part in administering Ohio Medicaid. As seen from the table, ODM, the largest agency within this program category, also had the largest year-to-date variance. For the month of April, ODM's GRF Medicaid expenditures were \$202.8 million (20.9%) above estimate, which reduced the agency's negative year-to-date variance in GRF Medicaid expenditures to \$135.4 million (1.1%), while its non-GRF Medicaid expenditures were \$610.0 million (55.1%) below estimate, which increased the negative year-to-date variance in non-GRF Medicaid expenditures to \$754.6 million (14.2%). A larger share of Medicaid payments during the month of April came from the GRF versus the non-GRF funds than was originally estimated by OBM in September. Across all funds, ODM's Medicaid expenditures totaled \$17.05 billion during the first ten months of FY 2015, which were \$890.0 million (5.0%) below estimate. GRF and non-GRF Medicaid expenditures from the Department of Developmental Disabilities (DDD), the second largest agency within this program category, were \$10.6 million (2.7%) and \$102.5 million (6.3%), respectively, below their year-to-date estimates. Together, ODM and DDD account for about 99% of the Medicaid expenditure total.

Table 6 details all-funds Medicaid expenditures by payment category. As seen from the table, Hospitals had the largest negative year-to-date variance of \$1.12 billion (62.0%), followed by Managed Care (\$313.6 million, 3.5%), All Other (\$277.4 million, 25.5%), Behavioral Health (\$165.8 million, 21.0%), Administration (\$154.5 million, 18.0%), and DDD Services (\$108.9 million, 5.6%).

The majority of the negative year-to-date variance in the Hospitals payment category occurred in the months of March (\$435.8 million) and April (\$437.9 million). The estimates for the months of March and April assumed payments to hospitals under the upper payment limit and hospital care assurance program totaling \$409.7 million per month. These payments have not yet occurred, accounting for most of the negative variance in the Hospitals category. Lower than anticipated Aged, Blind, and Disabled (ABD) caseloads also contributed to the category's negative year-to-date variance.

There were several contributors to the negative variance in Managed Care, including lower than expected enrollment in the MyCare Ohio program, which is a three-year pilot program that provides managed care services to individuals covered by Medicaid and Medicare, lower than anticipated ABD capitated rates, and lower than projected ABD caseloads due to the program's eligibility redetermination process.

The negative variance in All Other was due in large part to various budgeted initiatives which either were replaced by Medicaid expansion (i.e., the Metro Health Medicaid waiver in Cuyahoga County) or have not yet been implemented. Lower than anticipated expenditures in home health, private duty nurses, and hospice care also contributed to the negative variance in this category. Lower than expected payroll and contract costs contributed to the negative variance in the Administration category. Finally, the negative variance in Behavioral Health was largely due to the cancelling of phase two of the planned expansion of health homes throughout the state.

The ACA Expansion and Nursing Facilities were the two payment categories with significant positive year-to-date variances that substantially offset the negative variances in other categories. Excluding ACA Expansion, all-funds Medicaid expenditures were \$2.05 billion below the year-to-date estimate.

The ACA Expansion category contains expenditures for individuals who became eligible for coverage on January 1, 2014, through the federal Patient Protection and Affordable Care Act (ACA). Through April, all-funds expenditures for ACA Expansion totaled \$2.78 billion, \$1.06 billion (61.4%) above estimate. This positive variance was due to higher than expected caseloads and per person costs.

The ACA expansion is fully funded by the federal government in FY 2015. On October 21, 2013, the Controlling Board authorized a \$2.00 billion expenditure increase in FY 2015 for federally funded line item 651623, Medicaid Services - Federal, in the ODM budget for the ACA expansion. Year-to-date expenditures for the expansion exceeded that

Excluding ACA Expansion, all-funds Medicaid expenditures were \$2.05 billion below the year-to-date estimate.

Through April, all-funds expenditures for ACA Expansion were \$1.06 billion above estimate.

increase by \$0.78 billion. However, the appropriation for item 651623 totals \$5.20 billion for FY 2015. Through April, this item's total expenditures, including the expansion, were \$3.48 billion, representing 66.9% of the item's total appropriation, for the fiscal year. It appears that item 651623 should have sufficient appropriation for ACA Expansion payments.

For the first ten months of FY 2015, all-funds expenditures for Nursing Facilities were \$1.18 billion, \$228.0 million (23.9%) above estimate. This positive variance was due largely to lower than expected enrollment in MyCare Ohio. As indicated before, MyCare Ohio is a three-year pilot program that provides managed care services to individuals covered by Medicaid and Medicare. These individuals are otherwise generally served by nursing facilities.

Health and Human Services

GRF expenditures from the Health and Human Services program category were \$92.9 million for the month of April, \$40.6 million (30.4%) below estimate. Through April, this category's expenditures totaled \$1.12 billion, \$50.5 million (4.3%) below estimate. The Ohio Department of Mental Health and Addiction Services (ODMHAS) accounted for \$20.9 million of the category's total negative year-to-date variance. Year-to-date expenditures from GRF appropriation item 335421, Continuum of Care Services, within the ODMHAS budget were \$17.7 million below estimate, and the vast majority of this variance occurred in April. This item is used to distribute funds to local boards for mental health and alcohol, drug, and gambling addiction services that meet locally determined needs.

Year-to-date expenditures from the Ohio Department of Job and Family Services (ODJFS) were \$19.9 million below estimate. GRF appropriation item 600410, TANF State/Maintenance of Effort, within the ODJFS budget was \$13.4 million below its ten month estimate, of which \$12.6 million occurred in the month of April.

The Ohio Department of Health (ODH) contributed another \$6.7 million to the Health and Human Services program category's total negative year-to-date variance. ODH's GRF appropriation item 440418, Immunizations, was \$3.3 million below its ten-month estimate. This GRF line item is used to purchase vaccines for immunization against vaccine-preventable infectious disease for eligible children. Several other items within the ODH budget had smaller negative year-to-date variances.

Primary and Secondary Education

GRF expenditures for Primary and Secondary Education were \$574.4 million in April. These expenditures were \$70.0 million (10.9%) below estimate, which reduced the category's positive year-to-date variance from \$187.9 million (3.4%) at the end of March to \$117.9 million (1.9%) at the end of April. As explained in the April issue of *Budget Footnotes*, the majority of the category's positive year-to-date variance occurred in the month of March due to school foundation payment related timing issues. Primary and Secondary Education is expected to finish the fiscal year below estimate.

School foundation payments are made twice per month for traditional school districts and monthly for joint vocational school districts and community schools. In the second March payment for traditional school districts, the Ohio Department of Education (ODE) incorporated the new annualized full-time equivalent (FTE) enrollment system required by H.B. 59 of the 130th General Assembly for the first time.⁶ Prior to this, FY 2014 enrollment data was used in calculating each school's foundation payments. While some districts experience enrollment increases in FY 2015, which increase their foundation payments, other districts experience enrollment decreases, which lower their foundation payments. ODE's standard practice for adjusting over and under payments for schools is to include retroactive payments for the already completed portion of the fiscal year when the new calculations indicate an annual funding increase for a school and to spread any reductions across the remainder of the fiscal year when the new calculations indicate an annual decrease for a school. The second March payment included the retroactive payments for districts with increases in total funding allocations for FY 2015, which resulted in a large positive variance in ODE's GRF appropriation item 200550, Foundation Funding. As expected, this variance was narrowed somewhat in April and should narrow continually in the remainder of FY 2015.

Due primarily to timing, Primary and Secondary Education was \$117.9 million above the year-to-date estimate.

⁶ For more information on this new student enrollment count system, please see the article titled "ODE Implements New Student Count Methodology," which can be found in the April issue of *Budget Footnotes*.

ISSUE UPDATES

ODE Approves 15 Districts and Schools to Participate in Alternative Achievement Assessment Pilot Program

– Jason Phillips, Fiscal Supervisor, 614-466-9753

In April 2015, the Ohio Department of Education (ODE) approved waivers from administering state achievement assessments for a group of 15 school districts and schools under a pilot program authorized in H.B. 483 of the 130th General Assembly for innovative districts and schools.⁷ Subject to federal approval, districts and schools obtaining a waiver will develop and use an alternative assessment system for up to five years instead of the state's required achievement assessments. Districts and schools selected to receive a waiver under the pilot program are listed in the table below.

According to ODE, the alternative tests administered under the pilot program must meet state guidelines for rigor, be aligned to Ohio's academic content standards, and produce valid measures of student knowledge and skills, among other requirements for high-quality assessments. For participating districts and schools, teacher and administrator evaluations and report cards will be informed by results from the alternative tests. ODE expects participants to begin piloting alternative tests no earlier than the 2016-2017 school year.

Districts and Schools Receiving an Assessments Pilot Program Waiver	
County	District or School
Clark	Global Impact STEM Academy
Clark	Springfield City School District
Cuyahoga	Maple Heights City School District
Cuyahoga	Orange City School District
Franklin	Metro Early College High School
Franklin	STEM Academy (Reynoldsburg City School District)
Greene	Dayton Regional STEM School
Greene	Yellow Springs Exempted Village School District
Hamilton	Finneytown Local School District
Hamilton	Great Oaks Career Center
Hamilton	Hughes STEM High School (Cincinnati City School District)
Lake	Kirtland Local School District
Lake	Perry Local School District
Portage	Bio-Med Science Academy
Union	Marysville Early College High School (Marysville Exempted Village School District)

⁷ Identical provisions were enacted in H.B. 487 of the 130th General Assembly.

ODE Delivers Final RttT Progress Report

– Neil Townsend, Budget Analyst, 614-466-8742

On April 6, 2015, ODE delivered to the U.S. Department of Education (USDOE) its fourth and final progress report on Ohio's goals for the Race to the Top (RttT) grant program. The report assesses Ohio's four-year action plan by highlighting successes and accomplishments, identifying challenges, and providing lessons learned from implementing the plan. RttT focused on comprehensive education reform in five areas: statewide capacity building, standards and assessments, data systems to support instruction, great teachers and leaders, and turning around the lowest-achieving schools.

Accomplishments noted in the report include forming local district transformation teams and installing state regional coordinators to work directly with schools, supporting educators in the transition to Ohio's New Learning Standards through curricula resources and ongoing professional development, generating value-added reports for 100% of eligible teachers statewide during the 2013-2014 school year, and creating guidance documents to assist districts in developing local policies and procedures to implement the new statewide educator evaluation system and report results. Additionally, the report indicates success in improving the statewide graduation rate. This rate increased from 78.1% in 2010 to 82.3% in 2013, surpassing the goal of 80.2% by over two percentage points.

While Ohio achieved its goal with regard to the statewide graduation rate, the state fell short of accomplishing its other goals. Specifically, the state did not achieve goals of reducing graduation-rate and performance gaps between white and nonwhite students, reducing the performance gap between Ohio and other states on the National Assessment of Educational Progress (NAEP), and increasing college enrollment.

Participation in RttT declined from 538 Ohio local education agencies (LEAs) to 424 as 114 LEAs withdrew from the program. According to previous yearly reports, low levels of funding and disagreements between LEA governing boards and teacher unions were primary reasons why some LEAs decided to withdraw. The 2015 report also cites conflicting timelines between school calendars, district budgets, and grant schedules as another contributing factor. Ohio was originally awarded a four-year RttT grant totaling \$400 million and was granted an additional year with which to implement its plan.

DNR Awards More than \$575,000 to Support Marine Patrols

– Tom Wert, Budget Analyst, 614-466-0520

On April 1, 2015, the Department of Natural Resources (DNR) announced that 23 communities across 21 counties will receive a total of \$575,745 to support marine patrol units under the Marine Patrol Assistance Grant Program. The amounts awarded range from nearly \$13,000 for the Lawrence County Sheriff's Department to up to

\$35,000 for the Vermillion Police Marine Patrol and the Lorain Port Authority. Marine Patrol Assistance Grants are awarded annually to political subdivisions, conservancy districts, and state departments to support local marine patrol units. Grants awarded under the program may total up to \$35,000 and require the recipient to provide at least 25% of the costs of their marine patrol program. Grants may be used for the purchase, maintenance, and operation of vessels and marine equipment, or the salaries of employees responsible for enforcing Ohio's boating laws or providing marine emergency response. Funding for the program is provided from the Waterways Safety Fund (Fund 7086), which receives revenue from a portion of the state gasoline tax, fees collected for boat registration and title services, and funding from the United States Coast Guard. A complete list of recipients is provided in the table below.

2015 Marine Patrol Assistance Grant Recipients		
County	Recipient	Amount
Butler	Butler County Sheriff's Office	\$26,250
Cuyahoga	Rocky River Police Marine Patrol	\$24,626
Erie	Huron Police Harbor Patrol	\$25,392
	Vermillion Police Marine Patrol	\$35,000
Franklin	Columbus Police, Marine Park Unit	\$34,885
Hamilton	Hamilton County Sheriff's Office Marine Patrol	\$27,936
Knox	Knox County Sheriff	\$23,873
Lake	Lake County Sheriff Marine Patrol	\$30,372
Lawrence	Lawrence County Sheriff's Department	\$12,992
Lorain	Lorain Port Authority	\$35,000
Mahoning	Mahoning County Sheriff's Office - Berlin Lake Marine Patrol	\$21,134
Montgomery	Five Rivers MetroParks	\$18,470
Ottawa	Ottawa County Sheriff's Office	\$32,002
	Port Clinton Harbor Patrol	\$17,331
Pickaway	Pickaway County Sheriff's Office	\$13,518
Portage	Portage County Sheriff's Office Marine Patrol Unit	\$18,398
Richland	City of Mansfield, Clear Fork Reservoir Police	\$27,615
Ross	Ross County Sheriff's Marine Patrol	\$17,619
Sandusky	Sandusky County Sheriff's Marine Patrol	\$25,649
Scioto	Scioto County Sheriff's Office Marine Patrol	\$19,777
Summit	Summit County Sheriff's Office Marine Patrol	\$32,007
Tuscarawas	Muskingum Watershed Conservancy District	\$32,001
Trumbull	Trumbull County Sheriff's Marine Patrol	\$23,898
Total		\$575,745

Development Services Agency Allocates Funding for Export Assistance

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

At the end of March 2015, the Development Services Agency (DSA) announced that the application period for grants under the Ohio International Market Access Grant for Exporters (IMAGE) Program was closed and that the program was fully subscribed for the fiscal year. Altogether, 108 small businesses qualified for export assistance under the program in FY 2015. The program provides these businesses with a 50% reimbursement for qualifying export-related activities, up to \$10,000 per fiscal year. Recipient companies may use the state assistance to defray the cost of attending trade shows and missions and producing marketing materials for export markets. Small businesses that applied for funding reported that they anticipated \$60 million in global sales volume and 40 sales transactions in new markets. The program is principally supported by federal money through the U.S. Small Business Administration's State Trade and Export Promotion Program. Federal funding for the program is \$486,000 in FY 2015 and is appropriated under Fund 3080 appropriation item 195696, State Trade and Export Promotion. The state provides the required state match of 25% under GRF line item 195533, Business Assistance. Overall, businesses in Ohio exported \$52 billion worth of goods to over 200 countries and territories in calendar year 2014, a state record according to DSA.

ODJFS Renews Contract with Dave Thomas Foundation for Adoption

– Wendy Risner, Fiscal Supervisor, 614-644-9098

On May 4, 2015, the Controlling Board approved a request from the Ohio Department of Job and Family Services (ODJFS) to renew a contract with the Dave Thomas Foundation for Adoption (DTFA) for \$3.4 million in both FY 2016 and FY 2017. DTFA will use these funds to award grants to public and private adoption agencies to employ adoption professionals. These professionals will help recruit and match families to over 2,700 children in foster care awaiting permanent homes. Focus will be on those children who are most vulnerable or difficult to place such as those who are in the permanent custody of an agency and are over age nine, part of a sibling group, or in foster care for over two years. As part of these efforts, the adoption professional will meet with each child at least once a month to build a relationship, develop written assessments of the child's strengths, challenges, and adoption preparedness, and work with the child's caseworker to ensure that the child is ready for adoption. Studies from nonprofit research centers focusing on youth issues have found that children receiving services through a child-focused recruitment model are almost two times more likely to get adopted than those not served by such a model. Additionally, children aged 15 and over and those with a history of mental health disorders are three times more likely to get adopted under this model.

ODJFS has contracted with DTFA for these activities since FY 2013. Past contract amounts were \$2.3 million for the initial contract in FY 2013, as well as \$3.4 million per year for both FY 2014 and FY 2015. As of March 2015, DTFA has served almost 12,200 children and helped to finalize the adoptions of almost 4,800 children.

Controlling Board Allocates \$1.8 million for Wrongful Imprisonment Claim Payments

– Anthony Kremer, Budget Analyst, 614-466-5654

On April 20, 2015, the Controlling Board approved the Court of Claims' request to transfer \$1.8 million from the Controlling Board Emergency Purposes Fund (Fund 5KM0) to pay damages to three plaintiffs who were found to have been wrongfully imprisoned by the state of Ohio. Of that amount, \$1.6 million represents preliminary judgments for two of the plaintiffs, with the remainder (\$0.2 million) representing a final settlement for the third plaintiff.⁸ A wrongfully imprisoned individual is generally entitled to a sum of money that includes: (1) \$51,902 for each full year of imprisonment (prorated for partial years), (2) any fines or court costs paid and expenses incurred to obtain discharge from confinement, including attorney's fees, (3) any loss of wages, salary, or other earned income, and (4) certain cost debts the Department of Rehabilitation and Correction recovered from the person who was wrongfully imprisoned.⁹

The Court of Claims acts as the state's fiduciary agent for processing claims of wrongful imprisonment. Pursuing compensation is a two-step process that begins with a wrongful imprisonment determination in a court of common pleas. The individual must then file a civil claim for monetary damages in the Court of Claims. The Controlling Board, upon certification by the Court of Claims, transfers the sum necessary to pay that judgment through the court's GRF line item 015402, Wrongful Imprisonment Compensation. The table below shows the total amount of money that the court has disbursed as wrongful imprisonment claim payments and the number of individuals receiving those payments from FY 2006-FY 2015 year to date.

⁸ A preliminary judgment is 50% of the amount that an individual is entitled to recover for each full year in which the individual was wrongfully imprisoned. A final settlement is an agreement between the state of Ohio and the plaintiff to release all claims.

⁹ R.C. 2743.48.

Wrongful Imprisonment Claim Payments, FY 2006-FY 2015					
Fiscal Year	# of Individuals	Total Disbursed	Fiscal Year	# of Individuals	Total Disbursed
2006	3	\$2,357,877	2011	5	\$3,664,717
2007	3	\$4,260,000	2012	3	\$549,628
2008	0	\$0	2013*	1	\$379,128
2009	3	\$772,316	2014*	1	\$721,560
2010	1	\$1,088,396	2015**	6	\$2,962,131

*The FY 2013 and FY 2014 payments were disbursed to the same individual.

**As of April 20, 2015.

Ohio Attorney General Announces Overdose Prevention Task Force Recommendations

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

On April 16, 2015, the Ohio Attorney General announced the recommendations of the 15-member Overdose Prevention Task Force.¹⁰ The task force was created in September of 2014 and charged with addressing issues related to real-time collection of data on drug overdose deaths in Ohio, including establishing standard protocols for classifying drug overdose fatalities and developing methods to distribute overdose death statistics to the public. It made the following four recommendations.

The first recommendation is that drug overdose death data be made available to law enforcement personnel, researchers, policymakers, and the general public through the Ohio Public Health Data Warehouse. The warehouse is an existing online self-service tool managed by the Ohio Department of Health that anyone can use to obtain the most recent public health data about Ohio. An expansion of the mortality data available through the warehouse is currently underway and is expected to be completed sometime this spring.

The second recommendation is that coroners adopt uniform reporting for causes of death on death certificates, including naming the specific drug or drugs responsible for or interacting to cause the death. The latter is intended to better understand the underlying cause of death, as many overdose deaths involve multiple drugs.

The third recommendation is that existing systems for reporting actual or potential drug overdoses be reviewed to see if additional data or other improvements can be made, including user alerts, data tracking, and trend mapping.

¹⁰ The task force included representatives from the Ohio State Coroners Association, Ohio Association of Chiefs of Police, Buckeye State Sheriffs' Association, Ohio Prosecuting Attorneys Association, Ohio Department of Health, and Ohio Attorney General's Office.

The fourth recommendation is that the Attorney General's Office, Ohio's three regional poison control centers, and the Ohio Department of Public Safety's Bureau of Emergency Medical Services collaborate in a review of the collection and utilization of nonfatal overdose data.

Children's Health Research Collaborative Awarded \$2 million in Funding

– Genevieve Davison, LSC Fellow, 614-387-1274

On April 9, 2015, the Governor announced that an additional \$2 million in funding for children's health research would be made available. The funding comes from Children's Health Insurance Program Reauthorization Act performance bonuses Ohio received for enrolling more eligible children in Medicaid. The pediatric asthma treatment option and pediatric pneumonia diagnoses research projects will each receive \$1 million. The research will be conducted by the six Ohio Children's Hospital Association (OCHA) member hospitals: Akron Children's, Cincinnati Children's, Dayton Children's, Nationwide Children's in Columbus, University Hospitals' Rainbow Babies and Children's in Cleveland and ProMedica Toledo Children's. OCHA intends to use the funds to develop personalized, research-based treatment options for children most at risk for asthma and develop better protocols to diagnose pneumonia, identify high-risk patients, and better manage care to improve outcomes.

Asthma is one of the leading causes of avoidable hospital admissions for children. Pneumonia is the leading cause of death in children under the age of five as well as the second most common reason for hospitalization in children under the age of 18. The OCHA research collaborative also received \$2 million in 2011 to research asthma treatment for children and treatment for infants born addicted to drugs.

BOR Releases Recommendations for Increasing Access to Programs that Provide High School Diploma Equivalency

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

In January, the Board of Regents (BOR) released a report¹¹ recommending ways to increase access to and participation in programs that offer credentials equivalent to a high school diploma to adults who have not earned one. Recommendations in the report fall into two categories: those focused on current resources, mostly through the Adult Basic Literacy Education (ABLE) program, and those requiring future investment.

¹¹ The full report, *Diploma to Career Pathways*, can be found on BOR's website at: <https://www.ohiohighered.org/workforce>. H.B. 486 of the 130th General Assembly required BOR to develop the report by December 31, 2014.

The report recommends BOR do the following for the ABLE program:

- Increase access through professional development;
- Increase access through technology;
- Expand adult participation through partnerships;
- Increase access through the creation of supportive service strategies;
- Expand the connection of high school equivalency attainment to career pathway strategies;
- Increase adult participation through outreach marketing.

The report also recommends the following new investment strategies for BOR:

- Create career pathways with local labor market value;
- Increase adult participation in securing high school equivalency.

In addition to the recommendations, the report provides background on the challenges Ohio faces in creating high school equivalency programs for all types of prospective students and for tying those programs to careers. It also discusses the four current pathways for obtaining a diploma in Ohio. These include: (1) a traditional high school diploma, (2) a high school equivalency diploma (GED), (3) equivalency achieved through the Adult Career Opportunity Pilot Program, and (4) enrollment of individuals ages 22 and above in district or school dropout prevention programs, joint vocational school district (JVSD) adult education programs, or a community college program.

TRACKING THE ECONOMY

– Gregory Craig, Economist, 614-728-3218

– Merilee Newsham, Budget Analyst, 614-466-3839

Overview

April marked a return to monthly job growth over 200,000 after falling below 100,000 in March.

Job growth resumed a stronger pace in April after experiencing weak growth in March. Economic growth in the first quarter slowed after modest growth in 2014, despite a continued expansion in personal consumption and residential fixed investment spending. Manufacturing output declined in the first quarter for the first time since 2009, and oil and gas well drilling and servicing activity declined precipitously in the same period. The strength of the U.S. dollar has hurt exports and appears to have contributed to an increase in the trade deficit. The economic slowdown also appears to be due in part to factors that will likely prove temporary, such as cold weather disruptions, the West Coast dock slowdown, and adjustments to energy price changes. April unemployment declined slightly from March to a rate of 5.4%. Growth of inflation adjusted gross domestic product (real GDP) slowed to a 0.2% annual rate in the first quarter of 2015 after modest growth of 2.2% in the fourth quarter of 2014. The regional economy experienced a slight expansion in February and March.

The National Economy

Employment and Unemployment

In April, nonfarm payroll employment nationwide at business establishments increased 223,000, according to initial estimates from the Bureau of Labor Statistics (BLS). April marked a return to monthly job growth over 200,000 after falling below 100,000 in March. Prior to March, the 12 months from March 2014 through February 2015 was the longest period that employment had increased by 200,000 or more since the 19 months that ended in March 1995. Monthly gains in employment have averaged 249,000 over the past 12 months and 255,000 over the past six months. Employment gains in April were concentrated in professional and business services, health care, and construction. The mining industry continued to create a drag on total employment gains in April; losses in this industry are due in large part to the scale down of oil and gas industry operations in response to lower oil prices. BLS revised upward its estimate of employment gains in February, from 264,000 to 266,000, and revised downward its

estimate in March, from 126,000 to 85,000. For the months of February and March combined, employment gains were 39,000 lower than previously reported.

The U.S. economy has added a net total of 2.98 million jobs over the past 12 months. The national unemployment rate declined slightly to 5.4% in April, from 5.5% in March, and declined by 0.8 percentage points from 6.2% one year earlier. The U.S. unemployment rate in April was at its lowest level since 2008. Average hourly earnings of all employees on private, nonagricultural payrolls increased by 0.1% in April. Average hourly earnings are up 2.2% over the past year.

Production

Real GDP grew at an annual rate of only 0.2% in the first quarter of 2015, according to the advance estimate from the U.S. Bureau of Economic Analysis. Although this is the fourth straight quarter of positive GDP growth after a negative first quarter in 2014 (-2.1% at an annual rate), a widening trade deficit to which the strengthening U.S. dollar may have contributed, declining business investments, and a drop in state and local government spending offset most of the growth in other sectors. According to the U.S. Bureau of Economic Analysis, private fixed investment in mining exploration, shafts, and wells dropped 48.7% at an annual rate in the first quarter, after increasing 8.2% in 2014. Personal consumption expenditures and residential fixed investment contributed to the growth in GDP.

Industrial production, after increasing 0.1% in February, decreased 0.6% in March, affected by decreases in all three major market groups (final products, nonindustrial supplies, and materials) and two of the three major industry groups (mining and utilities) that compose the total index. Although the March index for manufacturing output edged up 0.1%, manufacturing output for the first quarter decreased at an annual rate of 1.2%, its first decline since 2009. In the first quarter, oil and gas well drilling and servicing fell at an annual rate in excess of 60%. The U.S. active oil and gas drilling rig count continued to fall in April, according to Baker Hughes, Inc.

Activity in the manufacturing sector expanded for the 28th consecutive month, according to the latest report from the Institute for Supply Management based on reports from manufacturing sector purchasing managers. Fifteen out of 18 manufacturing sectors report growth in the April survey. Participants said that congestion at West Coast ports from a labor dispute was still negatively impacting various shipments. Low energy costs were aiding profitability.

Real GDP grew at an annual rate of only 0.2% in the first quarter of 2015.

Consumer Spending and Personal Incomes

Real consumer spending increased 0.3% (seasonally adjusted) in March, the largest increase since November. Spending on durable goods, particularly purchases of motor vehicles and parts, as well as other types of goods and services contributed to the increase. Compared with a year earlier, real consumer spending was 2.7% higher. Twelve-month consumer spending increases have remained above 2.5% since last August. The first quarter personal saving rate was 5.5%, compared with 4.6% in the fourth quarter. Personal income, in current dollars (not adjusted for inflation) edged up less than 0.1% in March, after larger monthly increases throughout 2014 and earlier in 2015.

Sales of light vehicles dipped in April to a seasonally adjusted annual rate of 16.5 million units, down from an annual rate of 17.1 million units in March. On a rolling 12-month basis, sales of light vehicles, at 16.7 million units, are at the highest level since 2006.

Housing

Housing starts, at a seasonally adjusted annual rate, increased to 926,000 units in March, 2.0% above February's revised rate but still 2.5% below the March 2014 rate. Housing starts remain considerably lower than historical rates, which peaked in recent years at 2.1 million units, in 2005. Starts on structures with five units or more were 7.1% lower in March than February, while single-family homes were 4.4% higher than February levels.

Existing home sales in March increased 6.1%, to a seasonally adjusted annual rate of 5.19 million homes, according to the National Association of Realtors (NAR). Unit sales were 10.4% higher than a year earlier, while unsold inventory was 2.0% higher than year-ago levels.

New residential home sales in March were at a seasonally adjusted annual rate of 481,000, 11.4% below February's rate but 19.4% above year-ago rates. Annual sales have not topped 500,000 since 2007.

Inflation

Consumer Prices

The consumer price index (CPI) increased 0.2% in March, on a seasonally adjusted basis, its second straight month of positive change after three months of decline, according to BLS. The energy index rose 1.1% in March, its second month of increase after declining for seven straight months. Specifically, the gasoline index increased 3.9% in March, while the index for all items less food and energy rose 0.2%, an increase equal to that in both January and February. Over the last 12 months, the all-items index declined 0.1%. The year-over-year change has not been above zero since December.

Housing starts remain considerably lower than historical rates, which peaked in recent years at 2.1 million units, in 2005.

Producer Prices

The producer price index (PPI) for final demand increased 0.2% in March, seasonally adjusted. This is the first positive monthly percent changes of the final demand price index since October. More than half of the rise in final demand prices can be attributed to a 0.3% increase in the index for final demand goods. In March, the 12-month percent change in PPI for final demand remained below zero for a second straight month, declining 0.8%.

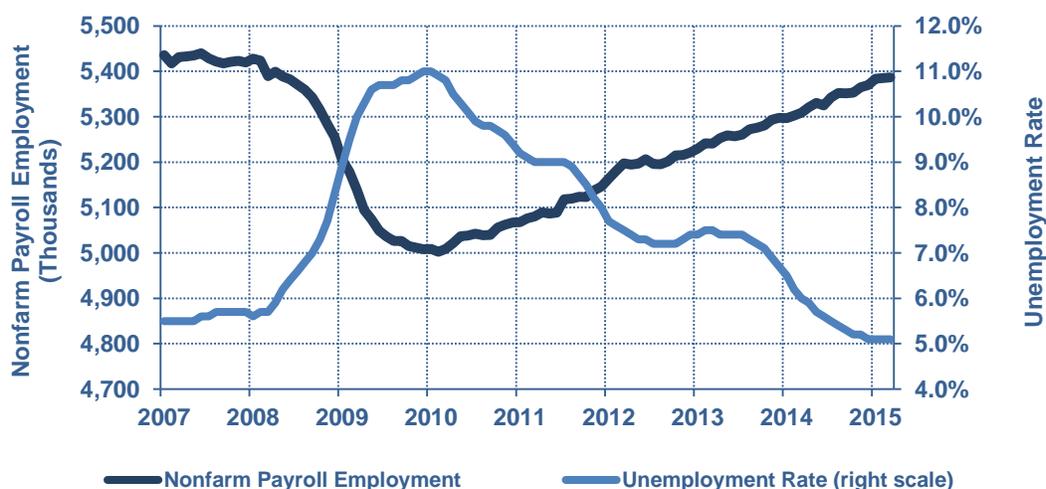
The Ohio Economy

Employment and Unemployment

Total nonfarm payroll employment in March increased by 1,500 (0.03%) from February, while the state's rate of unemployed job-seekers remained unchanged at 5.1%, as shown in Chart 5 below. The number of Ohioans counted as unemployed in March was 294,500, an increase of 4,000 (1.4%) from February. Unemployment rates decreased from February in 23 states and the District of Columbia, while 12 states experienced increases in the unemployment rate. The number of Ohioans counted as unemployed dropped by 50,200 over the past 12 months, while nonagricultural wage and salary employment grew by 77,400 (1.5%); 46 states and the District of Columbia saw decreases in the unemployment rate during the same period. On the year, Ohio goods-producing industries added 13,300 (1.5%) jobs, including 14,000 (2.1%) jobs in manufacturing. The construction industry acted as a drag on goods-producing industries hiring, shedding 1,400 jobs (0.7%) on the year. Private service-providing industries added 65,300 (1.8%) jobs on the year, including 25,100 (4.8%) in leisure and hospitality, 17,800 (1.8%) in trade, transportation, and utilities, and 11,400 (1.3%) in educational and health services. The number of public-sector jobs fell 1,200 (0.2%) during this period.

Total nonfarm payroll employment in March increased by 1,500 (0.03%) from February.

Chart 5: Ohio Employment and Unemployment



Regional Economy

The Federal Reserve Bank of Cleveland's most recent report on regional economic activity described a "slight" rate of economic expansion during the past six weeks.¹² The report noted that:

- Sales of new and existing homes through February increased by 3% compared to levels during the same period in 2014, while the average sale price over the same period increased by 6%. Prices increased due to higher land and labor costs and a declining supply of existing homes. March sales matched homebuilders' expectations that business would increase in that month, in line with historical trends. Homebuilders also anticipate that a potential interest rate increase in the near term might incentivize buyers to sign purchase contracts.
- Demand for business credit experienced flat to moderate growth across many sectors and was strongest in multifamily-construction financing and commercial and industrial loans. Demand for consumer credit experienced a slight decline, particularly in terms of home equity products. Delinquency rates on residential mortgage products remained at very low levels.
- Retail sales were flat compared to the preceding six-week period, with the highest retail demand occurring in women's apparel and health and wellness products. Retailers anticipate that lower gasoline prices will translate into higher consumer spending. Year-to-date purchases of new vehicles also exceeded those from the same period in 2014, with the pace of sales increasing in March. Dealers expect sales to remain strong through 2015.
- Activity in the Utica and Marcellus shale formations contracted further as a result of low oil prices, with the number of drilling rigs decreasing 25% since December. Production at existing rigs remains at a high level, and industry executives remain optimistic with respect to the Utica and Marcellus formations. Oil and gas producers have also reportedly scaled back planned capital spending for 2015. The oil and gas industries and associated supply industries have experienced layoffs as a result of decreased production.
- Wage increases were limited primarily to experienced employees and those with technical skills.

¹² The Federal Reserve Bank of Cleveland releases the Fourth District Beige Book eight times each year prior to the Federal Open Market Committee (FOMC) meetings. The Federal Reserve Bank of Cleveland's district includes all of Ohio and parts of Kentucky, Pennsylvania, and West Virginia. Information in the latest report was collected on or prior to April 3, 2015.

The Federal Reserve Bank of Cleveland's most recent report on regional economic activity described a "slight" rate of economic expansion during the past six weeks.

Home Sales

The number of homes sold in Ohio in March was 10,519, 16.3% higher than the 9,044 sold a year earlier, while year-to-date sales of 25,132 were 8.7% higher than the 23,120 sold in the comparable period in 2014. The year-to-date average sales price in the state was \$141,356, 7.6% higher than the \$131,385 figure from a year earlier, according to the Ohio Association of Realtors.

