Budget Footnotes

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

Telephone: 614-466-3615

STATUS OF THE GRF

HIGHLIGHTS

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

GRF state source revenue was $187 million above estimate as of November 30, with tax revenue accounting for nearly $183 million of that. The year-to-date positive variance for taxes came despite a $35 million negative variance for the month of November. On the spending ledger, GRF uses were below estimate by $433 million. Overall, the GRF budget appears to be in excellent condition heading into the 2014 holiday season.

Ohio's unemployment rate declined to 5.3% in October, significantly lower than the national rate of 5.8% for that month, and down from 5.6% in September. Though Ohio payroll employment increased by just 1,000 from September to October, it increased by 37,600 since October 2013. Job gains over the past year in the private sector were notable in manufacturing (13,700), professional and business services (12,500), and educational and health services (11,000); the largest job losses were in financial activities (3,700) and information (2,100).

Through November 2014, GRF sources totaled $12.65 billion:

- Revenue from the personal income tax was $110.3 million above estimate;
- Sales and use tax receipts were $84.1 million above estimate.

Through November 2014, GRF uses totaled $14.83 billion:

- Program expenditures were $442.4 million below estimate, due primarily to Medicaid ($403.3 million).

Table 1: General Revenue Fund Sources
Actual vs. Estimate
Month of November 2014
($ in thousands)
(Actual based on report run in OAKS Actuals Ledger on December 4, 2014)

STATE SOURCES	Actual	Estimate*	Variance	Percent
TAX REVENUE				
Auto Sales	$77,823	$83,700	-$5,877	-7.0%
Nonauto Sales and Use	$717,988	$702,500	$15,488	2.2%
Total Sales and Use Taxes	**$795,811**	**$786,200**	**$9,611**	**1.2%**
Personal Income	$598,441	$594,700	$3,741	0.6%
Corporate Franchise	-$31,929	$0	-$31,929	---
Financial Institution	-$20,468	$0	-$20,468	---
Public Utility	$21,234	$19,200	$2,034	10.6%
Kilowatt-Hour Excise	$19,435	$20,700	-$1,265	-6.1%
Natural Gas Consumption (MCF)	$4,711	$4,300	$411	9.6%
Commercial Activity Tax	$176,170	$164,600	$11,570	7.0%
Petroleum Activity Tax	$0	$6,200	-$6,200	-100.0%
Foreign Insurance	-$156	$800	-$956	-119.5%
Domestic Insurance	-$70	$0	-$70	---
Business and Property	$0	$0	$0	---
Cigarette	$54,922	$59,600	-$4,678	-7.8%
Alcoholic Beverage	$6,406	$3,600	$2,806	77.9%
Liquor Gallonage	$3,708	$3,300	$408	12.4%
Estate	$53	$0	$53	---
Total Tax Revenue	**$1,628,268**	**$1,663,200**	**-$34,932**	**-2.1%**
NONTAX REVENUE				
Earnings on Investments	$5,056	$0	$5,056	---
Licenses and Fees	$372	$527	-$155	-29.4%
Other Revenue	$646	$11,986	-$11,340	-94.6%
Total Nontax Revenue	**$6,074**	**$12,513**	**-$6,439**	**-51.5%**
TRANSFERS				
Budget Stabilization	$0	$0	$0	---
Other Transfers In	$1,200	$200	$1,000	500.0%
Total Transfers In	**$1,200**	**$200**	**$1,000**	**500.0%**
TOTAL STATE SOURCES	**$1,635,542**	**$1,675,913**	**-$40,371**	**-2.4%**
Federal Grants	$794,684	$749,931	$44,752	6.0%
TOTAL GRF SOURCES	**$2,430,226**	**$2,425,845**	**$4,381**	**0.2%**

*Estimates of the Office of Budget and Management as of August 2014.
Detail may not sum to total due to rounding.

Table 2: General Revenue Fund Sources
Actual vs. Estimate
FY 2015 as of November 30, 2014
($ in thousands)
(Actual based on report run in OAKS Actuals Ledger on December 4, 2014)

STATE SOURCES	Actual	Estimate*	Variance	Percent	FY 2014	Percent Change
TAX REVENUE						
Auto Sales	$545,232	$517,700	$27,532	5.3%	$492,086	10.8%
Nonauto Sales and Use	$3,578,982	$3,522,400	$56,582	1.6%	$3,186,184	12.3%
Total Sales and Use Taxes	**$4,124,214**	**$4,040,100**	**$84,114**	**2.1%**	**$3,678,270**	**12.1%**
Personal Income	$3,325,376	$3,215,100	$110,276	3.4%	$3,480,924	-4.5%
Corporate Franchise	-$27,272	$0	-$27,272	---	-$10,447	-161.0%
Financial Institution	-$22,492	$0	-$22,492	---	$0	---
Public Utility	$35,885	$49,000	-$13,115	-26.8%	$48,085	-25.4%
Kilowatt-Hour Excise	$123,837	$132,500	-$8,663	-6.5%	$127,083	-2.6%
Natural Gas Consumption (MCF)	$18,425	$16,300	$2,125	13.0%	$18,694	-1.4%
Commercial Activity Tax	$415,961	$369,600	$46,361	12.5%	$384,091	8.3%
Petroleum Activity Tax	$0	$6,600	-$6,600	-100.0%	$0	---
Foreign Insurance	$154,539	$148,200	$6,339	4.3%	$147,076	5.1%
Domestic Insurance	$7,638	$1,800	$5,838	324.3%	$103	7284.4%
Business and Property	$20	$0	$20	---	$455	-95.6%
Cigarette	$287,602	$286,700	$902	0.3%	$295,900	-2.8%
Alcoholic Beverage	$24,521	$22,800	$1,721	7.5%	$21,423	14.5%
Liquor Gallonage	$18,049	$16,900	$1,149	6.8%	$17,349	4.0%
Estate	$2,091	$0	$2,091	---	$27,589	-92.4%
Total Tax Revenue	**$8,488,394**	**$8,305,600**	**$182,794**	**2.2%**	**$8,236,594**	**3.1%**
NONTAX REVENUE						
Earnings on Investments	$5,066	$4,500	$566	12.6%	$3,761	34.7%
Licenses and Fees	$8,748	$11,366	-$2,618	-23.0%	$10,401	-15.9%
Other Revenue	$19,503	$18,989	$514	2.7%	$15,840	23.1%
Total Nontax Revenue	**$33,316**	**$34,854**	**-$1,538**	**-4.4%**	**$30,002**	**11.0%**
TRANSFERS						
Budget Stabilization	$0	$0	$0	---	$0	---
Other Transfers In	$11,785	$6,000	$5,785	96.4%	$52,730	-77.7%
Total Transfers In	**$11,785**	**$6,000**	**$5,785**	**96.4%**	**$52,730**	**-77.7%**
TOTAL STATE SOURCES	**$8,533,496**	**$8,346,454**	**$187,041**	**2.2%**	**$8,319,327**	**2.6%**
Federal Grants	$4,120,302	$4,343,579	-$223,277	-5.1%	$3,905,038	5.5%
TOTAL GRF SOURCES	**$12,653,798**	**$12,690,033**	**-$36,237**	**-0.3%**	**$12,224,365**	**3.5%**

*Estimates of the Office of Budget and Management as of August 2014.
Detail may not sum to total due to rounding.

FY 2015 GRF tax receipts were $182.8 million above estimate.

FY 2015 GRF sources were $36.2 million below estimate.

Revenues

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

Overview

For the month of November, GRF receipts from state taxes were $34.9 million below the estimate released by the Office of Budget and Management (OBM) in August 2014. State nontax receipts (including nontax revenue and transfers in) were $5.4 million below estimate. The negative variances in state-source receipts were completely offset by a positive variance of $44.8 million in federal grants. Overall, GRF sources were $4.4 million above estimate in November. Through November, FY 2015 GRF tax receipts were $182.8 million above estimate. State nontax receipts were $4.2 million above estimate. Federal grants were $223.3 million below estimate.[1] GRF sources as a whole totaled $12.65 billion, $36.2 million below estimate. Tables 1 and 2 show GRF sources for the month of November and for FY 2015 through November, respectively.

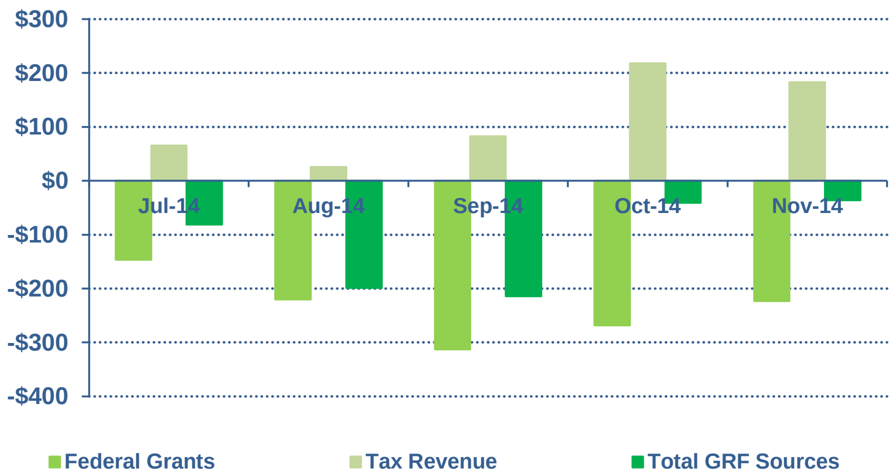
During the first half of a fiscal year, the GRF typically pays out refunds under both the financial institutions tax (FIT) and the corporate franchise tax (CFT), as taxpayers make adjustments to their earlier tax filings. This process was responsible for the shortfall in GRF tax revenue in November, as notable negative variances of $31.9 million and $20.5 million, respectively, were recorded for the CFT and the FIT. Other taxes that had significant negative variances in November included the petroleum activity tax (PAT, $6.2 million), the auto sales and use tax ($5.9 million), and the cigarette tax ($4.7 million). On the positive variance side, receipts from the nonauto sales and use tax were $15.5 million above estimate in November. The commercial activity tax (CAT) was $11.6 million above estimate. The alcoholic beverage tax and the public utility tax also posted positive variances in November, at $2.8 million and $2.0 million, respectively.

Chart 1 below shows FY 2015 cumulative variances against estimates for federal grants, tax revenue, and total GRF sources. As stated earlier, federal grants and total GRF sources were both below estimates while tax receipts were ahead of projections. For the first five months of FY 2015, the personal income tax had the largest positive year-to-date variance at $110.3 million, followed by the nonauto sales and use

[1] The negative variance in federal grants is generally associated with lower than expected spending in Medicaid. Through November, GRF Medicaid expenditures were $403.3 million below estimate.

tax ($56.6 million), the CAT ($46.4 million), the auto sales and use tax ($27.5 million), the foreign insurance tax ($6.3 million), and the domestic insurance tax ($5.8 million). The natural gas consumption tax and the estate tax had more modest positive variances, at $2.1 million each. The CFT and the FIT, on the other hand, had the largest negative year-to-date variances of $27.3 million and $22.5 million, respectively. The public utility tax ($13.1 million), the kilowatt-hour tax ($8.7 million), and the PAT ($6.6 million) were also below anticipated receipts by sizable amounts.

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



FY 2015 GRF sources were $429.4 million above GRF sources in FY 2014.

GRF sources grew by $429.4 million from the first five months of FY 2014 (see Table 2). Federal grants increased $215.3 million, tax receipts were higher by $251.8 million, and nontax revenues increased by $3.3 million. However, transfers in fell $40.9 million compared to revenue in this category in the corresponding period in FY 2014.[2] Revenue from the sales and use tax increased $445.9 million while that from the personal income tax fell $155.5 million. The decrease in income tax revenue was due primarily to an 8.5% reduction in income tax rates for tax year (TY) 2013 enacted in H.B. 59 (the current operating budget act), which required a change in withholding rates in September 2013. The increase in sales and use tax receipts over FY 2014 reflects, in part, the increase in the tax rate from 5.5% to 5.75% in September 2013, also enacted in H.B. 59.

[2] In November 2013, a large transfer was made to the GRF from the Commercial Activity Motor Fuel Receipts Fund.

FY 2015 income tax receipts were $110.3 million above estimate.

Personal Income Tax

November GRF receipts from the personal income tax of $598.4 million were $3.7 million (0.6%) above estimate and $19.2 million (3.3%) above revenue the preceding November. 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,[3] trust payments, payments associated with annual returns, and miscellaneous payments. For the month, refunds were below estimate by $17.3 million. This implies a positive variance, which was partially reduced by negative variances of $3.4 million in monthly employer withholdings, $4.1 million in taxes due with annual returns, and $3.4 million for miscellaneous payments.

Through November, FY 2015 GRF receipts from the personal income tax were $3.33 billion, which was $110.3 million (3.4%) above estimate. The table below summarizes year-to-date FY 2015 income tax revenue variances from estimates and annual changes by component.

FY 2015 Year-to-Date Income Tax Revenue Variances and Changes by Component

Category	Year-to-Date Variance from Estimate		Year-to-Date Changes from FY 2014	
	Amount ($ in millions)	Percentage (%)	Amount ($ in millions)	Percentage (%)
Withholding	$24.6	0.8%	$11.7	0.4%
Quarterly Estimated Payments	$21.3	8.1%	-$82.1	-22.4%
Trust Payments	$0.9	8.4%	-$0.2	-1.4%
Annual Return Payments	$8.0	8.9%	-$48.4	-33.0%
Miscellaneous Payments	-$6.6	-15.6%	-$3.4	-8.8%
Gross Collections	$48.2	1.3%	-$122.4	-3.2%
Less Refunds	-$64.8	-25.5%	$31.1	19.6%
Less LGF Distribution	$2.7	1.9%	$2.1	1.4%
Income Tax Revenue	$110.3	3.4%	-$155.5	-4.5%

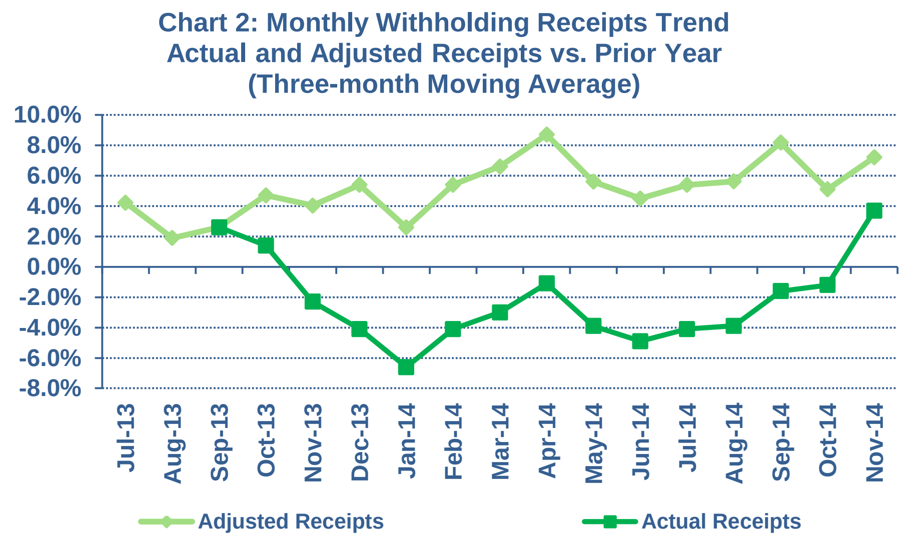
FY 2015 withholding tax receipts were above estimate by $24.6 million.

As seen from the above table, the positive variance of the personal income tax was mostly due to less than expected refunds ($64.8 million) and better than anticipated employer withholdings ($24.6 million) and quarterly estimated payments ($21.3 million). Through November,

[3] 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.

FY 2015 GRF receipts from the personal income tax were $155.5 million (4.5%) below receipts in the corresponding period in FY 2014. Though most income tax components were below their respective levels, employer withholdings and refunds increased $11.7 million and $31.1 million, respectively, this fiscal year. Quarterly estimated payments fell $82.1 million, and annual return payments decreased by $48.4 million. Chart 2 illustrates the trend in employer withholding receipts since July 2013. The chart also includes withholding receipts adjusted for a 9% reduction in withholding rates. Payroll growth has accelerated in recent months, including in November 2014 when actual receipts were above revenues in the same month last year.

FY 2015 GRF income tax receipts were $155.5 million below FY 2014 revenue.



Sales and Use Tax

November GRF receipts from the sales and use tax of $795.8 million were $9.6 million (1.2%) above estimate, and $60.1 million (8.2%) above receipts in November 2013. For analysis and forecasting, the sales and use tax is separated into two parts: auto and nonauto. Auto sales and use tax collections[4] generally arise from the sale of motor vehicles, but auto taxes arising from leases are paid at the lease signing and are mostly recorded under the nonauto tax instead of the auto tax.

FY 2015 sales and use tax receipts were $84.1 million above estimate.

Through November, FY 2015 GRF sales and use tax receipts totaled $4.12 billion, $84.1 million (2.1%) above estimate, with both tax sources

[4] 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.

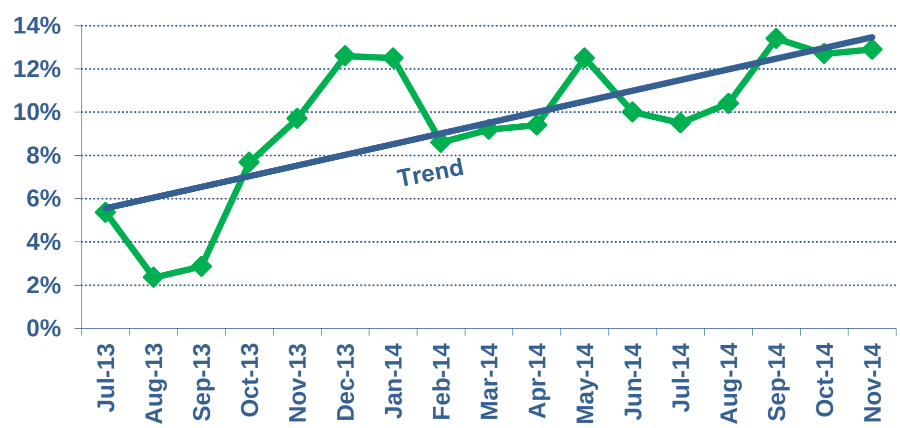
FY 2015 nonauto sales and use tax receipts were $56.6 million above estimate.

above their respective estimates. FY 2015 year-to-date receipts were $445.9 million (12.1%) 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.

Nonauto Sales and Use Tax

November GRF receipts of $718.0 million were $15.5 million (2.2%) above estimate, and $57.4 million (8.7%) above receipts in November 2013. For the fiscal year through November, nonauto sales and use tax receipts of $3.58 billion were $56.6 million (1.6%) above projected revenues. That amount was $392.8 million (12.3%) above revenue in FY 2014 through November. Chart 3 shows increases in nonauto sales and use tax monthly receipts against prior year receipts in the same month. Overall, the nonauto sales and use tax taxable base grew about 9.0% in the first five months of this fiscal year compared to the corresponding period in FY 2014.

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



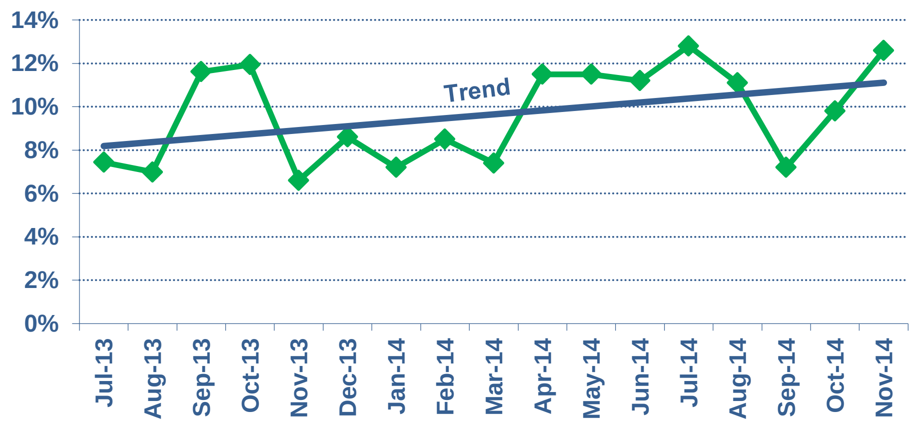
FY 2015 auto sales and use tax receipts were $27.5 million above estimate.

Auto Sales and Use Tax

The auto sales and use tax was below estimate in November 2014 by $5.9 million (7.0%). However, receipts from this tax were $28.9 million (28.4%) above estimate in the previous month, suggesting that the performance of the tax in November is likely the result of timing of collections, and not a true weakening of the tax. For the fiscal year through November, GRF revenue from the auto sales and use tax was $545.2 million, $27.5 million (5.3%) above estimate, and $53.1 million (10.8%) above receipts in the corresponding period in FY 2014. Chart 4 below compares FY 2015 monthly auto sales and use tax receipts with year-ago receipts in the same period. It shows robust growth in the most recent months and the fiscal year as a whole: the auto sales and use tax taxable base grew about 9.0% in the first five months of this fiscal year compared to the corresponding period in FY 2014.

Nationwide sales of light vehicles were up in November 2014. Responding to improved consumer fundamentals, access to credit and attractive discounting, light vehicle sales rose to 17.1 million units on a seasonally adjusted annualized basis in November, the second strongest pace of this year (August's sales pace was 17.4 million units). Seasonally adjusted sales were 5.5% higher than in November 2013. So far this year, sales have averaged about 16.4 million units, compared to 15.5 million units through November of 2013, and economic forecasters expect light vehicle sales to finish the year well above 16 million units, and to approach 17 million units in 2015.

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



FY 2015 GRF CAT receipts were $46.4 million above estimate.

Commercial Activity Tax

November GRF receipts from the CAT were $176.2 million, $11.6 million (7.0%) above estimate, and $10.5 million (6.4%) above receipts in the same month in 2013. In the first five months in FY 2015, GRF revenues of $416.0 million were above estimate by $46.4 million (12.5%). Compared to the corresponding period last year, FY 2015 GRF revenue from the CAT grew $31.9 million (8.3%). Beginning July 1, 2014, the CAT as applied to receipts from the sale or exchange of motor fuel was replaced by the PAT, which has a rate of 0.65% on a motor fuel supplier's adjusted gross receipts. OBM estimated GRF revenue of $6.6 million through November; however, no revenue from the PAT has been deposited in the GRF this fiscal year.

FY 2015 cigarette tax receipts were $0.9 million above estimate.

Cigarette and Other Tobacco Products Tax

GRF receipts from the cigarette and other tobacco products tax of $54.9 million in November 2014 were $4.7 million (7.8%) below estimate, and $5.0 million (8.3%) below receipts in the same month in FY 2014. Through November, receipts of $287.6 million in FY 2015 were $0.9 million (0.3%) above estimated revenue for the year. Receipts from cigarette sales were $260.8 million, and sales of other tobacco products (OTP) provided $26.7 million. Total receipts this year declined $8.3 million (2.8%) from the corresponding period in FY 2014. The decrease was attributable to sales of cigarettes, tax receipts from which declined $12.0 million. An increase of $3.6 million in receipts from OTP partially offset that decline. Generally, cigarette tax receipts experience a downward trend, while revenue from OTP is closely tied to price increases of those products.

Table 3: General Revenue Fund Uses
Actual vs. Estimate
Month of November 2014
($ in thousands)
(Actual based on OAKS reports run December 4, 2014)

PROGRAM	**Actual**	**Estimate***	**Variance**	**Percent**
Primary and Secondary Education	$516,809	$618,700	-$101,891	-16.5%
Higher Education	$181,753	$182,526	-$773	-0.4%
Other Education	$3,589	$3,155	$434	13.8%
Total Education	$702,151	$804,380	-$102,229	-12.7%
Medicaid	$1,216,875	$1,265,213	-$48,337	-3.8%
Health and Human Services	$107,495	$96,086	$11,409	11.9%
Total Welfare and Human Services	$1,324,370	$1,361,298	-$36,928	-2.7%
Justice and Public Protection	$139,063	$132,557	$6,506	4.9%
General Government	$28,108	$28,419	-$311	-1.1%
Total Government Operations	$167,171	$160,977	$6,195	3.8%
Property Tax Reimbursements	$145,930	$340,730	-$194,799	-57.2%
Capital Outlay	$0	$0	$0	---
Debt Service	$24,962	$24,962	$0	0.0%
Total Other Expenditures	$170,893	$365,692	-$194,799	-53.3%
Total Program Expenditures	**$2,364,585**	**$2,692,347**	**-$327,762**	**-12.2%**
TRANSFERS				
Budget Stabilization	$0	$0	$0	---
Other Transfers Out	$19,802	$0	$19,802	---
Total Transfers Out	$19,802	$0	$19,802	---
TOTAL GRF USES	**$2,384,387**	**$2,692,347**	**-$307,960**	**-11.4%**

* August 2014 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 2015 as of November 30, 2014
($ in thousands)
(Actual based on OAKS reports run December 3, 2014)

PROGRAM	**Actual**	**Estimate***	**Variance**	**Percent**	**FY 2014**	**Percent Change**
Primary and Secondary Education	$3,384,474	$3,355,192	$29,282	0.9%	$3,295,194	2.7%
Higher Education	$900,779	$899,516	$1,263	0.1%	$842,063	7.0%
Other Education	$28,858	$30,694	-$1,836	-6.0%	$24,707	16.8%
Total Education	$4,314,112	$4,285,402	$28,710	0.7%	$4,161,965	3.7%
Medicaid	$6,634,932	$7,038,213	-$403,282	-5.7%	$6,183,375	7.3%
Health and Human Services	$589,483	$637,987	-$48,504	-7.6%	$555,649	6.1%
Total Welfare and Human Services	$7,224,415	$7,676,200	-$451,785	-5.9%	$6,739,024	7.2%
Justice and Public Protection	$801,498	$836,554	-$35,056	-4.2%	$803,599	-0.3%
General Government	$152,966	$162,578	-$9,612	-5.9%	$155,579	-1.7%
Total Government Operations	$954,464	$999,132	-$44,669	-4.5%	$959,177	-0.5%
Property Tax Reimbursements	$906,908	$878,940	$27,968	3.2%	$890,880	1.8%
Capital Outlay	$0	$0	$0	---	$0	---
Debt Service	$845,032	$847,694	-$2,662	-0.3%	$771,897	9.5%
Total Other Expenditures	$1,751,940	$1,726,634	$25,306	1.5%	$1,662,777	5.4%
Total Program Expenditures	**$14,244,930**	**$14,687,368**	**-$442,438**	**-3.0%**	**$13,522,943**	**5.3%**
TRANSFERS						
Budget Stabilization	$0	$0	$0	---	$995,930	-100.0%
Other Transfers Out	$582,809	$573,388	$9,421	1.6%	$212,514	174.2%
Total Transfers Out	$582,809	$573,388	$9,421	1.6%	$1,208,444	-51.8%
TOTAL GRF USES	**$14,827,739**	**$15,260,756**	**-$433,017**	**-2.8%**	**$14,731,387**	**0.7%**

* August 2014 estimates of the Office of Budget and Management.
Detail may not sum to total due to rounding.

Table 5: Medicaid Expenditures by Department
Actual vs. Estimate
($ in thousands)
(Actuals based on OAKS report run on December 4, 2014)

	Month of November 2014				Year to Date Through November 2014			
Department	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Medicaid	**$1,687,438**	**$1,747,920**	**-$60,482**	**-3.5%**	**$8,488,977**	**$8,691,361**	**-$202,384**	**-2.3%**
GRF	$1,174,030	$1,217,979	-$43,949	-3.6%	$6,411,755	$6,799,287	-$387,532	-5.7%
Non-GRF	$513,408	$529,941	-$16,533	-3.1%	$2,077,222	$1,892,074	$185,147	9.8%
Developmental Disabilities	**$180,954**	**$196,191**	**-$15,237**	**-7.8%**	**$933,247**	**$992,634**	**-$59,387**	**-6.0%**
GRF	$37,420	$39,684	-$2,264	-5.7%	$189,709	$195,203	-$5,493	-2.8%
Non-GRF	$143,534	$156,507	-$12,973	-8.3%	$743,537	$797,431	-$53,894	-6.8%
Job and Family Services	**$12,945**	**$13,929**	**-$984**	**-7.1%**	**$70,754**	**$67,621**	**$3,132**	**4.6%**
GRF	$4,867	$6,895	-$2,028	-29.4%	$29,578	$39,556	-$9,978	-25.2%
Non-GRF	$8,078	$7,034	$1,044	14.8%	$41,176	$28,066	$13,110	46.7%
Aging	**$590**	**$1,820**	**-$1,230**	**-67.6%**	**$2,636**	**$4,282**	**-$1,646**	**-38.4%**
GRF	$266	$260	$5	2.1%	$1,415	$1,432	-$17	-1.2%
Non-GRF	$324	$1,560	-$1,236	-79.2%	$1,221	$2,850	-$1,629	-57.2%
Health	**$2,972**	**$1,601**	**$1,372**	**85.7%**	**$10,600**	**$10,176**	**$424**	**4.2%**
GRF	$282	$254	$28	11.0%	$1,584	$1,354	$230	17.0%
Non-GRF	$2,691	$1,347	$1,344	99.8%	$9,016	$8,822	$193	2.2%
Mental Health and Addiction	**$371**	**$495**	**-$124**	**-25.1%**	**$1,935**	**$2,818**	**-$883**	**-31.3%**
GRF	$11	$140	-$129	-92.5%	$890	$1,382	-$492	-35.6%
Non-GRF	$360	$355	$6	1.6%	$1,045	$1,436	-$391	-27.2%
Total GRF	**$1,216,875**	**$1,265,213**	**-$48,337**	**-3.8%**	**$6,634,932**	**$7,038,213**	**-$403,282**	**-5.7%**
Total Non-GRF	**$668,394**	**$696,743**	**-$28,349**	**-4.1%**	**$2,873,217**	**$2,730,680**	**$142,537**	**5.2%**
Total All Funds	**$1,885,270**	**$1,961,956**	**-$76,686**	**-3.9%**	**$9,508,149**	**$9,768,893**	**-$260,744**	**-2.7%**

*Estimates of the Office of Budget and Management as of September 2014.
Detail may not sum to total due to rounding.

Table 6: All-Funds Medicaid Expenditures by Payment Category
Actual vs. Estimate
($ in thousands)
(Actuals based on OAKS report run on December 4, 2014)

	November				Year to Date Through November			
Payment Category	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Managed Care	$944,312	$974,532	-$30,220	-3.1%	$4,303,786	$4,479,065	-$175,279	-3.9%
Nursing Facilities	$117,323	$89,730	$27,592	30.8%	$610,472	$524,310	$86,162	16.4%
DDD Services	$177,033	$186,537	-$9,504	-5.1%	$908,553	$961,244	-$52,691	-5.5%
Hospitals	$66,350	$87,952	-$21,602	-24.6%	$354,860	$491,881	-$137,021	-27.9%
Behavioral Health	$59,155	$73,757	-$14,602	-19.8%	$312,244	$394,620	-$82,377	-20.9%
Administration	$66,203	$120,738	-$54,535	-45.2%	$362,634	$431,905	-$69,271	-16.0%
Aging Waivers	$19,953	$17,805	$2,148	12.1%	$119,394	$129,818	-$10,424	-8.0%
Prescription Drugs	$20,747	$35,632	-$14,885	-41.8%	$156,509	$194,056	-$37,547	-19.3%
Medicare Buy-In	$18	$39,258	-$39,240	-100.0%	$180,905	$194,684	-$13,780	-7.1%
Physicians	$21,370	$25,353	-$3,983	-15.7%	$341,184	$372,956	-$31,772	-8.5%
Medicare Part D	$24,361	$24,947	-$586	-2.4%	$120,609	$122,959	-$2,349	-1.9%
Home Care Waivers	$12,303	$10,104	$2,199	21.8%	$69,436	$62,532	$6,904	11.0%
ACA Expansion	$281,399	$171,688	$109,711	63.9%	$1,264,126	$848,677	$415,449	49.0%
All Other	$74,741	$103,922	-$29,180	-28.1%	$403,437	$560,185	-$156,748	-28.0%
Total All Funds	**$1,885,270**	**$1,961,956**	**-$76,686**	**-3.9%**	**$9,508,149**	**$9,768,893**	**-$260,744**	**-2.7%**

* Estimates of the Office of Budget and Management as of September 2014.
Detail may not sum to total due to rounding.

EXPENDITURES

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

– *Gregory Craig, Economist, 614-728-3218*

Overview

Tables 3 and 4 show GRF uses for the month of November and for FY 2015 through November, respectively. GRF uses mainly consist of program expenditures but also include transfers out. Through November, FY 2015 GRF program expenditures totaled $14.24 billion, $442.4 million below the estimate released by the Office of Budget and Management (OBM) in August 2014. GRF transfers out totaled $582.8 million, $9.4 million above estimate. GRF uses as a whole totaled $14.83 billion, $433.0 million below estimate.

Through November, FY 2015 GRF uses were $433.0 million below estimate.

GRF Medicaid expenditures had the largest negative year-to-date variance of $403.3 million, followed by Health and Human Services at $48.5 million and Justice and Public Protection at $35.1 million. These negative variances were partially offset by the positive year-to-date variances of $29.3 million in Primary and Secondary Education and $28.0 million in Property Tax Reimbursements. The variances in these five program categories will be briefly discussed below, followed by a summary of the prior year encumbrance activities as of December 1, 2014.

Medicaid

Medicaid is mainly funded by the GRF but is also supported by various non-GRF funds. For the month of November, GRF Medicaid expenditures were $1.22 billion, which was $48.3 million (3.8%) below estimate, while all-funds Medicaid expenditures were $1.89 billion, which was $76.7 million (3.9%) below estimate. Through November, GRF Medicaid expenditures totaled $6.63 billion, $403.3 million (5.7%) below estimate; all-funds Medicaid expenditures totaled $9.51 billion, $260.7 million (2.7%) below estimate. Medicaid is a joint federal-state program. The federal and state shares of Medicaid expenditures are about 64% and 36%, respectively. Both GRF and non-GRF Medicaid expenditures are funded by the combination of federal and state moneys.

Through November, GRF Medicaid expenditures were $403.3 million below estimate while all-funds expenditures were $260.7 million below estimate.

The Ohio Department of Medicaid (ODM) is primarily responsible for administering Medicaid, with the assistance of five other state agencies – Developmental Disabilities, Job and Family Services, Aging, Health, and Mental Health and Addiction Services. Table 5 details the GRF and non-GRF portions of Medicaid expenditures from each of the six agencies that take part in administering Ohio Medicaid. ODM and the Department of Developmental Disabilities (DDD) account for about 99%

Through November, all-funds expenditures for the ACA Expansion category were $415.4 million above estimate.

of the Medicaid expenditure total. For the first five months of FY 2015, ODM's GRF expenditures were $6.41 billion, $387.5 million (5.7%) below estimate. Across all funds, ODM's year-to-date expenditures were $8.49 billion, $202.4 million (2.3%) below estimate. DDD's GRF and all-funds expenditures were $5.5 million (2.8%) and $59.4 million (6.0%), respectively, below their year-to-date estimates.

Table 6 details all-funds Medicaid expenditures by payment category. As seen from the table, Managed Care had the largest negative year-to-date variance of $175.3 million (3.9%), followed by All Other ($156.7 million, 28.0%), Hospitals ($137.0 million, 27.9%), Behavioral Health ($82.4 million, 20.9%), Administration ($69.3 million, 16.0%), and DDD Services ($52.7 million, 5.5%). These negative variances were partially offset by a positive year-to-date variance of $415.4 million (49.0%) in the ACA Expansion payment category, due to higher than expected caseloads and per person costs. This category contains expenditures for individuals who became eligible for coverage on January 1, 2014 through the federal Patient Protection and Affordable Care Act (ACA). The negative variance in Managed Care was due in part to lower than expected enrollment in the MyCare Ohio program. Lower than anticipated Aged, Blind, and Disabled caseload accounted for the negative variances in the Hospitals and Physicians categories.

Health and Human Services

GRF expenditures from the Health and Human Services program category were $107.5 million for the month of November, $11.4 million (11.9%) above estimate. This program category's year-to-date expenditures of $589.5 million, however, were $48.5 million (7.6%) below estimate. The Ohio Department of Job and Family Services (ODJFS) accounted for $33.4 million (68.9%) of this program category's negative year-to-date variance. Fifteen of ODJFS's 17 GRF appropriation items were below their year-to-date estimates. Items 600535, Early Care and Education, and 600413, Child Care State/Maintenance of Effort, had negative variances of $10.1 million and $5.1 million, respectively. These two items are used to provide payments for publicly funded child care services. Other ODJFS appropriation items with notable negative year-to-date variances include item 600410, TANF State/Maintenance of Effort, at $3.3 million, item 600416, Information Technology Projects, at $3.2 million, and item 600523, Family and Children Services, at $3.2 million.

The Department of Health (DOH) contributed another $6.4 million to the category's negative year-to-date variance. Expenditures from 16 of

DOH's 20 appropriation items were below their year-to-date estimates. The two items with the largest negative year-to-date variances were item 440459, Help Me Grow, at $2.1 million and item 440465, Federally Qualified Health Centers, at $1.3 million.

Year-to-date expenditures from the Ohio Department of Mental Health and Addiction Services were $4.8 million below estimate, of which $3.1 million occurred in appropriation item 335421, Continuum of Care Services. This item distributes subsidies to community alcohol, drug addiction, and mental health services boards to provide behavioral health services.

Justice and Public Protection

GRF expenditures from the Justice and Public Protection program category were $139.1 million for the month of November, $6.5 million (4.9%) above estimate. This program category's year-to-date expenditures of $801.5 million, however, were $35.1 million (4.2%) below estimate. The Department of Rehabilitation and Correction (DRC) accounted for $24.1 million (68.8%) of this program category's negative year-to-date variance. Expenditures from item 505321, Institution Medical Services, were $20.6 million below their year-to-date estimate. This item pays for comprehensive healthcare services at all correctional institutions, and the monthly spending patterns are dependent on the incidence of inmates' needs. Year-to-date expenditures from DRC's main appropriation item 501321, Institutional Operations, were $3.5 million below estimate. In addition to DRC, the Department of Youth Services and the Supreme Court of Ohio contributed $6.4 million and $4.2 million, respectively, to the Justice and Public Protection program category's negative year-to-date variance.

Primary and Secondary Education

GRF expenditures from the Primary and Secondary Education program category were $516.8 million for the month of November, $101.9 million (16.5%) below estimate due largely to timing. As reported in the November issue of *Budget Footnotes*, the November community school and EdChoice scholarship payments were posted against the month of October instead of November in the Ohio Administrative Knowledge System (OAKS), the state's accounting system. As a result, Primary and Secondary Education expenditures had a large positive variance in October and an offsetting negative variance in November. Through November, this program category's expenditures totaled $3.38 billion, $29.3 million (0.9%) above estimate.

Property Tax Reimbursements

Property tax reimbursements totaled $145.9 million for the month of November, $194.8 million (57.2%) below estimate. This was the first negative variance for this program category in FY 2015. Property tax reimbursement payments are made twice per year to school districts and other local governments, one payment based on the February property tax settlement and one based on the August property tax settlement. Funds are disbursed when county auditors request the payments. Many counties requested their payments based on the August 2014 property tax settlement sooner than OBM anticipated, resulting in positive monthly variances from July through October. Through November, FY 2015 property tax reimbursements totaled $906.9 million, $28.0 million (3.2%) above estimate. This positive variance is expected to narrow further in December as all 88 counties had requested and received their payments by the end of November. The total payments for the first half of FY 2015 are expected to be fairly close to estimate.

Prior Year Encumbrances

As of December 1, 2014, outstanding prior year encumbrances totaled $103.1 million.

As reported in the July issue of *Budget Footnotes*, state agencies carried into FY 2015 a total of $422.7 million in encumbered GRF funds that were originally appropriated for fiscal years prior to FY 2015. An agency generally has five months to spend prior year encumbrances for operating expenses. Any unspent operating expense encumbrances will lapse at the end of the five-month period and will become part of the GRF cash balance once OBM cancels the encumbrances. Subject to the approval of the Director of Budget and Management, an agency may carry funds encumbered for purposes other than operating expenses beyond the five-month period. Encumbrances for some grant and aid payments may be carried for several months or even years.

Prior Year GRF Encumbrances by Agency ($ in millions)

Agency	Prior Year Encumbrances as of July 1, 2014	Amount Expended	Outstanding Encumbrances as of December 1, 2014	Amount Lapsed
Education	$151.7	$113.9	$29.9	$7.8
Job & Family Services	$65.8	$37.2	$21.7	$6.9
Development Services	$27.9	$7.2	$17.9	$2.8
Medicaid	$50.3	$30.3	$11.9	$8.1
Regents	$24.6	$13.5	$10.9	$0.2
All Other Agencies	$102.4	$80.1	$10.8	$11.5
Total	**$422.7**	**$282.2**	**$103.1**	**$37.3**

Detail may not sum to total due to rounding.

As shown in the table above, as of December 1, 2014, $282.2 million (66.8%) of the $422.7 million in total encumbrances was expended, $103.1 million was still outstanding, and the remaining $37.3 million lapsed. The Ohio Department of Education (ODE) had the largest share (29.0%) of the total outstanding encumbrances, followed by ODJFS (21.1%), the Development Services Agency (DSA, 17.3%), ODM (11.5%), and the Board of Regents (BOR, 10.6%). Together, these five agencies had $92.3 million (89.5%) of the $103.1 million in total outstanding prior year encumbrances.

Items 200540, Special Education Enhancements, and 200550, Foundation Funding, accounted for $15.2 million (50.8%) and $9.6 million (32.2%), respectively, of ODE's $29.9 million in total outstanding encumbrances as of December 1, 2014. These encumbrances will be used for making any necessary subsidy payment adjustments for county boards of developmental disabilities that provide special education services to school-aged and preschool students and for school foundation payment adjustments.

ODJFS had $21.7 million in outstanding encumbrances as of December 1, 2014. Item 600525, Health Care/Medicaid, accounted for $9.5 million (43.6%) of the total. These funds were originally appropriated in fiscal years prior to FY 2014. Beginning in FY 2014, GRF appropriation item 651525, Medicaid/Health Care Services, within the ODM budget is the main funding source for Medicaid. Two other items within the ODJFS budget that had significant outstanding prior year encumbrances as of December 1, 2014 are item 655522, Medicaid Program Support – Local, at $4.5 million and item 600523, Children and Family Subsidy, at $3.8 million. The majority of the encumbered funds in items 655522 and 600523 were originally appropriated in FY 2014.

As of July 1, 2014, DSA encumbered $27.9 million for expenditures in FY 2015. Five months later, $17.9 million was still outstanding. The vast majority of DSA's outstanding encumbrances were for various economic development grants. Many of these grant programs are operated on a reimbursement basis, under which grantees have to carry out the programs and certify that certain objectives or requirements have been met before they are reimbursed by the state. Depending on the scope of a project, the grantee may not actually receive the award until several years after the award was originally made.

ODM encumbered $23.5 million in item 651525, Medicaid/Health Care Services, and $26.6 million in item 651425, Medicaid Program Support State, for expenditure in FY 2015. As of December 1, 2014,

$7.5 million and $4.4 million were still outstanding in items 651525 and 651425, respectively.

Item 235438, Choose Ohio First Scholarship, accounted for $10.2 million (93.5%) of BOR's $10.9 million in total outstanding encumbrances as of December 1, 2014. These encumbered funds will be used to pay the state's obligations to scholarship recipients.

Issue Updates

OMHAS Announces Funding to Expand Addiction Recovery Housing

– Gregory Craig, Economist, 614-728-3218

On November 7, 2014, the Ohio Department of Mental Health and Addiction Services (OMHAS) announced the awarding of $10 million to expand the state's addiction recovery housing capacity by 657 beds. These awards consist of $5 million appropriated in the FY 2014-FY 2015 mid-biennium review budget bill (MBR), and $5 million appropriated in the FY 2015-FY 2016 capital budget bill. The addiction recovery housing expansion is part of Ohio's ongoing effort to combat the state's high number of opiate overdose deaths. In 2012, a total of 1,914 individuals died of an unintentional drug overdose in Ohio. According to OMHAS, those who seek addiction recovery housing assistance following treatment are more likely to report decreased substance abuse, decreased rates of incarceration, and higher rates of employment and increased income compared with those who did not receive recovery housing care.

Funding priority was given to communities that currently are without recovery housing resources. Summit County will receive the most assistance with funding for 87 recovery beds, followed by Cuyahoga County (53 beds), Lucas County (50 beds), and Butler and Lorain counties (40 beds each). In total, 44 of Ohio's 88 counties have been awarded funds to expand housing. While it is unclear exactly how many recovery beds currently exist in the state, OMHAS plans to create a database of recovery house providers and their contact information. The MBR requires all 53 county behavioral health boards, which oversee treatment and recovery for substance abuse and mental illness at the regional level, to provide recovery housing options by September 2016. OMHAS is currently working with the Ohio Council of Behavioral Health and Family Services Providers to create Ohio Recovery Housing, a nonprofit that will certify and assist recovery housing providers in the state. The state will award any future funding exclusively to recovery houses certified by Ohio Recovery Housing.

OMHAS Awards $3.5 Million to Specialized Dockets

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

As of October 2014, OMHAS has awarded $3.5 million in FY 2015 to 93 specialized dockets in 40 counties that target participants with a drug addiction or dependency. Award amounts range from $8,056 to $50,700 per docket. The awards are to be used by specialized dockets to defray a portion of the annual payroll costs associated with the hiring of one full-time or full-time equivalent specialized docket staff member who has received training for or education in alcohol and other drug addiction, abuse, and recovery. The $3.5 million was part of a $4.4 million earmark in H.B. 483 of the 130th General Assembly. OMHAS anticipates awarding the remaining $900,000 as new specialized dockets become certified by the Supreme Court of Ohio.

Specialized dockets are a group of similar cases inside of a court that use a therapeutically oriented judicial approach to providing supervision and treatment to certain populations based on the type of offense or traits of the offenders. For a docket to be a specialized docket, the court in which the docket resides must have received Supreme Court of Ohio certification. Courts with specialized dockets include adult and juvenile drug courts, mental health courts, reentry courts, DUI and OVI courts, family dependency courts, and veteran's courts. Currently, 46 of Ohio's 88 counties have one or more specialized dockets in operation.

Controlling Board Approves $10.0 Million for Lake Erie and Cuyahoga River Sediment Management Projects

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

On November 17, 2014, the Controlling Board approved $10.0 million in capital funding under the Department of Natural Resource's budget for sediment management projects in Cleveland and Toledo.[5] Of this amount, $7.35 million will be used by the Toledo Lucas County Port Authority for four projects along the western Lake Erie basin intended to demonstrate the feasibility of alternatives to main lake dumping of sediments dredged from shipping channels. Instead of dumping sediments in Lake Erie, these projects will place dredge spoils taken from the Port of Toledo in a brownfield area to demonstrate and evaluate uses of dredged sediments in agriculture and wetlands restoration. The remaining $2.65 million will be used by the Port Authority of Cleveland for two projects. Specifically, $1.20 million will be used for a pilot project demonstrating the effectiveness of stream bed load interception of sediments in the Cuyahoga River and possible commercial use of these sediments. Bed load interception is the process of collecting heavier sediments such as course sand or gravel before they settle in shipping channels. The final $1.45 million will be used to upgrade a confined disposal facility currently used in the management of Cuyahoga River dredge spoils.[6]

[5] H.B. 497, the capital appropriations bill of the 130th General Assembly, appropriated $10.0 million under Fund 7031 appropriation item C725T3, Healthy Lake Erie Initiative, for sediment management projects.

[6] This project will also receive $400,000 from the U.S. Environmental Protection Agency (EPA), for an overall total project cost of approximately $1.85 million.

Public Water Systems Awarded Toxin Testing Grants

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

As of November 21, 2014, the Ohio EPA had awarded $178,994 of the $1 million in available grants to assist public water systems (PWSs) in detecting toxins produced by harmful algal blooms in drinking water. Eighteen PWSs (see table below) were awarded grants ranging from $2,950 to the maximum amount of $10,000 for the costs of approved equipment, supplies, and training for cyanotoxin testing and analysis. A PWS is required to first incur those costs and then request reimbursement from the Ohio EPA. Reimbursements will be paid from the Drinking Water Assistance Fund, which consists of federal grants, revenue bonds, and loan repayments held in trust by the Ohio Water Development Authority.

These grants are part of a larger $154.25 million package of financial assistance that was announced in August by the Ohio Clean Lakes Initiative to address the effects of harmful algal blooms on Ohio's water quality.[7] A priority target of the initiative is making improvements to public infrastructure and farming practices in the 27-county Lake Erie watershed.

Public Water System Grant Recipients by County
As of November 21, 2014

County	Public Water System	County	Public Water System	County	Public Water System
Columbiana	Salem	Huron	Norwalk	Montgomery	Dayton
Coshocton	Echoing Hills		Willard	Muskingum	New Concord
Erie	Huron	Lake	Lake County	Ottawa	Lake Erie Utilities
	Sandusky	Lorain	Avon Lake	Portage	Ravenna
	Vermilion		Lorain	Stark	Alliance
Guernsey	Cambridge	Miami	Piqua	Trumbull	Warren

BOR Receives Seven-Year, $24.5 Million Gear-Up Grant

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

In late September, the Board of Regents (BOR) announced that Ohio was one of several states to receive a Gaining Early Awareness and Readiness for Undergraduate Program (Gear-Up) grant from the U.S. Department of Education. The seven-year,

[7] The Ohio Clean Lakes Initiative is a multiagency program developed in 2012 to implement recommendations of the Agricultural Nutrients and Water Quality Working Group Report issued by the Ohio EPA, the Department of Natural Resources, and the Department of Agriculture. See the September 2014 issue of *Budget Footnotes* for a more complete update on the financial assistance package for the initiative.

$24.5 million grant is designed to assist low-income and first generation college students to prepare for college, raise their academic expectations, stay in school, and take challenging courses. In mid-November, the Controlling Board approved a BOR request to establish an appropriation of $3.2 million in FY 2015 under Fund 3120 appropriation item 235611, Gear-Up Grant, to support the first year of operations under the new grant. One-half of the grant funding will be used to support a comprehensive system of school and community-based services including academic preparation, after-school and summer enrichment services, advising, tutoring, and mentoring in four communities (Parma, Marion, Norwood, and Crooksville) with low college participation and high remediation rates. The other half of the funding will be used to provide scholarships to Gear-Up high school graduates who attend a state college or university. Ohio received its first Gear-Up Grant in FY 2000; Ohio's last Gear-Up Grant ended in FY 2011.

Advisory Board Appointed for Career Advising and Mentoring Grant Program

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

On November 3, 2014, Governor Kasich appointed seven members to the Community Connector Advisory Board who will work alongside the Superintendent of Public Instruction to administrate the Career Advising and Mentoring Grant Program. Created in H.B. 483 of the 130th General Assembly, the Career Advising and Mentoring Grant Program was appropriated $10.0 million in FY 2015 to award competitive matching grants for local networks of volunteers and organizations to provide career advising and mentoring for students in eligible school districts. The program will provide matching grants in amounts of up to three times the funds allocated by local networks. School districts must partner with local networks of community organizations to provide career advising and mentoring services. Criteria for eligible school districts include districts with a high percentage of students in poverty, a high number of students not graduating on time, and other stipulations determined by the Superintendent.

ODOT Selects New Operator to Oversee Freeway Safety Patrol Program

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

On November 1, 2014, a new fleet of 24 freeway safety patrol trucks operated by Autobase, Inc. began providing roadside services under the Freeway Safety Patrol (FSP) Program administered by the Ohio Department of Transportation (ODOT). The goal of the FSP Program is to alleviate congestion and reduce dangers caused by disabled vehicles along busy freeways. The patrol trucks provide stranded motorists around

Akron, Cincinnati, Cleveland, Columbus, Dayton, and Toledo with roadside services such as changing flat tires, jumpstarting dead batteries, replacing broken belts, and replenishing depleted engine fluids. ODOT will pay Autobase at least $3.9 million annually for these roadside assistance services, offered weekdays between 6 a.m. and 7 p.m.[8] ODOT's contract with Autobase extends through June 2017.

The cost to operate the FSP Program is partially offset by income that ODOT receives from an existing sponsorship agreement with State Farm Insurance that began in FY 2015 and is scheduled to run through FY 2024. That agreement requires State Farm Insurance to make annual payments of $850,000 to ODOT for the sponsorship rights for the FSP Program over the first four years, and $875,000 annually thereafter. In exchange, the trucks operated by Autobase bear the State Farm logo. This sponsorship revenue is deposited into the Highway Operating Fund (Fund 7002). Although Fund 7002 primarily receives income from the state motor fuel tax and reimbursements of federal dollars for highway projects, the fund also is the repository for certain other revenues, including fees from businesses that place their logos on signs directing drivers to gas, food, and lodging establishments at or near freeway exits, as well as permit fees and right-of-way leases for the placement of billboards, other roadside advertisements, and structures such as cell phone towers.

Controlling Board Approves Additional Funding for Family Violence Shelter Grants

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

On November 17, 2014, the Controlling Board approved the Department of Public Safety's request for a funding increase of $800,000 for FY 2015 family violence shelter grants. The Board's action increases, from $750,000 to $1.55 million, the amount of funding allocated from the Family Violence Prevention Fund (Fund 5BK0) for such grants. The funding will be distributed evenly among Ohio's 67 eligible shelters, which provide services to all 88 counties. Shelters will use these grants for operating expenses (rent, utilities, equipment, and 24-hour crisis lines) with a portion potentially used as federal grant matching funds.

The revenue in Fund 5BK0 is used primarily to provide grants to family violence shelters and secondarily for operating expenses incurred by the Office of Criminal

[8] ODOT may request additional FSP services for special purposes or events at a slightly higher hourly rate than under the existing base contract.

Justice Services.[9] Its revenue stream consists of fees collected for a certificate of birth or death ($1.50) and the filing of a divorce decree or dissolution ($5.50). Since FY 2010, the total amount of fees collected annually has averaged $1.69 million. Of that amount, 92.6%, or $1.57 million, has been disbursed as grants.

[9] The Office of Criminal Justice Services, a division of the Ohio Department of Public Safety, serves as the lead in criminal justice planning for the state. This role includes the administration of certain state and federal grants addressing crime, domestic and family violence, and public safety.

TRACKING THE ECONOMY

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

– *Gregory Craig, Economist, 614-728-3218*

U.S. employment experienced another significant increase in November (321,000), the highest monthly gain since January 2012, while Ohio unemployment dropped to 5.3% in October, down from 5.6%. Further decreases in gasoline and other energy prices contributed to an unchanged consumer price index, the main indicator for inflation. Four months of dropping prices for gasoline have benefited both consumers and nonenergy producing industries. Increases in most segments of the economy contributed to gross domestic product (GDP) growth in the third quarter, while strong auto sales and an expansion in manufacturing since the end of the third quarter signal continued economic improvement.

November's jobs gain represents the largest single monthly increase since January 2012.

The National Economy

Employment and Unemployment

In November, nonfarm payroll employment nationwide at business establishments increased 321,000, according to initial estimates from the Bureau of Labor Statistics (BLS). This represents the largest single monthly increase since January 2012. November was the tenth consecutive month that employment has increased by 200,000 or more, the longest such period since the 19 months that ended in March 1995. Employment gains were broad based, including strong gains in factory payrolls and professional and business services. Additionally, BLS upwardly revised its estimate of employment gains in September and October. For those two months combined, employment gains were 44,000 more than previously reported.

Over the past six months, the U.S. economy added over 1.5 million jobs, the strongest six-month period since the period between October 2005 and April 2006. The national unemployment rate held steady at 5.8% in November, and has decreased by 1.2 percentage points from 7% one year ago. Average hourly earnings increased by 0.4% in November, the largest such increase since June 2013. Average hourly earnings are up 2.1% over the past year.

Production

A second estimate of real GDP grew at an annual rate of 3.9% in the third quarter of 2014, slightly higher than the previous estimate of 3.5%, according to the Bureau of Economic Analysis (BEA). Real GDP, the value of the production of all goods and services adjusted for price changes, grew in the third quarter due to increases in personal consumption expenditures (2.2%), nonresidential fixed investment (7.1%), federal government spending (9.9%), exports (4.9%), residential fixed investments (2.7%), and state and local spending (0.8%). Personal consumption expenditures have the largest influence on GDP, accounting for more than two-thirds of the total.

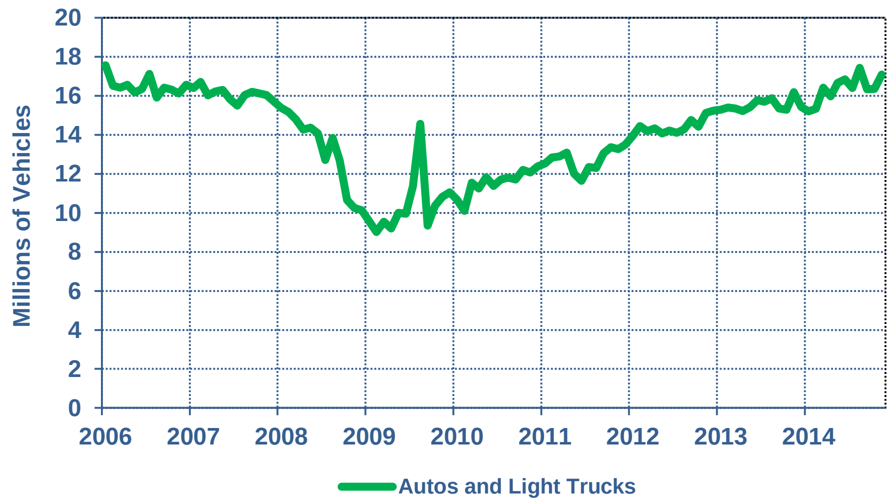
Industrial production (IP) decreased slightly in the latest month, dropping 0.1% in October but remaining 4.0% above its level a year ago. Despite a drop in the Federal Reserve's monthly indexes for both mining (-0.9%) and utilities output (-0.7%) in October, the manufacturing index rose 0.2%, reflecting the current expansion occurring in manufacturing.

Growth in the manufacturing sector continued for the 18th consecutive month, according to the Institute for Supply Management's (ISM) November report based on a survey of manufacturing sector purchasing managers. Increases in new orders and production reflect strong manufacturing demand, noted by respondents in several industries.

Consumer Spending and Personal Incomes

Real consumer spending increased by 0.2% (seasonally adjusted) in October, after being unchanged in September. Year-to-date real consumer spending has grown 1.7%, a little less than growth during the same period in 2013 (2.2%) and 2012 (1.8%). Personal income, in current dollars (not adjusted for inflation), increased at 0.2% in October and September, advancing 4.1% above year-ago levels.

Chart 5: Light Weight Vehicle Sales From 2006 - 2014



Sales of light vehicles in November reached a three-month high, at a seasonally adjusted annualized rate of 17.1 million units. Sales this year of both autos and light trucks are at the highest pace since 2006 (see Chart 5).

Housing

Existing home sales in October continued trending up, rising to a 5.26 million unit annual rate, seasonally adjusted, according to the National Association of Realtors (NAR). October sales of existing single-family homes, townhomes, condominiums, and co-ops were 1.5% higher than September's upwardly revised rate of 5.18 million and 2.5% higher than year-ago levels. Low interest rates, slightly higher levels of inventory, and a strengthening job market have contributed to higher sales levels, according to NAR chief economist, Lawrence Yun. Unsold housing inventory is currently 5.2% higher than October levels in both 2013 and 2012, but is still significantly lower than the October 2011 inventory level (-19.0%).

Low interest rates, slightly higher levels of inventory, and a strengthening job market have contributed to higher home sales levels.

October sales of new residential homes rose to a 458,000 seasonally adjusted annual rate, 0.7% higher than the revised September rate of 455,000. Year-to-date sales were 1.0% higher than total sales of new single-family homes during the same period in 2013.

Housing starts, at a seasonally adjusted annual basis, remained above 1,000,000 in October, dropping only 2.8% to 1,009,000. Housing starts year to date are up 9.6%, driven primarily by increases in housing structures with five or more units (19.6%), rather than single-unit structures (5.3%). Despite the increase, housing starts in 2014 are still well below peak housing starts in 1972 (2,356,600), 1978 (2,020,300), and 2005 (2,068,300).

Inflation

Consumer Prices

The consumer price index (CPI) remained unchanged in October, on a seasonally adjusted basis, according to BLS. Similarly, the 12-month percent change in CPI remained at the same level as August and September's annual percent change (1.7%). October's decrease in the gasoline index (-3.0%), as well as its decrease in the overall energy index (-1.9%), which accounts for gasoline and other fuels, and electricity, offset the October increase in shelter, airline fares, food, medical care commodities, and other indexes. Over the last 4 months, the index for gasoline has dropped 8.3%.

Producer Prices

The producer price index (PPI) for final demand increased 0.2% in October, its first increase since July. The index for final demand services (0.5%) and specifically final demand trade services (1.5%) drove the increase in PPI. Trade indexes measure changes in margins received by wholesalers and retailers. The decline in prices for final demand goods (-0.4%) and final demand energy in particular (-3.0%), partially offset gains made in final demand services.

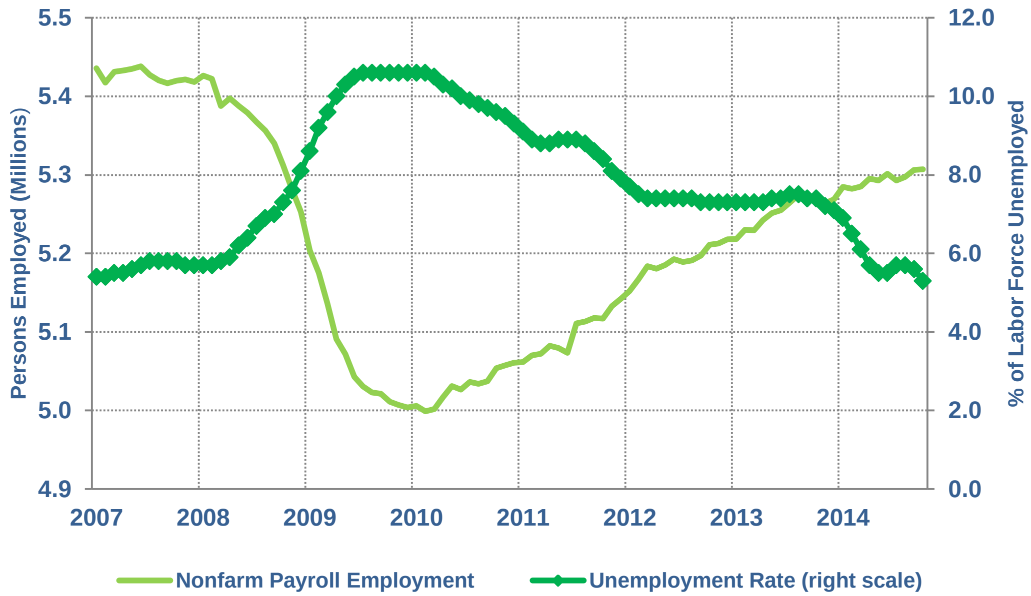
The Ohio Economy

Employment and Unemployment

The number of unemployed Ohio workers has dropped by 119,000 over the past 12 months.

Total nonfarm payroll employment in Ohio increased by 1,000 (0.02%) in October, while the state's rate of unemployed job-seekers dropped to 5.3%, as shown in Chart 6 below. The number of unemployed Ohio workers has dropped by 119,000 over the past 12 months, while nonagricultural wage and salary employment grew 37,600 (0.7%); 42 states and the District of Columbia saw decreases in the unemployment rate over the past year, while 49 states and the District of Columbia experienced gains in nonfarm payroll employment. During the same timeframe, goods-producing industries added 13,500 (1.6%) jobs in Ohio, including 13,700 (2.1%) jobs in manufacturing. Likewise, the private service-providing sector added 26,000 (0.7%) jobs.

Chart 6: Ohio Employment and Unemployment



Home Sales

The number of homes sold in Ohio in October was 7.6% higher than a year earlier, but year-to-date sales were 2.3% lower than in the comparable period in 2013 while the year-to-date average sales price was 4.8% higher than a year earlier, according to the Ohio Association of Realtors.

Regional Economy

The Federal Reserve Bank of Cleveland's most recent report on regional economic activity described a "modest" rate of economic expansion during the past six weeks.[10] The report noted that:

- Sales of new and existing homes varied across the region in the past six weeks, with total home sales showing a slight decline into the fourth quarter. A number of developers did, however, experience an uptick in activity in September and October. Multifamily development (e.g., apartment buildings) remained strong, due in part to strict lending standards for first-time home buyers. Most builders expect overall activity to continue at current levels.

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[10] The Federal Reserve Bank of Cleveland releases the Fourth District Beige Book eight times each year prior to the Federal Open Market Committee (FOMC) meetings. The Federal Reserve Bank of Cleveland's district includes all of Ohio and parts of Kentucky, Pennsylvania, and West Virginia. Information in the latest report was collected on or prior to November 24, 2014.

Shale activity has also spurred demand in manufacturing (particularly steel production) and freight transportation.

- Demand for business credit experienced moderate growth across many sectors, especially in commercial real estate development, multifamily housing, and mergers and acquisitions. Interest rates for business credit generally remained steady.
- Same store retail sales were flat compared with the same period last year. Although spending at many retail outlets increased slightly, consumers were more interested in buying motor vehicles; unit-volume sales of new motor vehicles increased by more than 5% compared to the same period last year. Retailers expect revenues during the holiday shopping season to be slightly higher than last year.
- Activity in the Utica and Marcellus shale formations continued at a high level. Investment was expected by one contact to shift increasingly to Ohio as a result of its supply of wet gas, which commands a price premium. Shale activity has also spurred demand in manufacturing (particularly steel production) and freight transportation.