Budget Footnotes

A NEWSLETTER OF THE OHIO LEGISLATIVE SERVICE COMMISSION

APRIL 2013

STATUS OF THE GRF

HIGHLIGHTS

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

The U.S. economy continued to show modest growth in the first quarter of 2013. The unemployment rate fell to 7.6% in March from 7.9% in January. Nationwide, first-quarter nonfarm payroll employment grew 2.0 million (1.6%) from 2012's level. Ohio nonfarm payroll employment rose 31,000 (0.6%) in January and February 2013 from the corresponding two-month period in 2012, and February's unemployment rate was 7.0%, unchanged from January.

GRF tax receipts continued their solid performance in March. They were about $35 million above estimates for the month and almost $311 million ahead of expectations for the fiscal year through March. Looking ahead, due to the income tax filing season, April tax revenues are to be the highest of the year, more than 11% of the total.

Through March 2013, GRF sources totaled $21.48 billion:

- Receipts from the personal income tax were $171.0 million above estimate; and
- Receipts from the sales and use tax were $12.8 million below estimate.

Through March 2013, GRF uses totaled $21.58 billion:

- Public Assistance and Medicaid expenditures were $41.4 million below estimate; and
- Expenditures for Justice and Public Protection were $59.5 million below estimate.

VOLUME 36, NUMBER 8

STATUS OF THE GRF

ISSUE UPDATES

TRACKING THE ECONOMY

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Table 1: General Revenue Fund Sources
Actual vs. Estimate
Month of March 2013
($ in thousands)
(Actual based on report run in OAKS Actuals Ledger on April 4, 2013)

	Actual	Estimate*	Variance	Percent
STATE SOURCES				
TAX REVENUE				
Auto Sales	$94,248	$95,200	-$952	-1.0%
Nonauto Sales and Use	$532,726	$528,400	$4,326	0.8%
Total Sales and Use Taxes	$626,974	$623,600	$3,374	0.5%
Personal Income	$470,655	$528,032	-$57,377	-10.9%
Corporate Franchise	$50,342	$20,000	$30,342	151.7%
Public Utility	$497	$1,200	-$703	-58.6%
Kilowatt Hour Excise	$31,109	$35,000	-$3,891	-11.1%
Natural Gas Consumption (MCF)	$106	$0	$106	---
Commercial Activity Tax	$6,058	$7,000	-$942	-13.5%
Foreign Insurance	$138,140	$85,500	$52,640	61.6%
Domestic Insurance	$324	$200	$124	61.9%
Business and Property	$4,368	$100	$4,268	4268.5%
Cigarette	$63,102	$60,100	$3,002	5.0%
Alcoholic Beverage	$6,874	$4,500	$2,374	52.7%
Liquor Gallonage	$3,008	$3,000	$8	0.3%
Estate	$2,304	$1,100	$1,204	109.4%
Total Tax Revenue	**$1,403,860**	**$1,369,332**	**$34,529**	**2.5%**
NONTAX REVENUE				
Earnings on Investments	$12	$0	$12	---
Licenses and Fees	$36,283	$16,465	$19,817	120.4%
Other Revenue	$4,176	$1,386	$2,790	201.3%
Total Nontax Revenue	**$40,471**	**$17,851**	**$22,619**	**126.7%**
TRANSFERS				
Liquor Transfers**	$0	$12,000	-$12,000	-100.0%
Budget Stabilization	$0	$0	$0	---
Other Transfers In	$0	$0	$0	---
Total Transfers In	**$0**	**$12,000**	**-$12,000**	**-100.0%**
TOTAL STATE SOURCES	**$1,444,331**	**$1,399,183**	**$45,148**	**3.2%**
Federal Grants	$629,174	$594,185	$34,989	5.9%
TOTAL GRF SOURCES	**$2,073,504**	**$1,993,368**	**$80,136**	**4.0%**

*Estimates of the Office of Budget and Management as of August 2012.

**Liquor Transfers based on a report run in OAKS as of April 2, 2013.

Detail may not sum to total due to rounding.

Table 2: General Revenue Fund Sources
Actual vs. Estimate
FY 2013 as of March 31, 2013
($ in thousands)
(Actual based on report run in OAKS Actuals Ledger on April 4, 2013)

	Actual	Estimate*	Variance	Percent	FY 2012	Percent Change
STATE SOURCES						
TAX REVENUE						
Auto Sales	$783,047	$773,600	$9,447	1.2%	$764,349	2.4%
Nonauto Sales and Use	$5,440,164	$5,462,400	-$22,236	-0.4%	$5,211,149	4.4%
Total Sales and Use Taxes	$6,223,211	$6,236,000	-$12,789	-0.2%	$5,975,498	4.1%
Personal Income	$6,252,880	$6,081,843	$171,038	2.8%	$5,665,140	10.4%
Corporate Franchise	$202,481	$76,000	$126,481	166.4%	$92,140	119.8%
Public Utility	$68,501	$74,900	-$6,399	-8.5%	$79,504	-13.8%
Kilowatt Hour Excise	$246,388	$249,700	-$3,312	-1.3%	$237,980	3.5%
Natural Gas Consumption (MCF)	$23,940	$31,200	-$7,260	-23.3%	$31,328	-23.6%
Commercial Activity Tax	$610,249	$629,700	-$19,451	-3.1%	$301,330	102.5%
Foreign Insurance	$288,556	$281,900	$6,656	2.4%	$278,835	3.5%
Domestic Insurance	$4,949	-$200	$5,149	2574.3%	$137	3504.8%
Business and Property	$4,805	-$1,100	$5,905	536.8%	-$1,598	400.7%
Cigarette	$558,419	$552,900	$5,519	1.0%	$570,436	-2.1%
Alcoholic Beverage	$40,967	$43,000	-$2,033	-4.7%	$42,537	-3.7%
Liquor Gallonage	$30,372	$29,900	$472	1.6%	$29,465	3.1%
Estate	$76,000	$35,100	$40,900	116.5%	$37,383	103.3%
Total Tax Revenue	**$14,631,718**	**$14,320,843**	**$310,876**	**2.2%**	**$13,340,115**	**9.7%**
NONTAX REVENUE						
Earnings on Investments	$4,491	$2,500	$1,991	79.6%	$2,744	63.7%
Licenses and Fees	$60,791	$40,133	$20,657	51.5%	$53,790	13.0%
Other Revenue	$528,429	$28,030	$500,399	1785.2%	$23,652	2134.2%
Total Nontax Revenue	**$593,711**	**$70,664**	**$523,047**	**740.2%**	**$80,186**	**640.4%**
TRANSFERS						
Liquor Transfers**	$91,500	$111,000	-$19,500	-17.6%	$72,632	26.0%
Budget Stabilization	$0	$0	$0	---	$0	---
Other Transfers In	$5,751	$5,166	$585	11.3%	$229,561	-97.5%
Total Transfers In	**$97,251**	**$116,166**	**-$18,915**	**-16.3%**	**$302,193**	**-67.8%**
TOTAL STATE SOURCES	**$15,322,680**	**$14,507,672**	**$815,008**	**5.6%**	**$13,722,495**	**11.7%**
Federal Grants	$6,155,302	$6,169,913	-$14,611	-0.2%	$5,849,756	5.2%
TOTAL GRF SOURCES	**$21,477,982**	**$20,677,586**	**$800,396**	**3.9%**	**$19,572,250**	**9.7%**

*Estimates of the Office of Budget and Management as of August 2012.
**Liquor Transfers based on a report run in OAKS as of April 2, 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 2013 were $310.9 million above OBM's August 2012 estimate.

With three months remaining in the fiscal year, FY 2013 GRF tax receipts were $310.9 million above the estimates released by the Office of Budget and Management (OBM) in August 2012,[1] federal grants were $14.6 million below expected revenues, and total GRF sources were $800.4 million ahead of projections.

For the month of March, GRF sources totaled $2.07 billion. These sources were $80.1 million (4.0%) above estimate. Positive variances of $34.5 million in tax revenue, $35.0 million in federal grants, and $22.6 million in state nontax revenue were partly offset by a shortfall of $12.0 million in liquor transfers.[2] Tables 1 and 2 show GRF sources for the month of March and for FY 2013 through March, respectively. GRF sources consist of state-source receipts, which include tax revenue, nontax revenue, and transfers in, and federal grants, which are federal reimbursements for Medicaid and certain other human service programs that receive federal funding.

Through March, FY 2013 GRF sources were $800.4 million above OBM's August 2012 estimate.

In March 2013, the personal income tax was $57.4 million below anticipated receipts, while the sales and use tax was $3.4 million above estimate. The cigarette tax was $3.0 million above estimate. The second corporate franchise tax (CFT) payment for FY 2013[3] was $30.3 million above projection, raising the CFT's year-to-date positive variance to $126.5 million, up from $96.1 million through February 2013. Reversing a timing-related shortfall of $51.0 million in February, the foreign insurance tax was $52.6 million above estimate this month. Among taxes performing well in March, the business and property tax, the alcoholic beverage tax, and the estate tax were above estimates, respectively, by $4.3 million, $2.4 million, and $1.2 million. On the other

[1] In February 2013, OBM revised upward by $432.0 million estimated FY 2013 total GRF sources. However, OBM did not revise monthly revenue estimates published in August 2012, which continue to be used in this and future editions of this publication.

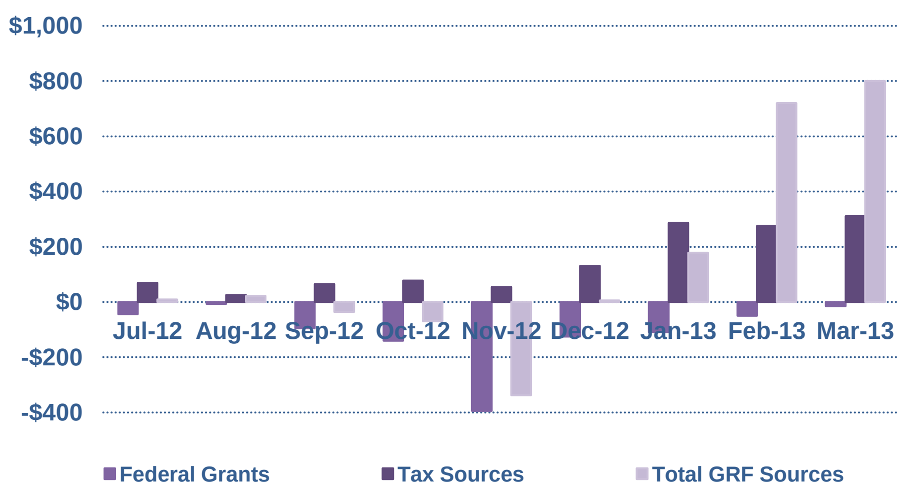
[2] The completion of the transfer of the state liquor franchise to JobsOhio and the deposit of $495.0 million to the GRF (see the March 2013 issue of *Budget Footnotes*) implies that monthly liquor transfers for the remainder of the fiscal year are unlikely.

[3] The CFT is paid in three installments: January 31, March 31, and May 31.

hand, the kilowatt hour tax posted a negative variance of $3.9 million in March, underscoring the continued weakness of utility-related taxes, which were below their year-to-date projections by a combined $17.0 million through March.

Chart 1 below shows the cumulative variances against estimates for federal grants, tax sources, and total GRF sources.

Chart 1: Cumulative Variances of GRF Sources in FY 2013 (Variance from Estimates, in millions)



Compared to the first nine months of FY 2012, year-to-date FY 2013 total GRF sources increased $1.91 billion. Gains of $1.29 billion in GRF tax revenue, $513.5 million in nontax revenue, and $305.6 million in federal grants were partly offset by a decline of $204.9 million in transfers in. Receipts from the personal income tax grew $587.7 million, while revenue from the commercial activity tax (CAT) and the sales and use tax increased $308.9 million and $247.7 million, respectively. Growth in GRF receipts from the income tax and the CAT was due in part to changes that H.B. 153 made to revenue sharing with local governments.

Through March, FY 2013 GRF income tax receipts were $171.0 million above OBM's August 2012 estimate.

Personal Income Tax

In March, GRF personal income tax receipts of $470.7 million were $57.4 million (10.9%) below estimate, mostly due, similarly to February, to higher than expected refunds. GRF receipts in March 2013 were also $40.3 million (7.9%) below receipts in the same month in 2012. The personal income tax's underperformance in March reduced its positive year-to-date variance from $228.4 million at the end of February to $171.0 million at the end of March. 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.

For the month of March, refunds were higher than estimated by $44.2 million, and miscellaneous receipts were below projections by $13.6 million. Those results were partly offset by a positive monthly variance of $3.8 million in monthly employer withholding. Delays by the Internal Revenue Service in accepting federal tax returns and updates of certain federal schedules and forms disrupted the anticipated timing of refunds to taxpayers in the first quarter of calendar year 2013.[5] Refunds to taxpayers in January were $86.8 million lower than estimate but were above estimates by $51.3 million in February.

For the fiscal year to date, the GRF received $6.25 billion from the personal income tax. The table below summarizes year-to-date FY 2013 income tax revenue variances from estimates and from a year earlier by component.

Through March, FY 2013 withholding tax receipts were $53.2 million above OBM's August 2012 estimate.

FY 2013 Year-to-Date Income Tax Revenue Variances and Changes by Component

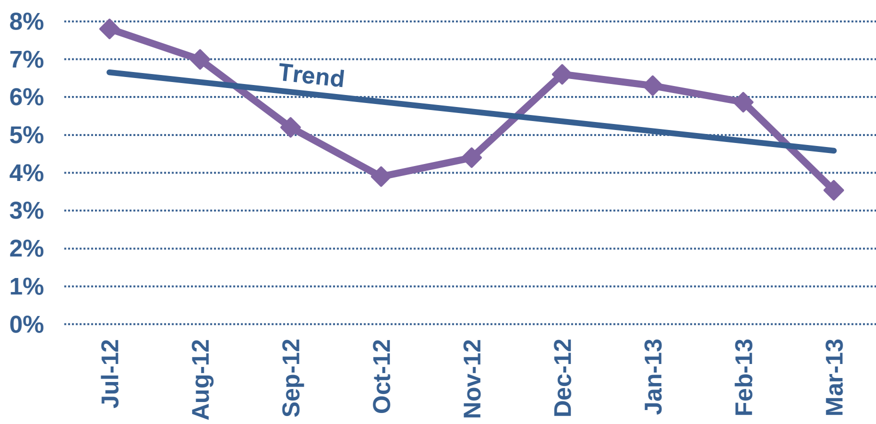
Category	Year-to-Date Variance from Estimate		Year-to-Date Changes from FY 2012	
	Amount ($ in millions)	Percentage (%)	Amount ($ in millions)	Percentage (%)
Withholding	$53.2	0.9%	$292.5	5.0%
Quarterly Estimated Payments	$148.8	19.0%	$114.0	13.9%
Trust Payments	$32.2	141.9%	$32.3	143.3%
Annual Return Payments	-$20.4	-8.2%	-$20.3	-8.1%
Miscellaneous Payments	-$20.3	-22.0%	-$20.2	-21.9%
Gross Collections	$193.6	2.7%	$398.3	5.7%
Less Refunds	$17.8	2.1%	-$12.2	-1.4%
Less LGF Distribution	$4.7	1.9%	-$177.2	-41.0%
Income Tax Revenue	$171.0	2.8%	$587.7	10.4%

[4] Quarterly estimated payments are due from taxpayers who expect to be underwithheld by more than 10% and who expect to have less withheld than their taxes owed in the prior year. Payments are generally 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.

[5] The Internal Revenue Service started accepting most tax returns on January 30, 2013, after a delay necessitated by tax legislation passed January 2, 2013, to deal with the "fiscal cliff." Certain federal forms and schedules were still being updated through March 2013.

FY 2013 GRF receipts from the income tax were $587.7 million (10.4%) above receipts in the corresponding period in FY 2012. Growth in income tax receipts has been largely due to gains in employer withholding and quarterly estimated payments and reduced distributions to the LGF. Through March, revenues from employer withholding in FY 2013 were $292.5 million (5.0%) above receipts in this category in FY 2012, and quarterly estimated payments increased $114.0 million (13.9%). Chart 2 below, which illustrates the trend in employer withholding receipts in FY 2013, shows a deceleration in year-over-year growth in recent months. Distributions to the LGF were $177.2 million (41.0%) below amounts in that category through March in FY 2012, due to H.B. 153 which reduced revenue sharing of state tax revenues with local governments.[6]

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



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 increase 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.

Through March, FY 2013 sales and use tax receipts were $12.8 million below OBM's August 2012 estimate.

Sales and Use Tax

March GRF receipts from the sales and use tax of $627.0 million were $3.4 million (0.5%) above estimate and $21.7 million (3.6%) above receipts in March 2012. Through March, FY 2013 GRF sales and use tax

[6] Whereas LGF distributions are debited from personal income tax receipts, Public Library Fund distributions are debited from the kilowatt hour tax (50%) and the nonauto sales and use tax (50%). Thus, H.B. 153 also enhances GRF receipts to the latter two tax sources.

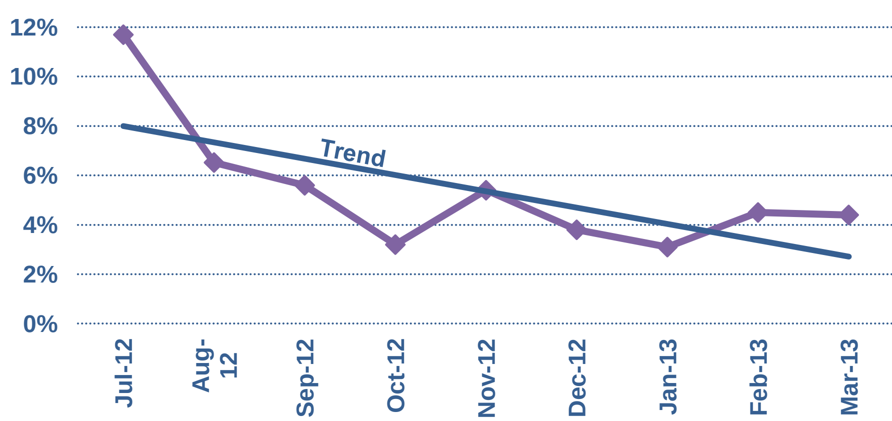
receipts totaled $6.22 billion, $12.8 million (0.2%) below estimate, but $247.7 million (4.1%) above receipts in FY 2012. For analysis and forecasting, the sales and use tax is separated into two parts: auto and nonauto. Auto sales and use tax collections[7] generally arise from the sale of motor vehicles 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, the auto sales and use tax was above projections while the nonauto sales and use tax was lagging anticipated receipts.

Through March, FY 2013 nonauto sales and use tax receipts were $22.2 million below OBM's August 2012 estimate.

Nonauto Sales and Use Tax

March GRF receipts from the nonauto sales and use tax were $532.7 million, $4.3 million (0.8%) above estimate. Year to date, GRF nonauto sales and use tax receipts were $5.44 billion for FY 2013, $22.2 million (0.4%) below estimate; however, the nonauto sales and use tax was $1.1 million above estimate in the most recent fiscal quarter, suggesting some stability in the yield of the tax. Through March, FY 2013 revenue was $229.0 million (4.4%) above receipts through March in FY 2012. Chart 3 below shows the trend in FY 2013 nonauto sales and use tax monthly receipts against prior year receipts in the same month. As seen from the chart, the tax base is still growing, though at a lower rate of growth than earlier in the fiscal year.

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



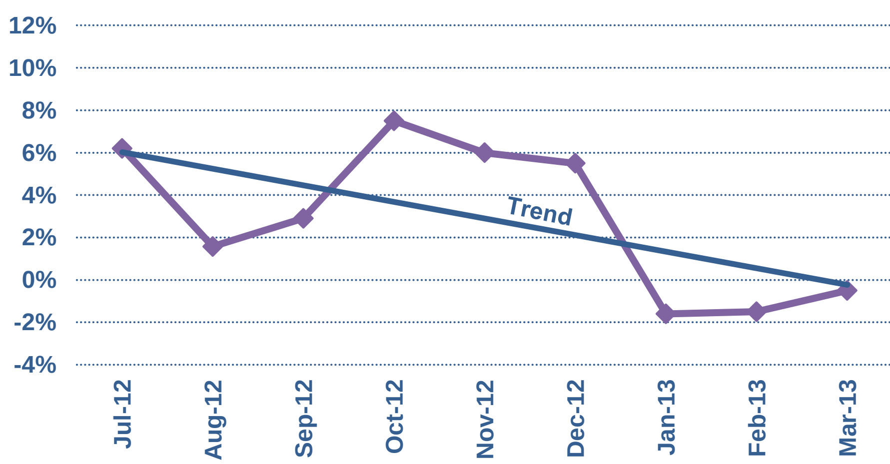
[7] The clerks of court generally make auto sales and use tax payments on Monday for taxes collected during the preceding week on motor vehicles, watercraft, and outboard motors titled. Therefore, auto sales and use tax receipts largely reflect vehicles sold and titled during the month.

Auto Sales and Use Tax

GRF receipts from the auto sales and use tax totaled $94.2 million in March. Those receipts were almost $1.0 million (1.0%) below estimate and $1.9 million (1.9%) below March 2012 receipts. However, through March, FY 2013 GRF receipts from the auto sales and use tax of $783.0 million were $9.4 million (1.2%) above estimate and $18.7 million (2.4%) above receipts for the corresponding period in FY 2012. Chart 4 below compares FY 2013 monthly auto sales and use tax receipts with year-ago receipts in the same period. In recent months, auto sales and use tax revenue has fallen below receipts last year. In the first half of FY 2013, auto sales and use tax receipts were $19.9 million above revenue in the corresponding period last year, but in the quarter ending in March, revenues were $1.2 million below third-quarter receipts in FY 2012.

Through March, FY 2013 auto sales and use tax receipts were $9.4 million above OBM's August 2012 estimate.

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



Nationwide, U.S. light vehicle sales held up during the first quarter in 2013, averaging 15.3 million units, about 8% above first-quarter sales in 2012. Among the factors supporting vehicle sales for consumers are the improving labor market, low interest rates on vehicle loans, rising wealth from the equity and housing markets, incentive spending, and the launch of redesigned models. This momentum may continue if businesses, especially construction contractors, are buying more light trucks as the housing market continues to expand.

Commercial Activity Tax

March receipts from CAT taxpayers were $6.1 million. Those receipts were $0.9 million (13.5%) below estimate but $2.7 million (82.0%) above March 2012 revenue. Through March, FY 2013 CAT receipts to the GRF totaled $610.2 million, $19.5 million (3.1%) below estimate, but were

Through March, FY 2013 GRF CAT receipts were $19.5 million below OBM's August 2012 estimate.

$308.9 million (102.5%) above receipts in the corresponding period in FY 2012. The revenue increase compared to FY 2012 is largely due to H.B. 153 which increased the share of receipts distributed to the GRF from the CAT with corresponding decreases to local government funds that share revenues from those tax sources. The GRF share of CAT receipts doubled to 50% in FY 2013, up from 25% in FY 2012. Through March, all-fund CAT receipts were $1.24 billion, $16.8 million (1.4%) above revenue through March in FY 2012. Growth in receipts compared to FY 2012 fell in the second quarter of FY 2013 by $13.8 million but increased in the third quarter by $14.0 million. However, this tax has been below estimate each of the first three quarters and will probably finish the fiscal year short of projected revenue. CAT receipts that are deposited into the local government funds are used to reimburse school districts and other units of local government for lost revenues from the phase-out and reductions in tangible personal property taxes.

Cigarette and Other Tobacco Products Tax

GRF receipts from the cigarette and other tobacco products tax of $63.1 million in March 2013 were $3.0 million (5.0%) above estimate but $3.0 million (4.5%) below receipts in the same month in FY 2012. Through March, FY 2013 receipts of $558.4 million were $5.5 million (1.0%) above estimate. Receipts from cigarette sales were $519.3 million, and sales of products other than cigarettes provided $39.1 million. Compared to the first three quarters of FY 2012, total receipts from the tax were $12.0 million (2.1%) lower. Receipts from the sale of cigarettes and other tobacco products decreased by $10.7 million; revenue from the other tobacco products decreased $1.3 million.

Table 3: General Revenue Fund Uses
Actual vs. Estimate
Month of March 2013
($ in thousands)
(Actual based on OAKS reports run April 8, 2013)

PROGRAM	**Actual**	**Estimate***	**Variance**	**Percent**
Primary, Secondary, and Other Education	$465,449	$513,876	-$48,427	-9.4%
Higher Education	$163,240	$166,580	-$3,340	-2.0%
Total Education	$628,689	$680,455	-$51,766	-7.6%
Public Assistance and Medicaid	$1,071,368	$1,019,842	$51,526	5.1%
Health and Human Services	$69,520	$66,629	$2,891	4.3%
Total Welfare and Human Services	$1,140,888	$1,086,471	$54,417	5.0%
Justice and Public Protection	$202,416	$215,526	-$13,110	-6.1%
Environment and Natural Resources	$4,495	$4,801	-$306	-6.4%
Transportation	$676	$804	-$129	-16.0%
General Government	$58,104	$59,303	-$1,199	-2.0%
Community and Economic Development	$10,799	$12,960	-$2,160	-16.7%
Capital	$0	$0	$0	---
Total Government Operations	$276,489	$293,393	-$16,904	-5.8%
Tax Relief and Other	$28,612	$19,150	$9,463	49.4%
Debt Service	$122,135	$122,635	-$501	-0.4%
Total Other Expenditures	$150,747	$141,785	$8,962	6.3%
Total Program Expenditures	**$2,196,812**	**$2,202,105**	**-$5,292**	**-0.2%**
TRANSFERS				
Budget Stabilization	$0	$0	$0	---
Other Transfers Out	$13,438	$0	$13,438	---
Total Transfers Out	$13,438	$0	$13,438	---
TOTAL GRF USES	**$2,210,250**	**$2,202,105**	**$8,146**	**0.4%**

* August 2012 estimates of the Office of Budget and Management.
Detail may not sum to total due to rounding.

Table 4: General Revenue Fund Uses
Actual vs. Estimate
FY 2013 as of March 31, 2013
($ in thousands)
(Actual based on OAKS reports run April 8, 2013)

PROGRAM	**Actual**	**Estimate***	**Variance**	**Percent**	**FY 2012**	**Percent Change**
Primary, Secondary, and Other Education	$4,988,985	$5,000,739	-$11,754	-0.2%	$4,950,579	0.8%
Higher Education	$1,604,139	$1,615,283	-$11,144	-0.7%	$1,603,186	0.1%
Total Education	$6,593,125	$6,616,022	-$22,898	-0.3%	$6,553,766	0.6%
Public Assistance and Medicaid	$10,375,897	$10,417,340	-$41,443	-0.4%	$9,799,190	5.9%
Health and Human Services	$747,571	$767,349	-$19,778	-2.6%	$773,419	-3.3%
Total Welfare and Human Services	$11,123,468	$11,184,689	-$61,221	-0.5%	$10,572,609	5.2%
Justice and Public Protection	$1,508,016	$1,567,483	-$59,467	-3.8%	$1,408,306	7.1%
Environment and Natural Resources	$54,793	$57,007	-$2,214	-3.9%	$54,252	1.0%
Transportation	$7,468	$7,962	-$494	-6.2%	$7,497	-0.4%
General Government	$266,884	$291,892	-$25,008	-8.6%	$221,600	20.4%
Community and Economic Development	$72,428	$79,449	-$7,021	-8.8%	$80,621	-10.2%
Capital	$137	$0	$137	---	$120	14.4%
Total Government Operations	$1,909,726	$2,003,793	-$94,067	-4.7%	$1,772,396	7.7%
Tax Relief and Other	$915,348	$898,445	$16,903	1.9%	$885,462	3.4%
Debt Service	$692,657	$713,771	-$21,114	-3.0%	$306,063	126.3%
Total Other Expenditures	$1,608,005	$1,612,216	-$4,211	-0.3%	$1,191,525	35.0%
Total Program Expenditures	**$21,234,325**	**$21,416,720**	**-$182,396**	**-0.9%**	**$20,090,295**	**5.7%**
TRANSFERS						
Budget Stabilization	$235,096	$235,096	$0	0.0%	$246,899	-4.8%
Other Transfers Out	$110,605	$102,835	$7,770	7.6%	$327,504	-66.2%
Total Transfers Out	$345,701	$337,931	$7,770	2.3%	$574,402	-39.8%
TOTAL GRF USES	**$21,580,026**	**$21,754,651**	**-$174,626**	**-0.8%**	**$20,664,698**	**4.4%**

* August 2012 estimates of the Office of Budget and Management.
Detail may not sum to total due to rounding.

Table 5: FY 2013 Medicaid Expenditures
($ in thousands)
(Actuals based on OAKS report run on April 5, 2013)

	March				Year to Date			
Medicaid (600525) Payments by Service Category	**Actual**	**Estimate**	**Variance**	**Percent Variance**	**Actual thru March**	**Estimate thru March**	**Variance**	**Percent Variance**
Managed Care Plans	$587,059	$672,987	-$85,928	-12.8%	$5,285,725	$5,650,851	-$365,126	-6.5%
Nursing Facilities	$182,768	$185,800	-$3,032	-1.6%	$1,834,944	$1,839,741	-$4,797	-0.3%
Hospitals	$112,829	$109,156	$3,673	3.4%	$992,590	$1,022,706	-$30,116	-2.9%
Aging Waivers	$45,718	$55,616	-$9,898	-17.8%	$412,303	$493,814	-$81,511	-16.5%
Prescription Drugs	$38,704	$41,078	-$2,374	-5.8%	$351,872	$386,591	-$34,719	-9.0%
Physicians	$27,293	$32,029	-$4,736	-14.8%	$238,713	$254,280	-$15,567	-6.1%
ODJFS Waivers	$19,067	$20,117	-$1,050	-5.2%	$187,307	$198,477	-$11,170	-5.6%
All Other	$200,827	$201,247	-$420	-0.2%	$1,727,730	$1,755,649	-$27,919	-1.6%
Total Payments	$1,214,265	$1,318,030	-$103,765	-7.9%	$11,031,184	$11,602,109	-$570,925	-4.9%
Total Offsets (non-GRF)	-$259,458	-$402,013	$142,555	-35.5%	-$1,453,331	-$2,026,482	$573,151	-28.3%
Total 600525 (net of offsets)	$954,807	$916,017	$38,790	4.2%	$9,577,853	$9,575,627	$2,226	0.0%
Medicare Part D (600526)	$24,843	$23,028	$1,815	7.9%	$216,732	$208,494	$8,238	4.0%
Total GRF	**$979,650**	**$939,045**	**$40,605**	**4.3%**	**$9,794,585**	**$9,784,121**	**$10,464**	**0.1%**
Total All Funds	**$1,239,108**	**$1,341,058**	**-$101,950**	**-7.6%**	**$11,247,916**	**$11,810,603**	**-$562,687**	**-4.8%**

Estimates from the Ohio Department of Job and Family Services (ODJFS)

EXPENDITURES

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

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

For the nine months of FY 2013, total GRF uses were $174.6 million below OBM's August 2012 estimate.

Overview

Through March, FY 2013 GRF program expenditures totaled $21.23 billion. These expenditures were $182.4 million below the estimate released by the Office of Budget and Management (OBM) in August 2012.[8] GRF transfers out totaled $345.7 million, which was $7.8 million above estimate. GRF uses as a whole amounted to $21.58 billion, which was $174.6 million below estimate. Tables 3 and 4 show GRF uses for the month of March and for FY 2013 through March, respectively. For the month of March, GRF program expenditures totaled $2.20 billion, $5.3 million below estimate. This negative variance was more than offset by a positive variance of $13.4 million in transfers out. Overall, GRF uses were $8.1 million above estimate for the month.

Ten out the 12 program expenditure categories posted negative year-to-date variances. Categories with expenditures significantly lower than their estimates include Justice and Public Protection ($59.5 million), Public Assistance and Medicaid ($41.4 million), General Government ($25.0 million), Debt Service ($21.1 million), and Health and Human Services ($19.8 million). The negative variances in these five categories were partially offset by a positive variance in Tax Relief and Other ($16.9 million). These six program categories' variances are briefly discussed below.

Justice and Public Protection

Year-to-date GRF expenditures for Justice and Public Protection were $1.51 billion, $59.5 million (3.8%) below estimate. The Department of Rehabilitation and Correction (DRC) contributed $44.5 million to this program category's year-to-date negative variance. The Department of Youth Services (DYS) accounted for another $9.8 million. DRC's main operating line item 501321, Institutional Operations, was $40.8 million below its year-to-date estimate. Year-to-date expenditures for item 502321, Mental Health Services, were also $5.6 million below estimate.

[8] In February 2013, as part of the executive budget process, OBM revised GRF expenditure estimates, mainly Medicaid, for FY 2013 as a whole. However, for purposes of this report, the variance analysis will continue to be based on OBM's August 2012 estimate. According to OBM, the monthly GRF expenditure estimates for the remaining months of FY 2013 will not be revised.

These negative variances were partially offset by a positive year-to-date variance of $4.0 million in item 506321, Institution Education Services. DYS's largest line item, 470401, RECLAIM Ohio, was $7.4 million below its year-to-date estimate. The remaining negative variance in the DYS budget occurred across several other line items.

Year-to-date Medicaid GRF expenditures were $10.5 million above OBM's August 2012 estimate. However, across all funds, year-to-date Medicaid expenditures were $562.7 million below estimate.

Public Assistance and Medicaid

Year-to-date GRF expenditures for the Public Assistance and Medicaid program category totaled $10.38 billion, $41.4 million (0.4%) below estimate. Medicaid, including both state and federal shares, accounts for about 94% of expenditures in this program category. Table 5 details Medicaid GRF expenditures by service category and also summarizes Medicaid expenditures across all funds. Medicaid is mainly funded with the GRF but is also supported by various non-GRF funds. Through March, FY 2013 Medicaid GRF expenditures totaled $9.79 billion, which was $10.5 million (0.1%) above estimate. The federal share of Medicaid expenditures is about 64% and the state's share is about 36%. Across all funds, year-to-date Medicaid expenditures amounted to $11.25 billion, which was $562.7 million (4.8%) below estimate.

According to the Ohio Department of Job and Services (ODJFS), in recent months more GRF dollars than non-GRF dollars have been used for Medicaid expenditures due to a delay in collecting hospital assessment revenue (the assessment amount for FY 2013 has not yet been finalized). This accounted for a relatively small positive year-to-date variance in GRF expenditures compared to the negative variance in all funds expenditures. It also accounted for the positive GRF variance in the month of March ($40.6 million, 4.3%) compared to the negative variance in all funds for the month ($102.0 million, 7.6%). Until the assessment is collected, ODJFS expects that expenditures from non-GRF funds will be below estimate by about $141 million each month.

As seen from Table 5, Medicaid expenditures were below their year-to-date estimates for all but one category. The Managed Care Plans category had the largest variance at $365.1 million (6.5%), primarily due to lower than expected caseloads and capitated rates. The Aging Waivers category had the next largest negative variance of $81.5 million (16.5%), due partially to the timing of payments and partially to lower than estimated service costs per member.

General Government

Year-to-date GRF expenditures for General Government totaled $266.9 million, $25.0 million (8.6%) below estimate. Of this total, $10.4 million was attributable to the Department of Administrative

Services and $6.1 million to the Legislative Service Commission. Expenditures for the Department of Taxation were also below their nine-month estimate by $2.0 million. Finally, the Auditor of State, the Secretary of State, the Treasurer of State, the Senate, and the House of Representatives accounted for a combined negative year-to-date variance of $5.3 million.

Debt Service

Year-to-date GRF debt service expenditures totaled $692.7 million, which was $21.1 million (3.0%) below estimate. Of this total, $14.5 million was attributable to debt service paid by the Public Works Commission (PWC) and $5.3 million was attributable to the Development Services Agency (DSA). PWC and DSA administer various capital improvement programs that are supported by the proceeds of general obligation bonds, which are backed by the full faith and credit of the state. The state is obligated to fully fund any debt service payments required for general obligation bonds.

Health and Human Services

Year-to-date GRF expenditures for Health and Human Services totaled $747.6 million, which was $19.8 million (2.6%) below estimate. Of this total, $11.5 million occurred in the Department of Health (DOH). DOH's line item 440459, Help Me Grow, was $4.3 million below its nine-month estimate. Items 440418, Immunizations, and 440444, AIDS Prevention and Treatment, each had $2.3 million in negative year-to-date variance. In addition to DOH, the Department of Veterans Services and the Rehabilitation Services Commission also contributed to this program category's year-to-date variance, by $2.6 million and $1.3 million, respectively.

Tax Relief and Other

GRF expenditures for Tax Relief and Other were $9.5 million above estimate in March, which increased the year-to-date positive variance to $16.9 million (1.9%) for this program category. The property tax relief reimbursements are made twice per year, one based on the February property tax settlement and the other one based on the August property tax settlement. The reimbursements based on the February 2013 settlement started in March and will continue through the remainder of the fiscal year. The reimbursements based on the August 2012 settlement were completed in December and were $7.4 million higher than estimate.

ISSUE UPDATES

Ohio Housing Finance Agency Announces Expanded Eligibility under the Save the Dream Ohio Foreclosure Prevention Initiative

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

On February 1, 2013, the Ohio Housing Finance Agency (OHFA) announced an expansion of eligibility and assistance available under the six programs comprising the Save the Dream Ohio home foreclosure prevention initiative. These programs include assistance in the form of (1) lump sum mortgage rescue payments, (2) mortgage payment assistance for unemployed or underemployed homeowners, (3) lump sum mortgage loan principal reduction payments, (4) lump sum payments to eliminate liens, (5) payments to eliminate or reduce amounts owed on delinquent property taxes, assessments, or second mortgages, and (6) transitional support for homeowners who are unable to remain in their homes. Under the expansion, the highest amount of annual household income for homeowners to be eligible for assistance under any of the six programs is increased to $112,375. Previously, homeowners who had 115% or less of area median income were eligible.[9] Additionally, OHFA increased the maximum benefit per household enrolled in any of these assistance programs from $25,000 to $35,000. Participants can now receive up to $25,000 through any one program, with a cap of $35,000 in total assistance through multiple programs.

In 2010, Ohio was awarded a total of $570.4 million under the U.S. Treasury's Hardest-Hit Fund (HHF), an extension of the Troubled Asset Relief Program (TARP). OHFA formed the Save the Dream Ohio initiative with this funding. The goal of the HHF initiative is to provide emergency funding for housing finance agencies in states that have encountered high levels of economic distress as a result of the economic downturn. The federal HHF funding period runs through calendar year 2017. Of the $570.4 million available to Ohio, so far approximately $105.0 million has been distributed on behalf of around 8,800 homeowners.

Ohio Reaches $29 million Multi-State Settlement with Toyota

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

In February 2013, the Office of the Attorney General announced that it had reached a $29 million multi-state action settlement with Toyota Motor Company. The

[9] According to the U.S. Census Bureau, the median household income in Ohio statewide was $48,071 in 2012.

settlement resolves multiple consumer protection claims related to allegations that the automaker concealed safety issues due to unintended acceleration problems. The investigation revealed poor communication between Toyota's Japanese and U.S. holdings to be partially responsible for its failure to report safety issues in a timely manner. In addition to the monetary settlement, Toyota will be restricted from advertising the safety of vehicles without sound engineering data to support such safety claims. Twenty-nine other states joined in the agreement with the state of Ohio acting as a lead investigative entity.

Ohio's $1.7 million share of the settlement will be credited to the Consumer Protection Enforcement Fund (Fund 6310) for use in promoting consumer protection efforts in the state. Ohio will also receive a Bosch Crash Data Retrieval (CDR) System, which provides pre-crash vehicle information (vehicle speed, brake status, airbag deployment, seat belt status, etc.) from Toyota vehicles involved in crashes. The CDR tools will be used by the Department of Public Safety to help investigate accidents involving Toyota vehicles.

Twenty-two Court Interpreters Certified by Supreme Court of Ohio in February 2013

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

On February 3, 2013, the Supreme Court of Ohio certified 22 court interpreters at the Third Annual Court Interpreter Certification Ceremony, bringing the total number of individuals certified in American Sign Language (ASL) or a foreign language to 58. Of those 58, nine are ASL-certified and 49 are foreign language-certified. Of the latter, 38 are certified in Spanish.[10] In addition to these certified court interpreters, there are four provisionally qualified foreign language interpreters and 23 ASL-eligible interpreters.

The process of certifying individuals began in 2010 under the Supreme Court's Interpreter Services Program, with the goal of ensuring that the interpreters used to assist deaf and limited-English-proficiency people in Ohio courts are highly skilled and professionally qualified. In January of this year, a new rule promulgated by the Supreme Court of Ohio took effect that requires all Ohio courts to use a certified language or sign language interpreter, if needed and when available, during most court procedures. Currently, about 25,000 cases per year require a court interpreter.

It takes approximately one year for an individual to become a certified foreign-language court interpreter. To become certified, a person must pass both a written and oral examination. The total cost of the written examination is $175 for

[10] The remaining 11 interpreters are certified in the following languages: Russian (five individuals), Mandarin (two individuals), French (two individuals), Somali (one individual), and Arabic (one individual).

residents ($225 for nonresidents). The total cost of the oral examination is $300 for residents ($350 for nonresidents). Ohio residents applying for ASL certification pay a $10 fee ($15 for nonresidents). Since 2010, the certification program has collected a total of $71,106, all of which has been deposited in the Court Interpreter Certification Fund (Fund 5HT0). These moneys are used to provide training and written examinations and to pay language experts to rate oral examinations.

Training Academy Relocation Expected to Save Youth Services $300,000 Annually

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

In January 2013, the Department of Youth Services relocated its Training Academy from Delaware, Ohio to the Department of Rehabilitation and Correction's Corrections Training Academy in Orient, Ohio, a move that is expected to save Youth Services $300,000 annually. The savings will come from reduced building operating expenses, mostly in the form of lower utility costs, as the footprint of the new location is considerably smaller than the Delaware site. All ten of the Youth Services' Training Academy staff were relocated to the Orient site as well. The relocation of the Training Academy is part of an ongoing partnership between the two departments that includes developing shared space and services arrangements. For the Orient site, Youth Services will pay the Department of Rehabilitation and Correction $1 annually in addition to being responsible for paying the costs of utilities. Furthermore, the relocation leaves the Training Academy's previous location – a 53.5-acre property across the street from the Scioto Juvenile Correctional Facility – vacant and available for potential sale.

Ohio Historical Society Awards First Round of History Fund Grants Using Tax Check-off Proceeds

– Brian Hoffmeister, Senior Budget Analyst, 614-644-0089

On February 27, 2013, the Ohio Historical Society (OHS) announced the first round of awards to local organizations under the History Fund Program, which uses the proceeds from the income tax check-off under which Ohio taxpayers may donate a portion of their refunds to OHS. For this initial funding round, OHS awarded grants to 11 organizations for a total of just under $114,000. Grants ranged from approximately $2,200 to $15,000 and support projects to improve historical artifact storage, enhance museum collections and exhibitions, digitize historic materials such as maps and film footage, provide community outreach, produce educational content, and perform maintenance and repairs to facilities. The recipients are listed in the table below. OHS has collected a total of about $150,000 in tax refund donations to date. H.B. 59, the main operating budget bill for the FY 2014-FY 2015 biennium, proposes appropriations of

$250,000 for this program in each fiscal year. The actual spending will depend on the amount of proceeds from the income tax check-off.

History Fund Round 1 Awards		
Recipient	**Amount**	**Purpose**
Clark County Historical Society	$15,000	Improvement of collections care, including digitization
Cleveland Museum of Natural History	$12,873	Wide-scale pilot project to document Native American archaeological sites in the Lake Erie Basin
Cleveland Restoration Society	$15,000	Know Our Heritage Educational Program to raise awareness of endangered African American historic sites
Dennison Railroad Depot	$15,000	Artifact storage improvements
Eden Valley Enterprises	$15,000	Support of PBS documentary about Emma "Grandma" Gatewood
Friends of Whitewater Shaker Village	$15,000	Construction of Americans with Disabilities Act (ADA)-compliant restrooms
Granville Historical Society	$6,041	Partnership for re-enactment of 1836 Ohio Anti-Slavery Convention
John & Annie Glenn Museum Foundation	$6,600	New display space for local pottery at the National Road/Zane Grey Museum
MidPointe Library System	$2,160	Digitization of historic Butler County atlases
Pioneer Historical Society of Muskingum County	$8,000	Roof repairs to Stone Academy building (Underground Railroad site)
Union County Historical Society	$3,300	Digitization of historic film footage
Total	**$113,974**	

Department of Agriculture Completes Construction of Dangerous Wild Animal Temporary Holding Facility

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

The Ohio Department of Agriculture recently announced the completion of its new dangerous wild animal temporary holding facility for animals surrendered to the state as a result of ownership restrictions under S.B. 310 of the 129th General Assembly. The facility is approximately 18,000 square feet in size, and contains cages and enclosures capable of holding a variety of dangerous animal species, as well as a food preparation area. Capital funding of $3.5 million for this project was approved by the Controlling Board on September 10, 2012. Because the need for the holding facility was determined to be a matter of public exigency, the approved funding included a $486,000 mark-up for an accelerated project completion schedule.[11] The project was completed in February 2013 at an actual cost of approximately $2.9 million.

[11] R.C. 123.10 allows state agencies to waive the competitive bidding and selection process that applies to construction contracts under exigent circumstances if they have received authorization from the Director of Administrative Services, who in turn must notify the Director of Budget and Management and the Controlling Board, including a dollar limitation that may be spent on the emergency project.

S.B. 310 provided for a two-step approach to regulating the ownership of dangerous wild animals and certain snakes. The first step was a requirement for dangerous wild animal owners to register with the Department. As of February 2013, 150 entities including individuals, sanctuaries, research facilities, and zoos had registered 830 dangerous wild animals under this requirement. The second step was a general prohibition on the casual ownership of dangerous wild animals and restricted snakes after January 1, 2014, unless owners complied with various annual permitting requirements overseen by the Department. Animals surrendered after the permitting process begins will be held at the dangerous wild animal temporary holding facility until they can be transferred to a sanctuary or zoo permanently.

H.B. 59, the pending main operating budget for the FY 2014-FY 2015 biennium, includes two funding sources for the program. The As Introduced version of the bill provides GRF funding of $800,000 in each fiscal year under appropriation item 700426, Dangerous and Restricted Animals. The second source of funding is annual permit fees charged to dangerous wild animal and restricted snake owners that will be deposited into the Dangerous and Restricted Animal Fund (Fund 5MA0) once permitting commences in January 2014. H.B. 59, As Introduced, includes an appropriation of $195,000 in each fiscal year under appropriation item 700657, Dangerous and Restricted Animals, for this purpose.

Governments Expend Less to Fund Unemployment Benefits in 2012

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

In 2012, the state and local governments expended about $33.6 million to fund unemployment benefits, a decrease of 28.3% from 2011. The number of former government employees who received benefits also decreased to 7,875 in 2012, from 11,023 in 2011. The table below shows the amounts expended for the past three years from both the state and local governments as well as the number of former employees who received benefits.

Unemployment Benefits for Former Government Employees

Year	Local		State		Total	
	Benefits	Employees	Benefits	Employees	Benefits	Employees
2010	$47,956,240	9,287	$10,028,900	2,072	$57,985,140	11,359
2011	$32,991,042	8,259	$13,898,767	2,764	$46,889,809	11,023
2012	$23,786,174	5,720	$9,847,086	2,155	$33,633,260	7,875

As with other employers, state agencies (including state hospitals and universities) and local governments are responsible for providing unemployment benefits for up to 26 weeks. Unemployment benefits are paid from the state's Unemployment Compensation Trust Fund. The state and local governments are referred to as "reimbursing" employers since they reimburse the trust fund after benefits have been paid. Private employers are considered "contributory" employers because they are required to make advanced contributions to their unemployment compensation trust fund accounts.

During the time period shown in the table, after receiving 26 weeks of regular benefits, unemployed individuals could also be eligible for federal emergency unemployment benefits (up to 53 weeks) as well as Federal-State Extended Benefits (EB) (up to 20 weeks) for a total of 99 weeks.[12] Federal emergency benefits were issued and funded by the federal government, not the state's trust fund, and therefore are not included in the table. EB benefits for former employees of the state and local governments were issued from the trust fund and reimbursed by the employer and are therefore included in the table. For the years listed in the table, EB benefits accounted for between 5% and 10% of total benefits paid to former state and local government employees. For former employees of contributory employers, EB benefits were fully funded by the federal government.

Auditor Releases Final Report on Audit of Student Attendance Data

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

In February 2013, the Auditor of State (AUD) released the final report[13] of its audit of school district student attendance data and Ohio's accountability system. Upon the completion of its audits of 58 districts in three phases, AUD concluded that nine school districts, shown in the table below, showed evidence of "scrubbing." That is, these nine districts had improperly withdrawn students from their enrollment. AUD recommended that the Ohio Department of Education (ODE) further investigate and recalculate the various performance measures on these schools' report cards. AUD also referred its findings to the U.S. Department of Education Office of the Inspector General for further review.

School Districts Found to Show Evidence of Scrubbing Student Attendance Data					
District	**County**	**District**	**County**	**District**	**County**
Campbell City	Mahoning	Cleveland Municipal	Cuyahoga	Northridge Local	Montgomery
Canton City	Stark	Columbus City	Franklin	Toledo City	Lucas
Cincinnati City	Hamilton	Marion City	Marion	Winton Woods City	Hamilton

[12] Federal emergency benefits are still available to eligible individuals but for fewer weeks and are set to expire at the end of this year. EB benefits are no longer available.

[13] The final report, as well as two interim reports issued in October 2012, can be found at the Auditor's web site: www.auditor.state.oh.us – search for "Student Attendance Audit."

In addition, the audit found that more than 70 schools or districts had errors in their attendance reporting but did not show evidence of scrubbing their data. For these schools and districts, AUD recommended that ODE review to determine whether the number or nature of these errors requires further assessment of those schools' or districts' report cards.

Finally, AUD recommended 13 policy and legislative changes, including:

- Basing state school funding support on year-long attendance numbers, rather than one count during October Count Week;
- Establishing independent oversight of the Education Management Information System (EMIS);
- Developing minimum continuing professional education requirements for school personnel who use EMIS;
- Generating statewide school reports by student name and statewide student identification (SSID) number for specific enrollment and withdraw codes to improve ODE monitoring efforts;
- Changing current law to allow ODE to have access to names of students and other personal information consistent with privacy protections pursuant to federal law; and
- Establishing a single, statewide student information system so student data can be uniform, consistently reported, and accessible for data mining.

eTech Ohio Commission Awards $393,000 in Quality Matters Grants

– Michele Perch, Budget Analyst, 614-644-1262

On February 11, 2013, the eTech Ohio Commission awarded $393,000 in competitive grants to ten regional service agencies to train educators in developing and selecting online and blended courses using the Quality Matters rubric for grades six through 12. The grants were awarded to consortia that include entities such as educational service centers (ESCs), educational technology agencies, public media organizations, and information technology centers. The first installment of the grants was released in February, and the second and final installment is expected to be released in May. The table below lists the grant recipients and the total amounts awarded.

Quality Matters is a peer review process sponsored by MarylandOnline, Inc., that aims to ensure high quality online education. The rubric for grades six through 12 consists of nine general standards that measure course features such as overall design, assessment strategies, instructional materials, student-teacher interaction, and course navigation. A slightly different rubric is also currently used by many of Ohio's institutions of higher education in order to evaluate online courses.

Quality Matters Grant Awards, 2013		
Region	**Recipients**	**Grant Award**
Central	Instructional Technology Services of Central Ohio ESC of Central Ohio	$47,000
Central	Mid-Ohio ESC Knox County ESC Tri-County ESC	$47,500
Northeast	Cuyahoga, Lorain, Geauga, and Lake County ESCs Northwest Ohio Technology Hub WVIZ/Ideastream	$48,500
Northeast	Stark Portage Area Computer Consortium Ashtabula, Columbiana, Medina, Lorain, Mahoning, Stark, Summit, and Trumbull County ESCs East Central Ohio ESC	$48,500
Northeast	Western Reserve Public Media	$46,500
Northwest	WGTE Public Media Putnam County ESC Northwest Ohio Educational Technology	$47,500
Southeast	South Central Ohio Computer Association	$23,500
Southeast	Educational Technology Services of Eastern Ohio	$23,500
Southwest	Southwestern Ohio Instructional Association Montgomery and Hamilton County ESCs	$47,500
Southwest	Butler, Warren, and Clermont County ESCs	$13,000
	Total	**$393,000**

Additional $1 million Distributed to Ohio Association of Food Banks

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

In December 2012, the Governor's Office of Faith-based and Community Initiatives distributed an additional $1.0 million in Temporary Assistance to Needy Families (TANF) Block Grant funding to the Ohio Association of Food Banks to help over 3,300 food banks in the state with increased demand over the holiday season. This funding is in addition to $12.5 million in other funding that the Association is to receive in FY 2013. H.B. 153 requires that the Ohio Department of Job and Family Services (ODJFS) provide the Association with $8.5 million of non-GRF funding in FY 2013. That funding will mainly come from the federal TANF and Social Services block grants. H.B. 153 also appropriates $4.0 million for the Association from GRF line item 600540, Second Harvest Food Banks, in ODJFS's budget.

TRACKING THE ECONOMY

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

Overview

The economy continued to show signs of modest growth in the first few months of 2013. Nationally, employment has increased, particularly in private services industries. The national unemployment rate has decreased from 7.9% in January to 7.6% in March. Industrial production expanded in February with increases in motor vehicle production as well as in the output of natural gas utilities. Consumer spending also rose in February. The housing market continued to expand with increases in housing starts, construction activity, existing home sales, and house prices; however, foreclosed inventories and delinquency rates remain well above prerecession levels. Price indexes for consumers and producers increased in February due largely to higher energy prices, though gasoline prices decreased in March.

In March, unemployment decreased to 7.6% of the labor force from 7.7% in February.

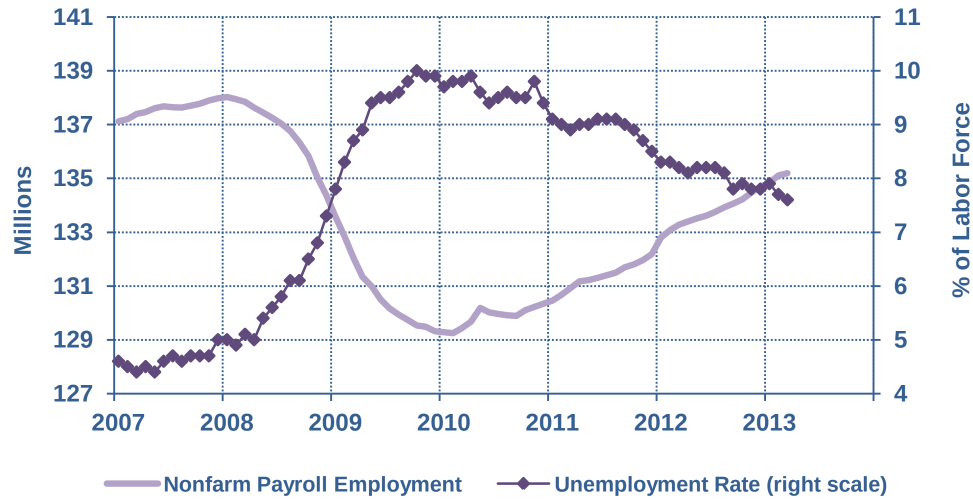
In March, Congress passed a bill to fund the remainder of federal fiscal year (FFY) 2013 (through the end of September). The bill included some across-the-board spending reductions in addition to the reductions required under sequestration. Under sequestration, which began March 1, the federal government must reduce spending for certain defense and nondefense programs by about $85 billion for the remainder of FFY 2013, which overall amounts to about a 5% decrease for nonexempt nondefense programs. Reductions are being implemented through decreases in grants to states, federal hiring freezes, furloughs, and possibly layoffs.

The National Economy

Employment and Unemployment

U.S. total nonfarm employment rose by 88,000 (0.1%) in March from February's revised total. Unemployment decreased to 7.6% of the labor force from 7.7% in February. Trends in nationwide employment and unemployment are shown in Chart 5 below.

Chart 5: U.S. Employment and Unemployment



The largest gains in employment in March among major industries were in professional and business services (51,000), mainly in the areas of temporary employment services and accounting and bookkeeping; education and health services (44,000), with a large gain in ambulatory health care services; construction (18,000), particularly in specialty trade contractors; and leisure and hospitality (17,000). Employment in retail trade decreased by 24,000 with the largest decline at clothing and clothing accessories stores. Federal government employment fell (14,000) mainly due to a decrease in U.S. postal service employees. Employment in state government increased (9,000) due to gains in education.

Certain aspects of employment continue to show signs of strain in the labor market.

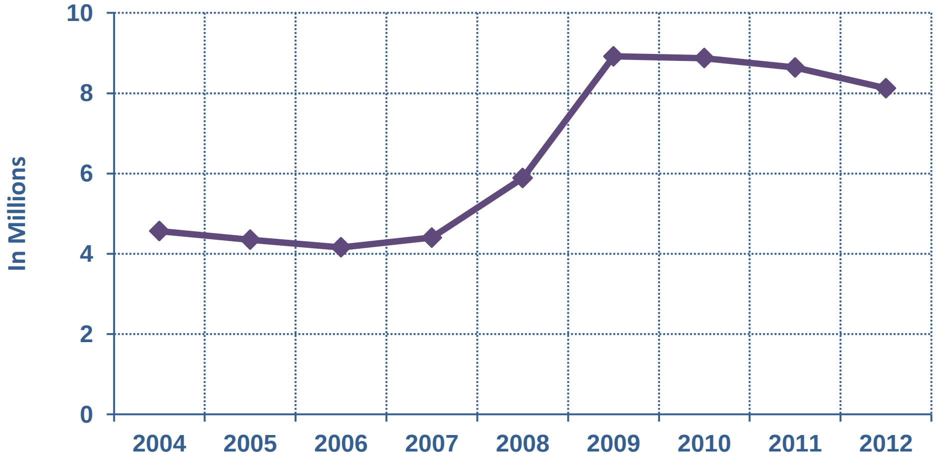
Nationally, the number of unemployed individuals looking for work decreased from 12.0 million in February to 11.7 million in March, seasonally adjusted (based on the Current Population Survey). The number of job openings increased from about 3.6 million in December 2012 to about 3.7 million in January 2013, the latest month for which data are available.

Though total nonfarm employment numbers have increased over the past three years, certain aspects of employment continue to show signs of strain in the labor market. The average number of individuals that reported working part-time (up to 34 hours a week) for economic reasons has decreased from its peak of about 9.2 million in September 2010 to about 7.6 million in March 2013, a decrease of 17%.[14] But from

[14] Individuals who are categorized as working part-time for economic reasons indicated in surveys that they would prefer to work full-time but are working up to 34 hours a week. They may have had their hours reduced by their current employer or were unemployed and not able to find a job with full-time hours.

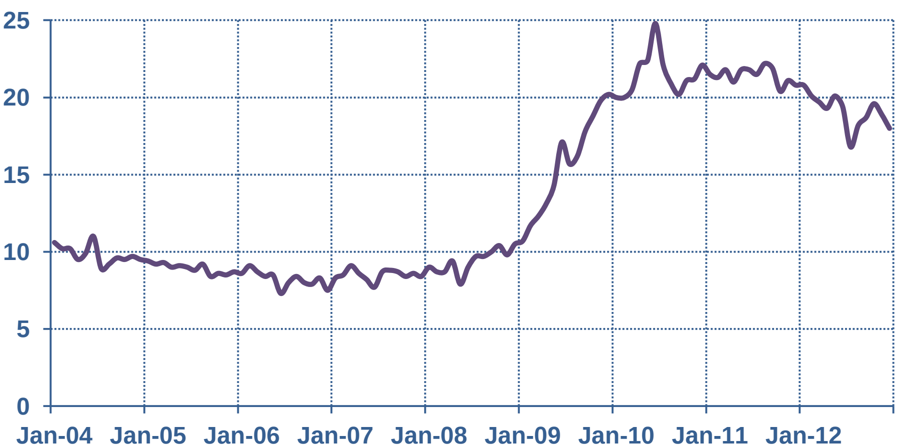
2004 to 2007, this number averaged about 4.4 million. Chart 6 below shows the monthly average number of individuals working part-time for economic reasons from 2004 to 2012.

Chart 6: At Work Part-Time for Economic Reasons, Monthly Average



In addition, the median number of weeks of unemployment reported by unemployed individuals remains almost twice as high as prior to the recession. In 2007, the median period of unemployment was about 8.5 weeks. After peaking at 24.8 weeks in June 2010, this measurement dropped to 19.3 weeks in 2012 and 18.1 weeks in March 2013. Chart 7 below shows the median weeks of unemployment, reported for unemployed individuals from 2004 to 2012.

Chart 7: Median Weeks of Unemployment, Seasonally Adjusted



Production

Gross domestic product adjusted for inflation (real GDP) expanded at an annualized rate of 0.4% in the fourth quarter of 2012, according to the third estimate of economic activity in that quarter made by the Bureau of Economic Analysis (BEA). The agency initially estimated a decline at a 0.1% rate in the quarter, which was revised upward in February to growth at a 0.1% rate. BEA issues three estimates of annualized GDP rates for each quarter about one month apart, as more complete data become available. BEA's estimate of real GDP growth in 2012 remained at 2.2% following growth rates of 1.8% in 2011 and 2.4% in 2010.

In March, the Federal Reserve revised its historical industrial production statistics based on more complete data. Overall, the revised statistics show a somewhat slower recovery in production since the recession. While the revised numbers show a decline in production of about 17% from the December 2007 peak to the June 2009 trough, which is consistent with initial estimates, they show that about 15 percentage points of the decline had been recovered by February 2013. Previous estimates indicated that about 16 percentage points had been recovered. For 2012, the largest downward revision was to the percentage growth in the production of business transit equipment, which was revised downward from 18% to 13% growth. Growth in the production of parts for durable consumer goods in 2012 was revised downward from 16% to 13%.

Manufacturing activity expanded further in March for the fourth consecutive month.

Manufacturing activity expanded further in March for the fourth consecutive month, based on a survey of purchasing managers released by the Institute for Supply Management (ISM). More survey respondents reported increases than noted declines in production, new orders, and order backlogs. More respondents also reported lower than higher inventories in March. More respondents reported higher than lower employment.

According to the U.S. Census Bureau, manufacturers' new orders, shipments, and inventories increased in February, largely due to increases in transportation equipment. The increase in new orders (3.0%) was led by gains in transportation equipment, which increased 21.8%, mainly due to higher orders for nondefense aircraft and parts (95.1%) and defense capital goods (72.6%). Shipments rose 0.9% in February, with an increase of 1.6% in transportation equipment. Inventories increased 0.2% led by an increase of 1.6% in transportation equipment. The larger percentage increases in inventories occurred in the areas of defense aircraft and parts (4.8%) as well as nondefense aircraft and parts (2.3%). Inventories of transportation equipment have increased for 31 consecutive months. Overall, inventories of manufactured goods in February were at the highest level ever on records kept since 1958.

Construction and Real Estate

Housing Starts and Construction

In the first two months of the year, housing starts were 26% higher than in January and February 2012, according to the U.S. Census Bureau. Over that time period, starts of single-family structures increased 24%, while structures with five or more units increased 31%. From January to February, the seasonally adjusted annualized rate of housing starts increased 0.8%.

In the first two months of the year, housing starts were 26% higher than in January and February 2012.

Over the past 12 months, the annualized rate of construction activity increased 7.9%, seasonally adjusted. Over that time, there were high gains in the construction of private multifamily residential housing (51.8%), single-family residential housing (34.1%), and offices (24.6%). From January to February, the increase in private construction (1.3%) was led by gains in residential construction (2.2%), and the increase in public construction (0.9%) was led by gains in highway construction (3.4%).

Home Sales, House Prices, Interest Rates

The annualized rate of *existing* home sales increased in February, according to the National Association of Realtors (NAR). The sales rate increased 0.8% to 4.98 million units in February. Sales were 10.2% higher than in February of last year. The national median price of existing homes was $173,600, about 11.6% higher than the median price in February of last year. However, the annualized rate of *new* single-family home sales decreased 4.6% in February, seasonally adjusted, according to the U.S. Census Bureau. The annualized rate of 411,000 single-family homes is still 12.3% above the estimated level in February of last year. The median sales price of new homes was $246,800, 3% higher than in February of last year.

Overall, U.S. house prices increased 0.6% from December to January, according to the Federal Housing Finance Agency's monthly House Price Index. The index was 6.5% higher than in January 2012. Over that 12-month period, the area of the country with the highest increase in the House Price Index was the Mountain division with a gain of 14.1%; this division includes Montana, Idaho, Wyoming, Nevada, Utah, Colorado, Arizona, and New Mexico. The index for the East North Central division, which includes Ohio (as well as Michigan, Wisconsin, Illinois, and Indiana), increased 3.8%.

Delinquency rates and foreclosures, while decreasing overall, remain above prerecession levels, according to data from Lender Processing Services, a private provider of mortgage processing and technology. In January 2013, the company reported a delinquency rate of 7.0%, compared to 10.6% in January 2010 and about 4.3% in

December 2005. The percentage of inventory in foreclosure was about 3.4% in January 2013, compared to over 4.0% in 2011 and about 0.4% in December 2005.

Delinquency rates and foreclosures, while decreasing overall, remain above prerecession levels.

Interest rates on home loans have increased since the beginning of the year but remain low. The 30-year fixed-rate mortgage interest rate averaged 3.34% at the beginning of 2013, (for the period ending January 3) then increased to 3.57% for the period ending March 28, 2013. The average rate for March 2013 was 3.57%. Since the series began in 1971, the lowest monthly average rates were recorded in November and December of 2012 at 3.35%.

Consumer Spending and Personal Incomes

Real consumer spending grew by 0.3%, in February, seasonally adjusted. The increase was led by purchases of nondurable goods, which increased 0.5%. Real disposable personal incomes increased 0.7% in February, after having decreased 4.0% in January. The decrease in January was due to certain one-time factors such as the expiration of the payroll tax cut for employees as well as the high level of bonuses provided to some employees in late 2012.

In March, the seasonally adjusted annualized rate of light vehicle sales decreased to 15.2 million, from 15.3 million in February. This rate is below the rate of 15.5 million in November 2011 but higher than earlier rates since February 2008.

Inflation

Consumer Prices

The consumer price index for gasoline increased 9.1% in February.

The consumer price index (CPI) increased 0.7% in February, seasonally adjusted. In the prior two months, the CPI remained level. Compared with February 2012, the CPI increased 2.0% before seasonal adjustment. The increase in February was led by a 9.1% increase in the gasoline index along with other increases in the overall energy index, including electricity, natural gas, and fuel oil. The index for all items less food and energy (core index) increased 0.2% with increases in the prices for shelter, used cars and trucks, recreation, and medical care outweighing decreases in prices for new vehicles, apparel, airline fares, and tobacco.

Nationwide average gasoline prices for regular unleaded fuel decreased from $3.78 on February 25 to $3.68 on March 25 based on the U.S. Energy Information Administration's (USEIA) weekly surveys. Ohio's average gasoline price for regular unleaded fuel fluctuated in March from $3.71 on March 4, to $3.54 on March 11, and to $3.68 on March 25.

Producer Prices

The producer price index (PPI) for finished goods increased 0.7% in February, seasonally adjusted, led by a 3.0% increase in the energy index. The increase in the energy index was largely due to an increase in gasoline prices, which went up 7.2%, as well as increases in heating oil and diesel fuel. The PPI for intermediate goods increased 1.3%, largely due to an increase in prices for diesel fuel, gasoline, and jet fuel. The PPI for crude goods decreased 0.3%, led by decreases in corn prices and carbon steel scrap prices.

The Ohio Economy

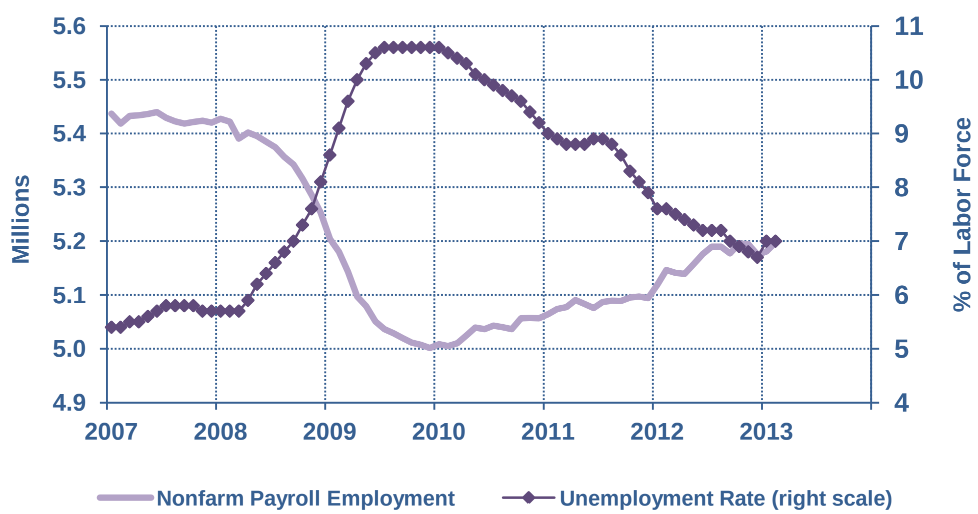
Employment and Unemployment

In February, Ohio's nonfarm payroll employment, seasonally adjusted, totaled about 5,197,200, an increase of 16,100 (0.3%) over January's revised total of 5,181,100 and an increase of 33,300 (0.6%) over February of last year. Ohio's seasonally adjusted unemployment rate remained at 7.0% of the labor force. The number of unemployed workers in the state totaled 401,000, about 30,000 less than in February of last year.

Ohio's nonfarm payroll employment increased by 16,100 (0.3%) in February.

Trends in Ohio employment and unemployment are shown in Chart 8 below.

Chart 8: Ohio Employment and Unemployment



In February, the 16,100 increase in employment was the result of increases in private service industries that outweighed decreases in goods-producing industries. The private service sector registered a net increase of 17,600, with the major increases occurring in professional and business services (12,200), education and health services (4,900), financial activities (2,100), and leisure and hospitality (1,900). Decreases in the private service sector occurred in trade, transportation, and utilities. Employment in the goods-producing sector decreased by 2,500, mainly in construction, which lost 3,700 jobs; employment increased in manufacturing by 1,200, while mining and logging remained level. Government employment increased by 1,000.

As of February, employment in private services industries totaled 3,596,500, which accounts for about 69.2% of employment in Ohio. Employment in goods-producing industries totaled 850,900 (16.4%), and employment in government agencies (federal, state, and local) totaled 749,800 (14.4%).

Compared to February 2012, employment in Ohio is up by 33,300. The largest gains occurred in education and health services (19,000), professional and business services (12,300), manufacturing (8,400), and leisure and hospitality (7,800). The largest decrease in employment over the past 12 months occurred in government with a total decrease of 11,200. Most of the decrease occurred in local governments (-6,000), as well as in state government (-4,000) and the federal government (-1,200).

February marked the 20th consecutive month of growth in homes sold in Ohio.

Ohio Home Sales

February marked the 20th consecutive month of growth in homes sold in Ohio, according to the Ohio Association of Realtors. In that month, 7,363 homes were sold, which was a 10% increase over the number sold in February of last year. The average sales price in February was about $125,000, an increase of about 8% over the average price of $115,900 in February of last year.

Oil and Gas Industry

In February, the Ohio Department of Job and Family Services released the second quarterly report on Ohio's oil and gas industries.[15] According to the report, employment in core industries expanded 15.5% from 6,873 in the second quarter of 2011, to 7,937 in the second quarter of 2012. Core industries includes the following: crude petroleum and natural gas extraction, natural gas liquid extraction, drilling oil and gas wells, support activities for oil and gas operations, oil and gas pipeline construction, and pipeline transportation of natural gas. Over that time period, employment expanded 2.7% in ancillary industries from 166,913 to 171,477. There are 30 separate employment categories in these industries, the largest of which include engineering services; industrial machinery merchant wholesalers; highway, street, and bridge

[15] Quarterly reports on Ohio's oil and gas industries are posted on the following web site: http://ohiolmi.com/OhioShale/OhioShale.htm.

construction; and general local freight trucking. According to the report, during this time period the average annual wage for jobs in core industries was $73,070 and in ancillary industries was $58,981.

Regional Economy

According to a report from the Federal Reserve Bank of Cleveland, economic activity expanded at a modest pace in this part of the country.[16] The report notes that shale gas activity has expanded at a "robust pace" in the region and that payrolls in the shale gas industry continue to grow, while employment in conventional oil and gas firms remains level. The report also notes higher single-family home sales in the region as well as strong demand for multifamily housing units in urban areas. New motor vehicle sales have also increased. Nonresidential construction has slowed somewhat in the region at the beginning of the year. Consumer spending in January in the region was lower at many retailers than in January of last year, likely due to the expiration of the payroll tax holiday.

Shale gas activity has expanded at a "robust pace" in the region.

[16] This Federal Reserve Bank of Cleveland report is contained in the latest Beige Book, a Federal Reserve System publication that summarizes information gathered on or before February 22, 2013, from outside contacts. It is published about every six weeks. The Federal Reserve Bank of Cleveland's district includes all of Ohio and parts of Kentucky, Pennsylvania, and West Virginia.