

Budget Footnotes

A NEWSLETTER OF THE OHIO LEGISLATIVE SERVICE COMMISSION

APRIL 2014

STATUS OF THE GRF

HIGHLIGHTS

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

GRF tax revenues exceeded estimate by over \$153 million in March, led by another strong month for income tax revenue. For the first three quarters of FY 2014, GRF tax revenue exceeded estimate by \$371 million. March Medicaid spending was below estimate by \$359 million, due to a number of factors detailed in the Expenditures section of this report. The overall budget picture looks positive heading into the end of the income tax filing season in April.

The February report on Ohio labor statistics contained mixed news. On the positive side, the unemployment rate dropped to 6.5%, from the January figure of 6.9%. The drop brought Ohio's unemployment rate below the national rate for the first time since June 2013. On the negative side, payroll employment decreased by 4,600.

Through March 2014, GRF sources totaled \$21.58 billion:

- Revenue from the personal income tax was \$410.9 million above estimate;
- Sales and use tax receipts were \$27.0 million below estimate.

Through March 2014, GRF uses totaled \$23.43 billion:

- Program expenditures were \$648.0 million below estimate, due primarily to Medicaid (\$682.4 million) and Health and Human Services (\$58.6 million).
- Primary and Secondary Education was above estimate by \$169.2 million due primarily to timing.

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STATUS OF THE GRF

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Table 1: General Revenue Fund Sources				
Actual vs. Estimate				
Month of March 2014				
(\$ in thousands)				
(Actual based on report run in OAKS Actuals Ledger on April 4, 2014)				
	Actual	Estimate*	Variance	Percent
STATE SOURCES				
TAX REVENUE				
Auto Sales	\$111,527	\$107,800	\$3,727	3.5%
Nonauto Sales and Use	\$614,519	\$598,000	\$16,519	2.8%
Total Sales and Use Taxes	\$726,046	\$705,800	\$20,246	2.9%
Personal Income	\$382,501	\$252,500	\$130,001	51.5%
Corporate Franchise	\$4,296	\$0	\$4,296	---
Financial Institutions	\$41,098	\$62,300	-\$21,202	-34.0%
Public Utility	\$2,201	\$900	\$1,301	144.6%
Kilowatt Hour Excise	\$34,116	\$32,300	\$1,816	5.6%
Natural Gas Consumption (MCF)	\$0	\$0	\$0	---
Commercial Activity Tax	\$0	\$6,900	-\$6,900	-100.0%
Foreign Insurance	\$128,597	\$105,200	\$23,397	22.2%
Domestic Insurance	\$4	\$200	-\$196	-98.2%
Business and Property	\$0	\$0	\$0	---
Cigarette	\$64,098	\$63,200	\$898	1.4%
Alcoholic Beverage	\$4,535	\$5,100	-\$565	-11.1%
Liquor Gallonage	\$3,091	\$3,100	-\$9	-0.3%
Estate	\$609	\$200	\$409	204.7%
Total Tax Revenue	\$1,391,191	\$1,237,700	\$153,491	12.4%
NONTAX REVENUE				
Earnings on Investments	\$3	\$0	\$3	---
Licenses and Fees	\$27,830	\$6,000	\$21,830	363.8%
Other Revenue	\$1,874	\$3,625	-\$1,751	-48.3%
Total Nontax Revenue	\$29,706	\$9,625	\$20,081	208.6%
TRANSFERS				
Liquor Transfers	\$0	\$0	\$0	---
Budget Stabilization	\$0	\$0	\$0	---
Other Transfers In	\$0	\$200	-\$200	-100.0%
Total Transfers In	\$0	\$200	-\$200	-100.0%
TOTAL STATE SOURCES	\$1,420,898	\$1,247,525	\$173,373	13.9%
Federal Grants	\$635,413	\$881,836	-\$246,423	-27.9%
TOTAL GRF SOURCES	\$2,056,311	\$2,129,361	-\$73,050	-3.4%
* Estimates of the Office of Budget and Management as of September 2013.				
Detail may not sum to total due to rounding.				

	Actual	Estimate*	Variance	Percent	FY 2013	Percent Change
STATE SOURCES						
TAX REVENUE						
Auto Sales	\$862,116	\$842,000	\$20,116	2.4%	\$783,047	10.1%
Nonauto Sales and Use	\$5,858,369	\$5,905,500	-\$47,131	-0.8%	\$5,440,164	7.7%
Total Sales and Use Taxes	\$6,720,485	\$6,747,500	-\$27,015	-0.4%	\$6,223,211	8.0%
Personal Income	\$5,866,951	\$5,456,100	\$410,851	7.5%	\$6,252,880	-6.2%
Corporate Franchise	-\$5,804	\$0	-\$5,804	---	\$202,481	-102.9%
Financial Institutions	\$124,611	\$140,200	-\$15,589	-11.1%	\$0	---
Public Utility	\$72,370	\$68,800	\$3,570	5.2%	\$68,501	5.6%
Kilowatt Hour Excise	\$236,169	\$244,250	-\$8,081	-3.3%	\$246,388	-4.1%
Natural Gas Consumption (MCF)	\$36,680	\$28,000	\$8,680	31.0%	\$23,940	53.2%
Commercial Activity Tax	\$592,359	\$612,039	-\$19,680	-3.2%	\$610,249	-2.9%
Foreign Insurance	\$304,431	\$290,600	\$13,831	4.8%	\$288,556	5.5%
Domestic Insurance	\$153	\$1,200	-\$1,047	-87.3%	\$4,949	-96.9%
Business and Property	\$476	\$0	\$476	---	\$4,805	-90.1%
Cigarette	\$554,989	\$554,900	\$89	0.0%	\$558,419	-0.6%
Alcoholic Beverage	\$41,256	\$40,500	\$756	1.9%	\$40,967	0.7%
Liquor Gallonage	\$31,333	\$30,700	\$633	2.1%	\$30,372	3.2%
Estate	\$30,739	\$21,600	\$9,139	42.3%	\$76,000	-59.6%
Total Tax Revenue	\$14,607,197	\$14,236,389	\$370,808	2.6%	\$14,631,718	-0.2%
NONTAX REVENUE						
Earnings on Investments	\$8,447	\$5,500	\$2,947	53.6%	\$4,491	88.1%
Licenses and Fees	\$48,372	\$54,000	-\$5,628	-10.4%	\$60,791	-20.4%
Other Revenue	\$22,621	\$32,625	-\$10,004	-30.7%	\$528,429	-95.7%
Total Nontax Revenue	\$79,440	\$92,125	-\$12,685	-13.8%	\$593,711	-86.6%
TRANSFERS						
Liquor Transfers	\$0	\$0	\$0	---	\$91,500	-100.0%
Budget Stabilization	\$0	\$0	\$0	---	\$0	---
Other Transfers In	\$52,730	\$6,800	\$45,930	675.4%	\$5,751	816.9%
Total Transfers In	\$52,730	\$6,800	\$45,930	675.4%	\$97,251	-45.8%
TOTAL STATE SOURCES	\$14,739,368	\$14,335,314	\$404,054	2.8%	\$15,322,680	-3.8%
Federal Grants	\$6,835,804	\$6,999,047	-\$163,242	-2.3%	\$6,155,302	11.1%
TOTAL GRF SOURCES	\$21,575,172	\$21,334,361	\$240,811	1.1%	\$21,477,982	0.5%

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

REVENUES

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

Overview

Through
March, GRF
tax receipts
in FY 2014
were
\$370.8 million
above
estimate.

GRF sources¹ of \$2.06 billion in March 2014 were \$73.1 million below the estimate released by the Office of Budget and Management (OBM) in September 2013. In March as in February, state sources were above estimates and federal grants were below projections, this time by \$173.4 million and \$246.4 million, respectively. Both state tax sources and nontax sources (including transfers in) were above estimates by \$153.5 million and \$19.9 million, respectively. Federal grants this month resulted in a negative year-to-date variance of \$163.3 million at the end of March 2014, from a positive variance of \$83.2 million for this GRF source through February. The monthly revenue of GRF tax sources pushed this category's year-to-date positive variance to \$370.8 million, up from \$217.3 million at the end of February. Overall, state-source receipts were \$404.1 million above projected receipts through March 2014. Tables 1 and 2 show GRF sources for the month of March and for FY 2014 through March, respectively.

The personal income tax had another good month, as revenues from this tax were \$130.0 million above estimate. Also, March receipts from the sales and use tax and the foreign insurance tax were \$20.2 million and \$23.4 million, respectively, above estimates. The corporate franchise tax (CFT) was \$4.3 million above estimate, bringing down the tax source's year-to-date negative variance to \$5.8 million, from \$10.1 million at the end of February; the public utility excise tax and the kilowatt-hour excise tax were above projected revenues by \$1.3 million and \$1.8 million, respectively. On the other hand, a negative variance of \$21.2 million for the financial institutions tax (FIT) for returns due March 31, 2014 was largely the result of a timing issue.² The commercial activity tax (CAT), which was \$6.9 million below estimate for the month, was the other GRF tax source with a notable revenue shortfall. The remaining tax sources experienced smaller monthly variances.

For the fiscal year through March, nontax revenues were short of anticipated receipts by \$12.7 million, \$20.1 million less than the negative

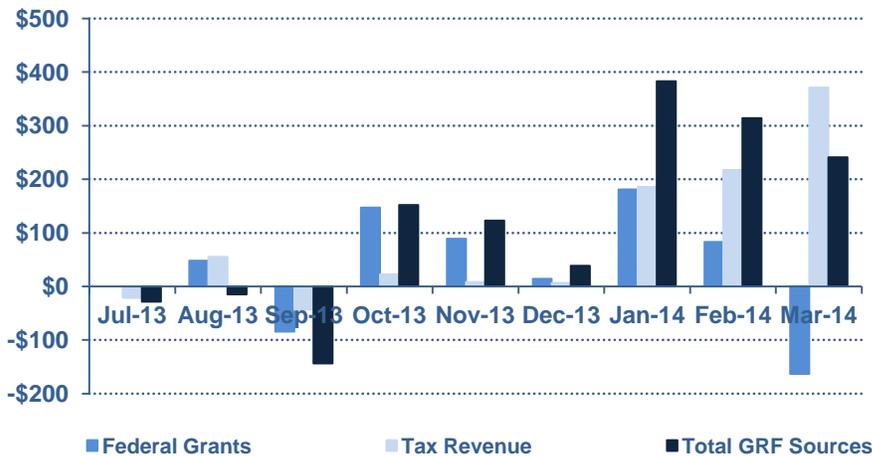
¹ GRF sources consist of state-source receipts, which include tax revenue, nontax revenue, and transfers in, and federal grants, which are federal reimbursements for Medicaid and certain other human service programs.

² FIT receipts were \$17.6 million above the April estimate as of April 8, 2014.

variance at the end of February; and transfers in was \$45.9 million above estimates, little changed from its year-to-date variance in February.

Chart 1 below shows FY 2014 cumulative variances against estimate for federal grants, tax sources, and total GRF sources. GRF sources as a whole were \$240.8 million above estimate through March, with a negative variance in federal grants partially offsetting a large positive variance in tax sources. Regarding tax revenue, as shown in Table 2, through March 2014, the personal income tax had a large positive variance; and the auto sales and use tax, the natural gas consumption (MCF) tax, the foreign insurance tax, and the estate tax had more modest positive variances. On the other hand, the nonauto sales and use tax, the FIT, the CAT, the CFT, and the kilowatt-hour tax were below anticipated receipts.

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



Compared to FY 2013, FY 2014 total GRF sources increased \$97.2 million. An increase of \$680.5 million in federal grants was partially offset by decreases of \$514.3 million in nontax revenues, \$44.5 million in transfers in, and \$24.5 million in GRF tax receipts. As explained in previous issues of *Budget Footnotes*, the large decrease in nontax revenue was due to a deposit of \$495.0 million to the GRF in February 2013 from proceeds of a \$1.57 billion bond sale related to the transfer of the state liquor franchise.³ That action also resulted in the GRF no longer receiving transfers from liquor profits in subsequent months in 2013 and 2014.

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

Through
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FY 2014
GRF sources
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\$240.8 million
above
estimate.

Through
March,
FY 2014
GRF sources
were
\$97.2 million
above GRF
sources in
FY 2013.

Compared to the previous year, increased receipts from the sales and use tax, the FIT, the MCF tax, and the foreign insurance tax were offset by declines in revenue from the personal income tax, the CFT, the estate tax, the CAT, and the kilowatt-hour tax.

Revenue from the personal income tax declined \$385.9 million, while that from the sales and use tax increased \$497.3 million. CFT and estate tax receipts declined \$208.3 million and \$45.3 million, respectively, primarily from recent tax law changes. As explained in previous issues of *Budget Footnotes*, year-over-year comparisons of receipts from the personal income tax and the sales and use tax are complicated by changes in H.B. 59, the current operating budget act. H.B. 59 reduced income tax rates by 8.5% for tax year (TY) 2013, and withholding tax rates were reduced by 9.0% starting in September to reflect that. Similarly, the increase in sales and use tax receipts over the prior year reflects, in part, the increase in the tax rate from 5.5% to 5.75% in September, also enacted in the budget act. The sharp decline in CFT receipts is due mostly to its elimination by H.B. 510 of the 129th General Assembly, while the estate tax was repealed for dates of death beginning in calendar year 2013 by H.B. 153 of the 129th General Assembly. H.B. 510 also created the FIT, which has provided \$124.6 million to the GRF through March in FY 2014.

Personal Income Tax

The personal income tax concluded the third quarter of FY 2014 with another strong performance. March GRF receipts from the personal income tax of \$382.5 million were \$130.0 million (51.5%) above estimate, but were \$88.2 million (18.7%) below receipts in the same month a year ago. 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.

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.

In the first three months of the tax filing season, refunds have been below estimates. January and February refunds were \$116.1 million and \$33.0 million below their anticipated levels.⁵ In March, refunds were \$98.0 million (20.8%) below projected refunds. On the other hand, monthly employer withholding was \$27.0 million (4.2%) above estimate. In addition, quarterly estimated payments and taxes due with annual return were also above estimates by \$4.2 million (34.5%) and \$5.0 million (8.9%), respectively.

For the fiscal year through March, the GRF has received \$5.87 billion from the personal income tax, \$410.9 million (7.5%) above estimate. The table below summarizes year-to-date FY 2014 income tax revenue variances from estimates and annual changes by component. As seen from the table, this tax's positive year-to-date variance was mostly due to lower than expected refunds (\$298.4 million) along with higher than anticipated quarterly estimated payments (\$62.6 million), employer withholding receipts (\$40.3 million), and annual tax return payments (\$39.6 million). Those positive variances were partly offset by shortfalls in miscellaneous receipts (\$20.0 million) and trust payments (\$5.0 million).

FY 2014 Year-to-Date Income Tax Revenue Variances and Changes by Component				
Category	Year-to-Date Variance from Estimate		Year-to-Date Changes from FY 2013	
	Amount (\$ in millions)	Percentage (%)	Amount (\$ in millions)	Percentage (%)
Withholding	\$40.3	0.7%	-\$104.0	-1.7%
Quarterly Estimated Payments	\$62.6	7.8%	-\$70.9	-7.6%
Trust Payments	-\$5.0	-16.0%	-\$28.5	-52.0%
Annual Return Payments	\$39.6	17.9%	\$32.5	14.2%
Miscellaneous Payments	-\$20.0	-18.5%	-\$13.6	-13.4%
Gross Collections	\$117.5	1.7%	-\$184.5	-2.5%
Less Refunds	-\$298.4	-21.4%	\$203.8	22.8%
Less LGF Distribution	\$5.0	2.0%	-\$2.4	-0.9%
Income Tax Revenue	\$410.9	7.5%	-\$385.9	-6.2%

FY 2014 GRF receipts from the income tax were \$385.9 million (6.2%) below receipts in the corresponding period in FY 2013. Through

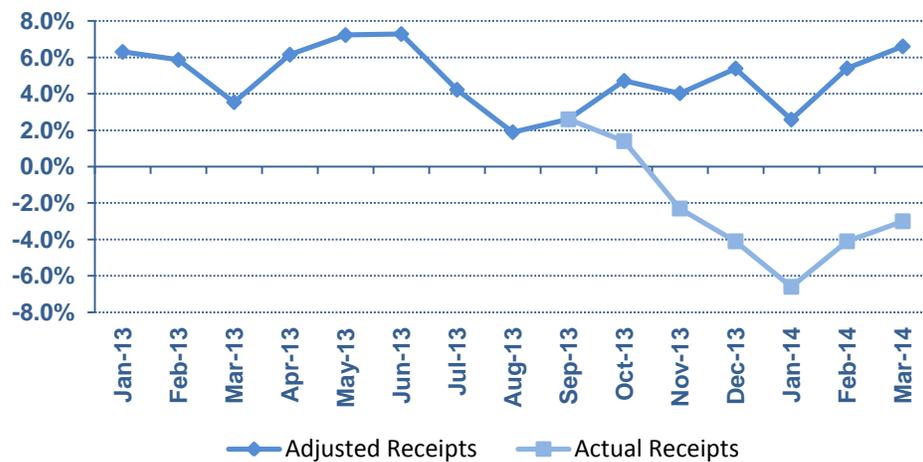
⁵ Ohio income tax returns start with a figure calculated in the federal income tax return. Most taxpayers would generally file the federal and Ohio returns at the same time. This year's federal filing season started January 31, 2014, about two weeks later than usual. This delay may have affected the timing of Ohio tax refunds.

Through
March,
FY 2014
GRF income
tax receipts
were
\$410.9 million
above
estimate.

Through
March,
FY 2014
withholding
tax receipts
were
\$40.3 million
above
estimate.

March, FY 2014 revenues from employer withholding were \$104.0 million (1.7%) below receipts in this category in FY 2013, mostly as a result of a 9% reduction in the withholding rate that went into effect for payrolls that ended on or after September 1, 2013. Quarterly estimated payments declined \$70.9 million (7.6%) and payments by trusts fell \$28.5 million (52.0%), but annual return payments increased \$32.5 million (14.2%). Chart 2 illustrates the trend in employer withholding receipts since January 2013. The chart also includes withholding receipts adjusted for the rate change from October 2013 to March 2014.

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



Though gross collections this year were below FY 2013 gross collections, refunds were \$203.8 million higher than a year ago. Results of the individual income tax filing season in April and receipts from the first and second quarterly estimated payments (due in April and June, respectively) will determine the extent of the fiscal year's decrease in GRF personal income tax receipts. Generally, fourth-quarter personal income tax receipts may be as high as a third of total fiscal year receipts.

Sales and Use Tax

Consumers resumed normal shopping at brick-and-mortar retailers in March, after several weeks of severe winter weather. March GRF receipts from the sales and use tax of \$726.0 million were \$20.2 million (2.9%) above estimate, and \$99.1 million (15.8%) above receipts in March 2013. Both the auto and the nonauto sales and use taxes posted positive revenue variances.

March sales and use tax revenue did not, however, erase a large negative variance of \$59.0 million experienced in February, and FY 2014 third-quarter sales and use tax receipts were \$24.4 million (1.1%) below

estimate. For the fiscal year to date, GRF sales and use tax receipts totaled \$6.72 billion, \$27.0 million (0.4%) below estimate, with a positive variance for the auto sales and use tax partially offsetting a negative variance in the nonauto sales and use tax. FY 2014 total receipts were \$497.3 million (8.0%) above receipts in the corresponding period last year, due, in part, to the state sales tax rate increase from 5.5% to 5.75% enacted by H.B. 59. For analysis and forecasting, the sales and use tax is separated into two parts: auto and nonauto. Auto sales and use tax collections⁶ generally arise from the sale of motor vehicles while nonauto sales and use tax collections arise from other sales. However, auto taxes arising from leases are paid at the lease signing and are mostly recorded under the nonauto tax instead of the auto tax.

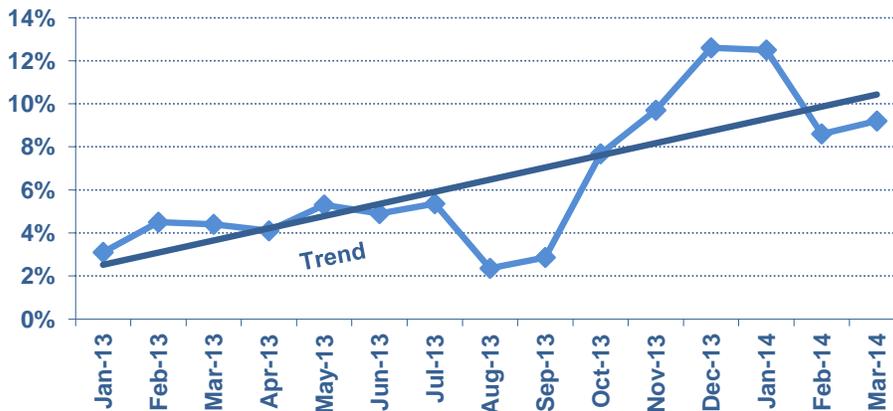
Through March, FY 2014 sales and use tax receipts were \$27.0 million below estimate.

Nonauto Sales and Use Tax

March GRF receipts of \$614.5 million were \$16.5 million (2.8%) above estimate, and \$81.8 million (15.4%) above receipts in March 2013. For the quarter ending in March 2014, the nonauto sales and use tax was \$19.7 million (1.0%) below estimate; and for the fiscal year, total nonauto sales and use tax receipts of \$5.86 billion through March were \$47.1 million (0.8%) below projected revenues, and \$418.2 million (7.7%) above revenue in the corresponding period in FY 2013. FY 2014 year-to-date receipts include \$342.9 million in tax payments by Medicaid health insuring corporations; those receipts rose \$55.6 million (19.4%) compared to the year-ago period. Chart 3 shows increases in nonauto sales and use

Through March, FY 2014 nonauto sales and use tax receipts were \$47.1 million below estimate.

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



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

tax monthly receipts against prior year receipts in the same month. Adjusting receipts for the rate increase, the nonauto sales and use tax base grew about 5% in the first three quarters of FY 2014.

Auto Sales and Use Tax

March GRF receipts from the auto sales and use tax of \$111.5 million were \$3.7 million (3.5%) above estimate, and exceeded receipts in March 2013 by \$17.3 million (18.3%). This monthly performance increased the year-to-date positive variance of this tax source to \$20.1 million (2.4%), from \$16.4 million at the end of February. However, for the quarter ending in March, due to the harsh winter, auto sales and use tax receipts were \$4.7 million (1.7%) below estimate. In contrast, the first and second quarters had positive revenue variances.

For the fiscal year, GRF revenue from the auto sales and use tax of \$862.1 million was \$79.1 million (10.1%) above receipts in FY 2013. Chart 4 below compares FY 2014 monthly auto sales and use tax receipts with year-ago receipts in the same period. Despite the weak third quarter, the auto sales tax base has grown about 6% through March, when compared to the corresponding period in FY 2013.

Through March, FY 2014 auto sales and use tax receipts were \$20.1 million above estimate.

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



Vehicle sales rebounded strongly in March as more consumers made it to dealer lots, thus confirming that the severe winter weather caused poor sales in the previous two months, rather than some fundamental weakening in the economy. On a seasonally adjusted annualized basis, nationwide sales were 16.4 million units, more than the

15.4 million in February, for an average 2014 first-quarter sales pace of about 15.7 million; that quarterly sales pace was about the same as that of the second half of 2013.

Commercial Activity Tax

In March, no GRF revenue was booked under the CAT though receipts of \$6.9 million were anticipated.⁷ Thus, GRF receipts for the fiscal year from the CAT remained \$592.4 million through March, and its year-to-date negative variance increased to \$17.9 million (2.9%), from \$12.8 million at the end of February. For the third fiscal quarter, GRF revenue of \$203.6 million was \$8.7 million (4.1%) below GRF revenue in the corresponding period in FY 2013. FY 2014 all-funds CAT receipts were \$1.23 billion, \$25.7 million (2.0%) below all-funds revenue in FY 2013.

Cigarette and Other Tobacco Products Tax

GRF receipts from the cigarette and other tobacco products tax of \$64.1 million in March 2014 were \$0.9 million (1.4%) above estimate, and also \$1.0 million (1.6%) above receipts in the same month in FY 2013. Through March, FY 2014 receipts of \$555.0 million were \$0.1 million (0.0%) above estimate. Receipts from cigarette sales were \$512.7 million, and sales of products other than cigarettes provided \$42.3 million. Compared to FY 2013, for the year to date through March, receipts fell \$3.4 million (0.6%). A decrease of \$6.6 million in revenue from cigarette sales was partially offset by an increase of \$3.2 million in revenue from the sales of other tobacco products.

Through
March,
FY 2014
GRF CAT
receipts
were
\$19.7 million
below
estimate.

Through
March,
FY 2014
cigarette tax
receipts
nearly
matched
estimate.

⁷ Revenue of \$5.8 million was deposited in Fund 5GA0.

Table 3: General Revenue Fund Uses
Actual vs. Estimate
Month of March 2014
(\$ in thousands)
(Actual based on OAKS reports run April 8, 2014)

PROGRAM	Actual	Estimate*	Variance	Percent
Primary and Secondary Education	\$296,948	\$545,233	-\$248,285	-45.5%
Higher Education	\$168,349	\$168,250	\$99	0.1%
Other Education	\$7,504	\$2,031	\$5,473	269.5%
Total Education	\$472,801	\$715,514	-\$242,713	-33.9%
Medicaid	\$1,034,484	\$1,393,070	-\$358,585	-25.7%
Health and Human Services	\$89,529	\$74,568	\$14,961	20.1%
Total Welfare and Human Services	\$1,124,013	\$1,467,637	-\$343,624	-23.4%
Justice and Public Protection	\$166,476	\$129,259	\$37,217	28.8%
General Government	\$29,175	\$25,871	\$3,303	12.8%
Total Government Operations	\$195,651	\$155,130	\$40,521	26.1%
Property Tax Reimbursements	\$21,611	\$26,416	-\$4,805	-18.2%
Capital Outlay	\$0	\$0	\$0	---
Debt Service	\$95,848	\$180,661	-\$84,813	-46.9%
Total Other Expenditures	\$117,460	\$207,078	-\$89,618	-43.3%
Total Program Expenditures	\$1,909,924	\$2,545,359	-\$635,435	-25.0%
TRANSFERS				
Budget Stabilization	\$0	\$0	\$0	---
Other Transfers Out	\$447	\$4,500	-\$4,053	-90.1%
Total Transfers Out	\$447	\$4,500	-\$4,053	-90.1%
TOTAL GRF USES	\$1,910,372	\$2,549,859	-\$639,487	-25.1%
* September 2013 estimates of the Office of Budget and Management. Detail may not sum to total due to rounding.				

PROGRAM	Actual	Estimate*	Variance	Percent
Primary and Secondary Education	\$5,263,794	\$5,094,596	\$169,198	3.3%
Higher Education	\$1,572,292	\$1,583,975	-\$11,682	-0.7%
Other Education	\$42,249	\$41,816	\$433	1.0%
Total Education	\$6,878,335	\$6,720,386	\$157,948	2.4%
Medicaid	\$10,710,286	\$11,392,690	-\$682,404	-6.0%
Health and Human Services	\$960,752	\$1,019,364	-\$58,612	-5.7%
Total Welfare and Human Services	\$11,671,039	\$12,412,054	-\$741,016	-6.0%
Justice and Public Protection	\$1,397,534	\$1,396,905	\$629	0.0%
General Government	\$269,712	\$280,112	-\$10,400	-3.7%
Total Government Operations	\$1,667,246	\$1,677,016	-\$9,770	-0.6%
Property Tax Reimbursements	\$914,665	\$929,614	-\$14,949	-1.6%
Capital Outlay	\$0	\$0	\$0	---
Debt Service	\$1,090,222	\$1,130,416	-\$40,194	-3.6%
Total Other Expenditures	\$2,004,888	\$2,060,030	-\$55,143	-2.7%
Total Program Expenditures	\$22,221,507	\$22,869,487	-\$647,980	-2.8%
TRANSFERS				
Budget Stabilization	\$995,930	\$995,930	\$0	0.0%
Other Transfers Out	\$216,476	\$238,648	-\$22,172	-9.3%
Total Transfers Out	\$1,212,407	\$1,234,579	-\$22,172	-1.8%
TOTAL GRF USES	\$23,433,914	\$24,104,066	-\$670,152	-2.8%
* September 2013 estimates of the Office of Budget and Management. <i>Detail may not sum to total due to rounding.</i>				

Table 5: All-Funds Medicaid Expenditures by Payment Category
Actual vs. Estimate
(\$ in thousands)

(Actuals based on OAKS report run on April 8, 2014)

Payment Category	March				Year to Date Through March			
	Actual	Estimate*	Variance	Percent	Actual	Estimate*	Variance	Percent
Managed Care	\$607,753	\$708,171	-\$100,418	-14.2%	\$5,567,307	\$5,774,132	-\$206,825	-3.6%
Nursing Facilities	\$188,609	\$184,392	\$4,217	2.3%	\$1,823,881	\$1,841,251	-\$17,369	-0.9%
DDD Services	\$234,365	\$234,641	-\$276	-0.1%	\$1,696,989	\$1,748,568	-\$51,579	-2.9%
Hospitals	\$393,705	\$542,793	-\$149,088	-27.5%	\$1,489,681	\$1,725,614	-\$235,933	-13.7%
Behavioral Health	\$76,836	\$92,084	-\$15,248	-16.6%	\$591,069	\$687,249	-\$96,180	-14.0%
Administration	\$68,710	\$98,800	-\$30,091	-30.5%	\$594,784	\$783,325	-\$188,541	-24.1%
Aging Waivers	\$46,017	\$58,944	-\$12,927	-21.9%	\$402,446	\$481,615	-\$79,169	-16.4%
Prescription Drugs	\$40,384	\$45,491	-\$5,106	-11.2%	\$304,558	\$359,840	-\$55,282	-15.4%
Medicare Buy-In	\$35,385	\$37,978	-\$2,592	-6.8%	\$322,635	\$329,313	-\$6,678	-2.0%
Physicians	\$43,867	\$112,551	-\$68,684	-61.0%	\$763,024	\$646,263	\$116,761	18.1%
Medicare Part D	\$23,814	\$25,136	-\$1,322	-5.3%	\$223,311	\$233,566	-\$10,255	-4.4%
Home Care Waivers	\$24,515	\$23,958	\$557	2.3%	\$192,307	\$195,470	-\$3,163	-1.6%
ACA Expansion	\$58,429	\$0	\$58,429	N/A	\$75,953	\$0	\$75,953	N/A
All Other	\$141,849	\$145,960	-\$4,111	-2.8%	\$1,015,503	\$1,136,616	-\$121,114	-10.7%
Total All Funds	\$1,984,238	\$2,310,898	-\$326,660	-14.1%	\$15,063,447	\$15,942,823	-\$879,375	-5.5%

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

Detail may not sum to total due to rounding.

**Table 6: Medicaid Expenditures by Department
Actual vs. Estimate**

(\$ in thousands)

Actuals based on OAKS report run on April 8, 2014

Department	Month of March 2014				Year to Date Through March 2014			
	Actual	Estimate*	Variance	Percent	Actual	Estimate*	Variance	Percent
Medicaid	\$1,727,905	\$2,050,541	-\$322,636	-15.7%	\$13,190,208	\$13,972,986	-\$782,778	-5.6%
GRF	\$988,259	\$1,349,071	-\$360,811	-26.7%	\$10,308,596	\$10,989,298	-\$680,701	-6.2%
Non-GRF	\$739,646	\$701,470	\$38,176	5.4%	\$2,881,612	\$2,983,689	-\$102,077	-3.4%
Developmental Disabilities	\$238,283	\$237,901	\$381	0.2%	\$1,745,471	\$1,799,334	-\$53,862	-3.0%
GRF	\$39,099	\$37,168	\$1,931	5.2%	\$347,856	\$347,850	\$6	0.0%
Non-GRF	\$199,184	\$200,733	-\$1,549	-0.8%	\$1,397,615	\$1,451,484	-\$53,868	-3.7%
Job and Family Services	\$14,360	\$18,125	-\$3,765	-20.8%	\$101,708	\$141,772	-\$40,064	-28.3%
GRF	\$5,779	\$6,219	-\$440	-7.1%	\$46,750	\$48,800	-\$2,050	-4.2%
Non-GRF	\$8,581	\$11,906	-\$3,325	-27.9%	\$54,958	\$92,972	-\$38,014	-40.9%
Aging	\$629	\$574	\$55	9.7%	\$4,702	\$4,949	-\$248	-5.0%
GRF	\$489	\$263	\$225	85.5%	\$2,795	\$2,563	\$232	9.0%
Non-GRF	\$140	\$310	-\$170	-54.7%	\$1,907	\$2,386	-\$479	-20.1%
Health	\$2,240	\$1,682	\$558	33.2%	\$16,755	\$15,915	\$840	5.3%
GRF	\$400	\$348	\$53	15.1%	\$2,562	\$2,451	\$111	4.5%
Non-GRF	\$1,840	\$1,335	\$505	37.9%	\$14,193	\$13,464	\$729	5.4%
Mental Health and Addiction	\$821	\$2,075	-\$1,254	-60.5%	\$4,603	\$7,866	-\$3,263	-41.5%
GRF	\$457	\$0	\$457	N/A	\$1,727	\$1,728	\$0	0.0%
Non-GRF	\$363	\$2,075	-\$1,712	-82.5%	\$2,876	\$6,139	-\$3,263	-53.2%
Total GRF	\$1,034,484	\$1,393,070	-\$358,586	-25.7%	\$10,710,286	\$11,392,690	-\$682,404	-6.0%
Total Non-GRF	\$949,754	\$917,829	\$31,925	3.5%	\$4,353,161	\$4,550,133	-\$196,971	-4.3%
Total All Funds	\$1,984,238	\$2,310,898	-\$326,660	-14.1%	\$15,063,447	\$15,942,823	-\$879,375	-5.5%

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

Detail may not sum to total due to rounding.

EXPENDITURES

– Russ Keller, Economist, 614-644-1751

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

Overview

GRF uses were \$670.2 million below estimate for the first three quarters of FY 2014.

Tables 3 and 4 show GRF uses for the month of March and for FY 2014 through March, respectively. GRF uses mainly consist of program expenditures but also include transfers out. Through March, FY 2014 program expenditures were \$22.22 billion. These expenditures were below the estimate released by the Office of Budget and Management (OBM) in September 2013 by \$648.0 million, of which \$635.4 million occurred in the month of March. During the first nine months of the fiscal year, GRF transfers out were \$1.21 billion, \$22.2 million below estimate. GRF uses as a whole totaled \$23.43 billion, \$670.2 million below their year-to-date estimate.

Year-to-date GRF Medicaid expenditures were \$682.4 million below estimate; all-funds expenditures were \$879.4 million below estimate.

Medicaid had the largest negative monthly and year-to-date variances. GRF Medicaid expenditures were \$358.6 million below their March estimate and \$682.4 million below their year-to-date estimate. These variances were results of several factors, including timing of certain payments, later than expected implementation of certain new initiatives, and lower than projected caseloads. Primary and Secondary Education had the second largest negative monthly variance at \$248.3 million, due to timing of school foundation payments. Debt service payments were \$84.8 million below estimate in March, which reversed the category's year-to-date variance from a positive of \$44.6 million at the end of February to a negative of \$40.2 million at the end of March. Expenditures from Justice and Public Protection, on the other hand, were \$37.2 million above estimate in March. This category's year-to-date expenditures, however, were essentially on par with estimate.

The remainder of this report will briefly discuss four categories with significant year-to-date variances. These categories are Medicaid, Primary and Secondary Education, Health and Human Services, and Debt Service.

Medicaid

Year-to-date GRF Medicaid expenditures totaled \$10.71 billion, \$682.4 million (6.0%) below estimate. Medicaid is a joint federal-state program. The federal share of Medicaid expenditures is about 64% and the state's share is about 36%. Medicaid is mainly funded by the GRF, but is also supported by various non-GRF funds. Across all funds, year-to-

date Medicaid expenditures totaled about \$15.06 billion, which was \$879.4 million (5.5%) below estimate.

Medicaid is administered by the Ohio Department of Medicaid (ODM) and five other agencies (Developmental Disabilities, Job and Family Services, Aging, Health, and Mental Health and Addiction Services). Table 5 details Medicaid expenditures by payment category across all funds and agencies. As seen from Table 5, all-funds expenditures were below their year-to-date estimates in all categories except for Physicians. Expenditures from the Physicians category were \$116.8 million (18.1%) above their year-to-date estimate despite a negative variance of \$68.7 million (61.0%) in the month of March. The category's positive year-to-date variance was due to both timing issues and larger than estimated payments related to the physician rate increase that was required under the federal Patient Protection and Affordable Care Act (ACA). Through March, expenditures from the ACA Expansion category, a new category created in January, totaled \$76.0 million. This category contains expenditures for individuals who became eligible for coverage on January 1, 2014 through ACA. The estimate released by OBM in September 2013 did not anticipate any expenditure from this category. Therefore, no variance will be reported for this category.

From
January
through
March, 2014,
all-funds
expenditures
from the
ACA
Expansion
category
totaled
\$76.0 million.

All-funds expenditures from the Hospitals category were \$149.1 million (27.5%) below estimate in March and \$235.9 million (13.7%) below estimate for the fiscal year through March. ODM needs to obtain federal approval first before making payments under the Hospital Upper Payment Limit (UPL) Program. A UPL payment totaling \$125.9 million did not occur in March as originally anticipated as ODM is still waiting for federal approval.

Expenditures from the Managed Care category were \$100.4 million (14.2%) below estimate in March and \$206.8 million (3.6%) below estimate for the fiscal year through March. There are two main reasons for these negative variances. First, the Integrated Care Delivery System, otherwise known as MyCare Ohio, will begin enrollment in May instead of March as originally projected. MyCare Ohio is a three-year pilot program that will provide managed care services to individuals covered by both Medicaid and Medicare. Second, the caseload for the Covered Families and Children population has been lower than anticipated.

All-funds expenditures from the Administration category were \$188.5 million (24.1%) below their year-to-date estimate. According to ODM, some contracts that are to be paid from this category have been delayed until FY 2015 and some other contracts may not be needed after all. The appropriation for this category also included funding for certain

administrative activity grants that have not yet been pursued or awarded at this time.

Finally, all-funds expenditures from the All Other and Behavioral Health categories were below their year-to-date estimates by \$121.1 million (10.7%) and \$96.2 million (14.0%), respectively. The second phase of the Health Homes Program has not yet begun, which was the main reason for the negative variance in the Behavioral Health category. Under the Health Homes Program, individuals with severe and persistent mental illness will receive improved care coordination through a person-centered care model.

Table 6 details the GRF and non-GRF portions of Medicaid expenditures from each of the six agencies that take part in administering Medicaid. ODM, the largest agency within this program category, had the largest year-to-date variance. GRF year-to-date expenditures for ODM totaled \$10.31 billion, which was \$680.7 million (6.2%) below estimate. ODM's GRF Medicaid expenditures are funded through three GRF appropriation items: 651525, Medicaid/Health Care Services; 651526, Medicare Part D; and 651425, Medicaid Program Support – State. Expenditures from item 651525, which provides the majority of funding for Medicaid, were \$650.3 million below their year-to-date estimate. Expenditures for items 651425 and 651526 were also below estimate by \$20.2 million and \$10.2 million respectively.

ODM's non-GRF Medicaid expenditures totaled \$2.88 billion, which was \$102.1 million (3.4%) below their year-to-date estimate. The main contributor was item 651624, Medicaid Program Support – Federal (\$128.0 million). Expenditures from item 651654, Medicaid Program Support, were also below their year-to-date estimate by \$23.7 million. These negative variances were partially offset by a positive year-to-date variance of \$42.3 million in item 651603, Medicaid Health Information Technology.

Across all funds, ODM's year-to-date expenditures totaled \$13.19 billion, which was \$782.8 million (5.6%) below estimate.

Primary and Secondary Education

As expected, the Ohio Department of Education (ODE) only made one school foundation payment in March, which was largely responsible for the \$248.3 million (45.5%) negative monthly variance in the Primary and Secondary Education program category. ODE generally disburses school foundation payments twice a month. Due to timing in the payment schedule, three payments were made in January, two in February, and one in March.

The positive year-to-date variance in Primary and Secondary Education is expected to narrow in the last quarter of FY 2014.

For the year to date, expenditures from Primary and Secondary Education, however, were still \$169.2 million (3.3%) above estimate. Items 200550, Foundation Funding, and 200502, Pupil Transportation, are the primary funding sources for school foundation payments. Combined expenditures from these two items were \$165.9 million above their year-to-date estimates. As explained in prior issues of *Budget Footnotes*, the positive year-to-date variance in school foundation payments was largely due to the standard practice followed by ODE when adjusting for over and under payments for schools. This variance should continue to narrow in the remainder of FY 2014.

Health and Human Services

GRF expenditures from the Health and Human Services program category totaled \$89.5 million for the month of March, \$15.0 million above estimate. March expenditures narrowed the category's negative year-to-date variance to \$58.6 million (5.7%).

The Ohio Department of Job and Family Services (ODJFS) continues to be the main contributor to this category's negative year-to-date variance. Through March, GRF expenditures from ODJFS were \$53.1 million below their year-to-date estimate. Year-to-date child care subsidy payments made from items 600535, Early Care and Education, and 600413, Child Care State/Maintenance of Effort, were \$17.0 million below their year-to-date estimates, due to the fact that ODJFS used primarily federal dollars for such payments last October when the federal government was partially shut down. The negative variances in these two items should continue to narrow in the last quarter of FY 2014. Other items in the ODJFS budget that had significant negative year-to-date variances include items 600410, TANF State/Maintenance of Effort (\$8.8 million); 600416, Information Technology Projects (\$7.8 million); and 600321, Program Support (\$6.3 million).

Debt Service

GRF expenditures for debt service in the month of March were \$95.8 million, which were \$84.8 million (46.9%) below estimate. As indicated earlier, this program category's year-to-date variance changed from a positive of \$44.6 million (4.7%) at the end of February to a negative of \$40.2 million (3.6%) at the end of March.

Year-to-date debt service payments from the Public Works Commission (PWC) were \$22.3 million below estimate. PWC administers the State Capital Improvement Program and the Local Transportation Improvement Program. Debt service payments from the Ohio Facilities Construction Commission (OFCC) were \$17.1 million below their year-to-



date estimate. Due to a timing issue, OFCC's debt service payments were \$74.7 million above estimate in February and \$84.4 million below estimate in March. OFCC is responsible for administering the state's comprehensive public K-12 school construction and renovation program and managing capital projects for state agencies and state-supported universities and community colleges.

ISSUE UPDATES

Ohio Medicaid Applications Rise in Recent Months

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

As of March 10, 2014, the Ohio Department of Medicaid (ODM) received 180,000 Medicaid applications through the state's new eligibility system, Benefits.Ohio.gov, which was launched on October 1, 2013. Of the 180,000 applications received, 115,000 individuals have been enrolled in Medicaid and 26,000 have been determined ineligible. The remaining 39,000 applications are still being processed. Of the 115,000 individuals enrolled in Medicaid, 54,000 are "newly eligible" as a result of the recent Medicaid expansion pursuant to the federal Patient Protection and Affordable Care Act (PPACA). Through the end of March 2014, all-funds Medicaid expenditures for the "newly eligible" totaled \$76.0 million.

In addition to applying through Benefits.Ohio.gov, individuals can also apply through the federal exchange, HealthCare.gov. As of March 10, 2014, the federal exchange received 117,000 such applications. If Ohioans are deemed Medicaid-eligible after filling out an application at HealthCare.gov, ODM is notified and applications are processed automatically or forwarded to county caseworkers.

This influx in Medicaid applications is primarily due to the PPACA, which requires individuals to have health insurance coverage by March 31, 2014. By the end of June 2015, ODM estimates that about 600,000 individuals will be enrolled as a result of the individual mandate in the PPACA.

Aging Receives \$3.8 Million for MyCare Ohio Enrollment Assistance

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

On March 10, 2014, the Ohio Department of Aging (ODA) received Controlling Board approval for a \$3.8 million funding increase to provide assistance to individuals enrolling into MyCare Ohio, a new three-year demonstration program. The program will be offered in seven multi-county regions, which represent 29 counties and about 114,000 individuals. Enrollment assistance will end on June 30, 2014. MyCare Ohio is a system of five managed care plans that will coordinate physical, behavioral, and long-term care services for individuals eligible for both Medicaid and Medicare. It will serve as the single point of contact for all enrollees. The goal is to contain costs and improve individual health and well-being. MyCare Ohio's benefit package will include benefits currently available through Medicare and Medicaid; however, it may also include

additional services. Participants will be able to choose from at least two managed care plans.

The Department of Medicaid is providing \$1.9 million in state funds to support the enrollment assistance funding, while the remaining \$1.9 million will come from federal reimbursements. ODA will distribute these funds to seven area agencies on aging (AAA) and eight independent living centers. The funds will be used to provide hands-on assistance during the enrollment process. The AAAs and the centers may also contract with other local entities to help provide enrollment assistance counseling.

Over 200 Different Specialty License Plates are Available in Ohio

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

There are a total of 226 different specialty license plates available in Ohio, including 145 special interest/collegiate license plates, 66 military license plates, and 15 government license plates. Most special interest/collegiate license plates require a contribution that is distributed to the supported organization. Contributions range from \$2 to \$30, although most are either \$25 (57%) or \$15 (35%). In FY 2013, the Bureau of Motor Vehicles collected and distributed \$3.1 million in charitable contributions from the sale of more than 168,000 specialty plates. The organizations receiving money from these sales include the general scholarship funds of various colleges and universities, charitable foundations connected to Ohio sports teams, and other causes (e.g., zoos, wildlife preservation, breast cancer awareness, and adoption). Ohio State University collected the most in FY 2013, bringing in almost \$600,000 from nearly 24,000 plates. On average, however, the 126 organizations receiving contributions in FY 2013 received about \$24,000 each.

Typically there is a requirement that, to continue selling a specialty license plate, the Registrar sell a minimum of 500 sets of a given type of specialty license plate in a year. If a specific specialty license plate does not sell that many, the Registrar is permitted to discontinue production.⁸ On January 3, 2014, there were ten special interest/collegiate license plates terminated from the special license plate program. Even after termination, however, individuals who have already bought the plates may continue to renew them as long as they remain serviceable.

⁸ Military and government license plates are generally exempt from this requirement.

Department of Agriculture Launches the Ohio Sensitive Crop Registry

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

On March 1, 2014, the Department of Agriculture launched the Ohio Sensitive Crop Registry (OSCR) to serve as a communication tool linking beekeepers, producers of pesticide-sensitive crops, and pesticide applicators. OSCR allows beekeepers and producers of pesticide-sensitive crops to map the locations of their hives and fields on an Internet-based platform. In turn, pesticide applicators can use the location information to create a pesticide application plan that minimizes risk to the apiaries and sensitive crops from inadvertent exposure to pesticides during application on nearby fields. Beekeepers registered with the Department of Agriculture's Apiary Program, commercial growers who produce at least half an acre of an individual crop, and both commercial and private pesticide applicators may use the system. In total, OSCR could benefit approximately 7,200 registered apiaries, 30,000 licensed pesticide applicators, and up to 75,000 farms. In the three weeks following OSCR's roll out, 58 users registered to use the system. Costs associated with OSCR are paid from the Pesticide Program Fund (Fund 6690) which is supported by license fees collected from pesticide dealers and applicators.

OHFA Awards 11 Counties \$49.6 Million to Tackle Blighted Properties

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

On February 28, 2014, the Ohio Housing Finance Agency (OHFA) awarded land banks in 11 counties a total of \$49.6 million to combat blighted properties in the first round of funding under the agency's Neighborhood Initiative Program (NIP). County land banks may use the funding to demolish vacant homes and rejuvenate the bare lots as green space. The goal is to prevent additional foreclosures and property blight in the targeted areas. The maximum amount of assistance per property is \$25,000, with an estimated average amount of assistance of \$12,000. As of March 2013, 17 counties have established land banks and are eligible for funding under NIP. The table below shows the 11 county land banks receiving the first round of funding.

Neighborhood Initiative Program, Round 1 Awards					
Recipient	County	Amount (millions)	Recipient	County	Amount (millions)
Cuyahoga County Land Reutilization Corporation (LRC)	Cuyahoga	\$10.1	City of Canton	Stark	\$4.2
Lucas County LRC	Lucas	\$6.0	Trumbull County LRC	Trumbull	\$3.2
Central Ohio Community Improvement Corporation	Franklin	\$5.8	Lorain County Port Authority	Lorain	\$3.0
The Port of Greater Cincinnati Development Authority	Hamilton	\$5.1	Summit County LRC	Summit	\$2.0
Montgomery County LRC	Montgomery	\$5.1	Richland County LRC	Richland	\$0.8
Mahoning County LRC	Mahoning	\$4.3	TOTAL – Round 1		\$49.6

Funding for NIP comes from a portion of Ohio's award of \$570.4 million under the U.S. Treasury's Hardest-Hit Fund (HHF) to assist struggling homeowners in avoiding foreclosure. That funding was awarded in calendar year 2010. In August 2013, OHFA received approval from the Treasury Department to use up to \$60.0 million of uncommitted HHF money to stabilize vulnerable neighborhoods by razing blighted houses and "greening" the vacant space after demolition. OHFA will announce a second round of NIP awards later in 2014, using the remaining \$10.4 million in funds available.

Controlling Board Approves Grant Awards for Internship/Co-op Program

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

In March, the Controlling Board approved grant awards in the amount of \$6.5 million in FY 2014 and \$4.4 million in FY 2015, for ten community colleges and 15 universities to create or expand existing cooperative education (co-op) and internship programs. These programs collaborate with businesses and other educational institutions, such as Ohio Technical Centers (OTCs), to provide paid and credited internships to students and to encourage students to stay in Ohio after graduation. Institutions receiving awards are required to match at least 100% of the state award with private funds.

The selected lead college or university, any partnering educational institutions, and the total amount awarded to each group for the biennium are listed in the table below.⁹

⁹ For descriptions of programs for each grantee, please go to the Ohio Board of Regents's website. Under "Recent News" select "Tuesday, March 11, 2014 – Ohio Board of Regents Announces Internship/Co-Op Grant Recipients."

FY 2014-FY 2015 Internship/Co-op Award Recipients		
Lead College or University	Education Partner(s)	FY 2014-FY 2015 Award Amount
Antioch College	Miami University	\$120,000
Bowling Green State University	None	\$650,000
Central State University	Green County OTC, Sinclair Community College, Wilberforce University	\$211,226
Cincinnati State College	None	\$633,616
Clark State Community College	Urbana University	\$221,359
Cleveland State University	Cuyahoga Community College	\$799,148
Cuyahoga Community College	Lakeland Community College	\$870,740
Edison Community College	Upper Valley OTC	\$269,665
Kent State University	Ohio Northern University	\$562,371
Lorain County Community College	None	\$524,674
Lourdes University	University of Toledo	\$111,389
Marietta College	Washington State Community College	\$119,964
Miami University	None	\$748,566
Ohio University	None	\$119,022
Owens Community College	None	\$240,660
Rhodes State College	None	\$358,434
Southern State Community College	Buckeye Hills OTC, Ohio University – Chillicothe, Pickaway – Ross OTC, Pike OTC, Scioto OTC	\$240,000
Stark State Community College	None	\$446,372
Terra State Community College	Vanguard – Sentinel OTC	\$101,853
University of Akron	None	\$799,826
University of Cincinnati	Cincinnati State College, College of Mount St. Joseph, Shawnee State University, Rio Grande Community College, University of Rio Grande, Xavier University	\$779,351
University of Dayton	Sinclair Community College	\$800,000
University of Findlay	Owens Community College – Findlay Campus	\$367,491
Wright State University	None	\$127,585
Youngstown State University	Choffin OTC, Columbiana OTC, Eastern Gateway Community College, Mahoning OTC, Trumbull OTC	\$661,013
	Total	\$10,884,325

ODE Adopts New Career-Technical Education Quality Program Standards

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

In December 2013, the Ohio Department of Education (ODE) adopted new quality program standards for career-technical education (CTE) programs. H.B. 59 required ODE to adopt quality program standards for career-based intervention (CBI) programs by December 31, 2013, and for non-CBI programs by June 30, 2015. However,

during its work, ODE recognized that its expectations of all CTE programs are the same regardless of the career field or category of funding. As a result, the new quality program standards adopted in December will apply to all CTE programs.

ODE identified ten quality program standards, which concern, among others, facilities and resources, program planning and evaluation, educator professional development, curriculum design, instruction, assessment, and student access. Each standard contains anywhere from three to seven quality indicators, each of which has a possible rating of "exemplary," "effective," "minimal," or "unsatisfactory" based on specified criteria. The standards are available on ODE's website at <http://education.ohio.gov/Topics/Career-Tech/CTE-Program-Review>.

In FY 2015, the new quality program standards will be used by ODE to review CBI programs and determine whether or not those programs are approved for state funding through the school foundation formula for the following five fiscal years. In FY 2016, the reviews of all CTE programs will commence and will first be performed by the lead district of the applicable career-technical planning district and then by ODE. As in the reviews conducted in FY 2015, the outcome will determine whether or not a district or school's CTE program will be approved for state funding for the following five fiscal years. ODE is encouraging, but not requiring, lead districts to use the quality program standards as part of the review process, along with performance data that is in alignment with federal and CTE report card metrics. While the funding approval is valid for five years, continued funding during the five-year approval period is subject to the school's compliance with any directives for performance improvement that are issued by ODE or the lead district as a result of any annual review.

DYS Receives Approval to Expend an Additional \$1.6 Million in Federal Juvenile Justice Grants in FY 2014

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

On March 10, 2014, the Department of Youth Services (DYS) received Controlling Board approval to expend an additional \$1,579,000 in federal grants in FY 2014 for various juvenile justice/delinquency prevention programs. The grants will be disbursed through appropriation item 470604, Juvenile Justice/Delinquency Prevention. The revenue to support these grants came from two new awards received by DHS from the U.S. Department of Justice's Office of Justice Programs and the unexpended Title II formula grant received in the prior fiscal year.

The first new federal grant award of \$595,486 will be used for the Cuyahoga County Reentry Program for Transition Age Youth with Co-Occurring Disorders Project. The money will be used to support the training of staff in providing services to youth with substance abuse and mental health disorders who are transitioning back into Cuyahoga County from a DHS facility. The second new federal grant award of

\$250,000 will be used for the Department's Prison Rape Elimination Act Demonstration Project, the purpose of which is to provide comprehensive approaches within DYS juvenile correctional facilities to prevent, detect, and respond to incidences of sexual victimization. The remaining \$733,514 in Title II formula grant will be passed to counties as local juvenile justice sub grants through an application process and used for a variety of purposes ranging from primary prevention to programs for seriously violent offenders and sex offenders.

Public Defender Receives Approval to Expend Federal Offender Recidivism Grant

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

On January 27, 2014, the Ohio Public Defender Commission received Controlling Board approval to expend \$18,781 in FY 2014 and \$21,177 in FY 2015 in federal grant funding targeting offender recidivism. The grant of \$39,958 was recently awarded from the federal Edward Byrne Memorial Justice Assistance Grant Program administered by the state's Office of Criminal Justice Services. The Commission's required contribution includes a combination of GRF and in-kind match totaling \$13,319.

This mix of federal and state money will be used to hire and support a social worker in the Commission's Athens County Branch Office. The social worker will: (1) perform risk assessments of felony defendants in Athens, Pike, and Meigs counties for the purpose of identifying those that have a moderate to high risk of re-offending during the period in which they are awaiting disposition of pending criminal charges and (2) then assist those higher risk defendants in securing appropriate community services, including drug and alcohol addiction treatment, housing, attaining a GED, job training, and any other services that will help reintegrate the defendant back into society. Evidence-based practices indicate that these types of community interventions are more effective when offenders are in the community, rather than in jail or prison.

TRACKING THE ECONOMY

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

Overview

In Ohio, the unemployment rate lowered to 6.5% in February from 6.9% the prior month, but the total nonfarm payroll employment decreased by 4,600 over that same period.

U.S. economic activity picked up in March after weather disruptions in early 2014. Vehicle sales in the month were very robust, and employment increased, too. Economic activity was strong in mid-2013, but the growth softened in final months of the year. The upcoming spring should provide better evidence of the country's growth trajectory. In Ohio, the unemployment rate lowered to 6.5% in February from 6.9% the prior month, but the total nonfarm payroll employment decreased by 4,600 over that same period.

The wait-and-see approach was evident in comments by the recently installed Chair of the Federal Reserve, the country's central bank. Janet Yellen's first press conference in her new capacity occurred in March. Although she remarked that other factors beyond the weather played a role in weakened first quarter growth, she said the Federal Open Market Committee anticipates a rebound in second quarter activity.

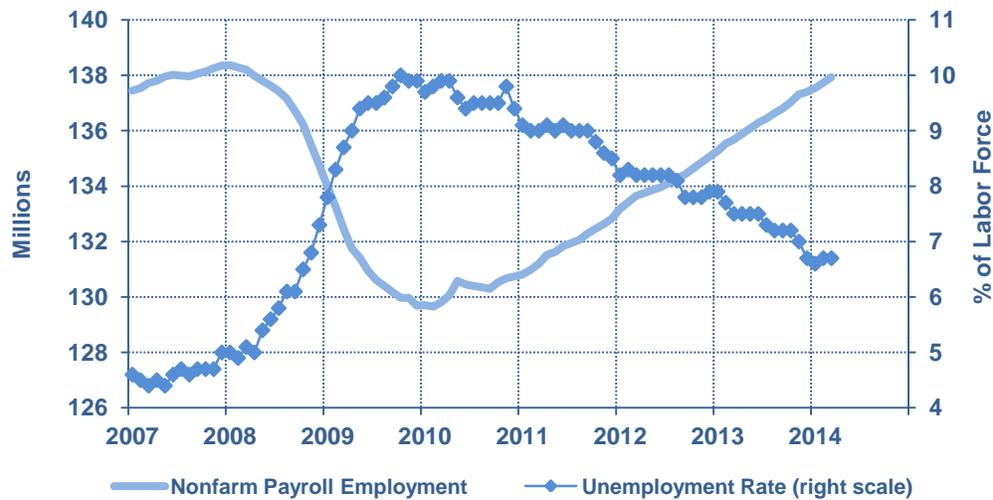
In its quarterly economic projections, the Federal Reserve estimated 2014 unemployment to be lower than previously forecasted in December. By the fourth quarter of this calendar year, the Federal Reserve projects the unemployment rate to be 6.1% to 6.3%. The Federal Reserve also said that in deciding how long to keep short-term interest rates at current extraordinarily low levels, it will "assess progress – both realized and expected – toward its objectives of maximum employment and 2% inflation." This guidance is more general than previous statements that targeted a 6.5% unemployment rate as the basis for triggering a change in monetary policy.

The National Economy

Employment and Unemployment

In March, employment increased 192,000, according to initial estimates from the Bureau of Labor Statistics (BLS), while the nation's unemployment rate remained constant at 6.7%, as shown in Chart 5.

Chart 5: U.S. Employment and Unemployment



Employment

In March, seasonally adjusted employment gains were entirely in private industries. Government employment remained unchanged from the prior month. BLS noted that professional and business services added 57,000 jobs in March, in line with its average monthly gain of 56,000 over the prior 12 months. The agency also remarked that construction employment continued to trend up in March, rising 19,000. Over the past year, construction employment has risen by 151,000.

The number of individuals working part-time (up to 34 hours per week) for economic reasons increased to 7.4 million in March from 7.2 million in February. These individuals are sometimes referred to as involuntary part-time workers because their hours had been cut back or because they were unable to find full-time work.

March weather was less of a factor for the labor force than earlier in the year. For the month, 612,000 usually full-time workers reported "bad weather" as a reason for not working as scheduled (i.e., they were involuntary part-time workers for the month). Although this number is somewhat higher than normal for the month of March, it is much lower than 6.9 million full-time workers that were similarly affected by the weather in February, the third highest since records began in 1976 and only surpassed by the January 1982 cold spell and January 1996 blizzard.

Unemployment

According to BLS data, the total number of unemployed job-seekers increased by 27,000 in March to 10.5 million, seasonally adjusted. The number of unemployed individuals in March was 10.4% lower than the count of unemployed in March of last year.

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The number of job-seekers unemployed for 27 weeks or more also declined in March to 3.7 million from 3.8 million in February. The number of job-seekers unemployed for 27 weeks or more in March was 18.3% lower than in March of last year.

The median number of weeks of unemployment fell to 16.3 weeks in March from 16.4 weeks in January. March's level was 9.9% lower than in March of last year and 34.8% lower than the peak level of 25 weeks registered in June 2010.

Production

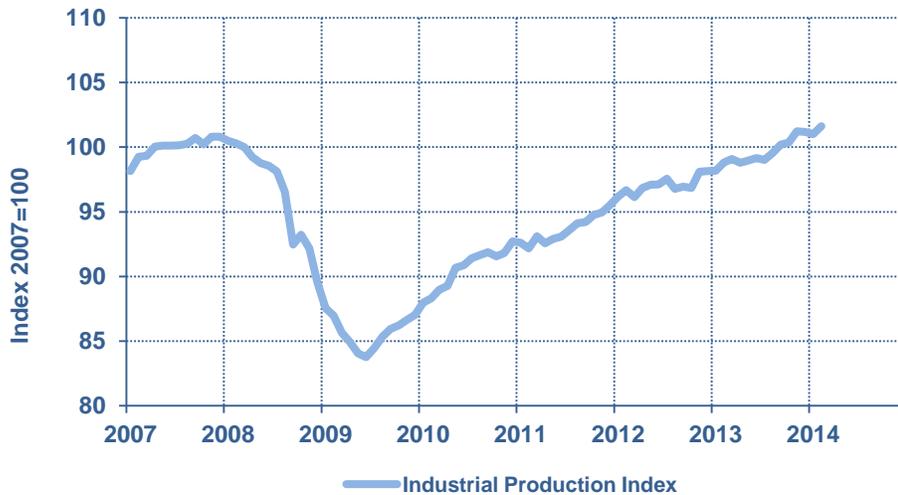
Gross domestic product adjusted for inflation (real GDP) expanded at an annualized rate of 2.6% in the fourth quarter of 2013, according to the third estimate of economic activity in that quarter made by the Bureau of Economic Analysis (BEA). The agency initially estimated a 3.2% growth rate in the quarter, which was revised downward to growth at a 2.4% rate. BEA initially issues three estimates of annualized GDP rates for each quarter about one month apart, as more complete data become available.

The upward revision of fourth quarter growth mainly reflected upwardly revised personal consumption expenditures. Nevertheless, the growth in the fourth quarter decelerated from the rate in the third quarter, 4.1%. BEA's estimate of real GDP growth in 2013 remained at 1.9% following growth of 2.8% in 2012.

The Federal Reserve's industrial production index reached an all-time high in February. Last October, the index eclipsed the pre-recession high in December 2007, at the start of the 2007-2009 downturn. Chart 6 below illustrates the growth of industrial production since the previous peak period. In March, the Federal Reserve revised its historical industrial production statistics based on more complete data. Overall, the new rates of change for total industrial production are 0.5% higher during 2012 and little changed in any other year. The annual revision for 2014 was more limited than in recent years because the source data required to extend the annual benchmark indexes of production into 2012 were mostly unavailable. When measured by fourth quarter to fourth quarter growth, total industrial production is now reported to have increased approximately 3.3% in each year from 2011 to 2013.

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Chart 6: U.S. Industrial Production Index



Leading Indicator of Future Production

Manufacturing activity appears to have expanded further in March based on a survey of manufacturing sector purchasing managers released by the Institute for Supply Management (ISM). Production, new orders, and order backlogs increased in March. Growth appears to be less widespread than in the second half of 2013, but survey respondents reported good business conditions and favorable demand.

Consumer Spending and Personal Incomes

Real consumer spending grew by 0.2% in February, seasonally adjusted. The increase was led by purchases of nondurable goods, which increased 0.3% in February after dropping 0.9% in January. Durable goods expenditures increased 0.1% in February following a decline of 0.4% in the prior month. Retailers surveyed by the International Council of Shopping Centers blamed adverse weather for reduced operating hours this past winter. Weather was also a likely culprit for restrained income growth based upon BLS information noted above. Real disposable personal incomes increased 0.3% in February, compared with an increase of 0.2% in January. On an annual basis, real disposable personal incomes increased 0.7% in 2013, compared with an increase of 2.0% in 2012.

In March, the seasonally adjusted annualized rate of light vehicle sales increased to 16.3 million, from 15.3 million in February. Because the March results were so much stronger than the previous two months, analysts regard March vehicle sales as a harbinger of the post-weather rebound in economic activity.

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As
compared to
levels one
year ago,
overall CPI
inflation was
1.1% in
February.

Inflation

Consumer Prices

Inflation remains quite low at the consumer level. The consumer price index (CPI) increased 0.1% in February, seasonally adjusted. As compared to levels one year ago, overall CPI inflation was 1.1% in February. The energy component decreased 0.5% in February, which largely reverses the 0.6% increase in January. The index for all items less food and energy (core index) increased 0.1% with increases in the prices for shelter, medical care, airline fares, recreation, and new vehicles outweighing decreases in prices for household furnishings, apparel, used cars and trucks, and tobacco.

Leading Indicator of Future Consumer Inflation

Producer prices suggest consumer inflation should not be problematic in the near future. The producer price index (PPI) for total final demand decreased 0.1% in February, seasonally adjusted. The monthly decline can be attributed to the index for final demand services, which fell 0.3%. As noted in the previous issue of *Budget Footnotes*, the new measurement system implemented by the U.S. Bureau of Labor Statistics includes PPIs not only for goods but also for services and construction.

Housing

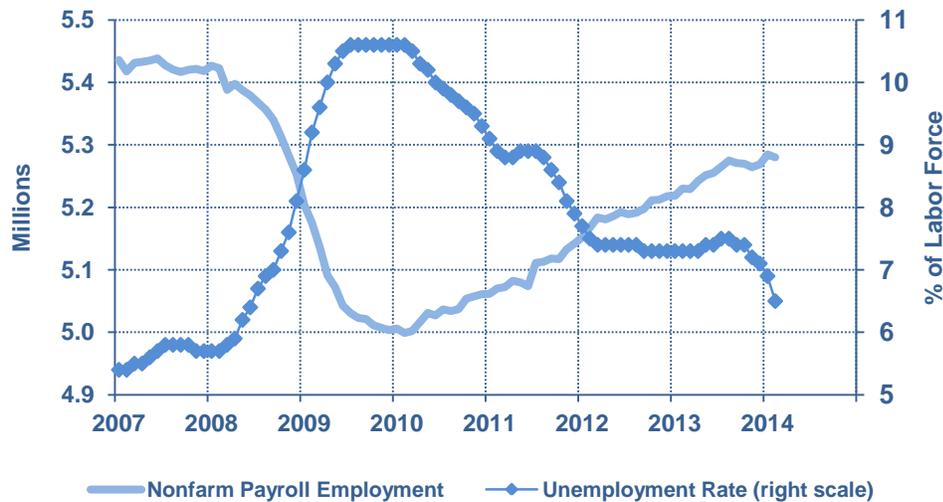
For the sixth time in seven months, sales of existing homes contracted. In February, the annual rate of existing home sales decreased 0.4%, seasonally adjusted, based on the preliminary estimate released by the National Association of Realtors (NAR). February home sales were 7.1% below the corresponding period in 2012, which is the steepest yearly decline since May 2011. The median price increased to \$189,000, which is 9.1% above the median price of homes sold one year ago.

The Ohio Economy

Employment and Unemployment

Total nonfarm payroll employment in Ohio decreased by 4,600 in February, seasonally adjusted, while the state's rate of unemployed job-seekers fell to 6.5% from 6.9% in January, as shown in Chart 7 below.

Chart 7: Ohio Employment and Unemployment



From February 2013 to February 2014, nonagricultural wage and salary employment increased 50,000. Goods-producing industries were responsible for 15,300 of these jobs. The sector's growth was concentrated in manufacturing, which added 12,800 jobs over the previous 12 months. The private service providing sector added 40,600 jobs since February 2013. The industry groups with the largest growth in this sector were professional and business services (22,500) and educational and health services (8,300). On the other hand, government employment declined by 5,900 over the previous 12 months.

Ohio Home Sales

February home sales in Ohio were 4.3% below levels of one year ago. The average selling price was 3.6% higher than in the year-earlier period. Among the three largest Ohio markets, Columbus and Cincinnati showed lower sales levels and higher average selling prices. Home sales increased in northeast Ohio and average sales prices were lower.

From February 2013 to February 2014, nonagricultural wage and salary employment increased 50,000.